

Appendix C

**Letter from John L. Quattrocchi, Senior Vice President, Underwriting, American Nuclear Insurers to Omer F. Brown, II, Harman & Wilmot, L.L.P., dated January 21, 1998;
Attachment B to Comments filed by Energy Contractor Price-Anderson Group.**

[Logo and Letterhead: AMERICAN NUCLEAR INSURERS UNDERWRITING DEPARTMENT,
John L. Quattrocchi, Senior Vice President]

January 21, 1998

Mr. Omer F. Brown, II
Harmon & Wilmot, L.L.P.
1010 Vermont Avenue, N.W.
Suite 810
Washington, D.C. 20005

Re: DOE Notice of Inquiry

Dear Mr. Brown:

On December 31, 1997, the DOE published in the Federal Register a Notice of Inquiry concerning the preparation of its Report to Congress on the renewal of Price-Anderson. One of the DOE's questions (Question 11) dealt with the availability of private insurance for DOE contractors. To the best of my knowledge, ANI is currently the sole source of nuclear liability insurance in the U.S. In that context, I thought the Energy Contractors' Price-Anderson Group might be interested in some of our thoughts on the issue of insurance.

The DOE has always had the option of requiring its contractors to maintain financial protection below the level at which indemnity is provided. It has opted not to require any underlying financial protection because the cost of such protection would be passed through to the government under the contract. Instead, the government has elected to self-insure the risk. Thus, indemnity under 170(d) has applied to contractors and other "persons indemnified" on a "first dollar" basis. In view of the position taken by the government over more than forty years, it is unclear why DOE would consider requiring underlying insurance at this late stage.

In any event, if requested, ANI would consider writing nuclear liability insurance at DOE facilities at limits up to \$200 million - the maximum liability limit we are currently able to write at any one facility. However, we are not in a position to guarantee that coverage would actually be written. Any agreement to provide insurance would depend on a careful engineering evaluation of the facility, the activities performed, and the DOE's agreement to implement recommendations that may be offered.

If insurance is written, premiums would be based on such factors as type of facility insured, nature of the activities performed, type and quantities of nuclear material handled, location of the facility, qualifications of site management, quality of safety-related programs and operating [page 2] history. Although we cannot provide any definitive numbers, annual per policy premiums might fall in the range of \$500,000-\$2 million at policy limits of \$200 million. These premiums would, of course, be subject to change over time.

I might add that it would be much easier for us to write nuclear liability insurance for new DOE facilities than for existing facilities. For facilities which have, in some cases, operated for decades, we would have obvious concerns about picking up liability for old exposures which may well preclude insurability.

I would also note that the nuclear liability policy written by ANI provides coverage only for the insured's liability for tort damages because of offsite bodily injury or property damage caused by the nuclear energy hazard. Among other things, the policy specifically excludes coverage for

- ! radiation tort claims of workers which can be covered under a separate industry-wide policy issued by ANI subject to a shared industry-wide limit of \$200 million;
- ! bodily injury or property damage due to manufacturing, handling or use of any nuclear weapon or other instrument of war;
- ! property damage to any property at the insured facility;
- ! on-site cleanup costs;
- ! environmental cleanup costs - i.e., those costs arising out of a governmental decree or order to clean up, neutralize or contain contamination of the environment.

The exclusions I've noted are highlighted and paraphrased for general information purposes only. All policy terms, conditions and exclusions should be carefully read in order to determine the scope of coverage afforded by the policy.

I hope this information is helpful to the review process. In the final analysis, even if insurance for DOE sites can be written, it could not replace the roughly \$9 billion of indemnity granted under 170(d) since we are only able to write liability limits up to \$200 million at this time.

Sincerely,
/s/ John L. Quattrocchi
John L. Quattrocchi
Senior Vice President, Underwriting