

A REVIEW OF NUCLEAR ENERGY INSURANCE

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DISCUSSION BY BURRELL C. LAWTON*

Mr. McClure has performed a valuable service to the insurance industry with this paper. Unfortunately, the nuclear insurance program has remained a mystery to almost all but the few who have labored long and hard to make the program work. Mr. McClure is one of those few and thus can speak from personal knowledge.

In addition to the fact that the inclusion of comments on the property side of the nuclear program broadens the scope of his paper, Mr. McClure's chore was necessarily more difficult than that assumed and accomplished so well by Richard Butler back in 1959. Ten years have elapsed, and under these conditions an author feels it necessary in giving a complete picture to evaluate what has actually happened in addition to describing the theories and intent of the program. As can be expected in making qualitative judgments, Mr. McClure is expressing his personal views, and many of his evaluations and conclusions might be challenged by others participating in the program.

It does not seem fitting in this forum to quarrel with matters of judgment but I do feel that there are some factual areas in which I should express my thoughts:

1. Burglary policies issued by many insurers *do* carry a nuclear exclusion — comparable in working to that quoted for plate glass policies. Also a good part of the London ocean marine market utilizes a nuclear exclusion.
2. The item on property insurance with respect to subrogation infers that there *might* be coverage under the liability policy for some

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subrogation claims by the property insurers. There is no coverage under the liability policy in this area.

3. The table of deductible credits for property insurance is the writer's "estimate." There is no standard procedure for the rating of these deductibles.
4. There is great difference of opinion about the liability coverage with respect to the licensee's property not "at the site." The remarks on this subject should especially be regarded as the author's opinion. It might also be desirable to read again Mr. Butler's remarks on this point, and the comment by Mr. J. P. Gibson, Jr. (Page 336-337, *PCAS* Vol. XLVI).
5. It is indicated that the "two year discovery clause may be extended by payment of a small additional premium." This is true in only certain isolated instances and generally may be done *only* with the consent of all reinsurers. However, negotiations are presently under way with reinsurers to extend this period generally to ten years.
6. The indication that "The pools have premium schedules for package reactors, university reactors, etc." infers that there are, in effect, "manual rates" for some of the exposures. Actually, a full record of all rated risks is maintained, and when a new risk is rated, it is compared to those previously rated so that the rates may not be unfairly discriminatory. Specific rates are published by IRB and MIRB for each risk based on the hazards of that risk. Any "schedules" represent only guides, which are varied for each risk according to its exposures.

AUTHOR'S REVIEW OF DISCUSSION

I was fortunate to draw Mr. Lawton as my reviewer, and the reader may be assured that there are few people better grounded in all phases of nuclear energy insurance. His comments are well taken. In particular, his first two points are correct, and I was unaware of his fourth point dealing with the liability coverage with respect to the licensee's property not at the site.

It should be pointed out, however, that there is indeed a guide for credits for deductibles in property insurance. It has been in use for many