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A service of Semiconductor Business News, CMP Media Inc.
 Story posted at 10:30 a.m. EDT/7:30 a.m. PDT, 5/8/97

Taiwan's Winbond seeks \$266 million in fab fire suit

By Mark LaPedus

TAIPEI, Taiwan -- Winbond Electronics Corp. has filed suit against five local insurance companies for inadequate settlement payments concerning damages caused by a major fire in its new 8-inch wafer fab last October.

The suit, filed by Winbond in the Taipei District Court, said the Hsinchu-based IC company was seeking \$266 million in claims from its insurance companies after a fire nearly destroyed its fab. Winbond said the five insurance companies have acted in bad faith, alleging they are only willing to settle for a total of \$90 million for the damages.

"It is regrettable that Winbond was pressed to resort to legal action," according to a statement issued by the Taiwan chip maker. "However, it has been revealed that the co-insurers have stepped up its activities in disclaiming insurers' liability and coverage without elaborating on a specific explanation."

The insurance companies involved in the case denied they have acted in bad faith, and said they have fulfilled the obligations of their original contracts. Winbond filed the suit against Tai Ping Insurance Co. Ltd., the lead insurance company in the case, as well as Central Insurance Co. Ltd., Fubon Insurance Co. Ltd., Mingtai Fire and Marine Insurance Co. Ltd., and Shin Kong Insurance Co. Ltd.

Last October, a fire broke out at Winbond's newly-completed, 8-inch fab, causing extensive damage and production delays for several months. The total damages in the fab were estimated to be between \$80 million to \$100 million. The fire, of unknown origin, broke out in Winbond's new Fab III plant, an 8-inch facility that was in the pilot run stages, and originally supposed to go into production by the first quarter of 1997.

The incident comes at a bad time for Winbond. Citing a downturn in its core SRAM business, Winbond recently reported a pre-tax profits of \$79.6 million in 1996, a 76% drop in the like period in 1995. Sales in 1996 were \$433 million, down 35% from the \$667.4 million in 1995.

Winbond has made a stronger push into non-SRAM products, such as flash memories, communication ICs, I/O chips, embedded processors, and others.

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