

April 8, 2004

Honorable Patrick J. Leahy
Ranking Democratic Member
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Senator:

As you requested, CBO has estimated the cost of enacting S. 1125, the Fairness in Asbestos Injury Resolution Act of 2003, if it were amended to include the revised award values you specified in the table below. Assuming enactment of S. 1125 in the fall of 2004, CBO estimates that the Asbestos Fund would pay claims totaling \$134 billion over the 2006-2052 period, based on the award values you specified. That is an increase of \$11 billion over CBO's current estimate of such claims under S. 1125 as reported by the Committee on the Judiciary on July 30, 2003.

| Level | Scheduled Condition or Disease | Scheduled Value |
|-------|--------------------------------|--------------------|
| I | Asbestosis/Pleural Disease A | Medical Monitoring |
| II | Mixed Disease With Impairment | \$20,000 |
| III | Asbestosis/Pleural Disease B | \$85,000 |
| IV | Severe Asbestosis | \$400,000 |
| V | Disabling Asbestosis | \$850,000 |
| VI | Other Cancer | \$150,000 |

Continued

| Level | Scheduled Condition or Disease | Scheduled Value |
|-------|----------------------------------|--|
| VII | Lung Cancer One | Smokers: \$25,000-\$75,000; Ex-smokers: \$75,000-\$225,000; Nonsmokers: \$225,000-\$600,000 |
| VIII | Lung Cancer With Pleural Disease | Smokers: \$150,000-\$250,000; Ex-smokers: \$400,000-\$600,000; Nonsmokers: \$600,000-\$1,000,000 |
| IX | Lung Cancer With Asbestosis | Smokers: \$400,000-\$600,000; Ex-smokers: \$600,000-\$1,000,000; Nonsmokers: \$800,000-\$1,000,000 |
| X | Mesothelioma | \$1,000,000 |

For this estimate we assume that there would be no other changes to the bill other than the modified award values. Assuming the award values specified in your request, CBO estimates that the Asbestos Fund could collect sufficient amounts from insurance companies and defendant firms to pay all the eligible claims that it would receive. There is a risk, however, that the actual number of claims received could exceed our estimate or that revenues collected could be less than we estimate. If either event were to occur, the amounts collected could be insufficient to pay all claims, and fund operations might terminate under the provisions of section 404.

I hope this information is helpful to you. If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Lanette J. Walker.

Sincerely,

Douglas Holtz-Eakin
Director

cc: Honorable Orrin G. Hatch
Chairman