



The Price-Anderson Act

Background Information

November 2005

The Price-Anderson Act was enacted into law in 1957 and has been revised several times. It constitutes Section 170 of the Atomic Energy Act. The latest revision was enacted through the "Energy Policy Act of 2005," and extended it through December 31, 2025.

The main purpose of the Price-Anderson Act is to ensure the availability of a large pool of funds (currently about \$10 billion) to provide prompt and orderly compensation of members of the public who incur damages from a nuclear or radiological incident no matter who might be liable. The Act provides "omnibus" coverage, that is, the same protection available for a covered licensee or contractor extends through indemnification to any persons who may be legally liable, regardless of their identity or relationship to the licensed activity. Because the Act channels the obligation to pay compensation for damages, a claimant need not sue several parties but can bring its claim to the licensee or contractor.

The Price-Anderson Act requires Nuclear Regulatory Commission licensees and Department of Energy contractors to enter into agreements of indemnification to cover personal injury and property damage to those harmed by a nuclear or radiological incident, including the costs of incident response or precautionary evacuation and the costs of investigating and defending claims and settling suits for such damages. The scope of the Act includes nuclear incidents in the course of the operation of power reactors; test and research reactors; Department of Energy nuclear and radiological facilities; and transportation of nuclear fuel to and from a covered facility. [Public liability arising out of nuclear waste activities funded by the Nuclear Waste Fund would be compensated from the Fund.]

As of January 1, 1998, the insurance pools had underwritten the following policies:

Operating power reactors	69 sites
Non-power reactors	27
Fuel fabrication facilities	6
Waste disposal and storage facilities	12
Miscellaneous facilities including nuclear laundries and research laboratories	55
Discontinued nuclear facilities	20
Suppliers and transporters	225

[Source: "The Price-Anderson Act - Crossing the Bridge to the Next Century: A Report to Congress. ICF Incorporated for the Nuclear Regulatory Commission. August, 1998]



Power reactor licensees are required to have the maximum level of primary insurance available from private sources (currently \$300 million) and to contribute up to \$95.8 million per unit to a secondary insurance pool, payable in annual installments of \$15 million or less, and subject to adjustments for inflation at five-year intervals. The combined primary and secondary insurance coverage now totals over \$10 billion.

The NRC codifies the conditions for indemnity agreements, liability limits, and fees for the different classes of licensees in 10 CFR Part 140. Power reactors rated below 100 Mwe, for example, have lower primary insurance requirements than larger reactors, while the financial protection required for non-profit educational reactors is a function of their maximum power and the neighboring population. The Department of Energy also establishes indemnity agreements with its nuclear contractors. The liability limit for DOE facilities is \$10 billion subject to adjustments for inflation.

In the event of a nuclear incident involving damages in excess of the limits established in the Act, Congress could take further actions, including the appropriation of funds.

BENEFITS OF THE PRICE-ANDERSON ACT

The Price-Anderson Act is a consumer- and public-oriented legislation. It provides a substantial amount of insurance protection paid by the commercial sector at no cost to the public or the government. The Act has removed the deterrent to private sector participation in nuclear activities presented by the threat of potential liability claims following a large accident.

By providing omnibus coverage, those who may be harmed are assured of the availability of funds to pay their claims, and firms that contribute in some manner to the design, construction, operation or maintenance of covered licensees are all protected. Many of these companies, support services and equipment suppliers likely would not have participated in the nuclear industry without some liability limitation.

Although the Act limits the total liability, it should be remembered that the right to file a lawsuit does not automatically mean the right to collect. Even if a claimant were to win a lawsuit, a utility or other defendant may be unable to pay a judgment. When a defendant's assets are exhausted, subsequent claimants would be left with uncollected awards. The Act provides for orderly and equitable compensation.

The Price-Anderson Act motivated the private insurance industry to develop a means by which nuclear power plant operators could meet their financial protection responsibilities. Pooling provides a way to secure large amounts of insurance capacity by spreading the risks over a large number of insurance companies. The American Nuclear Insurers (ANI), which currently writes all nuclear liability policies, retains about one third of the liability exposure under each policy and cedes the remaining two thirds to insurers around the world. This approach allows ANI to



marshal the resources of the worldwide insurance community and spread the uncertainties of the risk over a large financial base. The Act has enabled insurers to provide stable, high quality coverage for nuclear risks.

In the 43 years of Price-Anderson protection, the nuclear insurance pools have paid a total of \$151 million for claims. The Department of Energy has paid about \$65 million during this same period.

It should be noted that the federal government provides similar insurance mechanisms for other types of disasters, such as floods; agricultural disasters; banks and savings and loan company failures; home mortgages; and maritime accidents. Liability limits also exist for oil spills; bankruptcy; worker's compensation; and medical malpractice.

THE THREE MILE ISLAND EXAMPLE

The Three Mile Island accident on March 28, 1979 provides a good example of how the Price-Anderson Act provisions work. Representatives of the insurance pools arrived in Harrisburg, Pa, the day after the accident and a local office was established on March 31. Advertisements were placed in local newspapers. The insurance paid for the living expenses of families who decided to evacuate, although evacuation was not ordered. On the first day of operations, the office made payments of almost \$12,000. By April 2, the pools had advanced funds to 2400 persons. The payments increased daily and reached a per day peak of \$167,286 on April 9. A total of about \$1.2 million in evacuation claims were paid to 3170 claimants. The pools also paid over \$92,000 in lost wage claims to 636 individuals.

Following the TMI-2 accident, numerous lawsuits were filed in State and Federal courts in Pennsylvania, alleging various injuries and property damages. These suits were consolidated into one suit before the Federal District Court in Harrisburg. In September 1981, a settlement agreement was signed, under which the insurance pools paid into a court-managed fund \$20 million for economic harm to businesses and individuals within 25 miles of the plant and \$5 million for the establishment of a public health fund in the area.

Although no health damages from the accident were substantiated, payments to more people took place in the following years amounting to a total of more than \$70 million through 1997 (\$42 million in indemnity settlements and \$28 million in expenses). Payments were all from the primary insurance coverage and funds from the secondary insurance were not needed.



SELECTED REFERENCES

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3. "Nuclear Regulation - a Perspective on Liability Protection for a Nuclear Plant Accident" Report to Congressional Committees by the United States General Accounting Office. GAO/RCED-87-124, June 1987.
4. "The Case for Price-Anderson" Presented at Atomic Industrial Forum Annual Conference by Joseph B. Knotts, Jr., Bishop, Liberman, Cook, Purcell & Reynolds. November 12, 1985.
5. "Price-Anderson Amendments Act of 1988" Public Law 100-408, August 20, 1988
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8. "Report to Congress on the Price-Anderson Act" U.S. Department of Energy. March 1999.
9. Public Law 109-58, "The Energy Policy Act of 2005." August 8, 2005.