

Policy squeeze as reinsurers back away from asbestos risk

By [Yvette Essen](#) (Filed: 29/09/2003)

Asbestos risks are being increasingly excluded from reinsurance programmes, leaving insurers to pay for claims directly out of their own pockets.

Axa, one of the UK's largest insurers, attempted to pass on the exclusions to its public liability policyholders, but backtracked after resistance from customers. Insurance casualty manager Steve Browne said: "We did initially intend to provide complete exclusion on public liability asbestos risks as we had no reinsurance from July 1.

"But our customers talked to us and we decided we would withdraw that exclusion pending further analysis." Mr Browne said other insurers are also without cover and Axa is still holding discussions with its reinsurers. "This is a massive issue and a worldwide problem," he said. Some of the world's largest reinsurers are excluding the risks as claims for asbestos-related illnesses show few signs of abating.

This has led US insurers to bump up their asbestos reserves by about \$10 billion so far this year. Earlier this month, Royal & SunAlliance, the biggest public liability insurer in the UK, used £800m of its £960m rights issue to fund spiralling asbestos, environmental and liability claims.

Nicholas Roenneberg, senior executive manager of claims management at Munich Re, said his company excludes risks in most of its public and products liability reinsurance programmes, but in 2004 all "new and current reinsurance programmes will contain asbestos exclusions". A spokesman for Swiss Re said it is also attempting to avoid asbestos exposures where possible.

Royal said it has reinsurance in place but has changed wordings on all its policies to exclude payments to people exposed to asbestos who show no signs of illness. Technical insurance manager Phil Bell said: "We have also made it clear that we do not cover any costs associated with the removal of asbestos."

Axa's exclusions come ahead the new Control of Asbestos at Work legislation which makes owners and occupiers of all commercial premises responsible for assessing whether asbestos exists in their properties. David McIntosh, a senior partner of Davies Arnold Cooper Solicitors, said the rules would only intensify the problem when they come into force next April.

He said there are already an 200,000 estimated companies trading without compulsory employers' liability insurance and this would rise. "When companies have to disclose asbestos in premises, it becomes a consideration they have to tell insurers when their policies are renewed," he said.

"If insurers are not prepared to cover asbestos risks without reinsurance, the consequences could be considerable."