

UNCLASSIFIED

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COPY NO. 22

ATOMIC ENERGY COMMISSION

AMENDMENT TO NUCLEAR ENERGY LIABILITY INSURANCE FORM

Note by the Secretary

1. The Director of Regulation has requested that the attached Amendment to Nuclear Energy Liability Insurance Form be circulated for the information of the Commission.

2. The Director of Regulation advises that:

"The attached Notice of Rule Making is to amend 10 CFR Part 140 by including, as part of the form of nuclear energy liability insurance policy, the so-called Industry Credit Rating Plan previously announced by the insurance syndicates. The amendment does not affect the scope of coverage provided by the present form of insurance policy.

"In accordance with the authority delegated to me by the Commission in Section 0103-024(b) of the AEC Manual, I have made the finding that the proposed amendment is of a minor or non-policy nature that does not substantially modify existing regulations affecting the public health and safety, the common defense and security or substantive or procedural rights.

"Based on the finding noted above, no action by the Commission on the amendment is necessary and it should be forwarded to the Federal Register for publication."

3. The Amendment is being processed for publication in the Federal Register.

W. B. McCool

Secretary

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Title 10 - ATOMIC ENERGY

Chapter 1 - ATOMIC ENERGY COMMISSION

Part 140 - Financial Protection

Requirements and Indemnity Agreements

Amendment to Nuclear Energy Liability Insurance Form

The Nuclear Energy Liability Insurance Association and the Mutual Atomic Energy Liability Underwriters have proposed a change in the form of the nuclear energy liability insurance policy set forth in Appendix A of 10 CFR Part 140 (25 FR 2944 and 26 FR 6641). Appendix A is the form of nuclear energy liability insurance policy issued by the two associations and approved by the Commission as financial protection under 10 CFR Part 140.

Notice of the proposed approval of the change by the Commission was published in the Federal Register on April 20, 1963 (28 FR 3918). In publishing the notice, the Commission stated that the change will include as part of the policy the industry credit rating plan previously announced by the associations and does not in any way affect the scope of coverage provided with respect to financial protection since it is only a formal expression of a credit rating plan which has been in effect in principle since the issuance of the original policies by the associations.

One public comment was received from the Pacific Gas and Electric Company which stated:

"We note that the proposed amendment is silent as to the treatment of interest earned on the amount of premiums reserved to cover

future losses. In our opinion, the amendment should be modified to provide that interest earned on these reserves should be included in the amount available for refund to the various insureds."

The question raised by PG&E, involving the matter of premium rates, is more appropriately one for resolution by the insured and the insurer since the matter is not within the Commission's area of responsibility.

Pursuant to the Atomic Energy Act of 1954, as amended, and the Administrative Procedure Act of 1946, the following amendment to 10 CFR Part 140 is published as a document subject to codification to be effective 30 days after publication in the FEDERAL REGISTER.

Amend Section 140.75, Appendix "A", 10 CFR Part 140, by deleting "Condition 1, Premium," and substituting the following:

CONDITIONS

1. Premium

- (1) Definitions: With reference to the premium for this policy:
 - "advance premium", for any calendar year, is the estimated standard premium for that calendar year;
 - "standard premium", for any calendar year, is the premium for that calendar year computed in accordance with the companies' rules, rates, rating plans (other than the Industry Credit Rating Plan), premiums and minimum premiums applicable to this insurance;

"reserve premium" means that portion of the standard premium paid to the companies and specifically allocated under the Industry Credit Rating Plan for incurred losses. The amount of the "reserve premium" for this policy for any calendar year during which this policy is in force is the amount designated as such in the Standard Premium Endorsement for that calendar year;

"industry reserve premium", for any calendar year, is the sum of the reserve premiums for that calendar year for all Nuclear Energy Liability Policies issued by Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters and subject to the Industry Credit Rating Plan;

"policy refund ratio", for any calendar year, is the ratio of the named insured's reserve premium for that calendar year to the industry reserve premium for that calendar year;

"incurred losses" means the sum of:

- (1) all losses and expenses paid by Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters, and
- (2) all reserves for unpaid losses and expenses as estimated by Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters

because of obligations assumed and the expenses incurred in connection with such obligations by members of Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters under all Nuclear Energy Liability Policies issued by Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters and subject to the Industry Credit Rating Plan;

"reserve for refunds", at the end of any calendar year, is the amount by which (1) the sum of all industry reserve premiums for the period from January 1, 1957 through the end of such calendar year exceeds (2) the total for the same period of (a) all incurred losses, valued as of the next following July 1, and (b) all reserve premium refunds made under the Industry Credit Rating Plan by members of Nuclear Energy Liability Insurance Association and Mutual Atomic Energy Liability Underwriters;

"industry reserve premium refund", for any calendar year, is determined by multiplying the reserve for refunds at the end of the ninth calendar year thereafter by the ratio of the industry reserve premium for the calendar year for which the premium refund is being determined to the sum of such amount and the total industry reserve premiums for the next nine calendar years thereafter, provided that the industry reserve

premium refund for any calendar year shall in no event be greater than the industry reserve premium for such calendar year.

- (2) Payment of Advance and Standard Premiums. The named insured shall pay the companies the advance premium stated in the declarations, for the period from the effective date of this policy through December 31 following. Thereafter, at the beginning of each calendar year while this policy is in force, the named insured shall pay the advance premium for such year to the companies. The advance premium for each calendar year shall be stated in the Advance Premium Endorsement for such calendar year issued to the named insured as soon as practicable prior to or after the beginning of such year.

As soon as practicable after each December 31 and after the termination of this policy, the standard premium for the preceding calendar year shall be finally determined and stated in the Standard Premium Endorsement for that calendar year.

If the standard premium so determined exceeds the advance premium previously paid for such calendar year, the named insured shall pay the excess to the companies; if less, the companies shall return to the named insured the excess portion paid by such insured.

The named insured shall maintain records of the information necessary for premium computation and shall send copies of such records to the companies as directed, at the end of each calendar year, at the end of the policy period and at such other times during the policy period as the companies may direct.

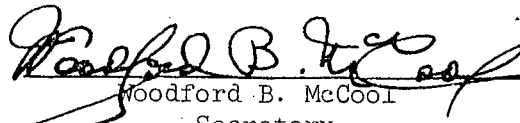
- (3) Use of Reserve Premiums. All reserve premiums paid or payable for this policy may be used by the members of Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters to discharge their obligation with respect to incurred losses whether such losses are incurred under this policy or under any other policy issued by the Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters.
- (4) Reserve Premium Refunds. A portion of the reserve premium for this policy for the first calendar year of any group of ten consecutive calendar years shall be returnable to the named insured provided there is a reserve for refunds at the end of the tenth calendar year.
- (5) Computation of Reserve Premium Refunds. The reserve premium refund due the named insured for any calendar year shall be determined by multiplying any industry reserve premium refund for such calendar year by the policy refund ratio for such calendar year. The reserve premium refund for any calendar year shall be finally determined as soon as practicable after July 1 of the tenth calendar year thereafter.

- (6) Final Premium. The final premium for this policy shall be the sum of the standard premiums for each calendar year, or portion thereof, during which this policy remains in force less the sum of all refunds of reserve premiums due the named insured under the provisions of this Condition 1.
- (7) Reserve Premium Refund Agreement. Each member of Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters subscribing this policy for any calendar year, or portion thereof, thereby agrees for itself, severally and not jointly, and in the respective proportion of its liability assumed under this policy for that calendar year, to return to the named insured that portion of any reserve premium refund due the named insured for that calendar year, determined in accordance with the provisions of this Condition 1.

Authority: (sec. 161, 68 stat. 948; 42 U.S.C. 2201)

Dated at Washington, D. C. this 2nd day of July,
1963.

FOR THE ATOMIC ENERGY COMMISSION


Woodford B. McCool
Secretary