



Department
of Energy &
Climate Change

Insurance – State Intervention

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

€1200m	€500m (2 nd tier)							
	€700m (1 st tier)							
		Current operator liability (£140m)						
		PD	PI 10 yrs	PI 10-30 yrs	Economic loss	Cost of measures of reinstatement	Loss of income	Preventive measures



Proposed cover from most Contracting Party nuclear insurance pools

€1200m	€500m (2 nd tier)							
	€700m (1 st tier)							
		PD	PI 10 yrs	PI 10-30 yrs	Economic loss	Cost of measures of reinstatement	Loss of income	Preventive measures



Proposed Cover from the UK Nuclear Insurance Pool

€1200m	€500m (2 nd tier)							
	€700m (1 st tier)							
		PD	PI 10 yrs	PI 10-30 yrs	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