

**AN** AMERICAN  
NUCLEAR  
INSURERS



**Insuring The Future of Nuclear Power**  
**w o r l d w i d e**





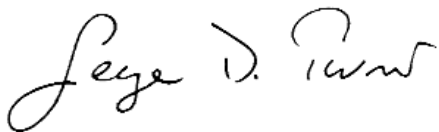
# Over the past fifty years,

nuclear energy has proven to be a safe and reliable power source that has made a significant contribution to the world's energy supply. Indeed, one-sixth of the world's electric power is generated by nuclear energy. In the United States, nuclear power represents about 20% of total electric generating capacity — second only to coal.

Through the years, the nuclear industry has achieved an impressive safety record. As insurers, we can be proud of the role we have played in supporting the nuclear industry.

Even with our unprecedented success in conservation and alternative energy sources, new electric power plants will be essential to our nation's continued economic growth and leadership position in the world. If we are serious about reducing global emissions and maintaining the integrity of the environment, nuclear power will be an important part of our energy future.

American Nuclear Insurers was formed to provide insurance for the world-wide nuclear industry in 1956. We have consistently achieved outstanding results for our member companies. I encourage you to take advantage of the business opportunities that membership in ANI provides.



George D. Turner

*President & Chief Executive Officer*

American Nuclear Insurers

## THE ORIGINS OF ANI

In 1957, the U.S. Congress enacted the Price-Anderson Act as an amendment to the Atomic Energy Act of 1954. Its purpose was to encourage the commercial development of nuclear energy and to establish a framework for handling potential liability claims.

The Act requires the operators of nuclear power plants to provide financial protection against public liability caused by a nuclear incident. The amount of financial protection required by the Act is equal to the maximum liability insurance available from private insurance sources.

At the same time, Congress encouraged the insurance industry to develop a means by which power plant operators could meet their financial protection responsibilities. This would, in turn, assist in the commercial development of the nuclear industry.

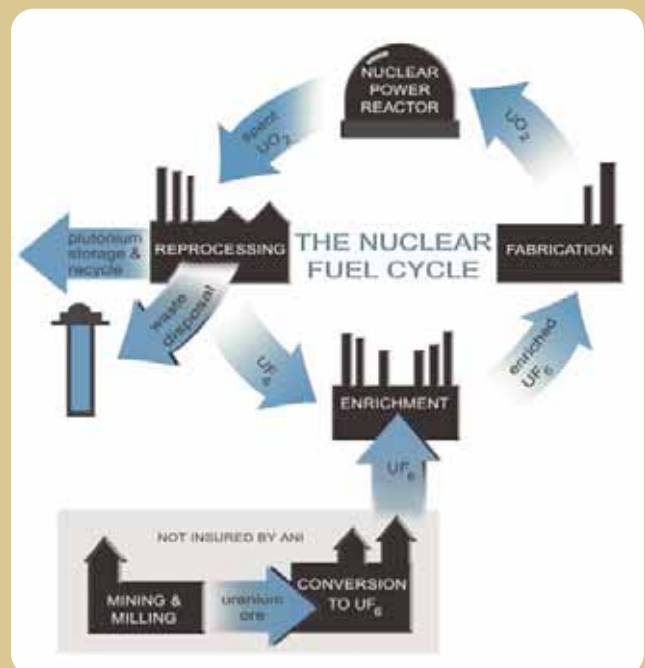
Insurers rose to the occasion, and stock insurance companies created what became American Nuclear Insurers (ANI), to respond to the needs of a then-fledgling nuclear industry.

The pooling concept provides a mechanism to amass the large amounts of insurance capacity needed to insure the nuclear risk, and to spread the risk of a relatively small number of exposure units over a large number of insurance companies.

### Types of Risks Insured

ANI insures a broad array of nuclear facilities and suppliers of products and services to such facilities. The risks we insure are associated with the nuclear fuel cycle, and include:

- Nuclear power plants that supply electricity for general consumption
- Nuclear test and research reactors used by industry, medicine and academia for scientific investigation and development
- Fabricators of nuclear fuel for use in nuclear reactors
- Low-level nuclear waste management and disposal facilities
- Shippers and transporters of nuclear material
- Suppliers of nuclear-related products and services





**ANI'S MEMBERS** include many of the largest insurance companies in the United States. In addition, through quota-share reinsurance agreements with foreign nuclear insurance pools and mutual insurers around the world, we can provide our insureds with significant levels of insurance protection. Our reinsurers include Nuclear Electric Insurance Limited (NEIL), a U.S. utility mutual that reinsures a significant portion of the liability program. Please see the *Sources of Capacity* exhibit (back cover pocket) for a graphic presentation of our various capacity providers.

### **Membership Criteria**

Membership in ANI offers sound opportunities for financial rewards. To take advantage of these opportunities, a prospective member must meet the following criteria and participation guidelines:

- A license to write property/casualty business in at least one jurisdiction in the United States
- A.M. Best rating of "A-" or better
- A policyholder's surplus (PHS) of at least \$100 million
- Unqualified, audited financial statements for the latest financial reporting period
- No more than 10% of PHS committed to ANI's Domestic Syndicate

## ABOUT OUR OPERATIONS

ANI is a joint underwriting association that acts on behalf of member companies. We directly write nuclear liability insurance for nuclear facilities in the United States, and assume reinsurance shares on nuclear business written by other nuclear pools and mutual insurers throughout the world.

We operate two underwriting syndicates, domestic and foreign. Both have provided member companies with outstanding returns. A member must participate in the Domestic Syndicate in order to participate in the Foreign Syndicate.

ANI's operating income is distributed to members based on their percentage of participation in each of the syndicates.

### Domestic Syndicate

The Domestic Syndicate offers third-party nuclear liability insurance to domestic operators of nuclear power reactors, nuclear fuel fabrication facilities, waste disposal and other nuclear facilities. It also writes nuclear liability insurance for suppliers of products or services (including transportation services), to these facilities. For the maximum primary-liability policy limit currently available for each site or supplier activity, please refer to the *Domestic Syndicate Facts & Figures* exhibit in the back cover pocket.

The Syndicate also provides additional capacity for use as a contingent liability limit under a secondary financial protection program for operators of nuclear power plants. Liability program results have been very positive.

As indicated on the *Domestic Syndicate Facts & Figures* exhibit, this Syndicate also reinsures a significant portion of NEIL's nuclear property program, which provides property insurance for all operating power reactors in the U.S. ANI assumes an excess of

loss reinsurance share of the NEIL program. This arrangement has proven quite profitable to the membership in terms of both income and spread of risk.

### Foreign Syndicate

The Foreign Syndicate provides reinsurance to foreign nuclear pools for placement at nuclear facilities overseas and in Canada and Mexico. Reinsurance is assumed on a facultative basis except in Japan, where third party liability business is assumed under a quota share treaty. Additionally, property reinsurance is assumed from the European Mutual Association for Nuclear Insurance (EMANI), a European mutual insurer similar to NEIL, under an excess of loss treaty program. The Syndicate also writes direct liability coverage for U.S. suppliers of products or services to foreign nuclear facilities.

The Foreign Syndicate typically contributes more than 40% of ANI's total operating results, making it a very attractive business opportunity for ANI's member companies.



## ABOUT OUR LIABILITY COVERAGES

The **Facility Form Policy** is issued to owners or operators of nuclear facilities. Coverage is strictly limited to liability for bodily injury or offsite property damage caused by nuclear material at the defined location, or while in transit to or from the defined location. With minor exceptions, no coverage is afforded for damage to any property onsite.

The policy excludes coverage for workers compensation and employers' liability. These exclusions are intended to dovetail with the coverage available in the conventional market for WC and EL exposures. The policy also excludes coverage for radiation-related tort claims of workers (provided under the Facility Worker Form described below).

The Facility Form Policy is purchased by all commercial nuclear power plant operators in the United States, and satisfies the Price-Anderson Act requirement for primary financial protection. It is also purchased by operators of several other types of nuclear facilities. Please refer to the *Domestic Syndicate Facts & Figures* exhibit for the current maximum limit written under this form.

The **Facility Worker Form Policy**, which satisfies Price-Anderson requirements as well, covers radiation tort claims of workers at nuclear facilities insured by ANI. This is an industry-wide program subject to a single industry aggregate—see the *Domestic Syndicate Facts & Figures* exhibit for the current aggregate limit. Coverage applies on a “claims made” basis to claims for bodily injury caused on or after the inception date of the applicable Facility Form Policy. A “discovery period” of one year applies in the event coverage is cancelled or terminated.

The **Secondary Financial Protection (SFP) Policy** is also used by the operators of nuclear power plants to meet financial protection requirements under the Price-Anderson Act. The policy provides “following form” coverage for losses that exceed the primary limit available under the Facility Form Policy and the Facility Worker Form Policy.

In accordance with the requirements of the Price-Anderson Act, each insured under the SFP Policy is currently liable for a retrospective premium of up to \$100.6 million per reactor, per incident. With 104 reactors participating, the total SFP program currently amounts to approximately \$10.5 billion. The current retrospective premium was set in 2003 with subsequent inflation adjustments scheduled to occur every five years.

The limit under the Policy is equal to the amount of retrospective premium actually collected from participating insureds. In addition to administering this program, ANI has a contingent liability if retrospective premiums are not paid when due. However, under the terms of a bonding agreement, ANI will be reimbursed with interest for any monies we advance. The current contingent liability limit is displayed on the *Domestic Syndicate Facts & Figures* exhibit.

The **Supplier's and Transporter's Policy** is usually purchased by companies that provide products or services to operators of nuclear facilities in the U.S. The policy is designed primarily to apply excess of the limit available under another party's Facility Form Policy.

Finally, the **Foreign Supplier's and Transporter's Policy** is purchased primarily by companies that provide nuclear-related products or services outside the U.S.



## Liability Policy Features

- Policies are written on a continuous basis and are subject to a single lifetime aggregate limit. Our liability is thus “capped” under each policy.
- Defense costs are included within the policy limit, and the limit is automatically reduced by any payments for loss or loss expense.
- The Facility Form Policy insures all interests (except the U.S. government), with respect to their legal liability for covered damages. Coverage thus is channeled under one form, preventing stacking of limits.
- Coverage applies only to claims made for bodily injury or property damage caused during the policy period, and only if such claims are brought within ten years of policy termination.
- For a “common occurrence” as defined, ANI’s liability is limited to our maximum liability capacity, regardless of the number of separate policies that apply to the same incident.
- Tort claims of workers are specifically excluded under individual Facility Form and S&T policies, except for claims arising out of an “Extraordinary Nuclear Occurrence” as defined. This exclusion eliminates the potential for cumulation of limits under multiple policies.
- Offsite environmental cleanup costs arising out of governmental orders or directives are specifically excluded, with minor exceptions for costs resulting from clearly identifiable accidents.
- Onsite property damage and onsite cleanup costs are specifically excluded.



### An Important Point About Nuclear Exclusions

Nearly all conventional property/casualty policies and reinsurance contracts contain nuclear exclusions. These exclusions are often criticized by industry opponents, most recently during Congressional hearings on renewal of the Price-Anderson Act. The principal argument for the exclusions is that insurers in the U.S. have chosen to channel their maximum net lines for the nuclear peril through ANI and, therefore, need to exclude the coverage under conventional forms in order to avoid cumulation.

This argument will remain viable only while ANI’s capacity remains adequate. There likely would be considerable pressure to delete the nuclear exclusions in conventional policies if ANI were unable to respond as before. The elimination of the exclusions could then result in uncontrolled cumulation of liability.

In summary, participation as a member of ANI is financially attractive, while providing important protection for the insurance industry’s long-term interests.

### **Industry Credit Rating Plan Reserve Fund**

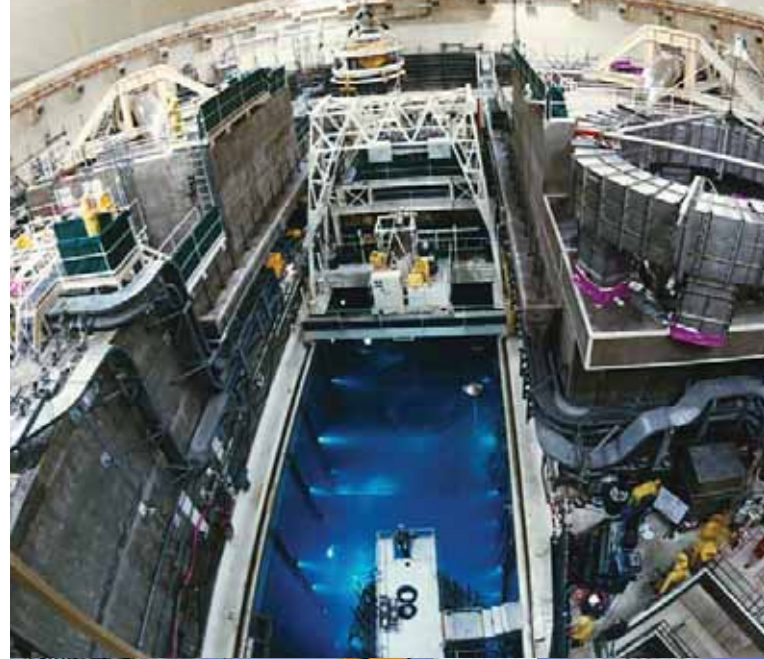
As a substitute for any actuarially significant loss data, the Industry Credit Rating Plan (ICRP) provides a mechanism to adjust premiums over time, based upon the experience of all domestic liability policyholders. Under the Plan, approximately 75% of each insured's liability premium is set aside in a reserve fund, the sole purpose of which is to pay loss or loss expense. These reserve premiums are held for ten years, after which a portion is returned to policyholders based upon historical loss experience. Please refer to the *Domestic Syndicate Facts & Figures* exhibit for the current balance in the ICRP reserve fund.

Reserve premiums are considered to be unearned premiums until used to pay losses, loss expenses or refunds to policyholders. The significant investment income earned on this fund is distributed annually to member companies and reinsurers.

The ICRP serves as a buffer between loss and assessment of member companies. In fact, continuing members have never been assessed for any liability claims, all of which have been paid from the fund.

### **Reserve Fund Targeted at Two Full Limits**

The fund balance is targeted to reach two full limits and is being increased over time. A fund balance targeted at two full limits serves the interests of member companies, reinsurers and policyholders. Since investment income on the fund represents the largest component of total liability income received by members and reinsurers, a higher fund balance increases returns and ensures a significant buffer against loss assessments. For policyholders, the fund helps to stabilize costs over time — consistent with any changes in the available liability limit.





*ANI fully intends to respond to the  
continuing insurance needs of the  
worldwide nuclear industry.  
In so doing, we also expect to provide  
our member companies and reinsurers  
with solid financial returns.*



## ENGINEERING THE RISK

ANI engineers identify, monitor and reduce potential hazards throughout the design, construction and operation of facilities we insure. Onsite inspections are conducted to protect the interests of member companies and reinsurers, by reducing insurance risk and securing underwriting and rating information.

### **Engineering efforts are focused in four broad areas:**

- Evaluating risks for underwriting and rating purposes
- Making recommendations to reduce the probability of loss
- Making recommendations to reduce the consequences of accidents that do occur
- Supporting the claims adjustment process

Our inspections supplement those conducted by the U.S. Nuclear Regulatory Commission and by the Institute of Nuclear Power Operations, an industry monitoring and inspection organization. While our inspections are independent of those conducted by others, we maintain open communication with these organizations to minimize redundant effort.

In addition to their direct involvement with insureds, ANI engineers keep current on technical developments that affect loss potential. They participate in a variety of professional committees and groups that develop, review and modify safety and performance standards for the nuclear industry.



## ANI STAFF AND MANAGEMENT

In the specialized environment of nuclear insurance, people are our most important resource. It is essential that our people be experts in their fields. ANI staff members are highly qualified underwriting, engineering, claims and accounting professionals. All have acquired substantial experience in their areas of responsibility, both at ANI and in conventional settings.

ANI's Board of Directors and Executive Committee establish organizational policy and direction. Several standing committees provide technical input for underwriting, engineering, claims and finance.

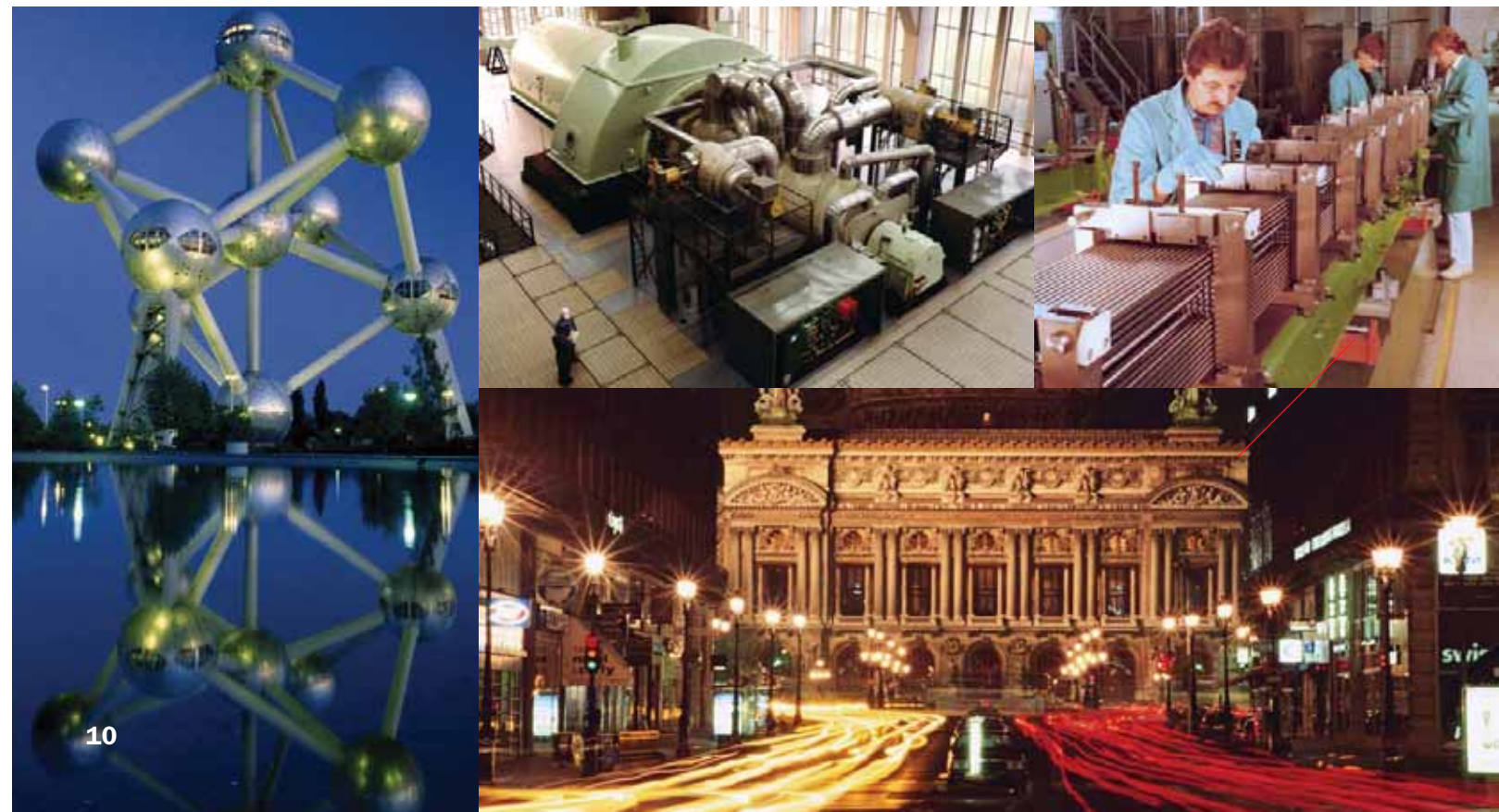
## ABOUT OUR INTERNATIONAL OPERATIONS

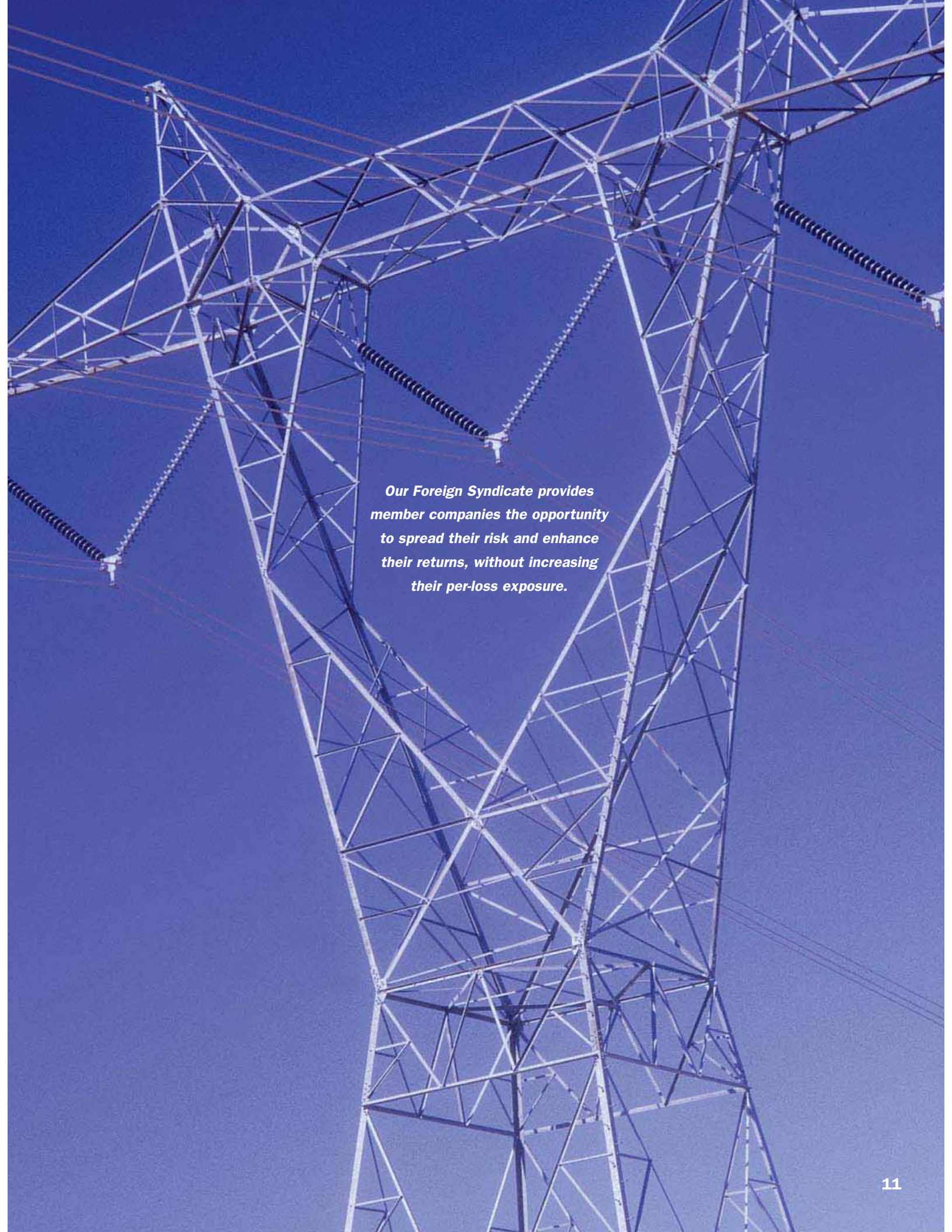
In recent years, nuclear power has generated about 17% of the electricity consumed worldwide. France leads the industrialized world, producing nearly 80% of its total electricity with nuclear power. Other users include Belgium, China, Sweden, Switzerland, Hungary, Japan, South Korea, Germany and the United Kingdom.

ANI is well positioned to take advantage of international developments. Our Foreign Syndicate provides member companies the opportunity to spread their risk and enhance their returns, without increasing their per-loss exposure.

ANI assumes reinsurance from nuclear insurance pools, including those operating in the countries mentioned above. Facultative assumptions enable us to individually consider the risks insured, the terms and conditions of the applicable coverage, premium levels, and the maximum limits we wish to write. ANI also reinsures foreign risks that are directly written by ONEIL, a NEIL subsidiary.

Our engineers perform onsite inspections of selected foreign facilities, and participate as members of international inspection teams composed of technical experts from several nuclear insurance pools. The information developed from these visits is used in making decisions about the risks we reinsure. Our technical evaluations and the excellent loss experience of our Foreign Syndicate reinforce our longstanding view of the high quality of the foreign facilities we reinsure.





*Our Foreign Syndicate provides member companies the opportunity to spread their risk and enhance their returns, without increasing their per-loss exposure.*

## THE FUTURE

The nuclear power industry has undergone significant changes in recent years. Several formerly regulated nuclear power plants have been established as wholesale generators, ultimately vying with other providers to sell their electricity at a competitive price. These generators must continue to improve the economic performance of their nuclear plants, while maintaining appropriate levels of security and safety. Initiatives have been undertaken to reduce operating and maintenance costs and to address the high capital costs associated with nuclear plants. Security, which was already very tight, has been substantially enhanced since September 11, 2001. Today, nuclear facilities are some of the most secure industrial facilities in the United States.

The success of these initiatives has led several plants to seek license extensions beyond their normal operating tenures. Several plants already have received extensions. This is a development unheard of just a few years ago, when many financial analysts and energy experts were predicting an early demise for nuclear power.

Overseas, nuclear power continues to be a significant source of electricity. Several power reactors are in various stages of construction in foreign countries and will reduce further the world's reliance on fossil fuels.

In its fifty year history, nuclear energy has provided an important source of electricity. It produces no "greenhouse" gases and no acid rain. In the U.S. alone, nuclear power has avoided the emission of millions of tons of sulfur dioxide and nitrogen oxides, and billions of tons of carbon. It has also displaced huge amounts of oil, coal and natural gas. Perhaps most importantly, electricity both here and abroad has been produced efficiently, reliably and safely.

Nuclear power's proven track record points to an important and continuing role in assuring the world's energy future. ANI fully intends to respond to the continuing future insurance needs of the worldwide nuclear industry. In so doing, we expect to continue providing our member companies and reinsurers with solid financial returns.

***In the U.S. alone, nuclear power has avoided the emission of millions of tons of sulfur dioxide and nitrogen oxides, and billions of tons of carbon. It has also displaced huge amounts of oil, coal and natural gas.***





95 Glastonbury Boulevard  
Glastonbury, CT 06033

Telephone (860) 682-1301  
Facsimile (860) 659-0002

[www.AmNucIns.com](http://www.AmNucIns.com)

© 2006 American Nuclear Insurers