

Price Anderson Act

Background and Principals of
Nuclear Power Plant Financial Assurance

Price Anderson Act

Background

- Enacted in 1957 as an amendment to the 1954 Atomic Energy Act
- Intended to encourage the development of the nuclear power industry
- Established a system of financial protection for potential nuclear incidents/accidents

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Background

- DOE tasked by the act to provide indemnification in each contract that involves the risk of a nuclear incident as follows:
 - Omnibus coverage of all persons who might be legally liable
 - Indemnifies fully all legal liability up to the statutory limit on such liability (currently over \$10B in the U.S.)
 - Covers all DOE contractual activity that might result in a nuclear incident in the U.S.
 - Is not subject to the usual limitation on the availability of appropriated funds
 - Is mandatory and exclusive
- Provisions were made in 1988 to allow DOE to impose civil penalties for violations of nuclear safety requirements

How the Law Works

- Nuclear power plant companies are required to obtain the maximum amount of insurance available on the market (\$300M as of this writing)
- Nuclear power plant companies are also required to contribute up to \$95.8M in the event of an accident with compensation costs higher than the insured amount
 - The aggregate of these contributions would be around \$10B if all existing companies were required to pay their full obligation
 - If compensation costs exceed this amount, congress is authorized by the act to both allocate additional federal funds and charge the companies additional amounts
 - If there are additional unpaid claims, the provisions of the Tucker Act allow claimants to sue the government for compensation

How Has the Law Evolved Over Time

- The act has been extended a number of times with minor modifications along the way
 - 1966 - adjusted claim timelines to 3 years and standardized state laws
 - 1975 - removed the federal government from the insurance pool
 - 1988 - added provisions for small reactors (education and research) with insurance levels and a federal pool to support claims over the insured amount
 - 2002/2003 – adjusted insurance levels
 - 2005 – extended the law to 2025

What Issues Have Come Up Concerning the Law

- Constitutional Challenge – the act was upheld in Jun 1978 by the Supreme Court which ruled on two grounds
 - The 5th amendment on the issue of adequate compensation
 - The 14th amendment on the issue of consistency in how various types of accidents are handled – equal treatment argument
- Legal Issues
 - The act has been criticized numerous times by a variety of environmental groups, primarily on the grounds that it provides unfair support to an industry which should be able to support itself

What Claims Have Been Paid

- Over the 43 years of the Price Anderson until 2000,
 - Nuclear insurance pools paid out about \$151M (\$70M was paid out for the 3-Mile Island accident in 1979)
 - The Department of Energy paid out about \$65M