

# Insurance coverage for nuclear accidents

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Nuclear power plant owners in the U.S. are required by law to have liability insurance in place that covers any individuals and businesses located in the affected area who suffer damages in the event of a nuclear accident.

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A program for compensating the public for damage and injury caused by a commercial nuclear accident in the United States exists under the Price-Anderson Act. The measure, first passed by Congress in 1957 and renewed four times, most recently in 2005, ensures that adequate funds are available to satisfy liability claims for property damage and personal injury to the public and limits the liability of companies involved in certain nuclear activities, such as power plant operators, in order to encourage the development of private nuclear power. The measure also channels liability to the nuclear facility owner or operator.

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Currently, there is nearly \$13 billion in liability insurance protection available to be used in the event of a commercial nuclear accident. The level of available insurance protection serves as the liability cap.

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Standard property/casualty insurance policies issued in the United States exclude coverage for property damage and personal injury caused by such accidents. All claims are channeled through the nuclear power plant operator.

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Under Price-Anderson, claims can be for any nuclear-related incident including those that result from theft, sabotage, transporting or storing nuclear fuel or waste and the operation of nuclear reactors. Claims covered include bodily injury, sickness, disease resulting in death, and property damage and loss, as well as reasonable living expenses for individuals who are evacuated from an affected area.

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## Two tiers of coverage

Nuclear insurance consists of two tiers. The first tier is private liability insurance coverage made available by a pool of U.S. insurance companies, called American Nuclear Insurers. The second tier is made up of an assessment on nuclear power plant operators.

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Currently, owners of nuclear power plants pay premiums for \$375 million in private liability coverage for each nuclear reactor they own. If there is an incident at a nuclear plant, and the \$375 million in coverage is not sufficient, the owner's coverage is supplemented by the second layer of protection, which is supplied

by the nuclear power industry as a whole. Under the Price-Anderson Act, all reactor owners are committed to paying their share of any damages that exceed the incident reactor owner's first tier limit of \$375 million up to \$111.9 million per reactor. Since there are currently 104 reactors in operation, the amount that would be available in the industry pool to pay claims totals \$12.6 billion (2011).

If this second tier is depleted, the act calls on Congress to decide whether any additional disaster funds are required.

## Three Mile Island

There has been only one major accident involving large scale liability payments to the public since Price-Anderson was enacted: the 1979 Three-Mile Island Nuclear Power Plant accident in Middletown, Pennsylvania.

Following the Three-Mile Island accident, insurance adjusters immediately advanced money to evacuated families to cover their living expenses, and reimbursed more than 600 individuals and families for lost wages. A class action lawsuit for economic loss was filed later in federal court on behalf of the residents who lived near the site of the power plant. Insurers paid about \$71 million in liability claims and litigation costs associated with the accident. The payments all came from the primary tier of coverage (\$140 million per reactor at the time).

In addition to the liability payments to the public under the Price-Anderson Act, \$300 million was paid by a pool of insurers to the operator of the damaged nuclear power plant under its property insurance policy.

## Additional resources

### **Fact Sheet on Nuclear Insurance and Disaster Relief Funds**

U.S. Nuclear Regulatory Commission, Washington, D.C. 2010

<http://www.nrc.gov/reading-rm/doc-collections/fact-sheets/funds-fs.html>

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### **Compensating Nuclear Damage: A Comparative Economic Analysis of the U.S. and International Liability Schemes**

University of Maastricht, Erasmus University, 2008

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1317704](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1317704)

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### **Price-Anderson Act Background**

Nuclear Energy Institute, 2005

<http://www.nei.org/resourcesandstats/documentlibrary/safetyandsecurity/factsheet/priceandersonact/>

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### **Price-Anderson Act Background Information, 2005**

American Nuclear Society, La Grange Park, Illinois

[www.ans.org/pi/ps/docs/ps54-bi.pdf](http://www.ans.org/pi/ps/docs/ps54-bi.pdf)

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### **GAO Highlights: Nuclear Regulation**

[www.gao.gov/highlights/d05339high.pdf](http://www.gao.gov/highlights/d05339high.pdf), April, 2005

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### **Need for Nuclear Liability Insurance**

American Nuclear Insurers, Glastonbury, CT. August 2010

<http://www.nuclearinsurance.com/library/Nuclear%20Liability%20outside%20the%20US.pdf>

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## **International Nuclear and Radiological Event Scale (INES)**

International Atomic Energy Commission, New York, NY 2010

<http://www-ns.iaea.org/tech-areas/emergency/ines.asp>Â

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A nonprofit unincorporated association through which liability insurance protection is provided against hazards arising out of nuclear reactor installations and their operations.

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