

Mutual insurance mechanism:
an operator's perspective

**Session III:
Insurance and alternative forms of financial
securities**

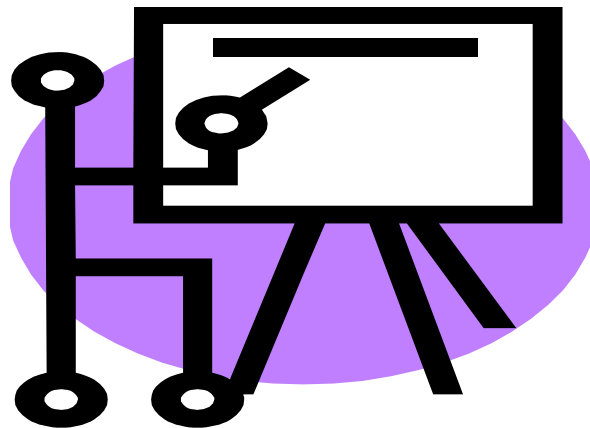
**OECD/NEA Workshop on Nuclear damage,
liability issues and compensation schemes**

**Day 2
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CONTENTS OF THE PRESENTATION

- TVO on one slide, Olkiluoto on another
- Characteristics of nuclear
- Operator's role and perspective
- 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*.

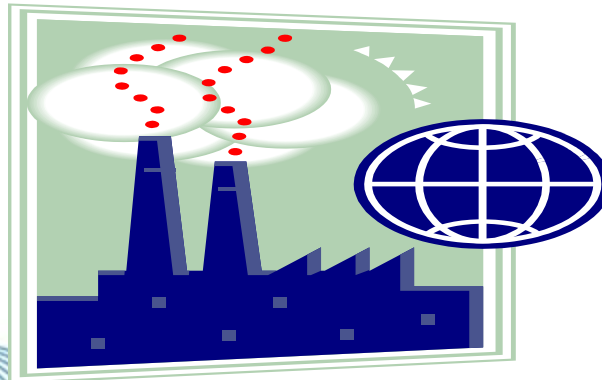
Cannot separate the two from one another:

→ 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.

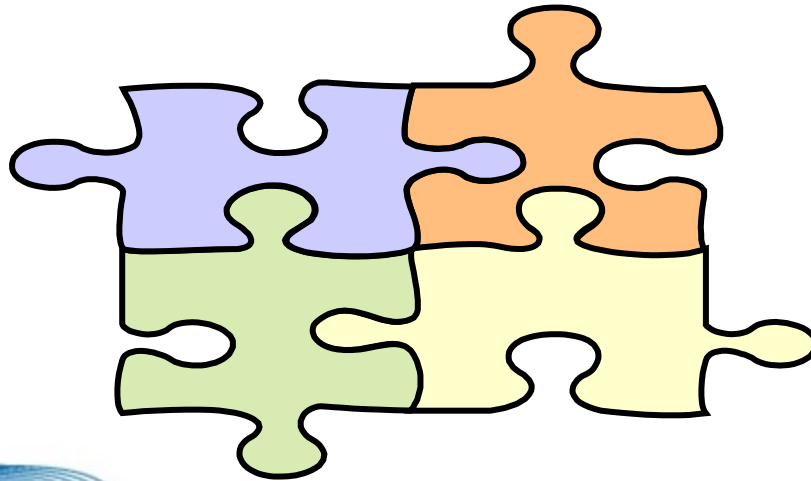
OPERATOR'S PERSPECTIVE ON NUCLEAR INSURANCE

- 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





TVO

THANK YOU