

HALLIBURTON

<< PREV 10 1 **2** 3 4 5 6 7 8 9 10 NEXT 7 >>

The claims reported above at December 31, 2001 include approximately 125,000 Harbison-Walker refractory related claims that name Dresser Industries, Inc. as a defendant. These claims were added to the open claim total during the fourth quarter.

We manage asbestos claims to achieve settlements of valid claims for reasonable amounts. When that is not possible, we contest claims in court. Since 1976 we have closed approximately 200,500 claims through settlements and court proceedings at a total cost of approximately \$150 million. We have received or expect to receive from our insurers all but approximately \$40 million of this cost, resulting in an average net cost per closed claim of less than \$200.

Reserves for asbestos claims. We have accrued reserves for our estimate of our liability for known open asbestos claims. We have not accrued reserves for unknown claims that may be filed against us in the future. Our estimate of the cost of resolving open claims is based on our historical litigation experience on closed claims, completed settlements and our estimate of amounts we will recover from insurance companies. Our estimate of recoveries from insurance companies with which we have coverage-in-place agreements is based on those agreements. In those instances in which agreements are still in negotiation or in litigation, our estimate is based on our expectation of our ultimate recovery from insurance companies. We believe that the insurance companies with which we have signed agreements will be able to meet their obligations under these agreements for the amounts due to us. A summary of our reserves for open claims and corresponding insurance recoveries is as follows:

December 31		
Millions of dollars	2001	2000
Asbestos litigation claims	\$ 737	\$80
Estimated insurance recoveries:		
Highlands Insurance Company	(45)	(39)
Other insurance carriers	(567)	(12)
Insurance for asbestos litigation claims	(612)	(51)
Net liability for known open asbestos claims	\$ 125	\$29

These insurance receivables and reserves are included in noncurrent assets and liabilities due to the extended time periods involved to settle claims.

In addition to these asbestos reserves, our accounts receivable include \$35 million we expect to collect from Highlands Insurance Company for settlements and defense costs we have already incurred for construction asbestos claims. If we are ultimately unsuccessful in the Highlands litigation, we will be unable to collect this \$35 million as well as the \$45 million estimated recovery from Highlands included in our asbestos reserves summarized above. If this occurs, it may have a material adverse impact on the results of our operations and our financial position at that time.

Accounts receivable for billings to other insurance companies for payments made on asbestos claims were \$18 million at December 31, 2001 and \$13 million at December 31, 2000.

We have not accrued reserves for unknown claims that may be asserted against us in the future. We have not had sufficient information to make a reasonable estimate of future claims. However, we recently retained a leading claim evaluation firm to assist us in making an estimate of our potential liability for asbestos claims that may be asserted against us in the future. When the evaluation firm's analysis is completed it is likely that we will accrue a material liability for future claims that may be asserted against us. We expect the analysis will be completed during the second quarter of 2002 and that we will accrue the liability at the end of the quarter. At the same time we will accrue a receivable for related insurance proceeds we expect to collect when future claims are actually paid.

The uncertainties of asbestos claim litigation and resolution of the litigation with insurance companies described above make it difficult to accurately predict the results of the ultimate resolution of asbestos claims. That uncertainty is increased by the possibility of adverse court rulings or new legislation affecting asbestos claim litigation or the settlement process. Subject to these uncertainties and based on our experience defending asbestos claims and our estimate of amounts we will recover from insurance, we believe that the open asbestos claims pending against us will be resolved without a material adverse effect on our financial position or the results of our operations.

Fort Ord litigation. Brown & Root Services, now operating as Kellogg Brown & Root, has been a defendant in civil litigation pending in federal court in Sacramento, California. The lawsuit alleges

Home
Financial Highlights
Letter to Shareholders
Real Time Story
>> Financials
Management's Discussion and Analysis
Responsibility for Financial Reporting
Report of Independent Public Accountants
Consolidated Statements of Income
Consolidated Balance Sheets
Consolidated Statements of Shareholder's Equity
Consolidated Statements of Cash Flows
> Notes to Annual Financial Statements
Selected Financial Data (Unaudited)
Quarterly Data and Market Price Information (Unaudited)
Corporate Information

that Brown & Root Services violated provisions of the False Claims Act while performing work for the United States Army at Fort Ord in California. This lawsuit was filed by a former employee in 1997. On February 8, 2002, this lawsuit and a related grand jury investigation were settled. Kellogg Brown & Root made a \$2 million payment to the United States government and paid the former employee's legal expenses. Kellogg Brown & Root denied wrongdoing and did not admit liability. The United States agreed to suspend further investigation and forgo any further sanctions with regard to the Ft. Ord contract. Kellogg Brown & Root's ability to perform further work for the United States government has not been impaired.

[<< BACK](#) [NEXT >>](#)