Asbestos Injuries Compensation Fund Announces Plans to Propose an Approved Payment Scheme Due to Anticipated Shortfall

The Asbestos Injuries Compensation Fund (AICF) today announced it will seek NSW Supreme Court approval to establish an approved payment scheme for the payment of claims from 1 July 2015, due to an anticipated shortfall in future funding.

Since the formation of AICF in February 2007, AICF has paid almost $800 million in claim settlements and settled almost 4,000 claims. Since its formation, AICF has received approximately $720 million worth of funding from the James Hardie Group including $120 million received on 1 July 2014.

AICF has determined that it is necessary that an approved payment scheme be put in place before a projected shortfall in funding claims, expected to arise in 2017.

Presently, based on advice received from KPMG Actuarial, AICF estimates the net present value of its future claims to be paid over the next 30 years at $1.87 billion. The estimate includes a projected rise in mesothelioma claims, which have grown 20 per cent over the past year.

In addition to funding from the James Hardie Group, the NSW Government and the Commonwealth of Australia made a $320 million commitment to AICF in 2010 to allow the funding of claims payments through drawings under a standby loan facility agreement.

However, one of the provisions under the loan facility signed in 2010 stipulates that the maximum amount that can be lent to AICF is the amount of the potential proceeds of future insurance recoveries that may be available to AICF. By this provision, the loan facility is presently limited to $214 million (as valued by KPMG Actuarial) and is expected to decline as insurance recoveries continue to be realised.

AICF has been in consultation since December 2012 with the NSW Government to increase the loan commitment from $214 million in 2014 to $320 million.

Based on current estimates of future claims and forecast contributions by James Hardie drawn from advice received from KPMG Actuarial, if the loan facility is increased to the original commitment amount of $320 million, AICF presently expects (based on that advice) it can continue to fulfil claims as they fall due without an approved payment scheme and service its loan facility with the NSW Government.

In view of the anticipated cash shortfall in 2017, AICF has sought independent advice from KPMG Actuarial. After extensive modelling, KPMG Actuarial has concluded that AICF may
incur a cash shortfall in 2017 totalling $184 million (and this shortfall is expected to grow in subsequent years), excluding draw-downs from the standby loan facility, which is estimated to be worth approximately $183 million at that time.

This shortfall would occur after the payment of a projected further $500 million worth of claims over the next three years.

After careful consideration, AICF determined that it would be prudent to commence to take steps towards implementing an approved payment scheme, under the legislation and agreements governing AICF, with the approved payment scheme to take effect in relation to the payment of personal asbestos claims from 1 July 2015.

For more information visit www.aicf.org.au.

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