



Highlights of [GAO-04-654](#), a report to congressional requesters

Why GAO Did This Study

An accident at one of the nation's commercial nuclear power plants could result in human health and environmental damages. To ensure that funds would be available to settle liability claims in such cases, the Price-Anderson Act requires licensees for these plants to have primary insurance—currently \$300 million per site. The act also requires secondary coverage in the form of retrospective premiums to be contributed by all licensees to cover claims that exceed primary insurance. If these premiums are needed, each licensee's payments are limited to \$10 million per year and \$95.8 million in total for each of its plants. In recent years, limited liability companies have increasingly become licensees of nuclear power plants, raising concerns about whether these companies—by shielding their parent corporations' assets—will have the financial resources to pay their retrospective premiums.

GAO was asked to determine (1) the extent to which limited liability companies are the licensees for U.S. commercial nuclear power plants, (2) the Nuclear Regulatory Commission's (NRC) requirements and procedures for ensuring that licensees of nuclear power plants comply with the Price-Anderson Act's liability requirements, and (3) whether and how these procedures differ for licensees that are limited liability companies.

www.gao.gov/cgi-bin/getrpt?GAO-04-654.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jim Wells at 202-512-3841.

NUCLEAR REGULATION

NRC's Liability Insurance Requirements for Nuclear Power Plants Owned by Limited Liability Companies

What GAO Found

Of the 103 operating nuclear power plants, 31 are owned by 11 limited liability companies. Three energy corporations—Exelon, Entergy, and the Constellation Energy Group—are the parent companies for eight of these limited liability companies. These 8 subsidiaries are the licensees or co-licensees for 27 of the 31 plants.

NRC requires all licensees for nuclear power plants to show proof that they have the primary and secondary insurance coverage mandated by the Price-Anderson Act. Licensees obtain their primary insurance through American Nuclear Insurers. Licensees also sign an agreement with NRC to keep the insurance in effect. American Nuclear Insurers also has a contractual agreement with each of the licensees to collect the retrospective premiums if these payments become necessary. A certified copy of this agreement, which is called a bond for payment of retrospective premiums, is provided to NRC as proof of secondary insurance. It obligates the licensee to pay the retrospective premiums to American Nuclear Insurers.

NRC does not treat limited liability companies differently than other licensees with respect to the Price-Anderson Act's insurance requirements. Like other licensees, limited liability companies must show proof of both primary and secondary insurance coverage. American Nuclear Insurers also requires limited liability companies to provide a letter of guarantee from their parent or other affiliated companies with sufficient assets to pay the retrospective premiums. These letters state that the parent or affiliated companies are responsible for paying the retrospective premiums if the limited liability company does not. American Nuclear Insurers informs NRC it has received these letters. In light of the increasing number of plants owned by limited liability companies, NRC is studying its existing regulations and expects to report on its findings by the end of summer 2004.

In commenting on a draft of this report, NRC stated that it accurately reflects the present insurance system for nuclear power plants.



Source: NRC.

Aerial view of the Three Mile Island Nuclear Station in Pennsylvania, where the most serious accident at a U.S. nuclear power plant occurred in March 1979, resulting in \$70 million in liability claims.