



## **New Dawn for Nuclear Insurers?**

By  
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When he peers across through metal-framed glasses, you remember that his Sicilian surname translates as "four eyes," an amusing distraction which fades as he begins talking to you about a subject on which he is arguably the country's foremost authority.

John Quattrocchi is senior vice president-underwriting for the 40-company American Nuclear Insurers, a 34-year veteran of a joint underwriting association that has existed for 40 years in one form or another.

ANI's core, uncontested business is third-party liability insurance directly written on the 103 currently operating private U.S. nuclear reactors. It also maintains reinsurance relationships with similar pools around the world.

That makes John Quattrocchi the man to look up when you want to talk about the ramifications for the nuclear insurance industry of the Bush Administration energy strategy, with its strong support of nuclear power, or the prospects next August for renewal of the Price-Andersen Act, governing nuclear liability.

"Clearly, we are entering a new and exciting era which holds the promise of a new generation of nuclear power plants," says Mr. Quattrocchi, of President Bush's strong support of nuclear power.

A nuclear renaissance would bring new opportunity to a nuclear liability business that, though stable, has seen no growth in more than two decades. Indeed, not one nuclear reactor has been built in the United States since the Three Mile Island accident of 1979, a trend reinforced by the Chernobyl disaster of 1986 in the old Soviet Union.

Mr. Quattrocchi sees no reason why that shouldn't end. He sides with those who see in nuclear power a safe and environmentally-friendly energy source. In fact, he adds, its "enviable safety record over the last four decades" should get even better as new and safer reactor designs come off the drawing board, a prospect that will make the nuclear industry all the more attractive to insurers.

"Certainly," he admits, "we've had claims". Three-Mile Island, for example, was a full-limit, \$300 million loss for ANI, which wrote the property insurance. "From a liability perspective, to the best of our knowledge, no one was hurt," says Mr. Quattrocchi, though ANI has paid out \$70 million over the years in claims arising from the occurrence, much of it in legal and transactional costs. And shortly after the accident, he says, two blue-ribbon Presidential commissions were established to study the effects of the accident and they found no health impact.

This is not to say that there aren't obstacles--legal and regulatory--to clear before we see a rush of new reactor orders. "There have been too many steps, too many hurdles to be overcome even after licenses have been issued," says Mr. Quattrocchi. "The industry would like to see some finality to the process and

we agree with that." Certainly, the Nuclear Regulatory Commission should assure public safety, he says, but having done that, it should step aside and let the industry complete its projects.

Mr. Quattrocchi went on to say that the biggest challenge, and the most current, facing nuclear insurers today is the successful renewal of the Price-Anderson Act, which was enacted in 1957 to encourage the private development of nuclear power, to establish a legal framework for potential liability claims (the framework under which ANI operates), and to provide a ready source of funds to compensate the victims of an accident. The Act has been renewed three times--in 1967, 1975 and 1988--and it's up again in August of 2002.

It's essentially an insurance program that establishes financial protection requirements for reactor operators in two layers. The primary layer, which ANI writes, requires them to show evidence of financial protection in an amount equal to the maximum liability insurance available from private sources. Today, this primary layer amounts to \$200 million. Under the secondary program, which ANI manages, each participant is retrospectively assessable for its proportionate loss in excess of the primary limit of \$200 million up to a maximum retrospective assessment of \$88.1 million per reactor per accident.

"With 106 reactors in the program, the total level of financial protection is just over \$9.5 billion," he says.

"ANI is working with the nuclear industry and with Congress to achieve a successful renewal," says Mr. Quattrocchi, who testified in June on the subject before the U.S. Senate Energy and Natural Resources Committee and before the Energy and Air Quality subcommittee of the House Energy and Commerce Committee.

"We think the prospects for renewal are very good," he says. "Price-Anderson has served the public very well. It is better off with the protection the Act provides."

The insurance industry, he recalls, received high praise for its performance in the wake of the Three Mile Island disaster. It was on the ground compensating people for out-of-pocket living expenses within 24 hours of the governor's advisory for pregnant women and pre-school children to leave the area, and it had a fully functioning claim operation there within 72 hours.

"It was the Price-Anderson Act that enabled insurers to respond as we did," he says.

"We think that this is an exciting time for the nuclear industry and for us as insurers," says Mr. Quattrocchi. "We think that if the regulatory hurdles can be overcome, nuclear power has a bright future both in this country and worldwide."

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