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Com.(S).

National Flood Insurance Act of 1967.  
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NATIONAL FLOOD INSURANCE ACT  
OF 1967

REPORT to accompany S. 1985/

OF THE

U. S. Congress. Senate

COMMITTEE ON

BANKING AND CURRENCY/  
UNITED STATES SENATE

TO ACCOMPANY

S. 1985

U. S. Congress. Banking and  
Currency Com. (C) /

AUGUST 29, 1967.—Ordered to be printed

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## NATIONAL FLOOD INSURANCE ACT OF 1967

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AUGUST 29, 1967.—Ordered to be printed

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Mr. WILLIAMS of New Jersey, from the Committee on Banking and Currency, submitted the following

## R E P O R T

[To accompany S. 1985]

The Committee on Banking and Currency, to which was referred the bill (S. 1985) to amend the Federal Flood Insurance Act of 1956, to provide for a national program of flood insurance, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

## PURPOSE OF THE BILL

S. 1985 would authorize a national program under which flood insurance can be made available to occupants of flood-prone areas through the cooperative efforts of the Federal Government and the private insurance industry. The program would be administered by the Department of Housing and Urban Development. Other Government agencies would cooperate with the Department with respect to gathering data necessary for establishing actuarial premium rates.

The facilities of the private insurance industry would be fully utilized in carrying out the program. Private insurance companies could either assume a portion of the risk in carrying out the program or could participate on a nonrisk basis. Risk-sharing companies would commit risk capital to an industry pool of companies which would absorb a share of the losses and expenses of the program. The Federal Government would make premium equalization payments to the pool to cover losses and also would provide reinsurance coverage to the pool for excessively high losses. Insurance companies in the pool would pay a premium to the Government for this reinsurance coverage in years of low-flood losses. Other non-risk-bearing insurance companies would participate in the program as fiscal agents of the pool.

A most important public purpose which the program will serve will be to encourage State and local governments to adopt and enforce appropriate land use provisions to restrict the future development of land which is exposed to flood hazard.

Under the program, studies would also be undertaken to determine the extent to which insurance protection may be available for certain other types of natural disasters, such as earthquake.

The committee bill is based on key recommendations contained in a report "Insurance and Other Programs for Financial Assistance to Flood Victims" transmitted by the Secretary of Housing and Urban Development to the President, as required by section 5 of the Southeast Hurricane Disaster Relief Act of 1965 (Public Law 89-339). The report emphasized that a program of flood insurance is feasible and should be established.

The bill which the committee has reported authorizes a program of flood insurance based on a recognition that owners of existing property already located in flood-prone areas are faced with the problem of recurring flood damages. For these people, the bill will provide insurance through private companies at reasonable rates which may be less than the full actuarial premium rates. The Federal subsidy would be the difference between the rate charged and the actuarial rate. The committee was mindful that in order to encourage the sound use of land exposed to flood damage, owners proposing to construct new properties in flood-prone areas (who may suffer losses) should be charged full actuarial premiums when buying insurance, and the bill reported herein addresses itself to this requirement. From this standpoint, the bill will therefore operate as a deterrent to unwise land use.

The program authorized by the committee bill is geared to providing insurance in only those areas where available factual information permits the inauguration of flood insurance. The program will expand, as additional areas with special flood hazards are identified, actuarial rates required in these areas are determined, and as appropriate land use controls are adopted.

On August 8, 1966, in forwarding his flood insurance report to the President, the Secretary of Housing and Urban Development pointed out that:

\* \* \* the study concludes that flood insurance is both feasible and can promote the public interest. Flood insurance will complement other programs of the Federal Government dealing with floods. Flood insurance is viewed both as a means of helping the individual bear more easily the risks of flood damage to which his location often exposes him, and equally, as a means of discouraging unwise occupancy of flood-prone areas.

The report envisages a program of flood insurance of an essentially private character, but with continued large-scale participation of the Federal Government. The Government shall have to help in measurement of flood risks in specific locations, in establishing flood insurance premium rates, and in providing financial support to the insurance companies against excessive losses on their part. Moreover, some continuing Federal subsidy will also be necessary to a comparatively small number of present occupants of high flood-risk

areas. Otherwise the cost of their flood insurance will be more than they can bear; but such subsidy should not be extended to persons who propose to build new homes in such areas, for this would lead to increased total flood hazard. Subsidies to some present occupants of flood-prone areas should be viewed as part of a program of land use adjustment, aimed at ultimate reduction in the exposure to flood hazard. \* \* \*

The Subcommittee on Securities held hearings on June 26, 27, and 28, 1967. More than 40 witnesses appeared before the subcommittee, and all of these witnesses supported S. 1985. The legislation for a flood insurance program which is reported herein is strongly supported by numerous Members of Congress, the administration, insurance authorities of the separate States, all major sectors of the private property industry, city officials, the home building industry, and representatives of the American Red Cross.

Hon. Broward Williams, treasurer and insurance commissioner of the State of Florida and chairman of the Property and Casualty Subcommittee of the National Association of Insurance Commissioners (NAIC), was one of several witnesses representing the State Commissioners of Insurance at the hearings. His statement indicates the great concern which the commissioners have had about the unavailability of flood insurance:

"Some 20 years ago, the National Association of Insurance Commissioners began to formulate a plan wherein our citizens could secure insurance protection against flood damage to their homes without the necessity of going to the Federal Government for relief. The Association envisioned the addition of this insurance to the fire and windstorm policies that people now carry on their dwellings."

He pointed out that their flood subcommittee, in their efforts to make flood insurance a reality, had met with representatives of the insurance industry in Seattle, Minneapolis, New York, Miami, Houston, Birmingham, Richmond, Atlanta, Phoenix, Boston, New Orleans, Philadelphia, and Washington.

This concern with the need for flood insurance coverage led the NAIC subcommittee to propose legislation which would encourage the industry to begin writing flood coverage. The commissioners have long been concerned about the unavailability of flood insurance. Because of this concern they sponsored legislation to provide for such insurance and support the proposals of S. 1985 as a feasible means of extending this very necessary protection to property owners in their States.

On August 1, 1967, the subcommittee reported the bill with amendments to the full committee. The full committee met on August 10, 1967, and after making an additional amendment, reported the bill to the Senate.

#### THE NEED FOR A NATIONAL FLOOD INSURANCE PROGRAM

In 1964 and 1965, estimated losses from inland floods were \$652 million and \$788 million, respectively. The upward trend of such flood damage since 1903 can be calculated in a graduated scale as about 5½ percent annually; this contrasts with an upward trend in total population of somewhat less than 2 percent annually (and an upward trend in real output per capita, also of somewhat less than



2 percent annually). There is considerable reason, however, to believe that even these estimates of inland flood damage are too low for the kinds of damages included. It is highly probable that the hundreds or thousands of very small floods each year are not fully reported; yet the aggregate damage from this type of flooding may be considerable.

Although similar data are not available for damages due to unusual tides and waves, resulting from hurricanes and other storms, evidence does exist to suggest a similar upward trend in the number of damaging coastal storms. Damages from Hurricane "Betsy" alone in September 1965 ran to over \$1 billion.

Available data also understate the full economic loss to society resulting from flood damage. When floods strike developed urban areas, regular activities are disrupted, productive capacity is impaired, and strategic transportation facilities cannot be used. Large, uncalculated losses of productivity and income—not fully reflected in reported flood losses—have undoubtedly occurred.

Since 1936, the Nation has acknowledged the seriousness of the flood damage problem. In that year a national flood protection policy was inaugurated, and since then Federal investment in flood protection and prevention through the Corps of Engineers and the Soil Conservation Service has amounted to more than \$7 billion. The current rate for such expenditures, according to a Presidential task force on Federal flood control policy, is \$500 million per year, and is increasing.

Without flood protection and prevention works, flood losses would undoubtedly be much more severe. But in spite of these measures, each year the homes and household goods of thousands of families are destroyed or damaged by floods.

Federal disaster assistance programs, of course, provide invaluable aid to disaster victims. As helpful as many of these various forms of assistance may be, they are usually only enough to enable flood victims to start the process of physical and financial rehabilitation. In many cases, relief is not forthcoming until after the area has been declared a disaster area. There are also limitations under the special Federal assistance programs on the amounts of money that are available at any one time to meet these emergencies. Moreover, a disaster that would be large for a particular locality, might not be considered large on the national scale, and might not be eligible for assistance under certain Federal programs. Finally, the most important type of assistance to disaster victims at present is through the SBA disaster loan program which, however helpful, most often leaves the victims with considerable mortgage obligations.

The committee has given special attention also to the fact that relief measures for those who suffer flood losses do nothing to encourage the wise use of land subject to flooding, or to discourage increased exposure of life and property in such locations. From these observations, the committee has concluded that only a workable program of flood insurance can provide an adequate remedy.

Flood insurance is not available from private insurance companies, for the reason that private insurers have not been able to write flood insurance policies on an economically feasible basis.

The 1965-66 study pointed the way and provided the factual background for a legislative proposal, the most important advantages of which are:

- (1) Insurance would provide the necessary funds promptly to assure rehabilitation or restoration of damaged property to

preflood status or to permit comparable investment elsewhere. Once a system is set up, no one with a verified claim would need to wait for legislation or appropriations to be reimbursed.

(2) Insurance will cut down the need for temporary or partial aids, with the long-term burdens they impose on borrowers.

(3) The insurance will provide much stronger incentives than now exist to discourage future investment in high-risk areas, and to encourage flood proofing or other protective measures when benefits exceed the true social costs of the investment.

The committee is convinced that flood insurance will provide an efficient and easily usable mechanism for balancing the costs and advantages of increased use of any area with a flood hazard. Knowing what the cost of insurance would be, occupants can decide if the advantages outweigh those costs.

### COMMITTEE AMENDMENTS

1. This committee added a provision to the bill that would require the Secretary of Housing and Urban Development to make a report to Congress if the joint Government-industry approach under part A could not be agreed upon. This report would be required to be filed at least 30 days prior to the implementation of any program under part B and would state the reasons why the industry refused to participate in the program.

2. The bill was amended to make it clear that the Secretary has authority to hire such personnel as may be necessary to operate the alternative program.

3. The bill was amended to clarify the intent of section 212(b)(2) concerning agreements between the participating insurance companies and the Secretary. This amendment would make clear that any such agreements could not go beyond the "reasonable profit" standard established in section 108 of the bill.

4. The bill, as amended, allows the General Accounting Office to audit the books of any of the companies involved in the program. The Secretary, however, would prescribe the various records that the insurance companies in the program would be required to keep.

5. The bill was amended to widen the eligibility list for the flood insurance advisory committee. Under the bill as introduced, the committee was to be made up of representatives of the insurance industry and the general public. As amended, it provides for membership from the following groups:

- (1) the insurance industry,
- (2) State and local governments,
- (3) lending institutions,
- (4) the home building industry, and
- (5) the general public.

6. The bill also was amended to give the Secretary authority to prescribe by regulation the circumstances under which certain low-income groups unable to purchase flood insurance would not be precluded from other Federal disaster assistance.

### LAND MANAGEMENT IN FLOOD-PRONE AREAS

The twin objectives of a national flood insurance program are (1) to help victims of flood damage restore their homes, businesses, and

other property; and (2) to minimize the future risk of flood losses in locations and situations where the risk of loss exceeds the prospect of gain from use of the site.

Achieving a sensible use of flood-prone lands is equally as important as indemnification of loss. This requires farsighted land use planning and control. Zoning of land against occupancy, or against certain kinds of uses is one mechanism for achieving this aim; building codes, which establish mandatory requirements for methods of building construction, are another means of keeping flood damages down; health regulations, to avoid occupancy of areas subject to frequent overflow and threats to health as a result, are another; and reluctance to approve subdivision proposals in doubtful flood-prone areas may be another. The situation differs greatly among the States and communities.

For numerous reasons, local efforts to prevent unwise use of flood-prone areas are not always successful. If there has been no damaging flood for an extended period, there is a tendency to think there never will be one, although the hydrologist may well consider the area hazardous.

The bill would authorize below-cost premium rates for the insurance of existing property already in a flood-prone area. But any Federal subsidy which will accrue under the program is justifiable only as part of an interim solution to long-range readjustments in land use. Such assistance should not prejudice these needed long-range adjustments, or the program would be self-defeating.

Many areas of the country over the last 10 years have taken great strides toward improving flood-plain management. In developing appropriate criteria, the Secretary has assured the committee that he will look to what States and localities have done over the years to meet the problem of land management in flood-prone areas. The Secretary should develop criteria which will be flexible while at the same time accomplishing the regulation of the development and use of flood plains where it is needed.

## DESCRIPTION OF THE BILL

### ORGANIZATIONAL ARRANGEMENT OF THE BILL

The bill contains four titles pertaining, respectively, to the basic coverage of the flood insurance program; how the private insurance industry would participate in the program; coordination of flood insurance with land management programs in flood-prone areas; and miscellaneous provisions.

### THE NATIONAL FLOOD INSURANCE PROGRAM

The Secretary of Housing and Urban Development will establish a program of flood insurance, as a joint venture between the Federal Government and the private insurance industry. The bill permits as an alternative, but only if necessary—(1) a Federal program with participation by companies, agents, or brokers as fiscal agents, or (2) an all-Federal program.

#### *Coverage*

A priority will be afforded during the early stages of the program to making insurance available for one- to four-family residential properties. Later, flood insurance can be expanded to cover other

types and classes of properties (such as business, agricultural, and other properties), when feasible.

A priority will also be given to making insurance available in States or areas which evidence a positive interest in the program, and which give assurances that, by June 30, 1970, appropriate permanent land use and control measures consistent with land management and use criteria specified by the Secretary will be adopted.

The committee believes that it would not be logical as a matter of public policy to permit insurance to be made available in localities which did not, on their own initiative, or on the initiative of State or other authorities, take appropriate steps to assure that their citizens would not develop property where it is subject to known severe flood hazards.

The objective of land-use criteria are to (1) restrict the development of proposed construction in areas threatened by flood hazards, (2) assist in reducing damage caused by floods, and (3) otherwise improve the long-range land management and use of flood-prone areas. The committee wishes to point out that these criteria must be applied reasonably.

After consultation with the insurance industry and the State insurance commissioners, the Secretary will determine the eligibility of properties for flood insurance. These matters will be covered in regulations. Insurance for one- to four-family residential properties at rates below actuarial cost will be limited to \$15,000 liability per dwelling unit, and \$30,000 for any single structure. Liability for personal property would be limited to \$5,000 per dwelling unit. Any other properties which will be made eligible for insurance under the program in the future could be insured for up to \$30,000 of coverage per structure at rates below actuarial cost.

These limitations will, in general, only be applicable to insurance involving premium rates below actuarial cost, and the bill permits insurance at full actuarial cost to be sold for coverage in excess of the \$15,000 per single dwelling unit and \$30,000 per single structure, but not, in any case, to exceed twice these specified figures. Thus, for example, an existing single-family residential unit valued at \$32,000 might be eligible for up to \$15,000 in "subsidized" insurance, and insurance at the full cost rate between \$15,000 and \$30,000.

#### *Deductible and minimum premiums*

The Secretary will have authority to establish minimum premiums and deductibles.

#### *Insurance premium rates*

Necessary rate studies and investigations will be carried out through utilization of the services of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Coast and Geodetic Survey, and TVA, to estimate risk premium rates (actuarial rates) for flood insurance. The Secretary will also estimate rates (at less than the risk premium rates if necessary) which will be reasonable and will encourage persons to purchase flood insurance. These studies and investigations will be designed to accumulate necessary information in addition to the data which the Department now has with respect to flood insurance as a result of the flood insurance study. Estimates of rates will include applicable operating costs and operating allowances (administrative costs of selling and servicing insurance, and the profit and contingencies, respectively). Based on these estimates

and determinations of reasonable rates which can be charged to property owners, the Secretary will prescribe chargeable premium rates for eligible properties (at less than the risk premium rates, if necessary), and the terms and conditions applicable to such rates.

In prescribing rates, the respective risks involved would be considered, in terms of location, type of structure, flood-proofing or similar measures, and other criteria. Rates will be stated so as to reflect the differences between estimated risk premium rates and the rates charged when they are below these rates.

Property constructed or substantially improved, after identification of the area in which it is located as a flood hazard area, could only be insured at the risk premium rate (actuarial cost) estimated for the property in such area.

Any Federal "subsidy" which will accrue under the insurance program to the benefit of property owners now occupying the flood plain is defensible only as part of an interim solution to long-range readjustments in land use. Because such assistance should not prejudice these needed long-range adjustments, the case for temporary partial subsidization of the cost of flood premiums for existing properties in high-hazard zones is not at all valid for new properties in the same zones.

#### *Duplication of benefits*

The committee bill is designed to encourage individuals to pay at least part of the cost of providing insurance to protect them against flood disasters, and thereby to reduce the need for special disaster relief measures. To this end, the bill contains provisions to prevent any duplication of Federal disaster benefits with respect to portions of property loss covered under flood insurance policies. Other provisions are designed to encourage persons most likely to suffer future damage from flood either to purchase flood insurance made available to them within a reasonable period of time, or, with certain exceptions, be precluded from further Federal disaster assistance in the event of future floods.

#### *Federal financial participation in the program*

Any program of insurance against the risk of flood losses must have assurance that funds will be made available to meet abnormally high losses that may occur in any single year. The bill therefore creates the national flood insurance fund in the Treasury of the United States which would become the instrumentality through which the Federal Government's share of the cost of the insurance program will be provided. To finance this fund, all authority which was available to the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 is vested in the Secretary. Under this provision, the Secretary may issue notes or other obligations to the Secretary of the Treasury in the aggregate of \$500 million to carry out the Federal responsibilities under the program. These are (1) making premium equalization payments to the insurance pool, to compensate for losses attributable to the difference between the actuarially correct premium and the premium actually charged the policyholder; and (2) providing a Federal program of excess loss reinsurance, to assist the industry in meeting losses in years of higher than normal claims.

Borrowed Treasury funds must be deposited in the flood insurance fund authorized under the bill. Appropriated funds necessary to

maintain the fund in an operative condition will also be deposited in the fund, as will reinsurance premiums paid by the insurance pool. Subsidy payments and reinsurance claims will be paid from the fund. The fund will also become the fiscal means through which Treasury borrowings would be repaid, and available moneys would be used for this purpose (supplemented by moneys appropriated to the fund).

This financing mechanism for carrying out the program is essential to its operation, because it will be necessary to carry out commitments which the U.S. Government will be required to make, and to meet liabilities it assumes for payment of a share of claims and expenses under contracts with an insurance industry pool. Under the bill, the Secretary will enter into agreements with a flood insurance pool, and will make periodic premium equalization payments and, when necessary, provide reinsurance to the pool. The exact amount of payments will be unknown until the flood damage occurs, the claims are made, adjusted, and certified. At such times the insurance pool, under agreement with the Government, will have already made payment of these claims. The pool therefore must have available the Government's share of liabilities under the program without delay.

#### *Limitations*

The face amount of flood insurance policies outstanding at any one time under the committee bill could not exceed \$2.5 billion. This is roughly equivalent to coverage of 150,000 to 175,000 dwellings at about \$14,000 per dwelling unit, and will be sufficient to carry the program for several years before the limitation will have to be reviewed by the Congress.

In addition, the bill provides that flood insurance could not be issued for property declared to be in violation of State or local laws, regulations, or ordinance intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

#### *Other provisions*

The committee bill contains provisions to authorize the Secretary to negotiate with the insurance industry regarding a schedule of operating costs (direct and necessary expenses of selling and servicing insurance policies), and a schedule of operating allowances (defined to include amounts for profit and contingencies which the Secretary finds reasonable and necessary). Operating allowances would be paid only in the case of an insurance pool carrying out the program, and not if the program is carried out through the Federal Government with help from the industry on a "fiscal agent" basis. The bill gives the Secretary discretion to negotiate with the industry.

In addition, the bill authorizes the appointment of a flood insurance advisory committee, to render advice as to the administration of the program. An amendment to the bill adopted in subcommittee sets forth the groups from which the committee will be appointed.

The bill further provides for the dissemination of flood insurance information (including actuarial or estimated rates) to the public and, specifically, to State and local agencies, and coordination of the program with all other Federal, State, and local agencies having responsibilities for flood control, flood prevention and flood forecasting.

## ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

The Secretary is authorized to carry out the flood insurance program through a pool organized by the insurance industry or through a Government program with or without industry aid, or through both administrative means.

## INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

*Insurance company pool*

Under the bill, the Secretary will encourage private insurance companies to join together in a pool to sell and service flood insurance coverage under the program. These companies will participate financially in underwriting the risks assumed, and in profits or losses realized or sustained.

The Secretary will enter into an agreement with any such pool and the agreement will form the basis of the relationship between the Government and the industry. In general, the agreement will require assurance from the industry (1) regarding continuity of coverage by insuring companies; (2) that companies meeting minimum standards will not be excluded; and (3) with respect to cooperation with other companies, agents and brokers who wish to sell and service flood insurance on a non-risk-sharing basis.

*Premium equalization payments*

Under the bill, subsidy payments would be made to the pool to "compensate" for losses after they occur. These payments would reflect the difference between below-cost premium rates, and actual cost premium rates. The payment formula is prescribed in the bill.

*Reinsurance*

Under the bill, the Secretary is authorized to provide a reinsurance program for the insurance industry pool. This program would be designed to insure that the industry and the Federal Government share in bearing the losses under the flood insurance program consistent with the objectives of the legislation.

The program will be carried out under an excess loss reinsurance agreement, requiring payment of reinsurance premiums by the pool. Reinsurance payments to the pool by the Government will be made when a stop-loss limit on claims on the pool is exceeded. Before the stop-loss limit is reached, the pool will call upon the risk capital pledged by risk-participating members.

## GOVERNMENT PROGRAM

*Federal operation of the program*

The bill provides a "backstop" in the event the pool cannot carry out the joint Federal-private program effectively. The Secretary would make a finding to this effect and report to Congress. Then the Secretary would be empowered to establish a totally Federal program or a federally financed program using insurance companies, agents and brokers to sell and service policies.

## COORDINATION OF FLOOD INSURANCE WITH LAND MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

Under the bill, the Secretary is authorized, in conjunction with the Army Corps of Engineers, the Geological Survey, the Coast and Geodetic Survey, Soil Conservation Service, TVA and other Federal or State and local agencies, to identify all flood plain areas, including coastal areas, which have special flood hazards, within 5 years, and to establish flood risk zones in such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood risk zones for each of these areas within 15 years.

Based on studies and investigations, the Secretary will develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State or local measures which will lessen the exposure of land to flood losses, improve the long-range land management and use of flood-prone areas.

## MISCELLANEOUS

*Studies of other natural disasters*

The bill authorizes the Secretary to make studies to determine the extent to which insurance protection against earthquakes or other natural disasters is not available, and the feasibility of making such insurance protection available. Studies under this authority will be made in cooperation with other Federal, State or local agencies.

*Payments*

The committee bill vests discretion in the Secretary to make payments in advance of their actual need, or by way of reimbursement for the operation of the joint Government-industry program. It is contemplated that with such authority to make advance payments, the letter of credit method recommended by the Department of the Treasury for similar situations will be adopted in making premium equalization payments and in paying reinsurance claims.

## PREMIUM RATE DETERMINATION

It is contemplated that the hydrologic method of establishing rates will be used in connection with this program. This method is described in the Secretary's report on flood insurance as including two basic elements (1) the flood state-frequency relation, and (2) the depth-damage relation.

Four Federal agencies with major responsibilities for gathering and developing flood information—the Corps of Engineers, the Geological Survey, the Tennessee Valley Authority, and the Soil Conservation Service—made a number of special studies for the Secretary's report. The studies by the Corps of Engineers, the Tennessee Valley Authority, and the Soil Conservation Service were designed to measure the location of property in relation to the flood hazard, the value of such property, and the average annual amount of damage that such property would suffer from flooding. This involved not only mapping the flood risk areas but also identifying properties subject to flood risk and measuring flood damage.

Rates of average annual damage for different types of property as found on page 51 of the Secretary's report are presented for different



flood risk zones in each of the areas. These flood risk zones are as follows:

Flood risk zone	Frequency range, in years	Chance of occurrence each year (percent)	Will be flooded
A.....	(1)	40.0	Very often.
B.....	5-10	13.3	Often.
C.....	10-25	5.7	Occasionally.
D.....	25-50	2.7	Seldom.
E.....	50-100	1.3	Rarely.
F.....	100+	(2)	Very rarely.

<sup>1</sup> 5 and under.

<sup>2</sup> Less than 1 percent.

Actuarial premium rates must be established before insurance is offered. To meet the objectives of actuarial soundness, the Secretary will compile and analyze flood frequency data in individual flood plain areas and establish rates by zones and types of structures. This will be done on an area-by-area basis, since flood damage risks vary from one area to another.

In developing actuarial rates, the bill provides for full utilization of the Corps of Engineers, the Geological Survey, the Soil Conservation Service, the TVA, the Coast and Geodetic Survey, the Weather Bureau, and other Federal, State, and local agencies.

#### OPERATION OF THE FLOOD INSURANCE PROGRAM

The committee is convinced on the basis of the Secretary's report and from testimony received at its hearings from the insurance industry and governmental witnesses that a joint insurance industry-government venture is the best approach for providing flood insurance at reasonable cost to our Nation's citizens. In addition, the committee hopes that as more experience is gained in this area the program will become self-sustaining.

##### *Insurance industry pool*

The insurance pool authorized by this bill will be an association of private insurance carriers formed to make flood insurance available. It will be open to all qualified companies licensed to write property insurance under the laws of the separate States who meet minimum requirements prescribed under the bill. Relations between the Government and the insurance pool will be governed by an agreement which will set forth in detail the conditions of operation.

Participation in the pool by private companies can take the form of risk capital participation. Some companies can elect to operate as fiscal agents for risk-taking members of the pool. The significance of this arrangement is that small companies with limited capital resources will not be prevented from participating.

##### *Operation of the pool*

Participating member companies of the pool, either as risk bearers or as fiscal agents, will sell and service policies in much the same way as they now sell insurance against fire and other perils. Their relationship with the pool will be governed by an agreement, the conditions of which will be subject to approval by the Secretary of Housing and Urban Development. As fiscal agents they will be paid fees for selling and servicing of policies. As risk bearers, they will share in

the aggregate profits or losses of the pool's operation for a particular accounting period. Risk-bearing member companies will be jointly liable for the payment of claims by insolvent members.

The Government-pool relationship will be governed by an agreement setting forth financial and other arrangements.

#### *Financial arrangements with Government*

Testimony of witnesses at the hearings developed the fact that, for a number of months, discussions had been going on between the Department of Housing and Urban Development and industry as to the financial arrangements which could be made for operating the proposed joint flood insurance program. An understanding has been reached on the broad features of expenses, losses, and profits.

Among the broad features of the financial arrangements which have been discussed, one key feature is that the Government and the industry will both share in expenses and losses of the insurance operation. The basis for this sharing will be the same as the sharing in the risk.

The sharing in risk will be measured by the relationship between chargeable premiums—that is the premiums which policyholders pay—and the estimated risk premiums—that is, the premium needed to cover the actuarial risk plus operating costs and allowance. The Government will assume that proportion of the risk represented by the difference between these policyholder-paid premiums collected and the estimated (actuarial) premium amounts for all policies written and in force under the program.

As the program develops, it can be expected that the industry's risk and share of losses will become greater. This is because existing properties will be substantially improved or replaced by new properties, and therefore, more and more of the chargeable premiums will become full cost premiums. At some time in the future, therefore it is possible for the chargeable premiums to equal the estimated premiums. At that time, the Government will have no liability for expenses or losses, except with respect to reinsurance that may be needed against catastrophic losses. This feature of the proposed arrangement seems to the committee to be desirable from the standpoint of the Federal Government, the private insurance industry, and the public as a whole.

## SECTION-BY-SECTION ANALYSIS

### *Short title*

*Section 1.*—Provides a short title: "National Flood Insurance Act of 1967."

### *Findings and declaration of purpose*

*Section 2.*—States that a flood insurance program is feasible and can be initiated, and should complement and encourage measures to prevent flood damage; that if the program is commenced on a gradual basis, time and experience will enable it to be reappraised and expanded; that the program can be carried out most effectively through a cooperative effort on the part of the Federal Government and the private insurance industry; and that a critical ingredient of such a program will be the encouragement of State and local government to adopt land use regulations to govern the development of land exposed to flood damage. Calls for the President to submit to the Congress, within 2 years, a unified national program for flood plain management, including any further proposals for the allocation of costs among beneficiaries of flood protection.

### *Amendments to the Federal Flood Insurance Act of 1956*

*Section 3(a).*—Amends section 15(e) of the Federal Flood Insurance Act of 1956. That section vested the Administrator of the Housing and Home Finance Agency with authority to borrow \$500 million in the aggregate (or greater sums if authorized by the President) from the Secretary of the Treasury. The amendment in section 3(a) relates to the interest formula which is to apply to borrowed funds. Under section 106 of the bill, the borrowing authority would be made specifically available to the Secretary of Housing and Urban Development to carry out responsibilities which would be vested in him under the bill.

*Section 3(b).*—Strikes out obsolete language from section 15(e) of the Federal Flood Insurance Act of 1956.

*Section 3(c).*—Repeals all sections of the Federal Flood Insurance Act of 1956, except section 15(e), relating to Treasury borrowing authority.

### *Definitions*

*Section 4.*—Defines (1) "flood" as having such meaning as prescribed in regulations of the Secretary, and including inundation from the overflow of streams, rivers, or other bodies of natural waters, and from tidal surges, abnormally high tidal water, tidal waves, hurricanes, and other severe storms or deluge; (2) "United States" and "State" as including the several States, the District of Columbia, the territories and possessions, and the Commonwealth of Puerto Rico; (3) "insurance company," "other insurers," "insurance agents and brokers," to include any organizations or individuals authorized to engage in the insurance business under the laws of any State; (4) "insurance adjustment organizations" to include any organizations

or persons engaged in the business of adjusting loss claims arising under insurance policies issued by licensed insurance companies or other insurers; (5) "person" as any individual, group of individuals, corporation, partnership, association, or other organized group, including State and local governments and agencies; and (6) "Secretary" as the Secretary of Housing and Urban Development.

#### TITLE I—THE NATIONAL FLOOD INSURANCE PROGRAM

##### *Basic authority*

*Section 101(a).*—Authorizes the Secretary of Housing and Urban Development to establish and carry out a program to facilitate the purchase of flood insurance to provide against physical damage to real or personal property resulting from flood.

*Section 101(b).*—Provides that this program shall be implemented, to the maximum extent practicable, through arrangements for financial participation and risk sharing by companies in the private insurance industry, and by other appropriate participation on a non-risk-sharing basis by insurance companies, agents, brokers, or adjustment organizations.

##### *Scope of program and priorities*

*Section 102(a).*—Authorizes the Secretary to make the flood insurance program available initially for 1- to 4-family-residential properties.

*Section 102(b).*—Authorizes the Secretary to extend coverage of the flood insurance program when, on the basis of studies and other information, he determines that extension would be feasible. Future coverage of the program could be extended to (1) other residential properties, (2) business properties, (3) agricultural properties, (4) properties occupied by private nonprofit organizations, and (5) properties owned by State and local governments and agencies thereof.

*Section 102(c).*—Provides that flood insurance will be made available in only those States or areas (or subdivisions of areas) which the Secretary determines had evidenced a positive interest in the flood insurance program, and had given satisfactory assurances that by June 30, 1970, permanent land use and control measures consistent with criteria prescribed in section 302 or for land management and use have been adopted, and that application and enforcement of these measures would commence as soon as technical information on floodways and on controlling flood elevations was available.

This would not require the same land management and use measures for all areas, since these measures must meet the particular flood problems of each area.

##### *Nature and limitation of insurance coverage*

*Section 103(a).*—Authorizes the Secretary, after consultation with the flood insurance advisory committee, and representatives of the State insurance commissioners, to provide by regulation for the general terms and conditions of insurability applicable to properties eligible for flood insurance. A representative organization of all State insurance authorities, such as the National Association of Insurance Commissioners, will be called upon for purposes of consulting State insurance authorities. These terms and conditions will include the

types and locations of eligible properties; the nature and limits of insurable losses; the classification, limitation, and rejection of risks; and appropriate minimum premiums and loss-deductibles.

*Section 103(b).*—Provides that insurance coverage for 1- to 4-family-residential properties will be limited to \$15,000 aggregate liability for any dwelling unit and \$30,000 for any dwelling structure of from 2 to 4 units. Liability for personal property will be limited to \$5,000 for the contents of each dwelling unit. Both real property and contents will be subject to an appropriate loss-deductible clause. For any other properties which will become eligible for flood insurance coverage in the future (such as small business properties), the aggregate liability for any single structure will be \$30,000. These limits will apply to any insurance sold at premiums below full actuarial cost. Insurance coverage could be doubled under this section, but any excess over the limits specified will require the payment of premium rates at full cost.

#### *Estimates of premium rates*

*Section 104(a).*—Authorizes the Secretary, on the basis of studies and investigations, to estimate on an area, subdivision, or other appropriate basis (1) risk premium (full cost) rates for flood insurance, (2) the rate (at below full cost, if necessary) which would be reasonable, would encourage the purchase of flood insurance, and would be consistent with the purposes of the Act, and (3) the extent to which federally assisted or other flood protection measures initiated after the effective date of the Act affect the estimates of rates mentioned in (1) and (2). The Secretary will base estimates of risk premium rates on a consideration of the risks involved and accepted actuarial principles. The rates will reflect applicable operating costs and allowances of participating private insurers, and, on a discretionary basis, non-developmental Federal administrative expenses which may be incurred in carrying out the flood insurance program.

*Section 104(b).*—Provides that, in conducting the necessary rate studies and investigations, the Secretary shall, to the extent feasible, utilize the services, on a reimbursement basis, of the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, the Tennessee Valley Authority, and other appropriate Federal or State agencies.

*Section 104(c).*—Requires the Secretary to give priority to those States or areas that have evidenced a positive interest in flood insurance, in making rate studies and investigations.

#### *Establishment of chargeable premium rates*

*Section 105(a).*—Authorizes the Secretary, after consultation with the flood insurance advisory committee and representatives of the State insurance authorities, to establish chargeable premium rates and the areas, terms and conditions for the application of such rates. Rates will be determined on the basis of estimates made under section 104 and other necessary information.

*Section 105(b).*—Provides that, in prescribing chargeable rates, the Secretary shall be guided by a number of factors, including the consideration of the respective risks involved, the differences in risks due to land use measures, floodproofing, flood forecasting and similar measures. The Secretary would be authorized to prescribe chargeable rates at reasonable levels, lower than those at full cost where necessary, in order to encourage the purchase of flood insurance. In low-risk areas

the chargeable rate for existing properties will be the same or close to the estimated full cost rate. The higher the flood risk for an area, the lower the chargeable rate would be, in relation to the estimated full-cost rate. Under this section, all chargeable rates will be stated so as to reflect their basis, including any differences from the estimated full cost risk premium rates.

*Section 105(c).*—Provides that after an area has been identified as being flood-prone and this information was published in the area, then newly constructed property or substantially improved property can be insured only at rates which are not less than the estimated (full cost) risk premium rate.

*Section 105(d).*—Provides that where any chargeable premium rate is equal to the estimated risk premium rate (full cost) for the area, and if the rates include any amount for administrative expenses of the Federal Government in carrying out the flood insurance program (in the Secretary's discretion under section 104), a sum equal to that amount is to be paid to the Secretary to be deposited in the insurance fund.

#### *Treasury borrowing authority*

*Section 106(a).*—Provides that the authority vested in the Housing and Home Finance Administrator by section 15(e) of the Federal Flood Insurance Act of 1956 (pertaining to the issue of notes or other obligations to the Secretary of the Treasury) shall be vested in the Secretary.

*Section 106(b).*—Requires that borrowed Treasury funds must be deposited in the national flood insurance fund established under section 107.

#### *National flood insurance fund*

*Section 107(a).*—Authorizes the Secretary to establish in the U.S. Treasury a national flood insurance fund. Premium equalization payment to the insurance pool, reinsurance claims of the pool, and repayments of borrowed moneys to the Secretary of the Treasury (available from appropriations or reinsurance premiums) will be charged to the fund. Administrative expenses of carrying out the program may also be paid out of the fund.

*Section 107(b).*—Requires the fund to be credited with (1) borrowed Treasury funds, (2) reinsurance premiums payable by the insurance pool, (3) amounts advanced to the fund from appropriations in order to maintain it at adequate levels, (4) interest on the investment of surplus amounts in the fund, (5) administrative expenses included in chargeable premium rates and which have been paid to the Secretary, and (6) receipts from other operations incident to the insurance program; and, in the event the flood insurance program is carried out through the facilities of the Federal Government, the insurance premiums paid.

*Section 107(c).*—Authorizes the Secretary of the Treasury to invest surplus moneys in the fund in obligations issued or guaranteed by the United States, if (1) all outstanding obligations have been liquidated, and (2) any outstanding amounts that have been advanced to the fund from appropriations for reinsurance payments to the pool have been credited to that appropriation, with interest accrued at a rate based

on the average current yield on outstanding marketable obligations of the United States of comparable maturities.

*Section 107(d).*—Provides that the fund will be available to finance the operation of the flood insurance program if the Secretary finds that it should, in whole or in part, be carried out through the facilities of the Federal Government, including costs incurred in the adjustment and payment of loss claims and payment of applicable operating costs of private insurers if such companies are involved. Any premiums paid are to be deposited in the fund.

*Operating costs and allowances*

*Section 108(a).*—Directs the Secretary to negotiate with appropriate representatives of the insurance industry, from time to time, for the purpose of prescribing a current schedule of operating costs applicable to risk-sharing and nonrisk-sharing participants in the flood insurance program, and a current schedule of operating allowances (profits) applicable to risk-sharing insurers. These schedules will be prescribed in regulations.

*Section 108(b).*—Specifies that operating costs include (1) expense reimbursements covering the expenses of selling and servicing the insurance, (2) reasonable compensation or commissions payable for selling and servicing the insurance, (3) loss adjustment expenses, and (4) other expenses which the Secretary finds were incurred in selling or servicing the insurance. Operating allowances include amounts for profit and contingencies which the Secretary finds reasonable and necessary.

*Payment of claims*

*Section 109.*—Authorizes the Secretary to prescribe regulations establishing methods for the adjustment and payment of claims for losses to property insured under the flood insurance program.

*Dissemination of flood insurance information*

*Section 110.*—Directs the Secretary to make information and data available to the public and to any State and local agency regarding (1) the coverage and objectives of the flood insurance program, and (2) estimated and chargeable flood insurance premium rates, and the basis for the difference between such rates.

*Prohibition against certain duplications of benefits*

*Section 111(a).*—Contains provisions which will prevent Federal disaster assistance from being made available to compensate for any loss to the extent it is covered by flood insurance. Also provides that no such assistance shall be made available to the extent losses of real or personal property could have been covered (at the maximum limits) if flood insurance was actually available more than one year prior to the loss. Authority is provided for the Secretary to prescribe, by regulations, an exception to this latter provision for low-income persons who might otherwise benefit from such assistance.

*Section 111(b).*—Provides that "Federal disaster assistance" includes any Federal financial assistance made available to any person as a result of (1) a major disaster, as determined by the President pursuant to "An Act to authorize Federal Assistance to State and local governments in major disasters, and for other purposes" (42 U.S.C. 1855-1855g); (2) a natural disaster, as determined by the Secretary

of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961; (3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act.

*Section 111(c).*—Makes the term "financial assistance" as used in section 10 of the Disaster Relief Act of 1966 (which directs that Federal assistance programs be administered to avoid duplication of benefits) include flood insurance.

*State and local land use controls*

*Section 112.*—Provides that after June 30, 1970, no new flood insurance coverage (including renewals) will be provided in any area unless an appropriate public body had adopted permanent land use and control measures, with effective enforcement provisions, which the Secretary finds consistent with the comprehensive criteria for land management and use prescribed under section 302.

*Properties in violation of State and local law*

*Section 113.*—Prohibits any new flood insurance (including renewals) for property which violates State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

*Coordination with other programs*

*Section 114.*—Directs the Secretary to consult with Federal, State, and local agencies having responsibilities for flood control, flood forecasting, and flood damage prevention, in order to assure mutual consistency between the programs of such agencies and the flood insurance program.

*Advisory Committee*

*Section 115(a).*—Directs the Secretary to appoint a flood insurance advisory committee. The purpose of the committee is to advise the Secretary with respect to the administration of this act and in the preparation of the regulations prescribed in the act.

*Section 115(b).*—Provides that the committee shall consist of not more than 15 persons selected from (1) the insurance industry, (2) State and local governments, (3) lending institutions, (4) the home-building industry, and (5) the general public.

*Section 115(c).*—Provides that committee members, while attending conferences or meetings, will be compensated at a rate fixed by the Secretary not to exceed \$100 a day and to also receive travel and living expenses when serving away from their homes or regular places of business.

*Initial program limitation*

*Section 116.*—Provides that the face amount of flood insurance coverage outstanding and in force at any given time cannot exceed \$2.5 billion.

*Report to the President*

*Section 117.*—Directs the Secretary to include a report on the operations of the flood insurance program provided for under this act in his annual report to the President for submission to the Congress.



## TITLE II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

*Organization and administration*

*Section 201.*—Directs the Secretary, after such consultation with representatives of the insurance industry as may be necessary, to implement the flood insurance program by providing for an industry program with Federal financial assistance. In the event this program proves unworkable, the Secretary is directed to provide for a Federal program with industry assistance.

## PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

*Industry flood insurance pool*

*Section 211(a).*—Authorizes the Secretary to encourage and assist private insurers to join together in a pool to provide flood insurance coverage and to participate financially in underwriting the risks assumed and in assuming responsibility for some proportion of claims for losses.

*Section 211(b).*—Authorizes the Secretary to prescribe requirements for private insurers participating in the pool, including, but not limited to, minimum requirements for capital or surplus or assets.

*Agreements with flood insurance pool*

*Section 212(a).*—Authorizes the Secretary to enter into agreements with any insurance pool as he deems necessary to carry out the purposes of this act.

*Section 212(b).*—Provides that any agreement with a pool shall specify the terms and conditions under which (1) risk capital will be available for the adjustment and payment of claims, (2) the pool and its participants will participate in premiums received and profits or losses, (3) the maximum amount of profit which may be realized as established by the Secretary under section 108, (4) operating costs prescribed under section 108 and allowances are to be paid, and (5) premium equalization payments and reinsurance claims will be paid.

*Section 212(c).*—States that the agreements will also contain such provisions as the Secretary finds necessary to assure that (1) no qualified insurer wishing to participate in the pool will be excluded, (2) insurers participating in the pool will provide continuity of flood insurance coverage, and (3) other insurance companies, agents, and brokers will to the maximum extent practicable be permitted to cooperate with the pool as fiscal agents or otherwise on a non-risk-sharing basis. This section assures that no insurance companies shall be excluded from the program on the basis of considerations such as size.

*Judicial review*

*Section 213.*—Authorizes private insurers participating in the pool to adjust and pay claims for losses and permits any claimant, upon disallowance of a claim, or upon the claimant's refusal to accept the amount allowed on a claim, to institute an action, within 1 year after notice of disallowance is mailed, in the U.S. district court for the district in which the insured property or the major portion of it

was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy. Claimants could also avail themselves of legal remedies in State courts.

#### *Premium equalization payments*

*Section 214(a).*—Directs the Secretary on such terms and conditions as he shall provide to make periodic payments to the pool in recognition of any reductions made in chargeable premium rates under estimated risk premium rates in order to provide flood insurance on reasonable terms.

*Section 214(b).*—Provides that payments for a share of the claims paid in a given period will be based on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with section 215.

Subject to the limiting terms and conditions of the basic agreement between the Secretary and the pool under section 212, the Secretary is also authorized to make payments to the pool for a proportionate amount of applicable operating costs (including only administrative expenses) and allowances on the same ratio basis as used to determine the sharing of claim payments.

*Section 214(c).*—Authorizes the Secretary to establish designated pay periods and the methods for determining the sum of premiums paid or payable during such periods.

#### *Reinsurance coverage*

*Section 215(a).*—Authorizes the Secretary to take such action as may be necessary to make available reinsurance coverage to the insurance pool for excess losses.

*Section 215(b).*—Authorizes entering into contracts, agreements or other arrangements to provide reinsurance, in consideration of premiums, fees, or other charges as the Secretary finds necessary to cover anticipated losses.

*Section 215(c).*—Authorizes the Secretary to negotiate an excess loss agreement with the insurance industry pool whereby claims above a certain limit will be submitted to the Secretary on a portfolio basis, and paid by the Federal Government.

*Section 215(d).*—Provides that reinsurance claims must be submitted on a portfolio basis, in accordance with terms and conditions as may be established by the Secretary.

### PART B—GOVERNMENT PROGRAM

#### *Federal operation of the program*

*Section 221(a).*—Authorizes the Secretary, after consultation with representatives of the insurance industry if he makes a determination that the flood insurance program cannot be effectively carried on through the insurance pool, to take the necessary steps to operate the program through the facilities of the Federal Government, either by (1) utilizing insurance companies, other insurers, agents, brokers, and adjustment organizations as fiscal agents of the United States, (2) by utilizing employees of the Department of Housing and Urban Development or other Government employees (by arrangement with the heads of other agencies), or (3) by a combination of alternatives (1) and (2) above.

*Section 221(b).*—Provides that at least 30 days before an all-Federal program of insurance is entered into by the Secretary, he shall make a report to the Congress which will (1) state the reasons for his determination that a program under the industry-Government option in part A cannot be carried out, (2) support such determination by pertinent findings, (3) indicate the extent to which he anticipates the industry will be utilized in the all-Federal program, and (4) make any other recommendations he deems advisable.

*Adjustment and payment of claims*

*Section 222.*—Authorizes the Secretary to adjust and pay claims, and authorizes any claimant, upon disallowance of a claim, or upon refusal of the claimant to accept an amount allowed, to institute an action, within 1 year after notice of disallowance or partial disallowance, is mailed, in the U.S. district court for the district in which the insured property or the major portion of it was situated. Jurisdiction would be conferred on the district court without regard to the amount in controversy.

PART C—PROVISIONS OF GENERAL APPLICABILITY

*Services by insurance industry*

*Section 231(a).*—Provides legal authority for the Secretary to enter into the necessary arrangements with the insurance industry to implement the flood insurance program set forth in the act, including provisions for payment of applicable operating costs and allowances for such facilities and services.

*Section 231(b).*—Exempts any such arrangements from any provisions of Federal law requiring competitive bids or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

*Use of insurance pools, companies, or other private organizations for certain payments*

*Section 232(a).*—Authorizes the Secretary to enter into contracts with any pool, insurance companies or other private organizations he finds acceptable for use as fiscal intermediaries. Such intermediaries could (1) estimate and determine amounts of Federal payments, and (2) audit participating insurers, agents, brokers, or adjustment organizations, as may be necessary to assure that proper payments are made.

*Section 232(b).*—Provides that any contract may contain provisions necessary to carry out the Secretary's responsibilities, under the provisions of the act.

*Section 232(c).*—Provides that contracts authorized by this section would be exempted from any provisions of Federal law requiring competitive bidding or requiring that contracts or purchases of supplies or services by the Federal Government be made only after advertisement is provided for a sufficient time to allow competitive proposals to be made.

*Section 232(d).*—Requires a finding by the Secretary that the contracting party can perform its obligations efficiently and effectively before a contract can be entered into.

*Section 232(e).*—Provides that the Secretary is authorized to require a surety bond from any organization performing responsibilities under

the authority granted and any of its officers and employees. No individual designated to certify payments will be liable with respect to payments certified by him in the absence of gross negligence or intent to defraud the United States. No officer disbursing funds in accordance with a proper certification of payments would be liable with respect to such payments in the absence of gross negligence or intent to defraud the United States.

*Section 232(f).*—Specifies that contracts will be automatically renewable from year to year in the absence of notice from either party as to termination, except that the Secretary may terminate a contract after reasonable notice if he determines that the other party has substantially failed in its obligations or is carrying them out in a manner inconsistent with the efficient and effective administration of the flood insurance program.

#### *Settlement and arbitration*

*Section 233(a).*—Authorizes the Secretary to make final determination and settlement of any claims arising from the financial transactions which he is authorized to carry out under the act. The Secretary may, however, refer such disputes to arbitration.

*Section 233(b).*—Specifies that this arbitration would only be advisory in nature.

#### *Records and audit*

*Section 234(a).*—Provides that any flood insurance pool receiving financial assistance under the program, and any pool, company, or other private organization which has entered into any contract, agreement, or other arrangement with the Secretary under parts B and C of title II, shall keep such records as the Secretary prescribes. Such records are to fully disclose the total costs of the programs undertaken or services rendered, so as to facilitate an effective audit.

*Section 234(b).*—Provides that the Comptroller General and the Secretary (or their duly authorized representatives) shall have access to any books, documents, papers, and records of the pool, insurance company or other private organizations, which are pertinent to the costs of the programs set forth in this act.

### TITLE III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD-PRONE AREAS

#### *Identification of flood-prone areas*

*Section 301.*—Authorizes the Secretary, utilizing the Army Corps of Engineers, the Geological Survey, the Soil Conservation Service, the Environmental Science Services Administration, TVA, and other Federal, State, or local agencies, to identify and publish information within 5 years after the effective date of the act with respect to all flood plain areas, including coastal areas in the United States, which have special flood hazards. The Secretary is also required to establish, within 15 years, flood risk zones in these areas and to make estimates with respect to the rates of probable flood-caused loss for the various flood risk zones for each area.

#### *Criteria for land management and use*

*Section 302(a).*—Authorizes the Secretary to carry out studies or investigations with regard to the adequacy of State and local measures

in flood-prone areas, as to land management and use, flood control, flood zoning, and flood damage prevention.

*Section 302(b).*—Provides that these studies and investigations deal with laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines or flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

*Section 302(c).*—Provides that based on his studies and investigation, the Secretary is authorized to develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State or local measures which will lessen the exposure of property and facilities to flood losses, improve the long-range management and use of flood-prone areas, and inhibit, to the maximum extent feasible, unplanned and economically unjustifiable future development in such areas. The Secretary is also authorized to work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies to encourage the application of such criteria and the adoption and enforcement of such measures as may be necessary to help in reducing any unnecessary damages resulting from floods.

#### *Purchase of certain insured properties*

*Section 303.*—Authorizes the Secretary to negotiate with owners of real property covered by flood insurance which are located in any flood-risk area, and damaged substantially beyond repair by flood, for the purchase of such property. The Secretary is then authorized to transfer such property to those State or local agencies agreeing to use the property for at least 40 years for those purposes as the Secretary may, by regulation, determine to be consistent with sound land use and management. This authority is voluntary and no property owner would be required to sell or lease his property to the Secretary.

### TITLE IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

#### *Studies of other natural disasters*

*Section 401(a).*—Authorizes the Secretary to make studies to determine the extent to which insurance protection against earthquakes or other natural disasters is not available and the feasibility of making such protection available.

*Section 401(b).*—Provides that studies under this section be made in cooperation with other Federal, State, or local agencies, and authorizes the Secretary to enter into agreements for the conduct of such studies with other Federal agencies, on a reimbursement basis, or with State and local agencies.

#### *Payments*

*Section 402.*—Vests discretion in the Secretary to make payments under this program in advance of their actual need, or by way of reimbursement.

#### *Government Corporation Control Act*

*Section 403.*—Makes the provisions of the Government Corporation Control Act applicable in the administration of the flood insurance program to the same extent as applicable to wholly owned Government corporations.

*Finality of certain financial transactions*

*Section 404.*—Provides that any financial transaction under this act or payment received or made in connection therein shall be final and conclusive upon all officers of the Government.

*Administrative expenses*

*Section 405.*—Provides that any administrative expenses of the Federal Government in carrying out the flood insurance program may be paid out of appropriated funds.

*Appropriations*

*Section 406(a).*—Authorizes the appropriations necessary to carry out the flood insurance program, including sums to cover administrative expenses and to reimburse the national flood insurance fund for premium equalization payments and reinsurance claims paid out of the fund.

*Section 406(b).*—Provides that these funds shall be available without fiscal year limitation.

*Effective date*

*Section 407.*—Provides for the act to become effective 120 days following the date of enactment, except that the Secretary is authorized to extend the effective date up to 180 days after enactment if he finds conditions necessitate a long preparatory period.

## CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### FEDERAL FLOOD INSURANCE ACT OF 1956

(August 7, 1956, ch. 1025, 70 Stat. 1078)

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Federal Flood Insurance Act of 1956".

#### **[FINDINGS AND DECLARATION OF PURPOSE]**

**[SEC. 2 (a)]** The Congress finds that in the case of recurring natural disasters, including recurring floods, insurance protection against individual and public loss is not always practically available through private or public sources. With specific reference to insurance against flood loss, the Congress finds that insurance against certain losses resulting from this peril is not so available. Since preventive and protective means and structures against the effects of these disasters can never wholly anticipate the geographic incidence and infinite variety of the destructive aspects of these forces, the Congress finds that the safeguards of insurance are a necessary adjunct of preventive and protective means and structures.

Inasmuch as these disasters impede interstate and foreign commerce, hamper national defense, and cause widespread distress and hardship adversely affecting the general welfare, without regard to State boundary lines, and in the absence of insurance protection from private or public sources, the Congress ought to provide for such protection in the case of flood, and study the feasibility and need for similar programs in the case of other forms of natural disaster against which insurance protection is not generally and practically available in all geographical areas.

(b) (1) It is the purpose of this Act to authorize the establishment of a program of Federal insurance and reinsurance against the risks of loss resulting from flood as hereinafter defined, and to require a study and report on insurance and reinsurance against still other natural disaster perils to the extent that such insurance or reinsurance is not available on reasonable terms and conditions from other public or private sources; and

(2) It is the further purpose of this Act to encourage private insurance companies to write insurance covering the extent of the risks above the limits prescribed in section 10 (a) and to provide

Federal reinsurance to the extent desirable and necessary to carry out this purpose.

(3) It is the further purpose of this Act to authorize the establishment of a program of loans, and a program combining insurance and loans, to assist flood victims who have entered into contracts with the Administrator under this Act.]

#### **[ADMINISTRATION]**

[SEC. 3. (a) To assist in carrying out the functions, powers, and duties vested in him by this Act, the Administrator may appoint a Commissioner, and the basic rate of compensation of such position shall be the same as the basic rate of compensation established for the Commissioners of the constituents of the Housing and Home Finance Agency.

(b) The provisions of the Government Corporation Control Act, as amended, shall apply to the functions vested in the Administrator by this Act, to the same extent as applicable to wholly owned Government corporations.

(c) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator, notwithstanding the provisions of any other law, shall maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Administrator as the issuing of insurance policies, the making of reinsurance agreements, and the making and guaranteeing of loans, and vouchers approved by the Administrator in connection with such financial transactions, shall be final and conclusive upon all officers of the Government.]

#### **[AUTHORITY TO INSURE AND REINSURE]**

[SEC. 4. To aid in carrying out the purposes of this Act, the Administrator is authorized to provide, upon such terms and conditions (including coinsurance requirements) as he may establish, insurance and reinsurance against loss resulting from damage to or destruction of real or personal property (including property owned by any State or local government) due to flood, as hereinafter defined, occurring within the United States: *Provided*, That insurance policies issued under this Act after June 30, 1959, shall be issued only with respect to property in those States which participate as provided in section 7(a) of this Act.]

#### **[LOAN CONTRACTS]**

[SEC. 5. (a) The Administrator is authorized to enter into contracts with any persons (not including State and local governments and agencies thereof) to the effect that, in the event of any subsequent loss resulting from damage to or destruction of real and personal property due to flood, as hereinafter defined, occurring within the United States—



(1) the Administrator will guarantee any public or private financing institution against loss of principal and interest with respect to any loan in an amount not to exceed such subsequent flood loss (as modified by subsection (f) of this section, relating to deductibility), which may be made by such institution to any such person in connection with such flood loss; and

(2) to the extent that a loan to finance such flood loss is not available from any such institution on reasonable terms, the Administrator will make a loan directly to such person in an amount covering all or part (as provided for in the loan contract between the Administrator and such person) of the difference between the amount of such flood loss (as modified by such subsection (f), relating to deductibility) and the amount of the loan available from such institution.

Each such contract shall contain such terms and conditions and require from any such person such monetary consideration, as the Administrator may prescribe by regulation. In issuing such regulations the Administrator shall fix such monetary consideration at the lowest practicable amount, following generally the same principles as apply under section 7(a) with respect to the establishment of fees for insurance.

(b) Any loan made or guaranteed under this section shall bear interest at the rate, as determined by the Administrator, which is prevailing in the area where the money loaned is to be used but such rate shall not exceed 4 per centum per annum on the unpaid principal balance.

(c) Any Federal Reserve bank, when designated by the Administrator, is hereby authorized to act, on behalf of the Administrator, as fiscal agent of the United States in guaranteeing loans under this section and in otherwise taking action in connection with such guarantees. Such funds as may be necessary to enable such bank to carry out any such guarantee shall be supplied and disbursed by or under authority of the Administrator from the Disaster Loan Fund. Such bank shall not have any responsibility or accountability except as agent in taking any action in connection with such guarantees. Each such bank shall be reimbursed by the Administrator, from funds appropriated by the Federal Government, for all expenses incurred by the bank in acting as agent on behalf of the Administrator, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(d) Actions and operations of such banks under authority of subsection (c) of this section shall be subject to the supervision of the Administrator and subject to such regulations as he may prescribe. The Administrator is authorized to prescribe the term and incidental charges for loans guaranteed under subsection (c) of this section. The Administrator is further authorized to prescribe regulations with respect to the forms and procedures (which shall be uniform to the maximum extent practicable) to be utilized in connection with such guarantees.

(e) To the maximum extent practicable, loans under this section shall be on a long-term basis in accordance with regulations prescribed by the Administrator, if so requested by the person obtaining the loan.

(f) Loans under this section shall be made only with respect to amounts exceeding the first \$500 of the amount of the loss.

(g) The face amount of all loan contracts outstanding under this section at any one time shall not exceed \$2,000,000,000; but such amount may be increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

(h) The provisions of sections 8, 9, 10(a), 10(b), 12(b), 12(c), 13, 14, 15(e), 15(g), 17(a), 18, 19, 20, 22, and 23 of this Act shall be applicable with respect to the loan contract program under this section.】

#### 【COMBINATION OF INSURANCE AND LOANS】

【SEC. 6. The Administrator is authorized to establish, under such regulations as he may prescribe, a program combining insurance and loans in order to provide the greatest variety and amount of protection against loss to the greatest number of affected parties in accordance with individual needs.】

#### 【ESTIMATED RATES AND FEES】

【SEC. 7. (a) The Administrator shall from time to time establish a schedule of "estimated rates" for insurance offered under the provisions of this Act, which would be adequate, in his judgment, to produce sufficient proceeds to pay all claims for probable losses over a reasonable period of years. Such "estimated rates" shall be used as a basis for determining the fees to be paid by the persons insured. They shall be based on consideration of the risks involved and shall be uniform for similar risks within a given classification of property. They shall not include any loading for administrative expenses of the Federal Government under this Act. The Administrator shall establish a schedule of fees to provide insurance protection at reasonable costs designed to achieve marketability: *Provided*, That no insurance policy shall be issued for a fee less than 60 per centum of such "estimated rate". The Administrator is authorized to establish such classifications of fees as he deems necessary to carry out the purposes of this Act based on the use of the property to be insured, the availability of insurance from private sources covering such property, and the ability of the insured to self-insure or reinsure and may establish differentials in levels of fees for such classifications: *Provided*, That all such fees shall be uniform for similar risks within a given classification of property. Prior to July 1, 1959, the Administrator shall pay into the Disaster Insurance Fund, hereinafter created, from time to time, an amount equal to the difference between the fees charged for insurance policies issued and the amount which would have been charged if the "estimated rates" were applied: *Provided*, That after June 30, 1959, each State shall pay from time to time into the Disaster Insurance Fund, an amount equal to one-half the difference between the fees charged for insurance policies issued after such date on property in such State, and the amount which would have been charged if the "estimated rates" were applied, and the Administrator shall pay into such Fund, from time to time, an amount equal to the State's contribution for each policy issued.

(b) The Administrator from time to time shall also negotiate with insurance companies seeking reinsurance for the purpose of establishing fees for reinsurance offered under the provisions of this Act. Such fees shall be based on consideration of the risks involved and shall be

adequate, in the judgement of the Administrator, to produce sufficient proceeds over a reasonable period of years to pay all claims for losses. The fees shall not include any loading for administrative expenses of the Federal Government under this Act.】

#### 【PROPERTY AND LOSS LIMITS】

【SEC. 8. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available under this Act, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.】

#### 【RISK CLASSIFICATION】

【SEC. 9. The Administrator may from time to time issue appropriate regulations regarding the classification, limitation, and rejection of risks assumed by him under authority of this Act.】

#### 【POLICY AND PROGRAM LIMITS】

【SEC. 10. (a) The outstanding face amount of insurance issued by the Administrator under this Act shall not exceed \$250,000 per person: *Provided*, That the face amount of such insurance on any dwelling unit (including any structures and personal property connected therewith) shall not exceed \$10,000.

(b) The Administrator may from time to time issue appropriate regulations regarding insurance coverage available to joint owners and subsidiary and affiliated corporations as he shall deem advisable to effectuate the purposes of this Act.

(c) Each insurance policy issued by the Administrator shall contain a loss-deductible clause relieving him from any liability for paying the first \$100 of a proved and approved claim for loss, plus 5 per centum of the remainder, or such larger amount or percentage as may be specified by the Administrator upon issuance of the insurance policy, taking into consideration the class of risk involved.

(d) The face amount of insurance policies and reinsurance agreements outstanding at any one time under this Act shall not exceed \$3,000,000,000 (which limit may be increased with the approval of the President by further amounts not to exceed \$2,000,000,000 in the aggregate if such increase is deemed advisable to effectuate the purposes of this Act) minus the aggregate amount of claims proved and approved under insurance policies and reinsurance agreements issued under this Act, but plus fees collected hereunder. For the purpose of applying this limitation, the face amount of any policy or agreement shall be deemed to be the original amount minus claims proved and approved thereunder.】

#### 【REINSURANCE REGULATORY AUTHORITY】

【SEC. 11. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this Act shall be subject to approval by the Administrator.

(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 10(a) of this Act resulting from damage to or destruction of real or personal property due to flood as defined in this Act. The Administrator may seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

(d) Wherever practicable, the Administrator may encourage by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property due to flood.】

#### 【NONDUPLICATION OF AVAILABLE INSURANCE】

【SEC. 12. (a) No insurance or reinsurance, or loan contract, shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources.

(b) No insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local flood zoning laws.

(c) After June 30, 1958, no insurance or reinsurance shall be issued under the provisions of this Act in any geographical location unless an appropriate public body shall have adopted and shall keep in effect such flood zoning restrictions, if any, as may be deemed necessary by the Administrator to reduce, within practicable limits, damages from flood in such location.】

#### 【USE OF OTHER PUBLIC AND PRIVATE FACILITIES】

【SEC. 13. (a) In providing insurance or reinsurance under this Act, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of reasonable compensation therefor.

(b) In providing insurance or reinsurance under this Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(c) The Administrator may supply, receive from and exchange with other agencies of the Federal Government, State, local, and interstate commissions or agencies, and private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this Act.

(d) In carrying out the functions authorized in this Act, the Administrator may consult with other agencies of the Federal Government

and interstate, State, and local public agencies having responsibilities for land use and flood control and for flood zoning and flood-damage prevention in order to assure that the insurance and reinsurance programs are consistent with the programs of such agencies. Where the program of the Administrator may affect existing or proposed flood-control works under the jurisdiction of agencies of the Federal Government these agencies shall cooperate with the Administrator in coordinating their respective programs. The Secretary of Agriculture and the Administrator shall coordinate the administration of their respective programs relating to flood insurance and reinsurance for agricultural commodities.

(e) The Administrator may from time to time consult with representatives of the various States to the extent deemed necessary by him to effectuate the purposes of this Act.】

#### 【CLAIMS PAYMENT AND JUDICIAL REVIEW】

【SEC. 14 (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this Act.

(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.】

#### FUNDS AND TREASURY BORROWINGS

SEC. 15. 【(a) To carry out the purposes of this Act, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Fund, and (3) Disaster Loan Fund.】

【(b) Into the Disaster Insurance Fund shall be deposited all insurance fees collected by the Administrator for insurance policies issued by him under this Act, and the contributions made by the Administrator and the respective States in accordance with section 7 (a) of this Act. Into the Disaster Reinsurance Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act. Into the Disaster Loan Funds shall be deposited amounts accruing to the United States in connection with loan contract transactions.】

【(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the

proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.】

【(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this Act shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this Act shall be deposited in the Disaster Reinsurance Fund.】

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$500,000,000 (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average [rate] market yield on outstanding marketable obligations of the United States of comparable maturities [as of the last day of] during the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations.

The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. 【Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund.】

【(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Fund, and the Disaster Loan Fund may be used for the following purposes as deemed necessary by the Administrator:

(1) To pay from the Disaster Insurance Fund proved and approved claims for loss under, and other nonadministrative expenses arising in connection with, insurance policies issued by the Administrator under this Act;

(2) To pay from the Disaster Reinsurance Fund proved and approved claims under, and other nonadministrative expenses arising in connection with, reinsurance agreements entered into by the Administrator under this Act;

(3) To pay from the Disaster Loan Fund the amounts of loans made by the Administrator, amounts in payment of guarantees, and other nonadministrative expenses in connection with direct and guaranteed loans under this Act; and

(4) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.】

[(g) All administrative expenses of the Federal Government under this Act shall be paid from funds appropriated by the Federal Government.]

#### [ADVISORY COMMITTEE]

[SEC. 16. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee as authorized by section 601 of the Housing Act of 1949, as amended (68 Stat. 590, 645). Such committee shall consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.]

#### [STUDIES]

[SEC. 17. (a) The Administrator shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this Act to any one or more natural disaster perils, other than flood, against which, and for the period during which, insurance protection is not generally and practically available in all geographical locations from other public or private sources.

(b) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(c) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance programs authorized by this Act.]

#### [ADDITIONAL FUNCTIONS]

[SEC. 18. For the purpose of carrying out functions under this Act the Administrator may—

(a) sue or be sued;

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest therein, make advance or

progress payments in connection therewith, and hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of this Act;

(d) appoint, pursuant to civil-service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; provide bonds for such of them as he may deem necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

(e) conduct researches, surveys, and investigations relating to flood insurance and reinsurance and assemble data for the purpose of establishing estimated rates, fees, and premiums for flood insurance and reinsurance under this Act;

(f) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

(g) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.】

#### 【RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED】

【SEC. 19. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.】

#### 【TAXATION】

【SEC. 20. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.】

#### 【ANNUAL REPORT】

【SEC. 21. The annual report made by the Administrator to the President for submission to the Congress under existing law on all programs provided for under this Act shall contain a comprehensive report concerning (1) the operation of insurance, reinsurance, and loan programs authorized under this Act, and (2) the status and result of studies authorized under section 17 of this Act, together with such recommendations, if any, for legislative changes deemed by the Administrator desirable to improve the operation of programs authorized under this Act. The annual report for the calendar year ending December 31, 1958, shall contain a list of the States which can be expected to participate in the insurance program authorized by this Act after June 30, 1959. The annual report for the calendar year ending December 31, 1961, shall contain an express opinion of the Administrator, supported by pertinent findings, concerning the advisability of withdrawing in



whole or in part Federal financial support for insurance policies to be issued at any time after June 30, 1962, offering protection authorized in this Act, taking into consideration the desirability of offering such protection. Such opinion shall be accompanied by recommendations for legislative changes deemed desirable by the Administrator in the event the opinion is to the effect that any such withdrawal of financial support is advisable.】

#### 【DEFINITIONS】

【SEC. 22. As used in this Act the term—

(a) "Flood" includes any flood, tidal wave, wave wash, or other abnormally high tidal water, deluge, or the water component of an hurricane or other severe storm, surface landslide due to excess moisture, and shall have such other meaning as may be prescribed by regulation of the Administrator.

(b) "Person" means an individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof;

(c) "United States," when used in a geographic sense, means the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico;

(d) "State" includes the several States, the District of Columbia, the Territories, the possessions, and the Commonwealth of Puerto Rico and

(e) "Administrator" means the Housing and Home Finance Administrator.】

#### 【SEPARABILITY PROVISION】

【SEC. 23. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.】

