

American Nuclear Insurers



Insuring the
future of
nuclear power
worldwide



American Nuclear Insurers was founded

more than fifty five years ago to provide insurance to the then emerging US nuclear power industry. Today¹, 31 countries around the world operate 434 commercial nuclear reactors and 60 new nuclear power plants are under construction in 13 countries. With the world's growing commitment to clean, emission-free sources of electric power, the demand for new nuclear power plants will continue to grow — both in the US and abroad.

In the United States, nuclear power represents about 20% of total electrical generation. The safety record of the domestic nuclear industry is impressive and reflects the industry's commitment to technical and managerial excellence. Subsequent to the events in Fukushima, US regulators and power plants sharpened their focus on safety, identifying areas for improvement and applying the lessons learned from the events caused by the earthquake and tsunami in Japan. ANI engineering dovetailed our inspection effort with industry efforts, and ANI management and staff further enhanced our emergency response operations.

ANI is proud of the role we have played in supporting nuclear electric power. Worldwide, nuclear power is the largest source of emission-free electricity. Here in the United States, nuclear reactors produce more “clean air” electricity than solar, wind, geothermal, and hydropower combined. Although new construction in the United States has waned in the face of sluggish economic conditions, we are confident that nuclear will continue to play an important role in domestic power production well into the future.

Throughout the years, ANI has consistently achieved outstanding results for our member insurance companies. Given these results and the long-term stability of the industry we insure, membership interest in ANI has grown in recent years. We encourage you to consider the business opportunities provided by membership in ANI.

(1) For current information on the status of the nuclear industry, see the Nuclear Industry Update exhibit (back cover pocket).

The Origins of ANI

In 1957, the US 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 development of the commercial nuclear industry.

Insurers rose to the occasion, and stock insurance companies pooled their resources to create what would become American Nuclear Insurers (ANI), to respond to the needs of a then fledgling nuclear industry.

The pooling concept provided 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.



ANI'S Members

ANI's members include many of the largest insurance companies in the world. 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 US utility mutual that reinsures a significant portion of ANI's 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, prospective and continuing members must meet the following criteria:

- 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

Types of Risks Insured

ANI insures a broad array of nuclear facilities and suppliers of products and services to the nuclear industry. 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
- Facilities used for the enrichment of uranium
- 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



About Our Operations

ANI is a joint underwriting association that acts on behalf of its 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 multiple underwriting pools which include both domestic and foreign coverage, that have provided member companies with outstanding returns. A member must participate in the pools writing direct liability or direct property insurance in order to participate in the Foreign Pool and other programs.

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

Liability Pool

The Liability Pool offers third party 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 nuclear facilities. For the maximum primary liability policy limit currently available for each site or supplier activity, please refer to the Liability Pool Facts & Figures exhibit in the back cover pocket.

The Liability Pool also provides additional capacity for use as a contingent liability limit under the secondary financial protection program for operators of nuclear power plants.

Property Pool

This pool currently reinsures a significant portion of NEIL's nuclear property program, which provides property insurance for all operating power reactors in the US. ANI assumes an excess of loss reinsurance share of the NEIL program.

Foreign Pool

The Foreign Pool provides reinsurance to foreign nuclear pools for placement at nuclear facilities overseas and in North America outside of the United States. 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, a European mutual insurer similar to NEIL,

under an excess of loss treaty program. The Pool also writes direct liability coverage for US suppliers of products or services to foreign nuclear facilities.

The Foreign Pool typically contributes substantially to ANI's total operating results, making it a very attractive business opportunity for ANI's member companies.

Builders' Risk Reinsurance Pool

ANI reinsures NEIL at two builders' risk sites. The first is for Georgia Power Company's Vogtle site, units 3 and 4. This is a 7 year project in Georgia for which ANI provides NEIL with \$235,000,000 in facultative reinsurance capacity. The second is for SCANA's V.C. Summer site, units 2 and 3. For this 8 year project in South Carolina, ANI provides NEIL with \$211,400,000 in facultative reinsurance capacity. The term of each contract coincides with the policy period. Although future prospects for new reactors to be built in the US are unknown at this time, ANI is well positioned to continue reinsuring this new line of business.

From this point forward, as new builders risk opportunities present themselves ANI will form a separate pool for each project to take advantage of such opportunities. This approach provides ANI member companies the flexibility to accept an offer to participate on a case-by-case basis.

Since 2010, the Builders' Risk Reinsurance Pool has served to keep ANI active in the nuclear new build insurance market as the industry we insure goes through this important transition. Our participation has also enhanced our business relationships with NEIL and our policyholders.

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 compliment 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.

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. 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.

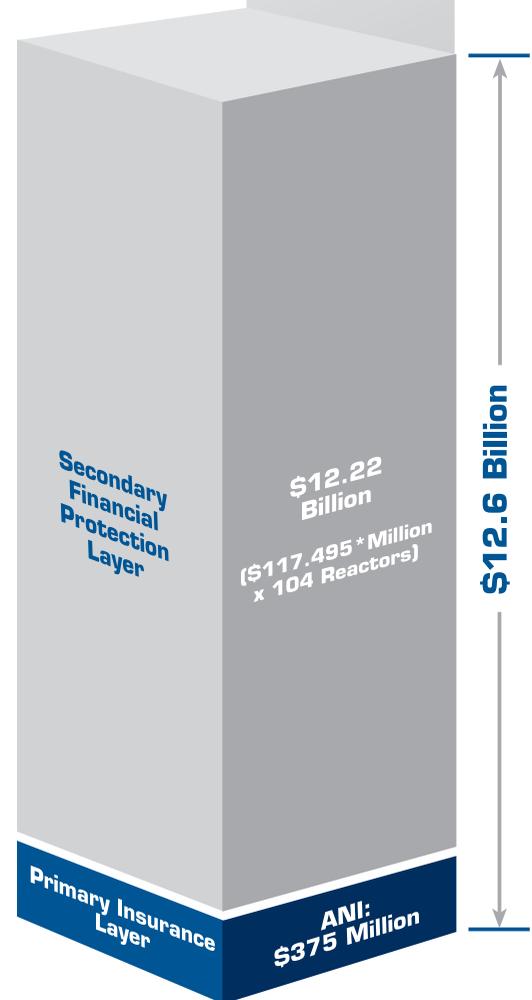
In accordance with the requirements of the Price-Anderson Act, each insured under the SFP Policy is currently liable for a retrospective premium of up to \$117.5 million per reactor, per incident. With 104 reactors participating, the total SFP program currently amounts to approximately \$12.2 billion. The retrospective premium is subject to inflation adjustments at five year intervals.

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 **Supplier's and Transporter's Policy** is usually purchased by companies that provide products or services to operators of nuclear facilities in the US. The policy is designed primarily to apply either in the absence of a Facility Form Policy or as excess of the limit available under another party's Facility Form Policy, whenever that policy's limit is less than the current maximum.

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

Congress is required, under the Price-Anderson Act, to "take whatever action is determined to be necessary... to provide full and prompt compensation" for claims resulting in damages that exceed the Secondary Financial Protection layer ***



* includes 5% surcharge pursuant to 42 U.S.C.A. § 2210(o)(1)(E)

** 42 U.S.C.A. § 2210(e)(2)

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 US 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” (ENO) 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 an ENO or transportation incident.
- Onsite property damage and onsite cleanup costs are specifically excluded.



ANI and Nuclear Exclusions

Many conventional property/casualty policies and reinsurance contracts contain a nuclear exclusion. ANI’s domestic liability coverage was designed to dovetail with most nuclear exclusions.

ANI provides much of the nuclear insurance coverage that insurers’ nuclear exclusions eliminate from their conventional programs.

The nuclear exclusion allows insurers to avoid cumulative, overlapping exposure from a single nuclear event, which protects their solvency. The exclusions permit insurers to marshal the maximum capacity for the nuclear exposure through pools such as ANI, which benefits the customers and the public.

Excluding the nuclear exposure from their conventional policies also allows insurers to rely on ANI’s expertise and experience in this specialized, high-severity market.

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



Industry Credit Rating Plan Reserve Fund

In lieu of 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 Liability Pool Facts & Figures exhibit for the current balance in the ICRP reserve fund.

The 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. It also enhances ANI's ability to respond quickly to meet the needs of evacuees in the event of a nuclear emergency. 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.



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 US Nuclear Regulatory Commission (NRC) and by the Institute of Nuclear Power Operations (INPO), 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.

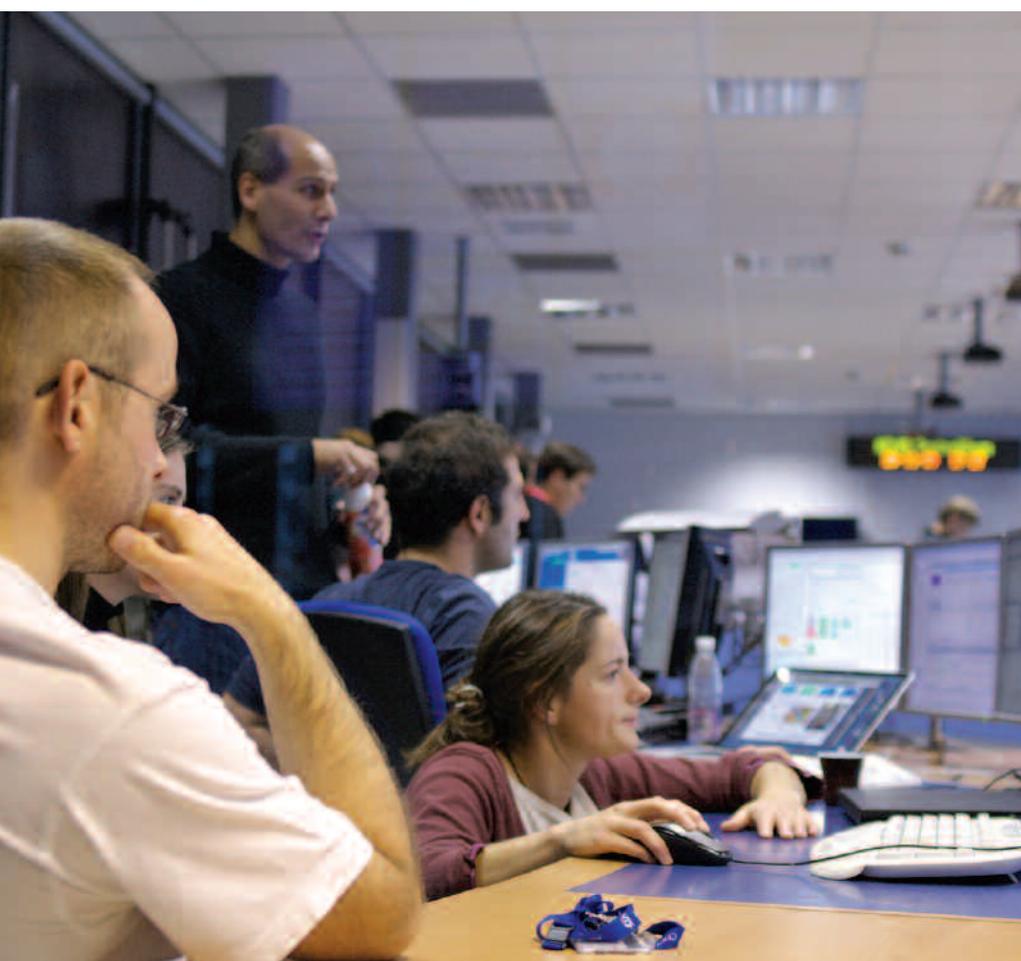
Emergency Response Program

ANI's Emergency Response program exists primarily to reimburse, on behalf of our policyholders, nuclear accident evacuees for essential expenses such as food, shelter, transportation, and emergency medical costs. The program attracts considerable attention from policyholders, and from federal, state and local governments, all of whom recognize that it will be highly visible in the aftermath of a nuclear accident. Our policyholders appreciate ANI's ability to respond quickly and professionally in the event of an emergency. ANI is committed to continuously improving our Emergency Response program. We have enhanced our relationships with policyholders and other stakeholders, including the Nuclear Energy Institute, NPO, and federal and state agencies to achieve this goal.

ANI has contracted with a third-party administrator (TPA), ESIS, to assist with our Emergency Response program. ESIS has extensive experience in handling evacuation claims from large scale industrial accidents. ANI's business relationship with ESIS gives ANI access to large numbers of Emergency Response claims adjusters as well as the claims-handling expertise our TPA has accumulated over the years.

ANI also manages a number of in-house Emergency Response functions. We maintain a 24-hour toll-free reporting number for our policyholders to use to inform us of actual nuclear incidents as well as drills and exercises. We have also developed a new Emergency Plan which defines roles and responsibilities across the organization in the event of an actual nuclear event. We have published a brochure entitled *Some Answers to Frequently Asked Questions*, which describes ANI insurance coverage to non-insurance audiences such as state emergency management officials.

On an ongoing basis, our Emergency Response group works to maintain our Emergency Response process and, working with ESIS and other vendors, to further streamline and upgrade our claims intake and payment distribution systems. We also meet with policyholders, trade groups, and government stakeholders to exchange information in order to build further efficiency and reliability into our Emergency Response program.



The Future

There are expectations that the nuclear industry is entering a sustained period of expansion which will see construction of new nuclear reactors throughout the world during the next 20-25 years. This growth is being driven by the projected increase in demand for electricity and the environmental advantages that nuclear has in regards to clean air. Nuclear technology is the only large-scale, baseload electricity generation technology with a near-zero carbon footprint, apart from hydropower, the potential for which is often limited.

The present fleet of nuclear reactors in the United States has operated at high levels of safety, reliability and affordability with the average capacity factor at or above 90 percent since 2000. Nuclear plants are also among the lowest-cost electricity producers. It is expected that the new generation of nuclear power plants will feature advanced designs and refined construction techniques based on more than 50 years of operating experience.

Applications to the NRC for combined construction/operating licenses began in 2007 — for the first time in 30 years. Construction of the next generation of nuclear plants in this country will differ markedly from the old process when companies built plants as the designs and regulations were evolving. Designs

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for the next generation plants will have all design-related safety issues resolved before construction begins.

Mergers and acquisitions seen throughout the utility industry have resulted in the creation of nuclear plant fleet owners who leverage their resources to increase plant production, security and safety while reducing costs. The continuing successful operation of these fleets has led to owners seeking to extend the operating licenses for their plants for another 20 years beyond the initial 40 year license.

Security, which has always been very robust at nuclear facilities, has been substantially enhanced since September 11, 2001. Today, nuclear facilities represent one of the most secure elements of the nation's infrastructure.

Overseas, nuclear power continues to be a significant source of electricity. While we only began new nuclear power plant construction in 2010 in the United States, construction of nuclear power plants has continued internationally with 60 reactors currently under construction worldwide. The majority of this construction is planned for Asia. With fast-growing economies, rapidly-rising electricity demand and growing sensitivity to the effect of greenhouse gases on the environment, it is expected that this region will continue to see significant growth in nuclear generated electricity. Lessons learned from the Fukushima events are being applied to further improve safety at nuclear plants.

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 future insurance needs of the worldwide nuclear industry. In so doing, we expect to continue to provide our member companies and reinsurers with solid financial returns.



Our International Operations

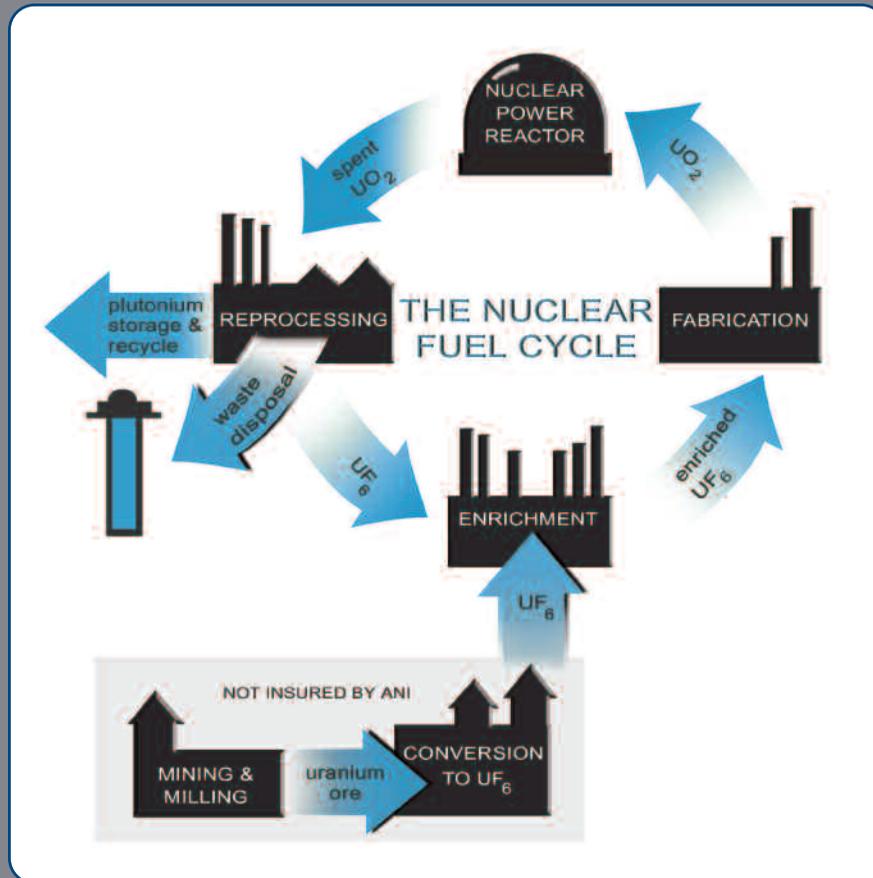
In recent years, nuclear power has generated about 14% of the electricity consumed worldwide. France leads the industrialized world, producing nearly 75% of its total electricity with nuclear power. Other countries that maintain significant nuclear fleets include Japan, China, Sweden, Spain, and South Korea.

ANI is well positioned to take advantage of international developments. Our Foreign Pool 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.

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 Pool reinforce our longstanding view of the high quality of the foreign facilities we reinsure.





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, legal, accounting and technology 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, claims and finance.



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