

Mr. SMITH. This is a formula which is in the national act, Mr. Chairman, which has been arrived at and all the parties are agreeable that they think it is equitable.

Mr. Dowdy. The formula would make you pay \$15 million before the national act came into play?

Mr. SMITH. Yes.

Mr. Dowdy. After that the 2 percent plus 3 percent paid in the national fund would be applied against the losses remaining?

Mr. SMITH. Yes.

Mr. Dowdy. That brings you up to \$27.5 million, which leaves about \$14.5 million. At that point the local government would have to pay something?

Mr. SMITH. That is correct.

Mr. Dowdy. And as I followed your statement—and all of us should have in mind when this Housing Bill was debated, it was amended every time we turned around and it was hard to keep up with it—

Mr. SMITH. We certainly had a difficult time, too, Mr. Chairman.

Mr. Dowdy. At that point the State or local government would pay something and that would be equivalent to 5 percent?

Mr. SMITH. Yes, sir.

Mr. Dowdy. And that would be about \$12.5 million?

Mr. SMITH. Yes.

Mr. Dowdy. Under the Patten Amendment how would that \$12.5 million be raised?

Mr. SMITH. This would be, as I say, the assessment against the insurance companies. We would have to pay it and then recoup it over a three-year period by increasing rates to the policyholders.

Mr. Dowdy. Under the so-called model bill, how would this \$12.5 million be raised?

Mr. SMITH. This would be through an appropriation by the District of Columbia Government.

Mr. Dowdy. For its failure or inability to enforce the law?

Mr. SMITH. This is the basis for bringing the local governments into the program, and I might say this was recommended by the Presidential panel.

Mr. Dowdy. That is the Hughes Panel?

Mr. SMITH. Yes, sir.

Mr. Dowdy. And that is the formula the Hughes Panel recommended?

Mr. SMITH. Yes.

Mr. Dowdy. And is that the prime difference between the Tydings and the so-called model bill?

Mr. SMITH. The prime difference between the Tydings bill and the model bill, which we support, is this over-all power of the Commissioner and then this funding. These are the two distinguishing features.

There is one other point I would like to mention about the authority of the Commissioner, and there is nothing personal about it. The States over the years have regulated the insurance industry.

Mr. Dowdy. Mr. Jordan is the Superintendent of Insurance in the District of Columbia?

Mr. SMITH. Yes.

Mr. Dowdy. He seems to be very competent and able man.