

Nuclear Energy Liability Insurance Association

85 John Street • New York 38, N. Y.

J. Dewey Dorsett
General Manager

Francis X. Boylan
Assistant General Manager

Jamers B. Donovan
General Counsel

Governing Committee:
The Aetna Casualty and Surety Company
Employers' Group of Insurance Companies
The Fidelity and Casualty Company
of New York
Hartford Accident
and Indemnity Company
Insurance Company of North America
Maryland Casualty Company
Royal-Globe Insurance Companies
St. Paul Fire and Marine
Insurance Company
The Travelers Indemnity Company

January 4, 1962

Mr. Eber R. Price, Assistant Director
Division of Licensing and Regulation
U.S. Atomic Energy Commission
Washington D.C.

Dear Eber:

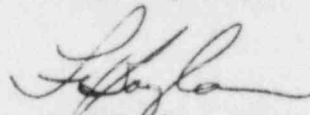
NELIA Policy No. NF-113
Pacific Gas and Electric Company

I note that Mr. T.R. Salm of Pacific Gas & Electric Company sent you a copy of his letter dated December 19, 1962 addressed to Mr. George C. Morris of Johnson & Higgins. This letter was in reply to my letter of December 5, 1962 and was forwarded to me as an attachment to a Johnson & Higgins letter dated December 27, 1962, copy of which is enclosed.

After reading the statements made by Mr. Salm, it seems to me that we are in a very awkward position. I had thought that the only reason why the AEC agreed to varying levels of financial protection during the build-up in power level of a licensed reactor was attributable to the fact that the licensed authority was to be limited to specified amounts, less than capacity, and that higher levels would have to be specifically authorized by the AEC. Am I correct in assuming that the foregoing is the procedure approved for Consumers Power Company? You may recall that NELIA-MAEL'J did object to the proposal of Consumers largely because the varying levels of financial protection were to be geared to varying power levels specifically authorized by the AEC. It appears that PG&E has secured your agreement to varying levels of financial protection geared to attained power levels even though the authorization is for the maximum power level.

If the AEC and PG&E are in complete agreement, it would be appreciated if you would kindly advise as to the language you intend to use to establish the amount of financial protection which will be required of PG&E.

Yours very truly,


F. X. Boylan

Assistant General Manager

FXB:mm
Enc.

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PDR FOIA
FIREST085-665 PDR

An Organization of Capital Stock Insurance Companies

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TEL. YU 1-6700 - AREA CODE 415

CABLE ADDRESS "JERODEN"

December 27, 1962

Nuclear Energy Liability Insurance Association
110 William Street
New York 38, New York

Attention: Mr. F. I. Boylan, Assistant General Manager

RE: Pacific Gas and Electric Company
NELJA Policy No. NF-113

Gentlemen:

We now enclose copy of a letter dated December 19th from Pacific Gas and Electric Company, with enclosures. As you will note from the information provided by the Pacific Gas and Electric Company, the Atomic Energy Commission has already authorized operation of the facility at power levels up to 165 thermal megawatts. All that now remains is to satisfy the Atomic Energy Commission concerning the appropriate limits of insurance, which can be easily accomplished, as Pacific Gas and Electric Company has suggested, by use of endorsement wording as suggested in their letter of October 9th. We do agree, however, that the suggested endorsement wording should be modified so that your limit would not automatically increase due to any accidental increase in the power levels at which the reactor is operating. The gentleman at Pacific Gas and Electric Company closest to this problem, is away until January 2, 1963, and immediately upon his return, we will provide you with further wording which we trust will be satisfactory to all parties concerned.

We and our clients are extremely anxious to finalize with you an endorsement which will accomplish the desired automatic increase under your policy, and very greatly appreciate your continued cooperation to this end. We will contact you again next week and sincerely hope the matter can be concluded at that time.

Yours very truly,

JOHNSON & HIGGINS OF CALIFORNIA

George C. Morris
Vice President

GCM/ah
enclosures

cc: Mr. T. B. Sala - Pacific Gas and Electric Company

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St. Paul Fire and Marine
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The Travelers Indemnity Company

December 5, 1962

Mr. George C. Morris, Vice President
Johnson & Higgins of California
41 California Street
San Francisco 8, California

Dear Mr. Morris:

Pacific Gas and Electric Company

This will acknowledge receipt of a copy of a letter to you dated November 15, 1962 written by Mr. T. R. Salm of Pacific Gas and Electric Company (PG&E).

For convenience, I should like to set forth herein what might be called a "circle", which I believe is inherent within Mr. Salm's proposal. Apparently, the AEC will not authorize operation of the reactor at increased power levels until they receive proof that the insured has complied with the financial protection requirements. On the other hand, PG&E wants its increase in aggregate limit to be effective simultaneously with the AEC authorization to operate at increased power levels.

I discussed this matter with Mr. Eber R. Price, of the AEC who believes that our proposal, as set forth herein, may prove to be satisfactory. Basically, I suggest that the policy remain as is without any amendment concerning automatic increases in the aggregate limit of liability. However, when the insured files with the AEC for authorization to operate higher power levels, NELIA should be simultaneously notified. The AEC filing should be on a tentative basis so that all problems may be resolved except for compliance with the financial protection requirements. In effect, once the AEC say to PG&E that they will authorize the increased power level upon receipt of proof of financial protection, we stand ready to promptly telegraph the insured and the AEC that the limit has, in fact, been so increased. Promptly thereafter an appropriate endorsement will be issued reflecting the increase in the aggregate limit of liability.


Admittedly, this places an added burden on the insured, but it is one which they have to bear on only a few occasions during the start-up period of their reactor. I have been assured by Mr. Price that all applications for broadened authority must be submitted in writing and, while action by the AEC may be prompt, it is still a matter of days rather than hours. Accordingly, once NELIA is alerted that the application is

... we would stand ready to send the telegram at a moment's notice. It seems to me that there is no chance for error by PG&E, since AEC will not give their authorization until they have proof of financial protection. Moreover, there will be virtually no delay involved.

In conclusion, I should like to point out that this whole question of having varying levels of financial protection as a function of power levels authorized by the AEC was initiated by Consumers Power Company. However, Consumers has not found it necessary to make a request to NREIA to issue an endorsement such as has been requested by the insured. Apparently, Consumers is satisfied that they can secure swift action from NREIA, once such action is deemed necessary.

In view of the foregoing, I hope that Mr. Salm will withdraw his request. I am taking the liberty of sending a copy of this letter to Mr. Price.

Yours very truly,


F. X. Egan

Assistant General Manager

FXB:ME

CC: Mr. Don R. Price, Assistant Director - Atomic Energy Commission
Mr. S. C. Williams, Supt. - The Fund Insurance Companies

FROM: Nuclear Energy Liability Insurance
Association
New York, N. Y.
P. V. Boylan

DATE OF DOCUMENT
12-7-62

DATE RECEIVED
12-7-62

NO.: 1157

TO: Mr. Price

LTR.
X

MEMO:

REPORT:

OTHER:

ORIG.:

CC:
X

OTHER:

ACTION NECESSARY ☐

CONCURRENCE ☐

DATE ANSWERED:

NO ACTION NECESSARY ☐

COMMENT ☐

BY:

FILE CODE:

CLASSIF.:

POST OFFICE

REG. NO:

DESCRIPTION: (Must Be Unclassified)

Ltr to Morris I. Johnson, Mission of Calif.
re 1961's desire for increase in aggregate
limit to be off simultaneously w/ the AEC
authorization to operate at increased power
levels.

ENCLOSURES:

REFERRED TO

DATE

RECEIVED BY

DATE

Board:

12-7

w/ extra cy.

REMARKS:

DISTRIBUTION:

- 1 - Forney & Forney
- 1 - AEC PMM
- 1 - Bill Stewart
- 1 - Waterfield