

Research Director and Special Counsel to the President's National Advisory Panel on Insurance in Riot-Affected Areas, on which Mayor Washington served as a Panel member. Currently, I am serving as a Consultant on Insurance to the District of Columbia. It is in my capacity as Consultant that I speak on behalf of the District today.

There is a serious lack of basic property insurance in the District of Columbia. Testimony during the hearings on S. 3556, which is identical to HR 17647 now before this Committee, disclosed that many property owners in the District of Columbia could not buy adequate property insurance before the recent civil disorders and that since then the problem has considerably worsened.

Insurance is a basic necessity for a property owner. It can prevent a disastrous occurrence from becoming a permanent tragedy. Insurance is also essential to the flow of credit and private investment into the District. Without insurance, homeowners cannot borrow to improve their property. New businesses cannot be started, existing ones cannot expand, and businesses destroyed as the result of civil disorder cannot be reestablished. Adequate insurance is necessary to prevent property deterioration. It is critical to the success of every private, Federal and District of Columbia program to revitalize the city and provide more goods, services, and jobs and better housing for its citizens and thus to alleviate the conditions that have led to social unrest.

The report of the President's National Advisory Panel on Insurance released last January 28 amply demonstrated that there was a serious shortage of insurance in our Nation's cities and that this shortage had reached critical proportions. Our survey of 3,000 Urban core homeowners and businessmen in six cities disclosed that over 40% of the businessmen and close to 30% of the homeowners had serious property insurance problems. Many who were uninsured said they could not buy insurance at any price. Others said they could not afford the price. Many of those who did have some insurance said they were paying too much or their coverage was inadequate. Past riots in a city, however, were not the sole cause of the problem. Our survey showed that the problem was serious not only in Detroit and Newark which had suffered riots, but also in St. Louis where there were no riots. Other evidence demonstrated that the property insurance problem had long preceded the riots that had focused national attention on the problem.

All available evidence from the District of Columbia demonstrated that the problems here were as serious as in any major U.S. city. For example, a Washington, D.C. insurance agent told the Insurance Panel:

"Our estimate of the number of cancellations in the blighted areas and the number of clients for whom we were unable to furnish insurance are probably 90 percent or more."¹

A Washington, D.C. Trade Association told the Panel:

"Restaurants * * * are unable to obtain fire and extended coverage. Our organization represents twenty large chains and we are thinking about self-insurance because we cannot obtain insurance.

"A questionnaire to 300 liquor stores indicated that 40 percent have no insurance or negligible amounts."²

A Washington, D.C. banker told the Insurance Panel last fall:

"* * * placing any property insurance in center city areas, including and excluding blighted areas, is not an easy matter. Companies are concerned about risks that are exposed to any type of factor that could be called adverse. Our city has not experienced a riot per se, but underwriters are conscious of the threat."³

The disorder the underwriters feared has now occurred and evidence gathered by the District of Columbia Department of Insurance since the disorder indicates that the city's insurance problems have considerably worsened.

The May 10, 1968 "Report of City Council Public Hearings on the Rebuilding and Recovery of Washington, D.C. from the Civil Disturbances of 1968" further confirms the findings of the Panel and the Insurance Department. That report states:

"Negroes cannot get insurance on an equal basis and, at times, cannot get insurance at all. Similarly, merchants who would locate in predominantly Negro

¹ "Meeting the Insurance Crisis of Our Cities; A Report by the President's National Advisory Panel on Insurance in Riot-Affected Areas" (hereinafter referred to as "Advisory Panel Report"), at 119.

² *Id.* at 118-119.

³ *Id.* at 119.