Mutual insurance mechanism:
an operator’s perspective

Session III:
Insurance and alternative forms of financial securities

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CONTENTS OF THE PRESENTATION

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- Characteristics of nuclear
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- Operator’s perspective on nuclear insurance
- Operator’s perspective on mutuals
TEOLLISUUDEN VOIMA OYJ (TVO)

Company
• established in 1969
• produces electricity to its shareholders at cost price

Existing Nuclear Power Plant Units (Olkiluoto 1 and 2)
• 2 x 860 MW, BWR, Westinghouse Atom
• Commercial operation started in 1979 and 1982
• Modernization and upgrade in several stages from 660 to 860 MW
• Capacity factors rank in the global top

New Nuclear Power Plant Unit (Olkiluoto 3) under construction
• 1 x 1,600 MW, PWR, Areva-Siemens consortium

Subsidiaries
• Posiva Oy (60 %) responsible for the final disposal of spent fuel produced by its shareholders (TVO and Fortum)
• TVO Nuclear Services Oy (100 %), know-how consulting
CHARACTERISTICS OF NUCLEAR

• No nuclear without public and political acceptance
• Safety and risk issues: challenge to communicate understandably and rationally to the public
• Long life time
• Capital intensive with great economic interests
• Highly regulated
• Many nuclear related services and purchases carry a "nuclear multiplier"
OPERATOR’S ROLE AND PERSPECTIVE

• An operator is an operator of a *power plant*.

• The aim and purpose of an operator is to produce electricity *safely and economically*. Cannot separate the two from one another:
  → there is no safety without economics and no economics without safety.

• An operator of an NPP has many statutory duties, such as the duty to insure (or *otherwise provide a financial security*) against third party nuclear damage.
OPERATOR’S PERSPECTIVE ON NUCLEAR INSURANCE

- No real sources of nuclear insurance in the insurance market (may be minor exceptions).

- Majority of the nuclear insurance capacity comes from the national nuclear insurance pools. Separate capacity for Material damage and Third party liability.

- Statutory nuclear insurance (TPL) is a condition for the operator’s Operating License.
OPERATOR’S PERSPECTIVE ON MUTUALS

- Mutuals provide an alternative and additional capacity source
- In principle, the existence of an alternative is always good
- The operator has a share in the capital accrued in a mutual
- Insurance premiums to the mutuals are part of the cost of managing the risks
- Risk management, risk assessment and liability capping important
- Mutuals may provide a vehicle for the uninsurable "holes" in the Paris Convention Revision
THANK YOU