



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

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APR 24 1980

Mr. Oliver Taylor
Management Improvement and Evaluation
Division
Office of Management and Budget
Room 10235
New Executive Office Building
Washington, DC 20503

Dear Mr. Taylor:

This is in response to a letter dated April 8, 1980 from Mr. Wayne G. Granquist to Chairman Ahearne requesting certain information relating to insurance programs and initiatives carried out by the Nuclear Regulatory Commission.

As indicated in the two partial inventories enclosed in Mr. Granquist's letter, the NRC has responsibility for administering the program which provides financial protection for public liability claims arising out of nuclear accidents at certain licensed facilities. The authority for this program in the Atomic Energy Act of 1954, as amended, (42 U.S.C. 2011 et seq.) is contained in those sections of that Act that are commonly referred to as the "Price-Anderson Act" (42 U.S.C. 2210). The authority of the Atomic Energy Commission described in the attachment to Mr. Granquist's letter for providing a system of government indemnity and private insurance for reactor and certain other licensees was transferred to the Nuclear Regulatory Commission in accordance with the Energy Reorganization Act of 1974 (88 Stat.1233). The NRC's implementing regulations are in 10 CFR Part 140.

We would suggest the following as an appropriate summary of the NRC's indemnity program:

"NRC's regulations implementing the Price-Anderson Act provide a three-layered system to pay public liability claims in the event of a nuclear incident causing personal injury or property damage. The first layer of this system requires all licensees of commercial nuclear plants rated at 100 electrical megawatts or more to provide proof of financial protection in an amount equal to the maximum liability insurance available from private sources. Currently, this amount is \$160 million.

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"The second layer provides a mechanism - payment of a retrospective premium - whereby the utility industry would share liability for any damages exceeding \$160 million that result from a nuclear incident. In the event of a nuclear incident causing damages exceeding \$160 million, each licensee of a commercial reactor rated at 100 electrical megawatts or more would be assessed a prorated share of damages of up to the statutory maximum of \$5 million per reactor incident per year.

"The third layer Government indemnity equals the difference between the \$560 million limit of liability and the sum of the first and second layers. Currently, the third layer is \$50 million. Government indemnity for reactors will be phased out when the sum of the first and second layers provides liability coverage of \$560 million. Under the current level of primary financial protection required by the Commission, this will occur when 30 commercial reactors have been licensed (currently there are 70 such licensed reactors). After that point, the limit of liability for a single nuclear incident would increase in increments of \$5 million for each new commercial reactor licensed."

In response to Mr. Granquist's specific questions:

1. The administration of the Price-Anderson program for NRC is the responsibility of Mr. Jerome Saltzman, Chief, Antitrust and Indemnity Group, Office of Nuclear Reactor Regulation. His telephone number is 492-8336. (The Office of Nuclear Reactor Regulation is being reorganized. A reorganization is expected to go into effect shortly. When it does, Mr. Saltzman will retain his responsibilities with respect to this program but the office name will become the Utility Finance Branch, Division of Engineering, Office of Nuclear Reactor Regulation.)
2. Since the indemnity portion of the Price-Anderson Act is not insurance per se (i.e., it does not utilize traditional insurance loss-spreading techniques) there are no actuaries on the NRC staff nor does the staff engage in underwriting activities. All reactor licensees are indemnified in excess of the financial protection required up to the \$560 million limit of liability, and indemnity fees are based on a flat dollar amount per megawatt of power authorized in the license. While we have no actuaries or experts in underwriting on our staff, Mr. Saltzman and Mr. Ira Dirliko, Indemnity Specialist

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(same telephone number) have many years of experience in administering this long-established government indemnity program and are knowledgeable in the nuclear insurance questions pertaining to the program. Questions of tort or accident compensation law in connection with the NRC's authority under the Price-Anderson Act should be addressed to the NRC's Office of the Executive Legal Director.

3. Jerome Saltzman, 492-8336 is designated the point of contact for NRC on insurance-related matters. His current address is

Chief, Antitrust and Indemnity Group
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, DC 20555

Sincerely,

Original Signed by
H. R. Denton

Harold R. Denton, Director
Office of Nuclear Reactor Regulation