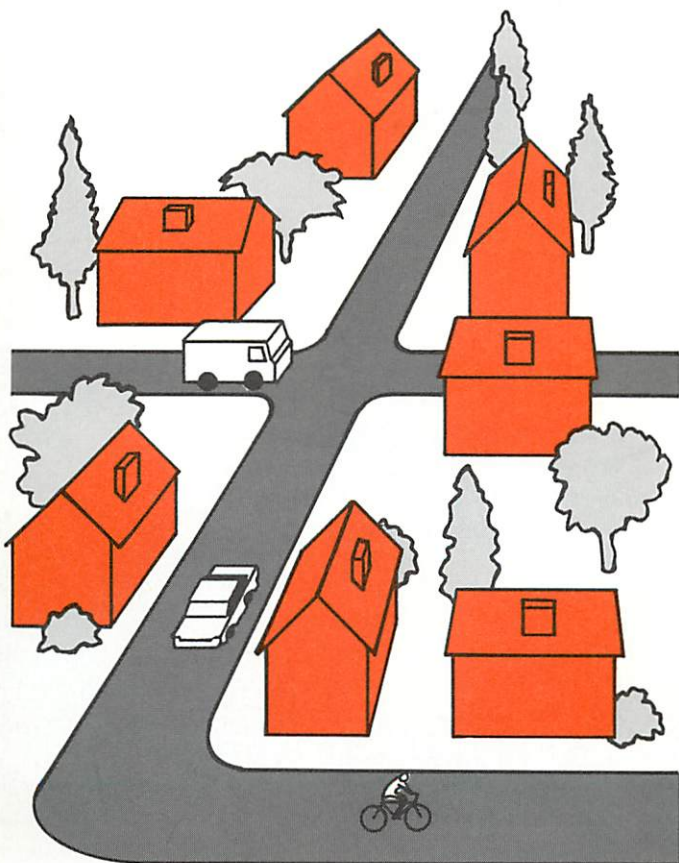


About Nuclear Insurance: Q & A



Program varied, successful

Price-Anderson nuclear insurance was established as federal law in September 1957 — well before the first commercial nuclear power plant began operating.

Its primary purposes, then and now, have been to further the development of a vital source of electrical energy and to protect the public financially against injury or damage from a nuclear power accident.

Over the past three decades, this innovative legislation has served well its dual goals. And it has evolved and changed, improving economic safeguards for the public while turning over financial responsibility to a mature nuclear industry.

To explain some of the provisions of this diverse, comprehensive program, several frequently asked questions will be briefly addressed.

What are the key features of Price-Anderson?

In case of a nuclear power accident, the Price-Anderson Act ensures that a large sum of money will be available to compensate any member of the public who suffers a loss.

Price-Anderson also puts a limit on the nuclear industry's liability for each of these incidents.

At the same time, it guarantees that the federal government will review the need for compensation beyond this amount.

Thus, Price-Anderson balances the benefits of public protection against a predictable level of financial exposure for industry.

Does Price-Anderson cover only accidents at nuclear power plants?

No. The public also is eligible for compensation for accidents which occur during the transportation of nuclear fuel to or nuclear waste from the reactor as well as during their storage at the plant.

If an accident happened today, how much money would be available?

All nuclear utilities have purchased \$160 million of liability coverage — the maximum available from private insurance companies. If accident damages exceed this amount, some 85 licensed nuclear power plants could be assessed up to \$5 million each or a total of about \$425 million. If a nuclear accident took place today, then, there would be approximately \$585 million available.

including oil spills, bankruptcy, worker's compensation as well as medical malpractice and even the liability parents have for acts by their children. In this context, the benefits of Price-Anderson are hardly "unprecedented."

Is Price-Anderson a disincentive to safety?

No. With or without Price-Anderson, a utility company's first and foremost objective is to ensure that its nuclear power plants are safe and reliable, to avoid any undue risk to the general public, its employees — and its own financial viability.

Why should homeowners be precluded from buying nuclear insurance protection?

For the benefit of the public, insurance companies have channeled all nuclear liability insurance capacity through the nuclear insurance pools to the nuclear industry.

Thus, not only are the resources of insurers made available to protect the public, but large sums also are



Shipments of spent fuel to or from an insured facility also fall under P

committed by reactor operators.

Through this approach — rather than spreading insurance coverage and its costs among individual owners of homes, cars and businesses — the public is protected by coverage paid for by the nuclear industry.

Do the nuclear insurance pools cover injury or damage caused by sabotage or terrorist acts?

The nuclear insurance pools have made very clear that their coverage does include injury or damage caused by dispersal of nuclear material from reactors, even if caused by sabotage or terrorist acts. The policies do *not* cover injury or damage if the sabotage or terrorist acts were related to war, insurrection or civil upheaval.

Also, if nuclear material is stolen and removed from an insured facility and subsequently used to threaten or cause harm to the public, injury or damage would *not* be covered by the pools. Compensation to the public for the results of such terrorist activity is clearly outside the scope of a system that compensates from private resources.



Price-Anderson arrangements for financial protection of the public.

What about dealing with non-emergency claims?

These procedures also worked well at TMI. In September 1981, a class action settlement was approved by the courts, establishing an economic injury fund of \$20 million as well as a \$5 million public health fund. For suits still pending, valid claims most likely will be adequately covered within the limits of Price-Anderson.

If an accident exceeds the current limit on liability, will the public be able to recover fully?

Congress never intended that the limitation on liability act as a bar to further recovery. The explicit language of Price-Anderson requires Congress to consider further compensation.

But isn't it true that, except for Price-Anderson, a member of the public would be able to recover fully?

Not necessarily. Unlimited liability for the utility responsible for a nuclear accident does not guarantee full recovery — it simply means recovery up to the level of resources a utility might have available. Even the largest utilities, however, would have difficulty raising more than a few hundreds of millions of dollars.

Is Price-Anderson a subsidy to the nuclear industry?

If "subsidy" is defined as a payout of taxpayer funds by the federal government, then the answer on Price-Anderson is "no." The federal government never has paid out a penny in claims to the public. Moreover, the government has collected about \$21 million in fees from the utilities. Accordingly, the federal government has been a net beneficiary under Price-Anderson.

Doesn't Price-Anderson provide an unprecedented break to one particular section of the economy; i.e., the nuclear utilities?

No. In a nation the size of ours and in an economy so complex and rapidly changing, it's not surprising that government is involved in many areas of public life. The federal government, for example, operates insurance-type mechanisms for crops, floods, banks, savings and loans, home mortgages, Social Security, Medicare, crime and maritime losses. Moreover, a number of laws provide for a limitation on liability,

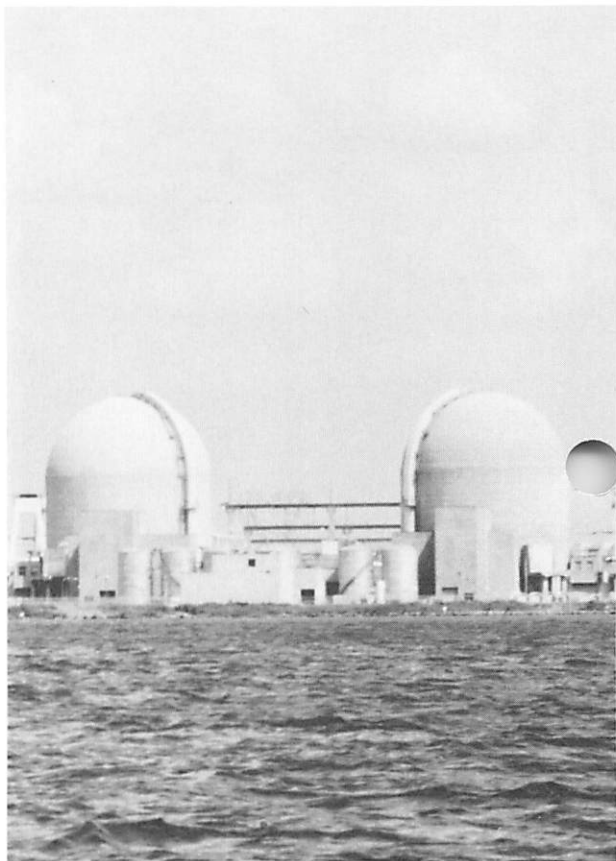
Does the public get any other benefits from Price-Anderson?

Price-Anderson eliminates much of the hassle that plaintiffs in ordinary tort actions must go through to recover for damages or injuries. For example, no matter who is responsible for an accident, Price-Anderson channels financial liability to the utility industry.

In case of a serious nuclear accident involving substantial off-site contamination and damage — an “extraordinary nuclear occurrence” — utilities are required to waive certain defenses, thus making it easier for plaintiffs to recover.

Furthermore, a Federal statute of limitations is invoked that supersedes often shorter state statutes.

For these reasons, Price-Anderson often is called “no fault” insurance.

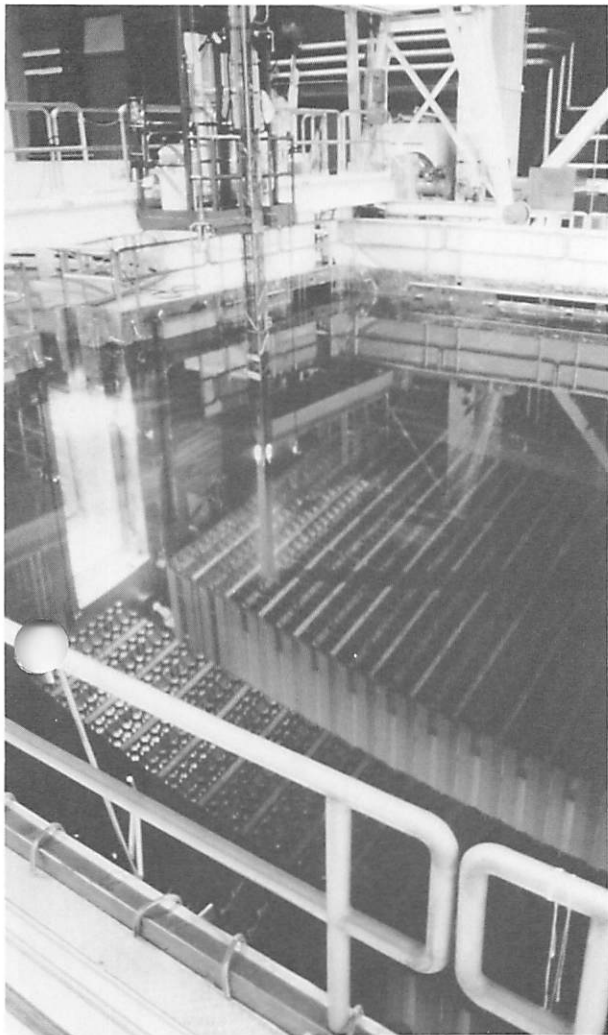


Price-Anderson nuclear insurance channels financial liability for accidental damages to the public through the electric utilities licensed to operate nuclear power plants.

How well did Price-Anderson work at Three Mile Island?

Price-Anderson worked as intended. Within 24 hours after Pennsylvania Governor Richard Thornburgh advised a precautionary evacuation, nuclear insurance pools had opened a claims office in nearby Harrisburg to disburse emergency assistance.

Payments for travel, temporary lodging and the like were made to 3,170 families for \$1.2 million. Also, a total of \$92,400 was paid to 636 persons for lost wages.



Included in liability insurance coverage are the transportation of nuclear fuel to and nuclear waste from a reactor as well as their storage at the generating station.



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