

amount of premiums paid by the insurance industry for reinsurance in the particular State. The amount to be assumed by the State is not more than 5 percent of the annual property insurance premiums earned in the State by all insurers there on those lines of insurance reinsured under the national program. The purpose of this provision of the national reinsurance program is to give recognition to the fact that maintaining law and order is primarily a local responsibility. The national program further provides that national reinsurance shall not be made available in a State if the State does not assume this obligation, retroactive to the enactment of the national program, within one year thereafter, or by the close of its next regular legislative session, if the legislature does not meet in regular session during that year. The method used to finance this obligation is left to the States.

H.R. 18541 provides for this Fund to be created by appropriations. The District of Columbia objects to creating a fund solely by appropriations. This fund would be utilized at the time of extensive damage in the District from riots and civil disorders when extensive use of District funds would be necessary as they were during the disorders of last April. We do not feel that the Federal treasury should be called upon to provide national reinsurance for riot and civil disorder losses and at the same time meet the District's obligations. Instead we believe that the Congress should authorize the District to assess its insurers to meet its obligation to the national reinsurance program and then permit insurers to recoup this assessment from policyholders through the premium structure.

In addition the District of Columbia Insurance Development Fund appears to be available to pay ordinary losses sustained by insurers and the Association in excess of amounts of retention of such losses as shall be provided for by the Commissioner. We do not believe that the District should be expected to pay ordinary insurance losses of the insurer or Association. We believe that this is the responsibility of private industry.

There are other technical objections to H.R. 18541 which I would be happy to discuss with the Committee staff.

The deficiencies of these three bills are not present in H.R. 17647 introduced by Congressman Diggs. The District of Columbia has strongly supported the counterpart of that bill, S. 3556, before a Senate District of Columbia Subcommittee. S. 3556, with modifications added by the Senate District Subcommittee, of which we approve, was adopted by the House as Title XI to the Housing and Urban Development Act of 1968. Although the District was not aware that the Bill approved by Senator Tydings' Subcommittee was to be adopted by the House as Title XI, the District believes that that title is of critical importance to permit the District to resolve its insurance problems.

It authorizes the Commissioner to adopt a FAIR Plan. It establishes an Industry Placement Facility and it authorizes the Commissioner to establish a Joint Underwriting Association, if necessary.

Under that bill the Insurance Industry would have responsibility for drafting the rules and regulations relating to a FAIR Plan, an Industry Placement Facility and a Joint Underwriting Association.

These draft rules could then be adopted by the Commissioner. If the Commissioner disapproves the draft rules the Industry would be authorized to make appropriate revisions as deemed necessary by the Commissioner.

If they failed to do so, the Commissioner would then be authorized to adopt such rules as he believes are necessary.

The regulatory approach followed in Title XI, added by the House, is similar to that adopted recently by the legislatures of New York, New Jersey and Virginia.

Moreover this regulatory approach is consistent with the recommendations of the President's Advisory Panel which—as I noted before—were unanimously supported by the insurance industry in asking Congress to authorize a national reinsurance program.

For example, in connection with the FAIR Plans the Panel recommended as follows:

"FAIR Plans should be subject to regulation by the State Insurance Departments. An Insurance Department may promulgate rules and regulations applicable to the Plan to limit cancellations, assure prompt issuance of policies and establish other procedural requirements to assure the successful operation of the Plan."

In summary, the District strongly endorses Title XI added by the House to the Housing and Urban Development Act of 1968. It alone of all the alternatives is consistent with the requirements of the national reinsurance program.