

REGULATORY DOCKET FILE COPY

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OCT 22 1980

The Honorable Robert Badham
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Badham:

We are pleased to respond to your letter of September 29, 1980 requesting information on nuclear insurance and liability coverage for responding to questions in a letter from one of your constituents, Mr. Bernard Feldman. We believe the following information will be helpful.

Under the Price-Anderson Act (Public Law 85-256, as amended, 42 USC 2210) there is a system of private funds and government indemnity totalling up to \$560 million to pay public liability claims for personal injury and property damage resulting from a nuclear incident. The Act, which was enacted in 1957, extended in 1965 for ten years until 1977 and extended again in 1975 for an additional ten-year period until August 1, 1987, requires licensees of commercial nuclear power plants having a rated capacity of 100,000 electrical kilowatts or more to provide proof to the Nuclear Regulatory Commission that they have financial protection in the form of private nuclear liability insurance, or in some other form approved by the Commission, in an amount equal to the maximum amount of liability insurance available at reasonable cost and on reasonable terms from private sources. That financial protection, presently \$510 million, is comprised of primary private nuclear liability insurance of \$160 million available from two nuclear liability insurance pools, American Nuclear Insurers (ANI) and Mutual Atomic Energy Liability Underwriters (MAELU), and a secondary retrospective premium insurance layer. In the event of a nuclear incident causing damages exceeding \$160 million, each commercial nuclear power plant licensee would be assessed a prorated share of damages in excess of the primary insurance layer up to \$5 million per reactor per incident but not in excess of \$10 million for a single reactor in any year. With 70 commercial reactors operating under this system, the secondary insurance layer totals \$350 million.

The difference of \$50 million between the financial protection layer of \$510 million and the \$560 million liability limit is the present government indemnity level. Under the present system, government indemnity will

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gradually be phased out as more commercial reactors are licensed and licensees participate in the retrospective premium system. At the time the primary and secondary financial protection layers by themselves provide liability coverage of \$560 million, government indemnity will be eliminated. Then the liability limit would increase without any cap on the limit in increments of \$5 million for each new commercial reactor licensed.

When the Price-Anderson Act was originally enacted in 1957, the liability insurance industry made available an underwriting capacity up to \$60 million for each reactor site. This capacity has increased over the years to the present level of \$160 million. It should also be noted that the insurance industry provides up to \$300 million in property insurance coverage for damage to a reactor and associated property of the utility. Taken together, the total commitment of \$460 million in liability and property insurance commitments for a nuclear facility is one of the largest insurance commitments to a single risk.

The question of the "nuclear exclusion" in an individual's homeowner's policy has been raised numerous times over the last few years. While the Price-Anderson Act does not prohibit private insurers from offering this type of insurance, the standard fire and property insurance policies have contained the nuclear exclusion since 1959. Our understanding of this exclusion is that the insurers consider that property damage caused by a nuclear accident would be covered by nuclear liability insurance and that coverage for the same property damage should be excluded from the conventional homeowner's policy to avoid duplication of insurance. Thus, if a property owner suffered damage to his property because of a nuclear accident, the compensation would come through nuclear liability insurance or government indemnity as provided under the Price-Anderson Act.


The nuclear exclusion question is presently being studied by a committee of the National Association of Insurance Commissioners located in Milwaukee, Wisconsin. Although hearings have been held to review the exclusion and to examine methods for possibly eliminating it, no recommendations have yet been made.

Sincerely,

(Signed) T. A. Behm

for William J. Dircks
Executive Director for Operations

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HDenton
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