

Mr. SMITH. From the District of Columbia Government, whether they get the money from the Federal Government or not. I am aware of the financial situation of the District of Columbia and we do not close our eyes to it. It is difficult to get sufficient money to operate the District of Columbia Government. The changes made in the Tydings bill as a result of talks we had with the staff over there have brought about a situation where an assessment to pay losses would be levied against the companies doing business in the District of Columbia. In order not to make this too inequitable or distasteful or unfair to the insurance companies, there is a provision that states the insurance companies could recoup their assessments over a three-year period.

Mr. FUQUA. By increased rates?

Mr. SMITH. By increased rates. As you know, the insurance companies are continually being criticized for increasing their rates. We think the District of Columbia Government has some responsibility here, as I said before, for maintaining law and order. It is the breakdown of law and order that has created the whole problem here.

This approach provides that over a three-year period we are allowed to recoup the assessments. It is no more equitable to assess us for these losses than any other industry. If we had riots each year—and there is no assurance we will not, although we are hopeful we will not—how would we recoup our losses? This is one point we would like you gentlemen to be aware of.

Mr. DOWDY. What you are saying is, if the District of Columbia Government is unwilling or unable to prevent riots and you have riots every year you would never recoup?

Mr. SMITH. This is what we believe, yes, sir.

Mr. FUQUA. Is there a certain level of losses above which you can go under the Moorhead Amendment?

Mr. SMITH. This would come under the provisions of the Federal law, yes, sir.

Mr. FUQUA. Under the basic law?

Mr. SMITH. It is my understanding—I will give you an illustration of what happened in Newark. Or, let us take Detroit, which was bigger and better. They had somewhere around a \$42 million loss as a result of riots there. Under the programs the insurance industry would be assessed 2 percent of the aggregate property premiums written in the City of Detroit. Say it is \$250 million, 2 percent of that first would be lodged against the companies writing insurance there. This would go into what is called the National Insurance Development Fund under the Federal bill. That would be \$5 million. This is the first levy against the insurance companies. Bear in mind you have a \$42 million loss. After that the companies would be hit by 10 percent of the aggregate losses, \$42 million.

Let me back up a bit. The first step would be the 2 percent levy to go into the NIDF; then 3 percent of the premiums written. That would be 3 percent of \$250 million or \$7.5 million. Then the insurance industry is hit with 10 percent of the remaining losses above the \$7.5 million they have already paid.

Mr. DOWDY. Is that only against the insurance companies operating in Detroit or against the insurance companies all over the Nation?

Mr. SMITH. The insurance companies writing insurance within the State of Michigan. That would be the State.