

From: "Radigan, Kenneth" <Kenneth.Radigan@AIG.com>
To: "avc@nrc.gov" <avc@nrc.gov>, <elj@nrc.gov>
Date: 1/24/05 3:22PM
Subject: Comments on Decommissioning Funding Insurance.

1/25/05

I am very interested in providing decommissioning funding insurance. I have reviewed the "Proposed Final Supplement Standard Review Plan: Decommissioning Funding Insurance for Power Reactors" and I have provided the attached comments to Commissioner Merrifield that I would also like to provide to you.

7/19/04

69FR43277

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<<NRC insurance letter 1-18-05.doc>>

Please feel free to call me at 212 245 2992 if you have any questions on this.

CC: "Kathryn Barber Nolan" <KMB2@nrc.gov>

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Template = APM-013

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January 18, 2005

Kathryn Barber Nolan, and
Chief, Rules and Directives Branch
Mail Stop TG-D59
Nuclear Regulatory Commission
Washington, DC 20555-0001

Re: Proposed Final Supplement Standard Review Plan: Decommissioning Funding Insurance For Power Reactors

Dear Kate and Chief:

I would like to make the following comments concerning the "Proposed Final Supplement Standard Review Plan: Decommissioning Funding Insurance For Power Reactors".

First, I would like to again commend the Nuclear Regulatory Commission (NRC) for drafting this revision. This revision will enable the licensee to take advantage of insurance industry capacity that is currently available in the market place to underwrite this type of exposure. This revision will help to ensure that sufficient funds will be available to cover the required decommissioning costs of a nuclear power plant. However, there are several aspects of the draft that I feel should be changed which are set forth below. I believe these changes will benefit the licensee and the Nuclear Regulatory Commission.

- 1) I believe that the requirement to make the automatic payment of the face amount of the policy to the decommissioning trust within 30 days after the licensee or the NRC receives notice of cancellation / termination / or non-renewal is overly restrictive on the Insurer. The Insurer is required to provide the licensee and the NRC with 90 day notice of cancellation / termination / or non-renewal. The insurer should be required to make the automatic payment to the decommissioning trust prior to cancellation / termination / or non-renewal, but they should not be obligated to do this 60 days prior to the actual cancellation / termination / or non-renewal. The insurer and licensee may very well reach some agreement as to how the policy would be kept in place during this time frame. If this happens what will happen to the money which was deposited into the trust? Would it be paid back to the insurer? Are there economic costs associated with making this deposit which could be avoided? I believe that the NRC will maintain their financial assurance protection by not allowing cancellation / termination / or non-renewal to happen without proof that the automatic payment was made, but they should not require this to happen within 30 days of notice.

- 2) I believe that the final plan should address how the NRC would respond to an act of war or terrorism exclusion in the financial assurance policy. Most insurance policies today contain these exclusions. The NRC allows the financial assurance policy to be excess over insurance which would be available for these exposures, but I would also expect that the NRC should specifically state how they would respond if the financial assurance policy contained an act of war or terrorism exclusion. This may be addressed in Section 3. Scope of Coverage.

- 3) I believe that the NRC should set stronger guidelines regarding the Issuer Qualifications. Realizing the length of time and amount of costs associated with decommissioning a nuclear power plant, it is imperative that the insurer that is providing the decommissioning funding policy have the highest credit rating available in the industry. I believe that the financial standings established in this draft may be inadequate when you consider the monetary limits and the length of policy term that is required for the decommissioning funding insurance to fulfill its purpose. It is my opinion that the regulations should require the minimum rating of AA or better. I also believe that the NRC should set standards on the maximum exposure that an issuer can write on a single policy and the maximum aggregate decommissioning exposure that an Issuer can provide based upon the Issuer's net worth, and spread of risk.

Thank you for giving me the opportunity to express these comments. Please feel free to call me at (212) 458 2992 if you have any questions.

Ken Radigan
Senior Vice President
AIG Environmental®

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Subject: Comments on Decommissioning Funding Insurance.
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From: "Radigan, Kenneth" <Kenneth.Radigan@AIG.com>

Created By: Kenneth.Radigan@AIG.com

Recipients

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KMB2 CC (Kathryn Barber Nolan)
ELJ (Emile Julian)

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