Insurance – State Intervention

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OECD/NEA Workshop
Nuclear damages, liability issues and compensation schemes
Nuclear Insurance in Context

- Material Damage
- Business Interruption
- Third Party Liability

only third party liability cover is mandatory
## Proposed Changes To Third Party Liability - UK

<table>
<thead>
<tr>
<th>£1200m</th>
<th>€500m (2\textsuperscript{nd} tier)</th>
<th>€700m (1\textsuperscript{st} tier)</th>
<th>Current operator liability (£140m)</th>
<th>PD</th>
<th>PI 10 yrs</th>
<th>PI 10-30 yrs</th>
<th>Economic loss</th>
<th>Cost of measures of reinstatement</th>
<th>Loss of income</th>
<th>Preventive measures</th>
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# Proposed cover from most Contracting Party nuclear insurance pools

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### Proposed Cover from the UK Nuclear Insurance Pool

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- **PD**: Preventive measures
- **PI 10 yrs**: PI 10 years
- **PI 10-30 yrs**: PI 10-30 years
- **Economic loss**: Cost of measures of reinstatement
- **Loss of income**: Preventive measures
Rationale for Government intervention

If no market solution(s) then governments have a choice:

• Don’t ratify the changes to the Conventions; or

• Ratify but don’t impose on operators the liabilities where commercial cover is unavailable. Government would retain these liabilities.

Neither of these outcomes would be desirable
UK Government Position

- Government will consider providing cover for personal injury claims in the 10 to 30 year window
- Cover is provided up to a limit
- Preference to reinsure the insurance market
- Pricing must be commercial and incentivise the market to take over the risk asap
- Commercial premium calculated on conservative assumptions, given lack of actual claims data
Pricing Methodology

The insurance premium charged to cover a risk is made up of:

• the “risk premium” - the frequency and severity of the relevant event occurring

• the cost of capital required to cover the insurance; and

• other factors (e.g. administrative costs, claims handling, profits, etc.)
Next steps

• Publish pricing methodology and refine during 2014
• Work with other CPs to establish a common approach
• Confirm reinsurance model the right approach
• Draft reinsurance contract and agree with insurers, and include a clear exit strategy
• Need to clarify State Aid position with the Commission