UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

OFFICE OF THE
SECRETARY

April 3, 1979

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Dear Sir:

Enclosed for publication in the Federal Register are an original and two certified copies of a document entitled:

10 CFR PART 140

FINANCIAL PROTECTION REQUIREMENTS AND INDEMNITY AGREEMENTS

Miscellaneous Amendments

Please publish on Friday, April 6, 1979.

This material is to be charged to requisition number E-146.

Sincerely,

Samuel J. Chilk
Secretary of the Commission

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NUCLEAR REGULATORY COMMISSION

[10 CFR Part 140]

FINANCIAL PROTECTION REQUIREMENTS AND INDEMNITY AGREEMENTS

Miscellaneous Amendments

AGENCY: U. S. Nuclear Regulatory Commission

ACTION: Proposed rule

SUMMARY: The Nuclear Regulatory Commission is considering amending its regulations relating to the financial protection and indemnity that it requires of its licensees to implement legislation that modified and extended for ten years (to August 1, 1987) the present Price-Anderson legislation.

DATES: Public comments on this notice must be submitted on or before June 5, 1979. Written comments should be submitted to the Secretary of the Commission, U. S. Nuclear Regulatory Commission, Washington, D.C. 20555, Attention: Docketing and Service Branch.

FOR FURTHER INFORMATION CONTACT:

Mr. Ira Dinitz, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, D.C. 20555, phone 301-492-8336.

SUPPLEMENTARY INFORMATION: In order to complete implementation of certain provisions of Public Law 94-197, legislation enacted on December 31, 1975 which modified and extended to August 1, 1987 the Price-Anderson Act (P.L. 85-256), the Nuclear Regulatory Commission must codify in 10 CFR Part 140, a standard master policy form which the Commission determines to be adequate proof that a licensee is maintaining the necessary secondary financial protection required by the Commission pursuant to subsection 170b. of the Atomic Energy Act of 1954, as amended. This standard master policy form was submitted by the Nuclear Energy Liability-Property Insurance Association (an additional policy identical to the published policy except that it contains supplemental money amounts has been submitted by the Mutual Atomic Energy Liability Underwriters but will not be published separately. The proposed rule, however, applies to both policies.)

Subsection 170b. establishes a mechanism -- payment of a retrospective premium -- whereby the utility industry would share liability for any damages exceeding the maximum liability insurance available from private sources, currently $160 million, that might result from a nuclear incident. In the event of a nuclear incident causing damages exceeding $160 million, each licensee of a commercial reactor rated at 100 electrical megawatts or more would be assessed a prorated share of damages of up to the statutory maximum of $5 million per reactor per incident.

Since August 1, 1977 the Commission has utilized a binder furnished by these two insurance pools as evidence of secondary financial protection. The use of the binder was necessary because the pools were not prepared to put the master policy in final form. The binder is being used in the interim. The binder is almost identical to the standard master policy form and in the staff's view meets all the requirements for implementation of P. L. 94-197. The pools have informed the staff that drafts of the master policy have been commented on by their utility clients and other organizations and all comments made by these organizations have been accommodated. The proposed rule making is to solicit public comments on the policy.

Both the master secondary financial protection policy and the accompanying certificate of insurance, which names the utility insureds, establish the terms and conditions under which the insureds are responsible for the payment of the retrospective premium and, in addition, establish the liability of the insurance pools for the non-payment of the premiums in the event of default by the insureds. The secondary financial policy establishes the conditions under which the retrospective insurance premium becomes payable and contains additional terms and conditions for (1) establishing, as previously mentioned, the total contingent liability of the insuring companies in the event of retrospective premium defaults; (2) establishing the requirements with which the insureds must comply in notifying the insuring companies of a nuclear incident; (3) establishing

the rights of recovery by the insuring companies for any policy and (4) cancellation conditions for both the insuring companies and insureds.

Although the cost of investigating and settling liability claims and defending suits for damage is retained as a part of financial protection, (i.e., nuclear liability insurance), the proposed rule modifies certain sections of 10 CFR Part 140 in conformance with Public Law 94-197 to exclude these costs from government indemnity. The master secondary financial protection policy includes the same treatment of these costs. Finally, since the amendments to Part 140 merely implement a statute, good cause exists for omitting a value/impact analysis.

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, as amended, and sections 552 and 553 of Title 5 of the United States Code, the following amendments to Title 10, Chapter I, Part 140, Code of Federal Regulations, are published as a document subject to codification.

1. Section 140.92, Appendix B, Article II, paragraph 8(d), is amended to read as follows:

> (d) As used in this paragraph 8., Article II, and in Article III, "other applicable agreements" means each other agreement entered into by the Commission pursuant to subsection 170c. of the Act in which agreement the nuclear incident is defined as a "common occurrence." As used in this paragraph 8., Article II, "the obligations of the licensee" means the obligations of

the licensee under subsection 53e(8) of the Act to indemnify the United States and the Commission from public liability, together with any public liability satisfied by the insurers under the policy or policies designated in the Attachment, and the reasonable costs incurred by the insurers in investigating and settling claims and defending suits for damage.

2. Section 140.92, Appendix B, Article III, paragraph 3, is deleted.

3. Section 140.92, Appendix B, Article III, paragraph 4(a), is amended by deleting the phrase "and such reasonable costs described in paragraph 3 of this Article".

4. Section 140.92, Appendix B, Article III, paragraph 4(b), is amended by deleting the phrase "and to such reasonable costs described in paragraph 3 of this Article".

5. Section 140.92, Appendix B, Article IV, paragraph 1., is revised to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the

right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

6. Section 140.93, Appendix C, Article III, paragraph 3 is deleted.

7. Section 140.93, Appendix C, Article III, paragraph 4(a), is amended by deleting the phrase "and such reasonable costs described in paragraph 3 of this Article".

8. Section 140.93, Appendix C, Article III, paragraph 4(b), is amended by deleting "and to such reasonable costs described in paragraph 3 of this Article".

9. Section 140.93, Appendix C, Article IV, paragraph 1, is revised to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense

of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

10. Section 140.94, Appendix D, Article I, paragraph 6, is amended by deleting:

"During the period 12:01 a.m.,.... to 12:01 a.m., September 6, 1961, inclusive: 'Public liability' means any legal liability arising out of or resulting from a nuclear incident, except (1) claims under state or Federal Workmen's Compensation Acts of employees of persons indemnified who are employed (a) at the location or, if the nuclear incident occurs in the course of transportation of the radioactive material, on the transporting vehicle, and (b) in connection with the licensee's possession, use, or transfer of the radioactive material; and (2) claims arising out of an act of war.

From 12:01 a.m., September 6, 1961:"

11. Section 140.94, Appendix D, Article II, paragraph 3 is deleted.

12. Section 140.94, Appendix D, Article II, paragraph 6, is amended by deleting the phrase "and to such reasonable costs described in paragraph 3 of this Article".

13. Section 140.94, Appendix D, Article III, paragraph 1, is revised to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

14. Section 140.95, Appendix E, Article I, paragraph 6 is amended by deleting:

"During the period 12:01 a.m.,..,. to 12:01 a.m., September 6, 1961, inclusive: 'Public liability' means any legal liability arising out of or resulting from a nuclear incident, except (1) claims under state or Federal Workmen's Compensation Acts of employees of persons indemnified who are employed (a) at the location or, if the nuclear incident occurs in the course of transportation of the radioactive material, on the transporting vehicle, and (b) in connection with the licensee's possession, use, or transfer of the radioactive material; and (2) claims arising out of an act of war.

From 12:01 a.m., September 6, 1961:"

15. Section 140.95, Appendix E, Article III, paragraph 3, is deleted.

16. Section 140.95, Appendix E, Article III, paragraph 4(a), is amended by deleting the phrase "and such reasonable costs described in paragraph 3 of this Article".

17. Section 140.95, Appendix E, Article III, paragraph 4(b), is amended by deleting the phrase "and to such reasonable costs described in paragraph 3 of this Article".

18. Section 140.95, Appendix E, Article IV, paragraph 1, is revised to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property or persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

19. Section 140.107, Appendix G, Article II, paragraph 6(d), is revised to read as follows:

(d) As used in this paragraph 6., Article II, and in Article III," other applicable agreements means each other agreement entered into by the Commission pursuant to subsection 170c. of the Act in which agreement the nuclear incident is defined as a "common occurrence." As used in this paragraph 6., Article II, "the obligations of the licensee" means the obligations of the licensee under subsection 53e(8) of the Act to indemnify the United States and the Commission from public liability, together with any public liability satisfied by the insurers under the policy or policies designated in the Attachment, and the reasonable costs incurred by the insurers in investigating and settling claims and defending suits for damage.

20. Section 140.107, Appendix G, Article III, paragraph 3, is deleted.

21. Section 140.107, Appendix G, Article III, paragraph 4(a), is amended by deleting the phrase "and such reasonable costs described in paragraph 3 of this Article".

22 Section 140.107, Appendix G, Article III, paragraph 4(b), is amended by deleting the phrase "and to such reasonable costs described in paragraph 3 of this Article, as in the aggregate exceed $160,000,000".

23. Section 140.107, Appendix G, Article IV, paragraph 1, is amended to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

24. Section 140.108, Appendix H, Article II, paragraph 3, is amended by deleting the phrase "including the reasonable costs of investigating and settling claims and defending suits for damage."

25. Section 140.108, Appendix H, Article III, paragraph 3, is deleted.

26. Section 140.108, Appendix H, Article III, paragraph 4(a), is amended by deleting the phrase "and such reasonable costs described in paragraph 3 of this Article."

27. Section 140.108, Appendix H, Article III, paragraph 4(b), is amended by deleting the phrase "and to such reasonable costs described in paragraph 3 of this Article, as in the aggregate exceed $160,000,000".

28 Section 140.108, Appendix H, Article IV, paragraph 1, is revised to read as follows:

1. When the Commission determines that the United States will probably be required to make indemnity payments under the provisions of this agreement, the Commission shall have the right to collaborate with the licensee and other persons indemnified in the settlement and defense of any claim (provided that no government indemnity that would otherwise be available to pay public liability claims is used for these purposes) and

shall have the right (a) to require the prior approval of the Commission for the settlement or payment of any claim or action asserted against the licensee or other person indemnified for public liability or damage to property of persons legally liable for the nuclear incident which claim or action the licensee or the Commission may be required to indemnify under this agreement; and (b) to appear through the Attorney General of the United States on behalf of the licensee or other person indemnified, take charge of such action and settle or defend any such action. If the settlement or defense of any such action or claim is undertaken by the Commission, the licensee shall furnish all reasonable assistance in effecting a settlement or asserting a defense.

29. A new Section 140.109, Appendix I, is added to read as follows:

§ 140.109 Appendix I

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

MASTER POLICY NO. _____

NUCLEAR ENERGY LIABILITY INSURANCE

(Secondary Financial Protection)

Named Insured:	Each Person or organization designated in Item 1 of a certificate..
Policy Period:	Beginning on the first day of August, 1977, and continuing to the effective date and time of the cancellation or other termination of this policy, eastern standard time.
Limits of Liability:	The amount of retrospective premium actually received by the companies plus the amount of the companies' contingent liability, if any, pursuant to Conditions 2, 3 and 4.

_____ _____

Date of Issuance Authorized Representative

In consideration of the payment of the annual premium, in reliance upon the statements in the certificates and subject to the limits of liability, conditions and other terms of this Master Policy, the undersigned members of Nuclear Energy Liability Insurance Association (hereinafter called the "companies"), each for itself, severally and not jointly, and in the respective proportions herein set forth, and the insureds named in the certificates, agree as follows:

I N S U R I N G A G R E E M E N T S

I. NUCLEAR ENERGY LIABILITY INSURANCE
(Secondary Financial Protection)

To pay on behalf of or to the insured or to the insured's workers' compensation carrier all sums payable as excess losses to which this Master Policy applies.

II. DEFINITIONS

"bodily injury" means bodily injury, sickness or disease, including death resulting therefrom, sustained by any person.

"certificate" means a Certificate of Insurance, including Declarations and Bond for Payment of Retrospective Premiums, issued to be a part of this Master Policy.

"common nuclear occurrence" means any occurrence or series of occurrences causing bodily injury or property damage arising out of the radioactive, toxic, explosive, or other hazardous properties of nuclear material

(a) discharged or dispersed from a nuclear reactor described in Item 3 of a certificate over a period of days, weeks, months, or longer, or

(b) discharged or dispersed from a nuclear reactor described in Item 3 of a certificate over a period of days, weeks, months or longer and also arising out of such properties of nuclear material so discharged or dispersed from one or more other nuclear reactors described in Item 3 of other certificates, or

(c) in the course of transportation for which protection is afforded (or would be afforded but for exhaustion of

its limit of liability) under the primary financial protection described in Item 4 of a certificate and also arising out of such properties of nuclear material in the course of transportation for which protection is afforded (or would be afforded but for exhaustion of its limit of liability) under the primary financial protection described in Item 4 of one or more other certificates.

"damages and claim expenses" includes sums estimated by the companies to be payable under this policy and payments made by the companies under this Master Policy:

(a) in settlement of claims and in satisfaction of judgments against the insureds for damages because of bodily injury or property damage;

(b) for (1) costs taxed against an insured in any suit against the insured seeking damages payable under the terms of this Master Policy and interest on any judgment therein, (2) premiums on appeal bonds and bonds to release attachments in any such suit and (3) reasonable expenses, other than loss of earnings, incurred by the insured at the companies' request;

(c) for expenses incurred in the investigation, negotiation, settlement and defense of any claim or suit including, but not limited to, the cost of such services by salaried employees of the companies, fees and expenses of independent adjusters, attorneys' fees and disbursements, expenses for expert testimony, inspection and appraisal of property, examination, X-ray or autopsy or medical expenses of any kind;,

(d) for expenses incurred by the companies in investigating a nuclear incident or in minimizing its effects;

(e) for all other expenses of the companies in fulfilling their obligations under this Master Policy, provided that such expenses are reasonable and necessary.

"excess losses" means all damages and claim expenses

(a) because of bodily injury or property damage to which a certificate applies, and

(b) which are excess of all sums paid or payable as estimated by the companies under all applicable primary financial protection.

"extraordinary nuclear occurrence" has the meaning given it in the Atomic Energy Act of 1954, or in any law amendatory thereof.

"insured" means any person or organization identified in Items 1 or 2 of a certificate.

"nuclear incident" means

(a) an extraordinary nuclear occurrence, or

(b) a common nuclear occurrence, or if neither of these,

(c) an occurrence or series of occurrences, including continuous or repeated exposure to substantially the same general conditions, causing bodily injury or property damage arising out of the radioactive, toxic, explosive, or other hazardous properties of nuclear material.

"nuclear material" means source material, special nuclear material or byproduct material.

"primary financial protection" means the insurance policies or other contracts identified in Item 4 of a certificate and includes

any amendment thereto which is consented to by the companies pursuant to Condition 6 of this Master Policy.

"property damage" means physical injury to or destruction or radioactive contamination of property, and loss of use of property so injured, destroyed or contaminated, and loss of use of property while evacuated or withdrawn from use because possibly so contaminated or because of imminent danger of such contamination.

"source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954, or in any law amendatory thereof.

III. APPLICATION OF POLICY

Insurance is provided by this Master Policy only through a certificate. No insurance is afforded with respect to bodily injury or property damage caused prior to August 1, 1977 by a nuclear incident.

C O N D I T I O N S

1. ANNUAL PREMIUM

The named insureds designated in a certificate shall pay to the companies the annual premium for each calendar year or part thereof.

Such annual premium shall be determined by the companies and stated in a written notice mailed to the first named insured shown in Item 1 of a certificate, and shall be due and payable as stated in such notice.

2. RETROSPECTIVE PREMIUM

The named insureds designated in a certificate shall pay to the companies retrospective premium in the event of excess losses due to bodily injury or property damage caused during their certificate period by a nuclear incident arising out of or in connection with a nuclear reactor described in Item 3 of the certificate or in Item 3 of any other certificate. The amount of retrospective premium due under each certificate shall be determined by multiplying such excess losses by the ratio of the maximum retrospective premium payable with respect to the nuclear incident under the certificate to the total of the maximum retrospective premiums payable with respect to the nuclear incident under all such certificates.

If any portion of the bodily injury or property damage to which this Master Policy applies is caused during any portion of a certificate period by a nuclear incident, the retrospective premium the named insureds designated in such certificate are obligated to pay

shall be determined as if all bodily injury or property damage to which this Master Policy applies caused by the nuclear incident had been caused during the certificate period of such certificate.

The maximum retrospective premium that the named insureds designated in a certificate shall pay to the companies for all excess losses arising out of any one nuclear incident is the amount stated in Item 7 of their certificate.

In the event of two or more nuclear incidents, the maximum amount of retrospective premium that shall be due from and payable by the named insureds in one calendar year shall not exceed twice the amount stated in Item 7 of their certificate. Any amount in excess thereof shall be paid in subsequent calendar years as billed by the companies.

In addition, an allowance for applicable premium taxes shall be determined by the companies and paid to them by the named insureds at the time retrospective premiums are due and payable.

After a nuclear incident resulting in excess losses, the companies shall mail to the first named insured designated in Item 1 of a certificate

written notice of the retrospective premium and allowance for premium taxes then due under such certificate. Such notice shall also constitute notice to all other named insureds designated in such certificate. The named insureds shall pay directly to the Nuclear Energy Liability Insurance Association the retrospective premium and allowance for premium taxes stated in the notice. The notice shall specify a date no earlier than 60 days after mailing by which time payment is to be received by the Nuclear Energy Liability Insurance Association.

The companies shall at least annually review their estimate of excess losses arising out of the nuclear incident and shall adjust the retrospective premium and allowance for premium taxes accordingly. If the amount due from the named insureds is increased, written notice shall be mailed to the first named insured in accordance with the foregoing paragraph; if decreased, the companies shall return the excess to the first named insured.

The obligation of the named insureds to pay retrospective premium and the allowance for premium taxes for excess losses arising out of a nuclear incident shall continue until the named insureds have paid the maximum retrospective premium stated in Item 7 of their certificate plus allowance for premium taxes.

The companies shall send to the Nuclear Regulatory Commission summaries of their estimates of excess losses arising out of the nuclear incident and their computations of retrospective premium and the allowance for premium taxes due.

All retrospective premium (but not the allowance for premium taxes) received by the companies is to be held by the companies separate from the companies' other assets and is to be used by the companies only for the purpose of paying excess losses. Any investment income received by the companies from such retrospective premium shall accrue to the benefit of the named insureds. This paragraph shall not apply to any retrospective premium received by the companies as reimbursement for any funds expended pursuant to Condition 4.

No commission will be paid with respect to retrospective premium and allowance for premium taxes.

3. LIMIT OF LIABILITY

Regardless of the number of

(a) persons or organizations who are insureds under this Master Policy, or

(b) claims made and suits brought against any and all insureds, or

(c) policies or contracts of primary financial protection or certificates which apply to the nuclear incident, or

(d) years this Master Policy and any certificate shall continue in force,

the total liability of the companies under this Master Policy for all excess losses arising out of any one nuclear incident shall not exceed the amount of retrospective premium actually received by the companies pursuant to Condition 2 with respect to such nuclear incident plus the companies' contingent liability, if any, as determined by Condition 4. Reimbursement of the companies for funds expended pursuant to Condition 4 shall not operate to increase the total liability of the companies.

4. CONTINGENT LIABILITY OF THE COMPANIES

The companies have a contingent liability under this Master Policy for payment of excess losses but only if, and to the extent that, the retrospective premium due under one or more certificates is not

paid. In the event of any such failure to pay retrospective premiums, the companies' obligations under this Condition 4 are limited as follows:

Regardless of the number of nuclear incidents which cause bodily injury or property damage to which this Master Policy applies, the number of years this Master Policy is in force, the number of certificates issued or in effect, or the number of annual premiums paid or payable,

(a) the total contingent liability of the companies for all excess losses arising out of two or more nuclear incidents shall not exceed $46,500,000;

(b) subject to the above provision (a), the total contingent liability of the companies for all excess losses arising out of any one nuclear incident shall not exceed $23,250.000;

(c) subject to the above provisions (a) and (b), the maximum amount to be paid by the companies in any one calendar year because of contingent liability for excess losses shall not exceed $23,250,000.

If a named insured designated in a certificate shall become insolvent or be adjudged bankrupt, the companies' obligation under this Condition 4 shall not apply to the failure of any named insured designated in such certificate to pay retrospective premium with respect to excess losses because of bodily injury or property damage caused after the date of such insolvency or bankruptcy.

5. INVESTIGATION, DEFENSE OR SETTLEMENT OF CLAIMS OR SUITS

Subject to the provisions of any written agreement between the companies and the Nuclear Regulatory Commission, the companies shall defend any claim or suit alleging bodily injury or property damage caused by a nuclear incident and seeking damages which are payable under this Master Policy, and may make such investigation and settlement of any claim or suit as they deem expedient. In no event shall the companies be obligated to pay any claim of judgment or to defend any claim or suit after the companies have paid the amount of retrospective premium actually received for excess losses arising out of the nuclear incident plus the amount of their contingent liability, if any.

6. PRIMARY FINANCIAL PROTECTION

Regardless of the number of policies or contracts of primary financial protection applicable to a nuclear incident, the limit of liability of all such policies or contracts shall be deemed to be exhausted when the sums paid under all such policies or contracts are equal to the lesser of (1) the sum of the limits of liability available under all such primary financial protection, or (2) one hundred sixty million dollars.

The named insured designated in a certificate shall maintain in full effect during the currency of such certificate the primary financial protection described therein, except for any reduction of the limit of liability of such primary financial protection solely as the result of sums paid thereunder. Failure of the named insureds to comply with the foregoing shall not invalidate this Master Policy, but in the event of such failure the companies shall be liable only to the extent that they would have been liable had the named insureds complied therewith.

In the event that the limit of liability of the primary financial protection is reduced, such named insureds shall immediately inform

the companies thereof and make all reasonable efforts to reinstate such limit.

Upon the companies' request the named insureds shall provide the companies with a certified copy of any policy or other contract of primary financial protection. No amendment of the primary financial protection shall increase, extend or broaden the insurance provided by this Master Policy unless the companies agree to the amendment by an endorsement issued to form a part of this Master Policy.

7. INTEREST TO BE PAID BY NAMED INSURED ON RETROSPECTIVE PREMIUM AND ALLOWANCE FOR PREMIUM TAXES IN DEFAULT

If retrospective premium or allowance for premium taxes is not paid when due by the named insureds designated in Item 1 of a certificate, such named insureds shall be obligated to pay, in addition to the amount in default, interest thereon during the period of default. Such interest shall be computed at an annual rate equal to the sum of (a) three percent plus (b) a rate of interest equal to Moody's Average Public Utility Bond Yield described in the issue of Moody's Bond Survey current on the date that the retrospective premium and

allowance for premium taxes were due. The annual rate of interest shall be adjusted monthly during the period of default to reflect any revisions of Moody's Average Public Utility Bond Yield described in the issue of Moody's Bond Survey current on the first business day of each such month.

The interest so received shall be used to pay to the companies interest at the annual rate described above for any funds the companies have paid pursuant to Condition 4. Any balance remaining shall accrue to the benefit of named insureds not in default as if it were investment income on retrospective premium.

8. NOTICE OF NUCLEAR INCIDENT, CLAIM OR SUIT

In the event of bodily injury, or property damage to which this Master Policy applies or of a nuclear incident which may give rise to claims therefor, written notice containing particulars sufficient to identify the insured and also reasonably obtainable information with respect to the time, place and circumstances thereof, and the names and addresses of the injured and of available witnesses, shall be given by or for the insured to Nuclear Energy Liability Insurance Association

or the companies as soon as practicable. If claim is made or suit is brought against the insured, the insured shall immediately forward to Nuclear Energy Liability Insurance Association or the companies every demand, notice, summons or other process received by or on behalf of the insured.

9. ASSISTANCE AND COOPERATION OF THE INSURED

The insured shall cooperate with the companies and the companies' request, attend hearings and trials and assist in making settlements, in securing and giving evidence, in obtaining the attendance of witnesses and in the conduct of any legal proceedings in connection with the subject matter of this insurance. The insured shall not, except at the insured's own cost, make any payment, assume any obligation or incur any expense.

10. ACTION AGAINST COMPANIES

No action shall lie against the companies or any of them unless, as a condition precedent thereto, the insured shall have fully complied with all the terms of this Master Policy, nor until the amount of the

insured's obligation to pay shall have been finally determined either by judgment against the insured after actual trial or by written agreement of the insured, the claimant and the companies.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Master Policy to the extent of the insurance afforded by this Master Policy. No person or organization shall have any right under this Master Policy to join the companies or any of them as parties to any action against the insured to determine the insured's liability, nor shall the companies or any of them be impleaded by the insured or the insured's legal representative. Except as provided in Condition 4, bankruptcy or insolvency of the insured or of the insured's estate shall not relieve the companies of any of their obligations hereunder.

11. SUBROGATION

In the event of any payment under this Master Policy, the companies may participate with the insured and any underlying insurer in the exercise of all the insured's rights of recovery against any person or organization liable therefor. Prior to knowledge of bodily injury

or property damage to which this Master Policy applies or of a nuclear incident which may give rise to claims therefor, the insured may waive in writing any right of recovery against any person or organization. After such knowledge, the insured shall not waive or otherwise prejudice any such right of recovery but shall do everything necessary to secure such rights. Recoveries shall be applied first to reimburse any person or organization (including the insured) that may have paid any amount with respect to liability in excess of the limit of the companies' liability hereunder; then to reimburse the companies up to the amount paid hereunder; and lastly to reimburse anyone entitled to claim the residue, if any. A different apportionment may be made by agreement signed by all parties affected.

Reasonable expenses incurred in the exercise of rights of recovery shall be apportioned in the ratio of the respective losses for which recovery is sought. The companies shall, after deducting all of their expenses in securing recovery, apply the net amount of recoveries made by the companies as a credit in determining the amount of excess losses.

2. OTHER INSURANCE

This insurance shall be excess insurance over primary financial protection.

This insurance is concurrent with insurance afforded by a Master Policy - Nuclear Energy Liability Insurance (Secondary Financial Protection) issued to the named insured by Mutual Atomic Energy Liability Underwriters, hereinafter called "concurrent insurance". The companies shall not be liable under this Master Policy for a greater proportion of excess losses than the applicable limit of liability described in Condition 3 bears to the sum of (a) such limit plus (b) the applicable limit of liability of such concurrent insurance.

If the insured has other valid and collectible insurance (other than primary financial protection or concurrent insurance) applicable to excess losses covered by this Master Policy, the insurance afforded by this Master Policy shall be primary insurance under such other insurance.

13. CHANGES

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of

this Master Policy or estop the companies from asserting any right under the terms of this Master Policy; nor shall the terms of this Master Policy be waived or changed, except by endorsement executed by Nuclear Energy Liability Insurance Association on behalf of the companies and issued to form a part of this Master Policy.

14. ASSIGNMENT

Assignment of interest by the named insured shall not bind the companies until their consent is endorsed hereon; if, however, the named insured shall die or be declared bankrupt or insolvent, this Master Policy shall cover such named insured's legal representative, receiver or trustee as an insured under this Master Policy, but only with respect to such legal representative's, receiver's or trustee's liability as such, and then only provided written notice of the legal representative's, receiver's or trustee's appointment as such is given to the companies within ten days after such appointment.

15. CUSTODIAN OF THE POLICY - NUCLEAR REGULATORY COMMISSION

The named insureds have designated the Nuclear Regulatory Commission as the custodian of this Master Policy and any endorsements thereto.

16. CANCELLATION

The first named insured designated in Item 1 of a certificate may cancel such certificate by mailing to the companies and the Nuclear Regulatory Commission written notice stating when, not less than thirty days thereafter, such cancellation shall be effective.

The companies may cancel any certificate by mailing to the first named insured designated in Item 1 of such certificate written notice stating when, not less than ninety days thereafter, such cancellation shall be effective; provided that in the event of non-payment of any annual premium, retrospective premium or allowance for premium taxes due under a certificate, such certificate may be canceled by the companies by mailing to the first named insured designated therein written notice stating when, not less than thirty days thereafter, such cancellation shall be effective.

The mailing of notice as aforesaid shall be sufficient proof of notice. The effective date and time of cancellation stated in the notice shall become the end of the certificate period. Delivery of such written notice, either by the first named insured designated

in Item 1 of a certificate or by the companies, shall be equivalent to mailing.

A copy of the companies' cancellation notice shall be mailed to the Nuclear Regulatory Commission, but mailing such a copy is not a condition of cancellation.

If a certificate is canceled, the earned portion of the annual premium shall be computed pro-rata. Adjustment of the annual premium, if any, may be made either at the time cancellation is effective or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

Cancellation or termination of any certificate shall not terminate the obligation of a named insured to pay retrospective premium and the allowance for premium taxes as provided in such named insured's certificate and Condition 2 of this Master Policy.

This Master Policy shall terminate automatically on the effective date and time of cancellation or termination of the last certificate in effect.

17. COMPANY REPRESENTATION

(a) Any notice, sworn statement or proof of loss which may be required by the provisions of this Master Policy may be given to any one of the companies, and such notice, statement or proof of loss so given shall be valid and binding as to all companies.

(b) In any action or suit against the companies, service of process may be made on any one of them and such service shall be deemed valid and binding service on all companies.

(c) Nuclear Energy Liability Insurance Association is the agent of the companies with respect to all matters pertaining to this insurance. All notices or other communications required by this Master Policy to be given to the companies may be given to such agent, at its office at the Exchange, Suite 245, 270 Farmington Avenue, Farmington, Connecticut - 06032 with the same force and effect as if given directly to the companies. Any requests, demands or agreements made by such agent shall be deemed to have been made directly by the companies.

18. AUTHORIZATION OF FIRST NAMED INSURED

Except with respect to compliance with the obligations imposed on the insured by Conditions 8, 9, 10 and 11 of this Master Policy, the first named insured designated in Item 1 of a certificate is authorized to act for every other person and organization insured under such certificate in all matters pertaining to this insurance.

19. CHANGES IN SUBSCRIBING COMPANIES AND IN THEIR PROPORTIONATE LIABILITY

The members of Nuclear Energy Liability Insurance Association subscribing this Master Policy, and the proportionate liability of each, may change from time to time.

Each company subscribing this Master Policy upon its issuance shall be liable only for its stated proportion of any obligation assumed or expense incurred under this Master Policy because of bodily injury or property damage caused during the period from the effective date of this Master Policy to the close of December 31 next following. For each subsequent calendar year, beginning January 1 next following the effective date of this Master Policy, the subscribing companies and the proportionate liability of each such company shall be stated in an

endorsement issued to form a part of this Master Policy, duly executed by the President of Nuclear Energy Liability Insurance Association on behalf of each such company, and mailed or delivered to the Nuclear Regulatory Commission.

20. DECLARATIONS

By acceptance of this Master Policy, the named insureds designated in a certificate agree that the statements in such certificate are their agreements and representations, that this Master Policy and such certificate are issued in reliance upon the truth of such representations and that this Master Policy and such certificate embody all agreements between such named insureds and the companies or any of their agents relating to this insurance.

IN WITNESS WHEREOF each of the subscribing companies has caused this Master Policy to be executed on its behalf by the Nuclear Energy Liability Insurance Association and duly countersigned on the first page by an authorized representative

For the subscribing Companies of NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

By _____

Burt C. Proom
President

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

Certificate_____

Forming Part of Master

Policy No. _____

CERTIFICATE OF INSURANCE

DECLARATIONS AND

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Certificate of Insurance

This is to certify that the persons and organizations designated in Item 1 of the Declarations are named insureds under the Master Policy - Nuclear Energy Liability Insurance (Secondary Financial Protection), herein called the "Master Policy," issued by Nuclear Energy Liability Insurance Association.

Such insurance as is provided by the Master Policy applies, through this certificate, only:

(a) to the insureds identified in Items 1 and 2 of the Declarations,

(b) for the certificate period stated in Item 6 of the Declarations,

(c) to bodily injury or property damage

(1) with respect to which the primary financial protection described in Item 4 of the Declarations would apply but for exhaustion of its limit of liability as described in Condition 6 of the Master Policy, and

(2) which is caused during the certificate period stated in Item 6 of the Declarations by a nuclear incident arising out of or in connection with the nuclear reactor described in Item 3 of the Declarations, and

(3) which is discovered and for which written claim is made against the insured not later than ten years after the end of the certificate period stated in Item 6 of the Declarations. However, with respect to bodily injury or property damage caused by an extraordinary nuclear occurrence this subparagraph (3) shall not operate to bar coverage for bodily injury or property damage which is discovered and for which written claim is made against the insured not later than twenty years after the date of the extraordinary nuclear occurence.

Declarations

Item 1. Named insureds and addresses:

(a)

(b)

Item 2. Additional insureds:

Any other person or organization who would be insured under the primary financial protection identified in Item 4 of the Declarations but for exhaustion of the limit of liability of such primary financial protection.

Item 3. Description and location of nuclear reactor:

Item 4. (a) Identification of primary financial protection applicable to the nuclear reactor and limit(s) of liability thereof:

Nuclear Energy Liability Insurance Association's
Policy NF- $124,000,000

Mutual Atomic Energy Liability Underwriters'
Policy MF- $ 36,000,000

(a) The following endorsements, attached to the primary financial protection policies listed in Item 4 (a) also apply to the insurance afforded by the Master Policy through this certificate as though they were attached hereto:

(1) Waiver of Defenses Endorsement (Extraordinary Nuclear Occurrence) and

(2) Supplementary Endorsement - Waiver of Defenses - Reactor Construction at the Facility,

(c) The limits of liability provided under the primary financial protection specified in Item 4 (a) above are not shared with any other reactor except as follows:

Item 5. Limits of Liability: The amount of retrospective premium actually received by the companies plus the amount of the companies' contingent liability, if any, pursuant to Conditions 2, 3 and 4 of the Master Policy.

Item 6. Certificate Period: Beginning at 12:01 a.m. on

and continuing to the effective date and time

of cancellation or termination of the Master Policy or this certificate, whichever first occurs, eastern standard time.

Item 7. Maximum retrospective premium (exclusive of allowance for premium taxes) payable pursuant to Condition 2 of the Master Policy with respect to each nuclear incident: $3,875,000.

Item 8. Premium payable pursuant to Condition 1 of the Master Policy for the period from through December 31 following: $_____

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Know all men by these presents, that the undersigned do hereby acknowledge that they are named insureds under the Master Policy described in the above Certificate of Insurance and Declarations. The named insureds do hereby convenant with and are held and are firmly bound to the members of Nuclear Energy Liability Insurance Association subscribing the Master Policy (hereinafter called the "companies") to pay to the companies all retrospective premiums and allowances for premium taxes which shall become due and payable in accordance with the Master Policy, as it may be changed from time to time, with interest on such premiums and allowances for taxes to be computed at the rate provided in the Master Policy from the date payment thereof is specified to be due the companies in written notice to the first named insured as provided in Condition 2 of the Master Policy until paid;

And it is hereby expressly agreed that copies of written notices of retrospective premiums and allowances for premium taxes due and payable or other evidence of such amounts due and payable sworn to by a duly authorized representative of the companies shall be prima facie evidence of the fact and extent of the liability of the named insureds for such amounts;

And it is further expressly agreed that the named insureds will indemnify the companies against any and all liability, losses and expenses of whatsoever kind of nature (including but not limited to interest, court cost, and counsel fees) which the companies may sustain or incur (1) by reason of the failure of the named insureds to comply with the covenants or provisions of this Bond and (2) in enforcing any of the convenants or provisions of this Bond, or any provisions of the Master Policy relating to such covenants or provisions;

For the purpose of recording this agreement, a photocopy acknowledged before a Notary Public to be a true copy hereof shall be regarded as an original.

The preceding Certificate of Insurance, Declarations and Bond form a part of the Master Policy. Cancellation or termination of the Master Policy or the Certificate of Insurance shall not affect the named insured's obligations under the policy or the Bond to pay the retrospective premiums and allowances for premium taxes, as provided in this Certificate and Condition 2 of the Master Policy.

IN WITNESS WHEREOF, the named insured have caused the Declarations and the Bond for Payment of Retrospective Premiums to be signed and sealed by a duly authorized officer, to be effective August 1, 1977, eastern standard time.

Attest or Witness

_____

Named Insureds:

_____
(Named Insured - Type or Print)

By_____(SEAL)
(Signature of Officer)

_____
(type or Print Name & Title of Officer)
Date:_____

IN WITNESS WHEREOF, the companies subscribing the Master Policy have caused the Certificate of Insurance and the Declarations to be signed on their behalf by the President of Nuclear Energy Liability Insurance Association to be effective eastern standard time, and countersigned below by a duly authorized representative.

For the Subscribing Companies of
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

By_____
Burt C. Proom, President

Countersigned by_____
(Authorized Representative)

Authority: Pub. L. 85-256, as amended; 71 Stat. 576, as amended; 42 U.S.C. 2210.

Dated at Washington, D. C. this 2nd day of April, 1979.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Chilk
Secretary of the Commission