

RESTRICTED

Mr. Mark von Lillienkskiold
Finance Manager
C.A. Cigarrera Bigott, Sucs
Apartado 186 - Caracas 101-A
Venezuela

Handed to him
19/4/88 during his
visit to the UK.

18th April 1988

Copy of
this letter +
Lillienkskiold's
letter of 4/4 to
David Bishop,
Finance Adv'r
Millbank
on 19/4/88

Dear Mark,

GENERAL LIABILITY INSURANCE POLICY NO. 7-CA-3144
PUBLIC AND PRODUCTS LIABILITY ARRANGEMENTS

Thank you for your letter dated 4th April, the copy of the policy, supplementary clauses and general conditions. I did appreciate the English translation of the product liability clause.

With regard to products liability insurance, the UK philosophy is that there be no product liability coverage. This stems from the view that no risk to health is admitted by the Tobacco Industry, and therefore no need for insurance is perceived.

Any liability which arises in respect of a defective product outside the 'health risk' aspects does represent a hazard and a risk. Liability could be incurred in respect of our products causing, for example, fire damage to clothing, furniture and the like. If no products liability coverage is put in place, such a contingency would not be insured, and the operating company would need to make any appropriate settlement accepting that as an 'uninsured loss'.

Having said that, some B.A.T subsidiaries and associated companies do have products liability coverage although some have the 'health risk' excluded.

The Company does not wish to be seen to be purchasing product liability coverage (inclusive health risk) as it could be interpreted that the arrangement of such cover was an indication that we accepted that there was a potential defect which may give rise to claims for 'health risks' - which we do not.

Any claim put to C.A. Cigarrera Bigott by a third party in respect of 'health risks' would be dealt with and defended in line with Group policy. Even though your insurance policy embraces, on the face of it, products liability coverage for the tobacco products inclusively 'health risk' this is a form of indemnification which the Company would pursue with those insurers.

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