

# BEST'S RATING REPORT



## Nuclear Electric Insurance Limited

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**CEDAR HAMILTON LIMITED**

**A**



**Best's Credit Rating Effective Date**

March 30, 2021

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**Information**

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

**Financial Data Presented**

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

# Nuclear Electric Insurance Limited

**AMB #:** 011284 | **NAIC #:** 34215 | **FEIN#:** 98-0066503

**Ultimate Parent:** AMB # 011284 - Nuclear Electric Insurance Limited

**Best's Credit Ratings - for the Rating Unit Members**

**Financial Strength Rating (FSR)**

<p><b>A</b></p> <p><b>Excellent</b></p> <p>Outlook: <b>Stable</b> Action: <b>Affirmed</b></p>
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**Issuer Credit Rating (ICR)**

<p><b>a+</b></p> <p><b>Excellent</b></p> <p>Outlook: <b>Stable</b> Action: <b>Affirmed</b></p>
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**Assessment Descriptors**

Balance Sheet Strength	<b>Strongest</b>
Operating Performance	<b>Marginal</b>
Business Profile	<b>Favorable</b>
Enterprise Risk Management	<b>Appropriate</b>

**Rating Unit - Members**

**Rating Unit:** Nuclear Electric Insurance Ltd | **AMB #:** 011284

**AMB #** Rating Unit Members  
074633 Cedar Hamilton Limited

## Rating Rationale

### Balance Sheet Strength: **Strongest**

- Risk-adjusted capitalization is in the strongest range, as measured by Best's Capital Adequacy Ratio (BCAR).
- Nuclear Electric Insurance Limited (NEIL) holds capital to pay for two full-limit losses, net of reinsurance, leading to very low net premium leverage.
- If needed, most of NEIL's policies allow Members to be assessed for a significant amount of additional premium.

### Operating Performance: **Marginal**

- NEIL's operating performance is subject to substantial volatility due to the nature of the business it underwrites.
- Investment portfolio was positively impacted by the strong overall performance of the stock market in 2019.
- Underwriting expenses are significantly lower than the industry over the last five years.

### Business Profile: **Favorable**

- NEIL is the dominant player in the U.S. nuclear power plant market, offering dedicated capacity to the sector, with a highly specialized utility insurance team.
- NEIL is a Member-owned mutual company, providing (re)insurance capacity primarily in the U.S.
- Nuclear power plants have regulatory objectives, which require the purchase of insurance, supporting NEIL's favorable business profile.

### Enterprise Risk Management: **Appropriate**

- Member-appointed directors ensure proper board representation.
- Specialized, effective Loss Prevention department working together with insured Members to control frictional losses. NEIL's loss prevention effort is supported by a panel of employed and contract nuclear engineers.
- High level of risk-adjusted capitalization at the tail (i.e., 1-in-500-year return period or 99.8% VaR).

### Outlook

- The stable outlooks reflect AM Best's expectation that NEIL will maintain its rating fundamentals over the intermediate term. As NEIL holds capital to pay for two full-limit losses (net of reinsurance), risk-adjusted capitalization is expected to remain at the strongest level, as measured by the BCAR. The company is also expected to maintain its dominance in the U.S. nuclear power plant market.

### Rating Drivers

- Negative rating action could occur should NEIL experience a significant erosion or loss of capital, such as through the payment of an outsized dividend or loss of Members.
- Negative rating action could occur in the event of an extreme loss event, such as core damage to a nuclear reactor.

## Key Financial Indicators

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

<b>Confidence Level</b>	<b>95.0</b>	<b>99.0</b>	<b>99.5</b>	<b>99.6</b>
BCAR Score	76.8	67.7	64.2	63.5

Source: Best's Capital Adequacy Ratio Model - P/C, US

Year End - December 31

Key Financial Indicators USD (000)	2019	2018	2017	2016	2015
Premiums Written:					
Direct	216,827	245,757	204,774	209,773	187,136
Assumed	85,310	69,878	76,988	79,975	72,794
Ceded	49,478	53,472	53,375	44,481	55,636
Net	252,660	262,163	228,386	245,267	204,294
Net Operating Income	-368,121	-124,674	-90,034	104,498	-51,348
Net Income	-61,145	-108,149	115,116	271,938	22,608
Total Admitted Assets	5,658,547	4,985,173	5,587,653	5,050,915	4,760,987
Policyholders' Surplus	4,317,590	4,137,004	4,473,964	4,049,015	3,796,151

Source: BestLink® - Best's Financial Suite

Year End - December 31

Key Financial Ratios (%)	2019	2018	2017	2016	2015	Weighted Average
Profitability:						
Combined Ratio	311.7	211.4	168.0	73.6	190.9	191.8
Reserve Development Combined Ratio Impact	-7.8	-8.8	-52.6	-26.7	80.1	-5.1
Net Investment Yield	2.2	2.4	2.2	2.6	2.9	2.5
Pre-Tax Operating Return on Net Earned Premiums	-99.9	-63.4	-15.9	78.1	-20.2	-38.9
Net Income Return on Policyholders' Surplus	-1.4	-2.5	2.7	6.9	0.6	1.2
Total Return on Policyholders' Surplus	5.3	-9.5	7.2	6.8	-3.6	1.2
Leverage:						
Net	0.4	0.3	0.3	0.3	0.3	...
Gross	0.4	0.3	0.3	0.3	0.3	...
Non-affiliated Investment	69.9	72.2	74.3	76.9	75.8	...

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

NEIL continues to target a minimum surplus which is at least sufficient to cover two full-limit nuclear losses, net of reinsurance.

### Capitalization

NEIL reported statutory surplus 2019 year-end of approximately \$4.3 billion. This was a slight increase of 4.4% over YE 2018; surplus has continued to exceed the minimum amount sufficient to cover two full-limit nuclear losses, net of reinsurance. Steady net investment income and both realized and unrealized capital gains and underwriting profits (before policyholder dividends) contributed to the increase.

According to NEIL guidelines, policyholder distributions are declared and paid at the discretion of the Board of Directors. The company could potentially decide not to declare a distribution in favor of retaining additional capital in any year. Additionally, and at the sole discretion of the Board of Directors, the company can call upon the Members of each nuclear insurance program for payment of a proportionate share of retrospective premium adjustments, in whole or in part, up to a maximum of ten times the Members' annualized policy premiums, to cover underwriting losses and related costs incurred by the company. Each insured has a contingent exposure to the company for retrospective premium adjustments based on losses incurred each year under the Primary Property, Accidental Outage, and Excess Property programs. The liability of the Members for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made. Management believes that it is unlikely that any retrospective premium adjustments will be made for policies whose terms have expired. The retrospective premium provision has remained at up to ten times annual premium for policies written since 2001. The retrospective provision allows NEIL to access approximately \$2.5 billion of capital within 20 business days.

The company's capital and surplus adequately supports its business risks, and the overall capitalization of NEIL is in the strongest range. This is a reflection of NEIL's very low underwriting leverage, which offsets the higher asset risk derived from the company's substantial equity holdings. Given the anticipated scenario of claim payments and capital management steps taken following a full-limit loss, the company's capital will remain very strong to support ongoing operations. In the unlikely occurrence of two full-limit losses,

**Balance Sheet Strength (Continued...)**

reliance is placed on predicted loss payout patterns, rate increases, the retrospective provision, and suspension of distribution payments for a period of time, in order to maintain sufficient capital to support ongoing operations.

	Year End - December 31				
<b>Capital Generation Analysis USD (000)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Beginning Policyholders' Surplus	4,137,004	4,473,964	4,049,015	3,796,151	3,882,063
Net Operating Income	-368,121	-124,674	-90,034	104,498	-51,348
Net Realized Capital Gains (Losses)	306,976	16,524	205,149	167,440	73,957
Net Unrealized Capital Gains (Losses)	283,933	-298,889	193,539	-4,404	-160,105
Other Changes in Capital and Surplus	-42,202	70,079	116,294	-14,670	51,586
Net Change in Policyholders' Surplus	180,586	-336,960	424,949	252,863	-85,911
<b>Ending Policyholders' Surplus</b>	<b>4,317,590</b>	<b>4,137,004</b>	<b>4,473,964</b>	<b>4,049,015</b>	<b>3,796,151</b>
Net Change in Policyholders' Surplus (%)	4.4	-7.5	10.5	6.7	-2.2
Net Change in Policyholders' Surplus (5 yr CAGR)	2.1	...	...	...	...

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
<b>Liquidity Analysis</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Operating Cash Flow USD (000)	10,342	-216,064	-24,957	85,142	-265,790
Current Liquidity (%)	345.3	472.6	412.0	409.4	391.9

Source: BestLink® - Best's Financial Suite

**Asset Liability Management - Investments**

NEIL's investments are externally managed. The Finance and Risk Committee meets quarterly to discuss investments and is comprised of Member Directors and three outside Board members, all with financial markets experience. All investment oversight is conducted through the Chief Investment Officer who coordinates activities with the Chief Executive Officer and Chief Financial Officer. While NEIL's investment philosophy focuses on a three-to-five year investment horizon, the investment portfolio has a higher equity allocation, in comparison to the industry composite, in order to achieve higher risk-adjusted returns. NEIL has exposure across the investment spectrum with investments in both U.S. and non-U.S. equities and fixed income. Investments also include alternative exposures such as real estate, private equity, and hedge funds. Exposure in alternative investments does not materially affect NEIL's overall liquidity.

	Year End - December 31				
<b>Composition of Cash and Invested Assets</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Cash and Invested Assets USD (000)	5,554,679	4,909,910	5,489,908	5,021,999	4,704,769
<b>Composition Percentages (%)</b>					
Unaffiliated:					
Cash and Short Term Investments	14.0	3.2	4.8	4.0	3.9
Bonds	28.7	33.2	32.1	31.4	32.2
Stocks	40.1	44.9	46.0	45.7	43.3
Other Invested Assets	14.3	15.9	14.6	16.2	17.9
<b>Total Unaffiliated</b>	<b>97.1</b>	<b>97.1</b>	<b>97.5</b>	<b>97.4</b>	<b>97.2</b>
Investments in Affiliates	2.9	3.0	2.5	2.7	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BestLink® - Best's Financial Suite

**Balance Sheet Strength (Continued...)**

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	24.6	11.5	4.4	0.5	4.9	4.6
Government Agencies and Municipal Bonds	1.4	2.5	1.5	1.9	2.9	11.7
Industrial and Miscellaneous Bonds	9.0	22.5	7.7	1.6	3.1	5.3
<b>Total Bonds</b>	<b>35.0</b>	<b>36.6</b>	<b>13.6</b>	<b>4.0</b>	<b>10.9</b>	<b>5.6</b>

Source: BestLink® - Best's Financial Suite

**Reserve Adequacy**

Past claims leading to significant, adverse developments were mediated through settlements.

Case loss reserves represent 45% of total reserves, with incurred but not reported (IBNR) reserves contributing with 55%. As a result of its close relationship with its policyholders (inherent in a mutual insurer), Members report losses expeditiously so that appropriate measures may be taken to minimize losses or to compensate the utility for the interruption of electricity generation capability. The company uses its wholly owned subsidiary, NEIL Services, Inc., for site surveys and claims adjusting services. NEIL Services determines damage amounts and recommends appropriate reserve levels.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	Year End - December 31				
	2019	2018	2017	2016	2015
Development to:					
Original Reserves (%)	...	-9.3	-4.1	-39.6	-42.9

Source: BestLink® - Best's Financial Suite

\* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Direct and Cost Containment Unpaid. Year End LAE balances include Direct and Cost Containment Unpaid only.

Loss and Loss Adjustment Expense Reserves and Development - Accident Year	Year End - December 31				
	2019	2018	2017	2016	2015
Original Loss and ALAE Reserves USD (000)	67,963	87,730	166,439	113,781	91,649
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	67,963	55,434	154,952	68,153	50,661
Development to Original Reserves (%)	...	-36.8	-6.9	-40.1	-44.7
Accident Year Loss and LAE Ratio (%)	27.1	23.3	69.6	27.2	24.6
Accident Year Combined Ratio (%)	319.5	207.5	215.4	82.0	91.1

Source: BestLink® - Best's Financial Suite

**Operating Performance**

NEIL's operating performance is assessed as marginal, given the level of volatility inherent to NEIL's specialty niche. NEIL's expense ratio has been consistently lower than that of the commercial property composite over the past 10 years. Over the past five years, NEIL's average Loss & LAE ratio compared favorably to its composite, however, within the last 10 years it has had larger loss experiences that have driven the pre-policyholder dividends combined ratio above 100%.

In spite of the volatility in its underwriting results, NEIL has generally recorded strong investment income. Net investment return has been mostly positive in each of the past five years (2018 was an exception at -4.4%), due to the large, diverse and actively managed investment portfolio. Overall net investment income has been somewhat volatile, as NEIL stock investments represent more than 40% of its invested assets. In 2019, NEIL reported a net investment gain of \$420 million. Despite recent favorable results, historically NEIL's average performance ratios reflect more volatility than that of the composite.

Policyholder distributions are declared and paid at the discretion of the Board of Directors, reflecting favorable experience with respect to the insurance coverage provided to its Members, returns on its investment portfolio, and in light of capital and surplus requirements. Distributions have resulted in a significantly decreased net cost of insurance to its Members over the years.

**Operating Performance (Continued...)**

Year End - December 31

Operating and Financial Performance Ratios (%) - Company	2019	2018	2017	2016	2015	Weighted Average
Calendar Year Loss and LAE Ratio	19.4	27.3	22.2	18.8	124.5	39.8
Expense and Policyholder Dividend Ratio	292.4	184.1	145.8	54.8	66.5	152.0
Combined Ratio	311.7	211.4	168.0	73.6	190.9	191.8
Reserve Development Ratio Impact	-7.8	-8.8	-52.6	-26.7	80.1	-5.1
Net Investment Yield	2.2	2.4	2.2	2.6	2.9	2.5
Pre-Tax Operating Return on Net Earned Premiums	-99.9	-63.4	-15.9	78.1	-20.2	-38.9
Net Income Return on Policyholders' Surplus	-1.4	-2.5	2.7	6.9	0.6	1.2
Total Return on Policyholders' Surplus	5.3	-9.5	7.2	6.8	-3.6	1.2

Source: BestLink® - Best's Financial Suite

Year End - December 31

Operating and Financial Performance Ratios (%) - Composite	2019	2018	2017	2016	2015	Weighted Average
Calendar Year Loss and LAE Ratio	58.1	70.9	77.8	51.5	64.1	64.4
Expense and Policyholder Dividend Ratio	40.4	40.9	38.5	39.0	29.0	37.5
Combined Ratio	98.5	111.8	116.3	90.5	93.2	101.9
Reserve Development Ratio Impact	-3.9	-5.8	-6.5	-11.3	18.2	-1.0
Net Investment Yield	2.3	2.3	2.1	2.1	2.2	2.2
Pre-Tax Operating Return on Net Earned Premiums	7.6	-4.6	-7.3	18.8	15.2	6.1
Net Income Return on Policyholders' Surplus	7.0	1.4	0.4	6.8	7.2	4.5
Total Return on Policyholders' Surplus	12.3	-5.3	7.9	8.1	5.3	5.7

Source: BestLink® - Best's Financial Suite

Industry Composite: Commercial Property Composite - BestLink® - Best's Financial Suite

**Business Profile**

Nuclear Electric Insurance Limited (NEIL) is an industrial insured captive owned by electric power providers with a past or present interest in nuclear power generating facilities. As a service to its Members and as a means to prevent losses, the company pursues a comprehensive Loss Prevention program conducted by staff dedicated to that purpose. Furthermore, NEIL benefits from the extensive requirements and safety information sharing provided to nuclear plant operators by the Nuclear Regulatory Commission (NRC), the World Association of Nuclear Operators (WANO), and the Institute of Nuclear Power Operations (INPO). These include a requirement that every utility perform an Individual Plant Examination for each of its sites to assess the risk of a severe reactor accident at that particular plant using a generally recognized approach called a Probabilistic Risk Assessment. Due to the nature of the risks involved in this industry, the Member companies employ catastrophe mitigation efforts, including safety systems at each plant that are designed to withstand the effects of the maximum anticipated natural and man-made events, including earthquake, wind, flood, etc., without loss of capability to perform their safety functions. With regard to terrorist threats, NEIL's coverage is provided on a 12-month aggregate approach. Security features and procedures have received significant attention at all the power facilities since the perception of these threats became more palpable.

NEIL insures nuclear power plants for property damage caused by an "accident" as that term is defined in its policies. It can also provide for the costs associated with certain interruptions of electric power generation through its Accidental Outage program, when such interruptions are due to accidental property damage to insured sites. Coverage can extend to decontamination expenses incurred at such sites arising from accidental nuclear contamination. NEIL provides coverage for other risks of direct physical loss at such sites, including certain premature decommissioning costs under the property programs. In 1999, the company expanded the opportunity for Membership to include the insurance of foreign nuclear sites. Foreign candidate facilities are very selectively considered for Membership after a comprehensive evaluation utilizing the same standards and criteria used to evaluate U.S. domestic plants.

In 2000, the company began providing certain conventional coverage to existing Members. With the 2021 launch of its wholly-owned subsidiary Cedar Hamilton Limited, NEIL intends to better meet its Members needs for conventional product and service offerings.

The company's goal is to provide cost-effective insurance, suitable capacity, and a good core engineering standard by which to gauge the risk exposure at insured plants. NEIL distributes a portion of its profits to its Members. NEIL currently provides property insurance coverage to all of the operating commercial nuclear power generating facilities in the United States, Belgium, and Spain.

**Business Profile (Continued...)**

Nuclear Electric Insurance Limited (NEIL) is owned by energy companies (the "Members"). NEIL is registered as an insurer under the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. In 1973, Nuclear Mutual Limited (NML) was formed as a mutual insurance company in Bermuda. NEIL was formed in 1980, and in 1997 NML and NEIL merged into one company. NEIL is headquartered in Wilmington, Delaware.

NEIL has four wholly owned subsidiaries that have different responsibilities. NEIL Services, Inc. is an engineering company that provides NEIL with loss prevention services and claims management. NEIL Overseas dac is the Dublin, Ireland domiciled company providing direct policies for international Member sites. In March 2014 NEIL organized a subsidiary in Delaware, NEIL Specialty Insurance Company (NSIC), which is licensed to conduct business as an industrial captive insurer. NSIC provides high excess non-nuclear property coverage. Cedar Hamilton is a newly formed subsidiary that is strategically important to NEIL in that it enables NEIL to meet its members' evolving needs for more capacity to support their conventional risks with stable pricing, while also maintaining NEIL's long-standing, strong Member retention rates. NEIL has given explicit financial support to Cedar Hamilton in the form of an 80% intercompany quota share reinsurance agreement, along with a net worth maintenance agreement. Qualitative benefits to Cedar Hamilton from NEIL include an established underwriting framework and experience in CH's lines of business, integration with NEIL's established ERM framework, and NEIL's experienced management team.

Premium Composition and Growth	Year End - December 31					5 Year CAGR
	2019	2018	2017	2016	2015	
Direct Premiums Written USD (000)	216,827	245,757	204,774	209,773	187,136	...
% Change	-11.8	20.0	-2.4	12.1	1.5	3.3
Reinsurance Premiums Assumed USD (000)	85,310	69,878	76,988	79,975	72,794	...
% Change	22.1	-9.2	-3.7	9.9	-10.1	1.0
Reinsurance Premiums Ceded USD (000)	49,478	53,472	53,375	44,481	55,636	...
% Change	-7.5	0.2	20.0	-20.0	1.9	-1.9
Net Premiums Written USD (000)	252,660	262,163	228,386	245,267	204,294	...
% Change	-3.6	14.8	-6.9	20.1	-3.1	3.7

Source: BestLink® - Best's Financial Suite

2019 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Comm M.P.	216,827	100.0	41,920	49.1	49,478	100.0	209,269	82.8	80.9
Top 5	216,827	100.0	41,920	49.1	49,478	100.0	209,269	82.8	80.9
All Other	...	...	43,391	50.9	...	...	43,391	17.2	100.0
Total	216,827	100.0	85,310	100.0	49,478	100.0	252,660	100.0	83.6

Source: BestLink® - Best's Financial Suite

Geographic Breakdown by Direct Premiums Written USD (000)	Year End - December 31				
	2019	2018	2017	2016	2015
Delaware	216,827	245,757	204,774	209,773	187,136
Top 5 States	216,827	245,757	204,774	209,773	187,136
Total	216,827	245,757	204,774	209,773	187,136
Geographic Concentration Index	1.00	...	...	...	...

Source: BestLink® - Best's Financial Suite

**Enterprise Risk Management**

NEIL has an excellent risk management program in place, which is incorporated in the company's overall strategic framework. A risk management conscious environment is promoted throughout the company, with tenor established by management and the Board of Directors. The Directors are limited to serving for nine consecutive years (unless, in its discretion, the Board determines that for the good of the company a Director should be eligible to serve up to an additional two years) and must resign at age seventy-five or when leaving utility employment. Notwithstanding this, the company has a number of independent Board members as well.

The NEIL Board has committees to oversee certain areas such as audit, finance and risk, and governance, as well as ad-hoc committees. The Audit Committee oversees auditor performance and compensation, reviews annual financials, and reviews the results



**Enterprise Risk Management (Continued...)**

of each internal and external audit, including a review of the company's internal compliance, Code of Conduct oversight, and crisis management/business continuity plan.

The Finance and Risk Committee reviews budgets and financial projections, investment oversight and activities, potential tax issues and enterprise risk management process. This Committee is also responsible for overseeing the investment, underwriting, and financial risks faced by NEIL, as well as the overall risk management framework of NEIL.

The Governance Committee oversees leadership development, executive compensation, human capital, and overall organizational governance.

NEIL Board implements ad-hoc committees when needed. An ad-hoc committee may be enacted when the internal enterprise risk dashboard approaches or exceeds the risk thresholds set by NEIL. Some results of NEIL's risk management efforts include establishing an Ad-Hoc Committee of the Board of Directors on Emerging Risks to review technical and operational challenges in the industry that may result in an increased risk exposure to the Mutual, improving communication with Members, sharing large project risk best practices, and performing periodic premium adequacy reviews, which take into account industry events and loss experience, in an effort to ensure appropriate collection of premium for the insured perils in the company's core nuclear programs.

**Reinsurance Summary**

In the normal course of business, the company seeks to reduce its exposure to losses that may arise by reinsuring certain levels of risk with other insurance enterprises or reinsurers. The maximum potential aggregate costs resulting from a full-limit loss include the coverage on a nuclear contamination accident and the associated business interruption claims. In total, one such incident could result in payments over time accumulating to \$3.24 billion. Reinsurance secured for the property program is for a three-year term expiring April 2024. It provides reinsurance coverage of \$1.45 billion excess of \$750 million for nuclear events and \$1.5 billion excess of \$750 million for non-nuclear events. Large participants in the ceded reinsurance program include American Nuclear Insurers, Japan Atomic Energy Insurance Pool, XL Reinsurance, various Lloyd's syndicates, Munich Re, Korean Atomic Energy Insurance Pool (KAEIP), Swiss Pool for the Insurance of Nuclear Risks, and Hannover Re. NEIL's internal policy guidelines limit participation of any one reinsurer to a maximum 10% share. In 2021, NEIL added a separate annual reinsurance contract covering its conventional, (non-nuclear) property business for part of \$75 million excess of \$50 million.

Ceded reinsurance premiums account for less than 2% of policyholders' surplus. This low-cost level is due to the very high limits retained by NEIL and the low probability of an occurrence breaching the retained layer. Ceded premiums for 2019 were \$49 million.

**Financial Statements**

	Year End - December 31			
	2019		2018	
<b>Balance Sheet</b>	<b>USD (000)</b>	<b>%</b>	<b>USD (000)</b>	<b>%</b>
Cash and Short Term Investments	780,395	13.8	156,250	3.1
Bonds	1,591,752	28.1	1,628,065	32.7
Preferred and Common Stock	2,389,119	42.2	2,348,743	47.1
Other Invested Assets	793,413	14.0	776,851	15.6
<b>Total Cash and Invested Assets</b>	<b>5,554,679</b>	<b>98.2</b>	<b>4,909,910</b>	<b>98.5</b>
Premium Balances	25,416	0.4	29,670	0.6
Other Assets	78,452	1.4	45,594	0.9
<b>Total Assets</b>	<b>5,658,547</b>	<b>100.0</b>	<b>4,985,173</b>	<b>100.0</b>
Loss and Loss Adjustment Expense Reserves:				
Net Reported Loss Reserves	101,400	1.8	109,452	2.2
Net IBNR Loss Reserves	123,087	2.2	115,284	2.3
Net LAE Reserves	18	...	819	...
<b>Total Net Loss and LAE Reserves</b>	<b>224,505</b>	<b>4.0</b>	<b>225,555</b>	<b>4.5</b>
Net Unearned Premiums	86,640	1.5	85,586	1.7
Other Liabilities	1,029,811	18.2	537,029	10.8
<b>Total Liabilities</b>	<b>1,340,956</b>	<b>23.7</b>	<b>848,169</b>	<b>17.0</b>

	Year End - December 31			
	2019		2018	
<b>Balance Sheet</b>	USD (000)	%	USD (000)	%
Paid-In and Contributed Surplus	250	...	250	...
Unassigned Surplus	4,317,340	76.3	4,136,754	83.0
<b>Total Policyholders' Surplus</b>	<b>4,317,590</b>	<b>76.3</b>	<b>4,137,004</b>	<b>83.0</b>
<b>Total Liabilities and Surplus</b>	<b>5,658,547</b>	<b>100.0</b>	<b>4,985,173</b>	<b>100.0</b>

Source: BestLink® - Best's Financial Suite

	Year End - December 31	
	2019	2018
<b>Income Statement USD (000)</b>		
Net Premiums Earned	251,605	254,567
Net Losses and LAE Incurred:		
Current Accident Year	68,276	91,735
Prior Accident Years	-19,555	-22,328
Underwriting Expenses Incurred	35,745	33,638
Dividends to Policyholders	700,000	436,000
<b>Net Underwriting Income</b>	<b>-532,861</b>	<b>-284,477</b>
Net Investment Income	113,854	122,943
Other Income (Expense)	276	100
<b>Pre-Tax Operating Income</b>	<b>-418,731</b>	<b>-161,435</b>
Income Taxes Incurred	-50,611	-36,761
<b>Net Operating Income</b>	<b>-368,121</b>	<b>-124,674</b>
Net Realized Capital Gains (Losses)	306,976	16,524
<b>Net Income</b>	<b>-61,145</b>	<b>-108,149</b>

Source: BestLink® - Best's Financial Suite

	Year End - December 31	
	2019	2018
<b>Statement of Operating Cash Flows USD (000)</b>		
Net Premiums Collected	264,455	245,552
Net Losses Paid	47,263	113,294
Expenses Paid	35,404	73,379
Dividends to Policyholders	290,000	431,000
Net Underwriting Cash Flow	-108,213	-372,121
Net Investment Income	113,280	125,962
Other Income (Expense)	276	100
Income Taxes Paid (Recovered)	-5,000	-29,995
Net Operating Cash Flow	10,342	-216,064

Source: BestLink® - Best's Financial Suite

# Nuclear Electric Insurance Limited

**Last Update**

April 14, 2021

**Identifiers**

**AMB #:** 011284

**NAIC #:** 34215

**FEIN #:** 98-0066503

**LEI #:** P26NU0MZ1L5NIYDGI317

**Contact Information**

Domiciliary Address:

1201 North Market Street,  
Suite 1100, Wilmington, Delaware  
19801  
United States

**Web:** [www.myneil.com](http://www.myneil.com)

**Phone:** +1-302-888-3000

**Fax:** +1-302-426-2179

**Financial Data Presented**

The financial data in this report reflects the most current data available at the time the report was printed.

## Operations

**Date Incorporated:** July 04, 1978 | **Date Commenced:** September 15, 1980

**Domiciled:** Delaware, United States

**Licensed:** (Current since 12/04/2001). The company is licensed in Delaware.

**Business Type:** Property/Casualty

**Organization Type:** Mutual

**Marketing Type:** Direct Response

**Financial Size:** XV (\$2 Billion or greater)

## Best's Credit Ratings

### Rating Relationship

**AM Best Rating Unit:** [011284 - Nuclear Electric Insurance Limited](#)

Refer to the [Best's Credit Report for AMB# 011284 - Nuclear Electric Insurance Limited](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

### Best's Credit Rating History

AM Best has assigned ratings on this company since 1995. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
<b>Current -</b>						
<b>Mar 30, 2021</b>	<b>A</b>	<b>Stable</b>	<b>Affirmed</b>	<b>a+</b>	<b>Stable</b>	<b>Affirmed</b>
Mar 2, 2020	A	Stable	Affirmed	a+	Stable	Affirmed
Feb 28, 2019	A	Stable	Affirmed	a+	Stable	Affirmed
Aug 1, 2018	A	Stable	Affirmed	a+	Stable	Affirmed
Jul 21, 2017	A	Stable	Affirmed	a+	Stable	Affirmed

## Corporate Structure

**Ultimate Parent:** AMB # 011284 - Nuclear Electric Insurance Limited

Based on AM Best's analysis, AMB# 011284 Nuclear Electric Insurance Limited is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. Access in BestLink this company's current [Corporate Structure](#).

## Overview

Nuclear Electric Insurance Limited (NEIL) is an industrial insured captive owned by electric power providers with a past or present interest in nuclear power generating facilities. As a service to its Members and as a means to prevent losses, the company pursues a comprehensive Loss Prevention program conducted by staff dedicated to that purpose. Furthermore, NEIL benefits from the extensive requirements and safety information sharing provided to nuclear plant operators by the Nuclear Regulatory Commission (NRC), the World Association of Nuclear Operators (WANO), and the Institute of Nuclear Power Operations (INPO). These include a requirement that every utility perform an Individual Plant Examination for each of its sites to assess the risk of a severe reactor accident at that particular plant using a generally recognized approach called a Probabilistic Risk Assessment. Due to the nature of the risks involved in this industry, the Member companies employ catastrophe mitigation efforts, including safety systems at each plant that are designed to withstand the effects of the maximum anticipated natural and man-made events, including earthquake, wind, flood, etc., without loss of capability to perform their safety functions. With regard to terrorist threats, NEIL's coverage is provided on a 12-month aggregate approach. Security features and procedures have received significant attention at all the power facilities since the perception of these threats became more palpable.

NEIL insures nuclear power plants for property damage caused by an "accident" as that term is defined in its policies. It can also provide for the costs associated with certain interruptions of electric power generation through its Accidental Outage program, when such interruptions are due to accidental property damage to insured sites. Coverage can extend to decontamination expenses incurred at such sites arising from accidental nuclear contamination. NEIL provides coverage for other risks of direct physical loss at such sites, including certain premature decommissioning costs under the property programs. Effective January 1, 1999, the company expanded the opportunity for Membership to include the insurance of foreign nuclear sites. Foreign candidate facilities are very selectively considered for Membership after a comprehensive evaluation utilizing the same standards and criteria used to evaluate U.S. domestic plants. In 2000, the company began providing certain non-nuclear coverage to existing Members. This is provided on a quota-share basis, in conformity with the conventional programs and following the terms and conditions of the program's lead underwriter. Participation in any program is subject to minimum acceptance criteria.

The company's goal is to provide cost-effective insurance, suitable capacity, and a good core engineering standard by which to gauge the risk exposure at insured plants. NEIL distributes a portion of its profits to its Members. NEIL currently provides property insurance coverage to all of the operating commercial nuclear power generating facilities in the United States, Belgium, and Spain.

## Management

As a mutual insurer, ownership of the company is held by its Members. The Members of the company are United States energy companies, one Belgian company and five Spanish companies. Each of the Members has, or had, an insurable interest in one or more nuclear generating units.

In addition to being owned by the nuclear industry, the company involves staff from its Member companies in the overall operation and management of the company. The Board of Directors is comprised largely of senior executives from its Member companies. The listing below reflects the Board of Directors as of April 1, 2021. An Engineering Advisory Committee, Legal Advisory Committee, and Insurance Advisory Committee, all with Member representatives, provide additional guidance for the Board of Directors.

The company has an agreement with its wholly owned subsidiary, NEIL Services, Inc., whereby NEIL Services provides claims handling services and performs loss prevention evaluations of nuclear power plants on the company's behalf. Such reviews serve a dual purpose; they are a prime loss-prevention vehicle, and they assist the company in determining premium rates.

### Officers

**President and CEO:** Bruce A. Sassi

**SVP and CFO:** Anna Arena

**SVP, Secretary and General Counsel:** Kenneth C. Manne (Corporate Services)

**Vice President and Chief Investment Officer:** Gregory J. Blackburn

**Vice President and Chief Underwriting Officer:** Robert Curtis

**Vice President:** Shawn Galbraith (Claims)

**Vice President:** R. Benjamin Mays (Loss Control)

### Directors

Nicholas K. Akins (Vice Chairman)

W. Paul Bowers (Chairman)

Terri J. Dalenta (Independent Director)

**Directors (Continued...)**

William J. Fehrman  
 Ralph Izzo  
 Dhiaa M. Jamil  
 Paul D. Koonce  
 Jeanne L. Mockard (Independent Director)  
 Robert P. Restrepo, Jr. (Independent Director)  
 Bruce A. Sassi  
 Patricia K. Vincent-Collawn  
 William A. Von Hoene, Jr.

**History**

NEIL is incorporated under the laws of Bermuda, has its place of business in Wilmington, Delaware, and is a registered insurer under the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. NEIL traces its roots to the formation of Nuclear Mutual Limited (NML) in Bermuda.

NML, incorporated under the laws of Bermuda in 1971, was formed by a group of U.S. electric utilities as an alternative to the commercial nuclear market. NML commenced business in 1973. NEIL was formed in 1980 in response to the Three Mile Island accident. In 1988, the company elected to seek on-shore status. As a result, NEIL was licensed on November 9, 1988, as an industrial captive by the Delaware Insurance Department.

On December 31, 1997, NML was merged into NEIL.

The merged entity now provides its Members with long-term self-determination in insurance matters affecting their nuclear plants. NEIL's primary goal is to maintain a financial position to cover two full-limit losses, as well as to ensure continuing coverage of nuclear sites. Other important goals include optimizing net insurance costs, maximizing investment income, and fairly compensating the Members for their premium contributions.

In late 1998, NEIL expanded its operations to insure approved overseas nuclear power plants and formed NEIL Overseas dac in Ireland to provide insurance to countries outside of the U.S. NEIL Overseas dac commenced operations on January 1, 1999.

In March 2014, NEIL organized a subsidiary in Delaware, NSIC, which is licensed to conduct business as an industrial captive insurer.

In September 2020, NEIL organized a subsidiary in Bermuda, Cedar Hamilton Limited. It was licensed in Bermuda as a Class 3 Insurer in December 2020.

**Corporate Changes**

Date	Event Type	Company Name	Current Company Name	Corporate Changes Text
01/10/1980	Name Change	Energy Mutual Liability, Limited	Nuclear Electric Insurance Limited	This company changed its name to Nuclear Electric Insurance Limited on January 10, 1980.

Search for this company in [Corporate Changes](#) in BestLink to review previous changes.

**Regulatory**

The annual statement of actuarial opinion is provided by Willis Towers Watson.

**Financial Results**

Financial exhibits presented in this report provide calculated ratios using the most recent company-filed statements available in BestLink - Best's Statement File – P/C, US. Access [Quantitative Analytical Report \(QAR\) Annual](#)

**Currency:** US Dollars

**Balance Sheet Highlights**

Year End - December 31

**Ceded Reinsurance Analysis**

	2020	2019	2018	2017	2016
<b>Nuclear Electric Insurance Limited</b>					
Ceded Reinsurance USD (000)	70,157	66,244	71,072	72,065	63,490
Business Retention (%)	83.6	83.6	83.1	81.1	84.6
Reinsurance Recoverables to PHS (%)	0.4	0.4	0.4	0.4	0.5
Ceded Reinsurance to PHS (%)	1.7	1.5	1.7	1.6	1.6
<b>Commercial Property Composite</b>					
Business Retention (%)	45.0	47.0	43.6	38.4	36.6
Reinsurance Recoverables to PHS (%)	41.6	40.2	44.3	46.3	37.7
Ceded Reinsurance to PHS (%)	73.5	69.3	78.8	80.3	78.9

Source: BestLink® - Best's Financial Suite

	Paid & Unpaid Losses	Incurred but not reported (IBNR) losses	Unearned premiums	Other Recoverables	Total Reinsurance Recoverables
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**2020 Reinsurance Recoverables USD (000)**

US Insurers	12	...	2,335	...	2,347
Pools/Associations	21	...	2,086	...	2,107
Other Non-US	27	...	12,104	...	12,131
Total (excluding US Affiliates)	60	...	16,525	...	16,585
<b>Grand Total</b>	60	...	16,525	...	16,585

Source: BestLink® - Best's Financial Suite

**Asset Liability Management | Investments**

Year End - December 31

	2020	2019	2018	2017	2016
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**Bond Portfolio**

Bonds & Short Term Investments USD(000)	1,722,850	2,102,867	1,671,291	1,787,006	1,654,065
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**By Issuer (%)**

Unaffiliated Bonds:

US Government	25.3	28.3	27.6	26.2	25.5
Foreign Government	3.1	3.1	3.7	3.7	4.9
Foreign - All other	11.9	10.0	10.5	10.8	10.8
State, Municipal & Special Revenue	13.7	13.5	13.9	14.0	14.8
Industrial and Misc, Hybrid and SVO Identified	46.1	45.2	44.4	45.4	43.9

**Bonds and Short Term Investments By Private vs Public (%)**

Private issues	9.1	6.4	9.9	8.6	6.8
Public issues	90.9	93.6	90.1	91.4	93.2

**Bonds and Short Term Investments By Quality (%)**

Class 1	78.5	85.9	81.3	82.1	82.1
Class 2	18.5	13.4	18.1	16.7	16.5
Class 3	2.7	0.6	0.6	1.2	1.3
Class 4	0.2	...	...	...	...
Below Investment Grade (NAIC 3-6)	3.0	0.6	0.7	1.2	1.3
Below Investment Grade - % of Policyholders' Surplus	1.2	0.3	0.3	0.5	0.6

Source: BestLink® - Best's Financial Suite

## Balance Sheet Highlights

### Asset Liability Management | Investments (Continued...)

	Year End - December 31				
	2020	2019	2018	2017	2016
<b>Stock Portfolio</b>					
Stocks USD(000)	2,625,400	2,389,119	2,348,743	2,660,752	2,427,918
<b>By Type (%)</b>					
Unaffiliated Common	85.7	93.2	93.8	94.8	94.4
Affiliated Common	14.3	6.8	6.2	5.1	5.5
Unaffiliated Preferred	...	0.1	...	0.1	0.1

Source: BestLink® - Best's Financial Suite

### Operating Performance Highlights

	Year End - December 31				
	2020	2019	2018	2017	2016
<b>By Line - Net Loss Ratio (%)</b>					
Comm M.P.	87.0	12.8	31.8	54.0	10.0
Rein-NPA Liab	111.1	73.2	-2.7	-99.9	37.9
Rein-NPA Prop	241.3	-0.4	-10.0	4.7	106.1
Total	102.6	18.7	26.5	21.5	18.7

Source: BestLink® - Best's Financial Suite

### Geographic - Direct Loss Ratio (%)

	Year End - December 31				
	2020	2019	2018	2017	2016
Delaware	78.7	-4.5	13.9	34.2	11.9
Total	78.7	-4.5	13.9	34.2	11.9

Source: BestLink® - Best's Financial Suite

### Business Profile Highlights

### Historical Market Presence

	Year End - December 31				
	2020	2019	2018	2017	2016
<b>By Line Breakdown - NPW USD (000)</b>					
Comm M.P.	213,118	209,269	226,860	185,278	200,858
Rein-NPA Liab	35,206	29,767	23,563	27,961	27,561
Rein-NPA Prop	24,486	13,624	11,740	15,148	16,848
Total	272,810	252,660	262,163	228,386	245,267

Source: BestLink® - Best's Financial Suite

### By Line Reserves USD (000)

	Year End - December 31			
	2020	2019	2018	
Comm M.P.		293,223	152,627	170,010
Rein-NPA Liab		62,103	71,858	55,479
Rein-NPA Prop		34,435	20	66
Total		389,761	224,505	225,555

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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