



the **HOTLINE**

AN EXCHANGE OF INFORMATION ON ISSUES AND ACTIONS
AFFECTING AERONAUTICAL REPAIR STATION ASSN. MEMBERS

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ARSA SEEKS SOLUTION TO RISING COSTS OF PRODUCT LIABILITY INSURANCE

As a special service to its members, ARSA in cooperation with Commercial Insurance Alternatives, Inc., has begun a study to determine if it would be feasible to create a captive insurance company to provide coverage in order to protect members in the event of product liability claims.

Complaints from ARSA members have indicated that the industry is experiencing severely problems in securing product liability insurance. When insurance is available, it is often outrageously priced and usually has inadequate limits.

ARSA President Charles Ryan, together with Board Members, Sam Pellegrino and John Downs, met in Washington in early November to explore the scope of this problem and to discuss what might be done to resolve it. As a result of the meeting, President Ryan has circulated a special letter and questionnaire among the membership. Responses to the questionnaire will remain confidential, with only a group summary released. After tabulation of the results of the questionnaire, a determination will be made as to whether or not a financially viable insurance captive can be created.

Captives are not a new phenomenon as there are over fifteen hundred such companies in existence on a worldwide basis. Executive Director Obadal said that, "The purpose of the captive is to, over a period of time stabilize the group's insurance costs and if successful, transform what has in the past been a major operating expense, into a potentially valuable long term asset for the participants."

We hope this program will be a major benefit for those ARSA members eligible to participate in the program.

NEW LIFE FOR PRODUCT LIABILITY BILL

Even though the National Product Liability Act suffered a major setback this spring, the efforts of a few key Senators promise to keep product liability reform on the top of the Congressional agenda.

Senator John Danforth, the Chairman of the Senate Commerce Committee, is drafting a version of product liability reform which includes a "victim's compensation program." This would permit an individual injured by a product to obtain compensation for those injuries without the necessity of filing a product liability suit. In effect, the victim would calculate his "net economic loss", which could not include any damages for pain and suffering or emotional distress, and would then reduce that amount by the amount of worker's compensation which

he received. He would then present that amount to the manufacturer of the product which allegedly caused the injury. If the manufacturer pays that amount, then the victim is foreclosed from instituting a product liability suit. If the manufacturer refused, then the victim can resort to a suit.

To encourage the use of this system, the victim would have a lighter burden of proof if he used the "compensation" system. Conversely, if the manufacturer refused to pay the calculated "net economic loss", and then lost in the subsequent product liability suit, he would be required to pay additional damages and attorney's fees to the victim. The plaintiff would be penalized if he avoided the compensation program and lost the product liability suit.

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MEMBERS SPEAK OUT

We have been telling prospective new members as well as existing members, how we felt they could benefit by joining ARSA. All of these "good things" which we say we can do for you, may seem vague and uncertain and perhaps you have considered such problems not really, "My problems".

Rather than repeat a list of typical items on which we feel ARSA can be effective, we would like to reprint a portion of a letter received from one of our members detailing his experience in a particular issue which was brought to our attention. We quote from his letter:

"We were in the process of expanding our powerplant repair station operations to include crankcase repairs when the FAA put a halt on our operations. They advised us to go through "Engineering" to obtain official approval for such repairs.

However, our region couldn't handle our request for approval because of lack of expertise in this field. In fact, some engineers in our region never heard of welding or repairing of crankcases and even said it would be better if I bought out another business that already had approval for that repair.

That's when I called ARSA. I received your letter about the time I was ready to call my Congressman.

ARSA was on the problem immediately, and in fact, we were cutting through red tape in weeks.... ARSA's persistence in finding us the "right" people in the FAA to deal with won out....We now have our approval.

That's why I think that ARSA is a must for anyone in the repair station business in general aviation. At least, we now have knowledgeable spokesmen on our side to help us form ONE FAA with the same rules and guidelines for everyone.

Thank you again, ARSA, for your consideration and promptness in dealing with this matter." (signed)

George Czarnecki, President
Central Cylinder Service, Inc.
Repair Station No. 312-9

Fred W. Meyer, President of Inventory Locator Service also sent a letter to our office recently, in which he stated; "Given the nature of the industry and what I see coming, as I said to many people, I think that ARSA is probably the most important group to come along in the last ten years, and possibly that I have seen since I have been in this industry."

Thanks Fred, we couldn't have said it better ourselves!

Bob Feeler, Director Technical Affairs

NEW LIFE FOR PRODUCT LIABILITY BILL -
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The measure is far from perfect, but it could be the solution to many of the product liability problems of ARSA members. Including it in a package of product liability reform proposals vastly improves the chances that a reform measure will pass the Congress. In addition, the concept of "net economic loss" will vastly reduce the amount of claims, which frequently bear little relationship to the actual damages suffered. With these "catastrophic" claims reduced, the exposure of ARSA members is reduced, and product liability premiums should fall.

ARSA staff will continue to monitor the progress of this measure, and will offer more suggestions for amendments and improvements.

Jack O'Leary, ARSA Counsel
