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APPROVED
APR - 8 1975



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 2 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975
Sponsor - Rep. Annunzio (D) Illinois

*Posted
4/8/75*

*To Archive
4/8/75*

Last Day for Action

April 8, 1975 - Tuesday

Purpose

Extends the authority of the Secretary of Housing and Urban Development to continue federally-assisted riot reinsurance and crime insurance programs for two years, until April 30, 1977.

Agency Recommendations

Office of Management and Budget	Approval
Department of Housing and Urban Development	Approval
Department of Commerce	Approval
Federal Home Loan Bank Board	Approval
Small Business Administration	Supports the extension
Department of Justice	No objection

Discussion

Title XII of the National Housing Act authorizes the Secretary of HUD to:

-- reinsure property insurers against losses from riots or civil disorders on the condition that the companies write fire insurance and extend coverage to homeowners and businesses who are unable to obtain coverage through normal commercial channels; and



-- provide crime insurance coverage for individuals and businesses in States having critical problems of crime insurance availability or affordability.

The riot reinsurance program was established in 1968 to aid homeowners, tenants and businessmen to obtain fire and other property insurance at reasonable rates while substantially relieving insurers of the risk of loss from riots or civil disorders. In 1970 authority to write direct burglary and robbery insurance policies was also given to HUD. Enactment of the two federally-assisted insurance programs was prompted by the inability of property owners in inner-city areas to obtain insurance at reasonable rates.

Under present law, no new riot reinsurance coverage and no new crime insurance policies may be written after April 30, 1975, and policies written prior to that date may continue in force only until April 30, 1978.

H.R. 2783 would extend the present powers of the Secretary of Housing and Urban Development to write new riot reinsurance and crime insurance policies for two years, through April 30, 1977. The Administration had proposed three-year program extensions.

However, H.R. 2783 would not extend the Secretary's authority to continue existing reinsurance and crime insurance coverages beyond the present expiration date of April 30, 1978. The Administration also had proposed a three-year extension of this authority.

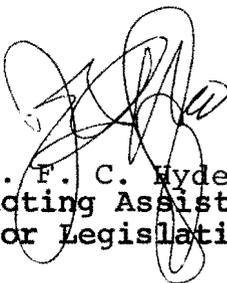
In its report on H.R. 2783, HUD states that the two-year extension for new insurance contracts provided in the enrolled bill "would be adequate...to permit the program to continue to operate in a constructive manner."

On the other hand, HUD states that the bill's failure to provide an extension of the April 30, 1978 expiration date for existing policies is "regrettable because the Secretary would be precluded from offering riot reinsurance coverage for the full term of many insurance policies." HUD states further:



"The Department regrets that its recommendation for a three-year extension of this discretionary continuation authority was not incorporated in the final version of the legislation which passed the Congress. However, we believe this technical defect in the legislation is of minor importance when weighed against the demonstrated need for prompt extension of the Secretary's basic program authorities. Further, it may be possible to secure corrective legislation in the near future."

We concur with the views expressed by HUD and, accordingly, recommend that you sign H.R. 2783.



J. F. C. Hyde, Jr.
Acting Assistant Director
for Legislative Reference

Enclosures



151 4/8

ACTION

THE WHITE HOUSE
WASHINGTON
April 3, 1975

Last day: April 8

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *for*
SUBJECT: Enrolled Bill H.R. 2783 - National
Insurance Development Act of 1975

Attached for your consideration is H.R. 2783, sponsored by Representative Annunzio, which extends the authority of the Secretary of Housing and Urban Development to write new riot reinsurance and crime insurance policies for two years, through April 30, 1977.

Additional information is provided in OMB's enrolled bill report at Tab A.

HUD, OMB, Max Friedersdorf and Phil Buchen (Lazarus) recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 2783 at Tab B.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 2 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975
Sponsor - Rep. Annunzio (D) Illinois

Last Day for Action

April 8, 1975 - Tuesday

Purpose

Extends the authority of the Secretary of Housing and Urban Development to continue federally-assisted riot reinsurance and crime insurance programs for two years, until April 30, 1977.

Agency Recommendations

Office of Management and Budget	Approval
Department of Housing and Urban Development	Approval
Department of Commerce	Approval
Federal Home Loan Bank Board	Approval
Small Business Administration	Supports the extension
Department of Justice	No objection

Discussion

Title XII of the National Housing Act authorizes the Secretary of HUD to:

-- reinsure property insurers against losses from riots or civil disorders on the condition that the companies write fire insurance and extend coverage to homeowners and businesses who are unable to obtain coverage through normal commercial channels; and

To: Annunzio
4-2-75
2:40 p.m.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 3, 1975

Time: 300pm

FOR ACTION: *Tod Hullin*
Lynn May
Max Friedersdorf
Ken Lazarus

cc (for information): Warren *H*ndriks
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, April 3

Time: 100pm

SUBJECT:

Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 2, 1975

Time: 300pm

FOR ACTION: Tod Hullin
Lynn May
Max Friedersdorf
Ken Lazarus

cc (for information): Warren Hendriks
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, April 3

Time: 100pm

SUBJECT:

Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

I recommend approval.
JH

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

Date: April 2, 1975

Time: 300pm

FOR ACTION: Tod Hullin
Lynn May
Max Friedersdorf
Ken Lazarus

cc (for information): Warren Hendriks
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, April 3

Time: 100pm

SUBJECT:

Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Recommended Approval
JLM

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren W. Hendriks
For the President

THE WHITE HOUSE
WASHINGTON

April 3, 1975

MEMORANDUM FOR: WARREN HENDRIKS *RKW*
FROM: MAX L. FRIEDERSDORF
SUBJECT: Action Memorandum - Log No.
Enrolled Bill H.R. 2783 - National
Insurance Dev. Act of 1975

The Office of Legislative Affairs concurs with the Agencies
that the subject bill should be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 2, 1975

Time: 300pm

FOR ACTION: Tod Hullin
Lynn May
Max Friedersdorf
Ken Lazarus

cc (for information): Warren Hendriks
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: Thursday, April 3

Time: 100pm

SUBJECT:

Enrolled Bill H.R. 2783 - National Insurance
Development Act of 1975

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren N. Hendriks
For the President



THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

27 MAR 1975

Mr. James F. C. Hyde, Jr.
Acting Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Hyde:

Subject: H. R. 2783, 94th Congress, Enrolled Enactment

This is in response to your request for our views on the enrolled enactment of H. R. 2783, the proposed "National Insurance Development Act of 1975".

H. R. 2783 would extend the authority of the Secretary of Housing and Urban Development with respect to the riot re-insurance and crime insurance programs authorized under title XII of the National Housing Act. Section 1201(b) of that Act presently provides for the termination on April 30, 1975 of the Secretary's authority to offer and provide re-insurance against riot losses incurred under insurance policies not already reinsured by that date. The section also provides for the termination on that date of the Secretary's authority to write new crime insurance policies, and to renew such policies. H. R. 2783 would extend the Secretary's authority to offer new coverage under each program for two years, until April 30, 1977.

We believe the proposed two-year extension of these programs is desirable and consistent with this Department's proposal, submitted to the Congress on February 12, 1975, for three-year program extensions. While shorter than those we proposed, the two-year extensions contained in H. R. 2783 would be adequate, in our view, to permit the programs to continue to operate in a constructive manner. Moreover, we have no objection to the findings and purpose language contained in section 1 of the enrolled bill; indeed, section 1

provides a clear, strong expression of Congressional support for both programs.

There is, however, one important omission from the enrolled bill. Unfortunately, the measure would provide no extension of the present April 30, 1978 expiration date of the Secretary's authority to continue existing riot reinsurance and crime insurance coverages.

This is regrettable because the Secretary would be precluded from offering riot reinsurance coverage for the full term of many insurance policies. Most residential and commercial policies which are reinsured under the riot reinsurance program are written for three-year terms. Policies written for this normal term after May 1 of this year will extend beyond April 30, 1978. Thus, under the law--with no change in the April 30, 1978 date--the Secretary could not offer full term reinsurance coverage for these policies.

The Department regrets that its recommendation for a three-year extension of this discretionary continuation authority was not incorporated in the final version of the legislation which passed the Congress. However, we believe this technical defect in the legislation is of minor importance when weighed against the demonstrated need for prompt extension of the Secretary's basic program authorities. Further, it may be possible to secure corrective legislation in the near future.

With the above reservation, we believe the enrolled enactment of H. R. 2783 is desirable legislation whose early enactment into law will be of significant benefit to all who depend on the programs. Indeed, prompt action would minimize the negative consequences already being felt in several FAIR Plan States as a result of uncertainty as to the status of the programs, by assuring that Federal riot reinsurance can be offered in a timely fashion for the 1975-1976 reinsurance contract year which would commence May 1, 1975. Such action also would assure that crime insureds whose policies are

scheduled to expire in the near future may have their coverages renewed without interruption.

Accordingly, we recommend that the President give his early approval to the measure.

Sincerely,

A handwritten signature in cursive script that reads "Robert R. Elliott". The signature is written in black ink and is positioned above the typed name.

Robert R. Elliott



**GENERAL COUNSEL OF THE
DEPARTMENT OF COMMERCE**
Washington, D.C. 20230

MAR 28 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 2783, an enrolled enactment

"To continue the national insurance development program."

H. R. 2783 would amend section 1201(b)(1) of the National Housing Act (12 U.S.C. 1749bbb) so as to extend until April 30, 1977, the authority of the Secretary of Housing and Urban Development to provide new riot reinsurance and crime insurance coverages. Unless extended, this authority will terminate on April 30, 1975.

This Department recommends approval by the President of H. R. 2783.

Enactment of this legislation will not involve any increase in the budgetary requirements of this Department.

Sincerely,

Karl E. Bakke

General Counsel





FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

101 INDIANA AVENUE, N. W.

FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS AND LOAN
INSURANCE CORPORATION
FEDERAL SAVINGS AND LOAN SYSTEM

OFFICE OF THE
GENERAL COUNSEL

March 27, 1975

Mr. J. F. C. Hyde, Jr.
Acting Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Hyde:

This is in response to your enrolled bill request of March 26, 1975 regarding H.R. 2783, 94th Congress "The National Insurance Development Act of 1975. The bill would extend to April 30, 1977 HUD's authority to provide for Federal Riot Reinsurance and direct insurance programs. The Board supports the continuation of these programs and urges that the bill be approved.

Sincerely,

William T. Nachbaur
Associate General Counsel
Legislation Division

OFFICE OF MANAGEMENT
AND BUDGET

75 MAR 27 PM 12:48

RECEIVED



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

MAR 28 1975

Mr. James F. C. Hyde, Jr.
Acting Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Hyde:

This is in response to the Enrolled Bill Request of March 26, 1975, requesting the views and recommendations of the Small Business Administration with respect to H.R. 2783, "To continue the national insurance development program."

The Small Business Administration supports the proposed extension of Housing and Urban Development's authority to reinsure the types of coverage included under title XII of the National Housing Act. Borrowers and other small businesses have benefited by the coverage made available through the FAIR plans and the threatened demise of such plans would seriously affect small businesses.

We have found that due to the Riot Reinsurance and Crime Insurance Programs, minority small businesses operating in inner city areas have been able to obtain, at reasonable rates, the kind of protection which is vital to the operation of viable enterprises. The absence of such a program during the current economic conditions, would make it extremely difficult for the Small Business Administration's minority constituency to obtain adequate insurance coverage at reasonable rates. Thank you for the opportunity to comment on this enrolled bill.

Sincerely,

Thomas S. Kleppe
Administrator

Department of Justice
Washington, D.C. 20530

MAR 31 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 2783, "To extend the Federal riot reinsurance and crime insurance programs."

The legislation would extend the authority of the Secretary of Housing and Urban Development with respect to the riot reinsurance and crime insurance programs authorized under title XII of the National Housing Act. Section 1201(b) of that Act presently provides for the termination on April 30, 1975 of the Secretary's authority to offer and provide reinsurance against riot losses incurred under property insurance policies not already reinsured by that date. That section also provides for the termination on that date of the Secretary's authority to write new crime insurance policies, and to renew policies. Additionally, the section authorizes the Secretary to continue existing riot reinsurance and crime insurance coverages for up to three years, until April 30, 1978.

The bill would extend the Secretary's authority to offer new coverage under each program for three years until April 30, 1977.

The Department of Justice has no objection to the executive approval of this legislation.

Sincerely,



A. Mitchell McConnell, Jr.
Acting Assistant Attorney General
Office of Legislative Affairs

U.S. DEPARTMENT OF JUSTICE
OFFICE OF LEGISLATIVE AFFAIRS

MAR 31 1975

RECEIVED

NATIONAL INSURANCE DEVELOPMENT ACT OF 1975

MARCH 14, 1975.—Ordered to be printed

Mr. REUSS, from the Committee on Banking, Currency and Housing,
submitted the following

REPORT

[To accompany H.R. 2783]

The Committee on Banking, Currency and Housing, to whom was referred the bill (H.R. 2783) to continue the national insurance development program by extending the present termination date of the program to April 30, 1980, and by extending the present date by which a plan for the liquidation and termination of the reinsurance and direct insurance programs is to be submitted to the Congress to April 30, 1983, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 4, line 4, strike out "Housing and" and all that follows through "August 1, 1968)" on line 6 and insert in lieu thereof "National Housing Act,".

Page 4, line 9, strike out "1980" and insert in lieu thereof "1979".

Page 4, line 12, strike out "1983" and insert in lieu thereof "1982".

Page 4, line 15, strike out "1983" and insert in lieu thereof "1982".

Amend the title so as to read: A bill to continue the national insurance development program by extending the present termination date of the program to April 30, 1979, and by extending the present date by which a plan for the liquidation and termination of the reinsurance and direct insurance programs is to be submitted to the Congress to April 30, 1982.

BACKGROUND OF THE BILL

On February 5, 1975, H.R. 2783, a bill to continue the national insurance development program by extending the present termination date of the program to April 30, 1980, and by extending the present date by which a plan for the liquidation and termination of the reinsurance and direct insurance programs is to be submitted to the Congress to April 30, 1983, was introduced by the gentleman from Illinois, Mr. Annunzio.

The Committee on Banking, Currency and Housing, in an executive session on March 11, 1975, ordered the bill favorably reported, on a voice vote, as amended.

Under existing law, the authority of the Secretary of Housing and Urban Development to provide new riot reinsurance and crime insurance coverages will terminate on April 30, 1975. Since prompt Congressional consideration is required to provide the continuation of these two important Federally-assisted insurance programs, the Committee on Banking, Currency and Housing acted to report out H.R. 2783, as amended, to provide for a four-year extension of these two insurance programs.

URBAN RIOT REINSURANCE

Since its inception in 1968, the riot reinsurance program, including FAIR Plans, has enabled millions of homeowners, tenants, and businessmen to obtain fire and other essential property insurance at reasonable rates while substantially relieving insurers of the risk of loss from riots or civil disorders. In the Committee's view, the program has been and continues to be both viable and of significant value. Its continuation for four years is desirable.

The Congress established the riot reinsurance program as part of the Housing and Urban Development Act of 1968, P.L. 90-448. Under the so-called FAIR (Fair Access to Insurance Requirements) Plan system the Federal Government agrees to reinsure insurance companies for riot inflicted losses provided the insurance companies write fire insurance and extend coverage to homeowners and businesses who are unable to obtain coverage through normal commercial channels. This program operates in 26 states and the District of Columbia and Puerto Rico. They are: California, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, New Mexico, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Virginia, Washington, and Wisconsin.

At the present time, some 800,000 policies are in force in the FAIR Plan programs for a total coverage of \$16.2 billion.

The urban riot reinsurance program was brought about because of the reluctance on the part of the insurance industry to write fire insurance in the inner-cities of our country. Under the Act, insurance companies could deny insurance coverage where it could be shown that the individual applying for the insurance was a totally unacceptable risk. These decisions had to be reached on a case-by-case basis rather than by a broad-brush treatment.

In view of the demonstrated continuing need for FAIR Plans, continuation of the riot reinsurance program would appear essential. Enabling statutes in 12 states—Connecticut, Iowa, Ohio, Washington, Georgia, Illinois, Kentucky, Maryland, New Mexico, North Carolina, Pennsylvania, and Rhode Island—actually condition the existence of a FAIR Plan in those states on the availability of Federal riot reinsurance, and the future of the FAIR Plans, and the invaluable insurance protection they offer, could be in doubt in many other states if riot reinsurance were no longer available.

Elimination of FAIR Plans, particularly under current strained insurance market capacity conditions, could have extremely unfortunate consequences. Indeed, collapse of the FAIR Plans at the present time could well bring about a return to the situation of the middle 1960's when deliberate programs of market restriction led to severe unavailability problems, particularly but not exclusively in inner-city areas. Also, Federal riot reinsurance provides the property insurance industry with valuable protection which private reinsurance facilities may be unable or unwilling to provide under present economic conditions.

A four-year extension of the riot reinsurance program is desirable under these circumstances because of the stabilizing effect likely to result from a multi-year continuation. Prompt consideration and passage of such an extension would enable the Secretary to offer a new reinsurance contract in sufficient time prior to the expiration of the current reinsurance contract year on April 30 to enable reinsured insurers to continue their coverage without lapse or difficulty.

FEDERAL CRIME INSURANCE

H.R. 2783 would also extend the Federal Crime Insurance program authorized by the Housing and Urban Development Act of 1970 as an amendment to the 1968 legislation authorizing the riot reinsurance program. The 1970 amendment authorizes the Secretary to provide crime insurance coverages in states having critical problems of crime insurance availability or affordability.

The proposal would extend the authority of the Secretary to write new crime insurance policies for four years (from April 30, 1975, to April 30, 1979), and it would authorize the Secretary to continue existing crime insurance coverage for up to three years thereafter (until April 30, 1982). Since August 1971, the crime insurance program has enabled home owners, tenants, and businessmen in 14 states—Connecticut, Delaware, Illinois, Kentucky, Florida, Massachusetts, New Jersey, New York, Ohio, Maryland, Missouri, Pennsylvania, Rhode Island, and Tennessee, and the District of Columbia—to purchase burglary and robbery policies at affordable rates without fear of cancellation because of losses while encouraging insureds, through its protective device requirements, to make their premises less vulnerable to burglaries.

While the number of persons and businesses covered under the program is small in relation to the number of insureds under the FAIR Plans, the over 20,000 Federal crime insureds include many who have previously experienced the greatest difficulty in obtaining or maintaining crime coverage, and as the program has become better known the number of insureds has continued to grow. For many of these insureds, especially small businessmen, the program can mean the difference between solvency and insolvency in the face of crime losses, as well as the difference between staying in an urban location or abandoning it.

The 20,000 Federal crime insurance policies have a total insurance coverage of roughly \$130 million. This crime insurance program, which is several years younger than the Federal riot reinsurance program, has been, in the past, inadequately advertised and the number of

policies sold is limited. A recent program to make homeowners and businessmen aware of the crime insurance program has brought about a dramatic increase in policy sales.

One important aspect of the crime insurance program is that before a Government policy can be written, the insurance applicant, whether he be a homeowner or a businessman, must install certain protective devices to deter criminals. These devices range from dead bolt locks for homeowners to electronic burglar alarms for certain types of businesses.

H.R. 2783, as amended would extend the present termination date of both the urban riot reinsurance program and the crime insurance program for 5 years to April 30, 1980. The Administration recommended an extension of these two insurance programs for 3 years. At the suggestion of the Administration, the Committee agreed to drop the 5-year extension proposed in H.R. 2783 to a 4-year extension as contained in H.R. 2783 as amended.

COMPLIANCE WITH THE RULES OF THE HOUSE

In compliance with clause 2(1)(3) and 2(1)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (a) of Clause 3, relating to oversight findings, the Committee finds, in keeping with clause 2(b)(1) of Rule X, that this legislation is in full compliance with the provision of this rule of the House, which states:

"In addition, each such Subcommittee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of the committee . . ."

The objectives of this legislation are two in number: first, continuation of the Federal riot reinsurance program both to the operation of the system of state FAIR Plans and to provide the continued access for many people to basic property insurance not otherwise available in urban areas and to continue the existence of such FAIR Plans inasmuch as many state laws condition the very existence of such FAIR Plans upon the continued existence of Federal riot reinsurance. Second, the continuation of the Federal crime insurance program to provide access for any homeowner, tenant, or smaller businessman to burglary, robbery, and similar coverages in states where an insurance coverage availability problem exists.

In compliance with subdivision (B) of clause 3, the Committee states that changes made by this bill involve no new budget authority.

With respect to subdivisions (C) and (D) of clause 3, the Committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to any provisions of H.R. 2783, nor have any oversight findings or recommendations been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 2783.

In compliance with clause 2(1)(B)(4) of Rule XI of the House of Representatives, the Committee makes the following detailed statement in compliance with this rule, which states:

"Each report of a committee . . . shall contain a detailed analytical statement as to whether the enactment of such bill . . . into law may have an inflationary impact on prices and costs in the operation of the national economy."

Since this bill involves only the extension of the urban riot reinsurance program and the Federal crime insurance program for four years in order to continue the availability of these two essential lines of insurance, the Committee states that enactment of this bill will have no inflationary impact on the prices and costs in the operation of the national economy. Failure to enact this bill could increase costs for small businessmen if they are unable to obtain lines of property and crime insurance at reasonable premium rates in many urban areas of the country. In some cases, failure to obtain such essential insurance lines would mean the inability of some small businesses from continuing in operation, thereby increasing unemployment and business failures.

In the Committee's opinion, the above statement fully complies with the requirements of Rule XI(2)(1)(4).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 1201 OF THE NATIONAL HOUSING ACT

TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

PROGRAM AUTHORITY

SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, C, and D of this title.

(b) (1) The powers of the Secretary under this title shall terminate on April 30, [1975] 1979, except to the extent necessary—

(A) to continue reinsurance and direct insurance in accordance with the provisions of sections 1223 (b) and 1231 (c) until April 30, [1978] 1982;

(B) to process, verify, and pay claims for reinsured losses and directly insured losses and perform other necessary functions in connection therewith; and

(C) to complete the liquidation and termination of the reinsurance and direct insurance programs.

(2) On April 30, [1978] 1982, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance and direct insurance programs.



Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To continue the national insurance development program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Insurance Development Act of 1975".

SECTION 1. (a) The Congress finds that (1) under the Housing and Urban Development Act of 1968 (Public Law 90-448, approved August 1, 1968), as amended, the powers of the Secretary of the Department of Housing and Urban Development to enter into new reinsurance contracts with respect to the Federal riot reinsurance program and into new direct insurance contracts with respect to the Federal crime insurance program will terminate on April 30, 1975, except to the extent necessary (a) to continue policies of direct insurance and reinsurance, until April 30, 1978, (b) to handle claims and those arising under the policies still in force on the termination date of the program, and (c) to complete the liquidation and termination of the reinsurance and direct insurance programs; (2) continuation of the Federal riot reinsurance program is essential both to the operation of the system of State FAIR plans, which provide access for many people to basic property insurance not otherwise available in urban areas, and to the continued existence of such FAIR plans inasmuch as many State laws condition the very existence of such FAIR plans upon the continued existence of the Federal riot reinsurance program; (3) continuation of the Federal crime insurance program, which provides access for many homeowners, tenants, and small businessmen to burglary, robbery, and similar coverages, in States where an insurance coverage availability problem exists, is likewise essential; (4) withdrawal at this time of the Federal support which these programs give to the insurance buying public and the insurers would be particularly ill timed and inadvisable in view of the (a) threatening major shortage of voluntary insurance facilities to which the consumer can turn to fulfill his insurance purchase needs and (b) the potential for insurer insolvencies inherent in times of economic stress; and (5) the impending tightening of the availability of insurance coverage in the insurance market will only intensify due to the present economic conditions confronting insurers, which affect the capital adequacies of insurers due to severe declines in the values of insurers' securities portfolios, thus impacting on their ability to increase their underwritings in a growing insurance market.

(b) The purpose of this Act, therefore, is to extend the duration of the national insurance development program so as to maintain the Federal riot reinsurance program which reinsures the general property insurance business against the catastrophic peril of riot and, thus, makes this insurance available, together with its review and compliance function which assures that the intent of the Housing and Urban Development Act of 1968 (Public Law 90-448, approved August 1, 1968) as amended is carried out, as well as the Federal crime insurance program which provides basic crime insurance coverages in the States where it is needed, both of which programs aid the insurance purchasing consumer when, from time to time and especially in times such as

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these, insurers engage in conscious policies of market constriction which lead to serious inner-city insurance availability problems of the kind the national insurance development program has been created to ameliorate.

SEC. 2. Section 1201 (b) (1) of the National Housing Act is amended by striking out "April 30, 1975" and inserting in lieu thereof "April 30, 1977".

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

March 27, 1975

Dear Mr. Director:

The following bills were received at the White House on March 27th:

- H.R. 2166
- H.R. 2783
- H.R. 3260
- H.R. 4075

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.