



# INSURANCE MARKET AND FINANCIAL COVERAGE FOR NUCLEAR THIRD PARTY RISKS

An Industry perspective

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***Detailed version***

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# CONTENT

1. Safety first
2. Which Risks must be covered ?
3. Which solutions to cover Nuclear Third Party obligations ?
4. Which sustainable amount of financial security could be demanded ?
5. Conclusions

# SAFETY FIRST

- It is not only about insurance and money, it is much more : ethics, protection of citizens and public acceptance of nuclear
- This principle means nuclear operators must act responsibly at all times and nuclear safety authorities must be independent and apply stringent oversight
- Therefore, absolute priority is to be given to safety, prevention foremost but reinforced by mitigation measures (through adequate processes : “State of the Art”)
- After Fukushima, “stress tests” have been implemented throughout the EU and heavy investments are planned to further improve the nuclear safety : this should be taken into account
- For instance, the use of radioactive caesium filters can reduce releases – outside of the reactor - of this substance by 100 to 1.000. Radioactive caesium being the substance which triggers long term contamination, the cost of a related nuclear accident would be reduced by approximately the same factor
- An ENEF group is working on the cost of nuclear accidents and will present shortly its conclusions

# WHICH RISKS MUST BE COVERED ?

- The 2004 Paris Protocol had been negotiated for many years among the Member States
- In insurance (\*), there are two kind of covers : “all risks” and “perils denominated”
- In our case, “All revised Paris Convention risks” cover must be the rule :
  - Who could imagine that victims could not be indemnified because of an exclusion of the insurance policy of a nuclear operator !
  - There had been too few nuclear accidents to know precisely the pattern of damages => select some kind of damages only would be very hazardous !
- In addition, Government bodies should be allowed to complement the insurance(\*) market whenever needed, in return for an appropriate risk premium

*(\*) In all the presentation, insurance means insurance backed by reinsurance*

# WHICH SOLUTIONS TO COVER NUCLEAR THIRD PARTY OBLIGATIONS ?

- To cover nuclear third party obligations in Europe, traditional insurance and national nuclear insurance pools which also have the necessary capability to manage claims are in practice the only workable solutions
- I remind the definition of the EC questionnaire : traditional insurance = by one insurance company, offering cover against a premium, whoever its owner is(are) : private shareholder(s), one or several operators,...
- Traditional insurance is highly regulated in Europe (Solvency II)
- Mandatory operators' pools are not appropriate in the European case :
  - countries with few operator(s) are ill-suited to this kind of financial security
  - legal obstacles do exist in some countries (for example Germany)
  - moreover, operational environment (legal, economic and social) varies according to the Member States
- On the contrary, voluntarily mutualisation of risks, either through mutual reinsurance among national insurers' pools, or through insurance mutual companies can be used
- To ensure availability and suitability of insurance going forward, nuclear operators will have to continue to make an optimal use of a variety of insurance solutions complying with Solvency II rules (*Solvency I until 31.12.2015*)
- Competition between insurance providers is paramount to guarantee coverage at an optimized cost for the operator and hence the end customer
- In advance on the next slide, this implies that the amount of financial security demanded must be less than the total of available capacity !

# WHICH SUSTAINABLE AMOUNT OF FINANCIAL SECURITY COULD BE DEMANDED ?

- Nuclear risk represents a minor share of the insurers' overall portfolios and the insurance market is well known for its volatility
- I will give two examples :
  - in 1999, France Telecom received 150 MFF for aerial lines and the capacity vanished afterwards
  - at the end of 2001, terrorism cover shrunk so much that the States had to step in (for instance, French GAREAT pool, in force until today ! )
- Other illustration : obtaining long term agreements for insurance remains a challenge for nuclear operators (example for nuclear damage : 3 years rejected because an insurer not able to commit from the start over such a period)
- Therefore, any insurance solution needs to be sustainable, meaning that the capacity would still be available after significant losses, be guaranteed at each (yearly or biyearly) renewal and will last during all the operator's period of responsibility (30 years under the revised Paris Convention )
- Given the above, the revised Paris Convention amounts represent a good target :
  - to obtain such amounts everywhere in Europe for all revised Paris Convention heads of damages remains a challenge (in some areas, a single event may theoretically hit two operators, meaning a need for twice the amount)
  - Such amounts are commensurate with the capacity the insurance market usually provides for third party liability cover of other lines of business (such as dams, thermal plants, oil and gas, chemistry, pharmacy,...)

# CONCLUSIONS

- First of all, any EU initiative should remain within the scope of the Article 98 of the Euratom treaty and should be consistent with the existing international treaties
- Paris Convention principles (especially “channelling” and limited liability) are key to accessing the insurance market and to cover efficiently the operator liability
- The amount really guaranteed to the victims is the one of the financial security, not the one of the liability !
- Cover must be obtained for all the heads of damages as defined in the revised Paris Convention
- The revised Paris Convention amounts are commensurate with the capacity that the insurance market provides for third party liability of many other lines of business
- National and international studies tend to show that the costs of accidents characterized by controlled, differed and filtered releases, without long-term contamination, are on a par with the amounts available under the revised Paris and Brussels Conventions
- We think that, given the stress tests and the measures taken afterwards, this is the right amount to take into account

***Any much higher limits would be incompletely covered, unsustainable, unnecessary and unfair for the nuclear industry***