

NEIL 

2022

**STRATEGY
BULLETIN**

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Opening Message From Our CEO

In 2023, Nuclear Electric Insurance Limited (“NEIL”) will reach a significant milestone, 50 years of operation since Nuclear Mutual Limited’s formation. Over the decades, the nuclear industry has successfully navigated challenges and accomplished significant advancements domestically and across the globe. Throughout, NEIL has adjusted its products and services to respond to our Members’ changing needs. In 2016, we completed a strategy update that renewed our commitment to serving our Members and advancing our value proposition. One clear directive from that effort was to identify and implement more efficient and cost-effective risk transfer options for our Members, laying the groundwork for where we are today.

Energy consumption in the United States is projected to grow steadily over the next thirty years, with the need for added generation climbing year-over-year. Projections identify renewables as the main source of new generation, with nuclear power, absent external catalysts, declining in its share of the U.S. energy market by 2050. Global forecasts also show a steady growth in the energy sector, with generating capacity more than doubling by 2050. Nuclear generation capacity is expected to increase over this time, but its share of the overall energy mix looks to remain flat or decrease marginally and that growth is likely to occur outside the U.S., Belgium, and Spain.

However, recent recognition of nuclear power as a critical component to achieving decarbonization goals is producing renewed enthusiasm for nuclear and presents opportunity for NEIL and its Members. While the headwinds for new nuclear power remain fluid, the serious consideration it is being given as a replacement for fossil fuel plant retirements and a renewed commitment to preserving the existing U.S. fleet are encouraging. The lower cost, scalability, and time to construct Small Modular Reactors (“SMR’s”) are attributes that support a strong case for the role nuclear can play in meeting future clean energy demand. We remain optimistic about this trend and that legislative and public support for nuclear will continue to gain momentum in the future. NEIL’s strategic planning effort considered multiple scenarios in assessing the road ahead for nuclear to ensure we maintain the financial strength and flexibility to sustain our commitment to our nuclear core mission.

Given this backdrop, combined with the commercial insurance industry’s current landscape and our Members’ desire for NEIL to be more active in support of their specialty lines insurance needs, we engaged in a Strategy Review that examined NEIL’s future as an ongoing insurance partner for our Members. In December 2020, we took an important step that became an integral component of our strategy - forming Cedar Hamilton Limited to directly support our Members’ specialty insurance needs. A substantive focus of the Strategy Review was to develop a comprehensive plan to foster Cedar Hamilton in becoming a valuable risk transfer solution for our Members.

The following pages highlight key considerations that will inform our Company’s strategic direction for the next five years. As we navigate through the Strategic Plan, we will regularly update the Members and secure their input on key aspects of the direction of our strategic decisions.



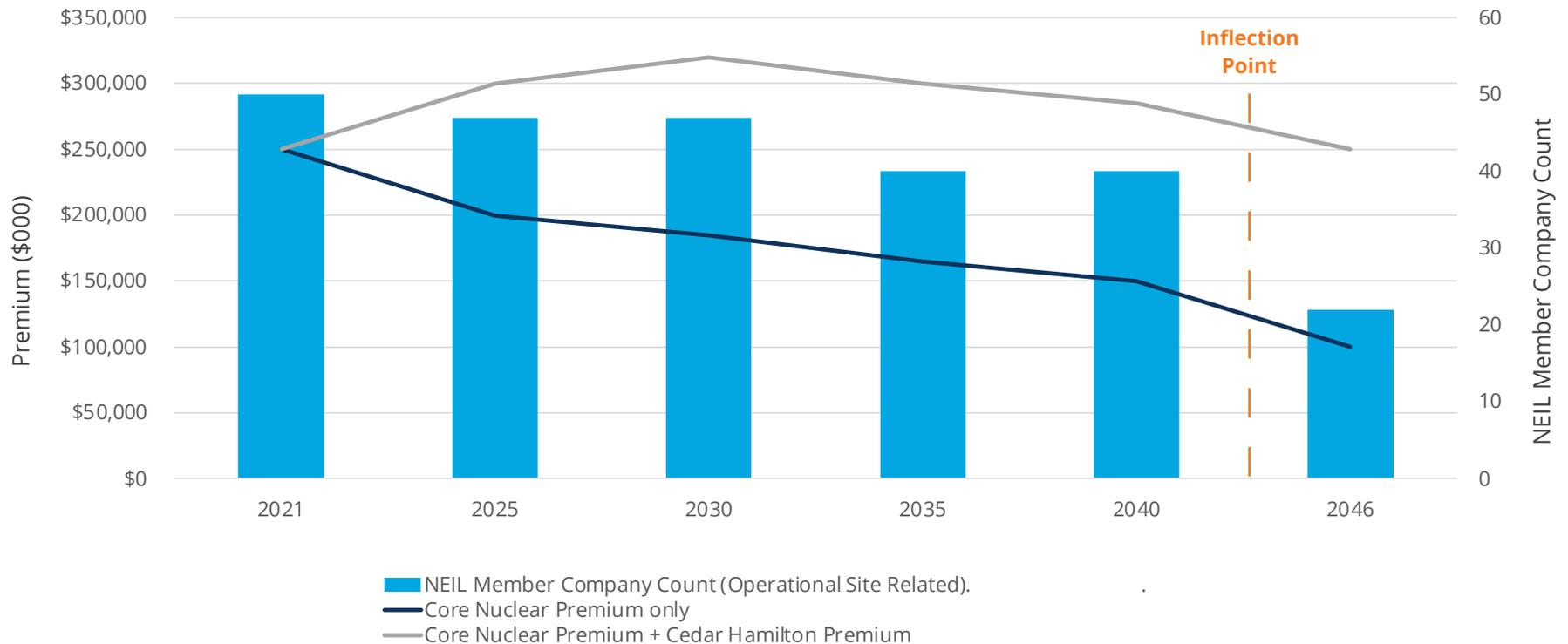
Bruce Sassi

President & Chief Executive Officer

Understanding the Evolving Nuclear Landscape

NEIL’s core business is, and will remain, to provide critical property and accidental outage coverage for the nuclear power stations we insure through NEIL and NEIL Overseas. However, we need to plan now for the anticipated changes to the nuclear energy environment to ensure we are well positioned to evolve with it.

Member Count and Premium Outlook



The above graphic projects the number of NEIL Member companies related to an operational site and the associated premium receipts over the next 25 years. An inflection point occurs when specialty lines premiums are expected to exceed nuclear premiums. Based on current assumptions, this will occur sometime between 2040 and 2045. It is important to note that future developments, such as second license renewal, political support for nuclear through clean energy legislation and incentives, and the introduction of SMR’s and Advanced Reactor Technology, could positively impact the nuclear industry and our outlook.

To ensure we maintain alignment with Members and the nuclear industry, we continue to closely monitor factors that can materially influence nuclear power's future.

Based on the current assessment, we established near and long-term Nuclear Program objectives:

NEAR TERM

Continue to **evaluate the Nuclear programs** to ensure **sustainability and breadth of coverage** afforded to Members

Continue to **support capacity** for **decommissioning** of retired plants

Opportunistically **expand NEIL's participation in non-member business** within our risk tolerance and regulatory constraints

LONG TERM

Monitor Advanced Reactor and Small Modular Reactor Technologies as they become a viable option for commercial deployment

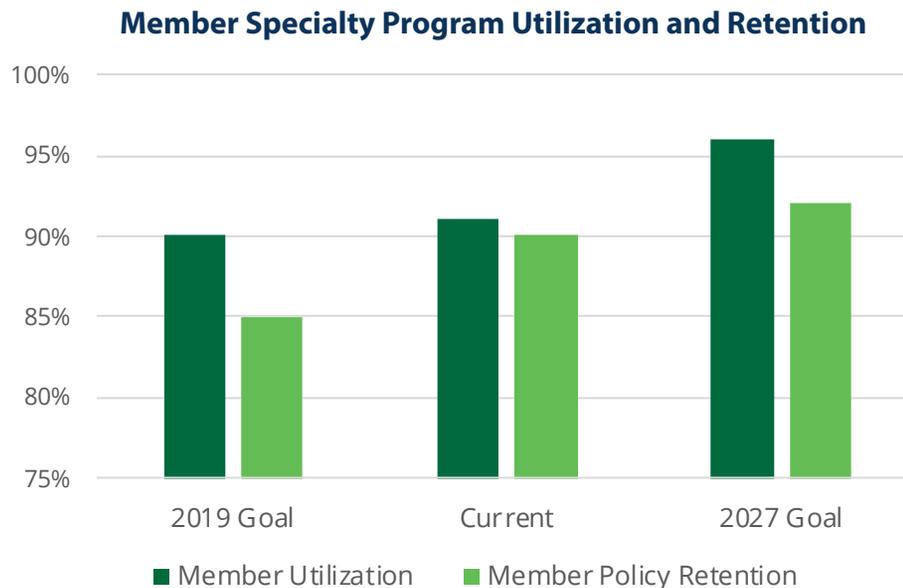
Review the nuclear landscape on a regular basis to ensure we are **aligned with the industry's trajectory, Member needs, and expectations**

Engage with the Advisory Committees to develop a **framework for considering acceptance of new Members**

Expanding the Specialty Business

The formation of Cedar Hamilton Limited marked a purposeful re-alignment of our support of the Members' specialty risks to provide a more efficient and direct source of insurance capacity. The response to Cedar Hamilton exceeded expectations and quickly had Members seeking additional capacity to support their specialty insurance needs. In its first year of operations, 90% of the Members utilized Cedar Hamilton capacity.

Our primary goal is for Cedar Hamilton to become a critical partner for our Members, providing specialty insurance leadership and risk management solutions. This will require a continuous and robust dialogue on existing and potential products and services. We created the Cedar Hamilton Risk Advisory Council to serve a critical role in planning the future strategic direction of Cedar Hamilton and our specialty insurance business.

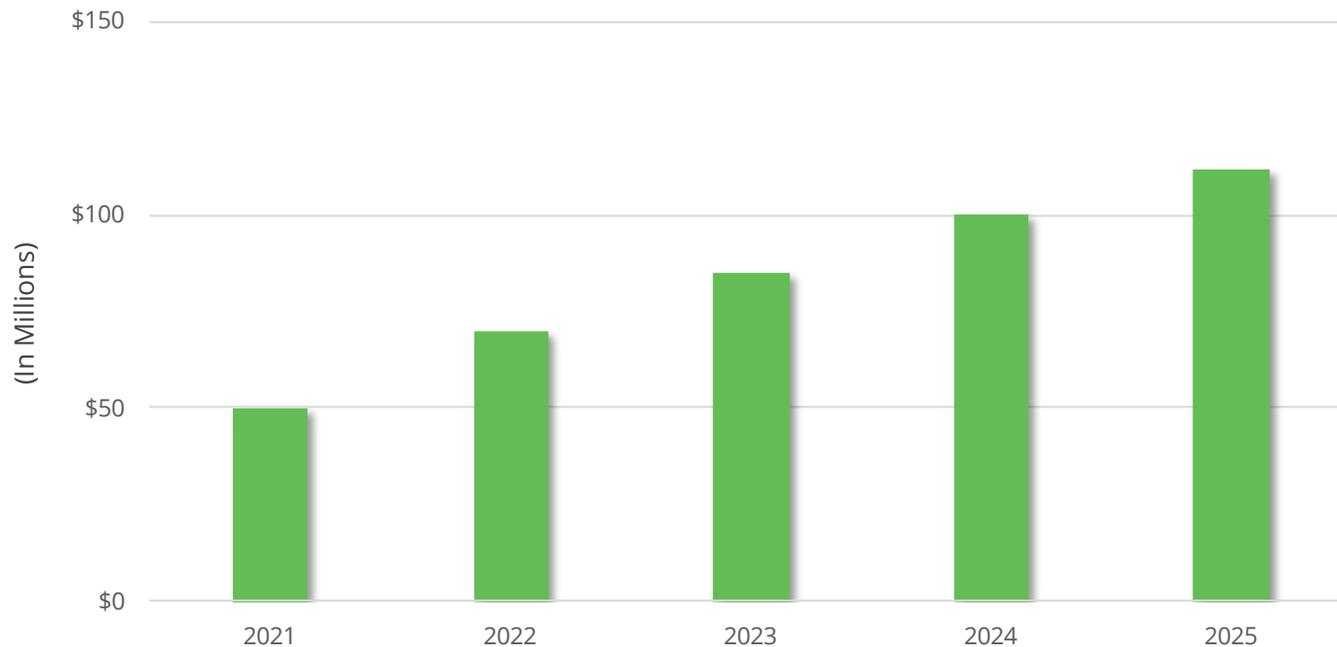


In building our specialty business, we will look to balance Member needs with sustainability and profitability. We will also develop a path for Cedar Hamilton to preserve its ability to meet evolving Member needs, which requires us to examine options that enable its growth within regulatory requirements. This includes exploring Membership expansion, increasing Cedar Hamilton's surplus, and monitoring our market position against peers.

CedarHamilton

Our initial business priority for Cedar Hamilton is to ensure alignment with the Members' immediate growth opportunities and coverage needs. Moving forward, the focus will move to organically growing segments, including Excess Liability and support for renewables. Over time, we will work closely with our Members to refine our long-term strategic growth plan for Cedar Hamilton, ensuring it maintains the financial strength and optionality to evolve with the changing needs of our Members.

Cedar Hamilton Gross Written Premium Projections

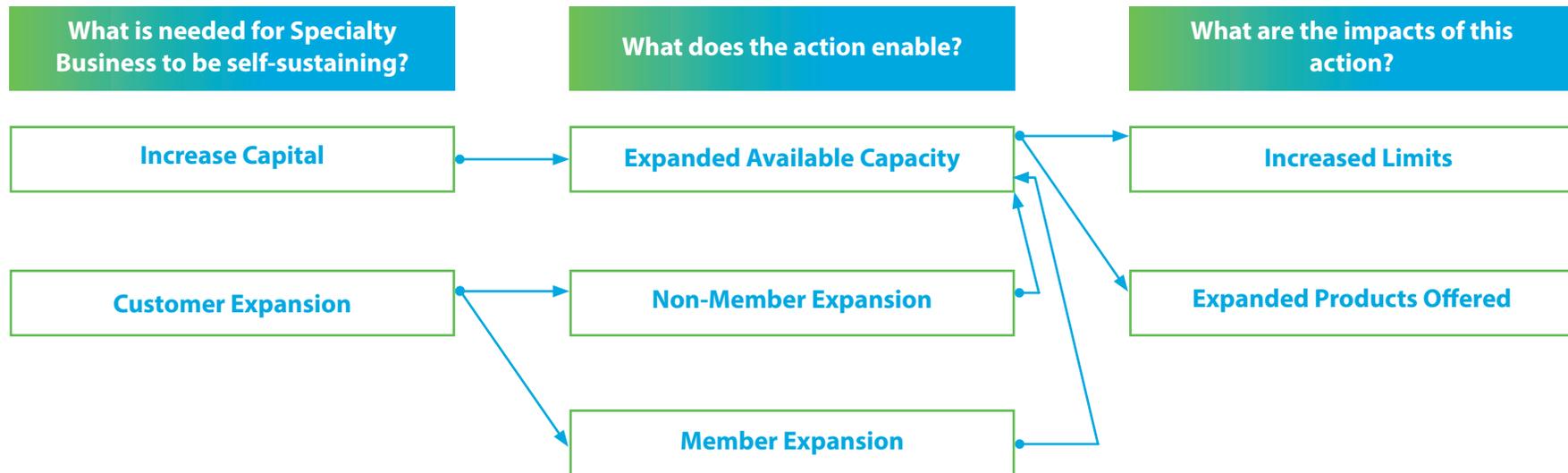


Two critical components to ensuring Cedar Hamilton's business evolves with the Members' needs are feedback from the Membership through both the Cedar Hamilton Risk Advisory Council and NEIL Insurance Advisory Committee, and managing Cedar Hamilton's capital structure to support product demand and program sustainability. We will assess these components annually and, if warranted, target additional capital infusions to Cedar Hamilton, ensure an optimal reinsurance framework, and adjust program capacity in response to Member demand.

Through Cedar Hamilton and NEIL Overseas, NEIL has an opportunity to expand its product offerings and value-added services to its Members. While enthusiasm from the Membership regarding Cedar Hamilton has been overwhelmingly positive, we are aware of the sentiment that this new venture should not distract from NEIL's core nuclear mission and commit this will not happen.

Enabling Specialty Business for Success

Our longer-term strategy includes the potential to expand NEIL's Membership base to allow other similar companies access to products and services from NEIL, NEIL Overseas, and Cedar Hamilton, but with Member equity in mind. We will explore this concept in detail with the Member Advisory Committees. NEIL Staff will work closely with a special committee of IAC, EAC, and LAC representatives to develop a framework and criteria for the assessment process. We will fully engage the Members to consider a proposed path forward, offer ample opportunities for dialogue, and provide updates on the committee's progress.



Capital Management and Enterprise Risk Management

As our mix of insurance products grows and changes, we regularly evaluate our strategy pertaining to capital management and our enterprise risk management framework. We closely scrutinize key elements of both areas by utilizing industry best practices in assessments and stress testing, making any necessary adjustments to enhance alignment across the framework components. As part of the 2021 Strategy Review, we performed a comprehensive assessment of our Enterprise Risk Appetite Statements and Key Performance Indicators, Program-Level Risk Appetite Statements, and Key Risk Indicators for NEIL, NEIL Overseas, and Cedar Hamilton.



Moving forward, we will build upon our existing capital and portfolio modeling, and our monitoring practices, to support increasing regulatory and rating agency requirements, with an emphasis on alignment and integration across the NEIL Group companies.

Member Engagement

The Covid-19 pandemic presented challenges and required actions that may forever change how we conduct business and interact with our Members. As the post-pandemic “normal” takes shape, the Strategy Review presented an opportunity to gain important insights on ways to enhance Member engagement. We have accomplished a lot since our 2016 strategy update and will continue adapting our engagement activities to improve the benefits to our Members.

NEIL is a Member-first organization. We continuously re-evaluate Member needs to operate more efficiently and remain service-oriented. Moving forward we intend to enhance that role by acting as a thought leader to support the Members through the energy industry evolution. Our Members’ changing risk profiles are an extension of our own. Understanding the risks our Members need to manage, and incorporating them into future planning and initiatives, is our commitment to support our Members across all energy sector operations. We will take the following actions to achieve this:

KEY ACTION ITEMS

Utilize our **Service Delivery Teams** to continue working with the Members to **assess areas for improved engagement**, including a **refreshed Member-focused stewardship process**

Implement initiatives intended to **improve efficiencies** and **cost savings for our Members**

Implement changes to our high-profile, large Member meetings, to **enhance engagement**, including the **Nuclear and Specialties Workshop** and **Plant Contact Workshop**

Leverage technology solutions to **improve data exchanges** and **communication with Members**

Our Culture

Staff's successful integration of the operational changes made in response to the pandemic brought about one of the most impactful changes experienced at NEIL – the decision to remain in a remote-first work environment. This change presents significant opportunities for our future but requires us to carefully consider its cultural impact and how we interact with one another. We continue to focus on employee engagement and inclusion. We will look to convene our Staff for focused interactions, such as all hands meetings, departmental training, leadership team planning meetings, and Member engagement opportunities.

Our goal is to ensure we maintain and enhance a culture that fosters inclusiveness, and an environment that embraces teamwork, internalizes accountability, and strives for excellence.

Environmental, Social, and Governance (“ESG”) Principles

We carefully considered ESG criteria within our operating framework. We view ESG as a continuous process of aligning operations and controls with our values as a company, and continue to monitor this developing corporate governance area. We offer the following observations but will revisit and revise the ESG framework to meet stakeholder expectations.



- ▶ NEIL plays a role in supporting our Members' objectives of safe, clean, reliable, and affordable energy
- ▶ While we have no explicit restrictions on Underwriting or Investments, we will monitor the ESG policies of our investment managers and insurance relationships to ensure alignment



- ▶ We are strongly committed to diversity, equity, inclusion, and community service
- ▶ We have, and continue to focus on, diversity in our recruiting and hiring, and Board and Advisory Committee representation



- ▶ We maintain a transparent and robust Compliance and Controls framework
- ▶ We maintain a framework for risk evaluation that is periodically reviewed with the Board

Vision, Mission and Guiding Principles Refresh

Our Vision, Mission, and Guiding Principles shape how we manage operations for our Members. Their importance to the organization means they should be periodically reviewed to confirm their relevance, the core message, and how they are communicated. During the Strategy Review, we assessed each component's applicability to where we see the Company in five years.

The core messages remain relevant, but a refresh of the language used to convey those messages was warranted. Each component should be succinct, relevant, relatable, have a degree of durability in a changing industry, and convey to Members, NEIL Staff, and other stakeholders, a clear sense of purpose. We believe the following updated statements accomplish that objective but retain the key concepts of what our Company strives to do for the Members.

Vision

To serve our Members as the world class leader in nuclear power insurance, loss prevention and utility industry risk transfer solutions.

Mission

Nuclear power is vital to ensuring the clean energy needs of tomorrow. NEIL's Mission is to enable nuclear power through our commitment to:

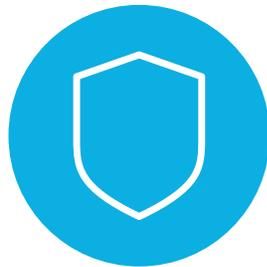
- ▶ *Our Members – Delivering value by providing sustainable, cost effective and comprehensive insurance coverage to our Members*
- ▶ *Self Determination – Developing superior solutions hand in hand with our Members*
- ▶ *Financial Strength – Maintain resources to cover two policy limit losses*

Our Guiding Principles have been re-cast as “Core Values” and restated:

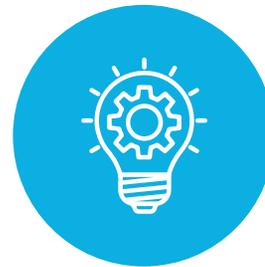
Mutuality is the cornerstone of our business. We invest our energy in the future of yours. We demonstrate Mutuality through our Core Values:



Striving for **Excellence**



Acting with **Integrity**



Promoting **Innovation**



Fostering **Inclusiveness**

In refreshing the Core Values, it is important from the outset to be clear on what each key term means to us as a Company.

Excellence – We seek excellence in all we do through our commitment to continuous improvement by an engaged, collaborative, and learning organization

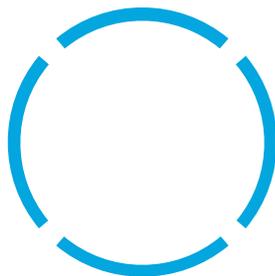
Integrity – Doing the right thing in pursuit of our goals and obligations. We are committed to the highest level of transparency, integrity, and accountability in executing our responsibilities.

Innovation – We embrace change through our commitment to developing creative and cost-effective risk transfer solutions supported by an efficient operational framework.

Inclusiveness – We value teamwork and are committed to cultivating a diverse, equitable, and inclusive workforce. We encourage, respect, and welcome diverse thinking and experiences.

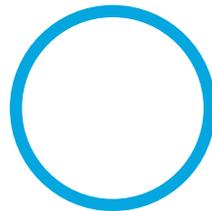
Revised NEIL Logo

When NEIL introduced its new circle logo in 2016, it was comprised of three ring-like symbols fitting together. The inner symbol represents the mutual commitment between NEIL and its Members. The middle circle represents the solid insurance protection provided by the mutual. The outer ring represented NEIL's five Guiding Principles. Our adoption of Excellence, Integrity, Innovation and Inclusiveness as the Company's four Core Values required us to revise the logo such that the outer ring is now comprised of four segments, each representing one of our Core Values. While the change is subtle, it is important that the components of our logo be current.



4 core values

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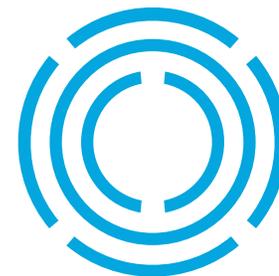
protection

+



mutual commitment

=



symbol



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