



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

November 13, 1989

The Honorable Roy Dyson
United States House of Representatives
Washington, DC 20515

Dear Congressman Dyson:

I am responding to your letter of October 13, 1989, requesting a clarification of the function of the Price-Anderson Act.

The Price-Anderson Act establishes a system to satisfy liability claims by members of the public for personal injury and property damage resulting from a nuclear incident associated with the operation of a nuclear reactor. The Price-Anderson Act, however, is not designed nor intended to operate as Federal nuclear insurance. It is different, therefore, from the Federal flood insurance program in several ways.

The Price-Anderson scheme entails a two-layered insurance system for satisfying public liability claims. The first (or primary) layer consists of a fixed amount of nuclear liability insurance provided to utilities operating power reactors by the nuclear liability insurance pools. The utilities pay an annual premium for the liability coverage, currently \$200 million, provided by the pools. This primary layer of insurance is supplemented by a secondary (or deferred premium) layer of insurance that is required only of operators of large licensed power reactors. In the event of a nuclear incident resulting in damages to the public in excess of \$200 million, each licensed nuclear power plant operator would be assessed a prorated share of the damages that exceed the primary insurance coverage (\$200 million) up to \$63 million per reactor per incident. The maximum amount of secondary insurance that any licensed nuclear power plant operator would be obligated to pay in a single calendar year is limited to \$10 million per reactor per incident. With 115 commercial reactors currently participating in this system, the secondary layer of insurance totals \$7.245 billion.

The Price-Anderson Amendments Act of 1988 (Pub.L. 100-408), enacted August 20, 1988, contains several new provisions that address some of your specific concerns regarding the availability of funds to pay claims in excess of the \$7 billion aggregate liability. First, under Section 2(d) "BORROWING AUTHORITY," if the funds available in any year are insufficient to pay valid claims arising out of a nuclear incident because of the limitation on the amount of secondary insurance that may be required of a licensee in any single year, the Commission can request the Congress to appropriate sufficient funds to satisfy such payments. The Commission is also given the authority to issue marketable obligations which would be treated as public debt transactions of the United

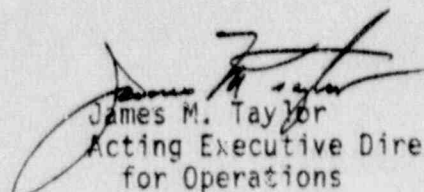
FULL TEXT ASCII SCAN

States. Second, under Section 7 "COMPENSATION PLANS," if damages from any nuclear incident are likely to exceed the aggregate public liability available, the Commission and the Congress are required to follow detailed procedures set forth in the Act to develop a compensation plan(s) to enable the public to receive additional funds. Third, Section 9 of the Act established a Presidential Commission on Catastrophic Nuclear Accidents to study means of fully compensating victims of a catastrophic nuclear accident for liability claims that exceed the amount of aggregate public liability. The Study Commission has held public meetings in Washington, D.C., on July 26, September 27, and October 25 and 26, 1989. The Study Commission is scheduled to submit its final report to the Congress containing its recommendations for the appropriate means of providing such full compensation not later than August 20, 1990.

You have also expressed concern regarding the availability of Price-Anderson funds to respond to specific needs such as mortgage forgiveness and property devaluations. The Price-Anderson Act does not provide for remedies in these or any other specific areas. One of the purposes of the Act is to establish a sure source of funds to satisfy public liability claims (e.g., claims for bodily injury and property damage) arising out of or resulting from a nuclear incident. Although the Act assures a source of funds to pay public liability claims, the types of damages that are compensable under the Act depend on the tort laws of the State where the nuclear incident occurs. Given the structure of the Act, whether real estate devaluation and mortgage forgiveness would or would not be compensable is an issue that, in all likelihood, would ultimately be decided by the court having jurisdiction over such claims.

I trust that this reply responds to your concerns.

Sincerely,


James M. Taylor
Acting Executive Director
for Operations

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Original Signed By

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