

Insurance – State Intervention

Roh Hathlia, OND, DECC

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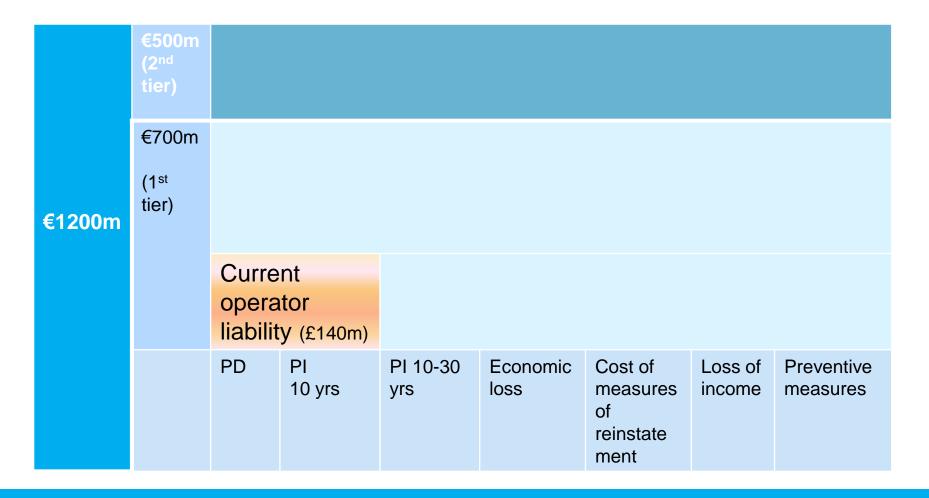
Nuclear Insurance in Context

- Material Damage
- Business Interruption
- Third Party Liability

only third party liability cover is mandatory

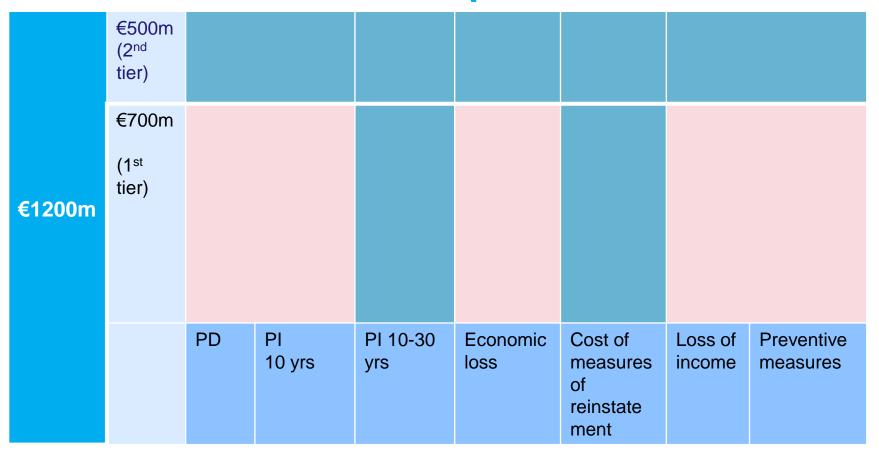


Proposed Changes To Third Party Liability - UK



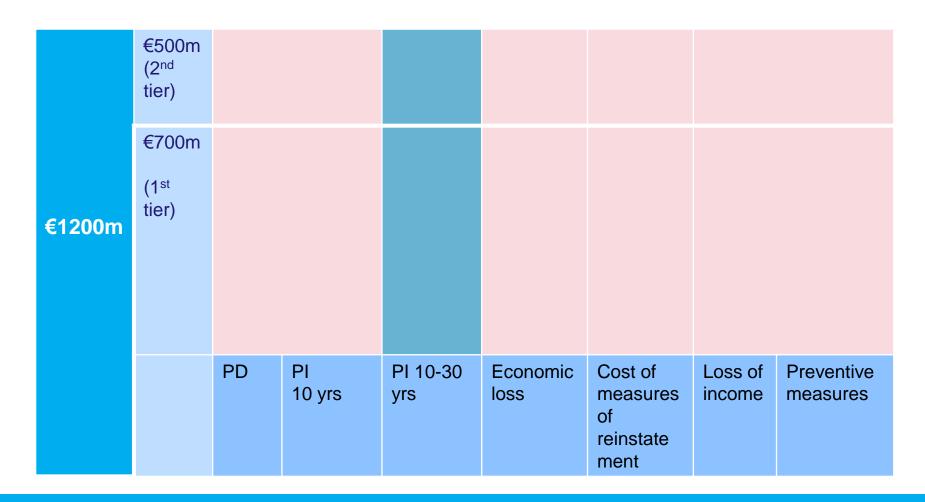


Proposed cover from most Contracting Party nuclear insurance pools





Proposed Cover from the UK Nuclear Insurance Pool





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