

Insurance Europe Key Messages on Nuclear Liability Insurance

Our reference:	NLI-NUC-13-025	Date:	22 October 2013
Referring to:	EC consultation on insurance and compensation of damages caused by accidents of nuclear power plants	Deadline	22 Oct 2013
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Pages:	3	Transparency Register ID no.:	33213703459-54

Insurance Europe, the European insurance and reinsurance federation, represents insurance and reinsurance undertakings through its 34 members, the national insurance associations. As representative of 95% of the total European premium income, Insurance Europe welcomes this opportunity to provide comments in the context of the European Commission's current consultation on nuclear liability and insurance in the European Union.

Insurance plays an important role in transferring nuclear liability risks and ensuring compensation through the swift handling of claims, in which the insurance industry is uniquely skilled and experienced. However, it should be noted that insurance cannot provide unlimited cover or cover for all risks, particularly as the premium for such cover is incalculable and adequate cover for the payment of "unlimited" claims cannot be assessed. Insurance Europe thus would like to raise the following points.

- Global insurance capacity for nuclear risks is limited and cover is generally provided by nuclear insurance pools. This limitation in capacity is due to the fact that large nuclear losses, though infrequent, are likely to be financially severe and very complex to settle.
- The catastrophic potential of nuclear risks requires insurers to maintain significantly large amounts of capital in order to maintain sufficient and liquid financial capacity for the prompt payment of claims. In this respect, sufficient capacity is essential to ensure the ability to deal with multiple, simultaneous claims. Considering this, few *individual* insurers have the capability to offer this cover or are otherwise deterred from accepting the high-level risk as part of their underwriting business.
- Most environmental risks are highly complex for insurers to cover due to the inherent uncertainty about possible damages and, thus, the cost of remediating them. The risks are often difficult to calculate and can require several decades before the full extent of the damage may be quantified (ie "long-tail" risks). This is particularly true for nuclear liability cover given the inherent volatility of nuclear events and the limited number of past accidents to model the likely extent of this damage.

- With respect to nuclear liability losses that are triggered by natural catastrophes, these types of losses can, in some markets, be excluded from nuclear liability insurance cover. In this respect, a distinction should be noted on what risks are imposed on nuclear liability operators via liability legislation (strict liability for nuclear plant accidents) as opposed to what insurers can feasibly cover based on statistical scenarios computing the accumulation of claims that can result from a single event.
- The nuclear liability insurance is a global market with *international characteristics* due to the potential cross-boundary consequences of a nuclear accident.
 - Nuclear liability insurance is currently regulated by international law (eg Paris Convention, Vienna Convention). Under these Conventions, operators of nuclear power plants are liable for any nuclear damage caused by their activities regardless of fault (ie strict liability). Nuclear operators are required to have financial security to cover this third party liability not only via the Conventions themselves, but also as a requirement for obtaining their operating license. An unreasonable increase of these limits would thus put the Conventions themselves into question.
 - A European-based proposal has the potential to override longstanding arrangements and add complexity to the established global regime, which can lead to lack of clarity over a nuclear operator's legal obligations. In light of the above, it is important to consider the insurance capacity offered to cover European risks by non-European pools and to avoid disturbing the support offered by these markets through the introduction of unattractive regulatory measures.
- Regarding possible EU action on nuclear liability and insurance, Insurance Europe wishes to highlight the following:
 - Considering the global characteristics of nuclear liability insurance, any legislation proposed at EU level must factor in the support currently received from non-European markets. This includes, in particular, the availability of reinsurance which enables the European-wide market to enhance its insurance capacity. Any change in the European market will have a global impact, possibly causing the market to become unattractive to non-European entities if the scope of nuclear liability is widened too greatly at EU level.
 - Additionally, any legislation requiring plant operators to find cover for "unlimited liability" would be infeasible in view of the fact that insurance has limits to what it can cover.
 - Global nuclear liability capacity available today approximately matches the highest financial security requirements currently proposed under the Conventions. Should the EU consider imposing any significantly higher financial liability requirements on nuclear operators, extensive consultation should be held with the European-wide insurance industry to ensure sufficiency in insurance capacity and the continued attraction of global capital.
 - It should be added that nuclear risk exposure varies quite significantly depending on (but not limited to) national geographical features, national nuclear liability laws and types of nuclear installations. Nuclear risks are moreover significantly impacted by socio-economic factors such as population density and property asset values, as any increase in these values leads to higher losses and thus pose higher risk exposure.
- Considering the global nature of nuclear liability insurance system, the current international solution in place has worked well for several decades and there appears to be no evidence to suggest that the current EU insurance systems are ineffective. Therefore, any EU action in this area must be proportionate to a clearly identified problem and take into consideration the current market capacity so as not to disturb the efficient functioning of these markets. Additionally, close cooperation and partnership between the insurance sector and the Member States in the field of nuclear liability can help to ensure that the maximum potential of private insurance market capacity is realised.



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