

ance under which the party that procures the insurance and pays the premium is ultimately responsible for the payment of any claims that may arise. It has been suggested by some that this principle should be incorporated into any program that might be established for the guaranty of pension benefits. This would make the employer ultimately responsible (to the extent of his corporate asset) for any benefits paid in respect of his plan by the guaranty fund.

Another precedent for giving the guaranty fund a right of recovery from the employer is the doctrine of subrogation that is applicable to all forms of property and liability insurance. Under this doctrine, which is supported by common law as well as contract language, if an insured loss is caused by the tortfeasance or wrongful action of a third party, the insurance company has a right to seek recovery from the tortfeasor. The citing of this legal principle is not intended to imply that an employer who fails to fund or otherwise meet his pension obligations is a tortfeasor in the legal sense, but in granting more guaranteed benefits than he has funded an employer would cause loss to the insuring agency and under certain circumstances it might be argued that he has wilfully and irresponsibly caused loss to the guaranty fund.

PLANS JOINTLY ADMINISTERED BY GOVERNMENTAL AND PRIVATE AGENCIES

There are a number of insurance programs that involve a partnership of some type between a Federal agency and private insurance agencies. In some of these programs, for example, Federal Employees Group Life Insurance and the insurance provided under the Federal Employees Health Benefits Act, the private agencies are the sole risk-bearers, the Government playing a strictly administrative role. In other programs, for example, Medicare and the provision of health insurance benefits for servicemen's dependents, the private agencies furnish only fiscal and claims services, with the Government assuming the entire risk. In other cases, the Federal Government and private insurance agencies have entered into a joint *underwriting* venture under which the Government assumes that portion of the total risk considered to be uninsurable by private agencies. One case in point is export credit insurance in connection with which private insurers assume the normal business risks and the Federal Government, through a reinsurance arrangement, assumes the political risks. Another example is the Servicemen's Group Life Insurance program under which the participating life insurers assume the normal mortality risks and the Federal Government absorbs the risks associated with military service. Still another arrangement that could be used would be for the private insurers to assume the first or primary portion of the risk, with the Government serving as the residual riskbearer through reinsurance or some other device. This is the approach embodied in the proposed flood insurance program now being considered by Congress and representatives of the insurance industry. This is an attempt to deal with a hazard that, because of the threat of catastrophic losses, has heretofore been considered uninsurable for all practicable purposes.

Under the proposed program, which initially would be operative only in certain designated areas and would cover only one- to four-