

The Light company

Houston Lighting & Power

P.O. Box 1700 Houston, Texas 77001 (713) 228-9211

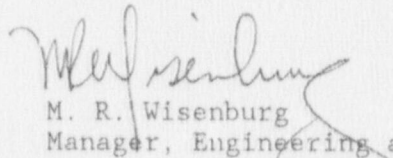
December 7, 1987
ST-HL-AE-2431
File No: G20, G21
10CFR140.15

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555

South Texas Project Electric Generating Station
Units 1 and 2
Docket Nos. STN50-498, STN50-499
ANI Nuclear Liability Insurance Policies

Enclosed are certified copies of ANI Nuclear Liability Insurance Policies NF-307 and MF-130 for the South Texas Project Electric Generating Station (STPEGS) Units 1 and 2. These policies are submitted in accordance with the requirements of 10CFR140.14 and provide notice that insurance coverage for STPEGS has been increased from \$1,000,000 to \$160,000,000.

If you should have any questions on this matter, please contact Mr. M. A. McBurnett at (512) 972-8530.


M. R. Wisenburg
Manager, Engineering and Licensing

PLW/jkk

Attachment: ANI Nuclear Liability Insurance Policies NF-307 and MF-130

8712150308 871207
PDR ADOCK 05000498
J PDR

C:/GE/NRC

A Subsidiary of Houston Industries Incorporated

moor
11

cc:

Regional Administrator, Region IV
Nuclear Regulatory Commission
Plaza Drive, Suite 1000
Arlington, TX 76011

Rufus S. Scott
Associate General Counsel
Houston Lighting & Power Company
P. O. Box 1700
Houston, TX 77001

N. Prasad Kadambi, Project Manager
U. S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, MD 20814

Dan R. Carpenter
Senior Resident Inspector/Operations
c/o U. S. Nuclear Regulatory Commission
P. O. Box 910
Bay City, TX 77414

Claude E. Johnson
Senior Resident Inspector/Construction
c/o U. S. Nuclear Regulatory Commission
P. O. Box 910
Bay City, TX 77414

J. R. Newman, Esquire
Newman & Holtzinger, P.C.
1615 L Street, N.W.
Washington, DC 20036

R. L. Range/R. P. Verret
Central Power & Light Company
P. O. Box 2121
Corpus Christi, TX 78403

R. John Miner (2 copies)
Chief Operating Officer
City of Austin Electric Utility
721 Barton Springs Road
Austin, TX 78704

R. J. Costello/M. T. Hardt
City Public Service Board
P. O. Box 1771
San Antonio, TX 78296

Revised 11/20/87

L1/NRC/ccl

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION
The Exchange, Suite 245 / 270 Farmington Avenue / Farmington, Connecticut 06032

Nuclear Energy Liability Policy No. NF- 307
(Facility Form)

DECLARATIONS

Item 1. Named Insured South Texas Project, et al. - See Endorsement No. 1
Address Houston Lighting & Power Company, P.O. Box 1700, Houston, Texas 77001
(No. Street Town or City State Zip Code)

Item 2. Policy Period: Beginning at 12:01 A.M. on the 13th day of November,
1986, and continuing through the effective date of the cancelation or
termination of this policy, standard time at the address of the named insured
as stated herein.

Item 3. Description of the Facility:

Location All of the premises including the land and all buildings and
structures of the South Texas Project (including Units 1 and 2) situated
on a site consisting of approximately 12,300 acres and located southwest
Matagorda County, approximately 12 miles south-southwest of Bay City and
10 miles north of Matagorda Bay.

Type Reactor Facility

CERTIFIED THAT THIS IS A TRUE
AND EXACT DUPLICATE OF THE
ORIGINAL DOCUMENT;

BY [Signature] DATE 11-5-87

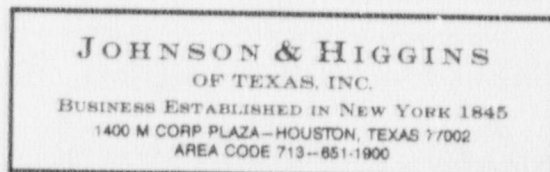
The Operator of the facility is South Texas Project, et al.
NOTARY PUBLIC

Item 4. The limit of the companies' liability is \$ 1,000,000.00 subject to all
the terms of this policy having reference thereto.

Item 5. Advance Premium \$ 250.00.

Item 6. These declarations and the schedules forming a part hereof give a complete
description of the facility, insofar as it relates to the nuclear energy
hazard, except as noted NO EXCEPTIONS.

Date of Issue December 10, 19 86 Countersigned by [Signature]
Authorized Representative



Aetna Casualty & Surety Co.	10.109373%
Affiliated F M Insurance Co.	.288839%
Allianz Insurance Company	1.540476%
Allstate Insurance Company	5.391666%
American Home Assurance Co.	1.010937%
Connecticut Indemnity Co., The	.481399%
Continental Casualty Company	5.199107%
Continental Insurance Company	8.905876%
Federal Insurance Company	1.925595%
Fireman's Fund Insurance Co.	3.080952%
Gen Accident Ins. Co. of Amer.	1.540476%
General Ins. Co. of America	1.925595%
Hanover Insurance Company	.577679%
Hartford Accid.& Indemnity Co.	8.183778%
Hartford Steam Blr.Insp & Ins	.673958%
Highlands Insurance Company	.385119%
Home Indemnity Company	1.444196%
Ins. Co. of North America	5.584226%
Motors Insurance Corporation	.192560%
Ohio Casualty Insurance Co.	.192560%
Pacific Indemnity Company	.577679%
Protective Insurance Company	.096280%
Providence Washington Ins. Co.	.192560%
Reliance Insurance Company	1.155357%
Royal Ins. Co. of America	4.043750%
St Paul Fire & Marine Ins Co.	5.838403%
Seaboard Surety Company	.192560%
State Farm Fire & Casualty Co.	.962798%
Transamerica Insurance Co.	.962798%
Travelers Indemnity Company	12.516367%
U.S. Fidelity & Guaranty Co.	9.627974%
U.S. Fire Insurance Company	3.562351%
Universal Underwriters Ins Co.	.192560%
Zurich Insurance Company	1.444196%

NE-86

James A. [Signature]

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

WAIVER OF DEFENSES ENDORSEMENT
(Extraordinary Nuclear Occurrence)

The named insured, acting for himself and every other insured under the policy, and the members of Nuclear Energy Liability Insurance Association agree as follows:

1. With respect to any extraordinary nuclear occurrence to which the policy applies as proof of financial protection and which

- (a) arises out of or results from or occurs in the course of the construction, possession, or operation of the facility, or
- (b) arises out of or results from or occurs in the course of the transportation of nuclear material to or from the facility,

the insureds and the companies agree to waive

- (1) any issue or defense as to the conduct of the claimant or the fault of the insureds, including but not limited to:
 - (i) negligence,
 - (ii) contributory negligence,
 - (iii) assumption of risk, and
 - (iv) unforeseeable intervening causes, whether involving the conduct of a third person, or an act of God,
- (2) any issue or defense as to charitable or governmental immunity, and
- (3) any issue or defense based on any statute of limitations if suit is instituted within three years from the date on which the claimant first knew, or reasonably could have known, of his bodily injury or property damage and the cause thereof, but in no event more than twenty years after the date of the nuclear incident.

The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action.

2. The waivers set forth in paragraph 1. above do not apply to

- (a) bodily injury or property damage which is intentionally sustained by the claimant or which results from a nuclear incident intentionally and wrongfully caused by the claimant;
- (b) bodily injury sustained by any claimant who is employed at the site of and in connection with the activity where the extraordinary nuclear occurrence takes place if benefits therefor are either payable or required to be provided under any workmen's compensation or occupational disease law;
- (c) any claim for punitive or exemplary damages, provided, with respect to any claim for wrongful death under any State law which provides for damages only punitive in nature, this exclusion does not apply to the extent that the claimant has sustained actual damages, measured by the pecuniary injuries resulting from such death but not to exceed the maximum amount otherwise recoverable under such law.

James A. [Signature]

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

INDUSTRY CREDIT RATING PLAN
PREMIUM ENDORSEMENT

It is agreed that Condition 1 of the policy is replaced by the following:

CONDITION 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.

James A. Roney

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

Named Insured Endorsement


It is agreed that the Named Insured is:

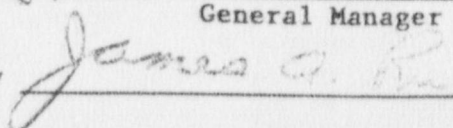
South Texas Project Participants: Houston Lighting and Power Company, Central Power and Light Company, City of Austin, City of San Antonio - City Public Service Board of San Antonio, Texas and all Participants under the South Texas Project Participation Agreement dated July 1, 1976 as same may be revised, amended, supplemented, extended or otherwise modified.

Effective Date of this Endorsement November 13, 1986 To form a part of Policy No NF-307
12:01 A.M. Standard Time

Issued to See Above

Date of Issue December 10, 1986 For the subscribing companies

By 
General Manager

Endorsement No 1 Countersigned by 

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

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 company 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 to discharge their obligations with respect to *incurred losses* whether such losses are incurred under this policy or under any other policy issued by 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 name 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 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.

Effective Date of this Endorsement November 13, 1986 To form a part of Policy No. NF-307
12:01 A.M. Standard Time
Issued to See Endorsement No. 1

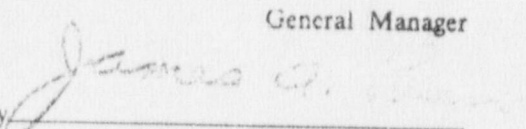
Date of Issue December 10, 1986

For the subscribing companies

By 

General Manager

Endorsement No. 2

Countersigned by 

3. The waivers set forth in paragraph 1. above shall be effective only with respect to bodily injury or property damage to which the policy applies under its terms other than this endorsement; provided, however, that with respect to bodily injury or property damage resulting from an extraordinary nuclear occurrence, Insuring Agreement IV, "Application of Policy", shall not operate to bar coverage for bodily injury or property damage (a) which is caused during the policy period by the nuclear energy hazard and (b) 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 occurrence.

Such waivers shall not apply to, or prejudice the prosecution or defense of any claim or portion of claim which is not within the protection afforded under

- (a) the provisions of the policy applicable to the financial protection required of the named insured;
- (b) the agreement of indemnification between the named insured and the Nuclear Regulatory Commission made pursuant to Section 170 of the Atomic Energy Act of 1954, as amended; and
- (c) the limit of liability provisions of Subsection 170e. of the Atomic Energy Act of 1954, as amended.

Such waivers shall not preclude a defense based upon the failure of the claimant to take reasonable steps to mitigate damages.

4. Subject to all of the limitations stated in this endorsement and in the Atomic Energy Act of 1954, as amended, the waivers set forth in paragraph 1. above shall be judicially enforceable in accordance with their terms against any insured in an action to recover damages because of bodily injury or property damage to which the policy applies as proof of financial protection.

5. As used herein:

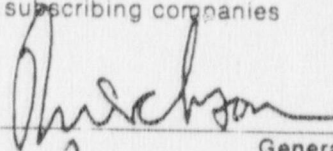
"extraordinary nuclear occurrence" means an event which the Nuclear Regulatory Commission has determined to be an extraordinary nuclear occurrence as defined in the Atomic Energy Act of 1954, as amended.

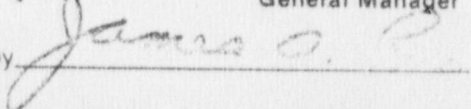
"financial protection" and "nuclear incident" have the meanings given them in the Atomic Energy Act of 1954, as amended.

"claimant" means the person or organization actually sustaining the bodily injury or property damage and also includes his assignees, legal representatives and other persons or organizations entitled to bring an action for damages on account of such injury or damage.

Effective Date of this Endorsement November 13, 1986 To form a part of Policy No. NF-307
12:01 A.M. Standard Time
Issued to See Endorsement No. 1
Date of Issue December 10, 1986

For the subscribing companies

By  General Manager

Countersigned by 

Endorsement No. 3

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

SUPPLEMENTARY ENDORSEMENT
WAIVER OF DEFENSES
REACTOR CONSTRUCTION AT THE FACILITY

It is agreed that in construing the application of paragraph 2(b) of the WAIVER OF DEFENSES ENDORSEMENT (NE-33a) with respect to an extraordinary nuclear occurrence occurring at the facility, a claimant who is employed at the facility in connection with the construction of a nuclear reactor with respect to which no operating license has been issued by the Nuclear Regulatory Commission shall not be considered as employed in connection with the activity where the extraordinary nuclear occurrence takes place if:

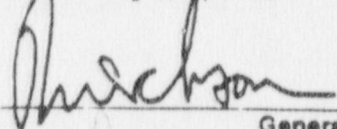
- (1) the claimant is employed exclusively in connection with the construction of a nuclear reactor, including all related equipment and installations at the facility, and
- (2) no operating license has been issued by the Nuclear Regulatory Commission with respect to the nuclear reactor, and
- (3) the claimant is not employed in connection with the possession, storage, use or transfer of nuclear material at the facility.

Effective Date of this Endorsement December 13, 1986 To form a part of Policy No. NE-307
12:01 A.M. Standard Time

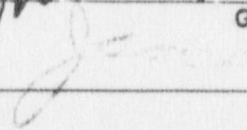
Issued to See Endorsement No. 1

Date of Issue December 10, 1986

For the subscribing companies

By 
General Manager

Endorsement No. 4

Countersigned by 

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ADVANCE PREMIUM AND STANDARD PREMIUM ENDORSEMENT

CALENDAR YEAR 1986

It is agreed that Item 5 of the Declarations "Advance Premium" is amended to read:

ADVANCE PREMIUM: It is agreed that the Advance Premium due the companies for the period designated above is: \$ 125.00.

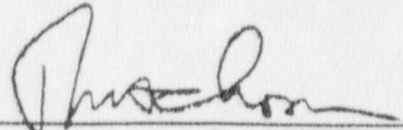
STANDARD PREMIUM AND RESERVE PREMIUM: In the absence of a change in the Advance Premium indicated above, it is agreed that, subject to the provisions of the Industry Credit Rating Plan, the Standard Premium is said Advance Premium and the Reserve Premium is: \$ 83.75.

Effective Date of this Endorsement November 13, 1986 To form a part of Policy No NF-307
12:01 A.M. Standard Time

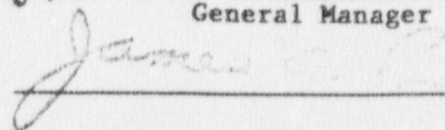
Issued to See Endorsement No. 1

Date of Issue December 10, 1986

For the subscribing companies

By 
General Manager

Endorsement No 5

Countersigned by 

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

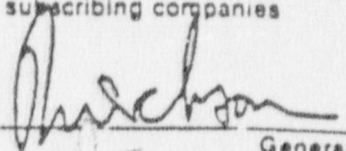
AMENDMENT OF DEFINITION OF INSURED
(Tennessee Valley Authority)

It is agreed that regardless of the provisions of the second paragraph of Insuring Agreement II, part (b) of the Definition of Insured includes as an insured the Tennessee Valley Authority with respect to its legal responsibility for damages because of bodily injury or property damage caused by the nuclear energy hazard.

Effective Date of this Endorsement December 13, 1986 To form a part of Policy No. NF-307
12:01 A.M. Standard Time
issued to See Endorsement No. 1
Date of Issue December 10, 1986

For the subscribing companies

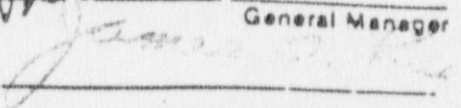
By



General Manager

Endorsement No. 7

Countersigned by



Nuclear Energy Liability Insurance

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ADVANCE PREMIUM AND STANDARD PREMIUM CALENDAR YEAR 1987 ENDORSEMENT

1. ADVANCE PREMIUM: It is agreed that the Advance Premium due the companies for the period designated above is:

\$ 125.00

2. STANDARD PREMIUM AND RESERVE PREMIUM: In the absence of a change in the Advance Premium indicated above, it is agreed that, subject to the provisions of the Industry Credit Rating Plan, the Standard Premium is said Advance Premium and the Reserve Premium is:

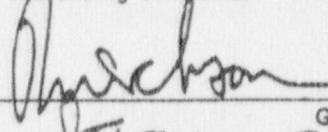
\$ 83.75

Effective Date of This Endorsement January 1, 1987 To form a part of Policy No. NF-307

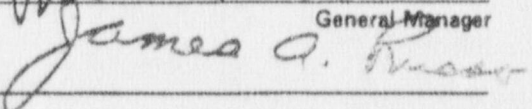
12:01 A.M. Standard Time
Issued to See Endorsement No. 1

Date of Issue December 15, 1986

For the subscribing companies

By 
General Manager

Endorsement No. 8

Countersigned by 

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

CHANGES IN SUBSCRIBING COMPANIES AND IN THEIR PROPORTIONATE LIABILITY ENDORSEMENT
CALENDAR YEAR 1987

1. It is agreed that with respect to bodily injury or property damage caused, during the effective period of this endorsement, by the nuclear energy hazard.
 - a. The word "companies" wherever used in the policy means the subscribing companies listed below.
 - b. The policy shall be binding on such companies only.
 - c. Each such company shall be liable for its proportion of any obligation assumed or expense incurred under the policy because of such bodily injury or property damage as designated below.
2. It is agreed that the effective period of this endorsement is from the beginning of the effective date of this endorsement stated below to the close of December 31st of the Calendar Year designated in the caption above, or to the time of the termination or cancellation of the policy, if sooner.

Aetna Casualty & Surety Co.	10.961359%
Allianz Insurance Company	1.525059%
Allstate Insurance Company	5.337705%
American Home Assurance Co.	1.000820%
Continental Casualty Company	5.147073%
Continental Insurance Company	9.531616%
Federal Insurance Company	1.906323%
Fireman's Fund Insurance Co.	3.050117%
Gen Accident Ins. Co of Amer.	1.525059%
General Ins. Co. of America	1.906323%
Hanover Insurance Company	.571897%
Hartford Accid. & Indemnity Co.	9.055036%
Hartford Steam Bldg. Insp. & Ins.	.667213%
Highlands Insurance Company	.381265%
Home Indemnity Company	1.429742%
Ins. Co. of North America	6.481499%
Motors Insurance Corporation	.190632%
Ohio Casualty Insurance Co.	.190632%
Pacific Indemnity Company	.571897%
Providence Washington Ins. Co.	.190632%
Reliance Insurance Company	.571897%
Royal Ins. Co. of America	4.003279%
St Paul Fire & Marine Ins Co.	5.779972%
State Farm Fire & Casualty Co.	.953162%
Transamerica Insurance Co.	.953162%
Travelers Indemnity Company	12.391102%
U.S. Fidelity & Guaranty Co.	9.531616%
U.S. Fire Insurance Company	2.573537%
Universal Underwriters Ins Co	.190632%
Zurich Insurance Co.	1.429742%

NE-87

This is to certify that this is a true copy of the original Endorsement having the endorsement number and being made part of the Nuclear Energy Liability Policy (Facility Form) as designated hereon. No Insurance is afforded hereunder.

John L. Gaudin, Vice President
American Nuclear Insurers

Effective Date of
this Endorsement January 1, 1987
12:01 A.M. Standard time

To form a part of Policy No. NE-307

Issued to See Endorsement No. 1

Date of Issue February 27, 1987

For the Subscribing Companies

By [Signature]
General Manager

Endorsement No. 9

Countersigned by James A Russo

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ADVANCE PREMIUM AND STANDARD PREMIUM ENDORSEMENT

CALENDAR YEAR 1987

It is agreed that Items 1 and 2 of Endorsement No. 8
are amended to read:

1. ADVANCE PREMIUM: It is agreed that the Advance
Premium due the companies for the period designated above
is: \$ 3,060.81.

2. STANDARD PREMIUM AND RESERVE PREMIUM: In the absence of
a change in the Advance Premium indicated above, it is agreed
that, subject to the provisions of the Industry Credit Rating
Plan, the Standard Premium is said Advance Premium and the
Reserve Premium is: \$ 2,050.74.

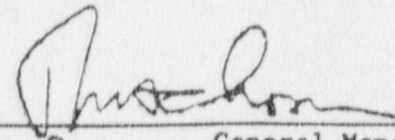
Additional Premium: \$2,935.81.

Effective Date of
this Endorsement January 1, 1987 To form a part of Policy No NF-307
12:01 A.M. Standard Time

Issued to See Endorsement No. 1

Date of Issue March 5, 1987

For the subscribing companies

By 
General Manager

Endorsement No 10

Countersigned by James A. Russo

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

INCREASE OF LIMIT OF LIABILITY ENDORSEMENT

It is agreed that:

1. The limit of liability stated in Item 4 of the declarations of the policy is amended to read \$ 124,000,000.00.

This amended limit applies with respect to obligations assumed or expenses incurred because of bodily injury or property damage caused, during the period from the effective date of this endorsement to the date of termination of the policy, by the nuclear energy hazard.

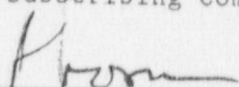
2. The limit of liability stated in Item 4 of the declarations and the amended limit of liability stated in paragraph 1 above shall not be cumulative, and each payment made by the companies after the effective date of this endorsement for any loss or expense covered by the policy shall reduce by the amount of such payment both the limit of liability stated in Item 4 of the declarations and the amended limit stated in paragraph 1 above, regardless of which limit of liability applies with respect to bodily injury or property damage out of which such loss or expense arises.

Effective Date of
this Endorsement June 23, 1987 To form a part of Policy No NF-307
12:01 A.M. Standard Time

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

By 
General Manager

Endorsement No 11

Countersigned by _____

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

ADVANCE PREMIUM AND STANDARD PREMIUM ENDORSEMENT

CALENDAR YEAR 1987

It is agreed that Items 1 and 2 of Endorsement No. 10
are amended to read:

1. ADVANCE PREMIUM: It is agreed that the Advance
Premium due the companies for the period designated above
is: \$ 170,518.00.

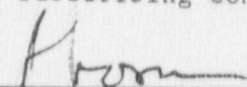
2. STANDARD PREMIUM AND RESERVE PREMIUM: In the absence of
a change in the Advance Premium indicated above, it is agreed
that, subject to the provisions of the Industry Credit Rating
Plan, the Standard Premium is said Advance Premium and the
Reserve Premium is: \$ 127,265.00.
Additional Premium: \$ 167,457.19.

Effective Date of
this Endorsement January 1, 1987 To form a part of Policy No NF-307
12:01 A.M. Standard Time

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

By 
General Manager

Endorsement No 12
NE-36

Countersigned by _____

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

AMENDATORY ENDORSEMENT
(Indemnified Nuclear Facility)

It is agreed that:

I. In Insuring Agreement III, "DEFINITIONS"

- A. The first sentence of the definition of "nuclear facility" is amended to read:

"nuclear facility" means "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters.

- B. The definition of "indemnified nuclear facility" is replaced by the following:

"indemnified nuclear facility" means

- (1) "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters, or

- (2) any other nuclear facility,

if financial protection is required pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, with respect to any activities or operations conducted thereat;

- C. Solely with respect to an "insured shipment" to which this policy applies as proof of financial protection required by the Nuclear Regulatory Commission, Subdivision (2) of the definition of "nuclear energy hazard" is amended to read:

- (2) the nuclear material is in an insured shipment which is away from any other nuclear facility and is in the course of transportation, including the handling and temporary storage incidental thereto, within

- (a) the territorial limits of the United States of America, its territories or possessions, or Puerto Rico; or

- (b) international waters or airspace, provided that the nuclear material is in the course of transportation between two points located within the territorial limits described in (a) above and there are no deviations in the course of the transportation for the purpose of going to any other country, state or nation, except a

deviation in the course of said transportation for the purpose of going to or returning from a port or place of refuge as the result of an emergency.

- D. The definition of "insured shipment" is replaced with the following:

"insured shipment" means a shipment of source material, special nuclear material, spent fuel or waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, herein called "material", (1) to the facility from any location except an indemnified nuclear facility, but only if the transportation of the material is not by predetermination to be interrupted by removal of the material from a transporting conveyance for any purpose other than the continuation of its transportation, or (2) from the facility to any other location, but only until the material is removed from a transporting conveyance for any purpose other than the continuation of its transportation.

- E. As used herein, "financial protection" has the meaning given it in the Atomic Energy Act of 1954, as amended.

II. Insuring Agreement IV is replaced by the following:

- IV APPLICATION OF POLICY This policy applies only to bodily injury or property damage (1) which is caused during the policy period by the nuclear energy hazard and (2) which is discovered and for which written claim is made against the insured, not later than ten years after the end of the policy period.

III. Condition 2 is replaced by the following:

- 2 INSPECTION; SUSPENSION The companies shall at any time be permitted but not obligated to inspect the facility and all operations relating thereto and to examine the insured's books and records as far as they relate to the subject of this insurance and any property insurance afforded the insured through American Nuclear Insurers. If a representative of the companies discovers a condition which he believes to be unduly dangerous with respect to the nuclear energy hazard, a representative of the companies may request that such condition be corrected without delay. In the event of non-compliance with such request, a representative of the companies may, by notice to the named insured, to any other person or organization considered by the companies to be responsible for the continuation of such dangerous condition, and to the United States Nuclear Regulatory Commission, suspend this insurance with respect to the named insured and such other person or organization effective 12:00 midnight of the next business day of such Commission following the date that such Commission receives such notice. The period of such suspension shall terminate as of the time stated in a written notice from the companies to the named insured and to each such person or organization that such condition has been corrected.

Neither the right to make such inspections and examinations nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the insured or others, to determine or warrant that such facility or operations are safe or healthful, or are in compliance with any law, rule or regulation. In consideration of the issuance or continuation of this policy, the insured agrees that neither the companies nor any persons or organizations making such inspections or examinations on their behalf shall be liable with respect to injury to or destruction of property at the facility, or any consequential loss or expense resulting therefrom, or any loss resulting from interruption of business or manufacture, arising out of the making of or a failure to make any such inspection or examination, or any report thereon, or any such suspension of insurance, but this provision does not limit the contractual obligations of the companies under this policy or any policy affording the insured property insurance through American Nuclear Insurers.

IV. Condition 4 is replaced by the following:

- 4 LIMITATION OF LIABILITY; COMMON OCCURRENCE Any occurrence or series of occurrences resulting in bodily injury or property damage arising out of the radioactive, toxic, explosive or other hazardous properties of
- (a) nuclear material discharged or dispersed from the facility over a period of days, weeks, months or longer and also arising out of the properties of other nuclear material so discharged or dispersed from one or more other nuclear facilities insured under any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association, or
 - (b) source material, special nuclear material, spent fuel, waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content in the course of transportation for which insurance is afforded under this policy and also arising out of such properties of other source material, special nuclear material, spent fuel, waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content in the course of transportation for which insurance is afforded under one or more other Nuclear Energy Liability Policies (Facility Form) issued by Nuclear Energy Liability Insurance Association,

shall be deemed to be a common occurrence resulting in bodily injury or property damage caused by the nuclear energy hazard.

With respect to such bodily injury and property damage (1) the total aggregate liability of the members of the Nuclear Energy Liability Insurance Association under all Nuclear Energy Liability Policies (Facility Form), including this policy, applicable to such common occurrence shall be the sum of the limits

of liability of all such policies, the limit of liability of each such policy being as determined by Condition 3 thereof, but in no event shall such total aggregate liability of such members exceed \$124,000,000; (2) the total liability of the companies under this policy shall not exceed that proportion of the total aggregate liability of the members of Nuclear Energy Liability Insurance Association, as stated in clause (1) above, which (a) the limit of liability of this policy, as determined by Condition 3, bears to (b) the sum of the limits of liability of all such policies issued by such members, the limit of liability of each such policy being as determined by Condition 3 thereof.

The provisions of this condition shall not operate to increase the limit of the companies' liability under this policy.

- V. The second paragraph of Condition 12, "OTHER INSURANCE", is amended to read:

If the insured has other valid and collectible insurance (other than such concurrent insurance or any other nuclear energy liability insurance issued by Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters to any person or organization) applicable to loss or expense covered by this policy, the insurance afforded by this policy shall be excess insurance over such other insurance; provided, with respect to any person who is not employed at and in connection with the facility, such insurance as is afforded by this policy for bodily injury to an employee of the insured arising out of and in the course of his employment shall be primary insurance under such other insurance.

- VI. Paragraph (c) of Condition 16, "COMPANY REPRESENTATION", is amended to read:

(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 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.

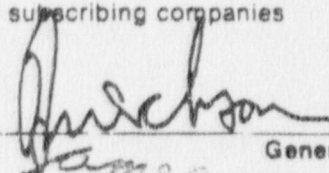
Effective Date of this Endorsement November 13, 1986 To form a part of Policy No. NF-307

12:01 A.M. Standard Time

Issued to See Endorsement No. 1

Date of Issue December 10, 1986

For the subscribing companies

By  General Manager

Endorsement No. 6

Countersigned by _____

NUCLEAR ENERGY LIABILITY POLICY

(FACILITY FORM)

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 hereinafter set forth, agree with the insured, named in the declarations made a part hereof, in consideration of the premium and in reliance upon the statements in the declarations and subject to the limit of liability, exclusions, conditions and other terms of this policy:

INSURING AGREEMENTS

I COVERAGE A — BODILY INJURY AND PROPERTY DAMAGE LIABILITY To pay on behalf of the insured:

- (1) all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by the nuclear energy hazard, and the companies shall defend any suit against the insured alleging such bodily injury or property damage and seeking damages which are payable under the terms of this policy; but the companies may make such investigation, negotiation and settlement of any claim or suit as they deem expedient;
- (2) costs taxed against the insured in any such suit and interest on any judgment therein;
- (3) premiums on appeal bonds and on bonds to release attachments in any such suit, but without obligation to apply for or furnish such bonds;
- (4) reasonable expenses, other than loss of earnings, incurred by the insured at the companies' request.

COVERAGE B — DAMAGE TO PROPERTY OF AN INSURED AWAY FROM THE FACILITY

With respect to property damage caused by the nuclear energy hazard to property of an insured which is away from the facility, to pay to such insured those sums which such insured would have been legally obligated to pay as damages therefor, had such property belonged to another.

COVERAGE C — SUBROGATION — OFFSITE EMPLOYEES

With respect to bodily injury sustained by any employee of an insured and caused by the nuclear energy hazard, to pay to the workmen's compensation carrier of such insured all sums which such carrier would have been entitled to recover and retain as damages from another person or organization, had such person or organization alone been legally responsible for such bodily injury, by reason of the rights acquired by subrogation by the payment of the benefits required of such carrier under the applicable workmen's compensation or occupational disease law. An employer who is a duly qualified self-insurer under such law shall be deemed to be a workmen's compensation carrier within the meaning of this coverage. This Coverage C does not apply to bodily injury sustained by any person who is employed at and in connection with the facility.

This Coverage C shall not constitute workmen's compensation insurance as required under the laws of any state.

II DEFINITION OF INSURED The unqualified word "insured" includes (a) the named insured and (b) any other person or organization with respect to his legal responsibility for damages because of bodily injury or property damage caused by the nuclear energy hazard.

Subdivision (b) above does not include as an insured the United States of America or any of its agencies.

Subject to Condition 3 and the other provisions of this policy, the insurance applies separately to each insured against whom claim is made or suit is brought.

III DEFINITIONS Wherever used in this policy:

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

"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;

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

byproduct material;

"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;

"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in any nuclear reactor;

"waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (1) or (2) thereof;

"the facility" means the facility described in the declarations and includes the location designated in Item 3 of the declarations and all property and operations at such location;

"nuclear facility" means "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by the companies or by Mutual Atomic Energy Liability Underwriters. The term "nuclear facility" also means

- (1) any nuclear reactor,
- (2) any equipment or device designed or used for (a) separating the isotopes of uranium or plutonium, (b) processing or utilizing spent fuel, or (c) handling, processing or packaging waste,
- (3) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,
- (4) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"indemnified nuclear facility" means

- (1) "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by the companies or by Mutual Atomic Energy Liability Underwriters, or

- (2) any other nuclear facility, if financial protection is required pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, with respect to any activities or operations conducted thereat;

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"nuclear energy hazard" means the radioactive, toxic, explosive or other hazardous properties of nuclear material, but only if

- (1) the nuclear material is at the facility or has been discharged or dispersed therefrom without intent to relinquish possession or custody thereof to any person or organization, or
- (2) the nuclear material is in an insured shipment which is (a) in the course of transportation, including handling and temporary storage incidental thereto, within the territorial limits of the United States of America, its territories or possessions, Puerto Rico or the Canal Zone and (b) away from any other nuclear facility;

"insured shipment" means a shipment of source material, special nuclear material, spent fuel or waste, herein called "material," (1) to the facility from a nuclear facility owned by the United States of America, but only if the transportation of the material is not by predetermination to be interrupted by the removal of the material from a transporting conveyance for any purpose other than the continuation of its transportation, or (2) from the facility to any other location except an indemnified nuclear facility, but only until the material is removed from a transporting conveyance for any purpose other than the continuation of its transportation.

representative, receiver or trustee is given to the companies within ten days after such appointment.

15 CANCELCATION This policy may be canceled by the named insured by mailing to the companies and the United States Atomic Energy Commission written notice stating when, not less than thirty days thereafter, such cancellation shall be effective. This policy may be canceled by the companies by mailing to the named insured at the address shown in this policy and to the United States Atomic Energy Commission written notice stating when, not less than ninety days thereafter, such cancellation shall be effective; provided in the event of non-payment of premium or if the operator of the facility, as designated in the declarations, is replaced by another person or organization, this policy may be canceled by the companies by mailing to the named insured at the address shown in this policy and to the United States Atomic Energy Commission 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 hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the named insured or by the companies shall be equivalent to mailing.

Upon termination or cancellation of this policy, other than as of the end of December 31 in any year, the earned premium for the period this policy has been in force since the preceding December 31 shall be computed in accordance with the following provisions:

- (a) if this policy is terminated, pursuant to Condition 3, by reason of the exhaustion of the limit of the companies' liability, all premium theretofore paid or payable shall be fully earned;
- (b) if the named insured cancels, the earned premium for such period shall be computed in accordance with the customary annual short rate table and procedure, provided if the named insured cancels after knowledge of bodily injury or property damage caused by the nuclear energy hazard, all premium theretofore paid or payable shall be fully earned;
- (c) if the companies cancel, the earned premium for such period shall be computed pro rata.

Premium adjustment, if any, may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

16 COMPANY REPRESENTATION

- (a) Any notice, sworn statement or proof of loss which may be required by the provisions of this 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.

IN WITNESS WHEREOF, each of the subscribing companies has caused this policy to be executed and attested on its behalf by the General Manager of Nuclear Energy Liability Insurance Association and duly countersigned on the declarations page by an authorized representative.

- (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 policy to be given to the companies may be given to such agent, at its office at 60 John Street, New York 38, New York 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.

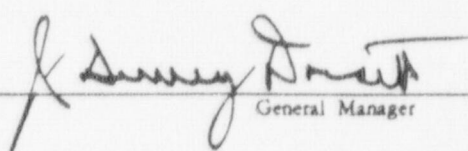
AUTHORIZATION OF NAMED INSURED Except with respect to compliance with the obligations imposed on the insured by Conditions 5, 6, 7, 8, 9, 10 and 11 of this policy, the named insured is authorized to act for every other insured in all matters pertaining to this insurance.

CHANGES IN SUBSCRIBING COMPANIES AND IN THEIR PROPORTIONATE LIABILITY By acceptance of this policy the named insured agrees that the members of Nuclear Energy Liability Insurance Association liable under this policy, and the proportionate liability of each such member, may change from year to year, and further agrees that regardless of such changes:

- (1) each company subscribing this policy upon its issuance shall be liable only for its stated proportion of any obligation assumed or expense incurred under this policy because of bodily injury or property damage caused, during the period from the effective date of this policy to the close of December 31 next following, by the nuclear energy hazard; for each subsequent calendar year, beginning January 1 next following the effective date of this 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 policy, duly executed and attested by the General Manager of Nuclear Energy Liability Insurance Association on behalf of each such company, and mailed or delivered to the named insured;
- (2) this policy shall remain continuously in effect from the effective date stated in the declarations until terminated in accordance with Condition 3 or Condition 15;
- (3) neither the liability of any company nor the limit of liability stated in the declarations shall be cumulative from year to year.

DECLARATIONS By acceptance of this policy the named insured agrees that the statements in the declarations are the agreements and representations of the named insured, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements between the named insured and the companies or any of their agents relating to this insurance.

For the Subscribing Companies

By  General Manager

IV APPLICATION OF POLICY

This policy applies only to bodily injury or property damage (1) which is caused during the policy period by the nuclear energy hazard and (2) which is discovered and for which

written claim is made against the insured, not later than two years after the end of the policy period.

EXCLUSIONS

This policy does not apply:

- (a) to any obligation for which the insured or any carrier as his insurer may be held liable under any workmen's compensation, unemployment compensation or disability benefits law, or under any similar law;
- (b) except with respect to liability of another assumed by the insured under contract, to bodily injury to any employee of the insured arising out of and in the course of his employment by the insured; but this exclusion does not apply to bodily injury to any person who is not employed at and in connection with the facility if the insured has complied with the requirements of the applicable workmen's compensation or occupational disease law respecting the securing of compensation benefits thereunder to his employees;
- (c) to liability assumed by the insured under contract, other than an assumption in a contract with another of the liability of any person or organization which would be imposed by law on such person or organization in the absence of an express assumption of liability;
- (d) to bodily injury or property damage due to the manufacturing, handling or use at the location designated in Item 3 of the declara-

tions, in time of peace or war, of any nuclear weapon or other instrument of war utilizing special nuclear material or byproduct material;

- (e) to bodily injury or property damage due to war, whether or not declared, civil war, insurrection, rebellion or revolution, or to any act or condition incident to any of the foregoing;
- (f) to property damage to any property at the location designated in Item 3 of the declarations, other than aircraft, watercraft or vehicles licensed for highway use, provided such aircraft, watercraft or vehicles are not used in connection with the operation of the facility;
- (g) to property damage to nuclear material in the course of transportation to or from the facility including handling or storage incidental thereto;
- (h) under Coverage B, to property damage due to neglect of the insured to use all reasonable means to save and preserve the property after knowledge of the occurrence resulting in such property damage.

CONDITIONS

- 1 **PREMIUM** 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 a written notice given by the companies to the named insured as soon as practicable prior to or after the beginning of such year.

Such advance premiums are estimated premiums only. As soon as practicable after each December 31 and after the termination of this policy, the earned premium for the preceding premium period shall be computed in accordance with the companies' rules, rates, rating plans, premiums and minimum premiums applicable to this insurance. If the earned premium thus computed for any premium period exceeds the advance premium previously paid for such period, the named insured shall pay the excess to the companies; if less, the companies shall return to the named insured the unearned 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.

- 2 **INSPECTION; SUSPENSION** The companies shall be permitted to inspect the facility and to examine the insured's books and records at any time, as far as they relate to the subject matter of this insurance.

If a representative of the companies discovers a condition which he believes to be unduly dangerous with respect to the nuclear energy hazard, a representative of the companies may request that such condition be corrected without delay. In the event of non-compliance with such request, a representative of the companies may, by notice to the named insured, to any other person or organization considered by the companies to be responsible for the continuance of such dangerous condition, and to the United States Atomic Energy Commission, suspend the insurance with respect to the named insured and such other person or organization effective 12:00 midnight of the next business day of such Commission following the date that such Commission receives such notice. The period of such suspension shall terminate as of the time stated in a written notice from the companies to the named insured and to each such person or organization that such condition has been corrected.

- 3 **LIMIT OF LIABILITY; TERMINATION OF POLICY UPON EXHAUSTION OF LIMIT** Regardless of the number of persons and organizations who are insureds under this policy, and regardless of the number of claims made and suits brought against any or all insureds because of one or more occurrences resulting in bodily injury or prop-

erty damage caused during the policy period by the nuclear energy hazard, the limit of the companies' liability stated in the declarations is the total liability of the companies for their obligations under this policy and the expenses incurred by the companies in connection with such obligations, including:

- (a) payments in settlement of claims and in satisfaction of judgments against the insureds for damages because of bodily injury or property damage, payments made under parts (2), (3) and (4) of Coverage A and payments made in settlement of claims under Coverages B and C;
- (b) payments 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;
- (c) payments for expenses incurred by the companies in investigating an occurrence resulting in bodily injury or property damage or in minimizing its effects.

Each payment made by the companies in discharge of their obligations under this policy or for expenses incurred in connection with such obligations shall reduce by the amount of such payment the limit of the companies' liability under this policy.

If, during the policy period or subsequent thereto, the total of such payments made by the companies shall exhaust the limit of the companies' liability under this policy, all liability and obligations of the companies under this policy shall thereupon terminate and shall be conclusively presumed to have been discharged. This policy, if not theretofore canceled, shall thereupon automatically terminate.

Regardless of the number of years this policy shall continue in force and the number of premiums which shall be payable or paid, the limit of the companies' liability stated in the declarations shall not be cumulative from year to year.

LIMITATION OF LIABILITY; COMMON OCCURRENCE Any occurrence or series of occurrences resulting in bodily injury or property damage arising out of the radioactive, toxic, explosive or other hazardous properties of

- (a) nuclear material discharged or dispersed from the facility over a period of days, weeks, months or longer and also arising out of such properties of other nuclear material so discharged or dispersed from one or more other nuclear facilities insured by the companies under a Nuclear Energy Liability Policy (Facility Form), or
- (b) source material, special nuclear material, spent fuel or waste in the

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

919 North Michigan Avenue, Chicago 11, Illinois

Nuclear Energy Liability Policy No. **MF** 130
(Facility Form)

DECLARATIONS

Item 1. Named Insured South Texas Project, et al. - See Endorsement No. 1

Address Houston Lighting & Power Company, P.O. Box 1700, Houston, Texas 77001
(No. Street Town or City State)

Item 2. Policy Period: Beginning at 12:01 A.M. on the 23rd day of June, 1987,
and continuing through the effective date of the cancelation or termination of this policy, standard time at the address
of the named insured as stated herein.

Item 3. Description of the Facility:

Location All of the premises including the land and all buildings and structures
of the South Texas Project (including Units 1 and 2) situated on a site
consisting of approximately 12,300 acres and located southwest Matagorda County,
approximately 12 miles south-southwest of Bay City and 10 miles north of
Matagorda Bay.

Type Reactor Facility

CERTIFIED THAT THIS IS A TRUE
AND EXACT DUPLICATE OF THE
ORIGINAL DOCUMENT.

[Signature] DATE 7-3-87
NOTARY PUBLIC

The Operator of the facility is South Texas Project, et al

Item 4. The limit of the companies' liability is \$ 36,000,000.00 subject to all the terms of this policy having
reference thereto.

Item 5. Advance Premium \$ 49,101.00

Item 6. These declarations and the schedules forming a part hereof give a complete description of the facility, insofar as it
relates to the nuclear energy hazard, except as noted NO EXCEPTIONS

Date of Issue June 16th, 1987

Countersigned by *[Signature]*
Authorized Representative

SUBSCRIBING COMPANIES

PROPORTION OF 100%

Liberty Insurance Company
American Motorists Insurance Company

50.00000
50.00000

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

It is agreed that the Named Insured is:

South Texas Project Participants: Houston Lighting and Power Company, Central Power and Light Company, City of Austin, City of San Antonio - City Public Service Board of San Antonio, Texas and all Participants under the South Texas Project Participation Agreement dated July 1, 1976 as same may be revised, amended, supplemented, extended or otherwise modified.

Effective Date of
this Endorsement June 23, 1987 To form a part of Policy No. MF-130

Issued to See Above

Date of Issue June 16, 1987

For the Subscribing Companies

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

By J. G. Gentry

Endorsement No. 1

Countersigned by _____
Authorized Representative

NUCLEAR ENERGY LIABILITY INSURANCE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

INDUSTRY CREDIT RATING PLAN
PREMIUM ENDORSEMENT

It is agreed that Condition 1 of the policy is replaced by the following:

CONDITION 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 American Nuclear Insurers 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 American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters, and
- (2) All reserves for unpaid losses and expenses as estimated by American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters

because of obligations assumed and the expenses incurred in connection with such obligations by members of American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters under all Nuclear Energy

Liability Policies issued by American Nuclear Insurers 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 American Nuclear Insurers 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 company may direct.

- (3) Use of Reserve Premiums. All reserve premiums paid or payable for this policy may be used by the members of Mutual Atomic Energy

Liability Underwriters to discharge their obligations with respect to incurred losses whether such losses are incurred under this policy or under any other policy issued by American Nuclear Insurers 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 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 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.

Effective Date of this Endorsement June 23, 1987 To Form a Part of Policy No. MF-130

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

BY

Countersigned by

Authorized Representative

Endorsement No. 2

NUCLEAR ENERGY LIABILITY INSURANCE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

WAIVER OF DEFENSES ENDORSEMENT (Extraordinary Nuclear Occurrence)

The named insured, acting for himself and every other insured under the policy, and the members of the Mutual Atomic Energy Liability Underwriters agree as follows:

1. With respect to any extraordinary nuclear occurrence to which the policy applies as proof of financial protection and which
 - (a) arises out of or results from or occurs in the course of the construction, possession, or operation of the facility, or
 - (b) arises out of or results from or occurs in the course of the transportation of nuclear material to or from the facility,

the insureds and the companies agree to waive

- (1) any issue or defense as to the conduct of the claimant or the fault of of the insureds, including but not limited to:
 - (i) negligence,
 - (ii) contributory negligence,
 - (iii) assumption or risk, and
 - (iv) unforeseeable intervening causes, whether involved the conduct of a third person, or an act of God,
- (2) any issue or defense as to charitable or governmental immunity, and
- (3) any issue or defense based on any statute of limitations if suit is instituted within three years from the date on which the claimant first knew, or reasonably could have known, of his bodily injury or property damage and the cause thereof, but in no event more than twenty years after the date of the nuclear incident.

The waiver of any such issue or defense shall be effective regardless of whether such issue or defense may otherwise be deemed jurisdictional or relating to an element in the cause of action.

2. The waivers set forth in paragraph 1. above do not apply to
 - (a) bodily injury or property damage which is intentionally sustained by the claimant or which results from a nuclear incident intentionally and wrongfully caused by the claimant;
 - (b) bodily injury sustained by any claimant who is employed at the site of and in connection with the activity where the extraordinary nuclear occurrence takes place if benefits therefor are either payable or required to be provided under any workers' compensation or occupational disease law;
 - (c) any claim for punitive or exemplary damages, provided, with respect to any claim for wrongful death under any state law which provides for damages only punitive in nature, this exclusion does not apply to the extent that the claimant has sustained actual damages, measured by the pecuniary injuries resulting from such death but not to exceed the maximum amount otherwise recoverable under such law.

3. The waivers set forth in paragraph 1. above shall be effective only with respect to bodily injury or property damage to which the policy applies under its terms other than this endorsement; provided, however that with respect to bodily injury or property damage resulting from an extraordinary nuclear occurrence, Insuring Agreement IV, "Application of Policy," shall not operate to bar coverage for bodily injury or property damage (a) which is caused during the policy period by the nuclear energy hazard and (b) 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 occurrence. Such waivers shall not apply to, or prejudice the prosecution or defense of any claim or portion of claim which is not within the protection afforded under (a) the provisions of the policy applicable to the financial protection required of the named insured; (b) the agreement of indemnification between the named insured and the Nuclear Regulatory Commission made pursuant to Section 170 of the Atomic Energy Act of 1954, as amended; and (c) the limit of liability provisions of Subsection 170 e. of the Atomic Energy Act of 1954 as amended.

Such waivers shall not preclude a defense based upon the failure of the claimant to take reasonable steps to mitigate damages.

4. Subject to all of the limitations stated in this endorsement and in the Atomic Energy Act of 1954, as amended, the waivers set forth in paragraph 1. above shall be judicially enforceable in accordance with their terms against any insured in an action to recover damages because of bodily injury or property damage to which the policy applies as proof of financial protection.
5. As used herein: "extraordinary nuclear occurrence" means an event which the Nuclear Regulatory Commission has determined to be an extraordinary nuclear occurrence as defined in the Atomic Energy Act of 1954, as amended. "financial protection" and "nuclear incident" have meanings given them in the Atomic Energy Act of 1954, as amended. "claimant" means the person or organization actually sustaining the bodily injury or property damage and also include his assignees, legal representatives and other persons or organizations entitled to bring an action for damages on account of such injury or damage.

Effective Date of this Endorsement June 23, 1987 To form a part of Policy No. MF-130

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

By 

Endorsement No. 3

Countersigned by _____

AUTHORIZED REPRESENTATIVE

NUCLEAR ENERGY LIABILITY INSURANCE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

Supplementary Endorsement
Waiver of Defenses
Reactor Construction at the Facility

It is agreed that in construing the application of paragraph 2 (b) of the Waiver of Defenses Endorsement with respect to an extraordinary nuclear occurrence occurring at the facility, a claimant who is employed at the facility in connection with the construction of a nuclear reactor with respect to which no operating license has been issued by the Nuclear Regulatory Commission shall not be considered as employed in connection with the activity where the extraordinary nuclear occurrence takes place if:

- (1) the claimant is employed exclusively in connection with the construction of a nuclear reactor, including all related equipment and installations at the facility, and
- (2) no operating license has been issued by the Nuclear Regulatory Commission with respect to the nuclear reactor, and
- (3) the claimant is not employed in connection with the possession, storage, use or transfer of nuclear material at the facility.

Effective Date of this Endorsement June 23, 1987 To Form a Part of Policy No. MF-130

Issued to See Endorsement No. 1

Date June 16, 1987

For the Subscribing Companies
Mutual Atomic Energy Liability Underwriters

By J. E. Deaton

Endorsement No. 4 Countersigned by
Authorized Representative

NUCLEAR ENERGY LIABILITY INSURANCE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

ADVANCE PREMIUM ENDORSEMENT
and
STANDARD PREMIUM ENDORSEMENT

Calendar Year 1987

1. ADVANCE PREMIUM

It is agreed that the Advance Premium due the companies for the calendar year designated above is \$ 49,101.00.

2. STANDARD PREMIUM AND RESERVE PREMIUM

In the absence of a change in the Advance Premium indicated above, it is agreed that, subject to the provisions of the Industry Credit Rating Plan, the Standard Premium and Reserve Premium are:

Standard Premium \$ 49,101.00.

Reserve Premium \$ 36,646.00.

Effective Date of
this Endorsement June 23, 1987

To form a part
of Policy No. MF-130

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

By 

Endorsement No. 5 Countersigned by _____

AUTHORIZED REPRESENTATIVE

Nuclear Energy Liability Insurance

Mutual Atomic Energy Liability Underwriters

AMENDATORY ENDORSEMENT
(Indemnified Nuclear Facility)

It is agreed that:

I. In Insuring Agreement III, "DEFINITIONS"

- A. The first sentence of the definition of "nuclear facility" is amended to read:

"nuclear facility" means "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters.

- B. The definition of "indemnified nuclear facility" is replaced by the following:

"indemnified nuclear facility" means

- (1) "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters, or

- (2) any other nuclear facility,

if financial protection is required pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, with respect to any activities or operations conducted thereat;

- C. Solely with respect to an "insured shipment" to which this policy applies as proof of financial protection required by the Nuclear Regulatory Commission, Subdivision (2) of the definition of "nuclear energy hazard" is amended to read:

- (2) the nuclear material is in an insured shipment which is away from any other nuclear facility and is in the course of transportation, including the handling and temporary storage incidental thereto, within

- (a) the territorial limits of the United States of America, its territories or possessions, or Puerto Rico; or

- (b) international waters or airspace, provided that the nuclear material is in the course of transportation between two points located within the territorial limits described in (a) above and there are no deviations in the course of the

- (b) transportation for the purpose of going to any other
(cont) country, state or nation, except a deviation in the
course of said transportation for the purpose of going
to or returning from a port or place of refuge as the
result of an emergency.

D. The definition of "insured shipment" is replaced with the following:

"insured shipment" means a shipment of source material, special nuclear material, spent fuel or waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, herein called "material", (1) to the facility from any location except an indemnified nuclear facility but only if the transportation of the material is not by predetermination to be interrupted by removal of the material from a transporting conveyance for any purpose other than the continuation of its transportation, or (2) from the facility to any other location, but only until the material is removed from a transporting conveyance for any purpose other than the continuation of its transportation.

E. As used herein, "financial protection" has the meaning given it in the Atomic Energy Act of 1954, as amended.

II. Insuring Agreement IV is replaced by the following:

IV APPLICATION OF POLICY This policy applies only to bodily injury or property damage (1) which is caused during the policy period by the nuclear energy hazard and (2) which is discovered and for which written claim is made against the insured, not later than ten years after the end of the policy period.

III. Condition 2 is replaced by the following:

2 INSPECTION; SUSPENSION The companies shall at any time be permitted but not obligated to inspect the facility and all operations relating thereto and to examine the insured's books and records as far as they relate to the subject of this insurance and any property insurance afforded the insured through any company who is a member of Mutual Atomic Energy Reinsurance Pool. If a representative of the companies discovers a condition which he believes to be unduly dangerous with respect to the nuclear energy hazard, a representative of the companies may request that such condition be corrected without delay. In the event of non-compliance with such request, a representative of the companies may, by notice to the named insured, to any other person or organization considered by the companies to be responsible for the continuation of such dangerous condition, and to the United States Nuclear Regulatory Commission, suspend this insurance with respect to the named insured and such other person or organization effective 12:00 midnight of the next business day of such Commission following the date that such Commission receives such notice. The period of such suspension shall terminate as of the time stated in a written notice from the companies to the named insured and to each such person or organization that such condition has been corrected.

Neither the right to make such inspections and examinations nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the insured or others, to determine or warrant that such facility or operations are safe or healthful, or are in compliance with any law, rule or regulation. In consideration of the issuance or continuation of this policy, the insured agrees that neither the companies nor any persons or organizations making such inspections or examinations on their behalf shall be liable with respect to injury to or destruction of property at the facility, or any consequential loss or expense resulting therefrom, or any loss resulting from interruption of business or manufacture, arising out of the making of or a failure to make any such inspection or examination, or any report thereon, or any such suspension of insurance, but this provision does not limit the contractual obligations of the companies under this policy or any policy affording the insured property insurance through any company who is a member of Mutual Atomic Energy Reinsurance Pool.

IV. Condition 4 is replaced by the following:

- 4 LIMITATION OF LIABILITY; COMMON OCCURRENCE Any occurrence or series of occurrences resulting in bodily injury or property damage arising out of the radioactive, toxic, explosive or other hazardous properties of
- (a) nuclear material discharged or dispersed from the facility over a period of days, weeks, months, or longer and also arising out of the properties of other nuclear material so discharged or dispersed from one or more other nuclear facilities insured under any Nuclear Energy Liability Policy (Facility Form) issued by Mutual Atomic Energy Liability Underwriters, or
 - (b) source material, special nuclear material, spent fuel, waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content in the course of transportation for which insurance is afforded under this policy and also arising out of such properties of other source material, special nuclear material, spent fuel, waste, or tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content in the course of transportation for which insurance is afforded under one or more other Nuclear Energy Liability Policies (Facility Form) issued by Mutual Atomic Energy Liability Underwriters,

shall be deemed to be a common occurrence resulting in bodily injury or property damage caused by the nuclear energy hazard.

With respect to such bodily injury and property damage (1) the total aggregate liability of the members of the Mutual Atomic Energy Liability Underwriters under all Nuclear Energy Liability Policies (Facility Form), including this policy, applicable to such common occurrence shall be the sum of the limits of liability of all such policies,

the limit of liability, of each such policy being as determined by Condition 3 thereof, but in no event shall such total aggregate liability of such members exceed \$36,000,000; (2) the total liability of the companies under this policy shall not exceed that proportion of the total aggregate liability of the members of Mutual Atomic Energy Liability Underwriters, as stated in clause (1) above, which (a) the limit of liability of this policy, as determined by Condition 3, bears to (b) the sum of the limits of liability of all such policies issued by such members, the limit of liability of each such policy being as determined by Condition 3 thereof.

The provisions of this condition shall not operate to increase the limit of the companies' liability under this policy.

V. The second paragraph of Condition 12, "OTHER INSURANCE", is amended to read:

If the insured has other valid and collectible insurance (other than such concurrent insurance or any other nuclear energy liability insurance issued by Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters to any person or organization) applicable to loss or expense covered by this policy, the insurance afforded by this policy shall be excess insurance over such other insurance; provided, with respect to any person who is not employed at and in connection with the facility, such insurance as is afforded by this policy for bodily injury to an employee of the insured arising out of and in the course of his employment shall be primary insurance under such other insurance.

VI. Paragraph (c) of Condition 16, "COMPANY REPRESENTATION", is amended to read:

(c) Mutual Atomic Energy Liability Underwriters is the agent of the companies with respect to all matters pertaining to this insurance. All notices or other communications required by this policy to be given to the companies may be given to such agent, at its office at One East Wacker Drive, Chicago, Illinois 60601, 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.

Effective Date of
This Endorsement June 23, 1987 To Form a Part
12:01 A.M. Standard Time of Policy No. MF-130

Issued to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

By J. B. Smith

Endorsement No. 6 Countersigned by _____

NUCLEAR ENERGY LIABILITY INSURANCE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

AMENDMENT OF DEFINITION OF INSURED (Tennessee Valley Authority)

It is agreed that regardless of the provisions of the second paragraph of Insuring Agreement II, part (b) of the Definition of Insured includes as an insured the Tennessee Valley Authority with respect to its legal responsibility for damages because of bodily injury or property damage caused by the nuclear energy hazard.

Effective Date of this Endorsement June 23, 1987 To form a part of Policy No. MF-130

Issue to See Endorsement No. 1

Date of Issue June 16, 1987

For the Subscribing Companies

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

By 

Endorsement No. 7

Countersigned by _____

AUTHORIZED REPRESENTATIVE

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY, Wakefield, Massachusetts
EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY OF WISCONSIN, Wausau, Wisconsin
HARDWARE MUTUAL CASUALTY COMPANY, Stevens Point, Wisconsin
LIBERTY MUTUAL INSURANCE COMPANY, Boston, Massachusetts
LUMBERMENS MUTUAL CASUALTY COMPANY, Chicago, Illinois
MICHIGAN MUTUAL LIABILITY COMPANY, Detroit, Michigan

NUCLEAR ENERGY LIABILITY POLICY

(FACILITY FORM)

NUCLEAR ENERGY LIABILITY POLICY

No. MF-130.....

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY
Wakefield, Massachusetts

LIBERTY MUTUAL INSURANCE COMPANY
Boston, Massachusetts

EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY
OF WISCONSIN
Wausau, Wisconsin

LUMBERMENS MUTUAL CASUALTY COMPANY
Chicago, Illinois

HARDWARE MUTUAL CASUALTY COMPANY
Stevens Point, Wisconsin

MICHIGAN MUTUAL LIABILITY COMPANY
Detroit, Michigan

The named insured is hereby notified that by virtue of this policy he is a member of each of the companies and is entitled to vote either in person or by proxy at any and all meetings of each of the companies.

The annual meetings of each of the companies are held at the time and place stated herein.

This policy is nonassessable.

NOTICE OF ANNUAL MEETINGS

The annual meetings of AMERICAN MUTUAL LIABILITY INSURANCE COMPANY are held at its home office in Wakefield, Massachusetts, on the third Wednesday of March in each year, at eleven o'clock in the morning.

The annual meetings of EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY OF WISCONSIN are held at its home office in Wausau, Wisconsin, on the third Friday of February in each year, at ten o'clock in the morning.

The annual meetings of HARDWARE MUTUAL CASUALTY COMPANY are held at its home office in Stevens Point, Wisconsin, on the third Wednesday of April in each year, at nine o'clock in the morning.

The annual meetings of LIBERTY MUTUAL INSURANCE COMPANY are held at its home office in Boston, Massachusetts, on the second Wednesday of April in each year, at eleven o'clock in the morning.

The annual meetings of LUMBERMENS MUTUAL CASUALTY COMPANY are held at its home office in Chicago, Illinois, on the third Tuesday of May in each year, at eleven o'clock in the morning.

The annual meetings of MICHIGAN MUTUAL LIABILITY COMPANY are held at its home office in Detroit, Michigan, on the last Thursday of March in each year at 10:30 o'clock in the morning.

NUCLEAR ENERGY LIABILITY POLICY

(FACILITY FORM)

MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

AMERICAN MUTUAL LIABILITY INSURANCE COMPANY, Wakefield, Massachusetts
EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY OF WISCONSIN, Wausau, Wisconsin
HARDWARE MUTUAL CASUALTY COMPANY, Stevens Point, Wisconsin
LIBERTY MUTUAL INSURANCE COMPANY, Boston, Massachusetts
LUMBERMENS MUTUAL CASUALTY COMPANY, Chicago, Illinois
MICHIGAN MUTUAL LIABILITY COMPANY, Detroit, Michigan

The undersigned members of Mutual Atomic Energy Liability Underwriters, hereinafter called the "companies," each for itself, severally and not jointly, and in the respective proportions hereinafter set forth, agree with the insured, named in the declarations made a part hereof, in consideration of the premium and in reliance upon the statements in the declarations and subject to the limit of liability, exclusions, conditions and other terms of this policy:

INSURING AGREEMENTS

I Coverage A — BODILY INJURY AND PROPERTY DAMAGE LIABILITY To pay on behalf of the insured:

- (1) all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage caused by the nuclear energy hazard, and the companies shall defend any suit against the insured alleging such bodily injury or property damage and seeking damages which are payable under the terms of this policy; but the companies may make such investigation, negotiation and settlement of any claim or suit as they deem expedient;
- (2) costs taxed against the insured in any such suit and interest on any judgment therein;
- (3) premiums on appeal bonds and on bonds to release attachments in any such suit, but without obligation to apply for or furnish such bonds;
- (4) reasonable expenses, other than loss of earnings, incurred by the insured at the companies' request.

Coverage B — DAMAGE TO PROPERTY OF AN INSURED AWAY FROM THE FACILITY With respect to property damage caused by the nuclear energy hazard to property of an insured which is away from the facility, to pay to such insured those sums which such insured would have been legally obligated to pay as damages therefor, had such property belonged to another.

Coverage C — SUBROGATION — OFFSITE EMPLOYEES With respect to bodily injury sustained by any employee of an insured and caused by the nuclear energy hazard, to pay to the workmen's compensation carrier of such insured all sums which such carrier would have been entitled to recover and retain as damages from another person or organization, had such person or organization alone been legally responsible for such bodily injury, by reason of the rights acquired by subrogation by the payment of the benefits required of such carrier under the applicable workmen's compensation or occupational disease law. An employer who is a duly qualified self-insurer under such law shall be deemed to be a workmen's compensation carrier within the meaning of this coverage. This Coverage C does not apply to bodily injury sustained by any person who is employed at and in connection with the facility.

This Coverage C shall not constitute workmen's compensation insurance as required under the laws of any state.

II DEFINITION OF INSURED The unqualified word "insured" includes (a) the named insured and (b) any other person or organization with respect to his legal responsibility for damages because of bodily injury or property damage caused by the nuclear energy hazard.

Subdivision (b) above does not include as an insured the United States of America or any of its agencies.

Subject to Condition 3 and the other provisions of this policy, the insurance applies separately to each insured against whom claim is made or suit is brought.

DEFINITIONS Wherever used in this policy:

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

"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;

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

"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;

"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in any nuclear reactor;

"waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (1) or (2) thereof;

"the facility" means the facility described in the declarations and includes the location designated in Item 3 of the declarations and all property and operations at such location;

"nuclear facility" means "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by the companies or by Nuclear Energy Liability Insurance Association. The term "nuclear facility" also means

- (1) any nuclear reactor,
- (2) any equipment or device designed or used for (a) separating the isotopes of uranium or plutonium, (b) processing or utilizing spent fuel, or (c) handling, processing or packaging waste,
- (3) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,
- (4) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste,

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"indemnified nuclear facility" means

- (1) "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by the companies or by Nuclear Energy Liability Insurance Association, or

- (2) any other nuclear facility,
- if financial protection is required pursuant to the Atomic Energy

Act of 1954, or any law amendatory thereof, with respect to any activities or operations conducted thereat;

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"nuclear energy hazard" means the radioactive, toxic, explosive or other hazardous properties of nuclear material, but only if

- (1) the nuclear material is at the facility or has been discharged or dispersed therefrom without intent to relinquish possession or custody thereof to any person or organization, or
- (2) the nuclear material is in an insured shipment which is (a) in the course of transportation, including handling and temporary storage incidental thereto, within the territorial limits of the United States of America, its territories or possessions, Puerto Rico or the Canal Zone and (b) away from any other nuclear facility;

EXCLUSIONS

This policy does not apply:

- (a) to any obligation for which the insured or any carrier as his insurer may be held liable under any workmen's compensation, unemployment compensation or disability benefits law, or under any similar law;
- (b) except with respect to liability of another assumed by the insured under contract, to bodily injury to any employee of the insured arising out of and in the course of his employment by the insured; but this exclusion does not apply to bodily injury to any person who is not employed at and in connection with the facility if the insured has complied with the requirements of the applicable workmen's compensation or occupational disease law respecting the securing of compensation benefits thereunder to his employees;
- (c) to liability assumed by the insured under contract, other than an assumption in a contract with another of the liability of any person or organization which would be imposed by law on such person or organization in the absence of an express assumption of liability;
- (d) to bodily injury or property damage due to the manufacturing,

"insured shipment" means a shipment of source material, special nuclear material, spent fuel or waste, herein called "material," (1) to the facility from a nuclear facility owned by the United States of America, but only if the transportation of the material is not by predetermination to be interrupted by the removal of the material from a transporting conveyance for any purpose other than the continuation of its transportation, or (2) from the facility to any other location except an indemnified nuclear facility, but only until the material is removed from a transporting conveyance for any purpose other than the continuation of its transportation.

APPLICATION OF POLICY This policy applies only to bodily injury or property damage (1) which is caused during the policy period by the nuclear energy hazard and (2) which is discovered and for which written claim is made against the insured, not later than two years after the end of the policy period.

IV

handling or use at the location designated in Item 3 of the declarations, in time of peace or war, of any nuclear weapon or other instrument of war utilizing special nuclear material or byproduct material;

- (e) to bodily injury or property damage due to war, whether or not declared, civil war, insurrection, rebellion or revolution, or to any act or condition incident to any of the foregoing;
- (f) to property damage to any property at the location designated in Item 3 of the declarations, other than aircraft, watercraft or vehicles licensed for highway use, provided such aircraft, watercraft or vehicles are not used in connection with the operation of the facility;
- (g) to property damage to nuclear material in the course of transportation to or from the facility including handling or storage incidental thereto;
- (h) under Coverage B, to property damage due to neglect of the insured to use all reasonable means to save and preserve the property after knowledge of the occurrence resulting in such property damage.

CONDITIONS

1 PREMIUM 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 a written notice given by the companies to the named insured as soon as practicable prior to or after the beginning of such year.

Such advance premiums are estimated premiums only. As soon as practicable after each December 31 and after the termination of this policy, the earned premium for the preceding premium period shall be computed in accordance with the companies' rules, rates, rating plans, premiums and minimum premiums applicable to this insurance. If the earned premium thus computed for any premium period exceeds the advance premium previously paid for such period, the named insured shall pay the excess to the companies; if less, the companies shall return to the named insured the unearned 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.

2 INSPECTION; SUSPENSION The companies shall be permitted to inspect the facility and to examine the insured's books and records at any time, as far as they relate to the subject matter of this insurance.

If a representative of the companies discovers a condition which he believes to be unduly dangerous with respect to the nuclear energy hazard, a representative of the companies may request that such condition be corrected without delay. In the event of non-compliance with such request, a representative of the companies may, by notice to the named insured, to any other person or organization considered by the companies to be responsible for the continuance of such dangerous condition, and to the United States

Atomic Energy Commission, suspend the insurance with respect to the named insured and such other person or organization effective 12:00 midnight of the next business day of such Commission following the date that such Commission receives such notice. The period of such suspension shall terminate as of the time stated in a written notice from the companies to the named insured and to each such person or organization that such condition has been corrected.

LIMIT OF LIABILITY; TERMINATION OF POLICY UPON EXHAUSTION OF LIMIT Regardless of the number of persons and organizations who are insureds under this policy, and regardless of the number of claims made and suits brought against any or all insureds because of one or more occurrences resulting in bodily injury or property damage caused during the policy period by the nuclear energy hazard, the limit of the companies' liability stated in the declarations is the total liability of the companies for their obligations under this policy and the expenses incurred by the companies in connection with such obligations, including

- (a) payments in settlement of claims and in satisfaction of judgments against the insureds for damages because of bodily injury or property damage, payments made under parts (2), (3) and (4) of Coverage A and payments made in settlement of claims under Coverages B and C;
- (b) payments 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;
- (c) payments for expenses incurred by the companies in investigating an occurrence resulting in bodily injury or property damage or in minimizing its effects.

Each payment made by the companies in discharge of their obligations under this policy or for expenses incurred in connection with such obligations shall reduce by the amount of such payment the limit of the companies' liability under this policy.

3

If, during the policy period or subsequent thereto, the total of such payments made by the companies shall exhaust the limit of the companies' liability under this policy, all liability and obligations of the companies under this policy shall thereupon terminate and shall be conclusively presumed to have been discharged. This policy, if not theretofore canceled, shall thereupon automatically terminate.

Regardless of the number of years this policy shall continue in force and the number of premiums which shall be payable or paid, the limit of the companies' liability stated in the declarations shall not be cumulative from year to year.

4 LIMITATION OF LIABILITY; COMMON OCCURRENCE Any occurrence or series of occurrences resulting in bodily injury or property damage arising out of the radioactive, toxic, explosive or other hazardous properties of

(a) nuclear material discharged or dispersed from the facility over a period of days, weeks, months or longer and also arising out of such properties of other nuclear material so discharged or dispersed from one or more other nuclear facilities insured by the companies under a Nuclear Energy Liability Policy (Facility Form), or

(b) source material, special nuclear material, spent fuel or waste in the course of transportation for which insurance is afforded under this policy and also arising out of such properties of other source material, special nuclear material, spent fuel or waste in the course of transportation for which insurance is afforded under one or more other Nuclear Energy Liability Policies (Facility Form) issued by the companies,

shall be deemed to be a common occurrence resulting in bodily injury or property damage caused by the nuclear energy hazard.

With respect to such bodily injury and property damage (1) the total aggregate liability of the companies under all Nuclear Energy Liability Policies (Facility Form), including this policy, applicable to such common occurrence shall be the sum of the limits of liability of all such policies, the limit of liability of each such policy being as determined by Condition 3 thereof, but in no event shall such total aggregate liability of the companies exceed \$13,500,000; (2) the total liability of the companies under this policy shall not exceed that proportion of the total aggregate liability of the companies, as stated in clause (1) above, which (a) the limit of liability of this policy, as determined by Condition 3, bears to (b) the sum of the limits of liability of all such policies issued by the companies, the limit of liability of each such policy being as determined by Condition 3, thereof.

The provisions of this condition shall not operate to increase the limit of the companies' liability under this policy.

5 NOTICE OF OCCURRENCE, CLAIM OR SUIT In the event of bodily injury or property damage to which this policy applies or of an occurrence 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 Mutual Atomic Energy Liability Underwriters or the companies as soon as practicable. If claim is made or suit is brought against the insured, he shall immediately forward to Mutual Atomic Energy Liability Underwriters or the companies every demand, notice, summons or other process received by him or his representative.

6 ASSISTANCE AND COOPERATION OF THE INSURED The insured shall cooperate with the companies and, upon the companies' request, attend hearings and trials and assist in making settlements, securing and giving evidence, 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 his own cost, make any payment, assume any obligation or incur any expense.

7 ACTION AGAINST COMPANIES — Coverages A and C 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 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 policy to the extent of the insurance afforded by this policy. No person or organization shall

have any right under this 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 his legal representative. Bankruptcy or insolvency of the insured or of the insured's estate shall not relieve the companies of any of their obligations hereunder.

ACTION AGAINST COMPANIES — Coverage B No suit or action on this policy for the recovery of any claim for property damage to which Coverage B applies shall be sustainable in any court of law or equity unless all the requirements of this policy shall have been complied with and unless commenced within two years after the occurrence resulting in such property damage.

INSURED'S DUTIES WHEN LOSS OCCURS — Coverage B In the event of property damage to which Coverage B applies, the insured shall furnish a complete inventory of the property damage claimed, showing in detail the amount thereof. Within ninety-one days after the occurrence resulting in such property damage, unless such time is extended in writing by the companies, the insured shall render to the companies a proof of loss, signed and sworn to by the insured, stating the knowledge and belief of the insured as to the following: identification of such occurrence; the interest of the insured in the property destroyed or damaged, and the amount of each item of property damage claimed; all encumbrances on such property; and all other contracts of insurance, whether valid or not, covering any of such property. The insured shall include in the proof of loss a copy of all descriptions and schedules in all policies. Upon the companies' request, the insured shall furnish verified plans and specifications of any such property. The insured, as often as may be reasonably required, shall exhibit to any person designated by the companies any of such property, and submit to examinations under oath by any person named by the companies and subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of account, records, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the companies or their representatives, and shall permit extracts and copies thereof to be made.

APPRAISAL — Coverage B In case the insured and the companies shall fail to agree as to the amount of property damage, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty days of such demand. The appraisers shall first select a competent and disinterested umpire and, failing for fifteen days to agree upon such umpire, then, on request of the insured or the companies, such umpire shall be selected by a judge of a court of record in the state in which the property is located. The appraisers shall then appraise each item of property damage and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized, of any two when filed with the companies shall determine the amount of property damage. Each appraiser shall be paid by the party selecting him and the expenses of the appraisal and umpire shall be paid by the parties equally. The companies shall not be held to have waived any of their rights by any act relating to appraisal.

SUBROGATION In the event of any payment under this policy, the companies shall be subrogated to all the insured's rights of recovery therefor against any person or organization, and the insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. Prior to knowledge of bodily injury or property damage caused by the nuclear energy hazard the insured may waive in writing any right of recovery against any person or organization, but after such knowledge the insured shall not waive or otherwise prejudice any such right of recovery.

The companies hereby waive any rights of subrogation acquired against the United States of America or any of its agencies by reason of any payment under this policy.

The companies do not relinquish, by the foregoing provisions, any right to restitution from the insured out of any recoveries made by the insured on account of a loss covered by this policy of any amounts to which the companies would be entitled had such provisions, or any of them, not been included in this policy.

OTHER INSURANCE If the insurance afforded by this policy for loss or expense is concurrent with insurance afforded for such loss or expense by a Nuclear Energy Liability Policy (Facility Form) issued to the named insured by Nuclear Energy Liability Insurance Association, hereinafter called "concurrent insurance," the companies

shall not be liable under this policy for a greater proportion of such loss or expense than the limit of liability stated in the declarations of this policy bears to the sum of such limit and the limit of liability stated in the declarations of such concurrent policy.

If the insured has other valid and collectible insurance (other than such concurrent insurance or any other nuclear energy liability insurance issued by the companies or Nuclear Energy Liability Insurance Association to any person or organization) applicable to loss or expense covered by this policy, the insurance afforded by this policy shall be excess insurance over such other insurance; provided, with respect to any person who is not employed at and in connection with the facility, such insurance as is afforded by this policy for bodily injury to an employee of the insured arising out of and in the course of his employment 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 policy or estop the companies from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part of this policy executed by Mutual Atomic Energy Liability Underwriters on behalf of the companies.

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 policy shall cover such insured's legal representative, receiver or trustee as an insured under this policy, but only with respect to his liability as such, and then only provided written notice of his appointment as legal representative, receiver or trustee is given to the companies within ten days after such appointment.

15 CANCELCATION This policy may be canceled by the named insured by mailing to the companies and the United States Atomic Energy Commission written notice stating when, not less than thirty days thereafter, such cancellation shall be effective. This policy may be canceled by the companies by mailing to the named insured at the address shown in this policy and to the United States Atomic Energy Commission written notice stating when, not less than ninety days thereafter, such cancellation shall be effective; provided in the event of non-payment of premium or if the operator of the facility, as designated in the declarations, is replaced by another person or organization, this policy may be canceled by the companies by mailing to the named insured at the address shown in this policy and to the United States Atomic Energy Commission 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 hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the named insured or by the companies shall be equivalent to mailing.

Upon termination or cancellation of this policy, other than as of the end of December 31 in any year, the earned premium for the period this policy has been in force since the preceding December 31 shall be computed in accordance with the following provisions:

- (a) if this policy is terminated, pursuant to Condition 3, by reason of the exhaustion of the limit of the companies' liability, all premium theretofore paid or payable shall be fully earned;
- (b) if the named insured cancels, the earned premium for such period shall be computed in accordance with the customary annual short rate table and procedure, provided if the named insured cancels after knowledge of bodily injury or property damage caused by the nuclear energy hazard, all premiums theretofore paid or payable shall be fully earned;
- (c) if the companies cancel, the earned premium for such period shall be computed pro rata.

Premium adjustment, if any, may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

COMPANY REPRESENTATION

- (a) Any notice, sworn statement or proof of loss which may be required by the provisions of this 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) Mutual Atomic Energy Liability Underwriters is the agent of the companies with respect to all matters pertaining to this insurance. All notices or other communications required by this policy to be given to the companies may be given to such agent, at its office at 919 North Michigan Avenue, Chicago 11, Illinois 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.

AUTHORIZATION OF NAMED INSURED Except with respect to compliance with the obligations imposed on the insured by Conditions 5, 6, 7, 8, 9, 10 and 11 of this policy, the named insured is authorized to act for every other insured in all matters pertaining to this insurance.

CHANGES IN SUBSCRIBING COMPANIES AND IN THEIR PROPORTIONATE LIABILITY By acceptance of this policy the named insured agrees that the members of Mutual Atomic Energy Liability Underwriters liable under this policy, and the proportionate liability of each such member, may change from year to year. Any such change shall be stated in an endorsement entitled "Changes in Subscribing Companies and in Their Proportionate Liability" issued to form a part of this policy, duly executed on behalf of the companies subscribing such endorsement and mailed or delivered to the named insured, and the named insured further agrees that regardless of such changes:

- (1) each company subscribing this policy upon its issuance shall be liable only for its stated proportion of any obligation assumed or expense incurred under this policy because of bodily injury or property damage caused, during the period from the effective date of this policy to the effective date of the first such endorsement, by the nuclear energy hazard;
- (2) this policy shall remain continuously in effect from the effective date stated in the declarations until terminated in accordance with Condition 3 or Condition 15;
- (3) neither the liability of any company nor the limit of liability stated in the declarations shall be cumulative from year to year.

DECLARATIONS By acceptance of this policy the named insured agrees that the statements in the declarations are the agreements and representations of the named insured, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements between the named insured and the companies or any of their agents relating to this insurance.

MUTUAL POLICY CONDITION This policy is nonassessable. The named insured is a member of each of the companies and shall participate, to the extent and upon the conditions fixed and determined by its board of directors in accordance with the provisions of law, in the distribution of dividends so fixed and determined.