

in the State will participate in the plan. Separate distribution quotas will be established for commercial and habitation properties.

Upon receipt of an assignment for the industry placement facility, a company may accept the risk or may reject it conditionally—unless the property is improved to bring it up to minimum standards—or if the risk is subject to an abnormal environmental exposure, may cede it—that is, the company may cede it—to the joint underwriting association. All companies writing property insurance in the District of Columbia must also be members of the joint underwriting association.

The bill provides for a fund for reimbursement to the national reinsurance fund as a first layer over insurance company losses. This is in line with the strong recommendation in the Hughes Panel report that such a sharing of riot and civil disorder over a certain stop loss would make local governments, throughout the country, cognizant of their basic responsibility of providing law and order in the land.

Other bills in the Senate and House have been introduced which would appear to implement the Federal legislation on the local level. The contents of other pending bills are many and varied and while supporting H.R. 18541 and the concept of this legislation generally, I would be more than happy to spend as much time as possible either here at the hearing or in private conference with interested staff, in answering any questions relating to this subject.

With that I thank you very much for letting us appear on behalf of Mr. McMillan's bill.

Mr. SISK. Mr. Chairman. I would like to briefly inquire as to some of the differences in some of these approaches. Do I understand you are in support of the legislation as incorporated in the omnibus Housing Bill, referred to as the Patten Amendment?

Mr. NANGLE. I will answer that by saying we prefer H.R. 18541.

Mr. SISK. Why?

Mr. NANGLE. I guess we do get into the basic differences between the two.

Mr. SISK. That is what I want to get at, the differences in approach.

Mr. NANGLE. The amendment to the Housing Bill Mr. Patten introduced on the floor, among other things but the primary objection, would be the complete and limitless authority of the Mayor or his designated agent in the setting up of the requirements and the setting up of the plans, et cetera, that the insurance companies must abide by whether they like it or not.

Mr. SISK. To what extent is that approach different from the rest of the country? Isn't it in effect putting the District of Columbia on all fours with the rest of the country?

Mr. NANGLE. No. In fact, very few plans of this nature have been promulgated. I believe New York has promulgated a plan, but I believe very few States have enacted legislation of that sort. That is why the District of Columbia bill is important to the industry. We project that over 40 States may require this type of legislation, and they will certainly be looking to the District of Columbia as a model city.

Mr. SISK. Actually, do you understand that there is a difference between the position you take and that of the American Insurance Association on this matter?