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FEB 21 1969

Mr. Graham Watts
 Senior Vice President
 The Globe Indemnity Company
 The Royal Indemnity Company
 150 William Street
 New York City, New York 10038

BEST COPY AVAILABLE

Dear Mr. Watts:

I am writing with reference to the Indemnity Agreement with the Atomic Energy Commission (AEC) (Contract No. AT(49-1)-615) supporting the Globe Indemnity Company and Royal Indemnity Company insurance policies covering the operations conducted by the Regents of the University of California and the University of Chicago under contracts with the AEC. Under the Indemnity Agreement, a collateral fund in the amount of \$6 million is held by Globe and Royal as security for AEC's obligation to indemnify Globe or Royal to the extent excess losses and excess allocated claim expenses are incurred under the insurance policies.

This Agreement has been in effect for eighteen years and during that time Globe-Royal has had no need to resort to this fund. In fact, since the original collateral funds were set up during the Manhattan Engineer District days, there has never been an occasion for an insurer to resort to these funds.

In 1957 the Atomic Energy Act was amended to provide financial protection in the case of a nuclear incident. Since that time, AEC has entered into indemnity agreements with the University of California and the University of Chicago covering the operations involved in the Indemnity Agreement; \$500 million of financial protection in the case of a nuclear incident is provided.

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Mr. Graham Watts

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Furthermore, our twenty-five years' experience with Workmen's Compensation and General Liability (including automobile) for all our contractors has been excellent and has paralleled the experience of the contracts your companies have covered.

In view of the above, we believe this collateral fund is no longer necessary and would like to arrange to have it returned to AEC prior to June 30, 1969. We recognize that excess losses can occur under these policies, especially from causes other than a nuclear incident. If the return of this collateral fund can be arranged, we would be willing to amend the Indemnity Agreement to provide a substitute, mutually acceptable, means for prompt payment by AEC of any such excess losses.

The University of California and the University of Chicago are being notified of this request and Mr. Leslie Spalding, Chief of our Insurance Section, will discuss this matter with you further. We would very much appreciate receiving your reply at your earliest convenience.

Sincerely,

(Signed) R. E. Hollingsworth

General Manager

bcc: GM (2)
AGMRD
SECY (2)
OGC
Controller
Accounting Reading File
Mr. Campbell

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