

# FEDERAL DISASTER INSURANCE

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HEARINGS  
BEFORE THE  
COMMITTEE ON BANKING AND CURRENCY  
UNITED STATES SENATE  
EIGHTY-FOURTH CONGRESS  
FIRST SESSION  
ON  
BILLS TO PROVIDE INSURANCE AGAINST NATURAL AND  
MANMADE DISASTERS, AND FOR OTHER PURPOSES

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PART 1

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OCTOBER 31 AND NOVEMBER 1, 1955—WASHINGTON, D. C.  
NOVEMBER 3, 1955—NEW YORK, N. Y.  
NOVEMBER 4, 1955—GOSHEN, N. Y.  
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# FEDERAL DISASTER INSURANCE

MONDAY, OCTOBER 31, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met, pursuant to notice, in room 301, Senate Office Building, at 10:10 a. m., Senator Herbert H. Lehman presiding.

Present: Senators Lehman, Douglas, and Bush.

Senator LEHMAN. The session will come to order.

I want to, in the first place, express my sincere appreciation to all of you for coming here today. I know this question of providing disaster insurance is one that has engaged the interest of people all over the country. I think it is a highly important one.

You know there has been, of course, long discussion and consideration of the need of Federal insurance to cover flood losses and also Federal insurance to cover man-made disasters, such as those resulting from enemy action or from sabotage or from other causes.

I think what brought this question particularly, notably, to the attention of the people of the United States and to the attention I believe of a great many Members of Congress was the disastrous floods which we had in the Northeastern States here on successive occasions during the past 3 months. As you know, the losses of life and property were tremendous.

We will develop in the course of this session what these losses actually amounted to in dollars and cents.

As a result of the disastrous floods, several members of the Senate have given very considerable thought to this question, and some bills, some tentative drafts, were prepared. I want to emphasize these are not bills. These are drafts, in the form of committee prints. There is one prepared by the committee staff at the suggestion of Senator Bush, one submitted by Senator Kennedy and Senator Saltonstall, a third prepared under the direction of Senator Carlson, and finally there is one that was prepared under my direction by my staff with the help of the staff of the committee. Copies I think are in your possession.

I want to say these are only for the record. They are only to be given consideration. We realize perfectly well this whole subject of disaster insurance is a very complex one. We are plowing untrodden ground in this matter, and we want to develop the facts. That is really the purpose of this hearing.

I said in a statement which I gave out 2 days ago the following:

We are out to get the facts, to find out how the Federal Government has coordinated with the State and local authorities in meeting the impact of the recent floods in the Northeast, and to consider legislation which will in the future protect private individuals and businessmen against the tragic losses resulting from natural and manmade disasters.

That is the purpose of these hearings.

We realize perfectly well—at least I do—that in all these proposals there are a great number of debatable issues. I want to make it clear so far as I am concerned, and I believe this is true of other members of the committee, that none of us is committed to any specific provision in any of these proposals. We want to get the facts.

We know it is difficult. We think, however, it is highly important.

We want the cooperation, the fullest cooperation, of the authorities in the various States which have been or might be affected by disasters. We want to get the fullest cooperation and the best possible advice from the administrative agencies of our Government. We want to consult with the private insurance companies to find out to what extent they have covered in their policies the loss and damage that have come from various disasters.

We do not intend—at least it is not my intention—to propose that we compete with the insurance companies. We recognize that if they can write adequate insurance policies covering these various disasters at reasonable rates we applaud that and do not wish in any way to compete with them. But we wish to have the field covered very thoroughly.

Now, I am going to ask my colleague, Senator Bush from Connecticut, to say a few words.

Senator BUSH. Thank you, Mr. Chairman.

I am sure that we are all aware of the very great importance of these hearings, and I may say for the record that I am very glad that they are to be presided over by the distinguished Senator from New York, whose long record of interest in humanitarian affairs is widely known throughout the United States. I pledge him my complete cooperation in connection with this matter.

This is not a partisan matter. Floods are not Democrat floods or Republican floods, but, unhappily, are disasters common to everybody.

Since August 19 I have been every week, almost every single day, in the flood-stricken areas of my own State. I think I can say I have devoted my attention exclusively to the problems that have grown out of this greatest disaster in the history of the State of Connecticut. I will go further and say that I think the records will develop that this is the greatest disaster that has ever struck the United States. My authority for that is, incidentally, the Chief of the Corps of Engineers, General Sturgis, who may wish to speak of it himself, and also the disaster director of the American Red Cross, Mr. Wilson.

The destruction of family life, of homes, and of jobs has been almost a fantastic thing in our area. But the people have behaved and acted magnificently. That has been one of the inspiring things about our flood in Connecticut, and I am sure it must be true elsewhere.

We naturally will approach, therefore, this subject with deep sympathy and also with a determination to do something constructive about it.

Shortly after the flood, I asked Chairman Fulbright of this committee to have the staff make a study of the question of disaster indemnity. That study has just been completed, but is only in proof form and, therefore, not yet available to us. It will probably not be available for these hearings. It is, however, as you can see, a very comprehensive document and I think will shed considerable light upon the problem which we are about to deal with.

The Senator has mentioned a draft of a bill which I have asked the committee counsel to make. I may or may not introduce it. That will depend, I think, a lot on what these hearings develop. I do hope that these hearings will develop information that will be useful to all of us. I am sure any bill we eventually adopt will be one that has behind it not the thinking of just one Senator. All of us will have to cooperate, and I hope it will be a very representative bill.

Mr. Chairman, I thank you for the opportunity of making these remarks which I now conclude.

Senator LEHMAN. I am very glad indeed you were able to come, Senator. I hope you will attend as many of these hearings as possible.

Senator BUSH. That is my intention, Senator Lehman.

Mr. WALLACE. With respect to the staff report, as you know, we were under some pressure of time, and we do have the galleys prepared. I believe in 2 or 3 weeks the staff report would be completed, but the staff will be pretty much tied up in the hearings during the process of the hearings. It was prepared primarily by Mr. McKenna of the staff, and also Mr. Rogers.

Senator LEHMAN. I am sure the study will be completed as we proceed.

Senator BUSH. Mr. Chairman, I do not mean to offer any suggestion that there was delay or anything like that. I hope nobody got that implication. I think they have done very well to get it out in its present form with the limited time at their disposal.

Senator LEHMAN. Reference has been made both by Senator Bush and myself to the preparation of these draft bills. I direct that they be placed in the record, together with a sectional analysis of each. (The draft bills and sectional analysis referred to follows:)

[Committee print, October 25, 1955, intended to be proposed by Mr. Lehman]

[S. —, 84th Cong., 2d sess.]

A BILL To provide insurance against natural and man-made disasters, and for other purposes

*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 Disaster Insurance Act of 1956.*

#### DECLARATION OF PURPOSE

SEC. 2. From time immemorial man has been afflicted with disaster by the forces of nature. Throughout recorded history man has also been the victim of man-made disasters. As a result of a single natural or man-made disaster, all a man's possessions, savings, and business assets may vanish, leaving him with naught in his misery but his unpaid debts.

With the development of civilization, man has sought to lessen the impact of disaster on an individual. Toward this end he has adopted protective measures to minimize physical damage caused by disasters. He has also banded together with his fellow men to spread the unavoided risks of many disasters through use of insurance. By this means comparatively small advance contributions from many subject to peril create a reserve available to pay the large losses of a relatively few who suffer damage from that peril at a given time.

In this Nation, the protective device of insurance has not yet extended to certain forms of natural or manmade disaster. These visitations do not respect the boundaries of State or local political subdivisions. Being national in character, it behooves the Federal Government to provide a means of alleviating their ill effects.

It is the purpose of this Act to authorize a program of Federal insurance against the risks of loss resulting from the natural and manmade disasters hereinafter

defined, to the extent such insurance is not available on reasonable terms and conditions from other public or private sources. It is a further purpose of this Act to place the administration of such an insurance program in the custody of a single Federal agency endowed with ample power to execute the responsibilities vested in it by the provisions of this Act. It is the intent of the Congress that the programs authorized by this Act be administered effectively and in a humanitarian spirit in order to contribute to domestic tranquillity, the common defense, and the general welfare of the people of the United States, and to enable the better conduct of commerce among the several States and with foreign nations.

#### TITLE I—NATURAL DISASTER INSURANCE AND REINSURANCE

SEC. 101. To aid in carrying out the purposes of this Act, the Federal Disaster Administrator (hereinafter called the "Administrator") is authorized to provide insurance or reinsurance, or both, against loss resulting from damage to or destruction of real or personal property (including property owned by State or local governments) due to natural disaster, as hereinafter defined, occurring within the United States, its Territories, or its possessions.

SEC. 102. The Administrator shall from time to time prescribe (1) premium rates for each type of insurance and reinsurance he shall make available under authority of this title, and (2) terms and conditions upon which and areas (including subdivisions thereof) within which each rate shall apply. Such rates shall be based upon consideration of the risks involved, and, in the judgment of the Administrator, shall be as nearly adequate as practicable to provide sufficient funds to meet administrative and operating expenses under this Act and reserves for anticipated losses, consistent with the aim of offering insurance and reinsurance at rates reasonable enough to encourage prospective insureds or ceding companies to purchase such insurance or reinsurance respectively.

SEC. 103. The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available, the nature and limits of loss or damage in any area (including subdivisions thereof) which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of this Act.

SEC. 104. The Administrator may exclude from the operation of the insurance or reinsurance programs authorized by this title such risks as he deems impracticable to cover, in individual cases or as a class; and the Administrator may from time to time establish appropriate regulations regarding the classification and limitation of risks assumed by him under authority of this Act.

SEC. 105. (a) The aggregate amount of insurance issued by the Administrator to any one person or State or local government shall not exceed \$300,000. No claim for loss shall be approved which exceeds the lesser of (1) the actual value at time of loss or (2) the cost of replacing, repairing, or rehabilitating the property destroyed or damaged with material of like kind and quality (less depreciation at time of loss). The insurance issued by the Administrator shall contain a loss deductible clause excusing the Administrator from paying the first \$200 of a claim for loss approved by him.

(b) The liability of the Administrator under insurance or reinsurance provided under this title shall not exceed \$2,000,000,000, at any one time.

SEC. 106. The Administrator is authorized to make available to any public body for the benefit of its inhabitants insurance under the provisions of this title. Any provision of this title to the contrary notwithstanding, such insurance may be issued upon payment of a premium fixed by the Administrator, taking into consideration the nature of the risks insured against, the number of beneficiaries, the possible total liability of the Administrator under the policy (which shall not exceed \$300,000 per inhabitant), and the aim of making self-supporting any program undertaken under the provisions of this section. Prior to the issuance of each insurance policy under the provisions of this section, the Administrator shall satisfy himself that applicable law authorizes the public body involved to purchase such policy and pay the premium therefor, obtaining the funds required for that purpose by taxation or otherwise pursuant to applicable law.

SEC. 107. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this title as he deems advisable in order to carry out the purposes of this title.

(b) The premium rate and terms and conditions of any policy reinsured under the provisions of this title shall be subject to approval by the Administrator.

(c) In addition to powers elsewhere granted to him in this title, the Administrator may make available a reinsurance program providing for creation of a Catastrophe Excess Loss Reinsurance Fund as hereinafter provided, which shall be available to pay excess loss reinsurance claims submitted on a portfolio basis by the insurer arising out of a single catastrophe, in consideration of payments by the insurer of a fee deemed adequate by the Administrator to make this particular reinsurance program self-supporting.

SEC. 108. (a) No insurance or reinsurance shall be issued under the provisions of this title (1) covering perils against which insurance is available on reasonable terms from other public or private sources: *Provided, however,* That insurance may be made available hereunder covering in a single policy all natural disasters as hereinafter defined.

(b) No insurance or reinsurance shall be issued under the provisions of this title on any property used in a manner inconsistent with the requirements of State or local flood zoning laws.

SEC. 109. (a) In providing insurance or reinsurance under this title, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of State or District, Territory or possession of the United States (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of a reasonable compensation for such services.

(b) The Administrator is authorized to enter into agreements for financial participation of private insurance companies in the underwriting of risks assumed, and for their proportionate participation in premiums received and profits or losses realized or sustained.

(c) In providing insurance or reinsurance under this title, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(d) The Administrator may receive from and exchange with other agencies of the Federal Government, with State, Territorial, district, local and interstate commissions or agencies, and with private organizations experienced in the fields of insurance or reinsurance, such information as may be useful in the administration of the programs authorized by this title.

SEC. 110. Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring or guaranteeing loans made by private lending institutions for construction, modernization, repair, rehabilitation, or purchase of property eligible for assistance under this title, may require as a condition for such future financial assistance that such property be insured against perils of natural disaster to the extent such insurance is available.

SEC. 111. (a) Under such regulations as the Administrator may prescribe, he shall arrange for prompt adjustment and payment of valid claims for losses covered by insurance or reinsurance under this title. He shall collect from participating insurance companies such amounts as they are obligated to contribute toward such losses under agreements entered into pursuant to the provisions of section 109 (b) of this title.

(b) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court in which a major portion (in terms of value) of the insured property is located. Any such action must be begun within one year after the date upon which the Administrator mails to the claimant notice of disallowance of the claim or within one year after the date upon which the claimant mails to the Administrator notice of refusal to accept the amount allowed by the Administrator, as the case may be. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

SEC. 112. (a) To carry out the purposes of this title, the Administrator is authorized to establish three funds to be known as the (1) Disaster Insurance Fund, (2) Disaster Reinsurance Reserve Fund, and (3) Catastrophe Excess Loss Reinsurance Fund, respectively.

(b) Into the Disaster Insurance Fund shall be deposited all insurance premiums collected by the Administrator for insurance issued by him under this title. Into the Disaster Reinsurance Reserve Fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this title: *Provided, however,* That into the Catastrophe Excess Loss Reinsurance Fund shall be deposited all fees collected in connection with the reinsurance program authorized under the provisions of section 107 (c) of this title.

(c) Moneys in each of the funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds derived therefrom may be reinvested as above provided if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

(d) All salvage proceeds realized by the Administrator in connection with insurance made available under this title shall be deposited in the Disaster Insurance Fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this title shall be deposited in the Disaster Reinsurance Reserve Fund: *Provided, however,* That any salvage realized by the Administrator in connection with the reinsurance program authorized under the provisions of section 107 (c) of this title shall be deposited in the Catastrophe Excess Loss Reinsurance Fund.

(e) The Administrator is authorized to issue to the Secretary of the Treasury from time to time and have outstanding at any one time, in an amount not exceeding \$1,000,000,000 (or such greater amount as may be approved by the President) notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator, with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in the Disaster Insurance Fund, the Disaster Reinsurance Reserve Fund, and the Catastrophe Excess Loss Reinsurance Fund.

(f) Moneys in the Disaster Insurance Fund, the Disaster Reinsurance Reserve Fund, and the Catastrophe Excess Loss Reinsurance Fund may be used for the following purposes as deemed necessary by the Administrator:

(1) to enable the Administrator to carry out all functions under this title, including the payment of operating and administrative expenses;

(2) to pay from the Disaster Insurance Fund approved claims for loss under insurance coverage issued by the Administrator under this title;

(3) to pay from the Disaster Reinsurance Reserve Fund approved claims under reinsurance agreements entered into by the Administrator under this title: *Provided, however,* That approved claims under reinsurance agreements entered into pursuant to section 107 (c) of this title shall be paid from the Catastrophe Excess Loss Reinsurance Fund; and

(4) to repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

SEC. 113. As used in this title the term "natural disaster" shall mean any flood, tidal wave, hurricane, tornado, blizzard, duststorm, hailstorm or other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination or other air pollution, or volcanic eruption.

## TITLE II—MAN-MADE DISASTER INSURANCE AND REINSURANCE

**SEC. 201.** (a) To aid in carrying out the purposes of this Act, the Administrator is authorized to provide reasonable indemnity for war damage consisting of loss of or damage to real and personal property or loss of life or injury to or disease of persons.

(b) The Administrator may provide such indemnity by means of insurance, reinsurance, or otherwise affording—

(1) reasonable protection against loss of or damage to real or personal property;

(2) reasonable protection against such liability as may exist under any workmen's compensation act enacted by any State, District, Territory, or possession of the United States or by the Federal government or occupational disease act, or by way of employer's liability under any such act or the common law for injury, disease or death suffered by an employee and arising out of or in the course of employment;

(3) reasonable compensation for personal injury or death suffered by any civil defense worker in the performance of civil defense activities under appropriate orders;

(4) reasonable compensation for personal injury or death and loss of or damage to real or personal property incurred in the course of performing duties of a civil defense nature pursuant to the direction of the Administrator or State, District, Territorial, or local civil defense authorities, or anyone operating under his or their direction; and

(5) reasonable compensation for personal injury, disease or death caused by the perils of war.

(c) From such indemnity the Administrator may make such general exceptions with respect to classes of property or persons as he, with the approval of the President, may deem advisable.

**SEC. 202.** (a) Such indemnity shall be made available upon the payment of such premium or other charge, and subject to such terms and conditions as the Administrator may establish; *Provided, however,* That in consideration of the service being rendered to the Nation by those performing duties of a civil defense nature, no contract of insurance or payment of premium or other charge shall be required of those entitled to reasonable compensation pursuant to the provisions of paragraphs (3) or (4) of subsection (b) of section 201 in this title, such compensation being payable upon a showing satisfactory to the Administrator that the person on whose account the compensation is claimed to be due in fact suffered injury, disease, or death in the course of performing duties of a civil defense nature under the conditions set forth in either of said paragraphs.

(b) In fixing premiums or charges for indemnity made available under this title, the Administrator shall from time to time establish uniform rates (1) for each type of property with respect to which indemnity is made available pursuant to the provisions of this title, (2) for such protection as is offered against liability set forth in paragraph (2) of subsection (b) of section 201 in this title, and (3) classified according to the legal residence of the person involved, for compensation offered pursuant to the provisions of paragraph (5) of subsection (b) of section 201 in this title.

(c) In order to establish a basis for such rates, the Administrator shall estimate from time to time the average risk involved in each class of coverage offered under this title.

**SEC. 203.** (a) Indemnity under this title shall be made available only with relation to (1) real or personal property situated in, or persons present in a State in the United States or a District, Territory, or possession of the United States; (2) to personal property in transit between any points located in any of the foregoing; and (3) to transportation facilities touching any point located in any of the foregoing, at the time of occurrence of war damage giving rise to a claim for indemnity under the provisions of this title involving any such property or person.

(b) The Administrator, with the approval of the President, may suspend, restrict, or otherwise limit protection authorized to be made available under this title, in any area to the extent determined necessary or advisable in consideration of the loss of control of such area by the United States to such a degree as to make it impossible or impracticable to provide such protection in such area.

**SEC. 204.** In determining the reasonableness of protection or compensation made available under the provisions of this title, the Administrator shall take into consideration the value of the property involved, the relative importance to

the national security of its replacement or repair, and the scale of benefits to which persons incurring injury, disease or death under circumstances giving rise to an approved claim under this title, would be entitled if such claim were to be processed under workmen's compensation or occupational disease law applicable to the jurisdiction in which they were present at the time of suffering injury, disease or death giving rise to such claim: *Provided, however,* That for this purpose the applicable Federal law shall not be used unless no pertinent States, District, or Territorial law is applicable in such jurisdiction.

Sec. 205. (a) In no event shall the Administrator incur an aggregate liability under this title exceeding \$10,000,000,000 in the case of property.

(b) In no event shall the Administrator be liable to pay on an approved claim more than 75 per centum of the declared value of property at the time it is insured or reinsured under the provisions of this title.

(c) Each insurance policy or reinsurance or indemnity agreement entered into under this title shall contain appropriate provisions reserving to the Administrator the right to make payment of approved claims to the extent of 10 per centum of the amount approved within two months after approval of the claim and the balance at any time or times within fourteen months after the date of such approval, upon a finding by the Administrator that such action is advisable to safeguard the Federal credit or the stability of the national economy.

(d) Except as provided in the preceding subsection (c), the Administrator shall arrange for prompt payment of all claims approved in connection with any indemnity made available under this title.

Sec. 206. (a) To carry out the functions authorized by this title, the Administrator shall establish (1) a Property Indemnity Fund, (2) a Workmen's Compensation Reserve Fund, (3) a Civil Defense Indemnity Fund, and (4) a Personal Risk Fund. In the event reinsurance is made available for any of the purposes set forth in paragraphs (1), (2), or (5) of subsection (b) of section 201 in this title, the Administrator shall also establish (1) a Property Indemnity Reinsurance Fund, (2) a Workmen's Compensation Reinsurance Reserve Fund, and (3) a Personal Risk Reinsurance Fund, as the case may be.

(b) All premiums or fees collected for insurance or reinsurance provided under this title shall be deposited in the appropriate fund of the foregoing funds, according to the type of insurance or reinsurance provided.

(c) Moneys in such funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds reinvested as above provided, if deemed advisable by the Administrator. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

(d) All salvage proceeds realized by the Administrator under this title shall likewise be deposited in the appropriate respective fund.

(e) In order to place and maintain these funds in operative condition, the Administrator is authorized and empowered to issue to the Secretary of the Treasury from time to time and to have outstanding at any one time, in an amount not exceeding \$10,000,000,000 (or such greater amount as may be approved by the President) notes and other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Administrator with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the Administrator deems advisable, in such of the foregoing funds as he deems appropriate.

(f) Moneys in the funds established by the Administrator pursuant to this section may be used for the following purposes as deemed necessary by the Administrator:

(1) To enable the Administrator to carry out all functions under this title, including the payment of operating and administrative expenses, whenever feasible drawing moneys from the fund appropriate to the particular program in the course of which such expenses shall be incurred.

(2) To pay from the appropriate fund approved claims for loss under coverage issued under this title: *Provided, however*, That moneys to pay claims filed pursuant to the provisions of paragraphs (3) and (4) of subsection (b) of section 201 in this title may be taken from any one or more of the funds within the discretion of the Administrator.

(3) To repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (e) of this section.

SEC. 207. No indemnity insurance or reinsurance shall be provided under this title for risks eligible for insurance under other Federal programs, or to the extent that coverage is available on reasonable terms from other public or private sources.

SEC. 208. In providing insurance or reinsurance under this title, the Administrator shall use to the maximum practicable extent the facilities and services of private organizations and persons authorized to engage in the insurance business under the laws of any State or district, Territory or possession of the United States (including insurance companies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of a reasonable compensation for such services.

SEC. 209. Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring or guaranteeing loans made by private lending institutions for construction, modernization, repair, rehabilitation, or purchase of property eligible for assistance under this title, may require as a condition for such future financial assistance that such property be insured against war damage to the extent such insurance is available.

SEC. 210. Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Administrator on such claim in the United States district court for any district in which a major portion (in terms of value) of the insured property is located, in the case of property claims, or in which the insured person resides, in the case of personal claims. Any such action must be begun within one year after the date upon which the Administrator mails to the claimant notice of disallowance of the claim or within one year after the date upon which the claimant mails to the Administrator notice of refusal to accept the amount allowed by the Administrator, as the case may be. For the purposes of this section, the Administrator may be sued and he shall appoint one or more agents within the jurisdiction of each United States district court upon whom service of process can be made in any action instituted under this section. Exclusive jurisdiction is hereby conferred upon all United States district courts to hear and determine such actions without regard to the amount in controversy.

SEC. 211. As used in this title—

(a) The term "war damage" shall mean damage resulting from and the term "perils of war" shall mean perils resulting from (A) any hostile or warlike action by (i) any government or sovereign power (de jure or de facto) or any authority maintaining or using military, naval, or air forces, or (ii) an agent of any such government, power, or forces; or (B) any action taken by any Federal, State, or local government agency in hindering, combating, or defending against any such hostile or warlike action (whether actual, impending, or expected); or (C) disorder or other lawlessness accompanying the collapse of civil authority determined by the President to have resulted from any action referred to in clause (A) or (B) or from control by enemy forces.

(b) The term "hostile or warlike action" shall mean any attack or series of attacks by an enemy of the United States in any manner, including, but not limited to, attack by invasion, sabotage, or the use of bombs, shellfire, or nuclear, radiological, chemical, bacteriological, or other biological means, or other weapons or processes.

## TITLE III—GENERAL PROVISIONS

SEC. 301. (a) In carrying out his functions under this Act, the Administrator shall appoint an advisory committee of not less than three or not more than fifteen persons familiar with the problems of indemnity, insurance or reinsurance, to advise him with respect to the formulation of policies and the execution of functions under this Act.

(b) Persons who, while so serving, hold other remunerative employment with the United States shall receive no additional compensation for such service. Others so serving may receive compensation at not exceeding \$50 per diem, plus necessary travel expenses.

SEC. 302. In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Administrator shall (in addition to any authority otherwise vested in him), have the functions, powers, and duties set forth in sections 401, 402, and 405 of the Federal Civil Defense Act of 1950: *Provided, however*, That for the purposes of this Act, the Administrator may place not more than five positions in grades 16, 17, and 18 of the General Schedule established by the Classification Act of 1949, as amended, in addition to the number authorized by section 505 of the latter Act, and section 401 of the Federal Civil Defense Act of 1950: *And provided further*, That for the purposes of this Act, the Administrator may employ not more than five part-time or temporary personnel, in addition to the number authorized by section 401 of the Federal Civil Defense Act of 1950 and elsewhere in this title. Funds obtained or held by the Administrator in connection with the performance of his functions under this title shall be available for the administrative expenses of the Administrator in connection with the performance of such functions.

SEC. 303. The Federal Civil Defense Act of 1950 is hereby amended as follows:

(a) By striking out the words "Civil Defense" and inserting in lieu thereof the word "Disaster" in section 2 and by adding the following as a new paragraph at the end of section 2:

"It is also the policy and intent of Congress to provide a plan of disaster relief for the protection of life and property in the United States from damage caused by natural disaster. While adequate responsibility for disaster relief should be placed in the several States and their political subdivisions, the Federal Government shall provide necessary coordination and guidance through the Federal Disaster Administration, being vested with ample powers to perform such services, and shall provide necessary assistance as hereinafter authorized."

(b) By inserting the following new paragraph (c) at the end of paragraph (b) in section 3 and relettering the following paragraphs accordingly:

"(c) The term 'natural disaster' means any flood, tidal wave, hurricane, tornado, blizzard, duststorm, hailstorm or other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination or other air pollution, or volcanic eruption."

(c) By inserting the words "or disaster relief" after the term "civil defense" each time it appears in relettered paragraphs (d) and (e) of section 3;

(d) By striking out the words "Federal Civil Defense Administration" and inserting in lieu thereof the words "Federal Disaster Administration" and by striking out the words "Federal Civil Defense Administrator" and inserting in lieu thereof the words "Federal Disaster Administrator" each time they appear in section 101;

(e) By striking out the words "Civil Defense Advisory Council" and inserting in lieu thereof the words "Disaster Advisory Council" and by inserting the words "and disaster relief" after the words "civil defense" in section 102;

(f) By inserting the words "and disaster relief" after the words "civil defense" each time they appear in section 201, by inserting the words "or imminent natural disasters" after the word "attacks" in subsection (c) of section 201, and by inserting the words "or a natural disaster" after the word "attack" each time it appears in subsection (g) of section 201;

(g) By inserting the words "and disaster relief" after the words "civil defense" in section 203;

(h) By inserting the words "or disaster relief" after the words "civil defense" in section 204;

(i) By repealing section 304; and

(j) By amending the short title of the Act to read "Federal Disaster Act."

SEC. 304. Chapter XI of the Act of June 2, 1951 (85 Stat. 61) is hereby amended by striking out "\$5,000,000" and inserting in lieu thereof "\$6,000,000", and by inserting the words "and disaster relief" after the words "Civil defense".

SEC. 305. The Act of September 30, 1950 (64 Stat. 1109) is hereby amended as follows:

(a) By striking out the word "President" each time it appears therein and inserting in lieu thereof the words "Federal Disaster Administrator";

(b) By striking out the words "assurance of expenditure of a reasonable amount of the funds of the government of such State, local government of such State, local governments therein, or other agencies, for the same or similar purposes with respect to such catastrophe" in paragraph (a) of section 2 and inserting in lieu thereof the words "(1) evidence of the existence of a State fund, available solely for disaster relief, equal at the time of the first gubernatorial certification of need during any twelve-month period, to at least \$100,000, together with a commitment to apply all or so much of such fund as proves necessary within each twelve-month period toward reimbursing the Federal Government for moneys advanced on the basis of such certification of need, or (2) evidence of consent to allow the Federal Government, in such manner as the Administrator deems advisable, to offset against any moneys otherwise due or to become due to the State from any Federal program, \$100,000 or so much thereof as proves necessary toward reimbursing the Federal Government for moneys advanced on the basis of such certification of need; and shall give evidence satisfactory to the Administrator that maximum use is being made of available State and local personnel and facilities to assist in meeting the onslaught of disaster and that complete supervisory control of all such personnel and facilities will be vested in the Administrator, upon his request, for the duration of the emergency caused by the catastrophe";

(c) By striking out "\$5,000,000" and inserting in lieu thereof "\$10,000,000" in section 8, and by inserting a period after the word "discretion" and striking out the words following that word in the third sentence of said section; and

(d) By adding the following new section at the end of said Act:

Sec. 9. Any provision of law to the contrary notwithstanding, in any major disaster, it shall be lawful for the Administrator to assume supervisory control of State and local personnel engaged in disaster relief work and to call forth such additional numbers of State and local government personnel (including members of civil defense organizations) as he may deem necessary to perform disaster relief functions, and to issue his orders for such purposes through the governor of the respective State or Territory, or the Board of Commissioners of the District of Columbia, from which such personnel come, to those among such personnel as he deems appropriate. Such control shall continue for the period determined by the Administrator. No personnel so utilized shall become an employee of the Federal Government by virtue of such exercise of power by the Administrator."

SEC. 306. The Administrator shall, not later than August 1, 1956, and annually thereafter, submit to the Congress a report on activities under this Act, including therein such recommendations as may be deemed advisable.

SEC. 307. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

#### SECTIONAL ANALYSIS OF DISASTER INSURANCE ACT OF 1956 (PROPOSED LEHMAN BILL)

##### *Short title*

Disaster Insurance Act of 1956.

##### *Section 2. Declaration of purpose*

To authorize Federal insurance program against risks of natural and man-made disasters. Single Federal agency with ample authority will administer program.

#### TITLE I—NATURAL DISASTER INSURANCE AND REINSURANCE

##### *Section 101*

Authorizes Federal Disaster Administrator (new title for Federal Civil Defense Administrator) to provide insurance and reinsurance against natural disaster risks for real and personal property in United States, Territories and possessions.

**Section 102**

Administrator to fix premium rates by type of insurance or reinsurance and fix other terms and conditions and areas covered. Rates based on risks; to strike balance between self-supporting program and rates attractive to prospective buyers.

**Section 103**

Administrator to set types and location of property eligible, nature and limits of loss covered, and other necessary matters.

**Section 104**

Administrator may exclude risks impracticable to cover and may regulate classification and limits of risks assumed by him.

**Section 105**

Limit to 1 person or State or local government—\$300,000. Approval of claim limited to lesser of (1) actual value or (2) replacement cost, less depreciation. \$200 loss deductible from each claim is mandatory.

**Section 106**

Administrator may sell insurance to public body for benefit of its inhabitants. Liability not to exceed \$300,000 per inhabitant. This program to be self-supporting. Administrator to satisfy himself of public body's authority to buy insurance and pay premium from taxation or otherwise.

**Section 107**

- (a) Administrator may issue reinsurance regulations.
- (b) Rates, terms, and conditions of policy reinsured under this title are subject to Administrator's approval.
- (c) Administrator may offer a reinsurance program on portfolio basis under which he pays excess loss to ceding company for any single disaster. Create catastrophe excess loss reinsurance fund. Program to be self-supporting.

**Section 108**

(a) No insurance or reinsurance to be offered if available on reasonable terms from other public or private source, except may cover all natural disasters in a blanket policy.

(b) No insurance or reinsurance to be offered on property not conforming to flood zoning laws.

**Section 109**

(a) Administrator to use private insurance organizations to maximum, and may pay reasonable compensation.

(b) Administrator may make underwriting participation agreements with private insurance companies to share in profits or losses and premiums.

(c) Administrator may use public agencies and pay reasonable compensation.

(d) Administrator may receive and exchange information with public agencies and private insurance organizations.

**Section 110**

Property to be acquired with Federal aid may be required to carry natural disaster insurance.

**Section 111**

(a) Administrator to arrange prompt adjustment and payment of claims, collecting required amounts from private companies participating in underwriting.

(b) Disallowed claims or unsatisfactory allowances are subject to suit in United States district court where major value of property is located, if brought within 1 year.

**Section 112.**

(a) Administrator may establish (1) disaster insurance fund, (2) disaster reinsurance reserve fund, and (3) catastrophe excess loss reinsurance fund.

(b) Insurance premiums go to disaster insurance fund. Reinsurance fees go to disaster reinsurance reserve fund, except if portfolio excess loss coverage is offered, fees for it go into catastrophe excess loss reinsurance fund.

(c) Fund moneys may be invested and reinvested in United States obligations.

(d) Salvage proceeds go to the appropriate fund of the three above, depending on program in which they were realized.

(e) Administrator may borrow up to \$1 billion from Secretary of Treasury. President may increase that limit. Notes evidencing borrowing to bear interest fixed by Secretary, considering going rate. Secretary to treat this as public debt transaction. Funds borrowed go to such of three funds as Administrator decides.

(f) Three funds may be used to (1) pay operating and administrative expense of programs, (2) and (3) pay claims out of proper fund, and (4) repay Treasury borrowings.

#### *Section 113*

Defines "natural disaster"—flood, tidal wave, hurricane, torando, blizzard, duststorm, hailstorm or other severe storm, earthquake explosion, landslide, snowslide, severe freeze, drought smog, radioactive contamination or other air pollution, or volcanic eruption.

### TITLE II—MANMADE DISASTER INSURANCE AND REINSURANCE

#### *Section 201*

(a) Administrator authorized to provide reasonable indemnity for war damage to persons or real or personal property.

(b) He may do so by insurance, reinsurance or otherwise granting—

(1) reasonable protection against damage to real or personal property;

(2) reasonable protection against workmen's compensation (or occupational disease) liability;

(3) reasonable compensation for personal injury or death of civil defense worker;

(4) reasonable compensation for personal or property damage in course of performing duties of civil defense nature;

(5) reasonable compensation for personal injury; disease or death from war perils.

(c) Administrator may make general exceptions for classes of property or persons covered.

#### *Section 202*

(a) Premium or other charge to be made for such indemnity, except that to civil defense workers or persons in civil defense duties. Latter two groups must show injury or damage sustained under conditions making him eligible for indemnity.

(b) Administrator to fix uniform rates for (1) each type of property, (2) workmen's compensation liability coverage, and (3) personal injury, disease or death, according to legal residence (since amount of insurance benefits will vary with legal residence).

(c) As basis for rates, Administrator shall estimate average risk involved for each class of coverage.

#### *Section 203*

(a) Indemnify only for (1) property or persons in United States, district, Territory or possession, (2) property in transit between any points in foregoing, and (3) transportation facilities touching any such point, at time of damage or injury.

(b) With President's approval, Administrator may suspend protection in areas where United States loses control.

#### *Section 204*

In measuring reasonableness of protection or compensation under this title, Administrator shall consider property value, its relative importance to national security, and State or local workmen's compensation or occupational disease laws (using Federal law if no similar law applies in any area).

#### *Section 205*

(a) \$10 billion limit set on property coverage under this title.

(b) Claims limited to 75 percent of declared value of property.

(c) Administrator reserves right to pay 10 percent or claim 2 months after approval and balance within following year, if advisable for Federal credit or stability of national economy.

(d) Otherwise Administrator to pay claims promptly.

#### *Section 206*

(a) Administrator to set up four insurance funds (1. Property indemnity fund. 2. Workmen's compensation reserve fund. 3. Civil defense indemnity

fund. 4. Personal risk fund) and may create three reinsurance funds (1. Property indemnity reinsurance fund. 2. Workmen's compensation reinsurance reserve fund. 3. Personal risk reinsurance fund).

- (b) Premiums and fees collected go to appropriate fund, depending on program.
- (c) Fund moneys may be invested and reinvested in United States obligations.
- (d) Salvage proceeds go to appropriate fund.
- (e) Administrator may borrow up to \$10 billion from Secretary of Treasury, or more with President's approval. Notes bear interest at going rate as determined by Secretary of Treasury, who handles this as public debt transaction. Administrator may deposit moneys borrowed in above funds.
- (f) Fund moneys may be used to—
  - (1) Pay operating and administrative expenses under title, drawing from fund that matches program where feasible;
  - (2) Pay claims (civil defense claims from any of funds);
  - (3) Repay borrowings to Secretary of Treasury.

#### *Section 207*

No insurance or reinsurance shall be offered for risks eligible under other Federal programs or to extent available from other public or private sources.

#### *Section 208*

Administrator shall use to maximum private insurance organizations; may pay reasonable compensation.

#### *Section 209*

Property to be acquired with Federal aid may be required to carry war damage insurance.

#### *Section 210*

Disallowed claims or unsatisfactory allowances are subject to suit in United States district court where major value of property is located (property claims) or where insured resides (personal claims). Action to be brought within 1 year.

#### *Section 211*

Defines—

- (a) "War damage" and "perils of war"—resulting from (A) hostile or warlike action by government, power or authority using military force, or agent of foregoing, or (B) action by government agency in United States to defend against hostile or warlike action, or (C) disorder accompanying collapse of civil authority resulting from (A) or (B) above or enemy control.
- (b) "Hostile or warlike action"—attack by United States enemy in any manner (includes nuclear and biological means).

### TITLE III—GENERAL PROVISIONS

#### *Section 301*

(a) Administrator shall name advisory committee of 3 to 15 familiar with insurance problems.

(b) If United States employees, member receives no added compensation. If not, may receive up to \$50 per diem plus travel expense.

#### *Section 302*

Administrator granted power to hire 5 extra supergrade employees and 50 part-time or temporary employees.

#### *Section 303*

Amends Federal Civil Defense Act of 1950 as follows:

(a) Changes name of Federal Civil Defense Administration to Federal Disaster Administration and adds declaration of policy to cover natural disaster relief.

(b) Defines "natural disaster" as in section 113 of this bill.

(c) Makes definition of "organizational equipment" and "materials" include those used for disaster relief.

(d) Changes titles—Federal Civil Defense Administration to Federal Disaster Administration; Federal Civil Defense Administrator to Federal Disaster Administrator.

(e) Changes name of Civil Defense Advisory Council to Disaster Advisory Council; expands scope of its duties to include disaster relief.

(f) Broadens scope to include disaster relief in planning, delegation of power, providing warning service, training programs, information service, encourage-

ment of interstate compacts, acquisition and stockpiling of materials, financial aid to States, and disposal of surplus property.

(g) Requires Administrator, through State Department, to arrange mutual disaster aid between States and neighboring countries.

(h) Protects distinctive insignia for disaster relief workers.

(i) Repeals provision relieving Federal Government of liability for property damage or personal injury resulting directly or indirectly from performance of civil defense duty by Federal agency or employee (saving rights of those entitled to Federal employees' compensation). (Note: This exemption from liability appears inconsistent with provisions of title II of this bill.)

(j) Changes short title of Federal Civil Defense Act of 1950 to Federal Disaster Act.

#### **Section 304**

Amends Third Supplemental Appropriation Act, 1951, to increase by \$1 million (to \$6 million) the procurement fund to be used in acquiring equipment and materials, and includes disaster relief within its permissible use.

#### **Section 305**

Amends Disaster Relief Act (Public Law 875, 82d Cong., approved September 30, 1950) as follows:

(a) Substitutes Federal Disaster Administrator (bill's new title for Federal Civil Defense Administrator) for President as administrator of disaster relief program.

(b) As basis for finding a "major disaster" exists, changes requirements State must meet. Instead of assuring reasonable expenditure of State funds, State must either (1) show it has a special \$100,000 disaster relief fund which it commits to use to repay Federal disaster relief advances in any 12-month period or (2) consent to allow Federal Government to offset an equal amount against Federal funds due State in the future, and State must satisfy Administrator maximum use is being made of available State and local personnel and facilities for disaster relief and agree to place their control in Administrator upon request for the duration of the disaster emergency.

(c) Doubles authorized appropriation for relief purposes (to \$10 million) and deletes statutory requirement that reports to Congress go to Appropriations and Public Works Committee, leaving committee referral of reports to discretion of the House and the Senate.

(d) Permits Administrator to assume control of State and local disaster relief personnel and call forth additional State and local government employees (including civil defense personnel), in manner comparable to that by which Federal Government calls the National Guard to Federal service. Orders go via governor to proper personnel. Administrator decides when he surrenders control (on end of emergency). Employees thus controlled by Administrator remain State and local government (not Federal) employees.

#### **Section 306**

Administrator to file annual reports to Congress on activities under act and his recommendations; first due by August 1, 1956.

#### **Section 307**

Separability provision.

[Committee print, October 25, 1955, intended to be proposed by Mr. Kennedy and Mr. Saltonstall]

[S. —, 84th Cong., 2d sess.]

A BILL To provide for national flood insurance and reinsurance, and for other purposes

*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 Flood Insurance Act of 1956".*

#### DECLARATION OF PURPOSE

**Sec. 2.** It is the purpose of this Act to promote the national welfare by alleviating the widespread economic distress suffered from time to time within the United States, its Territories and possessions, as a result of floods, and the attendant impairment of the free flow of interstate and foreign trade and com-

merce, by providing direct governmental insurance of certain flood risks or by making insurance of such risks available through private insurance companies by means of governmental reinsurance.

#### FUNCTIONS

SEC. 3. (a) To carry out the purposes of this Act, the Administrator of the Small Business Administration (hereinafter referred to as "the Administrator") is authorized to provide, upon the payment of such premiums and subject to such terms and conditions as he may establish, either insurance or reinsurance, or both insurance and reinsurance, against damage to or loss of privately owned real property, including commercial, industrial, and residential property, due to any flood as defined by the Administrator occurring within the limits of the United States, its Territories and possessions, with such general exceptions as the Administrator may deem advisable, whenever in the opinion of the Administrator such insurance or reinsurance cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do insurance business in any State, Territory, or possession of the United States: *Provided*, That such program of insurance shall be so administered as not to serve as an inducement for unwarranted acquisition of facilities in areas which are subject to recurring floods.

(b) The Administrator shall from time to time prescribe (1) uniform premium rates for each type of insurance and/or reinsurance which he shall make available under authority of this Act for each type or class of property to be insured, and (2) the terms and conditions under which and the areas and subdivisions thereof within which each rate shall be applicable. All such rates shall be based insofar as practicable upon consideration of the risks involved and shall to the extent deemed practicable by the Administrator be adequate to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses. The Administrator may receive from or exchange with any State or Territorial insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss experience and other information as may be necessary for the establishment of such premium rates.

(c) The Administrator shall by regulation provide for the determination of (1) the types and location of property with respect to which insurance and/or reinsurance shall be granted, (2) the nature and limits of loss or damage in any area or subdivision thereof which may be covered by such insurance or reinsurance, (3) rates, terms, and conditions of such insurance or reinsurance, and (4) such other matters as may be necessary to carry out the purposes of this Act. The Administrator may decline such applications and risks and may establish from time to time such regulations with respect to the classification, limitation, and rejection of applications and risks as he shall deem advisable in order to carry out the purposes of this Act.

(d) In providing insurance and/or reinsurance, the Administrator may by contract arrange for the financial participation of any person or company authorized to do insurance business in any State of the United States in the underwriting of risks assumed, and for their proportionate participation in premiums and in any profits or losses realized or sustained. The Administrator shall utilize the facilities and services of private insurance companies, established insurance agents and brokers and established insurance adjustment organizations to the fullest extent possible, consistent with minimum cost of providing insurance protection.

(e) The aggregate amount of insurance issued by the Administrator covering the loss of or damage to any single piece of real property shall not exceed \$250,000. No claim shall be approved in an aggregate amount which exceeds the actual cash value or the cost of replacing, repairing, or rebuilding the damaged property with material of like kind and quality (less depreciation at the time of damage), whichever is lower: *Provided*, That the approved amount of any claim shall be reduced by \$300 plus 10 per centum of the remainder, or by such larger amount or percentage as may be prescribed by the Administrator in the insurance contract. The Administrator shall prescribe such regulations applicable to reinsurance as he may deem appropriate to give effect to the intent of the limitations in this subsection. The Administrator may from time to time prescribe such regulations regarding coverage available to subsidiary and affiliated corporations as it shall deem appropriate to effectuate the purpose of this subsection.

(f) The Administrator, on and after the first day of the sixth month following the enactment of this Act, may provide insurance or reinsurance in an aggregate amount not to exceed \$500,000,000 outstanding and in force at any one time, which limit may be increased, with the approval of the President, by further amounts of \$500,000,000 each on July 1, 1957, and July 1, 1958.

#### FINANCING

SEC. 4. (a) To carry out the functions authorized by this Act, there is authorized to be established in the Treasury of the United States a National Flood Insurance Fund (referred to hereinafter as the "Fund"). The capital of the Fund shall consist of such amounts as may be advanced to it from appropriations. Such sums as may be required are authorized to be appropriated without fiscal year limitations for the purposes of the Fund.

(b) Advances shall be made to the Fund from the appropriations made therefor only when requested by the Administrator, with the approval of the President. The Administrator shall pay into miscellaneous receipts of the Treasury, at the close of each fiscal year, interest on such advances at a rate determined by the Secretary of the Treasury, taking into consideration the average rate on outstanding interest-bearing marketable public debt obligations of the United States.

(c) Premiums paid to the Administrator for insurance and reinsurance under this Act, interest earned on investments of the Fund, and receipts from any other operations under this Act, including salvage operations, shall be credited to the Fund. The Fund shall be available for the payment of liabilities under such insurance and reinsurance and for payment of all expenses of the Administrator under this Act.

(d) Whenever any capital in the Fund is determined by the Administrator to be in excess of its current needs, such capital shall be credited to the appropriation from which advanced where it shall be held for future advances. After liquidation of all outstanding advances, any cash in excess of current needs may be invested or reinvested by the Administrator in interest-bearing obligations of the United States or in obligations guaranteed as to interest and principal by the United States. The proceeds from the sale or redemption of the obligations held by the Administrator pursuant to this Act shall be credited to the Fund.

#### PAYMENT OF CLAIMS

SEC. 5. Under such regulations as the Administrator may prescribe, he shall adjust and pay valid claims either directly or through agents for losses covered by insurance and reinsurance under this Act. The Administrator shall collect from participating insurance companies such amounts as they may be obligated to contribute toward such losses.

#### COORDINATION WITH OTHER PROGRAMS

SEC. 6. (a) In carrying out the functions authorized in this Act, the Administrator shall consult with other agencies of the Federal Government and interstate, State, and local agencies having responsibilities for flood control and flood damage prevention in order to assure that the insurance facilities offered are consistent with the programs of such agencies, and shall utilize the facilities and services of these and other public agencies to the fullest extent possible.

(b) No insurance or reinsurance shall be issued (1) for risks eligible for insurance provided by other Federal programs, or to the extent that coverage is available on reasonable terms from other private or public sources, or (2) for properties whose use is in conflict with State or local flood zoning laws.

(c) Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring, or guaranteeing loans made by private lending institutions, for the construction, modernization, repair, or purchase of property eligible for insurance under this Act may require as a condition for such future financial assistance that such property be insured against flood damage to the extent such insurance is available.

#### INSURANCE ADVISORY COMMITTEE

SEC. 7. The Administrator shall appoint an advisory committee, consisting of not less than six individuals experienced in the writing of insurance against property loss, to advise him with respect to the execution of his functions pursuant to this Act.

## SECTIONAL ANALYSIS OF NATIONAL FLOOD INSURANCE ACT OF 1956 (PROPOSED KENNEDY-SALTONSTALL BILL)

*Short title*

National Flood Insurance Act of 1956.

*Section 2. Declaration of purpose*

To promote national welfare by alleviating economic distress in United States from floods and impairment of interstate and foreign commerce by providing direct Government insurance of certain flood risks or Government reinsurance.

*Section 3. Functions*

(a) The Small Business Administrator is authorized to provide insurance and reinsurance against damage to privately owned real property (whether commercial, industrial, or residential) due to flood within the United States, its Territories and possessions. Such insurance and reinsurance will be issued only when the Administrator believes it is not obtainable at reasonable rates or on reasonable conditions from insurance companies. The Administrator may make general exceptions from the program and shall handle it so as not to induce unwarranted acquisition of facilities in areas subject to recurring floods. The Administrator shall establish the terms and conditions and require premiums.

(b) The Administrator shall prescribe (1) uniform premium rates for each type of insurance and reinsurance offered for each type or class of property covered, and (2) terms and conditions under which each rate applies and the areas and subdivisions within which it applies. Rates shall be based as far as practicable upon consideration of risks involved. To the extent the Administrator deems practicable, rates shall be adequate to pay administrative and operating expenses, plus loss reserves. The Administrator may receive from, and exchange with any State or Territorial insurance commission or agency or private property-insurance corporation or association, loss experience and other information necessary to establish premium rates.

(c) The Administrator shall regulate (1) types and location of property insured or reinsured, (2) nature and limits of damage in any area or subdivision coverable by insurance or reinsurance, (3) rates, terms, and conditions, and (4) other necessary matters. The Administrator may decline applications and risks and establish regulations as to classification, limitation, and rejection of applications and risks as he deems advisable.

(d) The Administrator may contract for financial participation of any person or company authorized to write insurance in United States in underwriting risks, and for share in premiums and profits or losses. The Administrator shall use facilities and services of private insurance companies and establish agents, brokers, and adjustment organizations to fullest possible extent consistent with minimum cost of insurance.

(e) Limit of insurance under this act for any piece of real property is \$250,000. No claims shall be approved in excess of the lower of (1) actual cash value or (2) cost of replacing damaged property with similar material (less depreciation). Minimum loss deductible is \$300 plus 10 percent of remainder. The Administrator may increase this amount. His reinsurance regulations shall carry out limits set in this section. The Administrator may regulate coverage for subsidiary and affiliated corporations.

(f) On first day of sixth month after passage of act, the Administrator may provide insurance or reinsurance to limit of one-half billion dollars outstanding. This may be increased with Presidential approval by one-half billion dollars each on July 1 in 1957 and 1958.

*Section 4. Financing*

(a) Authorizes establishment of national flood insurance fund in United States Treasury, supplied by appropriation. Authorizes appropriations required without fiscal year limits.

(b) Appropriations shall be placed in fund upon Administrator's request, with President's approval. The Administrator shall pay interest to United States Treasury on appropriations so used. Interest rate Secretary of the Treasury sets shall reflect average rate on United States public debt obligations.

(c) Premiums, interest earned on fund investments, and salvage and other operating receipts go into fund. The fund is available for insurance and reinsurance liabilities and operating expenses.

(d) Administrator may credit to appropriation for future use any excess capital in the fund. Excess cash in fund may be invested in United States obligations proceeds going to fund.

**Section 5. Payment of claims**

The Administrator shall adjust and pay valid claims directly or through agents. He shall collect amounts due from participating insurance companies.

**Section 6. Coordination with other programs**

(a) The Administrator shall consult Federal agencies and interstate, State and local flood-control agencies to assure that flood insurance offered will be consistent with their programs. He shall use the facilities and services of these and other public agencies as much as possible.

(b) No insurance or reinsurance shall be issued (1) for risks eligible for other Federal insurance or to the extent coverage can be had from other public or private sources on reasonable terms, or (2) for properties used in conflict with State or local flood zoning laws.

(c) Any Federal agency lending or advancing money or participating in, insuring or guaranteeing loans by private lenders for construction, repair or purchase of property may in future require carriage of flood insurance on the property, if eligible, as condition for such aid.

**Section 7. Insurance Advisory Committee**

The Administrator shall name an advisory committee of six or more persons experienced in writing property insurance. The committee will advise the Administrator about carrying out his functions under this act.

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[Committee print, October 25, 1955, intended to be proposed by Mr. Carlson]

[S. —, 84th Cong., 2d sess.]

A BILL To establish a National Disaster Insurance Corporation, and for other purposes

*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 Disaster Insurance Corporation Act of 1956".*

**DECLARATION OF PURPOSE**

SEC. 2. It is the purpose of this Act to promote the national welfare by alleviating the widespread economic distress suffered from time to time within the United States from certain national disasters, and the attendant impairment of the free flow of interstate and foreign trade and commerce, by providing, through a program of reinsurance of insurance companies, for reasonable cost insurance against property loss or damage caused by flood, tidal wave, earthquake, or hurricane.

**ESTABLISHMENT OF CORPORATION**

SEC. 3. (a) To carry out the purposes of this Act, there is hereby created as an agency of the United States a body corporate to be known as the National Disaster Insurance Corporation (hereinafter referred to as the "Corporation"). The principal office of the Corporation shall be located in the District of Columbia, but agencies or branch offices, may be established elsewhere in the United States under rules and regulations prescribed by the Board of Directors.

(b) The Corporation shall have a nonassessable capital stock of \$50,000,000 subscribed by the United States of America. There is hereby authorized to be appropriated to the Secretary of the Treasury not more than \$50,000,000 for the purpose of subscribing to such stock. Receipts for payments by the United States of America for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury, and shall be evidence of the stock ownership by the United States of America. Sums so received by the Corporation shall be deposited to its credit in the National Disaster Insurance Fund established by section 10 of this Act.

## MANAGEMENT AND PERSONNEL

SEC. 4. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter called the "Board") consisting of three persons appointed by the President of the United States by and with the advice and consent of the Senate, one of whom shall be designated by the President as Chairman of the Board. Not more than two members of the Board shall be members of the same political party. Each such appointment shall be for a term of six years, except that (1) the directors first appointed shall be appointed for terms of two, four, and six years, respectively, and (2) whenever a vacancy shall occur other than by expiration of term, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of his predecessor. The Chairman shall receive a salary at the rate of \$16,000 per annum, and other directors at the rate of \$15,000 per annum.

(b) Each director shall devote his time principally to the business of the Corporation. No person shall hold office as a director of the Corporation while holding any office, position, or employment in any privately or publicly owned insurance company.

(c) So long as there shall be two members in office, vacancies shall not impair the powers of the Board to execute the functions of the Corporation, and two of the members in office shall constitute a quorum.

SEC. 5. Within the limitation of appropriated funds, the Board shall (1) select, appoint, employ, and fix the compensation of such officers, attorneys, experts, employees, and agents as shall be necessary for the transaction of the business of the Corporation, (2) define their authority and duties, (3) delegate to them such of the powers vested in the Corporation as the Board may determine, (4) require bond of such of them as the Board may designate, and (5) fix the penalties and pay the premiums of such bonds.

SEC. 6. (a) The Board may appoint from time to time (1) an advisory committee, consisting of not more than five members experienced in the writing of insurance against property loss, to advise the Corporation with respect to the execution of its functions pursuant to this Act, and (2) such part-time consultants and advisory personnel as the Board may deem necessary in carrying out the functions of the Corporation. Persons so appointed who, while so serving, hold other offices or positions under the United States shall receive no additional compensation for such service. Other persons so appointed shall receive (1) while actually so employed, such compensation, not in excess of \$50 per diem, as may be determined by the Board, and (2) actual necessary traveling and subsistence expenses, or a per diem allowance in lieu thereof.

(b) Service of an individual under this section shall not be deemed subject to the provisions of section 281 or 283 of the United States Code, unless the conduct made unlawful by such section is performed with respect to a matter in which the Corporation is directly involved.

## GENERAL POWERS

## SEC. 7. The Corporation—

(a) shall have succession in its corporate name until dissolved by or pursuant to an Act of Congress;

(b) may adopt, alter, and use a corporate seal, which shall be judicially noticed;

(c) may adopt, amend, and repeal bylaws, rules, and regulations for the conduct of its business and the exercise of the powers granted to it by law;

(d) may make contracts and purchase, lease, hold, and dispose of such real and personal property as may be necessary and incident to the conduct of its business;

(e) may sue and be sued in its corporate name in any State or Federal court of competent jurisdiction;

(f) may conduct or cause to be conducted such researches, surveys, and investigations as may be determined by the Board to be necessary and incident to the performance of its functions or the exercise of its powers;

(g) with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, or of any wholly-owned or mixed-ownership Government corporation, may avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this Act;

(h) may receive from or exchange with any State insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss-experience information as may be necessary to the establishment of premium rates for reinsurance authorized to be issued by the Corporation upon a sound actuarial basis and upon the lowest practicable level;

(i) shall be entitled to the free use of the United States mails in the same manner as the other executive agencies of the Government; and

(j) may exercise, by the Board or duly authorized officers or agents of the Corporation, all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the functions and powers of the Corporation.

#### FUNCTIONS OF CORPORATION

SEC. 8. (a) The Corporation is authorized to provide such reinsurance of insurance companies against loss on account of insurance carried by such companies against damage to, or loss of, real or personal property (including property owned by State or local governments) due to flood, tidal wave, earthquake, or hurricane, occurring within the United States or its Territories, as may be necessary to enable such companies to provide insurance against such damage or loss where it would otherwise be unavailable.

(b) The Corporation shall prescribe premium rates for the reinsurance authorized by this Act upon consideration of (1) the risks involved, and (2) the desirability in the public interest of providing insurance protection which would not otherwise be available.

(c) The Corporation shall by regulation provide for the determination of (1) the types of property with respect to which reinsurance will be granted, (2) the nature and limits of losses or damage which may be covered by such reinsurance, (3) such other matters as may be necessary to carry out the purposes of this Act.

(d) Reinsurance shall be provided by the Corporation under this Act only to the extent that it is not otherwise available at reasonable rates and upon reasonable conditions from private sources. In providing such reinsurance, the Commission shall utilize the facilities and service of private insurance companies to the maximum extent practicable.

#### PAYMENT OF CLAIMS

SEC. 9. Under such regulations as the Corporation may prescribe, it shall adjust and pay valid claims for losses covered by reinsurance under this Act. Upon disallowance by the Corporation of any such claim, the claimant, within one year after the date of mailing of notice of disallowance by the Corporation, may institute an action on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated. Exclusive jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

#### NATIONAL DISASTER INSURANCE FUND

SEC. 10. (a) There is hereby established in the Treasury of the United States a permanent trust fund to be known as the national disaster insurance fund (referred to hereinafter as the "fund"). All premiums paid to the Corporation for reinsurance under this Act shall be deposited and covered into the Treasury to the credit of the fund, which, together with interest earned thereon, shall be available for the payment of liabilities under such reinsurance. Payments from the fund shall be made upon and in accordance with awards by the Corporation.

(b) The Corporation is authorized to set aside out of the fund such reserve amounts as may be required under accepted actuarial principles to meet all liabilities under such insurance. The Secretary of the Treasury is authorized to invest or reinvest all or any part of the remainder thereof in interest-bearing obligations of the Government of the United States, or in obligations guaranteed as to principal and interest by such Government, and to sell such obligations for the purposes of such fund.

(c) Administrative expenses of the Corporation shall not be paid from the fund, but shall be borne by the Government of the United States. There is

hereby authorized to be appropriated to the Corporation, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for the administration and operation of the Corporation.

#### ANNUAL REPORT

SEC. 11. The Corporation shall make a comprehensive annual report of its operations to the Congress as soon as practicable after the first day of January in each year.

#### EXEMPTION FROM TAXATION

SEC. 12. The Corporation, including its franchise, capital, reserves and surplus, and its income and property, shall be exempt from all taxation now or hereafter imposed by the Government of the United States, any Territory, dependency or possession thereof, any State, county, or municipality, or by any other local taxing authority.

#### MISCELLANEOUS PROVISIONS

SEC. 13. (a) The Board shall designate an agent upon whom service of process may be made in each State, Territory or jurisdiction in which property upon which the Corporation has issued insurance may be situated.

SEC. 14. Section 101 of the Government Corporation Control Act is amended (a) by striking out "and" immediately preceding the name "Tennessee Valley Associated Cooperatives, Incorporated," and (b) by inserting immediately after such name a semicolon and the following: "and National Disaster Insurance Corporation."

#### SECTIONAL ANALYSIS OF NATIONAL DISASTER INSURANCE CORPORATION ACT OF 1956 (PROPOSED CARLSON BILL)

##### *Short title*

National Disaster Insurance Corporation Act of 1956.

##### *Section 2. Declaration of purpose*

To promote national welfare by alleviating economic distress in United States from certain national disasters and impairment of interstate and foreign commerce by providing, through reinsurance of insurance companies, reasonable cost insurance against property damage from flood, tidal wave, earthquake, or hurricane.

##### *Section 3. Establishment of Corporation*

(a) Creates National Disaster Insurance Corporation as United States agency, with main office in the District of Columbia and branches permitted elsewhere.

(b) Authorized capital is \$50 million stock subscribed by United States. Authorizes appropriation of up to \$50 million to Secretary of the Treasury to subscribe to such stock. Secretary to issue receipts to Corporation as evidence of stock ownership by United States. Proceeds to be deposited to Corporation's credit in national disaster insurance fund established by section 10.

##### *Section 4. Management and personnel*

(a) Three man Board of Directors to manage Corporation. Appointed by President subject to Senate confirmation. President names one as Chairman of Board. No more than two to belong to same political party. Term: 6 years (original terms staggered 2, 4, and 6 years, respectively). Person appointed to fill vacancy holds for remainder of term. Salary: Chairman, \$18,000; other Directors, \$15,000, per annum.

(b) Directors to devote time principally to Corporation. Persons holding office or employment in any privately or publicly owned insurance company aren't eligible for directorship in Corporation.

(c) Two directors are a quorum, and Board may act as long as two members hold office.

##### *Section 5. Housekeeping provisions*

Within funds appropriated, Board shall (1) employ and pay officers, attorneys, experts, employees, and agents necessary, (2) define their duties and authority, (3) delegate Board powers to them as determined, (4) require bond of them as Board designates, and (5) fix bond penalties and pay premiums.

*Section 6. Advisory Committee and consultants*

(a) Board may appoint (1) Advisory Committee of not over five experienced in writing property insurance, to advise on execution of Corporation's functions and (2) part-time consultants and advisers Board deems necessary. United States employees receive no added pay for any of above service. Others receive (1) not over \$50 per day when actually employed, as Board determines, and (2) travel and subsistence (or per diem allowance).

(b) Persons serving under this section are excluded from the provisions of 18 United States Code, sections 281 and 283, except when their conduct is on a matter directly involving the Corporation.

*Section 7. General powers*

The Corporation—

- (a) has succession until dissolved by Congress;
- (b) may use corporate seal, judicially noticed;
- (c) may make bylaws, rules, and regulations;
- (d) may make contracts and by lease, hold and dispose of real and personal property necessary and incident to its business;
- (e) sue and be sued in State and Federal courts;
- (f) conduct research, surveys, and investigations necessary and incident to its functions and powers;
- (g) use employees and facilities of Government agencies, with consent of agency;
- (h) receive or exchange loss-experience information with State insurance commission or agency or private property-insurance corporation or association; to help set reinsurance premium rates on actuarial basis and on lowest practicable level;
- (i) has franking privilege; and
- (j) may, by Board or Corporation officers or agents, exercise powers granted by act plus those incidentally necessary.

*Section 8. Functions of Corporation*

(a) Authorized to provide reinsurance against loss by insuring companies on policies issued against real or personal property damage from flood, tidal wave, earthquake, or hurricane in United States, as necessary to enable companies to issue such insurance otherwise unavailable. Includes State and local government property.

(b) Reinsurance premium rate to be fixed by Corporation, considering (1) risks and (2) public interest desirability of providing insurance otherwise unavailable.

(c) Corporation by regulation shall determine (1) types of property reinsured, (2) nature and limits of reinsured damage, (3) other necessary matters.

(d) Reinsure only to extent not available from private sources at reasonable rates on reasonable conditions. Use services of private insurance companies to maximum.

*Section 9. Payment of claims*

Corporation to adjust and pay valid claims for reinsured losses. On claim disallowance, claimant may sue in 1 year after disallowance notice mailed. Sue in United States district court for district where most of the insured property is located. Exclusive jurisdiction given such court, regardless of amount in controversy.

*Section 10. National disaster insurance fund*

(a) Establishes permanent trust fund in United States Treasury, known as national disaster insurance fund. All reinsurance premiums go into it. Including interest earned, fund is available for payment of reinsurance liabilities. Corporation awards payments from fund.

(b) Corporation authorized to create actuarial reserve funds out of fund. Secretary of the Treasury may invest rest of fund in United States obligations.

(c) Administrative expense of Corporation shall be paid by United States, not out of fund. Appropriation of necessary amounts authorized for that purpose.

*Section 11. Annual report*

Corporation to make comprehensive annual operations report to Congress as soon as practicable after beginning of each year.

*Section 12. Exemption from taxation*

Corporation (franchise, capital, reserves, surplus, income, and property) exempt from Federal, State, and local taxation.

**Section 13. Miscellaneous provisions**

(a) Board to name agent to accept service of process in each jurisdiction where corporation reinsured property is located.

**Section 14**

Corporation subjected to Government Corporation Control Act.

[Committee print, October 25, 1955, intended to be proposed by Mr. ———]

[S. ———, 84th Cong., 2d sess.]

A BILL To provide for indemnity against disasters, and for other purposes

*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 Disaster Indemnity Act of 1956.*

## DECLARATION OF PURPOSE

SEC. 2. The repeated occurrence of natural disasters and the threat of war damage in the United States, its Territories and possessions results in undue interference with the general welfare of its residents, the adequacy of commercial and industrial facilities, and the production and distribution of goods for use in interstate commerce and foreign trade, and impairs the common defense of the Nation. In the absence of an adequate program through the operation of private enterprise to make reimbursement for losses caused by disasters or war damage, it is the intention of the Congress that the Federal Government participate in a program to provide reimbursement for such losses by means of direct Federal indemnity or reinsurance.

## FUNCTIONS

SEC. 3. (a) In order to carry out the purposes of this Act, the President, through the Administrator of the Small Business Administration or such other existing officer or agency of the Government as he may designate, is authorized to provide indemnity and reinsurance against losses resulting from damage to or destruction of real or personal property (including property owned by State or local governments) due to any natural disaster occurring within the United States, its Territories, or its possessions: *Provided, however,* That such indemnity or reinsurance may be provided only if it cannot be obtained at reasonable rates or upon reasonable conditions from a company authorized to do an insurance business in any State, Territory, or possession of the United States.

(b) The President or his designee shall from time to time prescribe fees and premium rates for indemnity and reinsurance authorized in accordance with the provisions of this Act, and establish terms and conditions for providing such indemnity or reinsurance. In exercising the authority conferred upon them by this subsection, the President or his designee shall take into consideration the risks insured against, the desirability in the public interest of providing indemnity or insurance protection and the aim of providing from premiums collected under this Act, investment income thereon and salvage receipts, a sum sufficient to meet administrative and operative expenses in addition to reserves for probable losses.

(c) The President or his designee shall by regulation provide for determining the types of property with respect to which indemnity or reinsurance will be provided under this Act, the nature and limits of losses or damage for which such indemnity or reinsurance will be provided and such other matters as are deemed necessary to carry out the purposes of this Act: *Provided, however,* That in the category of residential property designed for the use of one to four families, the aggregate liability on a single property under such indemnity or insurance so reinsured shall not exceed \$60,000, and in no category shall the total liability under any indemnity or insurance so reinsured exceed \$250,000 on any property in a single area covered by a separate agreement for indemnity or insurance policy so reinsured: *And provided further,* That under any reinsurance agreement, the President or his designee may provide reinsurance to the maximum of not exceeding 100 per centum of the first \$1,000 of approved claim of loss under any policy so reinsured, not exceeding 100 per centum of all approved claims of loss under any such policy in excess of \$50,000, and not exceeding 80 per centum of approved claims of loss between those amounts under any policy so reinsured.

(d) The liability of the President or his designee under indemnity or reinsurance agreements under this section shall not exceed \$2,000,000,000 at any one time.

(e) The President or his designee is authorized to determine the maximum premium rate permissible to be charged for any policy of insurance reinsured under the provisions of this Act, and all terms and conditions of any such policy shall be subject to the approval of the President or his designee.

(f) In issuing and administering indemnity and reinsurance coverage under this Act, the President or his designee shall use to the maximum extent practicable the services of private companies authorized to do an insurance business in any State, Territory, or possession of the United States, pursuant to agreements hereby authorized to be entered into between the President or his designee and such companies prescribing their respective rights and obligations, including provision for any such company to act as underwriting agent or claim agent, or both, on behalf of the President or his designee, and provision for reasonable compensation to be paid for services rendered by such company pursuant to such agreements.

(g) The President or his designee may receive from or exchange with any State or Territorial insurance commission or agency or with any private corporation or association experienced in the problems of indemnity, insurance or reinsurance, such information as may be useful in the establishment of indemnity fees and reinsurance rates and the administration of the programs authorized under the provisions of this Act.

(h) The President or his designee (1) shall appoint an advisory committee of not less than three nor more than twenty-five persons familiar with the problems of indemnity, insurance, or reinsurance to advise him with respect to the execution of functions under this Act and (2) may employ such part-time consultants and advisory personnel, without regard to the civil service and classification laws, as he may deem necessary in carrying out the purposes of this Act. Persons who, while so serving, hold other remunerative employment with the United States shall receive no additional compensation for such service. Others so serving may receive compensation at not exceeding \$50 per diem, plus necessary travel expenses.

Sec. 4. (a) Under such regulations as the President or his designee shall prescribe, he shall arrange for prompt payment of approved claims of loss under any indemnity or reinsurance coverage issued under the provisions of this Act.

(b) Upon disallowance of any claim for loss under such indemnity or reinsurance coverage, the claimant, within one year after the date of mailing of the notice of disallowance, may institute an action on such claim in the United States district court for the district in which the property, or the major value thereof, covered by the indemnity or reinsurance agreement is located. Exclusive jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

Sec. 5. (a) To carry out the functions authorized by this Act, the President or his designee shall establish a Disaster Indemnity Fund and a Disaster Reinsurance Reserve Fund. All indemnity fees collected under section 3 of this Act shall be deposited in the Disaster Indemnity Fund. All reinsurance premiums collected under section 3 of this Act shall be deposited in the Disaster Reinsurance Reserve Fund.

(b) Moneys in both such funds may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Such obligations may be sold and the proceeds reinvested as above provided, if deemed advisable by the President or his designee. Income from such investment or reinvestment shall be deposited in the respective fund from which the investment was made.

(c) All salvage proceeds realized by the President or his designee under this Act shall likewise be deposited in the appropriate respective fund.

(d) In order to place and maintain these two funds in operative condition, the President or his designee is authorized and empowered to issue to the Secretary of the Treasury from time to time and to have outstanding at any one time, in an amount not exceeding \$1,000,000,000 (or such greater amount as may be approved by the President) notes and other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the issuer with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States

of comparable maturities as of the last day of the month preceding the issuance of such notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations to be issued hereunder and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Funds borrowed under this section shall be deposited, in such proportions as the President or his designee deems advisable, in the Disaster Indemnity Fund and the Disaster Reinsurance Reserve Fund.

(e) Moneys in the Disaster Indemnity Fund and the Disaster Reinsurance Reserve Fund may be used for the following purposes as deemed necessary by the President or his designee:

- (1) to enable the President or his designee to carry out all functions under this Act, including the payment of operating and administrative expenses;
- (2) to pay from the Disaster Indemnity Fund approved claims for loss under indemnity coverage issued by the President or his designee under this Act;
- (3) to pay from the Disaster Reinsurance Reserve Fund approved claims under reinsurance agreements entered into by the President or his designee under this Act; and
- (4) to repay to the Secretary of the Treasury sums borrowed from him in accordance with the provisions of subsection (d) of this section.

Sec. 6. No indemnity or reinsurance shall be provided under this Act (1) for risks eligible for insurance under other Federal programs, or to the extent that coverage is available on reasonable terms from other public or private sources, or (2) for property used in conflict with pertinent zoning laws applicable to floods or other natural disasters.

Sec. 7. (a) In recognition of recent catastrophic losses suffered by persons due to natural disasters, the President or his designee, under such regulations as he may prescribe, is hereby authorized to indemnify to the extent of 50 per centum of unreimbursed proven loss all persons who suffered loss of property during the current fiscal year as a result of a natural disaster constituting a major disaster within the meaning of that term as defined in the Act of September 30, 1950, as amended.

(b) There are hereby authorized to be paid out of the Disaster Indemnity Fund established in accordance with this Act such sums as may be necessary to carry out the provisions of this section.

Sec. 8. (a) Any provision of this Act to the contrary notwithstanding, upon a finding by the President that such action is necessary in the public interest, the President or his designee is authorized to provide, through indemnity or reinsurance, reasonable protection against war damage to real and personal property or resulting in personal injury or death of persons.

(b) Such protection shall be made available upon such terms and conditions and upon payment of such charges as the President or his designee may establish, in accordance with the provisions of this Act.

(c) Any provision of this Act to the contrary notwithstanding, the liability of the President or his designee under protection made available under this section shall not exceed \$10,000,000,000 at any one time.

(d) Upon the making of the finding required by subsection (a) of this section, the President or his designee shall establish a War Damage Fund and is authorized to transfer to it from the Disaster Indemnity Fund not in excess of \$100,000,000. Such transfer shall be deemed to constitute a non-interest-bearing loan repayable at a time or times designated by the President or his designee. The War Damage Fund shall be administered for the purposes of this section in the same manner as the Disaster Indemnity Fund and the Disaster Reinsurance Reserve Fund are administered for the purposes of the other sections of this Act. The authority vested in the President or his designee by section 5 (d) of this Act may also be used for the benefit of the War Damage Fund.

Sec. 9. As used in this Act—

(a) The term "natural disaster" shall mean any flood, tidal wave, hurricane, tornado, blizzard, duststorm, hailstorm or other severe storm, earthquake, explo-

sion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination or other air pollution, or volcanic eruption.

(b) The term "war damage" shall mean damage resulting from (A) any hostile or warlike action by (i) any government or sovereign power (de jure or de facto) or any authority maintaining or using military, naval, or air forces, or (ii) an agent of any such government, power, or forces; or (B) any action taken by any Federal, State, or local government agency in hindering, combating, or defending against any such hostile or warlike action (whether actual, impending, or expected); or (C) disorder or other lawlessness accompanying the collapse of civil authority determined by the President to have resulted from any action referred to in clause (A) or (B) or from control by enemy forces.

(c) The term "hostile or warlike action" shall mean any attack or series of attacks by an enemy of the United States in any manner, including, but not limited to, attack by invasion, sabotage, or the use of bombs, shellfire, or nuclear, radiological, chemical, bacteriological or other biological means, or other weapons or processes.

Sec. 10. The President or his designee shall, not later than August 1, 1956, and annually thereafter, submit to the Congress a report on activities under this Act, including therein such recommendations as may be deemed advisable.

Sec. 11. If any provision of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act and the application of such provision to any person or circumstance other than those as to which it is held invalid shall not be affected thereby.

#### SECTIONAL ANALYSIS OF DISASTER INDEMNITY ACT OF 1956

##### *Section 2*

Purpose of act to arrange Federal participation in reimbursement of natural disaster and war-damage loss through indemnity or reinsurance, in absence of private enterprise program to do so.

##### *Section 3*

(a) President to name Small Business Administration or other existing Federal agency to handle program. Authorizes indemnity or reinsurance against natural disaster (as defined in act) loss to real or personal property owned privately or by State or local governments. Program operates only if indemnity or reinsurance isn't reasonably available from private insurance companies.

(b) Indemnity fees and reinsurance rates and other terms and conditions to be fixed by President or designee. Consider risks, public interest and aim to achieve self-supporting program.

(c) Regulation to govern types of property covered, nature and limits of loss covered; \$60,000 limit placed on coverage of 1- to 4-family residence; \$250,000 limit on other property under any one policy. On reinsurance, Federal Government may assume first \$1,000 loss and all exceeding \$50,000 per policy; and up to 80 percent of loss between those limits.

(d) Aggregate Federal liability for indemnity and reinsurance against natural-disaster loss—\$2 billion at any one time.

(e) Terms and conditions of policy reinsured under this act are subject to Federal approval.

(f) Private insurance companies to be used to maximum in this program, particularly as underwriting agents and claim agents. Reasonable compensation to be paid for services.

(g) Federal Government may exchange helpful information with other governmental and private organizations.

(h) Provides for advisory committee of 3 to 25 familiar with insurance problems. Authorizes use of consultant. Compensation up to \$50 per day plus travel expense, unless already receiving Federal compensation.

##### *Section 4*

(a) Arranges prompt payment of approved claims.

(b) Grants judicial review of claim disallowance. Confers jurisdiction on Federal district courts.

##### *Section 5*

(a) Authorizes disaster indemnity fund (for indemnity agreements) and disaster reinsurance reserve fund (for reinsurance contracts). Indemnity fees deposited in disaster indemnity fund. Reinsurance charges deposited in disaster reinsurance reserve fund.

- (b) Moneys in both funds may be invested in United States obligations.
- (c) Salvage proceeds deposited in appropriate fund of the two.
- (d) Administrator of program authorized to borrow up to total of \$1 billion from United States Treasury for funds, as needed (or more with President's approval). Interest rate on borrowing fund fixed by Secretary of the Treasury.
- (c) Disbursements from both funds permitted as follows:
  - (1) To carry out act (includes operating costs); (2) and (3) to pay approved claims (indemnity coverage from disaster indemnity fund; reinsurance coverage from disaster reinsurance reserve fund; (4) to repay borrowings from United States Treasury.

#### *Section 6*

No indemnity or reinsurance to be issued under act (1) for risks coverable by other Federal programs (e. g. crop insurance) or public or private programs on reasonable terms; or (2) for property used in conflict with local flood zoning laws.

#### *Section 7*

- (a) Authorizes indemnity to persons suffering loss in recent major disasters, to extent of half their unreimbursed proven loss.
- (b) Disaster indemnity fund may be used for this purpose.

#### *Section 8*

- (a) Program of war damage indemnity and reinsurance may be begun upon Presidential finding it is necessary in public interest. May cover real and personal property and personal injury and death.
- (b) Terms and conditions to be fixed by President or designee, in accordance with this act.
- (c) Aggregate Federal liability under war damage program limited to \$10 billion at any one time.
- (d) For this program provide war damage fund created by up to \$100 million loan without interest from disaster indemnity fund. Use this fund comparably to use of disaster indemnity fund and disaster reinsurance reserve fund. Borrowing power from Treasury authorized for benefit of this war damage fund.

#### *Section 9*

- (a) Disaster—flood, tidal wave, hurricane, tornado, blizzard, duststorm, hailstorm or other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination or other air pollution, or volcanic eruption.
- (b) War damage: (A) From hostile or warlike action by Government or authority using armed force, or their agents; (B) from defensive action against such action by Government; (C) from disorder accompanying collapse of civil authority determined by President to have resulted from (A) or (B) above or control by enemy forces.
- (c) Hostile or warlike action: Any attack by United States enemy in any manner (expressly includes nuclear weapon and bacteriological attacks).

#### *Section 10*

President or designee to report to Congress annually.

#### *Section 11*

Separability clause.

Senator LEHMAN. I also want to emphasize one other thing to correct some possible misapprehension. These hearings are not being conducted by a subcommittee of the Banking and Currency Committee. They are on behalf of the entire committee.

I have been asked to serve as presiding officer of these hearings, but they are really committee hearings. It is the committee as a whole that, of course, will pass on and consider the record as it comes out in the course of these hearings.

I would like to put in the record a letter which I have from the chairman of the Banking and Currency Committee, Senator Fulbright, giving me authority to hold these hearings on behalf of the Banking and Currency Committee.

(The letter referred to follows:)

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
October 28, 1955.

HON. HERBERT H. LEHMAN,  
*United States Senate,*  
*Washington, D. C.*

DEAR SENATOR: This is to confirm our previous understanding that you will conduct hearings, on behalf of the Banking and Currency Committee, on the general subject of disaster risk insurance, during the recess of the Congress.

On the reconvening of Congress it may be desirable to assign such legislation as may be introduced on this subject to one of the standing subcommittees, or to a special subcommittee. However, I appreciate your concern that the committee in the meantime should obtain background information, particularly from officials and citizens of States which recently suffered disaster floods.

I have a heavy schedule of engagements in Arkansas which will not permit my return to Washington until shortly before the reconvening of Congress. You are therefore authorized to hold such hearings at times and places to be designated by you during the recess of the Senate.

Sincerely yours,

J. W. FULBRIGHT.

Senator LEHMAN. Senator Bush, who unfortunately has to return this afternoon to Connecticut to meet commitments that he made some time ago, has asked whether representatives of the Federal agencies can be called in a certain order. He suggested that the first witness be the Bureau of the Budget, the second the Federal Civil Defense, the third the Small Business Administration, the fourth the Housing and Home Finance Agency, and fifth the Defense Department. I would be very glad indeed to call them in this order.

Senator BUSH. I certainly appreciate the chairman's courtesy in that connection. I think that will help the situation.

Senator LEHMAN. I want to make one further observation before we start the proceedings. We are going to ask questions of the various agencies. We certainly do not, however, want to impinge on any area of national security. If in the course of our questions we address a query to you which in your opinion you cannot or should not answer because of considerations of national security, please do not hesitate to let me know and we shall be very glad indeed to withdraw our question.

I made reference in my opening remarks to the fact that we are going to consult with the insurance companies. We certainly intend to do that. It is not possible because of the schedule we set to have the insurance people at this first series of hearings. It probably will not be possible to hear from all the representatives of the insurance companies who desire to come before us. I can assure the insurance companies, however, that they will have a full, complete, and thorough hearing at which they can express their views.

Now, Mr. Roger W. Jones, of the Bureau of the Budget. Mr. Jones, I know that you and the other representatives of the agencies are not in a position or prepared to give any definitive statement with regard to the attitude of your agency. We would very much like, however, to have your point of view on the whole subject as it comes before us.

**STATEMENT OF ROGER W. JONES, ASSISTANT DIRECTOR OF THE  
BUREAU OF THE BUDGET FOR LEGISLATIVE REFERENCE**

Mr. JONES. Thank you, Mr. Chairman.

The statement that I have here is not really a formal statement. It is more in the nature of an outline, so it has not been duplicated and distributed. I can, however, make copies available to the reporter and to you if you wish to have it to follow.

Senator LEHMAN. We would be very glad to have it.

Will you identify yourself?

Mr. JONES. My name is Roger W. Jones. I am Assistant Director of the Budget for Legislative Reference.

Mr. Chairman, Senator Bush, I have been authorized to appear before you today to make an introductory statement with respect to the subject of flood insurance. As you have indicated in your opening remarks, the subject matter of the committee's concern is considerably broader than just flood insurance, but in view of the emphasis which has been put upon that subject in recent weeks we felt that perhaps it would be helpful to the committee if we could start with a statement about that subject first.

Immediately after the disastrous floods in the northeastern part of the United States in August there was a renewed interest in the subject of Federal disaster insurance. This was reflected in the newspapers, in conversations in Washington, and in conferences which were held in the Northeastern States, including a conference of the New England governors.

Disaster insurance is not a new subject. It is one to which the Federal Government has given attention several times in recent years. Most recently the subject was considered by the House Committee on Banking and Currency in 1952 on a measure which was drafted to carry out the recommendations contained in a special message of President Truman. No easy solution was found at that time, and there is none now.

Two weeks ago, President Eisenhower, in a letter to Governor Roberts, of Rhode Island, responding to resolutions of the New England Governors' Conference, indicated that legislative suggestions on the subject of disaster insurance would be made available at the opening of these hearings. These suggestions are the result of much careful work on the part of a number of Federal agencies. They represent the conclusions which we have so far been able to reach, but they do not represent a final program of action which the administration is prepared to recommend.

They are offered in an effort to help prepare the ground and to outline to the committee the problems as the Federal agencies see them and some of the considerations which the individual agencies believe must be taken into account in finding answers to these problems.

The technical facilities of the executive branch are at the disposal of the committee. The witnesses who will follow me, I am sure, will be prepared to give you the benefit of the thinking and work which they have done. A final program of proposed action is not yet ready. In our judgment, it would have been unwise to attempt to do this hurriedly when there are still a number of questions that need further investigation and which we believe can be answered in the weeks before the Congress reconvenes. By that time it may well appear feasible

to recommend the creation of some kind of an insurance system, but we are not yet at that point.

As the committee staff knows, there was a general consensus among Federal agencies that the most feasible way to focus the problems of disaster insurance, with particular reference to floods, was to attempt to establish sound criteria to govern establishment of a flood-insurance system. As is often the case when there are many and serious imponderable factors, it seemed best to attempt to do this by drafting a series of legislative provisions which could provide a working basis for continuing study. By this device it appeared feasible to establish a common line of departure for the work of the several agencies concerned.

There has been consultation with representatives of the insurance industry and the first and undoubtedly the most critical hurdle to be got over is the fact that, generally speaking, the insurance companies do not today write flood insurance. There is a strong and responsible body of opinion that floods do not represent an insurable risk at premium rates which it is possible for most persons to pay. I do not know whether representatives of the industry are prepared to testify in the course of these preliminary hearings or whether they are now prepared to take a firm position on the feasibility of any system of flood insurance, whether public or private. Nevertheless, the executive branch believes that we must accept the fact that flood insurance is not now available.

Therefore, if a system of insurance is undertaken, it seems to follow that the leadership must come from the Federal Government. If it proves feasible, it should become a private system as rapidly as circumstances permit.

Starting from these premises, it then seems to us that any public program of flood insurance must be governed by six additional criteria, as follows. May I say at this point, Senator Lehman, as I go through these six points, if you or your colleagues or, for that matter, if you wish to have the staff interrupt with questions, please do so. I do not insist on following them all the way through.

Senator LEHMAN. Thank you.

Mr. JONES. 1. The program must be experimental, that is, limited to a fixed period of years and kept flexible enough in authorization to permit experimentation, continuing study of the problems involved, and reviewed by the Congress within a reasonable period of time.

2. There must be a modest overall limit to the amount of insurance which can be issued in the experimental period. In this connection, it appears that there is no way of knowing whether, assuming premium rates are reasonable, there will be a wide demand for such insurance or whether it will meet with little popular response. Opinions on this score differ widely. Hence, a fixed limitation seems a wise precaution.

3. Since there are no actuarial data whatsoever to provide a basis for establishment of premium rates, wide administrative authority will probably be necessary to any agency charged with the insurance responsibility to set premium rates. Ideally, of course, the premium intake should be sufficient to establish reserves adequate to cover losses and to pay administrative costs. If reserves are not adequate, then it stands to reason that the most careful assessment must be made of the extent to which a subsidy element is needed to make the program feasible on a continuing basis.

4. There must be a limit on the overall amount of insurance which can be written for any individual or any firm and the insurance should be limited in coverage. From the discussions thus far held, it seems most feasible to consider coverage on real property and what, for lack of a better term, may be referred to as business inventories, including agricultural commodities and growing crops, and the property of State and local governments. The problems of insurance of all kinds of private personal property appear to present so many difficulties that for the moment at least serious consideration is not being given to the inclusion of private property.

5. As a device for holding down premium rates, the principle of coinsurance should be considered. The best device for this purpose appears to be either a flat amount or a percentage amount deductible. This is a common feature in automobile collision insurance, and it is thought to be worthy of most careful consideration.

6. In order to obtain the help of the insurance industry and the kind of judgment which only private insurance companies can develop, the system should contemplate use of the companies as agents in selling the insurance, in settling claims, and in evaluating the administrative and actuarial problems involved. Through such cooperative arrangements, it will become possible to decide whether the system can become a nonpublic enterprise, successfully handled by the private companies.

These are the tentative conclusions we have reached as to criteria which are inclusive enough to permit development of a sound and workable system. Other possible alternatives to an insurance system also are being studied. These other possibilities would include an extension of the scope of natural disaster relief as hitherto handled by the Federal Government under provisions of Public Law 875 of the 81st Congress, but with strengthened provisions for State and local financial participation.

Another possibility would be the creation of an entirely new Federal grant-in-aid program for the alleviation of personal loss in disasters. Under such a program the Federal Government might share with the States and local governments the cost of rehabilitation and restoration grants to individuals who had suffered severe property loss in disasters important enough to be considered national in their scope and impact.

The problems of constitutional limitations on this possibility in a number of States will require very careful investigation. Some States apparently cannot use general tax revenues as grants for disaster relief, that is, without constitutional revision.

At this point, if I may stop for just a moment, I would like to say that with respect to this idea it has been advanced recently by a good many people, partly I believe because they feel that the insurance companies have taken so firm a stand against the concept of insurable risk in most of the kind of disasters with which the committee is concerned that they fear the element of subsidy will be very large from the beginning and that therefore it would be well to consider immediately the possibility of a grant-in-aid program.

We feel, from the amount of work that has been done on it, that there are very serious problems not only from this point of view of the limitations of State constitutions but also from the point of view of the establishment of necessary formulas for Federal participation. Furthermore, we wonder whether under any system that the commit-

tee may wish to consider seriously there should not be some kind of a requirement that the individual assume some responsibility himself to provide some of the protection which obviously is necessary.

The final possible alternative that has been suggested in these recent weeks is a cooperative Federal-State insurance system. On this may I say that we have hardly known even how to begin to approach that. The variety of laws governing the participation of the States in such a system seem to present very considerable handicaps, but there are advocates of this point of view who believe that we might be able to get somewhere with it if we could take it up in a serious way with the governors' conference and with the insurance agencies of the several States.

That concludes this little outline, Mr. Chairman, which I was asked to make this morning. I should be glad to answer any questions if you wish to ask them or turn forthwith back to my place and let the other witnesses come forward.

Senator LEHMAN. Thank you very much, Mr. Jones. There are a few questions that I would like to ask you.

You refer to the advisability of setting this up on an experimental basis. I suppose when you say that, you want to limit the time during which the Federal Government would be committed to carry on this work?

Mr. JONES. Primarily limited in time.

Senator LEHMAN. Have you any idea or thought as to what period of time that experimental phase should cover?

Mr. JONES. Perhaps 3 years. Something of that kind.

Senator LEHMAN. Have you looked into the question as to what Government agency should administer the program if such a bill is enacted?

Mr. JONES. Yes; we have, Senator Lehman. There are several possibilities. There is, of course, first off, the possibility that the Federal Civil Defense Agency might do it since they are now concerned with the coordination of disaster relief under Public Law 875. It has been suggested, however, that Civil Defense has not had insurance experience and that, therefore, it would be better to turn to an agency which has had extensive insurance experience, particularly since housing is one of the chief things that would be covered. Therefore, the Housing and Home Finance Agency has been suggested. In the Bureau of the Budget, which has some responsibility for Government organization matters, we are inclined to favor that idea rather strongly.

Still another suggestion has been the Small Business Administration, which has done, we think, a magnificent job in the last few months in its handling of the small-business loans and the housing loans which they can make under their program in this most recent series of disasters in New England and New York, New Jersey, and Pennsylvania.

Those, I think, would be the three chief candidates.

There are some people who say that this thing is ultimately going to assume such proportions that we should from the beginning contemplate the establishment of a new Federal agency into which there could be placed not only this new program, if it is authorized, but also some of the existing programs like Federal crop insurance, for example.

I have not thought that through. Our organizational people have not thought it through. But there are many people, of course, who would say that you should not separate these things from the agencies which have the chief program responsibility and that to take crop insurance out of Agriculture would be a serious mistake. We have no fixed conclusions.

Senator LEHMAN. Have you any fixed views as yet as to whether the coverage of the program should be limited to flood losses or include all natural disasters?

Mr. JONES. No; I do not think we have, Senator Lehman. The situation, of course, has been one in which the focus of attention has been on floods. There are undoubtedly equally serious problems, all deserving of very sympathetic consideration at both ends of Pennsylvania Avenue. But there are, as you said in your opening remarks, so many uncharted paths that have been laid out that how these things may ultimately be made to interknit and whether it would be well to put them into a common system we are not sure.

Senator LEHMAN. Are you making a study of that now?

Mr. JONES. To date the attention in the executive branch has been largely given over to floods. Of course, there is some thinking going on all the time with respect to related problems.

For example, the Office of Defense Mobilization has been concerned for a rather considerable time with the whole problem of what you might call war-risk insurance or indemnification for war losses, some of which might be contemplated under your draft bill which runs to the fall-out problem of atomic radiation and things of that kind.

There are other problems in the agricultural field on how you mesh drought insurance, for example, together with the other natural disasters.

And then when you get into the field of man-made disasters, if we may consider smog, for example, a man-made disaster, and most authorities seem to, I think the problems are those of possible private insurance company coverage from the beginning. It could be of the same kind that you can now get on windstorm and hail and tornado and earthquake, things of that sort, this set of problems just has not been examined carefully enough from the executive branch point of view to make us feel sure.

We see many facets to this problem, and we do not know whether they will blend or whether they won't. If they won't blend, then we would try—at least our recommendation would be to the Congress—to keep them separate.

Senator LEHMAN. Am I right in believing that during the last war the Government did provide war-risk insurance?

Mr. JONES. Yes; the Government did. It was not a big program. I do not have the actual figures at my fingertips. Of course, we weren't invaded and we weren't bombed, and my recollection is, I think the Small Business Administrator has the actual figures, that there were less than \$2 million in claims paid and many, many times that in premiums taken in, so it was not a very big program.

Senator LEHMAN. You in your statement suggested that the coverage in the case of floods should be limited to real property and to what I believe you described as—

Mr. JONES. Business inventories.

Senator LEHMAN. Business inventories. Why do you limit it to real property in the case of private ownership? My experience has been—we had floods in New York State while I was governor—that there were tremendous losses to homeowners by reason of the flooding of their cellars or even 1 or 2 floors of their houses where their furniture and equipment were so badly damaged that it couldn't be used. I was wondering why you excluded those.

Mr. JONES. I think so far, Senator, the reason for exclusion has been lack of any conviction that we could solve the problems on any other basis.

If I may illustrate just very briefly, sir, when you get into the question of household goods, the problems of valuation and depreciation, the problems of current maintenance of inventory figures as to what is in the house on a basis which would be acceptable to anyone who was adjusting or settling claims present some very real difficulties.

Then when you move over into the field of nonbusiness inventories of the manufacturer or, for that matter, the retailer or the wholesaler, you run into something of the same kind of a problem by virtue of differing laws in differing jurisdictions as to when something becomes part of the realty and when it remains personal property.

We have not found any easy answer to the method of handling depreciation factors. Would you depreciate on a straight-line basis as some jurisdictions do for taxes, thus affecting your insurance coverage year by year, or should allowances be made in the insurance because a man's problem is the replacement cost. It has been argued that if he is wiped out he should be insured on a basis which would permit him to replace, that it isn't enough to cover him on what the remaining net worth of his property may be.

Senator LEHMAN. Of course, in fire insurance, privately administered fire insurance, they do recognize losses caused by damage from water.

Mr. JONES. Yes.

Senator LEHMAN. Wouldn't this be pretty much the same situation?

Mr. JONES. Well, if we could make an educated guess as to what our coverage will be, I would think we could factor it very quickly. But from my own experience—I happen to come from Connecticut, and we were in one of the worst hit parts of the State—people I have known all my life are very much of two minds as to whether there would be any appeal in this kind of an insurance program. These are people who lost their homes; lost their businesses.

They see many, many problems, and, of course, not the least is the fact that people don't think in terms of disaster striking—this kind of disaster. They will consider, because they have been conditioned to consider, the possibility of fire. But three of our rivers up there, the Farmington, the Mad, and the Housatonic, did things they have never done before in recorded history, and some of those streams have been gaged for a long time.

In my own town the Farmington River at one point was over 900 feet out of its banks. Now, the men who lost houses that far away from the bed of the river just don't think it will happen again.

Senator LEHMAN. Mr. Jones, I have a memorandum that there apparently is some confusion on the part of some of the members of the press here with regard to your fourth criterion. I think you may

have cleared it up already in reply to my inquiries here, but I would appreciate it if you would go into that matter again and explain just exactly what is meant by the fourth criterion.

Mr. JONES. What we had in mind is this. If I may repeat, I will just read it again:

There must be a limit on the overall amount of insurance which can be written for any individual or any firm and the insurance should be limited in coverage.

On the first point, since this, so far as we can see it, probably should be a limited period of coverage in an experimental program, we thought that perhaps \$250,000 to \$300,000 should be the maximum limit of coverage. Something in that order. In other words, to get experience on as broad a base as possible with as many people as possible, but at the same time to have some kind of a limit so that we are not running what might be called a big business insurance type of operation.

Senator BUSH. Mr. Chairman, may I offer an observation at that point?

Senator LEHMAN. Surely.

Senator BUSH. Most of the bills that I have seen, and I think the Senator's own bill, have a limitation. The Senator's bill has a limitation of \$300,000. I think that is what that first sentence attempts to do. In other words, you are not going to have unlimited insurance—there has got to be a limit. Senator Lehman's bill, I noticed, had a \$300,000 limitation. Other bills which have been introduced heretofore in previous years have all carried limitations, perhaps within that figure.

So I imagine that is what you must have had reference to.

Mr. JONES. That is correct, sir.

Senator BUSH. That the insurance is not unlimited, that there is a top limit.

Mr. JONES. That is right.

Now, on the coverage, I think perhaps I made that clear as I went along. Real property, yes, recognizing that there will be a very difficult problem of definition as to what is included in real property. And then business inventories. We would say that a farmer's crops, his potatoes which are stored against future sale, things of that sort, are very definitely business inventories or could be made so by definition.

And then that leaves pretty much the remaining problem of what you would do with the several categories of private personal property.

Someone asked us the other day, "Well, what would you do about a chicken farmer?" Well, we certainly would cover a chicken farmer, as we see it, because that is, in effect, his means of livelihood. His flock is his means of livelihood.

The furniture and equipment in a store or the furnishings of a hotel get you into other categories in which there are difficulties.

Senator LEHMAN. Well, I wish to say that Senator Bush's recollection of my bill is accurate. There is in the draft which I have submitted to the committee, which is now before us, a limitation of \$300,000 on any property and an overall limitation on the governmental responsibility or liability of \$2 billion.

Mr. Jones, did the Budget have any responsibilities in connection with handling flood relief?

Mr. JONES. Our responsibilities, Senator Lehman, were only those of a coordinating nature and to try to assure the agencies concerned that we would forthwith help them in any way that we could in contacts with the Congress, in obtaining authorizations to go ahead and do what was necessary, questions of interpretation—whether you could or couldn't use this money or that authority, things of that sort.

Senator LEHMAN. You made reference to the compensation that might be paid to farmers in connection with losses to their crops. Does that include growing crops or only the harvested crops?

Mr. JONES. Growing crops as well.

Senator LEHMAN. How would you handle that?

Mr. JONES. I don't know. We have not talked that through with the agricultural people who have had experience under the present crop-insurance program.

I think it is not generally understood and recognized that the crop-insurance program is not available in every county in the United States. But insofar as it is available, there have been varying patterns of experience which I think would have to be pretty carefully studied before we could come up with a final pattern.

Under the spur of disaster you will get an awful lot of things started, and then the necessary followthrough and carrythrough becomes partly a matter of time and partly a matter of pushing away the things that you find you cannot do and concentrating on the things that you can do. That is what we are trying to do now.

Senator LEHMAN. Just one more question. You said in your statement that you had consulted with various departments of the Government. I do not know whether that was a formal consultation or informal. Are these criteria that you have outlined here the result of those consultations?

Mr. JONES. They are, sir. They are the criteria on which there is general agreement if an insurance system seems to be the answer.

Senator LEHMAN. Senator Bush?

Senator BUSH. I have no questions, Senator.

Senator LEHMAN. Thank you very much.

Mr. JONES. Thank you, Mr. Chairman.

Senator LEHMAN. I am going to change the order of the witnesses a little bit, and I am going to call on General Sturgis to testify.

We are very glad to see you, General.

General Sturgis, of course, is the Chief of the Corps of Engineers.

**STATEMENT OF MAJ. GEN. SAMUEL D. STURGIS, JR., CHIEF OF ENGINEERS, UNITED STATES ARMY; ACCOMPANIED BY COL. HOWARD PENNEY**

General STURGIS. Mr. Chairman, Senator Bush, I only learned of this hearing on Friday afternoon, so I have made some notes over the weekend. I have no prepared statement. I do not even have copies of the notes I have made. But I hope I am able to answer your questions and at the same time give a basis for the Corps of Engineers' interest in this program.

First of all, sir, I would like to say that since 1937 I personally have been familiar with and participated in flood-control programs all over the United States. I was in the Ohio River Basin in 1937 as a cap-

tain in that great disaster, and, therefore, I feel reasonably familiar with the subject of flood control.

However, as to flood insurance, in the first place, sir, I have not had an opportunity to examine or review the proposed legislation, and, in the second place, as has been brought out by Mr. Jones previously, flood insurance commercially has been practically nonexistent so that I haven't had very much contact with it in our business.

However, since the determination of flood-control structures in any valley to reduce or ameliorate floods involves the number of such structures, their location and their size and characteristics, and also since that work depends upon many things of an engineering nature, such as meteorology—of course we work with the Weather Bureau—rainfall and runoff data, and many allied characteristics of topography, climate, soil, and vegetation—

Senator LEHMAN. May I ask, Can you hear the general?

Thank you very much. I wasn't sure that people in the back of the room could hear you, General.

General STURGIS. Yes, sir. I am, therefore, aware from long experience of the very great complexity of our problem. As I shall indicate later, it is evident to me, since flood insurance must reckon on not only all these complex factors in the question of the production of floods and their characteristics but also on many other variegated and numerous factors, it is going to be a very difficult and complex problem.

In that connection, of course, I am sure a great deal of information will be expected from the Corps of Engineers, and we shall be prepared to give it because we have voluminous information on floods since we were put in the flood-control business by Congress by the Flood Control Act of 1936.

Actually, our first major experience in floods began in 1927 with the great flood on the lower Mississippi of that year. The lives lost then were about 200, and some 600,000 families were rendered homeless. The property damage in the dollar of that day was \$250 million, and in today's dollar it would therefore represent something nearly 3 times as much or about \$750 million.

That was direct damage and it does not include the indirect losses which would be about a billion dollars more.

The current estimated cost of the project for the alluvial valley of the Mississippi River is about \$1.3 billion. It is now about 68 percent, or roughly two-thirds, complete. It has carried very serious floods both in 1937 and in 1950 without damage. In other words, it has fully performed its mission.

Turning to some of the other floods, in the upper Ohio River flood, in 1936 direct damage of \$200 million was caused, and in 1937, about \$408 million.

In New England, the 1936 flood caused damages of \$113 million, and in 1938, \$70 million. We have no estimate for 1955 as yet. Shortly after the occurrence of the flood, some very "horseback" estimates totaling about \$1.6 billion that had been received locally were used. We stated that they were not our estimates but the best we could collect from State and local agencies. However, they did not include indirect losses.

Furthermore, as I said—

Senator LEHMAN. That is for 1955?

General STURGIS. The 1955 flood, yes, sir. The August 1955 flood. However, that figure of \$1.6 billion is subject to revision after actual engineering study and investigation because following our normal practice after any major disaster flood, we put engineers into the field to assess the direct and indirect damage, and it will be several months yet before we have that figure.

Senator LEHMAN. May I interrupt you? Do I understand that figure that you have given of \$1.6 billion of damage, direct damage, was confined to the damage that occurred in the Northeastern States? Or does that include disasters, flood disasters, in other parts of the country?

General STURGIS. If I understand your question, you have asked whether that was the August flood in the Northeastern States alone?

Senator LEHMAN. Yes.

General STURGIS. The answer is yes. However, I'd like to reiterate and emphasize that that is not the Corps of Engineers' official figure. We won't have such an official figure for several months yet because we actually are going out into the field in our normal way after every disaster flood with organized engineer field parties who assess the damage.

Senator LEHMAN. The reason I ask that question is because the figures that you have given representing the tentative investigation by the Corps of Engineers of \$1.6 billion are so greatly at variance with figures that were given out I think by the Department of Commerce and which were carried in some of the papers this morning showing, as I recall it, about \$500 million for the entire northeastern area. That, of course, is a tremendous variation in the two figures.

General STURGIS. Well, I would say, sir, that the \$1.6 billion is not even a tentative figure by the Corps of Engineers. We stated in the press and publicly that based on our contract with governors and local people, we were putting their figures together, which mounted up to \$1.6 billion. Now, on the estimate that I saw in the paper this morning from the Department of Commerce, I am not prepared to answer how they got that figure. I do not know whether it includes indirect damage, which is very great. You remember, a few minutes ago, sir, I indicated that the lower Mississippi indirect damage in dollars today would be about \$1 billion, against a direct damage of \$750 million. So I am not able to verify that figure either. All I wish to say, sir, in that connection, is the Corps of Engineers will not have an official figure or even a tentatively official figure for several months. It is a very large problem. We have literally scores of engineers in the field investigating damages as we normally do in connection with the occurrence of any flood, because we have to know what damage is direct and indirect, but not secondary damages, in order that we can evaluate the economic merit of remedial structures.

Senator LEHMAN. Have you any figures as to the average loss over the period of say 15 or 20 years that has come from flood damage?

General STURGIS. You mean for the Nation, the total? I do not have that with me, Senator. But if I may, I might give you some figures. As I said, on the lower Mississippi, in 1927, the damage would be about \$750 million, actual physical damage, and about \$1 billion in indirect damage. In the Ohio flood of 1936, the direct damage was \$200 million. In the Ohio disaster of 1937 it was \$408 million. In the

1951 Missouri flood, the direct damage was \$523 million, and in 1952, \$121 million. The Columbia River 1948 flood had a direct cost of \$110 million.

Now, in addition, of course, to the direct damage which I have given, there is very material indirect damage, and I am not counting secondary damages. For example, if a given factory is destroyed and put out of business, I do not count the resulting loss of trade to groceries or pharmacies and so forth that are not damaged. Those secondary damages are not included, but only direct damages, and what we call indirect. For instance, take that magnesium factory in Putnam in the recent flood. Of course, they go out of production for a long period of time, and until that production is restored or absorbed elsewhere throughout the country, there is very definite indirect loss to the economy.

Now, sir, before this New England flood occurred, the potential flood damage in the United States, assuming that we never had built any flood-control structures, was \$910 million average per year. While that does not give you the total you requested, Mr. Chairman, it gives you some idea of the average annual losses through floods without any protection.

Now, with the protection from the structures that have been built in the flood-control program since 1936, and including the Mississippi project from 1927, we have reduced that figure from \$910 million a year to \$420 million a year. In other words, we have saved annually \$490 million of damage.

Senator LEHMAN. That figure of \$420 million, as I understand it, does not include indirect damage. That is only the real damage.

General STURGIS. These figures I am giving you include indirect and direct damage, which is the real damage, but not secondary damage.

Senator LEHMAN. May I ask you this, General. Is it true that the Corps of Engineers, when they plan flood-control works, act merely to contain the flood based on past recorded heights, or do they do more than that?

General STURGIS. Well, it is a very complex problem, Senator. Of course, we take the past historical record. But what we call the design flood is not necessarily the highest flood of record, because a study of other watershed close by might indicate greater storms than those of record might occur. So we take all those factors into consideration. And of course, sir, in determining the design flood, we work extremely closely with the Weather Bureau. The design storm we finally set up is as a result of probabilities and actual data that have been worked up between us and the Weather Bureau.

Senator LEHMAN. If you had been authorized to undertake flood-control work on the rivers in the northeastern district that were involved in this disastrous flood, would you, in your opinion, have contained the particular floods that came in August?

General STURGIS. I am prepared, if I may, sir, in just a few minutes, to cover that particular subject.

Senator LEHMAN. Very well.

General STURGIS. I mentioned that we have projects in operation that will prevent \$420 million average annual damage nationwide out of the potential \$910 annual average damage. In addition, we have under construction, or authorized for construction but with no money

appropriated yet, projects which will prevent another \$220 million. So that actually leaves a residual damage, out of the \$910 million, of some \$200 million. In other words, if construction were completed of dams, levees, and other structures that we now have under way, and if all the remaining projects were constructed which Congress has authorized, we would then have left, out of the \$910 million, only \$200 million of damage for projects not yet authorized.

That amount of \$200 million will be decreased, no doubt, in future years, by authorizations and appropriations by Congress. As I will come back to later, we have a study underway in connection with the Diane flood to see what additional works would be necessary to control that flood.

Senator BUSH. May I ask this question, General. These figures pertain to New England?

General STURGIS. The figures that I have just read, sir?

Senator BUSH. Yes.

General STURGIS. No, sir, those are nationwide, Senator Bush. These are annual averages, however, and not the actual total floods occurring: for example, if we take all the floods that occur over a period of years for which we have the records, and then divide by those years, we get certain average annual damages. So the average annual damage, as I said, without any works for flood-control built under authority of Congress by the Corps of Engineers would be about \$910 million, and we got it down to the point now where we have reduced the damage by \$490 million which represents damages prevented by existing works, as, for example, the Mansfield Hollow Dam in Connecticut, sir, and others.

Senator DOUGLAS. General, I would like to ask this question. As I remember it, about 1937 a comprehensive flood-control plan was proposed for New England, including multiple-purpose projects. It is my understanding that not a great deal of money was appropriated for that, but were those projects authorized by Congress? Did they get through the authorization stage, or did they stop short of the authorization stage?

General STURGIS. That is correct, Senator. The New England project devised after the 1936 and 1938 plan had an estimated cost of \$331 million, against which only \$72 million had been appropriated at the time of the Diane flood.

Senator DOUGLAS. Had the rest been authorized?

General STURGIS. Yes, the rest has been authorized, and as a matter of fact, it is ready for appropriation today, to a large extent.

Senator DOUGLAS. Those were multiple-purpose projects?

General STURGIS. No, sir; essentially flood control.

Senator DOUGLAS. Were those low dams or high dams?

General STURGIS. They were, relative to the area, large dams.

Senator DOUGLAS. Was it intended to generate power from these dams?

General STURGIS. No, sir, there was no power to be generated at the dams. They were all economically justified at that time. And only \$72 million has been invested. And that was not only in dams, sir, but also in levees, and floodwalls, which I will speak about in a minute.

Senator LEHMAN. General, when was the last plan drawn by the Corps of Engineers to control the flood waters or possible flood waters in New England—the whole Northeastern territory?

General STURGIS. May I refer to Colonel Penney here to get that exact year. I think it has been amended by the act of 1941, but I think it was originally included in the 1938 act. I would like to furnish that information for the record, if I may.

Senator LEHMAN. Yes, we would be glad to have you do that. (The information requested follows:)

The flood control plan for the Connecticut River Basin, which is the major comprehensive plan in the New England area, was authorized by the Flood Control Act of 1936 and amended and modified by the Flood Control Acts of 1937, 1938, 1940, 1941, 1943, 1944, and 1954. Other flood-control plans and individual projects in the Northeastern United States were generally authorized and modified in this same period. Examples are the Merrimack and Thames River Basins.

Senator LEHMAN. But the floods that hit the Northeastern States in August were of a severity that had never been known in the records.

General STURGIS. Yes, sir, that is true. Also, their location was quite different. In other words, as I will be prepared to show here in a minute—I have some maps to illustrate this—the total rainfall was not too far different. For example, in the 1938 flood the centers of intense rainfall of 16 inches occurring during that flood compare to about 18 or 19 inches in Diane. Similarly, the 1936 flood had something in the neighborhood of 13 inches in the intense centers of rainfall. So it is not a question of the precipitation that actually fell there. There is not a great deal of difference. However, in the Diane flood, as is shown in a chart I have, Mr. Chairman, the rain fell in a much shorter period of time. In the Diane floods the rain fell in about 36 to 48 hours, whereas in the other floods it took about 3½ days for the rain to fall.

Senator LEHMAN. But the rain came and did a tremendous amount of damage. What I am getting at is to find out whether there is any reason to believe that, even if your plans for flood control had been adopted and made feasible through appropriations, the building of those flood-control works would have saved that portion of New England and the northeastern district from the disastrous damage that came completely unexpectedly, because of the heavy rains and other conditions.

General STURGIS. If all the works had been constructed, they would not have saved all the damage. But the reason for that, to a large extent, is the fact that this Diane storm was situated differently in New England than all the previous storms of historical record. And our original flood was designed against a flood of historical record in 1936 and 1928.

Senator LEHMAN. May I make it very clear that what I have said is in no way criticism of the Corps of Engineers, for whom I have the highest regard. I am simply pointing out that these people up in New England had no means of protecting themselves, and even if the flood-control works had been built, they still would have been subjected to these great losses.

General STURGIS. I can illustrate that situation by a map here in just a moment, Mr. Chairman. I would say also, that in connection with the Diane flood, we would study the hydrology to see what additional structures would be necessary. We have a resolution now by the Public Works Committee of the Senate which requires us to investigate what additional structures would be economically justified.

The basic Flood Control Act of 1936 requires that we recommend only structures where the benefits to whomsoever they may accrue are greater than the costs. So we would do the same thing for the Diane flood to see what additional structures are economically justified. Also, I would like to say that the structures that were actually built under the 1938 act individually performed very well. And I will read you some of those statistics, if I may, sir, in just a moment.

Senator LEHMAN. But is it not a fact, General, that you cannot guarantee any specific area or group of areas against loss through the construction of flood-control works? I am all in favor of flood control. But what I am getting at is that it does not seem to me to be possible, without some form of insurance, to guarantee people from the losses that they are compelled to suffer because of unexpected disaster.

General STURGIS. No, sir. The limiting factor there is the fact that Congress has said they must be economically justified. So that is as far as we go. Now, there certainly will be cases where smaller storms can strike, where it would not be a good investment to protect against every flood that could occur. We cannot recommend construction of such projects under the criteria in the flood-control program. But we go up to the point where the works are justified, based on the data that we have collected over the years, and then we recommend the construction.

Senator LEHMAN. Thank you very much.

Senator BUSH. General, is it not true, in your judgment, that flood-protective works, such as the Mansfield Dam, the projected dam at Thomaston, and others, would have greatly reduced the cost of flood insurance, because they would greatly reduce the damage that might occur from floods.

General STURGIS. I certainly affirm that statement, sir. The answer is "Yes," in my opinion. In fact, I think that flood insurance should dovetail with flood-control structures. In other words, we should build to the maximum economic limit that we can, but what perhaps is not economical to build could and very likely should be covered by flood insurance.

Senator BUSH. Can you tell us at this time what percentage of the New England flood-control system has been completed.

General STURGIS. Well, I would say, sir, more or less directly in proportion to the money which has been appropriated against the plan, which would be \$72 million against \$331 million, which I think would be something like 22 percent.

Senator BUSH. Can you comment on any progress that the engineers have made under Public Law 71 to date—that is, the hurricane-study law which was passed by this session of the Congress.

General STURGIS. Well, that legislation applied to floods that were due to the waves offshore caused by hurricanes and increased heights of tidal waters from the pressure of the wind—in other words, flooding that has occurred primarily through the velocity of the wind, and not due to the rainfall.

As you know, sir, Diane had not very much wind connected with it. But when it got up against the mountains of Pennsylvania and the Berkshires, it really resulted in intense rainfall.

Senator BUSH. Well, my impression was that the language of that bill was thought by the engineers to be broad enough to widen the

study to include the flooded inland areas because of the fact that the winds were hurricane-made winds. They were certainly definitely connected with Hurricane Diane. And therefore, it was my impression that the engineers felt that their authority under that law would extend inland, so to speak.

General STURGIS. Well, some of us interpreted the law that way, sir. But whenever we are in doubt as to the intent of Congress, we generally bring it to the attention of Congress. And possibly as a result of that, we do feel we have authority now, sir, to undertake the study you are speaking about of the rainfall effect from Diane, because we received a resolution from the Public Works Committee, which I referred to a few minutes ago, which specifically directs us to make that study.

Senator BUSH. That is right. Just one more question. Could you estimate at the present time or inform the committee how much money you think the engineers could use in fiscal 1957 in connection with the comprehensive flood-control system in New England.

General STURGIS. Senator, we have such a figure, but under the general guidance and rules of the budget, we are not authorized to state that at this time, sir.

Senator BUSH. Very well.

General STURGIS. Going into the general flood picture, before coming specifically to New England, I had just completed saying that the \$910 million was the average annual flood loss in the United States. We have reduced that by \$490 million, leaving a balance of \$420 million, of which \$220 million is either under construction or is authorized, leaving \$200 million not covered.

Now, our active flood-control program that is either completed or is now in construction or authorized, is \$9.2 billion, of which the Congress has appropriated to date \$4.1 billion, leaving \$5.1 billion. However, as to that \$5.1 billion, it includes the cost of our multipurpose structures which are partly flood control. Therefore, if you reduce the figure, considering only the flood control of the dams that are multipurpose, the remaining part of our program would only be \$3.8 billion for flood control alone. So that \$3.8 billion is the actual remaining, as against \$4.1 billion already appropriated.

Now, at the rate of the present appropriation for 1956, which is \$235 million for flood control, including multipurpose structures containing flood control, it would take about 22 years to complete the remaining projects in our flood-control program. However, I do not consider that too excessive in time. We have already been at the job about 20 years, since 1936. Probably it should be accelerated after looking at the growth of our economy, the population, industry and so on, if it is possible. But of course there are all kinds of demands on the Treasury at this time. So I do not feel that I am qualified to make a recommendation, since I do not have the overall picture, of whether that 22 years should be reduced any. I think that is a matter that is purely up to the Congress, which does have the broad picture of cost requirements for the Nation.

Senator LEHMAN. May I make one observation. I do not know whether the time element could or should be reduced. But 22 years or even 15 years is a terribly long time for some poor devil to wait when his house has been washed away, and all he has got left is a mortgage. That is what is happening in a great many of the areas in the North-

eastern States, and, I have no doubt, in other parts of the country on previous occasions.

General STURGIS. Well, Senator, from my observation, and from the fact that as Chief of Engineers I have the flood-control mission which I am supposed to carry out, I personally would agree, sir. But I am only stating that I am not necessarily competent to study all the problems of the Nation.

Senator BUSH. I might observe, too, Mr. Chairman, that I do not think the people of Connecticut, particularly in the Naugatuck Valley, are in a mood to wait 22 years for the correction of this situation. I certainly want to make it known right here that I think that the Members of Congress from New England are going to do everything they possibly can to put the engineers in a position to complete the New England part of that flood-control system as rapidly as the money can be used for that purpose.

General STURGIS. The annual costs of the flood-control program as of now, with all projects amortized over an average life of 50 years, is about \$140 million, compared to the damages that they have prevented annually of \$490 million, which gives, therefore, a pretty good look at the value of the flood-control program, in that for every \$1 invested annually, damages of \$3 have been prevented. So it has been a very sound program to date. In other words, for every dollar invested, the Nation has received \$3 return.

We still have a backlog that I mentioned a few minutes ago of \$3.8 billion for flood control. But actually considering all the structures that must be constructed of a multipurpose nature in which flood control is included, our backlog of structures to complete our flood-construction program would be \$5.1 billion. Now, this is a figure that is growing by leaps and bounds with each authorization of the Congress. It has been increasing, I would say, almost exponentially in the last two decades.

Of course, with increasing authorizations each year from all parts of the country, our backlog is increasing very rapidly.

Now, I would like to specifically answer graphically some of the questions that the committee has asked, and so I would like to point out first the floods as they occurred in New England. And with your permission, Mr. Chairman, I have an easel here which I would like to use to put up certain charts, and I will ask Colonel Penney, who is with me and head of the Flood Control Section in my office, to brief you on these charts.

Colonel PENNY. We have plotted on these charts (see chart 3) for the flood of August 1955, lines which indicated the lines of equal rainfall, and also that of 1938 and 1936, the previous storms of record.

In the center of this storm of August 1955 there was about 19 inches of rainfall which did not exceed by a great deal the maximum amount of storms of record. There was 16 inches here in 1938 and 13 inches in 1936. However, this 1955 rain occurred in 2 days, as compared to its 4-day durations of these earlier rains. Also, as General Sturgis mentioned, the 1955 storm was distributed along lower New England, east and west, and also in the other Northeastern States, whereas the 1936 and 1938 storms were distributed north and south. That contributed to a very intense runoff in southern New England from the 1955 storm.

There were other factors. This storm, the Diane storm, followed by only a few days the Connie rains, which came along and completely saturated the soil and filled all the little natural lakes and the millponds in New England, so that when these rains hit with such a great intensity in a relatively few hours, it caused the minor streams to have record floods and small brooks were torrential in their flow. It caused the failure of some 150 or more small local dams, with the result that the flow in the major unprotected tributaries was a very violent flow of high velocity, and the result was that the water destroyed the buildings it hit, rather than simply wetting them, as is normally the damage experience in a flood.

Senator DOUGLAS. Colonel, you said that 150 dams in New England failed. What do you mean by that? Were the dams swept away or did water come over the spillway in large volume?

Colonel PENNEY. Both, sir. There were several methods of failing. In some the abutments would wash out. In some the water went over the top and eroded part of the dam. In general, they lost their capacity and contributed to the rush of water downstream.

General STURGIS. May I interrupt to say that none of those dams, Senator, are Federal dams in the program. They were local dams.

Colonel PENNEY. The rainfall for the storm of October is shown by dotted lines here (chart 4) and the solid lines are the August flood—the same one shown on chart 3. You can see in October the storm was generally located the same, although it was not as intense as the August flood. However, there was a center here on the Westfield River of 12 inches, and the result was that severe damage occurred again on the Westfield River, and again on this very critically hit Naugatuck River in the Housatonic Basin. Thomaston Reservoir, which is an authorized reservoir, toward the upper end of the Naugatuck Basin would have prevented a very great amount of damage on the Naugatuck in the second storm. In the first storm it would also have prevented damage.

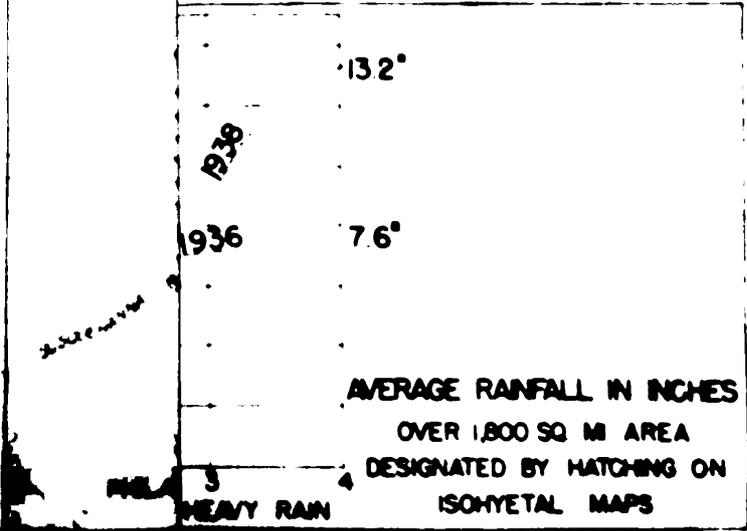
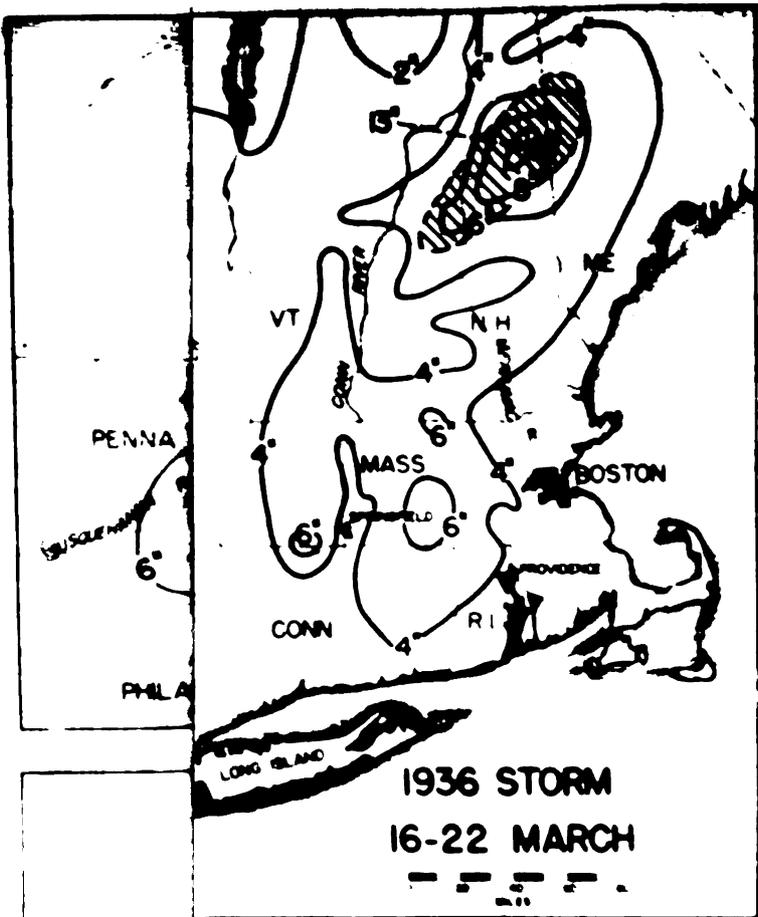
Senator BUSH. Mr. Chairman, might I move that those charts be incorporated in the record of these hearings?

Senator LEHMAN. With no objection, it is so ordered.

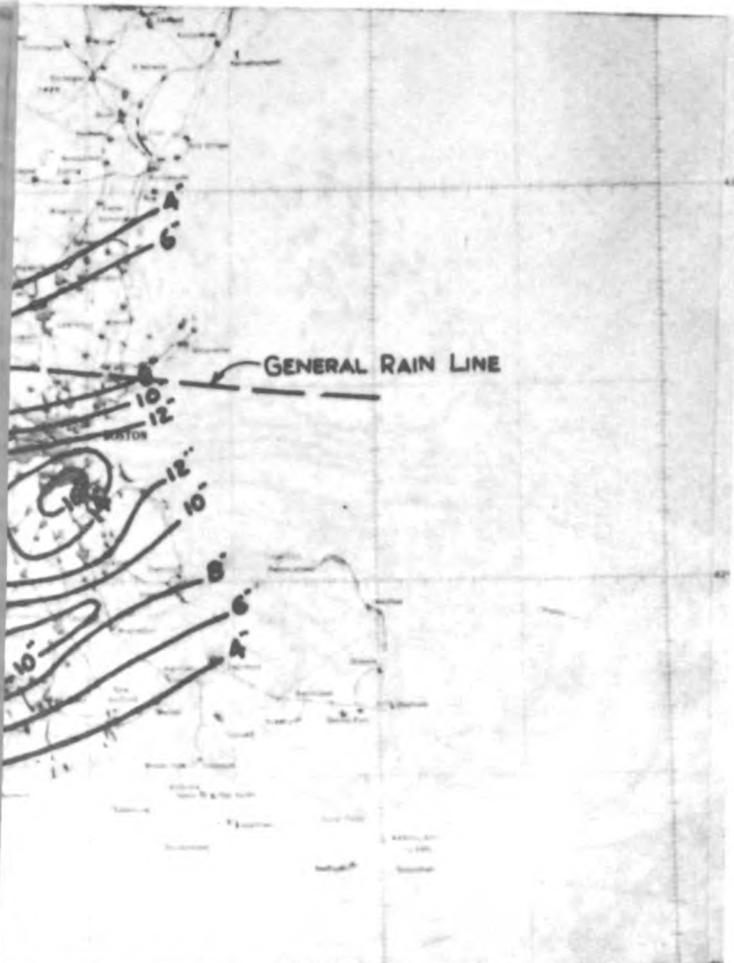
(The charts referred to will be found opposite.)

General STURGIS. As shown by Colonel Penny, you can see that the 1955 August and October storms both were in the lower part of the Connecticut Valley. Therefore flood-control works that were in Vermont on the tributaries of the Connecticut River were not hit at all. Now, along the Connecticut River itself we had built, with the \$72 million that had been appropriated, levees at Hartford, at East Hartford, at Holyoke and Springfield. And I think it is interesting to note that the cost of those levees that I have mentioned was \$19 million, whereas the damages prevented were \$33 million from this one flood alone. And these levees still had a very large freeboard of about 15 feet. The water actually was only about 8 or 10 feet up on these levees. That freeboard, of course, resulted from the fact that the storm did not go into the upper part of the Connecticut Valley, which therefore did not contribute large flood flows.

As for those particular projects located within the area of the storm itself—Colonel, would you please indicate, first Knightsville? The Knightsville Dam cost \$3.2 million to build, and in this one storm alone had benefits of \$11.5 million. The Mansfield Hollow Dam cost







MAJOR DISASTER AREAS DECLARED BY THE PRESIDENT  
 PROVIDENCE COUNTY, RHODE ISLAND  
 and  
 FLOODED AREAS OF THE FOLLOWING  
 EASTERN PENNSYLVANIA  
 COMMONWEALTH OF MASSACHUSETTS  
 STATE OF CONNECTICUT  
 STATE OF NEW JERSEY  
 SOUTHEASTERN NEW YORK

**MAJOR FLOOD DISASTER AREAS** -- INDICATED THIS  **STORM OF 18-19 AUGUST 1955**



\$6.6 million, and prevented damage in this one flood alone of \$3 million. However, of course, those dams are still good for at least 50 years, which is the economic life we give them, and their actual life is many times more than that. So some of them have paid for themselves or more right in one flood alone.

Senator BUSH. Mr. Chairman, may I make this observation in general? The people south of the Mansfield Hollow Dam, in that area, are amazed at that \$3 million estimate. Can you tell us how you made that estimate? I think that the damage which that dam saved in just those few days is very much larger than \$3 million.

General STURGIS. Well, that may be so, sir. That is a conservative figure. I said a few minutes ago, Senator Bush, we would not have our actual figures for several months yet, and I feel \$3 million is a conservative figure.

Senator BUSH. I would say it is a very conservative figure, because below that dam you have the whole town of Norwich, with all those big areas there saved from enormous damage. I just cannot believe that figure. I hope you will give us your estimate of that damage again at some time—before the Public Works Committee, perhaps. But I just cannot accept that figure from what I have seen up there.

General STURGIS. Well, Senator, I can have a special investigation made in the next week and get you a better figure than the \$3 million.

Senator BUSH. I really think we ought to have that, General.

(The information referred to follows:)

A reestimate of the damage prevented by Mansfield Hollow Dam, made by the New England division but still based on preliminary figures and subject to further revision, does not, however, make it appear that a figure greater than a maximum of \$3,500,000 can be supported at this time.

Senator LEHMAN. Well, general, the question that Senator Bush has raised about that particular dam is a very interesting one. But I wonder how long it would take for the Corps of Engineers really to have authoritative and definitive estimates of the actual damage that was suffered by the people in the Northeastern States. I want to point out again that you did have an estimate, partially made by the Corps of Engineers, based on things that have come to them from other sources, of damage amounting to \$1.6 billion. As against that, we see a statement in the New York Times this morning which I think was issued by the Department of Commerce, showing a little under \$500 million. That is only one-third of the original estimate of the Corps of Engineers. I think we have got to close that gap if we are going to make any intelligent survey of this thing, and close it just as rapidly as possible, so that we know whether it is \$458 million or \$1.6 billion. That is a pretty important thing, it seems to me, for this committee to know.

General STURGIS. Well, Senator, I can assure you we are working as fast on this particular flood damage estimate as we ever have. But I could not give you a reliable estimate for the next 2 or 3 months, I do not believe. We have gotten and trained new people. We have swelled our forces all we can. And I think you cannot decrease that time limit very much.

Senator LEHMAN. Is there any agency of the Government that has the prime responsibility for gathering these figures?

General STURGIS. Well, sir, we have the mission of flood control, and under the provision of the 1936 act, we must compute the damages

and the benefits to whom they accrue; so we do have the responsibility, and have always carried it out, so far.

Senator LEHMAN. But the Department of Commerce gave out these figures today. I do not know whether they are accurate or not, but I would like to know on what they were based. Did the Corps of Engineers give the Department of Commerce any figures as to flood losses, or how were these estimates connected?

General STURGIS. We were interested ourselves this morning. We just had time, after reading the paper and before coming over here, to contact them. Colonel Penney tells me they have collected that information from local sources, somewhat in the same way, I presume, as we have collected it—that is, from various local agencies. But it is not an actual survey, where you put people into the field and appraise the damage. However, I do not feel that I am qualified to answer for the Department of Commerce. I was interested only in trying to get some information this morning on where those figures came from. But I would like to reiterate, Mr. Chairman, that the figure of \$1.6 billion is not the official figure of the Corps of Engineers and never has been.

Senator LEHMAN. Well, it is certainly distressing when this committee cannot learn with some degree of accuracy what the actual losses were. That is a terrific discrepancy, between the figures given out by the Department of Commerce and the figures that were given out by you. I suppose your figures are based on figures you got from local sources, too.

General STURGIS. The figures we got were from contacting local governments and others, to find out what their estimates were. But our system, Mr. Chairman, is based on detailed engineering and economic surveys, and indirect losses particularly are not easy to figure. You have to get a tremendous amount of information, look at cost records, production records, and everything else connected with it. And that is what makes it, as I said, sir, a very complex problem. From our point of view, this would also be a factor in increasing the complexity of any insurance program.

Senator DOUGLAS. Mr. Chairman, to make the confusion greater, may I say that in the study materials which the staff has assembled, on galley sheet 24 there is a table apparently prepared by the Weather Bureau, which is, I believe, located in the Department of Commerce, and they give a figure on property damage from floods for 1955—that is, the year as a whole, and I suppose the country as a whole—of \$1.31 billion.

General STURGIS. Well, I do not think, sir, considering the importance of the figure, as the chairman has indicated, that I should in any way advise the committee that it is a simple problem, and that if we just work a little harder for the next week or two we can get the answer. In terms of our long experience, sir, I think we put as much or more effort into trying to get this information in the New England flood than in any flood that I know of, because of the tremendous amount of actual damage. But at the same time, I do not think I could give you an accurate figure, including both direct and indirect damage, which is necessary, for a couple of months yet. We have hundreds of people in the field, Mr. Chairman.

As to Public Law 71, I have indicated already that that study, which really covers the effect of the damage along the coast and tidal

areas due to wind velocity and high tide and so on, is well under way. And we have a resolution for looking into the Diane flood, where the damage was not wind or tide, but primarily rainfall. We are working and intend to continue to work very closely with the Weather Bureau in that connection.

I might say in conclusion, in connection with flood insurance versus flood-control structures, that I do not think there should be a "versus" in there; that actually there should be a dovetailing. Investigation of the application of flood insurance to the field of floods is certainly warranted, in my opinion. The Corps of Engineers has not and is not by its nature prepared to make any such investigation, but from our intimate and comprehensive experience, and the data we have collected over the last 20 years in the flood-control field. I believe the following conclusions are warranted: That in the field of floods, insurance generally is negative in nature, while a flood-control system, such as that constructed, for example, in the lower Mississippi, is positive; that is, a flood-control system in any valley prevents or greatly ameliorates floods of all proportions. For example, it prevents or greatly reduces the loss of life and allied misery and wretchedness. Flood control prevents or greatly reduces indirect losses, as well as physical damage to real estate and to structures. It keeps various regions of the Nation which are subject to disaster floods on the same economic opportunity level as other regions not so threatened.

Now, I think that is a very important point, for the reason that today one of the things I find in going about New England is the question before various business enterprises as to their future. I think that that is an important problem. I think that the dovetailing of the flood-control program with insurance is a very worthy objective. I think it is going to take a lot of study, because, as I said before, I think the insurance not only includes all the complex problems that we have in the field of flood control, but many more.

Then there is another advantage in flood control, in going as far as you can with it, and that is in the multipurpose parallel advantage. In other words, by including, say, water supply or navigation or other functions with flood control, you naturally can build a cheaper structure as far as allocation of cost to the several purposes of the structure, including flood control, is concerned.

So all in all, sir, without having an opportunity to examine the bill or to study it, I believe there is a definite future for flood insurance, but I believe that it should dovetail with the continuing flood-control program. For example, if we ever get to the point where we see completed the big program of preventing the \$910 million worth of damage, or even \$750 million worth of annual damage, then the opportunity for insurance lies in covering those damages we cannot economically protect against. And to that extent, I think it dovetails extremely well.

That completes my statement, sir. I am sorry I did not have a formal statement prepared, but I just received word of this and was working on it over the weekend.

Senator LEHMAN. Thank you very much for your very interesting statement. I do not think it is in the mind of anyone in the committee to discontinue flood control. But I think that it can be done coincidentally with flood insurance activities of some kind.

Senator BUSH. Mr. Chairman, I would not want the general to leave without making this comment. The performance of the engineers in this flood, and in the second one, too, in our area was simply magnificent. They came in immediately. How they did all they did I cannot possibly understand. But they really earned the gratitude of every person in our State. I think their performance was simply magnificent. And I want to pay special tribute, general, not only to yourself, but also to Brig. Gen. Robert Fleming, the New England chief under your direction. He has become, we think, one of Connecticut's very best friends.

General STURGIS. Thank you very much, Senator Bush. I greatly appreciate that. And may I say, sir, for the officers and civilian members of the Corps of Engineers who participated in the rehabilitation under Public Law 875 that our work was rendered very much easier, not only by the leadership that Members of the Congress and the governors exercised, but also by the cooperation of the mayors and the people themselves. I think, in talking to a number of young officers whom I had in charge of the subareas, who were withdrawn the other day to go back to the school at Fort Belvoir, that they will have a lasting wonderful impression of the people of New England and Pennsylvania and New York.

Senator LEHMAN. Thank you very much, indeed. Senator Douglas.

Senator DOUGLAS. I do not want to detain the general unduly on the stand, but I would like to ask a few questions, if I may. Your estimate of the \$910 million annual cost—over how many years did you distribute that estimate? That is, how long was your cycle? Have you taken a 50-year cycle of rainfall or a 100-year cycle or a 25-year cycle? What is your experience? What experience factor did you use?

General STURGIS. I would like to get that information, sir. I am not able to supply it myself. But I believe it would be largely over the period of time since the Flood Control Act of 1936 was passed, and including a longer period for the Mississippi Valley. You could not say it was a 75- or 100-year record, but we have considered all known floods of historical record, which in some cases go back that far or further. However, I would like to supply that information.

(The information requested follows:)

**NUMBER OF YEARS ON WHICH ESTIMATES OF COSTS AND BENEFITS OF FLOOD-CONTROL PROGRAM IS BASED**

The average annual cost of the flood-control program is computed by taking the entire capital investment for flood control and computing the annual sums required for interest, amortization, maintenance, and operation. In computing amortization, a period of 50 years is used for the project life. The average annual charge, therefore, is a fixed amount which applies every year for the project life. At the end of the project life, the original investment has been amortized and annual charges from that time on would be made up of maintenance and operation, and whatever allowance is needed for repair or replacement, which would normally be less than the amount used for amortization during the project life. This procedure is used as a conservative measure in the economic analysis. With respect to the average annual benefits, the estimate is made by considering damages that would result from floods of different magnitudes, and the probable frequency of these floods occurring. The combination of these two relationships produces a probable average annual damage which is not related to any particular time period but which will apply for an indefinite time assuming that price levels, extent of development in the flooded area, and other factors remain unchanged. In estimating future flood damages, use is made of the experience with floods and damages which have occurred dur-

ing the period of record. The period of time for which most reliable information is available extends back to 1927 for the lower Mississippi River and back to 1936 for the general flood-control program in other areas. All data on all past floods are used, however, including newspaper accounts and other reports, where available.

**Senator DOUGLAS.** In your estimates of losses in previous years, are those based on the current price levels of those years, or the price levels of the present year?

**General STURGIS.** They are generally brought up annually to the price levels of the present years.

**Senator DOUGLAS.** So those are 1955 prices.

**General STURGIS.** Actually, we have not finished the study for 1955, and Colonel Penney tells me it is 1954. We normally bring them up every year, Senator, because we examine the economic justification in accordance with the wishes of Congress every year of every structure proposed and not yet under construction.

**Senator DOUGLAS.** Senator Bush and Senator Lehman can correct me on this point, but have you not got a problem in New England, particularly in the southern part of New England, which is a little different from the rest of the country, in that the early towns were laid out along the river banks, using waterpower? As a result, you have a real problem, if you put up dams, of flooding the locations of some of these towns, and there would be a necessity for relocation of factories and dwellings and so forth. That is my boyhood memory, Senator Bush. I may be off base on that. But I would like to raise the question.

**General STURGIS.** I would say the answer to that, of course, sir, is "Yes." I won't say it is different from every other part of the country, because I think there are other parts where that is true.

**Senator DOUGLAS.** But it is the oldest settled part of the country, and these towns, as I recall it, developed when the prime sources of power were the water wheel and so forth, and therefore were built close to the river's edge.

**General STURGIS.** Yes, sir; however, it has been my experience that the people of New England in many cases are well aware of that problem, and I know of at least one city—there probably are more—the town of Winsted, Conn., which I believe is now going in for zoning right along the banks of the river. As I understand, also, the Governor of Connecticut had on his staff shortly after the Diane flood occurred an expert in city planning, which was of some assistance to the people in planning their future. However, I do not think I am qualified to answer for the entire New England area.

**Senator BUSH.** Mr. Chairman, the Senator is absolutely right in his recollection as to the situation up there. But I would observe this. Take a place like the Naugatuck Valley. It is really a valley, and it slopes up on both sides from the towns of Waterbury, Naugatuck, Ansonia, these towns that have been badly stricken. You have quite a large plain in the valley. The business of relocation and all that is not quite as simple as one might think, because in the first place you have to have transportation, you have to have a railroad. Sixty percent of the raw materials to be used up the valley by the rubber and the copper mills, the brass mills, comes up on the railroad. The railroad cannot go up and down those hills. I mean it has got to be down close to the plain. So the fact is that a relocation of any substantial part of the Naugatuck Valley industry would be almost impossible.

That is what makes it so absolutely essential that we get that Thomaston Dam up above Waterbury. Most experts that have been up there feel if that had been done, that we would not have had substantial damage below the Thomaston Dam, in Thomaston, in Waterbury and down in the Naugatuck Valley. There would have been floods, but it would not have been anything like this. It would not have been a really tremendously serious thing, as it has been.

So that almost everyone that has been up there and studied it comes to the conclusion that we have to have the protective dam there. And other areas in New England have similar situations to what I am speaking about. That is the answer to this problem for the future—the protective dam, rather than relocation.

Senator DOUGLAS. That is the protective dam above the industrial area.

Senator BUSH. Yes, sir. May I say one thing more. The benefit ratio that has been recently estimated informally by engineers on the Thomaston Dam has gone up from about a 1-to-1 ratio to a 3- or 4-to-1 ratio, which is a very high ratio for a public improvement. That is because of the history of the floods this summer and in October.

General STURGIS. Our preliminary estimate on the Thomaston Dam, sir, is that it would have saved its cost in this one flood alone, of \$16 million.

Senator LEHMAN. I want to express my great admiration for the work that was done by the Corps of Engineers in New York State and Pennsylvania immediately after the disastrous flood of 1936, the work that was done around the southern tiers, around Binghamton and Elmira and Whitney Point, those places, which has really helped the situation tremendously.

May I suggest that if you have any material that relates to New York State, similar to that which you have referred to concerning Connecticut, I would be very glad to have it in the record.

General STURGIS. May I offer that later, sir?

(The information referred to follows:)

#### NEW YORK STATE

##### PROJECTS COMPLETED OR UNDER CONSTRUCTION

There are 24 Federal flood-control projects either completed or under construction within areas of the 1955 storms. The estimated cost to complete these projects is \$73,879,000: 2 of these projects, costing \$2,407,000, are in the Hudson River Basin; 16 projects, costing \$40,398,000, are in the Susquehanna River Basin; and 6 projects, costing \$30,874,000, are in the Finger Lakes region.

##### PROJECTS AUTHORIZED—NOT STARTED

There are 11 projects, with an estimated cost of \$60,425,000, in this status: 6 of these projects, with an estimated cost of \$57,750,000, are in the Susquehanna River Basin; and 5 projects, with an estimated cost of \$2,675,000, in the Finger Lakes region.

Senator LEHMAN. Of course. Thank you very much, indeed.

Are Maj. Gen. Henry R. Westphalinger and Lt. Col. Victor G. Conley here? If not, they have submitted memoranda showing the part that the Department of the Army took in alleviating the stress and bringing relief to the stricken areas. I would be very glad, if there is no objection, to have these two documents placed in the record.

(The documents referred to follow:)

STATEMENT OF MAJ. GEN. HENRY R. WESTPHALINGER, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS, UNITED STATES ARMY

Mr. Chairman and members of the committee, I am Maj. Gen. Henry R. Westphalinger, from the Office of the Deputy Chief of Staff for Logistics, Department of the Army. I have a brief prepared statement which I would like to present to the committee. The purpose of this statement is to inform you of the general policy of the Department of the Army with respect to alleviating disaster conditions caused by the recent floods and to present to you the results of our efforts to place Army contracts in the disaster areas.

(a) It is the policy of the Department of the Army to provide maximum possible assistance in implementing the spirit of Defense Mobilization Order VII-7, supplement 1, dated August 25, 1955.

(b) In implementation of DOD directives on the subject of procurement actions under disaster conditions, the Assistant Secretary of the Army (Logistics) directed the Deputy Chief of Staff for Logistics on August 27, 1955, to immediately review fiscal year 1956 programed procurement to determine that procurement which is normally produced in affected areas and which will assist in alleviating disaster conditions and initiate procurement action for those items.

(c) For procurement selected under this criterial, negotiation solely with firms located in affected areas under authority of section 2 (c) (1) Armed Services Procurement Act of 1947 was authorized.

(d) When the disaster damage had affected facilities which are essential to the mobilization base, action contemplated by section 2 (c) (16) of the Procurement Act of 1947 was directed.

(e) When determined to be necessary for contracts currently existing or hereafter awarded to firms located in these areas assistance was to be provided where authorized and practicable as follows:

(1) Financing by liberal use of advance and progress payments.

(2) Modifications of existing delivery schedules.

(3) Revision of new delivery requirements to meet capacity as now exists or can be made available.

(4) Furnishing of Government production equipment in accordance with existing regulations.

(f) Deputy Chief of Staff for Logistics implemented the instructions of the Assistant Secretary of the Army (Logistics) by publishing instructions in accordance therewith on August 27, 1955.

(g) On the attached sheet is shown the results of Army procurement actions of \$10,000 or more performed in flood disaster areas during period August 19, 1955 through October 20, 1955.

*Army procurement actions of \$10,000 or more performed in flood-disaster areas*

	Amount	Percent
1. Total, Aug. 19, 1955, through Oct. 20, 1955.....	\$22,386,779	-----
2. Breakdown by big or small business:		
Big business.....	11,573,599	52
Small business.....	10,813,180	48
Total.....	22,386,779	-----
3. Breakdown by type of action:		
Civil public works.....	223,785	1
Other construction and facilities.....	5,853,995	26
Supplies and services.....	16,328,999	73
Total.....	22,386,779	-----
4. Breakdown by State:		
Connecticut.....	6,680,767	30
Massachusetts.....	9,502,806	42
New Jersey.....	1,414,657	6
New York.....	164,085	1
Pennsylvania.....	4,287,162	19
Rhode Island.....	337,302	2
Total.....	22,386,779	-----

## STATEMENT OF LT. COL. VICTOR G. CONLEY, OFFICE OF THE ASSISTANT CHIEF OF STAFF, G-3, UNITED STATES ARMY

Mr. Chairman and members of the committee, I am Lt. Col. Victor G. Conley, from the Office of the Assistant Chief of Staff, G-3, Department of the Army. I have a brief prepared statement which I would like to present to the committee. The purpose of this statement is to inform you of the general policies of the Department of the Army concerning disaster relief during the emergency phase of a disaster, that is, from the time that it happens, or shortly before, if we are forewarned, until the lifesaving phase has ended.

Responsibility for alleviation of disaster conditions is, first of all, the responsibility of the individual, private industry, State and local governments, and the American National Red Cross. The Department of the Army has primary responsibility among the services for the provision of assistance to civil authority in disaster relief, with the Navy and Air Force having collateral responsibility. The commanding general, Continental Army Command, carries out the Department of the Army policy in this field. Army commanders will employ military resources in disaster relief when:

(a) The overruling demands of humanity compel immediate action to prevent starvation and extreme suffering.

(b) Local resources are clearly inadequate to cope with the situation.

In most cases the Red Cross will be on the scene of the disaster, either before Army assistance is requested or at some early stage of the operation. Army commanders take every opportunity to utilize the experience, organization, and facilities of the Red Cross for providing disaster relief. Red Cross area offices maintain close liaison with Army commanders in order to expedite disaster relief to stricken areas. In general, in the early stages of the disaster, requirements for personnel and resources are channeled through Red Cross area offices to Army commanders. The Army commander meets these requests with military resources which he may have immediately available or may be able to obtain from the Navy or Air Force in the vicinity. In the event the Army commander does not have or cannot obtain the required material and supplies, he forwards the request expeditiously to higher headquarters, where every effort is made to provide the assistance.

In extremely serious disasters, application may be made by the State concerned, to the President, to have the area declared a major disaster area. In such cases the Federal Civil Defense Administration coordinates the disaster relief activities of all Federal agencies. The Army then channels its disaster relief activities through the Federal Civil Defense Administration region office, coordinating relief activities.

In general, Army disaster relief is provided on a reimbursable basis, with charges which accrue to the Army, which are over and above normal operating expenses, being repaid by the Red Cross, the State, or the Federal Civil Defense Administration. However, lack of funds or inability to pay does not prevent the Army from providing assistance which may be required for humanitarian reasons.

Each year the Department of the Army provides disaster assistance to stricken communities in many areas throughout the United States. This assistance takes the form of providing cots, blankets, mattresses, water supply, and purification units, rations, vehicles for transportation, helicopters for evacuation, aircraft for reconnaissance, pumps for removing water from inundated areas, communications facilities, bridging, medical supplies, and personnel to operate these types of equipment, and to assist local authorities in control of disaster relief operations.

I have appreciated this opportunity of appearing before the committee and shall be happy to answer any questions you may have.

Senator BUSH. Mr. Chairman, I would like to suggest for inclusion in the record a letter which I received, dated September 30, from the Secretary of the Army, which has a direct bearing on these things we are talking about, including the Thomaston Reservoir, and a copy of my reply to him, dated October 6. I would like that to appear following the testimony of General Sturgis, if there is no objection.

Senator LEHMAN. They will be inserted in the record.

(The letters referred to follow :)

DEPARTMENT OF THE ARMY,  
Washington, D. C., September 30, 1955

Hon. PRESCOTT BUSH,

*United States Senate, Washington, D. C.*

DEAR SENATOR BUSH: I appreciate very much your letter of August 29, 1955, in which you express your satisfaction with the work of the Corps of Engineers in meeting the emergency problems facing the State of Connecticut as a result of the recent flood, and point out the need for planning broad and effective programs to forestall the future recurrence of such calamities.

I have discussed this problem with the Chief of Engineers. He is approaching this problem as a matter which logically falls into three phases. The first phase is that of emergency repair, disaster relief, and restoration of public works, which, as you indicate, was given first priority and is now well under way.

The second phase is the vigorous prosecution of the flood-control improvements now authorized by Congress which are needed to improve permanent flood protection as rapidly as possible. Under this phase every consideration will be given to New England projects in formulation of budget requests for fiscal year 1957. In this connection, if planning funds were provided by a supplemental appropriation shortly after Congress reconvenes, it would be possible for the Corps of Engineers to do advance engineering so that consideration could be given to initiating construction of additional projects in fiscal year 1957 over those now being planned and in 1958, subject of course to availability of appropriations.

The Thomaston Reservoir for protection of the Naugatuck which you mention would be one of the projects considered under such a program. It illustrates a matter which has an important bearing on our ability to proceed. In the past there has been local opposition to construction of this project, and a similar situation exists with respect to many other authorized projects in New England. The Chief of Engineers has instructed his division engineer to review the status of such projects immediately, but action by responsible local officials, and possibly by the governors of the affected States, will be necessary to insure that local opposition has been removed so that the projects may be considered for construction.

Included as a part of this second phase is continuation of the study for reduction of hurricane damage in coastal areas which was authorized by Public Law 71, 84th Congress, which is now under way by the Corps of Engineers in cooperation with the Weather Bureau. The Weather Bureau in that study will investigate and recommend regarding the improved hurricane warning services which you suggest.

The third phase of the approach taken by the Chief of Engineers contemplates the review of flood-control plans for the rivers of New England, which you also suggest. The purpose of such reviews would be to determine, in the light of the apparent increase in frequency of these hurricane-borne storms of high intensity, what projects and measures are needed and are feasible to supplement present plans to provide adequate protection.

The Chief of Engineers considers that the authority under Public Law 71 for hurricane-damage-prevention studies could, perhaps, be interpreted to embrace the problem of hurricane floods on the inland rivers, and he is initiating reviews of the river basin plans with funds authorized under that authority. He feels, however, and I agree with him, that, although basic data on hurricane characteristics and frequencies obtained for the coastal study would be needed for the river basin studies, the two problems are separate and that additional authority for the river basin reviews would be desirable. This could be provided very simply by a resolution of the Public Works Committee of the Senate directing a review of previous reports of the river basins affected.

These reviews of river basin plans will be prosecuted by the Corps of Engineers as rapidly as possible, but they must be based upon collection of basic hydrological information made available by the recent flood and upon damage studies which are now underway. The unprecedented nature of the August 1955 storm and flood demands a most thorough review to insure that all possibilities of protection and damage reduction are considered. This will require some time. The corps expects to complete much of its basic engineering work by early in the next calendar year; but it would be entirely impracticable and most inadvisable to attempt to complete these review studies and make definite recommendations for new authorizations by the time Congress reconvenes. And, as I

have indicated previously, there exists a substantial backlog of presently authorized work which includes those projects most urgently needed at this time, and which should be started as rapidly as possible. The review studies are needed to determine what supplementary work is necessary.

Finally, you point out the urgent need for restoring and improving the protective works on the Mad River at Winsted, Conn., with emergency funds authorized by Public Law 99, 84th Congress. This, as you know, was a small channel improvement which was designed with limited capacity because of encroachments of structures in the city of Winsted upon and over the banks of the river. It was naturally unable to cope with the recent flood. The Chief of Engineers advises me that the division engineer, New England division, is now investigating the problem at Winsted to determine what can be done under the emergency authority you suggest. You may be sure that every consideration will be given your request, and the Chief of Engineers will advise you further on this problem upon receipt of the division engineer's report.

I appreciate your interest in this matter and have replied at some length as I realize the seriousness of the situation in New England and wished to inform you fully as to our plans for meeting the problem.

Sincerely yours,

WILBER M. BRUCKER,  
*Secretary of the Army.*

UNITED STATES SENATE,  
COMMITTEE ON PUBLIC WORKS,  
October 6, 1955.

HON. WILBER M. BRUCKER,  
*Department of the Army, Washington, D. C.*

MY DEAR MR. SECRETARY: Thank you for your excellent summary of the work of the Corps of Engineers in meeting immediate flood problems and in planning future action. I was particularly pleased by your assurance that a part of the program will be "vigorous prosecution" of previously authorized flood-control works in New England.

In this connection, the necessity for getting these projects underway at the very earliest practicable date cannot be too strongly stressed. Valuable time could be saved if the engineers were authorized to transfer from existing funds an amount sufficient to begin design work at once on those projects which can be started in the remainder of fiscal year 1956. You may be sure of my support for your suggestion of a supplemental appropriation when the Congress reconvenes, but in the meantime it appears urgent that the needed funds to make possible work in fiscal 1956 be made available at once.

I am confident that the New England governors will cooperate fully in the case of projects heretofore blocked by local opposition. The Governor of Connecticut has, for example, given his approval to the Thomaston Dam Reservoir which you mention as one of those delayed because of such opposition.

The review of river basin studies, to which you also refer, was, on September 14, authorized by resolution of the Senate Committee on Public Works at my request. Your assurance that no delay will result in the most urgently needed projects is appreciated.

Again may I express my appreciation for the splendid way in which the Corps of Engineers has fulfilled its responsibilities in this emergency. The entire Army can take justified pride in its work.

Sincerely yours,

PRESCOTT BUSH, *United States Senator.*

Senator LEHMAN. Thank you very much for coming, General Sturgis. It was most interesting.

Mr. Jones, I would like to ask you—have you any idea when this committee can hope to have specific recommendations from the Bureau of the Budget?

**STATEMENT OF ROGER W. JONES, ASSISTANT DIRECTOR OF THE  
BUREAU OF THE BUDGET FOR LEGISLATIVE REFERENCE—  
Resumed**

Mr. JONES. Certainly before Congress reconvenes, but today I am not prepared to say.

Senator LEHMAN. While I, of course, appreciate the difficulties inherent in this situation, and know this is a very complex project, I am greatly disappointed in the failure of the administration to present specific legislative recommendations at this time. I say that particularly in the light of the President's public assurances on October 18 in Denver, that specific legislative suggestions would be made at these hearings.

I want to refer to, and have this in the record, an article that appeared in the New York Times on Wednesday, October 19. I shall not read the whole article, but this was in connection with a communication that was addressed to the President by the governors of the New England States:

From his bedside in Fitzsimons Army Hospital, the President stated and proposed yesterday in a letter to Governor Roberts, of Rhode Island, chairman of the New England Governors Conference—

The letter was released today. (See p. 586.) It was in reply to 70 proposals for Federal flood-relief assistance made to the White House by the New England governors. The governors had recommended that the Secretary of Commerce support Federal-disaster insurance to cover losses in such events as the floods that struck the area late last August. The President wrote that the matter had been taken under close scrutiny some weeks ago, a number of Federal agencies were examining the proposal under the direction of the Bureau of the Budget, and the Housing and Home Financing Agency, and the Senate Banking and Currency Committee would hold hearings on it later this month. The administration, he wrote, would present specific legislative suggestions at this time.

I certainly do not wish in any way to criticize the President for whose early and complete recovery we all pray. But this matter, as I understand it, has been turned over to the Bureau of the Budget, which is in consultation with other agencies, notably the Housing and Home Finance Administration. This committee is holding hearings today and tomorrow in Washington. It is holding hearings on Thursday and Friday in New York City and in upstate New York. It then goes to Boston, Providence, Hartford, and probably to other parts of the country where floods have struck, too. It is a very difficult thing for this committee to formulate views on this subject until we get the recommendations of the administration. They were promised by the President, I know, in perfectly good faith. I do think that the Budget Bureau should apprise us of those suggestions without loss of time.

Mr. JONES. That will be done, Senator Lehman.

As I tried to indicate when I testified, I think we are making progress and very rapid progress, but the 6 criteria and 2 basic assumptions are as far as we have been able to get.

Senator LEHMAN. I hope those recommendations will be forthcoming very quickly. The flood happened nearly 3 months ago. There has been, of course, since then another flood, not quite as bad, not quite as devastating, I understand. We are continuing these hearings. We have to formulate the views of this committee, and we can only do that intelligently if we have the recommendations of the administration.

Mr. JONES. That we understand, sir.

Senator LEHMAN. I hope we have made that very clear.

Mr. JONES. Yes, sir.

That is all, sir?

Senator LEHMAN. That is all. Thank you very much.

Do we have a representative of the Federal Civil Defense Administration?

**STATEMENT OF HAROLD L. AITKEN, EXECUTIVE ASSISTANT ADMINISTRATOR, FEDERAL CIVIL DEFENSE ADMINISTRATION**

Mr. AITKEN. Mr. Chairman, gentlemen, my name is Harold L. Aitken.

Senator LEHMAN. Do you have a prepared statement?

Mr. AITKEN. Yes, sir; I have a prepared statement, and I hope to make comments.

Senator LEHMAN. I wonder if you have copies?

Mr. AITKEN. I do not have copies for distribution at this time. I have already furnished one copy to your staff and will furnish copies later.

Senator LEHMAN. I was anxious to let the press have a copy.

Mr. AITKEN. I will be glad to give you two copies, sir, as soon as I finish here.

I am Executive Assistant Administrator of the Federal Civil Defense Administration.

An outline of the Federal disaster assistance available to States, local governments, and individuals under existing legislation and pursuant to Public Law 875, 81st Congress and Executive Order 10427 should be of value to this committee. Such Federal assistance is not confined to this authority. The enactment clause of Public Law 875 provides as follows:

To provide an orderly and continuing means of assistance by the Federal Government to the State and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disasters, to repair essential public facilities in major disasters, and to foster the development of such State and local organizations and plans to cope with major disasters as may be necessary.

Section 3 of that act is perhaps the most important. It contains the basic authority whereby all agencies and departments of the Federal Government, when directed by the President—that authority has now been delegated to the Federal Civil Defense Administrator under Executive Order 10427—may provide assistance to State and local governments. Any Federal agency, when so directed, may provide assistance by—

1. Utilizing or lending, with or without compensation therefor, to the States and local governments, their equipment, supplies, facilities, personnel, and other resources, other than the extension of credit under the authority of any act.

2. Distributing through the American Red Cross or otherwise, medicine, foods, and other consumable items. This includes farm commodities or products owned or controlled by the Commodity Credit Corporation under the authority of Public Law 480, 83d Congress.

3. Donating or lending equipment and supplies, determined under then existing law to be surplus to the needs and responsibilities of the

Federal Government to the States for use or disposition by them for the purpose of the act including the restoration of public buildings damaged or destroyed in such major disaster and rehabilitation of individuals in need as the result of such major disaster. This is an amendment by Public Law 134, 83d Congress.

I direct your attention here to the fact that these things are made available for the purposes identified in the act and these are restricted by the following paragraph:

4. Performing on public or private lands protective and other work essential for the preservation of life and property, making emergency repairs to and temporary replacement of public facilities of local governments damaged or destroyed in such disasters, by providing temporary housing or other emergency shelter, or making contributions to the States and local governments for these purposes. This provision, relating to temporary housing, was added by Public Law 107 of the 82d Congress.

The Federal disaster assistance program is administered largely through the States. The act provides that any Federal agency is authorized to accept and utilize, with the consent of any State or local government, the services and facilities of such State or local governments or any of their agents or employees in carrying out the purpose of the act.

Now can you imagine the individual who has been forced to vacate his house as the result of a disaster? Here are examples of the kind of assistance he may expect to obtain—

1. Housing or temporary shelter.

2. Foodstuffs, medicine, and other consumable supplies; in other words, blankets and bedding, so forth, which may be distributed through the Red Cross or the States.

Senator LEHMAN. Red Cross or to what?

Mr. AITKEN. Through the Red Cross or the States.

3. Surplus personal property donated for rehabilitation through the States, including the negotiated sale of surplus property for the rehabilitation of disaster-stricken small-business concerns or individuals.

4. Debris and wreckage removal from the premises if it constitutes a public-health hazard, and if protective or other work essential for the preservation of life or property is required, through Federal contributions to the States. Certain disaster-loan authorities are vested in the Housing and Home Finance Agency and the Farmers' Home Administration, for assistance through loans on liberal credit, independent of Public Law 875.

For a farmer within the major disaster area, feed and seed loans are available under Public Law 115, 83d Congress, and emergency loans may be made to farmers and stockmen under Public Law 38, 81st Congress.

Executive Order 10427, dated January 16, 1953, placed the responsibility for the administration, direction, and coordination of disaster-relief activities of the Federal Government in the Federal Civil Defense Administration.

The following table shows the amount available at the time the Federal Civil Defense Administration was made responsible for administering this program, the subsequent additions through appropriations and recapture of unexpended funds from other agencies and the allo-

cations made during the period of administration of the fund by the Federal Civil Defense Administration.  
(The table referred to follows:)

*Analysis of disaster-relief appropriation by fiscal year as of Oct. 25, 1955*

Amount transferred to FCDA May 15, 1953.....	\$20,105,296.00
Appropriated by Congress June 30, 1955.....	3,500,000.00
Returned to President's fund by Housing and Home Finance.....	4,389,295.00
<b>Total available to FCDA.....</b>	<b>27,994,591.00</b>

Date allocated	Recipient	Type of disaster	Amount	
<b>FISCAL YEAR 1953</b>				
May 15, 1953	Texas	Tornado	\$365,000.00	
June 2, 1953	Michigan	do	40,000.00	
June 8, 1953	Louisiana	Flood	220,000.00	
June 11, 1953	Montana	do	250,000.00	
June 15, 1953	Massachusetts	Tornado	510,000.00	
June 22, 1953	Michigan	do	127,500.00	
Do	Iowa	Flood	102,000.00	
				1,614,500.00
<b>FISCAL YEAR 1954</b>				
July 2, 1953	Louisiana	Same as June 8, 1953	204,000.00	
Do	Texas	Flood	40,800.00	
July 9, 1953	New Hampshire	Forest fire	152,931.00	
Aug. 12, 1953	Michigan	Same as June 22, 1953	16,218.00	
Do	Michigan	Same as June 2, 1953	12,036.00	
Sept. 3, 1953	Iowa	Same as June 22, 1953	71,664.00	
Oct. 30, 1953	Department of Agriculture	do	2,800.00	
Nov. 3, 1953	Alaska	Severe hardship	51,000.00	
Nov. 9, 1953	Montana	Same as June 11, 1953	71,400.00	
Dec. 7, 1953	Georgia	Tornado	178,500.00	
May 7, 1954	Georgia	do	153,000.00	
May 26, 1954	Florida	Flood	255,000.00	
Do	Mississippi	Tornado	167,280.00	
				1,376,620.00
<b>FISCAL YEAR 1955</b>				
Aug. 9, 1954	Texas	Flood	894,494.00	
Do	Iowa	do	178,500.00	
Do	South Dakota	do	40,800.00	
Aug. 11, 1954	West Virginia	do	62,730.00	
Sept. 14, 1954	Rhode Island	Hurricane	2,550,000.00	
Oct. 4, 1954	Massachusetts	do	2,550,000.00	
Oct. 8, 1954	Nevada	Earthquake	194,944.00	
Oct. 13, 1954	Maine	Hurricane	1,020,000.00	
Oct. 20, 1954	New York	do	306,000.00	
Oct. 27, 1954	Connecticut	do	510,000.00	
Nov. 3, 1954	South Carolina	do	765,000.00	
Do	North Carolina	do	1,530,000.00	
Do	California	Flood-erosion	598,740.00	
Nov. 20, 1954	New Mexico	Flood	51,000.00	
Feb. 15, 1955	Indiana	do	178,500.00	
Mar. 10, 1955	Alaska	Severe hardship	(10,200.00)	
May 16, 1955	Hawaii	Volcano	102,000.00	
June 3, 1955	Colorado	Flood-tornado	102,000.00	
June 14, 1955	Oklahoma	do	127,500.00	
June 20, 1955	Kansas	Tornado	127,500.00	
				11,879,508.00
<b>FISCAL YEAR 1956</b>				
July 5, 1955	Nevada	Flash flood	204,000.00	
July 12, 1955	SBA	Hurricane	34,030.45	
Aug. 16, 1955	Kansas	Same as June 20, 1955	204,000.00	
Sept. 1, 1955	Colorado	Same as June 3, 1955	74,140.00	
Aug. 29, 1955	North Carolina	Hurricane	1,020,000.00	
Sept. 7, 1955	Rhode Island	Hurricane-flood	1,020,000.00	
Do	Pennsylvania	do	1,020,000.00	
Do	New Jersey	do	1,020,000.00	
Sept. 9, 1955	Massachusetts	do	1,020,000.00	
Sept. 1, 1955	New Mexico	Flood	78,500.00	
Sept. 9, 1955	Connecticut	Hurricane-flood	1,020,000.00	
Do	New York	do	510,000.00	
Oct. 26, 1955	Department of Agriculture	do	500,000.00	
				7,722,670.00
<b>Total allocated</b> .....				<b>22,593,307.00</b>
<b>Balance</b> .....				<b>5,401,284.00</b>

NOTE.—All figures indicated within parentheses denote credits to the fund.

Mr. AITKEN. Speaking in summary terms, at the time the responsibility was transferred to us, a total of \$20,105,296 was in the fund. Since then, the Congress has appropriated \$3,500,000. There was returned to the fund by the Housing and Home Finance Agency \$4,389,295; so that there has been a total in this fund of \$27,994,591.

In fiscal year 1953, the President declared seven disasters as major disasters, and funds were allocated under this act in the amount of \$1,614,500. Those disasters included tornadoes and floods.

In fiscal year 1954 there were also seven disasters. There is some overlap here because there were some supplementary allocations. For disasters including floods, forest fires, severe hardship, and tornadoes, funds were allocated during the year in the amount of \$1,376,629.

In fiscal year 1955 there were 20 disasters and funds were allocated in the amount of \$11,879,508.

Thus far in the fiscal year 1956, funds in the amount of \$7,722,670 have been allocated for 12 disasters, including additional funds for 1955 disasters. So since we have had this responsibility, a total of \$22,593,307 has been allocated to assist the States and local governments in financing their disaster requirements under the limitations of Public Law 875.

Senator LEHMAN. May I interrupt? Have you any record of the actual losses suffered by people as a result of these various catastrophes?

Mr. AITKEN. Well, sir, I have not for the past disasters, but in a minute I would like to comment on this aspect of the recent disasters in New England and the floods in North and South Carolina.

Federal Civil Defense has authority when the President declares major disasters, and only when he declares a major disaster, to direct any agency to go beyond statutory responsibility and to reimburse it from the Federal disaster fund.

In view of the magnitude of the damage in August and October and the inadequacy of the disaster fund, the various agencies were authorized by the President to spend their own available funds under Federal Civil Defense Administration direction and to adjust their accounts later.

This plan was discussed with the members of the various appropriations committees in the Congress.

Now, Mr. Chairman, with reference to estimates of damage, I listened carefully to General Sturgis and tried to detect a difference. As I understand it, the general was talking about both direct and indirect costs. I had a copy of the release to which he referred some minutes ago, and that figure is generally in keeping with the estimates that we thus far have available; and in this case, and with respect to—

Senator LEHMAN. To which figure are you referring, the \$1.6 billion or \$458 million?

Mr. AITKEN. Mr. Chairman, I am referring to the \$458 million figure that was released by the Department of Commerce on October 31.

For example, we have included in our estimates the figures supplied generally by local and State sources, including the damage in North and South Carolina, and our figure as of now, which I grant you is a preliminary one because of the time, is about \$590 million. But

as I understand the basis for preparation, these estimates largely reflect direct costs.

Senator LEHMAN. Not indirect costs.

Mr. AITKEN. That is right, sir.

Now, Mr. Chairman, I would like first to commend all of the Federal agencies for their generous assistance to us in this program, and I in particular want to thank the Corps of Engineers for their help and effort in New England; and now with your permission I would like to comment briefly on some of the things that some of the agencies did, not in detail but just to give you an idea of what they accomplished.

For example, with reference to the Department of Agriculture approximately 50,000 persons were fed through welfare agencies—and here welfare agencies include the Red Cross, the Salvation Army, and other agencies that do this kind of service—such as school-lunch programs and distribution of food to individuals.

In some counties along the coast, it will be necessary to continue providing food for farmers for several months.

Under the emergency feed program, assistance was provided to farmers in maintaining their basic herds. Crop insurance payments for losses are being made. The total for this cannot be determined until the spring price of insured crops is known.

In the Department of Commerce, the Bureau of Public Roads has coordinated and supervised emergency highway restoration and provided estimates and analyses of overall highway damage.

It is estimated that the States will probably ask for about \$10 million to be equally matched by the States to finance the reconstruction of highways and bridges damaged by these disasters.

The Business and Defense Services Administration surveyed the industrial damage in the affected States and provided assistance in obtaining machine tools and other equipment from Government stockpiles to expedite the return to production of plants having defense contracts. It also assisted the industrial plants in obtaining Government contracts and supplies of raw materials.

Now I have already mentioned the Corps of Engineers, and for your information the functions assigned to them by our agency were as follows:

We asked them to (a) perform on public or private lands protective and other work essential for the preservation of life and property; (b) to undertake the removal of debris and wreckage; and (c) to undertake the emergency repair to and temporary replacement of public facilities, except as reserved to other Federal agencies.

With respect to the Executive Office of the President, the Office of Defense Mobilization authorized the Department of Commerce to provide materials priorities for defense-supporting industries in disaster areas.

ODM arranged with procurement agencies to give the same preferential treatment to disaster areas in placement of contracts under provisions of DMO VII-7 as is given to surplus labor areas. Activities under this arrangement have resulted through October 19, 1955, in channeling of contracts of \$10,000 or more to the aid of the disaster areas in these amounts: Defense, \$80,839,718; Atomic Energy Commission, \$2,525,224.

The Office of Defense Mobilization has received Treasury approval of six Production Act loans totaling \$13,491,000. In addition, a large number of actions have been taken by procurement agencies to adjust contract delivery schedules for firms in disaster areas.

Now with reference to General Services Administration: GSA has made available surplus Federal property for use in disaster relief, including trailers and school buses for emergency houses, as well as numerous items of supply and equipment. GSA announced that surplus Federal property may be sold to the States at 10 percent of original acquisition cost for use in replacing furniture, fixtures, or inventories of small businesses in disaster areas.

GSA provided records-management assistance to State and Federal agencies in the disaster areas for protection of Government and other important records, and they also provided space, supplies, and equipment to Federal agencies working in the disaster areas.

The Department of Health, Education, and Welfare provided technical experts to our regional offices to assist in coordinating disaster activities. In addition, 13 sanitary engineers were assigned to the American Red Cross to assist in the rehabilitation of housing.

Supplies of food and drugs in disaster areas were inspected and contaminated foods amounting to over \$17 million were ordered destroyed.

Surveys were made of flood damage to water-treatment plants and assistance and advice provided as to measures necessary to restore them to operation. Typhoid-immunization programs were undertaken in the affected States as well as rodent- and insect-control measures.

The Department of Labor: The Department of Labor coordinated and directed the State employment services in surveying the labor situation and in providing estimates of unemployment as a basis for Red Cross and other welfare agencies to determine their relief loads.

The unemployment services provided emergency manpower assistance to employers and civil-defense officials in the disaster areas by referral of workers. They also helped to alert workers as to employment possibilities.

The Bureau of Labor Statistics prepared reports on the employment and general economic situation in the disaster areas.

The Housing and Home Finance Agency: The Housing and Home Finance Agency administered Public Law 875 until January 1953 and has been most cooperative in assisting disaster victims particularly in such things as easing credit and providing temporary housing.

The representatives of the Agency are here and I am sure will be glad to furnish details with respect to their activities either today or for the record if desired.

Now with reference to Small Business Administration: The Small Business Administration opened emergency offices throughout the disaster areas to provide assistance to small businesses and homeowners affected by the floods. Representatives of this agency are here, and I think they, too, sir, will furnish the details if you want them.

The Department of the Treasury: The Coast Guard during August and October carried out rescue operations along coastal areas affected by the hurricanes and floods, evacuating large numbers of persons from positions of peril. Amphibious vehicles, portable boats, and helicopters were used in these operations.

Now with reference to disaster insurance: The Administrator of the Federal Civil Defense Administration personally inspected the disaster areas in the Northeastern States following the August and the October floods, and he inspected eastern North Carolina following the flood there. He saw firsthand the cruel handiwork of the forces of nature when released in a relentless disaster. He saw case after case where a wall of water literally demolished and erased the home or business for which individuals had worked a lifetime. He has expressed a sincere sympathy for some kind of insurance or other plan that would make it possible for a man to fill the gap in the family of security measures necessary to afford some protection against such disasters.

We are hopeful that some feasible plan may be developed to serve this purpose.

Senator LEHMAN. Thank you very much, indeed.

I think we will recess now until 2 o'clock. Will you be back at that time?

Mr. AITKEN. All right, sir.

Senator LEHMAN. I am sure Senator Bush as well as I will want to ask questions.

(Whereupon, at 12:25 p. m., the hearing was recessed to reconvene at 2 p. m. the same day.)

#### AFTERNOON SESSION

Senator LEHMAN. The hearing will be in order.

I am glad you are back, Mr. Aiken. Have you finished your testimony?

Mr. AITKEN. Yes, sir.

Senator LEHMAN. Mr. Aitken, will you explain just what the function of the Civil Defense Administration is in connection with a disaster? What is their responsibility? How do they carry out their responsibility?

Mr. AITKEN. Senator, are you referring specifically to a natural disaster such as a flood?

Senator LEHMAN. What was that?

Mr. AITKEN. Are you referring to such a disaster as a flood for example?

Senator LEHMAN. Well, I am referring to a flood situation as was the case of the ones up in the Northeastern States, where both the damage and the suffering cross State lines. I am also referring to the functions and responsibilities of your organization in the event that there should be an atomic attack or something similar.

Mr. AITKEN. Well, first, Senator, with reference to natural disasters, under Public Law 875 at any time that the Governor of a State thinks that his State or a part of it has suffered damage to the extent that he wants Federal assistance, then the law provides that the Governor should ask the President to declare a major disaster. If the Governor so requests, such request goes to the White House and then to our agency for recommendation.

At this point we rely on the recommendations of our field offices and the knowledge and data available with reference to the scope of the disaster. If it is quite significant, then we make a recommendation

for a declaration of major disaster by the President, and the President so notifies the Governor.

Now, with reference to possible atomic—

Senator LEHMAN. Before you get away from that, the President notifies the Governor. Does that completely let the Civil Defense Administration out of the picture? Have they no other duties at all?

Mr. AITKEN. No, sir; the declaration of a major disaster by the President is a prerequisite to the availability of any funds from the President's disaster fund. It also is a prerequisite for disaster assistance on the part of many of the Federal agencies.

Now, as soon as an estimate can be made of the charges, say, in Connecticut, incident to a flood that might likely be paid out of the President's fund—these would be charges for the things and only for the things that can be paid out of the disaster account, i. e., emergency repair, temporary restoration, removal of debris, and such things as are in keeping with the philosophy of the enactment clause of the act. Now, as soon as we get an estimate of the probable things that could be financed from the President's fund, then we recommend that the President allocate dollars to cover those estimated expenditures. Our agency is responsible for handling the administration of the funds and the accounting of the funds to the President and to the Congress.

Senator LEHMAN. Well, now, we don't know exactly what the damages amount to in dollars and cents. We have had some testimony here that they were \$558 million, which, of course, would under any circumstances be now increased by reason of the flood 2 or 3 weeks ago, the second floods, particularly in Connecticut and other parts of the Eastern States. That is one estimate. The other estimate is \$1.6 billion.

I don't know which is correct, but they are both mighty big figures.

How much has been advanced out of disaster funds in total?

Mr. AITKEN. Mr. Chairman, thus far we have allocated from the President's fund approximately \$6 million. That includes an allocation of a million dollars to each of the following States: Rhode Island, Pennsylvania, New Jersey, Massachusetts, and Connecticut. Approximately one-half million dollars was allocated to the State of New York, and approximately one-half million dollars was made available to the Department of Agriculture, \$300,000 of which has been allocated for the rehabilitation of land in eastern North Carolina.

Mr. Chairman, I would like to offer this comment: That both the enactment clause and section 2 of Public Law 875, as well as section 3, limit and restrict quite drastically the things that can be done with these funds. For example, section 2 as enacted by the Congress says in specific terms that the Federal Government is to supplement State and local efforts. That is, this particular legislation does not anticipate that the Federal Government will supplant or replace but, rather, that we will supplement State and local efforts.

It also is quite restrictive in the sense that even in the repair of public facilities the repairs and the replacement thereof are restricted to essential public facilities.

It provides in section 3 for distributing through the Red Cross, as I mentioned this morning, food and other consumable supplies. It provides for the donation to States and local governments of equipment and supplies. And it provides in paragraph (d) of section 3

for the performance on public or private lands of protective and other work for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disasters.

So you see, sir, the language is very restrictive in the kinds of things that the funds can be used for.

Senator LEHMAN. I understand that fully. What I am getting at is that regardless of the language of the legislation now—Congress, of course, can always change that—the President is always in the position to make recommendations covering the change. It does seem to me that here we know that in this year the damage done by floods, including South and North Carolina, which was not included in the figures given us earlier in the day by one of the witnesses, the loss by reason of floods amounts to somewhere between \$600 million and \$1.6 billion. Against that, all that the Federal Government has done to relieve the situation is to provide \$6 million?

Mr. AITKEN. Well, sir—

Senator LEHMAN. That seems to me certainly a distressingly small degree of help that the Federal Government has given to the States that are so sorely tried.

Mr. AITKEN. Well, sir, I'd like to offer this comment: That in addition to the funds allocated from the President's funds under this law, it is estimated that the Corps of Engineers will undertake work now estimated to cost about \$27 million.

Now, this too is only a part of the total expenditure. It is difficult, at least at this time, to evaluate the value of services, services provided by the various departments that I described this morning. And the Bureau of Public Roads probably will obligate in the neighborhood of \$10 million for assisting the States in reconstructing highways and bridges.

So there will be a great deal more than \$6 million, but it is difficult at this time to put a total reasonably accurate figure on it.

Senator LEHMAN. Well, now, leaving that for the moment, supposing there is an atomic attack on the city of New York, what would the function and responsibilities of the Civil Defense Administrator be?

Mr. AITKEN. Well, sir, in the event of an atomic attack upon this Nation, it is assumed that title III of the Federal Civil Defense Act of 1950, Public Law 920—would come into effect, either by action on the part of the Congress or by a declaration by the President. And then the Administrator would have more authority with reference to coordinating assistance among the States and in helping various political subdivisions of the Nation.

He does not now have authority to direct or command action. He can order the Federal agencies to do things—that is, things that are not required particularly by the Department of Defense—but he cannot order the States to do any particular thing.

You will recall, Senator, that this legislation provides that the primary responsibility for civil defense rests with the States while the Federal Government provides overall guidance, technical assistance, and coordination. The real job of organizing the people and providing the necessary equipment rests at the State and municipal level.

Senator LEHMAN. Isn't there a New York State civil defense administrator?

Mr. AITKEN. Yes, sir. New York State has a very fine civil defense organization.

Senator LEHMAN. What do they do?

Mr. AITKEN. Well, sir, they plan and organize civil-defense operations in the State of New York.

Senator LEHMAN. They do what? I didn't get that answer.

Mr. AITKEN. The State director of New York State, for example, has the responsibility of organizing civil defense units and training volunteers in the State of New York, planning exercises, evaluating resources, providing a communications system to orient and direct people. He is the man who directs activities in New York State in the event of a civil-defense emergency.

Senator LEHMAN. I understood you to say that the Civil Defense Administrator had no authority within the State, that the primary responsibility rests with the State administration, the State Government.

Mr. AITKEN. Yes, sir, that is correct. And there where I said "Civil Defense Administrator" I was referring to the Federal Civil Defense Administrator.

Senator LEHMAN. Well, is that on a voluntary basis? What I am trying to get at is what is the responsibility of the Civil Defense Administration in New York State, Pennsylvania, Connecticut, wherever it may be. That is not quite clear to me.

Mr. AITKEN. Well, sir, in broad terms it is this: The Federal Civil Defense Administration is responsible for the development of national plans for civil defense, for guiding State organizations in their interstate relationships, for furnishing technical assistance and for furnishing intelligence with reference to enemy attacks or probable enemy attacks upon this country.

For example, we have a communications system that will permit us to translate warning information or warning intelligence from the Air Force air-defense control centers promptly to some 200 key points throughout the United States. This is a part of our civil-defense function.

In addition, the Congress has provided funds which has made it possible for Federal Civil Defense to purchase stockpiles of medical and engineering supplies which are strategically located throughout the Nation and could be used to assist the States and the cities in taking care of casualties in the even of such a disaster.

These are some examples of some of the things we do.

Senator LEHMAN. Do you recall what the amount of those appropriations is for medical supplies?

Mr. AITKEN. I beg your pardon, sir?

Senator LEHMAN. I say do you recall what the amount of those appropriations is for the purchase of medical supplies?

Mr. AITKEN. Well, sir, as I recall, about \$164 million through this fiscal year.

Senator LEHMAN. Does the Federal Government through the Civil Defense Administrator make any direct grants to any of the States for the construction of civil defenses?

Mr. AITKEN. Senator, we have a contributions program which requires by law that the States and cities match the dollars in this pro-

gram, and those dollars have been made available for such things as communications systems, medical supplies, training programs, publications, rescue vehicles, and all kinds of courses that civil-defense people need to become better qualified to do their job.

Senator LEHMAN. But there are no direct grants to the States?

Mr. AITKEN. No, sir; there are no direct grants except for survival and evacuation studies which have now begun.

Senator LEHMAN. For defense?

Mr. AITKEN. That is correct, sir.

Senator LEHMAN. Let me ask you this: Do you think the present legislation is wise in that it places primary responsibility, as far as I can see from your testimony, virtually exclusive responsibility, on the States, and the Federal Government really does nothing or very little? I won't say nothing, of course. Very little to build up the defense of the great centers of this country which constitute, certainly, a national hazard? I mean, after all, if the great centers of this country are destroyed by atomic attack, it doesn't make much difference who has the responsibility.

Mr. AITKEN. Well, that's correct, sir. Our agency has a big job in the interpretation of weapons effects, for example, and in this respect we have the cooperation of the Department of Defense, the Atomic Energy Commission. We are told what these effects are and in turn make them available to the States so they can do a better job of planning.

Now, as you probably know, sir, there are some people in the Government, I believe, including the governors' conference and the Commission on Intergovernmental Relations (the Kestenbaum Commission), who think that the Federal Government should have more responsibility in this respect than they now have under our legislation. This is a point that, of course, is under discussion, under debate, and I assume that it will be for the weeks to come.

Senator LEHMAN. I don't know whether you believe that you have answered my question. I do not think you have. I will repeat it. I want to know whether you think that the present legislation is wise in vesting primary or almost exclusive responsibility in the States rather than in the Federal Government in connection with an atomic attack?

You mentioned that the governors question that. Frankly, as a former governor of a large State, I share that concern very definitely. It seems to me that such action as may have to be taken because of atomic attack is in great part the responsibility of the Federal Government.

Mr. AITKEN. Well, sir, I think there are many who agree with you. You may recall that in connection with Senator Kefauver's hearings last spring this was one of the points that was reflected in his interim report. He thought that the Federal Government should have a somewhat greater responsibility than it has thus far assumed.

In addition, I recall that when the mayor of Philadelphia testified before that committee he expressed essentially that same view.

Of course, I think it is fair to bear in mind that in the event of a civil defense emergency the scope of the disaster would be so great, or it could be so great, that every level of government would have a vast job to do, and every citizen of the country would have a responsibility.

So, speaking now just from a personal standpoint, I think that the Federal Government may have or should have a greater responsibility, but at the same time it is imperative that the governors and the mayors of our great cities retain, recognize, and develop competence to handle the problems in their respective jurisdictions.

In other words, who could better direct, say, the Public Works Department of New York, of New York State, than the people that directed that department in peacetime? Or who could better direct and get the greatest service and assistance from the health department of that State or from any city other than the people that direct those activities on a day-to-day basis?

Hence, I am saying that we think it is important that civil defense be built into government.

Approximately 1 year ago we made delegations of various civil defense responsibilities to several departments of the Federal Government by order of the President. This authority is included in our legislation. It is an effort at the Federal level to build civil defense into the Federal structure.

We think that it is undesirable—and it is so declared in our legislation—to duplicate technical competence or abilities that already exist, say, in the Department of Health, Education, and Welfare; but, rather, we delegate functions to them so that the Nation can best take advantage of their skills.

We think this similar type of activity or plan for building civil defense into all levels of government is the best way to have this country prepared to meet with such a disaster.

Senator LEHMAN. In the last war, when there was no threat of atomic bombs, but merely from conventional bombing attacks, I happened to have been Governor of my State, and, of course, we were very much concerned with regard to possible necessity of evacuation of the people from New York. We found that in doing that we would have to work with—that it would be necessary to work very closely with—the adjoining States—New Jersey, Pennsylvania, Connecticut, Massachusetts, Vermont.

It seems to me that there is a case where you would have to have Federal control, Federal supervision.

Mr. AITKEN. Yes, sir; I think that is correct.

Senator LEHMAN. The Governor of New York could not say to the Governor of Connecticut, "We insist on sending our people into your State," or to Pennsylvania or any of the other States if the governor of the adjoining State refused to accept it.

It seems to me there is a case where it would be necessary to have a central Federal control.

Mr. AITKEN. Yes, sir; I think you are right. And Public Law 920 provides for the development of interstate compacts between the various States. As I recall, 38 States have entered into such compacts as of this time. As required by the legislation, those proposed compacts are transmitted to the Congress and do not become effective until 60 days after they have been transmitted to the Congress.

So there is a mechanism here for the development of interstate cooperation. And you are quite right, the business of coordination of activities between States is an important Federal function.

Senator LEHMAN. Also the financing of these various activities—the setting up of shelters. I believe there are fewer shelters today—

this is only a personal opinion of mine—in our large cities than there were in 1941.

Mr. AITKEN. Not only that, Senator, but if you were to equate those shelters that are available to the stresses and hazards to which they might be subjected today, I think that we would find that most of them were inadequate.

Senator LEHMAN. Adequate or inadequate?

Mr. AITKEN. Inadequate; yes, sir.

Incidentally, Senator, related to this discussion is a program which we call our survival plan, research and study program. Last year the Congress appropriated \$10 million for this program and for research, and in essence it is intended to do this:

Civil defense at all levels of government needs to know such things as the ability and capacity of our cities to exacuate for different amounts of warning time. And here we are not talking about evacuating everyone from every city. What we are talking about is the plan of doing everything we can to reduce the density of population to the point where population, or people as such, no longer would constitute a target in itself.

Now, we know from the various exercises already held that with the warning time that likely will be available for the immediate future and for some years to come, with planning, our people can move to the point where density of population is drastically decreased.

For example, take the District of Columbia. If you could make a circle with a radius of about 3 miles centered on the White House, on a normal workday there are nearly 800,000 people in that circle. That circle would include the Capitol on this end, it would go almost to Soldiers' Home, almost to the Naval Observatory, and it would include the Pentagon. Now, if an enemy were fortunate and found ground zero, the White House, with even a nominal-sized weapon, say a 5 megaton, we know that something in the order of 90 percent of the people in that 3-mile circle would be dead.

We know that with planning and with testing the District of Columbia, Virginia, and Maryland can disperse their people so that the density of population in that circle can be drastically reduced.

Incidentally, Senator, this afternoon representatives from the District, Maryland, and Virginia are meeting in our office to sign the first agreement under this program to initiate studies in this respect.

Now, evacuation is only a small part of this program. We want to help the State and city directors obtain all the data necessary for survival planning. We want them to identify shelter, not just shelter from possible radioactive fallout but shelter from the elements which you need to have in your State, for example, and in Senator Bush's State, if an attack should come in the wintertime.

We don't want it to be a hit-or-miss proposition. If there is not enough shelter in the State of Connecticut to take care of the people that they find they can evacuate from their cities, then the plan should provide for the movement of these people into their neighboring States.

Then, in addition, this shelter must be evaluated so that we have knowledge—and there "we" includes everyone in civil defense and, finally, all the people—on the relative value of different kinds of shelter for protection from fallout.

Then, finally, we want this program to reflect the capabilities for reception and care. In other words, it would be one thing for people to be evacuated, but it would be something else to see that enough fuel, food, and the necessities of life were in the reception areas to give them a reasonable opportunity to survive.

We have met twice with the city director of New York and the State directors of New York, Connecticut, and Massachusetts, and we almost have approval of an agreement for the initiation of these surveys in that area. We will accomplish this I hope the day after tomorrow when we meet with them again in Washington.

Senator BUSH. Mr. Chairman, apropos of some of your earlier questioning of this witness a few moments ago, I would like to go back and call attention to the statement which the witness made that they had only drawn on the funds of the Civil Defense Authority to the extent of, I think you said, \$12 million. Is that right? That you had only drawn—

Mr. AITKEN. No, sir. I said approximately \$6 million.

Senator BUSH. \$6 million?

Mr. AITKEN. For these disasters in New England.

Senator BUSH. I want to make a few observations and ask some questions on that point, because it seems to me that gives a very inadequate view for the record as to what the Federal agencies have done.

I would like to make a personal observation that in our State at least, the whole State, the stricken areas were really almost entirely dependent for relief to individuals on the Federal agencies and the American National Red Cross, concerning which I will have something to say later on, perhaps tomorrow.

There was very little in the way of State legislation in our State to cope with the sort of a disaster that we were faced with.

That isn't to say that we didn't have wonderful response from our National Guard and our State police, our highway department, and so forth and so on. The State agencies performed well.

But my impression is—and I think the Governor of our State will bear this out when he testifies—that the response of the Federal agencies was excellent, it was admirable, and our Governor has stated that several times since the disaster.

In Public Law No. 875 it says:

In any major disaster, Federal agencies are hereby authorized when directed by the President to provide assistance by utilizing or lending with or without compensation therefor to States and local governments their equipment, supplies, facilities, personnel, and other resources.

Under that language the Administrator of Civil Defense, acting as the President's chief of staff in this disaster, which he did and very ably, directed the help from the Army and the Navy and the Coast Guard and the Marines, all of which sent in equipment, and they did a tremendous job in saving life and property.

And that all is under this authority contained in Public Law 875.

In addition to that, we had the Small Business Administration, which I think as far as individuals are concerned is the most important Federal agency of all. They came in there and set up offices in several of our stricken centers and made loans, all of which will be made clear tomorrow.

Through the Treasury Department the New Haven Railroad was able to get an underwriting of 90 percent of a loan by the Federal Gov-

ernment which enabled them to arrange a \$10 million loan for rebuilding that railroad up the Naugatuck Valley.

So when we talk about \$6 million, it gives an entirely erroneous picture of what kind of Federal funds have been put to work in this. Am I not correct in that?

Mr. AITKEN. Yes, sir, Senator, you are correct.

Senator BUSH. I wanted to bring out the point that this \$6 million should not be looked at as what the Government has contributed in this situation.

Mr. AITKEN. Yes, sir.

Senator BUSH. Because in my judgment when we get through it will be many times that. That figure itself will go way up.

I think of one company, the Hershey Co. in the Naugatuck Valley, which got flooded twice. The first time they arranged a disaster loan of \$1,800,000 from the Federal Government, and they had to supplement that 2 months later with another loan of \$400,000. Now, think of that.

There is just one individual in the person of a corporation which in order to keep people working got that much assistance from the Federal Government—a 3 percent loan for a period of 10 years.

I want to have the record show that these agencies did come to bat in a big way.

Never having had this experience before, or any marked disaster since the floods of 1911 or 1912 in Ohio when I was a schoolboy—I remember those very well—my general observation was that the disaster laws as they appear today show a great deal of foresight and the capitalization on a great deal of experience in the past. I am sure the people in my State are very grateful to those who preceded me here in drafting this disaster legislation up and down the line.

I think we all felt that, by and large, the legislation enabled the Government to come to bat in a very satisfactory way indeed.

Just one or two things more, Mr. Chairman. When the debris-clearing job is done by a private company, can it be reimbursed? Can that company be reimbursed under Public Law 875?

Mr. AITKEN. They can, Senator, if that debris would otherwise constitute a health problem.

Senator BUSH. Or a safety problem?

Mr. AITKEN. Or a safety problem; yes, sir.

Senator BUSH. Why cannot the public park and recreation grounds be cleared of debris under Public Law 875?

Mr. AITKEN. They can be if they constitute a health or safety problem. Otherwise—

Senator BUSH. They are public property?

Mr. AITKEN. But the enactment clause of this legislation says "to repair essential public facilities in major disasters," and a park usually is not considered, while it is desirable and meritorious, essential like a waterworks or a street, highway or school, some such thing as that.

Senator BUSH. Well, we are going to propose an amendment to make that an essential thing, too. I think they are, especially where those are located that I have seen.

Will you supply for our record here a copy of the Federal Civil Defense Administration regulations issued to implement Public Law 875? I ask the chairman if they may be inserted at this point in the record.

Senator LEHMAN. Yes.

Senator BUSH. Will you furnish that?

Mr. AITKEN. Yes, sir.

(The regulations referred to follow :)

#### THE PRESENT MECHANISM FOR FEDERAL DISASTER RELIEF

In all disasters, whether major or minor, FCDA is coordinator of all Federal relief by authority of Executive Order 10427. This coordination includes other Federal agencies having statutory authority to relieve disaster in their own specialized fields with their own funds for such special purposes. On top of other agency resources, FCDA has authority, when the President declares a major disaster, to direct any agency to go beyond its statutory responsibility and to reimburse it for such extra activity from the Federal disaster fund.

During August and October 1955 the damages faced by the disaster States, according to latest estimates, amounted to \$145 million for public property and \$445 million for private property—a grand total of property damage of \$590 million.

In view of the magnitude of the damage in August and October and the inadequacy of the Federal disaster fund, the various agencies were authorized by the President to expend their own available funds under FCDA direction and to adjust their accounts later.

The process of bringing natural disasters under emergency control now takes hours where it used to take days.

The process has been developed by the Federal Civil Defense Administration (FCDA) since January 1953, when it was given the dual responsibility, not only of dealing with enemy attacks on this Nation, but also of dealing with natural disasters.

By order of the President all Federal agencies are now keyed into a disaster-preparedness system which looks for trouble instead of waiting to be surprised by it.

When the Hurricane Diane broke up in the Northeastern States, FCDA had been following its behavior for days and had representatives in the field evaluating the situation. When 12 inches of rain fell in a day, they knew the floods would follow. That is why relief was so immediate.

The Federal Disaster Act, which is administered by FCDA, goes into effect when the Governor of a State applies directly to the President, certifying that the damage outruns the resources of the State and when the President declares that it is indeed a "major disaster."

The President is guided in this declaration by a formal recommendation which he requests from the Federal Civil Defense Administrator, who is also his chief of staff for disaster relief. In this capacity, Governor Val Peterson of FCDA was installed in the President's Office during the crucial period of the northeastern flood relief.

In general, disaster to a limited area or a single establishment, such as the destruction of a school or powerhouse, is not rated a "major disaster." In a year there are 400 to 500 ordinary disasters which bring in the local civil defense forces but only 10 to 25 are declared "major disasters" and bring in FCDA as well.

Even before relief is officially requested by a State, FCDA is at work finding out what will be needed and getting it underway. In each Federal agency, FCDA knows what resources are available and the phone number of the person directly responsible for action at any hour of the day or night.

Orders moving masses of equipment, supplies, and personnel are passed by telephone. Official papers to cover the action will follow when there is time. Redtape is cut as a matter of course. FCDA is no more impeded by it than a fire engine is by traffic regulations.

The Federal Disaster Act has contributed several elements which were conspicuously missing when natural disasters struck this Nation in the past. During the past 2 years, FCDA has developed organized preparedness, rapid information as to the extent of the disaster, authority to act and channels of immediate action. That is the system on which the President now relies.

That is why there was no fumbling of relief in the northeastern floods.

The disaster relief which followed the recent hurricane Diane in the six Northeastern States, brought into concerted action the major departments of the Federal Government under the direction of the Federal Civil Defense Administration.

The statutory authority for this is the Federal Disaster Act, which declares it to be the intention of Congress to "provide a continuing and orderly means of assistance" to States and local governments, in disasters which the President declares to be "major disasters."

In the past, Federal relief was thrown together after a disaster struck, and it was not orderly. Between disasters it has no continuity. Now it represents foresight and planning which bring together the resources of every department of the Federal Government.

In a developing disaster, such as the floods of hurricane Diane, FCDA follows the situation and alerts the Federal Departments likely to be called to aid. They cooperate in evaluating the situation so that FCDA may prepare to advise the President immediately whether or not a governor is correct in asking for a declaration that it is a major disaster.

The declaration of a major disaster puts FCDA in command of all the extensive resources of the Federal Government in skilled personnel, equipment, and supplies.

Many of the Federal agencies have fragmentary authority to conduct relief in their own specific fields, conferred by Congress from time to time; but FCDA has general power in an emergency to enlarge such departmental authority to fit any situation, and to coordinate any and all of the diverse emergency operations which any agency has been authorized to undertake independently.

In advance of any emergency the groundwork for immediate and effective action has been laid in Washington by the exchange of memorandums of general understanding between each department and the FCDA. In the field, regional offices of FCDA and regional offices of the various Federal agencies exchange detailed information as to resources available and the steps which must be taken to move them to the scene whenever a disaster strikes.

The first memorandum of understanding negotiated after FCDA was put at the head of major Federal disaster relief was with the American National Red Cross. Congress, in the Disaster Act, had specifically confirmed the Red Cross in its historic role as the Nation's quasi-official humanitarian organization. The first memorandum of understanding detailed the meaning of this. The Administrator of FCDA summarized it: "The Red Cross takes care of people, our Federal disaster forces take care of things."

The things that are taken care of directly by Federal relief are discovered to be vital after a disaster strikes. They are the public utilities, the public facilities, and the governmental services which are taken for granted until something interrupts them—as when the floods of hurricane Diane lifted the water level of streams 30 feet in 15 minutes and swept away things that had required a lifetime to install.

To deal with such situations, the Federal delegation of disaster authority to the FCDA has been followed during the past 2 years in most of the States by a similar delegation of the disaster authority of the State to their civil defense offices. In disaster Diane, these local civil defense forces swung into immediate action, together with the Red Cross, while FCDA mobilized the resources and activities of the following:

Department of Defense (notably the Corps of Engineers), Agriculture (with surplus food acquired in crop-support programs), Commerce (particularly the Bureau of Public Roads), Department of Health, Education, and Welfare, as well as Labor, Treasury, together with the Federal Housing and Home Finance Agency, General Services Administration, Small Business Administration, the Office of Defense Mobilization, and the Bureau of the Budget. In some of these major departments, more than one subordinate office was involved.

During the past 2 years this system has been tested by disasters in States that now number three-quarters of the Nation. Floods, tornadoes, forest fires, and drought have struck one State after another, often at the same time in different States. While FCDA was supervising disaster relief after the Diane floods in the Northeast, it was also dealing with the forest fire in California.

The purpose of the Federal disaster assistance which FCDA now heads is to supplement but not to supplant the State and local effort for the protection of life and property. Federal assistance is limited by Congress to operations that are emergency and temporary. The Federal assistance is intended only to permit the stricken area to pick itself up and begin to take the real measure of the upset. For permanent restoration, special legislation at Federal and State and local levels must be enacted to fit each disaster after it is first brought under emergency control.

## EXECUTIVE ORDER No. 10427

## ADMINISTRATION OF DISASTER RELIEF

By virtue of the authority vested in me by the act of September 30, 1950, entitled "An act to authorize Federal assistance to States and local governments in major disasters, and for other purposes," volume 64, Statutes, page 1100, as amended (42 U. S. C. 1855 ff.), hereinafter referred to as the act, and as President of the United States, it is hereby ordered as follows:

**SECTION 1.** The following-described authority and functions shall be exercised or performed by the Federal Civil Defense Administrator:

(a) The authority conferred upon the President by section 3 of the act to direct Federal agencies to provide assistance in major disasters.

(b) The authority conferred upon the President by section 5 (a) of the act to coordinate the activities of Federal agencies in providing disaster assistance, and to direct any Federal agency to utilize its available personnel, equipment, supplies, facilities, and other resources, in accordance with the authority contained in the act.

(c) The preparation of proposed rules and regulations for the consideration of the President and issuance by him under section 5 (b) of the act.

(d) The preparation of the annual and supplemental reports provided for by section 8 of the act for the consideration of the President and transmittal by him to the Congress.

**SEC. 2.** In order to further the most effective utilization of the personnel, equipment, supplies, facilities, and other resources of Federal agencies pursuant to the act during a major disaster, such agencies shall from time to time make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster. The Federal Civil Defense Administrator shall coordinate on behalf of the President such plans and preparations.

**SEC. 3.** To the extent authorized by the act, the Federal Civil Defense Administrator shall foster the development of such State and local organizations and plans as may be necessary to cope with major disasters.

**SEC. 4.** Nothing in this order shall be constructed to prevent any Federal agency from affording such assistance and taking such other action as may accord with the existing policies, practices, or statutory authority of such agency in the event of any disaster which will not permit delay in the commencement of Federal assistance or other Federal action, and pending the determination of the President whether the disaster is a major disaster: *Provided*, That such assistance and such other action shall be subject to coordination by the Federal Civil Defense Administrator, acting on behalf of the President.

**SEC. 5.** The Federal Civil Defense Administrator may delegate any authority or function delegated or assigned to him by the provisions of this order to any other officer or officers of the Federal Civil Defense Administration or, with the consent of the head thereof, to any other Federal agency.

**SEC. 6.** Federal disaster relief provided under the act shall be deemed to be supplementary to relief afforded by State, local, or private agencies and not in substitution therefor; Federal financial contributions for disaster relief shall be conditioned upon reasonable State and local expenditures for such relief; the limited responsibility of the Federal Government for disaster relief shall be made clear to State and local agencies concerned; and the States shall be encouraged to provide funds which will be available for disaster relief purposes.

**SEC. 7.** As used herein, the terms "major disaster" and "Federal agency" shall have the meanings ascribed to them in the act.

**SEC. 8.** So much of the records of the Housing and Home Finance Agency relating to the activities delegated by Executive Order No. 10221 as the Housing and Home Finance Administrator and the Federal Civil Defense Administrator shall jointly determine shall be transferred to the Federal Civil Defense Administration.

**SEC. 9.** Executive Order No. 10221 of March 2, 1951 (16 F. R. 2051), is hereby revoked: *Provided*, That the Housing and Home Finance Administrator is hereby authorized and directed to carry out and complete all activities, including reports thereon, provided for by that order in connection with any disaster determined, in accordance with the provisions of the act and prior to the effective date of this order, to be a major disaster: *And provided further*, That the Housing and Home Finance Administrator shall prepare the annual and supplemental reports

provided for by section 8 of the act for the calendar year 1952 for the consideration of the President and transmittal by him to the Congress.

SEC. 10. This order shall become effective January 16, 1953.

HARRY S. TRUMAN.

THE WHITE HOUSE, *January 16, 1953.*

FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington, D. C.

GENERAL ORDER No. 128

February 2, 1953

DELEGATION OF AUTHORITY AND ASSIGNMENT OF FUNCTIONS FOR NATURAL  
DISASTERS

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I. PURPOSE

The purpose of this general order is to state the organization implications, define the functions of the various organization components of FCDA to the extent possible in connection with the natural disaster responsibility and delegate to regional directors certain natural disaster authority and functions under Public Law 875, 81st Congress, as amended, transferred to the Administrator by Executive Order 10427, dated January 16, 1953.

II. ORGANIZATION IMPLICATIONS

No new organization unit will be established in the Washington headquarters or in any field station to carry out the responsibilities transferred to FCDA by Executive Order 10427.

III. ASSIGNMENT OF FUNCTIONS

A. Natural disaster operations will be directed by the Office of the Administrator.

B. As directed by the Office of the Administrator, each office of FCDA and each of its field stations will perform pertinent natural disaster functions in the same areas they now perform civil defense functions or as otherwise directed.

C. Communications channels established for use in civil defense emergencies will be used to the maximum extent possible in connection with natural disasters.

IV. DELEGATION OF AUTHORITY

A. There is hereby delegated to the regional directors, to be exercised or performed by them within their respective regions, the authority and functions transferred to the Administrator by Executive Order 10427, except those enumerated in subsections (c) and (d) of section 1, section 5, and section 8 of said order.

B. In exercising and performing the authority and functions herein delegated, the regional directors shall give maximum consideration to the existing responsibilities, authorities, practices, customs, and arrangements of the other Federal agencies, States, local governments, and the American National Red Cross with respect to natural disasters.

C. The authority and functions hereby delegated to the regional director shall be exercised and performed by them in accordance with Public Law 875, 81st Congress, as amended, and such rules, regulations, and instructions as the Administrator may hereafter issue.

D. The authority and functions hereby delegated may not be redelegated, but shall be exercised and performed by the regional director, or in his absence, disability, or death, by the person designated to carry out the responsibilities of the regional director.

V. EFFECTIVE DATE

This general order is effective the date of issuance.

J. J. WADSWORTH,  
*Acting Administrator.*

## DISASTER INTERIM OPERATING PROCEDURES

## 1. INFORMATION

**1.1 General**

(a) The information and operating procedures outlined herein are issued as interim procedures because of the urgency of providing all agencies that may be affected by a disaster with a temporary guide, pending the preparation of regular manuals and instructions.

**1.2 Executive Order No. 10427**

(a) Executive Order No. 10427 was issued by the President on January 16, 1953. This order directs the Federal Civil Defense Administrator, hereinafter referred to as the Administrator, to take certain action authorized by Public Law 875, 81st Congress, 2d session, as amended, providing for a continuing means of supplemental assistance by the Federal Government to States and local governments in carrying out their responsibilities in alleviating suffering and damage resulting from major disasters.

(b) It further directs the Administrator to coordinate activities of Federal agencies in planning for and furnishing assistance in disasters and to foster development of State and local plans and organizations to cope with major disasters.

(c) In addition, the order authorized the Administrator on behalf of the President to coordinate activities of Federal agencies affording assistance under their own policies, practices, and statutory authority in the event of any disaster which will not permit delay in the commencement of Federal assistance and pending the determination of the President whether or not the disaster is a major one.

**1.3 Authority, Public Law 875**

(a) Public Law 875 requires that the President make the determination regarding the existence of a major disaster. Responsibility for this determination has not been delegated. It requires the President to determine that the catastrophe is, or threatens to be, of such severity and magnitude as to warrant assistance by the Federal Government.

(b) The following authorities of the President in Public Law 875 have been delegated to the Administrator: 1. The authority to direct Federal agencies to provide assistance (a) by utilizing or lending, with or without compensation therefor, to States and local governments, their equipment, supplies, facilities, personnel, and other resources; (b) by distributing through the American National Red Cross or otherwise, medicine, food, and other consumable supplies; (c) by donating to States and local governments equipment and supplies determined to be surplus to the needs and responsibilities of the Federal Government; and (d) by performing protective and other work necessary for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities damaged or destroyed in such major disaster, providing temporary housing or other emergency shelter for families who as a result of such major disaster require housing provisions, and making contributions to States and local governments for purposes stated in subsection (d).

2. The authority to coordinate activities of Federal agencies in providing disaster assistance in such manner as he may determine advisable, in the interest of providing maximum mobilization of Federal assistance under the act.

**1.4 Notice to States**

(a) The Administrator has written each State governor and chief administrative authorities of the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands, furnishing them copies of Executive Order No. 10427, Public Law 875 and Public Law 107. He has informed them of the general provisions under which the Administrative responsibilities for this program will be administered. They have been advised of the name and address of the regional director, Federal Civil Defense Administration, hereinafter referred to as the regional director, who will have responsibility in that State or Territory. The Administrator has requested the governors to discuss the details of organization within his State with the regional director and has recommended the utilization of the State and local civil defense organization in disasters.

**1.5 Notice to Federal agencies**

(a) The Administrator has written each Federal agency having legislative authority or resources available in a disaster. He has advised them of the trans-

fer of authority and functions to him by Executive Order No. 10427. Each agency has been asked to designate a representative to work out details with the Administrator's staff regarding that agency's participation in planning and in rendering disaster assistance.

#### *1.6 Organizational responsibility, Federal Civil Defense Administration*

(a) Responsibility for coordination of Federal assistance in a disaster has been delegated to the Federal Civil Defense Administration. This will be accomplished between Federal agencies by direct contact with departmental offices by the Administrator's staff and with field offices by the Federal Civil Defense Administration regional director. In addition, coordination of Federal assistance with State and local efforts will be necessary and normally will be the responsibility of the regional director.

(b) Certain authorities delegated to the Administration by the President have been redelegated to regional directors. The authority and functions delegated to the regional directors shall be exercised and performed by them in accordance with such rules, regulations, and instructions as the Administrator issues. The Administrator, or in his absence the Deputy Administrator or the Executive Assistant Administrator, will retain prime responsibility for exercising all those functions set forth in the executive order not delegated to regional directors. Generally the regular organizational units of the Federal Civil Defense Administration, both departmental and field, will carry out their assigned responsibilities in the disaster program in the same manner as in the civil defense program.

#### *1.7 Organizational responsibility, State and local agencies*

(a) The majority of the States have enacted legislation which vests in the State civil-defense organization the functional and operational responsibility of administering the State disaster relief program. It is the recommendation of the Administrator that those States which have not yet done so enact similar legislation in their forthcoming legislative sessions.

(b) As stated, since this authority now exists in a majority of States, this interim operating procedure will refer to the State and local civil-defense organizations as the units responsible for disaster action. It should be understood, of course, that where this authority has not been delegated to the civil-defense organization, the statements made and procedures suggested apply to whatever organization has been given the responsibility for disaster action.

#### *1.8 Responsibility, American Red Cross*

(a) Public Law 875 specifically provides that nothing contained therein shall limit or in any way affect the responsibilities of the American National Red Cross under the act approved January 5, 1905, as amended. The many years of experience and the far-flung organization of the American Red Cross will continue to be utilized in disaster situations. A detailed memorandum of understanding of the specific areas that will continue to be covered by the Red Cross is being worked out between that organization and the Federal Civil Defense Administration.

### II DISASTER CRITERIA

#### *2.1 General*

(a) The purpose of this section is to define and clarify various responsibilities governing Federal relief activity and operations as embodied in Public Law 875, 81st Congress, 2d session. Many questions will arise for which no precedent or criteria exists. These must be resolved by administrative determination based on existing facts and their application to the intent and scope of the act. Nevertheless, the defined functions of Public Law 875, along with the precedent of operations that has been established in its previous administration are outlined in the following sections.

#### *2.2 Definition of major disasters*

(a) As used in Public Law 875, "major disaster" is construed to mean "any flood, drought, fire, hurricane, earthquake, storm, or other catastrophe in any part of the United States which, in the determination of the President, is or threatens to be of sufficient severity and magnitude to warrant disaster assistance by the Federal Government to supplement the efforts and available resources of States and local governments in alleviating the damage, hardship, or suffering caused thereby, and respecting which the governor of any State in which such catastrophe may occur or threaten certifies the need for disaster assistance under

this act, and shall give assurance of expenditure of a reasonable amount of the funds of the government of such State, local governments therein, or other agencies, for the same or similar purposes with respect to such catastrophe."

### **2.3 Presidential determination**

(a) After the Governor has certified a need for Federal assistance and gives assurance of an expenditure of a reasonable amount of the funds of the government of such State, local government therein, or other agencies, for the same or similar purposes, this then places the responsibility upon the President for determining whether the disaster is of such severity and magnitude as to constitute a major disaster and thus warrant Federal assistance under the provisions of Public Law 875.

### **2.4 Administrator's recommendations**

(a) The Administrator will submit his recommendations to the President. Such recommendations will be based upon the following factors and other pertinent facts:

- (1) Extent of damage which has occurred or threatens;
- (2) Legal authority and capability of State and local governments and agencies to alleviate damage, hardship, and suffering caused by the disaster;
- (3) Availability of Federal assistance in alleviating damage, hardship, and suffering.

### **2.5 Scope of disaster**

(a) A catastrophe may endanger lives of many people or it may endanger none. It may threaten economic stability of an entire region or it may affect only residents or resources of a community. Ordinarily, disasters affecting a limited area or single facility, such as destruction of a school or hospital or damage to a revenue-producing facility, such as a power or water supply installation will not be considered major.

### **2.6 Reasonable expenditures by State and local agencies for same or similar purposes**

(a) Prior to determination of a major disaster, the governor must give assurance to the President that a reasonable amount of the funds of State and local governments or other agencies has or will be expended for same or similar purposes as that assistance requested from the Federal Government. Since Public Law 875 stipulates that alleviation of suffering and damage resulting from disaster is primarily the responsibility of the State and local governmental agencies, Federal aid is limited to supplemental assistance. Therefore, available State and local resources should be committed to a reasonable degree before Federal assistance is made available.

(b) Circumstances in each case will govern the decision. What might be reasonable participation for New York City would be an insurmountable burden on a rural area. The test of reasonableness is dependent upon an individual case-by-case determination within the scope of the law rather than a predetermined concept. There is no intention to require that a State or local unit of government impoverish itself before Federal assistance is made available. Neither is there any intent for the Federal Government to assume the financial burden to conserve State or local funds.

(c) The expression "for the same or similar purposes" will be given, as intended, liberal interpretation consistent with good administration. The intent of Public Law 875 is to alleviate suffering and hardship caused by disaster, and as such, assistance which accomplishes that result will constitute compliance with provisions and spirit of the act. For example, if expenditures are required for emergency repair to bridges and water systems, it may be advisable for the State or local units to use their available funds on the bridge repair and devote Federal funds to water repair rather than require part of the State funds to be spent for each activity. However, expenditure of State or local funds for improvements to public facilities would not constitute compliance with this requirement of the act.

### **2.7 Emergency repairs and temporary replacements**

(a) Section 3 of Public Law 875 provides for emergency housing and temporary shelter for the disaster stricken as well as performance of emergency repairs and temporary replacements of public facilities. Emergency and temporary work to be performed will be considered as the minimum necessary to provide for or to reestablish either shelters or facilities or replacement necessary

to restore facilities on a temporary basis long enough to allow for provision of permanent facilities. In such cases the intent of the law will be strictly adhered to and serve as the paramount determination as to the extent that Federal assistance should be made available.

### III. STATE AND LOCAL ACTION IN DISASTERS

#### 3.1 *Federal assistance under Public Law 875*

(a) Federal assistance under the provisions of Public Law 875 can be made available only after the President has declared a major disaster to exist.

(b) When a major disaster occurs or threatens, the local civil-defense director should investigate promptly and report the facts with his recommendations to the State civil-defense director or such other agency designated as responsible in time of disaster. (See 1.7(b).)

(c) The State agency concerned should make such further investigation as necessary and immediately report the facts with his recommendations to the governor, advising the regional director in all cases where Federal assistance may be requested.

#### 3.2 *Other Federal assistance*

(a) In addition to the assistance which may be requested under Public Law 875, various Federal agencies have statutory authority to provide help of various kinds in any disaster. The Governor or the State director may, of course, make direct requests to these agencies. However, since the Federal Civil Defense Administrator has the responsibility of the President to coordinate such assistance, it is suggested that all such requests might be expedited by placing them through the regional director. He should certainly be advised of any requests made directly to another Federal agency. Current information on the authority, policies, and resources of all Federal agencies will be developed and maintained by the Federal Civil Defense Administration. (See pt. V-6.)

#### 3.3 *Screening committee*

(a) Where disaster covers a large area and will result in requests for assistance from several political subdivisions of government, it is suggested the governor designate a screening committee to review requests for assistance from these local units. (See IV-7.)

#### 3.4 *Certificate and request of governor*

(a) Provisions of Public 875 will be invoked only for major disasters concerning which the governor certifies the need for Federal assistance and gives assurance of the expenditure of a reasonable amount of the funds of State or local governments or other agencies for the same or similar purposes with respect to such disaster. The request, certification, and assurance outlined above should be addressed to the President by the governor.

(b) Considerable time may be saved if prior to dispatch of the request to the President, the regional director is consulted to determine eligibility of the assistance desired and arrange for the regional director simultaneously notifying the Administrator.

(c) There is attached as appendix A a sample of a request by a governor to the President for declaration of a major disaster.

#### 3.5 *Supporting data*

(a) Following the governor's request, additional data should be furnished the regional director. This should include, but not be limited to, the following:

(1) Estimate of the extent of damage, separated between public and private, by type of facility, such as water and sewer systems, private dwellings, industrial plants, streets, public buildings, etc.;

(2) Estimated cost of emergency repairs, temporary replacements, clearance of debris and work necessary for the preservation of life and property;

(3) Statement of funds available or to be made available from State or local sources;

(4) Action taken or to be taken by the State legislature or local governing bodies, such as special sessions or interim board or council meetings;

(5) Statement of action taken or to be taken by local and State civil-defense organizations;

(6) Estimate of minimum Federal funds, personnel, equipment, and material required to supplement the State and local effort;

(7) Estimate of civil-defense stockpile material, equipment, and supplies required, indicating that to come from Federal stockpile and from State stockpile;

(8) Any additional data which would be of assistance in determining whether the situation constitutes a major disaster and the type and extent of Federal assistance necessary.

### *3.6 Assurance of reasonable State and local expenditures*

(a) Public Law 875 places primary responsibility for disaster recovery action with the State. The governor has given assurance of the expenditure of a reasonable amount of State and local funds and should make sure that this is being done. Use of State and local civil-defense facilities should aid materially in accomplishing this.

### *3.7 State disaster plans*

(a) It is assumed that all means of assistance available to the State civil-defense director, including assistance made available through interstate compacts, will be provided when disaster results exceed the corrective ability of any community or communities within the State. In order to make the State civil-defense effort more efficient, a disaster plan should be prepared and maintained in current status. Inventories of available equipment, material, and manpower should be available at all times. One of the greatest delaying factors in a normal disaster situation is inability to locate promptly equipment and equipment operators.

(b) One of the most pressing needs in a disaster operation is an available fund to meet necessary expenses. In a few States where appropriations for disasters are available this need is somewhat alleviated. It is recommended that every effort be made, particularly in States subject to recurring natural disaster, to enact appropriate State laws and provide funds for disaster.

(c) The Federal Civil Defense Administration has not and will not attempt to recommend any specific plan for State civil-defense action in the disaster field. It is recognized that each State will have varying requirements and situations. In those States subject to flood damage an entirely different plan may be required from that resulting from blizzards. Each State is familiar with recurring disasters for which it must prepare. Sufficient flexibility should be retained in the State plan, however, to cover all situations. Federal Civil Defense Administration personnel at both the regional and Washington level will be available for consultation when requested.

## IV. FEDERAL CIVIL DEFENSE ADMINISTRATION ACTION IN DISASTERS

### *4.1 General information*

(a) Effective liaison, rapid communication, sound judgment and positive action between Federal, State and local agencies is a must in disaster operation. The Federal Civil Defense Administration will give top priority to the handling of its disaster responsibilities. Advance planning and provision for accomplishment of these objectives will insure good performance when disaster strikes.

(b) The participation of the Federal Civil Defense Administration in civil disasters should result in valuable experience and practice in functions which will simulate and in many ways, coincide with their functions under an enemy-induced disaster.

(c) The authorities and functions delegated to the Administrator in the operation of Public Law 875 are derived from congressional action separate and apart from basic Federal Civil Defense Administration authority, Public Law 920. Standards and procedures developed for the disaster program, when in conflict with normal Federal Civil Defense Administration standards and procedures, should not be construed as a change in policy in civil defense, but as necessitated by different basic authorities.

### *4.2 Federal Civil Defense Administration regional office organization*

(a) No additional personnel or special organization will be set up in the regional offices at this time to handle natural disasters. Existing organizational units should be utilized by the regional director to perform functions comparable to those they would perform in disaster caused by enemy action.

(b) In the event of major disaster, temporary additional personnel may be employed. As a general rule, however, additional manpower should be secured by detail from other regions, the Washington office or other Federal agencies. Specific delegation of responsibilities to other agencies may also be made.

(c) Authority delegated to the regional director to execute agreements with a governor may not be redelegated by him. Authority to delegate responsibilities to other agencies and other administrative functions may be redelegated by the regional directors.

(d) From the standpoint of actual disaster operations, the use of the regional office organization will be of an intermittent character. From the standpoint of planning with Federal agencies and encouraging development of plans by States and local units of government, the work will be continuous.

#### *4.3 Federal Civil Defense Administration regional office operating procedure*

(a) As rapidly as possible, regional directors shall establish contacts with Federal agencies operating in their jurisdiction which have resources usable in disasters or can furnish information regarding potential or actual disasters. Such liaison should provide:

1. Knowledge regarding manpower, equipment, material, and other resources available in each agency;
2. Information regarding the disaster plans of the agency;
3. Arrangements for immediate notification to regional director of contemplated action by such agency in a disaster, and;
4. Arrangements for notification of such agency of disasters, etc., by the regional director.

(b) As directed in the Administrator's letter, the regional director should make prompt contact with the governor of each State in his region and with each State director of civil defense or other person designated by the governor as responsible in a disaster. The regional director and his staff are responsible for fostering development of State and local plans to meet disasters.

(c) The regional director should work out with the State a procedure which will insure prompt reporting to the regional office of all disasters which might require Federal assistance. The regional director should evaluate such reports and forward to the Administrator by emergency communications with his comments.

(d) The regional director is responsible to see that his emergency operations and communications procedures are so established that a designated duty officer can be reached at any time, day or night, 7 days per week. Such duty officer should have responsibility of securing from the regional director or deputy the authority to see that the information is promptly forwarded to the Washington office. If by telephone, call Washington, Adams 4-7120 or 4-7121. If by teletype, call Bluemont, Va., 86. The regional director shall also establish procedures to see that adequate notice is furnished all regional staff who may be required to function in the particular disaster situation.

(e) When the situation has not reached the emergency stage, for example, when a warm rain has started to fall on a heavy concentration of snow with anticipation of floods within 10 days or 2 weeks, transmittal of data by mail may be adequate.

(f) When the regional director believes a disaster has occurred and he has not been so informed, he should not hesitate to request advice from State or other agencies.

#### *4.4 Additional regional investigations*

(a) Following receipt of the initial notification, the regional director should make such additional investigations as the situation warrants. Investigation might entail a further check with the Weather Bureau on rain forecasts, the Corps of Engineers on river stage predictions, the Department of Agriculture on drought conditions, the Department of the Interior on snow conditions in the mountains, the Bureau of Public Roads on highway and bridge damages, the State civil defense organization for further information, or even a visit to the site of disaster. Maximum utilization should be made of the experience and technical knowledge of these and other Federal agencies.

(b) Keep currently informed regarding any proposed action by Federal agencies and see that all Federal agencies are informed of the facts regarding a disaster and insure the necessary coordination of such action.

(c) Maintain contact with the Governor's office to insure that the Federal Civil Defense Administration is meeting the needs through available Federal assistance. It is expected that the State Civil Defense Director will have cleared with the Governor and determined the probability of the Governor's request to the President prior to his notifying the regional director.

(d) As soon as the regional director has knowledge that the Governor has submitted a request to the President for the declaration of a major disaster, he should secure and forward to the Administrator supporting data outlined in 3.3.

#### 4.5 *Agreement with State Governor*

(a) As soon as the President has acted, the Administrator will notify the regional director of such action. If a major disaster has been declared, the regional director will execute an agreement with the affected State, providing for Federal assistance in the disaster area. Such agreement will be predicated on standard contract issued by the Administrator with such individual limitations that are applicable to the particular situation. Sample agreement is attached as appendix B.

(b) Preparatory to the execution of the said agreement, an operational plan for disaster relief should be mutually agreed upon between the regional director and State Governor. In the event Federal funds under the authority of section 3d, Public Law 875, are to be expended, it should be further agreed:

1. Through what channels the funds would be made available, i. e., to the State, to the local public bodies, or direct Federal expenditure;
2. Types of expenditures authorized;
3. Utilization of State and local funds and facilities;
4. Use of other Federal agencies, and;
5. Type and extent of State control, such as inspection of sanitary facilities, application of building codes, etc.

(c) Civil defense facilities and equipment procured from the matching funds program as provided in section 201 (b) of Public Law 920, which has been utilized, damaged or destroyed while in the performance of relief activity during a disaster, will be immediately replaced or restored by the State or local government. Where the disaster has been declared a major disaster the costs incurred in the use of such facilities and equipment may be defrayed in whole or in part by the Federal funds allocated.

Where a disaster has been declared a major disaster and the emergency conditions justified, the provisions of section 3 (a) and (b) of Public Law 875 may be made applicable to the use of items in Federal stockpile.

#### 4.6 *Review of regional director*

(a) Prior to the commitment of Federal funds for the alleviation of suffering and damage caused by the disaster, the regional director should be notified by the Governor as to the State's plan for operational expenditures in order to ascertain its conformity with the provisions of section 3 (d) of Public Law 875. No payment shall be made for any costs incurred by the State unless such costs are in conformity with the forementioned section 3, Public Law 875, and are specifically authorized and/or approved by the regional director.

#### 4.7 *Review or screening committee*

(a) In previous disasters involving a number of local political subdivisions with a State, the establishment of a Governor's review or screening committee, composed of some 4 or 5 members, such as the State civil defense director, as chairman, the State engineer, the public health officer, the State superintendent of schools and one Federal representative has been extremely advantageous. It has been the function of this committee to screen requests from the various local agencies for assistance and determine the eligibility of such assistance from available State or Public Law 875 funds.

#### 4.8 *Inspection*

(a) The regional director will arrange for necessary inspection of work. In many cases, this can best be accomplished by delegation of the responsibilities to other Federal agencies with personnel technically trained in the field in which inspection is required. Adequate inspection to determine the work is being carried out in accordance with the agreement, that the cost thereof is reasonable, and that the payments therefor are proper, may eliminate the necessity for detailed audit of State or local accounts. However, where the regional director has reason to believe a detailed audit is necessary, he should recommend such action to the Administrator.

#### 4.9 *Identification of Federal Civil Defense Administration personnel*

(a) The regional director should undertake to work out with the Governor of each State, and through him with the highway patrol or other traffic-control

groups necessary clearance of regional personnel to get through police lines to disasters. The central office will develop and furnish to each region identification for persons and vehicles which will be of assistance in these matters. In the meantime, a vehicle marker is being sent to regional personnel for use with present employee identification card.

#### 4.10 Public information

(a) Prior to a determination by the President that the disaster is of sufficient severity and magnitude as to constitute a declaration of a major disaster as provided under Public Law 875, statements for public issuance regarding the disaster will be limited only to known facts. Under such circumstances, no indication, express or implied, is to be made public that the provisions of Public Law 875 will, or will not, be made applicable to the situation. Unless it is known that a governor has certified to the President that Federal assistance is required, all queries concerning State or local action will be referred to the governor or State civil defense director concerned. Queries concerning other Federal agencies will be referred to the appropriate agency or answered by the regional director as agreed between Federal Civil Defense Administration and such other agencies.

#### 4.11 Reports

(a) No specific form of reporting regional action on disasters is established at this time. Narrative reports sufficient to keep the central office informed should be forwarded daily. Since a final report showing accomplishments, expenditures, and important or interesting data will be required, adequate records should be maintained.

#### 4.12 Federal Civil Defense Administration central office operating procedure

(a) When it appears that action under Public Law 875 is necessary, the Federal Civil Defense Administration disaster program will be activated and contact will be made with the Budget Bureau and White House.

(b) Under an unusual circumstance where the central office is notified of disaster prior to receipt of notification from the regional office, such information will immediately be transmitted to the appropriate region.

(c) When a disaster request is received by the President, the White House will promptly notify the Administrator on Adams 4-7120 or 4-7121, and send a copy of the request to the Federal Civil Defense Administration emergency operations room by special messenger. In accordance with prescribed operating procedures, the Administrator will assign the responsibility of investigation of facts and preparation of appropriate recommendations to the regular organizational units of the Federal Civil Defense Administration.

(d) Recommendations of regional director and departmental units will be reviewed by the Administrator and the central office. Other Federal agencies will be consulted if necessary.

(e) After consideration of all factors involved, the Administrator will determine necessary action and submit his recommendations for Presidential action. The report and recommendations will be sent to the White House, through the Bureau of the Budget, and will include any recommendation on allocation of funds.

(f) The President may approve, disapprove, or hold in abeyance final action on the governor's request and will notify the governor by telegram of his decision. The notification, if affirmative, will simply indicate that a disaster declaration is being made and will advise the governor that a Federal Civil Defense Administration representative will contact him promptly to execute necessary agreements. The amount of funds provided under Public Law 875 for the particular disaster will not be given in the President's telegram, but will be allocated to Federal Civil Defense Administration through the Budget Bureau.

(g) The Administrator will be notified of the President's action by telephone. The Administrator will notify the regional director advising him of any limitations to in the President's action and the amount of funds, if any, allocated to the region.

(h) The Administrator will keep the offices of all interested Senators and Congressmen fully informed of the progress on each disaster situation. Notification of action to the various congressional offices will be as nearly simultaneous as possible.

(i) The various press services and other media in Washington will be kept informed of disaster action. The press release on Presidential action will normally be handled by the White House.

#### 4.13 Fiscal procedure

(a) Where Federal funds are allocated by the President for a major disaster, a letter of allocation will be addressed to the Administrator by the President. The Director, Bureau of the Budget, will have prepared a transfer voucher for submission to the Chief Disbursing Officer, Treasury Department, authorizing transfer of the allocated funds from the account of the Executive Office of the President to the Federal Civil Defense Administration. The Director, Bureau of the Budget, will notify the Administrator of such action, and apportionments of funds, by quarters, will be established. Appropriate accounts will be established in the Federal Civil Defense Administration and funds will be made available for obligation and disbursement.

(b) The agreement, jointly executed by the Governor and the regional director, acting for the United States Government, will outline the method of disbursement of such funds.

(c) Financial assistance to States or local governments or agencies may be made only for the purposes set forth in section 3d of the act. Payment may be made to any one or combination of the following:

1. To the State by the Federal Civil Defense Administration for disbursements made by the State for disaster expenditures authorized or approved by the Federal Civil Defense Administration;
2. To local agencies within the State for local expenditures for emergency disaster purposes when such expenditures have been authorized or approved by the State and the Federal Civil Defense Administration;
3. To other Federal agencies for emergency disaster purposes authorized or approved by the Federal Civil Defense Administration;
4. To contractors of the Federal Civil Defense Administration for materials, supplies, equipment, or services furnished under contracts;
5. To Federal Civil Defense Administration for approved administrative expenses incurred in connection with emergency disasters.

(d) In those cases where the agreement provides for the Federal Civil Defense Administration payment to the State for authorized State expenditures, such payment may be made either as a reimbursement or as an advance to the State.

(1) When such action is not in conflict with State statutes it is preferable that the transaction be conducted on a reimbursement basis. Under this arrangement the State should invoice Federal Civil Defense Administration for the actual cost to the State for the authorized disaster expenditures. When adequate State funds are available to meet the total cost of the disaster operations, it is desirable that a single voucher (properly supported) covering the entire requirements be submitted. When operating funds of the States are insufficient to meet the total cost of the disaster operations, vouchers covering completed items of work may be submitted. Vouchers submitted will be examined by Federal representatives, insofar as possible, on a preaudit rather than post-audit basis. Copies of purchase orders, bills of lading, suppliers' invoices, and payrolls must be available for examination. Vouchers shall indicate the official payee, that is, State treasurer or other official designated by the governor to receive such funds. Vouchers from the State should be submitted to the appropriate regional director. Upon receipt of the voucher any necessary examination or audit will be made. Except in extraordinary cases, the examination and/or audit of the regional office will be considered sufficient to certify the voucher for payment. Fiscal personnel of other Federal agencies should be utilized when necessary.

(2) When State statutes do not allow the advance of State funds to meet emergency requirements or when the fiscal situation of the State is such as to require supplementation, advances of Public Law 875 funds may be made. When an advance is necessary the State must agree to deposit the funds in a separate fund or account, subject to withdrawal only upon certification of the authorized representative of the State governor. The fund or account is subject to complete examination or audit by a Federal Civil Defense Administration representative and complete substantiation of all expenditures will be required. Requests for advances will be submitted by the State to the regional director. The request must designate the State official responsible for its custody, provide assurance of satisfactory bond if other than a bonded official is designated, and indicate location of the fund or account.

(e) When State laws are such as to preclude the payment to local political subdivisions for emergency disaster relief work from State funds, the agreement may provide for reimbursement to local public bodies within the State for

approved expenditures. In this case, no advance payment of Federal funds will be made.

(f) In those cases where other Federal agencies are to be reimbursed for services rendered by direction of the authorized Federal Civil Defense Administration representatives, the request for reimbursement will be submitted by those agencies on form 1080, transfer voucher. Such voucher must be adequately supported and will be audited by the Federal Civil Defense Administration. When a field office of a Federal agency prepares the voucher it should be submitted to the appropriate regional director, who will make any necessary investigations to substantiate the claim. When the department office of the Federal agency submits the voucher for other than departmental work, it will be referred by the Administrator to the regional director in whose region the services were performed for recommendations and return.

(g) The provision of assistance by means of Federal contracts will be resorted to only in exceptional cases and then only on approval of the Administrator. In such cases, instructions to cover any necessary field action will be issued at the time of approval.

(h) A small percentage of any disaster allocations approved by the President may be budgeted for administrative expenses of the disaster operations and controlled by the Administrator through the Office of Management. Such funds may be utilized for administrative costs, where such costs are directly attributable to the disaster activity. Payment for such charges will be in conformity with existing procedures.

(i) The preceding paragraphs emphasize the need for adequate investigation of proposed work for which Federal funds will be utilized and sufficient inspection to insure that the work actually performed is in conformity with that approved. Careful reference to the provisions of Public Law 875 and the criteria established in chapter 11 should be made. Much of the preaudit work will be performed by engineering or other representatives of the regional director at the site of the work. Personnel in addition to the regular regional staff, including auditors, will be made available when necessary. Cumulative totals of approvals must be maintained in the regional office to limit such approvals to the total amount as allotted by the Administrator. At no time may obligations exceed the amount of money allotted. There are serious penalties for over-obligation of Federal funds.

#### V. FEDERAL AGENCY DISASTER PARTICIPATION

##### 5.1 General

(a) Many Federal agencies have authority vested in them by legislation which permits action when disaster threatens or after a catastrophe has occurred. Some of these agencies have funds available, or funds which can be made available, for direct use in time of disaster. The authority of Public Law 875 and funds made available thereunder are supplementary to, and not in substitution for, nor in limitation of, any other authority vested in any Federal agency or funds available under such authority.

(b) The Federal Civil Defense Administration will not interfere with long-established practices of Federal agencies in furnishing assistance in disaster. Recognizing the experience and know-how of these agencies in special fields, the FCDA will delegate to them to the maximum degree additional responsibilities in the areas in which they are best qualified.

The Administrator has been directed to coordinate these activities, but in doing so expects the regional directors to approach this coordinating function in a spirit of cooperation and appreciation of past record of disaster assistance.

##### 5.2 Federal agency assistance

(a) Pending the ultimate determination by the President whether a major disaster occurred all Federal agencies will act under their own authority. The Federal Civil Defense Administration will be responsible for coordination directed by Executive Order No. 10427.

(b) In addition to Federal agencies which have authority to act in disaster, there are agencies having personnel, equipment, material, or other facilities, which may be of considerable value in a major disaster. The Administrator may direct any Federal agency to utilize its available resources in conformity with the provisions of the act and Executive order.

(c) Any Federal agency called upon will furnish adequate supervision of their own effort and the only Federal Civil Defense Administration action subsequent to agreement to furnish assistance will be of a coordinating nature.

### 5.3 *Federally owned facilities*

(a) Public Law 875 provides authority, under certain conditions, for the repair of facilities owned by the United States damaged or destroyed in a major disaster. The authority to approve such action is covered by section 6 of the act. The allocation of funds for such purpose is vested in the President and he has not delegated such authority. Federal agencies having jurisdiction over facilities owned by the United States, and lacking authority or funds to repair damages inflicted by a major disaster must clear such action as is necessary with the Bureau of the Budget and the White House. The Federal Civil Defense Administration will lend all possible assistance in obtaining such clearance.

### 5.4 *Federal agency disaster plans*

(a) Each Federal agency having equipment, supplies, facilities, personnel or other resources which may be used in flood, drought, fire, hurricane, earthquake, storm, or other catastrophe will be asked to develop a disaster plan. If such plans have already been developed they will be asked to review them carefully to insure maximum usability.

(b) Such plans should include organization for disaster operations at both departmental and field levels. Inventories of equipment, supplies, material, personnel, and other resources should be as current as possible. These inventories are generally maintained at local level and summaries report at regional and departmental level. Areas of responsibility and lines of authority should be established, if such authority should deviate from the normal channels in any way. In order to establish effective liaison with Federal Civil Defense Administration and other agencies operating in the disaster field, it has been requested that a liaison officer for the department or agency be designated.

### 5.5 *Negotiations with other Federal agencies*

(a) General guidelines for coordination of action to be taken by other Federal agencies under authority vested in them by law and the utilization of the resources of all Federal agencies under the authority vested in the Administrator will be established at the Washington level. All Federal agencies in addition to specific authority to function in disaster situations, may furnish assistance as follows:

**First:** Utilization of personnel, equipment, material or other facilities of a Federal agency in the disaster area under the general direction of a State or local disaster coordinator. An example would be the use of trucks and drivers from the Army to assist in temporary repair of important highways. Provision for such use is within the authority delegated to the regional director and can generally be arranged with the appropriate field representative of the agency concerned. If reimbursement of the agency is required, funds must be earmarked from the amount allocated to the Federal Civil Defense Administration.

**Second:** Through delegation of all or part of necessary disaster action to such agency. An example would be a delegation of authority by the Administrator to the Federal Security Agency to take necessary action to protect public health. In action of this kind initial arrangements will be consummated at the departmental level. Reimbursement will be made under a specific agreement between the agency and the Federal Civil Defense Administration. The regional director will make inspections of the work as required.

(b) Some of the responsibilities of Federal agencies may overlap. It is one of the principal functions of the Federal Civil Defense Administration to coordinate action to insure maximum use of Federal facilities. This applies not only to the work such agencies are doing for Federal Civil Defense Administration but also to the work they are doing under their own authority. When it appears that the efforts of two or more participating agencies may conflict or where gaps or deficiencies in their operating plans exist, necessary corrective action will be taken.

### 5.6 *Register of Federal agency disaster capabilities*

(a) Each regional office has been directed to establish a register of Federal, State, and other agencies operating in their jurisdiction and having disaster functions or capabilities. Such register should list the agency, the disaster responsibilities or capabilities of the agency, a short statement regarding the method to be followed in obtaining the services available and as complete a listing as possible of names, telephone numbers, addresses, and area covered by key personnel of such agencies. Since disasters do not respect hours of the day or day of the week, home addresses and telephone numbers as well as business locations

are important. A summation of Federal agencies which have disaster responsibilities or capabilities is presented as a partial listing of the total Federal capabilities in appendix C. Failure to list any additional agencies having such authority, or inaccuracies in listing, is indicative only of incomplete information within the Federal Civil Defense Administration at this time.

## APPENDIX A

## SAMPLE REQUEST FOR DISASTER DECLARATION

The honorable the PRESIDENT OF THE UNITED STATES,  
*The White House, Washington, D. C.:*

Heavy rainfall of the past 10 days coupled with an unprecedented snow cover in the watershed of the \_\_\_\_\_ River has caused the river at \_\_\_\_\_ to reach a state of 45.2 feet at the present time, with an anticipated crest of 51.6 by next Saturday, as compared with flood stage of 37. Damage, hardship, and suffering so severe that Federal assistance is required. Local and State civil defense organizations producing maximum effort. Red Cross and other charitable institutions rendering full assistance. All available State, county and city funds now committed. Suggest allocation of \$\_\_\_\_\_ funds available to you under authority of Public Law 875, 81st Congress to assist State and local effort and such additional personnel, equipment, and material as you deem necessary.

(Signed) \_\_\_\_\_,  
 Governor, State of \_\_\_\_\_

## APPENDIX B

[Sample copy]

## AGREEMENT

This agreement entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1953, by and between the United States of America, hereinafter called the Government, acting by and through the regional director, Federal Civil Defense Administration, and the State of \_\_\_\_\_, hereinafter called the State, acting by and through its governor,

## WITNESSETH

That whereas Public Law 875, 81st Congress, as amended, provides for an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disasters; and

Whereas sections 3 and 5 (a) of Public Law 875 prescribe the authority conferred upon the President to direct Federal agencies to provide assistance in major disasters; and

Whereas Executive Order 10427 provides that the described authority and functions of the President be transferred and exercised by the Federal Civil Defense Administrator; and

Whereas such authority and functions, except as enumerated in subsections (c) and (d) of section 1, section 5, and section 8 of such order have been delegated to regional directors of Federal Civil Defense Administration; and

Whereas the President has determined that the (threat of) \_\_\_\_\_ in the State is (or threatens to be) a major disaster of sufficient severity and magnitude to warrant disaster assistance by the Federal Government to supplement the efforts and available resources of the State and local governments therein in alleviating the damage, hardship, or suffering caused thereby; and

Whereas the Governor has certified the need for Federal assistance to alleviate hardship and suffering caused by said (threatened) disaster; and

Whereas the Governor has given assurance of expenditure of a reasonable amount of the funds of the government of the State, local governments therein, or other agencies, for the same or similar purposes with respect to such catastrophe:

Now, therefore, pursuant to such authority, the said parties, in consideration of the mutual promises herein expressed, covenant and agree to and with each other as follows:

(1) The State on behalf of itself, the local governments therein and other agencies thereof, hereby agrees to utilize all available resources for the purpose of alleviating the damage, hardship, or suffering caused by the said disaster.

(2) The Government hereby agrees to supplement the disaster relief efforts of the State, local governments, or other agencies by providing emergency assistance through utilization of Federal equipment, supplies, facilities, personnel, and other resources, and through contributions to the State and local governments therein for work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and replacement of public facilities of local governments damaged or destroyed in such major disaster, and providing temporary housing or other emergency shelter for families who, as a result of said disaster, require temporary housing or other emergency shelter: *Provided, however,* That the total amount of such financial assistance shall not exceed the sum of \$-----.

(3) Financial assistance to the State, as above provided for the foregoing purposes, shall be made upon presentation by the State of duly executed vouchers prepared on United States Government standard form accompanied by itemized certified statements which evidence the indebtedness incurred by the State or local governments in relieving hardship and suffering caused by ----- catastrophe: *Provided,* That in no event shall reimbursement be made hereunder for any costs incurred unless such costs are specifically authorized and/or approved by the Government: *And provided further,* That the Governor certifies that civil defense facilities and equipment, procured from the matching funds program as provided in section 201 (i) of Public Law 920, which has been utilized, damaged, or destroyed while in the performance of relief activity during said disaster, will be immediately replaced, and such costs may be defrayed in whole or in part by the Federal funds allocated by this section.

(4) The Federal Government shall not be liable for any claim based upon the exercise or performance or the failure to exercise or perform a discretionary function or duty on the part of a Federal agency or an employee of the Government in carrying out the provisions of this agreement.

(5) No Member or Delegate to Congress, or resident Commissioner, shall be admitted to any share of part of this contract or to any benefit that may arise therefrom.

In witness whereof the parties hereto have executed this agreement as of the day and year above written.

UNITED STATES OF AMERICA, FEDERAL CIVIL DEFENSE ADMINISTRATION.

By -----

STATE OF -----

By -----

(Governor)

APPENDIX C

REGISTER OF FEDERAL AGENCIES FUNCTIONS OR CAPABILITIES IN DISASTER SITUATIONS

1. Agriculture, Department of

(a) *Extension Service.*—Advice on cleanup of damaged property, sanitary precautions, water supply and sewage disposal, insect infestations, use of canned and locker-stored food subsequent to interrupted power service, use of electric service after disaster, safety of damaged buildings, food and water for livestock, substitute planting for damaged crops, grain-storage problems, renovation of equipment and farm facilities. Contact with a county extension agent or home demonstration agent usually located at the county courthouse will make this service available.

(b) *Community Credit Corporation.*—This organization, operating through Production and Marketing Administration has been instrumental in providing livestock feed to disaster-damaged areas. No basic authority exists for such action and it is necessary to delegate authority under the provisions of Public Law 875. Operating funds are available to the Corporation, but expenditures must be reimbursed from disaster funds. Contact and County Production and Marketing Administration committees usually located at the county seat.

(c) *Farm Credit Administration*.—Provides loan assistance through (1) production credit associations and (2) national farm loan associations for farm rehabilitation on a rather restricted basis. Loan assistance is on a banking basis and national farm loan association loans must be secured by first mortgages. Contact the Farm Credit Administration office serving the area, the nearest national farm loan association or a Federal land bank.

(d) *Farmers' Home Administration*.—Provides loan assistance at rate of 5 percent on unpaid principal for periods up to 10 years to farmers requiring assistance in purchase of feed, seed, fertilizer, livestock, equipment, and repair or replacement of damaged farm buildings and renovation of farm property. Security for loan is required. Contact Farmers' Home Administration State director, or the Farmers' Home Administration county supervisor, usually located at the county seat.

(e) *Forest Service*.—This Service has extensive authority to operate in disaster situations located in or immediately adjacent to the national forests. It is well equipped and had personnel trained in many types of disaster operation, such as fire fighting, snow removal, and rescue operations. The Service is a prolific source of assistance and advice in areas in which it operates. Contact the nearest regional forester or a forest supervisor.

**Region**

1. Federal Building, Missoula, Mont.
  2. Post Office Building, Denver, Colo.
  3. Post Office Building, Albuquerque, N. Mex.
  4. Forest Service Building, Ogden, Utah
  5. 630 Sansome Street, San Francisco 11, Calif.
  6. Post Office Building, Portland, Oreg.
  7. Bankers Security Building, Philadelphia 7, Pa.
  8. Peachtree Building, 50 Seventh Street NE., Atlanta, Ga.
  9. Madison Building, Milwaukee 3, Wis.
  10. Federal Territorial Building, Juneau, Alaska
- Tropical Post Office Box 577, Rio Piedras, P. R.

(f) *Production and Marketing Administration*.—Provides storage, distributes and under certain conditions donates agricultural products. Has been active in previous disasters in providing livestock feed to disaster areas and has served as a coordinating agent of Department of Agriculture activities in disaster areas. Contact through the County Production and Marketing Administration committees.

(g) *Rural Electrification Administration*.—Assists in restoration of power in Rural Electrification Administration service lines. Can be utilized as a source of assistance on power difficulties on non-REA problems by delegation of authority from Public Law 875. Contact county agent or county agricultural mobilization committees to locate nearest Rural Electrification Administration cooperative.

(h) *Soil Conservation Service*.—Provides technical assistance and some equipment for farm rehabilitation and conservation repairs on damaged agricultural lands. Contact through Soil Conservation Service office.

## 2. American National Red Cross

Two of the primary missions of the American National Red Cross, with a Nationwide organization including chapters in nearly every hamlet of the Nation, are to provide emergency care and rehabilitation assistance to individuals in need. A reasonable amount of funds to provide such assistance is made available by national headquarters in each disaster situation, and such assistance is on a grant basis only. However, investigation of each case is made after emergency food and shelter is furnished and additional food, clothing, shelter, and rehabilitation is provided only in those instances where the individual is incapable of obtaining other assistance. Contact any local Red Cross relief office.

## 3. Atomic Energy Commission

Although information regarding facilities of the Atomic Energy Commission is in many cases classified information and this agency has not been called on in previous disaster operations, it is probable that some of the equipment, material, and outstanding personnel of the organization could be utilized to great advantage in subsequent disasters where such action does not seriously infringe on accomplishment of their primary mission. Contact will be made with the Atomic Energy Commission at the Washington level and appropriate directives issued.

#### 4. *Civil Service Commission*

Although Public Law 875 provides for certain exemptions from civil-service laws and the Classification Acts, Civil Service Commission can be of great assistance in locating required personnel and accomplishing their assignment to Federal agencies for services in a disaster area. Contact the nearest Civil Service Commission office.

#### 5. *Department of Commerce*

(a) *National Production Authority*.—National Production Authority has issued regulations to give priority assistance on materials and equipment required for repair and rehabilitation. Will assist in location of emergency supplies and shipment to disaster areas. Under emergency self-authorization most materials can be acquired. When assistance is needed the nearest National Production Authority field representative may be contacted.

(b) *Bureau of Public Roads*.—Under Federal-Aid Highway Act Federal funds for emergency repair or reconstruction of federally aided highways and bridges damaged by disasters may be available on a 50-50 matching basis. Requests must channel through the appropriate State highway department.

(c) *Civil Aeronautics Administration*.—This agency maintains an extensive air navigation and communication network. It may provide communications for local authorities when commercial facilities are not available; will assist in determining damage to airports and may participate in repair and restoration; and, will assist in mobilization of local civil aviation for emergency operation. May be contacted through any airport officials.

(d) *Weather Bureau*.—Furnishes advice of present and long-range weather forecasts, disseminates information regarding storm centers, river levels, rainfall and comparable data to key officials and to some extent to the public. Contact through any weather station or through news service if not locally available.

(e) *Coast and Geodetic Survey*.—Will furnish maps, air and navigation charts on request of proper officials.

#### 6. *Department of Defense*

The Department of Defense, acting through the three subordinate departments, has broad power and authority to take necessary action in any situation affecting the security or welfare of the Nation.

(a) *Department of the Army*.—Has issued Army regulations and directives covering authority of local commanders to function in disaster conditions. May use armed services, equipment and material to extensive degree under emergency conditions. Contact with nearest commanding officer of Army installation will place requests for assistance in proper channels.

(b) *Corps of Engineers*.—Basic authority is vested in the Chief of Engineers to repair, restore or strengthen existing flood-control works damaged or threatened by floods. Also has authority to perform drainage and debris clearance work when damage threatens flood-control installations. Will assist in surveys of damages and proposals for repairs to any river structures or installations. Contact district or division engineer, Corps of Engineers.

(c) *Department of the Navy*.—Under basic authority and policy may furnish assistance in emergencies by providing general supplies or personnel, floating equipment, including small craft, generating equipment, etc., and assistance in airlifts or sea rescue. Nearest naval installation will place any requests in proper channels.

(d) *Department of the Air Force*.—Cooperates with civilian authorities in emergency aid and relief actions by furnishing airlift and rescue craft and personnel. Contact nearest Air Force installation.

#### 7. *Defense Transportation Administration*

Makes surveys and takes action, if necessary, for use of domestic transport and storage facilities. Surveys damaged warehouses, freight terminals, passenger and freight facilities, grain elevators, and makes allocation of material where necessary. Local emergency committees consisting of Defense Transportation Administration, Interstate Commerce Commission, Bureau of Public Roads, Civil Aeronautics Administration and the Military Traffic Services of the Department of Defense have been established.

#### 8. *Economic Stabilization Agency*

(a) *Office of Price Stabilization*: Will take necessary action regarding unusual price situations or make adjustments due to disaster conditions. Contact nearest Office of Price Stabilization Office.

(b) *Wage Stabilization Board*: Handles questions on wage and hour changes and wage stabilization regulations. Contact regional director, Wage Stabilization Board.

(c) *Office of Rent Stabilization*: Administers Federal rent regulations on ceiling rents. Contact area rent director in areas where controls still exist.

#### 9. *Federal Communications Commission*

Provides for clearance of emergency communications and use of frequencies for amateur operators. Does not control repair or restoration performed under original authority. Contact engineer-in-charge, Federal Communications Commission, major cities.

#### 10. *Federal Reserve Board*

The Federal Reserve banks are authorized to relax restraints in installment credit for repairs or replacement of disaster losses under Regulation W. Regulation X pertaining to real-estate construction is automatically relaxed when disaster occurs. The Board can extend credit or participate in loans not exceeding 5 years maturity. Contact any Federal Reserve bank.

#### 11. *Federal Security Agency*

(a) *Food and Drug Administration*.—Has responsibility to prevent use of products constituting a menace to public health. Will assist in organizing teams—Federal, State, and local—to survey all foods, drugs, and cosmetics exposed to disaster action. Will assist in salvage of usable articles exposed to disaster. Contact nearest district chief, Food and Drug Administration.

(b) *Public Health Service*.—Will provide technical advice and assistance in relation to contaminated water supply, disruption of sewage services, disposal of garbage and dead livestock, rodent control, contamination of dairy producing facilities, and general hazards to public health. Will assist in supplying water-treatment facilities, spraying of contaminated areas, and cleanup of living and working quarters. Works in close cooperation with State departments of health and welfare. Contact regional office, Federal Security Agency, or State health department.

(c) *Office of Education*.—Advice and assistance regarding repairs to educational facilities. Contact regional office, Federal Security Agency.

#### 12. *General Services Administration*

(a) *Public Buildings Service*.—Has responsibility for maintenance and operation of most Federal buildings. Will furnish advice on repair of public buildings. Source of engineering and architectural personnel. Contact at regional offices, General Services Administration.

(b) *Federal Supply Service*.—The Federal purchasing agency. Can advise on location of Federal surpluses and sources for purchase. Contact through General Services Administration regional offices.

(c) *National Archives and Records Service*.—Advises and assists on preservation of public documents. Contact through General Services Administration regional offices.

#### 13. *Housing and Home Finance Agency*

This Agency has administered Federal disaster assistance program from March 1951 to January 1953. The Community Facilities and Special Operations Division have investigated and supervised repair and restoration of public facilities under all major disasters during this and preceding periods. This Agency may be a source of personnel and effort if additional help is required. Contact Regional Housing and Home Finance Agency offices.

(a) *Federal Housing Administration*.—This agency may insure up to 100 per cent loans for replacement of homes destroyed by disaster and waive requirements on downpayments for repair and rehabilitation in disaster areas. Contact district director, Federal Housing Administration.

(b) *Public Housing Administration*.—This agency has handled necessary provision of emergency housing occasioned by disaster through delegation. A source of advice and assistance on housing requirements. Contact district or State public housing administration director.

#### 14. *Department of the Interior*

(a) *Bureau of Mines*.—Has major Federal responsibilities in mine disasters and will assist by providing engineers and safety personnel for inspection and fire prevention, explosions, and other hazards, such as escaping gas. Contact through State department dealing with public safety.

(b) *Bureau of Reclamation*.—A widespread organization with major responsibility for Federal reclamation projects. Will assist with personnel and contract organizations on wide variety of work including flood control. Contact regional director, Bureau of Reclamation.

(c) *Bureau of Land Management*.—This agency has an extensive organization with trained personnel, equipment, and material located principally in those areas of public domain. They have snow-removal and road-repair functions on Federal reservations and may be extremely helpful in disasters to be anticipated. Contact regional administrator, Bureau of Land Management.

(d) *Bureau of Indian Affairs*.—Agency has primary responsibilities on Indian reservations for roads, public buildings, and welfare of inhabitants. Contact through area director, Bureau of Indian Affairs or superintendent of any reservation.

(e) *Geological Survey*.—Has Federal responsibility for information and facts concerning Nation's minerals and water resources. Has vital information in connection with extensive water supply programs. Contact district geologist.

(f) *National Park Service*.—Has major responsibilities for all installations in national parks. Has equipment and trained personnel who may be utilized in flood and snow disasters. Contact superintendent, national parks.

(g) *Fish and Wildlife Service*.—Authority on fish and wildlife with widespread organization and some equipment. Primary responsibility in game refuge areas. Source of personnel. Contact regional director, Fish and Wildlife Service.

(h) *Defense Electric Power Administration*.—Assists in obtaining electric-power equipment. Contact Administrator, Defense Electric Power Administration.

(i) *Defense Solid Fuels Administration*.—Will assist in direction for movement of solid fuels to disaster area, if required. Contact Administrator, Defense Solid Fuels Administration.

#### 15. Department of Labor

(a) *Bureau of Employment Security*.—Works with State employment security agencies in providing unemployment insurance and placement service. Workers unemployed because of disaster can file claims for unemployment insurance at offices of State employment security agency or may find jobs through public employment offices. Contact regional director, Bureau of Employment Security.

(b) *Wage and Hour and Public Contracts Division*.—This agency handles wage and hours problems in connection with disaster operations. Contact regional director, Wages and Hours Contract Division.

#### 16. Department of the Treasury

(a) *United States Coast Guard*.—Provides assistance to civilian authorities in nature of boats, aircraft, and communications in connection with rescue and evacuation. Contact commanding officer, any Coast Guard installation.

(b) *Division of Disbursement*.—Distributes Federal funds upon certification by proper Federal agency. Will handle payments to States and local agencies under approved disaster project. Contact regional disbursing officer.

#### 17. Reconstruction Finance Corporation

Has disaster loan fund of adequate amount to effect loans at 3 percent interest for disaster damage rehabilitation. Loans are available to individuals, business concerns, churches, or nonprofit organizations which have suffered disaster losses. Maturity of loans is fixed at maximum of 10 years under most conditions. Some construction loans have maturity of 20 years. Availability of funds is conditioned on a disaster declaration by Reconstruction Finance Corporation which may be made independent of Presidential declaration of disaster. Contact manager, Reconstruction Finance Corporation, or any Federal Reserve bank.

#### 18. Veterans' Administration

Has certain authority to waive requirements for downpayments on homes to replace disaster damaged facilities. Loans up to 100 percent of value with maturities of 30 years may be guaranteed. Loans for repair and rehabilitation to a maximum of \$500 are available for homes where Veterans' Administration has mortgage on property. Consult Veterans' Administration regional office.

Senator LEHMAN. I just want to say that I know, of course, the fine service that our Army, the Red Cross, which is a quasi-governmental agency, the Corps of Engineers, and other Federal branches of serv-

ice rendered in this emergency, as they have in emergencies for the last 150 years. We expect that. They are very useful. Private citizens have helped. States have also.

I know, for instance, the State of New York sent a fleet of pumpers up to Connecticut to help pump out water in certain localities. Of course, the State was only too glad to do that.

What I am trying to get at is what the function and the authority and the powers of the Civil Defense Administration actually are. I have felt for a long time, although I have not been as familiar with those functions or with the law as I have become in the last hour, that they are quite inadequate. I think that the States are left to their own devices and to their own resources to an extent that is not justified by the seriousness of an emergency situation such as atomic attack or some great disaster that is caused by or comes about by natural causes.

I want to ask you one more question, Mr. Aitken.

Mr. AITKEN. Yes, sir.

Senator LEHMAN. Would your agency be willing to accept responsibility for flood and disaster risk insurance to administer that insurance? The reason I ask that is that that is a suggestion contained in the draft of the bill which I have submitted. I have not studied the other bills very carefully. I think it may very well be in some of the other drafts.

There must be some place to house this responsibility, to lodge this responsibility, and I am asking you whether in your opinion your agency would be willing to assume that responsibility and to administer the law both for flood and disaster insurance.

Mr. AITKEN. Senator, I would answer that question this way: From my immediate standpoint, the responsibility for determining the organizational place for this function, if it becomes a function, rests with the Bureau of the Budget.

But I would say this: If it is the wish of the Congress and the Budget that FCDA should do this job, then we will do it. We are at your service, and we are here to do any job that Congress wants us to do.

Senator LEHMAN. Would you be qualified to do it?

Mr. AITKEN. Well, sir, quite frankly, I would say as of now we do not have people on our staff experienced in insurance-type activities. But I think that perhaps most agencies would need to expand their competence in this respect, and, in line with your very appropriate comments at the beginning of this session this morning, this is a very complex subject in any event, and it involves many unknowns. In a good many respects, and this is a personal view, that data will almost have to be developed from scratch. In other words, you are going to have to start at the beginning, so to speak.

Senator LEHMAN. Any other questions?

Senator BUSH. Mr. Chairman, I have here an advisory bulletin, No. 165, Disaster Series. It is a memorandum of understanding between FCDA and the Department of Agriculture relating to disaster operations. Do you have such similar memoranda of understanding between other departments and the FCDA?

Mr. AITKEN. Yes, sir; with most of the departments and with the National Red Cross. If you would like to have these, sir, for the record, I will be glad to furnish them.

Senator BUSH. Mr. Chairman, I suggest he submit copies of these to the committee, and we can then decide whether to put them in the record.

Senator LEHMAN. I hope you will.  
(The material referred to follows:)

**STATEMENT OF UNDERSTANDING BETWEEN THE FEDERAL CIVIL DEFENSE ADMINISTRATION AND THE AMERICAN NATIONAL RED CROSS RELATING TO DISASTER OPERATIONS UNDER EXECUTIVE ORDER 10427 AND PUBLIC LAW 875**

To insure understanding and agreement on interpretation of Executive Order 10427 and Public Law 875 (Federal Disaster Relief Act), this statement is issued by the Federal Civil Defense Administration and the American National Red Cross for the guidance of National and Regional Offices of the Federal Civil Defense Administration, State and local civil defense organizations, and national headquarters, area offices, and local chapters of the American National Red Cross. Nothing in this statement affects in any way other agreements between the Federal Civil Defense Administration and the American National Red Cross relative to Civil Defense responsibilities under Public Law 920 (Federal Civil Defense Act of 1950).

Executive Order 10427 was issued by the President on January 16, 1953. This order directs the Federal Civil Defense Administrator to take certain action authorized by Public Law 875, 81st Congress, 2d session, as amended, providing for a continuing means of supplemental assistance by the Federal Government to States and local governments in carrying out their responsibilities in alleviating suffering and damage resulting from major disasters.

It further directs the Administrator to coordinate activities of Federal agencies in planning for and furnishing assistance in disasters and to foster development of State and local plans and organizations to cope with major disasters.

In addition, the order authorized the Administrator on behalf of the President to coordinate activities of Federal agencies affording assistance under their own policies, practices, and statutory authority in the event of any disaster which will not permit delay in the commencement of Federal assistance and pending the determination of the President whether or not the disaster is a major one.

Public Law 875, as amended, provides in section 3 that upon the declaration of a "major disaster" by the President, Federal agencies are authorized to provide assistance "(a) by utilizing or lending, with or without compensation therefor, to the States and local governments their equipment, supplies, facilities, personnel, and other resources, other than the extension of credit under the authority of any Act; (b) by distributing, through the American National Red Cross or otherwise, medicine, food, and other consumable supplies; (c) by donating to States and local governments equipment and supplies determined under then existing law to be surplus to the needs and responsibilities of the Federal Government; and (d) by performing on public or private lands protective and other work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disaster, providing temporary housing or other emergency shelter for families, who, as a result of such major disaster, require temporary housing or other emergency shelter, and making contributions to States and local governments for purposes stated in subsection (d). The authority conferred by this Act, and any funds provided hereunder shall be supplementary to, and not in substitution for, nor in limitation of, any other authority conferred or funds provided under any other law."

Section 4 of Public Law 875 states " \* \* \* nothing contained in this Act shall be construed to limit or in any way affect the responsibilities of the American National Red Cross under the Act approved January 5, 1905 (33 Stat. 599) as amended." The American National Red Cross will continue to carry out its traditional services to those in need as a result of disasters by providing such assistance as food, clothing, shelter, medical care, household furnishings, building and repair of homes, and occupational rehabilitation. The Red Cross in carrying out its relief program will, as heretofore, exercise administrative and financial control over its own operations. Nothing in this statement shall be construed to invalidate or change existing understandings of cooperation between the American National Red Cross and Federal agencies for joint or sup-

porting action in discharging those disaster relief activities for which the Red Cross is responsible.

To secure full coordination of effort in the exercise of their respective responsibilities, the American National Red Cross and Federal Civil Defense Administration agree to and will be governed by the following:

1. Arrangements will be made nationally and regionally for continuing liaison, mutual planning, and exchange of information regarding disasters.
2. Similar arrangements should be established between Civil Defense and Red Cross organizations at the local level.
3. Federal Civil Defense Administration will cooperate with and encourage State and local Civil Defense organizations to assist the American National Red Cross in discharging its defined disaster relief responsibilities.
4. American National Red Cross will cooperate with Federal Civil Defense Administration and encourage Red Cross chapters to assist the Civil Defense forces in discharging their responsibilities for disaster relief.
5. Federal funds authorized under Public Law 875 will not be used to reimburse States and localities for expenditures made by them within the area of Red Cross disaster responsibility, as outlined above, nor is it intended that Federal funds will serve as a substitute for, or make unnecessary, voluntary contributions by the general public which provides the Red Cross with the funds necessary to discharge its responsibilities in disasters resulting from natural causes.

J. J. WADSWORTH,

*Acting Administrator, Federal Civil Defense Administration.*

FEBRUARY 5, 1953.

E. ROLAND HARRIMAN,

*President of the American National Red Cross.*

FEBRUARY 6, 1953.

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SUPPLEMENT No. 1

SUPPLEMENT TO STATEMENT OF UNDERSTANDING BETWEEN THE FEDERAL CIVIL DEFENSE ADMINISTRATION AND THE AMERICAN NATIONAL RED CROSS RELATING TO DISASTER OPERATIONS UNDER EXECUTIVE ORDER 10427 AND PUBLIC LAW 875

To implement the terms of the understanding negotiated between the Federal Civil Defense Administration and the American National Red Cross, and to guide staff members of these two organizations in making effective their cooperative efforts during operations occasioned by natural disasters, the following procedures have been agreed upon:

*I. Interchange of information*

A. The Red Cross through the area director of disaster services will advise the regional director, FCDA, of the occurrence of a disaster and pertinent information concerning the kind, extent, persons affected, damage created, and relief measures being taken whenever in the opinion of the area office the disaster is one, or is likely to speedily become one, in which one or more Federal agencies are or will be furnishing assistance. Additional facts concerning the disaster will be provided in the same manner through periodic reports during the emergency period.

B. The regional directors, FCDA, will similarly provide the area office of the Red Cross, through the area director of disaster services, such information concerning a disaster whenever he has knowledge that assistance of one or more Federal agencies has been or will be requested.

C. National headquarters of the American Red Cross and the national office of FCDA will maintain continuous liaison and will exchange such disaster information received from the area office of the Red Cross and the regional director, FCDA, respectively.

*II. Liaison arrangements when field headquarters has been established*

The Red Cross area office through the area director of disaster services will notify the regional director, FCDA, whenever a disaster field headquarters has been established, providing the location of such field headquarters, the name of the director of the relief operation, and similar information. In the same way the regional director, FCDA, will advise the area director of disaster services whenever the FCDA establishes a field headquarters for its operations in a

disaster declared major by the President of the United States, providing similar information. Specific liaison arrangements between the 2 field offices will be worked out in the field by the responsible officers of the 2 organizations.

Approved :

J. H. CHAMBERS,  
*Executive Assistant Administrator,  
Federal Civil Defense Administration.*

R. T. SCHAEFFER,  
*American National Red Cross.*

MARCH 20, 1953.

SUPPLEMENT No. 2

SUPPLEMENT TO STATEMENT OF UNDERSTANDING BETWEEN THE FEDERAL CIVIL DEFENSE ADMINISTRATION AND THE AMERICAN NATIONAL RED CROSS RELATING TO DISASTER OPERATIONS UNDER EXECUTIVE ORDER 10427 AND PUBLIC LAW 875

**Subject:** Utilization of Federal resources.

To implement the terms of the agreements negotiated between (1) Federal Civil Defense Administration and the American National Red Cross; (2) Federal Civil Defense Administration and the various Federal agencies; and (3) the various Federal agencies and the American National Red Cross, and to guide staff members of the various organizations in making effective their cooperative efforts during operations occasioned by natural disasters the following procedures have been agreed upon :

*I. Use, by the American National Red Cross, of resources of Federal agencies*

A. Section 4 of Public Law 875 authorizes Federal agencies to cooperate to the fullest extent possible with each other and with States and local governments, relief agencies, and the American National Red Cross in carrying out the purposes of the act. Under this authorization Federal agencies may distribute, through the American National Red Cross, such medicine, food, and other consumable supplies as are available to the particular Federal agency for such use under their own statutory authority and within their own appropriations.

B. The American National Red Cross, in carrying out its responsibilities, will provide emergency relief and rehabilitation assistance in disaster areas and will request such assistance of the various Federal agencies as they are authorized to provide and, in the determination of the American National Red Cross, are required.

*II. Coordinating responsibility of Federal Civil Defense Administration*

A. Under the authority of Executive Order 10427 the action of Federal agencies in furnishing assistance requested by the American National Red Cross is subject to coordination of the Federal Civil Defense Administration.

B. In those instances where the President has declared a major disaster to exist under the terms of Public Law 875 it may be necessary, at times, to request Federal agencies to provide assistance to or through the American National Red Cross, beyond the capacity of the agency within its available funds. Such requests will be coordinated by the Federal Civil Defense Administration.

*III. Reimbursement for expenses incurred by Federal agencies in rendering assistance to the American National Red Cross*

A. Reimbursement may be made under authority of Public Law 875 by the Federal Civil Defense Administration to Federal agencies which have rendered assistance to the American National Red Cross by making available their supplies, equipment, and personnel when the supplies, equipment, and personnel have been used in a disaster declared a major disaster by the President, and where the Federal agency involved has been authorized in advance by the Federal Civil Defense Administration to provide Federal assistance in the disaster area. Reimbursement may be made for: (1) items of equipment and supplies which were furnished by the Federal agency to the American National Red Cross and lost or damaged beyond economical repair and not returned; (2) repair or reconditioning of nonconsumable items returned; (3) necessary costs incident to packing and shipping such supplies and equipment to and from the disaster area; and (4) costs of Federal agency personnel whose services are utilized by the American National Red Cross in disaster operations, creating expenses which are in addition to the normal expenses of the Federal agency concerned.

B. The Federal agency authorized to receive such reimbursement will submit their request to the American National Red Cross upon completion of the disaster operation, for review and certification of the American National Red Cross as to the propriety and correctness of such charges. Upon completion of such review and certification by the American National Red Cross, the manually signed copy of such certification, together with the fully documented and certified request of the Federal agency requesting such reimbursement, will be forwarded by the Federal agency to the Federal Civil Defense Administration for consideration as to reimbursement to the Federal agency concerned under authority of Public Law 875. When, and if, such reimbursement is approved, Federal Civil Defense Administration will promptly advise the Federal agency involved, with simultaneous notification to the American National Red Cross.

Approved:

J. M. CHAMBERS,  
*Executive Assistant Administrator,*  
*Federal Civil Defense Administration.*

Dated March 30, 1953.

R. T. SCHAEFFER,  
*American National Red Cross.*

Dated, April 1, 1953.

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### SUPPLEMENT No. 3

#### SUPPLEMENT TO STATEMENT OF UNDERSTANDING BETWEEN THE FEDERAL CIVIL DEFENSE ADMINISTRATION AND THE AMERICAN NATIONAL RED CROSS RELATING TO DISASTER OPERATIONS UNDER EXECUTIVE ORDER 10427 AND PUBLIC LAW 875

To implement the terms of the understanding negotiated between the Federal Civil Defense Administration and the American National Red Cross, and to guide staff members of these two organizations in making effective their cooperative efforts during operations occasioned by natural disasters the following procedures have been agreed upon:

#### *I. Issuance of Information*

A. It is recognized that in major disaster situations the Federal Civil Defense Administration and the American National Red Cross have a responsibility to keep the public fully informed in relation to the disasters. This will require a prompt and full flow of facts and essential emergency instructions.

B. Every effort will be made by each party, consistent with the needs of the public, to insure that information officially disseminated by it will not react adversely upon the other.

C. So far as possible in giving information to the public regionally, within a State or community, the Federal Civil Defense Administration and the American National Red Cross each will disseminate the same clarifying facts.

D. In any case where information given out by a third party is contrary to fact and interferes with disaster activities underway, a joint effort by the parties will be made to correct such information.

E. Direct liaison between the Public Information Department of the American National Red Cross and the Public Affairs Office of the Federal Civil Defense Administration will be maintained on a continuing basis, for the integration of public information activities at the time of a major disaster. The American National Red Cross will request its chapters, and Federal Civil Defense Administration will urge State and local civil-defense organizations, to establish similar liaison on public information matters.

#### *II. Criteria to be observed*

A. The Federal Civil Defense Administration and the American National Red Cross will endeavor to insure that the public understands that Federal financial assistance to State and local governments under the provisions of Public Law 875, as amended, is restricted to work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacement of essential public facilities damaged or destroyed in major disaster and the provision of temporary housing or other emergency shelter for families who, as a result of the disaster, require such housing or shelter.

B. The American National Red Cross will make every effort to insure that in all of its official releases from Washington or at the scene of the disaster

appropriate credit is given civil-defense organizations for such assistance as those organizations provide communities and individuals affected by the disaster. It will also request its chapters to follow this practice.

C. The Federal Civil Defense Administration will make every effort to insure that in all of its official releases at Washington or at the scene of the disaster appropriate credit is given the American National Red Cross for its relief activities in the disaster.

D. The FCDA and the American National Red Cross will indicate wherever appropriate that Federal assistance under Public Law 875 is no substitute for, nor does it duplicate, assistance provided by the American Red Cross.

H. L. AITKEN,  
FOR VAL PETERSON,

*Administrator, Federal Civil Defense Administration.*

Dated August 10, 1953.

FRED A. WINFREY,  
FOR E. ROLAND HARRIMAN.

*President of the American National Red Cross.*

Dated August 10, 1953.

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#### SUPPLEMENT No. 4

#### SUPPLEMENT TO STATEMENT OF UNDERSTANDING BETWEEN THE FEDERAL CIVIL DEFENSE ADMINISTRATION AND THE AMERICAN NATIONAL RED CROSS RELATIVE TO DISASTER OPERATIONS UNDER EXECUTIVE ORDER 10427 AND PUBLIC LAW 875

In order to avoid possible misunderstanding and confusion in the field of welfare services in natural disasters, the Federal Civil Defense Administration and the American National Red Cross have prepared this supplement to the basic understanding, dated February 6, 1953, relating to disaster operations under Executive Order 10427 and Public Law 875. This clarification of the responsibilities and understandings between the two organizations will be equally helpful to local civil defense directors and Red Cross chapter officers. Accordingly, the Federal Civil Defense Administration and the American National Red Cross have agreed to the following:

##### *I. Mass care*

The Red Cross is recognized as the agency responsible for providing mass care to persons immediately following a disaster. Such care is extended to all who apply and is given without family investigation or verification of resources. Such mass care may include one or more of the following services:

- A. Provision of food at fixed or mobile feeding stations or other facilities.
- B. Provision of emergency clothing to meet immediate needs, either through the utilization of serviceable donated garments or by giving the individually affected family an order for clothing on a local merchant of their choice.
- C. Provision of emergency shelter for disaster victims by—
  - (1) assisting them to find shelter with friends or relatives;
  - (2) placing them in homes where space has been offered;
  - (3) placing them in unoccupied rooms, apartments, or houses;
  - (4) providing mass shelter in public or private buildings declared by competent authorities to be safe and suitable for housing large numbers of people on a temporary basis; or
  - (5) providing tents for family occupancy.

(In the interest of proper administrative control and efficient relief operations, the mass-care services listed above will be directed and paid for by the Red Cross and should not be duplicated by civil-defense groups.)

##### *II. Medical and nursing aid*

The Red Cross cooperates with and assists local public-health officials, physicians, dentists, nurses, and hospitals in providing additional facilities to meet the emergency. Primary responsibility for the care of the sick and the injured rests with the public-health authorities and local physicians. Red Cross assistance may include the following services:

- (1) transporting the injured;
- (2) providing additional physicians and nurses to supplement local hospital staffs;
- (3) arranging for care in hospitals;

- (4) establishing emergency medical stations and emergency hospitals;
- (5) furnishing medical and hospital supplies;
- (6) providing medical and nursing service in shelters;
- (7) assigning nurses for bedside care in homes and hospitals.

(The recruitment of nurses in time of disaster is a Red Cross responsibility. The Red Cross has an enrollment of over 30,000 nurses and is therefore able to meet the nursing needs of any disaster area quickly.)

### *III. Warning, rescue, and evacuation*

The Red Cross recognizes the primary responsibility of governmental authorities in warning, rescue, and evacuation. Coordinated plans for these purposes should be developed jointly by local-government officials, Red Cross chapters, civil-defense directors, and other interested agencies. The Red Cross will, at all times, be prepared to assist persons in a threatened or actual disaster area to reach places of refuge and in helping to move their personal belongings, including household furnishings, to points of safety.

### *IV. Registration and information*

The Red Cross assumes responsibility for maintaining on all disaster operations a registration and information office for—

- (1) registering the disaster sufferers and their needs;
- (2) listing the dead and injured;
- (3) receiving and answering welfare inquiries.

The Red Cross will be expected to meet all costs in connection with this service. This has long been a traditional disaster relief service rendered by the Red Cross.

### *V. Family rehabilitation*

This is the most costly phase of the Red Cross disaster-relief program, approximately 75 percent of the total disaster-relief costs being expended for family rehabilitation. This program includes:

- (a) Food, clothing, and other maintenance;
- (b) Building and repair of homes;
- (c) Household furnishings;
- (d) Medical and nursing care;
- (e) Supplies and equipment for occupational rehabilitation.

This assistance is given on an individual family basis to those without sufficient resources to effect any or all of their own rehabilitation.

### *VI. Temporary housing under Public Law 875*

Public Law 107, 82d Congress, amends Public Law 875, 81st Congress, by authorizing the provision of "temporary housing or other emergency shelter, for families who, as a result of such major disaster, require such temporary housing or other emergency shelter." Public Law 875 stipulates that in providing assistance in time of major disaster:

"Federal agencies shall cooperate to the fullest extent possible with \* \* \* the American National Red Cross, but nothing contained in this Act shall be construed to limit or in any way affect the responsibilities of the American National Red Cross \* \* \*."

The authority conferred by this amendment is therefore not a substitution for or a duplication of the emergency shelter provided by the Red Cross as described in item I (C) of this agreement. Public Law 107 becomes effective only in those disaster situations where there is an acute housing shortage and the need therefor cannot be met otherwise. All types of temporary housing provided under this amendment are intended for use for a limited period of time and not for permanent rehabilitation of disaster-affected families.

Prior to invoking the above authority, the FCDA and the American National Red Cross will work together in surveying the disaster-caused housing requirements and in verifying that available facilities are fully utilized. If there is still need for temporary housing after utilizing shelters made available through the Red Cross and other appropriate facilities, including those in nearby communities, the FCDA, under authority conferred by the amendment, will provide such housing in the following order:

- (a) Housing surplus to the Federal Government, such as barrack-type structures;
- (b) Tents, to be requested from the military or obtained otherwise;
- (c) Trailer type or other emergency stop-gap housing.

In assigning temporary housing which may be provided by FCDA, the Red Cross will cooperate by furnishing information concerning the housing needs of families registered with it.

*VII. Utilization of local civil defense volunteers*

In providing food, clothing, shelter, emergency medical assistance, and registration and information service, Red Cross chapters will utilize available locally enrolled civil defense volunteers so they may gain experience in natural disasters which may be helpful in carrying out their responsibilities in time of enemy attack. As part of their disaster planning, Red Cross chapter chairmen and local civil-defense directors should take whatever steps are necessary to help develop a clear-cut procedure for the use of such organized and trained volunteers. As Red Cross workers will serve under the leadership and direction of civil-defense authorities in enemy-caused disasters, so civil-defense volunteers assigned to the Red Cross in natural disasters will serve under Red Cross direction.

VIII. The Federal Civil Defense Administration and the American National Red Cross will indicate wherever appropriate that Federal assistance under Public Law 875 is no substitute for, nor does it duplicate, assistance provided by the American National Red Cross.

ERNEST E. HALL,

(For Val Peterson, Administrator, Federal Civil Defense Administration.)

F. A. WINFREY,

(For E. Roland Harriman, president of the American National Red Cross.)

NOVEMBER 19, 1953.

MEMORANDUM OF UNDERSTANDING BETWEEN DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS OTHER THAN THOSE INDUCED BY ENEMY ATTACK

In recognition of the responsibilities and functions of the Department of Health, Education, and Welfare (hereinafter called the Department), and the authority and functions to be exercised by the Federal Civil Defense Administration (FCDA) under Executive Order No. 10427, and Public Law 875, 81st Congress, as amended, this memorandum of understanding has been agreed to and is published for the guidance and information of all concerned.

I. PURPOSE

The purpose of this memorandum is:

1. To describe the responsibilities, functions, and practices of the Department for providing (a) required action under Federal law, (b) assistance to States upon their request (and through the States to local communities), and (c) benefits to individuals having established rights, in the alleviation of health hazards, suffering, and hardship caused by disasters other than those induced by enemy attack;
2. To facilitate the development of suitable plans and preparation by the Department to insure maximum utilization of all its resources in such disasters, including any declared by the President to be major disaster, as defined in section 2 (a) of Public Law 875;
3. To describe the responsibilities of FCDA, as set forth in Executive Order 10427, in the coordination of Federal disaster assistance, and in plans and preparation therefor;
4. To outline procedures for additional disaster assistance by the Department, when authorized by FCDA pursuant to Executive Order 10427, and Public Law 875, and for reimbursement of the authorized additional expenses incurred under such circumstances; and
5. To provide adequate information and guidance to the regional and field personnel of both the Department and FCDA on the provisions of Public Law 875 and Executive Order No. 10427.

II. DISASTER RESPONSIBILITIES AND FUNCTIONS OF THE DEPARTMENT

The Congress has stated its "intent \* \* \* to provide an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disasters \* \* \*" (Public Law 875).

In addition, section 4 of Executive Order 10427 recognizes the necessity for all Federal agencies to act promptly in disaster situations, in conformity with their

existing policies, practices, and statutory authority, under circumstances which will not permit delay and pending the determination of the President as to whether there is a "major disaster," as defined in Public Law 875.

There is attached hereto as appendix A a statement of the resources and services available through the Department in disaster situations, together with additional resources and services which might be utilized under Public Law 875 and Executive Order 10427 in major disasters.

### III. PLANNING FOR DISASTER ASSISTANCE

#### (a) *Departmental planning.*

Under section 2 of Executive Order 10427, Federal agencies are directed to make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster. It is further provided that the Federal Civil Defense Administrator shall coordinate such advance plans and preparations on behalf of the President.

Pursuant thereto, plans and procedures will be developed by the Department and FCDA:

- (1) To provide for interchange of information and continuing liaison between the Department and FCDA, both in Washington and in the field;
- (2) To insure that accurate and complete information relative to a disaster insofar as it affects the activities of the Department reaches the public promptly.
- (3) To arrange an orderly means for coordination by FCDA of the Department's disaster activities with State and local efforts and those of other departments and agencies; and
- (4) To provide, when required, for the delegation of authority by FCDA to the Department to undertake specified disaster operations, and for reimbursement by FCDA of services and facilities provided by the Department under such delegations.

Additional plans and procedures will be developed by the Department for its internal use to assure necessary regional and field coordination and coordination among organizational units at the departmental level.

#### (b) *Regional planning*

Regional offices of the Department will be authorized to prepare plans and procedures to insure maximum benefit at minimum cost in the utilization of available resources and services of the Department in disaster situations occurring within their respective geographical areas.

It is recognized that the Food and Drug Administration of the Department operates under Federal law and utilizes "district" boundaries which are not coterminous with the normal regional boundaries of the Department. In any matter which requires direct negotiation between the regional director of FCDA and the regional director of the Department, the facilities and services of the Food and Drug Administration will not be committed without prior consultation with the appropriate FDA district chief.

Plans and procedures developed in the regions will include, but are not limited to—

- (1) Arrangements for interchange of information with the appropriate regional FCDA office regarding existing or threatened disasters, including requests received from the States through appropriate channels (e. g., from a State department of health to a regional medical director);
- (2) Preparation of inventories of manpower, equipment, and material available for use in disasters. Such inventories should be compiled at the regional offices of the Department with summaries by types or classes to be furnished to the regional FCDA office;
- (3) Exchange of directories of key regional and field personnel of the Department and FCDA;
- (4) Statements of geographical and functional areas of responsibility; and
- (5) Operating procedures having sufficient flexibility to cover varying types of disasters.

All regional plans will be subject to departmental review.

## IV. COORDINATING RESPONSIBILITY OF FCDA

*(a) Advance plans and preparations*

(See above.)

*(b) Federal disaster assistance in general*

Public Law 875 and Executive Order 10427 reiterate the policy of utilizing any and all authority available to Federal agencies to assist States and local governments in the alleviation of damage, hardship, and suffering occasioned by disasters. Section 4 of Executive Order 10427 provides that such assistance shall be subject to coordination by the Federal Civil Defense Administrator acting on behalf of the President.

Coordination by FCDA will consist of the evaluation of requests received and total assistance needed, and the facilitation of necessary action by various Federal agencies to meet problems involved. FCDA will make necessary decisions regarding assistance to be furnished in cases where two or more Federal agencies have conflicting or overlapping interests or authorities. FCDA will not supervise or direct the operations of the various Federal agencies.

Responsibility for field coordination (as above defined) has been delegated by FCDA to its regional directors.

*(c) Federal assistance in major disasters*

Disasters determined to be, or threatening to be, "major disasters," as defined in Public Law 875, will be coordinated by FCDA to insure adequate and economical operation in furnishing Federal assistance.

When necessary assistance is immediately required, the regional director, or other appropriate official, of the Department will, upon request of the State, or where required by Federal law, act promptly. The FCDA regional director will be notified of action taken at the earliest opportunity subsequent thereto.

Instances where the furnishing of assistance will not be delayed, the FCDA regional director should be notified of the request for assistance prior to such action being taken.

*(d) Federal assistance in nonmajor disasters*

Disasters not declared by the President to be major disasters may require Federal assistance entirely within the scope of authority and customary practice of the Department. In such instances, FCDA coordination is not normally anticipated, but pertinent information should be furnished to FCDA upon request.

## V. DISASTER ASSISTANCE AUTHORIZED BY FCDA UNDER PUBLIC LAW 875

*(a) Providing such assistance*

When the President has determined that a major disaster exists, the Federal Civil Defense Administrator is authorized, within the scope of the President's determination, to direct Federal agencies to provide assistance in conformity with section 33 of Public Law 875. The Administrator has delegated this authority to each FCDA regional director for his region.

Upon written request and authorization by an FCDA regional director to a regional director of the Department, appropriate regional or field officials of the Department are authorized to furnish personnel, equipment, or other resources which can be made available within that region, in accordance with the provisions outlined in the request.

*(b) Reimbursement for such assistance*

The additional cost to the Department in furnishing assistance requested and authorized by FCDA under the provisions of section 3 of Public Law 875 may be subject to reimbursement. Such reimbursement will generally be from a specific allotment of funds available to the President under Public Law 875 and will cover expenses incurred by the Department in furnishing assistance which is over and above the normal day-to-day operating expenses of the Department. These additional expenses may include, but are not necessarily limited to, pay of additional personnel; overtime pay of all personnel; per diem expenses and transportation of personnel; materials and supplies; cost of operating equipment and processing equipment in and out of storage; packing and crating; costs of materials, equipment, and supplies furnished and not returned; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair.

Requests for reimbursement must be fully documented. Records of the Department pertinent thereto will be open for examination by authorized FCDA representatives.

Reimbursement will not be requested for any obligation incurred prior to the Presidential declaration of the existence of a major disaster. It is further understood that expenses of the Department incident to predisaster planning and expenses of operation in disasters other than major disasters are not reimbursable from Public Law 875 funds.

#### VI. ADVICE TO REGIONAL OFFICES AND STATES

This memorandum of understanding will be circulated within the Department and FCDA at both departmental and field levels, and to State governors, heads of appropriate State departments, and to State and local civil-defense offices.

Whenever a question of interpretation relative to this agreement cannot be resolved at the regional level, the matter shall be referred by the regional director for decision at higher headquarters.

This agreement is separate from, and does not affect, other agreements pursuant to Public Law 920, 81st Congress, covering disasters induced by enemy attack.

OVETA CULP HOBBY,

*Secretary, Department of Health, Education, and Welfare.*

Date: June 18, 1953.

VAL PETERSON,

*Administrator, Federal Civil Defense Administration.*

Date: June 19, 1953.

Enclosures:

- (1) Appendix A.
- (2) Public Law 875.
- (3) Executive Order 10427.

#### APPENDIX A

To accompany memorandum of understanding between the Department of Health, Education, and Welfare, and the Federal Civil Defense Administration concerning responsibilities in disaster operations other than those induced by enemy attack

##### I. PURPOSE

The purpose of appendix A is to outline briefly the resources and services of the Department of Health, Education, and Welfare which may be made available on request to meet situations caused by disasters, and the additional departmental resources and services which might be utilized under reimbursement procedures in event of a "major disaster," as defined in Public Law 875.

The descriptions which follow are arranged by organizational units of the Department.

##### II. REGIONAL OFFICES

The Department maintains regional offices located in Boston; New York; Washington, D. C.; Cleveland; Chicago; Atlanta; Kansas City (Mo.); Dallas; Denver; and San Francisco. These offices provide the States comprising each region with technical and other services related to the programs for which the Department has responsibility.

The director of each regional office represents the Secretary in exercising leadership and general administrative supervision of the regional staff and in maintaining liaison with Federal and State officials within the region. In the event of a disaster, and upon request, the Regional Director will take prompt action to make available the resources and services of the Department and its constituents to assist the State (or States) and the affected communities therein.

##### III. PUBLIC HEALTH SERVICE

The Public Health Service assists the States in preventing and controlling communicable and chronic diseases, and in providing, through the Hill-Burton program, a stimulus to the development of hospitals and related medical care facilities. It maintains a national quarantine system for preventing the entrance of exotic diseases, operates hospitals and clinics for merchant seamen and other Federal beneficiaries, and conducts a large-scale program of medical research.

Regional medical directors of the Public Health Service, located in the regional offices of the Department, supervise public health assistance to States located within their regions. Such assistance is customarily provided in the form of grants of funds, as authorized under section 314 of the Public Health Service Act (Public Law 410, 78th Cong.) and by detail of professional personnel on State request under section 214. More generally, section 311 of the Public Health Service Act directs the Surgeon General to assist States and their political subdivision in prevention and suppression of communicable diseases and in enforcement of local health regulations; also the interstate quarantine regulations of the Service, issued under section 361 of the act, authorize the Surgeon General to take special measures to prevent the interstate spread of communicable diseases.

In the event of emergency or disaster, the President, under section 216 of the act, may direct the utilization of the administrative organization of the Public Health Service and of its specialized personnel, equipment, and other facilities.

Disasters cause a breakdown of public health safeguards resulting from damage to, and failure of, certain public works, public services, and other facilities upon which present-day urban communities have become almost totally dependent.

Familiar examples are: Facilities for maintaining a safe and adequate supply of water; facilities for collecting, treating, and disposing of sewage, garbage, and other community wastes; measures for controlling and protecting against rodents and insects which transmit disease; procedures for maintaining food and milk free from contamination; and adequate shelter.

Unless protective measures are promptly taken following a disaster (i. e., emergency medical measures, such as immunization, together with emergency sanitation procedures and emergency repair of the affected facilities), there is the hazard of large-scale epidemics of communicable diseases. The potential seriousness of such situations in time of disaster is one of the basic reasons for the unique and powerful authority of the health officer in the American State or community.

In the event of a natural disaster, the regional medical director is responsible for the coordination and management of all disaster operations of the Public Health Service in his area. He will work through appropriate State and local governmental authorities and he may call upon any component part of the Public Health Service for aid. He will also maintain close liaison with the field organization of the American Red Cross in the disaster area.

The regional medical director can assist the States and communities during disasters by providing resources of personnel, equipment, and supplies, and by mobilizing and deploying similar resources from other sources outside the affected area. He can negotiate on behalf of the States for the procurement of personnel, transportation, equipment, and supplies from any source in the country. Through the Public Health Service reserve corps, the regional medical director can arrange to have specialists called to active duty and assigned where needed regardless of State boundaries and other legal limitations and difficulties.

*Public Health Service Resources.*—The Public Health Service has available for emergency assignment to affected areas members of its staff located throughout the country. Such professional personnel include:

- (1) Medical and nursing personnel to assist in emergency medical care and control of communicable diseases;
- (2) Engineers, entomologists, sanitarians, laboratory technicians, and related personnel to assist in maintaining an adequate and safe supply of water, safe food supplies, sanitary waste disposal, adequate refuse disposal facilities, and control of insects and rodents;
- (3) Epidemiologists and laboratory specialists to investigate epidemics and determine procedures for curtailing them; and
- (4) Public Health veterinarians to investigate and curtail diseases of animals which may be transmitted to man.

The Public Health Service maintains a system of hospitals and outpatient clinics located throughout the country. These can be made available when local hospital and medical care facilities are overtaxed.

The Public Health Service also maintains in reserve readiness certain disaster aid equipment and materials to assist in protecting the health of disaster victims. These facilities are dispersed throughout the country at five key points: Atlanta, Ga.; Boston, Mass.; Dallas, Tex.; San Francisco, Calif.; and Topeka, Kans. They include the following:

(1) *For emergency water treatment.*—Purification units, storage tanks, main sterilizers, dewatering pumps, hypochlorinators, power generators, motor drying equipment, and disinfecting chemicals;

(2) *For controlling insects and rodents.*—Equipment for dispersing insecticides including aircraft, and, when they cannot be obtained from commercial sources, insecticides, and rodenticides;

(3) *For transportation.*—A number of trucks, passenger vehicles, and other field vehicles can be made available from regular Public Health Service operating units; and

(4) *For emergency immunizations.*—Certain immunizing agents.

#### IV. FOOD AND DRUG ADMINISTRATION

The Food and Drug Administration has responsibility for consumer protection under Federal Law (Public Law 717, 75th Cong.). This involves controlling the purity, safety, and honest labeling of foods, drugs, devices, and cosmetics which are in interstate commerce.

It is the policy of the Food and Drug Administration to pool its forces with those of cooperating State, county, and city food and drug enforcement officials in time of disaster, such as hurricane or flood, in order to assure that:

(1) All damaged stocks of food and drugs are impounded;

(2) Impounded lots are rendered fit for human consumption under supervision of a competent inspector or are destroyed under such supervision;

(3) All damaged food and drug manufacturing and warehousing establishments are closed; and

(4) Closed factories and equipment and raw materials therein are restored to proper operating condition before resumption of manufacturing operations is permitted.

The forces available to the Food and Drug Administration for this work are: 225 food and drug inspectors and 155 food and drug chemists located at 16 field districts. In emergencies, personnel may be shifted into an affected area from their regular stations elsewhere.

In a major disaster (such as the Kansas floods of 1951), the following procedures are typical of Federal, State, and local food and drug cooperation:

(1) Agreement with civil and military authorities that food and drug inspectors shall have access to disaster areas at the earliest possible time;

(2) Cooperative enforcement and inspection arrangements among local, State, and Federal food and drug agencies;

(3) Conferences with trade groups and transportation agencies to plan the handling of damaged foods and drugs;

(4) Invocation of State quarantine or embargo powers to prevent movement of damaged commodities, supplemented by local municipal regulation;

(5) Notification to the trade and to the public of proper methods for handling contaminated, spoiled, or suspect foods and drugs;

(6) Arrangements for voluntary destruction of contaminated goods without prior inspection;

(7) Permission for movement of foods and drugs elsewhere for salvage or destruction—with prior consent of Federal agency if goods are to move interstate, or of State authorities if movement is intrastate;

(8) Provision for adequate means of disposal of condemned goods;

(9) No summary destruction without due process of law; and

(10) Temporary suspension of operating permits of food manufacturing and handling establishments until inspection and assurance of proper cleanliness.

#### V. SOCIAL SECURITY ADMINISTRATION

(1) *Old-age and survivors insurance.*—The principal service available through this program in disaster areas is the provision of prompt assistance to the survivors of victims of the disaster in obtaining settlement of the claims of such survivors for OASI benefits. Processing of such claims is expedited by the use of teletype lists of victims, together with identifying information. These are prepared by the nearest OASI field office for the purpose of obtaining the wage data required for benefit computation. If necessary, a temporary field office is established in the disaster area. These benefit payments constitute a financial resource to the survivors and are consequently related to the restoration of the community economy.

In disaster situations, OASI field offices are permitted, under regulations dealing with confidentiality of official information, to disclose information concerning the victims for the purpose of locating relatives and identifying persons who are dead, unconscious, or suffering from shock. Such information should be requested in writing by a Federal, State, or municipal official.

(2) *Public assistance.*—In event of a major disaster, regional staff of the Bureau of Public Assistance will, upon request, cooperate with their State agency counterparts in planning and special welfare and consultative services which these agencies may be called upon to render in the disaster area.

(3) *Children's Bureau.*—In the event of a major disaster, regional medical directors and child-welfare representatives of this Bureau will, upon request, cooperate with their State agency counterparts in planning the health and welfare services for children which these agencies may be called upon to render in the disaster area.

#### VI. OFFICE OF EDUCATION

In event of a major disaster, the Office of Education, as the agency of Federal Government most directly concerned with the well-being of the American educational system, could undertake the following:

(1) Advise and assist State and local officials in the establishment of improvised schools (in churches, etc.) and in the reestablishment of educational facilities, including the erection of temporary school buildings;

(2) To the extent permitted by appropriations, provide financial assistance to local educational agencies for maintenance and operation of schools in federally affected areas under Public Law 874, 81st Congress, and for construction of school facilities under title II, Public Law 815, 81st Congress; and

(3) Advise and assist higher education authorities of the State in the reestablishment of colleges and university facilities in the disaster area.

#### VII. OFFICE OF VOCATIONAL REHABILITATION

The Office of Vocational Rehabilitation and the system of State vocational rehabilitation agencies can aid adult disaster victims who sustain disabling injuries which prevent them from returning to suitable employment. Subsequent to the disaster, State agencies, through their rehabilitation counselors, may be called upon to provide an organized program of rehabilitative services including, where applicable, restorative medical and surgical service, training and preparation for employment, prosthetic aids, maintenance while undergoing medical care or job training, placement and followup.

Familiarity with and use of the resources available through the State vocational rehabilitation agency will enable officials, particularly health authorities, and hospital directors, to move disabled victims from acute care facilities as promptly as possible, thereby easing the pressure upon urgently needed hospital facilities and restoring the community and its members to self-sufficiency as early as possible.

Where disasters involve more than one State within a region, the regional OVR representative is in a position to estimate promptly the resources of the individual States and to expedite plans for their cooperation.

#### VIII. OFFICE OF FIELD SERVICES (SURPLUS PROPERTY UTILIZATION)

Public Law 152, 81st Congress, authorizes the Secretary of Health, Education, and Welfare to allocate Federal surplus personal property and to arrange for the transfer of surplus real property for health and educational purposes.

The Surplus Property Utilization Division has representatives assigned to most of the Department's regional offices. In event of a disaster, the representative in the affected region could authorize the agency for surplus property in the affected State to utilize for disaster relief any surplus Government property warehoused in the vicinity. For example, a State agency for surplus property might help out with reserve stocks of beds, blankets, clothing, and like material. The extent of such assistance would depend on the location of the disaster, since a number of States do not maintain surplus property warehouses and, therefore, would not have any reserve stocks.

Portions of real property facilities (buildings) in some areas might also be made available for temporary use as shelter for disaster victims. Regional property coordinators of the Department would have knowledge as to the facilities obtainable in disaster situations.

**MEMORANDUM OF UNDERSTANDING BETWEEN DEPARTMENT OF COMMERCE AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS***Section 1. Purpose*

The purpose of this memorandum is to—

1. Describe responsibilities and functions of the Department of Commerce established by law or custom for providing assistance to States, local governing bodies, and individuals in the alleviation of damage, hardship, or suffering attending disasters;
2. Arrange for development of suitable plans and preparations to insure maximum utilization of resources of the Department of Commerce in disasters;
3. Describe responsibilities of FCDA in the coordination of Federal assistance in disasters and in plans and preparations therefor; and
4. Outline procedures for providing assistance by the Department under authorization from FCDA pursuant to Executive Order 10427 and Public Law 875 and for reimbursement of authorized expenses incurred in connection with providing such assistance.

*Section 2. Disaster responsibilities and functions of the Department of Commerce established by law or custom*

.01 Pursuant to Public Law 390, 81st Congress (5 U. S. C. 596a) the primary organization units of the Department of Commerce are authorized to reimburse from regular appropriations their officers and employees for food, clothing, medicines, and other supplies furnished by them in emergencies for the temporary relief of distressed persons in remote localities.

.02 The Coast and Geodetic Survey is authorized (33 U. S. C. 874b) to reimburse from regular appropriations its commissioned officers for food, clothing, medicines, and other supplies furnished by them to shipwrecked persons temporarily provided for by them irrespective of the location where such temporary relief may be provided.

.03 The Bureau of Public Roads is authorized (23 U. S. C. 13a) to extend aid for the repair or reconstruction of highways and bridges on the primary or secondary Federal-aid highway systems, after receipt of an application therefor from the highway department of any State, when such highways or bridges have been found to have suffered serious damage as the result of disaster over a wide area, such as floods, hurricanes, tidal waves, earthquakes, severe storms, landslides or other catastrophe in any part of the United States; provided, that no expenditures shall be made with respect to any such catastrophe in any State unless an emergency has been declared by the governor of such State and incurred in by the Secretary of Commerce; provided further, that the Federal share payable on account of any repair or reconstruction project provided for by funds made available under this law shall not exceed 50 percent of the costs thereof.

.04 Through established custom the Civil Aeronautics Administration's air traffic control and aeronautical communications systems, as well as the services of the technical operating and maintenance personnel, may be used when appropriate, on a suitable priority basis, for the transmission of essential information, the coordination of emergency search and rescue operations and such other assistance as may be required in major disasters.

.05 Under the provisions of the 1948 Convention on Safety of Life at Sea the master of a ship at sea (which includes vessels under the jurisdiction of the Coast and Geodetic Survey and the Maritime Administration) on receiving a signal from any source that a ship or aircraft or survival craft thereof is in distress, is bound to proceed with all speed to the assistance of the persons in distress.

.06 The Weather Bureau is charged with the responsibility of forecasting the weather including the issue of storm warnings (including tornado, hurricane, cold wave, heavy snow, and blizzards) and the forecasting of floods and the issue of flood warnings.

*Section 3. Planning for disaster assistance*

.01 Section 2 of Executive Order 10427 stipulates that Federal agencies shall make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster.

.02 Plans and procedures will be developed jointly by the Department of Commerce and Federal Civil Defense Administration to:

1. Provide for the interchange of information regarding existing or threatened disasters, including Weather Bureau storm and flood warnings;
2. Provide for continuing liaison between the Department and FCDA, both at the headquarters offices and in the field, with respect to disaster assistance activities;
3. Arrange an orderly means for coordination of the Department's disaster activities with those of other agencies by FCDA;
4. Provide for the delegation of authority by FCDA to the Department to provide disaster assistance and to utilize in connection therewith the necessary available resources of the Department;
5. Arrange for the orderly and quick utilization of the Department's available personnel, equipment, supplies, facilities and other resources when required by FCDA in providing disaster assistance; and
6. Insure that accurate and complete information relative to disasters reaches the public promptly.

#### *Section 4. Coordination*

.01 The FCDA has been delegated a twofold coordinating responsibility: (1) The coordination, on behalf of the President, of the activities of Federal agencies in providing disaster assistance whether such activities be performed pursuant to authority delegated by the FCDA or within the existing policies, regulations, or statutory authority of a Federal agency; and (2) coordination, on behalf of the President, of the development of suitable plans and preparations by Federal agencies in anticipation of their responsibilities in the event of a major disaster.

.02 Responsibility for coordination of Federal assistance within the various regions of FCDA has been delegated to the regional directors by the Administrator.

.03 FCDA's coordination of Federal disaster assistance will consist of determining the total assistance needed and facilitating agreement of necessary action to be taken by various agencies to meet the overall problems involved. It will make necessary decisions regarding assistance to be furnished in cases where two or more Federal agencies have conflicting or overlapping interests or authorities. In major disasters the FCDA will determine the Federal financial contribution for disaster relief and will, when necessary, direct and authorize the Secretary of Commerce or his designee to utilize its available personnel, equipment, supplies, facilities, and other resources in accordance with the authority contained in Public Law 875.

.04 The FCDA will not supervise or direct the disaster operations of the Department of Commerce.

.05 When necessary assistance is immediately required and such assistance can be provided within the existing policies, regulations, or statutory authority of the Department, the appropriate officials of the Department will act promptly and notify the appropriate FCDA regional director of action taken at the earliest opportunity. When the exigency of the situation permits, the appropriate FCDA regional director will be notified of the request for assistance prior to taking action to provide such assistance even though the necessary assistance can be supplied within the existing policies, regulations or statutory authority of the Department.

.06 Suitable plans and preparations for providing disaster assistance in major disasters involving the utilization of personnel, equipment, supplies, facilities, and other resources of the Department shall be developed jointly by designated officials of FCDA and the Department of Commerce.

#### *Section 5. Disaster assistance authorized by FCDA*

.01 The heads of the primary organization units of the Department of Commerce will be delegated authority, with power to redelegate, to utilize personnel, supplies, equipment, facilities, and other resources in providing disaster assistance upon request and authorization of the FCDA.

.02 The additional cost to the Department of Commerce of assistance requested and authorized by FCDA to be furnished under the provisions of section 3 of Public Law 875 are subject to reimbursement. Such reimbursement will generally be from a specific allotment from the funds made available to the President under Public Law 875 and will ordinarily cover expenses incurred by the Department in furnishing the assistance in addition to the normal day-to-day operating expenses of the Department. Additional expenses may include, but are not necessarily limited to, salaries of additional personnel; overtime pay of all personnel; per diem and travel expenses of employees; cost of materials,

equipment, and supplies; equipment storage costs, packing and crating; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair.

.03 Reimbursement will not be made for any obligation incurred prior to the Presidential declaration of the existence of a major disaster.

.04 All requests for reimbursement will be fully documented so as to permit accurate and sufficient audit. The records of the Department pertinent to assistance activities performed under authorization received from FCDA will be open for examination by the FCDA or its authorized representatives.

SINCLAIR WEEKS,  
Secretary of Commerce.

VAL PETERSON,  
Administrator, Federal Civil Defense Administration.

## UNITED STATES OF AMERICA, DEPARTMENT OF COMMERCE

Department Order No. 149

MANUAL OF ORDERS—PART 1

Date of issuance: July 16, 1953.

Effective date: July 16, 1953.

Subject: Department Assistance in Major Disasters.

### *Section 1. Purpose*

The purpose of this order is to outline the responsibilities of the Department in connection with major disasters, and to delegate authority to carry out these responsibilities.

### *Section 2. General*

.01 Public Law 875, 81st Congress, authorizes Federal assistance to States (including the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands) and local governments in major disasters as defined therein.

.02 Executive Order 10427 of January 16, 1953 (18 F. R. 407), confers authority upon the Federal Civil Defense Administrator to direct Federal agencies to provide assistance in major disasters and to coordinate activities of Federal agencies in (a) making suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster, and (b) providing disaster assistance.

.03 When directed by the Federal Civil Defense Administrator, Federal agencies are authorized to provide assistance in a major disaster:

1. By utilizing or lending, with or without compensation therefor, to States and local governments their equipment, supplies, facilities, personnel, and other resources, other than the extension of credit under the authority of any act;

2. By distributing, through the American National Red Cross or otherwise, medicine, food, and other consumable supplies;

3. By donating to States and local governments equipment and supplies determined under then existing law to be surplus to the needs and responsibilities of the Federal Government; and

4. By performing on public or private lands protective and other work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disaster, and making contributions to States and local governments for purposes stated in this item.

.04 The Federal Civil Defense Administrator has delegated to the regional directors of the Federal Civil Defense Administration (a) authority to direct Federal agencies to provide disaster assistance, and (b) responsibility for coordination of Federal assistance.

.05 The authority conferred on the Federal Civil Defense Administrator by Executive Order 10427 does not affect the authority of any primary organization unit to provide emergency assistance under existing policies, regulations, or statutes, except that assistance or other action under such authority is subject to coordination by the Federal Civil Defense Administration. This includes authority of the primary organization units under Public Law 390, 81st Congress

(5 U. S. C. 596a), authority of the Coast and Geodetic Survey under 33 United States Code 874b, and the Bureau of Public Roads' authority under 23 United States Code 13a.

### *Section 3. Delegations of authority and responsibility*

.01 The Assistant Secretary of Commerce for Administration shall as he deems necessary coordinate and take such other action in the behalf of the Secretary to assure that in any major disaster the Department's resources are promptly mobilized to furnish disaster assistance in accordance with requests and authorizations from FCDA.

.02 In addition to such authorities as may be vested in the primary organization units to provide emergency assistance under existing policies and regulations of the Department or statutes pertaining to the Department, the head of each primary organization unit is hereby delegated the authority and responsibility to utilize the resources at his disposal in providing disaster assistance upon request and authorization of the Federal Civil Defense Administrator. This authority may be redelegated.

.03 In the interest of facilitating cooperation with Federal Civil Defense Administration regional directors and assuring rapid mobilization of the Department's resources in providing disaster assistance, it shall be the policy of the Department to delegate authority and responsibility with respect to disaster assistance to appropriate officials in the field whenever feasible.

### *Section 4. Disaster plans and preparations*

Primary organization units shall make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster. These plans and preparations, which will involve principally the field resources of the Department, should be developed and planned in cooperation with the appropriate Federal Civil Defense Administration regional director and should satisfy the provision of section 3.02 of the memorandum of understanding between the Department of Commerce and the Federal Civil Defense Administration concerning responsibilities in disaster operations (see attachment A). The geographical boundaries of the Federal Civil Defense Administration regions are shown in attachment B to this order.

### *Section 5. Assistance under Department authority*

When assistance is immediately required and such assistance can be provided within the existing policies, regulations or statutory authority of the Department, the appropriate officials of the Department will act promptly and notify the appropriate Federal Civil Defense Administration regional director of the action taken at the earliest opportunity. When the exigency of the situation permits, the appropriate Federal Civil Defense Administration regional director will be notified of the request for assistance prior to taking action to provide assistance even though the necessary assistance can be supplied within the existing policies, regulations, or statutory authorities of the Department.

### *Section 6. Reimbursement*

.01 Public Law 875 provides that additional costs to any agency resulting from disaster assistance furnished under authority of that law are subject to reimbursement. However, reimbursement will not be allowed for any obligation incurred prior to the Presidential declaration of the existence of a major disaster.

.02 Additional expenses are those expenses incurred in furnishing assistance pursuant to Public Law 875 and which are in addition to the normal day-to-day operating expenses of the Department. These additional expenses may include, but are not necessarily limited to, salaries of additional personnel; overtime pay of all personnel; per diem and travel expenses of employees; cost of materials and supplies; packing and crating costs; in certain cases, replacing major items of Department-owned equipment lost or damaged beyond economical repair used in disaster assistance; and equipment storage costs.

.03 Requests for reimbursement for additional expenses in furnishing assistance pursuant to Public Law 875 will be submitted to the appropriate Federal Civil Defense Administration regional director on voucher forms SF-1034 or SF-1080. Requests for reimbursements must be fully documented.

.04 Any funds received by primary organization units as reimbursement for services or supplies furnished under the authority of Public Law 875 shall be deposited to the credit of the appropriation(s) currently available for such services or supplies.

**Section 7. Effect on other orders**

Any other orders or parts of orders the provisions of which are inconsistent or in conflict with the provisions of this order are hereby amended or superseded accordingly.

SINCLAIR WEEKS,  
Secretary of Commerce.

**MEMORANDUM OF UNDERSTANDING BETWEEN UNITED STATES DEPARTMENT OF AGRICULTURE AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN MAJOR DISASTER OPERATIONS UNDER PUBLIC LAW 875, 81ST CONGRESS**

In recognition of the responsibilities and functions of the Department of Agriculture and its organizational units, and those delegated to the Federal Civil Defense Administration by Executive Order 10427, and Public Law 875, 81st Congress, this statement of understanding of responsibilities of the two agencies for assistance in major disasters is deemed advisable.

**I. Purpose**

The purpose of this memorandum is to:

- (a) Describe responsibilities and functions of the Department established under law by express provision, policy or practice for providing assistance to States, local governing bodies and individuals in the alleviation of damage, hardship or suffering caused by disasters;
- (b) Arrange for development of suitable plans and preparations to insure maximum utilization of resources of the Department in disasters;
- (c) Describe responsibilities of FCDA in the coordination of Federal assistance in disasters and in plans and preparations therefor;
- (d) Outline procedures for assistance by the Department when authorized by FCDA pursuant to Executive Order 10427, and Public Law 875 and for reimbursement of authorized additional expenses incurred therefor; and
- (e) Provide adequate information and guidance to the field personnel of both agencies on the provisions of Public Law 875 and Executive Order 10427.

**II. Disaster responsibilities and functions of the Department of Agriculture**

Section 4 of Executive Order 10427 recognized the necessity of all Federal agencies acting promptly in disaster situations in conformity with existing policies, practices and statutory authority under circumstances which will not permit delay and pending the determination of the President as to whether the disaster is a major disaster.

There is attached hereto as appendix A a statement of the activities or services in this area for which the Department is responsible. This appendix will include to the extent possible additional information regarding resources which might be utilized by FCDA under the provisions of Public Law 875, but which may not be used by the Department under their existing authority or practice. Appendix B provides a guide for local, State, and regional contacts.

**III. Planning for disaster assistance**

(a) *Departmental planning.*—Section 2 of Executive Order 10427 requires Federal agencies to make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster.

Plans and procedures will be developed at the departmental level to:

- (1) Provide interchange of information between the Department and FCDA;
  - (2) Provide continuing liaison;
  - (3) Insure that accurate and complete information relative to the disaster insofar as it affects the activities of the Department reaches the public promptly;
  - (4) Arrange an orderly means for coordination of the Department's disaster activities with those of other agencies by FCDA; and
  - (5) Provide for the delegation of authority by FCDA to the Department when required and for reimbursement by FCDA of services and facilities provided by the Department under such delegations.
- (b) *Field planning.*—Field offices of the Department are authorized to prepare plans and procedures to insure maximum benefit at minimum cost in the utilization of the resources of the Department in disaster situations occurring within their respective or geographical functional areas of responsibility. Plans and

procedures, at the field level, should be on the same basis as those outlined above for the departmental level. Such plans should include, but not be limited to:

- (1) Arrangements for an interchange of information with the regional office of FCDA regarding existing or threatened disasters;
- (2) Adequate inventories of manpower, equipment and material usable in disasters. Such inventories should be available at the field offices of the organizational units of the Department with summary information of types or classes furnished to FCDA regional offices;
- (3) Exchange of directories of key personnel of the Department and FCDA;
- (4) Statements of geographical and functional areas of responsibility; and
- (5) An operating procedure specific enough to insure adequate operation but flexible enough to cover varying types of disasters.

#### IV. Coordinating responsibility of FCDA

(a) *For Federal assistance in disasters.*—Public Law 875 and Executive Order 10427 provide that all Federal agencies utilize any authority available to them to assist States and local governments in the alleviation of damage, hardship, and suffering occasioned by disasters. Section 4 of Executive Order 10427 provides that such assistance shall be subject to coordination by the Federal Civil Defense Administrator acting on behalf of the President.

When necessary assistance is immediately required, the appropriate officials of the Department will act promptly and notify the FCDA regional administrator of action taken at the earliest opportunity subsequent thereto.

In instances where no delay will be caused the FCDA regional administrator should be notified of a request for assistance before assistance is rendered.

Federal Civil Defense Administration's coordination will consist of the evaluation of requests received and total assistance needed, and facilitate agreement on necessary action by various agencies to meet the overall problems involved. It will make necessary decisions regarding assistance to be furnished in cases where two or more Federal agencies have conflicting or overlapping interests or authorities. Responsibility for coordination of Federal assistance within the various regions of FCDA has been delegated to the regional administrators by the Administrator.

Disasters determined to be major disasters will require coordinating action to insure adequate and economical operation in furnishing Federal assistance.

Disasters not declared major disasters may require Federal assistance entirely within the scope of authority and practice of the Department. In such instances FCDA coordination may not be required. However, FCDA regional administrators should be advised of all assistance to State and local governments as previously provided.

(b) *Planning coordination.*—The Federal Civil Defense Administrator is directed by the President to coordinate the provision of suitable plans and preparations for disaster assistance by all Federal agencies having responsibilities or capabilities in this field. Staff personnel of FCDA at the departmental level are working with the representatives of the Department on these plans and preparation. Each regional administrator, FCDA, will work with field personnel of the Department on similar plans for the Department's field organizational units.

#### V. Disaster assistance authorized by FCDA under Public Law 875

(a) *Providing such assistance.*—When the President has determined that a major disaster exists the Federal Civil Defense Administrator is authorized, within the scope of the President's determination, to direct Federal agencies to provide assistance in conformity with section 3 of the act. The Administrator has delegated this authority to each FCDA regional administrator for his region.

Upon written request and authorization of a regional administrator of FCDA, field offices of the Department are authorized to furnish personnel, equipment, or other resources of the field organization in accordance with the provisions outlined therein.

(b) *Reimbursement for such assistance.*—The additional cost to the Department of assistance requested and authorized by FCDA to be furnished under the provisions of section 3 of Public Law 875 may be subject to reimbursement. Such reimbursement will generally be from a specific allotment from the funds available to the President under Public Law 875 and will ordinarily cover expenses

incurred by the Department in furnishing the assistance which are in addition to the normal day-to-day operating expenses of the Department. These additional expenses may include, but are not necessarily limited to, pay of additional personnel; overtime pay of all personnel; per diem expenses and transportation of personnel; materials and supplies; costs of materials, equipment, and supplies furnished and not returned; costs of operating equipment and processing equipment in and out of storage; packing and crating; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair. Requests for reimbursement must be fully documented. Records of the Department pertinent to the operation will be open for examination by the Federal Civil Defense Administration or its authorized representatives.

#### *VI. Advice to field offices*

This joint agreement will be circulated within the Department of Agriculture and FCDA at both departmental and field levels and to State governors and State and local civil defense offices.

Whenever there is a question of interpretation of this agreement or any other question not resolved at the field level, the question should be referred by the field personnel to their respective departmental heads for decision.

This agreement does not affect any other agreement between the Department of Agriculture and the Federal Civil Defense Administration relative to civil defense responsibility under the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.).

TRUE D. MORSE,  
Under Secretary, Department of Agriculture.  
H. L. AITKEN,  
FOR VAL PETERSON,  
Administrator, Federal Civil Defense Administration.

MARCH 8, 1954.

#### APPENDIX A

### DISASTER RELIEF SERVICES AVAILABLE THROUGH AGENCIES OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

#### A. AREAS OF RESPONSIBILITY NOT REQUIRING ACTION UNDER PUBLIC LAW 875

##### *1. Agricultural Research Service*

Inspection of meat and meat food products (which move in interstate commerce) for wholesomeness and fitness for human consumption. Control of the movement of diseased livestock and livestock from areas where contagious diseases of animals exist, and quarantine and inspection of livestock in infected areas. Control of plant diseases and insect infestation by quarantines and restrictions on importation or transportation of plants and insect pests. Sanitary inspection of renovated-butter plants.

##### *2. Agricultural Marketing Service*

Crop reporting service in cooperation with States providing information on crop acreage, livestock numbers, and crop conditions. Grading and inspection of agricultural commodities for class, quality, and condition on a fee basis. Arranging for the distribution of food acquired from Commodity Credit Corporation or available from surplus removal programs to schools, institutions, and needy persons.

##### *3. Commodity Stabilization Service*

Supplying agricultural commodities through the Commodity Credit Corporation which generally has substantial inventories of commodities acquired under price-support programs. The Commodity Credit Corporation also has authority to acquire agricultural commodities for resale. Generally, if sales are at subsidized prices or donations are made, the Corporation must be reimbursed from supplemental sources.

##### *4. Cooperative Extension Service*

Furnishing advice on cleanup of damaged property, sanitary precautions, water supply and sewage disposal, insect infestation, the use of canned and locker-stored food subject to interrupted power service, use of electric service after disaster, safety of damaged buildings, food and water for livestock, substitute planting for damaged crops, grain storage problems, and renovation of equipment and farm facilities.

**5. *Farmers' Home Administration***

Providing agricultural credit to farmers who cannot get credit elsewhere for farm operations, farm ownership, farm housing, and water facilities. In addition, provides emergency loan assistance in areas where production disasters have occurred, as designated by the Secretary of Agriculture.

**6. *Federal Crop Insurance Corporation***

Payment of indemnities to insured farmers who have suffered crop failures by reason of disasters such as floods or droughts. Assistance is available to eligible farmers in a restricted number of counties.

**7. *Forest Service***

Furnishing personnel and equipment to fight fires in or adjacent to national forests, and taking other emergency measures in connection with disasters in national forests.

**8. *Rural Electrification Administration***

Provide credit and technical assistance to rural electric and telephone systems that are borrowers from REA, for the purpose of restoring and maintaining such power and communication services.

**9. *Soil Conservation Service***

Contribution of technical advice in dealing with emergency protection against high water, and giving assistance and technical advice in connection with agricultural rehabilitation work following disasters.

**10. *Agricultural Conservation Programs Service***

Provides administrative facilities for the formulation and administration of programs of direct financial assistance to individual farmers and ranchers for rehabilitation and restoration of farm and ranch land damaged by floods to productive capacity. Presently administering the 1952 and 1953 farmland restoration programs, authorized under Public Law 202, 82d Congress, and Public Law 371, 82d Congress.

**B. AREAS OF RESPONSIBILITY UNDER PUBLIC LAW 875**

In general, the personnel and facilities of the entire Department would be available. The Department has offices in every State and in practically every agricultural county in the United States, as well as in Alaska, Puerto Rico, Virgin Islands, and Hawaii. More specific responsibilities of the Department are listed below.

**1. *Agricultural Research Service***

Furnish trained field veterinarians and scientific personnel skilled in physical, biological, chemical, and engineering research.

**2. *Agricultural Marketing Service***

Furnish administrative structure and direction for distributing federally acquired food. Furnish veterinarians and food inspectors and graders trained in plant sanitation and food inspection.

**3. *Commodity Stabilization Service***

Furnish feed for livestock at reduced prices or by donation pursuant to Public Law 115, 83d Congress, in disaster areas under Public Law 875. Authority has been delegated by Federal Civil Defense Administrator to the Secretary of Agriculture to delineate areas affected by the disaster for purposes of these programs (18 F. R. 4609). Provide facilities for the acquisition, storage, and handling of food and feed.

**4. *Farmers' Home Administration***

Furnish economic disaster loans to farmers pursuant to Public Law 115, 83d Cong., in disaster areas under Public Law 875.

**5. *Forest Service***

Supply services indicated in A-7 at places other than national forests and adjacent territory.

**6. *Soil Conservation Service***

Furnish heavy earth-moving equipment.

## APPENDIX B

## DIRECTORY

**A. DIRECTORY FOR OBTAINING LOCAL, STATE, AND REGIONAL SERVICES IN MAJOR DISASTERS THROUGH AGENCIES OF THE UNITED STATES DEPARTMENT OF AGRICULTURE****1. Agricultural Research Service**

Field representatives are located strategically throughout the States.

**2. Agricultural Marketing Service**

Contact the agricultural statistician in each State. In a few instances more than one State is served by a single office. Contact the various commodity inspection and grading offices located throughout the country. Contact the local or State educational agency for the name and address of the State commodity distribution agency, or contact the appropriate area office of the United States Department of Agriculture, Food Distribution Division listed below:

Food Distribution Division, AMS, 139 Center Street, room 802, New York 13, N. Y.

Food Distribution Division, AMS, 50 Seventh Street NE., room 252, Atlanta 5, Ga.

Food Distribution Division, AMS, 185 North Wabash Avenue, room 2003- Chicago 5, Ill.

Food Distribution Division, AMS, 1114 Commerce Street, room 1812, Dallas 2, Tex.

Food Distribution Division, AMS, 630 Sansome Street, 628 Appraisers Building, San Francisco 11, Calif.

**3. Commodity Stabilization Service**

Locally, contact the county agricultural stabilization and conservation committee, usually located at the county seat. At the State level, contact the State agricultural stabilization and conservation committee. Commodity Stabilization Service commodity offices are located as follows:

Boston: 408 Atlantic Avenue, Boston 10, Mass.

Chicago: 623 South Wabash Avenue, Chicago 5, Ill.

Dallas: 3306 Main Street, Dallas 26, Tex.

Kansas City: Federal Office Building, 911 Walnut Street, Kansas City 6, Mo.

Minneapolis: 1006 West Lake Street, Minneapolis 8, Minn.

New Orleans: Worth Building, 120 Marais Street, New Orleans 16, La.

Portland: Eastern Building, 515 SW 10th Avenue, Portland 5, Oreg.

**4. Cooperative Extension Service**

Contact the county extension agent or home demonstration agent, usually located at the county seat. At the State level, contact the director of extension, located at the State agricultural college.

**5. Farmers Home Administration**

Contact the county supervisor, usually located at the county seat. Contact the Farmers Home Administration State director at the State level.

**6. Federal Crop Insurance Corporation**

Contact State officers of the Federal Crop Insurance Corporation, established in the majority of States.

**7. Forest Service**

Contact the nearest forest supervisor or regional forester.

**Region**

1. Federal Building, Missoula, Mont.
  2. Federal Center, building 85, Denver, Colo.
  3. Post Office Building, Albuquerque, N. Mex.
  4. Forest Service Building, Ogden, Utah.
  5. 630 Sansome Street, San Francisco 11, Calif.
  6. Post Office Building, Portland, Oreg.
  7. Bankers Security Building, Philadelphia 2, Pa.
  8. Peachtree Building, 50 Seventh Street NE., Atlanta, Ga.
  9. Madison Building, Milwaukee 3, Wis.
  10. Federal Territorial Building, Juneau, Alaska
- Tropical: Post Office Box 577, Rio Piedras, P. R.

**8. Rural Electrification Administration**

Contact the county extension agent, the county agricultural stabilization and conservation committee, and rural electric and telephone cooperatives to locate nearest REA representative.

**9. Soil Conservation Service**

Locally, contact soil-conservation district officials and Soil Conservation Service work units or area offices. At the State level contact Soil Conservation Service State offices.

**10. Agricultural Conservation Programs Service**

In the field administration of this program the facilities of the county and State agricultural stabilization and conservation committees are utilized. Contact the Chief, Agricultural Conservation Programs Service, room 3741, South Building, United States Department of Agriculture, Washington 25, D. C.

**B. DIRECTORY OF REGIONAL OFFICES OF FEDERAL CIVIL DEFENSE ADMINISTRATION****Region**

1. Boston, Mass.
2. Philadelphia, Pa.
3. Thomasville, Ga.
4. Chicago, Ill.
5. Dallas, Tex.
6. Denver, Colo.
7. San Francisco, Calif.

NOTE.—For more detailed information consult the Directory of Organization and Field Activities of the Department of Agriculture, the U. S. Government Organization Manual, or the Official Register of the United States.

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**MEMORANDUM OF UNDERSTANDING BETWEEN DEPARTMENT OF THE INTERIOR AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS**

Act of September 30, 1950 (64 Stat. 1109, as amended ; 42 U. S. C. 1855 ff.)

**Section 1. Purpose**

The purpose of this memorandum is to :

- (a) Arrange for development of suitable plans and preparations to insure maximum utilization of resources of the Department of the Interior in disasters ;
- (b) Describe responsibilities of FCDA in the coordination of Federal assistance in disaster and in plans and preparations therefor ;
- (c) Outline procedures for providing assistance by the Department under authorization from FCDA pursuant to Executive Order No. 10427 and the act of September 30, 1950 (64 Stat. 1109, as amended ; 42 U. S. C. 1855 ff.), and for reimbursement of authorized expenses incurred in connection with providing such assistance ; and
- (d) Describe responsibilities and functions of the Department of the Interior for providing assistance to States, local governing bodies, and individuals in the alleviation of damage, hardship, or suffering attending disasters.

**Section 2. Planning for disaster assistance**

(a) Section 2 of Executive Order No. 10427 stipulates that Federal agencies shall make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster.

(b) Plans and procedures will be developed jointly by the Department of the Interior and the Federal Civil Defense Administration to :

- (1) provide for the interchange of information regarding existing or threatened disasters ;
- (2) provide for continuing liaison between the Department and FCDA, both at the headquarters offices and in the field, with respect to disaster assistance activities ;

(3) arrange an orderly means for coordination of the Department's disaster activities with those of other agencies by FCDA ;

(4) provide for the delegation of authority by FCDA to the Department to provide disaster assistance and to utilize in connection therewith the necessary available resources of the Department ;

(5) arrange for the orderly and prompt utilization of the Department's available personnel, equipment, supplies, facilities, and other resources when required by FCDA in providing disaster assistance ; and

(6) insure that accurate and complete information relative to disasters reaches the public promptly.

### *Section 3. Coordination*

(a) The FCDA has been delegated a twofold coordinating responsibility :

(1) The coordination, on behalf of the President, of the activities of Federal agencies in providing disaster assistance whether such activities be performed pursuant to authority delegated by the FCDA or within the existing policies, regulations, or statutory authority of a Federal agency subject to the limitations in paragraph (b) of this section ; and (2) the coordination, on behalf of the President, of the development of suitable plans and preparations by Federal agencies in anticipation of their responsibilities in the event of a major disaster.

(b) Responsibility for coordination of Federal assistance within the various regions of FCDA has been delegated to the regional administrators by the Administrator.

(c) FCDA's coordination of Federal disaster assistance will consist of determining the total assistance needed and facilitating agreement of necessary action to be taken by various agencies to meet the overall problems involved. It will make necessary decisions regarding assistance to be furnished in cases where two or more Federal agencies have conflicting or overlapping interests or authorities. In major disasters the FCDA will determine the Federal financial contribution for disaster relief and will, when necessary, request and authorize the Secretary of the Interior or his designee, to utilize its available personnel, equipment, supplies, facilities, and other resources in accordance with the authority contained in the act of September 30, 1950.

(d) The FCDA will not supervise or direct the disaster operations of the Department of the Interior.

(e) When necessary assistance is immediately required and such assistance can be provided within the existing policies, regulations, or statutory authority of the Department, the appropriate officials of the Department will act promptly and notify the appropriate FCDA regional administrator of action taken at the earliest opportunity. When the exigency of the situation permits, the appropriate FCDA regional administrator will be notified of the request for assistance prior to taking action to provide such assistance even though the necessary assistance can be supplied within the existing policies, regulations, or statutory authority of the Department. The requirements of this paragraph do not extend to activities of the Department in emergency situations which do not approach the disaster conditions which are the concern of the FCDA.

(f) Suitable plans and preparations for providing assistance, in major disasters, involving the utilization of personnel, equipment, supplies, facilities, and other resources of the Department shall be developed jointly by designated officials of FCDA and the Department of the Interior.

### *Section 4. Disaster assistance authorized by FCDA*

(a) The heads of the bureaus of the Department of the Interior will be delegated authority, with power to redelegate, to utilize personnel, supplies, equipment, facilities, and other resources in providing disaster assistance upon request and authorization of the FCDA.

(b) The additional cost to the Department of the Interior of assistance requested and authorized by FCDA to be furnished under the provisions of section 3 of the act of September 30, 1950, will be reimbursed by FCDA. Such reimbursement will generally be from a specific allotment from the funds made available to the President under the act of September 30, 1950, and will cover expenses incurred by the Department in furnishing the assistance in addition to the normal day-to-day operating expenses of the Department. Additional expenses may include, but are not necessarily limited to, salaries of additional personnel ; overtime pay of all personnel ; per diem and travel expenses of employees ; cost of materials, equipment, and supplies ; equipment storage costs, packing, and crating ; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair.

(c) All requests for reimbursement will be fully documented so as to permit accurate and sufficient audit. The records of the Department pertinent to assistance activities performed under authorization received from FCDA will be open for examination by the FCDA or its authorized representatives.

*Section 5. Additional disaster and emergency relief responsibilities and functions of the Department of the Interior*

In addition to disaster assistance that may be authorized by the FCDA, the Department of the Interior has authority with respect to its regular operations that provides for relief assistance in cases of emergency or disaster. These are:

(a) With respect to the Department's operations, pursuant to section 103 of Public Law 172, 83d Congress (67 Stat. 275), the Secretary of the Interior may authorize the expenditure or transfer (within each bureau or office) of any appropriation in the Interior Department Appropriation Act, 1954, for the emergency reconstruction, replacement, or repair of buildings, utilities, or other facilities or equipment damaged or destroyed by fire, flood, storm, or other unavoidable cause, provided that no funds shall be made available under this authority until funds specifically made available to the Department of the Interior for emergencies shall have been exhausted.

(b) Pursuant to section 104 of Public Law 172, 83d Congress (67 Stat. 275), the Secretary may authorize the expenditure or transfer (within each bureau or office) of any appropriation in the Interior Department Appropriation Act, 1954, in addition to the amounts included in the budget programs of the several agencies, for the suppression or emergency prevention of forest or range fires on or threatening lands under jurisdiction of the Department of the Interior.

(c) The Bureau of Indian Affairs is authorized, under the supervision of the Secretary of the Interior (23 U. S. C. 13) to direct, supervise, and expend such moneys as Congress may appropriate, for the benefit, care, and assistance of the Indians throughout the United States.

(d) The Secretary of the Interior, acting through the Bureau of Mines, is authorized (30 U. S. C. 4K (d)) to expend funds made available to him for the protection or advancement of health or safety in coal mines, and for the prevention or relief of accidents or occupational diseases therein.

(e) In order to facilitate the administration of the national park system and miscellaneous areas administered in connection therewith, the Secretary of the Interior is authorized (Public Law 230, 83d Cong.) to use applicable appropriations for the aforesaid system and miscellaneous areas for the following purposes:

(1) The rendering of emergency rescue, fire fighting, and cooperative assistance to nearby law-enforcement and fire-prevention agencies and for related purposes outside of the national park system and miscellaneous areas.

(2) The erection and maintenance of fire-protection facilities, water lines, telephone lines, electric lines, and other utility facilities adjacent to any area of the national park system and miscellaneous areas, where necessary, to provide service in such area.

Section 1 (a) of Public Law 633, 79th Congress (16 U. S. C. 17j-2) authorized protection of certain lands and maintenance of certain roads lying outside the boundaries of various areas administered by the National Park Service. Protection and maintenance of these lands and roads implies that the Park Service may meet emergencies when they arise.

The National Park Service is authorized (16 U. S. C. 8a, 8b, and 8d) to construct, reconstruct, and improve national park and monument approach roads, and to maintain them. Emergency measures could be taken on these roads.

FEDERAL CIVIL DEFENSE ADMINISTRATION,  
VAL PETERSON, *Administrator*.

March 19, 1954.

DEPARTMENT OF THE INTERIOR,  
DOUGLAS MCKAY, *Secretary*.

March 19, 1954.

**MEMORANDUM OF UNDERSTANDING BETWEEN TREASURY DEPARTMENT AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS**

In recognition of the responsibilities and functions of the Treasury Department and its organization units, and those delegated to the Federal Civil Defense

Administration by Executive Order No. 10427, under authority of Public Law 875, 81st Congress, this statement of understanding of responsibilities of the two agencies for assistance in disasters is deemed advisable.

#### I. PURPOSE

The purpose of this memorandum is to—

- (1) arrange for development of suitable plans and preparations to insure maximum utilization of resources of Treasury Department in disasters;
- (2) describe responsibilities of FCDA in the coordination of Federal assistance in disasters and in plans and preparations therefor;
- (3) outline procedures for assistance by Treasury Department when authorized by FCDA pursuant to Executive Order No. 10427, and Public Law 875 and for reimbursement of authorized additional expenses incurred therefor; and
- (4) provide adequate information and guidance to the field personnel of both agencies on the provisions of Public Law 875 and Executive Order No. 10427.

#### II. DISASTER CAPABILITIES OF THE TREASURY DEPARTMENT

Section 1 (a) of Executive Order 10427 delegates authority to the Federal Civil Defense Administrator to direct Federal agencies to provide assistance in major disasters. In order to properly administer such authority it is necessary that the FCDA be advised of the resources of the Treasury Department available for utilization under the authority of section 3 of Public Law 875.

There is attached hereto as appendix A a statement of the resources and services of the Treasury Department that might be utilized in disaster situations and which are not customarily utilized in such situations under existing authority or practice.

#### III. PLANNING FOR DISASTER ASSISTANCE

##### *Departmental planning*

Section 2 of Executive Order 10427 requires Federal agencies to make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster and the coordination of such plans and preparations by FCDA.

Mutual effort by the Treasury Department and FCDA will be directed toward developing at the departmental level:

- (1) procedure for an interchange of information regarding disaster conditions between Treasury Department and FCDA;
- (2) provision for continuing liaison on disaster matters;
- (3) a policy to insure that accurate and complete information relative to the disasters reaches the public promptly;
- (4) an orderly means for coordination of any Treasury Department disaster activities with those of other agencies by FCDA; and
- (5) provision for the delegation of authority by FCDA to Treasury Department when required.

##### *Field planning*

Treasury Department will authorize its several field offices to collaborate with the regional offices of FCDA and prepare plans and procedures, by virtue of which the utilization of the Treasury Department resources in disaster situations occurring within their respective geographical or functional areas of responsibility, will be provided. Such plans and procedures will be on a basis comparable to those outlined for the departmental level and copies thereof will be transmitted to appropriate headquarters offices of each agency for coordination on a nationwide basis. Such plans should include, but not be limited to:

- (1) arrangements for an interchange of information between the Treasury Department and FCDA;
- (2) general inventories of manpower, equipment, and material available to Treasury Department and usable in disasters;
- (3) exchange of directories of key personnel of Treasury Department and FCDA with both business and home telephone numbers;
- (4) exchange of statements of geographical and functional areas of responsibility; and
- (5) preparation of operating procedures specific enough to insure adequate operation but flexible enough to cover varying types of disasters.

## IV. COORDINATING RESPONSIBILITY OF FCDA

*For Federal assistance in disasters*

Federal Civil Defense Administration's coordination of the Treasury Department action in major disasters will consist of evaluation of requests for assistance received, delegation of authority for necessary action to the Treasury Department in conformity with total assistance required and evaluation of action resulting from such delegation. It will make necessary decisions regarding assistance to be furnished in cases where Federal agencies other than the Treasury Department have interest, authority, or capabilities. FCDA will not supervise or direct the operations of the various Federal agencies. Responsibility for coordination of Federal assistance within the various regions of FCDA has been delegated to the regional administrators by the Administrator.

*Planning coordination*

The Federal Civil Defense Administrator is directed by the President to coordinate the provision of suitable plans and preparations for disaster assistance by all Federal agencies having responsibilities or capabilities in this field. Staff personnel of FCDA at the departmental level are working with the representatives of Treasury Department on those plans and preparations. Each regional administrator, FCDA, will work with field personnel of Treasury Department on similar plans for Treasury Department's field organizational units.

## V. DISASTER ASSISTANCE AUTHORIZED BY FCDA UNDER PUBLIC LAW 875

*Providing such assistance*

When the President has determined that a major disaster exists, the Federal Civil Defense Administrator is authorized, within the scope of the President's determination, to direct Federal agencies to provide assistance in conformity with section 3 of Public Law 875. The Administrator has delegated this authority to each FCDA regional administrator for his region.

Upon written request and authorization of a regional administrator of FCDA, field offices of Treasury Department are authorized to furnish personnel, equipment, or other resources of their organization in conformity with the provisions outlined therein.

*Reimbursement for such assistance*

The additional cost to the Department in furnishing assistance requested and authorized by FCDA under the provisions of section 3 of Public Law 875 may be subject to reimbursement. Such reimbursement will generally be from a specific allotment of funds available to the President under Public Law 875 and will cover expenses incurred by the Department in furnishing assistance which is over and above the normal day-to-day operating expenses of the Department. These additional expenses may include, but are not necessarily limited to, pay of additional personnel; overtime pay of all personnel; per diem expenses and transportation of personnel; materials and supplies; costs of operating equipment and processing equipment in and out of storage; packing and crating; costs of materials, equipment, and supplies furnished and not returned; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair.

Requests for reimbursement must be fully documented. Records of the Department pertinent thereto will be open for examination by authorized FCDA representatives.

Reimbursement will not be requested for any obligation incurred prior to the Presidential declaration of the existence of a major disaster. It is further understood that expenses of the Department incident to predisaster planning and expenses of operation in disasters other than major disasters are not reimbursable from Public Law 875 funds.

## VI. ADVICE TO FIELD OFFICES

This joint agreement will be circulated within the Treasury Department and FCDA at both departmental and field level and to State governors and State and local civil-defense offices.

Whenever there is a question of interpretation of this agreement or any other question not resolved at field level, the question should be referred by the field personnel to their respective departmental heads for decision.

This agreement does not affect any other agreement between the Treasury Department and FCDA relative to civil defense responsibility under the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.).

**GEORGE M. HUMPHREY,**  
*Secretary of the Treasury.*

**VAL PETERSON,**  
*Administrator, Federal Civil Defense Administration.*

**APPENDIX A TO MEMORANDUM OF UNDERSTANDING BETWEEN THE TREASURY DEPARTMENT AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS**

**RESOURCES AND SERVICES OF THE TREASURY DEPARTMENT THAT MIGHT BE UTILIZED IN DISASTER SITUATIONS**

The Treasury Department would provide resources and services that might be utilized in disaster situations through one or more of its constituent operating units supplemented to the extent required by its staff offices. Constituent operating units embrace Bureau of Accounts, Comptroller of the Currency, Bureau of Customs, Bureau of Engraving and Printing, Internal Revenue Service, Bureau of the Mint, Bureau of Narcotics, Bureau of the Public Debt, Office of the Treasurer of the United States, United States Coast Guard, United States Savings Bonds Division, and United States Secret Service. Staff offices embrace Office of the Secretary, Office of Administrative Services, Office of Personnel, Budget Office, Office of the General Counsel, and Office of International Finance.

**TREASURY DEPARTMENT ORGANIZATIONAL PATTERN**

The principal administrative office of the Treasury Department and the principal office of each of the several components are located in Washington. These offices will deal directly with the headquarters office of Federal Civil Defense Administration concerning those matters of general concern and such specific subjects as may require attention in support of any field operation.

The operating offices of the Treasury Department are variously organized, some with field establishments, as follows: Bureau of Accounts (regional disbursing offices); Comptroller of the Currency (national bank examiners' offices); Customs (offices of collectors, surveyor, comptrollers, appraisers, chief chemists, and supervising agents); Internal Revenue (regional commissioners, administrative, alcohol and tobacco tax, appellate, audit, collection, intelligence divisions, regional counsel, regional inspector; district directors); Mint (mints, assay offices; bullion depository); Narcotics (branch offices); Public Debt (regional offices); United States Coast Guard (districts); United States Savings Bonds (State headquarters offices); and United States Secret Service (field offices). In view of the trend to decentralization of operating authority, each organization will deal directly with the appropriate regional office of Federal Civil Defense Administration.

***Fiscal***

The three bureaus constituting the Fiscal Service of Treasury—the Bureau of Accounts, Bureau of Public Debt, and Office of the Treasurer, United States—will continue their activities directed toward assurance that their functions as related to the national economy will not break down in the event of national emergency. Specifically—

Arrangements in process will be continued and expanded to provide (1) for funds to be available for essential purposes, (2) for the functioning of a depository system, (3) for the maintenance of essential accounting operations, (4) for the continuation of disbursing operations involving payments due from the Government, such as veterans compensation, pensions, and insurance, social-security benefits and similar recurring expenses as well as payments for work and materials authorized for civil defense, (5) for the payment of public-debt securities, with particular emphasis on the payment of savings bonds held chiefly by individuals, as well as the payment of interest on public-debt securities, (6) for assisting in assuring an adequate supply of paper currency, and (7) for paying Government checks.

Representatives of the Fiscal Service will be made available on request to assist in the plans for their participation in civil defense.

*Internal Revenue Service*

In view of the potential need for revenues to meet emergencies, plans will be worked out to revise collection procedures where necessary.

Further study by Internal Revenue will be essential before there is any finalization of amortized plans for shelter facilities, reconstruction of plants, facilities, and other buildings as deductions for tax purposes.

*Narcotics*

The Bureau of Narcotics will arrange for the rapid release and procurement of medical narcotics which will be needed in emergency, including coordination with other Federal agencies such as United States Public Health Service.

*United States Coast Guard*

This organization becomes a part of the Defense Establishment during war. A separate memorandum of understanding has been agreed upon by Coast Guard and FCDA.

*Customs*

The Customs Bureau has already participated in a civil-defense drill which staged the exchange of emergency personnel and equipment between the United States and Canada. Plans for the perfection of such an arrangement will be continued and extended also to the Mexican border.

Working with Canadian and Mexican customs officials, plans will be developed for cooperative guarding of the borders to keep out (or in) all persons inimical to the interest of the three countries. It may be that these plans will be extended to other countries more remotely located to avoid international traveling of known undesirables.

Vigilance to avoid smuggling into this country any materials would be strengthened, and such watchfulness would involve coordination between the Bureau of Customs, other Federal agencies, and perhaps other countries.

*United States Savings Bonds Division*

To avoid financial chaos which could result in a prolonged emergency, consideration will be given the appropriate part in civil defense to be played by the United States Savings Bonds Division.

*Mint*

Necessary plans will be developed by the Bureau of the Mint to assure the continued flow of coins in the event of disaster. Arrangements will also be made to provide, under appropriate authority, other Federal agencies and essential private industries with precious metals vital to emergency production.

*Comptroller of the Currency*

The bank examiners in a civil-defense emergency would be required to continue their normal functions in connection with examination of national banks.

*Engraving and Printing*

Plans are being developed by the Bureau of Engraving and Printing to assure continued production of currency, stamps, and securities in the event of disaster.

*Treasury enforcement*

The responsibilities of various enforcement activities of Treasury are rather specific. Regularly assigned Treasury enforcement personnel in Internal Revenue Service, Coast Guard, Secret Service, Narcotics, and Customs would be needed on their regular jobs. However, the Treasury Department will participate in any discussions or studies involving emergency enforcement coordination with FCDA or other agencies.

*General provision*

The Treasury Department will direct its personnel, not otherwise engaged in and essential to continuing Treasury activities, during the existence of a civil-defense emergency, as declared by proclamation of the President or by concurrent resolution of the Congress, to perform other activities for civil defense in accordance with authority contained in section 302, title III, of the Federal Civil Defense Act of 1950.

*Field offices of Treasury Department*

Relevant data concerning the several field offices of the Treasury Department is attached for the following activities: Bureau of Accounts, Office of Comptroller of the Currency, Bureau of Customs, Internal Revenue Service, Bureau of the

Mint, Bureau of Narcotics, Bureau of the Public Debt, United States Coast Guard, United States Savings Bonds Division, and United States Secret Service.

NOTE.—The intent of this memorandum is to assure the cooperation of the Treasury Department and set forth general areas of appropriate effort, wherein Treasury agencies may assist the Federal Civil Defense Administration in the event of enemy attack or natural disaster. Nothing in this memorandum shall be construed as binding Treasury agencies to act without proper statutory authority nor to restrict them from cooperating in other ways not herein specified.

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**MEMORANDUM OF UNDERSTANDING BETWEEN GENERAL SERVICES ADMINISTRATION  
AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN  
DISASTER OPERATIONS**

In recognition of the responsibilities and functions of the General Services Administration and its organizational units, and those delegated to the Federal Civil Defense Administration by Executive Order No. 10427, under authority of Public Law 875, 81st Congress, this statement of understanding of responsibilities of the two agencies for assistance in disasters is deemed advisable.

**I. PURPOSE**

The purpose of this memorandum is to :

- (1) arrange for development of suitable plans and preparations to insure maximum utilization of resources of GSA in disasters ;
- (2) describe responsibilities of FCDA in the coordination of Federal assistance in disasters and in plans and preparations therefor ;
- (3) outline procedures for assistance by GSA when authorized by FCDA pursuant to Executive Order No. 10427, and Public Law 875 and for reimbursement of authorized additional expenses incurred therefor ; and
- (4) provide adequate information and guidance to the field personnel of both agencies on the provisions of Public Law 875 and Executive Order No. 10427.

**II. DISASTER CAPABILITIES OF THE GENERAL SERVICES ADMINISTRATION**

Section 1 (a) of Executive Order 10427 delegates authority to the Federal Civil Defense Administrator to direct Federal agencies to provide assistance in major disasters. In order to properly administer such authority it is necessary that the FCDA be advised of the resources of GSA available for utilization under the authority of section 3 of Public Law 875.

There is attached hereto as appendix A a statement of the resources and services of GSA that might be utilized in disaster situations and which are not customarily utilized in such situations under existing authority or practice.

**III. PLANNING FOR DISASTER ASSISTANCE**

**A. Departmental planning**

Section 2 of Executive Order 10427 requires Federal agencies to make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster and the coordination of such plans and preparations by FCDA.

Mutual effort by GSA and FCDA will be directed toward developing at the departmental level :

- (1) procedure for an interchange of information regarding disaster conditions between GSA and FCDA ;
- (2) provision for continuing liaison on disaster matters ;
- (3) a policy to insure that accurate and complete information relative to the disasters reaches the public promptly ;
- (4) an orderly means for coordination of any GSA disaster activities with those of other agencies by FCDA ; and
- (5) provision for the delegation of authority by FCDA to GSA when required.

**B. Field planning**

GSA will authorize its several field offices to collaborate with the regional offices of FCDA and prepare plans and procedures, by virtue of which the utilization of the GSA resources in disaster situations occurring within their respective

geographical or functional areas of responsibility, will be provided. Such plans and procedures will be on a basis comparable to those outlined for the departmental level and copies thereof will be transmitted to appropriate headquarters offices of each agency for coordination on a nationwide basis. Such plans should include, but not be limited to:

- (1) arrangements for an interchange of information between the regional offices of GSA and FCDA;
- (2) general inventories of manpower, equipment, and material available to GSA and usable in disasters;
- (3) exchange of directories of key personnel of GSA and FCDA with both business and home telephone numbers;
- (4) exchange of statements of geographical and functional areas of responsibility; and
- (5) preparation of operating procedures specific enough to insure adequate operation but flexible enough to cover varying types of disasters.

#### IV. COORDINATING RESPONSIBILITY OF FCDA

##### *A. For Federal assistance in disasters*

Federal Civil Defense Administration's coordination of GSA action in major disasters will consist of evaluation of requests for assistance received, delegation of authority for necessary action to GSA in conformity with total assistance required, and evaluation of action resulting from such delegation. It will make necessary decisions regarding assistance to be furnished in cases where Federal agencies other than GSA have interest, authority, or capabilities. FCDA will not supervise or direct the operations of the various Federal agencies. Responsibility for coordination of Federal assistance within the various regions of FCDA has been delegated to the regional directors by the Administrator.

##### *B. Planning coordination*

The Federal Civil Defense Administrator is directed by the President to coordinate the provision of suitable plans and preparations for disaster assistance by all Federal agencies having responsibilities or capabilities in this field. Staff personnel of FCDA at the departmental level are working with the representatives of GSA on those plans and preparations. Each regional director, FCDA, will work with field personnel of GSA on similar plans for GSA's field organizational units.

#### V. DISASTER ASSISTANCE AUTHORIZED BY FCDA UNDER PUBLIC LAW 875

##### *A. Providing such assistance*

When the President has determined that a major disaster exists the Federal Civil Defense Administrator is authorized, within the scope of the President's determination, to direct Federal agencies to provide assistance in conformity with section 3 of Public Law 875. The Administrator has delegated this authority to each FCDA regional director for his region.

Upon written request and authorization of a regional director of FCDA, field offices of GSA are authorized to furnish personnel, equipment, or other resources of their organization in conformity with the provisions outlined therein.

##### *B. Reimbursement for such assistance*

The additional cost to GSA of assistance requested and authorized by FCDA to be furnished under the provisions of section 3 of Public Law 875 shall be subject to reimbursement. Such reimbursement will generally be from a specific allotment from the funds available to the President under Public Law 875 and will ordinarily cover expenses incurred by GSA in furnishing the assistance that would not have been incurred except for the request and authorization of FCDA. Expenses eligible for reimbursement shall include, but are not necessarily limited to, pay of personnel during periods of assignment to such work; pay of additional personnel required; overtime pay of all personnel; per diem expenses and transportation of personnel; materials and supplies; costs of materials, equipment, and supplies furnished and not returned; costs of operating equipment and processing equipment in and out of storage; packing and crating; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair. No expenses will be incurred and no reimbursement will be requested for any purpose prior to the Presidential declaration of the existence of a major disaster. Requests for reimbursement will be documented in accordance with

requirements of the General Accounting Office for transfers between Government agencies with due regard to the circumstances under which payments by GSA were made.

Expenses incident to preplanning for disaster action are not reimbursable from Public Law 875 funds.

#### VI. ADVICE TO FIELD OFFICES

This joint agreement will be circulated within GSA and FCDA at both departmental and field level and to State governors and State and local civil defense offices.

Whenever there is a question of interpretation of this agreement or any other question not resolved at field level, the question should be referred by the field personnel to their respective departmental heads for decision.

This agreement does not affect any other agreement between GSA and FCDA relative to civil defense responsibility under the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.).

H. L. AITKEN,  
FOR VAL PETERSON,  
*Administrator, Federal Civil Defense Administration.*  
EDMUND F. MANSURE,  
*Administrator, General Services Administration.*

#### APPENDIX A TO MEMORANDUM OF UNDERSTANDING BETWEEN GENERAL SERVICES ADMINISTRATION AND FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS

##### RESOURCES AND SERVICES OF GENERAL SERVICES ADMINISTRATION THAT MIGHT BE UTILIZED IN DISASTER SITUATIONS

General Services Administration would provide resources and services that might be utilized in disaster situations through one or more of its constituent operating units supplemented to the extent required by its staff offices. Constituent operating units embrace Federal Supply Service, National Archives and Records Service, and Public Buildings Service. Staff offices embrace Office of Public Information and Reports, Office of Management, Office of Comptroller, and General Counsel. The resources and services that might be provided by the several components are enumerated below under appropriate captions.

##### 1. *General Services Administration organizational pattern*

The principal administrative office of General Services Administration and the principal office of each of the several components are located in Washington. These offices will deal directly with the headquarters office of Federal Civil Defense Administration concerning those matters of general concern and such specific subjects as may require attention in support of any field operation.

The principal operating offices of General Services Administration, in each of which is an organizational counterpart of its several components, are 10 regional offices, each under the direction of a regional director. Each of these offices will deal directly with the corresponding regional office of Federal Civil Defense Administration.

##### 2. *Federal Supply Service*

The Federal Supply Service has a staff of qualified and specially trained personnel in both the central and the regional offices. The staff is experienced in planning and directing large-scale supply and procurement operations; in operating storage and issue warehouses of varying types, sizes, and capacities; and in operating such equipment as lift trucks—both hand-powered and motor-powered—motortrucks, scooters, pallets, and other equipment used in large warehouse operations.

With its facilities and personnel, Federal Supply Service, after first concerning itself with meeting those situations for which it is responsible, would be able to assist in disaster situations by providing the following resources and services:

(a) Inaugurate and provide skeleton supervisory and administrative staff to operate emergency procurement and warehousing operations in disaster areas.

(b) Supply, from stocks on hand in warehouses, those categories of common use items used generally by Government agencies that will prove useful in disaster operations.

(c) Undertake general procurement and supply operations for wholesale and quantity deliveries from any available source.

(d) Provide temporary storage and issue facilities in such of its warehouses as shall have temporarily unused space available for such purposes during periods of emergency.

### **3. National Archives and Records Service**

The National Archives and Records Service has a staff of qualified and specially trained personnel in both the central and regional offices. This staff is experienced in the planning and administration of records management activities, including restoration and repair of damaged documents.

With its facilities and personnel, National Archives and Records Service, after first concerning itself with meeting those situations for which it is responsible, would be able to assist in disaster situations by providing the following resources and services:

(a) General guidance in the preservation, storage, and use of records.

(1) Advice and assistance in the salvaging of records, moving salvaged records to storage, and preserving them pending rehabilitation.

(2) Advice and assistance in the repair and restoration of damaged records.

(3) Advice as to other available sources for information contained in Federal records destroyed or inaccessible.

(b) Providing of copies of vital records of which security copies are held in Federal records centers.

(c) Advice and assistance in the establishment of emergency mail and file systems at relocation points or at relief stations.

### **4. Public Buildings Service**

The Public Buildings Service has a staff of technical and specially trained personnel in central and regional offices. This staff is experienced in the design and supervision of construction of new buildings, building repairs and alterations; the procurement, assignment, and control of office space for a large portion of the Federal Government; the operation, maintenance, and protection of buildings and the operation of telephone switchboards and a nationwide teletype system.

With the above facilities and personnel, Public Buildings Service, after first concerning itself with the protection, operation, maintenance, and upkeep of properties and activities for which it is responsible, would be able to assist in disaster situations by providing the following resources and services:

(a) Engineering and architectural services in connection with—

(1) Repairs to buildings and demolition.

(2) Design and supervision of construction of buildings or temporary structures for office quarters, dormitories, hospitals, warehouses, and structures of similar purposes.

(b) Assistance in planning and coordinating the assignment of quarters for office or other purposes in existing federally owned or leased buildings or the procurement of office quarters in other locations by lease or through other occupancy arrangement.

(c) The provision and management of custodial services including protection in new or additional office quarters.

(d) Communications services through the use of existing communications facilities or by the expansion of existing facilities to cover additional locations.

(e) The acquisition, operation, and management of additional communications facilities not related to present facilities.

(f) Repairs, demolition, and alteration to buildings by force account utilizing those employees presently engaged in building maintenance in the locality or by the employment and supervision of additional or temporary personnel.

### **5. Staff offices**

Staff offices performing legal and financial functions for the three operating services are available both in the central and the regional offices. Within their respective spheres of activities, these staff offices—those of the General Counsel, of the Comptroller, of Public Information, and of Management—are available to service such disaster operations as any one or more of the operating services may undertake and to render appropriate assistance to others in the disaster areas.

### 6. Regional offices of General Services Administration

Relevant data concerning the several regional offices of General Services Administration are:

	Address	Area of Jurisdiction
Region No. 1: J. J. O'Connor, regional director.	620 Post Office and Courthouse, Boston 9, Mass.	Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island.
Region No. 2: Walter F. Downey, regional director.	250 Hudson St., New York 13, N. Y.	New York, Pennsylvania, New Jersey, Delaware.
Region No. 3: William A. Miller, regional director.	Room 7022, General Services Regional Office Bldg., 7th and D Sts. SW., Washington, D. C.	District of Columbia, Maryland, West Virginia, Virginia, Puerto Rico, Virgin Islands.
Region No. 4: Harry E. Harman, Jr., regional director.	Room 833, Peachtree-Seventh Bldg., 50 7th St. NE., Atlanta 5, Ga.	North Carolina, South Carolina, Tennessee, Mississippi, Alabama, Georgia, Florida.
Region No. 5: John A. Skeen, regional director.	528 United States Courthouse, Chicago 4, Ill.	Kentucky, Illinois, Wisconsin, Michigan, Indiana, Ohio.
Region No. 6: William A. Holloway, regional director.	1800 Federal Office Bldg., Kansas City 6, Mo.	Missouri, Kansas, Iowa, Nebraska, North Dakota, South Dakota, Minnesota.
Region No. 7: Karl E. Wallace, regional director.	1114 Commerce St., Dallas 2, Tex.	Texas, Louisiana, Arkansas, Oklahoma.
Region No. 8: Otto G. Klein, regional director.	Bldg. 41, Denver Federal Center, Denver 1, Colo.	Colorado, Wyoming, Utah, New Mexico.
Region No. 9: Robert B. Bradford, regional director.	4th floor, 49 4th St., San Francisco 3, Calif.	California, Arizona, Nevada, Territory of Hawaii.
Region No. 10: Orrin C. Bradeen, regional director.	Federal Office Bldg., 909 1st Ave., Seattle 4, Wash.	Washington, Oregon, Idaho, Montana, Territory of Alaska.

### MEMORANDUM OF UNDERSTANDING BETWEEN THE HOUSING AND HOME FINANCE AGENCY AND THE FEDERAL CIVIL DEFENSE ADMINISTRATION CONCERNING RESPONSIBILITIES IN DISASTER OPERATIONS

In recognition of the responsibilities and functions of the Housing and Home Finance Agency and the authority and functions to be exercised by the Federal Civil Defense Administration under Executive Order No. 10427, and Public Law 875, 81st Congress, as amended, this memorandum of understanding has been agreed to and is published for the guidance and information of all concerned.

#### I. Purpose

The purpose of this memorandum is:

1. To describe the responsibilities and functions of the Housing and Home Finance Agency for providing assistance in the alleviation of damage, hardship or suffering caused by disaster; and the technical and other resources of HHFA which may be adapted to this purpose;
2. To facilitate the development of suitable plans and preparations by the HHFA to insure maximum utilization of its authorities and resources in such disasters;
3. To describe the responsibilities of FCDA, as set forth in Executive Order No. 10427, in the coordination of Federal disaster assistance, and in plans and preparations therefor;
4. To outline procedures for utilization of the resources of HHFA in disasters; and
5. To provide adequate information and guidance to the regional and field personnel of the HHFA and FCDA on the provisions of Public Law 875 and Executive Order No. 10427.

#### II. Disaster responsibilities and functions of the HHFA

Section 4 of Executive Order No. 10427 provides that nothing in the order shall be construed to prevent Federal agencies from acting in disaster situations, in conformity with the existing policies, practices, and statutory authority, under circumstances which will not permit delay and pending the determination of the President as to whether there is a "major disaster," as defined in Public Law 875.

When there has been a declaration of a major disaster, section 1 (a) of Executive Order No. 10427 authorizes the FCDA to make use of the available resources of existing agencies to provide assistance.

There is attached hereto as appendix A a description of the authorities, functions, and resources of the HHFA appropriate for use in disaster situations.

### III. Planning for disaster assistance

(a) *Departmental planning.*—Section 2 of Executive Order No. 10427 provides that Federal agencies shall make suitable plans and preparations in anticipation of their responsibilities in the event of a major disaster. It is further provided that the Federal Civil Defense Administration shall coordinate such advance plans and preparations on behalf of the President.

Pursuant thereto, plans and procedures will be developed by HHFA and FCDA:

1. To provide for interchange of information and continuing liaison between HHFA and FCDA, both in Washington and the field;
2. To insure that accurate and complete information relative to a disaster insofar as it affects the activities of HHFA reaches the public promptly;
3. To arrange an orderly means for coordination by FCDA of any HHFA disaster activities with those of other agencies;
4. To provide, when required, for delegation of authority by FCDA to HHFA to undertake specified disaster operations, and for reimbursement by FCDA for services and facilities provided by HHFA under such delegations.

(b) *Regional planning.*—HHFA regional offices will be authorized to prepare plans and procedures to insure maximum benefit at minimum cost in the utilization of available resources and services of HHFA in disaster situations occurring within their respective geographical areas. Such plans should include, but not be limited to:

1. Arrangements for interchange of information with appropriate regional FCDA office regarding existing or threatened disasters.
2. Exchange of directories of key personnel of HHFA and FCDA.
3. Exchange of statements of geographical and functional areas of responsibility.
4. Operating procedures having sufficient flexibility to cover varying types of disasters.

All regional plans and decisions will be subject to departmental review.

### IV. Coordinating responsibility of FCDA

Public Law 875 and Executive Order No. 10427 set forth the policy of utilizing the authority available to Federal agencies to assist States and local governments in the alleviation of damage, hardship and suffering occasioned by disasters. Section 4 of Executive Order No. 10427 provides that such assistance shall be subject to coordination by the Federal Civil Defense Administration acting on behalf of the President.

Coordination by FCDA will consist of the evaluation of requests received and total assistance needed, and the facilitation of action by various Federal agencies to meet problems involved. FCDA will make necessary decisions regarding assistance to be furnished in cases where two or more Federal agencies have overlapping interests or authorities. FCDA will not supervise or direct the operations of the various Federal agencies.

Responsibility for field coordination (as above defined) has been delegated by FCDA to its regional directors.

### V. Disaster assistance authorized by FCDA under Public Law 875

(a) *Providing such assistance.*—When the President has determined that a major disaster exists, the Federal Civil Defense Administration is authorized, within the scope of the President's determination, to direct Federal agencies to provide assistance in conformity with section 3 of Public Law 875. The Administrator has delegated this authority to each FCDA regional director for his region.

Upon written request and authorization by an FCDA regional director to an HHFA regional representative, HHFA will in accordance with the provisions outlined in the request furnish personnel, equipment or other resources which can be made available within that region. Before taking such action, however, the HHFA regional representative shall secure approval of the Washington office. When required, such approval may be secured by wire or telephone.

(b) *Reimbursement for such assistance.*—The additional cost to HHFA in furnishing assistance requested and authorized by FCDA under the provisions of section 3 of Public Law 875 will be subject to reimbursement. Such reimbursement will generally be from a specific allotment of funds available to the President under Public Law 875 and will cover expenses incurred by HHFA in furnishing assistance which are over and above the normal day-to-day operating expenses of HHFA. Expenses eligible for reimbursement may include, but are not necessarily limited to, pay of personnel during periods of assignment to such

work; pay of additional personnel requested; overtime pay of all personnel; per diem expenses and transportation of such personnel; materials and supplies; costs of materials, equipment and supplies furnished and not returned; costs of operating equipment and processing equipment in and out of storage; packing and crating; and, in certain cases, replacing major items of equipment lost or damaged beyond economical repair.

Requests for reimbursement must be fully documented. Records of HHFA pertinent thereto will be open for examination by authorized FCDA representatives.

No expenses will be incurred and no reimbursement will be requested for any purpose prior to the Presidential declaration of the existence of a major disaster.

Expenses incident to preplanning for disaster action and expenses of operation in disasters other than major disasters are not reimbursable from Public Law 875 funds. Correspondingly, services and facilities which HHFA can provide under these circumstances must be limited to those which are a part of its normal functions and authorized by its laws.

#### *VI. Advice to regional offices and States*

This memorandum of understanding will be circulated within HHFA and FCDA at both departmental and field levels, and to State governors and State and local civil defense offices.

Whenever there is question of interpretation of this agreement, the question should be referred by the field personnel to their respective headquarters offices for decision.

This agreement is separate from and does not affect any other agreement between the Housing and Home Finance Agency and the Federal Civil Defense Administration relative to civil defense responsibility under the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.).

H. L. AITKEN,  
FOR VAL PETERSON, *Administrator,*  
*Federal Civil Defense Administration.*

SEPTEMBER 15, 1953.

ALBERT M. COLE,  
*Administrator, Housing and Home Finance Agency.*

SEPTEMBER 18, 1953.

#### APPENDIX A

#### STATUTORY AUTHORITIES AND RESOURCES OF THE HOUSING AND HOME FINANCE AGENCY WHICH MAY BE UTILIZED IN DISASTER RELIEF ACTIVITY

##### I. STATUTORY AUTHORITIES

The National Housing Act, as amended (Public Law 479, 73d Cong.), contains in section 8 of title I, provisions authorizing the Federal Housing Administration to insure 100 percent of loans up to a maximum of \$7,000 to either owner-occupants or tenants whose homes have been destroyed or damaged in a catastrophe which has been declared a major disaster by the President under Public Law 875. Exercise of this authority would not affect FHA's authority to insure either normal property improvement loans under title I or residential mortgages under section 203.

Title III, section 1, of the National Housing Act authorizes the Federal National Mortgage Association to purchase disaster mortgages insured by FHA as described above or guaranteed in the same way by the Veterans' Administration under the Servicemen's Readjustment Act of 1944, as amended, when a major disaster has been declared. FNMA is authorized to make both over-the-counter and prior-commitment purchases of such mortgages without observing the usual 60-day waiting period nor the requirement that sales to FNMA be limited to 50 percent of the mortgages issued by a seller.

##### II. PERSONNEL

HHFA personnel consists of technical experts in the analysis of housing needs, the design, construction, and financing of housing and community facilities, urban planning, and related matters. HHFA personnel might be utilized by FCDA to investigate housing and community facility conditions in disaster areas, to plan and supervise actual work on housing and community facilities, and to provide

technical advice to both FCDA and local authorities with respect to housing and community facilities. Listed below are fields of activity in which such services might be rendered.

1. Determining housing needs and existing resources.
2. Determining damage to community facilities.
3. Planning and providing emergency housing.
4. Planning and providing emergency community facilities.
5. Planning and supervising emergency repair and reconstruction of housing and community facilities.
6. Financing of residential repairs and reconstruction.

### III. DOCUMENTARY RESOURCES

As the Federal housing agency, HHFA gathers, consolidates, and interprets a wide variety of housing data and community facilities data.

The housing research program of the Office of the Administrator resulted in the publication of many technical bulletins and in the accumulation of much technical data on housing materials and construction. Such data may be of use in planning emergency relief housing. Also the prefabricated, demountable, and relocatable housing programs produced a bank of data about and experience with those types of housing which might be utilized in disaster relief housing.

### IV. MANAGEMENT

HHFA manages Government constructed housing of both temporary and permanent types in a number of communities. This housing, particularly that portion of it which is portable, may be useful in disaster situations.

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#### MEMORANDUM OF UNDERSTANDING BETWEEN THE UNITED STATES COAST GUARD AND THE FEDERAL CIVIL DEFENSE ADMINISTRATION

1. At national level the United States Coast Guard will assist the Federal Civil Defense Administration in drawing plans for the utilization, during periods of disaster, of the small craft of the Nation.

2. At other than national level, the United States Coast Guard, through its auxiliary will assist State and local directors of civil defense in enrolling small boats and people, and planning for their use during periods of disaster.

3. Within spheres of Coast Guard activities, all civilian small-boat operations shall be under Coast Guard control during periods of civil-defense emergency or natural disaster. To provide support for the State or local directors of civil defense in areas where damage has occurred, the Federal Civil Defense Administration will promulgate its national policy accordingly.

4. FCDA will recommend that State and local civil-defense directors provide logistical support for these activities.

MERLIN O'NEILL,

*Vice Admiral, United States Coast Guard Commandant.*

Date: June 11, 1953.

VAL PETERSON,

*Administrator, Federal Civil Defense Administration.*

Date: June 2, 1953.

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#### FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington 25, D. C.

#### ADVISORY BULLETIN

Advisory Bulletin No. 135  
Disaster Series  
January 24, 1953

To: State and local Civil Defense Directors.

Subject: Federal assistance in disasters other than those induced by enemy attack.

#### I. PURPOSE

A. To furnish information to State and local civil defense directors concerning the authority of the Federal Civil Defense Administrator to provide Federal

assistance to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from such disasters.

B. To establish procedures which will provide such assistance consistent with existing laws.

## II. AUTHORITY

The President, by Executive Order No. 10427, dated January 16, 1953, has directed the Federal Civil Defense Administrator to exercise designated authority vested in him by Public Law 875 (81st Cong.) as amended.

Public Law 875 provides for a continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disaster, to repair essential public facilities and to foster the development of state and local organizations and plans to cope with such disasters.

Public Law 107 (82d Cong.) amends Public Law 875 by authorizing Federal assistance in providing temporary housing or other emergency shelter for disaster sufferers.

Executive Order 10427 provides that the Federal Civil Defense Administration, acting on behalf of the President, shall—

- (1) Direct Federal agencies to provide assistance in major disasters.
  - (2) Coordinate activities of Federal agencies in providing disaster assistance and to direct them to utilize their personnel, equipment, supplies, facilities, and other resources in accordance with authority contained in the act.
  - (3) Coordinate plans and preparations of Federal agencies made in anticipation of their responsibilities in major disasters.
  - (4) Foster the development of such State and local organizations and plans as may be necessary to cope with major disasters.
  - (5) Coordinate assistance and other action of Federal agencies performed under existing policies, practices, or statutory authority of such agency.
- Copies of Public Laws 107 and 875 and Executive Order No. 10427 are attached.

## III. GENERAL

The regional director is responsible for keeping the Administrator informed, by our emergency communications system if necessary, of all disasters or situations that may result in disaster in his region.

In the usual civil disaster manpower, equipment, material, and organization are required. It is therefore recommended that the Governor appoint the State civil-defense director as the disaster coordinator. The use of the State and local civil defense organization should result in the efficient and effective handling of the disaster and also valuable training for the civil-defense personnel. Where State statutes prohibit such action, it is recommended that amending legislation be considered. Pending such amendment, as much utilization as possible should be made of civil-defense resources.

## IV. PROCEDURE

(a) The Federal Civil Defense Administration will cooperate with other Federal agencies to insure the adequacy of plans to provide Federal assistance in a disaster and will coordinate Federal effort.

(b) The regional offices of the Federal Civil Defense Administration will consult with the governors of the States in their region and cooperate with them in developing State and local plans for disaster assistance.

(c) The States and local governments are requested to review their plans for civil-defense disaster operations and, where approved by the Governor, integrate such plans with those for other disasters.

(d) An interim procedure for civil-disaster operations will be sent to you. Pending the receipt of this procedure, the following action should be taken if a disaster occurs:

### V. REQUEST FOR ASSISTANCE IN MAJOR DISASTERS

(a) When the governor of the State determines that Federal assistance under the provision of Public Law 875 will be required, he should request such assistance of the President. Public Law 875 provides:

- (1) The Governor certify the need for Federal assistance, and
- (2) He give assurance of expenditure of a reasonable amount of the funds of the State, local governments therein, or other agencies, for the same or similar purposes.

Sample copy of request telegram is attached as exhibit A.

(b) The State civil-defense director, if so authorized by the governor, should promptly furnish the regional director all pertinent information then available regarding the nature and magnitude of the disaster, type of assistance required, an estimate of Federal funds needed and other Federal assistance desired. The regional director should promptly forward this information with his recommendations to the Administrator.

(c) The governor's request will be referred by the White House to the Federal Civil Defense Administrator for recommendation.

(d) Prior coordination between the State and the regional office of the Federal Civil Defense Administration should result in the Administrator having received the regional director's recommendation. If this has not been received the Administrator will request it through our emergency communications system.

(e) The Administrator will review the regional office material and forward his recommendations to the President. The President will advise the governor of his decision. Such decision may be (1) that a major disaster exists, (2) that no major disaster exists, or (3) that final determination is withheld pending further developments.

(f) Where the President determines a major disaster exists, a written agreement will be entered into by the governor of the State and the Federal Civil Defense Administration regarding the several responsibilities of the Federal, State, and local governments.

(g) Funds allocated by the President for use in the disaster, and other Federal assistance made available, will be used in conformity with the provisions of the aforementioned agreement.

#### VI. REQUEST FOR ASSISTANCE IN MINOR DISASTERS

(a) When a disaster, other than a major disaster, has occurred or threatens, and the governor of the State has determined that Federal assistance will be required, the governor may request assistance from the regional director, Federal Civil Defense Administration.

(b) The State civil-defense director, if so authorized by the governor, should promptly furnish the regional director with all pertinent information regarding the disaster.

(c) Upon receipt of the governor's request, the regional director will review the information received and undertake to obtain Federal assistance or other Federal action within the limits of existing policy and authority.

#### VII. CONCLUSION

While it is recommended that the State civil-defense director be authorized to act for the governor, it should be clearly understood that the regional director has been instructed to cooperate with the governor and all persons designated by the governor to act in case of disaster.

It is recognized that certain types of disaster, such as the provision of food for livestock in a serious drought, may more logically be supervised by the State department of agriculture. The general designation of the State civil defense does not preclude handling such disasters in the same manner.

The coordinated assistance of Federal, State, and local agencies should prove the most effective way of alleviating suffering and damage. The Federal Civil Defense Administration is committed to this task.

#### EXHIBIT A

##### SAMPLE REQUEST FOR DISASTER DECLARATION

The honorable the PRESIDENT OF THE UNITED STATES,  
*The White House, Washington, D. C.:*

Heavy rainfall of the past 10 days coupled with an unprecedented snow cover in the watershed of the ----- River has caused the river at ----- to reach a stage of 45.2 feet at the present time, with an anticipated crest of 51.6 by next Saturday, as compared with flood stage of 37.0. Damage, hardship, and suffering so severe that Federal assistance is required. Local and State civil-defense organizations producing maximum effort. Red Cross and other charitable institutions rendering full assistance. All available State, county, and city funds now committed. Suggest allocation of \$----- funds availa-

ble to you under authority of Public Law 875, 81st Congress, to assist State and local effort, and such additional personnel, equipment, and material as you deem necessary.

Signed \_\_\_\_\_,  
Governor, State of \_\_\_\_\_

[PUBLIC LAW 875—81ST CONGRESS]

[CHAPTER 1125—2D SESSION]

[H. R. 8396]

AN ACT

To authorize Federal assistance to States and local governments in major disasters, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That it is the intent of Congress to provide an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disasters, to repair essential public facilities in major disasters, and to foster the development of such State and local organizations and plans to cope with major disasters as may be necessary.

SEC. 2. As used in this Act, the following terms shall be construed as follows unless a contrary intent appears from the context :

(a) "Major disaster" means any flood, drought, fire, hurricane, earthquake, storm, or other catastrophe in any part of the United States which, in the determination of the President, is or threatens to be of sufficient severity and magnitude to warrant disaster assistance by the Federal Government to supplement the efforts and available resources of States and local governments in alleviating the damage, hardship, or suffering caused thereby, and respecting which the governor of any State (or the Board of Commissioners of the District of Columbia) in which such catastrophe may occur or threaten certifies the need for disaster assistance under this Act, and shall give assurance of expenditure of a reasonable amount of the funds of the government of such State, local governments therein, or other agencies, for the same or similar purposes with respect to such catastrophe ;

(b) "United States" includes the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands ;

(c) "State" means any State in the United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands ;

(d) "Governor" means the chief executive of any State ;

(e) "Local government" means any county, city, village, town, district, or other political subdivision of any State, or the District of Columbia ;

(f) "Federal agency" means any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, excepting, however, the American National Red Cross.

SEC. 3. In any major disaster, Federal agencies are hereby authorized when directed by the President to provide assistance (a) by utilizing or lending, with or without compensation therefor, to States and local governments their equipment, supplies, facilities, personnel, and other resources, other than the extension of credit under the authority of any Act ; (b) by distributing, through the American National Red Cross or otherwise, medicine, food, and other consumable supplies ; (c) by donating to States and local governments equipment and supplies determined under then existing law to be surplus to the needs and responsibilities of the Federal Government ; and (d) by performing on public or private lands protective and other work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disaster, and making contributions to States and local governments for purposes stated in subsection (d). The authority conferred by this Act, and any funds provided hereunder shall be supplementary to, and not in substitution for, nor in limitation of, any other authority conferred or funds provided under any other law. Any funds received by Federal agencies as reimbursement for services or supplies furnished under the authority of this section shall be deposited to the credit of the appropriation or appropriations currently available for

such services or supplies. The Federal Government shall not be liable for any claim based upon the exercise or performance or the failure to exercise or perform a discretionary function or duty on the part of a Federal agency or an employee of the Government in carrying out the provisions of this section.

SEC. 4. In providing such assistance hereunder, Federal agencies shall cooperate to the fullest extent possible with each other and with States and local governments, relief agencies, and the American National Red Cross, but nothing contained in this Act shall be construed to limit or in any way affect the responsibilities of the American National Red Cross under the Act approved January 5, 1905 (33 Stat. 599), as amended.

SEC. 5. (a) In the interest of providing maximum mobilization of Federal assistance under this Act, the President is authorized to coordinate in such manner as he may determine the activities of Federal agencies in providing disaster assistance. The President may direct any Federal agency to utilize its available personnel, equipment, supplies, facilities, and other resources, in accordance with the authority herein contained.

(b) The President may, from time to time, prescribe such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act, and he may exercise any power or authority conferred on him by any section of this Act directly or through such Federal agency as he may designate.

SEC. 6. If facilities owned by the United States are damaged or destroyed in any major disaster and the Federal agency having jurisdiction thereof lacks the authority or an appropriation to repair, reconstruct, or restore such facilities, such Federal agency is hereby authorized to repair, reconstruct, or restore such facilities to the extent necessary to place them in a reasonably usable condition and to use therefor any available funds not otherwise immediately required: *Provided, however,* That the President shall first determine that the repair, reconstruction, or restoration is of such importance and urgency that it cannot reasonably be deferred pending the enactment of specific authorizing legislation or the making of an appropriation therefor. If sufficient funds are not available to such Federal agency for use in repairing, reconstructing, or restoring such facilities as above provided, the President is authorized to transfer to such Federal agency funds made available under this Act in such amount as he may determine to be warranted in the circumstances. If said funds are insufficient for this purpose, there is hereby authorized to be appropriated to any Federal agency repairing, reconstructing, or restoring facilities under authority of this section such sum or sums as may be necessary to reimburse appropriated funds the amount expended therefrom.

SEC. 7. In carrying out the purposes of this Act, any Federal agency is authorized to accept and utilize with the consent of any State or local government, the services and facilities of such State or local government, or of any agencies, officers, or employees thereof. Any Federal agency, in performing any activities under section 3 of this Act, is authorized to employ temporarily additional personnel without regard to the civil-service laws and the Classification Act of 1923, as amended, and to incur obligations on behalf of the United States by contract or otherwise for the acquisition, rental, or hire of equipment, services, materials, and supplies for shipping, drayage, travel and communication, and for the supervision and administration of such activities. Such obligations, including obligations arising out of the temporary employment of additional personnel, may be incurred by any agency in such amount as may be made available to it by the President out of the funds specified in section 8. The President may, also, out of such funds, reimburse any Federal agency for any of its expenditures under section 3 in connection with a major disaster, such reimbursement to be in such amounts as the President may deem appropriate.

SEC. 8. There is hereby authorized to be appropriated to the President a sum or sums, not exceeding \$5,000,000 in the aggregate, to carry out the purposes of this Act. The President shall transmit to the Congress at the beginning of each regular session a full report covering the expenditure of the amounts so appropriated with the amounts of the allocations to each State under this Act. The President may from time to time transmit to the Congress supplemental reports in his discretion, all of which reports shall be referred to the Committees on Appropriations and the Committees on Public Works of the Senate and the House of Representatives.

SEC. 9. The Act of July 25, 1947 (Public Law 233, Eightieth Congress), entitled "An Act to make surplus property available for the alleviation of damage caused by flood or other catastrophe", is hereby repealed.

Approved September 30, 1950.

FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington 25, D. C.

ADVISORY BULLETIN

No. 144  
Disaster Series  
July 17, 1953

To: State and local civil defense directors.  
Subject: Donation or loan of Federal surplus property to State and local governments for use in major disasters.

I. PURPOSE

The purpose of this advisory bulletin is:

(a) To explain the recent amendment (Public Law 134, 83d Cong.) to Public Law 875, 81st Congress, which is as follows: " \* \* \* section 3 of the Act \* \* \* is amended by striking out the clause (c) and inserting in lieu thereof the following: '(c) by donating or lending equipment and supplies, determined under then existing law to be surplus to the needs and responsibilities of the Federal Government, to States for use or distribution by them for the purpose of the act, including the restoration of public facilities damaged or destroyed in such major disaster for essential rehabilitation of individuals in need as the result of such major disaster'."

(b) To explain the policies and methods governing the acquisition of such Federal surplus property for use by States in a major disaster as covered by this amendment to the act.

II. AVAILABILITY

The State will determine the availability of surplus property required in a major disaster program by making appropriate contacts with any Federal installation which may have surplus property on hand. The Governor or State Civil Defense Director, when authorized, will screen and submit a request for such available surplus property to the Regional Director of the Federal Civil Defense Administration with a certification as follows:

"There is attached a list of available Federal surplus property which I request be made available to the State of \_\_\_\_\_ as provided in Public Law 875, 81st Congress, as amended.

"I hereby certify that this Federal surplus property will be used or distributed by the State in accordance with the terms and conditions of FCDA Advisory Bulletin 144, dated July 17, 1953, and only for the purposes of said Public Law, including the restoration of public facilities damaged or destroyed, and for essential rehabilitation of individuals in need as a result of such major disaster declared by the President on \_\_\_\_\_ as adversely affecting the

(Date)

following areas: \_\_\_\_\_

(List areas)

Signed: \_\_\_\_\_

(Name)

(Title)

III. DIRECTIVE TO FEDERAL AGENCIES HAVING AVAILABLE SURPLUS PROPERTY

The FCDA regional office will issue a formal letter to the Federal installation involved, stating that:

"Based upon the application and certification of the \_\_\_\_\_ (Governor or \_\_\_\_\_ of the State of \_\_\_\_\_, State Civil Defense Director)

I certify that the following items (or attached list of items) of surplus personal property are usable and necessary for relief in the \_\_\_\_\_ major disaster area declared by the President on \_\_\_\_\_

(Date)

as adversely affecting the following areas: \_\_\_\_\_

(List areas)

Pursuant to the provisions of subsection (c) of section 3, of Public Law 875, 81st Congress, as amended, entitled "To authorize Federal assistance to States and local governments in major disasters, and for other purposes," you are directed

to make such property available to the State in accordance with the terms and conditions of the agreement signed by the Governor on -----

(Date)

Signed :-----  
*FODA Regional Director.*"

#### IV. SURPLUS PROPERTY WHICH MAY BE DONATED TO STATES

Federal surplus property of a consumable nature such as food, clothing, medical supplies, and similar items may be donated to the States for the purpose of Public Law 875, 81st Congress, as amended. Nonconsumable items intended and actually used for the restoration of public facilities and essential rehabilitation of individuals may also be donated. Nonconsumable items in small or odd lot quantities which cannot reasonably be returned to the Federal Government may also be donated.

#### V. SURPLUS PROPERTY WHICH MAY BE LOANED TO STATES

Nonconsumable Federal surplus property such as trucks, bulldozers, and similar items may be loaned to the States for the purposes of Public Law 875, 81st Congress, as amended.

#### VI. TERMS AND CONDITIONS OF DONATIONS OF SURPLUS PROPERTY

(a) Donable property shall be made available to a State in accordance with a written agreement with respect thereto entered into between the governor of the State or State civil-defense director, when authorized, and the regional director regarding the several responsibilities of the Federal and State Governments as provided in paragraph V, F of Advisory Bulletin 135, dated January 24, 1953.

(b) Donable property shall be transferred to the State on condition that it be put into use for the purposes of Public Law 875, 81st Congress, as amended, within 90 days from the date of receipt thereof.

(c) Such property acquired by a State shall be on an "as is, where is" basis without warranty of any kind.

(d) The State shall pay for all costs incident to the donation of such property, including the costs of care, handling, conditioning, maintaining, storing, and shipping.

(e) Donated property, as such, may not be sold, traded, leased or otherwise disposed of for profit, by the State or any subsequent transferee.

(f) Donated property that is not put into use for the purposes of Public Law 875, 81st Congress, as amended, within 90 days from the date of receipt thereof, or which is not suitable or usable for the purpose for which acquired, shall be reported to the regional director and shall be returned to the United States at such point, or otherwise disposed of in such manner, as the regional director may direct. Such property shall be returned in the same condition as received, reasonable wear and tear excepted. The State shall pay for all costs of returning such property.

(g) The State shall make such reports to the regional director on the use, condition, and location of donated property and on other pertinent matters, as the Administrator shall from time to time require.

#### VII. TERMS AND CONDITIONS OF LOANS OF SURPLUS PROPERTY

(a) Loans of Federal surplus property shall not be made until necessary agreements are entered into between the governor or the State civil-defense director, when authorized, and the regional director.

(b) Loans of such property shall be on an "as is, where is" basis without warranty of any kind and upon condition that it will be placed in use for the purpose of the loan within 90 days from the date of receipt thereof.

(c) Such property shall be returned to the United States at the time fixed in the agreement referred to above, or at such earlier time as it is determined that such property is not suitable or no longer needed for the purposes authorized under Public Law 875, 81st Congress, as amended.

VAL PETERSON, *Administrator.*

## FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington 25, D. C.

ADVISORY BULLETIN

No. 154  
Disaster Series  
October 21, 1953

To: State and local civil-defense directors.

Subject: Types of Federal assistance rendered in major disasters.

## I. PURPOSE

The purpose of this advisory bulletin is to furnish State and local civil-defense directors with more detailed information regarding the types of Federal assistance which may be rendered in a major disaster. This advisory bulletin supersedes paragraph 2.7 of the Disaster Interim Operating Procedures, copies of which were distributed under date of January 31, 1953.

## II. TYPES OF FEDERAL ASSISTANCE IN MAJOR DISASTERS

A. Section 3 of Public Law 875, 81st Congress, as amended, specifies the types of Federal assistance which may be provided in a major disaster. Subsection (d) of that section states that assistance may be provided "by performing on public or private lands protective and other work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disaster, providing temporary housing or other emergency shelter for families who, as a result of such major disaster, require temporary housing or other emergency shelter, and making contributions to States and local governments for purposes stated in subsection (d)."

B. Public Law 875 provides that Federal assistance may be granted to supplement State and local efforts and resources when the damage caused by disaster is beyond the ability of the State or local government to cope with such damage. The assistance authorized is intended to supplement such efforts rather than to supplant them. The paragraphs which follow describe in some detail the extent of Federal assistance that may be rendered under this subsection (d).

*1. Performing protective and other work*

(a) No restriction is imposed on the location, type, or ownership of property on which protective work may be performed. The Federal contribution for work performed cannot exceed the minimum amount required to prevent further deterioration because of continued exposure to the elements, or from other causes.

(b) Examples of work which may be authorized for the preservation of life and property are construction of emergency dikes and levees or additions to existing dikes and levees, demolition of structures creating safety hazards, shoring up walls, provision of emergency services and provision of necessary health measures.

*2. Clearing debris and wreckage*

This work is ordinarily performed on public property. There may be cases, however, where because of the danger to public health or for the protection of life it must be performed on private property. In such instances, the authority to enter on such property and the responsibility for any damage or claim thereto is that of the State or local government.

*3. Emergency repairs to and temporary replacement of public facilities*

(a) This authority goes beyond the protective and other work essential for the preservation of property discussed in subparagraph 1 above. At the same time, it is limited to those public facilities which are essential. Examples of the types of public facilities generally deemed to be essential are bridges, roads, culverts, drainage ditches, waterworks, sewer systems, schools, hospitals, penal and welfare institutions, buildings housing public offices, land and court records, police facilities, etc. Public facilities usually not deemed essential would include auditoriums, zoos, and parks.

(b) Examples of emergency repairs to essential public facilities which generally may be undertaken would include the construction of a temporary earth fill to replace material washed from behind a bridge abutment or the baking out of an armature of a motor in a city powerplant. Renovations beyond those which are necessary for the resumption of essential services are not considered emergency repairs. For example, emergency repairs would not include the permanent repaving of roads in washed-out areas. Occasions will arise, of course, where the only emergency repair that can reestablish the facility may constitute a permanent repair. For example, the valves of a well pump may be so plugged with debris that they must be replaced before service can be resumed.

(c) Temporary replacement of essential public facilities ordinarily is the provision of emergency facilities during a period required for the permanent repair or replacement of the damaged facility. Examples would be the provision of a temporary bridge while a permanent bridge is being repaired or constructed.

(d) It should be noted that a public facility essential in a major disaster may require both protective and emergency repair, that is, the resumption of the facility's essential service may be necessary and, in addition thereto, protective or other work may be needed to prevent the further deterioration.

#### *4. Providing temporary housing or other emergency shelter*

The work authorized for this purpose is the minimum needed to provide shelter to families on a temporary basis. A temporary basis is considered that time necessary to permit the provision of permanent facilities or the arrangement for other accommodations. The authority may be utilized only when there is an acute shortage of housing facilities and when other sources of available housing (including housing in adjacent localities within a reasonable commuting distance of the disaster area) have been exhausted. When temporary housing is required, it will, where practicable, be provided in the following order: (a) surplus barracks or other surplus housing, (b) tent-city housing, (c) trailer-type housing. In determining the need for the provision of temporary housing, FCDA in cooperation with the American National Red Cross, the Housing and Home Finance Agency, and local public officials will conduct a survey of available facilities prior to the provision of such housing.

#### *5. Federal contributions to States and local governments for work performed under section 3 (d)*

Taking into consideration all of the provisions of existing law and regulations, Federal contributions may be made to State and local governments for work performed as outlined in 1, 2, 3 and 4 above, subject to the following conditions: (a) that the work is properly reimbursable under the agreement with the State and the provisions of individual projects approved; (b) that its cost is directly attributable to the disaster; (c) that the State or local government has accepted responsibility, as a sovereign, for performance of the work for which a contribution is requested.

C. At the request of the State or local community, a grant equal to the amount of the agreed cost of the emergency repair or temporary replacement may be paid to the State or local community, to be applied against the cost of the permanent repair or replacement in lieu of the Federal contribution toward the estimated cost of the work agreed to be performed under 1 or 3 above, providing such permanent repair or replacement will accomplish the protection, repair, or replacement objective for which the individual project was approved. In determining the amount to be considered as a grant, the estimated cost of the preventive or protective work, or the emergency repair or temporary replacement shall include only those items of work including labor, material, and equipment charges, necessary to provide minimum protection or temporary replacement or emergency repair.

VAL PETERSON, *Administrator.*

## FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington 25, D. C.

## ADVISORY BULLETIN

No. 100  
 Disaster series  
 February 26, 1954

To: State and local civil defense directors

Subject: Civil defense leadership in organizing community disaster warning networks

## I. PURPOSE

The purpose of this advisory bulletin is to emphasize the need for State and local civil-defense leadership in organizing and maintaining community severe weather and disaster warning networks. A number of communities now have tornado warning networks but many more disaster warning networks are needed. Such activities make possible the detection of the imminence of a severe storm or other disaster, and the dissemination of warnings to the general public and especially to isolated communities or concentrations such as rural-school buildings.

## II. GENERAL

(a) Warning of the approach of a severe storm, or other disaster observed developing, is a public safety and welfare measure of the greatest importance. It can mean the difference between life and death.

(b) As an example of what can be accomplished, United States Weather Bureau field offices may issue forecasts that a tornado could develop in any part of a certain area. This is done because it is not possible to predetermine the exact time or place a tornado will originate or strike. The forecast is issued to alert both local warning networks and the public in the area concerned. In this manner the people can be prepared to take whatever action is necessary when a tornado is observed or specific warning is received that the storm actually is approaching.

## III. HOW EXISTING TORNADO WARNING NETWORKS OPERATE

(a) In small towns and rural areas where warning networks have been established, anyone observing a tornado is expected, as a matter of standing practice, to report at once to a previously selected warning center the location and direction of movement of the storm. The warning center is some point where communications are available 24 hours every day, such as a police station or central telephone office.

(b) At the instigation of the warning center, a warning is then disseminated by means of a prearranged method of communication to all persons believed to be in the path of the tornado. This may be done by telephone, radio broadcast, church bells, or other predetermined warning devices.

(c) In densely populated areas where warning networks have been established, volunteer observers are used. The usual course of a tornado is from southwest to northeast. Therefore, volunteers are stationed to the southwest, west, and northwest of the area to be protected, spaced from 2 to 4 miles apart. Where observation posts of the ground observer corps are found to be strategically located, such personnel may be invited to act as observers for the disaster warning network. However, when such personnel do participate, communications facilities other than those established for the primary mission of the observation post must be furnished in order that disaster information may be forwarded direct to the disaster warning center established for the area.

(d) As in the case of rural areas, upon discovery of a tornado a report is made to the warning center for the area concerned. The center then disseminates a public warning by a prearranged means of communication such as radio broadcast, television broadcast, or special audible warning device.

## IV. ORGANIZING AND OPERATING A NETWORK

(a) Where no local warning network is now operating, the civil defense director for the area should take the initiative in establishing a severe weather and disaster warning network. Much assistance can be obtained by enlisting the aid of other civic officials, community organizations, local ground observer corps, Red Cross officials, local radio, television, wire service and newspaper executives, Weather Bureau officials for the area, local airport managers, military base commanders, the local official in charge of the interstate airway communications station, and other interested parties. Factors on which a decision must be reached are:

1. Delineation of the area to be covered.
2. Designation and location of the warning center.
3. Actual procedures to be employed.
4. The means by which information will get quickly to the warning center.
5. The means by which warnings will be given to the public.
6. Method of forwarding warning information from the warning center to the nearest United States Weather Bureau office.

Protection for all points of the compass rather than the few used for tornado warning is desirable. Obviously, local problems will vary greatly and must affect the details of any specific plan developed. In every instance, however, provision should be included for immediate notification of appropriate civil defense officials to alert and, if necessary, set in motion the disaster organization.

(b) After completion of the details of a reporting and warning system, an adequate public education program is essential to gain public awareness and cooperation.

VAL PETERSON, *Administrator.*

# TORNADO

## SAFETY RULES

**TO KNOW WHAT TO DO WHEN A WARNING IS RECEIVED, OR A TORNADO IS OBSERVED, MAY MEAN THE DIFFERENCE BETWEEN LIFE AND DEATH!!**

**I** There is no universal protection against tornadoes except caves or underground excavations. When time permits, go to a tornado cellar, cave, or underground excavation which should have an air outlet to help equalize the air pressure. It should be kept fit for use, free from water, gas, or debris; and preferably equipped with pick and shovel.

### **II If you are in open country :**

1. Move at right angles to the tornado's path. Tornadoes usually move ahead at about 25 to 40 miles per hour.
2. If there is no time to escape, lie flat in the nearest depression such as a ditch or ravine.

### **III If in a city or town :**

1. Seek inside shelter, preferably in a steel reinforced building. **STAY AWAY FROM WINDOWS!**
2. In homes: The southwest corner of the lowest floor or in the basement offers greatest safety. People living in brick or stone houses should seek other shelter, preferably in a storm cellar or the basement of a frame house. If time permits, electricity and fuel lines should be shut off. Windows on the north and east sides of the house may also be opened to help reduce damage to the building.
3. Standing against the inside walls on the lower floors of an office building offers some protection.

### **IV If in schools :**

1. In city areas: Especially if school building is of good steel reinforced construction, stay inside, away from windows, remain near an inside wall on the lower floors when possible. **AVOID AUDITORIUMS AND GYMNASIUMS** with large, poorly-supported roofs!
2. In rural schools that do not have reinforced construction - remove children and teachers to a ravine or ditch if storm shelter is not available.

### **V If in factories and industrial plants :**

On receiving a tornado warning, a lookout should be posted to keep safety officials advised of the tornado's approach. Advance preparation should be made for shutting off electrical circuits and fuel lines if the tornado approaches the plant. Workers should be moved to sections of the plant offering the greatest protection.

**VI** Keep calm! It will not help to get excited. People have been killed by running out into streets and by turning back into the path of a tornado. Even though a warning is issued, chances of a tornado striking one's home or location are very slight. Tornadoes cover such a small zone, as a rule, that relatively only a few places in a warned area are directly affected. You should know about tornadoes though, "just in case". See other side for details.

**VII** Keep tuned to your radio station for latest tornado advisory information. Do not call the Weather Bureau, except to report a tornado, as your individual request may tie up telephone lines urgently needed to receive special reports or to relay advisories to radio stations for dissemination to thousands in the critical area.

**UNITED STATES DEPARTMENT OF COMMERCE**  
**Weather Bureau**

## TORNADO INFORMATION

*Where tornadoes can occur*

Any place in the United States at any time of the year. They happen most frequently in the Midwestern, Southern, and Central States from March through September.

*How often do they occur*

The records show that the average number of tornadoes varies from 20 per year (Kansas) to 1 in 7 years (Nevada). The national average is 156 tornadoes a year.

*How to recognize a tornadoe*

Usually observed as a funnel-shaped cloud, spinning rapidly, and extending toward the earth from the base of a thundercloud. When close by, it sounds like the roar of hundreds of airplanes.

*Tornado weather*

Hot, sticky days with southerly winds and a threatening, ominous sky. However, many such days occur without tornadoes.

*Clouds*

Familiar thunderstorm clouds are present. An hour or two before a tornado, topsy-turvy clouds appear sometimes bulging down instead of up. The clouds often have a greenish-black color.

*Precipitation*

Rain, frequently hail, preceding the torando, with a heavy downpour after it has passed.

*Time of day*

Mostly between 3 and 7 p. m., but they have occurred at all hours.

*Direction of travel*

In nearly all cases they move from southwest to northeast.

*Length of path*

Usually 10 to 40 miles, but they may move forward for 300 miles.

*Width of path*

300 to 400 yards, but they have cut swaths over a mile in width.

*Speed of travel*

25 to 40 miles per hour average, but they have varied from 5 to 139 miles per hour.

*Wind speed*

Estimated as high as 500 miles per hour within the tornado.

*Causes of destruction*

(1) Violent winds which uproot trees, destroy buildings, and which create a serious hazard from objects blown through the air.

(2) Differences in air pressure which can lift automobiles and can cause buildings to collapse.

## UNITED STATES DEPARTMENT OF COMMERCE—WEATHER BUREAU

## COMMUNITY TORNADO WARNING NETWORKS

*Introduction*

The Weather Bureau issues forecasts when conditions over a general area are such that a tornado can develop in some part of the area, but it is not yet possible to forecast the exact time and place that a tornado will strike. The forecasts are for the purpose of alerting local warning networks and the public. It is not intended that everyone should immediately run for cover. Instead, people can be prepared to take safety precautions when a tornado is seen, or when a warning is issued that a tornado is approaching.

*Purpose of a community network*

To make it possible for people in a town or county to be warned that a tornado is approaching.

*Advantage of a network*

Safety measures can be taken to prevent loss of life and to help reduce property damage. See Tornado Safety Rules.

*Communities needing networks*

A number of communities have warning networks, particularly where Weather Bureau offices are located, and many more are needed. Every locality wanting greater protection and a minimum interruption of routine activities during threatening weather should have a tornado warning network.

*How a network operates*

(1) In small towns and rural areas—everyone living near the town, or in the county, is asked to quickly report to a warning center, such as the police station or telephone office, any tornado that is seen. Warnings are then issued from this center to everyone in the tornado's path by means of prearranged signals, or by phone calls to farmers.

(2) In cities and densely populated areas—volunteer observers located about 2 to 4 miles apart to the southwest, west and northwest of the area to be protected are requested to furnish prompt reports to a warning center. The center issues warnings through radio and television stations, etc.

*How to organize a network*

The aid of civic officials, community organizations and other interested citizens should be secured to help plan the network. The more people who become enthusiastic about establishing a warning system, the more successful it will be.

Decide how the network will operate, how large an area it will cover, where the warning center will be located, the type of public warning signal to be used, and similar details. The type of warning signal should be discussed with local police, fire and civil-defense groups to avoid confusion with other public-alarm systems in local use.

*Publicity and followup*

After details about the reporting and warning system have been completed, the information should be furnished all residents, along with a copy of Tornado Safety Rules. Lots of publicity can provide better public understanding and can avoid possible panic when tornadoes threaten. It is important that all concerned, including the public, be reminded of the network at intervals to prevent interest from lagging. In some communities a civic organization sponsors the publicity and the followup as a public service. Civic and private groups can also provide for reproduction and widespread distribution of the safety rules.

*Trial runs*

Local officials can arrange for tests to be conducted at intervals to help detect and correct any weaknesses in the system.

*Advice to observers*

All observers should be alert for tornadoes when the area is included in tornado forecasts issued by the Weather Bureau or when the sky becomes unusually threatening. The inclusion of a community in such a general forecast area is a reminder for the local observers to keep vigilant watch until the threat has ended. In some towns, members of a civic group take turns on hilltops or high buildings at such times and other residents continue normal activities. Factories, schools, and hospitals can also post lookouts if considered desirable.

The importance of promptly reporting any tornado that is seen cannot be over-emphasized since delay can result in telephone lines being blown down, making it impossible to notify the warning center.

*How to recognize a tornado*

A tornado is usually seen as a funnel-shaped cloud, spinning rapidly and extending toward the earth from the base of a thundercloud. When close by, a tornado sounds like the roar of hundreds of airplanes. Even though a cloud may be funnel shaped, as occasionally happens when the sky is threatening, it is not a tornado unless it has the rapidly rotating motion.

*The end of a tornado threat*

As a rule the danger of tornadoes has ended as soon as the clouds have a clearing tendency, the wind shifts to a little north of west and the air feels cooler and drier. In areas where tornadoes have been forecast, the Weather Bureau issues all-clear broadcasts when the threat has passed.

*Protection for other communities*

A community network not only helps protect one locality but it can also make it possible for lives to be saved in other areas. After local warnings of an approaching tornado have been issued, the warning center can notify any nearby network centers if the tornado is moving in their direction. The nearest office of the Weather Bureau should also be notified so warnings can be issued to other localities in the path of the storm.

*Extract from tornado safety rules*

Safety precautions to be taken when a tornado is approaching include:

1. Seek shelter in a storm cellar, cave, or underground excavation.
2. When underground protection is not available, take shelter along the inside walls on the lower floors of a steel reinforced building, or in the southwest corner (basement corner if available) of a wooden house.
3. In open country, move at right angles to the approaching tornado. If there is no time to escape, lie flat in the nearest ditch or depression.

## FEDERAL CIVIL DEFENSE ADMINISTRATION

Washington 25, D. C.

ADVISORY BULLETIN

No. 163  
March 23, 1954**To:** State and local civil defense directors.**Subject:** Identification of Federal employees assigned to essential duties during a civil defense emergency or a natural disaster.

## I. PURPOSE

The purpose of this advisory bulletin is to furnish information regarding the uniform system of identification for Federal employees and supporting non-Federal personnel scheduled for essential duties in the event of a civil-defense emergency or a natural disaster. The system is designed to expedite the movement of such personnel, during periods of emergency, to locations where their duties must be performed.

## II. EXPLANATION

(a) Under emergency conditions, certain Federal employees and nongovernmental personnel who may be required by a Federal agency to assist Federal personnel during a period of emergency must get to their assigned posts of duty to assure the continuity of essential functions of Federal Government agencies and/or the accomplishment of assigned Federal agency civil defense or disaster relief duties.

(b) To expedite the movement of personnel referred to in paragraph *a* above, FCDA has developed an identification card and vehicle marker that will provide uniformity of identification which can readily be recognized by officials charged with the responsibility for emergency traffic control, thus minimizing, so far as possible, undue delay of these employees in reaching their destinations by the most expeditious means possible.

(c) Each identification card will be numbered and will contain a photograph, a physical description, and the signature of the bearer. Identification cards will carry the official seal of FCDA so that penalties may be invoked if counterfeited, or if used in an unauthorized manner. They will be laminated to avoid alterations and will contain a statement requesting all authorities to render all possible aid in assisting the bearer in reaching his destination. The card is of a size that will fit into the average wallet and is to be carried on the person of the individual to whom it is assigned. The language on the card is considered broad enough to cover any kind of assignment for Federal employees or persons assisting them in performing essential functions in civil defense emergencies or natural disasters, including use of any vehicle which the bearer may operate.

(d) The vehicle marker is issued for the convenience of cardholders and traffic controllers. It is red and white in color and carries the official seal of FCDA. It will bear a number and signature to match the identification card and, while it will expedite travel, it is not required for identification as is the personal card.

## III. COVERAGE

(a) Each Federal department and agency has been given the responsibility of designating those employees necessary for the continuity of its essential functions and for civil defense and natural disaster functions, as well as issuing identification cards and vehicle markers to employees so designated.

(b) Included in the personnel to be issued this identification throughout the Nation are:

1. Those Federal employees who are identified and designated as necessary to the continuity of an agency's essential functions, and whose emergency duties may require facility of movement. This includes civilian employees of the Department of Defense.

2. Those Federal employees who have civil-defense assignments to perform within the scope of an agency's responsibility in a civil-defense emergency, except those mentioned in paragraph (c) 2 below.

3. Those Federal employees who will perform essential duties in the event of a natural disaster.

4. Those persons who, although not Federal employees, are designated to perform essential emergency functions in support of Federal personnel having emergency assignments as described in paragraph *a* above.

(c) This identification system does not cover the following classes of Federal personnel:

1. Military personnel of the Department of Defense carrying out military assignments.

2. Facilities self-protection personnel of Federal agencies. While these people are Federal employees with civil-defense duties, it is more practicable for them to be provided with identification cards or actual passes by local civil-defense authorities in the same manner as such authorities provide identification cards or passes to the protective staffs of local industries, office buildings, etc.

3. Those Federal employees who are not scheduled in advance for the continuity of an agency's essential functions and who have no specific civil-defense or natural disaster duties assigned by their employer.

## IV. COLLABORATION OF STATE AND LOCAL AUTHORITIES

(a) As stated in section I, the uniform identification system is intended to facilitate the movement of designated Federal personnel in times of emergency, and all traffic control authorities are requested to render all possible and reasonable aid in assisting them in reaching their destinations. However, the actual decision to authorize entrance into or through restricted areas, roadblocks, etc., rests with the proper officials and representatives of State and local governments.

(b) In order to make this identification system effective under emergency conditions and in natural disaster areas, it is essential that all authorities, public bodies, and personnel charged with the responsibility for controlling emergency traffic be familiar with the system and be able to recognize quickly the identification card and vehicle marker carried, so that the bearer may not encounter undue delays in reaching his destination.

(c) This identification system for Federal employees is not intended to interfere with the operation of any identification or pass system established by State or local authorities. However, its application to Federal personnel is considered essential to the performance of Federal functions during emergency periods. The cooperation of State and local civil defense directors in giving the system wide support and recognition is essential to its effective operation.

## V. IMPLEMENTATION

(a) An educational program is being undertaken to achieve the proper recognition of this identification system. FCDA regional administrators will receive kits containing information and sample cards and markers which they will use to obtain suitable publicity and understanding.

(b) FCDA regional administrators will assist State and local civil defense directors in the publicity work necessary to make the system effective.

(c) FCDA National Headquarters will seek widespread acceptance and publicity through national police and sheriff organizations.

## VI. AUTHORITY

The Federal Civil Defense Act of 1950, as amended (particularly sec. 201, 50 U. S. C. App. Supp. 2281) ; Executive Orders 10346 and 10427, dated April 17, 1952, and January 16, 1953, respectively.

## VII. RESCISSION

Advisory Bulletin 125, dated September 4, 1952, is hereby rescinded.

VAL PETERSON, *Administrator.*

FEDERAL CIVIL DEFENSE ADMINISTRATION  
Washington 25, D. C.

## ADVISORY BULLETIN

No. 169  
May 28, 1954

To: State and local civil defense directors.

Subject: Small watercraft organization for emergency purposes.

## I. PURPOSE

The purpose of this advisory bulletin is to transmit the joint FCDA-United States Coast Guard plan for the organization of privately owned small watercraft for civil defense emergency purposes.

## II. EXPLANATION

In June of 1953 the Administrator, FCDA and the commandant United States Coast Guard, signed a memorandum of understanding (a copy of which was furnished with Advisory Bulletin 143) in regard to the development of a plan for the use of small watercraft in an emergency. This plan has been developed by and between the Transportation Office, FCDA and the Program Analysis Division, United States Coast Guard, in accordance with the aforementioned memorandum of understanding.

## III. REQUIRED ACTION

It is proposed that the State director of civil defense in those States which have port areas and/or navigable rivers or navigable bodies of water, instruct the State civil defense transportation officer to establish a working committee of the civil defense transportation officers and representatives of the United States Coast Guard, the United States Army, and the United States Navy for the collective purpose of implementing the plan.

## IV. INTENTION

As this plan is intended to result in a coordinated and cooperative effort, it is requested that States and/or local areas bordering on the same body of water appoint one overall group in the harbor and harbor approach areas as the planning and operating group for the entire area.

## V. DISTRIBUTION

The United States Coast Guard will effect distribution of identical advice to Coast Guard installations.

## VI. INQUIRIES

Inquiries concerning this plan should be addressed to the FCDA regional office, attention of the transportation officer.

VAL PETERSON, *Administrator.*

**EMERGENCY OPERATIONS BY PRIVATELY OWNED SMALL CRAFT IN TIME OF CIVIL-DEFENSE EMERGENCIES**

**PURPOSE**

To prepare for the use of privately owned small craft and marine facilities in mobilization and/or target and support areas, by the prior enrollment and indoctrination of suitable volunteers in order to make effective use of small-craft resources in time of civil-defense emergency caused by enemy attack or natural disaster.

**SITUATION**

(a) In case of an emergency, the services of each and every privately owned small craft still in existence with operating personnel will be essential for use in the vast rescue and servicing operations required under emergency conditions. Such craft will require centralized coordination and the logistic services of marine shore facilities suitably organized and prepared to operate as emergency bases. This requires extensive planning and a carefully considered program for the enrollment of privately owned small craft and marine shore facilities for their operation under disaster conditions.

(b) A program to provide for these requirements in coastal port areas, Great Lakes, and inland water port and harbor areas should be developed through discussions between appropriate representatives of Civil Defense and of the Army, Navy, and Coast Guard located in the area.

(c) Local plans and preparations should be developed by Civil Defense (1) to enroll, organize, and train a motorboat corps and (2) to establish service and supply suitable bases. It is recommended that through the Coast Guard, the assistance of the Coast Guard Auxiliary be utilized to assist in enrolling and training the small craft corps.

(d) Within spheres of Coast Guard activities all civilian small-boat operations shall be under Coast Guard control during periods of civil-defense emergency or natural disasters. The spheres of Coast Guard activities are understood to be the statutory responsibilities with which the Coast Guard is charged in the areas of normal Coast Guard establishment and operation or such other areas in which the Coast Guard may be called upon to serve. Civil Defense small-boat forces may be used to augment the Coast Guard in any disaster area, but the operational direction of all such forces in such an area shall be under the Coast Guard. Operational plans should be developed jointly between Civil Defense and the Coast Guard to insure the responsibilities of both the Coast Guard and Civil Defense are carried out.

(e) Many of our harbor areas include a number of political subdivisions, intrastate and interstate, each of which have their own civil-defense offices and organizations. For the purpose of coordination, the civil-defense regional and/or civil-defense State office or offices will designate one operating organization capable of effecting small-boat transportation requirements of all civil-defense organizations within the harbor and harbor approach areas. The Coast Guard district commander or his designee will represent the Coast Guard in planning with the designated operating organization.

**ENROLLMENT PLAN**

(a) Personnel eligible for enrollment are:

1. Those connected with small craft marine facilities.
2. Owners of small craft and their designated representatives.<sup>1</sup>
3. Members of area yacht clubs.
4. Members of the United States power squadrons and similar organizations.

(Members of the Coast Guard Auxiliary should not be considered available for enrollment in the civil-defense organization because of their statutory status with the Coast Guard.)

(b) Applications should be made available to all personnel who are eligible as above. Forms and information relative to enrollment should be made obtainable at any civil-defense office in the area or through the Coast Guard Auxiliary.

<sup>1</sup> A designated representative is an individual considered by the owner to be competent to operate his vessel and who, at the time of an emergency, may be authorized to operate the vessel.

## OPERATING PLAN

Conditions resulting from a natural disaster or enemy attack may vary from localized damage by conventional explosives or sabotage to major areas demolished and aflame from nuclear weapons with large numbers of the population dead and dying, communications and transportation arteries demolished, rescue and public facilities eliminated, dams and levees destroyed, permitting extensive flood damage. The various types and degrees of conditions and the number of personnel and facilities remaining and usable are so impossible to estimate that only a general plan of operation is possible.

For overall planning and requirements, set up a planning, development, and coordinating committee for the purpose of drafting the requirements of the small-boat plan for the harbor area. Under the direction of the committee, subcommittees shall be established for specific portions of the problem, such as:

- (a) Harbor facilities survey.
- (b) Establishment of bases.
- (c) Plan for utilization and operational requirements of marine facilities and other fixed shore installations.
- (d) A plan for the utilization of existing communications.
- (e) A subcommittee for the establishment of civil-defense operational liaison of all civil-defense organization in the area.
- (f) Subcommittee on civil-defense logistical support for bases.
- (g) Subcommittee on enrollment and relationship with established boat owner organizations.

Two essential factors of operational planning should be observed:

1. To plan for the orderly and centralized determination of the availability of craft.
2. To plan for a centralized system of operational control of such craft.

Individual control of small craft shall be vested in the Coast Guard; therefore, the initial reporting should be direct to the appropriate Coast Guard command. Liaison between the Coast Guard and Civil Defense should be established at the level of the operational staffs of the heads of the Coast Guard and Civil Defense organizations in the emergency area.

## OBJECTIVE

The objective is to make advance plans for the effective mobilization of available volunteers and small-craft resources under emergency conditions for co-ordinated operations under centralized direction and on an overall priority basis. The planning should include the designation of emergency bases to provide logistic support services to small craft operating during periods of civil-defense emergency. The designated emergency bases should be going concerns, ready at all times to perform their logistic services if and where an emergency arises.

## RESPONSIBILITIES OF INDIVIDUALS

**Responsibilities of personnel enrolling for the operation of small craft:**

*(a) Preattack*

- Become familiar with location and facilities of the emergency bases in the area.
- Become familiar with standard operating procedures.
- Become familiar with communications modes and signals.

*(b) Attack*

Self-preservation in accordance with recommended practices contained in the official United States Government booklet *Survival Under Atomic Attack*.

*(c) Postattack*

If possible and practicable, proceed with vessel and pickup crew to the nearest emergency base which appears to be operational.

If vessel is in operating condition but for any reason owner and/or his designated representative cannot proceed, delegate job if possible to some other trusted person.

Carry civil-defense identification card for assistance in passing through restricted areas, for obtaining fuel and supplies.

Bring whatever medical supplies, food and fire-fighting equipment as may be immediately available.

Assist Coast Guard and civil defense.

**(d) Emergency other than attack conditions**

Report the availability of your vessel to a designated person.

**II. Responsibilities of personnel enrolling for operation of emergency bases :****(a) Preattack**

Become familiar with the postattack requirements and prepare to carry out the various functions.

**(b) Attack**

Self-preservation in accordance with recommended practices contained in the official United States Government booklet *Survival Under Atomic Attack*.

**(c) Postattack**

Organize available personnel to operate facility as small craft operating base. Decide who is to be in charge.

Make emergency repairs as necessary to get facility into operating condition.

When operational, place an approved sign or signal where it can be seen by approaching small craft, to indicate that center is prepared for civil-defense operation.

Initiate plan for traffic control and berth assignment to vessels reporting for duty.

Make approximate inventory of fuel and other vital supplies available on facility.

**(d) Emergency other than attack conditions**

Report the availability of your facility to a designated person

**SUGGESTION FOR ENROLLMENT FORM FOR SMALL CRAFT MARINE FACILITIES****ENROLLMENT FOR VOLUNTARY PARTICIPATION IN CIVIL DEFENSE FOR SERVICE IN THE OPERATION OF SMALL CRAFT FACILITIES**

Name.....  
 Address.....  
 Normally employed by.....  
 Title.....  
 Experience applicable to the operators of small craft facilities.....  
 .....

**ACTIONS DESIRED OF VOLUNTEERS*****Civil defense activities prior to time of an enemy attack***

(1) Insure that all enrollees who own, manage, or are employed at designated small craft concentration points are familiar with methods of self-preservation during time of an atomic blast and with the activities desired following an enemy attack.

(2) Otherwise none except as desired in connection with other phases of the civil-defense program.

***Civil defense activities at time of an enemy attack***

(1) Self-preservation in accordance with the practices recommended and described in *Survival Under Atomic Attack*, published by the United States Government Printing Office. A copy of this pamphlet will be forwarded to you.

***Civil defense activities immediately following an enemy attack***

(1) Organize available personnel to operate facility as a small craft operating base. Decide who is to be in charge.

(2) Make emergency repair as necessary to get facility into operating condition.

(3) When operational place, where it can be seen by approaching small craft, a sign or signal of some kind to indicate center is prepared for civil-defense operation.

(4) Designate man to direct traffic and assign berths to vessels reporting for duty.

(5) Make approximate inventory of fuel and other vital supplies available on the facility.

(6) Establish system for recording fuel and supplies available on reporting vessels.



## "ACTIONS DESIRED OF VOLUNTEERS

*"Civil defense activities prior to time of an enemy attack*

"1. Keep advised of location of designated small-craft concentration points in area.

"2. Otherwise none except as desired in connection with other phases of the civil-defense program.

*"Civil defense activities at time of enemy attack*

"1. Self-preservation in accordance with instructions contained in civil defense pamphlet Survival Under Atomic Attack which is available at your local civil defense office.

*"Civil defense activities immediately following an enemy attack*

"1. If possible and practicable pick up crew and proceed with vessel to the nearest designated concentration point which appears to be operational.

"2. If vessel is in operating condition but for any reason owner or his designated representative cannot participate, he should delegate job, if possible, to some other trusted person.

"3. Carry civil defense identification card for assistance in passing through restricted area, obtaining fuel and supplies, etc.

"4. Bring whatever medical supplies, food, and fire-fighting equipment as may be immediately available.

"5. Assist Coast Guard and civil defense as possible."

[Sample copy]

## FEDERAL-STATE DISASTER AGREEMENT

This agreement entered into this \_\_\_ day of \_\_\_\_\_, 195\_\_\_, by and between the United States of America, hereinafter called the Government, acting by and through the regional administrator, Federal Civil Defense Administration and the State of \_\_\_\_\_, hereinafter called the State, acting by and through its Governor.

## WITNESSETH

That whereas Public Law 875, 81st Congress, as amended, provides for an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from major disaster; and

Whereas sections 3 and 5a of Public Law 875 prescribe the authority conferred upon the President to direct Federal agencies to provide assistance in major disasters; and

Whereas Executive Order 10427 provides that the described authority and functions of the President be transferred and exercised by the Federal Civil Defense Administrator; and

Whereas such authority and functions, except as enumerated in subsections (c) and (d) of section 1, section 5, and section 8 of such order have been delegated to Regional Administrators of the Federal Civil Defense Administration; and

Whereas the President has determined that the (threat of) \_\_\_\_\_ in the State is (or threatens to be) a major disaster of sufficient severity and magnitude to warrant disaster assistance by the Federal Government to supplement the efforts and available resources of the State and local governments therein alleviating the damage, hardship, or suffering caused thereby; and

Whereas the Governor has certified the need for Federal assistance to alleviate hardship and suffering caused by said (threatened) disaster; and

Whereas the Governor has given assurance of expenditure of a reasonable amount of the funds of the Government of the State, local governments therein, or other agencies, for the same or similar purposes with respect to such catastrophe;

Now, therefore, pursuant to such authority, the said parties, in consideration of the mutual promises herein expressed, covenant and agree to and with each other as follows:

Article 1. State resources: The State on behalf of itself, the local governments therein and other agencies thereof, hereby agrees to utilize available resources for the purpose of alleviating the hardship, damage, and suffering caused by said disaster.

**Article 2. Federal assistance:** The Government hereby agrees to supplement the disaster relief efforts of the State, local governments, and other agencies thereof by providing emergency assistance through—

(a) Utilization of Federal equipment, supplies, facilities, personnel, and other resources;

(b) Distribution (when in the sole judgment of the Government it is deemed advisable) through the American National Red Cross or otherwise, of medicine, food, and other consumable supplies;

(c) Financial assistance to the States and local governments therein for:

(i) Work essential for the preservation of life and property;

(ii) Clearing of wreckage and debris;

(iii) Emergency repairs to and temporary replacement of essential public facilities damaged or destroyed in the disaster;

(iv) Replacement of civil-defense facilities and equipment, procured by the State under the matching funds program as provided in section 201 (1) of Public Law 920, which have been utilized, damaged, or destroyed.

The total amount of such financial assistance shall not exceed \$----- and shall be limited to costs directly attributable to such disaster, whether incurred immediately prior to, or subsequent to, the President's determination of eligibility, and which have been authorized and/or approved by the Government on the basis of project applications submitted by the State or local governments therein.

(d) Provision of temporary housing or other emergency shelter for families who, as a result of such major disaster, require such temporary housing or other emergency shelter;

(e) Donations or loans to the State of equipment and supplies (determined to be surplus to the needs and responsibilities of the Government under authority of the Federal Property Act, Public Law 152, 82d Cong.) for use or distribution by it for the purposes stated in section (c) of this article, as well as for the restoration of public facilities damaged or destroyed in the disaster and the essential rehabilitation of individuals in needs as the result of the disaster.

The governor hereby certifies that \_\_\_\_\_ is the authorized representative of the State to receive such donations on behalf of the State and to execute certifications, agreements, and other necessary documents with regard thereto.

**Article 3. Reimbursement:** Reimbursement for approved costs shall be made upon the presentation by the State of duly executed vouchers in quadruplicate on United States Government Standard Form 1034, accompanied by itemized and substantiated documentation which evidence the indebtedness incurred. Such documentation should include the original and one copy of each paid invoice, payroll, or other document which served as the basis for each disbursement.

**Article 4. Advances:** In the event State statutes do not allow the advance of State funds to local governments therein to meet emergency requirements or when the fiscal situation of the State is such as to require supplementation, advances of funds may be made when requested by the State. All funds advanced are subject to the following agreements and certifications:

(a) That the funds will be deposited in a separate fund or account subject to withdrawal only upon certification of the authorized representative of the Governor;

(b) That the Government will be advised as to the location of the depository and the depository will be advised that the fund or account will be open to complete examination or audit by representatives of the Federal Civil Defense Administration or the General Accounting Office of the United States at all times during normal business hours;

(c) That no funds will be disbursed from the fund or account for other than projects approved by the Federal Civil Defense Administration and the governor, or his authorized representative;

(d) That no disbursement will be made from the fund or account for any project in excess of the amount approved by the said parties;

(e) That, as a project is completed and payment made from the fund for costs approved for that project, the State will furnish for such amounts duly executed vouchers in quadruplicate on United States Government standard form 1034 accompanied by an itemization of the number, date, payee, amount of each check, and a brief description of the purpose for which drawn, supported by the original and one copy of each paid invoice, payroll or other document which served as the basis for each disbursement.

(f) That any and all funds in excess of actual expenditures approved by said parties, and any interest accruing or received in connection with such account

and deposits thereto, will be refunded by the State to the Federal Civil Defense Administration by check drawn payable to the Treasurer of the United States.

(g) The State will establish and maintain accounting records which will contain, for each approved project application for which funds are advanced, (i) the amount of funds made available, (ii) amount of funds disbursed to date, and (iii) check number, amount, date, payee, and brief description of each disbursement.

The request shall also designate the State official responsible for the custody of the fund and provide assurance of satisfactory bond if other than a bonded official is designated. A separate request will be furnished for each approved project application for which an advance of funds is required.

Article 5. Liability: The Federal Government shall not be liable for any claim based upon the exercise or performance of or the failure to exercise or perform a discretionary function or duty on the part of a Federal agency or an employee of the Government in carrying out the provisions of this agreement.

Article 6. Officials not to benefit: No Member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this contract or to any benefit that may arise therefrom.

In witness whereof the parties hereto have executed this agreement as of the day and year above written.

UNITED STATES OF AMERICA FEDERAL CIVIL DEFENSE ADMINISTRATION,

By \_\_\_\_\_, Regional Administrator, Region —

STATE OF \_\_\_\_\_,

By \_\_\_\_\_, Governor.

[Sample copy]

FEDERAL-STATE DISASTER AGREEMENT—SUPPLEMENT No. 1

This supplemental agreement entered into this \_\_\_ day of \_\_\_\_\_ 195\_\_\_, by and between the United States of America, hereinafter called the Government, acting by and through the regional administrator, Federal Civil Defense Administration and the State of \_\_\_\_\_, hereinafter called the State, acting by and through its governor.

WITNESSETH

That whereas the Government and the State entered into an agreement dated \_\_\_\_\_, 195\_\_\_, covering terms of Federal assistance and expenditure of Federal funds under authority of Public Law 875, 81st Congress, as amended, in providing Federal assistance to supplement State and local efforts as a result of the (type of disaster, i. e., flood, fire, tornado, etc.) of (date of disaster); and

Whereas the initial allocation of \$\_\_\_\_\_ authorized by the President has been increased by him on (date of Presidential action on increase);

Now, therefore, pursuant to such authority, the said parties, in consideration of the mutual promises herein expressed, covenant and agree to and with each other as follows:

(a) That the sum of \$\_\_\_\_\_ set out in said agreement of (date of original and/or previous agreement) be revised to \$\_\_\_\_\_ (total amount available to State).

(b) That all other provisions of the said agreement of (date of original and/or previous agreement) remain applicable.

In witness whereof the parties hereto have executed this supplemental agreement as of the day and year above written.

UNITED STATES OF AMERICA FEDERAL CIVIL DEFENSE ADMINISTRATION,

By \_\_\_\_\_, Regional Administrator, Region —

STATE OF \_\_\_\_\_,

By \_\_\_\_\_, Governor.

Mr. AITKEN. In addition, gentlemen, I should like to offer for the record copies of our disaster orders Nos. 1 and 2, and amendments thereto, that we used in coordinating this past disaster.

(The material referred to follows:)

## FEDERAL CIVIL DEFENSE ADMINISTRATION

FCDA-DO-1  
August 20, 1955

## DISASTER ORDER No. 1

Assignment of disaster relief responsibilities to the Secretaries of Defense, Commerce, Agriculture, Health, Education, and Welfare, the Administrators of General Services Administration and Housing and Home Finance Agency.

Pursuant to the authority contained in Public Law 875, 81st Congress, as amended, and Executive Order 10427, dated January 16, 1953; and in order to provide an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from the major disasters in Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania.

It is hereby ordered:

## A. ASSIGNMENTS

1. The Secretary of Defense will be responsible for—
  - (a) Performing on public or private lands protective and other work essential for the preservation of life and property;
  - (b) Debris and wreckage clearance;
  - (c) Emergency repair to and temporary replacement of public facilities, except as reserved herein to other Federal agencies.
2. The Secretary of Commerce will be responsible for—
  - (a) Determination of damage to industrial facilities;
  - (b) Extending aid for the repair or reconstruction of highways and bridges on primary or secondary Federal-aid highway systems, the national system of interstate highways, and on the urban system.
3. The Secretary of Agriculture will be responsible for—
  - (a) Inspection of meat and meat food products;
  - (b) Providing scientific personnel skilled in physical, biological, chemical, engineering, and veterinary medicine;
  - (c) Providing feed for livestock in accordance with Public Law 115, 83d Congress;
  - (d) Utilization of commodities acquired under price-support programs.
4. The Secretary of Health, Education, and Welfare will be responsible for—
  - (a) Providing medical, nursing, and other professional and technical personnel to assist in emergency medical care and control of communicable diseases; to assist in the maintenance of an adequate and safe supply of water; safe food supplies; sanitary waste disposal; adequate refuse disposal facilities; and control of insects and rodents; to investigate epidemics and determine procedure for curtailment thereof;
  - (b) Providing assistance to the survivors of victims of the disaster and prompt settlement of claims of such survivors for OASI benefits;
  - (c) Providing assistance to States in planning for the health and welfare services for children;
  - (d) Providing assistance to State and local officials for continuity, maintenance, and operation of schools and establishment of improvised schools.
5. The Administrator of the General Services Administration will be responsible for—
  - (a) Providing supplies from Federal common-use items;
  - (b) Providing assistance and advice to the States and local government for the preservation, repair, and restoration of essential records, documents, and mail and file services;
  - (c) Providing temporary storage and issue facilities.
6. The Administrator of the Housing and Home Finance Agency will be responsible for providing temporary housing and other emergency shelter.

## B. GENERAL PROVISIONS

1. Assignments under this order shall be under the general direction and coordination of the Federal Civil Defense Administrator. Field activities performed under these assignments shall be under the general direction and coordination of the regional administrators of FCDA.

2. The departments and agencies having primary responsibilities in the measures assigned herein shall coordinate their activities directly with other Federal departments and agencies having similar or related assignments.

3. In carrying out these assignments, the authority conferred upon the departments and agencies is supplementary to statutory authority conferred or funds provided under any other law.

4. This order is not intended to affect any agreements with, or responsibilities of, the American National Red Cross.

5. Periodic reports of progress shall be submitted as requested. This order shall take effect on August 20, 1955.

VAL PETERSON.

FEDERAL CIVIL DEFENSE ADMINISTRATION

Battle Creek, Mich.

FCDA-DO-2  
August 31, 1955

DISASTER ORDER No. 2.—PROVIDING FOR THE REPORTING OF EXCESS AND SURPLUS FEDERAL PROPERTY TO THE ADMINISTRATOR OF GENERAL SERVICES ADMINISTRATION AND ASSIGNING OF DISASTER RELIEF FUNCTIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

Pursuant to the authority contained in Public Law 875, 81st Congress, as amended, and Executive Order 10427, dated January 16, 1953; and in order to provide an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from the major disasters in Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania, each Federal agency as defined herein is directed to:

A. Assignment of disaster relief responsibility to the Administrator of the General Services Administration.

The Administrator of the General Services Administration will be responsible for locating and determining the availability of equipment and supplies surplus to the needs of the Federal Government which may be used or distributed to States for the restoration of public facilities and essential rehabilitation of individuals in need as a result of the disaster. Reports to the Federal Civil Defense Administration will be made as requested.

B. Each Federal agency as defined herein will be responsible for:

1. Immediate reporting to the Administrator of the General Services Administration of excess and surplus property held by the agency and reasonably usable for disaster relief purposes, irrespective of whether such property is required to be reported under rules and regulations of the General Services Administration.

2. Each Federal agency as defined herein shall make disposals of reported surplus property under the requirements of this order at the direction of the General Services Administration. All disposals of property for disaster relief under this order shall be without compensation; and all transfers of property under this order between Federal agencies for the purpose of making disposals for disaster relief purposes shall be without compensation.

C. Declaration of surplus property by the Administrator of General Services Administration under this order.

The Administrator of the General Services Administration shall, in his consideration of whether such property is necessary or required by the Federal establishment, for the purposes of determining Federal property to be surplus to the needs of the Federal Government, make or withhold his determination of the property being surplus to the needs of the Federal Government in keeping with the spirit and the policy of the Congress in its enactment of Public Law 875, 81st Congress, and particularly subsection 3 (c) thereof; as amended by Public Law 134, 83d Congress.

D. Federal agency as used in this order means any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government; except, however, it shall not include the American National Red Cross.

E. This order takes effect August 20, 1955.

VAL PETERSON, Administrator.

## FEDERAL CIVIL DEFENSE ADMINISTRATION

FCDA-DO-2  
 Supplement 1  
 October 17, 1955

**DISASTER ORDER No. 2, SUPPLEMENT 1—DIRECTING THE ADMINISTRATOR OF GENERAL SERVICES TO AUTHORIZE DISPOSAL OF SURPLUS SUPPLIES AND EQUIPMENT TO STATES FOR SALE TO SMALL BUSINESS CONCERNS**

1. Pursuant to authority contained in section 3, paragraph (c) of Public Law 875, 81st Congress, as amended by Public Law 134, 83d Congress, and Executive Order 10427, dated January 16, 1953, and for the purposes stated in the Federal Civil Defense Administration Disaster Order No. 2, dated August 31, 1955, the Administrator of General Services, with respect to supplies and equipment determined by him to be surplus to the needs of the Federal Government under regulations of the General Services Administration and pursuant to Disaster Order No. 2, is hereby directed:

(a) To issue appropriate directives and procedures to departments and agencies of the Federal Government authorizing said departments and agencies to make disposals of supplies and equipment to States for sale on a nonprofit basis to small-business concerns in need of rehabilitation as a result of disasters occasioned by hurricanes Connie and Diane of 1955.

(b) To establish procedures for the transfer of such property to the States and to provide rules governing sales to small-business concerns meeting criteria established by the Federal Civil Defense Administration. Sales under this order shall be at a charge by the States to return to the Federal Government not less than 10 percent of the acquisition cost of the equipment and supplies. Such sales may include a reasonable administrative charge by the States.

2. Section B, 2 of the Federal Civil Defense Administration Disaster Order No. 2 is amended by striking out the semicolon in the second sentence and substituting a comma therefor and thereafter adding the following words "except when such property is disposed of as provided in supplement No. 1 hereto."

This supplement is effective immediately.

VAL PETERSON, *Administrator.*

MR. AITKEN. Senator Bush, I want to thank you, sir, for your comments a few minutes ago. They are very appropriate and very much appreciated.

Senator BUSH. I think, Mr. Chairman, if he will submit that data we can decide whether it goes in the record. We don't want to burden the record too much, but I think this kind of thing may be in line with your questioning.

Senator LEHMAN. You made a statement a little while ago that you realized the difficulty, the vast difficulty, of evacuating a great city. I realize that too because we had that problem in the Second World War. But then you went on to say that your effort would be directed to diffuse the population, to lessen the density of population in any one place. You mentioned Washington. You said some of them would go to Virginia and some of them would go to Maryland and some of them would go other places.

I can make the statement to you that I have lived in Washington now for going on 7 years. I have been deeply interested in this problem. If a bombing attack should come, I wouldn't have the slightest idea where to "diffuse" myself, where to go. Not the slightest. I have never been told, and I think that is probably true of most of the other 900,000 people in the District.

MR. AITKEN. Senator, you are absolutely right, and that is one of the reasons we think these surveys must be done, because we think that government, Federal, State, and local, has the responsibility to tell its citizens their greatest opportunity for survival. And we think that as a result of these surveys—we know that as a result of

these surveys—that people in this section of the city will be told which way they should go in the event it is necessary to evacuate the city.

Senator LEHMAN. I mean the District of Columbia, as I understand it, is a Federal Territory. Maryland couldn't tell me to come down to Maryland, and insist on my going. Virginia couldn't. Delaware couldn't. It would have to come from the Federal Government which is in control of the Federal District of Columbia.

Mr. AITKEN. Yes, sir.

Senator LEHMAN. This whole problem is not a very new one. I mean, after all, we have been slightly worried about the atomic bomb, and now the hydrogen bomb, for several years.

Mr. AITKEN. Yes, sir.

Senator LEHMAN. I just wanted to point that out, and I hope you will bear it in mind.

Mr. AITKEN. Thank you, sir.

Senator LEHMAN. Thank you very much.

I did intend to ask the Small Business Administration to testify, but Senator Bush has to leave but is going to come back tomorrow, I am very glad to say, and he has asked that we change the order a little bit. So I am going to ask the HHFA to appear.

Mr. Meistrell, will you identify yourself now and then proceed in such manner as you desire?

**STATEMENT OF FRANK J. MEISTRELL, DEPUTY ADMINISTRATOR,  
HOUSING AND HOME FINANCE AGENCY**

Mr. MEISTRELL. I am Frank J. Meistrell, Deputy Administrator of the Housing and Home Finance Agency.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before your committee and furnish such assistance as I can concerning flood-disaster legislation. Mr. Cole, the Housing and Home Finance Administrator, is out of the city and has asked me to express his sincere regrets at not being able to be here today.

To assist in answering questions, I have with me Mr. Mason, the Federal Housing Commissioner; Mr. Follin, the Urban Renewal Commissioner; Mr. Hazeltine, the Community Facilities Commissioner; and Mr. Olmsted, representing the Public Housing Commissioner.

Senator, your committee has indicated its interest in the manner in which Federal aid has been provided to victims of recent floods on the east coast. I propose to explain briefly the actions taken and the programs made available by this agency in the areas affected.

I am sure you will appreciate that the Federal Civil Defense Administrator now has primary responsibility for carrying out the relief work of the Federal Government in areas of major disaster, pursuant to the Disaster Relief Act, which is Public Law 875, 81st Congress, and I think Mr. Aitken has explained the basic authority contained within that act.

The Housing Agency carries out such relief measures under that act as are directed by the Civil Defense Administrator. Additional aid may be furnished by the agency in disaster areas to the extent that it can adjust and make available for this purpose its regular programs relating to housing, community facilities, and urban development.

Immediately after the August floods on the east coast the Housing Administrator and other officials of the agency immediately went to the stricken area and conducted an analysis of the damage that had been inflicted. If you recall, the flood was on August 19, and I believe on August 21 or 22 the housing officials made this trip and covered a substantial part of the stricken area.

Immediately coordination with the Civil Defense Administrator and with State and local governments was undertaken. A special disaster office of the agency was opened for the States of Massachusetts and Connecticut, which, along with our agency regional offices, provided coordinated services to meet emergency housing needs and to inform the public and local official of the aids that were available and to maintain close and constant contact with the distressed municipalities.

A statement of the aids available from the Housing Agency was immediately prepared and distributed to all other governmental agencies, the National Red Cross, appropriate State agencies, local chief executives, and community leaders who were concerned with providing housing or financing in their separate localities. I believe copies of these statements and instructions have been furnished your committee, Senator.

The first steps taken by our agency were directed, of course, toward meeting the immediate needs of shelter and other urgent needs of families who had been made homeless by the floods. Technical personnel of the agency were transferred to the stricken areas to help the various communities deal with their local disaster problems.

To meet the need for temporary shelter, we authorized all local housing authorities and managers of all federally owned projects in the affected areas to make vacancies available to flood victims upon certification of need by the National Red Cross. I think there were approximately 1,400 dwelling units that were made available for occupancy.

The agency also moved some 140 or 150 family trailers into 6 communities in Connecticut and I believe 1 in Massachusetts.

Three hundred units of our vacant defense housing at Groton, Conn., were transferred to the Civil Defense Administration for removal to the various urgent disaster locations.

In Waterbury, Conn., for example, 174 units of temporary war housing and in West Hartford, Conn., 227 units of such housing were made available to flood victims.

When the floods again affected the New England area some few weeks ago, eligibility requirements for admission to existing projects were relaxed and extended, and trailer units again were made available and moved into Danbury, Conn., for emergency housing use.

As you know, Senator, the programs of the Housing Agency relate primarily to long-range urban planning and permanent housing and community improvements. These programs were adapted to the fullest extent possible to rehabilitation work in the flood areas as distinguished from temporary emergency operations which I have mentioned.

Every effort was made to adapt the FHA insurance operations to meet the home-financing needs of people in the areas. For example, the Federal Housing Administration authorized all lenders to work out with FHA borrowers whose homes had been destroyed or dam-

aged arrangements to suspend payments temporarily on home mortgages and on FHA title I repair and modernization loans.

The FHA also removed for disaster cases the higher down payment and the shorter mortgage term requirements which had recently been adopted with respect to FHA home mortgages.

This assistance was in addition to that already available under provisions of the law which authorized FHA insurance for loans up to 100 percent of value to replace homes of disaster victims where the value does not exceed \$7,000.

To assure adequate mortgage credit for home financing in the disaster area, the Federal National Mortgage Association is authorized to make advance commitments to purchase from private lenders FHA-insured and VA-guaranteed mortgages made to disaster victims.

Senator LEHMAN. May I interrupt you there?

Mr. MEISTRELL. Yes, sir.

Senator LEHMAN. You say the Federal National Mortgage Association is authorized to make advance commitments to purchase from private lenders FHA-insured and VA-guaranteed mortgages made to disaster victims. Are these new loans?

Mr. MEISTRELL. Under a section, Senator Lehman, of the Federal National Mortgage Association Charter Act, there is a special-assistance provision which authorizes Fannie May to make advance commitments to lenders to purchase those loans.

Senator LEHMAN. Let us assume now the house is destroyed and the mortgage remains.

Mr. MEISTRELL. That is correct.

Senator LEHMAN. What happens?

Mr. MEISTRELL. The mortgage still remains.

Senator LEHMAN. What happens if the man wants to build another house?

Mr. MEISTRELL. Well, if he wanted to build another house the Federal National Mortgage Association would be authorized to make an advance commitment to a lender to finance that other home.

Senator LEHMAN. Does that have to be guaranteed too?

Mr. MEISTRELL. Yes, FHA insured or VA guaranteed.

Senator LEHMAN. There would be two mortgages on it?

Mr. MEISTRELL. There would be two mortgages, but since the later mortgage must be a first mortgage it would be necessary that the earlier mortgage be paid off with funds obtained either from the proceeds of the later mortgage or from other sources.

Under the urban-renewal program of our agency, financial assistance is available to clear blighted areas and prepare them for rebuilding. So far we have had 2 applications approved in I believe Scranton, Pa., and Waterbury, Conn., and applications have been received for similar assistance in tow other communities, and I am informed that applications are being prepared in 11 other cities.

A rough estimate of the total Federal aid contemplated for this purpose would be approximately \$10 million.

Senator LEHMAN. Let me get this straight. Are those areas that are blighted because of this disaster or were they blighted before?

Mr. MEISTRELL. Under the Federal law the particular area has to be a slum, deteriorated, or deteriorating area at the time the contract for Federal aid is entered into. This means, therefore, that the con-

ditions in the area immediately following the flood would be considered in determining eligibility for title I Federal aid.

Senator LEHMAN. So that has no relationship to this disaster situation as far as I can see.

Mr. MEISTRELL. Yes. I think Mr. Follin, who is more familiar with the details of these loans, will explain that relationship in his statement.

Senator LEHMAN. Well, as you know, I favor loans on blighted areas for redevelopment.

Mr. MEISTRELL. I know you do.

Senator LEHMAN. But I don't want to get the record confused. I don't want to have it appear as if these loans are something that are a new undertaking. I mean the HHFA has always had that—

Mr. MEISTRELL. That is correct.

Senator LEHMAN. Has been directed to do it.

Mr. MEISTRELL. I don't mean to create any impression in your mind, Senator, that this is a new program undertaken as a direct result of the flood.

The agency also has a program of urban planning assistance, and under this program funds approximating \$90,000 have been approved to match an equal amount of State funds to provide planning assistance to 14 flood-stricken communities in Connecticut. An application is pending for a Federal matching grant of approximately \$95,000 to aid in the replanning of 3 valley regions which were hardest hit by the flood—the Naugatuck, Farmington, and Quinebaug Valleys.

Senator LEHMAN. May I return a minute to page 3, the bottom of the page, where you say :

The FHA also removed, for disaster cases, the higher downpayment and shorter mortgage term requirements recently imposed on FHA's home-mortgage program. This assistance was in addition to that already available under provisions in the law authorizing FHA insurance for loans up to 100 percent of value to replace homes of disaster victims, where the value does not exceed \$7,000.

Can you tell us how many applications you received in these \$7,000 cases?

Mr. MEISTRELL. No, Senator Lehman, I do not have the details, but I think Commissioner Mason who is here could give you the detailed breakdown of the applications.

Senator LEHMAN. You do not know how many were granted? I wonder whether Commissioner Mason can answer that question now.

Mr. MEISTRELL. I think there have been very few applications filed so far.

Senator LEHMAN. I wonder while we are on this subject if Commissioner Mason could answer that question readily now?

Mr. MASON. Senator Lehman, it is really too early to get a very full report of this because of the time it takes. In the Connecticut area we have had 25 applications for section 203—that is, the single-home mortgages—from people who were flood victims but who wanted to build better than the \$7,000 house, and 3 applications from people who wanted the low-cost \$7,000 house.

In Springfield, Mass., we have had one single-family house application for an amount of \$8,000.

In New Jersey we have had no applications of this kind.

In New York City area we have had none.

In Pennsylvania we have had one and another area coming in with about 100, but the one is the only definite one to date. We have an indication that a group of people are putting up and will need 100, but they have not finally—

Senator LEHMAN. You have actually had only four applications, as I understand it, for the \$7,000 loan?

Mr. MASON. Three applications, sir, under the disaster insurance provisions 100 percent—

Senator LEHMAN. I was liberal.

Mr. MASON. You're very kind.

Senator LEHMAN. How many have you granted? How many have actually been granted?

Mr. MASON. These are in the application stage.

Senator LEHMAN. I see. All right. Thank you very much.

Mr. MEISTRELL. We are also authorized, Senator Lehman, under our advance planning program to make interest-free advances to communities for the planning of needed public works. These funds can be used to aid in financing the cost of engineering and architectural surveys, designs, plans, specifications, and other action preliminary to construction of public works.

We have already advanced approximately \$30,000 to aid the flood-stricken town of East Stroudsburg, Pa., in the planning of streets and water and sewer facilities. It is estimated that these advances will make it possible for the community to initiate a \$3 million program of reconstruction.

Another assistance program of our agency available to flood areas is the public works loan program recently authorized by the Housing Amendments of 1955. This would be of assistance to communities which need to replace or improve flood-damaged public facilities and cannot otherwise obtain financing on reasonable terms.

Because of our deep concern for the plight of the homeowners whose homes were either destroyed or seriously damaged in the recent floods, we immediately undertook a study to determine whether an insurance program could be developed to protect people against the possibility of losses from floods.

Perhaps I should mention that the first hearing that we had was on the 8th of September, a little over 2 weeks after the flood. We held another one on the 21st of September and the last one on the 11th of October, which is about 3 weeks ago.

In connection with our studies we had representatives from the casualty insurance companies, various groups from the financial community, and representatives of the Bureau of the Budget. In addition, we carried on discussions with representatives of the Bureau concerning some of the major problems involved in any Government insurance program.

I was impressed this morning with your observation, Senator Lehman, that it is a very complex and a very difficult problem, as we soon recognized that. We hope to continue to stress not only the insurance aspects of it but any other phases that may affect the problem.

Mr. Jones, Assistant Director of the Budget, I think stated to you this morning the views of the Administration with respect to flood insurance, including some of the problems involved, and also indicated alternatives, and I concur in the general views expressed by him. I, of course, would be pleased to answer any questions.

We felt in the Housing Agency—

Senator LEHMAN. Could I interrupt you?

Mr. MEISTRELL. Yes.

Senator LEHMAN. Were you here when Mr. Jones testified?

Mr. MEISTRELL. Yes; I was.

Senator LEHMAN. You say in the statement:

Mr. Roger Jones, Assistant Director of the Bureau, has already given this committee the views of the Administration with reference to flood insurance.

I find it not quite appropriate to ask one witness to testify for another witness, but so long as you were here when he testified, I wondered whether you could sketch any testimony that Mr. Jones gave covering the views of the Administration with reference to flood insurance. I certainly do not recall that he did that.

Mr. MEISTRELL. Well, perhaps, Senator Lehman, he mentioned 2 general assumptions and 6 various points that I think he urged upon this committee to consider in evaluating an insurance program. That is what I had reference to.

Senator LEHMAN. He did give certain criteria.

Mr. MEISTRELL. Certain criteria.

Senator LEHMAN. Suggestions which should be taken into account in formulating legislation. I think those were very interesting suggestions. But I certainly did not complete the questioning of Mr. Jones with any idea what the recommendations or suggestions of the Administration are with regard to flood insurance. I pressed upon that. I hope we will get it within the next day or two.

Mr. MEISTRELL. My recollection of his testimony was that he was giving some critiques and explaining some of the problems involved.

Representatives of our constituent agencies may wish to amplify my remarks with reference to our operations in the flood-stricken area. They are here, and I am sure they, as well as I, would be glad to answer questions.

Senator LEHMAN. My attention was just drawn to a certain matter which I probably overlooked, because I was away at the time. But the fact as stated to me was that shortly after this committee, through its staff, started to work on disaster insurance, after Senator Bush and the others and I had indicated our interest in this matter, FHA, as I recall it—and I hope I am not incorrectly quoting the facts—put out a news release saying that the Federal Housing Administration would take the lead in working out such an insurance program. I am told that you were General Counsel of the Federal Housing Administration at the time. Can you tell us now whether those statements were cleared with the budget.

Mr. MEISTRELL. No; I do not believe they were, Senator Lehman.

Senator LEHMAN. You must have had something in mind at the time, when these releases were issued. I wonder whether you could refresh your recollection.

Mr. MEISTRELL. Yes, we did. When these floods occurred, the Commissioner of the FHA and I had discussions concerning some method of approach to the problem. One method of approach, of course, would be an insurance program, if it could be developed on some sound basis. We also discussed some of the other possibilities that were adverted to this morning. And, as a result of those discussions, we

undertook to get the views of various interested segments of our economy. And that brought forth these meetings to which I have referred.

Senator LEHMAN. Could you tell us how many houses were destroyed or seriously damaged in the disaster area of the Northeastern States?

Mr. MEISTRELL. We do not have statistics of our own, Senator Lehman. The Department of Commerce issued a release today, in which it indicated that figures gathered by the Civil Defense Agency in various State and local agencies indicate approximately 813 homes were destroyed by flood.

Senator LEHMAN. That is exclusive of the seriously damaged?

Mr. MEISTRELL. Yes. We do not have that information readily available, Senator Lehman.

Senator LEHMAN. Let me get back, for a moment, to something that has been very much in my mind and I think in the minds of my colleagues on the committee and, I may say, of many millions of other persons.

The loss that resulted from these disastrous floods fell primarily on the little fellow. The big corporations which suffered large losses, in all probability, in most cases, will have no difficulty whatsoever in writing that off out of their earnings or surplus. They can get loans from the Government to permit them to rehabilitate themselves. But it is the little fellow, who has a \$7,000 or \$10,000 or \$12,000 home, on which certain payments have been made, in many cases, but which is still plastered with a mortgage in most instances. What that fellow is going to do when his home is destroyed or seriously damaged, I just do not know. I do not know that there is anything that can be done retroactively. But I certainly feel very strongly that we must take every possible step to see that in future developments, and I hope in present developments, the loss will not fall on these people, who are without any fault whatsoever. They thought they were protected from this great disaster. Yet they are left without anything in the world, except the mortgage.

Mr. MEISTRELL. That is correct. Senator Lehman, I subscribe very strongly to what you have just said. We in the Housing Agency feel a very deep responsibility to these people. And, as you have indicated, it is the fellow who has a \$7,000 or \$10,000 mortgage on his home which is either totally or substantially destroyed and faces a deficiency judgment from some of the lending institutions that hold those mortgages. And it is something we are aware of. It is a very human and a very difficult problem. I can assure you that we will assist you and your staff in any way possible to try to work out some solution to meet these unusually difficult and, indeed, hardship cases.

Whether it will be done, as has been suggested today, through some form of joint venture by the State and Federal Government in some indemnity way, I frankly do not know. It is a venture into a new theory of government, to undertake to indemnify people for their personal losses. I do not believe that has ever been done, even in wars. Perhaps it should be. I do not know. But I think we have got to evaluate that problem with the utmost care, as to how far the Government will undertake to reimburse an individual for the loss of his own property.

Senator LEHMAN. Well, I want to correct one statement that you made. The Government does reimburse for personal losses in war—very frequently it has.

Mr. MEISTRELL. Perhaps I am in error on that. I was informed that was not the case.

Senator LEHMAN. I want you to know I am very grateful to you for your expression of sympathy. I am sure the statement is really sincere and represents the point of view of the Administration of which you are a representative here today.

I would be less than frank, however, if I did not again express my very deep disappointment that the Bureau of the Budget had no specific legislative proposals for a disaster insurance program. The six criteria offered appear to contain no substantial additions to the bill which I have suggested for study. I am sorry, very sorry, that the Bureau looks upon such an insurance program as merely an experiment, and that the Bureau would exclude coverage of personal property. Otherwise, these criteria are pretty well expressed in my bill. I had hoped that the Bureau would have made some positive contributions.

I realize the difficulty of this situation. The members of the committee want your help. We have given a great deal of thought to this. But we want the guidance of the Administration and the expression of their opinion. And that, according to the statement made by the President, must come from the Bureau of the Budget.

Mr. MEISTRELL. Well, I can assure you, Senator, that we want to be as helpful as we can, and I think your staff will agree that we have attempted to be, in every way possible. We have asked you to attend our meetings. We have offered to make available to the staff all the data and information that we have. And I look upon this as a venture that we should all participate in and all attempt to come up with a good, sound answer.

I do think—and I feel strongly that I should say this—that one thing we want to particularly guard against is any hasty or ill-conceived ideas which might very well affect the concept that you are attempting to develop and which we are interested in. It is not an easy problem. It is a difficult problem. And I think after you have had occasion to get the views of the insurance industry, who I hope will point out to this committee some of the problems they have raised with us, which caused us at least to be cautious in making recommendations that are not well thought through.

Senator LEHMAN. As I said this morning, the insurance companies will be given every opportunity to testify before this committee.

There is just one more question I want to ask you. I am asking this really for the record—because there is a great discrepancy between the figures that you have given regarding the destruction and damage to homes, and those given by the Civil Defense Administration. You stated that there were approximately 900 homes destroyed.

Mr. MEISTRELL. Senator, I am quoting from a release of the Department of Commerce, which is dated Monday, October 31, and I assume this is available, but I would be happy to give it to you at this time.

Senator LEHMAN. We have it. But you testified that there were 813 homes destroyed, and that a certain number were damaged. These figures were supplied by the Civil Defense Administration to this

committee. It is a preliminary estimate of damage. But they give houses destroyed, 1,229; homes, major damages, 4,900; and homes which sustained minor damage, 15,529. That is the total for the area that was affected in the Northeastern States by the flood. Those are pretty great variations.

Mr. WALLACE. Mr. Chairman, may I clear up the record for one part of the conception on these guaranteed loans. If you have an FHA loan and your house is washed away by flood, what happens? The loan is a guaranteed loan. Can you tell us what happens in that case?

Mr. MEISTRELL. Well, I am not qualified to speak on the VA-guaranteed loan.

Mr. WALLACE. No; I mentioned FHA loans.

Mr. MEISTRELL. The FHA does not guarantee loans; it insures the loan. The dealings between a borrower and lender are generally consummated subject to an FHA insurance, which runs to the bank, the lending institution. We agree in our insuring programs to indemnify the bank against loss on condition that the property is in substantially the condition it was at the time the loan was made. So that if a house is totally destroyed, the FHA has no liability.

Mr. WALLACE. On an insured loan, an FHA-insured loan, if the person who has the house has it washed away, he loses everything except the mortgage.

Mr. MEISTRELL. That is correct.

Mr. WALLACE. But in the case of a guaranteed loan, such as the VA, the loan itself is guaranteed, so that he loses his house, but he also loses the mortgage.

Mr. MEISTRELL. I believe under the VA guaranty, the Veterans' Administration liability is fixed to some percentage of the total loan, without regard to the security behind it. In other words, if the house is washed away, it probably washes away part of the debt, too. Whereas in the Federal Housing Administration, if the house is washed away, the mortgage has not been.

Mr. WALLACE. In your own studies, have you considered the possibility of working out an amendment to FHA legislation which would protect in case of flood in a similar way that the VA protects against flood?

Mr. MEISTRELL. When you say the VA protects against flood, I assume you are referring to this liability under the mortgage.

Mr. WALLACE. No; I mean that they guarantee instead of insure. I don't know whether it could be done legislatively. I merely wondered if you had looked into the question of providing something legislatively which would protect an FHA borrower, the same as a VA borrower is currently protected.

Mr. MEISTRELL. Well, I think they are two entirely different concepts; whether or not the Federal Housing Administration, in their insurance liability should assume a fixed liability irrespective of the risk element, as against the VA assuming the fixed liability in a lower amounts is a matter of legislative determination, and I am sure that matter has been under study. But I would rather Commissioner Mason comment upon that.

Mr. WALLACE. In other words, it is under study and you have considered that angle.

**Mr. MEISTRELL.** I am sure it has been from time to time considered. Is FHA to be the same as VA or VA the same as FHA—I do not know. Those are problems that I assume have had very careful consideration by the Congress at the time they enacted the act.

**Mr. WALLACE.** Thank you very much.

**Senator LEHMAN.** Commissioner Mason, are you prepared to testify at this time?

**Mr. MASON.** Yes, sir.

**Senator LEHMAN.** We would be very glad to hear from you.

#### **STATEMENT OF NORMAN P. MASON, COMMISSIONER, FEDERAL HOUSING ADMINISTRATION**

**Mr. MASON.** Senator Lehman, my name is Norman Mason, and I am Commissioner of the Federal Housing Administration. I have a prepared statement. I feel that much of it has been covered by Mr. Meistrell in his testimony. If you would like, I will omit the details of what we have done, or I will give them to you.

**Senator LEHMAN.** Whichever you wish to do.

**Mr. MASON.** If I may take just a moment, I will go through it, if I may.

Last August as the accounts of the ravages of the unprecedented flood that struck the eastern part of the United States showed the tragic loss of life and devastating damage to homes and industry, we in the Federal Housing Administration immediately took steps to provide what financial relief we could to the unfortunate flood victims. I felt it would be helpful to have firsthand, eyewitness knowledge of conditions, so I went to the Pennsylvania, New Jersey, and New England areas. I was flown to Hartford as soon as weather conditions permitted and conferred there with our local office chief and the heads of other constituents of the Housing and Home Finance Agency. The officials of the Civil Defense Administration also were present. Senator Bush was most helpful and attended these meetings. I also met on the following day other Senators and Congressmen who had come to the area. After these conferences, I was given an opportunity, through a helicopter flight, to have an impression of the great damage wrought by the flood. That afternoon I went by air to eastern Pennsylvania for a similar firsthand impression of the measure of damage and the holding of conferences with the officials concerned with providing relief.

My conclusions of this survey were that the Federal Housing Administration could best serve the unfortunate flood victims by easing their financial burden in the rebuilding and repair of their homes on a long-range basis. I felt that the immediate problems of disaster relief were being solved by the relief agencies. After the declaration of the disaster areas by the President, FHA arranged to provide under our disaster-loan program that distress-area victims who lost their homes would be enabled to purchase or build homes for \$7,000 with no downpayment and a 30-year FHA insured loan. We arranged for priority and the most rapid method of processing of such applications. I have already told you we have had very little use taken of that function. Since that provision would benefit victims desiring only houses in the lower-price range, we also changed our rules to

lower downpayments and increased the maturities of mortgages for distress-area victims under our regular single-family home programs.

By letter all lenders were urged to extend the full facilities of the title I FHA home improvement and modernization program to disaster victims for the repair of flood damage. Recognizing that flood victims would be finding it difficult to meet their current obligations, we liberalized our rules to provide that lending institutions would have 15 months—from 9 months—in which to file claims against the FHA after default in meeting title I monthly payments by the borrower, and mortgages were allowed 2 years, instead of 1 year, from the date of default before filing claims with us. These steps made it easier for lending institutions to work out relaxed repayment plans for victims whose incomes were curtailed or cut off by the flood.

A survey was made immediately in Commissioner-owned housing projects of vacancies which could be used for temporary disaster housing.

Most important, however, was our procedure of sending teams of fully informed FHA personnel from our Washington headquarters to go with representatives from our local offices to the disaster areas to inform mayors, relief committees, and all parties interested, of the FHA facilities available for rebuilding. These teams worked long hours and traveled long distances and visited every city and town damaged by the flood in the New England, New York, and Middle Atlantic areas to explain to worried town officials and homeowners the steps under which we intended to ease the financial burdens of homeowners afflicted by the flood.

We made arrangements to provide the Small Business Administration with the services of local FHA personnel for appraisal and architectural inspection duties in connection with their progress.

One could not visit the actual disaster areas and talk with the people of these communities without being impressed with the really serious situation that faced homeowners, good Americans who had lost their homes and were left with a debt to pay.

Quite properly I believe our Government, recognizing that homeownership is one of the cornerstones of good citizenship, has encouraged its citizens to purchase homes. Through FHA financing we have made it possible for these folks to acquire a home with a low downpayment and to retire their debt over a long period of years. There are fire insurance and other forms of casualty insurance to protect his investment from the more normal hazards—we even have earthquake insurance—but the homeowner has no way to protect his investment in a home from a flood. I believe that since we encourage our young folks to go into debt to buy a home, we should find a way to help provide protection for them.

I have talked with insurance people and they tell me that it is not economically feasible for them to provide flood insurance so I am happy to see this committee exploring this matter. I am sure that I do not myself have the answer, but a committee such as this, with the wealth of information it can call upon will, I am sure, find the solution to the problem.

If there are ways that FHA can help the committee, we will be most happy to do so.

Senator, I agree with what you said to Mr. Meistrell, and I particularly am impressed with it, because we do encourage people to incur this debt, and then we leave them right out on a limb.

Senator LEHMAN. We certainly do that. I am very grateful to you for your comments, and I can assure you this committee is going to use its best efforts, continuing efforts, to find a solution for this thing, because I think it is highly important.

Mr. MASON. I am sure it is.

Senator LEHMAN. I want to ask you one question. As the reason so little use was made of the FHA insurance program for disaster loans that the \$7,000 limit is too low to be practical in these higher cost construction areas? Should the statutory limit be raised?

Mr. MASON. Yes, sir; I am sure this has a bearing. The folks who live in Connecticut as a rule do like better houses than \$7,000 houses. The three applications that we have are all prefabricated houses which are small and not too desirable additions to the housing inventory.

Senator LEHMAN. Let me ask you this. I read some figures and Mr. Meistrell gave us figures of the number of houses destroyed. He said there were some that had been damaged. The figures that I read from the Civil Defense Administration were very, very much larger, half again as large, of houses destroyed, and 3 or 4 times as large than Mr. Meistrell had in mind, I gather, of houses seriously damaged or with minor damages. Have you got any information on that?

Mr. MASON. No, we do not collect statistics for such purposes. We depend upon Commerce and other departments of the Government for those figures. I would say that when I flew over that area, Senator, I was really shocked, though.

Senator LEHMAN. We had a similar disaster in New York in 1936. It was not as serious as this one, but it affected the entire southern tier. I was down there for a number of days, and although it was much less serious than the one we have just gone through, the damage was enormous. And, as in this disaster, the load fell on the little fellow, the little homeowner, almost exclusively.

Mr. MASON. You see, I am sure you know this, but it is not just the very poor man. I think the very poor man sometimes gets taken care of by the Red Cross. But our average American citizen who has a little business of his own may lose that also in paying off his mortgage which a bank, after all, cannot pay off. And this is not just a Government loan program, either, because, as I am sure you know, something less than 25 percent of the loans that are made are insured by FHA, and another percentage, which would bring it up to less than 50 percent, are VA loans. The VA's program is a little larger than FHA. And then beyond that are conventional loans. And these people are left out on a limb, too, just as those with Government-insured loans. They may not have such a large mortgage, but it is just as serious.

Senator LEHMAN. Of course the man with a very large income is very little hurt, although he may lose a valuable house, because he is in a position to write off his loss against his income tax, and therefore suffers very little loss.

Has the Agency had many complaints from disaster victims concerning the speed in rendering aid, the adequacy of aid, or other complaints?

Mr. MASON. We have not gotten them in Washington yet, sir. I would say in general we have had a pretty good reputation. You see, we do have in FHA local offices in the States to which people can get and this may be a help. I am sure it does. It is an office with which the lenders at least are familiar. I realize this is a problem, because people do not know where Government agencies are, and so we did send these teams out—our local director and two men from Washington, in each of the areas—to travel around and tell, not just the city officials, but interested groups in towns, where we were and what we could do for them.

Senator LEHMAN. Do you think that any legislation that is enacted should cover only flood insurance or insurance against all natural disasters?

Mr. MASON. Well, the flood insurance is one which has been particularly impressed upon me, because of this disaster. In my thinking, I have thought about other possible disaster areas that might be covered, and the number of them is relatively small. Therefore, I believe that if it covered everything, it would be an added advantage.

One of the problems that the insurance people always bring up when you talk to them is that nobody buys flood insurance excepting the man who is a bad risk, and if we had something that would spread this so that other people bought this kind of insurance, it might be an advantage.

Senator LEHMAN. I think that might very well be the case. Have you given any thought to manmade disasters, such as enemy attack?

Mr. MASON. No, sir; in FHA we have not explored that yet.

Mr. WALLACE. Mr. Mason, do you have figures on how many FHA homes were affected by the flood and how many homes with FHA-insured mortgages were affected in this six-State area?

Mr. MASON. No, we do not.

Mr. WALLACE. Mr. Meistrell mentioned that in the case of an FHA home which was washed away by flood you would get a moratorium on the loan, and then could get an advance commitment for a mortgage to build a new house; is that correct?

Mr. MASON. If the man applied for it; yes. I mean we extended the term on the loan from 1 year to 2 years, which permitted the bank—it isn't a moratorium exactly, and yet I suppose it is—it gives the bank the privilege of extending relaxed terms to this borrower who is in this terrible situation.

Mr. WALLACE. Well, assuming that a man had a \$5,000 FHA-insured mortgage on a home which was washed away, and he got what in effect was a moratorium and an advance commitment for another mortgage of \$5,000, he would have to repay a mortgage of \$10,000; would he not?

Mr. MASON. Yes, he would. Now, the figures that you have used are possible, but if you get into larger figures you have trouble—as you know, you cannot get an FHA-insured loan unless you have an adequate income to carry the loan. So you could easily price yourself out of this.

Mr. WALLACE. His credit rating would hardly be sufficient to cover what in effect is almost a double mortgage.

Mr. MASON. It isn't a question of the credit rating. It is a question of earning enough to retire the mortgage.

Mr. WALLACE. Have you gotten many requests to use this moratorium and advance commitment?

Mr. MASON. Not yet; no, sir.

Mr. WALLACE. I would think it would be pretty difficult for a person to pay, in effect, a double mortgage.

Mr. MASON. You see, we won't have them yet, sir, because they come from the banks.

Mr. WALLACE. I understand, though, that the Red Cross has been stepping into this gap to some extent. I have been told of one instance of a woman who purchased a \$15,000 home right before the floods and it was washed out, and the Red Cross stepped in and helped to take care of that old mortgage so she could get a new mortgage. Do you know the extent to which the Red Cross will step in and fill that gap?

Mr. MASON. No, I do not. But I didn't think it applied to a \$15,000 mortgage. I have been through a flood myself and suffered from it, and know that the Red Cross assisted principally, in our case, up in Massachusetts, along the Merrimack River, welfare cases, so to speak. I mean the man who was really right up against it. And the man who has a \$15,000 house generally is not up against it.

Mr. WALLACE. Thank you very much.

Senator LEHMAN. I want to hold you here for a few minutes more, because it is perfectly obvious you have given a lot of thought to this subject. I would like to get your judgment on 1 or 2 other points.

Do you think the program should be one of direct insurance or also through reinsurance?

Mr. MASON. I didn't get the alternative.

Senator LEHMAN. Should the Government be the insurer or assist through reinsurance, or a combination of both?

Mr. MASON. I am not sufficiently an expert on this, Senator, to be sure. I am a believer in private enterprise doing the bulk of this work. I believe if you are going to have an insurance program, that the insurance companies can more efficiently run the handling of the individual policies, as they did in the war risk in other wars. So I think that perhaps I would say that if you were going to have an insurance program, it should provide for reinsurance.

Senator LEHMAN. Have you any idea of what Government agency should administer the program, if the program is adopted?

Mr. MASON. This is maybe a self-serving statement, sir, but I believe that the Housing and Home Finance Agency, which has in FHA an insuring agency, has personnel who are equipped to handle such a program. We are certainly equipped to know about financing, about insuring homes, and if we carried this further, the principles of insuring other things are the same. Primarily, of course, my interest has been in homes, and my studies have been along that line.

Senator LEHMAN. The suggestion has been made by a number of people with whom I have spoken that the Civil Defense Administration should handle it. But we are going to give very careful consideration to all the agencies that might be qualified to handle this.

Mr. MASON. Yes, sir.

Senator LEHMAN. Do you think that this insurance should be confined merely to real property or to personal property as well?

Mr. MASON. Well, as I said a minute ago, I am primarily interested in homes. And my own philosophy is that in general I buy protection

or I seek protection on the major items of my existence. I will admit that I carry insurance and fire insurance on my furniture and so on in my home, and if we had the ability to provide a program as broad as that, it certainly deserves study. But primarily, if we got one to protect the home, I would be very happy.

Senator LEHMAN. Well, I mean furniture is part of the home.

Mr. MASON. Well, it is pretty necessary to live in a home; yes, sir.

Senator LEHMAN. It may have been accumulated at great sacrifice over a long time, of course.

Mr. MASON. I am sure that in the Senator's part of the country and mine we do accumulate furniture over a long time. In our house, everything goes 2 or 3 generations back.

Senator LEHMAN. Well, even the furniture from 4 or 5 years back entailed a sacrifice to acquire. It must be taken into consideration and should be taken into consideration, substantially as much as the structure of the house itself.

I think those are the questions I have. Thank you.

Next we will hear from Mr. Follin. Mr. Follin, do you have a prepared statement?

#### **STATEMENT OF JAMES W. FOLLIN, DIRECTOR, URBAN RENEWAL ADMINISTRATION**

Mr. FOLLIN. Senator, I have a prepared statement, but if it pleases you, I would like to file it for the record and only comment on 2 or 3 phases of it.

Senator LEHMAN. That would be very satisfactory, because we still have a number of witnesses and the hour is late.

Mr. FOLLIN. The Urban Renewal Administration, as you know, is a recasting of the Division of Slum Clearance and Urban Redevelopment that has a responsibility for title I of the Housing Act of 1949 and the amendments made in 1954 which broaden the program to where it got the name Urban Renewal. I thought I would explain that so you would understand.

Now, our program, which provides for the clearance of land and its preparation for rebuilding, naturally is a program that is of interest to the communities that have been damaged in these floods. Our programs, of course, are primarily of interest in the rebuilding stage, not in the first stage of the flood. To some extent, as I will explain in a moment, in preventing conditions of this kind.

Now, Mr. Meistrell has already pointed out the applications which we have received and the ones that are in the making, and I will merely file this statement with the reporter in order that you may have the details of it.

(The statement referred to follows:)

#### **STATEMENT OF JAMES W. FOLLIN, DIRECTOR, URBAN RENEWAL ADMINISTRATION**

URA has approved title 1 financial assistance for Scranton, Pa., and Waterbury, Conn.

Planning advances totaling \$145,000 for 2 urban renewal areas in Scranton, Pa., were approved on September 18, 1955. Capital-grant funds totaling \$2,015,000 were also reserved. One of the Scranton areas known as the Petersburg urban renewal area, consisting of a 41-acre tract for which financial assistance has been granted, was reported to the almost entirely inundated to a depth of some 4 feet above ground level by floodwaters. Many of the 91 homes in the area

were demolished. Tentative renewal plans for this area call for the demolition or removal of all structures and the conversion of the area to park purposes.

The second area, known as the South Side Flats urban renewal area, embraces some 170 acres along Roaring Brook and the Lackawanna River. According to present tentative plans, 107 acres in the project area which were completely flooded will be cleared of 600 residential structures and redeveloped primarily for industrial and commercial uses under the Scranton plan for industrial development.

Waterbury, Conn., was granted a planning advance of \$60,348 for a 30-acre proposed clearance project on September 24, 1955. The capital grant was estimated at \$666,000.

The Naugatuck River overflowed at the site in addition to inundating a large part of the city's business section. The area is to be replaced for park, public highway, and residential uses. Redevelopment will be coordinated with the United States Army Corps of Engineers so as to minimize future flood hazards.

Before the flood there were some 110 dwelling units in the area occupied by about the same number of families. Many of the structures were swept away and only the foundations remain.

The HHFA regional office in New York has received additional applications for financial assistance from the Connecticut towns of Naugatuck, Torrington, and Winsted. In addition the regional office reports applications being prepared with the assistance of the urban renewal technical staff in the following 10 Connecticut communities: Putnam, Windsor, East Granby, Avon, Ansonia, New Hartford, Beacon Falls, Seymour, and Washington. These communities propose to make application for financial assistance on the basis of the flood damage caused by Hurricane Diane on August 18 and 19, 1955. The ability of many of these communities to carry out urban renewal activities may depend on appropriations by the State legislature of funds to meet the city's one-third share of the cost. It is reported that such assistance will be requested when the State legislature meets in November.

The aftermath of the more recent flood conditions in the New England area is also being felt. It is understood that the communities of Norwalk and Stamford, Conn., propose to reactivate dormant urban renewal projects conceived under the Housing Act of 1949 because of recent flood conditions and its effect on these areas.

The HHFA regional office in Philadelphia is currently assisting the communities of Easton and East Stroudsburg in Pennsylvania in the preparation of applications for financial assistance as a result of flood damage.

#### AID TO DISASTER AREAS THROUGH URBAN PLANNING ASSISTANCE PROGRAM

##### SECTION 701 OF THE HOUSING ACT OF 1954

###### *Authority*

Federal assistance in the replanning of small municipalities, metropolitan areas and urban regions affected by disasters is available through the regular program of urban planning assistance authorized by section 701 of the Housing Act of 1954. This assistance is available in the form of grants to qualified State, metropolitan, and regional planning agencies. A Federal grant may not exceed 50 percent of the estimated cost of the planning work.

The Congress has thus far appropriated \$3 million (out of an original authorization of \$5 million) for the 701 program. Approximately \$324,000 of this amount has been committed and applications are on hand for an additional \$426,500.

The law makes no provision for grants directly to municipalities. Grants for planning assistance to small municipalities (under 25,000) may be made to qualified State planning agencies to aid them in providing the desired assistance. The State planning agency must initiate the request for Federal aid and must match the Federal grant. It may provide technical assistance either through its own staff or through contractual arrangements with private consultants or other qualified persons or organizations.

Grants for urban planning in metropolitan areas and urbanized regions (for example, the Naugatuck Valley in Connecticut) may be made either to an official State planning agency or to an official metropolitan or regional planning agency. In each case the agency must match the Federal grant.

*Planning assistance to disaster areas*

In fiscal 1955 financial assistance was given by the Urban Renewal Administration to the Rhode Island Development Council under the provisions of section 701 to help in making surveys, studies, and plans for readjustments in land use and building development intended to lessen the danger to human life, damage to property, and disruption of community services from recurring hurricanes and other storms in the Rhode Island shore area. This was the first grant approved under the urban planning assistance provision of the Housing Act of 1954. The grant of \$16,000 provided to Rhode Island was on a 50-50 matching basis.

To date in fiscal 1956 URA has given assistance to flood-stricken areas in New England and North Carolina under the urban planning assistance program. Immediately following the disastrous floods which followed in the wake of hurricane Diane on August 18 and 19, 1955, a number of the stricken communities in the State, anxious to redevelop their flood-damaged areas according to carefully prepared plans, sought planning assistance from the State development commission. Since the communities were hard hit financially the development commission agreed to provide technical planning assistance on a temporary basis with an allocation from the governor's contingency fund and to seek financial aid from the Federal Government under section 701 to expand and continue this program. Qualified city planning advisers from Connecticut and neighboring States have been retained by the commission and their services made available at no expense to the communities requesting planning assistance.

In response to the development commission's request for aid we quickly re-oriented the urban planning assistance program to immediately help that agency in providing the needed assistance to the stricken communities with both their immediate and long-range planning problems. Technical personnel from our New York and Atlanta regional offices assisted staff of the development commission in analyzing the planning problems of flooded communities and in preparing applications for urban planning grants under the Federal-aid program. Upon the basis of an application received from the development commission on September 30, an allocation of \$87,509 was approved on October 5 to match an equal amount of State funds. These funds will be used to provide assistance to the following 14 flood-stricken communities of less than 25,000 population, in planning their reconstruction and future development.

Ansonia	Naugatuck	Thomaston
Avon	New Hartford	Washington
Beacon Falls	Putnam	Winchester
East Granby	Seymour	Windsor
Farmington	Stafford	

It is understood that with other State funds the commission is providing planning assistance to larger flood-stricken communities.

Under the State-sponsored federally aided planning assistance program, each of the assisted communities will prepare a comprehensive plan for its future development, including the relocation of commercial, industrial, and residential districts that are vulnerable to flood. The comprehensive plans and codes and ordinances developed in this work will give the communities a sound basis for undertaking urban renewal activities under the Housing Act of 1954. In many cases flood damage was heaviest in blighted areas that are eligible for Federal assistance for urban renewal projects.

The Connecticut Development Commission has also submitted an application for a Federal matching grant of \$95,117 to aid in the replanning of the 3 valley regions which were hardest hit by the flood—those of the Naugatuck, Farmington, and Quinebaug Rivers. Planning work in these regions will concentrate on the adoption of flood-control measures, the relocation and improvement of highways and other transport facilities, and general improvement in the pattern of urban settlement and industrial development. The regional studies will aid in the development of specific city planning measures for the communities in the respective river valleys.

While to date we have not received requests for assistance from other States in the Northeast in which communities suffered severe floods resulting from the 1955 hurricanes, we have been informed by the directors in charge of planning assistance in the Massachusetts and Pennsylvania Department of Commerce that surveys now underway may indicate the need for Federal aid in the replanning work.

In the State of North Carolina, following Hurricane Ione, technical personnel from our Atlanta office assisted the University of North Carolina in preparing for the Governor a prospectus of reconnaissance studies to be undertaken in communities in the eastern part of the State which have been subject to disastrous floods resulting from recurring hurricanes. The purpose of the studies is to identify the major rehabilitation and development problems resulting from recurring hurricanes, and suggest planning and other measures for a long-range defense against the hurricane hazards. It is not expected that assistance under the section 701 program will be necessary in connection with the reconnaissance studies, but it may be requested for later phases of the work.

**Mr. FOLLIN.** There are two phases of it that I think I should comment on very briefly.

In the first place, answering the question which you raised as to whether the area has to be blighted before the flood, the law says that an area, to be eligible, must be a slum area, a blighted, deteriorated, or deteriorating area. I would assume, therefore, that we would have to consider the condition of the area at the time the Federal aid is applied for. Therefore, it would not make much difference whether the damage had been done by natural causes or the flood. It is the condition at the time they ask for the assistance which would govern it.

In that connection, if it is the desire of the committee, after this investigation, to look to this law for possible aid in other disasters, it very probably could be much simplified from the standpoint of floods by amendment of the act. And I simply throw that out to you, sir, in your consideration of the problem.

**Senator LEHMAN.** I am not quite sure I follow your suggestion.

**Mr. FOLLIN.** In order to apply this act, this 1949 act, as amended in 1954, to a flooded area, it is necessary to file certain prerequisites, which might be, in this case, waived because of expediting action for the community.

**Senator LEHMAN.** You are referring to urban redeveloping.

**Mr. FOLLIN.** Yes, that is right. So I simply indicate that the act could be made much more useful in conditions of this kind if it were amended to eliminate some of the prerequisites.

The second thing is, of course, that if one of these areas does qualify and is put under Federal aid, you can give some measure of help to this distressed homeowner. In other words, you can pay fair value for what you find on the site at the time the site becomes a project under this law. Now, it is not possible to pay that owner for a house which has been destroyed or a house which has been swept away by the flood. But to the extent that there are improvements on the site, the law requires that the project shall pay fair value. So it does give some aid, and help, to the distressed property owner. And I just wanted to point that out to you, sir.

**Senator LEHMAN.** That might be helpful for a damaged house.

**Mr. FOLLIN.** Yes, sir; that might be quite helpful to a damaged house. But if the house is entirely gone, there just is no possible way the appraiser could recognize it as being a part of the improvement on the site.

Now, Senator, as the concluding thing, we have made available under section 701 of the 1954 act assistance to the State of Connecticut in making urban planning assistance available to 14 communities. Now, that is community, or city planning. And that planning of itself may be of great help in preventing future situations of this kind.

Also, there are pending 3 applications for the 3 river valleys in the State of Connecticut where also the effect of the planning may be to prevent use of land in many cases that should not be put, for instance, to residential or even commercial or industrial use. So the planning assistance that is being given in that area may reap some benefits in the future.

Now, it is of interest in the case of 2 projects which are in Scranton, Pa., to find that under 1 project the reuse plan is entirely of parks and playgrounds or parking areas; no buildings to be erected, for the reason that it seems impractical to provide flood protection for that area. And in this case, therefore, there will be a considerable mark-down in the value of the land from where it has been in residential use to its use for parks.

In the second project in Scranton, however, it is contemplated that the land in its reuse shall be for commercial and industrial purposes, which means an increase in value of the land for future use, because there it is planned to provide this reuse in connection with flood-prevention programs.

So you have a great variety of conditions, both preceding and following the flood, in its reuse—and many valuable benefits can be bestowed on these communities through our program.

I would be glad, Senator, to answer any questions.

Senator LEHMAN. Thank you very much, indeed. That has been very helpful.

Senator LEHMAN. Mr. Hazeltine and Mr. Olmstead.

Mr. MEISTRELL. Mr. Hazeltine is not here, sir, but Mr. Seward is here and he will be pleased to testify in his behalf.

Senator LEHMAN. We would be glad, indeed, to hear from him.

#### STATEMENT OF PERRY F. SEWARD, DEPUTY COMMISSIONER, COMMUNITY FACILITIES ADMINISTRATION

Mr. SEWARD. Senator Lehman, I am Perry F. Seward, Deputy Commissioner, Community Facilities Administration. In connection with this disaster situation, there are very limited activities which we can get into with respect to aid. The two programs which we have currently under operation, which can be adapted somewhat to this situation, is our advance-planning program and our public facilities-loan program.

Under the advance-planning program, we are authorized to advance money to States and local public bodies for the preparation of plans for needed public works. This is an advance which is repayable at the time the planned project is placed under construction.

In the disaster area, we have currently approved three projects, all of which are in East Stroudsburg, Pa. There are quite a number of additional applications currently in process which we anticipate will be approved within a reasonable length of time.

With respect to the public facility loan end of it, the law requires that those loans be properly secured. We do not have any definite applications yet. There are several which we understand are in the making. When they are filed, they will be given just as prompt consideration as we can possibly give them.

In this disaster operation, I was for many years Commissioner of Community Facilities and directed the disaster operations under the

old Federal Works Agency, GSA, and the Housing Agency, until such time as the function was transferred to the Civil Defense Administration. In our experience in that period of years in these disaster operations, we developed, I think, quite a number of people with the know-how who we have loaned, of course, to the Civil Defense Administration for use in these areas.

And that, Senator Lehman, about constitutes the activities of the Community Facilities Administration in this particular field.

Senator LEHMAN. Are you constantly in touch with the State and local authorities?

Mr. SEWARD. Yes, sir.

Senator LEHMAN. Thank you very much.

Mr. Olmstead.

#### **STATEMENT OF ORVIL R. OLMSTEAD, ASSISTANT COMMISSIONER FOR PROGRAMS, PUBLIC HOUSING ADMINISTRATION**

Mr. OLMSTED. Senator, my name is Orvil R. Olmsted. I am Assistant Commissioner of the Public Housing Administration in charge of programs, and I am representing Commissioner Slusser today who is recovering from an operation, and he asked me to convey his regrets that he could not be here.

I have a brief statement which I will be glad to give you. It follows Mr. Meistrell's summary of the Public Housing Administration's participation in the disaster relief program.

Senator LEHMAN. Do you have anything to add?

Mr. OLMSTED. I have nothing to add, but I will be very glad to answer questions.

Senator LEHMAN. I do not think there are any questions at the moment. There may be at some later time. We have gone over the housing situation very well.

(The statement referred to follows:)

#### **STATEMENT OF PARTICIPATION BY PUBLIC HOUSING ADMINISTRATION IN THE DISASTER-RELIEF PROGRAM**

On August 20, 1955, President Eisenhower invoked Public Law 875 for disaster-affected localities. The Federal Civil Defense Administration issued Disaster Order No. 1 on August 20, 1955, assigning disaster relief responsibilities to the various governmental agencies. The Administrator of the Housing and Home Finance Agency was given the responsibility for providing temporary housing and other emergency shelter. Disaster Relief Order No. 1 also provided for "an orderly and continuing means of assistance by the Federal Government to States and local governments in carrying out their responsibilities to alleviate suffering and damage resulting from the major disasters in Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania."

In the New England area, emergency assistance was handled through a special HHFA Disaster Office established in Waterbury, Conn. A member of the PHA New York field office was assigned to this task force. Since the time factor was of prime importance, authority and responsibility for PHA operations was given to the New York field office.

The PHA made available some 1,400 units of federally owned war housing and federally aided public housing in the Connecticut area as temporary housing for homeless flood victims. Also, the PHA authorized local authorities to open all public housing vacancies for this purpose in addition to vacancies in Lanham Act projects. It was established that a potential of 600 federally owned trailers at Portsmouth, Ohio, could be moved into the disaster area if other housing resources were insufficient.

The FCDA was advised that action by PHA to bring in housing would be taken upon an authorization from FCDA.

In negotiations with representatives of FCDA, they were advised that our fund situation was limited to such an extent that we could not prepare and transport trailers to the disaster areas except on a reimbursable basis; title to trailers transported and temporary family housing moved to the disaster-affected areas was to be transferred to FCDA and responsibility for management and future handling would rest with FCDA.

Housing was transported or existing units in the area were made available for occupancy as follows:

*Trailers*

<i>Location</i>	<i>Number of units provided as result of assignment</i>
Beacon Falls, Conn.....	8
Farmington, Conn.....	14
Naugatuck, Conn.....	26
Southbridge, Mass.....	55
Thomaston, Conn.....	14
Unionville, Conn.....	5
Danbury, Conn.....	19
<b>Total.....</b>	<b>141</b>

Trailers were moved from Piketon, Ohio (Public Law 139 program) to the various locations outlined above.

*Temporary housing units*

Groton, Conn. (Public Law 139).....	300
Waterbury, Conn. (Lanham).....	174
West Hartford, Conn. (Lanham).....	227
<b>Total.....</b>	<b>701</b>

The housing at Groton, Conn., was transferred to FCDA to be removed from its present location to other localities as required by the emergency. The two Lanham projects at Waterbury and West Hartford which were in process of disposition were reactivated for use under the disaster-relief program. The number of units shown represents the number of vacant units at these projects.

By mid-September the PHA had housed disaster families in existing low-rent and Lanham projects as follows:

	<i>Number of families</i>
<b>Pennsylvania:</b>	
Bethlehem.....	18
Easton.....	5
New Jersey: Phillipsburg.....	6
<b>Connecticut:</b>	
Hartford.....	22
East Hartford.....	4
West Hartford.....	78
New Haven.....	39
Waterbury.....	38
New Britain.....	17
Middletown.....	1
Massachusetts: Worcester.....	2
<b>Rhode Island:</b>	
Woonsocket.....	43
Fairmount.....	17
<b>Total.....</b>	<b>290</b>

Subsequently, another hurricane caused serious damage in the New Bern, N. C., area. The PHA authorized the local housing authority at New Bern to house disaster families in existing low-rent projects on an emergency basis. No requests were received from FCDA for utilization of trailers or other temporary housing.

When new floods occurred in the New England area earlier this month, the task force for housing disaster victims was reassembled. Eligibility requirements for admission to existing projects were relaxed, and 21 trailer units were moved into the Danbury, Conn., area for emergency housing use. Of these units 19 were moved from Piketon, Ohio, and 2 were moved from Southbridge, Mass.

Senator LEHMAN. Before we proceed with the next witness, I want to say that I understand that Mr. Reid of FNMA is present in the hearing room. I know he was not asked to testify, but I would like to ask him to file a statement for the record, setting forth the views of his agency concerning their ability to help in the distressed areas and how practical advance commitments of aid are to a man with a heavy mortgage debt. Mr. Reid, will you do that?

**STATEMENT OF ROBERT NEWTON REID, VICE PRESIDENT AND GENERAL COUNSEL, FEDERAL NATIONAL MORTGAGE ASSOCIATION**

Mr. REID. Yes, sir.

Senator LEHMAN. If you wish to testify or someone else from your agency, we will be very glad to hear you.

Mr. REID. Thank you, sir. If you have any questions, I will try to answer them. Otherwise, I will be pleased to file a statement.

Senator LEHMAN. We will hold the record open—and we may ask you to come back.

(The following statement was submitted subsequently by Mr. Reid to supplement his preceding testimony:)

**STATEMENT OF ROBERT NEWTON REID, VICE PRESIDENT AND GENERAL COUNSEL, FEDERAL NATIONAL MORTGAGE ASSOCIATION**

In response to the committee's request to me, made in open hearing on October 31, 1955, I am submitting this statement concerning the facilities of the Federal National Mortgage Association in relation to the two recent tragic floods in the Northeastern States and other such major disasters. For the record, my name is Robert Newton Reid and I am the Vice President and General Counsel of the Association.

The Federal National Mortgage Association is in a position to purchase, or to commit to purchase, mortgages insured by the Federal Housing Commissioner or guaranteed by the Administrator of Veterans' Affairs if such mortgages cover replacement housing, in instances in which the mortgagor's former home was destroyed or damaged to such an extent that construction, reconstruction, or purchase of a dwelling is required to replace the home lost in a catastrophe which the President of the United States has determined to be a major disaster and the housing to be covered by the mortgage will be occupied by the mortgagor or members of his immediate family.

These purchases, and commitments to purchase, of FHA-insured and VA-guaranteed mortgages are authorized under the special assistance functions of the Association (sec. 305 of the FNMA Charter Act). At the present time, the full unpaid principal amount of the mortgages affected by such purchases of and commitments to purchase mortgages (including special participations in mortgages) may not exceed \$10 million outstanding at any one time, but that amount may be increased within statutory limits by action of the President of the United States.

Adverting to earlier testimony, it is my opinion that if a house were destroyed by flood there would nevertheless be a continuing personal obligation of the mortgagor to effect payment of the unpaid portion of his mortgage debt.

It is my understanding, further, that destruction of the house by flood would prevent recovery by the mortgagee under the FHA mortgage-insurance contract with respect to an FHA-insured mortgage, i. e., the mortgagee's recovery would be restricted to the amount that could be realized from disposition (other than to FHA) of the unimproved land, plus any amount that were recoverable on account of the personal liability of the mortgagor.

If, in like circumstances, the mortgagee held a VA-guaranteed mortgage, it is my understanding that the mortgagee could collect the guaranty (for example, 60 percent of the unpaid portion of the mortgage debt) from the Veterans' Administration. (The Veterans' Administration would thereupon be subrogated

to the mortgagee's rights, and would have a claim against the mortgagor for the amount paid under the guaranty.) It is likely, in such circumstances, that the Veterans' Administration would elect not to accept conveyance of the unimproved land for the balance of the mortgage debt. The mortgagee's additional recovery would be limited, therefore, to the amount that could be realized from other disposition of the unimproved land, plus any amount that were recoverable on account of the personal liability of the mortgagor for the remaining unpaid mortgage debt.

In the circumstances outlined above, I think it is unlikely that a mortgagor could obtain a new mortgage loan until some satisfactory settlement had been made with respect to the unpaid portion of the mortgage loan covering the property on which had been located the house that was destroyed. That is a credit matter, and presumably would apply without regard to whether the new home were placed on the old site or on a new site. Assuming that some satisfactory settlement had been effected, I think the fact that FNMA commitments are available to lenders would in many instances be of material help to the mortgagor in obtaining a new loan.

There can be no question but that the interests of both mortgagors and mortgagees would be enhanced if broad disaster insurance could be made available on reasonable terms.

It has been testified earlier by the Federal Housing Commissioner, Mr. Mason, that only a few FHA insurance commitments have as yet been issued for disaster housing mortgages following the recent New England floods. That is accounted for because there has not been a sufficient lapse of time. Until an FHA insurance commitment has been obtained, a lending institution (mortgagee) is not in a position to ask the Federal National Mortgage Association to commit to purchase the mortgage. I believe that fact explains why there have been thus far no applications for FNMA commitments in connection with these two recent floods.

Disaster housing mortgages which are eligible for FNMA's commitments are those insured by FHA under section 203 (b), 203 (h), 203 (i), or 222 of the National Housing Act, as amended, and those guaranteed by VA under section 501 of the Servicemen's Readjustment Act of 1944, as amended.

[Pt. X, FNMA Sellers Guide, Program No. 1]

**FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM**

**NO. 1—DISASTER HOUSING MORTGAGES**

(Effective November 1, 1954)

(Amended May 1, 1955)

*Purpose of the program*

As authorized by the President of the United States, pursuant to the provisions of the Federal National Mortgage Association Charter Act, the Federal National Mortgage Association (FNMA) announces that it will enter into contracts to purchase mortgages, or 20 percent immediate participations in mortgages (including a related deferred participation agreement to purchase the remaining outstanding interest in such mortgages conditional upon the occurrence of such a default as gives rise to the right to foreclose), that are insured by the Federal Housing Commissioner (FHA-insured mortgages) or guaranteed by the Administrator of Veterans' Affairs (VA-guaranteed mortgages) covering housing intended to be made available primarily for families who are victims of a catastrophe that the President of the United States has determined to be a major disaster. A separate announcement will be made in connection with the assistance to be rendered by FNMA to victims of each catastrophe so determined to be a major disaster. In addition to other conditions and requirements set forth in this Sellers Guide, commitments and purchases under this program will be subject to the following supplemental conditions:

*Types of mortgages to be purchased*

Unless otherwise specifically provided to meet the requirements of a particular situation or circumstance, purchases will be limited to mortgages and 20 percent immediate participations in mortgages to be insured by FHA under section 203 (b), 203 (h), 203 (i), and 222 of the National Housing Act, as amended, or guaranteed by VA under section 501 of the Servicemen's Readjustment Act of 1944, as amended.

*Method of purchase*

Seller may offer mortgages to FNMA for purchase either under an immediate purchase contract, FNMA form 304, or under a commitment contract, FNMA form 307.

Twenty percent immediate participations in mortgages may be offered to FNMA for purchase under a commitment and participation contract, FNMA form 309.

*Program limitation*

The full unpaid principal amounts of the mortgages affected by FNMA's purchases of and commitments to purchase mortgages and 20 percent immediate participations in mortgages under this program may not exceed \$10 million outstanding at any one time.

*Duration of program*

When it has been determined that FNMA will make its facilities under this program available in connection with a particular major disaster, the duration of the program as it relates to that major disaster will be specified in the announcement relating thereto.

*Area covered*

The announcement by FNMA of any major disaster to be included in this program will include a description of the area affected thereby.

*Mortgage interest rate*

The mortgage must bear interest at the highest rate permitted by FHA or VA rules and regulations for that type of mortgage at the time of issuance of the FHA insurance commitment or the VA certificate of reasonable value.

*Purchase prices*

In connection with the announcement of a particular major disaster included under this program, the purchase prices that FNMA will pay for mortgages, or for 20 percent immediate participations, will be specified in the announcement.

*Commitment fee*

Seller will be required to pay at the time of application (offer of a commitment contract or commitment and participation contract) a commitment fee equal to 1 percent of the original amount of the mortgage, which is nonrefundable if the application is accepted.

*Purchase and marketing fee*

Seller will be required to pay with respect to each mortgage submitted for purchase a purchase and marketing fee equal to one-half of 1 percent of the unpaid principal balance of the mortgage. With respect to each 20 percent immediate participation in a mortgage, seller will be required to pay a purchase and marketing fee equal to one-half of 1 percent of the unpaid principal balance of the 20 percent immediate participation. The purchase and marketing fee will be deducted from the purchase price. Seller will not be required or permitted to make a common-stock subscription in the case of mortgages purchased by FNMA under special-assistance programs.

*Special requirements*

1. With each application (offer of a contract) covering a mortgage or a 20-percent immediate participation therein for purchase by FNMA, seller shall submit an original statement by the mortgagor addressed to FNMA containing substantially the following language:

"For the purpose of inducing Federal National Mortgage Association to issue its contract to \_\_\_\_\_ for the purchase of the mortgage or a participation therein, covering the property situated at \_\_\_\_\_, the undersigned states that his home, which he occupied as an owner or a tenant, was destroyed or damaged to such an extent that construction, reconstruction, or purchase of a dwelling is required to replace the home lost in a catastrophe which the President of the United States has determined to be a major disaster and the housing to be covered by the mortgage will be occupied by the undersigned or members of his immediate family."

2. With each application (offer of a contract) covering a mortgage seller must submit letters from at least two mortgage-lending institutions normally engaged in the purchase of mortgages of the same type to evidence that seller (a) is

unable to complete arrangements to market the mortgage elsewhere at the FNMA purchase price and (b) is unable to complete arrangements to market an 80-percent participation and undivided interest therein conditioned upon FNMA's entry into its usual commitment and participation contract covering a 20-percent immediate participation in the mortgage.

3. With each application (offer of a commitment and participation contract) covering a 20-percent immediate participation in a mortgage seller must submit letters from at least two mortgage-lending institutions normally engaged in the purchase of mortgages of the same type to evidence that seller is unable to complete arrangements to market the mortgage elsewhere at the FNMA purchase price.

4. The acceptability requirements contained in sections 614 and 615 of the sellers' guide relating to amount of mortgage and closing costs and prepaid items, respectively, are waived as to mortgages purchased by FNMA under this program, except that the amount of the mortgage shall in no event exceed the VA or FHA valuation.

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[Pt. X, FNMA Sellers Guide, Program No. 1-A]

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM NO. 1-A

(Effective November 1, 1954)

(Amended May 1, 1955)

*Purpose of program*

Special assistance program 1-A supplements the terms and conditions governing the conduct by the Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disasters included in, and the affected areas covered by special assistance program No. 1-A, and the duration of the program are as follows:

(a) the areas in the State of Maine affected by Hurricane Carol and Edna prior to the President's declaration on September 13, 1954; this program will expire on September 30, 1955;

(b) the areas in the State of Rhode Island and the Commonwealth of Massachusetts affected by Hurricane Carol and Edna prior to the President's declaration on September 14, 1954; this program will expire on September 30, 1955;

(c) the areas in the State of Connecticut affected by Hurricane Carol and Edna prior to the President's declaration on September 17, 1954; this program will expire on September 30, 1955.

(d) the areas of Suffolk County, N. Y., affected by Hurricane Carol prior to the President's declaration on October 7, 1954; this program will expire on October 31, 1955.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-A, will be at the following rates:

Mortgages .....	98
20 percent immediate participations in mortgages.....	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

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[Pt. X, FNMA Sellers Guide, Program No. 1-B]

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM NO. 1-B

(Effective November 1, 1954)

(Amended May 1, 1955)

*Purpose of program*

Special assistance program No. 1-B supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special

assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disasters included in, and the affected areas covered by special assistance program No. 1-B, and the duration of the program are as follows:

(a) the areas in the States of North Carolina and South Carolina affected by Hurricane Hazel prior to the President's declaration on October 17, 1954; this program will expire on October 31, 1955;

(b) the areas in the State of Maryland affected by hurricane Hazel prior to the President's declaration on October 18, 1954; this program will expire on October 31, 1955;

(c) the areas in the Commonwealth of Pennsylvania affected by floods prior to the President's declaration on October 22, 1954; this program will expire on October 31, 1955;

(d) the areas in the State of Indiana affected by floods prior to the President's declaration on October 26, 1954; this program will expire on October 31, 1955.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-B will be at the following rates:

Mortgages .....	98
20 percent immediate participations in mortgages.....	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

[Pt. X, FNMA Sellers Guide, Program No. 1-C]

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM NO. 1-C  
(Effective June 6, 1955)

*Purpose of program*

Special assistance program No. 1-C supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disaster included in, and affected areas covered by special assistance program No. 1-C, and the duration of the program are as follows:

the areas in the State of Kansas affected by tornado prior to the President's declaration on May 27, 1955; this program will expire on June 30, 1956.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-C will be at the following rates:

Mortgages .....	98
20 percent immediate participations in mortgages.....	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

[Pt. X, FNMA Sellers Guide, Program No. 1-D]

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM No. 1-D  
(Effective June 8, 1955)

*Purpose of program*

Special assistance program No. 1-D supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disasters included in, and affected areas covered by special assistance program No. 1-D, and the duration of the program are as follows:

the areas in Jefferson County, Okla., affected by floods and hailstorms, and the areas in Kay County, Okla., affected by flood and tornado, prior to the President's declaration on June 1, 1955; this program will expire on June 30, 1956.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-D will be at the following rates:

Mortgages-----	98
20 percent immediate participations in mortgages-----	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

[Pt. X, FNMA Sellers Guide, Program No. 1-E]

FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM No. 1-E  
(Effective August 24, 1955)

*Purpose of program*

Special assistance program No. 1-E supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disasters included in, and the affected areas covered by special assistance program No. 1-E, and the duration of the program are as follows:

(a) the areas in the State of North Carolina affected by Hurricane Connie prior to the President's declaration on August 13, 1955; this program will expire August 31, 1956.

(b) The areas of Albuquerque, Bernalillo and the municipalities along the Rio Grande, in the State of New Mexico affected by recurring flash floods prior to the President's declaration on August 17, 1955; this program will expire August 31, 1956.

(c) The areas in the States of Connecticut, Massachusetts, New Jersey, North Carolina, southeastern New York, eastern Pennsylvania, the counties of Georgetown and Horry in the State of South Carolina, and the County of Providence in the State of Rhode Island affected by floods and storm damage attendant upon hurricane Diane prior to the President's declarations on August 20, 22, and 24, 1955; this program will expire August 31, 1956.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-E will be at the following rates:

Mortgages-----	98
20 percent immediate participations in mortgages-----	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

[Pt. X, FNMA Sellers Guide, Program No. 1-F]

**FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM NO. 1-F**

(Effective September 23, 1955)

*Purpose of program*

Special assistance program No. 1-F supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disaster included in, and the affected areas covered by special assistance program No. 1-F, and the duration of the program are as follows:

The areas in the State of North Carolina affected by Hurricane Ione prior to the President's declaration on September 20, 1955; this program will expire September 30, 1956.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special assistance program No. 1-F will be at the following rates:

Mortgages .....	98
20 percent immediate participations in mortgages.....	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

[Pt. X, FNMA Sellers Guide, Program No. 1-G]

**FEDERAL NATIONAL MORTGAGE ASSOCIATION SPECIAL ASSISTANCE PROGRAM NO. 1-G**

(Effective October 28, 1955)

*Purpose of program*

Special assistance program No. 1-G supplements the terms and conditions governing the conduct by Federal National Mortgage Association of its special assistance functions relating to disaster housing mortgages as announced in special assistance program No. 1, in the following respects:

*Areas covered and duration of program*

The disaster included in, and the affected areas covered by special assistance program No. 1-G, and the duration of the program are as follows:

(a) The areas in the States of Connecticut, New Jersey, and New York affected by heavy rains and floods prior to the President's declaration on October 17, 1955; this program will expire on October 31, 1956.

(b) The areas in the Commonwealths of Massachusetts and Pennsylvania affected by heavy rains and floods prior to the President's declaration on October 18, 1955; this program will expire on October 31, 1956.

*Purchase price*

The prices that FNMA will pay for mortgages and 20 percent immediate participations in mortgages under this special-assistance program No. 1-G will be at the following rates:

Mortgages .....	98
20 percent immediate participations in mortgages.....	99

With respect to each 20 percent immediate participation in a mortgage, the related deferred participation agreement will provide for the purchase of the outstanding 80 percent interest at the rate of 99.

Senator LEHMAN. Our next witness is Under Secretary Walter Williams, Department of Commerce.

**STATEMENT OF WALTER WILLIAMS, UNDER SECRETARY,  
DEPARTMENT OF COMMERCE**

Mr. WILLIAMS. I am Walter Williams, Under Secretary of Commerce. I am very glad to have an opportunity to appear before this committee to express the views of the Department of Commerce with respect to a Federal flood-insurance program.

I might interpolate in this brief statement that in company with my associates, Sinclair Weeks, Secretary of Commerce, and Lothair Teetor, Assistant Secretary of Commerce for Domestic Affairs, we inspected the New England flood area and the Pennsylvania and New York flood areas at the time of the disaster, and we had the same impressions that have been expressed by others here today. And we resolved right then and there we were going to make the facilities of the Department available in every way we possibly could to alleviate the difficulties. We called upon the Governor of Connecticut first and had a very satisfactory conference there. We then went over to Providence where we met with the Governor of Rhode Island and then up to Massachusetts where we met with Governor Herter. In all those three places we exchanged views, letting them know what we felt as a Department of the Federal Government we could do to help them, and also to get from them expressions of the conditions which they were confronted with.

The Department of Commerce has today issued a press release summarizing the damage caused by the floods of August 17-19 in six northeastern States. We would like to make this release available to the committee.

Senator LEHMAN. I have a copy of the release, and it will be inserted in the record.

(The release referred to follows:)

[For release in a. m. papers, Monday, October 31, 1955]

UNITED STATES DEPARTMENT OF COMMERCE

SINCLAIR WEEKS, SECRETARY

WASHINGTON 25, D. C.

Business and Defense Services Administration

BD-574

BDSA REPORTS FINAL FLOOD DAMAGE SUMMARY

The floods of August 17-19 took a toll of 179 deaths and caused damage of \$457,674,044 in 6 Northeastern States according to a final summary by the Business and Defense Services Administration, United States Department of Commerce.

In the breakdown of figures gathered by the Federal Civil Defense Agency and various State and local agencies, 6,992 persons suffered major injuries and 813 homes were destroyed.

Connecticut sustained total damage estimated at \$215,245,004. This was broken down as follows: Industrial, \$83,870,958; commercial, \$42,601,150; roads and highways, \$26,232,900; homes and dwellings, \$23,953,454; public utilities, \$29,701,526; farms, crops, and lands, \$2,424,000; and miscellaneous, \$6,461,016. Connecticut reported 77 deaths, 6,773 major injuries, and 563 homes destroyed.

In Massachusetts total damage was \$110,412,808. This was broken down to industrial, \$55,000,000; commercial, \$5,410,008; roads and highways, \$23,476,000; homes and dwellings, \$197,500; public utilities, \$25,000,000; farms, crops, and lands, \$1,329,300. In this State there were 12 deaths, 77 major injuries, and 97 homes destroyed.

In New Jersey total damage was \$27,525,532. Industrial damage was estimated at \$1,250,000; commercial damage was not reported. Roads and highways, \$8,500,000; railroads and railroad bridges, \$825,000; homes and dwellings,

\$12,954,092; public utilities, \$2,986,440; private utilities, \$1,000,000; and farms, crops, and lands, \$10,000. No deaths were reported in New Jersey and only 10 persons suffered major injuries but 93 homes were destroyed.

New York suffered the least damage with total estimated at \$16,284,000. This included industrial, \$382,500; commercial, \$1,353,500; roads and highways, \$6,380,500; homes and dwellings, \$967,500; public utilities, \$5,000,000; and farms, crops, and lands, \$2,200,000. New York also reported 1 death, 6 major injuries, and 26 homes destroyed.

Pennsylvania's total damage was estimated at \$70,206,700, broken down as follows: Industrial, including commercial, \$20,684,200; roads and highways, \$16,937,000; railroads and railroad bridges, \$14,617,500; homes and dwellings, \$6,034,000; public utilities, \$9,419,000; farms, crops, and lands, \$1,082,000; and miscellaneous, \$1,433,000. Pennsylvania also reported 88 dead and 94 major injuries.

Rhode Island's total damage was estimated at \$18,000,000. It included industrial, \$5,700,000; commercial, \$2,200,000; roads and highways, \$900,000; homes and dwellings, \$3,000,000; and public utilities, \$6,200,000. Rhode Island had 1 death, 32 major injuries, and 34 homes destroyed.

Senator LEHMAN. I do not know whether you have been in the hearing room for the course of this hearing, but the figures that you have given are at great variance with others that were given. The Chief of the Corps of Army Engineers stated that his preliminary estimates showed a damage from the August flood in the northeastern area alone of \$1.6 billion. Yours, of course, I think, is something like \$457 million. That, I assume, does not include the damage done in North and South Carolina, does it?

Mr. WILLIAMS. No; it does not.

Senator LEHMAN. Does it include the figures of the damage done 2 weeks ago?

Mr. WILLIAMS. No; it does not include those figures.

Senator LEHMAN. Can you tell us how these figures were arrived at?

Mr. WILLIAMS. Well, I can tell you perhaps a little bit. I have been given to understand that the Army engineers' figure of \$1.6 billion that you named represented a sort of horseback preliminary estimate at the time of the flood. Now, these figures that we have are figures that have been obtained from the State officials themselves after they had had time to do a detailed job of analysis. And those figures of the Department of Commerce, which, as you indicated, are four-hundred-and-fifty-seven-plus-million dollars, compare with the civil-defense figures of \$464 million for the New England States. The civil-defense figures are \$590 million if you include North and South Carolina. But you will note that the figures for civil defense are almost exactly what the figures are of the Department of Commerce for the New England States.

Senator LEHMAN. You say you obtained the figures from State officials. You did not have any staff people going into the States?

Mr. WILLIAMS. We did have a staff, and we sent teams up into the areas. That is a part of the work they did. Then close contact was had with the officials of these various States.

Senator LEHMAN. How much did you say the figures of civil defense were, including North and South Carolina?

Mr. WILLIAMS. Including North Carolina, in round figures, \$590 million.

Senator LEHMAN. That does not include the damage done in the last 2 or 3 weeks.

Mr. WILLIAMS. Not as I understand.

Senator LEHMAN. As I understand, that was quite heavy.

Mr. WILLIAMS. I think these figures are preliminary to these latest floods.

This summary shows that 179 deaths resulted from the disaster and total damage was estimated at \$457,674,044.

These great losses dictate a sympathetic attitude by the Department toward the aims of this committee in its effort to provide some form of protection against the financial impact of such disasters. As a result of the study of this problem by the executive branch, I would like to present our views of factors which we believe warrant special consideration by the committee in deciding whether or not the Federal Government should undertake a program of flood insurance, and the provisions of enabling legislation if decided upon.

We are informed that damage from floods is the only major damage caused by natural disasters for which commercial insurers do not generally offer coverage. There is a lack of actuarial data and of information concerning the extent of interest in the purchase of insurance in this field. Commercial insurers are uncertain of the risks involved, the rates of premium necessary to provide a compensatory program, and the reserves necessary to stand in back of liabilities incurred.

These factors which have prevented commercial insurers from entering the field provide a basis for our Government's proceeding with caution and for our recommendation that care be taken with respect to certain aspects of the proposed program of flood insurance.

In such a pioneer program, consideration should be given to limits or standards of action which might properly be provided by the enabling legislation to serve as guide lines in the administration of the program. These standards should, on the one hand, enable the administrator to develop data and know-how presently lacking, and on the other hand, should provide adequate restraints to keep the program within workable bounds.

A limit on the overall liability to be incurred, on the duration of the program, on coverage to be extended to a single insurer, and on the amount of self insurance or deductible required, should be carefully examined. Such limits may be necessary in a workable program.

Another factor warranting mention is the property to be covered. It may very well be that this coverage should be limited to real property and the category of goods best designated as business inventory. Agricultural commodities might also be included. Personal property, as such, warrants, in our opinion, special study before inclusion because of the uncertainties attendant to this broad field. Accurate and current listings of personal property and evaluation thereof at a time of loss are examples of the administrative problems which must be faced.

Standards should be considered which would allow the administrator of the program to exercise discretion in the class of risks to be assumed. A single example of the dangers inherent in this field may be found in real property which is located in an area where there is a real possibility of recurrent flooding. The value of such property and its original cost to the owner probably take this danger into account.

Consideration should also be given to the drafting of any program which is decided upon in such a way as to allow for the use of facilities and services of commercial insurers to which the public looks

for general insurance protection. The convenience of this use to the public would be a real step toward the broadening of the base essential to an insurance plan. As data are obtained and as know-how increases, we would hope that a program would be worked out which would appeal to commercial insurers on a co-insurance basis; and that they would ultimately take over completely and provide adequate protection to property owners at acceptable rates.

It is our hope that our comments on aspects of this problem which in our opinion warrant special attention will be helpful to the committee.

For your further assistance, there is in attendance Dr. Helmut E. Landsberg, Chief, Climatological Services Division of the United States Weather Bureau, to answer questions which may have occurred to the committee in its study of certain statistics which, I understand, have been made available by the Weather Bureau.

That ends the formal statement.

Senator LEHMAN. Mr. Secretary, as I understand it, you favor some form of Government insurance on real property destroyed or damaged.

Mr. WILLIAMS. I would not say the studies have gone that far, Senator. We certainly favor the study of the whole problem. It may look to Government insurance or, as was pointed out, with the hope that ultimately it may become entirely a matter for private insurance to carry the risk.

Senator LEHMAN. We are going to give the private insurance companies every opportunity to be heard by the committee. But you say the problem merits study. That is what we are here for. We are making a study. We are going to continue making a study for some time. But some of us at least started with that idea, and I think I can justify it by the President of the United States, who certainly expressed great sympathy for the people whose homes have been destroyed or lost and where property has been damaged. He has urged us to continue to make this study. We had hoped we would get his views as to any suggestions that he has to make.

Of course, I must point out that if we are going to put in all the provisions and all the safeguards and all the conditions that are demanded by the private insurance companies, the lack of which has caused them to refuse to write this insurance, I do not think we are very likely to get any insurance.

After all, I think the Government owes considerably more to its people, people whom it encouraged to build or buy homes, people to whom it offered facilities to make the purchase or make possible the construction of homes. I think it owes them a little bit more in the way of protection than an insurance company.

Mr. WILLIAMS. Well, of course, the position that we are expressing here, and as I understand the administration's position at the present time, is that no conclusions have been reached yet as to what final recommendations would be in order. I understand further, however, and I suspect that testimony from the others today has indicated that it is the intention to have legislative proposals presented by the time the Congress convenes.

Senator LEHMAN. Yes. We are going to continue these hearings for some time. We already have 7 or 8 scheduled. As you may have

heard me say, however, we are deeply disappointed that the recommendations of the administration are not before us. We had hoped and expected that they would be, due to the fact that we were assured by the President's recent letter of October 18 which he wrote to the governors of the New England States that we would have it in time for this hearing.

As I said before, the President is already on record as favoring an insurance program. We are trying to work it out. We want the help of everybody. We know that there are certain dangers. We know you cannot possibly write a bill which would take into account long actuarial experience, because there isn't any actuarial experience. So we realize that it is possible that such a program will cost the Government some money. But I think it is justified. If it is not, if you are not going to do it, and yet you decide to protect your people, it means paying all the losses or a great share of the losses out of tax funds, and that we certainly want to avoid.

We believe a bill can be written that would be substantially sound actuarially. Nobody can guarantee it would be fully sound until we have the actuarial experience. But I see no reason to suppose we cannot do that.

As I say, I am disappointed that we have not gotten the information from the agencies, from the administrator, on which we could proceed much more readily and, I may say, possibly more soundly, possibly more intelligently than is the case in the absence of that.

I notice, for instance, in your statement, that you raise the question about insuring personal property against damage. Well, the insurance companies do that very thing when they write their fire insurance. They write fire insurance not only on the structure, but on the furniture that is in the building and, what is more, on the damage that is sustained by the furniture or the personal possessions of the owner of the house because of water.

I am going to ask you a question which I have asked some other witnesses. You referred only to flood damage—insurance against flood damage. Would you think it should be limited to indemnity for damage caused by floods or damage caused by all natural disasters?

Mr. WILLIAMS. Well, I suppose everyone would have to be given a separate study on its own account. My understanding was that we were particularly and primarily concerned with the question of flood insurance growing out of these floods of recent times, and the comments that we have prepared in this report are directed to that particular point.

Senator LEHMAN. Assuming that such a bill is enacted, have you any ideas as to the best agency to whom the administration should be entrusted?

Mr. WILLIAMS. I do not know how one could too clearly know what would be the appropriate agency or agencies. I noted Mr. Mason's comment when you asked that question, and I can see where it would be quite logical, should there be measures of this general sort adopted, as they affect house damage, for this to fall into the category of the HHFA. Whether or not that would be the appropriate agency in the case of industrial damage, I do not know. I think that that is another one of the categories that should be given careful study to

see whether it should be a single agency or a combination of agencies, or maybe a special agency should be set up to handle that sort of thing. I have no clear-cut opinion on it at all, other than to suggest that would be one of the points of study.

Senator LEHMAN. What do you think of the idea of including manmade disasters, such as atomic attack or other manmade disasters?

Mr. WILLIAMS. We had, of course, our war-risk insurance during the war, and I suppose that in other similar conditions of emergency it would be natural to expect something of that sort to be set up again. Whether it should be set up now in advance of the conditions, or whether we should wait, is again, I suppose, a matter for study and judgment. There are different kinds of manmade disasters, and I do not know that we could anticipate all of them in advance.

Senator LEHMAN. You say here that a limit on the overall liability to be incurred is one of the things that should be watched. "A limit on the overall liability to be incurred, on the duration of the program, on coverage to be extended to a single insurer, and on the amount of self-insurance or deductible required, should be carefully examined."

I wonder whether you know that in my draft bill, and possibly some of the others, there are limitations. For instance, in my bill there is a limitation of \$300,000.

Mr. WILLIAMS. Yes.

Senator LEHMAN. On each property, and liability for a particular factory or plant, and an overall limit of \$2 billion. Would you consider that a fair reservation?

Mr. WILLIAMS. Well, I certainly do not mean to hide behind this study matter, Senator, but the honest answer is, I do not know, and I think it would take considerably more information than possibly any of us has at the present time to know whether such figures would be high or low. It would sound reasonable, but I don't know. That would be a horseback opinion that would not have much value until a good deal more study was made of the problem. I like the idea, of course, and it fits in with our notion that there be some limits set so that we are not just going off on an open-end sort of a deal.

Senator LEHMAN. Well, you state here:

These great losses dictate a sympathetic attitude by the Department toward the aims of this committee in its effort to provide some form of protection against the financial impact of such disasters.

I gather from reading that that you would favor an insurance bill, assuming that it was sound and in the interests both of the man to be insured and the Federal Government.

Mr. WILLIAMS. Of course I believe in the general principle of insurance wherever it is a practical thing. I am a practical businessman in my normal business life, and I certainly believe in trying to cover one's self, businesswise or individually, against the hazards of transacting business or the hazards of living with practical limits and under a practical program.

Now, it comes right back down to the question of can we put together a program that adds up in this field. My understanding is that in the various attempts in the past to try to work out something of this sort, this problem of flood insurance always seems to become a stumbling block in finding sound answers, the simple reason being, of course, primarily that the individual who needs the flood insurance

is the one that cannot get it. If I live probably pretty well up on a plateau, where there is no chance of floods, I could probably get insurance, and even though the insurance companies did not write it, I would make a deal with them to get coverage. The practical problem involved here has been given a lot of study in the past. That does not mean, however, that we cannot come up with something now. The very fact that there are losses makes it incumbent upon all of us to find a practical answer. What that practical answer is, I don't know, and I think it is going to take a lot of study.

Senator LEHMAN. Have you any idea how long these studies by the executive agencies, if undertaken, will take?

Mr. WILLIAMS. No; excepting to report that my understanding is that the administration hopes and expects to have some proposals, tangible proposals, by the time Congress convenes. I know nothing more than that. I suppose perhaps another way of saying that is that continuing studies are being made at the present time in the hope that they can resolve those studies into tangible legislative proposals.

Senator LEHMAN. I wonder what the President meant when he said he would have his recommendations and suggestions in the hands of the committee when the hearings were undertaken.

Mr. WILLIAMS. I cannot answer that, because I have no other information on the subject than appears in the letter.

Senator LEHMAN. I read that.

Mr. WILLIAMS. Yes. Well, I have seen a copy of it.

Senator LEHMAN. Mr. Secretary, may I ask if that would be a fair statement of the administration's position? In other words, as I analyze it, it means that the administration is for something, but it does not know what.

Mr. WILLIAMS. Well, I would say it was a fair expression of the view of the Department of Commerce, as one branch of the administration. We do not pretend to have all the answers. The parts of the program that relate to this whole flood matter are pretty numerous. And the Department of Commerce only played a certain part in the solving of those problems. So in the matter of insurance, we have our views, but we do not pretend to have all the information that bears on the answers, and certainly we do not have all the answers.

Senator LEHMAN. Mr. Secretary, the members of the committee staff have just drawn my attention to the fact that they have had very, very valuable assistance from Dr. Landsberg of your Department. We are very grateful. We hope it will continue.

Mr. WILLIAMS. He is in the room, if there should be any questions you have to ask.

Senator LEHMAN. Will Dr. Landsberg stand up, please? I would like to thank him.

Thank you very much.

I think that we will recess now. I wish to announce that tomorrow the first witness will be Senator Payne, of Maine, who will testify very briefly, and then we will hear from the Small Business Administration, the Department of Agriculture, and the Department of the Interior.

(The following was subsequently received from the Department of Commerce:)

THE SECRETARY OF COMMERCE,  
*Washington, December 14, 1955.*

HON. HERBERT H. LEHMAN,  
*United States Senate, Washington, D. C.*

DEAR SENATOR LEHMAN: In connection with the hearings relating to general disasters by the Committee on Banking and Currency for the Senate, we would like to take this opportunity to acquaint the members of the committee with the actions taken by the Department of Commerce to assist areas of the Northeast which were recently victims of the flood disasters caused by hurricanes Connie, Diane, and Ione, and the flood of October 13, 1955.

The Bureau of Public Roads, in coordination with the Federal Civil Defense Administration, worked with the State highway departments in restoring roads on the Federal-aid systems with emergency funds provided under the Federal-Aid Highway Act of 1952. The Bureau also furnished staff engineers to the Federal Civil Defense Administration in their construction work with the United States Army engineers on highways off the Federal-aid systems, and in the repair of other public works damage. Federal funds to the extent of approximately \$10 million were granted for assistance in the reconstruction of Federal-aid highways. The total damage to these highways was estimated at approximately \$35 million, and legislation authorizing funds to meet the Federal share of 50 percent of these amounts will be requested.

The Maritime Administration came to the help of the citizens of this area by loaning gasoline fire pumps and by making available to the Red Cross thousands of blankets, sheets, and pillowcases.

The Business and Defense Services Administration established a relief mission to help in the assessment of damage, to expedite procurement, advise the businessmen of the criteria necessary to qualify for tax amortization certificates, and how such certificates are obtained.

The Weather Bureau is constantly working to improve its forecast accuracy and also to improve the dissemination of weather data and forecasts. Plans are being laid for an extensive new center in Hartford to give additional service to New York and New England. New river and rainfall reporting stations are being established and new specifically designed electronic equipment is being added for this purpose.

We thought also that the members of the committee might be interested in a private system of flood control put into effect many years ago by the Wisconsin River Valley Corp., which has recently been brought to our attention. This project covers 465 miles on the Wisconsin River and tributaries and includes dams, reservoirs, and reforestation. In addition to providing a more nearly uniform flow in the waters of the Wisconsin River Basin and improving navigation, the project diminishes damage by floods and freshets to property, both public and private, along said waters. Companies generating electricity and other industries benefiting from the uniform flow of water, such as paper mills, support the corporation.

We trust the above information will be of interest to the committee in its consideration of the general disaster problem.

Sincerely yours,

SINCLAIR WEEKS,  
*Secretary of Commerce.*

(Whereupon, at 4:45 p. m., the committee was recessed until 10 a. m., Tuesday, November 1, 1955.)



# FEDERAL DISASTER INSURANCE

TUESDAY, NOVEMBER 1, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met, pursuant to recess, in room 301, Senate Office Building, at 10:05 a. m., Senator Herbert H. Lehman, presiding.

Present: Senators Lehman, Bush, and Payne.

Senator LEHMAN. This hearing, which is the second that we have held in Washington, will now come to order.

The witnesses this morning—and I will ask them to testify in the order which I name—are the Honorable Frederick G. Payne, Senator from Maine, who is also a member of the Banking and Currency Committee; Mr. Wendell B. Barnes, representing the Small Business Administration; Mr. Kenneth L. Scott, Director of Agricultural Credit Services, representing the Department of Agriculture; and Mr. Lawrence N. Stevens, representing the Department of Interior.

Senator, will you take the witness stand?

Senator PAYNE. Thank you.

## STATEMENT OF FREDERICK G. PAYNE, A UNITED STATES SENATOR FROM THE STATE OF MAINE

Senator PAYNE. Mr. Chairman, Senator Bush, my statement will be reasonably brief, sir.

Of course, as you know, I am tremendously interested in this problem because of my work on this committee and because of the fact that I do come from New England where we have just had a terrific situation as a result of the hurricanes.

During the past several months, the Northeastern States have experienced some of the worst disasters in their history. The recent floods have taken a heavy toll and have called attention to the need for a program of insurance to minimize such loss and to enable flood victims to rebuild their homes, factories, and businesses as rapidly as possible.

While it is true that certain areas of the Nation are much more vulnerable to flood damage than others, such disasters should be a matter for deep concern by all Americans. Not only do Americans have a humanitarian concern for the suffering of their fellow citizens, but the heavy economic damage caused by floods has serious effects on all sectors of the national economy. It is, therefore, proper and, indeed, essential that the Federal Government should in some way lend a hand to alleviate flood distress.

This is particularly true in view of the fact that private insurance companies are simply unable to provide adequate protection. It has been estimated that only 5 to 10 percent of the loss caused by the most recent floods was covered by insurance. Flood insurance is almost unobtainable in the United States today and, where it is available, the expense is practically prohibitive.

This is not hard to understand, since flood damage often runs into many millions of dollars, and insurance companies have rightfully felt that they are unable to provide coverage at rates which are both reasonable and adequate. In addition, only those who live in areas susceptible to floods would buy such insurance, thus making it impossible to spread the cost over the entire population.

A program of Federal insurance is not a new subject for congressional action. There is already in operation, for example, a program to insure certain agricultural crops under the Federal Crop Insurance Corporation of the Department of Agriculture. The experience of these and other Federal insurance programs should be helpful in trying to develop a nationwide flood-insurance program.

It would be impossible for me to attempt to set down for the committee a precise plan for Federal flood insurance at this time. This is a highly complex subject and will require a great deal of study by the Banking and Currency Committee before any final draft can be submitted to the Senate itself for consideration.

However, I would like to point out what I consider to be a generally sound approach to this problem.

I am a cosponsor of a flood-insurance bill which Senator Leverett Saltonstall and Senator John Kennedy intend to introduce in January. This bill is now before the committee for study. Under the proposed bill, the program would be federally sponsored, but the Federal Government would cooperate with private insurance companies by drawing upon their facilities and services. It is contemplated under the bill that the program initially would be on an experimental basis in order to make possible a sound expansion of flood-insurance coverage at a later time.

Other proposals will undoubtedly come before the committee, and all should receive careful consideration in order to develop the soundest program possible. The important thing is that the job be done so as to effectively spread the risk of future losses, soften the destructive blows such disasters bring, and provide for earlier rehabilitation of flood areas.

I should like to bring two editorials on the subject of flood insurance to the attention of the committee and request they be printed in the record at the conclusion of my remarks.

Senator LEHMAN. There being no objection, so ordered.

Senator PAYNE. The first editorial is from the Portland (Maine) Press Herald of October 26, 1955, and is entitled "Congress Should Create Federal Flood Insurance."

The second editorial is from the New York Times of October 26, 1955, and is entitled "Controlling the Floods."

Both editorials set forth arguments in favor of a Federal flood-insurance program which I believe the committee will find of interest.

(The editorials referred to follow:)

[Portland (Maine) Press Herald, October 26, 1955]

#### CONGRESS SHOULD CREATE FEDERAL FLOOD INSURANCE

The question of federally backed insurance against natural catastrophes, specifically floods, ought to receive quick and bipartisan attention from Congress.

The kind of tragedy which has twice hit large parts of the Northeast in recent weeks cannot be compensated by any agency short of one with the resources of the whole country, which means the Federal Government.

Commercial insurers are incapable of accepting high risks for a relatively small number of people and private businesses. And yet the risk is there and a New England feeling a real competitive pinch from other areas ought not to be obliged to add uncompensable flood damage to the cost of living or doing business.

Evidence that the matter will not become a political football in an election year is at hand in the joint authorship by Senators Kennedy and Saltonstall of Massachusetts of the draft of a bill to establish a flood-insurance reserve amounting to \$1½ billion. Other proposals also are springing up and the Senate Banking and Currency Committee is soon to begin hearings on the various ideas.

This is an example of an area of service into which Government must venture because private capital cannot. No time should be lost in doing so wisely.

[The New York Times, October 26, 1955]

#### CONTROLLING THE FLOODS

The disastrous Northeastern floods this summer and fall demand an integrated program to minimize the damage from any such occurrence in the future. There is no single or easy preventive for floods of this type; but there is serious danger that in the shock of the recent catastrophe public opinion may be misled into believing that the cure-all lies merely in building bigger and better dams and dikes to hold back or to channel the rushing waters.

Flood control is a complex and difficult question, the answer to which is not found in simply voting more money for the Army Corps of Engineers to spend on higher dams and larger reservoirs. Yet we can expect the pressures to begin at once on behalf of innumerable such projects that have a superficial appeal and a strong political attraction. Reasonably sized dams, reservoirs, floodwalls, and the like obviously do have a part to play in any serious flood-control program for the Northeast. But they alone are not enough, nor do they have to be planned on such a huge scale as to take care of the once-in-a-century kind of flood that has just been experienced in this section of the country. It would make no sense, economically or socially, to flood out permanently behind big dams the best agricultural land in New England's little river valleys in order to give doubtful protection downstream against damage that might not occur again for generations. The fact that the cost of such structures would be met by the Federal Government makes the prospect no more palatable.

Does this mean that we must sit supinely by and do nothing to protect ourselves against the big floods, even though they may come but rarely? Not at all. Dean Thorndike Saville, of the College of Engineering of New York University, is one among many experts on flood control who proffers some sensible suggestions. In addition to the normal kind of engineering structures designed to meet the normal flood Dean Saville proposes two other methods of attack. One is a system of Federal flood insurance, on an actuarial basis, to relieve the staggering economic damage floods can and do inflict on the individual property owner.

The other is a program of flood rezoning, which means the relocation of factories and homes away from river-edge areas that are likely to be washed out in monster floods of the kind we have just experienced. The use of such areas for roads and especially for parks would be an infinitely wiser and in the long run less expensive proposition than rebuilding on the same old sites, although the proposed relocation would necessarily involve some form of governmental assistance to present property owners.

One does not have to accept all of Dean Saville's conclusions in order to see that a sensible and effective flood-control program has many facets, involving long-range social planning as well as short-range dikes and dams.

Mr. Chairman, I thank you very much for the courtesy extended to me in appearing first in this hearing this morning. I shall be very happy, if there are any questions, to endeavor to answer the questions to the best of my ability.

Senator LEHMAN. Senator Payne, I am very glad that you were able to be here. I know how busy you have been.

Senator PAYNE. You and I, Senator, seem to have been appearing at several hearings lately.

Senator LEHMAN. They were very interesting hearings, and I am quite sure something constructive will come out of them.

You were not here yesterday, of course. I just want to say that we are going to have the insurance companies testify before us, their representatives, at an early date.

Also I want to point out that there are several proposals before this committee—not bills but proposals. One, to which you have already referred, was submitted by Senator Kennedy and Senator Saltonstall and yourself. One was submitted by Senator Carlson. There is one that I have drafted and one that was prepared under the direction of Senator Bush. They all, of course, will receive careful consideration. We want the best advice of all the interested parties in this matter.

Thank you very much.

Senator PAYNE. Thank you, sir.

Senator BUSH. Mr. Chairman, I would like the courtesy of making a brief statement at this moment.

Senator LEHMAN. I would be glad if you would.

Senator BUSH. The acting chairman was somewhat critical of the administration yesterday for not submitting a detailed blueprint for a disaster-insurance plan. I wish it had been possible for the administration to have done so, but I would like to remind the acting chairman that the legislative history of past efforts to create a flood-insurance program reveals the difficulties involved in drafting sound legislation.

In the first session of the 82d Congress, following a flood disaster in the Midwest, a former administration proposed a flood-insurance plan. Bills subsequently were referred to this committee, the Banking and Currency Committee, and to the House Committee on Banking and Currency.

Perfunctory hearings were held by the House committee. This committee held no hearings at all. No action was taken by either committee to report a bill to the floor.

The Appropriations Committees of the House and Senate considered the question of flood insurance in connection with budget requests for relief and rehabilitation in Midwest disaster areas. No action was taken on the flood-insurance proposal.

Four years have passed since the need for flood insurance was presented to the Congress. Less than 3 months have elapsed since the first flood disaster this year in the Northeast. So I think it is somewhat unfair to criticize the present administration for not preparing in less than 3 months a detailed flood-insurance program when the Congress itself and this committee have failed to do so with 4 years to consider the problem.

I think we will make more progress if, instead of seeking to cast blame, we accept the fact that both the administration and the Con-

gress acting through this committee have the responsibility of doing everything humanly possible to draft a sound, workable program. I am confident that the present administration will cooperate fully with this committee. I am confident that more detailed proposals will be presented to us when sufficient time has been given to work out the many difficult problems involved.

I am sure that the present hearings will result in clarifying many of these problems and provide the basic information needed to draft legislation which will work. In the meantime I feel that we should focus our attention on flood insurance and not flood politics.

I thank the chairman.

Senator LEHMAN. May I say to my distinguished colleague that such criticism as I made of the delay in obtaining the recommendations and suggestions of the administration was based primarily on a statement made by the President or under his direction on October 17, I believe, in which he said that he had directed the various agencies of Government to prepare a plan and that plan would be ready for submission to this committee when it met yesterday.

I cannot help but express my disappointment that there was no plan or that there were no suggestions save a vague series of so-called criteria that came before us yesterday.

I realize perfectly well that this is a most complex problem. I so stated at the opening of the hearing yesterday. But I am very desirous, as I think other members of this committee are and as I believe the public generally is and as I believe the President is, of getting this program underway at the earliest possible moment.

Here we are in recess, in a period of adjournment, holding these hearings in various parts of the country. This is the time really to prepare for the development of facts and data and suggestions which will permit this committee to take early action at the opening of the Congress.

It is perfectly true that this subject has been before this committee in previous years. One date to which you refer, of course, came at a time when we were preoccupied by defense production matters. But, aside from that, the urgency of this situation had not at that time or at any time in the recent past been brought home so vividly, so urgently to Congress and to the American people and to the people who have been sufferers or are potential sufferers. The floods that occurred in the Northeastern States did highlight the situation, did highlight the importance of developing a plan which would safeguard the various people who have suffered or will suffer damages.

There is no denying the fact that thousands of homes have been destroyed or seriously damaged. There is no doubt whatsoever that the earnings, savings, and the property of many thousands of people have been wiped out. As I said yesterday, all that is left to them is a mortgage for which they are still responsible. No home, no personal property in many cases. The mortgage has been left.

So, Senator Bush, I feel that I am justified, as the man who was given the assignment to conduct these hearings, to bring every possible pressure to bear upon the administration, as promised by President Eisenhower, to develop their thinking, to develop their recommendations, to develop their suggestions.

I shall continue to do that at this hearing and at all other hearings which are being held.

I think it is of major importance that we get to work on this thing seriously and with hope of early success without loss of time.

Senator BUSH. Well, Mr. Chairman, it is very difficult for me to debate this question with one of your well-known humanitarian views and positions on all matters affecting the people and their lives. As I say, it is difficult to contest with you any matter of that kind because of your respect for you.

But may I say this: That the President I think has done what he said he was going to do in connection with the statement which you read yesterday. He has submitted not a detailed plan but some suggestions.

If you wanted him to submit a bill, a definitive bill, then I think that you were expecting too much. I certainly did not expect the administration to present a bill at this particular time. As a matter of fact, I think if they are wise they had better wait a little while and take advantage of the testimony that is delivered before this Banking and Currency Committee both here and in New York and in New England.

The purpose of these hearings is to gather testimony which will be useful in the preparation of legislation.

The President has submitted some suggestions as he said he would, and I have no doubt that in due course we will have a suggested bill from the administration. But, realizing that there can be no action on this until the Congress reconvenes, I hope that the administration will take sufficient time to give this drafting of a bill the very closest study and take advantage of all the evidence that comes before this committee in its hearings.

I thank the chairman for his courtesy.

Senator LEHMAN. I merely wanted to add one word. I read the President's statement, and it is now in the record. I think you will find that he led us to believe that there would be specific proposals ready for consideration by this committee during the hearings.

Senator BUSH. Well, I have no doubt—

Senator LEHMAN. I realize the President's unfortunate physical mishap, and like you and like every other American, like a great part of the world may I say, we all pray for his early and complete recovery. But we want this thing to proceed. We think it is of the greatest importance. And I know that you yourself feel that way.

Senator BUSH. I think under the Senator's able chairmanship we will proceed and make headway.

Senator LEHMAN. Now Mr. Barnes.

Mr. Barnes, do you have a prepared statement?

#### **STATEMENT OF WENDELL B. BARNES, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION**

Mr. BARNES. I have a prepared statement, Mr. Chairman, and I think copies have been placed at each of your seats.

Senator LEHMAN. Will you read that, or do you want to speak—

Mr. BARNES. Yes, I would like to read that and then interpolate certain remarks as I go along and perhaps use some charts to assist in understanding some of the things that I say.

Senator LEHMAN. Will you proceed in the manner that seems most desirable to you?

Mr. BARNES. All right, sir.

My name is Wendell B. Barnes. I am Administrator of the Small Business Administration.

We in our agency have been intimately connected with the recent disaster in New England. I myself interrupted a vacation and returned and flew to each of the States, met with State authorities and congressional leaders, some of the gentlemen present on this committee, and examined at first hand all of the areas that were affected or else flew over them.

On the basis of that study, I made plans that our agency should adopt in helping to alleviate some of the suffering up there.

I intend my statement this morning to be as far as possible factual on what has happened in the past in disasters in order to give the committee a factual basis for its study of this overall program.

When the Small Business Administration was established in 1953, Congress had two purposes in mind. First, to aid and protect the interest of small business in the interest of maintaining and strengthening the overall economy of the Nation; and second, to aid and assist victims of floods and other catastrophes.

Section 202 of Public Law 163, the Small Business Act of 1953, provides:

It is the declared policy of Congress that the Government should aid and assist the victims of floods or other catastrophes.

So Congress has already spoken its general policy certainly in our law on the subject of assisting victims of floods and other natural catastrophes.

Pursuant to this latter purpose, this agency, the Small Business Administration, was assigned by Congress the function formerly residing in the Reconstruction Finance Corporation of making disaster loans to help in the rehabilitation of homes and businesses damaged by natural disasters.

The law provides that these loans are to be made from our revolving fund, and that no more than \$25 million in disaster loans may be outstanding at any time—a provision, incidentally, that is now causing us some difficulty. The interest rate is set at 3 percent, and the maturity of a disaster loan may not exceed 10 years, except where the loan is to be used for the acquisition or construction of housing for the personal occupancy of the borrower, in which case the loan may run for 20 years.

In the slightly more than 2 years of its existence, the Small Business Administration has made about 45 declarations of disaster areas. The law provides that we make the finding and the declaration ourselves. These have been in many parts of the country, as the result of disasters of many kinds—forest fires, landslides, sudden freezes, floods, earthquakes, and windstorms, including hurricanes and tornadoes.

Many of these 45 disasters were, fortunately, confined to small areas, but they caused much local distress. In one instance an entire community, Udall, Kans., was practically wiped from the face of the earth. Other disasters have been very wide in extent and have caused very heavy devastation.

Our experience during these disasters has indicated one significant point, and I think it is a point that has a bearing on the nature of the problem in connection with flood insurance, namely, that the demand for business loans far exceeds the demand for residential loans. In our most recent experience, namely, Hurricane Diane, 95 percent of the total amount of applications filed for disaster loans was for losses to businesses rather than losses to homes.

I have a chart up here which graphically demonstrates this problem. You will note the bar on the left sets forth the applications for loans in terms of dollars. The gray bar at the top indicates the amount that has been sought by homeowners for losses to homes and residences as a result of this flood.

Senator BUSH. Mr. Chairman, may I ask the witness this: That is in dollars. Of course, the home loans would all be fairly small.

Mr. BARNES. In terms of numbers, the right-hand bar shows it numerically.

Senator BUSH. I see. That brings out the point I had.

Mr. BARNES. The number of applications.

Senator BUSH. I see. In other words, even the number of applications for homes is only 21 percent?

Mr. BARNES. Yes, sir. And the dollar volume is 4.6 percent.

Senator BUSH. Yes.

Mr. BARNES. Now, that same figure holds true in each of the disasters that we have studied with minor variations. I mean it runs from 75 percent to 95 percent in each of the disasters that we have examined. But it would not necessarily hold true in a tornado, for instance, as Udall, Kans., where it was the entire city which was what was wiped out.

This, of course, results chiefly from the fact that industries have historically located along rivers and streams and, therefore, have sustained the principal losses.

Furthermore, it will be observed from our own knowledge of the situation that for the most part housing in areas subject to flood is marginal and is frequently not rebuilt or is converted to industrial property after a flood or is not the type of property on which the owner seeks a loan.

There were a number of cases, for instance, in New England where the property was entirely rental property and the owner did not seek a loan but decided to convert his property to industrial uses, and the loss of the tenants was in household fixtures and things of that sort.

In administering the disaster loan program, we have tried to adhere to humanitarian principles. We seek to help those who have no other source of funds, those who are genuinely in distress, and in considering their applications we are ever mindful that our purpose is to give help whenever we can.

In making these loans we try to give as much help as we can and give it speedily, but they are loans, not grants, and under the law it is expected that they shall be repaid.

The Reconstruction Finance Corporation transferred to us some \$14,722,000 in disaster loans for administration and liquidation following the liquidation of RFC. In the year and 2 months we have been administering the RFC loans, the total amount outstanding has been reduced by some \$3,284,000. At the time of the transfer there

were 307 loans delinquent over 60 days involving principal amounts of some \$1,461,347, and a total delinquency of \$394,031.

As of August 31 this year, the principal amount involved in delinquencies and, accordingly, the potential loss of worthless accounts had been reduced on the RFC loans to \$913,573, and total delinquencies to \$294,535, or a reduction of 25.3 percent in delinquencies during the period that we have been administering these loans.

Senator LEHMAN. Mr. Barnes, may I go back one step?

Mr. BARNES. Yes, sir.

Senator LEHMAN. You testified that both numerically and in dollar value the applications which you have received are much less in the case of homes than in the case of business properties.

Mr. BARNES. That is right.

Senator LEHMAN. You have given some explanation of that. But I wondered whether there isn't another explanation which seems in my opinion to be more realistic, possibly more potent, than that which you have given.

Mr. BARNES. There is another explanation?

Senator LEHMAN. May I just develop it, please?

Mr. BARNES. Surely.

Senator LEHMAN. In the case of business properties, assuming that the business concern is solvent, they can afford to ask for a loan with the expectation that they are going to be in a position to pay it back. In the meantime, whatever losses that they have suffered may be charged off in their income taxes or corporation taxes.

That is not the case in home loans. A man may have owned a little home that cost him \$10,000. He has taken out a \$7,000 mortgage. And that house is wiped out. He is left with the mortgage, as I outlined before.

When he makes another loan which would permit him to rebuild or erect a new house costing \$10,000, he will also have to take a mortgage on that house, so that the total indebtedness of that man will be twice \$7,000 or \$14,000. Don't hold me to exact figures because I am just using general terms.

Mr. BARNES. Yes.

Senator LEHMAN. Unless a man in the low-income group or middle-class-income group has other means, it is going to be mighty hard for him to pay the service charges or to repay those loans.

We had Commissioner Mason of the Housing and Home Finance Agency in here yesterday, and he testified that his organization, his agency, would accept applications for the rebuilding of destroyed homes or the construction of new homes to replace those that had been destroyed. We asked him how many applications he had received, and he said he had received just three.

I think the reason for it is that these men of low incomes just cannot afford to borrow a second amount, double the borrowing, in order to erect another little home. And we have encouraged them, the Government has encouraged the building or acquisition of little homes.

I think that is another reason in addition to those which you have already outlined which explains why there have been relatively so few applications for loans received by your agency.

Mr. BARNES. Well, sir, we work with this problem in many other disaster areas besides this one up there, and it is my observation that

there are other contributing factors. If the income of the homeowner is sufficiently high, he usually has his own banking and housing loan connection and may not need any assistance from a Government agency.

But I think further the Red Cross and their activities, which I intend to get into at the conclusion of my testimony, have contributed materially to this and prevent the situation that you described from becoming too acute, because they are capable and have in this instance up there done an outstanding job of making grants, and they alleviate the problem of a man who already has a mortgage on his property.

I have examples of exactly what has been done in those situations. I intend to testify truthfully. It is my observation, however, that the problem does not relate as much to housing usually because of the very marginal condition of the housing that is subject to constant flooding. People prefer not to live there. And while there is distress, it is not the distress that is remedied by a loan program, and I meant to draw the conclusion that it is not likely that it would be alleviated by an insurance program. I can develop that as I go along.

Senator LEHMAN. How is a man going to build a house—a little man?

Mr. BARNES. The point there is that if you are going to fix premium rates at all realistically, you will, of course, have them graduated according to the area where there is the greatest hazard. That is true of all true insurance plans. And if it is a voluntary program—and I assume it is that you are considering—then that means the area that is subject to constant flooding is the one that is going to bear the highest rates, and, as applied to homeowners, that will be the most marginal of home property and the kind least likely to pay the higher premium rate.

That was the conclusion, and I think it is inescapable from the figures that have happened in past disasters. Whether you will conclude that after you have actually visited the areas I do not know, but I think that is what is likely to result in the fixing of any premium rate under any true actuarial basis and if you keep it as a voluntary program.

Senator BUSH. Mr. Chairman, may I ask a question here?

Senator LEHMAN. Surely.

Senator BUSH. Don't you feel, Mr. Barnes, that the small percentage of applications from homeowners vis-a-vis the business applications is in part due in our area to the job which the American National Red Cross has done in restoring homeowners to homes or occupants to homes?

Mr. BARNES. Yes.

Senator BUSH. Don't you feel that has been a substantial factor? My observation there, Mr. Chairman, is that this has such a great bearing on this whole subject that I wonder if it would not be advisable to call the American Red Cross to appear before this committee.

Mr. EDELSTEIN. They are scheduled to appear in Hartford.

Senator BUSH. That is fine.

Just to finish this observation, in the town of Waterbury, Conn. alone, I think it will be testified to that the Red Cross will have distributed there pretty nearly \$1½ million. Most of that has gone to

homeowners for replacing their furniture or rebuilding their homes or buying new homes.

There is one case on the record there to show you how far they can go of a widow and one child who were completely washed out. The Red Cross gave that one family alone \$16,000 for a new home, new furniture, and new clothing for the two people, the mother and daughter. So that is just one indication, Senator, of the extent to which they have gone and are in a position to go in such matters.

I shall offer a little later today some statistics as of today as to the number of cases which the Red Cross has handled. In our State they have handled over 6,000 cases, and a great many of these have to do with restoring people to homes or restoring homes which are partially destroyed.

I have no doubt from what I have actually seen on the ground up there that the activity of the Red Cross, which has been magnificent, has a lot to do with the fact that people are not borrowing, because they are getting these grants-in-aid. The Red Cross is not making loans but grants-in-aid, outright gifts, as a result of the generosity of people all over this country and all over the world indeed, because they have been getting flood-disaster gifts for the Red Cross from all over the world.

Senator LEHMAN. I do not entirely follow your reasoning. Are you against Federal flood insurance?

Senator BUSH. No. I think the Senator—

Senator LEHMAN. I gathered from your remarks you did not think it was necessary.

Senator BUSH. You opened the discussion by questioning the small number of home applications, and I was speaking apropos of the question which you yourself raised. I do not think anything I said would indicate any adverse view toward flood insurance. On the contrary, I am seeking for a flood-insurance bill that will help us in this situation just as hard as the Senator is.

Senator LEHMAN. May I ask you, Mr. Barnes, what steps you took to acquaint homeowners with their application rights for loans from the Small Business Administration? I know that the businesses, of course, are acquainted with their rights, and they would undoubtedly take advantage of it, as it is within their province. But to what extent did the Small Business Administration acquaint the homeowners with this privilege?

Mr. BARNES. I was going to cover part of that in the rest of my statement, but, very briefly summarizing it, and I may touch on it again, we opened I think some 19 offices—as high as 23 at one time—throughout the entire area. We had excellent cooperation from the local press and radio. They put stories from day to day in practically every paper in the entire flooded area.

We sent out a press release I think to some 700 papers and radio stations in the area defining exactly what the loan program was as applied to businesses and what it was as applied to homes.

In addition, we worked with the Red Cross, which immediately catalogs every loss in each area and sets them up as cases and has interviews with the people. Each of the Red Cross workers in their manual has an exact definition of our loan program, and there are constant referrals from the Red Cross to the Small Business Administration or from our offices to the Red Cross.

I think it would not be possible for a victim of a disaster, a homeowner, to have failed to have full information about his rights to file an application and the terms and criteria under which it is granted.

Senator LEHMAN. Proceed.

Mr. BARNES. I mentioned the repayment figures to indicate that although these loans are made very quickly and the credit data is assembled promptly with the help of local citizens the people are really very honest. I mean the loss factor is relatively small considering this type of a program. In the 2 years that we have been making our own loans, as of October 27 this year we have approved some 2,596 individual disaster loans totaling some \$27,240,314.

We are very proud that our number of delinquencies is very small. The last figure I have is that only 50 were delinquent more than 60 days, or less than 5 percent delinquency factor.

After a disaster loan is made, our agency has a continuous responsibility until the loan is repaid. Collections must be made at regular, preestablished intervals, and we also make certain that the loan funds are used for the purpose for which they were authorized.

As a result of the Northeast floods alone, we approved 1,300 loans totaling more than \$16,500,000, and about 450 loan applications totaling more than \$16,500,000 are now in process.

I have some later figures which I will give you in a few minutes.

Let me sketch briefly how the disaster-loan program works. When a disaster strikes, our regional office in the area is alerted at once to communicate with State and local officials to acquaint them with our service. In Washington we coordinate our work with the National Red Cross and with the Federal Civil Defense Administration. We work closely with and cooperate with the governors, city and county officials, and with civic groups such as chambers of commerce and business organizations.

We establish temporary loan offices in the disaster area whenever possible. Within a few days after the Northeast floods we had opened 19 temporary offices. We had them open by Tuesday, as a matter of fact, following the floods on Thursday night. Although it takes a few days to get all the materials and supplies in, we were interviewing victims of the disaster by Tuesday of the next week.

In charge of these offices were loan officers from our agency assisted by clerical help loaned to us by State and local officials and civic groups. The office space and much office equipment was made available to us at no cost to the Federal Government.

To expedite our service, we authorized these temporary offices to make loans on their own authority up to \$20,000, and the regional offices to make disaster loans up to \$50,000. Only the larger loans are approved in Washington. A simplified, short-loan application form is used on disaster home loans up to \$2,000.

The cooperation of the Nation's bankers has been most helpful to us. Last year we asked the American Bankers Association if banks would assist us in processing applications for disaster loans, and the association was most cooperative. Bankers from nearby banks were actually loaned to us to fill out staffing requirements in the area, and their salaries were paid by their own banks.

The cooperative program thus established was of immeasurable assistance during this flood in New England. In that disaster the local banks assigned 78 credit men to us for reassignment to our various

offices. These men worked at no cost to the Government side by side with our men, Government employees.

These bankers made an outstanding record of service to their communities.

In addition, many banks served as auxiliary offices in our disaster program, passing out application forms to victims, advising and assisting in the preparation of applications. Of course, our own loan officers made the final decisions.

We are now working with the American Bankers Association to establish this arrangement on a nationwide standby basis for future disasters.

As soon as the magnitude of the Northeast flood became apparent, we were aware that the \$17 million we had available in our disaster loan fund would not be sufficient to meet the demands. We discussed this matter with members of both Houses of Congress from the seven-State flood area and with the appropriate officials in the executive branch of the Government. As a result of these discussions, the White House, after determining the probable congressional concurrence, recently announced a procedure whereby we would continue to make disaster loans even though our \$25 million disaster loan fund is nearing exhaustion.

Under this procedure, the Small Business Administration will process business disaster loans as regular business loans wherever possible, at 6 percent interest. When the Congress reconvenes in January, and assuming its action in lifting the \$25 million disaster loan limitation, these loans will then be converted on a retroactive basis to regular disaster loans at 3 percent interest.

And may I say that the first payments on those loans have been set beyond February, so that it seems likely that no one will have to pay interest at the higher rate until Congress has had an opportunity to act.

I feel certain this will not work a hardship on any disaster victim.

At the last session of Congress, authority was given us to extend our disaster loan service to some businesses hitherto ineligible. I am referring to our drought-disaster loan program.

There are some 1,323 counties in 20 States that have been officially designated as drought areas. Business firms in these areas are eligible to apply for a drought-disaster loan if they can show that their business has suffered substantial economic injuries, because of drought conditions.

Such a showing may be in the form of a comparative operating statements, excessively large accounts receivable, a decline in sales volume, and other factual data.

As the established agency of the Government to make loans to small businesses and to make disaster loans to homeowners and to businesses of any size when they are struck by a natural calamity, the Small Business Administration, I believe, has developed a sound organization and plan ready for disaster whenever it strikes in the making of loans.

SBA has effectively assisted small firms with their term-credit needs in cooperation, not competition, with private lending institutions, and our plans are, of course, to act as swiftly and as promptly as possible.

Now, I have some other charts and data which I think may be helpful to the committee bearing on this particular disaster. I have a

breakdown of the applications that we have received by States showing the breakdown as to how many home applications, how many business applications, and the average size.

Incidentally, in this disaster, the average size of the applications so far received for homes is \$5,050. The average size of business loan applications received is \$27,700.

Senator BUSH. Well, Mr. Barnes, haven't there been a few large loans that have brought that average way up?

Mr. BARNES. Yes, sir.

Senator BUSH. I am thinking about my own area there, and I know of a few large loans that seem to have brought that average very high.

Could you give us any figures as to the average on the lowest 80 or 90 percent of the loans? Do you see what I mean?

I don't know whether the New Haven Railroad was one of your loans or not.

Mr. BARNES. No; it is not.

Senator BUSH. How about the Hershey Co.? Is that one of yours?

Mr. BARNES. Yes.

Senator BUSH. There was \$1,800,000 in that one loan, you see.

Mr. BARNES. In order that the committee may understand, section 302 loans are loans that can be made by the Treasury if there is a defense aspect to the business and providing the Office of Defense Mobilization issues a certificate of necessity, I believe it is, and through arrangements between agencies we have been designated as the agent to receive those applications, to collect the credit data, and to process them up until time for final action, and then we refer them to proper officials in the other agencies.

Five of those loans have been made, for \$3,500,000.

The exact figure of how many loans there are in excess of \$100,000 or \$200,000 I do not have, since my figures are only through September 30, which would not give a complete breakdown on this disaster. However, I do have that breaking down the loans by dollar size and indicating the percentage of the total number of applications received falling in different categories.

Now, of course, there had been I would say probably 50 or 60 percent of the large loans filed up there prior to September 30, but I can give this to you for—

Senator BUSH. Could we look at that just a moment, Mr. Chairman?

Senator LEHMAN. Yes.

Senator BUSH. This is the Small Business Administration, and this committee is interested in seeing how small businesses come out in connection with these loans, these disaster loans. I want the record to show if possible just how small business did come out. This does it pretty well, yes.

What we ought to have is not just the September 30 report for the record, I would think, but perhaps hold the record open for a report that would give as late as possible a summary of this, Mr. Chairman, rather than a September 30 report.

Mr. BARNES. If I may do so, I will file that as an exhibit showing the total number and perhaps individually the companies which have applied.

Senator BUSH. Well, I am agreeable to inserting anything the Senator wants. I just wanted the whole picture.

Senator LEHMAN. I quite agree with you. I think it should be brought up to date and placed in the record.

Senator BUSH. Then our request is, Mr. Barnes, that for inclusion in this record we get the latest possible report on this summary here sometime in November, you see, when you are able to give us this. Find out when the record closes and get the latest possible report of these figures, which will also give effect, you see, to the mid-October floods, will it not?

Mr. BARNES. Yes, sir.

(The information furnished by Mr. Barnes follows:)

SMALL BUSINESS ADMINISTRATION

Disaster loan applications received and approved, by size, cumulative through Nov. 30, 1955<sup>1</sup>  
 [Dollar figures are in thousands]

Size	Applications received			Loans approved			SBA share <sup>3</sup>		
	Number	Percent of total	Amount	Number	Percent of total	Amount	Number	Percent of total	Amount
\$500 and under.....	178	4.4	\$69	154	5.0	\$59	154	5.0	\$59
\$501 to \$1,000.....	325	8.1	296	292	9.5	258	292	9.5	258
\$1,001 to \$2,500.....	597	14.9	1,110	536	17.4	987	537	17.4	986
\$2,501 to \$5,000.....	849	21.1	3,342	695	22.6	2,739	696	22.6	2,739
\$5,001 to \$10,000.....	914	22.8	7,476	685	22.3	5,494	687	22.3	5,504
\$10,001 to \$25,000.....	748	18.6	12,800	495	16.1	8,216	492	16.0	8,114
\$25,001 to \$50,000.....	227	5.7	8,739	139	4.5	5,378	140	4.5	5,376
\$50,001 to \$100,000.....	107	2.7	8,373	47	1.5	3,601	45	1.5	3,403
\$100,001 to \$150,000.....	22	.5	2,875	13	.4	1,701	15	.5	1,971
\$150,001 to \$250,000.....	25	.6	4,986	7	.2	3,141	14	.5	2,870
\$250,001 and over.....	23	.6	11,573	7	.2	2,936	6	.2	2,430
Total.....	4,015	100.0	\$1,639	3,078	100.0	\$1,208	3,078	100.0	\$1,337,705
Average size.....			\$15,352			\$11,208			\$10,960

<sup>1</sup> Cumulative amounts approved at any one time exceed loans outstanding by reason of cancellation and repayments.  
<sup>2</sup> Distribution by size class is based on gross amount of all loans approved, including back share of participation loans.  
<sup>3</sup> Distribution by size class is based on amount of direct loans approved and SBA share of participation loans approved.  
 4 421 loans representing an SBA share of \$8,113,000 were temporarily approved under sec. 207 (b) of the Small Business Act of 1953.  
 5 Excluding 7 applications received in the amount of \$4,467,000, which were approved under sec. 302, Defense Production Act, for \$4,306,000; the average size of applications received is \$14,286.

*Disaster loans approved, classified between home loans and business loans, in eastern and northeastern areas suffering flood damage during August 1955 (Hurricane Diane) and October 1955, by States, as of Nov. 30, 1955*

State	Home disaster loans approved		Business disaster loans approved		Loans approved	
	Number	Gross amount	Number	Gross amount	Number	Gross amount
Connecticut.....	140	\$1,001,445	672	\$14,300,864	812	\$15,302,309
Maryland.....	1	925			1	925
Massachusetts.....	81	219,450	233	4,398,100	314	4,617,550
New Jersey.....	42	138,379	29	572,910	71	711,289
New York.....	11	22,450	33	427,750	44	450,200
Pennsylvania.....	80	322,268	133	2,484,330	213	2,806,598
Rhode Island.....			60	579,500	60	579,500
Vermont.....			1	20,000	1	20,000
<b>Total.....</b>	<b>355</b>	<b>1,704,917</b>	<b>1,161</b>	<b>22,783,454</b>	<b>1,516</b>	<b>24,488,371</b>
Percentage of total number.....	23.4		76.6		100	
Percentage of total amount.....		7		93		100

Mr. BARNES. The other schedule which I had prepared I will give for distribution, which further explains the chart which I pointed out a few minutes ago and breaks it down by States.

I think the committee may be interested in the overall figures, my latest report being October 29. There is sometimes a discrepancy between these two figures, between the figures I might have given earlier in my statement, since they are drawn from official reports that are transmitted by mail, and the figures that I am now giving you which come to us by TWX and telegram and are a little bit more complete.

As of October 28, we had received a total of 1,964 applications from this New England disaster, and this includes, however, the Carolina areas where the same storm had hit a day or so earlier. This in dollar amount was for \$39,845,643.

Now, we had approved 1,402 loans for \$19,479,889, and, together with the 5 loans approved as section 302 loans, it left a total of approximately \$23 million that had been approved at that time, with some 400 applications still pending to be acted on and with about 152 loans declined.

Senator LEHMAN. Were these loans all made or approved, the applications received and the loans approved, after the Hurricane Diane?

Mr. BARNES. Yes, sir. These are all attributable solely to Hurricanes Diane and Connie.

I will offer this for the committee's record, which gives a breakdown of the applications by offices.

Senator BUSH. May I see that?

Senator LEHMAN. Mr. Barnes, I want to commend the Administrator for an effective statement of the achievements of his agency.

Listening to your figures, I am a little confused as to the purpose of some of these loans. If my recollection is accurate, I think you stated that there were a number of loans with large amounts. I believe one loan was mentioned to the Hershey Co. of about \$1,800,000. Is that correct?

Mr. BARNES. Yes, sir.

Senator LEHMAN. Is that the Hershey Chocolate Co.?

Mr. BARNES. No.

Senator BUSH. No, sir, that is an electrical manufacturing company in the Naugatuck Valley. They employ about 350 to 400 people.

Senator LEHMAN. Couldn't that company have received loans from banks or investment houses? This is a company of very good credit; is it not?

Mr. BARNES. Yes, but in each case that is thoroughly explored, and there is some reason why it cannot be done. Now, I can't offhand tell you as to that particular case, but the law actually, as a matter of fact, in disaster loans does not have the same requirements that there are in connection with regular business loans, in that there is no legal requirement that the funds must not be available elsewhere. It would be possible to interpret the law as being an indication by Congress that it was intended to make 3-percent loans available to victims of disaster.

Now, we do not stress that but we examine to see if it is possible to obtain the funds elsewhere—if we can get participation by banks or if there is any other way it can be done.

But in that particular case it was not possible, and I can't give you offhand the reason why it was not.

Senator LEHMAN. These loans all have to be repaid, do they not?

Mr. BARNES. Yes, sir. And the figures I gave you a while ago indicated that there was a very small delinquency factor for this type of loan—where you are loaning to home owners, as you indicated, in some cases and small businesses that at times have been wiped completely out and must rebuild.

Senator LEHMAN. I have no doubt that a company like the Hershey Co. or the New York, New Haven & Hartford and other large companies who have received loans from the Small Business Administration will be able to repay them. In the meantime, in most cases, they will be able to recoup a large part of their losses through deductions from their corporate taxes or their income taxes. But I take it that loans made on homes also have to be repaid.

Mr. BARNES. Yes, sir.

Senator LEHMAN. Can you tell me how a small homeowner whose home has been wiped out or so greatly damaged that it is almost useless, who has lost not only his home but in many cases all his personal possessions, his furniture, his equipment, his appliances, all those things wiped out or so badly damaged that they are rendered virtually useless but with the mortgage still remaining, can get any compensation from anyone? He is just wiped out; that is all there is to it. The old loan is still in existence, has to be paid. A new loan which he receives from the Small Business Administration also has to be repaid.

In the absence of any money which would come to him through reimbursement of losses by insurance companies or by Government or what not, how can he possibly pay off the old loan and the new loan? He has a double liability there without any chance of recouping at all so far as I can see.

Mr. BARNES. Well, I can tell you best, and even give you some examples in this disaster, by indicating the part that most frequently the Red Cross plays, though there are variations from that.

Now, if you will recall, the Red Cross made an appeal, a special appeal, to the American people for a fund to assist in this disaster, and they had a special drive. They asked for some \$10 million, and

the American people generously gave a sufficient amount so when they got the drive stopped it exceeded \$12 million. And the Red Cross did a magnificent job in going through the area and making grants to those in need.

Now, I'm not talking about the immediate relief of giving food and a place to sleep and things of that nature. But after that was finished, they made a study, a case-by-case study, of what was needed and would then make a grant based on their findings, which in some cases might merely be a sufficient amount to restore furniture, bedding, and household goods that was lost and a sum to clean up a home. In other cases where the home itself was partially destroyed, the amount would be perhaps varied. If the victim was of an age where they had no earning capacity, those are the tough cases since you have no earnings to fall back on. However, in one of the instances we have noted there was a total destruction of a home. The Red Cross advanced \$10,200 to this individual, and SBA made a loan of \$4,000. The high Red Cross grant was due to the advanced age of the recipient since he had only a few working years left.

My thought is that a mortgage that had been reduced was paid off with the Red Cross loan, leaving only the \$4,000 mortgage to SBA due on the property.

In other cases, SBA would make a loan of \$7,500. The Red Cross made a grant in this particular case of \$5,446 which I am sure included repayment of a mortgage and other household personal property.

In the case of a small bakery up there, for instance, they had lost \$25,000 in inventory and equipment during the flood and had an \$8,000 mortgage on its property which it could not pay. It was impossible for us to work out a loan with the \$8,000 pending. This business was referred to the Red Cross which made a grant to this bakery of \$8,500 to pay off the mortgage and certain other small debts, and we then were able to work out a loan to replace his loss in merchandise, inventory, and equipment.

The best explanation I can give you is that that is the way it is done. In other cases it may be that a mortgage is owed to a private savings and loan institution or savings bank, and in many cases they will extend the terms of payment of their loan over a much longer period, cutting down the monthly payments, and we will loan the amount needed to make a repair and take a second position behind the first mortgage. And it is possible to work them out that way, sir.

Senator LEHMAN. Have you any knowledge of how much the Red Cross gave the homeowners or the businesses as grants?

Mr. BARNES. I do, sir. These are subject to correction by the Red Cross itself, but my figures indicate that in Connecticut the sum of \$7,650,580 was made available by the Red Cross; in Massachusetts, \$1,404,630; in Rhode Island, \$243,675; in New York, \$250,898; in New Jersey, \$416,081; in Pennsylvania, \$2,907,388; a total in one disaster of some \$12,873,252.

Senator LEHMAN. I know that the Red Cross received from the public somewhat over \$12 million.

Mr. BARNES. Yes, sir.

Senator LEHMAN. That \$12 million, as I understand it, however, covered all their humanitarian activities, feeding, clothing, giving medical assistance, moving families, providing temporary shelter and

housing. And while I am not an official of the Red Cross, I have worked with them quite closely in past years and I would assume, and I think that it is a fair assumption, that out of the \$12 million to which you refer by all means the greater part of the fund was used in the normal humanitarian activities of the Red Cross.

Mr. BARNES. I don't think so, sir. I don't believe so in this particular disaster. I do not have the figures, and they should come from the Red Cross itself, but—

Senator LEHMAN. We will ask them that. It will come as a great surprise to me if my assumption is not correct.

Mr. BARNES. I see.

Senator LEHMAN. Because I know how the Red Cross operates in a general way. I have seen them operate in New York and in many other localities. The urgent needs, the immediate needs are so urgent, so pressing that I am sure that they use a very substantial part of their funds for humanitarian purposes, emergency purposes.

Senator BUSH. Mr. Chairman, on this point, I really think the chairman is under some misapprehension about the way the Red Cross operates in a distress area. Of course, I have seen this at first hand, but these figures may throw some light on the case.

There are two phases of Red Cross activity. First there is the mass care and emergency phase, and then the family rehabilitation or the business rehabilitation phase. In other words, they go from a mass problem which lasts a few days or a week and then go to the individual problem.

This report here is only as of October 15, and I think our final record should have their most complete report, but it shows that as of that date in Connecticut alone the mass care and emergency assistance to families was \$889,000, and the family rehabilitation awards—that is, by individual families—were \$5,572,000, the total being \$6,462,000.

So that the mass care only represents about a seventh of the total expended, and six-sevenths has been expended for individual rehabilitation.

To further emphasize that point, I have here a report from the Red Cross as of October 20 which shows that in the whole Northeast area applicable to the August flood they received 14,529 applications for individual restitution and they actually closed cases totaling 13,335, the total being \$12,476,000. So that those are on an individual basis, the figures which they have submitted as of October 20. The applications include a number of families and applications for small-business grants. We do not have figures available for the October flood.

I would like to suggest this table be put in the record at this point to enlighten this discussion. Is there objection?

Senator LEHMAN. I have no objection at all.

(The table referred to follows:)

*Individual applications for restitution for flood damage received by the American Red Cross as of Oct. 20, 1955*

State	Applications received	Cases closed	Amount
Connecticut.....	6,399	5,477	\$7,413,578
Massachusetts.....	1,930	1,810	1,352,725
Rhode Island.....	626	613	243,675
New York.....	431	415	245,068
New Jersey.....	784	780	405,591
Pennsylvania.....	4,359	4,240	2,815,855
Total.....	14,529	13,335	12,476,492

**NOTE.**—Applications include number of families and applications for small business grants.

No figures are available for the October floods, but Red Cross estimates about 1,500 additional applications.

Senator BUSH. If I may proceed, I also think that in line with this discussion it would be desirable to include this table, Mr. Chairman, which is from the disaster-indemnity study by our staff of this committee. I would like that to be included at this point, too.

(The table referred to follows:)

*American National Red Cross statistical summary, Eastern States flood, Oct. 15, 1955*

State	Estimated number family applications	Actual number family applications	Cases closed emergency assistance	Cases closed rehabilitation awards	Other	Total cases closed	Commitments mass care and emergency assistance to families	Commitments family rehabilitation awards	Total commitments
Connecticut....	6,582	6,339	1,925	2,724	225	4,874	\$889,395	\$5,572,655	\$6,462,050
Massachusetts..	1,916	1,911	864	713	133	1,710	262,566	993,501	1,256,067
Rhode Island...	622	622	401	181	3	585	48,347	146,111	194,458
New York.....	428	424	195	201	18	414	50,317	181,997	232,314
New Jersey.....	781	781	375	78	321	774	64,118	333,424	397,542
Pennsylvania...	4,325	4,298	1,782	1,903	333	4,018	467,538	2,204,336	2,671,874
Total.....	14,654	14,375	5,542	5,800	1,033	12,375	1,782,281	9,432,024	11,214,305

Senator BUSH. Now may I proceed with a slightly different line?

Senator LEHMAN. Yes; please do.

Senator BUSH. I am very glad that the Administrator has brought out the way that the Small Business Administration has cooperated with the American National Red Cross because that has been one of the great features of our recovery situation up there. I know that when the Red Cross testifies in Hartford—I am glad to hear that they are going to—they will attest to the fact of the cooperation between these agencies.

I personally have visited every Small Business Administration branch office which you have established and have seen with my own eyes that there has been close cooperation between the SBA and the American National Red Cross.

I want to go back to mention that was made of the Hershey Manufacturing Co. in Ansonia, which did get approval of a \$1,800,000 loan. I would like the record to show that Mr. Hershey is virtually the owner of that business. He is the proprietor, so to speak. He has no children. He is 66 years old. That business represents an accomplishment of a lifetime, and it was pretty well washed down the river.

I think he showed a great deal of courage at age 66 to go back into business. He didn't have to do it. He could have lived independently, but he was motivated in doing that because he is a public-spirited citizen in that community, employing 350 or 400 workers, and he felt that he owed it to the community and to his people who had been with him and helped him build up that business to make that loan.

I could have understood his refusal to take the loan, but I think, far from gaining any advantage, that the community owes Mr. Hershey quite a debt, a real debt of gratitude, for putting that business back into operation.

He had hardly gotten it back into operation before the second flood hit him, and hit him hard, and he had to apply for an additional \$400,000, I believe, from the Small Business Administration. I don't know whether that has been approved. Has it or not?

Mr. BARNES. I don't believe it has.

Senator BUSH. Probably not yet. But I do think that this is an example of where not only the Government has helped the situation and done a very constructive thing, but the individual himself is making, I think, a substantial sacrifice in borrowing \$1,800,000 from the Government at his age to put this business back on its feet.

Senator LEHMAN. May I say I wish Mr. Hershey the best of good fortune.

Senator BUSH. I was very sure that the Senator would.

Senator LEHMAN. It is a very reliable and responsible—

Senator BUSH. What I say is absolutely no suggestion that the Senator is critical of Mr. Hershey. If he knew him, he wouldn't be.

Senator LEHMAN. There is no criticism of Mr. Hershey.

Senator BUSH. No.

Senator LEHMAN. But what I am concerned about is that in the 2 days of hearing we have thus far held I have heard no suggestion, short of Federal flood insurance, that is going to make it possible for the little fellow who has lost his home to regain a home. I have heard no suggestion or plans which would care for that situation. The little fellow with a small income who has lost all his possessions and is left with these big debts—but just can't meet them. That is one of the things that I am very interested in, as I know members of the committee are, too. I have heard no suggestions, no plan.

Senator BUSH. I think that what we are trying to do, Mr. Chairman—I think some of the witnesses have and certainly I want to help you—is to show in this record at least what the facts are as to what has been done by way of restitution for homeowners. I think the more information we develop on that the better chance we will have to develop a sound bill. The fact is that while there have been many homes lost and many families destitute, there has been a tremendous amount of restitution made very happily and very quickly and families have been put back on their feet. They are very, very grateful for the assistance that the communities and the governments,

too, both Federal and State, have thrown their way, extended to them.

Senator LEHMAN. Mr. Barnes, in your testimony you referred to the fact that in slightly more than 2 years of its existence the administration has made about 45 declarations of disaster areas.

Mr. BARNES. Yes, sir.

Senator LEHMAN. Then you go on to say many of these 45 disasters were fortunately confined to small areas but they caused much local distress.

In one instance an entire community—Udall, Kans.—was practically wiped from the face of the earth.

That disaster came from a hurricane or tornado; did it not?

Mr. BARNES. Yes, sir.

Senator LEHMAN. Is that a fact?

Mr. BARNES. Yes, sir.

Senator LEHMAN. Well, isn't it a fact that there is no difficulty for homeowners getting insurance to protect themselves against the forces of nature as demonstrated by a hurricane or a tornado?

Mr. BARNES. Yes, sir. There is cyclone, windstorm-damages insurance available, and in most of the other disasters we have as a normal situation worked with the private companies that have written the insurance in this way: We make it clear to the victims that if they have a problem since the insurance does not cover the cost of reconstruction, that we will consider a loan to enable them to rebuild immediately and will take an assignment of the proceeds under the insurance policy when the claim is settled and we will proceed immediately to make them a loan, and if it takes them a few months to work out their insurance claim, we will apply it when received on the face amount of the loan.

It has been my observation—and I have some figures on the other disasters which I wish to make available to the committee—where there is private insurance available that it cuts down the need for loans by 70 to 90 percent.

In, I think, Blackwell, Okla., for instance, where there were some 400 homes destroyed, it was in a better residential section of the city, and the cyclone or tornado took out about 3 blocks of residential dwellings from one end of the city to the other and some 400 homes lost. Most of the homes were covered by insurance of one kind or another, cyclone insurance, and with their insurance and the assistance of either banks or savings and loan companies, they were able to rebuild without a loan.

Our loans in that particular section were about 40. So it cut it down to about 10 percent of the total loss.

These 45 disasters over the past 2 years are broken down on this sheet which I will offer into the record, and you may wish to see what the breakdown has been.

Senator LEHMAN. Before you do that, I would like to pursue this one subject just for a minute.

Mr. BARNES. All right, sir.

Senator LEHMAN. Because I think it is extremely important. I am afraid that the facts are not quite known or understood by the public.

When a man loses his house by a tornado and it has been insured,

he doesn't need any Federal help. He has got the insurance that covers the cost of the house.

Senator BUSH. Luckily.

Senator LEHMAN. Well, I believe that you will agree with me, Mr. Barnes, that today there is no difficulty whatsoever in a man protecting himself by insurance against fire, against earthquakes, against windstorms, including hurricanes and tornadoes, and some of the other natural disasters.

I am told that in States where tornadoes are more or less usual, almost everybody is covered by tornado insurance.

Now will you tell me, is there any insurance that would cover a man who lost his house through destruction or damages caused by floods?

Mr. BARNES. I know of no such insurance covered by private companies or in the Government. It is true that even on the seashore areas where there were losses a year ago when the hurricanes and tidal waves actually struck the shore if a piece of property was damaged by waves there was no liability on the part of the insurance company. But if the same house had an all-coverage policy of some sort that included windstorm if the roof was partially destroyed or the doors or windows blew in before the waves destroyed the house, the insurance companies accepted liability, according to my understanding and the cases that we dealt with.

So that I don't know of any insurance that is available from flood or high water due to tides or waves.

Senator LEHMAN. That is what I am getting at. People don't realize, they say "Why should the Government interest itself in the flood insurance when it doesn't interest itself in fire insurance or earthquake insurance or tornado or hurricane insurance?"

What I am trying to bring out is the answer is simple: The Government doesn't need to concern itself with those disasters on which a man or community can protect itself.

Mr. BARNES. I also offer into the record what has happened in past disasters, how the loans are broken down, what the loss has been in different types of disasters. I think it would be useful statistical information for the committee.

(The table referred to follows:)

SMALL BUSINESS ADMINISTRATION  
 Disaster loan application activity, by States, cumulative through June 30, 1955  
 [Cents omitted]

Disaster and date declared	Received		Withdrawn		Declined		Approved		Pending	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>RECONSTRUCTION FINANCE CORPORATION</b>										
Earthquake (Aug. 25, 1952), California	1	\$6,000								
Flood (Apr. 3, 1953), Maine	39	18,546			12	\$6,770	27	\$6,000		
Tornado (Apr. 21, 1953), Georgia	2	10,846			2	7,566	1	10,775		
Tornado (May 12, 1953), Texas	2	54,600			2	54,300		8,000		
Tornado (June 6, 1953), Ohio	3	3,300	1	\$5,300						
Tornado (June 10, 1953), Massachusetts	15	104,200	1	7,000	3	19,000	11	72,700		
Flood (June 11, 1953):										
Iowa	2	35,000					2	33,000		
Montana	1	1,800					1	1,800		
Total	3	36,800					3	34,800		
<b>SMALL BUSINESS ADMINISTRATION</b>										
Gales, snow, and high tides (Nov. 12, 1953):										
Connecticut	6	12,811			3	4,500	1	1,000		
Massachusetts	2	10,400					2	8,400		
New York	43	335,240	8	118,100	4	10,100	37	290,532		
New York	34	346,973	7	61,970	8	166,970	19	113,232		
Total	91	725,424	17	187,370	15	181,570	59	324,164		
High tides (Nov. 20, 1953), California	1	10,000					1	9,000		
Tornado (Dec. 7, 1953):										
Arkansas	1	2,000					1	2,000		
Louisiana	28	422,191	1	15,500			27	398,691		
Mississippi										
Texas	29	424,191	1	15,500			28	400,691		
Total	30	850,382	2	32,500			28	801,282		
Gale, snow, or tides (Dec. 17, 1953):										
Maine	3	1,125					1	400		
New Hampshire	13	54,030	2	55,000	5	12,000	6	37,030		
Forest fire (Jan. 4, 1954): California										

See footnotes at end of table.

*Disaster loan application activity, by disasters, by States, cumulative through June 30, 1955—Continued*  
[Cents omitted]

Disaster and date declared	Received		Withdrawn		Declined		Approved		Pending	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>SMALL BUSINESS ADMINISTRATION—continued</b>										
Heavy rains and landslides (Jan. 12, 1954): Oregon.....	4	\$18,150	1	\$3,200			3	\$14,000		
Tornado (Mar 17, 1954):										
Alabama.....	23	89,083	7	36,376	4	\$12,520	12	34,025		
Georgia.....										
Tornado (May 4, 1954):										
Arkansas.....	1	402	1	402			1	1,841		
Iowa.....	1	4,000								
Louisiana.....	2	14,000					2	14,000		
Oklahoma.....	4	23,650	1	1,800			3	21,850		
Texas.....										
Total.....	8	42,052	2	2,202			6	37,691		
Floods (May 18, 1954): Massachusetts.....	13	90,150	2	32,200	1	10,000	10	43,700		
Thunderstorms (May 18, 1954): New Mexico.....	11	84,855	2	11,000	1	10,000	8	61,800		
Flood (June 24, 1954): Iowa.....	12	513,858	1	14,000	5	408,823	6	91,032		
Burricane, floods (July 2, 1954): Texas.....	86	374,869	5	20,550	1	1,500	80	315,716		
Earthquakes (July 21, 1954): Nevada.....	17	133,236					14	57,319	2	\$63,000
Rain and floods (July 22, 1954): West Virginia.....	17	69,750					17	67,150		
Floods (Aug. 2, 1954): Arizona.....	12	104,500	2	5,500	2	13,500	8	71,400		
Hurricane, floods and excessive rainfall (Sept. 1, 1954):										
Connecticut.....	85	559,012	12	44,700	19	278,300	54	206,012		
Massachusetts.....	70	212,292	3	6,600	12	98,300	54	86,391	1	3,000
New Hampshire.....	131	1,263,757	12	82,900	11	281,048	101	723,131	1	43,000
New York.....	13	47,550	2	10,300	1	3,000	9	24,700	1	7,500
Rhode Island.....	23	122,390	5	42,750	14	46,640	4	33,000		
Vermont.....	277	2,870,576	17	323,400	23	338,400	232	1,636,136	5	230,000
Total.....	1	30,000	1	30,000						
Total.....	600	5,104,475	52	537,650	86	1,045,778	454	2,711,179	8	283,500
Hurricane, floods and excessive rainfall (Oct. 18, 1954):										
Delaware.....	1	6,000					1	6,000		
Maryland.....	110	469,038	5	2,100	16	177,638	89	278,040		
New Jersey.....	9	47,500	2	6,000	1	7,500	6	34,000		
New York.....	1	25,000					1	20,000		
North Carolina.....	235	2,042,730	5	66,700	19	362,875	210	1,422,555	1	50,000
Pennsylvania.....	13	63,400	1	28,000	7	21,900	5	12,500		

South Carolina.....	142	2,810,953	5	163,200	7	106,965	130	2,141,960	
Wisconsin.....	6	24,500			1	500	6	21,540	
<b>Total</b> .....	<b>148</b>	<b>2,835,453</b>	<b>5</b>	<b>163,200</b>	<b>8</b>	<b>107,465</b>	<b>136</b>	<b>2,163,500</b>	
Food (Oct. 17, 1964) Indiana.....	517	5,489,121	18	268,098	51	737,368	447	3,986,695	1
Food (Feb. 8, 1956) Mississippi.....	1	4,000	1	4,000					
Flood (Mar. 28, 1965):									
Alabama.....									
Mississippi.....									
Wind and water (Mar. 26, 1966) Michigan.....	1	5,000					1	5,000	
Flood (May 23, 1966) Colorado.....	16	41,800	2	2,400	1	4,500	13	27,200	
<b>Oyidene and tornado (May 26, 1965):</b>									
Kansas.....	16	73,830				7,030	9	89,600	6
Oklahoma.....	21	244,372	1	9,854			16	193,470	4
<b>Total</b> .....	<b>37</b>	<b>318,202</b>	<b>1</b>	<b>9,854</b>	<b>1</b>	<b>7,030</b>	<b>25</b>	<b>233,070</b>	<b>10</b>
Tornado (June 6, 1955): Arkansas.....									
Flood (June 17, 1955): Mississippi.....	1	2,500							1
Flood (June 21, 1955): Nevada.....									
Freeze (June 17, 1955): North Carolina.....									
Tornado (June 21, 1955): Colorado.....	1	4,150					1	4,150	
Freeze (June 22, 1955): South Carolina.....									
<b>Total</b> .....	<b>1,577</b>	<b>13,946,742</b>	<b>121</b>	<b>1,172,023</b>	<b>191</b>	<b>2,532,458</b>	<b>1,243</b>	<b>8,614,587</b>	<b>22</b>
									<b>467,000</b>

1 Areas declared prior to SBA lending authority.  
 2 Total gross amount approved reflects a reduction of \$1,160,674 from the amount requested.  
 3 Includes \$73,000 participating bank's share in 1 loan.

Mr. BARNES. I have available information on the experience of the Government in the war-damage insurance program. It was mentioned yesterday in the hearing, and if the committee wishes to go into it, I can do so.

Senator LEHMAN. Is that covered by this statement?

Mr. BARNES. No, sir. It is not in my statement.

Senator LEHMAN. The chart has been put in the record.

Mr. BARNES. Yes, sir.

Senator LEHMAN. Well, other testimony has been given and will be given on war-risk insurance.

Mr. BARNES. All right, sir.

Senator LEHMAN. We have a number of other witnesses. I just want to ask two questions: You referred to 1,300 applications granted?

Mr. BARNES. Yes, sir.

Senator LEHMAN. Can you tell us how many were for business and in what amount and how many were for homes and in what amount?

Mr. BARNES. I can't tell you in terms of the ones that have been granted. I can tell you in terms of the applications that were filed. I just don't have the information.

Senator LEHMAN. Well, what we want to get at is the number granted of that 1,300.

Mr. BARNES. This sheet shows the total of the applications broken down in homes and businesses and showing the 342 homes and 1,282 businesses; the figures do not jibe, because this is dealt with by mail and is our official figure. The other was assembled by wire.

Senator LEHMAN. Well, I can understand you have not got those figures at the moment.

Mr. BARNES. Yes.

Senator LEHMAN. Will you have them prepared?

Mr. BARNES. Yes. You wish it as to the loans actually granted?

Senator LEHMAN. Yes. I will repeat my question: Of the 1,300 applications granted, how many were for business, and in what amount; and how many were for homes, and in what amount?

Mr. BARNES. We will furnish that information.

Senator LEHMAN. Thank you very much. Just one other question: I noticed on one of your tables that 152 loans were declined or rejected.

Mr. BARNES. Yes, sir.

Senator LEHMAN. Can you give us some reason why they were declined and tell us how these applicants will recover economically from the disaster?

Mr. BARNES. Well, there are a variety of reasons, as you might judge. I can think of 1 or 2 examples. In one the applicant had a bowling alley, and it had been flooded, and he estimated the damage to the bowling alley was some \$7,500—\$7,000 or \$8,000 it would cost to refinish it and put it back in operation, and he applied for a loan of that amount.

In our investigations it was learned that he had another piece of property in that part of the city which had just been condemned by the city for highway purposes. He had been awarded some \$75,000 for this piece of property that was condemned, and he would receive the funds in the matter of 2 or 3 weeks.

We felt that, under those circumstances, Government funds shouldn't be advanced since banks in the community indicated their willingness to give him a temporary loan until he had his own funds.

That is one type of case. Another type might be where there is no possibility whatsoever shown by the applicant to repay the loan; there were no earnings whatsoever from which a loan could be repaid.

Those are the pitiable cases, of course, and in many cases that happens to the agent and in those cases we refer the victim to the Red Cross and they consider that a proper case for them to take action.

It is that type of cases that involve declines.

Senator LEHMAN. Are there any questions?

Senator BUSH. Mr. Chairman, I just want to make one comment because I think Mr. Barnes and his agency has rendered a great service to our State and the other areas. I am familiar directly with Connecticut, but I know that the people of our State and the officials, including our Governor and all of us who have been close to the situation, are deeply grateful to Mr. Barnes and the Small Business Administration. They acted very promptly. Mr. Barnes came up there in the very first week of the disaster, personally. They opened regional offices so as to go right to the place where the disasters were and facilitate the receiving of applications. They rallied the support, the advice, and counsel of local committees which were generous in supplying that support and cooperated fully with the local governments and in every way, I believe, got the most out of the legislation providing for disaster relief in the SBA.

So that I think on the whole that the record has been very creditable. I want to say that our people in our State very, very much appreciate what you personally and what your whole organization have done.

Senator LEHMAN. I am sure that Mr. Barnes has conducted himself and the work of his organization with efficiency and with great sympathy. Mr. Barnes obviously can't write the laws of the United States.

Senator BUSH. No.

Senator LEHMAN. He can't go beyond the powers that are given to him by the legislature.

Senator BUSH. I say he has gotten the most out of the legislation.

Senator LEHMAN. I think that he has.

Mr. BARNES. I did have one comment to make, Mr. Chairman, relative to the type of losses that might well be considered in any legislation that is developed by the committee.

This is not an Administration position but is my personal observation on the nature of the losses, that is, that there is something more involved than buildings and inventories as was discussed in the criteria. It has been our experience that most of the small merchants that have suffered loss—and, of course, that was certainly true in all these cities in Connecticut—many of them are in rental property and the loss to them, of course, is their inventory, but moreover they own their fixtures or if they are small manufacturing plants they own their equipment; and a large part, I would say a substantial part, of the loans that we have made have been to authorize either the cleaning and repair of equipment in the case of manufacturers or the complete repurchase of fixtures, and in an insurance plan I think that if those items are not included that there will be a serious gap in the actual losses based on our experience.

Senator LEHMAN. Thank you very much.

If there is no objection, I would like to have placed in the record a table here prepared by the Small Business Administration on

October 31, 1955, showing the types and number of disaster declarations made by the Administration in the past 2 years. I wish to draw attention to the fact that of the 45, 18 were floods.

(The table referred to follows:)

SMALL BUSINESS ADMINISTRATION, OCTOBER 31, 1955

*Types and number of disaster declarations*

Hurricanes.....	7	Fire.....	1
Floods.....	18	Freezes.....	4
Tornadoes.....	9	Gales and high tides.....	3
Droughts.....	1		
Landslides.....	1	Total.....	45
Earthquake.....	1		

Senator BUSH. Mr. Chairman, there is one more paper here I would like to submit for the record which is a statistical report of the SPA disaster field offices accumulated as of October 27.

The significance of this report, particularly, is to show the very high percentage of approvals made on these disaster loans and what a small percentage of declinations.

For instance, in the city of Waterbury, there were 280 applications filed as of this date and 166 had been approved but only 5 had been declined. The others presumably were in process and action will be taken on them. But the ratio of 166 approved to 5 declinations shows the extent to which the SBA was recognizing the needs of that community.

Incidentally, I would like also to mention that in Torrington there were 67 approved and only 4 declined. In Hartford, there were 86 approved and only 8 declined; in Winsted, 95 approved and only 3 declined; and in Ansonia 75 approved and only 4 declined.

Senator LEHMAN. There being no objection, it will be placed in the record.

(The table referred to follows:)

SMALL BUSINESS ADMINISTRATION

Statistical report of Small Business Administration disaster field offices, cumulative as of Oct. 27, 1955

APPLICATIONS

	In-quir-ies	Dis-trib-uted	Filed		Forwarded to regional office		Approved		Declined	
			Number	Amount	Number	Amount	Number	Amount	Number	Amount
Woonsocket, R. I. ....	453	302	85	\$999,547	7	\$274,463	59	\$407,000	6	\$79,000
Springfield, Mass. ....	313	207	98	1,413,750	5	360,000	81	528,115	4	10,600
Worcester, Mass. ....	802	281	83	2,146,855	20	1,366,055	52	308,390	4	39,000
Webster, Mass. ....	190	56	83	2,736,315	12	1,994,700	66	381,315	1	3,500
Part Jervis, N. Y. <sup>1</sup> .....	105	61	16	114,005	2	15,000	13	87,005	1	12,000
Kingston, N. Y. <sup>1</sup> .....	330	87	22	600,818	6	226,900	5	71,550	1	1,800
Putnam, Conn. ....	623	133	52	770,320	5	349,000	35	205,620	-----	-----
Waterbury, Conn. ....	1,750	1,260	280	7,809,779	44	4,051,621	166	1,680,411	5	39,800
Torrington, Conn. ....	321	139	122	1,987,901	13	399,800	67	607,615	4	16,300
Hartford, Conn. ....	1,633	1,145	132	2,136,760	12	918,000	86	762,690	8	62,400
Winsted, Conn. ....	150	150	128	3,808,107	18	2,544,500	95	742,675	3	20,500
Ansonia, Conn. ....	362	453	111	5,531,405	17	3,671,052	76	574,159	4	36,000
Danbury, Conn. ....	26	20	10	87,500	-----	-----	-----	-----	-----	-----
Stamford, Conn. ....	82	87	23	351,000	-----	-----	-----	-----	-----	-----
Norwalk, Conn. ....	28	22	11	397,400	-----	-----	-----	-----	-----	-----
Stroudsburg, Pa. ....	263	219	111	1,712,236	16	677,700	65	465,672	10	69,300
Seranton, Pa. ....	333	134	53	652,458	11	297,100	20	141,200	7	58,000
Easton, Pa. ....	187	134	63	1,309,864	9	859,904	36	153,450	7	50,000
Tamaqua, Pa. <sup>1</sup> .....	177	24	6	59,400	-----	-----	-----	-----	-----	-----
Flemington, N. J. ....	748	104	72	855,227	6	290,000	42	221,399	11	138,834
Trenton, N. J. ....	299	206	42	394,875	5	21,500	13	91,300	4	7,000
New Bern, N. C. <sup>1</sup> .....	128	95	80	373,226	9	66,950	69	293,593	-----	-----
Wilmington, N. C. <sup>1</sup> .....	28	17	18	93,789	12	77,589	6	16,209	-----	-----
New Bern, N. C. <sup>2</sup> .....	221	139	112	407,330	1	25,000	88	228,085	6	47,600
Total .....	-----	-----	-----	-----	230	18,486,834	-----	-----	-----	-----
Philadelphia, Pa. ....	349	79	24	708,580	52	\$2,367,316	32	728,850	17	265,600
Boston, Mass. ....	549	403	77	839,275	29	3,797,112	71	1,146,130	17	201,130
New York, N. Y. ....	478	71	27	939,542	63	7,444,031	34	1,236,900	2	100,000
Richmond, Va. ....	25	10	9	43,379	24	182,539	11	77,230	7	45,589
Washington office .....	-----	-----	-----	-----	-----	-----	65	7,468,160	20	2,210,811
Total .....	10,953	6,018	1,950	39,281,243	168	13,790,998	1,353	18,625,314	149	3,514,764

<sup>1</sup> Field office closed.  
<sup>2</sup> Reopened as of Sept. 28, 1955 (Ione).

Senator LEHMAN. Mr. Wallace, do you have any questions?

Mr. WALLACE. Yes.

Mr. Barnes, on page 5 you referred to the fact that at the last session of the Congress authority was given to you to include droughts in your disaster loans.

Mr. BARNES. Yes.

Mr. WALLACE. Would you furnish for the committee a statement showing what has been done under this authorization up to date?

(The information referred to follows:)

SMALL BUSINESS ADMINISTRATION,  
 OFFICE OF THE ADMINISTRATOR,  
 Washington 25, D. C., December 28, 1955.

Hon. J. W. FULBRIGHT,  
 Chairman, Committee on Banking and Currency,  
 United States Senate, Washington 25, D. C.

DEAR SENATOR FULBRIGHT: In connection with my appearance before your committee on November 1, 1955, I submit the following information on our drought disaster loan program in addition to the information sent to your committee on November 29, 1955, and December 22, 1955.

As of November 1, 1955, the Department of Agriculture had designated 1,323 counties in 20 States as drought areas. Although the Small Business Administration has publicized its authority to make disaster loans to firms or individuals adversely affected by droughts, nevertheless, to date, this agency has received only 34 of such applications from these drought disaster areas. One loan has been authorized; the other applications are being processed.

The Revised Loan Policy Statement, issued by the Loan Policy Board, to be effective December 31, 1955, includes drought disasters with other types of disasters previously named in the Loan Policy Statement and they are handled in a similar manner.

If any further information is desired, please do not hesitate to call on us.

Sincerely yours,

(Signed) WENDELL B. BARNES,  
*Administrator.*

Mr. BARNES. Yes, sir.

Mr. WALLACE. Thank you.

Mr. BARNES. I confined my remarks to what we have done in the loan program, and I do think before I close I should mention that we took a very active part through our other programs in working to bring Government contracts in the area. We listed all the manufacturers in all of these States and furnished their names to the various Government procuring agencies. We likewise looked up procurement that would be available and furnished it to the manufacturers who thought that they could alleviate unemployment by providing for contracts to be available. In particular GSA, Defense Department, and many others as your testimony showed yesterday, put contracts in the area.

As to the general aspects of flood insurance, I earlier outlined some of the difficulties in establishing rates due to the fact that there are areas that would be the most subject to flood that would carry the highest rates if it is computed on an actuarial basis. So I think there has been some merit in the private companies being unable to write the insurance.

We have kept in touch with the overall information available on the subject as in many of the RFC programs we have in our agency.

It has been a pleasure to appear before you this morning.

Senator LEHMAN. Thank you very much.

The next witness is Mr. Kenneth L. Scott, the Department of Agriculture.

I see you have a statement. Do you wish to read that or proceed orally?

**STATEMENT OF KENNETH L. SCOTT, DIRECTOR, AGRICULTURAL CREDIT SERVICES, ACCOMPANIED BY CARL FRETTS, DEPUTY MANAGER, FEDERAL CROP INSURANCE CORPORATION, DEPARTMENT OF AGRICULTURE**

Mr. SCOTT. If it is satisfactory to you, Mr. Chairman, I would like to read it. It is rather short.

Senator LEHMAN. That is entirely satisfactory.

Mr. SCOTT. My name is Kenneth L. Scott, and I am Director of the Agricultural Credit Service, Mr. Chairman. The Secretary has also given me some responsibility of a coordinating nature in connection with our various aid programs in disaster areas.

We hope this brief report, Mr. Chairman and members of the committee, which will be confined to the things that we have done in the

New England floods may be of help to you in noticing what is being done under the several authorities which Congress has given the Department.

The Department of Agriculture takes prompt action when a sudden impact natural disaster, such as a hurricane or a flood, is reported by the Weather Bureau to be headed toward a certain area. Certain designated employees of the Department in the threatened area immediately make use of all media of communication, especially the radio, to warn people of the impending danger and urge them to take detailed precautions to protect themselves and their property.

For example, in North Carolina, the day Hurricane Connie struck the area, several radio broadcasts were made warning people of the approach of the storm and urging them to take prescribed precautions to protect themselves and their property.

Similarly, in Massachusetts, as a result of past experience, packets of pertinent information were prepared early in the summer for use in case of a sudden disaster. These packets contained information for use by people, both before and after the initial impact of the disaster.

Reports of a similar nature could be given for the disaster work done in other areas, including Connecticut, Pennsylvania, Rhode Island, New York, Delaware, Maryland, and Virginia.

Immediately after each of the hurricanes, the Secretary of Agriculture contacted the Governor of each affected State and told him that surplus foods were available for distribution. These surplus foods were already in the stricken areas for distribution as needed. Additional surplus foods were shipped in as circumstances required.

Promptly after the initial impact of any such disaster, the Department's people in the area spread out through the damaged area to make a survey of the damage and to render all assistance possible to those in need and to give counsel and advice toward salvaging damaged crops, repairing damaged buildings, and so forth. They work closely with the American Red Cross, civil defense, and other State and local agencies in locating emergency housing, establishing mass feeding centers, and doing the things which are necessary to return the area to normal condition.

Let me take a few of the agencies of the Department and briefly detail some of the services which they promptly render in any major disaster area: Agricultural Research Service steps up their inspection of meat and other foods to assure their fitness for human consumption. They intensify their inspections of livestock to keep down any contagious diseases.

Agricultural Marketing Service furnishes food for mass-feeding programs. Usually this food is made available to the Red Cross, Salvation Army, civil defense, and other welfare agencies in the State. As a result of the August and October floods, in the following States, this agency of the Department furnished food for individual recipients and mass feeding as follows: Connecticut, 7,400 persons; Massachusetts, 3,000 persons; Rhode Island, 2,700 persons; Pennsylvania, 36,000 persons; North Carolina, 2,800 families.

The Federal Extension Service concentrated their efforts in assisting people and communities affected by issuing warnings concerning the use of untreated water supplies, safety and sanitary measures to be

taken concerning the emergency care of livestock, and both harvested and unharvested crops damaged by water. Specialists from this agency were sent to each county to assist the regular staff in processing calls for assistance and to make surveys of the damage done by the storm in order to determine the assistance required and the type of service that would be most useful to the people in the area in the early stages following the storm, the main effort being concentrated to salvage as many crops as possible and to assist farm families in getting their homes back to normal.

Senator BUSH. Mr. Chairman, may I ask a question there?

Senator LEHMAN. Yes, indeed.

Senator BUSH. You speak of the safety measures you have taken concerning the emergency care of livestock. We have had some inquiries concerning the livestock-feed situation. The Department advised us October 14 as follows:

A survey of the livestock feed situation in flooded areas is currently being conducted to determine feasibility of declaring those areas in need of livestock feed as being eligible for assistance under the emergency feed program. It is anticipated this survey will be completed within a few days.

Has it been completed?

Mr. SCOTT. I noticed the report, Senator, this morning, that came to my desk before I came up here.

Senator BUSH. Can you give us any information about it?

Mr. SCOTT. It was indicated that there is quite a variation throughout the respective areas in the extent to which feed is really needed. A good many of the farmers were able to salvage quite a lot of their forage crops, you know, but there is, I noticed in this report, some indication that there is a need up there for some supplemental feed grains, and we will look into that promptly, sir.

The Farmers Home Administration immediately designated, after the President's declaration of a major disaster, areas in which emergency loans would be made available to farmers in the following States and counties: Connecticut, all counties; Massachusetts, 6 counties; Pennsylvania, 11 counties; New York, 7 counties; Maryland, 5 counties; New Jersey, all counties; North Carolina, 28 counties.

These emergency loans are available to farmers who cannot obtain necessary credit from private and cooperative lenders to restore their properties and to continue their farming operations. The loans are made at 3 percent interest and repayment terms are based on the farmers' ability to pay. Funds are advanced for many agricultural purposes, including the restoration of farm buildings, clearing debris from the farm, replacement of livestock or equipment, family subsistence, and other farm operating expenses.

I might say, gentlemen, that these emergency loans under the authorities Congress has given us are administered in a very sympathetic manner.

As you will recall, no farmer can obtain a loan from the Farmers Home Administration who can obtain necessary credit on reasonable terms and conditions from another established lender. These emergency loans that I have just referred to go beyond the normal credit terms of the regular lending programs of this agency. They are made in a businesslike way, but I want to point out that about the main consideration on those emergency loans is to find a farm family that

wants to stay on the land. If it appears that with help in the amount that they need they can stay on, we then look around and see what kind of liens might be available to look after the Government's interest.

Senator LEHMAN. What is the maturity of those loans?

Mr. SCOTT. Normally on these emergency loans—for example, on the amount that they get for fertilizer and labor and the recurring cost, they will be set up for repayment at the time the crops or livestock are sold in the fall.

When we go into restoring buildings, that is a term loan. The note might run for 7, 8, or 10 years, depending on just what the situation might require in the way of a repayment period taking into account their recurring annual costs. It is based entirely, Mr. Chairman, on the expected repayment ability of that particular farmer.

Senator LEHMAN. Is there any limitation on the size of a particular loan?

Mr. SCOTT. Not on these emergency loans; no, sir.

These loans, I am sure, are being very helpful, but, of course, we should point out that they don't take care of the losses that are suffered in these disasters. They are very helpful in keeping people in business, letting them go on, but we have no authority to compensate for losses.

Continuing, on the Farmers' Home Administration in the flooded area, the agency immediately sent officials from its national office to each of the flood-stricken States to obtain firsthand information of the needs of farmers and to assist in gearing the agency's program to local needs. It is standard operating procedure in this agency for the State director to make an immediate survey, after the declaration of a major disaster by the President, of the affected area and to promptly make a recommendation to the national office concerning the additional credit needs in such areas.

A great many inquiries have been received at the office of the county supervisor in each county in the above States concerning loans. Applications for loans are promptly processed.

Senator BUSH. Mr. Chairman, I would like to ask the witness this: Right after the flood, we went through the Farmington Valley in Connecticut and would see farms formerly topped with beautiful rich soil, acres, all the soil gone. It is just a rocky beach where there isn't any beach.

Mr. SCOTT. That is right.

Senator BUSH. You see acres and acres of these rocks that have come down and replaced this very beautiful topsoil, and so forth.

What is the Department able to do, the Farmers' Home Administration or any other division of the Department, for men who suffer that kind of a damage?

Mr. SCOTT. If the topsoil is all washed away, of course, that land certainly has no immediate agriculture production value. If it is covered with debris, as much of that land was up there, we get in there and, for example, we can assist those folks in getting some credit that they need.

We have the Agricultural Conservation Program Service in charge of a cost-sharing program that you are all familiar with that is administered by county committees. These farms cooperating with the agriculture conservation program receive financial assistance in about the

amount which is required in the outlay of cash. The farmer contributes his part of the cost by his labor and use of his equipment.

There is a limitation in our basic law which limits the amount of these cost-sharing payments to \$1,500 to any one farm, and that has been brought out during some of the meetings up there, I understand, as being something that the Congress should take another look at in these particular disaster areas.

Senator BUSH. If I could summarize then, is this correct, that the extent to which you are able to help that particular farmer, a typical situation, is to extend him some credit so that he can get some help to clean up that situation and put it back in working order? You can extend him some credit; is that right?

Mr. SCOTT. Yes. And I also pointed out we have the agricultural conservation program which, up to the sum of \$1,500 per individual farmer can be made as an outright payment on a cost-sharing basis with the farmer contributing his labor and use of his equipment. But this fund is an actual grant to him. That is in addition, Senator, to the credit.

Senator BUSH. Yes. How would he use that \$1,500?

Mr. SCOTT. He might use it for clearing his land, for rehabilitating his drainage, reseeding his fields, and other measures that are approved first by the county ASC committees, and the farmers in the communities as the kinds of programs that they need. There is some assistance in fencing and various things which are practical under the soil conservation program.

Senator BUSH. Thank you.

Senator LEHMAN. Proceed.

Mr. SCOTT. The Federal Crop Insurance Corporation immediately sent additional personnel into the areas affected to assess the damage to insured crops so that claims could be promptly processed and paid.

The Forest Service worked through the State forester's office in each area and furnished equipment and technical assistance as was necessary or required.

The Rural Electrification Administration was ready and made a few additional loans and rendered technical assistance to current REA borrowers in the area. Also gave technical assistance to Small Business Administration.

The Soil Conservation Service immediately dispatched crews of technical personnel to the area to survey and measure the extent of the damage, in order that immediate consideration could be given to requests for financial assistance on an emergency basis to rehabilitate the damage done by the floods. They cooperated with Corps of Army Engineers on channel work, for example.

The Agricultural Conservation Program Service sent representatives to the area to discuss with agricultural stabilization and conservation committees the damage done to the land of individual farmers and the things that would be necessary to counteract the damage and to make an estimate of the cost thereof.

As a result of these surveys and estimates of the costs of rehabilitation, the Secretary procured an initial grant of \$500,000 through the Federal Civil Defense Administration, from the President's disaster emergency fund, to supplement the regular funds of the agricultural conservation program for rehabilitation work in the affected areas.

I might point out, gentlemen, that under our authority for these agriculture conservation payments we have to allocate these funds under a prescribed formula. The funds were, of course, beginning this fiscal year allocated in that manner, and they are then administered by the State and county committees of that service within established policy; so that this fund, this additional grant, was to supplement those funds.

I want to emphasize it was an initial grant and that is a pending matter that is being followed closely to determine what additional may be required.

Of this amount, \$300,000 was by the Secretary allocated to the State of North Carolina; \$150,000 to the State of Connecticut; and \$50,000 to the State of Massachusetts. In the other areas, for the time being, the ACP practices and payments were considered by specialists in the area to be sufficient and return the land to its normal state. Of course, it will not be definitely established until the time for spring planting comes what the total amount of the damage will be for the reason that farmers are now busy in these areas in attempting to salvage their damaged crops which were harvested and unharvested at the time of the disasters. The Department is keeping in close touch with developments in all of these States to determine any additional need for assistance in returning the land to its condition before the floods.

In some of the areas, especially those that were inundated by salt water, which, of course, killed all the vegetation, there was need for an emergency feed program, and the Secretary put such a program into effect in those areas.

As you know, the 83d Congress passed Public Law 566 which authorizes the Department to provide technical and financial assistance to qualified local organizations for purposes of flood protection and agricultural uses of water on a watershed basis. The Department will furnish technical assistance and advice to local interests desiring to plan and carry out such a program.

I thank you, Mr. Chairman, for the opportunity to appear before you.

I have three members of the staff here who will gladly join me in attempting to answer any questions that you or members of the committee may have.

Senator BUSH. Mr. Chairman, off the record.

(Discussion off the record.)

Senator LEHMAN. I want to ask you at least two questions.

Can you tell me just exactly what is covered by crop insurance?

Mr. SCOTT. Mr. Chairman, I have with me Carl Fretts, the Deputy Manager. Mr. Laidlaw, the Manager, is confined to his bed today and under doctor's orders. I would be glad to have Mr. Fretts join me here. I am satisfied he could give you more definite response.

Senator LEHMAN. Yes. I would be very glad to have him join you.

Mr. SCOTT. Mr. Chairman, this is Carl Fretts, the Deputy Manager of the Federal Crop Insurance Corporation.

Mr. FRETTS. I am sure Mr. Laidlaw is very sorry he was unable to be here today. I wish to express his regrets for being unable to appear. As Mr. Scott has indicated, it was impossible for him to do so.

Your question, I believe, Mr. Chairman, had to do with the extent to which we provided protection in the flood area.

Senator LEHMAN. Well, no. It goes further: What crop insurance covers. I know it covers damage from drought. Does it cover damage from floods?

Mr. FRETTS. Yes; it does. It covers all risks that are unavoidable. Avoidable risks are not covered.

Senator LEHMAN. What do you mean by that?

Mr. FRETTS. Well, an avoidable risk is where the farmer can do something, for instance, apply insecticides in case of insect infestation. Now he must do that in order to have his protection. Otherwise that type of damage would not be covered, but any unavoidable damage is covered. We refer to it as all-risk protection.

Senator LEHMAN. In other words, would you think that the flood in the Northeastern States or the flood in North Carolina was from the standpoint of the farmer avoidable?

Mr. FRETTS. They were unavoidable.

Senator LEHMAN. So as I understand they would be covered by crop insurance?

Mr. FRETTS. That is correct.

Senator LEHMAN. What coverage do they get?

Mr. FRETTS. Under the limitation in our act, our coverage cannot exceed the investment in the crop and generally it approaches that level but does not exceed it.

Senator LEHMAN. How about his real property or personal property that is destroyed by the floods?

Mr. FRETTS. It is not covered under our program.

Senator LEHMAN. But crops are covered?

Mr. FRETTS. The growing crop is covered.

Senator LEHMAN. In other words, if the man has a tobacco crop and that was wiped out, that would be covered by the insurance?

Mr. FRETTS. That is correct. Wherever a policy was in force, it was covered.

Mr. WALLACE. Would you say it is just the cost of planting the crop that is covered and not the crop itself?

Mr. FRETTS. The cost of producing the crop.

Senator BUSH. That includes labor as well?

Mr. FRETTS. That includes labor, seed, land rental, and so forth.

Mr. WALLACE. But not the market value of the crop itself?

Mr. FRETTS. Not the market value of the crop itself; that is correct.

Senator LEHMAN. Can you tell us how much crop insurance was in effect in the northeastern areas and in the Carolinas at the time they were hit by the disaster?

Mr. FRETTS. In the northeastern area, I will start with Massachusetts. I probably should explain first that our program is operating on an experimental basis. It has been since 1948, and as such we attempt to select counties to be used more or less for experimental purposes in developing a program which later on will be utilized on a much wider and eventually on a national basis.

Senator BUSH. Does that mean crop insurance is not available to every farmer in Connecticut?

Mr. FRETTS. That is correct.

Senator BUSH. You select some?

Mr. FRETTS. We have one county in Connecticut, Senator.

Senator LEHMAN. One what?

Mr. FRETTS. One tobacco county—Hartford County. A program has been in operation up there since about 1945 or 1946.

We have some 1,000 policies in force. Our coverage amounts to approximately \$43 million. Our losses in the current flood in that county numbered about 300. In dollars they will amount to approximately \$400,000—our most recent estimate.

There was one very redeeming feature insofar as our losses were concerned in Hartford County, and that was that about 40 percent of the crop was harvested when the flood hit. This tobacco was in the tobacco barns, and while some of the tobacco was destroyed in the barns, much of it was saved; and as a result of that, our losses were much smaller than they otherwise would have been.

In the State of Massachusetts, we have one county in which we have a program. That is Hampshire County. We have possibly 400 contracts in force in Hampshire County. Our losses in Hampshire County in number amounted to approximately 30. Our losses in dollars amounted to approximately \$30,000 in that county.

In New York State we have in effect for the 1955 crop year possibly 6 to 7 county programs. They cover dry edible beans, winter wheat, and we have one county in which several commodities are covered under one contract which we refer to as a multiple contract. That would cover conceivably beans, wheat, corn, and oats—crops of that nature.

In Pennsylvania, for the most part in the eastern part of the State, we have approximately 10 counties in the program. They are centered pretty much around the Lancaster area, and they include Lancaster County, Lebanon County, Chester County, Somerset County, which is the farthest western county, and several others in and around Lancaster and the Lebanon area.

Senator BUSH. How does the farmer go about getting this insurance?

Mr. FRETTS. He applies for it just the same as anyone would for any other type of insurance, such as automobile insurance or fire insurance.

Senator BUSH. Does he buy it through a regular insurance agent that sells commercial insurance?

Mr. FRETTS. That is correct. He may be in commercial insurance. He may be an agent that simply handles crop insurance alone.

Senator LEHMAN. But this is Federal insurance, isn't it?

Mr. FRETTS. This is Federal insurance.

Senator BUSH. But does a private insurance agent sell this policy?

Mr. FRETTS. The way we are operating today, which began roughly 2 years ago, we operate through agents throughout the country for selling and servicing the business.

Senator BUSH. Do you have a list of agents or can any agent sell a policy for you?

Mr. FRETTS. We appoint the agents under a contractual arrangement with the Corporation on a commission basis.

Senator LEHMAN. Who sets the rate?

Mr. FRETTS. We set the rate. They are set on a commission basis.

We have roughly seven-hundred-odd agents today who sell and service the business.

Senator BUSH. Can you tell us anything about the experience of these experimental years? How is it working out from the standpoint of both the Government and the insurer?

Mr. FRETTS. Well, that is quite an involved story. In the overall, the experience has been not too favorable, that is, in terms of financial results. That has been very substantially influenced by our experience in the drought, the Dust Bowl area.

In some 14 counties in the Dust Bowl area, since 1948, our losses—when I say “losses,” I mean net losses, after deducting our premiums—amounted to roughly \$16 million.

Senator BUSH. In what period?

Mr. FRETTS. Since 1948. That does not include 1955; 1948 through 1954 or a 7-year period. Our losses in that period amounted to \$16 million in round figures.

Had we not been in those 14 counties at the end of the 1954 crop year, we would have had a surplus of \$8 million, whereas actually we had a deficit of just about \$8 million.

Senator LEHMAN. Does that go to all insurance or only flood insurance?

Mr. FRETTS. That covers all risks—our experience for all crops and all risks.

Senator LEHMAN. And your loss came through a drought period?

Mr. FRETTS. Our loss since 1951, yes; 1952, 1953, and 1954 were the 3 years that hit us very severely in the Dust Bowl area.

Other than that, our experience generally has been quite satisfactory, but that has cast a very unfavorable influence over the entire picture from the financial results point of view.

Senator LEHMAN. Have you disposed of the northeastern area?

Mr. FRETTS. No, I don't believe I have, Mr. Chairman. I got down to Pennsylvania.

I believe you included North Carolina in your request. In the State of North Carolina, we have roughly 30 counties. The coverage is on tobacco and cotton, and our experience generally throughout North Carolina has been very favorable.

As a matter of fact, on a State basis, it has probably been more favorable—at least equally so—than any other State we have in the program.

Senator BUSH. Parenthetically, I imagine Connecticut has been pretty good on tobacco up to this year?

Mr. FRETTS. Up to this year. Well, we suffered rather substantial losses last year, Senator.

Senator BUSH. Hurricane?

Mr. FRETTS. As a result of the hurricane, yes. Prior to that time it was quite favorable, but notwithstanding the fact that we have had 2 bad years, we are still in a relatively favorable position.

Senator LEHMAN. In addition to the counties you have just described of the various Northeastern States and Carolinas, in how many other counties of the Nation do you operate?

Mr. FRETTS. Roughly 800 counties. We have actually 900 county programs. In some counties we have a separate program for more than one crop. So we have roughly 800 counties in which we have a program, with a total of 900 county programs.

Senator LEHMAN. Before the Federal Government got into crop insurance, which covers various disasters but mainly drought disaster.

I suppose, did any of the insurance companies write drought-disaster insurance?

Mr. FRETTS. Not for any extended period of time. There were a few attempts to do so, but they were unsuccessful and were discontinued.

Senator LEHMAN. Well, the Federal Government in the interests of the farmers of this country did undertake this drought-insurance program, did they not?

Mr. FRETTS. Yes, they did. It is not drought, Mr. Chairman; it covers all risks and drought is only one of many.

Senator LEHMAN. Yes. All right. But there was no or very slight opportunity for any farmer to get insurance to protect him against drought or against floods or against the other vicissitudes connected with the raising of crops, is that not a fact, until the Government came in?

Mr. FRETTS. That is a fact, and that is the reason the Government did move into the field.

Senator LEHMAN. What is the difference? I mean if that is the case, I would assume that the Department of Agriculture would favor flood insurance because they are already carrying it out in at least 800 counties or 900 counties.

Mr. FRETTS. That is correct as to crop insurance.

Senator LEHMAN. And it has been a great protection to the farmers. It may have been at some cost to the Nation as a whole.

Mr. FRETTS. I probably should explain this, Mr. Chairman: We are directed under our legislation to operate a sound program, and in order to do that, our premiums must be established at levels, so that over a period of time they will be adequate to pay our losses.

Now in order to operate a sound program, it has been necessary for us to declare some areas uninsurable and quite frequently those areas are in river bottoms. The risk there is so high that an insurance program is not the answer. It must be an assistance program.

Senator LEHMAN. It must be what?

Mr. FRETTS. An assistance program.

Senator LEHMAN. Well, it is either an insurance or an assistance program. I mean the Government does recognize its responsibility toward the farmers, and recognizes the unavoidable vicissitudes of farming, just as I think we should recognize the unavoidable risks that many people run because of the threat of flood.

Mr. FRETTS. That is correct. The only point I wish to make is that we do not always provide protection in areas subject to flood.

Senator LEHMAN. You do provide protection either through insurance or through grants, through aid?

Mr. FRETTS. Well, the crop-insurance program does not provide any protection through grants.

Senator LEHMAN. But other activities of the Department of Agriculture, of the Government do.

Mr. FRETTS. That is correct.

Senator BUSH. Well, do I understand—and I am asking that of the original witness—that the Department of Agriculture makes grants in aid, direct grants in aid to flood victims if they are farmers?

Mr. SCOTT. Under the Agricultural Conservation Program Service the Congress has given us that fund to carry out any number of con-

servation measures, and I should respond further to your earlier question about this land where the topsoil has been badly washed. The ACP for example, will contribute to cost of reseeded and getting those lands back to cover crops and aid in the restoration of this badly eroded land back into a productive state.

Senator BUSH. By grants-in-aid?

Mr. SCOTT. That is correct, sir. That is what we mean by the cost-sharing program referred to earlier, and in these emergency areas it is on the basis of the actual cash outlay in many instances, with the farmer contributing his part of the partnership arrangement by the use of the equipment and his own time.

Mr. WALLACE. Well, Mr. Chairman, that is the agriculture conservation program rather than Soil Conservation Service that does that and also it is a general nationwide program already in existence.

Mr. SCOTT. That is right.

Mr. WALLACE. But the way you grant these subsidies is where a need is shown, and it needs to be shown, where it has been washed out.

Mr. SCOTT. That is correct, sir, yes, indeed, and with the \$1,500 limitation that I referred to earlier.

Senator LEHMAN. Mr. Scott, may I ask you one more question? I think I should address my question to you.

Could you refresh my memory in regard to your action—the action of the Department—earlier this year in raising the interest rates on disaster loans without public notice? I believe they required Congress to pass a bill, as I recall it, to restore the interest rate to its previous level.

Mr. SCOTT. That is correct, sir. I would be very glad to cover that, Mr. Chairman.

The Farmers' Home Administration had at the beginning of this year and prior to that several interest rates. Under their long-term tenant purchase loan program, the rate was 4½ percent set by the Congress, whether that is a direct loan or an insured loan.

The Congress gave us a special livestock loan authority and set the rate at 5 percent, and we have production and subsistence loans that are really short-term loans. That rate was 5 percent again established by the Congress.

On the emergency loans, both production and economic emergency loan authorities which the Farmers' Home Administration has, there was no fixed rate. It was a discretionary authority.

Experience showed considerable confusion in the minds of the farmers. For example, they might have a production and subsistence loan at a rate of 5 percent and they would get a disaster loan when the disaster occurred. The rate was 3 percent and there was considerable pressure, of course, to get that rate, make the utmost use of this 3 percent rate which is most natural.

One other point: There was evidence of quite a little abuse on these emergency loans. They are acted upon by county committees. Those leading farmers do a commendable job of administering this program, but there are ways that some operators and larger operators often were presenting their facts and, I think I would be fair in saying, covering up their own situation to make themselves eligible. While a good many administrative precautions were taken to avoid abuse, it was getting in. It is a well-known fact that the Congress did not want

this agency to be competitive with other lenders but to have a supplemental service.

We felt that it was in the interests of avoiding this competitive situation and avoiding some confusion and getting these rates in line with 2 actions which the Congress had previously taken in establishing 5 percent.

As was stated during those hearings, we very frankly say and regretfully so, that it was a serious oversight in not publicizing this action. It was published in the Federal Register, and of course, it was made known throughout the system, but it was not publicized in the way of press release that it should have been. In the course of those hearings, we did not resist the action to put this rate back down to 3 percent but presented the factual evidence of what was happening and, of course, put the rate back 3 percent everywhere in line with the action of the Congress.

We felt it was a matter that Congress should act on, but we did certainly err in not publicizing it.

Senator LEHMAN. Thank you very much for a very clear and frank statement.

Mr. FRETTS. Could I add one further thought which I think has some significance, particularly with respect to these 14 counties that I referred to.

I think I should complete the story by telling you that our Board of Directors considered that problem very, very carefully just about a year ago, and as a result of this our continued unfavorable experience in those 14 counties, the decision was reached that the program be withdrawn from those 14 counties and beginning with the 1956 crop year we will not have a program in those counties.

Senator BUSH. What is the principal crop there?

Mr. FRETTS. The principal crop was wheat.

But I just wanted to point that out to make it clear that insurance is not always the answer.

Senator LEHMAN. But instead of the insurance, you will have the assistance program, is that not a fact?

Mr. FRETTS. Other programs will be available, but not crop insurance in those counties.

Now, the rates in those counties got up as high as 40 percent of the coverage, and when you get up in an area where you have a rate that high, it is just too high to operate an insurance program.

Mr. WALLACE. Mr. Chairman, could I clear up one thing: On page 2 you were talking about the furnishing of food in the case of disasters and stated that this was generally done through the Red Cross or the Salvation Army. What sort of food did you furnish? Did it come strictly from surplus commodities or was it all sorts of food?

Mr. SCOTT. That was strictly our surplus food commodities. It was dry beans and rice and dried milk and butter and lard, as I remember, and cheese. It was surplus, the food commodities owned by the Commodity Credit Corporation in surplus.

Mr. WALLACE. You do have authority, do you not, to do a certain amount of processing of some of the foods to make them available?

For example, flour instead of wheat?

Mr. SCOTT. Yes, sir, that is correct; yes.

Mr. WALLACE. I was wondering in this case whether you furnished flour or whether you went a step further in the processing and furnished bread or if you furnished anything of a wheat product.

Mr. SCOTT. I have with me Mr. Hutchins who is with that program. May I ask him?

Mr. WALLACE. I would be interested, for the record, if you have a statement or something which gives us information. I would be perfectly happy to have it filed with further hearings.

Mr. SCOTT. We will be very glad to do that, and you want particularly to know about things other than these surplus commodities?

Mr. WALLACE. I think it would be well for the record—how much you furnished and what and to what degree it was processed, and so forth.

Mr. SCOTT. All right. We would be very glad to do that.  
(The information referred to follows:)

**SUPPLEMENTAL STATEMENT OF KENNETH L. SCOTT, DIRECTOR, AGRICULTURAL CREDIT SERVICES, CONCERNING THE AVAILABILITY OF SURPLUS FOODS FOR EMERGENCY DISTRIBUTION IN MAJOR DISASTER AREAS**

This supplemental statement is to provide the requested additional information concerning food-distribution programs for victims in major disaster areas as provided by the Agricultural Marketing Service of the Department of Agriculture.

Food is normally distributed by the Department to the Bureau of Indian Affairs and to State, Federal, or private agencies for use in the United States in nonprofit school-lunch programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served. Food is also distributed in times of emergency in areas designated as "major disaster" areas by the President under Public Law 875, 81st Congress. These food-distribution programs are a part of the standard operating procedure of the Department; they are self-starting at the point of emergency, and have been in effect for some time. The Department of Agriculture has a contractual arrangement, with one or more State-designated distributing agencies in each State in the country, which makes provision for the State to assume the responsibility for the within-the-State distribution of Department-donated commodities. During the course of the year, the Department donates such commodities as are available, resulting from its price-support or surplus-removal programs, for subsequent utilization by the State-designated agencies necessary to alleviate hardship or suffering caused by the major disaster.

In practically every instance when a disaster strikes an area, there are inventories of these surplus foods at various locations in the State. Distributing agencies are authorized to utilize such commodities as may be necessary, either in mass feeding programs or for issuance to individual families affected by such a disaster.

As pointed out in my original prepared statement on the 1st of November 1955 before this committee, food was furnished to individual recipients and for mass-feeding programs in the disaster areas damaged by the August and October floods to an estimated number of persons in the following areas: Connecticut, 7,400 persons; Massachusetts, 3,000 persons; Rhode Island, 2,700 persons; Pennsylvania, 36,000 persons; and North Carolina, 2,800 families. Many mass-feeding programs are established in public-school buildings by making use of the school cafeteria and Department-donated commodities are drawn from school-lunch inventories. In other instances, inventories of Department-donated commodities at institutions are turned over to the Red Cross, the Salvation Army, Civil Defense, and other welfare agencies for mass-feeding programs, and for distribution to individual and family recipients. Subsequently, these inventories are restocked by the Department of Agriculture in the normal pattern of distribution.

Commodities which have generally been available, during the past year, for such assistance, include butter, cheese, nonfat dry milk solids, cottonseed oil, shortening, rice, and dried beans. Many areas have been assisted through the donation of Department commodities for the feeding of disaster victims. Some of these were the tornado at Udall, Kans.; floods in Oklahoma; hurricanes or the result thereof in the New England States, New York, Pennsylvania, Rhode

Island, North Carolina, and Texas. Also, through special arrangements, an airlift was made of commodities for hurricane victims in Tampico and Yucatan, Mexico, and in Haiti.

Under Public Law 480, 83d Congress, the Department of Agriculture was authorized to perform the necessary reprocessing and packaging of commodities in Commodity Credit Corporation inventories for distribution to needy persons. To the extent that such reprocessing or packaging is necessary, it has been accomplished.

Public Law 311, 84th Congress, authorized the processing of wheat and corn into flour and cornmeal in consumer-type packages. This processing is now a part of the normal operating procedure of the Department, and approximately 17,216,800 pounds of flour and 10,783,000 pounds of corn meal have been distributed to date in 34 States now participating in this program. These two commodities, as in the case of other commodities distributed by the Department of Agriculture, are used for disaster-relief feeding.

Senator LEHMAN. Senator Bush?

Senator BUSH. No questions.

Senator LEHMAN. Thank you very much.

The last witness today is Mr. Lawrence N. Stevens of the Department of the Interior.

I know it is rather late, but I would like to complete this hearing this morning.

#### STATEMENT OF LAWRENCE N. STEVENS, DEPARTMENT OF THE INTERIOR

Mr. STEVENS. It will be very brief, Mr. Chairman.

Senator LEHMAN. Have you a prepared statement?

Mr. STEVENS. No, sir.

Mr. Chairman, Senator Bush, my name is Lawrence N. Stevens. I am a member of the technical review staff in the Office of the Secretary in the Department of the Interior.

The Department of the Interior is primarily concerned with the conservation and sound utilization of the water, land, and mineral resources of the United States.

As you know, we have some eight bureaus which operate within the Department in the water, land, and minerals fields.

While we were not directly concerned with the recent flood disaster in the Northeast, we have at the time of past disasters in areas where Interior has the personnel and equipment, particularly in the West, made this equipment and personnel available to cope with the emergencies.

This was true, for example, in the severe blizzards of several years ago and in past floods on western rivers, and also in fighting major forest fires wherever they may occur.

This same policy would apply in any future disaster in an area where we were able to help in any way.

Although the Department of the Interior is less directly concerned with flood insurance than some of the other Federal agencies which have appeared before you yesterday and today, we are interested in the subject because of our responsibilities in several fields, including the following:

1. Water resources investigations by the Geological Survey. This would include, for example, the stream gaging activities of the Geological Survey and the streamflow records which they keep on all major streams in the country.

Also, the topographic mapping, geologic mapping, and other basic data activities which are necessary to the construction of any water resources control project, such as flood-control dams.

2. We have a direct interest in flood control in the reclamation projects which we build. In other words, most reclamation dams, while built primarily for other purposes, are designed to include flood-control capacity.

For example, the Hoover Dam on the Colorado River in the Southwest has a large flood-control capacity and has been very effective in controlling the river in the lower Colorado Valley which was formerly subject to very severe floods such as that in 1905, I believe, which did great damage in southern California.

3. Interior carries on watershed protection and flood prevention activities on the public lands and Indian lands of the country. These activities are performed by our land bureaus, such as the Bureau of Land Management, Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service. They are generally land-treatment measures plus small structures designed to retard flood flows and to preserve the soil in place.

4. We have an interest in the protection of the Indian trust lands which would be subject to flood, such as, for example, the Pueblos along the Rio Grande in New Mexico.

5. We perform a liaison function with the governments of the Territories such as Alaska, Hawaii; and

6. And lastly—we have a general interest in comprehensive resources planning which includes flood control. As the committee knows, there have recently been completed comprehensive resources studies in the New England and New York area and in the Arkansas-White-Red Basins of the Oklahoma-Texas-Arkansas area. There were also earlier, less comprehensive studies in other basins such as the Missouri Basin and Columbia Basin.

Interior has participated in the study of flood insurance being made in the executive branch, but, as you know, that study has not yet been completed.

I appreciate the opportunity of presenting the Department's views at this time and I will be glad to attempt to answer any questions which the committee may have.

Senator LEHMAN. You say you are glad you had the opportunity of expressing the Department's views on this subject. I didn't gather that you did express the Department's views. I don't know whether you feel you are able to do that or not. You gave a very interesting recital of the activities of the Interior Department with which I was more or less familiar, having been on the Interior and Insular Affairs Committee, but I did not get any expression of opinion.

Mr. STEVENS. I should have said the Department's interests in the subject.

Senator LEHMAN. Senator Bush, do you have any questions?

Senator BUSH. Has the Department given any thought to possible reclamation projects in connection with the flood-stricken areas in New England?

Mr. STEVENS. Senator Bush, the legal authorization for reclamation activities is limited to the 17 Western States. So the Bureau of Reclamation doesn't operate in the East at all.

Senator BUSH. Mr. Chairman, I don't know whether you want to dismiss the witness, but before the record is closed I would like to make a short statement.

Senator LEHMAN. Surely, but I would like to ask the witness something further.

Have you been consulted by the Bureau of the Budget with regard to planning for this flood control?

Mr. STEVENS. Planning for flood control?

Senator LEHMAN. Insurance. Not flood control—insurance against flood damage.

Mr. STEVENS. Yes, sir. We were consulted.

Senator LEHMAN. You can't tell us what conclusions were reached or what suggestions were made to the Bureau of the Budget?

I am very anxious to get this thing underway and get suggestions and recommendations from the Department and from the administration, of course.

Mr. STEVENS. I can't say more than Mr. Jones said yesterday, sir.

Senator LEHMAN. Do you know whether the Geological Survey has data which will serve as the basis for preparing an insurance program against flood risk?

Mr. STEVENS. Well, I would say that the Geological Survey has extensive data which would be most useful for that purpose.

Senator LEHMAN. Have the private insurers at any time tried to work out a program using such data as may be available?

Mr. STEVENS. I believe that several years ago the insurance industry appointed a committee to study the question, and I would assume that they considered the availability or lack of availability of the data, including the basic data which we would have, but I am not familiar with their study in detail.

Senator LEHMAN. Have you any questions?

Senator BUSH. I have no questions. I would like to make a very brief statement for the record.

Senator LEHMAN. Have you anything?

Mr. MCKENNA. No.

Senator LEHMAN. Well then, I think we can dismiss the witness.

Mr. STEVENS. Thank you very much, Mr. Chairman.

Senator LEHMAN. I would just like to say one thing: I would like, if you please, to express the committee's thanks to Mr. Langbein of the Geological Survey for the help which he has given to the staff in preparation of this report. His cooperation has been very helpful, and I would like him to know of the appreciation of the committee.

Mr. STEVENS. I will do that. Thank you.

Senator BUSH. Mr. Chairman, we have heard the Federal agencies here yesterday and today, and before the record closes I would like simply to make a few observations as one who has been closely associated with this whole problem since the day the flood struck on August 19.

I think on the whole the Federal agencies have cooperated beautifully. The Governor of our State has made that statement and others who have been close to the situation from the start have made it virtually unqualified. The Corps of Engineers was on the spot before the rains stopped falling. The President himself came to Bradley Field and met with all the New England Governors and several Sena-

tors to discuss this emergency on the very Tuesday after the flood, which was over the weekend.

All the Federal agencies have put maximum effort into bringing relief rapidly and effectively.

I think the hearings yesterday and today reinforced the conclusions that a faster and better job has been done in connection with this disaster and by this administration than in any previous disaster. The agencies have to work within the limitations of existing law. I think we need some liberalizing amendments. The need has been demonstrated by this disaster, as, for instance, this morning we heard Mr. Barnes speak of the \$25 million limitation on disaster loans. I think that should be enlarged. Also, of course, within the jurisdiction of this committee is the need that is being demonstrated under the Senator's able questioning here, the need for flood insurance of some kind.

I think we are all hopeful that these hearings will provide a basis for a sound and workable flood insurance program. I think the hearings also have demonstrated the need for other actions by the Congress when it reconvenes. Primary and most important of all is the question of floods and hurricane prevention, legislation to that end, and particularly the appropriations to implement authorized flood-prevention projects which have been on the books for 10 or more years.

Secondly, we need better flood and hurricane forecasters and, also—and this most be apparent to anyone who has visited our stricken areas—we need on the local level more attention to zoning and local regulation to prevent people from inviting disaster by building in a riverbank in some cases and too close to the riverbank in so many, many cases. We need local action to prevent this type of disaster which has been invited, to some extent, by lax zoning laws or the lack of zoning laws.

I thank the chairman for the opportunity to make those remarks.

Senator LEHMAN. The chairman wishes to make some very brief remarks, too.

I am grateful to the heads of the various Federal agencies for appearing here either personally, or through their representatives. I have been, of course, very greatly interested in the testimony.

But without questioning the value of the activities which these agencies carried on in the flood-stricken area, I want to point out that everything they have done so far has been under the authority of laws in the United States which have been on our statute books in many cases for a long number of years.

I want to express my disappointment once more: I do not believe that they have brought in any proposals or recommendations to this committee thus far which would in any way improve or care for a situation with which we are all familiar and which has been tragic in its results and which may be repeated at any other time in the future. We are just about where we started from.

I had very much hoped that under the leadership of the President that plans would be developed in the last 3 months which would permit this committee to go ahead vigorously and with very careful consideration to the development of a plan which would be in agreement with the administration and with the Members of the Congress.

No one for a moment thinks that the President himself could draft a plan. To suggest that would be furthest from my thoughts. But

I believe that a plan should be developed or at least advanced under the direction of the administration, and I say that with full conviction because I have in mind the interest that the President has announced in flood disaster insurance.

I have in mind, too, the telegram which he sent as recently as October 17 to the Governors of the New England States in response to their plight in which he promised in these words—the President wrote, and I refer to his letter to the Governors, that the matter had been taken under close scrutiny some weeks ago. A number of Federal agencies were examining the proposal under the direction of the Bureau of the Budget, the Housing and Home Finance Agency, and the Senate Banking and Currency Committee would hold hearings on it later this month. The administration, he wrote—I am quoting the President—"Would present specific legislative suggestions at that time."

I can't refrain from stating that that has not been the case. We have had no specific or even semispecific suggestions at these hearings. I would be derelict in my duties as a United States Senator and a former Governor of a great State did not I at this time express my very deep disappointment, and I hope that that disappointment will be mitigated very shortly by action on the part of the administration.

Senator BUSH. Mr. Chairman, I, as a member of this committee simply wish to reassert what I said earlier in the day that I feel that the administration has complied with the President's statement and that it would have been a mistake for them to send in some half-baked bill on flood insurance at this stage of the game. This Congress is not in session. It couldn't act on a bill if it came right now. What we are doing is gathering testimony to find out what kind of a flood-insurance bill will be best suited to their country.

You and I agree that we need flood insurance. I think that the administration should have the advantage of the hearings the Senator is conducting and the information he is developing respecting this whole issue.

I personally hope that they will take full advantage of the record of these hearings in preparing the bill.

Senator LEHMAN. I do not wish to continue this discussion, which is a friendly discussion.

Senator BUSH. Entirely friendly.

Senator LEHMAN. I merely wish to point out that several of us, even without the resources of the Federal agencies were able to draft bills, and I hope that the administration will do likewise so that we could consider this matter, interrogate witnesses with regard to specific recommendations, and that has not been made possible.

Senator BUSH. Well, I simply say anybody can draft a bill, but the thing to do is to draft a bill that will work. I have no reflection on the Senator's bill. I haven't read it. I know the one that was drafted under my direction does not suit me at the present time. But I agree with the Senator that the discussion is friendly and I am ready to terminate it at this point.

Senator LEHMAN. All right.

I have some letters which will go into the record, together with any that may be received.

(The letters referred to follow :)

HOWARD UNIVERSITY,  
OFFICE OF THE PRESIDENT,  
Washington 1, D. C., October 5, 1955.

Mr. WILLIAM F. MCKENNA,  
*Committee on Banking and Currency,  
United States Senate, Washington, D. C.*

DEAR MR. MCKENNA: In accordance with our telephone conversation of a few days ago, I am passing along to you my comments concerning the Federal Flood insurance bill sponsored by Senators Saltonstall and Kennedy.

After reading the bill, I wonder whether the problem of getting a broad base of insurees has been met. Many people in New England who have been affected by the floods in recent years and those in areas beset by recurrent floods might be desirous of buying flood insurance, while people elsewhere might not show the same degree of interest. One might add that were it not for the recent hurricanes, New England's interest might be considerably less.

This leads to the matter of the lack of information about the movement of hurricanes and their resultant floods. As many people are pointing out, our experiences with hurricanes in the eastern part of the country is still quite limited. Doubtless if New England became less affected in the near future, the stimulus for flood insurance from that part of the country would fall off considerably.

Further, the observation might well be made that vigorous activity with respect to flood control is being undertaken in certain areas subject to flood control. As these efforts become more effective, would it not be likely that there would be diminishing attention directed toward governmental flood insurance? Of course, as a general comment there are many who might, with good reason, take the position that public funds should be directed toward flood control, while insurance should be left to private companies. While it is true that private insurance is not now available, it might be made available if flood control becomes more effective.

The memorandum concerning the proposed bill makes reference to the Federal crop-insurance program. It should be noted, however, that the necessary base is secured in that program by the requirement of a minimum participation of 200 farms, or one-third of the eligible farms normally producing the insured crops in a county.

There seems to be no estimate of the probable costs of the insurance program to the Government. Is it possible that they would be of such magnitude as to divert money from flood control? I raise the question, then, as to whether it might not be advisable to have a more detailed study made before introduction of the bill. This involves more, of course, than taking testimony in a public hearing.

In our telephone conversation reference was made to an insurance proposal which Mr. Meyer Kestenbaum was considering while he was chairman of the Commission on Intergovernmental Relations. I don't believe that he ever worked it out in detail. However, it might be noted that the discussion at that time was geared into Public Law 875 with respect to financial assistance to States and local governments. The insurance proposal involved premiums from the Federal and State governments and payments would be made for the purposes stated in the act. This, of course, is quite different from the program envisaged by the Saltonstall-Kennedy bill.

Please feel free to call upon me if there is any way in which I can be helpful.

Sincerely yours,

VINCENT J. BROWNE.

MIDDLEBURGH, N. Y., November 5, 1955.

Senator LEHMAN,  
*Senate Office Building, Washington, D. C.*

DEAR SENATOR LEHMAN: Being one of the many victims of the recent flood in the Schoharie River Valley of New York State, I was asked to come to New York City on Thursday, November 3, to meet with a committee appointed to make a study of the flood situation. I was unable to meet with that committee, so a gentleman, Mr. Walsh, who called me on the phone suggested that I write to you.

This flood of October 15 and 16 surpasses anything in the history of Schoharie Valley. In 1903 I can remember a similar flood but not so high, not by 3 feet or more.

My particular loss was similar to a dozen other new homes built within the past 2 years and completely furnished. Water filled the cellars and covered the main floor to a depth of 13 inches. This caused the oil burner and electric hot-water heater to stop. It was harmful to all floor coverings and our upholstered davenport suite was ruined. These may sound minor things, but much worse two cellar walls fell in when the water was pumped out. One was a 42-foot wall and 1 a 14-foot wall—all in all, a loss of between \$1,500 and \$2,000.

Business places in town suffered extensive loss when their basements were filled with water and water flowed freely through furniture, grocery, and dry-goods stores.

Perhaps greater than either of these are the farmer's loss. Acres and acres of corn can never be gathered, some vegetables covered with water were declared contaminated, and a great deal of the farmland was washed away or buried under heaps of stone and gravel.

Should some aid come to one and all in this stricken area, I assure you that it would be greatly appreciated.

Yours truly,

EMMETT J. BARBER.

HONESDALE, PA., *November 11, 1955.*

SENATE BANKING COMMITTEE ON FLOOD INSURANCE,  
*Washington, D. C.*

GENTLEMEN: I wish to present some suggestions in your study of possible Federal flood insurance.

1. That it be underwritten by an agency of the Federal Government, same as socially security and deposit insurance.

2. That insurance be provided for all risks excluded from the standard fire policy, broad form.

3. That it be called Federal catastrophe insurance.

4. That it be compulsory upon all recorded titleholders to real estate in a minimum amount of \$1,000 with an 80-percent coinsurance clause.

5. That no policies be issued—the contract of insurance to be embodied in the law.

6. That no bills be rendered to the insured for premiums, public announcement of the rate being considered sufficient notice.

7. That premiums become an absolutely first lien upon the real estate, taking precedence over all existing liens with penalties accruing plus interest on premiums unpaid.

8. That the insurance plan be operated on a no-reserve basis—each year's losses will determine the following year's premium rate and funds for the payment of losses be obtained by issuing short-term notes, the interest thereon to be wholly exempt from State and Federal taxation to secure the lowest possible rate of interest.

9. That there be no limit to the amount of insurance that may be carried on the real estate and improvements and personal property situated thereon and therein, subject always to an 80-percent coinsurance clause with losses limited to the actual cash value of the property at time of loss.

10. That lessees of real property be included on a voluntary basis.

Insurance of this magnitude could not possibly be underwritten by private interests and is therefore a proper function of Government.

Very truly yours,

C. LEROY GLENN.

SUPREME LODGE OF THE WORLD,  
LOYAL ORDER OF MOOSE,  
*Mooseheart, Ill., October 25, 1955.*

HON. HERRERT H. LEHMAN,  
*United States Senator, Washington, D. C.*

DEAR SENATOR LEHMAN: The attached is a copy of a resolution unanimously adopted by the Supreme Lodge of the World, Loyal Order of Moose, during our convention which was held in Philadelphia, Pa., August 26 to September 1, 1955.

Your endorsement of our request will be sincerely appreciated, and at the next session of Congress we trust that the suggested legislation will receive your support.

Sincerely yours,

GEO. EUBANK, *Supreme Secretary.*

RESOLUTION MEMORIALIZING THE CONGRESS OF THE UNITED STATES TO TAKE COGNIZANCE OF THE ACUTE PROBLEMS ATTENDING THE RECENT DEVASTATION RESULTING FROM DISASTROUS FLOODS AND OTHER NATURAL CAUSES IN THE NORTHEASTERN STATES AND ALONG THE ATLANTIC SEABOARD AND TO LEND SUPPORT FOR APPROPRIATE ACTION TO MAKE AVAILABLE ALL NECESSARY FUNDS TO AID THE STRICKEN AREAS, TO HAVE FLOOD CONTROL AND OTHER PREVENTIVE MEASURES OF THE FEDERAL GOVERNMENT SURVEYED AND TO FINANCE THE CONSTRUCTION OF PROTECTIVE WORKS RECOMMENDED TO FORESTALL THE RECURRENCE OF THESE CALAMITOUS VISITATIONS UPON THE AMERICAN PEOPLE

"Whereas there has been repeated recurrence of those natural phenomena in the form of hurricane tides, concentrated rainfalls and heavy snows which have caused hundreds of deaths and billions of dollars of property damage; and

"Whereas the Federal Government has long recognized the need for and consistently carried out flood-control and small-watershed-development programs, including measures to conserve precious water resources and preventive measures to safeguard our citizens and communities against the damages and dangers of disastrous floods; and

"Whereas the efficacy of such programs has been forcefully demonstrated by such instances as those in the Connecticut River Basin where the construction of a single reservoir in the present area of concentrated rainfall is credited with having saved \$11,500,000 at a cost of only \$3,275,000; while the completion of small levee projects in the same locality is credited with having saved lives and an estimated \$33 million of property at an approximate cost of only \$20 million; and

"Whereas there has been a regrettable reluctance upon the part of recent Congresses to appropriate the necessary funds required to construct recommended and authorized flood-control and watershed projects which, in the latest disastrous instances, might have resulted in the saving of hundreds of lives, the prevention of inventory and property damage and serious injury to important industrial concentrations for the production of essential defense and civilian needs: Therefore be it

*Resolved*, That the Congress of the United States be memorialized to take cognizance of the acute problems presented and to lend its support to secure appropriate action towards the attainment of the following goals:

"1. That the Secretary of the Army, the Secretary of the Interior, and the Secretary of Agriculture instruct the Corps of Engineers, the Bureau of Reclamation, and the Soil Conservation Service to undertake immediate investigations of the problems of protecting the cities and towns and other areas of the United States which have suffered recurrent damages from floods, including a study and reappraisal of reports, surveys, and recommendations that have already been prepared;

"2. The authorization to construct, operate, and maintain such flood-control dams and other protective devices as such investigation, study, and surveys may recommend and the States and municipalities within the affected areas shall approve and accept; and

"3. Authorization to the appropriate agencies of the Federal Government to enter into agreements with the States and municipalities of interest to share the cost of construction and upkeep of such protective works; and be it further

*Resolved*, That the Congress urge upon the Secretary of the Army, Department of the Interior, and the Department of Agriculture that they proceed with all expedition to complete such flood-control programs as have been recommended, approved, and for which the required funds have been appropriated; and be it further

*Resolved*, That the Senators and Representatives in the Congress of the United States be, and they hereby are, respectively requested to urge upon Congress the expeditious passage of such legislation as may be needed to make all funds available as may be required to aid the stricken States, cities, and towns suffering from the latest flood disaster, and such additional funds as may be required to finance the protective works and other flood-control measures already recommended or which may in the future be recommended by the Corps of Engineers, the Bureau of Reclamation, and the Soil Conservation Service, approved by the Congress, and the States and municipalities of interest; and be it further

*Resolved*, That the supreme secretary of the Loyal Order of Moose be, and he is hereby, directed to transmit copies of this resolution to the President of the Senate, the Speaker of the House of Representatives, the Secretary of the

Army, the Secretary of the Interior, the Secretary of Agriculture, and to the Senators and Representatives in the Congress of the United States."

The foregoing resolution was unanimously adopted at the 67th Annual International Convention of the Supreme Lodge of the World, Loyal Order of Moose, in the city of Philadelphia, Pa., September 1, 1955.

RAY V. GIBBENS, *Supreme Governor.*

Attest:

GEO. EUBANK, *Supreme Secretary.*

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NEW YORK, N. Y., *September 14, 1955.*

Hon. HERBERT LEHMAN,  
*United States Senate, Washington, D. C.*

DEAR SENATOR: As a member of the Democratic Party, I have always followed with great admiration your initiative in all fields of human activity, especially whenever the welfare of the country is concerned.

In this connection, I remember having recently read in some newspaper about the interest you are showing for the protection of the public against the consequence of heavy calamities, such as the very recent floods have proved to be. In respect to such protection, may I express herewith the following idea:

From my long insurance experience, I know very well that flood damages are not yet insurable with any company, including London Lloyds. When 2 years ago northern Italy, around the Po region, was hit by a similar flood, I went to London, in order to find out whether some kind of coverage might be available in that market, unfortunately without any result. Although the attitude of the London market was at that time a very definite one, it is not excluded that toward the United States the attitude may be different now.

There is, however, so little chance that some result might be obtained in this respect, that I prefer to disregard for the time being such a step, and to put aside any political factor.

On account of the wealth of this country of ours, I believe, however, that something could be done by ourselves in order to protect the public.

My humble suggestion would be, namely, to create a fund through additional stamps of, let's say, 1 cent, or less, to apply in a compulsory way on all the mail, both for inland and foreign destination, or, if more feasible, to increase in the same proportion actual mail rates. Useless to say that, if once the principle is accepted, a similar increase might be imposed also to all cables.

With these funds, the Government might create a special reinsurance company to which private insurance companies should have recourse, when writing flood risks for their clients, through extension of the already existing "extended" and "additional extended" coverage at the rates which will be established by experts on the usual statistical basis. Of course, having such a reinsurance company at its disposal, the direct insurance enterprises should be compelled to allow such an extension to their clients.

Should you believe that my idea is worth further attention, I will be very pleased to discuss the matter anywhere at your convenience.

May I add that I have been for over 40 years connected with one of the largest insurance groups in Europe, the Assicurazioni Generali of Trieste, having been one of the managers of the company before coming to this country, where I am acting as an insurance broker.

Useless to say that I am not planning any material interest for myself, and that I would be only happy if I could be in some way of service to the public of the country which has become my new fatherland.

With kindest regards.

ARTHUR F. COEN.

OCTOBER 18, 1955.

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Senator HERBERT H. LEHMAN,  
*Washington, D. C.*

DEAR SENATOR LEHMAN: I am chairman of the board of Cosmopolitan Life Insurance Co., of Memphis, Tenn., and director as well as a member of the executive committee of the American Surety Co., of New York. I wish to specify that in no way at all should the opinion expressed herein be misconstrued as a statement as represented of the above companies.

I wish to offer a plan with reference to flood prevention and insurance in the United States. The financing and construction of such a plan is quite simple. I desire no publicity or compensation, and offer my services only on this basis.

To give you an idea of how the plan would work: Dikes being so constructed as to add scenic beauty in all flood-danger areas. In some cases, they could even be used as public roads or toll roads. The financing could be done by all insurance companies participating on a percentage of their capital and surplus funds in flood licensed areas. All States that have any construction of this type would participate in the plan. The States that participate in the plan would have compulsory flood insurance for the protection of their own property values and lives. The financing project, which would run into many billions of dollars, would return premiums paid back on a pro rata basis after the loss experiences are fully examined by an actuarial committee.

This is only to give you an idea of the plan I have in mind, which I feel certain will be a step toward the elimination of lives and property losses that our Nation will continue to suffer unless immediate steps are taken to rectify this condition.

If you feel that you and some of your aids would like to discuss this matter further with me, I would be happy to meet at your convenience.

Please bear in mind that even though I am connected with the insurance companies in the capacities, as stated in this letter, the plan I offer is of my own and in no way connected with these companies at all.

Yours truly,

HAROLD ALLEN.

WHITE PLAINS, N. Y., *October 31, 1955.*

HON. HERBERT H. LEHMAN,  
*United States Senate, Washington, D. C.*

DEAR SIR: I understand that hearings are in progress concerning Government-sponsored disaster insurance to bring such insurance within the means of the average-income citizen. It is my sincere hope that you will use every means in your power to see that such an insurance program is brought to pass.

During the hurricane last year, the small home I own on the waterfront in Rhode Island sustained considerable damage. Despite the fact that I have carried insurance ever since the place was built (and this year premiums for this same insurance have been raised considerably), there was no financial reimbursement because the damage was caused by waves and rising water. Such damage should certainly be included in disaster insurance.

Many citizens are similarly affected, and your aid in putting through the above-mentioned program will be appreciated.

Very truly yours,

FRANK F. COBYELL.

MCALLEN, TEX., *September 23, 1955.*

HON. HERBERT LEHMAN,  
*Senate Office Building,  
Washington, D. C.*

DEAR SENATOR LEHMAN: I note in the September 20 issue of the Wall Street Journal (p. 9) that you are heading a subcommittee to look into the possibility of Federal Government participation in disaster insurance.

Nothing in the forementioned news story, nor in any others I have read, mentions that any such proposed legislation should encompass disasters occasioned by freezing temperatures. Freezing weather, for instance, hit this area (the Rio Grande Valley) in 1951 and seriously damaged in some cases, and actually destroyed in many more instances, the citrus groves for which this valley is famous. Insurance against such loss was not then available, nor is it obtainable at the present time.

Thousands of groveowners in this region lost virtually everything they owned as a result of the 1951 freeze. Insurance would have been their salvation.

It is my feeling that the public interest dictates the creation of a Federal program designed to protect the people against the ravages and financial ruin of all natural disasters.

I wish you and your subcommittee the utmost success in considering and finding a solution to this tremendously important and timely problem.

Respectfully,

DWIGHT S. JAMES.

MAPLEWOOD, N. J., September 2, 1955.

HON. HERBERT H. LEHMAN,  
United States Senator of the State of New York,  
Washington, D. C.

DEAR SENATOR LEHMAN: I have notice that you have realized the necessity of citizens of our country get some protection against such catastrophes which we have just encountered; namely, floods which are not protected by insurance. Might I suggest that to establish a fund for Federal Government insurance, the following plan be considered.

When income taxpayers make their returns for 1955 to start the ball rolling, every taxpayer just add \$1 for this particular fund or purpose. If I am correct there are 68 million income taxpayers, which would make a good starting fund. If the Government would match this and plan was continued until \$5 billion will have been accumulated, it seems to me that everybody could be protected from further catastrophes of this nature.

Would greatly appreciate an acknowledgment of this letter and your opinion of my views.

Yours very truly, one of your ardent admirers,

FRANK A. SOEMER.

CITY OF HAYWARD,  
Hayward, Calif., December 9, 1955.

Senator THOMAS H. KUCHEL,  
Senate Office Building, Washington, D. C.

(Attention: Mr. Warren B. Francis, executive secretary.)

DEAR SENATOR KUCHEL: We have received from CAA regional administrator in Los Angeles notification that his office will execute an instrument of release of six areas within Hayward's airport upon receipt of legal descriptions therefor. We are hastening to furnish them.

This is most welcome advice for this city, and for the area served by the airport, since the development, which the release will enable, will produce very considerable revenues for the airport as well as expand the base of taxable valuation on which both the city and this county depend. Further, the development promises new and permanent employments for people in the community and urgently needed improvements of airport facilities.

We are most grateful for the time and effort which your office has devoted in this city's behalf, and trust that you will take pleasure also in knowing of the enduring and increasing benefits which will follow this decision on our proposal.

Yours sincerely,

JOHN R. FICKLIN, City Manager.

NEW VERNON, N. J., October 31, 1955.

HON. HERBERT H. LEHMAN,  
Senate Office Building, Washington, D. C.

DEAR SIR: As a resident of Saltaire on Great South Beach, Long Island, I write to heartily commend your introductory measure for insurance against flood and hurricane damage. It is certainly most urgently needed by all of us on that exposed island.

In real gratitude,  
Most sincerely,

Mrs. VIRGINIA PATTERSON.

SYRACUSE, N. Y., October 17, 1955.

Hon. Senator LEHMAN.

DEAR SIR: I see in the papers you are in favor of flood insurance, I have property that is near a small creek, and I have tried to get flood insurance here, in Syracuse, but no company will give it the me. I would appreciate anything you can do, to get relief for us property owners. Wishing you the best of health and happiness.

I remain,

J. A. MURPHY.

HIAWATHA, KANS., November 12, 1955.

HON. HERBERT H. LEHMAN,  
*United States Senator, New York.*

DEAR SENATOR: Having learned through the columns of the Post-Times Herald that you are preparing a bill to provide federally guaranteed flood damage insurance and since the Kansas City Star, the most influential daily in the Middle West, recently came out editorially in favor of the enactment of such a law, I wrote the inclosed letter approving such a measure.

If such a measure can be enacted in the next session of the 84th Congress, it will go a long way toward making it possible to take practical measures of flood prevention here in the low-gradient areas of the Missouri Valley where there is practically no risk of human life but only a question of property damage.

I regret that I cannot be on the floor of the House to participate in the discussion of the issues with which I am so familiar, but the call of Ike to send back a Republican Congressman in this traditionally Republican district was too much to overcome.

With the greatest admiration for the work you are doing and with kindest personal regards,  
I am sincerely,

HOWARD S. MILLER.

[Congressional Record, proceedings and debates of the 88d Cong., 1st sess.]

TUTTLE CREEK RESERVOIR, KANS.

Speech of Hon. HOWARD S. MILLER, of Kansas, in the House of Representatives,  
Monday, February 9, 1953

The SPEAKER. Under previous order of the House, the gentleman from Kansas [Mr. Miller] is recognized for 10 minutes.

(Mr. Miller of Kansas asked and was given permission to include in his remarks a letter from a constituent.)

Mr. MILLER of Kansas. Mr. Speaker, I have introduced into this Chamber H. R. 2730. The purpose of this bill is to abandon the flood-control project for the construction of the Tuttle Creek Reservoir, Kans., which was authorized by the Flood Control Act, approved June 28, 1938.

H. R. 2730 is intended to save the taxpayers of the United States from fifty to one hundred millions of dollars in cold cash. I shall prove absolutely in a few words that the passage of this bill will do just that.

In considering the merits of the proposed Tuttle Creek Dam we must bear in mind that soil conservation and flood prevention measures on the uplands of the Blue River Basin are absolutely essential to the welfare of the Nation. That such measures must and will be taken in the near future and the sooner the better. We must consider also that such measures properly taken, will prevent, to a large degree, flooding of the lowlands. As to what degree, there is some difference of opinion, but it will be at least 50 percent. Some competent engineers assert that this system will result in 100 percent prevention of floods. Experience in the Washita River Valley seems to bear them out. But the proposed Tuttle Creek Dam does not take into account any such contribution by soil conservation measures. Therefore any contributions that may be made, and made they must be, will render useless the Tuttle Creek Dam by just so much. This conclusion is so plain that "even he who runs may read."

Inevitably, within a few years when these upland measures are taken, 50, 75, or perhaps even 100 percent of Tuttle Creek Reservoir will be rendered useless. Mr. Speaker, if this is not a vicious duplication of effort, a useless waste of the taxpayers' money, then I would like to see an example.

In view of these facts would not the Eighty-third Congress be wise to withdraw all unexpended appropriations for the construction of Tuttle Creek Dam, refuse any further appropriation, and abandon entirely authorization for construction until all proper and necessary soil conservation and flood prevention measures have been completed upstream? Congress should in this session appropriate sufficient funds to promote measures of soil conservation and flood prevention in the Blue River Basin with all possible expediency. After such steps have been taken, and this can be done for a fraction of the cost of the proposed Tuttle Creek Dam, we can well discover what flood prevention measures, if any,

may be needed on the main channel of the Big Blue River. Many competent engineers assert that there will be no additional steps necessary. I submit, Mr. Speaker, that to rescind authorization of Tuttle Creek Dam is a measure in full accord with the announced purpose of this administration to eliminate all appropriations not presently essential to the economy of the Nation. It is in strict accord with the principles avowed in the platforms of both political parties, to cut expense and reduce taxes in every possible manner.

Mr. Speaker, I have given to this Congress reasons for abandoning Tuttle Creek Dam based on cold, hard, economic facts. There is yet a better reason, based on morality and elementary justice. On these grounds we dare not construct Tuttle Creek Dam. We must not unnecessarily drive 3,000 law-abiding, God-fearing people from their homes. If you, my fellow Congressmen, could go among these people, eat at their tables, worship in their churches, visit in their schools and community activities as I have been privileged to do, there is not a single Member of this Congress who would vote \$1 to construct Tuttle Creek Dam until all other measures of flood prevention had been completed. In the interest of economy and a proper regard for humanity this Congress should pass H. R. 2730 or a bill of similar import.

#### A VIEW ON FLOOD INSURANCE

The Star is certainly right in its stand in favor of Federal Government insurance against flood damage. This would give those whose property is endangered an opportunity to protect themselves against risks which they deliberately take when they erect buildings in the flood plains. This is as it should be. They take the risk and should pay for it. I was impressed by your statement, "Obviously flood control is the best answer but even the wildest dreams do not conceive of dams and levees on a scale to meet all conceivable floods."

Would it not be to the advantage of all of those whose property is liable to destruction because it is on the flood plain, and others who live in the higher areas where the floods originate, could get together and see how their opinions agree?

They should agree on a national policy of flood insurance, on a policy of channel improvement, on a system of levees. They could further agree that no system of flood control can take care of all conceivable floods.

There remains than only one point at issue, namely the best method of flood control. Shall it be by large dams on main streams to impound water after the flood has formed or by dams on outer tributaries to slow the flow and prevent floods?

I have heard members of the Corps of Engineers state that the watershed program would give protection equal to that of big dams on main channels but that this system would require too much time. Insurance against flood damage would neutralize that objection as the insurance would protect while the measures were being taken.

It should be remembered that upstream preventive measures protect everybody from the place where the rain falls to the river's mouth while structures on the main channel protect only those below the structure.

I understand that Senator Lehman of New York is preparing a bill to authorize Federal Government insurance against flood damage. We should all get back of such a measure.

HOWARD S. MILLER,  
*Former Representative in Congress.*

**MORRILL, KANS.**

Senator LEHMAN. This hearing stands in recess until 10 o'clock, Thursday morning in the Federal courthouse in New York City. I hope that you will all be present.

(Whereupon, the hearing was recessed, to be reconvened at 10 a. m., Thursday, November 3, 1955, in the Federal courthouse, New York, N. Y.)



## FEDERAL DISASTER INSURANCE

THURSDAY, NOVEMBER 3, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*New York City, N. Y.*

The committee met, pursuant to recess, in room 110, United States District Courthouse, at 10 a. m., Senator Herbert H. Lehman, presiding.

Present: Senators Lehman, Ives, and Bush.

Also present: Representative Thompson of New Jersey.

Senator LEHMAN. The hearing will come to order. I am going to make a short statement to bring the press and others up to date as to what we have done so far in these hearings.

We have had 2 full days of hearings in Washington. At those hearings, we heard, I believe, exclusively from representatives of the administration—the Department of Commerce, Department of the Interior, the Director of the Budget, the Housing and Home Finance Agency, and several others. They were very interesting hearings, and we, of course, have kept a very voluminous record of them.

In our meeting here today, the witnesses are to be the Governor of New York; Congressman Frank Thompson, Jr., of New Jersey; Mr. Frank Crystal, an insurance expert; Maj. Gen. Robert Condon, Director of Civil Defense, New York City; Rev. Roger C. Stimson, head of the flood-control committee, Stroudsburg, Pa.; and Mr. Joseph Cully, president of the Staten Island Flood Control Association; and may be one or two others will appear a little later.

I have a telegram which I wish to read for the record. This is from J. V. Herd, chairman of the committee to study floods and flood damage of the American Insurance Association:

NEW YORK, N. Y., *November 2, 1955.*

Pursuant to your telephone suggestion and referring to your telegram of October 28 it would now appear unnecessary for me to testify Thursday, November 3. The subject matter is still under study. Would appreciate it if scheduled appearance before committee could be deferred until future date.

J. V. HERD.

I also have a letter from the Governor of New Jersey, Robert B. Meyner. I will read it for the record:

STATE OF NEW JERSEY,  
OFFICE OF THE GOVERNOR,  
*Trenton, N. J., November 2, 1955.*

Hon. HERBERT H. LEHMAN,  
*Acting Chairman, Banking and Currency Committee,  
Federal Court Building, Foley Square, New York, N. Y.*

DEAR SENATOR LEHMAN: I have a copy of your proposed bill to provide insurance against national and manmade disasters, and also your invitation to me to testify at the hearing to be held on November 3 at New York City.

I regret that I will be unable to attend the hearing, but I want to express my intense interest in a program of insurance. At the moment, I feel I need additional information, not presently available to me, to reach a view with respect to a workable plan, but the numerous press reports to the effect that private insurance companies cannot furnish coverage at rates within the reach of our citizens makes it imperative that the Federal Government participate significantly in providing assurance against these losses.

Some interests can survive such havoc. Utility companies may recapture the cost of repair or replacement. Governmental units may spread the loss through their taxing powers, although, even there, small communities may sustain injury beyond the ready capacity of its taxpayers. But, in good conscience, the individual citizen should not be asked to bear the demoralizing, economic impact of the major ravages of nature against which he is utterly helpless.

It is tragic to witness the sudden destruction of the accumulated resources and hopes of a homeowner or small-business man, with only mortgage indebtedness remaining to evidence the initiative and faith that once were his. Even larger business interests cannot absorb these setbacks. The necessity for prompt, forthright, and wholehearted attack upon this problem cannot be questioned.

Sincerely,

ROBERT B. MEYNER, *Governor.*

I want to explain that there is no definitive or final bill before this committee. Bills have been drafted by a number of the Members of the Senate. There is one bill drafted by Senators Kennedy and Saltonstall, of Massachusetts. There is another bill drafted under the direction of Senator Carlson. There is a bill which was prepared by me, and by others who were consulted, which is now also before the committee. I believe that you, Senator Bush, also directed that a bill be drafted for submission to the committee. All those bills are before the committee.

I want to explain also that this hearing is not being held by a subcommittee of the Banking and Currency Committee, but by the main standing Committee on Banking and Currency. I was directed to serve as chairman of these hearings. I am very glad indeed to know that a number of my colleagues have attended the hearings and are here today.

We are going to have further hearings tomorrow upstate, then in Boston, Providence, and Hartford, and a little later on in North Carolina or South Carolina, where there was also very great damage because of the floods in that area.

Governor Harriman, who was to be the first witness this morning, has not yet arrived, so I think I am going to call on Mr. Frank Crystal to testify.

However, before he testifies—you all know my colleague, the senior Senator from New York, Senator Ives, so he needs no introduction. But I am very glad to introduce the Senator from Connecticut, Senator Bush.

Now, Mr. Crystal.

#### STATEMENT OF FRANK CRYSTAL, NEW YORK, N. Y.

Mr. CRYSTAL. With your permission, I would like to read my statement, if I may.

I am Frank Crystal. My office is at 61 Broadway, New York City.

Senator LEHMAN. Are you representing any State, community, or organization?

Mr. CRYSTAL. No, sir; I am just in the insurance business.

Senator LEHMAN. You may proceed.

**Mr. CRYSTAL.** Today the increasing frequency of floods and droughts in many of the 48 States presents almost as great a problem to our Nation as the danger from a nuclear explosion. Because of the immediacy of the need for some form of indemnification, my emphasis here is on flood damage.

Specifically, the problem is the danger of economic chaos which would result from extensive property damage when a catastrophe occurs. It is the danger of destruction of billions of dollars' worth of property without means of obtaining funds to rebuild. It is the danger that homeowning citizens face of having their homes destroyed, with no resources to replace those homes. It is the danger our lending institutions face of having their mortgage assets dangerously depleted, and also reducing to possible poverty many prudent individuals who have entrusted their savings to these fine institutions.

These dangers exist because at present there is no purchasable insurance protection which could possibly cover potential catastrophes. Our many financially strong insurance companies, either individually or collectively could not begin to meet the claims resulting from these recurring floods or from a possible large-scale surprise attack with nuclear weapons.

There is a solution. It is for the new United States Congress to enact legislation immediately so broad in scope that all owners of homes, commercial structures, industrial plants and other facilities in the Nation will be indemnified by the Federal Government in the event of a "defined catastrophe loss." This definition is subject to careful determination at a later date, and to some limitation as to the amount allowed for each loss, bearing in mind also that this is for catastrophic or disastrous losses and not planned as reimbursement for small individual holdings of so-called personal property.

How would the Government be reimbursed for its possibly very large outlay of money for the indemnification of any catastrophe loss? One suggested method is: After the financial outlay is calculated, the amount is prorated to the amount of income-tax return from individuals and corporations, and the percentage basis per dollar is determined. It may be one-quarter or one-half or one-tenth of 1 percent. But each citizen and each corporation pays his prorated share. It is added on to the income-tax return—and I do not believe you will hear many voices raised against this particular tax levy. But next year it may be your turn or my turn to need immediate indemnification from our Government for a disastrous loss.

When the income-tax returns reach the Treasury, it is simply a bookkeeping matter to list the special disaster taxes from each return and for the Treasury to reimburse itself for funds already disbursed as indemnification.

If desired, the Treasury could issue interim bonds which would be redeemable on collection of this tax. It would of course be understood that issuance of such interim bonds would not increase the public debt. Prompt indemnification is the important factor, rather than the method of recovery.

Protection of civilians and of the national economy is a primary purpose of Government. Monetary payment for uninsurable catastrophe losses should be a part of our Nation's operations in peacetime just as are munitions and maintenance of the military during peace or war. In reality, flood is a war by the elements.

For this reason, every person in the Nation should be called on to contribute to the cost of protecting civilian property, should catastrophe losses occur, in the same way that they contributed to the cost of our wars.

No section of the United States can be considered immune today from flood catastrophe or global warfare. Even a nonmilitary atomic or hydrogen explosion could wreak untold havoc, and without some equitable form of indemnification could create economic difficulty for years to come.

In addition to the fact that such losses should be regarded in the same light as losses on the battlefield, where the financial cost is distributed over the entire citizenry, is the fact that there is no method of determining insurance premiums for catastrophes whose extent cannot be forecast.

During World War II, the War Damage Corporation was formed as a branch of the Federal Government to provide indemnity for real-estate losses incurred by enemy action within the United States and its possessions. Basically, it was a giant insuring agency. Nominal premiums of \$1 per \$1,000 were paid by property owners who wished to be insured. The theory was that the premiums collected would create a fund sufficient to meet any anticipated losses.

Luck was with us. A total of \$256 million was collected in premiums. Losses were negligible, and \$210 million was turned in to the United States Treasury after the payment of all claims and administrative expenses.

However, floods such as those recently experienced, or one nuclear explosion, could cause damage far in excess of that \$256 million. The potential loss to our citizens and to our business economy is so great and so impossible of determination that no plan such as that followed in World War II would be practical. Only 8,700,000 policies were then issued. Many other millions of properties had no damage protection.

Blanket indemnification by the Federal Government is imperative. In my opinion, it would not be necessary to set up active machinery in advance for this purpose. The insurance industry as presently functioning is adequate for the handling of catastrophe claims, and would, I believe, extend their good and able cooperation as they did during World War II.

If and when catastrophe losses do occur, a suggested procedure would be the setting up of a valuation commission composed of local insurance brokers and agents in each community. These, in cooperation with the companies, would pass upon the claims, compile all necessary information, and handle the required paperwork for a predetermined fee. In my opinion, insurance companies who are unable to provide such coverage would not expect to receive more than their out-of-pocket expenses in adjusting claims.

The idea of industry cooperating with Government is not new, since our National and State banks and our savings institutions have for many years been cooperating with the Government in the sale and redemption of United States savings bonds.

If legislation along these lines is enacted, it will be an important step in the Nation's economic security program. There would then be no need for hasty emergency legislation after a catastrophe occurred. Also, the Government would have the benefit of trained and

experienced insurance personnel, with a minimum of paperwork and expense on its part. Above all, the Nation would be protected against economic disaster.

Senator LEHMAN. Thank you very much. Senator Ives, do you have any questions?

Senator IVES. Mr. Chairman, in the first place, I would like to inquire as to whether you expect to have any representatives of the insurance companies testify today. I do not see any on the list given us.

Senator LEHMAN. Mr. Herd was scheduled to represent the insurance companies. I read his telegram. He is chairman of the committee to study floods and flood damage of the American Insurance Association, representing the industry.

Senator IVES. I think it is very essential, Mr. Chairman, that we do have the insurance companies in on this, because even under this plan the insurance companies and their agents are going to be the ones that are going to have to carry it out. I think we ought to get their reaction on anything we do along this line.

Senator LEHMAN. Let me make it clear that we had every expectation that Mr. Herd would appear here. As I read in the telegram, it was at his request that his appearance was postponed. We will hear from him and from other representatives of the insurance industry.

Senator IVES. Mr. Crystal, have you talked with any of the insurance people about your proposal?

Mr. CRYSTAL. No, sir. I have spoken to some of my friends in the industry, and they know the outline of this plan. But I am not representing any insurance interest.

Senator IVES. I understand you are not representing anybody. I do not know whether you discussed this with anybody in the insurance business.

Mr. CRYSTAL. This is just an extension of some thinking provided at the time of Korea when I suggested that the Government have some type of indemnification for war damage.

Senator IVES. I assume your knowledge of the insurance field is quite broad, and one of the questions I would like to raise with you is as to whether you are acquainted with the amount of coverage now supplied by the insurance companies.

Mr. CRYSTAL. For flood insurance?

Senator IVES. No—for all kinds of catastrophe insurance. They have wind insurance, we all know that.

Mr. CRYSTAL. Oh, yes. But there is no drought insurance available, to my knowledge; certainly no war damage insurance, and no flood insurance, except that bought in excess markets.

Senator IVES. Your plan, then, would cover all that area which is not now being covered by insurance and which we understand that the insurance people themselves, the insurance companies, feel that they cannot cover because of the cost, is that right?

Mr. CRYSTAL. That is correct, sir.

Senator IVES. In other words, in your statement you have not limited it anywhere, have you? You are referring particularly to flood, but your category includes drought and everything else.

Mr. CRYSTAL. Flood, drought, nuclear explosion, war damage—any major catastrophe for which insurance now is unobtainable.

Senator IVES. You would not have it limited to any particular thing at all.

Mr. CRYSTAL. No, sir.

Senator IVES. Have you any idea what the cost would be—the amount of tax you are proposing to raise here?

Mr. CRYSTAL. Well, if my memory serves me correctly, our Federal income tax runs approximately \$50 billion. If you take the losses as reported in the press, the amount of taxation that would have to be added to that per individual or per corporation would be negligible.

Senator IVES. I thought perhaps you had figured it out.

Mr. CRYSTAL. I did not want to be too exact, sir.

Senator IVES. That would be interesting.

Mr. CRYSTAL. For a small man, his tax might be less than his contribution to the Red Cross—that is, if everybody contributed throughout the country.

Senator IVES. Well, now, that is what I am coming to. You are going to levy a tax here, an additional income tax, I assume.

Mr. CRYSTAL. That is correct, sir.

Senator IVES. Is it going to be a flat rate for everybody, regardless of the amount of his income?

Mr. CRYSTAL. It would be a percentage of the tax previously prescribed by the law. And it would be a prorated loading charge.

Senator IVES. I see. That would make it eminently more fair.

Mr. CRYSTAL. Yes, sir, that is the purpose of the thinking. It is something like a tithe in the old biblical days.

Senator IVES. The question has been submitted to me should the program be one of insurance or reinsurance, or a combination of both. I take it your plan is entirely outside of insurance itself. It has nothing to do with reinsurance at all, is that right?

Mr. CRYSTAL. That is correct, sir.

Senator IVES. I think you have a very interesting proposal here. I am just curious to know what the reaction of the insurance companies would be to it.

Mr. CRYSTAL. I would be, too, sir.

Senator IVES. Should both real and personal property be covered?

Mr. CRYSTAL. I don't believe so. I don't think personal property has a bearing in the rehabilitation of the country. If real property is rehabilitated, the people, in their ability to gain work and employment for rebuilding in the areas of the damage, would earn the funds to buy personal property.

Senator IVES. The only thing I am thinking of in that connection is that you can have very substantial losses in personal property which might be rather devastating in certain instances.

Mr. CRYSTAL. Yes, sir. But I think most important is a home and the ability to work in the area in which the damage took place.

Senator IVES. Should privately owned and State and local government-owned property be covered?

Mr. CRYSTAL. They don't buy insurance on Federal Government property now, unless the property is held in a corporate name.

Senator IVES. Would you limit it to those properties which can now be covered by insurance and are being covered by insurance?

Mr. CRYSTAL. That is right.

Senator IVES. Of course, in many instances the Government is setting up funds of its own to meet these conditions. You have no idea, I take it, what the total aggregate liability of the program would be.

Mr. CRYSTAL. I could not know the extent of the catastrophe.

Senator IVES. Well, of course, that would vary.

Mr. CRYSTAL. I don't think it makes too much difference. Based upon the catastrophes that we have now had, the size of them is certainly not very important in relation to the whole public-tax program.

Senator IVES. I assume this would be something like unemployment insurance. Your rate would be based on experience from year to year.

Mr. CRYSTAL. You might not have a catastrophe for 5 or 10 years, and you would not have to make a charge in those years you had no catastrophe.

Senator IVES. If there were not the requirements, you would not have any tax.

Mr. CRYSTAL. That is right. I do not believe the Government should build up a reserve or surplus for future catastrophes.

Senator IVES. One more question. I do not want to monopolize all the time here. I would like to ask you whether you think this should be established initially on a temporary basis, over a period of a few years, or whether this should be established at its inception on a permanent basis.

Mr. CRYSTAL. Well, speaking for myself—

Senator IVES. We know nothing about it. This is subject to trial and error.

Mr. CRYSTAL. Yes. But if you plan on a time basis, you might not have a catastrophe during that time, and you would gain no experience. I think, therefore, you would have to have a more regular advance program on a permanent basis.

Senator IVES. One more question on that. You still would be collecting the tax, would you not?

Mr. CRYSTAL. No; there would be no tax collection until after the catastrophe occurred.

Senator IVES. In the meantime you are going to finance this by Government borrowing?

Mr. CRYSTAL. Tax-anticipation bonds.

Senator IVES. Thank you. That is all I want to know.

Senator BUSH. Mr. Chairman, I have quite a few questions I would like to ask Mr. Crystal, but the Governor of New York has arrived, and I wonder if Mr. Crystal would not wait and let us call him after we have heard from Governor Harriman.

Senator LEHMAN. I did promise the Governor of New York to put him on as the first witness—and if you would show him that courtesy.

Mr. CRYSTAL. Certainly.

Senator BUSH. The testimony was very good, and I do have some questions.

Senator LEHMAN. The next witness is the Governor of New York. I want to welcome you on behalf of this committee, which has two representatives from the State of New York, to this hearing. I am very appreciative of your taking a sufficient amount of time from what I know is a very busy schedule to appear before us. We will listen to your testimony with a great deal of interest.

I want to make it clear that it is quite agreeable to this committee for you to have such of your advisers and State officials as you wish to select to sit with you in order to answer any questions that the committee may wish to ask which you would prefer to have handled by members of your staff.

Again, I want to welcome you very heartily.

### STATEMENT OF AVERELL HARRIMAN, GOVERNOR, STATE OF NEW YORK

Governor HARRIMAN. Thank you very much, Senator Lehman, Senator Ives, and Senator Bush. I am grateful to you for the opportunity of being able to appear before you, because I believe this subject which you are considering is of vital importance, as unhappily events have shown, to the people of New York State, and, I believe, to adjoining States.

I have asked Mr. Bingham, who is my secretary, and also Mr. Holz, who is superintendent of insurance, to come just in case their presence here could be of any value to you.

Senator LEHMAN. I believe that Mr. Holz is going to appear before this committee tomorrow at Goshen.

Governor HARRIMAN. Yes, he is. It was just in case of some questions he could readily answer, which could save your time.

Senator Lehman, you and your able colleagues are to be congratulated for holding these hearings on a subject of such vital importance to our State and the Nation. The natural disasters of August and October have brought home to us once again that our citizens—businessmen, farmers, householders—have no way to protect themselves against the sudden and catastrophic effects of nature's wrath.

I earnestly hope that out of these hearings and the deliberations of this committee will come recommendations leading to effective congressional action to protect people all over the country from possible disaster to which they are now exposed. All too often, the public interest that a flood arouses abates almost as quickly as the floodwaters themselves. Over this past weekend in the Albany area, however, we had enough heavy rains to worry us, and to remind us that our efforts to find solutions must be strenuous and persistent.

I need not recall to you the proposals for a Federal flood-insurance program made by President Truman in 1951 on which no action was taken by the Congress. I trust that this time the result will be different. I feel confident that this committee, with your leadership, Senator Lehman, will carry through to a constructive end what it has so wisely begun in these hearings.

For my part, I believe that some form of nationwide Federal insurance system is needed to provide protection against natural disasters. Obviously the Federal Government should not engage in activities which can be adequately carried on by the insurance companies, but those companies have not so far been able to provide the needed protection.

Of course, the first concern of our State government during the floods caused by Hurricane Diane and the cyclonic storm of October was to keep damage and loss of life to a minimum, and to maintain or quickly restore interrupted public services. In this emergency stage, I think we can take pride in the way Federal, State, and local govern-

ment agencies and private organizations, notably the Red Cross, all cooperated. Several of our State departments were on the job around the clock, keeping me informed of their activities from hour to hour. Our public works department sent equipment from all parts of the State to clear debris from highways and to make emergency repairs to bridges, roads, dikes, and other public facilities. Splendid work was done by many of our volunteer fire companies, operating under our fire mobilization and mutual-aid plan. The New York State National Guard moved men and equipment into the flood areas, not only of New York, but in Connecticut, and assisted in emergency evacuations. Our civil defense organization provided blankets and emergency supplies to those evacuated from their homes, and served as a nerve center for all kinds of rescue and emergency relief operations. The Salvation Army, churches, and other private organizations, as always, provided humane services.

After both floods, the restoration of essential public services proceeded rapidly. The United States Corps of Engineers was authorized by the Federal Civil Defense Administration to undertake immediately the restoration of highways and bridges on a temporary basis, and especially in Ulster County and other Hudson River Basin areas they did an outstanding job with a minimum of red tape. One colonel expressed a philosophy which should stand as a model for all government workers in a time of emergency, when he said, "I'd rather be hung for what I do, than for what I don't do."

Curiously enough, the emergency repair work of the Engineers Corps was hampered with respect to those highways which are part of the Federal-aid system. For us to get help on the Federal-aid highways we had to go through a cumbersome process. First I had to issue a special emergency proclamation, in spite of the fact that the President had already declared southeastern New York a disaster area, and this proclamation had to go through channels to Washington for concurrence by the Commissioner of Public Roads. Detailed plans for work to be done had then to be submitted for approval, again through channels, and costly weeks of delay are the result.

Surely this arrangement is backward. Those highways which are so essential as to be eligible for Federal aid should be eligible for emergency repair with the least redtape, not the most.

Moreover, Federal assistance to such roads is limited to 50 percent of the cost—the normal rate for Federal aid. Where a State was as hard hit as Connecticut in both recent floods, consideration might be given to whether this 50-percent limitation is reasonable or whether the State should be given an opportunity to insure itself against its share of the rehabilitation costs.

As to those community projects which have not qualified for Federal assistance, I am now having an inspection made in the areas of damage in order to determine what additional assistance the State should provide. Although we have no specific legislative authority to spend State funds for such purposes, I have the assurance of the leaders of the legislature that they will cooperate with me in making some emergency funds available.

There is no doubt that the repairing and restoring of public facilities alone is an undue burden on the capacity of many of our communities. It seems logical that any system of insurance that is set up against the risks of natural disasters should make provision for

local governmental units to secure such protection to the extent not covered by State or Federal aid. I have noted with interest that your draft bill, Senator Lehman, provides for participation by communities.

So much for the matter of damage to public facilities.

But this is only about half the problem. While accurate figures are not available, it appears that damage to businesses, private homes, and farms amounted to perhaps half the total damage from Diane and the October storms. It is in this area that our existing programs for assistance to the victims of natural disasters are most seriously inadequate.

When the President declares a State or part of it to be a disaster area, the Federal Natural Disaster Act of 1950 comes into operation. The Small Business Administration, the Housing and Home Finance Agency, and various services in the Department of Agriculture are then permitted to make loans to businessmen, homeowners, and farmers to assist them in replacing or rehabilitating their damaged factories and business inventories, homes, and farms. These loan programs are extensions of existing Federal-loan programs and involve some lowering of the interest rates and extensions of the time periods over which repayments may be made. Mortgages on real and personal property are generally required. In most instances, applications are only accepted after individuals have exhausted their available private credit opportunities.

In our State very few farmers, businessmen, and individuals have made use of these Federal-loan programs, although the number may be increasing as a result of the October floods. If the damage suffered had been more extensive, if more individuals had been involved, and if our larger cities had been affected, these programs might have proved to be a greater benefit.

However, as I toured the flooded areas and talked to some of the victims, I was struck by the heartlessness of what their Government had to offer them. For example, one man had lost his home but was still personally liable for a substantial mortgage on it. When I told him that he might be eligible for a new mortgage on a new house, he responded: "I don't need a new mortgage. I've got a mortgage. What I need is a new house."

Similarly, it was small comfort to an independent businessman whose life's work had been largely wiped out by damage to his plant and inventory to know that he might be able to get a 20-year 3-percent loan so as to start all over again.

A 50-year-old farmer who has lost 20 head of dairy cattle may be helped by a Farm Home Administration loan at 3 percent interest, but at his age he will never recover from the disaster.

In this connection, I would like to point out that when the Federal Government's assurances of assistance to the stricken communities were published, the limitations on the nature of the aid available were not explained. These statements led many of the victims to believe that they were going to receive cash with which to recoup all or most of their personal losses. As a result we found a lot of businessmen, farmers, and homeowners who were bitterly disappointed when we had to tell them that the only Federal aid available to them was in the form of loans.

Another trouble with the loan and credit program is its slowness. For example, we know of 60 applications to the Small Business Admin-

istration resulting from the August floods. None of these loans has yet been granted. Eleven hundred onion farmers in Grange County lost their onion crop valued at more than \$2 million. Before the soil-conservation program of the Department of Agriculture could be placed in operation to help drain the lands for planting next year, it was necessary to organize a soil-conservation district and hold an election among the affected farmers. Once this was done, it was estimated that 80 days would be required for the Soil Conservation Service to complete the surveying task preliminary to undertaking work to clear out the flood-damaged drainage ditches. Of course, we have to bear in mind this work had to be done before the heavy frost hit this area. Fortunately, with State cooperation, the survey work will be done in 30 days. Nevertheless, the lengthy procedures involved may mean that these ditches may not be dredged out in time to prevent spring flooding and the loss of a second crop.

These procedures are not in keeping with emergency needs. Legal restrictions and administrative rules which make for hesitation and delay can defeat the purposes of a relief program.

Fortunately, of course, many of the flood victims were able to turn to private sources for help. The Red Cross has done a wonderful job in our State. During the emergency period in August, it provided some types of assistance to over 3,300 families and fed over 750 volunteer civil-defense workers. Following the emergency period, the Red Cross received 439 applications from New York families for rehabilitation grants to replace homes, furniture, household goods and clothing, and to assist small-business men in getting back into business. As of last week, 429 of these applications had been approved and grants averaging nearly \$500 apiece had been made for these purposes.

An even larger number of New York families received emergency shelter, food, and clothing from the Red Cross as a result of the October floods. In addition, more than 260 families applied for rehabilitation grants and the Red Cross has thus far disbursed over \$57,000 in such awards. This is a remarkable record of fast and efficient humanitarian service, and I want to acknowledge on behalf of the people of this State our gratitude to the Red Cross.

Yet obviously such private aid, important and generous as it was, was not adequate to meet the total needs arising from the disaster. Necessarily the Red Cross must limit its efforts to the relief of the more pressing emergencies. It can do little for the small-business man or the farmer who is not wiped out but is set back 20 years, or for the family head who had owned his home but who could scrape up the rent on another one by reducing his standard of living.

Surely at this stage of our national development, we must be wise enough and capable enough to find a way for people to protect themselves against the overwhelming effect of natural disasters.

The first thing we must do is to increase the intensity and pace of our efforts at flood prevention. Much, of course, has been done by the Corps of Engineers under the Federal flood-control program. Existing flood-control works save the country hundreds of millions a year. Yet much more remains to be done.

The engineers also estimate that flood losses nationwide still average close to half a billion dollars a year. And this figure is bound to grow as natural drainage areas are covered with roads and buildings,

and as low-lying lands are used for industrial, commercial, and residential purposes. In New York State a high proportion of our flood-control projects have been concentrated in the Susquehanna and Delaware drainage basins, as this map clearly shows. Now, if you will look at this other map, which indicates the areas of heavy damage in this year's floods, you will see that practically no Federal flood-control projects have been completed in those areas, or even authorized.

On this map the black squares are the drainage—channel clearances completed. The crosses are those under consideration. And the white are those that are authorized. The circles are the dams that have been completed, and these are the ones that have been authorized. You can see these black marks all through this area. The area in which the two floods took place in August and October was in this area. Except for here, you can see there are no Federal projects that have been approved—relatively none. We have asked the Corps of Engineers to restudy that situation. But I thought it would be interesting to show that in spite of the experience of many years new conditions arise, and even if we do get all the protection that we can plan for, based on past experience, there still may be new hazards which may hit us for which we are not prepared.

Senator LEHMAN. As I recall, Governor, the flood-control projects in the southern tier were undertaken largely because of the disastrous floods in New York State and Pennsylvania in 1936.

Governor HARRIMAN. That is correct. And I will mention the fact that at that time New York State established, while you were Governor, by the action of the State legislature, the New York State Flood Control Commission. At that time there was a survey made and, as a result of the experience that we had had, these projects were undertaken, and they have served the State well, from the results that we have achieved. In fact, in Elmira, in this October flood, there was no damage done because of the work that came from these projects. On the other hand, the Corps of Engineers will have to study what would have happened if a precipitation such as came from Diane hit that area, which would have happened if Diane had moved slightly to the northwest. We might, Senator Bush, have had the same kind of damage you had in Connecticut from these larger rivers. But at the same time we must be thankful for the work that has already been done.

Senator LEHMAN. Was there much damage in the Binghamton and Endicott City area?

Governor HARRIMAN. No; there was none down there at all. They worried at Elmira because the water came very close to the top of the dikes, but there was no damage done there. The dikes held and the floodwaters did not go above. But there was none in the area of Binghamton, which shows the usefulness of the work that was done. Of course, Diane did not go far to the west. Some of the October storm did hit that area.

The day before yesterday I invited the New York State Flood Control Commission to meet with me especially to discuss this matter. As I have said, Senator Lehman, that commission was established by law in 1936, while you were Governor, to work with the Federal Government in order to promote needed flood-control work in New York State. The commission and I were in agreement that a strenu-

ous new effort must be made to have projects launched in those areas of the State which the recent floods have shown to be vulnerable.

The first step is to secure a review of the Engineers of previous decisions that flood control was not economic in some of these areas, and the commission and I have jointly appealed to you and Senator Ives, and to Congressman Buckley, chairman of the House Public Works Committee, to enlist your aid in this matter.

I want also to point out that the Engineers will restudy some of these projects which they have now under consideration, which have been authorized, to add to the previous experience the kind of precipitation that we had this year, and it may well show that further work should be done.

But at best flood-control work is a long-range process. The clearing of stream beds, the straightening of channels, the erection of dikes can be done fairly quickly. But the construction of dams, where such are required, takes time and large appropriations. In addition to which I wish to point out there is a change from time to time in meteorological conditions and we are undergoing new experiences.

Senator BUSH. In connection with the Governor's observation about the review by the Army engineers, I would like to point out right there that the Senate Committee on Public Works has authorized an immediate study of that, and that is acutally underway. So that no time is being lost in that connection. Fortunately, the chairman of the Senate Committee on Public Works had the authority to accelerate that study, so that that has begun.

Governor HARRIMAN. I am familiar with that, Senator Bush, and I want to express my appreciation.

The Federal law authorizing the Soil Conservation Service to work with the States in carrying out minor flood-control projects in small watersheds on a matching-fund basis is helpful. Applications from two communities for assistance under this program have been granted with the approval of our Department of Agriculture and Markets, and others are being processed, but here, too, the objectives are long-range and the process necessarily slow.

Even when all possible flood-control work has been done that can be justified on an economic basis, there will always be cases where unpredictable rains, as in the case of Diane, and flash floods will take their toll.

Even if we do do all the work that can be accomplished by flood control, there still is a hazard and always has been, and it seems as if there always will be.

So there is a desperate need for a system of protection against the effects of floods. The answer, in my opinion, is adequate insurance. Insurance is nothing more nor less than a sharing of the risk, and that is what we need here. Although Americans are as insurance-minded as any people in the world, none of the victims of the recent floods, so far as I know, had flood insurance.

The reason for this is that flood insurance is virtually unavailable. Leffert Holz, our superintendent of insurance, is going to testify later, and he will explain in detail why this is so. I will just mention some of the problems.

Generally the only people who are interested in flood insurance are those who are exposed to the danger of floods. Hence there is a narrow base. After a flood in a particular area, the concentration of

damage is so great that the insurance companies are exposed to a staggering liability.

As a result, such flood insurance as has been offered has had to be at extremely high premiums—so high that even those in low-lying areas tend to drop the insurance after a couple of years of average weather.

These difficulties could perhaps be overcome if the base could be spread both geographically—across the country—and timewise, over a period of 8 to 10 years. Of course, the axiom about lightning not striking twice in the same place does not seem to be true of floods—or if it is nobody has told the Wallkill River about it. Nevertheless, our experience with floods is that they do not strike all exposed sections of the country the same year—nor do they strike every year in any one area.

I understand that our private insurance companies are now once again studying the field to see if they can work out some means of offering flood insurance at reasonable premiums—by spreading the risk geographically and timewise. I would favor any reasonable steps the Federal Government might take that would make this feasible, including a modification of the tax laws to permit the companies to set up special flood-insurance reserves. But frankly I feel we have to be skeptical because of the history of the inability of the private companies to provide such insurance on a continuing basis.

It is for these reasons that I urge a Federal Government program for flood insurance and for reinsurance.

While I have not had an opportunity to study the specific provisions of Senator Lehman's draft bill, I believe that its proposal for natural disaster insurance represents a good start toward working out a sound program for action. I will follow the hearings with interest and will look forward to seeing any revised bill that may be introduced on the basis of your further deliberations.

In my view, any system of national flood insurance should be based on the following principles:

First: It must be as broadly based as possible geographically. Every effort should be made to attract businesses and individuals in all sections of the country, even though the risk of damage to them is not obvious.

Second: It should not be offered at a low, uniform rate for all. This would tend to encourage unduly the construction of businesses and homes in exposed areas and to involve the Federal Government in severe losses. Indeed, insurance should not be made available to those who deliberately court the risk of floods. The agency in charge of the program should work with communities to promote wise planning so that exposed lands are not recklessly used for the construction of homes or industrial plants.

Third: At the same time, premiums for those who are already in exposed areas should not be set on a purely actuarial basis, for if this is done few policies will be sold.

The problem of rate setting will, of course, be a difficult one. On this point, the language of your bill strikes me as sound. The rates, it says—

shall be based upon consideration of the risks involved, and, in the judgment of the Administrator, shall be as nearly adequate as practicable to provide sufficient funds to meet administrative and operating expenses under this Act, and reserves

for anticipated losses, consistent with the aim of offering insurance at rates reasonable enough to encourage prospective insurees or ceding companies to purchase such insurance or reinsurance respectively.

Fourth: The fourth principle that seems to me essential is that the facilities, services, and experience of the private insurance companies should be used to the maximum degree, particularly in the placing of insurance.

Fifth: The Federal Government should not offer insurance covering other natural disasters, such as hailstorms, which is available from the private companies, and should always be ready to withdraw even from the flood-insurance field if the private companies are prepared to provide adequate coverage at reasonable rates.

These, of course, are very rough and very general. But they are our thinking up to the present time.

Again, I want to thank you for the opportunity of appearing before you and for your courteous attention.

Senator LEHMAN. Thank you very much, indeed. Senator Ives.

Senator IVES. You were not here, were you, Governor, when the previous witness testified?

Governor HARRIMAN. No; I came in just at the last part.

Senator IVES. Then I will not go into that with you. On page 5 of your statement, the top of the page, the second line, you say:

For example, we know of 60 applications to the Small Business Administration resulting from the August floods. None of these loans has yet been granted.

Where were those applications made, Governor?

Governor HARRIMAN. Well, they are in the general area of Orange County. They set up an office at Port Jervis and two other places.

Senator IVES. What I am driving at is they are all in New York State, are they not?

Governor HARRIMAN. Yes; they set up these offices—the Small Business Administration—in convenient villages and cities and received these applications. Our information is that none have been granted.

Senator IVES. What do you mean by the term “granted”? Do you mean approved?

Governor HARRIMAN. Approved; yes.

Senator IVES. Well, there must be some discrepancy somewhere in this information that has been given to you, because I have a report from the Small Business Administration itself on the loans, disaster loans, that have been approved, including the applications which had been filed. Would you like to have me state them?

Governor HARRIMAN. May I say this word “granted” means that they had not yet received the money. Whether they had been approved or not, I do not know.

Senator IVES. Well, there is quite a big difference. I would like to put in the record, however, that the number of disaster applications filed in New York State was 67, totaling \$1,875,373. The number of disaster loans approved was 45, the total amount of the approved loans being \$594,105. The number of disaster applications declined out of 67 was 4, totaling \$538,800. The number of disaster applications now pending is 18—that is the balance between the previous total and 67—totaling \$742,468.

Now, perhaps there is some delay in granting the funds on these 45 that have been approved. But I wanted to point out that of the

67 disaster applications filed in New York State, 45 have been approved, and the money will be forthcoming. Only 4 out of the 67 have been declined, and 18 are now pending. I think that should be clarified so that the impression is not left that these sixty-odd loans have been turned down or are not approved.

Governor HARRIMAN. I will check to see, Senator. I appreciate your additional information. I will check to see whether this statement is accurate. The wording is intended to convey they had not yet received any money.

Senator IVES. That is why I raised the question on the word "granted."

Governor HARRIMAN. The word "granted" may be confusing, and I appreciate your clarification of it.

Senator LEHMAN. Maybe I could clear up some of the uncertainty in this thing. You will recall that Mr. Barnes testified the other day.

Senator IVES. I was not present.

Senator LEHMAN. I have the transcript of his testimony. On page 195 he testified:

Now, we had approved 1,402 loans for \$19,470,889, and, together with the 5 loans approved as section 302 loans, it left a total of approximately \$23 million that had been approved at that time, with some 450 applications still pending to be acted on and with about 152 loans declined.

So it is quite possible that a large part of these loans to which you have referred were included in the 450 applications which are still pending, on which no action was taken.

Senator IVES. Well, if I may interrupt you there, I think that applies to the whole area, whereas the figures that I gave are only New York State figures. The 60 applications to which the Governor referred are only New York State applications and presumably included in the 67 to which I referred.

Governor HARRIMAN. Senator, may I say that none of this testimony was intended to criticize any of the Federal agencies, because immediately after the flood, the Small Business Administration, and our Department of Commerce was very closely involved with them, set up offices very close, and they received these applications. I am only trying to point out that if a businessman has lost his business and cannot get credit enough to buy merchandise and start his business again—after all, it is now nearly 3 months, or 2½ months, and if this statement is correct, and I will check it, that he has not got the money, it does not make any difference how much good will or effort has been gone through, he cannot restock his business unless he gets some local credit.

I also want to say that the bankers in Orange County and other areas have been extremely cooperative in trying to help out.

But this length of time in connection with the receipt of funds is something I hope the committee will bear in mind in connection with this legislation, so that if there is any insurance that is worked out, there can be the maximum amount of leeway given to the administration in making payments under the insurance. That is my intent in bringing this out. It is in no sense an attempt to criticize. We have had in our State the fullest cooperation from every Federal agency, and I have so stated.

Senator IVES. As a matter of fact, Governor, you found that the Federal agencies have leaned over backward to cooperate, have you not?

Governor HARRIMAN. They have. The remark of the colonel that I quoted seemed to me so colorful. They have gone ahead and done work and taken a personal risk in case of any congressional investigation. Their motives are the highest.

Senator IVES. They have skated close to the edge of the law to try to be generous and liberal.

Governor HARRIMAN. I do not think anybody has broken the law, but they have had the courage to go up to the total limit of the law.

Senator IVES. Well, I did not want the impression left that they had fallen down on the job.

Governor HARRIMAN. I did not intend that. I simply wanted to say that getting the money quickly is an important aspect of this problem that is before you.

Senator IVES. Thank you very much.

Senator BUSH. Mr. Chairman, I have 2 or 3 observations and questions.

First, I certainly applaud the Governor's comments about the American National Red Cross, and I think his statement is excellent on that point. Incidentally, I would observe that the most recent figures we have from the Red Cross in Connecticut, where we had, of course, a much heavier disaster than in the State of New York, show they have actually had 6,543 family applications and have closed 6,248, a very high percentage. A total of \$8.5 million has been committed by the Red Cross. And may I say, as a further observation on what the Governor has said, that a large part of that did go to small-business operators—the barbershop, the ice-cream parlor, the small bakery. I cannot break it down, but the Red Cross will eventually be able to break it down, and it will have a bearing on this whole question of insurance. These small businesses got a great deal of restitution, and were back in business. Indeed, in Ansonia I know that most of the dealers on Main Street, the small operators there, were back in business when the second flood hit in the middle of October.

So that I do want the record to show an amplification of what the Governor said about the Red Cross. They have not only rendered substantial assistance to homeowners, but also to small-business operators.

I might say, too, that the Governor's distinguished brother is the chairman of the American National Red Cross. He came to Connecticut for the meeting with the President, as did Governor Harriman and others, and Mr. Roland Harriman's explanation of the Red Cross facilities that day and what it intended to do I think had a very great effect on having people all over the United States pour money into the situation. I think as a result of that meeting and that one appeal, the Red Cross has received already over \$15 million.

This is a hard question I am going to ask the Governor. He may not be prepared to answer it at the present time. But it is this: Should any Federal insurance program that we might adopt here have retroactive features so as to cover the disasters of this past summer—this current year? Should it indemnify victims of the 1955 floods?

I would point out that the question is made more difficult by the fact that in our State, in 1954, we had very substantial flood damage from

hurricanes that hit our coast, as the Governor no doubt will recall. If you make the insurance retroactive for this year, what about 1954? We had people who had just as bad losses in 1954 and in 1955. We lost lives; we lost property, personal and real property. And then, if you go back to 1954, what about the big Kansas City flood in 1951, which was the last time the flood insurance program was before the Congress?

I am not pressing for an answer to that question. But I do want to pose it, because it is one this committee is going to have to deal with.

If the Governor would care to comment on it, I am sure the committee would appreciate it.

Governor HARRIMAN. Well, Senator, may I first speak about the Red Cross. I am glad you amplified my testimony about the splendid work of the Red Cross. I want to point out, however, that in spite of the fact that they have helped people in disaster in a splendid way, not only in your State, but in New York, and although there were only a fraction of the number of people in New York that were badly affected, there were individuals who were just as badly affected. Yet their total funds were \$15 million. That related to the emergency period, the actual taking care of people for the first few days, as well as these grants for rehabilitation. When you add up all of the losses that occurred to private individuals, businessmen, farmers, and homeowners, that part of the \$15 million which was given for rehabilitation is, of course, still a very small fraction of the losses that occurred.

In other words, I commend the Red Cross in every way, but I do want to indicate that the Red Cross, with all its generosity, has only taken care of the most urgent cases and not those where there is a real setback in the family's future.

Senator BUSH. I would like to agree with you, Governor, but I do not think the record will support that. If you are looking at it on a per-family basis, I would say our records in our State would show that a very high percentage of the families were very substantially taken care of by the Red Cross. Our damage runs into hundreds of millions of dollars. But the point is that those tremendous damage figures are built up by losses to the American Brass Co. and the electric company, which is borrowing \$2.2 million to get back into business, and that type of thing.

But when you get down to a per unit basis, a per home basis, which is what I am sure the Governor is interested in, and this committee—we are interested in the people and families that have been affected here—I wish to point out that that is where the great work of the Red Cross has taken effect.

Also, the Small Business Administration, which the Governor has mentioned, in our State has received 871 applications and already approved 589, and most of those are for small-business men where it is a question of \$2,000, \$3,000, \$4,000, or \$5,000—despite the fact that there are some large loans in there.

But I do feel we ought not to lose sight of the fact that on a per unit or per home basis in stricken areas a very wide measure of assistance has been given by these two agencies.

This is not an argument against flood insurance.

Governor HARRIMAN. Let me just explain what I had in mind. In New York there was not a great damage to big business. It was the smaller merchant and the smaller manufacturer, Senator, as you know,

in that area. Now, the total amount that the Red Cross has given for rehabilitation is something in the nature of \$300,000. I am only trying to indicate that that \$300,000 is a splendid amount, which helps people enormously and is very generous, and I am not belittling it at all. But it is only a fraction of what the people in New York State that were affected lost by this damage, the private losses. And it therefore in no sense is a substitute for insurance.

On the other question, may I say that I would have thought that it would be better to keep the two questions separate—namely, the question of what should be done for the future, what kind of insurance plan could be worked out; and the other point is whether there should be any Federal appropriations to compensate for the damage that has been created by these two floods.

Therefore, I would suggest—as you asked me the question if comes to my mind—that it would be better to keep those two questions separate, to deal with your flood insurance for the future, and then, if the Congress, in its wisdom, feels that there should be compensation to the individuals beyond what they receive from the Red Cross for the damage that has been done by this flood, Congress can consider all of the aspects that you have suggested, the past experience and the other factors which might or might not make it wise for the Congress to act.

But I would not confuse the two issues in your consideration of a new insurance plan.

Senator BUSH. Mr. Chairman, I thank the Governor for his observations. There is one more point. In his printed statement, page 8, at the bottom, where he says:

Indeed, insurance should not be made available to those who deliberately court the risk of floods.

It seems to me that that is where the local community has a very substantial responsibility in this. One thing that stands out very clearly in our experience is that communities have not been on the job in connection with zoning regulations respecting the riverbeds and the floods in the river. In fact, in our State I regret very much to say they have permitted substantial encroachments upon the riverbed and obstructions going into it which have had a very serious effect. I wonder if the Governor would not reconsider that particular statement, because the people who live in these places down by the riverbed live there because it is cheap and it is about all they can possibly afford. It seems to me if the town lets them live there, they ought to be able to qualify for insurance, if there is a big Federal insurance program. And that the town has got to take the responsibility of keeping those people out of hazardous living quarters by adequate zoning regulation.

But I do not think that, if they are permitted under town zoning regulations to live in the riverbed or in these hazardous places, they necessarily should be excluded from any insurance program, because they are the ones that get hit the worst.

Governor HARRIMAN. May I point out I tried to cover what you have in mind, Senator. I suggest that the agency in charge of the program should work with the communities to promote wise planning, so that those lands are not used recklessly for homes.

Senator BUSH. I wish to applaud that statement of yours.

Governor HARRIMAN. I also point out that the insurance should be available for those who already have their properties in an exposed area. So if I have not made it clear, I wish to say that I agree with you that insurance ought to be available for those who already have their homes and businesses in exposed areas. They should work with the communities.

At the same time, if there is a flood, and if there is an obvious danger in a certain area and a business or homeowner recklessly goes in and in spite of the advice that they may get insists on going there, the insuring agency should not be compelled to take on that risk.

I intended this to mean that those people who go right in, in the face of floods that have taken place, and in spite of the advice they get if they are told this is a dangerous area, and build their homes or businesses up there, they should not necessarily qualify for insurance.

I do not think there is a disagreement between us as you described it.

Senator BUSH. I believe you have clarified your position in such a way so that there is no disagreement. But I certainly agree with Governor Harriman that a very substantial responsibility has been revealed by our experience that should be accepted by our local communities in preventing situations to exist which invite disaster. This business of sort of flirting with disaster has got to be stopped. Most of our troubles came from that.

Senator LEHMAN. I would just like to clarify the situation a little bit, because I think what the Governor has recommended and suggested and pointed out is in close alinement with the provision in the bill which I had drafted which is now before the committee. That bill recognizes that there is a variation in the risk involved, and in section 102:

The Administrator is authorized to fix premium rates by type of insurance or reinsurance, and to fix other terms and conditions in areas covered—rates based on risks to strike a balance between a self-supporting program and rates attractive to prospective buyers.

So that there is a very definite provision made which does give wide authority to the Administrator to fix rates based on variation in conditions.

In the bill submitted by Senators Kennedy and Saltonstall, they provide for a fixed, rigid rate covering everybody and all properties. I doubt very much whether that would be of practical use.

And then also, section 103 of the bill which I have drafted, reads:

The Administrator is authorized to provide for the determination of types and location of property with respect to which insurance or reinsurance shall be made available; the nature and limits of loss or damage in any area, including subdivisions thereof which may be covered by such insurance or reinsurance, and such other matters as may be necessary to carry out the purposes of the Act.

Have you finished your questioning, Senator Bush?

Senator BUSH. Yes. I just want to observe, though, that in the bill which we have had prepared, which I do not know whether we will introduce—we may get behind yours, Senator, yet—we point out that no indemnity or reinsurance is to be issued under the act for risk covered, and so forth—

for property used in conflict with local flood zoning laws.

That is the point that I think should be emphasized. I believe the Senator's bill has a similar provision.

Senator LEHMAN. Governor, I am very grateful to you for coming here, as are my colleagues. There are just a few questions I want to ask.

Have you received any considerable number of sound complaints against any of the major activities of the Federal agencies in the recent flood disasters in New York?

Governor HARRIMAN. None. My comments are my own in terms of the manner in which the machinery develops. I mentioned these oniongrowers in Orange County where they had a problem of getting all this work done before the frost came so they could do their plowing. It is a very complicated situation. I hope, as I indicated in my testimony, that the Soil Conservation Act might be amended so there would be greater speed possible under the flood emergency than now exists. And therefore, I have not indicated a complaint against the administration of these laws, but an indication that possibly the Congress might review some of the provisions of the laws so that more expeditious action can be taken.

Senator LEHMAN. I was very much interested in your reference to flood damage to crops. Last week we heard testimony in Washington that the Department of Agriculture has some crop-insurance programs in some areas—not by any means in all—including insurance against floods. Do you know how these programs have worked out in New York State?

Governor HARRIMAN. There are only a few counties that are eligible, Senator, in this State. I think about a third of the farmers eligible in this area have taken out the insurance. But this was in the central part of the State, that was not affected by the flood. May I just make it plain that the counties approved for the experiment were not in the area of the flood.

Senator LEHMAN. Those counties did not include the oniongrowers.

Governor HARRIMAN. No, these were up in the Finger Lake area, near where Senator Ives lives.

Senator LEHMAN. You testified as to the value of flood-control projects. I think that we are all in agreement with regard to the value and necessity of them. I believe on the whole, while we have not by any means eliminated the chance of disaster, flood disaster, I believe in many areas they have certainly reduced the risk.

The Chief of the Corps of Engineers, General Sturgis, testifying, stated that at the rate appropriations had been made, and were being made, by the Congress, it would take 22 years to cover all the important projects which have already been surveyed and reports made to the Congress. That is an awfully long time to wait for the man who seeks protection and compensation for the loss of his home. If you tell a man that in 20 years we are probably going to have flood control of some value in his area, that is not going to console him very much for the immediate loss of his home or business or crops.

I also noted with a great deal of interest, Governor, your statement with regard to the assistance given by the Red Cross in New York State. We had similar testimony from other witnesses in Washington.

I share your great admiration for the Red Cross. I think as an emergency body, bringing emergency relief, they are doing a fan-

tastically good job. I certainly approve of what they are doing. But in your testimony, you state, in discussing the work of the Red Cross :

Following the emergency period, the Red Cross received 439 applications from New York families for rehabilitation grants to replace homes, furniture, household goods and clothing, and to assist small-business men in getting back into business. As of last week, 429 of these applications had been approved and grants averaging nearly \$500 apiece had been made for these purposes.

When a man has lost his home, which cost possibly \$10,000 or \$12,000 or \$15,000, and is subject to a mortgage of \$7,000, \$8,000, or \$10,000, which still remains a liability of that man, you cannot do much replacing of homes with \$500. I have no doubt that in many cases the grants may have been larger.

So it seems to me that you have pointed out that this is only a palliative, even though a very valuable palliative. But a great need remains for insurance against the loss of homes or other property which cannot possibly be taken care of by an emergency organization, no matter how good it is, like the Red Cross.

I want to point out, too, that while we all realize the importance of protecting and developing business, without which no community can be prosperous, I am a little concerned that such a small amount of money that has been granted by the Small Business Administration—and that seems to have been the source of the greatest financial assistance—so small a percentage has been granted to the homeowners.

From this statement which we received from Mr. Barnes, who is the Administrator of the Small Business Administration as of October 25, out of the applications and grants the home-loan applications amounted to only 4.6 percent of the total applications which had been considered and granted by the Small Business Administration. Out of a total of \$37,290,000, the applications for home loans amounted to only \$1,729,000, whereas the applications for business loans were \$35,561,000.

I do not in any way criticize or minimize the importance of business loans. I think that the industry of Connecticut and the industry of other parts of the country which have been so sorely affected by these floods cannot be overlooked. But I am deeply concerned with the little fellow whose home was wiped out and his mortgage remains. We have had testimony from the Housing and Home Finance Agency, from the Small Business Administration, and from 2 or 3 of the other agencies to the effect that they would grant loans to homeowners or to business concerns which merited the credit, but they would be loans which would have to be repaid. In other words, the little fellow who had a \$10,000 house which has been wiped out, or so badly damaged that it is not habitable, is left with a \$7,000 mortgage. And if he wants to build another house, he can get another \$7,000 mortgage, possibly. But he will be liable for it. So that on this little house, costing originally \$10,000, there will actually be an indebtedness or liability of \$14,000. Unless a man has a very substantial income, he just cannot carry that: he just cannot carry the load. A lot of these men are going to be left with nothing but their mortgages, for which they are not forgiven.

I believe in the case of other disasters, such as a hurricane, they can be insured, and when the man is wiped out, he is compensated by the insurance company. In the case of flood damage there is nothing of that sort.

**Governor HARRIMAN.** Senator, may I comment on the first subject you raised? I do not in this statement express my views on this question of appropriations by the Congress for flood control. But since that has been raised, I would like to, if I may, indicate that I think the appropriations have been utterly inadequate. There should be a very large increase in the appropriations of the Congress for approved projects and, as indicated by Senator Bush's resolution, the Engineers should expedite the surveys which have been requested so that further projects can be authorized by the Congress and appropriations made.

It is a tragic situation, where you have these projects approved, and yet no funds for them, and the people are exposed as a result of the inaction in providing funds for this absolutely essential act.

**Senator BUSH.** Mr. Chairman, I wish to applaud that statement. That is very, very essential.

**Senator LEHMAN.** I am very glad, indeed, you put yourself on record on that, because it is so vitally important, and I hope we will get more generous appropriations.

**Governor HARRIMAN.** It is an investment, Senator; it is not an outgo. It is an investment that any prudent businessman would make if he was able to pay his own share of it himself. The history all over the United States shows that these flood-control measures save an infinite amount of damage, and in many instances, as you well know, one flood does more damage than the whole cost of the flood-control measure.

**Senator BUSH.** I want to express the hope that the Bureau of the Budget will include items to implement these authorizations which are already on the books for this big protective network which is absolutely vital to our situation. You can talk about insurance and indemnity and everything else. But what we want is prevention. And the only way we can get it quick is by this system of dams. While the chairman correctly quoted General Sturgis as to the 22 years, it is not going to take anywhere near that long to get these prospective dams that are already authorized by the Congress into being. That includes a lot of recommendations of the Engineer Corps which have not been actually authorized by the Congress.

May I speak off the record?

(Off the record.)

**Senator LEHMAN.** I am very glad to say for the record that I very much hope that the Budget Director will recommend substantially larger appropriations.

I want to expand a little bit on Governor Harriman's statement, made off the record. If anyone has any influence with the Budget Director, Governor Harriman hopes those views will be expressed. I think Senators Ives and Bush have some influence. I want to add to that request that whoever has influence with the Budget Director should use that influence to persuade him to bring in the suggestions and recommendations in connection with this legislation just as promptly as possible. It would be very helpful to the committee.

**Senator BUSH.** If the chairman would permit me to make one observation—it seems from my experience in the last few weeks that Congressman Cannon, chairman of the House Appropriations Committee, has a great deal of influence in this matter. While the Director of

the Budget has some, and I am quite confident he will not disappoint us, I feel that Chairman Cannon is a keyman in this thing, and I think we all ought to exercise whatever influence we can with him.

Senator IVES. Mr. Chairman, I would like to point out in that connection, I certainly would be very glad to use all the influence I possess with the Budget Director, which I endeavored to do and still am doing. But in the final analysis, Congress can pass appropriations whether or not they are approved by the Budget Director. We have done that time and time again, going right over his head. If there is demand for these things in the Congress, we will get them, and there is no way of having it vetoed, either, unless you veto the whole appropriation bill.

Senator LEHMAN. Well, Governor, I want to thank you on behalf of the committee, on behalf of the Congress, for your very interesting and informative testimony here today. We will certainly give it the most careful consideration. Thank you again very much.

Governor HARRIMAN. Thank you very much. And thank, you, Senator Ives and Senator Bush.

(The maps accompanying Governor Harriman's statement appear opposite.)

Senator LEHMAN. Mr. Crystal, will you resume, please.

Senator BUSH. Mr. Chairman, may I proceed?

Senator LEHMAN. Yes; please do.

Senator BUSH. In your statement, Mr. Crystal, you exclude personal property from this indemnity plan of yours, is that right?

#### FRANK CRYSTAL, NEW YORK, N. Y.—Resumed

Mr. CRYSTAL. Yes; I do, sir.

Senator BUSH. Would you tell us why you think that is appropriate.

Mr. CRYSTAL. Well, because a great many of the insurance contracts that can be purchased today would cover such damage.

Senator BUSH. But would they include water damage?

Mr. CRYSTAL. A great number of the policies would, sir.

Senator BUSH. Well, now, Mr. Crystal, I do not know, but I wonder if that is right. We feel up in our State that you cannot buy flood insurance. I do not know of any that is available.

Mr. CRYSTAL. Well, if you have a personal property floater or any inland marine policy or an automobile policy you would be covered for those damages. If you had some of these new highfalutin policies they would also cover it, sir. I think the insurance companies could furnish you a list of those contracts which do provide some protection.

Senator BUSH. We have automobile dealers who lost substantial stocks of automobiles without recovery, and the reason they did is because they did not have insurance. I will give you an example. I cannot give it too closely, but this is one example.

In the Naugatuck Valley I know 1 automobile dealer that had a loss of about \$200,000. He actually recovered \$35,000, and that was on a shipment of new automobiles which were destroyed. I do not know why there was the difference between all the rest of his business, including a lot of old automobiles, and his garage and so forth, which went down the river, and this new stock. But his claim was honored on the new stock. Can you explain that.









**Mr. CRYSTAL.** Yes; very easily. He did not have the proper type of insurance. Nine chances out of ten he failed to purchase what is called comprehensive insurance, which would cover that. He probably just had fire and theft, because his cars were kept in the open, and he did not feel he could have such a catastrophe occur to him. Therefore he did not buy what he was able to buy.

**Senator BUSH.** Was he able to buy it?

**Mr. CRYSTAL.** Yes, sir. If your automobile was damaged in that flood, you yourself probably having good insurance advice, you could have recovered for the insurable value of your car. Many people did.

**Senator BUSH.** Well, I think that is very interesting. But is it not true that the type of insurance you speak of would be pretty expensive for the small-home owner on the banks of a river to carry for all of his personal property.

**Mr. CRYSTAL.** Most of those people cannot afford to carry it, sir, I agree with you.

**Senator BUSH.** That is the point. They cannot afford to do it. Therefore, as a practical matter, it is not available is it?

**Mr. CRYSTAL.** No; it is not, to them. But most of them who have cars are covered, sir.

**Senator BUSH.** Why do you exclude it, then, from your program. Because the point that keeps coming out here is that it is the people who can least afford this disaster who get the worst of it.

**Mr. CRYSTAL.** That is why I made the statement. I said "a defined catastrophe loss." I left that for the Congress to determine exactly what should be covered and what not.

**Senator BUSH.** But you still exclude personal property.

**Mr. CRYSTAL.** I believe that if people work, they can replace personal property from their efforts. And that was the only reason I was doing that.

They cannot make enough money to replace their home immediately, but if they are working, they can all use installment plans and other methods of purchase, and they could probably get the contents replaced rather quickly. Their credit is good as long as they are working.

**Senator BUSH.** Well, I do not want to belabor the point too much, Mr. Crystal, but in the town of Ansonia, on the riverbank there, most of the occupants of the flooded buildings did not own them, but they did own the stocks of goods on the shelves. What would your idea do for those fellows?

**Mr. CRYSTAL.** If it was a store, a business that would be able to employ other people, I think you would not include inventory as personal property. I would not.

**Senator BUSH.** What would you classify that as?

**Mr. CRYSTAL.** I would call that commercial inventory. It is the same as a machine. I think industry cannot survive if they do not have the means and tools of operation.

**Senator BUSH.** How about the fixtures, the showcases?

**Mr. CRYSTAL.** This is a matter for the Congress, sir. I could not assume to pile on the debt for the Government.

**Senator BUSH.** You come here as an expert. We want some expert advice on this; about these little people who have had the real damage, who have suffered the most. I do not see, frankly, where your suggestion is very practical as far as they are concerned—do you?

Mr. CRYSTAL. I believe it would be, sir. It is my opinion. Otherwise I don't think I would have said it.

Senator BUSH. I did not mean that you would say anything that you did not think would be generally helpful. But I do not believe you have thought all the way down to the riverbed, so to speak, on this.

You are a pretty big insurance man, according to my advice about you, and a very good one.

Mr. CRYSTAL. Thank you, sir, I appreciate the compliment.

Senator BUSH. But I do not believe you have many customers who are in the category of our stricken families.

Mr. CRYSTAL. Our office insures 30,000 one-family houses in the State of New York, and I am fully aware of the problems and difficulties they have. That is one of the reasons that prompted me to write the statement. Many of them in New York State here have suffered losses which they cannot recover. Many of them have gone to their savings banks and loan institutions and borrowed on open-end mortgages to replace the damage they could not collect on their present insurance.

Senator BUSH. Mr. Chairman, I will not pursue this, but I want to congratulate Mr. Crystal on coming up here. He was in touch with me a couple of years ago in connection with disaster insurance. I know his whole purpose is to try to be helpful to this committee. I think we are very grateful to him.

Senator IVES. I want to thank Mr. Crystal for coming here. I think he has contributed very substantially to our hearings.

Mr. EDELSTEIN. Mr. McKenna of our staff would like to describe the help Mr. Crystal has been to the staff.

Mr. MCKENNA. Mr. Crystal has not only contacted the Senators involved, but he has worked very closely with the staff and expressed a sincere interest in this problem, including the days we were holding hearings on the war damage.

Senator LEHMAN. I have been tremendously interested in the testimony of Mr. Crystal. However, I do not agree with him with regard to the coverage of personal property. I think personal property should be covered by insurance, at least to some degree.

Mr. CRYSTAL. That is left to the wisdom of the legislators who know more than I do.

Senator LEHMAN. I want to point out that that was a very debatable point in the testimony of a number of witnesses who appeared before us in Washington. Some of them felt that it should not be covered, and others felt that it was essential.

Senator IVES. It is very difficult to draw the line.

Senator LEHMAN. But I want to thank you very heartily and tell you how helpful you have been to the committee.

Our next witness is Congressman Frank Thompson, Jr., of the Fourth District of New Jersey. We are very glad to have you here.

#### **STATEMENT OF FRANK THOMPSON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. THOMPSON. Thank you, sir. I am sorry I do not have a mimeographed copy of my statement.

I would like to thank you for the opportunity of appearing today on behalf of a comprehensive program of Federal disaster insurance. Many people in the United States have been aware of the necessity for such a program for a considerable period of time. But the major floods in the Northeastern part of the United States during August served to emphasize the fact that the need is now urgent, and that something should be done immediately.

I, like you, Mr. Chairman, issued a statement calling on the Congress to undertake a study to discover the best way that such a need could be met, and I promised my constituents that I would introduce legislation to accomplish this as soon as the Congress meets in January. The response to the statement was immediate and very favorable from all of the districts affected. Letters have come to my office almost daily since that time, urging me to do whatever was necessary to secure such legislation. Constituents have stopped me on the street to tell me what an excellent idea they feel the legislation would be, and newspaper comment has been overwhelmingly favorable.

As a matter of fact, I would like to quote briefly from an editorial which appeared in the *Trentonian*, one of the major papers within my congressional district, on last Tuesday. The editorial said in part:

Hurricane Diane and the August floods caused damage estimated at \$27,525,000, destroyed 93 homes, and resulted in 10 major injuries in New Jersey. In Pennsylvania, including the hard-hit Yardley area, the total damage is estimated at \$70,206,000, with 88 deaths, 96 major injuries, and an unaccounted number of homes destroyed. All told, in the northeastern portion of the Nation, 179 persons lost their lives, 6,992 were seriously injured, and at least 813 homes were destroyed. The total damages of \$457,000,000 were caused. These are figures listed in a final summary by the Department of Commerce.

Senator LEHMAN. May I interrupt you? I want to point out that there is a great deal of difference of opinion as to the accuracy of these figures. Many people have testified and reported that the damage was far greater than the \$457 million. But under any circumstances, this figure of \$457 million does not include the damage done in North and South Carolina, which had very disastrous floods, nor does it include the damage done by the rains of 2 weeks ago.

Mr. THOMPSON. That is correct, Senator. And I might add that the farmers in my district have an incalculable loss. As you know, we had had a drought, and then we had 14 inches of rain. My district includes the most productive tomato-growing land, I think, in the world. That crop was completely lost because of the 14 inches of rain that they had.

To continue with this quote :

They tell a grisly tale of death and destruction visited upon an unsuspecting, unwarned, and unprepared populace. Some victims will never recover from the staggering financial blow dealt them in this disastrous 3-day period. As was quickly established, virtually all homeowners were without flood insurance. Some sort of insurance should certainly be made available against disasters such as struck New Jersey, New York, Connecticut, and Pennsylvania, and other Northeastern States in August. Let's hope that out of the hearings will come a sound program of protection. It is too late to mitigate the August catastrophe, but apparently the Northeast can expect more hurricanes and more floods in future years, so it would be wise to prepare for them as best we can.

This committee is now considering how best to implement a program of disaster insurance for the benefit of all of the people of the Nation. You have before you for consideration a tentative bill which Senator

Lehman and I intend to introduce in January, with whatever changes seem desirable as these hearings are completed. I know that the bill is not perfect as it stands, but it does serve to indicate fairly well the scope of the problem and the general methods which we would like to see followed in attempting to solve that problem.

The Eisenhower administration has indicated that they support the general principle of flood insurance, but on a more modest scale than I consider would be enough.

I hope that the hearings will serve to indicate just how widespread the need is.

One of the very real needs that this bill would help to meet is the necessity for centralized control in time of emergency. Many of my friends in the Fourth Congressional District have indicated that their experiences in the recent floods showed only too clearly that some such control was vitally necessary during emergencies so there would be less duplication of effort and more speed in handling situations as they arise. During any kind of emergency, speed saves lives as well as property. And consequently, anything which serves to increase the speed of aid is of the utmost importance.

News stories concerning this legislation have stressed the fact that the bill as it was made public will be of great benefit to those who have suffered because of floods. Now, it is true that the introduction of the legislation was triggered by the August floods. But I think that it should be stressed that the legislation as written will be of benefit not only to those suffering flood damages, but to all other types of natural and man-made disasters, where people are not already protected by private insurance.

As the bill itself says:

As used in this title, the term "natural disaster" shall mean any flood, tidal wave, hurricane, tornado, blizzard, duststorm, hailstorm, or other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination or other air pollution or volcanic eruption.

The bill would also cover losses incurred as war damages or as a result of the perils of war.

It should be clear from the foregoing that the bill will not serve to benefit only those who happen to live along rivers and streams, but in addition includes the disasters that the whole country is subject to.

The Government already undertakes to provide relief in disaster areas for the protection of inhabitants against immediate peril. The services rendered by the various branches of the Armed Forces and the relief of distress by the American Red Cross are still vivid in the minds of most of us here today. But this relief is at very best of a short-term character and does not help to rebuild badly stricken areas. It is true that a certain measure of aid is granted by the Red Cross to those whose need is greatest, and that this help is greatly appreciated. It is beyond the limited capabilities of this fine organization, however, to provide the aid needed to rebuild whole communities.

It is also true that the Small Business Administration provides loans to individuals and businesses under certain circumstances. But as many of us are finding out at the present time, this aid is hedged about with a great deal of redtape, and even then is likely to be so limited as to be of only small value.

It is perfectly clear that providing insurance against losses such as those suffered by the Northeastern States is beyond the abilities of the private insurance companies. It is possible for them to provide such insurance, but the premiums would be well beyond the means of any but the wealthiest of individuals. It thus seems clear that it is up to the Federal Government to do something about this particular problem. Nor is such a task without precedent.

As the New York Times said yesterday :

The Federal crop-insurance program may well provide a useful precedent. It protects farmers in nearly one-third of the Nation's agricultural counties against losses on many kinds of crops from weather, insects, and disease. After several years of experience, premiums have not proved sufficient to cover actual losses.

To sum up—

Senator BUSH. Mr. Chairman, may I ask a question in point there. Are you in on this experimental crop-insurance program down in New Jersey?

Mr. THOMPSON. No, sir; not in my district.

To sum up, it seems to me that the floods prove conclusively, if such proof is still needed, that there is need for some type of insurance protection against natural and man-made disasters.

Secondly, the magnitude of the task is clearly beyond any agency other than the Federal Government.

And finally, the Federal Government has both the experience and the personnel to make such a program a successful one.

I do not want to claim that the bill under consideration is a perfect one. On this, I am sure you will agree, Mr. Chairman. That is why the hearings were called. I do want to insist, however, that something of this nature must be undertaken, and it must be done now, not after years of study.

Finally, I would like to insist that the legislation, when it is put into its final form, be sufficiently broad in in character to be effective to meet all the demands upon it. Anything short of that would be folly.

It has been said by the Senators in discussing Governor Harriman's testimony that the insurance is only part of the program. My congressional district fortunately was not completely devastated, not nearly so much as areas of Massachusetts and Connecticut. But I live on the Delaware River, as do all of my constituents. And that great stream must be harnessed for the future. We have the greatest, fastest growing industrial area in the world in the Delaware Valley. The only way that our economic well-being can be secure, since our industries are almost all located on the river, will be to control the river from the New York State origin all the way down, by a flood-control project, and to deepen the river to make commerce more available to the area.

Thank you very much.

Senator LEHMAN. Thank you very much. Senator Ives.

Senator IVES. I do not have very many questions to ask. I would like to ask the Congressman what action is already being taken by the House of Representatives in this type of legislation.

Mr. THOMPSON. A number of Members are preparing legislation. I have been working with Senator Lehman's staff since immediately after the flood, and many Members from Pennsylvania, from Connecticut, from Massachusetts, have contacted me for copies of it and will introduce it on the first day of the session.

Senator IVES. The same bill as yours?

Mr. THOMPSON. Yes, sir.

Senator IVES. To what committee in the House will it be referred?

Mr. THOMPSON. I would hope to the Public Works Committee.

Senator IVES. This is the Banking and Currency Committee here. I wonder if it would not go to the same committee there.

Mr. THOMPSON. I would think so. I am in error. The Parliamentarian has not yet answered my inquiry on that.

Senator IVES. The reason I asked the question is because sometimes the House refers bills to committees that do not seem to be appropriate in the Senate.

Mr. THOMPSON. I am aware of that. And I think since the Senate Banking and Currency Committee is having the hearings, that even if it is necessary to change some language, so that the Parliamentarian will be able to send it to the proper committee in the House, we will do that.

Senator IVES. Could you do anything to get him to do that? It would help expedite the legislation a great deal if it went to the House Banking and Currency Committee.

Mr. THOMPSON. I think I can.

Senator LEHMAN. Just for the record, I want to draw your attention to the fact that the bill introduced in the House in the 82d Congress was referred to the Committee on Banking and Currency.

Senator IVES. Then this undoubtedly will be, too.

Senator BUSH. I just have one question. You spoke of the various types of hazard covered by the Senator's bill which you have sponsored. It is also in a bill which was drafted at my request, but I do not know whether I will introduce that yet or not. But the thing that has brought this to a head in recent years has been the big floods in Kansas in 1951, the hurricanes of 1954, and the inland flooding resulting from the hurricanes and otherwise in 1955.

One thing gives me some concern, and I wonder if you have thought about it. What we are worried about right now is flood insurance, and if we get this bill to cover every other kind of a disaster, I am just wondering whether it would not be somewhat of a handicap to getting flood insurance. I wonder whether the Congressman has thought about that.

Mr. THOMPSON. I have thought about it, Senator. I have thought about it, I am sure, in the same terms that occurred to you originally—that the immediate need would be flood insurance. However, we have a practical situation to face. The State of North Carolina and the Northeastern States were affected. I have been in North Carolina since the floods, in Congressman Barden's area, New Bern, which was very badly hit. No doubt this will have great appeal to Congressman Barden. But I think at the same time if we are going to institute an activity of this type, that it should have some appeal to other areas of the Nation where they are faced with different problems, such as drought, for instance, and so on.

I remember very clearly in the closing days of the last session a huge appropriations bill, a special bill for relief of those affected in the Texas City disaster was passed. There was a rather nebulous legal question—Did the United States Government have any responsibility in tort for that? Well, you cannot sue the Government. But

would they, if they had been an individual capable of being sued, have been negligent in that case? It was disposed of by passing this bill calling for millions of dollars of relief for those people.

Such legislation as this, if we had had it, would have answered that question immediately. And it would have repaid a great many of those people for their property loss, at least.

So I see no impediment in the fact that this is broad. I hope that I am right. I think the hearings might develop that.

Senator LEHMAN. I would like to clarify one thing. If you will read my bill—and I do not know whether the same provision is in the other pieces of legislation submitted—you will find that very wide authority and discretion is given to the Administrator to cover such disasters as may seem in his opinion feasible or practicable. I do not know what attitude the other House of Congress is going to take on this matter. I think that it is highly important that this committee go into the question on the broadest kind of a scale.

Whether the committee will want to separate these various activities or coverages, I do not know. And it should be entirely within the discretion of the committee and then of the Congress.

But I would hope, and unless the committee overrode me I would expect, to survey this whole subject from a very broad standpoint.

Senator BUSH. Mr. Chairman, I know of no argument against that. I was just trying to develop the Congressman's thinking about this question, and he has made a very good point—that the broader the area backing we get for this, the better chance we have to get some legislation, which will probably include flood-damage insurance. On the other hand, working against it is the bigger the program you get into, the more comprehensive it is, the more expensive it becomes, and you have another force working against it which may end up that you get nothing, and you would not have any flood insurance which is principally the thing on our minds at the present time.

So that you have there those two rather conflicting elements that the committee will have to consider, and I was just trying to develop your thoughts on that, if you had any.

Mr. THOMPSON. Well, these are definite facts, and they have occurred to me. I think some development of them will have to be done before it becomes apparent. I might say, however, that if we have flood insurance and hypothetically eliminate the other questions for the moment certainly we should have flood insurance, notwithstanding the fact that it might be expensive, that will be adequate to the needs of the people.

It is really pathetic to see your constituents, and I know you have seen them, come in and say, "Well, the Small Business Administration feels that I can support a loan of \$18,000. I need \$32,000. What in the world am I going to do for the difference?"

The private lending institutions have been very cooperative. But these things are not enough—because, as Senator Lehman said, the fact that a house is washed away does not wipe the mortgage off the county clerk's records, and the mortgagee still looks to be paid.

Senator BUSH. Mr. Chairman, the testimony down in Washington developed that there are available such things as tornado insurance for wind damage, there is a crop-insurance program in being in 14 States, I think it is, 800 counties, and there were 2 other kinds of

disaster insurance available to people who want to buy it. Will Mr. McKenna correct me on that.

Mr. McKENNA. I think it is a fair statement, Senator, to say generally that private insurers offer a type of insurance against all risks on real property, with the exception of what they generically describe as flood insurance. When they say flood, they include flood, tidal wave, high water, and wind-driven water. The other exception is, of course, the prospect of contamination of the atmosphere through radioactive materials. Apart from that, there is generally available a private insurance plan for anyone who wishes to pay the cost of obtaining it. Obviously those have to be set on actuarial rates. At times, according to the risk involved, they are rather high. But the private companies do offer it. They also offer partial coverage on flood losses, as Mr. Crystal brought out here. But it generally does not cover real property as such.

Mr. THOMPSON. Senator, I have comprehensive insurance on my home, which took care of the damage to it by Hurricane Connie. But living on the river, if I had been flooded out, which I was not, I would have had none.

Senator BUSH. All I wanted to suggest was this. You are going to sponsor legislation in the House and we are all going to be watching what you do over there just as keenly as what we do. I suggest that you consider the question of insurance that is already available for disasters of various kinds, as Mr. McKenna has pointed out, and that you consider whether in view of these various other forms of disaster insurance, we want to load this bill up with various types of insurance in addition to the flood and tidal wave flooding because the more you put on it, the heavier the load is going to be to carry.

Mr. THOMPSON. I agree with you.

Senator BUSH. That is all I suggest.

Mr. THOMPSON. I will watch the results of these hearings with great interest. I would like to assure you that those of us in the House who are interested in this will coordinate our activities and cooperate with you to the fullest possible extent so that we can get something meritorious out of this.

Senator BUSH. I have no further questions.

Senator IVES. I have nothing further.

Senator LEHMAN. I just want to make one point clear with regard to the study which this committee intends to carry on and continue, on the whole question of disaster insurance.

We were very anxious to hear from the insurance companies and urgently requested the representative of the insurance companies to appear before us this morning. I was disappointed, as I know others have been, to learn that Mr. Herd had notified the staff and the members of the committee that the insurance companies were not yet ready to report on this thing. As you know, he asked for a postponement of his testimony.

Senator BUSH. Mr. Chairman, will he testify before us at Hartford or some other place?

Senator LEHMAN. I do not know just where he will testify, but he will testify before us.

Mr. EDELSTEIN. Mr. Chairman, the staff has been in touch with him, and he merely told us that he was not prepared and the flood-control

committee of the insurance companies, of which he is chairman, is not prepared to testify at this time. That is all we know.

Senator LEHMAN. Thank you very much, Congressman.

Our next witness is Mr. William H. Falcey, who is the civil-defense director of Mercer County, N. J.

**STATEMENT OF WILLIAM H. FALCEY, CIVIL DEFENSE DIRECTOR,  
MERCER COUNTY, N. J.**

MR. FALCEY. Mr. Chairman, distinguished Senators, I am the civil-defense director and coordinator for Mercer County, which is situated in the Fourth Congressional District, the Honorable Frank J. Thompson's district. I come here to express a few words in behalf of the citizens of Mercer County. I serve without pay as civil-defense director. I serve as a county commissioner, for which I do get paid.

I am solely responsible for the lives of approximately 250,000 people. During the flood we had four principal municipalities inundated and stricken—Hopewell Township, Pennington Township, the city of Trenton, and Hamilton Township.

I heard kind words of praise today for many agencies. I did not hear the entire testimony, but I would like to go on record in behalf of the civil-defense volunteers because of the magnificent response they gave to the whole cause. Particularly may I emphasize the fact that as I made surveys in my home and my own county I noticed many of the civil-defense workers whose homes and businesses had been devastated were out working, trying to control the flood.

I want to emphasize the immediacy that is necessary for insurance. I heard Senator Bush say that you would be looking toward the House of Representatives, and I want to say that we in Mercer County will be looking both toward the House of Representatives and the Senate for proper and feasible legislation in regard to insurance.

I thank you for the opportunity to be here, sir.

Senator BUSH. Mr. Chairman, I would just like to say I am awfully glad to hear this testimony on behalf of the civil-defense workers. I think certainly he has stated it very mildly. In our State I do not know what we would have done without the civil-defense organization. I do not hesitate to say that their immediate entrance into this catastrophe, this emergency, undoubtedly saved many lives, and no doubt saved untold property damage. It was a very inspiring thing, indeed, to see this civil-defense organization wheel into service. And that includes many of our small local fire companies, too, who are involved in the civil-defense organization in our communities.

I certainly congratulate the gentleman for coming here and making this statement about the civil defense.

MR. FALCEY. I would like to add on that, when you talk about fire companies, of course, that is the whole nucleus of it. It incorporates many activities, many branches—it is fire, police, medical, transportation, air, religion, and other welfare or other phases of it which are so designed within the table of organization of civil defense and disaster-control mechanism.

Senator BUSH. There is one thing I hope these hearings will bring out. At times we have had trouble getting enlistments for civil defense in some of our communities. You have been pretty fortunate down your way, perhaps. But it has always been a struggle, since the war,

to keep our civil defense organization up to minimum strength. It is very hard to get people civil-defense minded when things are going along pretty good. But I think the flood has demonstrated the necessity of having in being a strong, active, volunteer civil defense organization.

Mr. FALCEY. And trained. I am glad you brought that up, Senator, because as we found out in the flood—we had a meeting in Boston, all the States involved in this—and it was brought out that there was a magnificent response of personnel. The voluntary response was great. But it seemed that we were just overworked because we could not fill in the gaps. We did not have the properly trained people. Yes, we had them on a scale which would possibly carry us into 24 hours. But we could not continue. And many of us spent as much as 66 hours with catnaps and no other rest.

We certainly need in America today a well-integrated and a voluntary-trained organization. Because as I always point out when I talk to people, you could have bet a million dollars on December 6, 1941, that we would not have been attacked the next day. There is a great climate of understanding now that exists in the world, but we still have to be on our guard.

Senator IVES. I want to join in Senator Bush's praise of the civil defense units and agencies. They did a magnificent job in New York State. And that applies to the police forces in the various localities. The firemen are also included, because they are part of the civil defense units. I do not think they could be praised highly enough.

Mr. FALCEY. Thank you very much for the kind words.

Senator LEHMAN. Thank you very much. I share in the encomiums of my colleagues.

Our next witness will be Maj. Gen. Robert Condon. General, we are glad to have you here. I am particularly glad to see you. We have been friends for a good many years, and you have always been very cooperative. I am glad you are going to testify. I do not know whether you have a prepared statement or not.

**STATEMENT OF MAJ. GEN. ROBERT CONDON, DIRECTOR OF CIVIL DEFENSE AND CHAIRMAN OF METROPOLITAN AREA, DEFENSE PLANNING BOARD, NEW YORK CITY**

General CONDON. I have not.

Senator LEHMAN. Then you may just proceed in the manner that seems most desirable to you.

General CONDON. I think you have just heard some of the things that I had planned to say in connection with civil defense so perhaps I had better just submit myself to the committee to see if they have any questions to ask me, sir.

Senator LEHMAN. I think if you could give us some statement of what is being done now, and also express yourself with regard to the provisions of the various proposals that have been made, that would be helpful.

General CONDON. Yes, sir. Well, may I first, then, sir, add my voice to praising the work of the volunteers. That is our civil defense organization. During August and again during October we called for volunteers, and they are the people who very largely made it possible.

Senator Bush, for us to send equipment to Connecticut. They manned that equipment. We skirted a little, perhaps, on the law, but no one has done very much about that since, and we are not very bothered about it.

Senator BUSH. Mr. Chairman, I certainly want to acknowledge very gratefully the assistance you sent to Connecticut. We certainly needed it. I do not know what we would have done without it. It seems as though it was indispensable, and there it was.

General CONDON. I want to endorse the statements made by the previous gentlemen.

The civil defense organization, as it is established, certainly in this State, provides an instrument of helpfulness that we do not seem to find any other place. It is unusual that the mass support of that comes from volunteers.

I would like to address myself, if I might, perhaps a little philosophically, to the approach on this proposal the committee has undertaken.

I can see that a Federal disaster act of some kind would very readily set the pattern for many of our activities in the future. I visualize that perhaps our roadbuilding, our bridgebuilding, our residential developments and other developments would in themselves fall into a pattern. Our public officials and private developers would fall into a pattern of protection against natural disaster and other disaster by having a magna carta of the law that would indicate that insurance was available if it was done this way, and if it was higher priced it was not available, if it did not recognize such riverbeds wherever they may be.

I feel rather keenly that, after some limited experience, but rather definite experience in the last 2 or 3 months in connection with the floods in this area, our people, particularly the persons who have been referred to as the little people, the families, the little-store keeper, the farmer, are entitled to some protection against both natural and enemy-caused disaster.

Having been among them considerably in 3 or 4 States, it was easy to discern that their grief was greatly augmented by their anticipation that they had no place to go, they did not have a home, they saw their livestock lost, their homes lost, their automobiles were gone, their delivery trucks were gone. They could not look forward with confidence. Then, of course, in your State in particular, where it happened the second time in a few weeks, Senator Bush, I was particularly impressed by the fact that on two occasions in your State persons came up to me with whom I had had conversations about the loss of their homes—a home in one instance and livestock in the other. The man came up, and he had acquired, through the help of some neighbors, 11 pieces of livestock. He lost 9 of them again, having lost 60 before. He was in a very low state of mind. Unfortunately, that seems to be general, and we have no control over where these things are going to happen again.

I feel that there is an obligation to the American public. I hope that we have a new perspective on this and that our perspective becomes one of serious thinking and not of emotional reaction. I hope that the Federal Civil Defense will be made directly responsible and that there will be the coordination that can come only from legal authority.

I would like to pay my tribute to all of the organizations that had to do with the Federal Government, the State, and certainly my city government, in what effort we were able to make in the civil-defense field. That applies to all government agencies.

I am constrained, however, to make this observation. Even though the President had made the appointment of the Administrator of Federal Civil Defense, there was not immediately available the authority for specific leadership other than what came from your Governor and my Governor and others. It was not known whose responsibility certain things were.

In this city we asked for help to go to the devastated areas in both floods, primarily during the first flood. There the volunteer civil-defense workers, with the equipment which we have—and as you know, that is on a matching basis. We have a reasonably good supply in the city of New York—more than 300 truckloads of clothing, food, utensils, kitchen equipment, electrical equipment, was donated by the people of the city of New York and collected from 84 police and civil-defense installations in this city. What amounted to nearly 89 tons was all brought in by civil-defense volunteers. With the assistance of the Salvation Army and other elements, it was segregated and distributed in three States.

Senator BUSH. I would just like to say the pumpers you sent up were extremely valuable to us, especially in the town of Danbury, Conn. I think you sent a dozen pumpers up there.

General CONDON. There were 22 pumpers, plus 9 other pieces of equipment.

Senator BUSH. Those fellows stayed there 2 or 3 days, brought their own supplies and took care of themselves, and they pumped out dozens and dozens of homes and stores and put that community back in shape. I say it was indispensable.

General CONDON. If you will permit me, I took them up there, and was with them.

Senator BUSH. I am very glad to hear that. I think that was wonderful. I can assure you that everybody was deeply grateful. It was just the thing we needed more than anything else at that time.

General CONDON. I would like to make this final observation, Senator. I think that illustrates the point I was attempting to make. We need concentration, both authorized and otherwise, in the authority of all this. We sought the authority of Governor Harriman, and with the enthusiastic assistance on the part of Mayor Wagner—we had to disregard anyone that might have said no—we took 32 pieces of equipment and sent them to Danbury. We sent some to the lower end of the State. We sent that in there, and no one knew, and we have not tried to find out since, just exactly how much authority we did have to do it.

Senator BUSH. If you ever need any defenders, let me know.

General CONDON. I would like to see the Civil Defense Administration charged with authority in natural disaster as well as with enemy-caused disaster, because, as I have already said, I believe our perspective must be one of serious and intelligent consideration, and not just an emotional reaction when these things occur.

Incidentally, we spent several thousand dollars turned over to volunteer civil-defense workers and sent into our headquarters here. Being a city agency, we do not solicit funds. Mayor Wagner divided that

money up and sent some to your Governor, the Governors of New York, Pennsylvania, and New Jersey to dispose of. I take that to be a compliment to the civil-defense volunteer workers in the city of New York.

We call upon them, we call on our public for contributions and use the American Red Cross, whose activities already have been testified to and commented on here. They cannot, of course, resolve this thing with the amount of money they have available. We need Federal assistance as well as State and community assistance to relieve the public of this great burden.

The public will furnish their sons and husbands in the disaster area. They will furnish clothing and donate money. But then to call on them for the restoration work does not seem to be the American way of doing things.

Senator Ives. Mr. Chairman, I am delighted to have the general here this morning. I want to congratulate you, General, on the great job you personally have done in this matter. You took some direction on yourself to do it.

This is a very interesting approach we have this morning. We have all sides. We have flood control, we have the insurance proposals, and we have the whole idea generally of civil defense. It all ties in together.

I am wondering if you do not feel, however, that no matter how much flood control we have—and obviously because of these serious floods we have had this year there will be concerted effort to step up the appropriations in the next Congress and any future Congresses to take care of that matter—no matter how much of that you have, or insurance you have, or the coverage, you are always going to have a certain number of floods and disasters, and you have to have your civil defense. I think the civil defense part of it is fully as important as any of the rest of it.

I am very glad to have you here to bear down on that—and also the gentleman that spoke before you.

What do you think of the insurance programs we have outlined and are considering at the present time? Do you think they are too broad?

General CONDON. Senator, I do not want to pretend that I am competent to really answer that question. I do not think they are too broad. I have followed this as closely as one can from the outside. I do not think they are too broad. Were I to have anything to do with it, I might find myself disposed to cut down here and there. But from the concept that I have and the perspective that I hope we all now have about what our people are entitled to, these people who have no control over these things, I would not say they are too broad. I say that without having had an opportunity to analyze it.

Senator Ives. Your idea, then, is that you go beyond mere flood insurance in the first instance and make a general disaster insurance.

General CONDON. Yes, sir. I think we may run into what we did in the Kansas City floods, where we paid very little attention to it in this part of the country. I went out there because some of my family live out there and were affected by it. I came back here, and it was of very little interest to anyone here.

As a youngster, part of my family was lost in a cyclone in Texas, so I know what these natural disaster means. But people up here pay very little attention to that. Now, nature, in its curious way, has

shown them what a natural disaster is like. And this becomes something that we had better look at, it seems to me, rather closely and be as broad as we can in our approach to it.

Senator IVES. By the time this legislation gets through the Congress, it is likely to be pretty broad. We can sit down here among ourselves and formulate a piece of legislation. Then it goes before the committee when they are all assembled. And it is apt to be quite changed at that time. It is apt to come out as a committee bill. Then it gets on the floor of the Senate and it undergoes more changes. The first thing you know, you have covered the waterfront. Then we have to deal with the House, and the same process may have occurred there. Then you have to reconcile the bills. So I think in spite of the fact that we may try to restrain it, for the sake of the trial and error part of it—we are on new ground here. We have had these terrible experiences, but we are not positive where we are going. We think we know, but we are not positive how we are going to get there.

Nevertheless, I think the thing is going to take shape finally so it is going to be much broader than a lot of people might like to have it initially. I do not think you can restrain the Congress on this.

General CONDON. May I make this observation? With regard to civil defense and the part it plays in this, of course, those of us concerned with the civil-defense program believe that a dual purpose will be served by civil defense where they will have the part in natural disasters that seems to be spelled out by the President's recent action, and the action of our various governors in this area. That in itself would seem to mean that in the case of an enemy-caused disaster, we will have the confidence of the public, the work of all the volunteers, and we will have the mental concept on the part of everyone, so that there is somebody to follow, in addition to the regular organized agencies. That seems very essential.

I agree with the Senator. I think these things are tied together.

I would like to say to Senator Bush that I have heard about the need of equipment for the barbershop man, the grocery man, the small-business man who has lost everything. As a result, of that, a gentleman in the city of New York in the furniture business, got together some 6 truckloads of office furniture, through the civil-defense installation here, and arranged to send that into 23 communities, in Connecticut, New York, and New Jersey, for the little man whose store was washed out and had nothing with which to work to serve his fellow citizens.

So in addition to our food and clothing and pumpers and things, we did supply in some 22 or 23 instances, in various communities, furniture, desks, chairs, tables, kitchen tables, and things.

Whether all that is part of civil defense or not, we have not concerned ourselves. But we believe that we are obligated to give rescue and relief work.

Senator LEHMAN. General, I think what you have said here in these last few remarks, of these truckloads of furniture that were donated, that is fine. I am all for it. I know how cooperative you have always been. But that does not really help solve the problem of a man who has lost his home, and he is liable on one or more mortgages. What you have done is fine—but I think what we are trying to do must go much further than that.

I want to just ask you a few questions. I think I am safe in saying that the first civil-defense program was set up in New York State during the time I was governor.

General CONDON. That is correct, sir.

Senator LEHMAN. We organized it from the years 1940 to 1942. There, through the medium of using not only the Governor's office, but a defense council, on which the Governor sat, and other members of the administration, the legislative leaders, representatives of labor, industry, and the professions, we were very successful in setting it up. And Senator Ives and I served on the first State defense council. But I realize that the problems with which we were confronted were relatively simple, as compared to the problems that face any large community today because of the development of nuclear weapons. But we did have, just as you have had, the finest kind of cooperation from the various local and State agencies, such as the hundreds of voluntary and paid fire departments, police departments, and other agencies. We thought we were all prepared. I think we were prepared, based on the weapons that could have been used against us.

But now the situation, of course, is very much more complicated—extremely, infinitely more complicated.

Everybody has testified to the need not only of having a large Civil Defense Corps Administration, but a well-trained corps. They have laid particular emphasis on that.

I would like to ask you, Are the local civil-defense directors and personnel kept up to date on such aspects of military developments as atomic and hydrogen bomb damage which will permit them to adjust their activities and plans to these new developments? In other words, I was wondering to what extent you are giving training to the many thousands of people who are in the civil defense.

But before you answer that, I want to make one more comment. If I am asking you any questions that at all affect national security, do not hesitate to tell me, and I will withdraw the question.

General CONDON. May I first make this comment, Governor? The civil-defense pattern that was established in this State under your governorship, and the council on which you and Senator Ives served is still the pattern. Obviously there was much foresight in that, because it is still the pattern of our operation today. We have had to expand it, but we have found no reason to contract it any place. We are still operating on the same pattern that came out under your governorship in the State.

We are just now attempting to revitalize civil defense, I think that is the best word I can use in connection with it, to encompass the very things that you have mentioned—the changes in weapons and all that. We have a new mission in civil defense now.

The organization in this city, with which I have some little familiarity now, of course was built on the A-bomb idea. It has only been in the last year or two that that concept has had to change because of the H-bomb and the fallout.

I am glad to testify there was fine organizational ability shown in the working out of these plans and operations in an attack of any kind. But plainly they must largely go by the board now because we have a different problem and we are just now into that.

As you perhaps know, there has been appointed very recently a small committee representing the three States, known as the Metropolitan Area Commission, representing northeastern New Jersey, Connecticut up as far as Bridgeport, and our own State up about as far as Poughkeepsie, to try and determine, on this new approach, a survival plan. I have the distinction of being the chairman of that committee, appointed by the three governors and the mayor of the city of New York. I make that statement because I think it is the only answer I can give to you, sir—that we are now trying to do something about that and bring this in.

During the last few months we have revised our thinking. We have not had sufficient training, and we are attempting now to build up a training program. I have the assurance of the military people that we will have access, that there will be people in civil defense who may have access to any of the information we may need in order to evolve our programs here. I have just returned very recently from an opportunity to study that situation very carefully. So that we may bring into our planning here now the latest information.

Senator LEHMAN. Again I want to say that if I am asking you anything that in your opinion would be contrary to the national security, just stop me. But in the original council, of which Senator Ives and myself were members, we spent a lot of time and money on taking an inventory of homes or other shelter which could be made available, not only in New York State, but in New Jersey and Pennsylvania and Connecticut, Vermont and Massachusetts, in the event that we had to evacuate the people of New York.

Fortunately we never had to put that into effect. I do not know whether it would have worked out successfully, even if we had been called upon to do it. Of course, I realize the difficulties of keeping the roads open and things of that sort, making bridges available. But we did do that. Has anything of that sort been done since then? I ask that because every time I make inquiry about this thing I am told "Well, we have gotten away from the evacuation principle and now we have adopted the principle of diffusion of population—in other words, the reduction of the intensity of population."

General CONDON. In the first instance, sir, the shelter system is still in existence and should stay in existence, particularly in the suburban areas. There is nothing classified about the fact that if an area is subject to an H-bomb and it does hit the area, the problem becomes quite different. Some of us believe we must even have shelters in those areas. So that the shelter system is still an integral part of civil defense in this area.

In New York City, the New York City civil-defense director has not only the 5 boroughs, but he has 7 counties to the north as support counties, with a support relationship to 2 other counties. There is nothing classified in this.

If I might make this observation, I think it has a bearing on this. Some of us are not of the belief that if our defenses should be penetrated, that necessarily is the H-bomb going to strike at a given point in the city of New York. We are not quite sure of the accuracy from 80,000 or 85,000 feet. New York City might very well in itself become the support area.

Senator LEHMAN. What do you mean by that?

General CONDON. Well, we would have to take people rather than sending them out. And that would apply to any area. It would apply to any area in Connecticut. We must contemplate that in our planning. So we have had the whole target-area theory, and some of us now prefer to call it the target-area-support-area theory, because we must be prepared as best we can to care for our people under almost any circumstances.

That, I may say, sir, reflects the intelligence of your question about our training and are we getting information. Because we must have that and plan for that. That is the purpose of these rather elaborate studies we are making now—one of the purposes, anyway.

Senator LEHMAN. You know, I have the feeling, rightly or wrongly, and I am probably wrong about this, that we had more shelters in 1942 than we have today. I am talking now of New York and Washington.

General CONDON. I do not know of any that have been eliminated. Whether those shelters are satisfactory we are now undertaking to discover. I may say quite publicly that I am discussing this with some people in the city of New York now, and we are urging builders of substantial buildings to consult with us and see if we cannot persuade them to put in shelters that would, we believe, serve the purpose even if the attack hit New York City. Some of us feel that they should do that. In two of our larger buildings going up now, we are dealing with the engineers in the hope that we can persuade them to develop the kind of a shelter in a place that would be available to a great many of our people, should an attack come.

Senator LEHMAN. I again want to repeat I have the highest regard and admiration for the patriotism and devotion of the people who make up the Civil Defense Corps. But I wonder whether they are taking the public sufficiently into their confidence in the way of instructing them, giving them directions.

I live in Washington—in the Government service. I think if we have an enemy attack, the Members of Congress would certainly be required to do their duty. I have heard a lot about this reducing the density of population, and I think it is probably wise. However, in order to reduce the density of population, in a city like Washington, for instance, you would have to reduce it by migration of many of the citizens of Washington to Virginia or Maryland or Delaware, or other places. I would not have the slightest idea where to go. I do not think you would either, Senator Ives. I do not think you have ever been advised.

Senator Ives. I would sit tight.

Senator LEHMAN. I would, too. I would stay. I just would not know where to go. I wonder whether other people know? I would not know whether that kind of instruction could be given to the general population. But I think there is a lot of confusion about it.

General CONDON. May I say very frankly that in my opinion, and this is a criticism of no one, the public has not been brought enough into the picture. We have this question of public apathy. Very frankly a lot of people use it as an excuse. Every time I bring up the subject they say that. In that case, I usually ask that person isn't he or she a part of the public.

We do have public apathy in connection with civil defense. We have too much of it. I am of the school of thought, sir, that we

had better have a program to go to the public with and tell them what kind of a program we have and what the program is. Then I think the public will lose a lot of its apathy. I think in civil defense, as in most other things, it is very difficult to sell something so intangible that you cannot remember what the subject is after you have just discussed it. I think, however, that situation is improving a great deal.

I would like to make this little comment about this question of what the public will do if they have a chance. Only last week we had a State civil-defense test in the State of New Jersey. In the program it came out that the various modes of access and exit between New York City and New Jersey would be closed at 5:55—Staten Island to the George Washington Bridge, including our tunnels. I was not consulted about the closing of the tunnels. That was a port authority matter. They were to close at 5 minutes of 6 and be opened at 10 minutes past 6. The heavens almost descended on my modest offices down here from a number of people, some of my fellow commissioners and others, and the press had a lot of fun for several days on the subject of the snarling up of the traffic and the great disaster that was going to come to New York because our tunnels were going to be closed.

Well, I was either ignorant or stupid enough or bold enough to take the position that I thought here was the chance to find out what would happen—and I believed the public would cooperate 100 percent if they were told about it and given an opportunity to cooperate. I found no apostles in that area—and I apologize for the personal pronoun here. I was asked to intercede with the State of New Jersey to get this done at a different hour. Well, I do not mean to be facetious about it, but I took the position that I know of nothing in history where an attacker or where nature, in a natural disaster, sends us a telegram and tells us they will not come at the peak of traffic. It seemed to me the time to test these things ought to be at the peaks. If we could handle them at the peaks, we could do it at other times.

I took a helicopter and followed the situation, and I could not believe my own eyes. I think the press very faithfully and generously reported it the next day. We have not had in 20 years as good a traffic situation for those 2 hours between here and New Jersey in the streets coming up to those places as we had that afternoon, because the public was told and the public was asked to cooperate, and the public cooperated beautifully. With the management of our fine New York City police and their traffic control, there was not the congestion that happens 3 or 4 days a week when a blowout occurs going into the tunnel, or a fire. It is not unusual for us to have a 12- or 15-minute delay in the tunnel. But there was not one mishap.

So I believe we must take the public completely in on this thing. They are not interested in our classified information, but they should know more and more about what we proposed to do.

Senator LEHMAN. And what they are supposed to do.

General CONDON. Yes, sir. That is what we hope we are going to do here before very long.

Senator LEHMAN. General, do you believe that the working arrangement between State and Federal civil-defense activities could

be improved by a better definition of their respective powers and duties? I understand there is quite a lot of confusion about that.

General CONDON. I do, sir. I have a very happy relationship with the Federal Civil Defense and great appreciation of its personnel. I am a critic in this sense, sir. I think that the Federal Civil Defense Administration should take more responsibility. When I was asked by a very distinguished gentleman what I meant by that, I said "If I hire an architect to plan a house for me, I want him to sign his name to it." I would like to see a Federal civil-defense program, an operational program, that indicates that it is the national Federal program, and those of us down the line can then carry out a Federal program.

I must say that I think they have done some remarkable things in the few years they have had this. But I do not believe that there is a program sufficiently cohesively planned, with their name on it, a Federal program, in order to give the continuity of operation and training in civil defense throughout all communities and States that there should be.

Senator LEHMAN. I think you have answered the next question, because I was going to ask you whether you think the Federal Civil Defense Administration should have more authority to carry out its responsibilities.

General CONDON. I am not competent, Governor, to say whether they need more authority, because I do not know the extent of their authority.

Senator LEHMAN. Then I will ask you a concrete final question. This pertains to the questions I have already asked you. What do you think of the advisability of allowing the Federal Civil Defense Administration to take State civil-defense workers into civil defense and disaster programs in time of emergency? In other words, that would be very similar to arrangements for calling the National Guard into the Federal service. Would you favor the Federal Civil Defense Administration having authority to take over command of the New York State or the New Jersey or the Connecticut civil defense, only in times of emergency?

General CONDON. I would have some hesitancy, sir, about this, because I see involved the case of regular civil-service employees in this city, for instance.

Senator LEHMAN. I am talking about civil defense.

General CONDON. The civil-service employees are involved a great deal, because as you well know an integral part of all civil defense are the various city agencies—the police, fire, health, and all of that. I don't know whether or not they can be taken over. What would be necessary to bring that about, I do not know. Then another problem is whether or not you can order the volunteers out. It becomes a question of feasibility, it would seem to me.

Senator LEHMAN. We provided in my bill while the Federal agencies would have the authority to take over command in the State, they would not have the right to take over the local agencies.

Well, again, thank you, General.

We have 2 or 3 other witnesses, and the hour is already late. Therefore, we will recess until 2:15.

(Whereupon, at 1:30 p. m. the hearing was recessed until 2:15 p. m. of the same day.)

## AFTERNOON SESSION

Senator LEHMAN. The hearing will resume. The next witness is the Reverend Roger C. Stimson, who is head of the Flood Control Committee of Stroudsburg, Pa.

**STATEMENT OF REV. ROGER C. STIMSON, FLOOD RELIEF AND REHABILITATION COMMITTEE, STROUDSBURG, PA.**

Reverend STIMSON. Senator Lehman, I have with me Mr. Sam Monatt, who is a certified public accountant, who has statistics and figures to give with my testimony.

Senator LEHMAN. I would be glad to hear from you.

Reverend STIMSON. I am not the head of the flood-control committee, as you have there. The only way in which somebody suggested I had anything to do with flood control was when one of the men in my shelter during the flood said "Reverend, were you praying for rain during the drought we had last summer?" I said "Yes." He said "Well, you prayed too hard."

Senator LEHMAN. Well, we will be very glad to hear from you, whatever your title. But would you identify yourself for the record?

Reverend STIMSON. I am the pastor of the Stroudsburg Methodist Church. I want to give you a picture of what happens to a community in a flood situation and how a community meets it, and the gaps in it which need to be filled by insurance.

Our church was just 1 foot from the flood. The water came within 1 foot of the door of the church. I went down to the church to see what was going on. The president of my Youth Fellowship said "Why don't we open the church and let them bring in some of the people from the flooded area?" I said, "All right, let's do it."

We opened the church and got some candles out and had a shelter established. We brought in 120 people the first night and 85 of them stayed with us for 4 weeks. We broadcast an appeal for cots and got them, and we took care of that group of people.

We had an emergency feeding kitchen which ran for 4 weeks serving coffee, sandwiches, and soup 24 hours a day. We serviced the rolling canteens that went out in the community to help feed the people working around the clock to help get the utilities back in service. The Salvation Army had 3 canteens there, and the Red Cross had 1. We also had some station wagons operating.

At the peak of it we were making 4,000 sandwiches a day, about 90 gallons of coffee, and 50 gallons of soup. We opened a dispensary. In fact, that very first night one of my young women, who is a graduate nurse, came in from the street where she had been out to see what was happening. She asked me if she should go home and put her uniform on. She did that, and that was the start of the dispensary. Eight of our doctors and forty nurses, people who had formerly been nurses in the community, come out and enlisted, and we had 24 hours a day 1 doctor and at least 2 nurses on duty right along.

We were cut off from the hospital, and we had a baby born in the church. We had an appendectomy, and we had many of the regular first aid cases. We also started an inoculation program. We gave 16,000 of the first typhoid inoculations. We gave 8,000 of the second

round, and 6,000 of the third round. I think largely as a result of this there was no typhoid developed in Stroudsburg at all.

Mrs. Butler, the wife of a doctor, took charge of the public health end, operating from our church, and dysentery and cases of digestive upset that started were nipped right in the bud through certain measures she took.

The public health, with the help of the board of health of the community, instituted measures which gave excellent control of all the diseases that might have developed.

We broadcast over the radio for food and clothing, and we received an abundance of both, and plenty of volunteer help. People of all denominations just walked into the church and said "What can we do?" There was no disaster organization. We simply followed the ball, as you say in a football game, of trying to meet the needs as they came up.

The Red Cross came in and supported us. They found us operating, and so they gave us full support. I certainly appreciate all they did, because we could never have done as much as we did if it was not for the fact that they gave us the financial support and supplied some of the things we needed.

We kept moving along with the needs. We discovered that the big need immediately after the flood was what to do with the mud that had accumulated in the homes.

I went down in the flood area, among my people and in other homes, and discovered about 8 inches of slippery, slimy mud, and people wandering around, picking up this and that, with the most forlorn expression on their faces. I realized they needed some kind of shot in the arm.

The flood was on a Thursday night, and it was, of course, a result of the Diane hurricane, which dumped 13 inches of rain in 4 hours on the Poconos. Stroudsburg and the East Stroudsburg Boroughs in Monroe County suffered the heaviest, although, of course, there were losses up and down the tributary creeks that run into the Delaware. We are not on the Delaware. It was the creeks that brought the 30-foot flood down into Stroudsburg that did the damage.

Some of the homes had as high as 22 feet of water in them, going up to the ceiling of the second floor.

Our duty then was to see what we could do about helping clean up. I urged some of our service clubs in town and our JC organization to get back of helping the people clean up. And some local people enlisted.

Through the secretary of the State council of churches we interested religious groups in the State, so that the Mennonite disaster unit and the American Friends Service Committee work camp came in to help us, along with several laymen's Bible associations throughout the State and some of the service clubs as well.

The result was that we had for 2 weeks from 200 to 300 volunteers from outside the community, who were coming in to give us a lift in cleaning up. There were 500 there on Labor Day. It was amazing the volunteer help that we received.

We fed and housed the workers who stayed overnight. Some Amish people, for instance, from out in Somerset County, over 500 miles away, came in one morning about 7 o'clock, just as we were opening up the church, and they said "Where do we go to work?" They had

driven practically all night to get there and yet were ready to work a full day. I took them down to a clean-up job we were doing and they went to work. Along about the middle of the afternoon I came by them and said "Don't you want to quit a little earlier and get cleaned up?" They said, "No; we will work until sundown." And they did. They stayed overnight, worked the next day to sundown, had supper, and went home.

We cleaned up 271 homes in Stroudsburg alone, as well as a great many homes on the opposite side of the creek in East Stroudsburg. We furnished food for 120 homes, clothing to 1,200 individuals. We distributed 29 trailer loads of furniture, which was brought to us largely as a result of Kiwanis Club solicitations across the State of Pennsylvania. There were 407 families in all who received help from the work done at the church.

The housing problem is what we are struggling with now. About 3 weeks ago I went to the borough council and asked them to establish a housing authority so that we could do something with housing. They, of course, told us under Pennsylvania law it required the county, and they were not big enough, as a borough, to do it. The next day I went before the county commissioners and requested they do something about the housing. I gave them the facts of the situation. The result has been the establishment of a housing authority.

The housing situation is this. We had 93 homes destroyed in Stroudsburg and East Stroudsburg, according to the Red Cross count. We have a different evaluation. The borough authorities of the 2 borough report 107 destroyed. There are 225 homes on the Red Cross list that suffered major damage and 293 on the borough list. There is a difference of 58 there. The Red Cross said there were 322 homes that suffered minor damage, and our borough list has 244. But, when you get those figures all together, the totals come out only 4 apart, either 640 or 644. So that I think we have pretty accurate figures as to the exact damage done. We had before the flood 4,200 homes in the area, so that we have as a result 15 percent of our homes affected.

I have served on the advisory committee of the Red Cross and have a most friendly relationship with the Red Cross, but they deal on the basis of need and not on the basis of loss. In other words, they come into a disaster area to administer to the minimum needs of the family, rather than to meet the loss that the family has suffered. The result is that a family that has some savings and had some losses must pay for their own. Those who have no savings and had some loss are given the same amount and perhaps even more, of course, as the family who has some savings of their own. In other words, they are taken care of.

The Red Cross in Stroudsburg has had 963 cases in Monroe County. They have granted \$931,896.18 on the basis of need; 336 homeowners have been assisted. Of the 640 dwellings which were affected, they will rebuild 39 out of the 93 that were destroyed. They will repair 297 out of the 547 damaged. They will take care of a total of 336 out of 640 destroyed or damaged homes. We have a good-sized group of homes which are not being taken care of by the Red Cross. There are 54 private homes which were destroyed, and there were 250 homes which were damaged, not being taken care of by the Red Cross.

Senator BUSH. That is because they did not establish a case of need, is that right?

Rev. STIMSON. Partly. There are 6 families who were refused aid who did apply, and there are 55 families who applied and then withdrew their application after discovering what the policy of the Red Cross was, and partly because they objected to the type of investigation which the Red Cross carries on. They did not feel as though they wanted to reveal all the facts about their private finances and internal affairs in the home as the Red Cross insists in the investigation.

We have had quite a bit of contention over that matter in Stroudsburg, and while I do not want to overdraw the picture, I think it is part of the total problem involved in the Red Cross helping people.

The independent American spirit does not like to have someone come along and say "You must give us the facts about everything under the sun you own, all your investments and everything that you may have." A number of people have insisted to me they did not like the policy of the Red Cross in investigating as thoroughly as they did. I can understand why the Red Cross does it. Yet people object to being charity cases.

The caseworker of the Red Cross is like the caseworker of the family society. It is like a person was applying for charity. They investigate it as they would a charity case. For that reason, there is a spirit of resistance to the Red Cross situation. Hence, there are a number of families who did not apply to the Red Cross.

The Small Business Administration has made in Stroudsburg only 36 loans for home repairs. Some of these overlap the Red Cross cases, because the Red Cross would give them a grant which is not sufficient, and the Small Business Administration would give them a loan to make up the difference.

We have 270 homes, in other words, that according to our figures of destruction and damage, were without assistance, even if you add the 36 aided by the SBA to the ones that the Red Cross has helped.

Senator LEHMAN. What was the amount that the Red Cross expended?

Reverend STIMSON. The rebuilding grant on the 39 homes has averaged \$7,000 apiece. That is a total of \$273,000 for 39 homes. They have gone up as high as \$11,000 on some of them. For instance, there was a woman who had a \$15,000 home who is getting a \$7,000 home because her family is just 3, and they gave them a 2-bedroom house. They had a four-bedroom house before. This one is not comparable at all, but it satisfies the need of the family. However, she is very much disturbed about that, naturally, and she felt as though the Red Cross should replace what she had. But the Red Cross does not replace. It simply tries to fill in the minimum need of the family.

That is true about furniture also. The furniture replacement has been on the minimum for the need of the family. For instance, say a family has a dining room. They give them a kitchen set with four chairs, which is not a dining room set or at all comparable. They will give them chairs for a living room on the basis of the number of members of the family, and if they have visitors they must get some camp stools or borrow something from the neighbors.

Fortunately, that is the one place where I think the church has supplied more help than anything else, in its filling in around the Red Cross grants of furniture. As the figures work out, we have 297 homes

repaired by the Red Cross at an average of about \$800 apiece, making \$237,600. The Red Cross has spent on property, in other words, about \$500,600. The private repair, if you estimate it on the same basis as the Red Cross estimate, would mean that we had 60 homes destroyed, at \$7,000 apiece, and that would be \$420,000, and 250 homes, which if they averaged \$800 apiece would be another \$200,000. So that you would have just as much not covered. And you would have furniture losses for the same homes of about \$541,000 besides.

The total losses, as I estimated from these figures gained from the Red Cross, and statements on what has not been met by the Red Cross, is \$1,661,800.

This is a minimum picture of the situation in Monroe County.

We, of course, must supply some of the homes for people who did not own their homes. Some of these homes which were not repaired are rental property. The Red Cross does not repair rental property. Anybody who owned rental property had no protection against the flood.

I feel as though flood insurance on a Federal basis is necessary, because it is the one place where there is no possibility of buying insurance for real property. There is some available, I think, for furniture, in some cases, but not in general.

The average homeowner has no protection against flood.

Our area is not an area which is normally flooded. This is the only flood of that size that has ever happened in recorded history. It was a flash flood caused by 13 inches of rain in 4 hours. It had stopped raining in Stroudsburg before the flood arrived around us. The hurricane had pulled the water up in the mountains, and it all streamed down through, and the debris on Broadhead Creek piled up in back of a railroad bridge and created an artificial dam, and that artificial dam after a while gave way, and that brought a 30-foot wall of water down into Stroudsburg with a loss of 86 lives.

Senator BUSH. Do you know how much the artificial dam raised the height of the water at that point?

Reverend STIMSON. There was a backup of debris on the sides of the hill, running back 5 miles, of water laying behind that railroad bridge that let loose.

Senator BUSH. So that piling up of debris against the bridge actually raised the height of that flood by 30 feet.

Reverend STIMSON. That is right. We had 22 feet of water that laid in Stroudsburg long enough to put a mark on the walls of the houses. I could take you there and show you where the waterline was.

Senator BUSH. Did anybody claim that the bridge was poorly designed for the river at that point?

Reverend STIMSON. I think not.

Senator BUSH. Or that the abutments were coming out into the river too far, or providing an obstruction in the riverbed?

Reverend STIMSON. I do not think anybody has ever raised that question. Of course, there were other obstructions along the way, too. There were some highway bridges that gave way. We lost 27 bridges in Monroe County in this flood. Every major highway was cut off. We had to go over the mountain by a county road in order to get in and out of Stroudsburg.

Senator BUSH. The Army engineers, of course, have been in there with you.

Reverend STIMSON. Yes. The flood-control program is not actually underway yet.

Senator BUSH. They have been in there doing emergency cleanup work.

Reverend STIMSON. Yes.

Senator BUSH. Did they make any comments about obstructions in the riverbed that added to the disaster?

Reverend STIMSON. No; I heard no such comment. They believe that the people responsible for the flood control should get on the job right away, because they said there was a threat of further floods. We had had that situation, as we have had a couple of heavy rains, that people from the flood area, some of whom have gone back to their homes now, have come out of the area to stay overnight with somebody else. Several came to the church and stayed overnight. We do not maintain a shelter all the time, but we have conducted some overnight.

Senator BUSH. How have you conducted services?

Reverend STIMSON. The church sanctuary was the one place in the building not touched, except as we opened it every day for a place of prayer. We conducted services right through, and had a Sunday school in the church sanctuary, a general assembly, but not individual classes.

My feeling is that the common man needs very much the protection of the Federal flood insurance, and at a rate which is possible for him to obtain it, not such that it is beyond his reach. The man who pays from \$40 to \$50 a month needs it just as much as the fellow who owns his own home.

Senator LEHMAN. Any questions?

Senator BUSH. No; I have no questions. I think that is a very interesting story, and not an entirely unfamiliar one. But I am glad to get a picture of the way this thing struck in Pennsylvania. We were reading about you and realized you were right in the thick of the Pennsylvania flood. I certainly want to congratulate you on the way you and your church have stepped into this picture.

Reverend STIMSON. My community, sir.

Senator BUSH. Your community, too.

Reverend STIMSON. The Presbyterian Church went along with us on the program. They are in the same block with us. They did not get into it quite as quickly or quite as deeply, but they were right with us.

Senator BUSH. I think that is a very moving and fine story.

Reverend STIMSON. You are from Connecticut, sir—and I am a Wesleyan man and also Harvard Theological Seminary.

Senator BUSH. No wonder you did so well.

Senator LEHMAN. I want to thank you, too, doctor, for a most interesting recital. I was interested in everything that you said. I was particularly interested in that part of your report which explained the policies of the Red Cross in relation to the rebuilding and rehabilitation of these homes. I did not realize to what an extent they handled this as a purely need proposition.

Reverend STIMSON. That is right. That is their policy.

Senator LEHMAN. I think that was very valuable. I do not know whether you have anything, Mr. Monatt. Do you want to testify?

**STATEMENT OF SAMUEL M. MONATT, STROUDSBURG, PA.**

Mr. MONATT. My name is Samuel M. Monatt. I am a certified public accountant and a writer on income taxes. On August 31, 1955, I wrote to the Honorable Francis E. Walter, House of Representatives, who is our Congressman of our district:

The recent flood in our county, as you know, raised tremendous havoc with many of our neighbors and has affected every resident in this county. Now that the dust has cleared and we are able to survey our damage and also count our blessings, I find that the businessman is the forgotten man in this situation. If my information from the Small Business Administration and from the Red Cross is correct, they have very little aid for him. The Red Cross advises that it will only help the one-man business and then only in a negligible way. The Small Business Administration advises that while they can stretch the security requirement of a loan by taking whatever security is available, they have no authority to help those who do not possess earning power. For example, one of our clients suffered a \$25,000 flood loss, and while his business shows earnings before depreciation, it shows a loss after depreciation. Consequently, he is not in a position to receive any aid from the Small Business Administration due to this lack of earning power. The result is that this man is either forced out of business or must borrow additional moneys from sources other than the Government.

I wish to call to your attention as forcefully as possible that the employee is entitled to unemployment insurance during the period of unemployment. The farmer has crop insurance through the agricultural program. The homeowner could have had flood insurance on his contents, not his building, if he had purchased homeowner coverage C. Larger businesses have the financial capacity to borrow. Where does the small-business man fit in? He is, as you know, the backbone of this Nation, since he is the largest employer.

Personally, I believe that the disaster damage is not a matter for the Red Cross, where one must be completely wiped out in order to receive aid, but it is a matter for the United States Government, who has been a partner in a man's business by collecting taxes, to rehabilitate the businessman in a manner befitting an American citizen. He should not be required to hold out his hands for funds which have been solicited in the form of begging from the American public.

I sincerely believe that the United States Government, with billions of dollars for foreign aid, should have sufficient provision for a disaster of this kind. We have all kinds of security, social or otherwise, but none for the businessman. The only aid the small-business man has is a possible tax refund, and even here the door is almost closed. Please note that the flood occurred on August 18, 1955, and any refund due to flood losses cannot be claimed until the due date of the return, which is March 15, 1956, or April 15, 1956, depending on the form of business. And then the Commissioner has a right to wait 90 days before making a refund. On larger amounts he will, in all likelihood, based on my assumption of past experience, conduct a tax examination before refund. This means that in all instances there will be either additional taxes or a diminution of refund, as well as additional delays until the revenue agent's report can be processed through regular channels.

I wish, by the way of suggestion, to call to your attention our needs. First, outright Government grant for business directly affected by the flood. Second, a national insurance program similar to the War Damage Corporation, where the entire country voluntarily insures their property against flood damage, so in the event of disaster anywhere in the United States, a man need not go out of business through an act of God nor does he need to stand in line for a charitable handout. We are Americans and we want the Government to honor the businessman's desire to emerge from this disaster situation with dignity.

I had a response from the honorable Congressman which states:

Re your letter, one of the reasons I am in Washington now is to insist that those in flood-stricken areas be given at least as much consideration by the Government as is given to foreign countries. Suggest all small-business men in need of aid file application with Small Business Administration, advising the facts in each particular case and when formal application submitted.

FRANCIS E. WALTER.

I saw Mr. Walter on the day prior to his departure for Europe, and I prepared for him a list of the loans that I knew. I would like to be on the record, Senator——

Senator LEHMAN. In your area?

Mr. MONATT. In my area; yes, sir.

Senator LEHMAN. I would like to have a copy of that for the record.  
(The material referred to follows:)

*Clients of S. M. Monell Co.—Flood loss damages excluding business interruption not covered by insurance*

		Loans requested from Small Business Administration							
Name, address, and type of business	Kind of damage	Amount of damage	Date of application	Amount requested	Amount approved	Term of loan (years)	Extra conditions	Where approved	Bank participation
Pocomo Gardens Lodge, Cresco, Pa.; Honey-moon resort.	Entire grounds badly eroded through water; demolition of kitchen; partial demolition of dining room, office, and recreation hall; floors damaged in all buildings.	\$150,000	Aug. 25, 1955	\$120,000	\$120,000	10	50 percent of profit before depreciation beginning in 1957.	Washington, D. C.	Percent None
James H. Martin, Canadensis, Pa.; Cottages and candle shop.	Destruction of sewers, electrical lines, 3 footbridges, fences, parking area, dam; damages to foundation of all buildings, floors, refrigeration and heating equipment; 1 cottage completely lost.	25,000	Sept. 9, 1955	25,000				Application pending, Philadelphia, Pa.	10
Fred E. Schaefer, Canadensis, Pa.; Retail novelties and gifts.	Damage to plumbing and heating system, floor, loading platforms, sidewalks, and grounds of business property; damage to foundation of residence in final stage of erection; loss of inventory.	20,000	do.	20,000	20,000	10	Unknown.	Stroudsburg, Pa.	10
Carl Brown, Canadensis, Pa.; Fishing resort.	Spillway of 110-acre lake flooded away.	17,500	do.	17,500	17,500	10	do	do	10
Reeve C. Price, Canadensis, Pa.; Summer resort.	Breakage of dam and damage to adjacent land and roads.	35,000	do.	35,000	25,000	10	50 percent of profit before depreciation.	do	10
William H. Clark, 1005 Main St., Stroudsburg, Pa.; Funeral director.	Removal of southwest corner of foundation and 2d floor porch; loss of oil burner and heating system; washout of driveway and parking area of approximately 2,550 square yards of hardtop; extensive damage to grounds; loss of 1 wall of garage and severe damage to other walls; loss of cemetery canopies, grave markers, storm windows, 50 chairs, and miscellaneous small tools and equipment.	18,000	Sept. 20, 1955	14,500		10		Application pending, Stroudsburg, Pa.	10
John J. Cammarata, 1018 West Main St., Stroudsburg, Pa.; Retail sundries and soda fountain.	Loss of inventory; damage to electrical equipment and loss of water heater.	1,300	Sept. 19, 1955	1,300		10		do	10

	7,000	do	5,000	10 (1)	do	10
<p>2100 Park                      Stroudsburg, Pa.:                      Complete loss of all inventories,                      office furniture, tools, and sup-                      plies; also washout of all                      accounts-receivable records.</p>						
<p>2100 Park                      Stroudsburg, Pa.:                      Damage to floors, electrical, and                      plumbing.</p>	3,000 (2)					
<p>2100 Park                      Stroudsburg, Pa.:                      Loss of parts, tools, and damage                      to equipment and fixtures.</p>	15,000 (2)					
<p>2100 Park                      Stroudsburg, Pa.:                      Damage to bridge, pool, and ap-                      purtenances.</p>	1,000 (2)					
<p>2100 Park                      Stroudsburg, Pa.:                      Loss of parts, tools, and damage                      to equipment and fixtures.</p>	39,300 (2)					

<sup>1</sup> Application for direct grant from Red Cross is also pending.

<sup>2</sup> Note requested.

Mr. MONATT. I would like to explain it, sir. This is a list of flood-damages, excluding business interruption, not covered by insurance, which came through my office.

Senator BUSH. What was that?

Mr. MONATT. Excluding business-interruption damage.

Senator BUSH. You mean actual property loss?

Mr. MONATT. That is right. We found, after working with the Small Business Administration, a very unhappy situation. We found that half of the loans which were granted to us we had to refuse because of restrictions imposed upon the man who was accepting the loan. For example, when we applied, we were given an application. We were not given any regulations with it. We were not told what we had to look for and what we had to watch for. The idea was hurry, hurry, hurry; get the application in so we can rehabilitate you.

After the application was filed—these applications were based on quick estimates. We went in and surveyed our damage; we took whatever estimates we could and formed an application of dollar amounts.

When the Small Business Administration granted these loans, they held us to the category of our original estimates, even though they were estimates.

In the event a man had estimated in one category that his damage was \$2,000, if he spent \$3,000, he was held to \$2,000. If he spent \$1,000, all he would get was \$1,000. In addition to that, every bill had to be submitted to the SBA office or to the bank who was participating; they are making the disbursement in most instances.

That in itself could cut down a loan; for example, a \$25,000 loan to as low as \$10,000 or \$12,000. You must remember that after this man has borrowed from the SBA, he has absolutely no borrowing capacity whatsoever.

We have found restrictions as to earnings, which are difficult to handle by the small man, the one-man business. We have had restrictions against acquisition of fixed assets. They tell us we can only acquire X dollars of fixed assets. As a matter of fact, these small-business loans had the result of wiping the man out of competition, because he is absolutely choked right up to his neck. He cannot go beyond that. His competitor, who did not have a flood, can go right ahead and continue in business. The flood victim is restricted to earnings. For example, we had one case where they allowed the man \$5,000 earnings. They didn't ask us whether he could live on that. His child was sick for the last 2 years and he spent \$2,500 per year on medical expenses. We made an application originally for this same man for \$14,500. The SBA reduced it by \$1,000 without giving any reasons.

We had other problems. We had a case of a man who was wiped out by the flood, and asked for a grant from the American Red Cross. The small Business Administration on a \$5,000 application approved \$2,500. It stipulated in that appropriation that this loan must be reduced by any amount that the Red Cross would grant us. After we talked to SBA, they reconsidered.

I have a company for your consideration that had a \$150,000 loss. I have here for the record that they have insurance coverage of \$497,000, spent \$4,900 premiums a year. They have \$130,000 worth of business-interruption insurance. They spent another \$1,000. This

is besides their casualty insurance and other compensation insurance and liability insurances. They had not a penny for flood. They could not collect a cent. These people were absolutely out of business. The Small Business Administration granted us a \$120,000 loan. We were called into Stroudsburg and we were asked to reduce that to \$100,000. We went on to Philadelphia afterward and they tried to put restrictions on. These restrictions were never explained to anyone. These restrictions were put in. I met Mr. Engles, whom you probably know. He is the Deputy Administrator of the SBA in Washington. They told us "We are RFC men. We are following the RFC manuals." We don't know anything about the RFC or their manuals. We are not United States Steel; we are not the large insurance companies.

I have had experience with corporations who are listed on the stock exchanges. They can stand those kinds of restrictions. They can stand restrictions as to earnings, as to sinking funds, as to payment of profits before depreciation. But the small-business man cannot. He must stay in competition. He has absolutely no way of helping himself.

If we go further with that—we went to Philadelphia. In Philadelphia they set the restrictions aside. We sat there for a day with their representatives. The following day I got a phone call from Washington that Mr. Engles wants to see us, so we went to see him. He reinstated the restrictions. He said we had to accept them. But, he said, "I will help you with the bank." The bank insisted on 6 percent interest. "And I also see that the bank is more lenient on repayments."

The result was on Monday I had a phone call from Mr. Engles that the bank not only insisted on the 6-percent interest, but they also wanted a year earlier repayment clause.

That is only in a small manner what we were bothered with. After we got our appropriation, we found that after they had the guaranty of the corporation, the guaranty of the partnership, the guaranty of each of the partners, the guaranty of each of the officers—they had additional restrictions. They wanted the stock of the corporation. They had mortgages from the partnership, from the corporation, everything was tied up. They still wanted the stock. They even wanted to set aside, at one time, a private annuity I had set up for a man 75 years of age. Further than that, on counsel from Philadelphia, they insisted upon holding us within the original rough estimates. They also insisted that we make no payment against losses after 6 months.

In our county the ground freezes, and after the ground freezes, we cannot work on the ground. Furthermore, we were told, for example, that the air-conditioning units in this resort—this was a honeymoon resort and very well regarded—would be all right after a thorough cleaning. But we have no way of testing them out until after the summer arrives when we can see whether this machinery will work.

On October 1, 1955, the SBA, in a letter—and this is their own publicity—stated there were 80 applications filed in Monroe County of \$1,600,000. I know from my own experience that there were 3 applications in excess of \$600,000. So there remained 77 applications filed which were somewhere in the neighborhood of \$970,000. That is

\$10,000 apiece—certainly a paltry sum compared to the money being spent in the United States every year.

I believe that when you take the administrative expenses that go with that kind of loan, for the period of the loan and the time that it takes to service that loan, it costs the United States Government many more dollars than if these people had been handed their grant or had a chance for insurance.

We would have been better off if the SBA had never come to Stroudsburg.

Senator LEHMAN. Thank you very much, gentlemen. I want to ask you one question. These Small Business Administration loans—they are loans; are they not?

Mr. MONATT. They are loans.

Senator LEHMAN. So that the man gets nothing in the way of compensation for his losses, either in the case of business concerns or in the case of private homeowners. These are straight loans.

Mr. MONATT. They absolutely are.

Senator LEHMAN. So that whatever loans or debts, liabilities the private homeowner or businessman may have had, they are increased by the amount of the loans he takes out.

Mr. MONATT. Yes, sir. In this particular case, I had a \$95,000 mortgage. I got a \$120,000 loan. That is \$215,000 altogether. My clients had an equity in their business of \$129,000. They had an actual physical loss of \$150,000. They now have to work 10 years to make back \$11,000, and be \$11,000 worse off than they would be if they had given it up. And these people are the employers that are giving jobs in this country, paying taxes.

I would like to say finally that the only one that gave us any help at all was the Director of Internal Revenue in Scranton. I conferred with him for 3 hours, with his administrative assistant, and he promised us that he will accept any estimate on estimated taxes that we make, without any penalties for the September 15 and January 15 payment. Furthermore, wherever the books have been flooded out, my working papers become prima facie evidence. In addition to that, any replacements that are made become absolute evidence of flood loss. And wherever we file a claim for refund, if we file a letter with it and state that it was a flood loss, he will see that the money comes back to us in 24 hours. That is the only help we received.

Senator LEHMAN. One more question, which I would like to ask you as an accountant. Am I right in saying that a man with a large income, which puts him in the upper brackets, who loses his home, a valuable home, really suffers virtually no loss at all because he can write it off his income tax?

Mr. MONATT. That is right, sir. As a matter of fact, Senator, the Lackawanna Railroad had a loss of \$10 million. They are definitely in the 52 percent bracket. They also have a State tax, in either Pennsylvania or New York, of 5.5 percent. So by the time the loss trickles down to the small stockholder of a hundred shares, it may mean a passed dividend. But the small-business man gets nothing. He cannot go to the Red Cross. He cannot go anywhere. He is just left to his own resources. We feel that is an injustice.

Senator LEHMAN. May I ask you, Doctor, if the Red Cross gives a man money to rebuild or rehabilitate his home; is that a grant?

Reverend STIMSON. That is a gift—an outright gift. But it is all based on need and not on loss.

Senator LEHMAN. I understand. I am very grateful to you for bringing that out. I am grateful to you, too, Mr. Monatt, for bringing out these things. I think your testimony has been very valuable indeed.

Senator BUSH. Is this the first time Stroudsburg has ever been hit with this kind of flood?

Reverend STIMSON. Yes.

Senator BUSH. Try to put yourself back into July, now.

Reverend STIMSON. Yes, sir.

Senator BUSH. If an insurance program against flood had been available, such as the kind the Senator has in his bill, do you think the people of Stroudsburg would have availed themselves to any wide extent?

Reverend STIMSON. That would be hard to tell. I know they would now. But at that time perhaps not. We have had minor floods in Stroudsburg in the sense that this Third Street area, where we had the 22 feet of water in the houses, in the 4 years I have been pastor in Stroudsburg, twice they have had water in that street before, but it has not been anything serious. The cellars have been full of water. The street has had water in it so you could not drive through it. But the houses are high enough so they did not have water on the first floor. Some people lost their oil burners, I remember, in one of the earlier floods.

Senator BUSH. Mr. Chairman, I wonder if you would approve of this suggestion. Mr. Monatt has made some pretty sharp and acute observations about the SBA, in which he ends up with the statement that they feel they would be better off if they never came into town after this flood. I wonder if you would approve of asking the Director of SBA, Mr. Wendell Barnes, to have a copy of this transcript of this gentleman's testimony, both gentlemen, in fact, and ask him for his comments on it for the benefit of the committee.

Senator LEHMAN. I see no objection to that.

Mr. MONATT. We would be happy to hear his answers.

Senator BUSH. If the Senator chooses, we will put them in the record. But I would like to see them myself.

Senator LEHMAN. You will have the record.

Senator BUSH. I mean Mr. Barnes' observations. I would like to see the SBA observations on both of these statements. This is the first time, I think, that I have run into this kind of positive criticism of the way the SBA has operated. We did not have these reactions in Connecticut.

Mr. MONATT. I am very much interested in meeting Mr. Barnes face to face and give him more statistics, if he likes them. As a matter of fact, I would like to read a letter into the record that I wrote as a protest, to Washington. I wasn't even permitted to send it directly to Washington. I had to have it funneled through Philadelphia. I called Mr. Engles up and asked him to kindly reconsider some of the stipulations he made, and he asked me to get his man in Stroudsburg on the phone, and he said, "Well, I have to talk to Mr. Wolf in Philadelphia" and Mr. Wolf said "You have to send the letter to me—you cannot send it to Mr. Engles." I had to channel it through to Phila-

delphia to get it into Washington. If you like, I will read that into the record.

Senator LEHMAN. Will you just put it in the record, please?

Mr. MONATT. I would like to put in the record my letter addressed to Mr. William H. Harman, of September 29, 1955, re authorization of Pocono Gardens Lodge, dated September 20, 1955, which had to do with stipulations on the loan granted by them at that date.

(The letter referred to follows:)

S. M. MONATT Co.,  
Stroudsburg, Pa., September 29, 1955.

Re authorization of Pocono Gardens Lodge, dated September 20, 1955.

Mr. WILLIAM H. HARMAN,  
*Regional Director, Small Business Administration,  
Philadelphia, Pa.*

DEAR MR. HARMAN: The captioned borrower has authorized me to request modification of certain conditions outlined in the authorization mentioned above. These and the reasons are as follows:

1. Under item 4 (b) a pledge of the capital stock of the corporation is required. We respectfully request the elimination of the requirements of the pledge of all shares of the stock of the corporation due to the fact that the lenders will receive a mortgage of the corporation, a chattel mortgage of the corporation, a guaranty agreement of the corporation, and a stipulation as to additions to fixed assets and officers' salaries. It is felt that the above is satisfactory security and that in view of the fact that Mr. Peter Rossi is presently 72 years of age we might encounter an estate complication in the event of his death during the loan period in the event the stock was pledged as security. The Philadelphia National Bank has indicated that they are willing to forego these requirements and it is also pointed out that they did not have the stock pledged to them on the now existing mortgage.

2. A ruling is requested as to the eligibility of Elmer Christine, Esq., to act as counsel for the Philadelphia National Bank and in the disbursements of this loan in view of the fact that he is representing your Administration in Stroudsburg, Pa., as cocounsel. It should be pointed out that Mr. Christine was accepted as counsel at the time the original mortgage was written and is again acceptable to them as counsel for the conclusion of this loan. The reason for this request is the fact that both the attorney and the accountants for the corporation are tempering their fees materially due to the circumstances and due to the fact that they regularly represent this client in all matters. It is felt that if counsel would be employed by a firm in Philadelphia they would reap a windfall on work performed by local counsel who will in any event have to certify to that counsel the title and prepare the mortgages, statement of financial condition, release of mechanics' liens, and practically all papers required to close this loan. We repeat that the above arrangement is acceptable to the Philadelphia National Bank.

3. Item 5 (b) refers to the cost of rehabilitation substantially within the estimate referred to in paragraph 8 of my letter dated August 26, 1955. Regarding the cost of rehabilitation it has been pointed out to Washington that legal and accounting fees should be permissible disbursement in connection with cost rehabilitation. Furthermore, we find that the company is presently incurring costs for such items as room and board for their employees, telephone expenses in connection with the loss, traveling expenses to secure loans, electricity, fuel oil, during the period of rehabilitation. In addition the company is seeking reimbursement for fuel oil lost in the flood, for food destroyed during the flood, all of which are considered properly cost rehabilitation or replacement of property before the flood.

We therefore request a ruling that these items are disburseable and/or reimbursable within the framework of the \$120,000 loan granted under the above authorization. We wish to state that if our original estimates were in excess of the actual requirements we will request reimbursement only of the actual requirements. The Philadelphia National Bank is in agreement with the above request.

4. Item 15 of the authorization states that no disbursements shall be made after 6 months from date of authorization. We have explained to Mr. Engles, and he had agreed orally, that a 6-month provision is an impossibility due to the fact that as soon as the ground freezes no further work can be done thereon.

Furthermore we do not know whether the winter freeze will destroy flooded out parts of the building which we felt would need no repairs at this time. Another item in this category is that all air-conditioning equipment was flooded and we were assured by the craftsman that repairs thereon would be sufficient. We will not know whether that is so until the hot weather sets in and we can sufficiently test such equipment.

It is, therefore, requested that item 15 be amended from 6 months to 1 year from the date of authorization or in absence thereof that we have assurances that we will be granted extensions in the future as necessary.

In view of the fact that this resort has already expended substantial amounts and in view of the fact that every effort is being made to open the resort to the public by October 15, it is requested that this matter be handled as expeditiously as possible. Every delay, regardless of how short, will produce further hardship since some of the contractors have already indicated that they have reached their credit limit.

Very truly yours,

SAMUEL M. MONATT.

Copies to Mr. Wolfe, Small Business Administration, Philadelphia, Pa.; Mr. D. Ort, Philadelphia National Bank; Mr. Yomer, Small Business Administration, Stroudsburg, Pa.

Mr. MONATT. Senator Bush, if I may, I would like to answer this question which you posed to the reverend as far as flood insurance against the businessman. I would like to point out to you that when we make loans, like the Pocono Gardens loan of \$95,000, the Philadelphia National Bank was loaning us the money—they would have liked to have flood insurance but it was not available. Every businessman would like to have flood insurance, and every financial institution would insist on flood insurance. The only fortunate thing that came out of the flood was that most of the cars were covered, because most of the cars were financed, and the finance companies insisted on coverage.

Senator LEHMAN. Thank you very much. I just want to make one brief observation.

I express my satisfaction with regard to the recital that has been made by Dr. Stimson and Mr. Monatt which I thought was very informative and helpful. The reason I say that is I think they, as well as other witnesses, indicate at least what I have felt for a long time—that in the absence of flood insurance the loss falls to a far greater extent on the little fellow and the little businessman than it does on the wealthy man or on the large corporations.

Senator BUSH. I agree with that.

(The following was subsequently received from Mr. Monatt for insertion in the record:)

S. M. MONATT Co.,  
CERTIFIED PUBLIC ACCOUNTANTS,  
Stroudsburg, Pa., November 22, 1955.

HON. HERBERT H. LEHMAN,  
*United States Senate, Washington, D. C.*

DEAR SIR: To supplement the testimony I have given before your committee in New York recently, I would like to submit the following:

1. The Small Business Administration has relaxed its requirements on loans under \$20,000 to the effect that they have deleted the compensation, management, after acquired property, fixed assets, and use of proceeds clauses from their authorization. I believe that that is a tremendous achievement by your committee and I would like to express my appreciation.

2. According to the enclosed article which appeared in this morning's paper, 286 businesses could have been helped by a \$3,770,000 grant. Surely a paltry amount to rehabilitate an area of the scope stated in this article, particularly when it is remembered that the Red Cross spent almost an equal amount (in grants) for homeowners in the same area.

For the sake of proper statistics I would like to call to your attention the fact that the number of loans referred to in this article might encompass loans approved even though they may not have been accepted by the borrowers; furthermore, not everyone affected by the flood has requested a loan. Because of this last statement and my personal knowledge I believe that these figures should not be considered indicative of the amount of flood-insurance coverage needed in this area, nor the amount of insurance which would be purchased, if available.

Again I wish to thank you and your committee for extending to me the opportunity to be heard.

Very respectfully yours,

SAMUEL M. MONATT.

[The Daily Record, Stroudsburg-East Stroudsburg, Pa., Nov. 22, 1955]

#### LOANS TOTALING \$517,517 APPROVED BY SBA OFFICE

Seventy-five loans amounting to \$517,517 have been approved by the Stroudsburg emergency office of the Federal Small Business Administration since it was opened August 23.

This announcement was made yesterday by William H. Harman, SBA regional director, following a visit here.

To date, Harman said, the Philadelphia regional office has accounted for the approval of 266 loans for a total of \$3,770,246.

#### FIFTY MORE APPLICATIONS

"We have not finished," said Harman, "as there are approximately 50 more applications to process. We hope to finish these in another week to 10 days."

Outlining the work done by the regional SBA office since the flood, Harman reminded that his men were in the field the day after the disaster struck.

"After a preliminary investigation, we opened offices in Scranton, Wilkes-Barre, Stroudsburg, Tamaqua, Easton, Trenton, Flemington, New Hope, Milford, and Bristol," he said. "In fact, we opened the Stroudsburg office on Tuesday, August 23."

These offices were manned by personnel from the regional office, as well as by SBA staff men from as far away as Texas and Tennessee, Harman pointed out. Assistance also was recruited from various banks and other Government agencies.

"A man or two came out of retirement and several from private industry," he added. "It was a huge task to recruit at least four experienced men for every branch office, but they were on duty by the time the applicants began to call on us.

#### BANKS HELPFUL

"The banks have lent every possible assistance with personnel, credit information, and use of facilities," he continued. "Their officers have served on our local advisory committees.

"It must be remembered that this disaster affected nearly all of lower New England, New York, Virginia, and the Carolinas," Harman reminded. "While we in Philadelphia were opening 10 branch offices, the overall organization was opening 18 others."

Harman disclosed that more than 400 applications have been received in the Philadelphia office to date.

"Our branch offices have now been consolidated to five, which we plan to close by the end of the month," he said. "Thereafter, applications will be received and presented by the Philadelphia office until the end of February 1956."

The records of the loans approved by these branch offices since they were set up after the flood follows: 26 in Scranton, totaling \$161,700; 42 in Easton for \$188,250; 75 in Stroudsburg for \$517,517; 42 in Flemington for \$217,399; 27 in Trenton for \$143,630; and 38 in Philadelphia for \$874,650.

#### APPROVE SMALL LOANS

This gives a total of 250 applications approved in the branch offices which amount to \$2,103,246.

Harman explained that field office managers were allowed to approve loans up to \$20,000 and the regional office had authority to O. K. applications for loans up to \$50,000.

"In addition to the above loans, 16 in excess of \$50,000 and amounting to \$1,667,000 were approved in Washington," Harman said. "Therefore, to date.

the Philadelphia regional office has accounted for the approval of 266 loans for a total of \$3,770,246."

"Our loans have been made to almost every industry with the largest one of \$350,000 and the smallest to a homeowner of \$630," said Harman. "We have loaned to a church and a taproom."

Harman disclosed that a group of two attorneys are now working on the disbursement of the loans in conjunction with their secretaries and the SBA.

"The funds are being paid for disaster relief as promptly as documents can be prepared and the applicants can produce the necessary bills or records to show that the money is being used for the purpose intended," he added.

(The following was received with reference to Mr. Monatt's statement:)

SMALL BUSINESS ADMINISTRATION,  
OFFICE OF THE ADMINISTRATOR,  
Washington 25, D. C., November 29, 1955.

Hon. J. W. FULBRIGHT,  
Chairman, Committee on Banking and Currency,  
United States Senate, Washington 25, D. C.

DEAR SENATOR FULBRIGHT: At a hearing of your committee held in the district courthouse in New York November 3, 1955, Senator Herbert H. Lehman, presiding, on the subject of disaster indemnity, Senator Bush requested that this Administration make observation on certain statements made by a Mr. Samuel M. Monatt of Stroudsburg, Pa. I will refer to the statements of Mr. Monatt as they appear in the transcript and will make comments on each statement.

Page 378: "We found that half of the loans which were granted to us we had to refuse because of restrictions imposed upon the man who was accepting the loan."

Comment: Of the 81 disaster loans approved in the Stroudsburg area, only 5 had been canceled as of November 3, 1955. The reasons for such cancellations are as follows:

Funds obtained elsewhere.....	2
Too much trouble to obtain release of mechanics' lien.....	1
Wanted loan in lump sum rather than progress payments.....	1
Elderly man (age 75) couldn't decide whether or not to accept loan.....	1

Page 378: "For example, when we applied we were given an application. We were not given any regulations with it."

Comment: In recognition of the necessity for providing expeditious help to alleviate the distress of the disaster victims, the application forms for smaller loans are brief and require only such basic information as can be obtained quickly in order that the loan application can be filed and processed at the earliest possible moment. For loans in excess of \$100,000, a detailed instruction sheet is provided to guide the applicant. In all instances SBA personnel gladly give the applicant whatever help is needed in preparing the application. Office stenographers often type the application when requested to do so by the applicant.

Page 379: "When the Small Business Administration granted these loans, they held us to the category of our original estimates, even though they were estimates."

Comment: SBA disaster loans are made solely to restore the disaster victim to the position he was in before the disaster occurred. SBA must have some reasonably accurate estimate of the losses which were due to the disaster. The applicant is certainly in the best position to ascertain his loss. In the event that restoration of the property exceeds the applicant's estimate, he is certainly free to come back to SBA for an additional disaster loan to cover the overrun.

Pages 379-380: "We have found restrictions as to earnings, which are difficult to handle by the small man, the one-man business. We have had restrictions against acquisition of fixed assets."

Comment: Such restrictions are imposed only where considered essential to preserve a sound financial condition.

Pages 380-381: "I have a company here for your consideration that had a \$150,000 loss. I have here for the record that they have insurance coverage of \$497,000. They spent \$4,900 premiums a year. They have \$130,000 worth of business interruption insurance. They spent another \$1,000. This is besides: their casualty insurance and other compensation insurance and liability insurances. They had not a penny for flood. They could not collect a cent. These people were absolutely out of business. The Small Business Administra-

tion granted us a \$120,000 loan. We were called into Stroudsburg and we were asked to reduce that to \$100,000. We went on to Philadelphia afterwards and they tried to put restrictions on. And these restrictions were never explained to anyone. These restrictions were put in \* \* \*.

\* \* \* we went to Philadelphia. In Philadelphia they set the restrictions aside. We sat there for a day with their representatives. The following day I got a phone call from Washington that Mr. Engles wants to see us. So we went to see him. He reinstated the restrictions. He said we had to accept them. But, he said 'I will help you with the bank.' The bank insisted on 6 percent interest. 'And I also see that the bank is more lenient on repayments.'

Comment: This apparently refers to the \$120,000 loan application filed by the X company. This company owed a bank \$95,000 repayable as follows:

	Amount		Amount
Oct. 1, 1955-----	\$10,000	Oct. 1, 1956-----	\$10,000
Jan. 1, 1956-----	5,000	Jan. 1, 1957-----	10,000
July 1, 1956-----	10,000	Feb. 1, 1957-----	50,000

It will be seen that this was a comparatively short maturity loan with a \$50,000 balloon payment at maturity on February 1, 1957. Since the company's earnings were not adequate to meet such repayment terms, plus the disaster loan repayments, the situation was discussed with the bank and the final outcome was that a \$215,000 loan was approved, of which \$95,000 was for the purpose of retiring the bank debt and the bank is participating in such loan to the extent of its previous exposure—\$95,000. Since the maturity of the \$215,000 disaster loan is 10 years, what SBA has in effect accomplished is the resetting of the \$95,000 bank loan on a 10-year basis which, together with the \$120,000 SBA portion of the loan can be amortized from earnings. Incidentally, the company's president expressed his deep pleasure and appreciation for the loan and the basis on which it was approved.

With respect to restrictions on this loan:

(a) Letter dated September 15, 1955, cosigned by the company's president and treasurer, offered the following:

1. "The corporation agrees that it will pay the members of the family now employed by the resort an aggregate base salary of \$20,000 per annum and, in the event that their salaries exceed this amount, that 80 percent of the excess over \$20,000 will be returned to the corporation either as a continuing loan or as an investment in capital stock."

2. "The corporation and the partnership obligate themselves not to incur any term indebtedness on fixed assets other than as set forth herein and under paragraph 8 below:"

Paragraph 8, referred to above, states: "It is agreed that the partnership and/or the corporation are to repay as soon as possible all notes payable to other creditors exclusive of amounts presently owing to Mr. A and his wife and to signatories of this agreement, and to refrain during the term of this loan from any borrowings or financing which will exceed a term of 6 months or which will exceed an aggregate amount of \$10,000."

3. "Not to spend more than \$15,000 per year for 1956 and 1957 and \$25,000 per year thereafter on fixed assets, building, equipment, or furnishings without prior written approval from the participating bank."

4. To give personal guaranties of Mr. B and Mr. C.

(b) Upon applicant's request, the following modifications were approved on October 4, 1955, subject to the participating bank's approval (all modifications requested were approved):

1. Approved payment from the loan proceeds of legal and accounting fees in connection with the rehabilitation and other costs incidental to the loan.

2. Eliminated the requirement for pledge of the company's capital stock.

3. Extended the loan disbursement period from 6 months to 1 year.

The total loan requested by the applicant, in this instance, was \$120,000. This amount was approved as a disaster loan. The applicant has never indicated in any way, by letter or otherwise, that this amount would not be adequate to restore the property to pre-flood condition.

In every instance SBA has a local committee composed of representative bankers and businessmen of the community to act in an advisory capacity on disaster-loan applications.

At a matter of public record through November 9, 1955, SBA has approved 1,608 loans totaling \$23,120,652, of which 81 loans for \$1,182,517 were approved in the Stroudsburg area alone as a result of the hurricane and floods which occurred on August 19, 1955.

If any further information is desired, please do not hesitate to call on us.  
Sincerely yours,

WENDELL B. BARNES,  
*Administrator.*

Senator LEHMAN. The next witness is Mr. Joseph Cully, president, Staten Island Flood Control Association. Is that an official body?

**STATEMENT OF JOSEPH CULLY, PRESIDENT, STATEN ISLAND  
FLOOD CONTROL ASSOCIATION**

Mr. CULLY. By official, what do you mean, Senator?

Senator LEHMAN. Elected or appointed by city authorities or a voluntary organization?

Mr. CULLY. It is an organization whose membership is composed of local civic organizations located along the waterfront, beach front, on the east and south shore of Staten Island.

The Staten Island Flood Control Association was organized not long after the big flood in November 1950. The various groups along the waterfront there that suffered as a result of that flood sent representatives to our organization in the form of delegates. We decide matters that would be to our mutual interest so far as flood control is concerned.

My prime interest is flood control. I consider the preventative measure more important than the cure after the damage has been done. Although I consider it also very important to have some sort of insurance for those people who have suffered after the floods have hit them.

I am not going to make any criticism about the Red Cross, SBA, or any of the organizations that have stepped into the picture to help us when we have been hit.

Senator BUSH. May I ask a question. Have you been hit in this August or October flood situation on Staten Island?

Mr. CULLY. Fortunately I have not been hit in this one, but I was hit in 1950 to a very serious extent.

Senator BUSH. So what you are saying is really not relevant to the 1955 flood situation, but to others.

Mr. CULLY. I should not think that should make much difference.

Senator BUSH. I did not say it did. I just want to find out what your experience has been. You have no experience with the 1955 flood.

Mr. CULLY. No, but probably more so with the 1950 flood. As you gentlemen know, there has been an increasing regularity in floods, particularly along the ocean and waterfront. I have the greatest sympathy for those people inland. When I read the accounts of the people that suffered in your State, I know what they went through. I went through exactly the same thing. I was perched for 12 hours up on the upper story until they came and rescued us in 1950, when the ocean came over to us.

Senator BUSH. Was that tidal flooding?

Mr. CULLY. Yes, sir; it took a 37½-ton house 40 feet down the street and washed away several others. So I think I know what floods are, when I speak of being in sympathy with those in your State and other States.

Of course, inland they have a little warning. On the ocean front we do not have warning, especially in 1950 when within a half-hour you could not get out of your house.

Senator BUSH. Would you mind refreshing my memory about what month that was in?

Mr. CULLY. Yes, sir—November 25, the day after Thanksgiving, on a Friday. Coming at the end of the list of witnesses, many of the other speakers have taken up things that I would mention. I was particularly happy to note that your interest, Senator Lehman, is toward the little fellow also. I think we get scared these days, especially the insurance companies. They see the millions and billions of dollars of losses, but they forget the little fellow who suffered a \$500, \$600, or \$1,000 loss. Speaking from my own experience, it set me back something like \$4,800. I said I was not going to criticize the Red Cross. The Red Cross came to me, and after 4 months of deliberation they decided I could take care of my own loss. They were justified, I imagine, because there were others that could not stand it as much as I could, and they were helped.

That brings up the point of whether I wanted the Red Cross help. I do not. I would be very happy to buy my own insurance, especially where I live, along the waterfront. I am sure many people down there would be willing to buy their own insurance also. That has been voiced at many of our meetings.

We tried to find out where we could get insurance. We made inquiries with the various insurance companies. I was told that Lloyds will insure practically everything. But you cannot afford to get flood insurance from Lloyds. Just the other day, I wanted to be certain before I came here, and I called up one of my friends and said "Are you sure we cannot get flood insurance at what you might call a reasonable rate?" He said "You might just as well forget about it. It is not available." I think it was available prior to 1944, and then there was the big blow down in Florida, when the insurance companies were caught, after most of the property was destroyed. I think after that they said they could not afford it any more.

I am not criticizing the insurance companies. I understand you cannot go along and take risks and practically insure the fact that you are going to hand out money as a result of the risks. But I do say that I think there should be some solution—if the various insurance companies got together and perhaps put a limit on the amount of the insurance.

I am talking about the small person. Maybe some of the businessmen can afford it. But the fellow that suffers a \$400 or \$500 loss—couldn't the insurance companies limit the extent of their risk to, say, \$1,000, and above that let the Government step in and take over what might be a greater risk, or a greater obligation? That is something that has not been explored up to this time.

Senator BUSH. I think that is a very interesting suggestion.

Mr. CULLY. I think it is, too. There are various obstacles. You have different insurance laws in the different States and various limitations put on the individual insurance companies. But I think there could be a way of getting around that.

In the first place, the Government could make some sort of situation where these insurance companies could get together, without violating

the monopoly law, or whatever you call it, for this particular purpose only, where they could pool their resources.

Every State in the Union is not going to be hit by a flood at the same time.

To digress just a moment, you have the 50-percent limitation on extended coverage insurance. Well, now, there could be some similar arrangement in the policies for the small fellow that wants to take insurance for maybe a \$1,000 loss. I do not know about over that. If a man loses his house, I think the Government could step in and do something toward it. It could all be included by the insurance companies by a small increase in the rates.

But I do not think you would have to make any great fuss over allowing insurance. They are describing it as billion-dollar losses throughout the country. The losses are not that great throughout the country, because you only get it in one section at a time, and you have a chance to recoup some of the losses.

Senator BUSH. Do you think if we had a flood insurance program, along the lines you would like to see, there would be many applications for it down on Staten Island?

Mr. CULLY. I certainly do; yes, sir. I do not say that there would be applications for insurance for \$20,000, \$30,000, or \$40,000. But I would say you would have many applications for insurance for \$500, perhaps, and \$1,000.

Senator BUSH. How did you get off in 1954—the three hurricanes?

Mr. CULLY. We did not get off.

Senator BUSH. Did you have losses in 1954?

Mr. CULLY. Only around the grounds.

Senator BUSH. I mean your neighbors. Were there substantial damages?

Mr. CULLY. When you say substantial, Senator, they are not substantial in the sense that their houses were washed away, but they suffered losses.

Senator BUSH. Wait a minute—don't get excited. I'm with you. When I say substantial, I mean per home. Where \$1,000 might be substantial to one man, \$10,000 may be to another. But when I say substantial, I mean did it substantially affect the lives of the people in 1954.

Mr. CULLY. No, I wouldn't say that it substantially affected their lives, except that we did not know what would happen. Knowing what did happen to us in 1950, we were not taking a chance, and the police evacuated us along with the civil defense.

Senator BUSH. What I have in mind is not just what you are thinking about. I introduced a bill which has become a law, Public Law 71, which calls on the Army engineers to survey this whole coastline with the idea of putting in protective works to minimize the damage from high tidal flooding on your coast. What I was wondering was whether your area is one which is susceptible of that kind of treatment, whether it is necessary to have protective works out into the water, dikes or jetties.

Mr. CULLY. Senator Bush, I could answer that very easily. I have been in recurrent touch with the Army Engineer Corps in Washington. About 2 or 3 months ago, even before the last big storm we had, I got a very lengthy letter—and it is only a repetition of what they told

me in previous letters—that they have surveyed our entire area, they know every foot of ground, and when I say ground, I mean beach underneath the water, going out perhaps a thousand feet from the beach line. They know what it is. I don't want to quote the exact words of the letter, but it wound up by implying there is no sense trying to get any relief here, because we cannot do anything without special legislation. They know what the situation is, but they cannot do anything about it.

I might say that the State of New York, along with the city of New York, did come along and put in a new beach for us with hydraulic sand fill. That helped. Up to about 2 or 3 months ago, when the high tide came along and the water came halfway up that beach—if the tide had risen 1 or 2 more feet, we would have been inundated again with 9 feet of water around our place.

Senator LEHMAN. May I answer that question, because I know something about the legislation in and for the State of New York. For the past several years I have had bills before the Appropriations Committee for an appropriation to prevent erosion at Fire Island and, I believe, Staten Island, and in other parts of the State. I have not gotten to first base.

Senator BUSH. It has been a long, hard battle for everybody, including Connecticut. Last year was the first year we got any substantial funds at all for beach erosion control in our State. We got about \$1 million altogether, for the whole long coastline.

Senator LEHMAN. You are \$1 million ahead of New York.

Mr. CULLY. To begin with, we were not supposed to get relief from the State of New York, because we were not considered as being on the ocean front, until an amendment was made to the laws in Albany, including Staten Island, the east and south shore of Staten Island, as being on the ocean front. Then we were able to get assistance, 50 percent from the State and 50 percent from the city, for the hydraulic sand fill. But that is only one section. We have practically three-quarters of the rest of it.

I am not talking just for Staten Island, because I appreciate the predicament that everybody that suffers a flood is in. It is only a matter of time, I am sure, whether you people put the legislation through or somebody else does, they will insist upon insurance at a reasonable rate.

I think I mentioned in my letter to you what the insurance companies call reasonable is not reasonable for the man in the street.

Senator LEHMAN. You will notice in my bill we talk about insurance coverage at reasonable rates. There is no use putting a prohibitive rate on it.

The last witness is Mr. Leo Honig. Do you have a prepared statement?

#### **STATEMENT OF LEO HONIG, ANGLO FABRICS, WEBSTER, MASS.**

Mr. HONIG. I have no prepared statement. I am going to be very brief.

Senator LEHMAN. We are very glad to hear from you.

Mr. HONIG. We are a New York corporation dealing in textiles. The name of the corporation is Anglo Fabrics. We have two mills in Webster, Mass. On the 19th of August we experienced this ter-

rible catastrophe of the flood. In a matter of a few hours, we were flooded with about 8 or 10 feet of water. We were not able to save anything, to rescue anything, because the electric power went off. We could not move any elevator, anything. Whatever we had on the main floor, like goods for finishing or other goods, was all flooded and muddied. Also the machines, which are mostly precision machines, were all flooded. Later on, after the water receded, it was full of mud, and we had quite a job.

Naturally, the whole district suffered tremendously. We were living 3 days without electricity, without power. We went around with candles. It was terrible.

We are the only woolen mill in the town of Webster working 3 shifts and employing 300 people. That means 700 families are living from the wages they are receiving from us. There were other mills there, like the American Woolen Mill, which closed up, and over 1,000 people lost their jobs. When we were flooded, everybody was very upset, and everybody thought he was going to lose his livelihood. Governor Herter visited us in the whole area afterward. We were working very diligently and hard to restore everything so that the people would not lose a lot of wages.

For 15 years we have been talking about protection against flood. As you know from the papers, the dams all gave way, and this was actually the main cause for the sudden catastrophe we had.

We lost our water-filtration plant, our powerhouse. I have to say that the State of Massachusetts, the local community, the Army engineers, were very helpful. They helped with whatever they could to restore everything again so that we could work. And we succeeded in working after a very short period.

What I want to bring out is the following:

If we do not have any protection with regard to disaster insurance, or something like this, and this occurs again, I do not think that many mills will rebuild in this area where they are. Therefore, everybody will suffer, including the Federal Government. I am very strongly recommending that everything should be done to get this Federal disaster insurance.

Senator LEHMAN. You referred to the destruction or damage to your inventory, goods and equipment. Was that the only damage, or did you lose any of your buildings?

Mr. HONIG. We lost our water-filtration plant completely.

Senator LEHMAN. And you referred to a powerhouse, too.

Mr. HONIG. This is in connection with that.

Senator LEHMAN. What is the value of those?

Mr. HONIG. We had a loss of approximately \$1.5 million, in the entire plant.

Senator LEHMAN. Does that include inventory?

Mr. HONIG. Including inventory. We had some insurance which we collected. We were lucky that we had some water insurance.

Senator LEHMAN. Do you mean flood insurance?

Mr. HONIG. Not flood—water-damage insurance. Flood insurance is unobtainable. And the Small Business Administration immediately offered us a loan, which we did not take because of certain restrictions, and as we got a certain amount from our water damage, we did not need it so badly. So we rather did not take it for the time being.

Senator LEHMAN. That loss that you suffered, is there any way of your getting any compensation from the Government, save through deductions on your corporate taxes?

Mr. HONIG. If we have profit, we can deduct it. But it is a question.

Senator BUSH. I have no questions.

Senator LEHMAN. Thank you, Mr. Honig.

I have a statement that will be inserted in the record at this point together with any others that may be received.

(The statements referred to follow:)

STATEMENT OF AMERICAN INSURANCE ASSOCIATION, NEW YORK, N. Y.

POSITION OF STOCK INSURANCE COMPANIES REGARDING FLOOD INSURANCE

The American Insurance Association announced today that its member companies are prepared, together with their producers, to make their full facilities available to the Government and will cooperate should Congress see fit to enact a program of flood indemnity and request the aid of the industry in its administration.

The association has employed the firm of Parsons, Brinckerhoff, Hall & MacDonald to make an engineering study of the recent floods, supplementing a report the firm made for the stock companies in 1952. The completed report of the engineers has not been received and the association is continuing its current study of the subject. However, at a membership meeting of the association held today, it was the consensus that the following represents the present position of the companies, based on current knowledge and subject to the final conclusions of the study now being made:

1. If flood insurance could be written feasibly, insurance companies would be not only willing but eager to provide such coverage (examples of this are to be found in the broad coverages, which do not exclude the peril of flood, available for movable property, such as the various forms of marine, inland marine, and automobile comprehensive coverage, and certain "floaters").

2. The companies believe that specific flood insurance covering fixed-location properties in areas subject to recurrent floods cannot feasibly be written because of the virtual certainty of loss, its catastrophic nature, and the reluctance or inability of the public to pay the premium charge required to make the insurance self-sustaining.

3. Any insurance program which does not cover areas subject to recurrent floods will not meet the public need.

4. The companies believe that it is impossible to tie in flood coverage with other coverage on fixed-location properties generally because, unlike other natural catastrophes which are unpredictable as to place of occurrence, floods can occur only where water flows or gathers and only those properties which are in the path of the flow or gathering have any need for it; competition would force the sale of coverage ex flood and the buyers would make the adverse selection.

5. There is no way in which the purchase of flood insurance can be made mandatory (even by Government compulsion) consistent with our American concept of free government and competitive selection.

6. The companies believe that the Government would encounter the same obstacles if it undertook a program of specific flood indemnity by means of insurance on a self-sustaining basis.

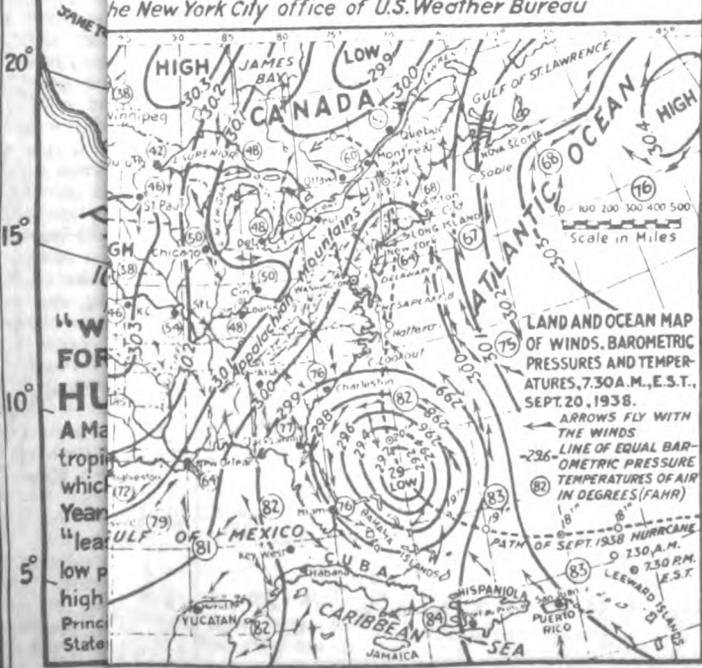
7. Any Government promise of indemnity on a non-self-sustaining basis is "relief" under the guise of insurance. In our opinion, a direct program of relief and rehabilitation would be more effective and more equitable, particularly in restoring essential services and providing food and shelter, which are the first forms of necessary relief in the case of a major flood disaster.

8. In our opinion, flood control and prevention (rather than insurance, indemnity, or relief) are of far greater importance to potential flood victims, especially when the many forms of irremediable losses are also taken into consideration, such as death, bodily injury, loss of employment, and loss of income.

9. In view of the magnitude of Government expenditures which are involved in the event of a major flood disaster, it would seem prudent for the Government to avoid fixed advance commitments in order to be in a position to use available funds most expeditiously and to the best advantage when the emergency arises.



Local data indicated on these sketch maps are based upon the New York City office of U.S. Weather Bureau



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ASSOCIATION OF CASUALTY AND SURETY COMPANIES,  
*New York, N. Y., November 18, 1955.*

HON. HERBERT H. LEHMAN,  
*Senate Banking and Currency Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR LEHMAN: I am writing to you on behalf of our 132 stock casualty and surety companies (a list of our membership is attached hereto) concerning a single phase of the problem of damage resulting from disasters. We have noted proposed bills dealing with natural disasters, particularly the one which, as we are informed, you plan to introduce at the convening of the Congress on January 3, 1956, which covers also damages resulting from manmade disasters. For the purposes of this letter the interest of our association is limited to the matter of potential liability for war damages under the State and Federal workmen's compensation and occupational disease laws and employers' liability acts (hereinafter referred to as workmen's compensation laws).

We believe there is general agreement that the furnishing of indemnity for personal injuries or death suffered from war damage or perils of war is a function of the Nation as a whole rather than that of the States or private enterprise; that, therefore, there should be no State laws requiring States or private enterprise to provide such indemnity. However, as we have brought to the attention of the Congress on previous occasions when war-damage legislation was under consideration, the question is not free from doubt as to whether the various State workmen's compensation acts or similar laws impose liability on employers (and their insurance carriers) when the injuries or deaths of employees result from war damage or the perils of war. We believe it is essential that such doubt should be removed and that it should be settled once and for all that there is no liability on employers and workmen's compensation insurers for war damages or perils of war. Clearly, amendment to the various State acts would be a most cumbersome and difficult process—perhaps an impossible task because the States would not be in a position to substitute in lieu thereof a system of indemnification. We believe, therefore, that the Congress in the exercise of its paramount war powers can and should remove this doubt by Federal legislation.

We think the bill you have drafted particularly emphasizes the necessity of congressional action relieving employers and insurers of any potential liability under the workmen's compensation laws. Unlike earlier war-damage bills which dealt only with personal injury or death of workers injured or killed in the course of their employment and with injury or death of civil-defense workers, your bill would provide a means for each and every citizen to purchase a form of insurance protection against war injuries or perils of war. As your bill affords this opportunity to all citizens, the bill, together with our suggested congressional action, would substitute a definite system of indemnification for the doubtful rights which only injured workers might have under the various State compensation laws.

In our opinion, the development of nuclear and other weapons, whose destructive potential extends immeasurably to an undeterminable distance beyond the point of immediate impact, has very substantially strengthened the contention that our citizens must necessarily be treated impartially, whether injured in the course of their employment or otherwise. It is no longer arguable that pinpoint bombing of war plants presents a distinct problem which merits and permits special consideration. We now know that the area of destruction and contamination of such weapons is so far reaching as to encompass population concentrations far removed from a damaged war plant. The new weapons, constantly increasing in their destructive potential, must have the inevitable effect of creating a common denominator and eliminating classifications or categories based on occupations or geographical locations. This, it seems to us, strongly accentuates the desirability and the necessity of treating all citizens alike.

It can hardly be emphasized too strongly that any possible liability for war injuries could have utterly disastrous effects on the assets and reserves of legally qualified self-insured employers, and of insurance carriers, both private and public. It could have an equally grave impact on all employers because most workmen's compensation laws impose on them a direct liability which continues whether they insure by carrier or are self-insured. We realize that section 201 (b) (2) of your bill recognizes the workmen's compensation problem by affording reinsurance against any such liability as may exist. This would be helpful but, in our considered judgment, it is not the ultimate needed answer. Reinsurance can lessen to the extent provided the catastrophic losses which

employers and insurers may suffer, but of itself it will not prevent exhaustion of the resources of insurers and employers, to the detriment of the Nation as a whole, and in particular to the detriment of those to whom compensation awards had been granted and were, in due course, being paid. We are also fearful that the availability of such reinsurance through congressional action and its subsequent purchase by insurers and self-insurers would inevitably lend support to the theory that injuries and deaths due to war damage and the perils of war are compensable under workmen's compensation laws.

Very likely your bill intends to treat the workmen's compensation problem only by way of reinsurance. However, as certain provisions are presently drafted, it would seemingly permit the Federal Government to write on a direct basis insurance covering possible liability for war injuries or perils of war. This, we believe, would serve no useful purpose. It would not necessarily relieve employers and insurers of their potential liability. Furthermore, the State workmen's compensation laws generally do not permit an employer to insure his liability on a single location in more than one insurance carrier. In other words, they are required by law to carry insurance against all workmen's compensation liability on a given location in a single insurer. If there should be liability for war injuries or perils of war, it might be most difficult to argue that the Congress, through its war powers, had intended to alter the effect of the State workmen's compensation laws by permitting the Federal Government to insure against any potential war damage with the remainder of the compensation exposure remaining in conventional insurers. Accordingly, we believe it essential in any event to restrict the approach set forth in your bill to reinsurance and the attached suggested amendments are designed to achieve that purpose.

In closing may I emphasize two points. First, there is, we believe, general agreement among self-insurers, State funds and private insurers that reinsurance alone is not a solution to their problem, and that the only adequate remedy is congressional action relieving employers and insurers from any potential liability for war injuries. Their position is unique. The obligation to provide workmen's compensation insurance is a statutory obligation. Unlike other forms of insurance, there is no way a self-insurer or an employer and his insurer can exclude by agreement any part of the workmen's compensation coverage. The courts may hold that the statutory obligation extends to injuries and deaths resulting from war damage and the perils of war. The incalculable damage of nuclear and other means of warfare should not be saddled upon and cannot be borne by employers and insurance carriers. But since the question of liability is not free from doubt, the doubt should be removed and can be removed, as we believe only by Federal legislation. We are not herein stating any position whatsoever with respect to any other insurance matter covered by the bills under consideration by the Senate Banking and Currency Committee.

Most respectfully,

RAY MURPHY, *General Counsel.*

AMENDMENTS TO TITLE II OF SENATOR LEHMAN'S BILL PROVIDING INSURANCE  
AGAINST NATURAL AND MANMADE DISASTERS

(1) Amend section 201 (b) to read as follows:

"(b) The Administrator may provide such indemnity [by means of insurance, reinsurance, or otherwise affording]—

"(1) *by means of insurance, reinsurance, or otherwise affording* reasonable protection against loss of or damage to real or personal property;

"(2) *by means of reinsurance (including the insurance of self-insured employers)* affording reasonable protection against such liability as may exist under any workmen's compensation or occupational disease act enacted by any State, District, Territory, or possession of the United States or by the Federal Government [or occupational disease act], or by way of employers' liability under any [such] act or the common law for injury, disease or death suffered by an employee and arising out of or in the course of employment;

(3) *by means of insurance, reinsurance, or otherwise affording* reasonable compensation for personal injury or death suffered by any civil defense worker in the performance of civil defense activities under appropriate orders;

"(4) *by means of insurance, reinsurance, or otherwise affording* reasonable compensation for personal injury or death and loss of or damage to real or personal property incurred in the course of performing duties of a civil

defense nature pursuant to the direction of the Administrator or State, District, Territorial, or local civil defense authorities, or anyone operating under his or their direction; and

"(5) by means of insurance, reinsurance, or otherwise affording reasonable compensation for personal injury, disease or death caused by the perils of war."

(2) Amend section 202 (b) to read as follows:

"(b) In fixing premiums or charges for indemnity made available under this title, the Administrator shall from time to time establish uniform rates (1) for each type of property with respect to which indemnity is made available pursuant to the provisions of this title, (2) for such [protection as is offered against liability] *workmen's compensation reinsurance* as set forth in paragraph (2) of subsection (b) of section 201 in this title, and (3) classified according to the legal residence of the person involved, for compensation offered pursuant to the provisions of paragraph (5) of subsection (b) of section 201 in this title."

(3) Amend section 206 (a) to read as follows:

"Sec. 206 (a) To carry out the functions authorized by this title, the Administrator shall establish (1) a Property Indemnity Fund, (2) a Workmen's Compensation Reinsurance Reserve Fund, (3) a Civil Defense Indemnity Fund, and (4) a Personal Risk Fund. In the event reinsurance is made available for any of the purposes set forth in paragraphs (1) [(2)] or (5) of subsection (b) of section 201 in this title, the Administrator shall also establish (1) a Property Indemnity Reinsurance Fund, [(2) a Workmen's Compensation Reinsurance Reserve Fund.] and [(3)] (2) a Personal Risk Reinsurance Fund, as the case may be."

*Membership List—Association of Casualty & Surety Cos.*

Company	Group affiliation
Aetna Casualty & Surety Co., 151 Farmington Ave., Hartford 15, Conn.	Aetna Life.
Aetna Insurance Co., 670 Main St., Hartford 16, Conn.	Aetna Insurance.
Agricultural Insurance Co., Watertown, N. Y.	Agricultural.
Albany Insurance Co., 55 5th Ave., New York 3, N. Y.	Atlas.
American Automobile Insurance Co., Pierce Bldg., St. Louis 2, Mo.	American-Associated.
American Bonding Company of Baltimore, Fidelity Bldg., Baltimore 3, Md.	Fidelity & Deposit.
American Casualty Co., 607 Washington St., Reading, Pa.	American Casualty.
American Credit Indemnity Company of New York, First National Bank Bldg., Baltimore 3, Md.	Commercial Credit.
American Employers' Insurance Co., 110 Milk St., Boston 7, Mass.	Employers'.
American Fire & Casualty Co., American Bldg., Orlando, Fla.	None.
American Global Insurance Co., Inc., Post Office Box 728, Agana, Guam, Marianas Islands.	Do.
American Guarantee & Liability Insurance Co., 135 South La Salle St., Chicago 3, Ill.	Zurich.
American Insurance Co., 15 Washington St., Newark 1, N. J.	American of Newark.
American National Fire Insurance Co., 1 Liberty St., New York 5, N. Y.	Great American.
America Re-Insurance Co., 99 John St., New York 38, N. Y.	American Re-Insurance.
American Surety Company of New York, 100 Broadway, New York 5, N. Y.	American Surety.
Associated Indemnity Corp., 332 Pine St., San Francisco, Calif.	American-Associated.
Atlas Assurance Co., 1 td., 55 5th Ave., New York 3, N. Y.	Atlas.
Bankers Indemnity Insurance Co., 15 Washington St., Newark 1, N. J.	American of Newark.
Boston Insurance Co., 87 Kilby St., Boston 2, Mass.	Boston.
Buffalo Insurance Co., 220 Delaware Ave., Buffalo 2, N. Y.	None.
Car & General Insurance Corp., Ltd., 111 John St., New York 38, N. Y.	Royal Exchange.
Century Indemnity Co., 670 Main St., Hartford 15, Conn.	Aetna Insurance.
Century Insurance Co., Ltd., 111 John St., New York 38, N. Y.	Century.
Columbia Casualty Co., 1 Park Ave., New York 16, N. Y.	Commercial Union.
Columbia Insurance Company of New York, 55 5th Ave., New York 3, N. Y.	Phoenix of London.
Commercial Insurance Company of Newark, 10 Park Pl., Newark 1, N. J.	Fidelity.
Connecticut Fire Insurance Co., 61 Woodland St., Hartford, Conn.	Phoenix of Hartford.
Connecticut Indemnity Co., 175 Whitney Ave., New Haven, Conn.	Security of New Haven.
Detroit Fire & Marine Insurance Co., 625 Shelby St., Detroit 26, Mich.	Great American.
Eagle Fire Company of New York, 75 Maiden Lane, New York 38, N. Y.	Norwich Union.
Empire State Insurance Co., Watertown, N. Y.	Agricultural.
Employers' Fire Insurance Co., 110 Milk St., Boston 7, Mass.	Employers'.
Employers Insurance Company of Alabama, Inc., 2112 1st Ave. North, Birmingham 3, Ala.	None.
Employers' Liability Assurance Corp., Ltd., 110 Milk St., Boston 7, Mass.	Employers'.
Eureka Security Fire & Marine Insurance Co., 19 Rector St., New York 6, N. Y.	Pearl-American.
Equitable Fire & Marine Insurance Co., 61 Woodland St., Hartford, Conn.	Phoenix of Hartford.
Federal Insurance Co., 90 John St., New York 38, N. Y.	Chubb & Son.
Fidelity & Casualty Company of New York, 80 Maiden Lane, New York 38, N. Y.	America Fore.

## Membership list—Association of Casualty &amp; Surety Cos.—Continued

Company	Group affiliation
Fidelity & Deposit Company of Maryland, Charles and Lexington Sts., Baltimore 3, Md.	Fidelity & Deposit.
Fire Association of Philadelphia, 401 Walnut St., Philadelphia 6, Pa.	Fire Association.
Fireman's Fund Indemnity Co., 401 California St., San Francisco 20, Calif.	Fireman's Fund Insurance.
Firemen's Insurance Company of Newark, N. J., 10 Park Pl., Newark 1, N. J.	Loyalty.
Franklin National Insurance Company of New York, 1000 Asylum Ave., Hartford 15, Conn.	National of Hartford.
Fulton Fire Insurance Co., 111 John St., New York 38, N. Y.	Hanover.
General Accident, Fire & Life Assurance Corp., Ltd., 414 Walnut St., Philadelphia 5, Pa.	General Accident.
General Reinsurance Corp., 90 John St., New York 38, N. Y.	General Reinsurance.
Girard Insurance Company of Philadelphia, Pa., 10 Park Pl., Newark 1, N. J.	Loyalty.
Glens Falls Indemnity Co., Glens Falls, N. Y.	Glens Falls.
Glens Falls Insurance Co., Glens Falls, N. Y.	Do.
Globe Indemnity Co., 150 William St., New York 38, N. Y.	Royal-Liverpool.
Great American Indemnity Co., 1 Liberty St., New York 5, N. Y.	Great American.
Great American Insurance Co., 1 Liberty St., New York 5, N. Y.	Do.
Hanover Fire Insurance Co., 111 John St., New York 38, N. Y.	Hanover.
Hartford Accident & Indemnity Co., 690 Asylum Ave., Hartford 15, Conn.	Hartford Fire.
Hartford Steam Boiler Inspection & Insurance Co., 56 Prospect St., Hartford 2, Conn.	None.
Home Indemnity Co., 59 Maiden Lane, New York 38, N. Y.	Home.
Home Insurance Co., 59 Maiden Lane, New York 38, N. Y.	Do.
Home Insurance Company of Hawaii, Ltd., 129 South King St., Box 2866, Honolulu, Hawaii.	None.
Hudson Insurance Company of New York, 90 John St., New York 38, N. Y.	Prudential-Skandia-Hudson.
Indemnity Insurance Company of North America, 1600 Arch St., Philadelphia 1, Pa.	Insurance Company of North America.
London Assurance, 99 John St., New York 38, N. Y.	London Assurance.
London Guarantee & Accident Co., Ltd., 55 5th Ave., New York 3, N. Y.	Phoenix of London.
London & Lancashire Indemnity Co., 20 Trinity St., Hartford 2, Conn.	London & Lancashire.
Manhattan Fire & Marine Insurance Co., 99 John St., New York 38, N. Y.	London Assurance.
Manufacturers Casualty Insurance Co., Pennsylvania Blvd. at 16th St., Philadelphia 3, Pa.	Transamerica.
Maryland Casualty Co., Maryland Casualty Bldg., Baltimore 3, Md.	None.
Massachusetts Bonding & Insurance Co., 10 Post Office Square, Boston 9, Mass.	Do.
Massachusetts Fire & Marine Insurance Co., 4 Liberty Square, Boston 9, Mass.	Great American.
Mechanics & Traders Insurance Co., 1000 Asylum Ave., Hartford 15, Conn.	National of Hartford.
Merchants Indemnity Corporation of New York, 225 Broadway, New York 7, N. Y.	Merchants Fire.
Metropolitan Casualty Insurance Company of New York, 10 Park Pl., Newark 1, N. Y.	Loyalty.
Michigan Fire & Marine Insurance Co., 1250 State St. (mail Post Office Box 1021), Springfield 1, Mass.	Springfield.
Milwaukee Insurance Company of Milwaukee, Wis., 611 North Broadway, Milwaukee 2, Wis.	Loyalty.
Monarch Fire Insurance Co., 19 Rector St., New York 6, N. Y.	Pearl-American.
National Automobile & Casualty Insurance Co., 639 South Spring St., Los Angeles 14, Calif.	None.
National-Ben Franklin Insurance Company of Pittsburgh, Pa., 120 West Ohio St., Pittsburgh 12, Pa.	Loyalty.
National Fire Insurance Company of Hartford, 1000 Asylum Ave., Hartford 15, Conn.	National of Hartford.
National Surety Corp., 4 Albany St., New York 6, N. Y.	Fireman's Fund Insurance.
National Union Fire Insurance Co., 139 University Pl., Pittsburgh 13, Pa.	National Union.
National Union Indemnity Co., 139 University Pl., Pittsburgh 13, Pa.	Do.
New Amsterdam Casualty Co., 227 St. Paul St., Baltimore 3, Md.	New Amsterdam.
Newark Insurance Co., 150 William St., New York 38, N. Y.	Royal-Liverpool.
New England Insurance Co., 1250 State St. (mail Post Office Box 1021), Springfield 1, Mass.	Springfield.
North American Casualty & Surety Reinsurance Corp., 161 East 42d St., New York 17, N. Y.	None.
North River Insurance Co., 110 William St., New York 38, N. Y.	Crum & Forster.
Norwich Union Fire Insurance Society, Ltd., 75 Maiden Lane, New York 38, N. Y.	Norwich Union.
Ocean Accident & Guarantee Corp., Ltd., 1 Park Ave., New York 16, N. Y.	Commercial Union.
Ohio Farmers Indemnity Co., LeRoy, Ohio.	Ohio Farmers.
Old Colony Insurance Co., 87 Kilby St., Boston 2, Mass.	Boston.
Pacific Insurance Co., Ltd., 1677 Ala Moana Blvd., Honolulu 15, Hawaii.	None.
Pacific Coast Fire Insurance Co., 111 John St., New York 38, N. Y.	Century.
Pacific National Fire Insurance Co., 454 Montgomery St., San Francisco 20, Calif.	Transamerica.
Pan American Fire & Casualty Co., 2905 Louisiana St., Houston 1, Tex.	Pan American.
Pearl Assurance Co., Ltd., 19 Rector St., New York 6, N. Y.	Pearl-American.
Phoenix Assurance Co., Ltd., 55 5th Ave., New York 3, N. Y.	Phoenix of London.
Phoenix Indemnity Co., 55 5th Ave., New York 3, N. Y.	Do.
Phoenix Insurance Co., 61 Woodland St., Hartford, Conn.	Phoenix of Hartford.
Providence Washington Indemnity Co., 20 Washington Pl., Providence, R. I.	Providence Washington.
Providence Washington Insurance Co., 20 Washington Pl., Providence, R. I.	Do.

*Membership list—Association of Casualty & Surety Cos.—Continued*

Company	Group affiliation
Provident Fire Insurance Co., 111 John St., New York 38, N. Y.	Royal Exchange.
Prudential Insurance Company of Great Britain, 90 John St., New York 38, N. Y.	Prudential-Skandia-Hudson.
Quaker City Fire & Marine Insurance Co., 55 5th Ave., New York 3, N. Y.	Atlas.
Queen Insurance Company of America, 150 William St., New York 38, N. Y.	Royal-Liverpool.
Reliance Insurance Company of Philadelphia, 401 Walnut St., Philadelphia 6, Pa.	Fire Association.
Rochester American Insurance Co., 1 Liberty St., New York 38, N. Y.	Great American.
Royal Exchange Assurance, 111 John St., New York 38, N. Y.	Royal Exchange.
Royal Indemnity Co., 150 William St., New York 38, N. Y.	Royal-Liverpool.
St. Paul-Mercury Indemnity Co., 111 West 5th St., St. Paul 2, Minn.	St. Paul F. & M. Group.
Seaboard Surety Co., 100 William St., New York 38, N. Y.	None.
Security Insurance Company of New Haven, 175 Whitney Ave., New Haven, Conn.	Security of New Haven.
Service Casualty Company of N. Y., 1 Park Ave., New York 16, N. Y.	Service.
Skandia Insurance Co., 90 John St., New York 38, N. Y.	Prudential-Skandia-Hudson.
Southeastern Fire Insurance Co., 207 Liberty Life Bldg. (Post Office Box 2665), Charlotte 1, N. C.	None.
Springfield Fire & Marine Insurance Co., 1250 State St. (mail Post Office Box 1021), Springfield 1, Mass.	Springfield.
Standard Accident Insurance Co., 640 Temple Ave., Detroit 32, Mich.	Standard of Detroit.
Standard Insurance Company of New York, 100 William St., New York 38, N. Y.	Aetna Insurance.
Sun Insurance Company of New York, 55 5th Ave., New York 3, N. Y.	Sun of London.
Transcontinental Insurance Co., 1000 Asylum Ave., Hartford 15, Conn.	National of Hartford.
Travelers Indemnity Co., 700 Main St., Hartford 15, Conn.	Travelers.
Travelers Insurance Co., 700 Main St., Hartford 15, Conn.	Do.
Tri-State Insurance Co., 619 South Main St., Tulsa 1, Okla.	Tri-State.
Union Marine & General Insurance Co., Ltd., 55 5th Ave., New York 3, N. Y.	Phoenix of London.
United Firemen's Insurance Co., 55 5th Ave., New York 3, N. Y.	Do.
United National Indemnity Co., 1000 Asylum Ave., Hartford 15, Conn.	National of Hartford.
United States Casualty Co., 60 John St., New York 38, N. Y.	New Amsterdam.
United States Fidelity & Guaranty Co., Calvert & Redwood Sts., Baltimore, Md.	United States Fidelity & Guaranty.
United States Fire Insurance Co., 110 William St., New York 38, N. Y.	Crum & Forster.
Westchester Fire Insurance Co., 110 William St., New York 38, N. Y.	Do.
World Fire & Marine Insurance Co., 670 Main St., Hartford 15, Conn.	Aetna Insurance.
Yorkshire Insurance Co., 90 John St., New York 38, N. Y.	Yorkshire.
Zurich Insurance Co., 135 South LaSalle St., Chicago 3, Ill.	Zurich.

Senator LEHMAN. That concludes the hearing for this afternoon. We will recess until tomorrow morning at 10 o'clock at Goshen, N. Y. (Whereupon, at 4:15 p. m., the hearing was recessed to reconvene at 10 a. m., Friday, November 4, 1955, in Goshen, N. Y.)



# FEDERAL DISASTER INSURANCE

FRIDAY, NOVEMBER 4, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Goshen, N. Y.*

The committee met, pursuant to recess, in the surrogate court, Goshen, N. Y., at 10 a. m., Senator Herbert H. Lehman presiding.

Present: Senators Lehman and Ives.

Senator LEHMAN. The hearing will come to order. The first witness is the New York State superintendent of insurance.

Senator IVES. Mr. Chairman, before the witness is heard, I would like to make a statement which I am sure will meet with your approval and with the approval of the good people of Orange and Ulster and the other counties that are affected by this terrible calamity that hit here in August and again last month.

I understand on very good authority that this hearing has political overtones. I think if that be true, and I do not question but what it may be, that is entirely outside of what you and I desire in holding these hearings. Anything as tragic as a flood and the great damage that floods do and have done here, in this particular area, should be kept entirely out of politics, partisan politics, at that. It seems to me, Mr. Chairman, in the light of what appears to be the situation, and in view of the fact that we have a very long list of witnesses that I doubt we will have time to hear during the day—it would be well to eliminate all who are candidates for public office, but who are not now holding public office, and who might be able, thereby, to enhance their prestige from the standpoint of advantage in the election next Tuesday.

I know that this hearing was never arranged at this particular time with the thought that it was coming just before the election and might help somebody at election time.

The hearings thus far have had nothing whatever to do with partisan politics—nothing to do with politics at all.

I think, sir, the thing to do now is to keep this entirely out of politics, and eliminate those witnesses who are candidates but are not now public officials.

Senator LEHMAN. Well, Senator Ives, I want to point out that in my opinion there has never been a set of hearings that has been further removed from any political overtone. We have called witnesses, and asked witnesses to come and volunteer to testify, without regard in the slightest degree to politics.

This is the fourth hearing we have had. We have had hearings lasting for 2 days in Washington. I believe of the 20 or 25 witnesses that we had before us, virtually all were Republicans.

Senator IVES. And all of them were Government officials, too.

Senator LEHMAN. They were all Government officials, who are supposed to know as much or more about the matters which we are considering now than almost anybody else.

In New York City, where we had our third hearing yesterday, it is true the Governor was a Democrat—a Democrat, by choice of the people.

Senator IVES. But he is the Governor.

Senator LEHMAN. He was the Governor, and therefore was certainly not only entitled to be present, but should have been present.

I have no idea what the political complexion was of those who testified in New York yesterday. I have not the slightest idea of the political complexion of those who have been invited or who have volunteered to testify here today. I can only say that these hearings have been held meticulously free of any political considerations or bias.

On the list today we have a Representative in Congress, Mrs. St. George. She comes because she is the Representative in Congress of this district, just as Mr. Thompson testified yesterday in behalf of the district in which he lives in New Jersey, which suffered the greatest loss.

We have the mayors and supervisors of many of the important communities here. We have the mayor of Port Jervis. I have not the slightest idea whether he is a Democrat or Republican. We have the mayor of Middletown. I have not the slightest idea—or I did not have until I got here today—whether he is a Democrat or Republican. We have the mayor of Monticello. Again, I have not the slightest idea whether he is a Democrat or a Republican. We have the mayor of Ellenville. Again, I have no knowledge whatsoever of his politics. We have a supervisor of the town of Rochester, and we have a supervisor of the town of Chester. We have a great many people in addition to those. Those men will testify in their capacity as executives of either cities or towns.

In addition to that, we have a substantial number of property owners, merchants, farmers and others. Again, I wish to state I have not the slightest idea what their politics are.

I cannot conceive that anybody could possibly gain politically by testifying in this matter. I take it quite for granted that the witnesses who will testify will tell us honestly, without bias, what the actual situation is as a result of the floods and make their recommendations or suggestions, which you and I and the other members of the committee will carefully study, and to which we will give very careful consideration.

I am not going, if you will permit me to say, into the question of politics. I am not going to say because a man is or may be a candidate for office that he is going to be ruled out here, particularly as the people we have called have been invited to be here or have volunteered to appear here in their official capacity. And I shall not, unless I am overruled by the committee, make any changes.

Senator IVES. Well, Mr. Chairman, I do not think I am in any position to overrule you. You have 8 votes and I have 7. So I do not think I can do that. But I do want to emphasize again that where anybody has been invited who is a candidate and not a public official, I think that is a mistake, to have him here in this particular type of

hearing. It does give it a political overtone which I do not approve of in any way, shape, or manner.

The names that you mentioned are all proper, they are all leading public officials in the counties in which they live. But beyond that point I do not think we should go.

Senator LEHMAN. Senator Ives, this is the fourth hearing, as I have already stated, and we will have further hearings in Boston, in Providence, in Hartford, and a little later on in North or South Carolina. I am just not going to examine into the politics of the people who come here, any more than I considered the politics of the people who appeared before us in Washington, or yesterday in New York.

Senator IVES. Mr. Chairman, I do not want to carry this any further, but I would like to point out that I would be opposed to Republican candidates appearing here just as much as any other candidates appearing here who are not public officials. I think that is the test.

Senator LEHMAN. All I can say is we have been more than punctilious in this thing. It has been kept entirely above any political considerations. I think nobody has sought to gain political advantage from this thing. I am not going to put it on a political plane by refusing to hear testimony that is being given, just because a man may be a Democratic or Republican candidate. I think we would be lowering the tone and the high intent of this inquiry.

I am very glad to welcome you here, Mr. Holz. I know that you were present yesterday in New York. We would be very glad indeed, Mr. Superintendent, to hear from you. We know that you will give us testimony that is of great usefulness.

#### **STATEMENT OF LEFFERT HOLZ, SUPERINTENDENT OF INSURANCE, STATE OF NEW YORK**

Mr. HOLZ. Mr. Chairman and gentlemen, I wish to express my appreciation for the opportunity to be present this morning, and I trust that what I have to say, which will all be factual, may be of some help to the committee in its deliberations. I might add hurriedly that if I omit anything in the presentation which I prepared, I will be very happy to answer any questions that may come to your mind, and if any subject comes up after these hearings, please feel free to call on me. My staff and I will be happy at all times to cooperate.

Senator LEHMAN. Thank you very much.

Mr. HOLZ. The matter of flood insurance has been the subject of deep concern to and extensive study by the Insurance Department of the State of New York. Since damage from floods has always been more or less with us and is not fully controllable, it would appear that some forms of insurance might have been devised to spread the loss. It is necessary to explore why existing coverages are limited and do not meet the need; what are the obstacles to writing complete flood insurance; and what has been the experience of insurers attempting to do so.

The insurance industry's experience with flood insurance as a separate line of business has been entirely unsatisfactory in the past. A company organized to sell flood insurance in the Mississippi Valley in the 1890's became insolvent within 3 years. Other companies both here and abroad that sold flood insurance on a selective basis gave up the attempt in a few years. A number of authorized companies of-

ferred the line as recently as the 1920's and 1930's but no company does so now.

Such coverage as now exists against flood damage is limited to losses occasioned to automobiles and personal property covered by transportation policies. While it is impossible to estimate the extent of such coverage, my best guess would be that it does not exceed 10 percent and in all likelihood is nearer 5 percent of the total value of properties subject to damage.

The extended coverage endorsement which frequently is attached to fire-insurance policies, while covering many risks other than fire, expressly excludes floods. There is one exception, however, to this extended coverage exclusion. Two groups of companies writing extended coverage do not exclude flood insurance in their all-risk endorsements but those companies write only very selected risks and in such small amounts as to be practically negligible. Furthermore, one of those groups does not offer this all-risk endorsement in the State of New York. It is also pertinent to note that the cost of the all-risk endorsement which does not exclude flood damage is about 2½ times the cost of ordinary extended coverage.

The trend to package and broad form residence policies has led to considerable dissatisfaction after storms when assureds discover that losses due to wind-driven rain or seepage are not covered. The discontent is increased when it is found that like claims denied by some companies are paid by others, either on the basis that the wind first caused a breach in the building or because the language of the exclusion mentioned "surface waters" and did not definitely exclude seepage or backing up. This has brought about added pressure for true all-risks forms.

The principal obstacles to writing flood insurance have remained the same since Noah's day: lack of interest when there are no floods; adverse selection when the rains begin. The theory underlying other forms of property insurance generally is that the contributions of the many who may be exposed to loss reimburse the few who actually suffer the loss. There is a broad base and, essentially, the pool of premiums collected each year takes care of the claims of that period except for the small catastrophe factor in the rate. Infrequent catastrophes are provided for from an accumulation of that portion of the premium in a company's reserves and surplus funds.

In the case of flood insurance, the market is almost exclusively among valley and shore residents who are subject to high water. Thus there is no broad base. Upon recurrence of flood conditions almost every assured in the area becomes a claimant. Every flood is a catastrophe. The premium cost must be necessarily high, but still insufficient for a peak loss year except by averaging over a good many years. There may be active demand for a while after a disaster, but when a couple of years go by without loss and the danger seems remote, the tendency is to drop the high-cost protection. Insurers, then, cannot build up reserves to make the line self-sustaining.

Another serious deterrent to the writing of flood insurance is the high cost of instituting a system of scientific rating of properties subject to damage. The steps required are detailed in the April 1952

report on Floods and Flood Damage by Parsons, Brenckerhoff, Hall & MacDonald, engineers, and may be summarized as follows:

1. Estimating for each basin the future flood occurrences of different intensities based on past experience (by charts or graphs).

(a) Modified by anticipated effects of expected changes in controlling conditions.

2. Mapping of river valleys into "damage reaches," subject to same degree of flooding.

Senator LEHMAN. What do you mean by damage reaches?

Mr. HOLZ. The areas that would be affected by the floods which would be included in a damaged area. In other words, you have to expand that to a point that may likely be affected by the waters coming through the floods. That would be called a damage reach.

3. Determining the rate for particular property, considering:

(a) Height—location in damage reach.

(b) Construction.

(c) Occupancy.

(d) Protective devices.

(e) Past or probable damage at various levels:

(1) Maximum loss.

(2) Average loss.

(f) Calculation of rates for varying percentages of maximum loss coverage.

It is evident that insurers cannot undertake the cost incident to a proper system of flood rating unless there is a wide market, even as practically every property rated for fire coverage is insured against that peril.

I might add here that one of the reasons why fire insurance has been reduced to a relatively small charge is the very fine system of rating that they have based upon the engineering reports. However, that has taken them many years of very careful study and a very expensive plant has been built over these many years. We have nothing like that in flood insurance at the present time and it would take not only many years to accomplish that but a tremendous sum of money.

The necessity for large initial reserves is a considerable obstacle in the path of flood insurance. A company writing in one flood area and receiving an average annual premium, would still have to be prepared to pay the maximum possible damage, since all of the insured properties are subject to one major flood.

That is in distinction to a fire loss, where it is very unusual that an entire area is covered by one catastrophe.

In other lines of insurance, the unearned premiums more or less measure the potential liability because of the wide spread of risk. Some spread may be obtained in flood insurance by countrywide writing. However, the acceptance of countrywide flood insurance is, to say the least, doubtful.

I make that statement because I can conceive of no way that we can get a countrywide acceptance on a voluntary basis, and I have my serious doubts as to whether or not we are ready to go into any compulsion, even if it could be done on a compulsory basis. And the moment we have a matter of freedom of choice on the part of the insured, we are bound to have those persons that live in areas that are never affected by floods seeking that type of insurance which would exclude flood damage, because the rate would be so much less. So I say the acceptance of countrywide flood insurance is really very doubtful.

My own personal feeling is that it is hardly possible we could effect that except through some compulsory measure and I doubt if we would want to do that.

But even so, the losses could initially amount to several times the premiums received—an inordinate charge on surplus and unfair to other policyholders.

It might be argued that a direct writing company could obtain reinsurance and minimize the effect on surplus. However, reinsurance is relatively unavailable for the same reasons that deter the primary underwriter. The reinsurer, too, wants to be confident of an adequate premium and a proper spread of risk, without the requirement of such reserves as to endanger its solvency and ability to write other business. It has been said that the underwriters at Lloyd's will insure or reinsure any hazard. From available data, it appears that very little flood insurance is written directly by Lloyd's, nor is there any widespread flood reinsurance offered.

I am confident that the insurance companies are not only aware of the problems presented by the recent floods but I am certain that if flood insurance could be written feasibly, the insurance companies would not only be willing but eager to provide such coverage.

The flood line might hold more attraction to insurer and reinsurer in the United States if it were not for the impact of Federal income taxes. Premiums apparently earned, but still subject to future actuarially predictable disasters, are taxable for any resulting underwriting profit at 52 percent. Reserves for future catastrophes are not recognized as true liabilities on the annual statement blank or by the Federal tax authorities. The carryback and carryforward of operating losses permitted under the tax statutes for 2 and 5 years, respectively, ameliorate this to some extent, but not sufficiently. The time allowed is not adequate and there is still the immediate drain of taxes on premiums nominally earned but which do not yet belong in surplus.

Mindful of the problems presented and the need for action, the president of the National Association of Insurance Commissioners has appointed a committee to study flood insurance. As you probably know this is an association made up of all the insurance commissioners in the United States. Every State is represented in that body. The committee is composed of the following insurance commissioners:

George A. Bisson, chairman, Rhode Island; Leffert Holz, vice chairman, New York; F. Britton McConnell, California; Charles F. Gold, North Carolina; Arch E. Northington, Tennessee; and Mark Wentz, Texas.

I might add that this committee was appointed in Chicago at a meeting of the executive committee last Tuesday, and the president gave us very explicit instructions to make this the No. 1 problem on our agenda, and we propose to proceed without delay.

It is the intention of this committee to consult with representatives of the insurance industry and all other persons interested in the subject matter under examination in order to ascertain if it is possible for flood insurance to be written by private insurance companies even though governmental aid in reaching that goal may be necessary during the initial period of operations.

Senator LEHMAN. Thank you very much, Mr. Holz. Senator Ives, have you any questions?

Senator Ives. Yes, I have a few. Mr. Holz, I really am impressed by your presentation this morning.

Mr. Holz. Thank you, Senator.

Senator Ives. Using very concise language, you have indicated what the chief problems of the insurance companies are in dealing with this matter. I am somewhat acquainted with them myself. However, we are faced with something with which we must have some action one way or another in the relatively near future, as you probably realize from the testimony you have listened to yesterday.

I take it from what you say that this committee, of which you are the vice chairman, will not have a report in the comparatively near future, will it?

Mr. Holz. I think we will, sir. We are hoping to have a report prior to the time the Congress goes into session, so we can be of some use to you—otherwise it would be meaningless. We have every intention of having that report quickly. We are going to devote a great deal of time to the study. And as you might well imagine, the problem is nothing new with us. We have been giving a great deal of thought to it. The problem of finding a means of providing this insurance has reached a point now where it must have a solution. And we are not taking no for an answer. We have got to find the answer. I can say to you with some reasonable certainty that certainly within the month of January 1956 we ought to have some word in the way of a report from our committee.

Senator LEHMAN. Do you think it is possible to work out a rate structure? Your statement here would indicate to me that years and years are likely to elapse.

Mr. Holz. Let me indicate what the rate structure would be. It is almost impossible to work it out. But there would be some element of speculation as there is in all ratemaking.

I have repeatedly stated, and, I think, with some reason that there is no legal bookmaking I know of that compares with ratemaking in insurance. Until we have a good many years of experience, to a very large degree it must be in the nature of speculation.

Our ordinary fire losses indicate a ratio of something like 50 percent of premiums. So that if we took the basis of our present losses, which average \$466 million a year, based upon the reports of the Engineering Corps, we would have to have premiums to cover that of twice that amount, or \$392 million. That is a sheer guess.

Senator LEHMAN. What are those figures again?

Mr. Holz. The estimate of damage caused annually presently is in the neighborhood of \$466 million.

Senator LEHMAN. By floods?

Mr. Holz. By floods.

Senator LEHMAN. You mean the last series?

Mr. Holz. No; this is the average over many years. This is furnished by the Army Engineer Corps. They have taken into consideration the losses over the last 10, 12, or maybe 15 years, and they average around \$466 million. I think there was a report here recently that put it at \$457 million.

Senator LEHMAN. That was not a report of the Army engineers. That was a report of the Department of Commerce.

Mr. Holz. Senator, I am advised by my associate it was the Army engineers, and it is a 25-year average.

Senator LEHMAN. They have no figures at all—and now I am quoting from the Chief of the Corps of Engineers.

Mr. HOLZ. Well, I may be in error, as to the figure I am quoting.

Senator LEHMAN. They have no estimate of the losses that have occurred in the calendar year 1955.

Mr. HOLZ. That I can understand. I do not mean to include that. I think this would exclude 1955 completely. I do not think there is any question about that.

Senator LEHMAN. The figures also show that losses from flood damage have been considerably greater in recent years than they were on the average.

Mr. HOLZ. I think that is so, Senator. The figures I am giving merely are for the purpose of illustrating what the rating will be, notwithstanding the fact that the current losses may exceed that amount. The losses for 1955 might be greater for 1 year by many millions of dollars than the average indicated here. But using this merely as an illustration, if the loss was \$466 million, we would have to have premiums which would be a minimum of twice that amount, or \$932 million. That is computed on the basis of losses sustained in fire insurance, assuming it would be no greater. Therefore, the only rating feature they could start with would be on the basis of a premium which would be twice the amount of the loss. That is on the theory that the loss ratio to the premium is 50 percent.

I cannot say, not even as a guess, that that would hold true in flood insurance. But we would have to start from some base. We would use that as a base merely as a trial balloon. Only experience would indicate whether that is justified or not. Nobody could state at this period what it would be. That is why the companies would be very reluctant to undertake this without some sort of assistance from a governmental agency. There must be some indemnification. What the form of it should be, I am not prepared to say at this moment. But I think we are all in agreement that without some sort of indemnification from the governmental agencies, temporary though it may be, I doubt very much if the companies would write this.

One of the officials of a company in discussing the problem with me quite informally indicated that the estimate of valuable property to be insured in the Borough of Manhattan from Canal Street to the Battery, that small area—which takes in not only physical real estate, but personal property—they estimated the value there would be \$25 billion—just for that little strip of land. It is not likely that Manhattan Island, from the Battery to Canal Street, will be inundated by floods so as to cause damage. But who is there here that can say it will not happen. You have got to estimate that in your computations. When you stop to analyze that little strip, you can see how staggering the situation is.

Here in the United States, the fire insurance coverage relates to an exposure of well over \$400 billion. That is a lot of money. And I think the flood insurance would cover more than that if we actually took it into consideration.

But, gentlemen, we cannot give any concrete answers to the rating. It has to be a trial-and-error method. That is why we are hoping to come out with a report to you which will give you some concrete expressions and some recommendations and suggestions as to how this prob-

lem may be met, being mindful that without some aid from the Federal Government, I do not see how this thing could be done.

Senator Ives. We are all assuming there is going to be a great need for Government aid. I think we all realize that insurance companies cannot enter into this, especially without any experience. On the other hand, the question arises as to what form that aid should take. I gather at this time you are not in a position to indicate what form that aid should take.

Mr. Holz. Senator, I prefer not to make any comment until our committee has examined the matter thoroughly, because anything I may say now would not be the result of a complete study, and I do not think it would be fair to you or to my committee.

Senator Ives. There is one other question I would like to ask. There was the rather novel suggestion made yesterday by Mr. Crystal that this matter be taken care of by a tax to be added to the income tax, a certain small percentage, a very tiny percentage—to be added to the income tax itself. For instance, if you are in the top bracket, your percentage would be greater in dollars than it would be if you were in a bottom bracket. It would be percentagewise. His idea there was that in the final analysis the taxpayer is going to have to pay it anyway. It is for everybody. It is going to take care of everybody, theoretically. And everybody should bear the burden. It should not be left to a certain few, or it should not be left to ratemaking or anything of the kind.

Have you ever given that idea any thought?

Mr. Holz. May I be excused from expressing an opinion on the subject? I have one, but I prefer not to express it.

Senator Ives. All right. I have no further questions.

Senator Lehman. Mr. Commissioner, I am very much interested in your statement, which is very clear and very informative. I am not at this time criticizing the insurance companies for not writing this kind of insurance, because I know their difficulties, difficulties which have been very clearly expressed here. But the fact remains that there is no means of getting flood insurance from any source whatsoever. You can get fire insurance, you can get hurricane insurance, tornado insurance, earthquake insurance, and various other types of protection against man-made or natural disasters. But you cannot get flood insurance. That is perfectly clear.

Mr. Holz. That is right.

Senator Lehman. What we are trying to do is see whether we can work out some plan by which this flood insurance will be made available to people, either exclusively through the resources of the Federal Government, or an association of the Federal Government with private insurance companies.

May I point out this is certainly not in the slightest degree critical of you, because I understand your duties as superintendent of insurance. But it seems to me that in your testimony you really reflected the view of the private insurance companies in regard to the difficulty of writing private insurance and are not reflecting the social need of this kind of insurance from the Government viewpoint. I say the Government viewpoint, because the Government must protect, so far as possible, all its people. I think we lose sight of the fact that here we are dealing with human beings who would like to be protected and

are willing to pay for protection, but just are stopped from doing it. This is the only type of disaster which I know of where there is no means of a man getting protection.

I want to point out to you, too, that my bill does not require the insurance program to be self-supporting. Would that not meet some of the objections that you have raised?

Mr. HOLZ. Well, the difficulty with that, Senator, is this—and may I add hurriedly that I have not had an opportunity to study the bill which you submitted as carefully as I would have liked to. I received it only a day or two ago. I was in Chicago at an executive meeting of the NAIC.

While I did make a very cursory examination of the bill, I would like an opportunity to study it more carefully and discuss it with my colleagues on the committee to which I referred.

I am not at all sure that it is wise to put the Government in the insurance business on a basis where insurance companies cannot maintain a premium to pay the losses. I am not sure about that. It may have to come to that. I don't know. But my theory in insurance, brought about by my activity, is to see the rates are adequate.

You see we are all charged with the duty, which I cannot dissociate myself from, not only to see that rates are fair, but to see that they are adequate, as well as not excessive.

It is awfully hard for me to dissociate myself from that thinking when I talk about insurance.

But as you have properly pointed out, this becomes a social problem that we have to solve. And it may be solved in association with insurance companies or it may have to be done by the Government alone. If it is to be a subsidy or in the nature of an indemnification by the Government, then we do not have to apply the same standards as we do to insurance companies. If that is the way to solve the problem, of course, I have no comment to make on it. But I would like to study it more carefully and make recommendations along those lines.

I am sure that the companies today, if they have not been before today, are aware of the social need for finding a solution to this problem.

Senator IVES. I think the companies are in sympathy with a solution if it can be found. They have been struggling with it themselves for many years.

Mr. HOLZ. That is true. They are more conscious of it now than they were before. I think I can say with some degree of correctness that where the companies are confronted with the problem, they know it has to be solved. They are willing to cooperate to the full extent.

Senator, I do not want to give you the impression that we have the answer. But I think it is worth a try to work out something, and I am confident nothing can be worked out without some Government aid. The extent of the aid I am not prepared to say at this moment.

Senator LEHMAN. I think it is perfectly evident from the study which this committee has given to the subject that it is going to be difficult to set a rate which will make this activity self-supporting. I think we all recognize the likelihood of the Government supporting it with a certain amount. I think the Government is already writing insurance. You said the Government does not write insurance, save on a completely self-supporting basis. But they are writing it in some

activities, such as crop insurance, where they insure crops against all risks.

Mr. HOLZ. But, Senator, may I call your attention to the fact that in crop insurance the Government found it necessary to make some exclusions which are now placing a substantial burden upon the farmer. That indicates, as I say, that it is not easy to determine the rates.

The one problem, that I can say in all frankness to this committee, which has been bothering me is the question of ratemaking. I have never met any problem in my entire experience at the bar which has given me as much trouble as ratemaking. You are going to find the more you get into this that the subject of ratemaking is going to plague you no end. To whatever extent the Government can come in and help with that problem, it will be welcomed not only by the companies, but by the people generally.

Senator LEHMAN. There are indications that it would not be possible practicably for the Government to set the rate on a completely actuarial basis, save after some period of time. But you, in the concluding paragraph of your statement, say :

It is the intention of this committee to consult with representatives of the insurance industry and all other persons interested in the subject matter under examination in order to ascertain if it is possible for flood insurance to be written by private insurance companies even though governmental aid in reaching that goal may be necessary during the initial period of operations.

It seems to me that that is an admission that the practicability of this is dependent on how much of a financial responsibility the Government is willing to accept.

Mr. HOLZ. There is no question about that. That is what I intended to imply by that, Senator. And I think the companies know that.

Senator LEHMAN. Well, I hope you will continue the study. I want to emphasize the fact, and I think I am speaking for many of the members of the committee, that we are more interested in working out a plan, a project, that will grant protection, than we are interested in merely setting an exact mathematical or actuarial base.

Mr. HOLZ. I might add very emphatically that every commissioner of insurance in the United States is in accord with that view and we are going to try to accomplish that end by a recommendation we will make to your committee. We have every hope we can make some genuine contribution to the solution of the problem.

Senator LEHMAN. Thank you very much. One final word. We have been talking about the bill which I submitted. It is purely a tentative bill. That is not the only bill that is being studied or should be studied by the committee. In other words, in addition to the bill which I drafted, there is a bill drafted and submitted—a tentative bill—by Senators Saltonstall and Kennedy, of Massachusetts. There is a bill that was drafted by Senator Carlson, of Kansas. There was a bill that Senator Bush, of Connecticut, has had drafted under his direction. All those bills, I hope, will be studied.

Mr. HOLZ. We will study them all and be in touch with all of the agencies interested in this to see what information we get.

Again, thank you for the opportunity of appearing before you. And I want to renew my offer. If there is anything we can do in our department, please call on us.

Senator LEHMAN. At this time I wish to read into the record a letter which I have just received from Congresswoman Katharine St. George.

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D. C., November 3, 1955.

MY DEAR SENATOR LEHMAN: I regret that I will be unable to attend the hearings in Goshen today, as I have to be in New York City with some of my Rockland County constituents on business with the FHA office in that city. Unfortunately, this meeting could not be postponed.

I have asked my district secretary, Mrs. Gladys Hamilton, to sit in at the hearings and take notes for me. As you can well imagine, this is a matter of very vital importance to the 28th Congressional District.

As you know, President Eisenhower has asked us all to get together and do everything possible to solve the many problems created by the recent floods. I have no doubt that this is one of the main reasons for your calling these hearings at this time in Goshen.

I believe that an exhaustive study should now be made so that when the Congress reconvenes in January some of us may be prepared to introduce constructive legislation, notably on insurance and reinsurance to be backed by the Federal Government.

I intend to introduce some such legislation myself, and will of course be glad to help any of my colleagues along these same lines.

I have found during my studies in the district that there is considerable duplication and therefore wasted effort among the various agencies. Decisions should be taken promptly, and for that reason, I believe, a special session of the New York State Legislature should be called now to promulgate the necessary laws and regulations so that the necessary work can be well underway before the start of our bad winter weather.

Governor Ribicoff seems to me to be doing this very thing in our neighboring State of Connecticut, where the problems are of course far greater and more staggering than here.

I know that your hearings are going to be constructive and I want you to know that you will of course have the full cooperation of myself and my office. This question is in no way political, and I know you will agree with me on this. It is a matter of humanity and one in which we, as public servants, are all going to do our utmost for those who through no fault of their own have suffered so grievously.

With kindest personal regards, I am  
Very sincerely yours,

KATHARINE ST. GEORGE.

I am very glad indeed to know that Mrs. Gladys Hamilton, representing Congresswoman St. George, is in the audience. I hope she will stay here throughout the hearing and take as copious and voluminous notes as possible.

Mrs. HAMILTON. Thank you, Senator Lehman. I am very glad to be here.

Senator LEHMAN. You may sit up here at the table if you wish.

Mrs. HAMILTON. Thank you; I will sit here and watch. I can observe perfectly.

Senator LEHMAN. Now we are going to call on Mayor Louis V. Mills of Middletown.

Glad to have you here, Mayor.

#### STATEMENT OF LOUIS V. MILLS, MAYOR, MIDDLETOWN, N. Y.

MAYOR MILLS. Nice to be here, Senator. My remarks, sir, will be very brief and, I hope, to the point, although I may cover one point that does not come under the jurisdiction of what you are trying to seek here, but it is very closely affiliated with it.

I think a mayor of a small city probably is in as good a position as any, from a block-to-block standpoint, to know the problems of floods.

In the last two floods this year, I received dozens of calls from people who were absolutely stunned because they not only had no coverage but they hoped the city could do something for them, and, of course, we could not.

We are trying to do something in the city of Middletown which might be pertinent to your study here. We are about to apply for Federal urban redevelopment, and at least \$150,000 of that money we hope to apply to the widening and deepening of sewers in Middletown.

I mention that for this reason: Our problem is not going to be solved by doing that, although most of our damage from floods was created due to our sewer problems. But, basically, the problem in Middletown is that the floodwaters back up below the city limits, and I imagine this is characteristic of many cities.

In townships below the city limits, the floodwaters back up. In our case it is in the Wallkill River, and that backs up the sewers in Middletown.

I mention this because probably there is going to be less flood damage in the future and, therefore, less need for so much of the insurance you are seeking if the cities are able to receive Federal aid to make major sewer improvements, and particularly sewer improvement probably below their own city limits. In our case a good deal of the damage is created not in the city but below the city.

I stress that because I have a feeling most cities are just like Middletown. The people that are being damaged by floods—and I am thinking now particularly of residential dwellings rather than commercial or industrial—are almost all the poorest people in the cities because storm sewers, major trunk sewer lines, are in the older sections of the city which are usually the lower sections of the city. The newer sections have been built on the heights. But in Middletown as in most cities, the older sections are in the lower parts of the city and those are the sections that are flooding, and those are the sections where the oldest dwellings are, the slums and the areas that are gradually approaching slum conditions.

Therefore, it seems to me that in your study you must consider the fact from an insurance standpoint that the damage is happening mainly to people in the very lowest income groups and that it is being created in many cases, certainly in our community, by factors beyond our control as municipal officials. It is being created due to the fact, in Middletown, that the Wallkill River simply won't carry the floodwaters as they come out of Middletown. So you might consider that in your study of any insurance for flood damage.

I can certainly say this, as a mayor of a small city: The people need some sort of protection, as I am sure we are all aware, against this catastrophe.

Thank you very much.

Senator LEHMAN. Thank you very much indeed.

Senator IVES. Thank you.

Senator LEHMAN. I just want to say that I have always been very strongly in favor of urban redevelopment, as I am sure that my colleague, the senior Senator from New York, is.

Whether you would qualify under the Federal Housing Act, in order to permit you to use some of this money for the purposes that you have outlined, I don't know. I would suggest that you check

with the Housing and Home Finance Agency to see whether their broadened public agency loan program can be of help to you.

Mayor MILLS. We have done that, Senator.

Senator LEHMAN. Preference does go to cities, and we have passed some amendments, but that was, of course, limited to 10,000 population.

Mayor MILLS. Thank you, sir. We have had many conferences with those agencies and we are pretty far along in preparing the application for filing. I am confident that the city of Middletown will qualify for aid and for Federal aid for sewer improvements.

However, the point I wanted to make was that we can do nothing, as I understand it, under the Federal law about the condition that exists below our city line. In other words, the only Federal money we can apply for is money that we will use within the city; and although that will solve part of our storm-sewer problems, it won't solve the major problem which exists below our city line.

Senator LEHMAN. You have had no ruling on that from the Federal agencies?

Mayor MILLS. No, I haven't, but I would assume that is the case because, after all, it is not under our jurisdiction. It is under the town of Wallkill.

Senator IVES. I would like to ask Mayor Mills a question. Mayor Mills, were any applications made from Middletown to the Small Business Administration managers for loans following either or any of these floods?

Mayor MILLS. I am sorry, I am not qualified to say. Maybe Mr. Abt of our public works department knows. We made an application, I believe to the State.

Senator IVES. I didn't mean the city itself. I meant were applications made to the Small Business Administration for loans by anybody who lost property as a result of the floods?

Mayor MILLS. I am not aware of it.

Senator LEHMAN. Thank you very much indeed, Mayor.

The next witness is Mayor James Cole of Port Jervis.

Is Mayor Cole in the room?

The mayor is not in the room. I am going to call on Alderman James Murphy and Alderman Peter Latini of Port Jervis, who will please testify together in order to save time.

Will you identify yourself to the reporter, please.

#### STATEMENT OF JAMES MURPHY AND PETER LATINI, ALDERMEN, PORT JERVIS, N. Y.

Mr. MURPHY. Of course, this is a little unexpected. We are not too well prepared, but we can tell you something that happened on August 19 in Port Jervis. The floodwaters came up so fast that people were unable to get their personal belongings out of their houses. The water was up as high as close to the second floor in some of the areas. There was a great loss of real property, but I think the greater loss was from personal property. Foundations were washed away, and some of the houses had to be condemned.

The State came in. We called on Governor Harriman for help. As I say, the State came in and under civil defense and mutual aid, we had about sixty-some units, mostly volunteer fire companies, that came in and pumped out cellars. They were there about 4 days before-

we had removed the water from the different cellars in the community.

The underpass which goes under the railroad was full of water, and they were about 16 hours straight pumping that out.

The water came up and it flooded the dike and went over the dike. I happen to live right along the Delaware, and it was just a question of whether I was going to have it in my house or whether I wasn't. I was fortunate. It didn't quite reach me. Alderman Latini was not quite so fortunate.

There is no feeling as helpless as that when something like that happens. You just can't do anything. These people suffered a great loss, and it would be a wonderful thing if we could get some insurance to help these people if it happens again, even though we know that it is probably impossible for any insurance company to take on this risk by itself. But, nevertheless, it has been necessary for the Federal Government and the States to come in and give assistance.

So I think myself—this is my own opinion—that we might better contribute ahead of time in small amounts instead of having to do it all in one lump.

That is all I have to say.

Mr. LATINI. Senators, I may add to Mr. Murphy's statement here on the flood—I have been closely associated with it, not only because I am a sufferer of this vicious thing, but we have to realize that Port Jervis is under constant threat. We have the Delaware, which engulfs the Delaware Valley and, of course, the Neversink, which comes into the Delaware River. As a result of that, the Delaware River is a much larger body of water, and when the Delaware Valley collectively picks up all these rains that may have come about throughout the upper end of the valley, when it builds up, coming into Port Jervis, down through the Delaware, it has a tendency to back up the Neversink, and that constitutes a threat.

We have numerous dams that offer a threat as far as Port Jervis is concerned, and we have been very fortunate. We had been threatened, there had been a rumor that Wallenpaupack was going to go out, and naturally people were once again on edge. Fortunately, it was just a vicious rumor. There was no threat there. But it does offer a threat. If there should be a continued rainfall, such as we had around that time of the 19th, you can readily see the damage that might be incurred.

We have suffered much. It was more of a personal property matter than it was real property. But if these dams should go out, then you would come into total destruction, especially in the flat sections of Port Jervis.

Senator LEHMAN. What kind of dams are these? Are these flood-control dams?

Mr. LATINI. No, they are power dams. Of course, we have a threat overhanging the city, our reservoirs, and some sort of flood control should be instituted so that we will have a certain amount of protection and this threat won't be hanging over our heads.

But the purpose at this meeting is to study the insurance situation here, and definitely there is a need, and I honestly believe that there is only one possible way and that is through the Federal Government.

Senator LEHMAN. I do want to say, parenthetically, that although

this committee of ours has not been directed to look into the question of flood control, we are very much interested in it. We feel that the Federal Government should do much more in the way of flood control, not only for the State of New York but in various parts of the country, than they have been doing. The appropriations have been quite inadequate, in my opinion, over the past few years, and the Chief of Engineers testified that if the appropriations were continued on approximately the same basis as they have been in the past, just to take care of the projects already approved by the Corps of Engineers would take 22 years, which is a long time to wait.

Senator Ives.

Senator IVES. I would like to ask either one of the aldermen whether they know about any loans that have been applied for by any of the merchants or persons in Port Jervis or vicinity who lost property as a result of the flood, loans that have been applied for with the Small Business Administration.

Mr. MURPHY. I know there were. I can't tell you the amount or the number, but I know there were several loans applied for and several loans made, but the extent I can't tell you.

Senator IVES. They have received the loans, then?

Mr. MURPHY. Yes, they did.

Senator LEHMAN. May I ask you, have you any estimate of the damage suffered by your city?

Mr. MURPHY. You mean the people of the city, not to the sewers or streets or anything?

Senator LEHMAN. Yes; I would like to have both.

Mr. MURPHY. Well, we estimated it around \$7 million. That is the streets and the dikes. The personal and real property are approximately, maybe \$500,000.

Senator LEHMAN. Have you any idea how much the loans that were granted by the Small Business Administration or by other governmental agencies amounted to?

Mr. LATINI. The only thing we could do is give you maybe something approximate. Maybe it won't even come close to the figures. But I would approximate that small-business loans may have come close to a figure of a hundred thousand, which is probably just a round figure.

But, all in all, we have to realize that many businessmen that have suffered losses sometimes would try to take on the loss themselves, but they not only have lost the question of real property or maybe personal property but there is a question of losing time.

They may take a month, maybe a month and a half, or 2 months before they get back in business, and their business is keen. If it is a competitive business, you can see where his losses would be as far as income is concerned. So we not only have losses as far as personal property or real property but we have income losses also; and I can stress that strongly. I have been closely associated with this thing from beginning to end, and I have been associated with some of the charitable institutions that have done a wonderful job in rehabilitating the people of Port Jervis. But their powers are limited, their policies are limited, and I sincerely believe that the Federal Government, instituting something like this, this type of legislation, would be a partial answer for the people.

Senator LEHMAN. At some of our hearings it was advanced and strongly supported that the Red Cross would be able to take care of a great part of this damage. I know that the Red Cross is a great emergency relief organization, for whom I have the highest regard. But I wonder whether their resources are large enough or would be large enough to help any substantial number of people rebuild their houses. Have you had any experience on that.

Mr. LATINI. I don't wish to take over the floor here, but I have been associated with the Red Cross in an advisory capacity, inasmuch as my district had been stricken with this thing. All I could do was voice the situation and do the best I could as far as Red Cross and the people were concerned. I will say this. Their policy is limited to the extent that they may go. If you are in the category of handling the situation yourself, you may secure a loan through Small Business. But if you are in a position where you might be destitute and you have to have some assistance, they have gone into business also—that is, Red Cross. And I will say this. They have been doing a wonderful job. But then again, their policies are limited, and only in some instances can they give assistance in business.

But there again, the question of this insurance would be protective to the resident and to the businessman.

Senator LEHMAN. Thank you very much, indeed, gentlemen.

I am told that Assemblyman Wilson Van Duser, and also Supervisor Hammond of Port Jervis are present. I know they are not scheduled as witnesses, although they were invited. But if they have any brief comments, we would be very glad indeed to hear them.

#### STATEMENT OF WILSON VAN DUSER, MEMBER, NEW YORK STATE ASSEMBLY

Mr. VAN DUSER. Thank you, Senator. I do not care to testify. I am here as an observer. I have been in very close touch with the members of the board of supervisors of Port Jervis. Governor Harriman never asked the members of the assembly to take any specific action. He hoped that the whole thing would be handled by the different boards of supervisors. I have been working constantly with them. Every member of my board is very cooperative and they have done everything they could to help look after the situation.

Senator IVES. May I ask a question. Have you found that the help from the Federal Government has been as adequate as could be expected with the laws as they are?

Mr. VAN DUSER. I think in an emergency of this kind and size, we have had very satisfactory help from the Federal Government so far. Their advice and their initial action indicates that they are going to seriously take care of this thing. It is going to take a little time, like all things that the Government handles. But I expect that they will in time do about what the people have asked for and it will be all right.

Senator IVES. Do you know anything about the number of applications for loans from the ESBA which have been made?

Mr. VAN DUSER. I do not know too much about the Small Business Administration loans. Frankly it is the little property owner or homeowner whose home or property has been destroyed or injured

in such a way that he doesn't even know how to go about asking for these loans, and so forth.

Senator IVES. He would be the fellow that could not possibly get a loan because there is no business involved there. He is the one we are principally interested in, as a matter of fact.

Mr. VAN DUSER. Well, I think that the supervisors have been listing all of those people, and eventually, through the advice of the supervisors, they will be granted some kind of a hearing so they can express themselves.

Senator IVES. The Small Business Administration does make home-disaster loans.

Mr. VAN DUSER. Well, that is good to know.

Senator LEHMAN. Both the Small Business Administration and the Housing and Home Finance Agency are prepared to make loans to people in business and to rebuild or rehabilitate homes in a limited amount. But in all those cases, what I want to emphasize is that they are loans which have to be repaid. We have known of many cases where people have lost their homes or had their homes so badly damaged that they were virtually useless, and they have nothing left except the mortgage to which they are obligated and have to pay.

What we are very much concerned with is that even though a man may get a loan to rebuild his home of, say, \$7,000, that would be on top of the mortgage of \$7,000 for which he is still responsible, making a total obligation of \$14,000, maybe, on a \$10,000 home. As many of us view it, unless a man has got a very substantial income, he just cannot carry that loan. Whereas if he were compensated for his original loss, then of course he would suffer very little loss.

Mr. VAN DUSER. He would have a little ray of hope, then, Senator.

Senator LEHMAN. That is right.

Mr. VAN DUSER. That's the trouble. I talked to a man in Port Jervis who had the exact experience you speak of—a brand new house, not quite finished, on which he owed \$7,000 or \$8,000. The house was absolutely ruined. Now he is so discouraged he doesn't know where to start. It isn't just a case of borrowing. I suppose his thoughts are something like this. "Why should I borrow to replace something here that may be washed out again."

Senator IVES. Is anything being done in Port Jervis to straighten out the housing locations?

Mr. VAN DUSER. Yes, sir.

Senator IVES. Do you have any local zoning legislation to keep these people out of the valleys?

Mr. VAN DUSER. Yes. Mayor Cole is on his way down here and will be here later, and he will tell you more about Port Jervis. He knows much more about it, of course, than I do.

Senator IVES. You are from Middletown?

Mr. VAN DUSER. Yes. I have been up to Port Jervis many times, but I think the mayor should speak for the city when he gets here.

Senator LEHMAN. Thank you very much. I will call on Alderman Frank Gesaldo of Middletown as the next witness.

**STATEMENT OF FRANK GESALDO, ALDERMAN,  
MIDDLETOWN, N. Y.**

Mr. GESALDO. I have some notes here, Senator. I am going to be very brief. I am alderman of the first ward in Middletown. The damage up there has been a lot more than the public has been led to believe. I took a quick survey of some of the properties that were damaged and people hit. As was stated here before by the mayor, most everyone hit there are people with a low income, which is a big blow to them.

Senator IVES. Unhappily, that is the way it usually is with floods.

Mr. GESALDO. A Mr. Robinson, 18 Sterling Street, had damage to his home of approximately \$3,000. That is a lot of money to a person who is in the middle-class income group. And Mr. Shoemaker, his entire household furnishings were lost. This has never been revealed by anyone in the city of Middletown. I took it upon myself to reveal this.

Mrs. Enwright said she only suffered about \$100, but they are on pension, which means a lot of money to them. They are old people, between 70 and 80.

Then I interviewed a couple of business places there. A Mr. Sagby at the corner of Fulton Street and East Avenue—the damage to him was a little over \$6,000. That is on the first flood. Then we had a little secondary flash there which added a few more thousand dollars. Mr. Martini—the foundation on his home was destroyed, and you know what that would cost in labor and materials. Then a Mr. Doolittle at 16 Sterling Street—he had damage of over a thousand dollars. The poor fellow has a cancer, cannot talk, he lost his voice box—so the loss is a serious blow to him. He had his car destroyed, a 1951 Kaiser, truck damaged, driveways washed out, furnishings lost. A Mr. Stewart, who is in the moving and storage business, has approximately \$5,000 damage to merchandise and household furnishings that he had in storage, which is supposed to be covered by insurance if the owners have it. If they do not, he has to pay that out of his own pocket. Of course, he is a young fellow, trying to get along. And that is beside the labor cost.

Then we have the Whittaker Rug Co. They estimated their damages at over \$7,000.

Senator IVES. Is this all on account of the Wallkill River backing up?

Mr. GESALDO. Yes. We have a condition there in Middletown where two brooks start from opposite ends of the town, but they come together in this area. Of course the floodwater that comes in there, as they come together, it is bound to force back.

Senator IVES. You have a flood-control project on your hands there, haven't you?

Mr. GESALDO. Yes; that is what I am primarily interested in.

Senator IVES. Would not a flood-control project straighten that out?

Mr. GESALDO. Yes. I had the State down and they were going to send an engineer down here at some future date, after they got caught up with all their other work. I was advised then that the only way you could control that is to go to the headwaters of these streams and go all the way down to the Wallkill River. Because if we just

straighten out the condition in Middletown, it is just going to back up somewhere else.

Senator IVES. You mean putting in retaining dams?

Mr. GESALDO. Right up where the streams outside of town commence.

Senator IVES. That is what I mean—put dams in up there and hold the water back.

Mr. GESALDO. I think they would want dams down below it, or basins to catch the water and store it.

Senator IVES. Reservoirs.

Mr. GESALDO. Yes.

Senator IVES. How far are the headwaters of the Wallkill River from you?

Mr. GESALDO. Well, the Wallkill River does not go through Middletown. It is just that these streams flow into it. I would say a mile or two away. I have pictures here of conditions in 1952 in which you can observe that it has been a lot worse in Middletown than publicized. These people were hit twice in one year in 1952. These are all 1952. And then here is 1953. It looks just like Venice. They had rowboats out in the street, which has never been publicized in Middletown.

These are the last flood.

I understand there is another bill in regard to flood control.

Senator LEHMAN. For this?

Mr. GESALDO. Yes.

Senator LEHMAN. A general flood control bill; yes.

Mr. GESALDO. But I surely am in favor of this insurance plan for these poor people there. After all, it is a lot of money for them to shell out. A lot of them won't replace their furnishings. They just cannot. They do not have the money to do that.

Senator LEHMAN. Have you had any report on this project from the Corps of Engineers?

Mr. GESALDO. Well, they were down last week.

Senator LEHMAN. Did they report the project for flood control in that particular area? Have they made any report and has it been a favorable report? The reason I raise that question is Congress is very greatly influenced by the report of the Corps of Engineers. If you get a favorable report, you have a good chance of getting an appropriation. If you get an unfavorable report, the Appropriations Committee will not consider it at all.

Mr. GESALDO. The State flood commissioner definitely told me there should be something done, and that is why at a future date he recommended sending an engineer down to survey the city. That is the only way it can be done.

But on this bill, I am heartily in favor of insurance there, because it is practically impossible for even a man with a good income to have flood insurance. I don't know what the rates are.

Senator LEHMAN. You cannot get it at all now.

Mr. GESALDO. You can get it from Lloyds in London.

Senator LEHMAN. As I understand it, you would favor flood insurance if a plan is worked out which would cover personal as well as real property.

Mr. GESALDO. I sure would; yes, sir.

Senator LEHMAN. Have any of these people whose plight you have described obtained any loans from any Federal agencies?

Mr. GESALDO. They have not gotten a cent as far as I understand.

Senator IVES. Have they applied?

Mr. GESALDO. No; they don't know what to do. No one ever approached them.

Senator IVES. You heard Mr. Van Duser's statement and the information which we gave him about it.

Mr. GESALDO. A lot of these people figure if it is only a thousand dollars they won't be heard. They say, "What's the use of applying for a thousand dollars? They won't give us any consideration whatsoever." That is the attitude of a lot of the people.

Senator IVES. But they would be surprised. They are giving them consideration. A lot of loans are being granted.

Senator LEHMAN. Has the Small Business Administration an office in this area?

Senator IVES. They opened one in Port Jervis.

Senator LEHMAN. Both Assemblyman Van Duser and you, Alderman, have testified people do not know about the possibility of getting this. During the hearing in Washington we asked whether people knew about this opportunity, and we were told yes, they did; that the Small Business Administration was publicizing this and making it known through their branch offices.

Senator IVES. Well, the local press could do a lot toward publicizing it.

Mr. GESALDO. It would help. But here are 5 or 6 properties where there is over \$20,000 damage, and they are all low income. Naturally I would be heartily in favor of any insurance.

Senator IVES. As I said before, that is the sad part of this. These are the people that can afford it the least.

Senator LEHMAN. Thank you very much, indeed.

I understand that Supervisor Maynard Hammond of Deer Park wishes to make some comments, and we would be very glad indeed to hear from him.

#### STATEMENT OF MAYNARD HAMMOND, MEMBER, BOARD OF SUPERVISORS, DEER PARK, N. Y.

Mr. HAMMOND. Senator Lehman, I had not intended to take part in this hearing because of the limited knowledge I had as to what it would cover. However, from the standpoint of the town of Deer Park—for your information, our town surrounds the city of Port Jervis on three sides—the bulk of our damage was to municipal facilities rather than to private property. We were most fortunate in that here were only three families I know of that were affected as individual families by the flood. To the best of my knowledge, those three families were adequately taken care of by the Red Cross.

Our problem, I feel, is more of a flood-control problem than it is an insurance proposition, although there are instances in some places in the town where some kind of flood insurance would be a real help.

Last night I had a conference with the survey team from Interstate Flood Control Commission and was assured that we are in a position to get some assistance in correcting some of the causes of flood damage in the town in the way of dikes and dredging of obstructions in the streams that run through the town. Further than that, I do not think I can add anything, Senator, other than to say

that we have had cooperation from the Corps of Engineers, from the Civil Defense Administration, as well as from State agencies. We have a long way to go. Our problem at the present time is to find enough financial assistance to make the permanent repairs that are required to municipal facilities. Further than that, I don't think I can add anything.

Thank you for the opportunity of appearing, Senator.

Senator LEHMAN. Thank you very much.

The next witness is Mr. Joseph B. McMurray, commissioner of housing, State of New York.

Joe, I am very glad indeed to welcome you.

Commissioner McMurray was long connected with and was one of the mainstays of the Senate Banking and Currency Committee in Washington.

Senator IVES. I might remark with respect to Joe he was just as helpful to the Republicans as he was to the Democrats, even though he is a Democrat.

#### **STATEMENT OF JOSEPH P. McMURRAY, COMMISSIONER OF HOUSING, STATE OF NEW YORK**

Mr. McMURRAY. Thank you.

Senator LEHMAN. Have you a formal statement?

Mr. McMURRAY. I certainly have.

I might say before I start that I am very happy to be in Goshen because in Goshen we have probably what will be the smallest low rent public housing project under the State low rent housing program.

We have been discussing with the mayor and the city officials a program which would only involve six units, but we feel that housing is needed by all communities regardless of their size. This probably will be the smallest housing program of this kind in the country.

Senator LEHMAN. Is that covered by the amendment that was passed this year?

Mr. McMURRAY. No, sir; it is just a change in administrative attitude.

The problem you are studying is a tremendously complicated one, and I cannot pretend to be an expert on the subject. Even if I tried to do so, you are my former bosses and would know better. I hesitated for some time to come before this committee because I know from personal experience that you know more about the subject than I do.

I say that in all honesty because I feel that Members of the Senate probably have more knowledge and experience than almost anybody I know.

I know both of you Senators, and I know the other members of the committee, and I know how tremendous your experience and knowledge is.

Senator LEHMAN. Shall I accept that?

Senator IVES. I am glad to accept that, but I want to say he is all too modest. This fellow in front of us has about the broadest knowledge of anybody I know of in the field.

Senator LEHMAN. When you said "I think he is too modest," I thought you were going to say "He is too modest in his praise of us."

Mr. McMURRAY. I assure you, I am. If I were as eloquent as you two gentlemen, I could be equal to your merit.

I wanted to come before you because this was my committee and I know how earnest and sincere and hardworking you are, and how deeply concerned you are about these problems.

I might say to the audience here that I don't think the average person realizes how hard their representatives in Congress do work and how sincere and anxious they are to do a proper job. There are some differences of opinion among Senators, and also some differences in political attitude, but it has been my experience that when they have the knowledge and the facts and when there is a situation that requires patriotic action they never fail; they are always interested in that, and I say that most sincerely.

So, as State commissioner of housing, I came here not to tell you what you ought to do, but to see in what ways I could help you deal with a difficult problem. Maybe I was just a little homesick to see you again, too.

We in the division of housing are interested primarily in people and their homes. When we read about floods and hurricanes and other disasters and the many millions of dollars damage they cause, we cannot forget what this means in terms of human suffering and individual privation. Naturally we all want to relieve the terrible misery that these catastrophes cause, and this very hearing is evidence that the time has come when something must be done about it. Senator Lehman, your distinguished chairman, has prepared a bill which embodies measures designed to spread the weight of this burden more equitably and insure people at least partially against these risks. You have a number of other proposals before you, many of which are variations of one kind or another of the principles embodied in Senator Lehman's bill.

I might say I have made a comparative analysis, the kind we used to prepare when I was a member of the staff of the committee, and if you haven't one already, it shows the four bills you are now considering by a breakdown of administration, types of risk covered, individual limitations of coverage, rates, operation, role of insurance companies, borrowing limits, claim limits, and ratemaking. I think it gives you a fairly good idea.

Senator IVES. Joe, on behalf of the staff we want to thank you.

Senator LEHMAN. Without objection we will include it in the record.

(The comparative analysis referred to follows:)

A COMPARATIVE ANALYSIS OF 4 FLOOD AND DISASTER INSURANCE BILLS UNDER CONSIDERATION BY THE SENATE COMMITTEE ON BANKING AND CURRENCY

	Lehman	Kennedy-Saltonstall	Carlson	Staff
Administration.....	Federal Disaster Administrator.....	Administrator of the Small Business Administration.	National Disaster Insurance Corporation.	Administrator of the Small Business Administration.
Types of risks covered.....	Natural—flood, tidal wave, hurricane, tornado, blizzard, dust-storm, hailstorm, or other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination, or other air pollution or volcanic eruption. War damage and perils of war—(a) hostile or warlike action by government power or authority, using military force, or agent of foregoing; (b) action by Government agency of United States to defend against hostile or warlike action; (c) Disorder accompanying collapse of civil authority resulting from (a) or (b) or enemy control.	Any flood as defined by the Administration.	Flood, tidal wave, earthquake, or hurricane.	Natural disaster—flood, tidal wave, hurricane, tornado, blizzard, dust-storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination, or other air pollution or volcanic eruption. War damage—(a) from hostile or warlike action by government or their agents; (b) from defensive action against such action by Government; (c) from disorder accompanying collapse of civil authority determined by President to have resulted from (a) or (b) or control by enemy forces.
Individual limitations of coverage.	Natural disaster—Property: \$300,000 with \$200 deductible; \$300,000 per inhabitant on community coverage. War risk—Limited to 75 percent of declared value of property. Reasonable compensation for workmen's compensation liability. Reasonable compensation for personal injury or death of civil-defense worker or one performing civil-defense duties. Reasonable compensation for personal injury, disease, or death from war perils.	Aggregate amount insurance to any single piece of real property not to exceed \$250,000. Approved amount of any claim reduced by \$300 plus 10 percent of remainder or by such larger amount or percentage as may be prescribed by the Administrator.	Corporation shall provide by regulation limits of loss which may be covered.	\$60,000 limit on 1-4 family residence, \$250,000 limit on other property under any one policy. On re-insurance assume first \$1,000 and all exceeding \$60,000 per policy and up to 80 percent of loss between those limits—natural disaster. War risk—reasonable protection to real and personal property and against personal injury or death.
Rates.....	Natural—Prescribed by Administrator for each type insurance or re-insurance available. Administrator prescribes areas and subdivisions within which each rate shall be applicable. On policies reinsured, subject to approval of Administrator. War risk—Established by Administrator on basis (1) type property; (2) protection offered; (3) legal residence of person involved.	Prescribed by Administrator for each type insurance, and/or re-insurance available and for each type or class of property insured. Administrator also prescribes areas and subdivisions within which each rate shall be applicable.	Depends upon risks involved and the desirability in the public interest of providing protection which would not be otherwise available.	President or his designee shall prescribe fees and premium rates for indemnity and reinsurance on basis, risk insured, desirability of providing the indemnity, and expense of operating insurance plan including reserves.

**Operation and role of insurance companies.**

On agreement, can sell direct Federal insurance and recommend adjustment of claims. Can reinsure private insurance companies either by policy or portfolio.  
 Natural—\$1 billion.  
 War risk—\$10 billion.  
 Both can be increased with President's approval.

Can only reinsure private companies.

On agreement, can sell direct Federal indemnity agreements and recommend adjustment of claims. Can reinsure private companies.

**Borrowing limits.**

National disaster insurance fund established. Premiums deposited therein and are available for payment of claims.

Not exceeding \$1 billion or such greater amount, as may be approved by the President.

**Claim limit.**

Natural—\$2 billion.  
 War risk—\$10 billion, for property.  
 No limit on personal injury.

No limitation.

Not exceeding \$2 billion—natural;  
 \$10 billion—war risk.

**Ratemaking.**

Natural—  
 Property: Administrator shall, from time to time, prescribe (1) premium rates for each type of insurance and reinsurance he shall make available and (2) terms and conditions upon which and areas within which (including subdivisions thereof) each rate shall apply. Such rates shall be based upon consideration of the risks involved and, in the judgment of the Administrator, shall be as nearly adequate as practicable to meet expenses and set up reserves for losses consistent with the aim of offering insurance and reinsurance at rates reasonable enough to encourage prospective insureds or ceding companies to purchase insurance or reinsurance. May receive from or exchange with insurance organizations and Government agencies information useful in administering programs.

Corporation shall prescribe premium rates for reinsurance upon consideration of (1) the risks involved and (2) the desirability in the public interest of providing insurance protection which would not otherwise be available. Corporation may receive from or exchange with insurance organizations or regulatory authorities such loss experience information as may be necessary to establish rates upon a sound actuarial basis and upon the lowest practicable level. Administrative expenses do not figure in the computation of the rates.

President or his designee shall, from time to time, prescribe fees and premium rates for indemnity and reinsurance authorized. Consideration shall be given to the risks insured against and the desirability in the public interest of providing indemnity or insurance with the aim of achieving a self-supporting program. May receive from or exchange with insurance organizations or regulatory authorities such information as may be useful in establishment of indemnity fees and reinsurance rates and administration of programs.

A COMPARATIVE ANALYSIS OF 4 FLOOD AND DISASTER INSURANCE BILLS UNDER CONSIDERATION BY THE SENATE COMMITTEE ON BANKING AND CURRENCY—Continued

Ratemaking—Continued	Lehman	Kennedy-Saltonstall	Carlson	Staff
	<p>Community insurance: This property insurance is available to any public body for the benefit of its inhabitants and the Administrator is to satisfy himself of public body's authority to buy the insurance and pay premium from taxation or otherwise. Premium fixed by Administrator, taking into consideration the nature of the risk insured against, the number of beneficiaries, the possible total liability and the aim of making the program self-supporting.</p> <p>Reinsurance: Reinsurance excess in a portfolio basis covering all cases of existing companies for a single catastrophe. Fee to be adequate to make program self-supporting.</p> <p>War risk—Administrator shall from time to time, establish uniform rates (1) for each type of property covered, (2) for workmen's compensation coverage, and (3) for personal injury, disease or death, according to legal residence of person covered.</p> <p>In order to establish a rating basis, the Administrator shall estimate, from time to time, the average risk involved in each class of coverage afforded.</p>	<p>None</p> <p>No express provision. Impliedly left to administrative discretion.</p>	<p>None</p> <p>No express provision. Impliedly left to administrative discretion.</p>	<p>None.</p> <p>No express provision. Impliedly left to administrative discretion.</p>

**Mr. McMURRAY.** I testified before the Rains committee about 3 or 4 weeks ago and got a little warm in the room, so I went over to open the windows and put up the shades and the chairman reminded me I was no longer a member of the staff of the committee.

I have not had the opportunity to analyze all of these drafts of bills in detail, but it seems to me that in contrast to some of the others, Senator Lehman's bill goes to the heart of the matter when it recognizes that if disaster insurance is to serve the purpose, it must be available at rates which the people in the danger areas can afford to pay. Because floods hit certain relatively limited areas only, and are so devastating when they do occur, premiums based on actuarial principles would probably be prohibitive, and the very people who most needed the protection of such insurance would not have it. This makes no sense, and Senator Lehman's bill recognizes this by providing that the premiums, though taking into consideration the risks involved, the cost of administration, and the need for reserves, should be reasonable enough to encourage prospective insurees.

It seems to me that this is particularly sound in that it strikes a balance between the need to spread the risk more widely than in the affected area alone, and the placing of at least part of the burden on the people affected. If the program were entirely a disaster-relief program, there would be no incentive for people to decrease these risks by maintaining construction standards, taking necessary measures of local protection and avoiding building in unsuitable flood plain zones. On the other hand, if it were a 100 percent insurance program based strictly on actuarial principles—though I doubt if we know enough to set up premiums based wholly on such principles—very few people would buy the insurance and, in the end, we would have to have a disaster relief program after all.

Much of the housing that gets flooded out is in the older sections of the towns. It was built there, in many cases, before we knew much about flood dangers—perhaps before they were as great as they are now. Trees, wide, empty flood plains, and unobstructed channels provided natural controls which were destroyed as increasing commercial, industrial and residential development replaced the ground cover, and encroached and narrowed the stream channels till they were choked up and could find no place to spill over when floods threatened. Now we have thousands of families subject to floods in the low-lying centers of many towns which formerly did not have them.

We know now that some of this housing shouldn't have been built where it is, and this should be a lesson to those of us who have the responsibility of locating developments. Certainly the least we can do is see to it that all agencies prevent the building of housing—and other kinds of development, too, if they have any control over it—in these danger areas. I hope our cities will keep this in mind when they issue building permits in the future. Certainly in our own jurisdiction we will not permit projects to be built where they may be subject to flood damage.

From my own personal experience with this committee I recall being on a trip in connection with an early investigation of the section 608 program—in 1949, I think it was, and again in 1951. I noticed then that the FHA was more careful about not letting people build

houses in flood areas than the VA was. The VA didn't have as much control, perhaps, but in some projects it could have discouraged construction more than it did, and some of the damage could have been avoided.

Another way in which Government agencies could help on this matter is in insisting on at least minimum construction standards. In 1950 I went down to Florida in the wake of a hurricane to find out why a thousand roofs had blown off. The VA had investigated and had reported that the houses had been built according to specifications. At the request of Senator Smathers and Senator Holland I went down, hired a consulting architect, and much to our surprise we found that the VA inspectors had permitted the roofs to be nailed down with what looked like carpet tacks. Sometimes they didn't even go through to the rafters. Naturally any breeze that came along would blow them off.

I think there is a responsibility on the insuring agencies of the Government, as well as on the banks and lending institutions, to see to it that the houses they finance are built properly to withstand the forces of nature. The mortgagees are the home buyer's eyes and technical experts should see to it that he is protected against shabby construction.

I want to emphasize that. The banks, the savings and loan associations, the mortgage lenders, no matter whether insured by the FHA or guaranteed by the VA, have a great responsibility. They are and should be the investor's friend and the home buyer's friend, their eyes and ears, because the average layman doesn't know as much about such matters as a mortgagee would know.

When our housing authorities select a site for low-rent housing, the division requires that they consider the possibility of flooding, among other factors. Our Bulletin No. 1 sets out standards for site selection, and states that—

Sites with inadequate drainage, which are excessively steep, subject to flooding, etc., should be avoided.

Another way in which we can help is to see to it that if an insured house is destroyed, the family is not saddled with an old mortgage debt, while at the same time they have the worry about financing a new home. Mr. Meistrell told you Monday that under present FHA insurance, the lending institution is indemnified on condition that the property is substantially in the same condition as at the time the loan was made.

Incidentally, I want to express my thanks to Miss Beam and Miss Chase of your staff who sent me whatever testimony there was available, so I am able to incorporate some comments in my testimony on it. It is the usual efficiency of the Banking and Currency Committee.

The result is, that if a house is destroyed, the FHA has no liability but the family is still liable on the loan. To rebuild, the owner now has to take on a second mortgage, if he is even able to get one. In case of partial damage, FHA might increase an existing mortgage back to its original amount again, but where there was total or substantial destruction this would not be possible.

The VA is a guarantor rather than an insurer. As a result, it is in a better position to waive or compromise the amount claimed when the property is destroyed by an act of God. They are also in a better position to increase the existing mortgage in case of partial demolition, and could go higher than the initial amount. But in both cases, and also when there is a conventional mortgage, the family's load is increased by the flood loss.

If the insurance would provide for the complete liquidation of the original mortgage, then the family which has lost its home and its possessions would, at least, be able to get off to a decent start again. But if they now have two debts to pay—and remember, for one of those there is no security, and no assets—the disaster victims might never get on their feet.

The present upper limit for FHA disaster loans of \$7,000 is too low to be practical. I was on the committee staff at the time that was passed, without too much consideration because of the pressure of the Missouri flood damage. We got the bill through the Congress in about 3 days, which is another indication of what I mean of what the Congress does when it has to meet a situation. In that area the \$7,000 was sufficient—the limit should be raised to \$10,000 and even to \$12,000 in high-cost areas.

Senator Ives, I know, in the past has offered amendments in connection with this and other programs in high-cost areas, and I think this is one amendment the committee should agree upon.

In rebuilding a destroyed home even under other FHA programs, the owner might be allowed to use the land he owns as his equity. He shouldn't have to make a cash downpayment just when he needs what little money he has for so many other things.

The Lehman bill provides that property receiving future financial assistance or mortgage insurance from any Federal agency shall carry disaster insurance to the extent it may be available as a result of the bill's passage. I think this is a proper requirement, but it must be recognized that the premiums will be an added cost to all housing which carries it, and it is therefore necessary that we do everything possible to reduce the risks involved so that the rates will be as reasonable as possible. Since any major losses would probably involve claims well in excess of the reserves built up, it is also to the Government's advantage to keep the indemnity payments or subsidies as low as possible.

This means that we have to cut down our potential damages—and here I am talking about flood damage—by every possible means—by broad programs of flood control and protection, by encouraging flood-plain zoning, by preventing stream encroachment, and by sound land use and flood-management practices. If we do not do these things, no flood-insurance program can be workable, and we will find ourselves paying ever larger sums of money on claims, indemnities, and flood relief without any improvement in the basic situation. In fact, cheap, subsidized flood insurance if not combined with these other measures might actually make the problem worse, as it would encourage more development in flood-plain areas, with resulting greater encroachment and choking back of streams, which would cause greater flood danger. The added development in danger areas could actually mean greater damages when the floods do occur, with heavier indemnities or claims for the insurance agency to pay off.

This is recognized in the Lehman bill in its provision that property used in a manner inconsistent with State or local flood laws shall not be insured. Unfortunately, as yet, few effective flood-plain zoning laws exist, and I think the bill should be written as to encourage a local community to adopt flood-plain zoning measures. This might be done by a system of differential premium rates. Alternatively, such zoning might be required as a precondition of the insurance being available to the community at all.

There is flood-plain zoning to some degree in Keene, N. H.; Los Angeles, Calif.; and Milwaukee County, Minn. It might have been well if I had put footnotes to my testimony to make it easier if you wanted to study some of the references that I make, that you might further analyze them.

I think zoning is entirely justified by the principle that if the Federal Government—and that means all of us as taxpayers—is asked to lighten the burden of the affected areas, we can, in turn, ask those areas to do everything possible to help themselves. This was recognized in the Hoover Commission's task force report on Water Resources and Power, which says:

A direct consequence of the intrusion upon riverbanks and river valleys by cities, towns, industrial plants, and highways may be found in the mounting figures of annual flood losses. There is a growing conviction that owners of land vulnerable to floods do not have a clear right to put these lands to dangerous use and then obtain protection at the public expense against their indiscretion.

Flood-plain zoning does not mean that the local community require evacuation of the affected area, nor that it prohibit all building there in the future. What it does mean is that the uses which are allowed to be added in the future have to be necessary and justified by economic considerations. They have to meet certain standards, and not increase the danger for other citizens. Such uses as park and recreation, agriculture, and under certain conditions industrial and commercial, should be allowed. The effect of the proposed structures on the height of the flood, and of their flooding on the community as a whole, must be considered.

Housing is usually an unsuitable use in such areas. The families now living there cannot usually as a practical matter all be moved out, but a long-range plan can be adopted whereby new building and repairs are prohibited and gradually the area is turned over to more suitable uses. In many cases the Federal urban renewal programs and financial aids can be used to help in this process.

I want to emphasize that. From my observation it could be used a great deal.

In the event of a flood which actually destroys or carries away housing or other structures, the locality should certainly be expected to prevent unjustified rebuilding in the flooded area, and should buy up the land—using it for appropriate purposes.

I might say that we are encouraging communities around the State to make use of the title I urban renewal program, and we are coordinating our off-site program with this program as an incentive for the communities to take part in it.

I personally am going to do and we are already doing everything we can to show the communities how the Federal Government can help them solve their own problems, with some help on their own part, of course.

Another precondition of the issuance of insurance in a community might be the adoption as part of its zoning plan of "encroachment lines," or areas within the flood plain in which constriction of the channel is prohibited. The purpose of this is not to protect the structures which might otherwise be built, but to prevent further reduction of the streams' ability to flow freely when at flood stage, and thus keep them from contributing to the damage of other property in the community. Some States—mine included—already have the legal authority to regulate stream-channel encroachment, and those which do not should be encouraged, by whatever insurance plan we adopt, to do so.

I would like to insert in the record the law of the State of New York in regard to these matters. I think it might be very helpful to the record.

Senator LEHMAN. I think it ought to be inserted right here.

There being no objection, it is so ordered.

Mr. McMURRAY. Yes, sir.

(The material referred to follows:)

MEMORANDUM REGARDING NAVIGATION LAW PROVISIONS AUTHORIZING REGULATION OF STREAM-CHANNEL ENCROACHMENT IN THE STATE OF NEW YORK

NAVIGATION LAW

(McKinney's Consolidated Laws of New York, Annotated, book 36)

Article 3 of the navigation law is entitled "Navigable Waters of the State." By definition (art. 1, sec. 2, subdivision 4 of the navigation law).

"Navigation waters of the State is defined to mean 'all inland lakes and streams wholly included within the State and not privately owned which are navigable in fact and are not connected by navigable channels with tidewater.'"

Section 30 of article 3 provides as follows:

"SEC. 30. NAVIGATION, JURISDICTION OVER

*"The superintendent of public works shall have jurisdiction over navigation on the navigable waters of the State and, except as otherwise provided, shall enforce the provisions of this chapter and the regulations established thereunder. As a guide to the interpretation and application of this article, nothing authorized hereunder shall be construed to convey any property rights, either in real estate or material, or any exclusive privilege; nor authorize any injury to private property or invasion of private rights or any infringement of Federal, State or local laws or regulations, but shall express the assent of the State so far as it concerns the public rights of navigation."* [Italics supplied.]

Under this section it has been held that the right of navigation is a public right belonging not to towns, villages or cities as corporations, but rather to all citizens in severalty, and that this sovereign power of the State to regulate and control use of navigable waters is held by the State in its sovereign capacity in trust for the people of the State (See *Cox v. N. Y.*, 26 Misc. 177, 55 N. Y. S. 74, and *People v. The System Properties*, 281, App. Div. 433, 120 NYS 2nd, 269, Settled 128, NYS 2nd, 583).

Section 31 provides, in part, as follows:

"SEC. 31. EXCAVATION, FILL OR OTHER MODIFICATION OF WATER COURSE

"No channel shall be excavated nor shall any fill be placed in the navigable waters of the State without approval of the superintendent of public works. \* \* \*"

Section 32 reads:

"SEC. 32. STRUCTURES; LOCATION OF

"It shall be unlawful after July first, nineteen hundred forty-one to construct, in the navigable waters of the State, any wharf, dock, pier, jetty, or other type of structure of a permanent character without written permission of the superintendent of public works, except docks or piers to be constructed by the owner of the adjacent uplands, which proposed dock or pier shall not extend into such navigable waters of the State for a distance of more than forty feet from the shoreline, or at a depth of water not greater than four feet at the outer end of the proposed structure, as measured at the ordinary low stage of such body of water.

The superintendent shall establish such rules and regulations governing the location of any such wharf, dock, pier, jetty, or other type structure of a permanent character which is not exempt from these provisions as in his judgment may be necessary for the safety of navigation. Nothing in this section shall in any manner affect the provisions of section nine hundred forty-eight of the conservation law."

Under this section it has been held that the State has the power to control, license or forbid structures in tributaries of navigable waters or in outlets therefrom even if tributaries or outlets are themselves nonnavigable, if the structures have an effect upon the navigable waters. (See *People v. System Properties*, supra.)

There are other provisions in the navigation law which prohibit the deposit of refuse (sec. 33); regulation and control of regattas (sec. 34); location of buoys or beacons (sec. 35), and the removal of unauthorized marker (sec. 36).

Section 37 provides:

"The provisions of this chapter shall apply to the public use of privately owned navigable waters."

#### CONSERVATION LAW

Section 948 of the conservation law, referred to in section 32 of the navigation law, is entitled: "Structures for Impounding Water; Inspection of Docks; Penalties".

This section provides, in part, as follows:

"1. No structure for impounding water and no dock, pier, wharf or other structure used as a landing place on waters shall be erected or reconstructed by any public authority or by any private person or corporation without notice to the superintendent of public works, nor shall any such structure be erected, reconstructed or maintained without complying with such conditions as the superintendent of public works may by order prescribe for safeguarding life or property against danger therefrom \* \* \*. The superintendent of public works shall have power, whenever in his judgment public safety shall so require, to make and serve an order, setting forth therein his findings of fact and his conclusions therefrom, directing any person, corporation, officer or board, constructing, maintaining or using any structure hereinbefore referred to, either remove the said structure or to repair or reconstruct the same within such reasonable time and in such manner as shall be specified in such order, and it shall be the duty of every such person, corporation, officer or board, to obey, observe and comply with such order and with the conditions prescribed by the superintendent of public works for safeguarding life or property against danger therefrom, and every person, corporation, officer or board failing, omitting or neglecting so to do, or who hereafter erects or reconstructs any such structure hereinbefore referred to without submitting to the superintendent of public works and obtaining his approval of plans and specifications for such structures when required to do so by his order or hereafter fails to remove, erect or to reconstruct the same in accordance with the plans and specifications so approved shall forfeit to the people of this State a *sum not to exceed five hundred dollars* to be fixed by the court for each and every offense; every violation of any such order shall be a separate and distinct offense, and in case of a continuing violation, every day's continuance thereof shall be and be deemed to be a separate and distinct offense \* \* \*."

Mr. McMURRAY. Other requirements which local communities could adopt are such things as firm anchoring of structures to foundations, bulkheads, reinforcements of pumping and drainage facilities, special precautions to keep oil drums and other inflammable material from floating off, and other technical design methods which would reduce damage and danger to others in case of flooding.

All these are just suggestions which might lessen the damage when a flood occurs and thus keep claims down, reduce the required subsidies and—ultimately at least—the premium rates. This is all to the good, but if an insurance program is ever to be really effective, we will have to find a way to reduce the risks to manageable proportions, and this means pushing a broad program of flood control. It seems to

me that without effective program of prevention, the cure is not only prohibitively costly but also basically impossible.

Our failure to move ahead more rapidly with flood control is a tragedy. Each year we experience disasters which, outside of the almost unimaginable misery they cause, represent actual losses running into the hundreds of millions of dollars and in addition, losses of production and disruption of our economy which cannot even be measured.

Take a large plant of 20,000 workers. Suppose they are out of production for 1 week. Just imagine how many million dollars is lost to the wealth of the Nation by that one disaster. You know that in many communities in our State and in the surrounding New England area, many of them have been out as long as 3 months. That in itself, not only in terms of production but in human misery, is so tremendous we can't imagine what it is.

I suppose we could make some kind of estimate, but it is tremendous.

No one knows accurately the total annual losses which floods cost us, but the Army Corps of Engineers estimates that each year, on the average, some \$400 million damage still occurs in mainstream and tributary areas where they have not yet built dams and levees, and in addition it has been estimated that upstream or head-water damages comprise an additional \$700 million a year on the average. Last August's floods in the New England area cost nearly half a billion dollars in direct damages alone.

It must be remembered that all these estimates of damage include only direct property losses, and not the enormous additional costs of the unemployment and loss of production which follow in the flood's wake.

No one could hope that even if every possible flood-control project were completed, no floods would ever occur. The entire Engineer Corps' program of remaining projects authorized to be built in New England would cost about \$259 millions or considerably less than Hurricane Diane's bill. This represents only the authorized program, however, and is not necessarily an indication of total flood-control needs in the area. Much the same is the story nationally. The corps estimates that upon the completion of their authorized projects, the country's average annual flood-damage losses will have been reduced from a potential \$910 million to \$200 million. If this percentage of reduction could be achieved in New England, we would consider ourselves fortunate indeed.

My own State escaped Diane's floods relatively lightly, with damages estimated at only \$16 million, which is substantially below that of the major floods of 1927, 1936, 1938, and 1954 which struck the Northeastern States.

Flood damage in New York State generally occurs in two main regions: that of the Hudson-Mohawk Basin and their tributaries, and in the Delaware-Susquehanna region along the southern tier of counties near the New York-Pennsylvania border. These areas are struck by most major floods, including those of 1927, 1936, 1938, 1954, and 1955. Other regions of the State, such as the Black River Basin, the Lake Champlain area, and the St. Lawrence Basin suffered major damages only in some of these floods.

Average annual flood and erosion damage in the New England-New York region studied by the Inter-Agency Committee was estimated at \$29 million at 1949 price levels or about \$35 million at 1955 prices. Completed flood-control projects in the area costing about \$132 million are estimated to have prevented damages in excess of \$68 million in the period 1938-51 alone. It has not yet been estimated how much additional damage they may have prevented in the disastrous 1954 and 1955 floods, but this amount is certainly a substantial one.

The Interagency Committee's report states that authorized projects not yet built in the New York-New England area studied by the committee would cost about \$206 million. Estimated annual costs for flood-control projects in this area would be \$10,645,000 as compared to estimated annual benefits in excess of \$12,400,000. To this must be added additional ultimate benefits from land treatment measures totaling over \$4 million per year. It might well be that this fall's disastrous floods would have impelled the committee to increase its estimate of annual benefits had they occurred during the period of its study. In any event, even the committee's conservative figures indicate the economic advantages of the flood-control program.

In connection with the Connecticut River, for example, President Truman's Water Resources Policy Commission reported in 1951 that the major floods of 1927, 1936, and 1938 together caused damages totaling nearly \$150 million. The 1950 estimate for the cost of all the Connecticut Basin's flood-control projects completed, authorized, and recommended came to only \$154 million.

Yet in one 1955 flood alone, \$326 million damage was suffered in Connecticut and Massachusetts, almost all of it in the Connecticut River Basin. During this flood, many of the New England dams paid for themselves in terms of damage they prevented. In many cases, individual flood-control facilities prevented damage equal to twice or three times their total cost. According to General Sturgis' testimony Monday, for example, the Knightsville Dam, which cost \$3,200,000, alone had direct benefits of \$11,500,000. And this does not take into account the indirect and secondary damages which were prevented.

Many criticisms have been made of our existing programs and plans for flood control, which I am not qualified to support or refute. The earlier programs were largely one-purpose measures designed to relieve a particular situation and were not geared together into a coordinated basinwide or regional plan of multipurpose development. As time went on, it became increasingly evident that the benefits of flood-control project were greater, and their costs more justifiable, if they were planned and executed to combine their flood-control functions with such other purposes.

The Tennessee Valley Authority showed us what could really be done to benefit a region when flood control was combined in a bold and imaginative plan with the raising of the living standards of the region's people. No one who knows the area can fail to be impressed with what has been done here.

By multipurpose development, I mean a program which includes reforestation, soil conservation, flood control, power development, pollution abatement, recreational lakes and wildlife conservation.

Even if the precise program which has been so successful elsewhere were not practical in these basins, there is still no reason not to undertake an intelligent development of our river valleys.

In the New England area, the trend so far has been toward single-purpose dams and other projects, in spite of the fact that this region is notorious for high power rates and underdevelopment of its hydroelectric power resources. In spite of the enormous human resources of the region, industry is not attracted to it because it cannot compete with other sections of the country enjoying lower rates.

I have some indications of what the rate variations are, and I will put them in the record.

Senator LEHMAN. There being no objection, it will be so ordered. (The material referred to follows:)

*Electric power rates and consumption*

City	Industrial rates, average cost per kilowatt-hour, <sup>1</sup> Jan. 1, 1955	Typical net monthly industrial electric bills, <sup>1</sup> Jan. 1, 1955	Typical monthly residential electric bill, <sup>2</sup> Jan. 1, 1955	Annual average residential energy use—kilowatt-hours, 1953
United States average, cities 50,000 population and over.....	\$0.0182	\$1.091	\$3.75	2,115
Knoxville, Tenn.....	.0108	650	2.50	6,234
Seattle, Wash.....	.0095	572	2.52	6,486
Asheville, N. C.....	.0144	862	3.40	3,440
Spokane, Wash.....	.0125	748	2.76	6,401
Chattanooga, Tenn.....	.0108	650	2.50	7,020
New York, N. Y.....	.0240	1,440	4.54	.....
Syracuse, N. Y.....	.0151	906	3.44	1,626
Holyoke, Mass.....	.0174	1,044	3.75	1,351
Springfield, Mass.....	.0189	1,136	4.08	1,761
Hartford, Conn.....	.0219	1,317	4.15	1,845
Waterbury, Conn.....	.0223	1,338	4.40	2,625
Pawtucket, R. I.....	.0207	1,244	4.61	1,348
Worcester, Mass.....	.0182	1,093	3.77	1,697
Lowell, Mass.....	.0197	1,184	4.64	1,305

<sup>1</sup> Medium users: 60,000 kilowatt-hours per month (300 kilowatt demand).

<sup>2</sup> Medium users: 100 kilowatt-hours.

Source: Typical electric bills, 1955, cities of 50,000 population and more. Federal Power Commission.

Mr. McMURRAY. The per capita consumption of electricity in the New England States is one-third to one-fourth of what it is in many areas in the South and West. New York State's potential hydroelectric power resources are, according to the Federal Power Commission, only 29 percent developed. The opposition of the private power interests to programs of multipurpose flood control has in the past effectively blocked progress along these lines.

The table just inserted shows for selected cities the industrial rates—average cost per kilowatt-hour; the typical net monthly industrial electric bills on January 1, 1955; and the residential electric bill; and the average residential electric energy used for various cities. Just by way of example, in Chattanooga, Tenn., the typical monthly residential bill is \$2.50, and that compares with Waterbury, Conn., of \$4.40 and Pawtucket, R. I., of \$4.61. And the industrial rates vary pretty much the same way.

Senator LEHMAN. And on the Pacific coast, I think the rates are even lower. I don't know whether you have those.

Mr. McMURRAY. I have Seattle, Wash., \$2.52, and an industrial rate of \$572, compared to New York City, Senator, of an industrial rate of \$1,440—quite a difference.

The flood waters which inundated our 6 States this fall are sufficient testimony to their short-sightedness. The Hoover Commission's task force report on water resources and power recommends a restrictive policy which would maintain the monopoly of the area's private power interests at the expense of the flood-control program.

An illustration of the lag in providing needed flood-control facilities is Winsted, Conn. In the flood of 1927, the main street was flooded by the Mad River; 28 years later, the Diane floods sent the same river sweeping through the town again.

No program of flood insurance can hope to be effective in this region if the recommendations of the Hoover Commission are followed. The New England area will continue to be subject to these disastrous floods unless the region's opposition to the Federal multiple-purpose water-resources programs gives way. The region has the smallest share of Federal power projects in the country, and even of flood-control program only 22 percent has been completed, compared with 45 percent nationally.

The flood-control and power controversy has raged for a long time and is still far from being settled. I mention it only because it seems to me to have the most serious implications for a flood insurance or indemnity program. Can the Federal Government undertake to bail out property owners who suffer flood damages in areas that fight against the very measures which would reduce the damages they ask to be indemnified for? I think the answer is obvious, and that in setting insurance rates, consideration should be given to this factor, so as to encourage the vigorous implementation of such flood-control projects as may be needed to afford the maximum possible protection consistent with costs.

So far my comments have been on flood control. I forgot to mention, Senator, that time did not permit me to clear this statement with the Governor's office, nor have I had the time to exchange views with the superintendent of insurance, Mr. Holz—so that I am speaking in part on housing as commissioner of housing, but I am sure in many cases on my own—from a personal point of view. I would like to believe that the Governor would share these views, but I am not sure, and I do not intend to indicate that by my statement here today.

Any insurance bill which is finally passed should not be limited to flood insurance alone. There are many other types of natural disasters against which the public has no protection which would fit into the framework of the legislation being considered. The inclusion of such other disasters would also help to spread the risk and lower the rates for all purchasers.

Senator Lehman's bill, of course, does this in that it applies to all natural causes and even to man-made disasters, including war damage. We all hope and pray that the horrors of nuclear and radioactive warfare will never be visited upon this earth, but if, God forbid, we should permit this to happen, can we in honesty set up any workable system of insurance which could even begin to cope with the immensity of the problem? Much as we would like to do so, how could any government possibly pay off the claims which would result from a full-scale modern nuclear attack by a powerful enemy, out of any insurance reserves which could be collected out of premiums? Would such a system not have to be compulsory in order to be economically

feasible? If Congress doesn't want a mandatory program, is a voluntary program actuarially computable at all, since our experience with war-damage insurance is very limited and our knowledge of the insurance aspects of damage from nuclear, radiological, or biological warfare is, so far, praise God, nil? What would we, as decent human beings, do about the people who had not paid for insurance? Would we not in the end have to subsidize indemnities for all survivors as a matter of national policy and Christian charity? And are not losses of this kind, in any event, a proper charge on the Nation itself, to be shared equitably by all of us—or all of us who survive, to be more exact? Whether or not an insurance program of this kind is possible, there are, however, steps which could be taken to reduce the risk.

Just as in the case of floods there are measures which can be taken to reduce the danger or exposure of the community to flood, so there are measures which can be taken to reduce the vulnerability of our urban centers to damage from nuclear warfare. In project East River, the report made in 1953 for the United States Air Force, various proposals were suggested, including prohibition of new industrial development within a certain number of miles of the city's center, the setting up of varying residential density zones, and other measures.

Incidentally, here I suppose I can speak as a member of the New York State Civil Defense Commission, where I have had some education on this subject.

Although a policy of dispersing industrial plants was established as early as 1951, its implementation was left to voluntary action. As the Kestnbaum report states conservatively—

the accomplishments under the industrial dispersion policy have not been significant.

This report goes on to say that at the present time nearly three-fourths of the country's industrial-plant capacity and more than half its manufacturing workers are to be found in 50 large metropolitan areas, which comprise a major percentage of the areas the Civil Defense Administration considers to be the most likely targets. More than one-fourth of our population lives in the 12 largest urban areas, and the concentration of people in the large urban centers is increasing constantly. It is not surprising that project East River concluded that reliance on volunteer action, local responsibility and Federal guidance alone would not result in the reduction of urban vulnerability through dispersion.

No community or local committee—  
observes project East River—

can carry out what is essentially a major responsibility of the Federal Government. Until the Federal Government precisely defines the standards and the program to be undertaken, local action cannot be effective.

The increasing knowledge of the damage that can be inflicted by nuclear weapons, and especially by radioactive fallout, has led to the appropriation for the Civil Defense Administration of \$10 million to make a study of the problems of evacuating the large cities of the country. I understand that the CDA will spend a few of these millions in studying the worst problem of evacuation, which is found in the New York metropolitan area.

Evacuation studies may seem a far cry on first thought from war-damage insurance. If, however, the current Russian smiles mean that war may be avoided for a decade or two, evacuation planning can take the long view that there is time to construct whatever bridges and highways are necessary in the metropolitan area to insure the quickest possible evacuation. In the same two decades there will be time to plan and build new cities to which those living in the central target areas can flee. There is time to plan and build proper shelters against radioactive fallout and to put into effect all the city and metropolitan planning regulations which will, in the long run, reduce urban vulnerability. This would insure that there will occur the least possible loss of life and property in the event of general war. As in the case of insurance against flood damage, so in the case of war damage there are measures which can be taken to reduce the possible charge against the possible charge against the Nation.

I would like to say that people sort of put it off and say it won't happen here. If that is so, I think we are spending an awful lot of money for war uselessly, \$50 billion or \$60 billion a year for war in the future, and I don't know how much the Russians are spending. If we are not serious about it, then we are spending an awful lot of money. If it is serious enough to spend that much for defense, for protection, it is certainly serious enough to do something about this. I would say to you, Senator Lehman and Senator Ives, it is up to statesmen such as you to make it known to all the people of our country just how serious this problem is. If there is nothing else you do, if you could make the people conscious of this one fact, you will live in history as I don't know any other Senator will. This is the most important problem that faces our Nation and our whole civilized life. We have to do something about this. I wish I could be a little more eloquent to say how important it is we do something about it and do it now, and not wait until later.

Senator LEHMAN. May I say this. I do not intend to live in history. But I have spent a great part of my time in the last 3 or 4 years urging this thing, both on the floor of the Senate and elsewhere. I am in full agreement that we have not taken the steps necessary to lessen the danger. We cannot eliminate it. We have not taken steps in New York City, in Washington, or other parts of the country. I can assure you as far as I am concerned I will continue to speak out.

Mr. McMURRAY. I am aware of what you said, sir.

In the New York metropolitan area, two basic climatic and geographic considerations govern the lines of any evacuation study. The first is that the wind may be expected to blow generally from west to east, thereby carrying the radioactive fallout to sea or over Long Island. The second is the location of New York on a series of islands, which bars easy access to the west and north because of land bottlenecks and the Hudson River. It follows that it may not be wise to plan to evacuate millions of New Yorkers to eastern Long Island. They would find themselves in a likely fallout area; there would be immense difficulties in feeding and sheltering them. Shipping in the quantity required to evacuate the refugees to the mainland is not likely to be available. Thus, most people may have to be evacuated to the west, into New Jersey and upper New York State. In this direction the refugees would have the best hope of escaping the fallout and an

opportunity ultimately to find temporary homes in unbombed areas of the country.

But to do this requires more bridges over the Hudson and the Narrows, highways and rail transport to take the immense horde of refugees quickly back into the countryside, and places for them to be sheltered and housed.

Taken together, these measures mean more than just new transport facilities, though these are the key to the problem and the point at which an evacuation study may show that extensive increases in Federal aid to the metropolitan area will be necessary. The need for places where the people may go to be sheltered and fed calls for plans for the comprehensive development of areas 20 to 50 miles from the edge of the probable target zone—development which will also be economical and attractive in times of peace, but which can be so designed that in case of need, shelters and homes for the reception of refugees will be available.

One more thing will be necessary. If the new escape transport system is to be available in time of need, such development as might constrict it will have to be controlled. It is just as important to make provisions to prevent development where it will be harmful as to promote it where necessary. Hence a good evacuation plan essentially is a comprehensive metropolitan development plan.

In view of the fact that there is already an extensive study in this field provided for, it seems to me that this study by the CDA ought to be broadened somewhat to consider specifically the whole problem of reducing or preventing loss of life and property in the event of war rather than being limited to saving life by evacuation. The study need not be broadened very much, for an honest evacuation study would have to consider these aspects of the problem once the possibility of a decade or more of an uneasy peace is understood. When the results of such a study are in, it will be easier to assess what form war-risk insurance should take.

I hope that your committee will forgive me if I seem to have strayed rather far afield from the subject of disaster insurance, but it seemed to me that the whole question is so closely bound up with these other problems that it is necessary to solve these at the same time we undertake any insurance program if it is to have any hope of succeeding.

Many persons seem to feel that a disaster-insurance program is impossible because the rates would be too high if they were not subsidized, and they are against a subsidized program. I do not share this view. Many of our most successful programs started out on the theory that they would require subsidies, only to gather momentum and eventually become self-sustaining. The FHA itself was set up with the expectation that any losses in excess of those covered by the premiums received would be paid out of the National Treasury. As a matter of fact, there are some people who feel the reserves are still not adequate, and the national reserves still would be tapped if the FHA houses didn't sustain themselves. The RFC is another example.

I don't know that a national disaster insurance program could ever become self-sustaining. It may be that as the program gets going, experience would show that rates can be set high enough to pay all claims and still be low enough that the people in the affected areas would buy the insurance. Perhaps this will never be possible, no

matter how vigorously we pursue programs of flood control, flood plain zoning, and other protective measures. But I believe the Government has a responsibility to spread the risks and see to it that no one is hurt too much when devastation does occur. In all seriousness, I do not see how we as human beings can let one section of the community bear the whole burden of catastrophes over which they as individuals have no control.

The people who live in the lower valley cannot be expected to bear the full cost of floods which have their origins in the uplands. Nor is this a problem confined to any one section of the country—it concerns us whether we live in a river valley or in a place secure from floods.

I do not pretend to know all the answers, nor which provisions of the various bills you have before you are to be preferred over which other provisions. You have heard, and will hear, testimony on these technical matters from many persons who are expert in this field. But I did want to say, both as State commissioner of housing and as one who worked closely with your committee for many years, that I know you are men who care about people, about helping human beings in need and preventing personal tragedy in any way you can.

I have every confidence that you will give these problems your most earnest study and that, if it is humanly possible, you will come up with a bill which will equitably distribute these heavy burdens among all of us—the persons in the areas affected, who must do their part to lessen the risks they ask the rest of us to help share; those of us who live in the safe areas, who have a responsibility to those less fortunate; and our Government, which has the responsibility of taking measures to control floods and develop our water resources for the benefit of the whole Nation.

Thank you very much.

Senator LEHMAN. Commissioner, I want, on my own behalf and on behalf of Senator Ives and the other members of the committee who could not be here, to thank you for what I have found to be an unusually informative, interesting, and valuable document. I am not going to ask you any questions, because you have gone into the subject so carefully that I do not think it is necessary. But I want you to know that this document of yours will be very carefully studied, and you know from your own experience that in matters of this sort we on the Banking and Currency Committee will give great weight to your recommendations and statements and suggestions.

I want the record to show that even though your testimony may be at variance with that of the Governor, and even though we realize that because you have not had a chance of discussing this with him in detail, or with other officials, and the views expressed here today by you are your personal views, we are very grateful to you for coming here. We wanted your personal views. We do not think they are going to differ very much from those of Governor Harriman, if I remember correctly the testimony that he gave us yesterday in New York.

You were strongly urged by the staff to come here, and we realize you did not have time to go into every detail.

Senator Ives. Mr. Chairman, I want to congratulate Mr. McMurray on this very splendid presentation. You have lived up to your record with the committee as you appeared here today. I am very glad that you have been independent in this. It is independent thinking that we

need at this particular time, not thinking along any particular line. The very fact that you have been independent and used your very resourceful mind and the great ingenuity you possess in this statement makes it all the more valuable. I want to express to you my own deep appreciation for what you have done.

Mr. McMURRAY. Thank you very much, Senators. I appreciate that, especially coming from two men whom I admire so much.

Senator LEHMAN. The next witnesses will be representatives of a farm group: Messrs. Jahucki, Gurda, and Jones. Who is the spokesman here?

**STATEMENTS OF MICHAEL A. GURDA, BARNEY J. PAHUCKI, AND CHRISTOPHER H. JONES, BLACK DIRT EMERGENCY COMMITTEE, ORANGE COUNTY, N. Y.**

Mr. GURDA. My name is Michael Gurda, from Middletown. Although I am from Middletown, my family is in part in the black dirt area, and I am part of the black dirt area since I still grow stuff there. I represent here the Black Dirt Emergency Committee, and they represent, in turn, approximately 1,100 farmers.

The committee consists of 21 farmers sitting in this room, including the executive committee—Mr. Jones and Mr. Pahucki.

By the press I see the Governor covered part of this in his testimony yesterday in New York. However, we would like to give you further details on it. We feel, at least from the viewpoint of the 1,100 farmers, if you can imagine something being worse than losing your house if it is mortgaged, this is a situation that is actually worse. I hope to explain that in a minute.

Approximately 4,000 families live in these 4 town in Orange County—Warwick, Wawayanda, Minisink, and Goshen. Their homes are on side hills—and they cultivate this large black dirt valley through which the Wallkill River flows.

It was Senator Wagner, and that was during my time, who brought the Civilian Conservation Corps here in 1936 and 1937, and the Army engineers developed a project, and part of the flood-control program was then put into effect. It had to be discontinued in the middle because of lack of funds, I think, at that time.

This area produces celery, onions, carrots, and vegetable crops of this kind in this black dirt soil. The value of the crop each year is approximately \$15 million. Although I cite 4,000 families as not being too many, all of these families are large families. I think the size of the average family in this area is  $6\frac{1}{2}$ . They are all large families.

The floods occur periodically. The last major one, before 1955, was in 1938, and that was after this flood-control program had been put into effect. There were two minor ones, and by minor I mean where the damage was about a million dollars, before 1955. In 1955, in the August flood, we had this situation, very briefly.

The total acreage planted was 11,000 acres, with 6,450 acres being in onions. The average yield is 500 bags per acre. The farmers got together and we had a series of meetings. In fact, at the series of meetings immediately after the flood, there were 900 farmers present.

An actual survey was made of the loss to the farmers. Before giving the total figures, this was the situation.

The farmers, in cultivating, in addition to possibly having a mortgage on their home, mortgage the crop. It costs a lot of money to plant the crop because of chemicals and seed. It is a very advanced type of farming. That is why we have this great yield. Then, in addition to that, there is equipment. And then the crates are out in the field.

A typical example is one of the farmers here who had a 90-percent mortgage on \$18,000 worth of equipment out in the field. Then he had purchased \$16,000 worth of onion crates, which were stacked ready for the harvest in August. In addition, he had a bank loan on the crop, for labor and for the fertilizer, of \$22,000. Well, when this flood came—and it wasn't the initial rain, but it came from New Jersey, where the lands have been cleared, as Commissioner McMurray said, and this water comes about a day later—it washed away not only all of the crops, but the speed of the water had taken all the crates, a good part of the equipment, and filled in the ditches. This area is ditched for drainage, so that we have a little over 1,000 miles of ditches in this area, privately maintained, averaging from 3 to 6 feet deep, and they are cleaned each year.

Senator LEHMAN. What is the acreage?

Mr. GURDA. The total acreage is approximately 16,000, with 11,000 being planted. This typical farmer I cite now was one of the 900. So we called a meeting with the Small Business Administration, the FHA, the Department of Agriculture from Albany. We had at that meeting 11 agencies represented. Each agency came in and explained their program and what they could do.

So it finished up, and in final effect, that actually nothing could be done or was done, in spite of all the promises. I am going to cite this for this reason:

The farmer lost his crop, his equipment, and the chattel mortgages remained. He has no unemployment insurance. He could not make his daily living. If he left the farm and went to get a daily job, that means he has to abandon everything he had here and still pay his debts. So if he only had lost his home and had a job, he would be getting unemployment insurance and could rebuild his home on borrowing. But here, and this is the actual situation today, there is no unemployment insurance, and they have these debts that are left.

So we have been meeting on various occasions with the Federal Soil Conservation Service, and it finally dwindled down that the only possible actual contribution, under some subtlety of the law, was to dig the ditches for next year.

We started that program, and, after meeting with that Department again and again, they have a survey in the field now.

We presented the actual loss for that one flood of \$4,195,500, being the actual door-to-door survey of the loss for those 1,100 families.

Senator LEHMAN. Who made that survey?

Mr. GURDA. The farmers did. The 900 farmers actually took statistics door to door, and this was presented to Governor Harriman and the Federal Soil Conservation Service.

Since then, as these farmers will testify, at a series of meetings, the Federal Soil Conservation Service came in and said that they could pay 70 percent of the cost of opening up these ditches because it came under the soil-erosion program, if the farmers would contribute 30

percent. So we worked on that—this is August, and if these ditches are going to be cleaned and put into effect, it has to be done now so they can start working for next year's program.

The program was delayed, because the Soil Conservation Service decided they had to have an engineering survey of each one of these ditches, which would be 1,000 miles of ditches. So they put two teams in the field and said they could not go ahead unless they could have many more surveyors to do it.

Then we worked with the Department of Agriculture in New York State, and I just received a telegram this morning from Deputy Commissioner James Lyons. We asked what the holdup was, and he said to me over the phone that 2 teams of 10 surveyors each were standing by with the Department of Public Works for the last 10 days, but there was some mixup with the Conservation Service so that they could not call them to do the surveying.

Reply to your request, two survey crews are standing by to report to black-dirt area, Orange County, as soon as requested by Federal Soil Conservation Service. These are experienced crews of the Department of Public Works.

That is signed "James G. Lyons, Deputy Commissioner."

So that these farmers, as of now, some of them taking the word of the Federal Soil Conservation Service that if they did some of this cleaning on their own, hired somebody, they might get repaid, did it.

Then the October flood came in and filled them all over again. Now they are told since they had not been surveyed before they cleaned them, there would be none of the 70-percent payment.

Even with all this effort, gentlemen, the total possible contribution from the Federal Soil Conservation Service would be \$50,000 for this whole area for a loss of \$4,195,500. I mention this, what we call the tie-in with redtape, only to show whatever present laws are available have not applied in this emergency.

I personally have gone up to Albany 4 or 5 times, and also up to where we met at Lake Oquako, because the State Federal Conservation Service director was there. We were first told some of this would be eliminated, and it was not.

We make this appeal. We have a special problem here, and this flood-control insurance seems like the only real answer. If these people are paid, they can do this work themselves rather than trying to fit in an emergency under some subtleties of law.

We have this special program, and I think it comes under your bill thoroughly, Senator Lehman. It requires coverage of personal property, because when these floods come in on many occasions the crops have already been harvested. They are standing in crates. It comes in quite fast, so that the loss is considerable of onions already harvested. The loss is considerable to supplies which are out in the field. There is damage to the soil. Also, in addition to the thousand miles of ditches that are dug, we have more than 1,200 miles of private roads with bridges which are not covered under any of these emergency programs. For instance, the Department of Public Works sent in crews and said that all these private roads do not come under their program.

Of course when all that is lost, besides having the indebtedness, they have no way of making a living for the rest of that year. There is no insurance of any kind, employment or otherwise.

So that the only real answer, in addition to the request we already have made for the continuation of the flood-control project, is this type of insurance. And it must cover an additional factor, since if the flood should occur in May, there would be this situation, where it actually is not a crop, but is only seed in the ground, fertilizer and labor. Possibly that could be replanted up until June 15. After June 15 it starts germinating, and it is too late to do anything else.

So that we would recommend that the farmers be placed in that bill.

I said this when I heard about your bill, and I say it now—that this would be the greatest thing that ever happened in an area such as this. In spite of all the bills and appropriations, and these gentlemen will show you—and we have the New York Times which said the Federal Government allocated a billion dollars for aid—actually, as far as these people are concerned, they are completely forgotten under the present laws.

I would not say this except for the fact that as these gentlemen know we have been devoting many, many days, under every possible law, to try and get some help.

Senator LEHMAN. The Federal Government, of course, under the Department of Agriculture, furnishes crop insurance in about 800 counties of the whole Nation. Is this county included under that?

Mr. GURDA. No, it was not.

Senator IVES. Would that insurance do you any good if you had it?

Mr. GURDA. I am not familiar with that insurance, but I understand it does not cover situations such as this.

Senator LEHMAN. As I understand it, the losses are on a harvested crop. It is not a failure of the crop. The onions and other vegetables had been harvested and were crated. So that the loss comes not through the failure of the crop, but through the loss of the value of the crop that was harvested, which is personal property—crates and other things of that sort—is that correct?

Mr. GURDA. Well, Senator, it is both. Usually it depends on the time of the year. But much of it is still in the ground, and this year 50 percent was harvested and 50 percent ready to be harvested.

Senator LEHMAN. Was that destroyed?

Mr. GURDA. Oh, yes; everything was destroyed.

Senator LEHMAN. The crop that was in the ground was destroyed.

Mr. GURDA. Completely.

Senator LEHMAN. Let me get this thing straight, and then Senator Ives is going to ask some questions.

Senator IVES. I was going to ask similar questions.

Senator LEHMAN. This loss which this farmer has suffered comes from his investment in the growing of the crop, half of which was still in the ground and destroyed—comes from the cost of packing, harvesting half of the crop, and also the cost of the crates, is that correct?

Mr. GURDA. That is correct, Senator. I think the estimate was actually, to plant a crop, \$300 per acre. Actually it destroyed it in various stages. Some were already stacked; others were still in the process of being pulled out of the ground. Much of it was still not harvested.

Senator LEHMAN. Have you communicated with the Department of Agriculture with regard to this matter? Did they sit in on the conferences? When I ask whether you have communicated with them,

I am trying to get at whether you asked for relief under the Crop Insurance Act. In view of the fact that the county is not included, I realize that that would be very difficult.

Mr. GURDA. We did not come in under crop insurance at all, Senator Lehman. However, we sent representatives to the White House conferences. We went to Albany. We covered every possible agency. In fact, at this meeting in Pine Island we had 11 separate agencies present and represented. We had from the Federal Housing Administration the national representative as well as the State director. I might add one other thing, which I know you are going to ask me—what the success has been under the FHA and the SBA.

We recommended after this was declared a disaster area that these men file under the FHA. The farmers that filed finally were told to go to each one of their creditors, to get waivers that the FHA loan would take precedence over the existing creditors. These farmers tried, and it became impossible. So that in spite of the fact that the applications have been filed, I understand that not one of the FHA emergency loans was granted, nor has one SBA loan been granted.

Senator IVES. Well, it does not look to me as though you could have been covered, because this county does not fall within the program included in the crop-insurance schedule. I want to ask you one question on that. I think maybe we can help you. We will try to see if that can be extended and expanded. It is in an experimental stage. That is why it is only in a few counties and on certain crops. We will endeavor to see what can be done along that line. If something could be done it would go a long way toward straightening out your difficulty. Of course, it is not going to put you on your feet right now. You need some immediate help, because you have been practically wiped out.

Mr. GURDA. That's right.

Senator IVES. You say you have 900 members in your organization.

Mr. GURDA. There are more than that, but that is the number that appeared at the meetings.

Senator IVES. All the farmers in this area are members of your organization?

Mr. GURDA. This thing only came up because of trying to get some help. It is not an organization. They are all independent farmers who came together.

Senator IVES. Don't you call yourselves anything?

Mr. GURDA. They call it the flood emergency committee.

Mr. JONES. The reason the meetings of the farmers came about is that the different representatives of the Government were there, and they told what could be done. There wasn't one representative who said, "We have money to loan you if your family is hungry." Of course, that did not set right with the farmers. They thought maybe we can get together and see if we can get better representation or some help from some source. The final outcome of it was the only help we could get was through the Soil Conservation Service on the ditching. And even that has bogged down now. After 3 months I think they did about 50 miles of surveying.

Senator IVES. Was the Farmers' Home Administration involved in any of this? Was any question raised with them?

Mr. PAHUCKI. I know one fellow that went to them. He wanted to borrow \$1,500 to repair his home after flood damage. They said

they would gladly loan him the money, provided he got waivers from all his creditors to state that the FHA would have precedence over the other creditors, that they would be repaid first. Of course, that is almost impossible.

Senator LEHMAN. We are terribly interested in this legislation but that is not going to come into effect immediately. I would like to find out whether we could give you any advice that would be helpful to you in the present situation. What happened to this farmer and the other farmers that had taken loans on their future crop, which is not unusual at all, of course, is that they still have their indebtedness.

Mr. PAHUCKI. That is correct.

Senator LEHMAN. They still have to make good.

Mr. PAHUCKI. Yes, sir. And the only help we have there is that Governor Harriman sent letters to the banks, asking them to try to hold up collection until after next year.

Senator LEHMAN. What kind of response have you gotten?

Mr. PAHUCKI. It was satisfactory. They did cooperate.

Senator LEHMAN. What is your situation with regard to planting for next year?

Mr. PAHUCKI. If these ditches are not cleaned in the next month, when the freezing weather starts, the farmer will not be able to get on his ground in the spring. That is what we would like done now. Somebody along the line is holding us up. The main ditches are all surveyed and that has been sent to Albany, or is being sent to Albany, so that the water-control commission can put their O. K. on it. But if it takes 2 weeks to get them back, by that time we are liable to have freezing weather. And after that is all done, they want all these little private ditches surveyed, so that they can be dug after that, and give their O. K. on them. If we have to wait for that, it will be spring or this time next year before they can all be surveyed, even with this extra surveying crew.

Mr. GURDA. Senator, our suggestion was that in discussion with the committee, now that the Soil Conservation Service has surveyed the main ditches, 50 miles, they would have 950 miles more, just for the 3-cent-per-foot contribution. Actually, you have the water-control commission maps on file. Instead of making a complete survey, just to pay 3 cents a foot, they could have their representative, together with the representative of the farmers, go down the ditches and measure the feet and how much is to be done and cover 50 miles in 1 day. At the present rate they are doing about 2 miles a day. We estimate it will take until next fall to do it at that rate.

Mr. YINGLING. Is that the only purpose of the survey—to find out how much they will contribute?

Mr. GURDA. That's right. So they can pay 3 cents toward the cleaning. The farmer still has to clean it and he gets 3 cents per foot. This would total about \$50,000 for the area.

You understand, the only reason we have tried to get some help on this is because this was the only thing left. There was nothing else we could come under. We had hoped to come under the Soil Erosion Act. In addition to filling these ditches, a lot of trash was brought in, and many of the bridges and also roads were washed out. It cost about \$100 an acre to clean. We thought we could come under that particular program, and we still do not see why we do not.

Senator LEHMAN. I have not heard this story before, except I think there was some reference made to it in Governor Harriman's testimony yesterday. It is a dramatic and, to me, a very convincing argument for the passage of flood-insurance legislation and the broadening of the existing statute. I think it is very convincing, about as convincing as anything I have heard. But that is not going to help you immediately.

Senator IVES. What we are trying to do is figure out how we can help you now.

Mr. GURDA. We want both. I think this insurance program would be the greatest thing that ever happened here.

Senator LEHMAN. None of these departments can go beyond the statutes as now written. I would say that the best hope is through the Farmers' Home Administration, which is quite separate from the FHA, or with the Soil Conservation Service, which is under the Department of Agriculture. What their regulations are, and rules, I frankly am not able to tell you at this time.

Senator IVES. I think the Farmers' Home Administration is in a position where it cannot exercise whatever prerogatives they have. You may have to get a waiver from your creditors, and that stops the whole thing there. Whether you could get them to waive in that particular instance, I do not know. That is the problem.

Senator LEHMAN. All I can say to you is I think your plight is a tragic one. I think it is a perfect argument for what we are trying to do in the future. I do not think either Senator Ives or I are going to kid you by telling you we can solve your immediate problem, although I know that we both would like to do it. All I can say on my own account—and I will let Senator Ives speak for himself—is that we will try our best to help you in Washington. Whether we are going to succeed in the immediate future, I do not know.

Senator IVES. That is what I have already indicated. We will do our best to help you. But do not place your expectations too high.

Mr. PAHUCKI. Every little bit will be appreciated.

Senator LEHMAN. I wish you would prepare for the record, for the use of the committee, a few typical cases of what the farmers have had to suffer. I would ask that you include the cost of planting, the loans which have been made and which have to be repaid, and the loss of any equipment or crates and things of that sort. I would like it for the record because I think this is a very typical case. I would also ask you, if you will, for the sake of the record, to supply the names of the various Federal or State officials you have met in connection with this.

This gentleman; will you give your name?

#### STATEMENT OF F. E. LEMON, WARWICK TOWNSHIP, N. Y.

Mr. LEMON. My name is F. E. LeMon. I am not a member of this group, but I think in consideration of the problem of flood control cognizance should be given to the fact that we have four distinct types of farming in this county. We have first of all the dairying, which is the largest. The second one I think in money value or county income, however you want to measure it, is fruit. I think the third is black-dirt products, such as Mr. Gurda has been talking about. And lastly, we have poultry.

This matter of flood control apparently would go by without consideration being given to the damage it does to the dairy farmer. In my own particular case, I estimate merely damage to my fields, not only from flood, but from washoff—and part of the washoff is due to the fact that there is no flood control—runs to about \$2,000. I have a rather large farm, but in view of the fact that we are getting about 30 percent less for our milk than the actual cost of production, you heap \$2,000 on top of that, and your year's operation is a pretty sorry deal.

I know, as a matter of fact, to substantiate what Mr. Gurda has said, that there are all kinds of flood-control maps around here that have been drawn up. I know in one instance we had some men down from the Soil Conservation Service and went through a lot of fantastic hoop-de-doop. They said they had to make a survey and all that, but everything was already on file.

One of the townships mentioned, in which so much damage was done, was Warwick, in which I reside. The village of Warwick has an open sewer running right through the village. Ten years ago the village was authorized to do something in the way of cleaning up the sewer situation and open it up for a swifter passage of water. We have now a situation where, in my own particular case and in several of the other farms, when we have a flood our ditches do not carry off our water. They merely bring us backwater from the creek. The south side of my farm is nearly 2 miles from the creek, but it just backs up and takes a detour and comes right on back. And that situation is very widespread.

I know that there are many dairy farmers who have suffered severe losses through the loss of new seedlings and damage to the soil.

Of course, we have had another problem. It is still quite warm. It has not been practical to barn our cows on a full-time basis yet, and the cows getting on the soft sod of the hayfields and pastures have just ruined them. And on top of that we have a compounded problem of getting our heavy machinery onto a wet, undrained field. The tractor tires and everything just ruins it.

Senator LEHMAN. I can assure you that in consideration of this legislation we are certainly going to take into account your problems. May I say that, although I failed to solve many of the problems of the dairy farmers, I can say without any fear of contradiction that I have been very much concerned with them, and in the 10 years I was Governor I think I gave more time and thought to dairy problems than any other activity in the State.

If Mayor Cole is here, we will be glad to hear from him.

#### **STATEMENT OF JAMES E. COLE, MAYOR, PORT JERVIS, N. Y.**

MAYOR COLE. Well, I came here, of course, through an invitation, and I had not prepared a presentation for you.

Senator IVES. From whom did you get your invitation?

MAYOR COLE. I read it in the newspaper.

Senator IVES. That is where you got it?

MAYOR COLE. Yes, sir.

Senator IVES. Do the newspapers generally carry an open invitation?

MAYOR COLE. Not usually; no.

Senator LEHMAN. But they did carry an open notice of the meeting?

Mayor COLE. Yes; they did.

Senator IVES. Stating that there was going to be a meeting and suggesting that people who were interested should show up and testify?

Mayor COLE. Yes. It said that Mayor Cole and Alderman Latini were invited.

Senator IVES. By what process did the newspaper invite them?

Mayor COLE. This was by the open press. How did you get your information, Mr. Dwyer.

Mr. DANIEL DWYER, Port Jervis Gazette. As a matter of fact, my information originated, I believe, with Mr. Stillman, although I believe an invitation was also received at the city hall in Port Jervis for these officials to attend.

Senator IVES. Mr. Chairman, I do not like to revert to what I said earlier, but since I have been around here, I have had a lot of complaints that the instrument by which these invitations were circulated was the county chairman of one of the political parties in the county of Orange, and that invitation was further extended through the medium of the other county chairmen of the same party in the other counties involved here.

I question very much the wisdom or the appropriateness of issuing invitations through the medium of a party chairman of a political party when general governmental affairs are involved. That is what I hinted upon in my earlier statement this morning.

Senator LEHMAN. Well, you did not hint. May I say this—that I, as chairman of the committee, announced a week or 10 days ago, I think at least that, that we were going to hold hearings, this committee was going to hold hearings, in Washington, 2 days of hearings; in New York City, in Goshen, in Boston, in Providence, and in Hartford, and possibly other places. But those places were specifically mentioned.

I think we have fine representation here. I do not think it makes any difference as to what paper has done the inviting. I do not know that anybody has ever invited every public official or every resident in a district to appear at a meeting. They have always been welcome. I want to state as strongly as I can—and I do not believe that you, Senator Ives, will deny it—that nobody has been denied a hearing here; not only not denied, but they have been encouraged to speak.

I have no idea here who is a Democrat and who is not a Democrat. I do not know what you are, Mayor. Are you a Democrat?

Mayor COLE. No; I am a Republican.

Senator LEHMAN. We are glad indeed to welcome you.

Mayor COLE. Thank you, sir.

Senator LEHMAN. We are very glad to welcome anybody else here.

Senator IVES. Mr. Chairman, I am not in any way criticizing the witnesses we have heard this morning. I think we have had excellent representation. What I was pointing out was the way in which the notice of this hearing was broadcast. I do not approve of it. That is for you and I to disagree.

Senator LEHMAN. Well, I think at all the hearings we have had very fine representation of public officials and the citizens of the State or local community involved. I do not want to shut you off, Senator.

Senator IVES. I do not want to get into any discussion on the subject.

Senator LEHMAN. Mayor, will you proceed.

Mayor COLE. As a matter of fact, Senator, I think it could possibly have been detrimental to this investigation, because I did not know whether to really come to this meeting or not. It was only my interest in our own city and State and the future of the people of the State of New York and other States that prompted me to come here to answer any questions, or present my views.

During the last 4 years while I have held public office, I have always had an official invitation to appear at various hearings before various committees. I really didn't know whether to take this invitation too seriously, as far as time was concerned. I have also learned to read the papers and not always believe what we have published in the papers.

Does the Senator wish to direct a question to me at this time?

Senator LEHMAN. You are the mayor, are you not?

Mayor COLE. Yes, sir.

Senator LEHMAN. How long have you been mayor?

Mayor COLE. I am completing the 4th year.

Senator LEHMAN. You are very much interested in this whole situation?

Mayor COLE. Very much.

Senator LEHMAN. You are representing the people, not only of your city, but probably other people in the community.

Mayor COLE. Yes, sir.

Senator LEHMAN. Whether you received an invitation or not, may I say with very deep respect, that it would not have been an unusual or unnatural thing if you had asked to appear. Mayors have done that—governors have done that.

Mr. EDELSTEIN. Mr. Chairman, may I just say for the record, since I, under the general direction and on behalf of the committee staff, set up the technical arrangements for this hearing, we wanted to have a hearing at which we would get the representatives of the interested parties throughout this area. It would have been impossible to issue individual invitations to all the local officials of all this entire area, covering 4 or 5 counties. We therefore issued a press release out of Washington from the committee headquarters, and informed such individuals as we could that the hearing was to be held, and asked for the cooperation of the press in spreading the word, so that those who were interested could arrange to be present. We could not have invited all the local officials of these four counties.

Senator IVES. Well, in that connection, did it occur to you that it might be well to send a notice to the clerks of the various boards of supervisors involved? They would be the natural ones to whom you would make this approach.

Senator LEHMAN. Well, now, may I interrupt. I think this is a silly business. Senator, you know perfectly well that anybody who wanted to come here would have been welcome. I do not know whether the chairman of the Democratic county committee urged people to come here, but certainly the chairman of the board of supervisors, who I assume is certainly deeply interested in this matter, and certainly the chairman of the Republican county committee, who I assume is reasonably interested in this matter, could also have urged his people to come.

I am glad to say that we have had a very representative body of people here. We have had the mayors of many of the large cities in the county. We have had representatives of the boards of supervisors. We have had farmers. I can assure you, I have no idea whether any of those people are Democrats or Republicans. I would assume, knowing the political complexion of this county, that the majority of them were members of the Republican Party. But I am glad. That is what we are having this meeting for.

Unless you have anything further to say, Senator Ives, I would like to and would be very glad indeed to hear from the mayor.

Mayor COLE. Well, Senator, of course you are all aware that this flood caught us totally unprepared. I have been very much interested in the presentation that Mr. McMurray made.

I, however, feel that it is the State's obligation to business and to homeowners, to the population of the State. After all, we as residents of the State of New York are really the State's children. That does not mean that the State should necessarily take care of us. But where there are acts of God, I cannot for the life of me see how the State or any private corporation can set up an insurance plan where the average farmer, the average businessman, the average homeowner, who lives, maybe, in, let's say, the Wallkill Valley or the valley of the Delaware and the Neversink, can carry an insurance policy to cover him in case of flood.

During the past 4 or 5 years the State of New York has carried on a program to encourage industry to come into our State. You cannot hate the State of New York for doing that. Connecticut has probably done that, too. We want industry to use our natural resources, the waters from our rivers.

I think that it behooves every State in the Union, regardless of whether it is New York, New Jersey, Pennsylvania, or Connecticut, to guarantee to its inhabitants some form of financial support in case of flood. I would not include fire. I think that can be covered.

Senator IVES. That is already covered.

Mayor COLE. Yes. It was mentioned here, I do believe, by Mr. McMurray. But I think it should hold true in case of flood or war, otherwise we might have an exodus of our property owners, homeowners, businessmen, leaving an area that might be affected by flood.

You might say we can build dams up on our streams. That is very well, too. But that cannot be accomplished tomorrow or next year. But the fact still remains that we had considerable damage from streams such as were flowing through Ellenville, Wurtsboro, and Stroudsburg. The State or Federal Government would not think of putting dams on those streams.

Then there is another thought. I believe that all private dams on these inland waters should come under State supervision. Whether it should be controlled as to the amount of volume of water impounded or not, I don't know. I feel very positive that the damage done to Route 42 and the rapid rise of our Delaware River in this recent flood was caused by private dams that gave way, that were not prepared to stand the strain of the water that they were prepared to impound.

This perhaps is deviating from the insurance idea.

I do, however, feel that all the large dam installations that are on these various streams should be equipped with radio so that when one

of these storms hits, or when danger might affect the areas below, where the condition of the dam might inflict damage upon the areas below, those areas could be informed.

The city of Port Jervis experienced something like that. We have dams above us. We have dams on the Mongaup River. We have a dam over in Pennsylvania on the Lackawaxen River, which would necessarily affect the welfare of the city of Port Jervis if they gave way. This flood in August caught us very unprepared. We had no idea as to the condition of the dams on the Mongaup or the Wallen-paupeck Dam.

I think Mr. Gurda has a definite problem, such as we have had in the city of Port Jervis. We cannot expect the Red Cross, the Catholic charities, or the Salvation Army necessarily to come in and take care of all the damage that has been done by a flood. After all, a flood is an act of God. You cannot say it is due to neglect of man, even though we have been contemplating damming these streams for years and years.

Senator IVES. Well, sometimes it is due to the neglect of man, when buildings are where they should not be.

Mayor COLE. Well, it is a matter of opinion whether buildings should or should not be there. We have a new industry breaking ground in Port Jervis now. The ground is broken. The steel has arrived. The land was purchased in July. The man was in New York at the time of the flood. He called and said, "Is my ground under water?" Well, fortunately it was not. But it was along the river.

Senator IVES. I know your terrain in Port Jervis. How could you have zoning ordinances in Port Jervis where floods are concerned?

Mayor COLE. I do not think you could.

Senator IVES. You would have to evacuate everybody below the hill.

Mayor COLE. Yes, sir. The Federal and State Governments built a dike along the Delaware, assuming that it would be practical for all time.

Senator LEHMAN. Mayor, you referred in your testimony to the responsibility of the State to do these things, if I understood you correctly.

Mayor COLE. Yes, sir.

Senator LEHMAN. You mentioned New York State specifically.

Mayor COLE. I am a resident of New York State.

Senator LEHMAN. Of course, I would be very glad indeed to have all communities get as much help from their own States, including New York State, as possible. But that is, of course, a decision that must be reached by the legislatures of the States, and by their administration. The hearings we are holding are in connection with Federal legislation. We are representing the Members of the Senate, the two Houses of the Congress and the President of the United States, in the organization of this matter. We cannot, of course, issue or propose any legislation within a State, even though we may be very much interested. Our task is Federal legislation.

May I ask you—do you favor or are you opposed to the principle that is incorporated in the Federal legislation?

Mayor COLE. I am opposed to it. I think that it is the same as private industry. A State can use a plan, such as I have advanced here this morning, as perhaps a promotional device. After all, every State is after industry. I know that and you know it. Our own locality right now is entertaining a proposal from a corporation which might well locate along the Delaware River. If it is locating in the State of New York, where the State of New York would guarantee to give financial aid and support in case of flood damage, I think it would do a lot in convincing this corporation to locate in our neighborhood and use the waters of the Delaware River.

Senator IVES. What you are proposing, in effect, Mayor, is an additional tax on the people of the State of New York for this purpose.

Mayor COLE. We want to keep the people of the State of New York satisfied.

Senator IVES. I agree with you on that. But we have 47 other States, and a lot of them are in the same position. And while Senator Lehman and I are primarily interested in the State of New York—let there be no question about that—we have got to recognize in this committee we are present representing all 48 States and the Territories. It has been proposed that an additional tax be levied. You were not here when the superintendent of insurance spoke. I asked him about that. That was proposed yesterday—that an additional Federal income tax be levied. What you are proposing is the same thing, but it applies to the State of New York. That is where your money is coming from, and it is going to guarantee these localities against loss of their business, isn't it?

Mayor COLE. That is right, it is. And of course the welfare of the State depends on the welfare of the industry and homeowners of the State.

Senator IVES. What you are saying in effect is that we should have this kind of guaranty, this kind of insurance, only you are proposing it be done by the States.

Mayor COLE. That is right.

Senator LEHMAN. I am very glad that we have developed that. I think it is extremely valuable to have everybody's point of view, whether one agrees with it or not. So I am very glad indeed to have the expression of your opinion. But I want to be sure I understood your testimony correctly. In other words, you are against Federal insurance against flood or other disasters, and you want to place the entire burden on each individual State.

Mayor COLE. That would be my first conclusion; yes, sir.

Senator LEHMAN. All right. Thank you very much, sir.

Mayor COLE. It is a pleasure to be here with you, and I am very glad that I did believe the newspaper.

Senator LEHMAN. Commissioner McMurray has asked me to read the following:

For the record, it should be pointed out that Commissioner McMurray made no statement that the Federal Government should insure against any hazards already insurable by the private insurance companies.

I want to say that if anybody wants to file a statement for the record, in addition to his testimony, either in substitution for or in addition to any statements that he might make orally, he may do so. The record will be held open for at least 2 weeks more.

We will now recess until 2:15.

(Whereupon, at 1:30 p. m., a recess was taken until 2:15 p. m. of the same day.)

AFTERNOON SESSION

Senator LEHMAN. The hearing will resume. Senator Ives and I are very sorry we are a little late in reconvening this hearing. We had lunch in the very excellent inn alongside the courthouse, and I do not know whether the food was so good or our appetites were so large that caused the delay. But we are glad to be here now.

Mrs. Walker and Mr. Moncheur, will you come up and testify?

**STATEMENTS OF ROMEO MONCHEUR AND MRS. NANCY WALKER,  
DEER PARK, N. Y.**

Mr. MONCHEUR. Senator Lehman and Senator Ives, first of all I would like to say that it is on the spur of the moment that I am here. Two days ago I read in the Port Jervis Union Gazette that there would be such a meeting. After having talked for so long, so much, about my losses, the losses of my neighbors, I thought this is the time to come down and see if something can be done in the future, so that we will not have to sustain the same losses again.

I would like to emphasize, too, that I am not a lawyer. I am no political officeholder. I do not represent any pressure group. I am just a plain citizen, the lowest echelon of the American political hierarchy.

I have a small hotel in the hills. Last August 19 it rained and rained and rained, and by 12 o'clock at night I had to drain my pool for the first time by 6 inches. I didn't think anything of it in particular. But it continued to rain, and it was a warm rain. We never had had a rain like that before. By 3 o'clock in the morning, I had to drain the pool another 4 inches. By then I felt this is something surely unusual. I had never seen so much rain before. But nevertheless, I went to bed, until at 4:30 the civil defense chief of our town called me up to come in a hurry, that our kill down there, which flows into the Neversink, had risen to such an extent that houses never touched before were under water. People had 2 feet of water in their houses. So we went down and we saw how serious it was.

Ever since, the people of my community have been hoping that something could be done. The Red Cross, of course, came in. So did the Salvation Army and other charitable institutions. And they tried their best. It helped in the first few hours, but it did not replace the losses, the very serious losses, that many of our citizens had sustained. I for one lost the swimming installation of my establishment in the kill. The loss in itself is not too serious. It probably represents around \$1,500. Of course I am not insured, but I will survive. But some of my neighbors—and Mrs. Walker will talk about herself in a few minutes—have had very serious losses.

They tried everything that has been proposed. Among other things, they tried the Small Business Administration for loans. From what I know, I know two cases in my direct vicinity where loans have been tried, and to this day no answer has come.

Senator Ives. Is this the Small Business Administration?

Mr. MONCHEUR. Small Business Administration.

Senator IVES. Well, just a moment. I think there is a full record of those loans or applications that have been filed. Do you want to send me a letter regarding that loan business? I will follow it up for you.

Mr. MONCHEUR. I will be glad to, Senator.

Senator LEHMAN. Are those applications made by people in your area?

Mr. MONCHEUR. That is right. In my case I did not make any application to anybody since I did not consider the loss big enough to warrant a loan from the Small Business Administration.

The feeling of all the people is that it is easier, actually, if you have the collateral, to obtain a loan from a bank where you are known, than from the Small Business Administration.

That relates to getting back into business when you are hit by the flood.

But I understand we here today are discussing mostly the insurance angle, and what we citizens think could be done. I discussed that with a number of my neighbors again last night and this morning, and we came to the conclusion that maybe what should be done should be big, should be done by the Federal Government, and if possible, not at cost to the taxpayer. It should be done, if necessary, by taking up a big loan. We have been thinking of something of the sort like war bonds that we have during an emergency like a war. So that in a case like this it would be possible to take up a loan that would be called a conservation bond, which would give the Government \$3 billion, \$5 billion, or \$10 billion, or whatever would be necessary—or maybe all that is necessary is for the Government to subscribe such a loan.

The small-business people, and also those among us who are not in business, do not want charity. We want either coverage or we want to be able to take up a loan, if something hits us, on our signature. We are honest people. We want to repay it. But our local institutions are often not in a position to do that, because when we are hit by a catastrophe like Diane, most of us are not prepared. We have mortgages and other debts. If on top of the mortgage and other debt comes the requirement of another \$5,000 or \$10,000, local banks are in no position to give such a loan. That is why so many of us thought that is where the Small Business Administration comes in. As long as you didn't need it, you thought if anything should ever happen that is where you are going to go. But after it happened, we found practically closed doors.

Senator IVES. To what business are you referring with respect to the loan?

Mr. MONCHEUR. The loan is not for me in particular. I did not apply for a loan. My neighbor, Mrs. Walker, applied for a loan.

Senator IVES. What business is she in?

Mrs. WALKER. Summer resort.

Mr. MONCHEUR. I heard the same thing from people who have a grocery store, a garage, a butcher shop—all the small people who do not have the credit facilities of bigger businesses.

Senator IVES. You understand about the summer-resort business and the Small Business Administration. There had been a period of some delay as to policy where that is concerned. There was quite a

while when they were making up their minds whether they should cover the resort business. Obviously there are certain exceptions where they run into considerable loss. I think finally they are doing it. You may run into that—while this transition is taking place.

Mr. MONCHEUR. I understand that in principle resorts are now eligible for such loans.

Senator IVES. That is right. But they were watching them very carefully.

Mr. MONCHEUR. I know. And I do not blame the Government for doing just that. But at the same time, what concerns me primarily is that small business people, so important to our form of economy these days, do not have the reserves necessary to wait 6 months or a year or 2 years, to remain alive economically. It is of the utmost importance to us as citizens to keep those people alive.

Senator IVES. The ordinary borrowers from the Small Business Administration do not have to wait anything like that. Those loans are processed quickly.

Mr. MONCHEUR. So far in our vicinity we have not heard. I hope for the people who applied they will hear.

Senator IVES. You see, you have a double problem. Yours is a flood problem, plus a resort problem. That may be causing some delay there.

Mr. MONCHEUR. I repeat, sir, that some of the loans that have been applied for do not apply to resorts. They apply to other businesses in Port Jervis. Actually, they are small neighborhood stores and so forth.

Senator IVES. I have the record of applications of Port Jervis inquiries—105. And so far—those were just inquiries; they were not applied for. I think the number applied for was 16 out of that total, after the inquiries were made. And your amount must be somewhere in that 16. Of the 16, which amounted to \$114,605, 13 have already been approved, totaling \$87,605. One has been declined. That was one for \$12,000. I do not think that was yours; was it?

Mrs. WALKER. No; mine is more. Mine was \$25,000.

Senator IVES. Two were sent to the regional office. They totaled \$15,000. Yours does not seem to be included. You actually made your application, did you?

Mrs. WALKER. Yes—sent it registered mail.

Senator IVES. How long ago?

Mrs. WALKER. A little over 2 weeks.

Senator IVES. Was that \$25,000?

Mrs. WALKER. Yes.

Senator IVES. Well, that would have to go to the Washington office for approval, and that is what caused your delay. I think anything up to \$20,000 is cleared locally, and above that it has to go to Washington.

Mrs. WALKER. Wouldn't they at least acknowledge receipt of the application?

Senator IVES. You should have that.

Mrs. WALKER. They didn't. It was sent registered mail.

Senator IVES. You got a return receipt on that.

Mrs. WALKER. No; I didn't get it back. I inquired at the post office yesterday.

Senator IVES. They cannot run it down?

Mrs. WALKER. She is going to try.

Senator IVES. You asked for a return card.

Mrs. WALKER. Yes; I paid for a return receipt.

Senator IVES. Well, that may have gone astray. Of course, that is the post office and not the SBA.

Senator LEHMAN. Senator, I have no facts on this question. I am not forming any judgment as to the accuracy of the figures that we have had. But you will recall that the head of the SBA did testify before us in Washington, and he gave certain figures, which I think you have here. Since then we have had testimony from these people and also from the Stroudsburg people which are considerably at variance with the figures given to us. I have no idea which are accurate. We are going to look into it.

Senator IVES. There was a discrepancy there; yes.

Senator LEHMAN. Will you continue, sir.

Mr. MONCHEUR. The only other thing I would like to mention is if it is possible at all for the Federal Government in Washington, since that is where it has to come from, seemingly, to find a way to cover actual flood losses by insurance. Of course, it would be preferable, as we see it, if it could be done by insurance companies, with the guaranty, maybe, of the Federal Government in this case to start work. But in any case, where the people would be insured, and not only insured for their real estate. Many more people, I know, have been hit in their personal property in the floods of August than people who have lost on real estate. After the water receded the house was still standing, and in most cases it could be repaired if any damage at all was done. But the people who lost their furniture, that was final. I have seen truckload after truckload of furniture being thrown away in Port Jervis because they had 2, 3, or 4 feet of water on the furniture, and nobody could use it any more. Again, those are the people who are the poorest people in the community. They are people who have families. During a period of years they have accumulated \$2,000 or \$3,000 worth of personal belongings. If you have to replace such an amount when your children are in the growing stage, as is the case with most of these people, it is practically an impossibility. It puts you into debt for years to come.

Senator LEHMAN. Well, that is, of course, covered by my bill and I think by some of the others. There is a difference of opinion with regard to what the coverage will be, but that is why we are holding these hearings. We want to get the advice of people.

I must announce that unfortunately Senator Ives and I have to get back to New York at a reasonable hour tonight to keep engagements of long standing. So I will have to ask the witnesses to be as short as possible, although we do not want to cut anybody off.

Mrs. WALKER. I have a summer resort that I have been operating since 1944. It has been a growing business ever since it started, and I have proof of the same. We have a winding brook that runs through the resort and even with heavy rains it overflows, because the culvert under the road is not large enough to carry the water away. During the flood I suffered damage of \$25,000.

The brook needs to be cleaned out. It is full of stones.

My reservoir was completely ruined. That is full of stones. My driveway was completely washed out. My parking lots were completely ruined. There were places in my driveway deep enough to

drown in. My neighbor was kind enough to help me out with his tractor, to push enough dirt around so we were barely able to walk in and out.

The morning of the flood, before we could serve breakfast we had to dig ditches to detour the water, which was running through the dining room, kitchen, and stockroom. The floors in the main building were just about ruined. We lost a considerable lot of linen, and in the stockroom we lost a lot of goods.

I can wall up this brook so that it does not break loose again, because I have to give people some assurance so that they will be willing to come back. People are afraid of floods. I lost about \$15,000 in business. People canceled reservations due to the flood damage. My interest is in gaining this loan so that I can build back up.

Senator IVES. As I understand, Mrs. Walker, you do not know yet whether they received your application.

Mrs. WALKER. I am quite sure they did, because it was sent registered mail.

Senator IVES. But you did not get your receipt back. They should have received it, but you are not sure they did, because you have not got your card back.

Senator LEHMAN. This would be a loan that you have applied for.

Mrs. WALKER. That is right.

Senator LEHMAN. I do not want to ask you what your financial situation is, but if you have got an indebtedness, this would be on top of your other indebtedness.

Mrs. WALKER. That is right. I have very good credit references, bank and otherwise.

Senator IVES. I have received a communication here that your application was received in New York on October 20. So your dates are more or less accurate. There was delay in acknowledgment undoubtedly due to extra work caused by the second flood.

Senator LEHMAN. I want to point out, for the record, that while I think the SBA has been doing very valuable work and will continue to do so, and I have always been a very strong supporter of it, it is limited to \$25 million. The losses in 2 States, North and South Carolina—the minimum estimate I have here is \$75 million. That is why they can do so little. That is why we are interested in this legislation.

Senator IVES. I will keep that and see what happens to it.

Senator LEHMAN. Is Supervisor Burton Marshall of the town of Rochester here?

**STATEMENT OF BURTON MARSHALL, MEMBER, BOARD OF SUPERVISORS; ACCOMPANIED BY EDWARD C. CARLE, JOHN S. SCHOONMAKER, AND EDWARD DAVENPORT, TOWN OF ROCHESTER, N. Y.**

Mr. MARSHALL. Yes.

Senator Lehman, Senator Ives, I have brought with me a delegation of three men from our town, Ed Carle, John Schoonmader, and Ed Davenport. I am Burton Marshall, supervisor of the town of Rochester. I picked these men out who I felt were the individuals who had some of the biggest loss in our town.

In regard to this insurance, the bill that you are putting up, we felt that their testimony might be better than my own. I had very little

I know something about the damage done by floods, because we had a great flood in the southern tier. Some of you may remember that. That was in 1936, during the time I was Governor. I went down there and spent a week there, and I saw from personal observation the damage that occurred. One of the great damages was just what you suffered from—the floods coming into the stores, factories, homes, and damaging personal property or inventory.

In holding these hearings, we are trying to make a very complete record. This is the fourth hearing we have had. We are going to have a number of others. I am sure the record is going to be read pretty carefully by members of the Banking and Currency Committee, which will be charged with the duty of drafting legislation for submission to Congress, if that is possible.

But do not forget that regardless of what the Banking and Currency Committee wants to do, or certain members of the Banking and Currency Committee, there are 96 Members of the Senate and there are 431 Members of the House of Representatives. Only a very small percentage of those men and women really have any comprehension of the damage, the loss, the suffering that comes from natural disasters. Very few of them have. The task will be to educate those people. Don't let's fool ourselves. Legislation of this character, which is complex, is going to be the subject of long discussion and argument, and considerable opposition.

You men and women in this district, as well as many other districts of the country, can render tremendous service by telling your story to your representatives in Congress and to the community as a whole. This is a proposition on which education has to be carried on.

I do not believe that any 3 or 4 or 5 members of the Banking and Currency Committee alone can do the job of educating the Members of both Houses of Congress. It is the duty of every man living in a community which has suffered from this thing to get up and tell his story to as many people as possible, describe the losses and suffering. It is just not understood.

I make that appeal to you. I am going to make it at other hearings. But I think it is highly important.

As the next group of witnesses we have Mayor Eugene Glusker and a delegation from Ellenville, including Supervisor Sprague and Mr. Charles Kaiser and Mr. Harry Thayer.

**STATEMENTS OF EUGENE GLUSKER, MAYOR, ELLENVILLE, N. Y.; DONALD A. SPRAGUE, MEMBER, BOARD OF SUPERVISORS, TOWN OF WAWARSING, N. Y.; AND JOHN GARY, CHARLES F. KAISER, AND HARRY M. THAYER, ELLENVILLE, N. Y.**

**MAYOR GLUSKER.** My name is Eugene Glusker; this is Mr. Thayer and this is Supervisor Sprague.

From my interpretation of the brochure sent out by your committee, it is my impression your hearing here today is for a double purpose. One is to get some idea as to the destruction and, secondly, the possibility of insurance as a solution to the problem.

The total destruction in Ellenville consisted of 7 homes, 1 factory, and 1 large recreational building belonging to a church. Partially

Senator IVES. They don't have to be paid in full at the end of that time, do they?

Mr. CARLE. They can be reduced from time to time. Frankly, I don't know if they want it all back in 3 years or not. They mentioned a 3-year period.

Senator IVES. That is probably what they are aiming at. But generally if a man is a good credit risk—and you look to me like a person who has good credit—the hometown bankers are usually quite liberal.

Mr. CARLE. They have been very good so far—very nice.

Senator LEHMAN. When I was Governor I am pretty sure I would have known what county your town is in—but what county is it?

Mr. MARSHALL. Ulster. We are affected a great deal by what is known as Roundout Creek. Our town sort of goes up on each side from it, up the mountain, and about 98 percent of every bit of water that comes from the hills enters into the Roundout. Mr. Carle's store, like many others, is located right around Roundout Creek.

Mr. SCHOONMAKER. We had the August flood, and then the October flood got more serious. Some of us older fellows can remember back to 1928. So we didn't worry too much about the August flood—until it hit back in the same spot 8 weeks later, more or less, in October.

We have seen a lot of high water on Roundout, but it has never reached the flood stage as it has in these 2 floods this year, except in 1928.

Speaking for the farmers in our township, there has been a severe loss to the farmers that have this river-bottom land, up and down the stream. Their losses have been severe. For myself, I lost a hundred acres of sweet corn and 10 acres of other vegetables, which I roughly figure at probably \$20,000. Of course, the crop was not harvested. There is some expense in the harvest of it. But the farm loss in general was high. A good many farmers lost their forage crops, their winter supply of grain, their corn crop.

I feel if there was some type of insurance available to residents in this area, it would be very acceptable to them and be appreciated.

I think that is all I have.

Senator LEHMAN. Thank you.

Mr. DAVENPORT. I am a farmer in that valley. We have farms on a couple of the streams which are subject to floods. I do not want to go into the losses we took for the August and October floods, and I do not want to give any lengthy testimony. But I would like to say that we should have some flood control or flood insurance that the ordinary person could carry. That is all I want to say.

Senator LEHMAN. You are personally a sufferer from this flood?

Mr. DAVENPORT. Yes.

Senator LEHMAN. In what way.

Mr. DAVENPORT. We suffered on vegetable losses and also losses on a few acres of ground that the streams took the top soil off of.

Mr. MARSHALL. That is the main thing. I feel in our area the people who have been affected by these floods are insurance conscious. If there is a possibility of an insurance that they can pay for without damaging themselves any further, they would want it.

Senator LEHMAN. Well, we appreciate your coming. I want to make a brief observation which I think is very important in connection with this legislation.

I know something about the damage done by floods, because we had a great flood in the southern tier. Some of you may remember that. That was in 1936, during the time I was Governor. I went down there and spent a week there, and I saw from personal observation the damage that occurred. One of the great damages was just what you suffered from—the floods coming into the stores, factories, homes, and damaging personal property or inventory.

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The total destruction in Ellenville consisted of 7 homes, 1 factory, and a large recreational building belonging to a church. Partially

affected were 6 factories in Ellenville out of a total of 9. There were 125 homes affected. The school grounds were washed away. And we figure that 60 percent of all the businesses in Ellenville were affected in the amount of hundreds of thousands of dollars. I have estimated in my own figures here a total loss of \$1,290,000. That is in the village of Ellenville.

Senator IVES. Just the village?

Mayor GLUSKER. That is right. On top of this, the estimate of the amount of money that the Army, Red Cross, and other agencies will have spent before they leave Ellenville after the first and second floods amounts to approximately \$700,000.

Keeping the thought in mind that the total budget of the village of Ellenville comes to around \$196,000 a year, we would have to have spent the next 5 years, or the entire budget of our next 5 years, if this work had been done by the village of Ellenville. So I think, as far as the losses are concerned, they are considerable, and certainly we feel that we are entitled to a certain amount of relief in the sense of insurance.

I appreciate the fact that insurance is a very difficult thing to talk about, because I, as a layman, do not know too much about it. But I have a business of my own, and we did make some inquiries and got a quotation from Lloyds of London of \$240 per thousand. So if you had no loss in 4 years, you would buy yourself out.

I am merely making this as my own suggestion, but it would seem to me that if it were possible for the insurance companies, taking \$240 as an unreasonable figure, to take some reasonable figure, plus the backing up or coinsuring of the Federal Government, when and if necessary in the event of a loss, some reasonable figure could be arrived at so this type of insurance could be made available to people.

Senator IVES. Mayor, are you in the insurance business?

Mayor GLUSKER. No, sir; I am in the wholesale tobacco and candy business.

Senator IVES. Rates are a hard thing to determine. The superintendent of insurance has stated it takes years to determine rates. That is one of our problems.

Mayor GLUSKER. That is because, I presume, they need a table of experience. I can appreciate that. But I would also say that we are not going to be quiescent and not hope for some permanent flood control. I would say this would be an interim measure, where the Federal Government would step in for a period until permanent flood control is accomplished.

Senator IVES. Well, don't get me wrong. We are not going to wait for a time of trial and error while rates are being determined. That would probably take a good many years. We are planning on doing something far ahead of that time.

Mayor GLUSKER. Of course time is of the essence, I would say, because if you can believe the weatherman, our periods of rain are not over. Very frankly every time it rains more than an hour now, my phone starts ringing and they want to know if they are still in good shape. People think I can just wave my hand and stop the rain.

I think that you would want to hold out to the people that while insurance rates are hard to establish, as you say, you are not going to wait.

Senator IVES. That is why we have the legislation before us and none of it is based on a waiting period for determining insurance rates. We propose to act. As Senator Lehman has stated, we have got to get the Congress to agree on this. And before you get through with the House and Senate and the two committees, you will have a lot of different ideas that will be promulgated and advanced on the floor of both Houses, and what kind of legislation we get in its final shape remains to be seen. It is going to be up to some of us to hold it in line, if that can be done.

Senator LEHMAN. I think what Senator Ives is indicating, and I am in full agreement, is that if next Wednesday you should have 2¼ hours of rain instead of an hour's rain, we do not want you people to think we are going to pass the bill that afternoon. We wish we could, but we cannot.

Mayor GLUSKER. One of my hardest jobs, I think, is to explain to the people why the Army could or could not do certain work. How many people know the Army is controlled by section 875 of the Federal law? It doesn't mean anything to them, because that is just a number. That has been my hardest job—to prove to the people that the Army is doing whatever they can under the law, and anything else would have to come under permanent flood control. But when you have an aroused community, it is very difficult to explain anything in an intelligent manner.

Senator IVES. Were any applications made for loans under the SBA in Ellenville?

Mayor GLUSKER. Yes, sir.

Senator IVES. Have they been approved yet?

Mayor GLUSKER. Some have.

Senator IVES. I have nothing further.

Mr. SPRAGUE. I did not come at all prepared to be heard today. I learned about it first yesterday afternoon. I came over this morning, and arrived here about 10:15.

Senator IVES. How did you learn about this?

Mr. SPRAGUE. I got a call this morning. I heard about it yesterday afternoon.

Senator IVES. Wasn't it in the papers?

Mr. SPRAGUE. I understand it was, but I didn't see it. I will make my statement very brief, and some of these statements will be in addition to Mayor Glusker's. I will speak about the township of Wawarsing, without the village limits of Ellenville. In the first flood of August 19 our estimate of damage to roads and highways was \$500,000. Our estimate as a result of the flood of October 15 was in the neighborhood of \$400,000. Most of the work we had done had been undone, and further devastation had been created as a result of the second flood.

In talking to my neighbors and people in the township, it appears to me that while they are fully in accord with some type of Federal insurance, I happen to be an insurance broker myself and I know a little bit about it, and I am certainly all for it. However, I do feel that I picked up considerable knowledge since working with the Corps of Army Engineers, who were located in our area. It would appear that possibly the proper aspect of this thing would be to attack the permanent flood-control aspect of it.

We are in an area, as has been mentioned, which is mountainous, and as soon as the ground is filled with water, we get a tremendous runoff. We do not have particularly a problem of inundation. We have a problem of the ripping and tearing of streams, filling up of streams.

I feel in addition to the Federal flood insurance, legislation should be initiated, if it has not already been, to process these permanent flood-control areas, so that less time is taken in developing those areas.

A number of people have said the flood of August 19 was the worst flood we have had since 1903, and it will probably be another 50 years before we would have another one. Seven weeks later we had the same type of catastrophe. And last Sunday we were scared to death. The water had risen 5 to 8 feet, and if it had rained another 12 to 15 hours we would have been right back in the same proposition as we have been twice in the past.

I would like to say in our township we have had a tremendous loss to the farmer. There is one gentleman with me here today, and I would like to ask him to say just a word or two. Mr. John Gary is a farmer in that area, a dairy farmer. To all intents and purposes he will probably have to get out of the dairy business. His pasture is gone. He has maybe an acre or two left for grazing. The stream jumped the bank and completely devastated the property.

So I think the plight of the farmer is something that has possibly not been publicized as much as it should be—in addition to all types of business.

Everybody was hit badly, of course. But I do feel the farmer has kind of taken a back seat, not only in our area, but probably in all areas.

Mr. Gary, would you like to say a few words at this time?

Mr. GARY. My name is John Gary. Mr. Sprague has covered briefly what I had to say. Unfortunately we are directly in line with the flood. I have had quite a bit of it at both times—Diane and the last catastrophe. Mr. Davenport, who gave testimony just a moment ago, owns the adjoining farm to mine. The stream broke through and took my pasture, and also about 12 acres of Mr. Davenport's farm, adjoining. That puts us in a bad position. I can speak for Mr. Davenport also because we have talked about this matter.

I moved my cows out one night at 1:30 in the morning. The second time it was on a Sunday. Fortunately it was in the daytime. If we get it a third time, with the position we are in now, even though the engineers have been in there, we are just about as bad off as we could be, and we might just as well quit entirely.

In addition to that, I have a chickenhouse which is hanging over the stream. Personally, I don't know what to do to reclaim it, because of the fact that even if I do spend the money and reclaim it, I am not sure it is going to stay there if another flood comes along.

Of course, as you both know, the Army engineers are working under Public Law 875, which puts a limit on them. But personally, I see where they were a little negligent in Diane that created a tremendous effect upon both Mr. Davenport and myself in this last flood. Because the water gave way at the line of least resistance, naturally. Living in this place for 26 years, and going through these floods before, in the last flood the water in my barn was 8 inches higher than it was in Diane. As soon as this escape route was established, my barn was vacant of water in 30 minutes.

Of course, Mr. Davenport and myself got the full benefit of it in the line of destruction as far as the agricultural end is concerned. However, at the present time I do not know what to do in regard to keeping cows, because of the fact that my fences have been destroyed, my pastures destroyed, my chickenhouse is partly hanging over the bank of the creek.

Senator IVES. How large a dairy have you?

Mr. GARY. I have 10 at the present time. In May I sold 29 and I have 10.

I feel very hard about this thing, because that is my home, and to see your soil just being washed down the stream isn't a very pleasant thing, together with the building loss we have to sustain. We have no way of recovering that, as I see, under any law. Insurance would help, but what good would insurance be if we are standing in the path of another flood coming along in the next 6 or 8 weeks.

Senator IVES. As has been pointed out time and again, this whole problem takes on a three-fold aspect. First, of course, is flood control. That is the first thing of basic importance. The next thing is that you cannot prevent all floods by flood control. You may some, but that will not stop all of them. They will not be as bad if flood control is proper, but you will still have a certain minimum number of floods. And the next thing is civil defense to look after the situation when you get a flood. Then comes your insurance to make sure your losses are covered.

Mr. GARY. That is right. But I have been working with the Soil Conservation Service for the last 12 years. A survey was made several years ago at about the time the Catskill devastation occurred at Pine Hill, which was completely covered. I know I myself worked 2 weeks with the Corps of Engineers at that time, together with our own group.

The thing has been dormant ever since.

But flood control of a permanent nature is what we need on some of those little flash streams. Unlimited amounts of money have been lost by these floods which could have been corrected, in my estimation, if flood control had been in effect.

The Venoy Kill, which originates within about 8 miles of my property, has a tremendous watershed scope. All that water must empty right through my property and Mr. Davenport's to enter the Rondout. The Rondout has grown tremendously in brush, trees, and everything, through lack of something; we don't know what.

Of course, I understand it is going to cost millions of dollars. But what are we going to do—sit idly by and see the thing all go down the stream? Or can something be done?

Senator IVES. That is the test of flood control itself and all the projects—whether the savings that will accrue from the construction of the projects will exceed the cost. That is one of the reasons for the slow progress in taking care of this matter because that has to be figured out by the Army engineers.

Mr. GARY. Well, may I make one more statement. After Diane, the Army engineers came in and they tried to alleviate the blocks in the stream. They went through quite a bit of work, probably sensibly done. But I know, from my own personal viewpoint, that we could have been saved a lot of destruction if the work had been properly done, even on a temporary basis, at the time of Diane.

We have lived along this stream for a number of years, and we know the meandering way this stream goes and the amount of destruction it causes. While we will admit that a larger volume of rain fell, I do not see why we should have neglect on the part of the Army engineers for bottlenecking the stream on the connecting land between myself and Mr. Davenport.

Senator IVES. In that connection, may I ask whether the job done then was done with the idea of further completion? It was not completed, was it? As I understand, it was temporary; was it not?

Mr. GARY. That is right.

Senator IVES. They left it that way; is that it? They were not expecting another flood.

Mr. GARY. They left, and it was exposed for another flood by not eliminating the bottleneck at least 500 yards down the stream further, which would have saved Mr. Davenport's 12 to 15 acres and mine. That is what makes it so grievous on my part. I feel there was negligence on somebody's part. They say they are limited, and so forth. That is true.

Senator IVES. They expected to come back and complete it; did they not?

Mr. GARY. It sort of died a natural death day by day. It was a day-by-day lingering. As I understand Mr. Allen, who has the purse strings under his control in civil defense, came in, and they moved out and left us that way. They came back at the last flood and did the very same thing over again, with one exception. Now the stream is through our property and that is where it is going to stay. That doesn't leave us in a very good position in the event of another flood. Only an act of God can tell when that will happen.

I would very sincerely like to see something done with regard to eliminating that condition.

Senator LEHMAN. May I say that together with a great many of my colleagues in Congress, I have always been a great believer in flood control. I think we have been very niggardly in the Federal Government in voting appropriations for it. I am not sure whether it is the law or regulations that provides that the Corps of Engineers cannot recommend a flood-control project the cost of which is greater than the demonstrable saving in damage in the future.

The Chief of the Corps of Engineers explained to us that many of the flood-control projects which are very worthwhile from an individual standpoint would not qualify under that law or regulation. He also testified, and I want to mention this again because I think it is important for people to know, that even the projects that have already been approved by the Corps of Engineers as necessary or worthwhile, at the present rate of appropriations will take 22 years to construct. That is a long time to wait. I think people should understand that.

Mr. GARY. I do not know what to say, other than I would sincerely like to see something done to get us a little bit off the hook in that respect, as far as sitting on pins and needles every times it rains. We know we may go down the stream the next time.

Senator LEHMAN. Thank you very much.

Mr. Mayor, you referred to the cost of a policy. What did that cover? Did that cover real property or real and personal property?

Mayor GLUSKER. You just spoke, Senator Lehman, about the economics of flood control. I happened to discuss that proposition with General Herron when he visited Ellenville. It seems to me the argument is fallacious in one sense. You speak economically, and yet you cannot assess the value of a life if you save it. He indicated to me that Congress is now in a position where they might not look at a 1-to-1 equalization of economy, but look in relation to the lives they might save.

With regard to what Mr. Gary said, I am not quite acquainted as to the condition that existed down there. But I have publicly said that if it was not for the work that the Army engineers did in the village of Ellenville, I do not think we would be sitting here today. So, so far as the village of Ellenville is concerned, we feel the Army's work was very worthwhile in what they did, even though it was of a temporary nature. Of course, Mr. Gary's proposition might be other than that.

Just one other thing. Mr. Evans, who is the head of the New York State flood control, has been a frequent visitor to Ellenville. He has assured me that on a State level both he and Governor Harriman are doing everything possible to expedite a plan to be submitted to Congress as soon as they convene.

Senator LEHMAN. I agree with you for the reasons you mentioned. That is why I made this little talk about telling your story to more people. They do not understand it. The more people who know this, the more chance we will have.

Senator IVES. There is another side to this question of flood control and flood-control projects which is not always realized by those people who need it badly—that is, the people whose property is being destroyed by putting in these dams.

Right adjacent to my county there is another county where the Unadilla River flows. Some of you may know that. It is between Chenango and Oswego. It is contemplated putting a flood-control project down there at Mount Upton which will back up about 12 miles, destroying some of the most fertile soil in New York State. The cost of the dam and all the property they will have to take will be over \$19 million.

These people not only will be without homes but will have no place to go that is at all like the place they were forced out of. At the same time the question arises as to whether the folks below the dam will be benefited to the extent of \$19 million at any one time or over a period of time.

There is that side of the question that has to be considered also.

I get their viewpoint, too. After all, people do not like to be forced out of their homes. They do not like to have their property destroyed for this. It is very hard to sell this idea to these people that are being affected that way. So you have that side of it to be considered.

Perhaps if you could talk to some of your neighbors whose property might be destroyed by these flood-control dams—I wish they could come here and see some of the destruction that has occurred as a result of not having these dams.

Mr. SPRAGUE. Senator Ives, just one more thing. During the testimony this morning, I noticed both you and Senator Lehman are quite anxious to know what the activity of the SBA has been in these areas. I would like to have Mr. Kaiser, who is civil defense coordinator in the

town of Wawarsing, and who also has been attorney for loans for the SBA, say a couple of words.

Mr. KAISER. My name is Charles Kaiser. I am a resident of the village of Ellenville and I am director of civil defense in the township of Wawarsing, which includes the village of Ellenville.

My purpose initially in coming over here was, as purely a private citizen, to ask for some form of flood insurance for people who might want it, and to lend whatever weight my word might have toward its accomplishment. Also to ask for our community of Ellenville and the town of Wawarsing a permanent program of flood control by diking, dams, or whatever might become necessary.

I would like to add to what Mayor Glusker has said—the fact that if it had not been for the prompt action of the Army engineers, I don't think either our municipal communities as such or the citizens of the community could have afforded the cleanup job that was done by them.

I am very much interested in insurance, flood insurance for individuals, and also in a permanent diking program in Ellenville.

As I sat here and listened to some of the testimony, I noticed that we broadened out a little bit from that narrow scope, and I would like to say this: I have been the closing attorney for the SBA in the Ellenville vicinity. At the time of or shortly after the August flood there were representatives of the SBA in the Ellenville area for approximately a month, assisting people in making out applications correctly, seeing that they were processed and sent forward.

There were some people, either by reason of laxness or otherwise, that failed to avail themselves of the services of those individuals when they were present. However, I know by talking to those people who were there that there were a series of 8 or 10 SBA loans received and processed. I believe 4 of those have been closed at the present time; the others have not, but they are in the process of being closed. Those that are not closed have not been closed because people have been a little remiss in bringing their papers in or cooperating in getting them closed.

As a matter of fact, there is a lady here this afternoon who owns a very sizable garage business, and who has been very gravely hurt twice by floods—and incidentally, her SBA loan is being closed in my office later this afternoon, and she may testify here to that effect.

That has been the history. They have moved along pretty good actually. As far as their policies are concerned, we think they have met what the people have asked for. They have endeavored in every way possible, our experience has been, to cut redtape and to make amendments when we ran into problems that were somewhat insurmountable in order to assist in closing the loans.

I would also like to point out that I am attorney and an officer of two local banking institutions. This morning I heard someone mention the fact that, after their homes had been destroyed on which there were mortgages, that they were then faced with borrowing over again and paying off the original mortgage they had. One of the institutions for which I am attorney lost three complete houses on which we had mortgages at the time, and with the approval of the New York State Banking Department we took back a deed for that property and gave them a satisfaction of their mortgage, thereby canceling their mortgage debt.

That is what can be done with the cooperation of an institution that wants to cooperate with citizens who also want to cooperate.

As to those persons who suffered partial loss, we have given them mortgage loans in an amount sufficient to completely rehabilitate their property, if they have requested it, and we have extended their maturity to such a point that their monthly payment does not exceed the monthly payment they were required to pay prior to their loss.

I don't know very much else that I would have to add, except that perhaps later this afternoon you will hear this lady's story.

But I do think that I would like to again stress the necessity for flood insurance and for some form of diking and flood protection in our community.

Senator IVES. I have no questions.

Senator LEHMAN. Thank you very much, indeed.

Senator IVES. I want to say this, though. I think this group has contributed mightily to our understanding of this problem.

Senator LEHMAN. They certainly did. Mr. Thayer.

Mr. THAYER. Senator, I would like to say this. It seems to me that the people in our life and times that have the least seem to live right next to streams. I don't know why it turns out that way. But the hardest hit people in our area, the ones that suffered the most, seem to have been the people with the least resources. I think it is true in factory towns and manufacturing areas, that along the streams, where the damage is worst, you will find the people that need the help the most when the disaster is over.

Of course, the farmers are not to be classed as poor people, but they get hit very hard also. It seems to me there has to be some sort of insurance that people can get, up to a certain point, that they can get it within reason and have it, so that they know when they go to bed at night they won't be wiped out.

But, you see, the people in the smaller homes have a lot of children, and when the water hits them, they have nothing left. While they have a job, they do not have the credit to go out and reestablish themselves. But if they could buy some little insurance policy, at least they could get part way back after the flood is over. I feel very strongly that something should be done for the person who has the least means, so that he could protect himself a little bit, because when his home goes, he has nothing left.

Senator LEHMAN. Except the mortgage. I fully agree.

(The following was subsequently received for the record:)

ELLENVILLE, N. Y., *December 23, 1955.*

Re Floods—August and October 1955

Senator HERBERT H. LEHMAN,

*United States Senate, Washington, D. C.*

DEAR SENATOR LEHMAN: As a result of the disastrous floods of August 19, and October 15, 1955, the town board of the township of Wawarsing, Ulster County, N. Y., has passed an official resolution recommending that permanent flood-control legislation be enacted in order that flood-control work can be carried on in this area.

As supervisor of the township of Wawarsing I am herewith attaching a copy of said resolution, and would ask that you devote every effort within your power to assist our area in securing the needed Federal legislation.

Any comments or additional information which may be needed in regard to this area will receive my prompt attention.

With kindest regards,

DONALD A. SPRAGUE,  
*Supervisor, Town of Wawarsing.*

## RESOLUTION

Whereas disastrous floods and high waters of August 19 and October 15, 1955, have caused and resulted in substantial and serious loss of property, real and personal, public and private within the town of Wawarsing, county of Ulster, State of New York; and,

Whereas it is the responsibility, obligation, and desire of the town board of Wawarsing to protect all such interests of all persons and residents within the town of Wawarsing from a recurrence of such catastrophic losses: Now, therefore, be it

*Resolved*, That the town board of the town of Wawarsing, county of Ulster, in the State of New York, respectfully requests and does hereby request, that the Congress of the United States of America take immediate and necessary steps to formulate, adopt, and establish a permanent flood-control program within this township of Wawarsing, Ulster County, State of New York: Be it further

*Resolved*, That a copy of this resolution be forwarded to Senator Irving M. Ives, Senator Herbert H. Lehman, and Congressman J. Ernest Wharton.

My knowledge and experience with floods dates back to 1936, when I was Governor and we had that terrible flash flood—I believe it was on the 4th of July—down in the southern tier. I went right down there, of course, with some of the members of my administration, and I found exactly what you have described. There was tremendous suffering and loss in Binghamton, for instance. It was almost all within 2 or 3 of the wards—the poorest wards. And as you went further over, to Johnstown and Endicott, the loss was among the poorest people. Then a little more north or west of that, you struck Whitney Point and then up to the Finger Lake district. While there were a good many firms badly hit, the great suffering was among the poorest in an economic way in the community. Those people, I imagine, except what they may have recovered from charity or from local initiative, got nothing back. That made me think of that, and I have been thinking about it ever since. But the trouble is that we all forget so quickly.

These terrible floods of August and October have highlighted this problem, and people are now very much interested in it. A large segment of our population are determined that something should be done about it. But I am afraid in 4 or 5 months a lot of them will have forgotten about it. So I am anxious to keep this alive.

Senator IVES. I did not have to go out of my own backyard when this flood occurred. It hit Norwich face on and raised cain. Our damage was terrific. After that, they deepened the channel of the Chenango River and put up a few dikes, retaining walls, and we have had no more trouble with floods. I have a strong idea that rather than some of these big dams that are contemplated, deepening channels and putting up dikes and retaining walls would do the job.

Senator LEHMAN. Senator, I want to ask you a question in line with what you said—that sometimes these flood-control projects work hardship on certain groups and they are opposed by these groups. I don't remember which particular community this was, but the engineers had a project—

Senator IVES. It is the one I was talking about earlier—the Mount Upton Dam. It is going to ruin the valley there.

Senator LEHMAN. I was not sure you had identified the place.

Senator IVES. I have a great deal of sympathy for the people that are going to get wiped out by it, because we have never had a flood in that area that would cause any provocation for a dam of that size.

We never had a flood like the flood that has occurred here, like Diane, or the last flood. So we do not know what would happen. This has made me a little shaky on my previous position, and probably you too, Governor.

Mr. Chairman, there is a supervisor who came up and spoke to me. I suggest that any supervisor who wants to make a statement may put it in the record.

Senator LEHMAN. Or any mayor or alderman here. We would be glad to hear from you so long as our time permits.

**STATEMENT OF MORTIMER MICHAELS AND EDWARD BISLAND, JR., MEMBERS, BOARD OF SUPERVISORS, SULLIVAN COUNTY, N. Y.**

Mr. MICHAELS. Mr. Chairman, we are from Sullivan County. I don't think there is anyone else here from Sullivan County. There was quite a delegation supposed to come down from the villages of Monticello and Liberty. We have 15 separate, distinct townships and 6 incorporated villages. And practically every one was affected as a result of the storms of August and October. The damage sustained to public facilities ran in the neighborhood of \$2 million. When I say public facilities, I mean highways and bridges, sewers, water systems, and so forth. We estimate the damage to private property somewhere in the vicinity of \$3 to \$5 million.

We strongly feel that some Federal legislation should be passed for flood insurance, and flood control, of course, is very important.

I want to point out that in my particular township, where the city of New York built a dam for the New York City water supply in the Neversink River, that that particular area was completely spared as a result of the storm. That is something flood control can do for you.

I want to point out that I think the people who suffered as a result of the flood, are also going to be affected in this sense—that in order to restore the public facilities, these same people are going to be taxed. They not alone have to pay for their own particular damage, but they will have to pay their proportionate share of taxes. That is going to create an undue burden on them.

I think in proposing your legislation, perhaps something should be thought of with respect to perhaps granting loans to municipalities or counties that would be noninterest bearing, repayable or redeemable over a long period of years. That would help the people.

It was peculiar for me, living 41 years in Sullivan County, to see this particular type of weather hit us. I always watched my television set and radio and witnessed the flooded areas of the Mississippi, Missouri, and Ohio, the devastation there. I never thought Sullivan County would be affected. It was a very strange sight for me to see the number of tourists—we are a resort section primarily, with many farms and a lot of private residences and business establishments. But we cater primarily to tourists. We have a year-round population of about 45,000, and a summer transient trade of over a million.

What was peculiar to me was to see the tourists, in the flood of August, packing their belongings and fleeing from our foothills back to the metropolitan area. I never thought I would witness anything like that. But floods, I suppose, do not recognize certain factors, and

of course floods can hit anywhere in the country. Consequently, it is everybody's problem.

I would like to see, and I urge strongly, some Federal legislation passed to help these people.

Senator IVES. Was it your deep and narrow valleys that caused that flooding?

Mr. MICHAELS. Mostly in the deep and narrow valleys. It was the runoff from the high mountains that did it.

That is more or less the picture. I think my colleague, Mr. Bisland, might want to say a few words. We have a meeting of the board of supervisors the 14th of this month. I am going to introduce a resolution urging this particular legislation by the Federal and State Governments. Where would I send a copy of the resolution?

Senator LEHMAN. To the Banking and Currency Committee.

Senator IVES. Don't forget to send one to your Congressman.

Senator LEHMAN. Yes, that is very important. And anybody else's Congressman.

Mr. BISLAND. Senator, I wish to say that I hope you do not feel because Sullivan County is only represented here by two supervisors that that is the extent of the damage that happened in Sullivan County. Although the flood virtually took in about half of our county, we did suffer extensively. I don't know why more representatives are not here. But at least Mr. Michaels and I, both being colleagues on the board of supervisors, made it.

There isn't much I can add that hasn't already been told you. There is no use of my taking your valuable time to repeat the flood situation in my town. I happen to represent a town on the Delaware River, bordered by the Delaware River on the south side and the Mangop River on the east side, with a large brook going down through the middle of the town, which did the greater part of our damage. However, we did benefit from the work of the Army engineers. We believe we are going to get some State help. I can see where this matter can easily lead from one thing to the other, in that you are trying to get a cross-section of help to the individuals. We, as public officials, are trying to get into the matter of more municipal help, for the municipality as such. I believe you are trying to do it directly, and we are looking at it from the municipal point of view first, as well as direct.

I heartily concur on some type of Federal insurance to help the individual. I happen to be in the insurance business. I know that these people, when they suffer these losses—if they have a fire, they feel bad enough about it, but they come in and feel at least they have something. This way they are demoralized except for the Red Cross and so forth. It is difficult to do something for them.

We heartily concur with what you are trying to do. We believe this flood has certainly taken us past another milestone for something of this nature, because both Mr. Michaels and I have been public officials long enough to remember the flood of 1945, when the western part of our county was terribly hurt. At that time, the only assistance we had was from the county level.

Now we will hear from Mr. O'Reilley and Mr. Mollenhauer, from trying to help, and we believe we are moving up the ladder to help get this problem solved from the top level, where it will do the greatest good for the greatest number.

I heartily concur with it, and I am sure Mr. Michaels' resolution will have unanimous support for this type of help.

Senator LEHMAN. Thank you very much.

Now we will hear from Mr. O'Reilley and Mr. Mollenhauer, from the village of Rosendale.

**STATEMENT OF EDMUND J. O'REILLEY, PRESIDENT, ROSENDALE, N. Y., FLOOD COMMITTEE; ACCOMPANIED BY GEORGE MOLLENHAUER, JOHN J. DUFFY, AND C. S. ZIMMER, ROSENDALE, N. Y.**

Mr. O'REILLEY. My name is Edmund J. O'Reilley, president of the Rosendale Flood Committee, and I am also representing the Kingston area chamber of commerce as a spokesman for them.

I have a statement here that I prepared somewhat on the way down. It is a consensus of remarks and opinions expressed at meetings that we have held over the last few days, since this flood set in and really did some damage.

I can give you a brief history of the situation that caused us to form this committee and come down.

On August 19, after hours of steady rainfall, our area was visited by what is believed to be the most damaging flood that visited Rosendale up until that time. There was a great loss of property and loss of life was prevented only by heroic action on the part of many brave citizens. Communities upstream were very badly damaged and assistance was rendered by the Army engineers in the rehabilitation of these communities.

On October 16, after a heavy rainfall, Rosendale was again visited by floodwaters that were between 23 and 24 feet above the normal surface of Roundout Creek. These high waters of October 16 exceeded the high water of August 19 by somewhat over 3 feet.

It is reported that Crohonkson, an upstream community, had 14 inches less water in October than August, which may be an indication of increased capacity of the upper creek due to the repairs made.

During these high waters, the entire Main Street section, lower James Street section, Route 32 area of the village of Rosendale were completely evacuated by the civil defense.

As further evidence of the seriousness of the situation, the Red Cross has received 216 applications for assistance in Ulster County, 111 of which are in the Rosendale area. The Red Cross has spent \$110,760.08, a figure I received this morning, to date in Ulster County. But this does not include most of the building repairs which are still to be estimated and made.

For the past 25 years or more, new islands have been appearing in the creek, its banks are growing further closed, in general reducing the capacity of the creek.

Senator IVES. You need a channeling job there?

Mr. O'REILLEY. I think we do. The overall estimate of flood damage from the civil defense office and others was put conservatively at \$1.5 million to Rosendale alone. There was serious damage in Rosendale where a large house was washed out and a bridge made unapproachable on Route 312 on the high falls side of Rosendale, and this damage continued right on through the entire village.

There was no loss of life in the October flood. Damage was reduced because the high waters came during the day and many people disconnected and removed oil burners and other equipment to higher locations and took precautions that would have protected them to an appreciable degree if the waters did not rise beyond the August level. The waters, however, reached to these places.

These physical damages can be figured in dollars and cents and replacements made, but there can be no estimate of the mental anguish: the value of the loss of physical health the individual suffered to protect his life's work and savings; the strain on the human nervous system from returning to a home covered with mud and silt, furniture damaged.

The people of Rosendale area want help and assistance of any kind in this disaster, but more particularly are interested in precautionary measures that will help prevent a recurrence of this disaster. The very important concern of all at the moment is that some immediate action be taken to increase the capacity of Roundout Creek from Route 32 to the Fever Falls, north of Rosendale, to permit the water to escape faster.

Repairs will be made to maintain present buildings, but no improvements will be made until such time as the public feels reasonably assured that the floods will not periodically wash them out. Many people have expressed the opinion that they want permanent flood control or protection, or they would like the Government to buy their properties for a watershed.

Senator LEHMAN. I do not think we had better complicate the bills.

Senator IVES. That is a new question.

Mr. O'REILLEY. The thing is the situation is just there. It just expresses the tone of thinking of some of the people in the area.

Senator IVES. You cannot blame them.

Mr. O'REILLEY. They are scared. There is no question about it. We have also been told that the Weather Bureau predicts a change in the weather pattern that will cause heavier rains in this area for several years to come. I think that is on record in the Weather Bureau. I don't know whether you have had anything on that before.

Senator IVES. I have noticed it.

Mr. O'REILLEY. We fully appreciate the value of flood insurance and realize how important it could be to us in our present situation. But prevention can be most important in reducing the cost of insurance. Insurance is good after all precautions have been taken. But there is no insurance for the anxiety suffered every time a heavy rain occurs.

So we ask that some immediate action be taken to prevent or reduce the possibility of damage by future high waters, to insure the peace of mind of our residents, and then to give us the flood insurance as a normal risk.

I have also been asked to speak for the Kingston Chamber of Commerce. They are interested not only in the Roundout, but the Wallkill and the Esopus, all of which have had flood conditions in both August and October. They are very interested in what is going to be done. They are interested in working along with anyone that has any plans toward getting anything done. They are waiting very expectantly, hoping that something will be done to protect the area and the business in the area.

Senator LEHMAN. Thank you very much for that statement. Do your colleagues wish to say anything?

Mr. O'REILLY. Mr. Mollenhauer is more interested in the Wallkill Valley, sir.

Mr. MOLLENHAUER. With my brother and myself, we operate about four different farms. One is along the Rondout Creek and the others are along the Wallkill. The Wallkill River has been backed up by a bridge over route 32 so that it overflows our land. In the August flood we had another river, much larger than the original Wallkill River, going over our land, bypassing the bridge. There was about 4 feet of water over route 32. In October we had over 6 feet. It came within 2 feet of our barn. In fact, it was up on our silo. Came within 2 feet of the barn floor.

I may speak for the farmers. I am sorry they were not able to be here. We have a group of farmers. We are located right next to the town of Esopus and also the town of New Falls. We are in a triangle. A group of four farmers there estimated our damage at over \$30,000. Our land lies a little higher than the others. But we had one patch of corn in August that we could see the tassels. The corn averaged 12 feet high. In the October flood we couldn't even see the tassels. They were gone out of sight.

The water was more than a mile wide in the Wallkill Valley. It created islands all over. Roads were impassable. There is a representative here from the village of Tilson. I believe he knows the Governor. He was a captain in the New York Police Department, and I wish he would just tell how the village of Tilson was isolated.

I do have one word to say also in regard to the Episcopal church there. I have been a life-long member of it. The Bishop sent word through our rector, the Reverend David Arnold, that he hopes this committee will be able to do something for flood control.

I think our church will have to be closed. In August the foundation started to crack. Before we were able to completely fix it, the foundation was gone. It is a beautiful little stone church, and I think it is going to be entirely wiped out. We had just finished paying for the organ in August, and then we got a loan of an organ from one of the organ companies, and that is also gone. Everything is entirely wiped out. The church is in ruins.

And the bishop hopes that something will be done for this area.

I may say in regard to the rector of our church and the rector of St. Peters, both of these men gave away most of their clothes. The only thing they had left on were the suits on their back. They gave their clothing to the people hurt in the disaster.

Senator LEHMAN. That is a report we have gotten from a great many people.

Senator IVES. Could you afford to go ahead and borrow the money and rebuild the church, or is the land so turned up and destroyed that it is impossible to build on it again?

Mr. MOLLENHAUER. No, the land is not affected.

Senator IVES. You could rebuild.

Mr. MOLLENHAUER. I think the church would pretty near have to be torn down.

Senator IVES. It probably would not be worth your while to tear it down and rebuild there; would it?

Mr. MOLLENHAUER. Hardly. I believe the thought is to give the land to the village as a park at the present time, unless we can get some action from the diocese.

Mr. DUFFY. Senators, some of the previous witnesses testified as to the furniture being washed away of these people that could least afford to lose their possessions. I very strongly feel that those people should be helped, and if it is possible in enacting this legislation that they be thought of—in other words, the people who can least afford to lose all they have built up over a term of years.

Of course, as Mr. O'Reilly has said, he has pretty well covered the field as to what happened in Rosendale. There isn't any question that immediate help to alleviate the condition that we have there now would be very helpful. It might relieve this mental anguish of the people.

Last Sunday night we had continuous rain, and of course the radio told us it was going to continue until Monday afternoon. Well, thank God it stopped about 11 o'clock Sunday night. But if it had continued, there unquestionably would have been the same condition we had in the October flood.

I went up to my office, and I moved my stuff up as high as I figured this flood would reach, and I felt that even doing that I really had not brought it up out of danger. The people down below me were on their porches all night, the lights were going all night, the big majority of the residents didn't sleep, but they stayed on the river banks, and it was just a question of will it come up or will the rain stop.

We really would appreciate some help to temporarily alleviate the condition that we have.

We know that these islands are in the creek. We know there are man-made obstacles that have been put there as construction has been done. We would sincerely like to see something done.

Senator IVES. Mr. Chairman, I think it is rather interesting that both the Rondout and the Esopus have large dams on them, and yet the large dams, which are larger than most flood-control dams, apparently did nothing to prevent them from finally having a flood there. They overflowed.

Mr. DUFFY. As you mentioned before, small dike walls, a clearing of the channels, would be all that would be really necessary. I do not believe large dams would answer the problem.

Senator IVES. You do not approve of large dams.

Mr. DUFFY. No, sir.

Senator IVES. Once they get filled, they are no good at all. The water has to go someplace. That has been demonstrated in the floods you have had there.

Mr. MOLLENHAUER. Senator, the dam up in Lackawanna didn't overflow. But I think the heavens just tipped over with the water.

Senator IVES. The dam did not overflow, but the dam did not take the water.

Mr. MOLLENHAUER. But where New York City can help us, on the Shokan Dam, they are connected on the Hudson River. They can throw this water away from the dam, and it doesn't have to overflow. They can just dump the water. There is a valve by the Hudson River where they can dump this water.

Senator IVES. I was not thinking entirely of your situation locally there when I raised that question. I was thinking of the large retaining dams that are supposed to hold the water back in time of flood. But that is an interesting aspect of the question.

Mr. DUFFY. Actually, a big expenditure of money for these large dams I don't agree with. I think that in our situation, a clearing of the channel, a widening and clearing, and in some cases small dike walls, would answer the purpose.

Senator IVES. That has been my own personal theory on the matter. But I was a little shaken here a while back when all these floods occurred. I am glad to get your viewpoint, because you people speak with authority. You have got the dams.

Mr. O'REILLEY. There is one thing to be said about these dams, too. Where New York City has established dams and reservoirs, the streams into which the water fed have shrunk to fit a smaller stream of water, and when the full supply is dumped back into them, they are not capable of holding it. And that again creates a flood condition.

Senator IVES. Wouldn't that be true where you have the large flood-control dams?

Mr. MOLLENHAUER. It would be the same thing.

Mr. O'REILLEY. Well, as I understand it, a flood-control dam would fill up in time of heavy water and be emptied as the water went down; in other words, the flood-control dam should be empty at the beginning of any particular storm and fill up gradually during the storm, to reduce the flow of water down the creek or whatever body is taking it, until such time as it overflows.

Senator IVES. Then you would need your deeper channels and retaining walls.

Mr. O'REILLEY. Yes, sir—channels, retaining walls, and everything.

Senator IVES. In other words, in the final analysis, it is your deep channels, dikes, and retaining walls that are the principal safeguards against this thing happening.

Mr. O'REILLEY. Yes, sir. We have a copy of the Rosendale paper and some pictures of the flood there. Of course, we didn't get pictures of the second flood. I don't think anybody had the heart to take them at the time. We were much too busy and chased out of town before the flood reached its height.

Senator LEHMAN. Mr. Zimmer, have you anything to add?

Mr. ZIMMER. They spoke about Tilson. I live in Tilson, part of the township of Rosendale. It is situated between the Wallkill River and Rondout Creek. At both the last floods we were isolated in Tilson, unable to get out until the water receded. In the last one, in October, the Government sent word that they would bring food to Tilson by means of helicopter so we would not starve. That is how bad the waters in Rosendale affected the little hamlet of Tilson.

As has been said here, the relief is there if we can get the Government doing it for us. What has to be done is drain the Rondout Creek from the bridge on Route 32 almost down to the Hudson River, where she joins the Wallkill. If that is cleaned out and drained out, I think it will save Rosendale. After she leaves that bridge there is nothing but turns and bends and it makes a bottleneck.

Also, the throughway went through there. They put large abutments in the creek. This stops the flow of water going down, and

it backs up into Rosendale. Along with that, the throughway authorities bought gravel from an island in the creek, and when they started digging out that island, they made a path from the island to the south shore of the creek. There is no way for the water to run off there, and it runs to the north of that, and that caused a lot of damage there because there is no way for it to get out. It just comes back. In Main and James Streets in Rosendale they get the full benefit of that water.

Senator LEHMAN. Thank you very much, indeed.

(The following was subsequently received for the record :)

ROSENDALE AREA FLOOD CONTROL COMMITTEE,

November 7, 1955.

HON. HERBERT LEHMAN,

United States Senator, Washington, D. C.

DEAR SENATOR LEHMAN: On Friday, November 4, in the afternoon I testified before you and Senator Ives on behalf of the Rosendale Area Flood Control Committee. I outlined the damages done by the August and October floods and tried to convey the feelings of the local residents regarding future floods.

During the testimony I recommended that some immediate action be taken to clear the Rondout Creek from Route 32 at Rosendale north to LeFever Falls and relieve the local people of a worry that will again permit them to sleep in wet weather. It was called to my attention later that I neglected to mention a short but dangerous section of the Rondout Creek at the southern end of Rosendale.

I will appreciate it if my testimony can be amended to include a recommendation that the banks of the creek be restored to a condition offering some protection and that the channel be deepened to contain the creek waters in that section near Route 213 where the bridge was damaged and a large house completely washed out. This is of great concern to the people some several hundred yards downstream from the bridge.

Realizing that you listened to a great deal of similar testimony before ours, we appreciate your patience and sincere interest in hearing us out.

Sincerely yours,

EDMUND J. O'REILLEY, *President.*

(A similar letter was addressed to Senator Ives and will be found in the files of the committee.)

Senator LEHMAN. Has Supervisor Demerest arrived?

**STATEMENT OF WILLIAM M. DEMEREST, MEMBER, BOARD OF SUPERVISORS, TOWN OF CHESTER, ORANGE COUNTY, N. Y.**

Mr. DEMEREST. My township is located to the south of us here, right next to the town of Goshen. I am particularly concerned with the muck-land area which we have. A great deal of the area of my township is based upon the muck-land farmers. There are many vegetable and truck farms there—lettuce, onions, celery, carrots, and so on. The last two floods just wiped out those farms almost completely and our farmers lost a great deal of money and time and effort and work. And they didn't fare so well this year on the market. I am not just sure what can be done about it. I am hoping that if this committee is interested particularly in flood insurance I would certainly go along with you there because our farmers need something to safeguard them.

There is one thing, of course. Before World War II, the Army Engineer Corps surveyed Cramon Creek which flows through there, and at one point there is a rock ledge that holds the water back, and that of course in time of flood makes it worse. We are a small area.

but I am very concerned about it, because some of the men are leaving farms because of nothing else to do, because they have lost so much in these floods and in floods before.

I feel there can be some type of flood-control insurance, based on Government insurance. I feel that would benefit these farmers very much. Or if there can be some relief of the flood situation that would help us tremendously.

Senator LEHMAN. We are certainly going to go into it very carefully. Thank you very much.

I think that concludes the witnesses that were scheduled. Although the hour is very late, I would be very glad if anybody has any contribution to make to this committee in the way of counsel or information. We would be very glad to hear from them briefly.

I understand Mr. Augustus C. Wallace, past president of the State Insurance Agents Association, and also a member of the executive committee of the National Insurance Agents Association is here.

#### **STATEMENT OF AUGUSTUS C. WALLACE, GOSHEN, N. Y.**

Mr. WALLACE. Senator, we in the insurance business are very much interested in this. These people are our friends and customers. We want to cooperate with your committee in any way we can. We stand willing, and I believe able, to repeat what we did during the days of the War Damage Corporation, and we hope that when a decision is made in regard to flood relief insurance, that the efficiently organized insurance business may have an opportunity again to serve the Government and serve the people.

Senator LEHMAN. Thank you very much. I want to point out, Mr. Wallace, that in the bill that I drafted, that is provided for. We provide for the greatest possible use of the insurance companies.

I again want to repeat what I said to you early this afternoon personally. We expected yesterday to hear from Mr. Herd, who is, as I understand, the representative of the insurance association. But he unfortunately was not able to come. He asked to be excused from testifying, much to our regret, as he did not have the report which he wanted to submit to us ready. We shall certainly hear him and possibly other members of the insurance industry at a later date.

I understand there is a representative from Dutchess County here, and we would be very glad to hear from him.

#### **STATEMENT OF A. SCOTT WARTHIN, JR., ON BEHALF OF DUTCHESS COUNTY WATER CONSERVATION COMMITTEE**

Mr. WARTHIN. My name is A. S. Warthin, and I am here on behalf of the Dutchess County Water Conservation Committee, which was set up in 1950 by the Board of Supervisors of Dutchess County to advise them in matters relating to water conservation and control. The committee itself has no powers other than advisory powers.

Since 1950, the committee has been studying water problems along Wappinger Creek in Dutchess County. On August 19 and October 16 of this year, the highest and the third highest flood flows since gaging began in 1928 were recorded. These were about 20,000 and 8,000 cubic feet per second respectively and were, of course, major floods.

A study of this watershed led the committee to conclude in April of 1953 that if all economically sound control measures were installed, it still would be impossible to reduce peaks of major floods, such as the 1938 New England hurricane, below about 4,500 cubic feet per second at the gaging point. The 1955 floods have not changed this conclusion to any important degree.

Some existing structures on the flood plain of this stream are flooded during flows of less than 4,500 cubic feet per second. One of these, a drive-in theater, is damaged at a level as low as 1,200 cubic feet per second.

The committee has no magic formula for the relief of such situations. The committee is, however, much concerned over future development of presently unoccupied lands lying below this 4,500 cubic foot level. If this development is permitted, there will be a future increase in dollar damage caused by floods, particularly if flood insurance at less than true cost is available.

In 1953 the water conservation committee therefore recommended to the board of supervisors that it be their policy to discourage, by some form of advisory zoning, the erection of new structures below the level reached at flows of 4,500 cubic feet per second. The board deserves congratulations for their courage and forethought in endorsing in principle their Resolution No. 64, adopted on May 11, 1953, the idea of advisory flood zoning.

Without publicity, the principle was tested in 1953 by conferences with owners of some of these lowlands. It proved that the committee and the board were ahead of the times, as the landowners were almost 100 percent unready to accept informal advisories, let alone actual ordinances. The project was therefore regretfully laid on the shelf at that time.

In terms of reconstruction and future construction, we are still convinced that flood zoning is the cheapest way to prevent much flood damage. Its implications on a flood-insurance program are tremendous. It is in practice in some areas of our country, though not in the Northeast.

With this in mind, on behalf of the Dutchess County Water Conservation Committee, I request that your committee give full consideration to the matter of flood zoning, and that you specifically study existing ordinances and application thereof in the Los Angeles metropolitan area.

If I could add to that prepared statement, I would like to say one thing in comment on some of the testimony that I have heard today, and that is everything in the mid-Hudson Valley, particularly since the October flood, people are uneasy in some cases to the point of demoralization every time there is a moderately heavy rain. In response to that condition, we have in Dutchess County set up a flood forecast committee which receives all available data and issues forecasts at any time there is a heavy rain, evaluating the flood possibilities. That has, I believe, been a great help to the peace of mind of the people of our county.

Also I would like to say that there are some exhibits attached to the copy of my statement.

Senator LEHMAN. Thank you very much for this statement. I think it is very clear that much of the damage could be avoided if

there was zoning so as to prevent the construction of new buildings in the low-lying areas.

Do you know—is there any State law or local ordinance that would permit or prevent zoning on the basis of flood damage, prespective flood damage?

Mr. WARTHIN. I was advised by our county attorney, when this came up in 1953, that while it might be possible under the existing laws of New York State, that he regarded it as legally unsound—that is, it would have to be tested extensively through the courts—and he thought at the moment it was politically impractical.

Senator LEHMAN. I am not a lawyer, and certainly not a constitutional lawyer, but I doubt very much whether the Federal Government would have the right to pass legislation of that sort affecting States or localities within the States. I think it is sound advice. Don't misunderstand me. But I doubt very much whether we in the Congress would have that authority.

Mr. WARTHIN. The best thinking I have been able to get on that point is that if the Federal Government were to issue flood insurance in some form or other, that it might be done on a basis whereby the towns that did have flood-zoning ordinance either would qualify or would qualify under more favorable terms.

Senator LEHMAN. I think that probably would be within the authority of the administrator, under the bill that is now before the committee.

(The material attached to Mr. Warthin's statement follows:)

STATEMENT OF A. SCOTT WARTHIN ON BEHALF OF THE DUTCHESS COUNTY WATER CONSERVATION COMMITTEE

My name is A. Scott Warthin Jr. I am chairman of the department of geology, Vassar College, president of the Paleontological Society of America, and chairman of the Dutchess County (New York) Water Conservation Committee. The last-named committee was organized by the Board of Supervisors of Dutchess County in 1950, to advise that board in matters relating to water conservation and control. The committee has no powers other than advisory.

With the full cooperation of the Water Resources Branch, United States Geological Survey, the Soil Conservation Service, United States Department of Agriculture and other organizations, the committee has studied since 1950 the problems along Wappinger Creek in Dutchess County. On August 19 and October 16 of this year, the highest and the third highest flood flows since gaging began in 1928, were recorded. These were about 20,000 and 8,000 cubic feet per second, respectively.

Study of this watershed led the committee to conclude in April 1953 that if all economically sound control measures were installed, it still would be impossible to reduce peaks of major floods (e. g., the 1938 New England hurricane) below about 4,500 cubic feet per second at the gaging point. The 1955 floods have not changed this conclusion in any important degree.

Some existing structures on the flood plain of this stream are flooded during flows of less than 4,500 cubic feet per second. One is damaged at a level as low as 1,200 cubic feet per second. The committee has no magic formula for relief of such a situation.

The committee is, however, much concerned over future development of presently unoccupied lands lying below this 4,500 cubic feet per second level. If this is permitted, there will be a future increase in dollar damage caused by floods, particularly if flood insurance at less than true cost is available.

In 1953 the committee, therefore, recommended to the board of supervisors that it be their policy to discourage by some form of advisory zoning the erection of new structures below the level reached at flows of 4,500 cubic feet per second. The board deserve congratulations for their courage and forethought in endorsing in principle through their Resolution No. 64, adopted on May 11, 1953, the idea of advisory flood zoning.

Without publicity, the principle was tested in 1953 by conferences with owners of some of these lowlands. It proved that the committee and the board were ahead of the times, as the landowners were almost 100 percent unready to accept informal advisories, let alone actual ordinances. The project was, therefore, regretfully laid on the shelf at that time.

In terms of reconstruction and future construction, we are still convinced that flood zoning is the cheapest way to prevent much flood damage. Its implications on a flood-insurance program are tremendous. It is in practice in some areas of our country, though not in the Northeast. With this in mind, on behalf of the Dutchess County Water Conservation Committee, I request that your committee give full consideration to the matter of flood zoning, and that you specifically study existing ordinances and application thereof in the Los Angeles metropolitan area.

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**RESOLUTION No. 64, 1953, BOARD OF SUPERVISORS, COUNTY OF DUTCHESS, N. Y.,  
RE WATER CONTROL.**

Whereas the Dutchess County Water Conservation Committee heretofore appointed to study, report, and make recommendations relating to water conservation and control in Dutchess County, has made a report which is submitted herewith, and in which it advises against changes which might cause a relocation of the course of the stream, or the erection of buildings or other structures within the channel of the Wappingers Creek, or upon, along or near the bank of the creek within areas which are subject to flood in times of excess water; and

Whereas the committee has made a study of the flow of the stream and resulting conditions in the times of excess water, which information is being reduced to pamphlet form and will be made available through the office of the clerk of this board, and further the members of the committee have expressed their willingness to furnish on request, such other data and information as contained in the committee files which the committee believes will be of benefit to owners and lessees of lands bordering the Wappingers Creek who contemplate improvements in or near the channel of the creek: It is

*Resolved*, That the report of the Dutchess County Water Conservation Committee be and the same is hereby accepted and placed on file; and it is further

*Resolved*, That the recommendations of the committee be and the same hereby are endorsed and approved; and it is further

*Resolved*, That copies of the report and other data compiled by the committee be forwarded the respective town boards of the townships through which the Wappingers Creek flows, together with a copy of this resolution, and the boards of said townships are hereby requested to urge the owners and lessees of lands abutting the Wappingers Creek in their respective townships to avail themselves of the information and data as compiled by the committee before undertaking any contemplated improvements on their lands which abut or border upon the Wappingers Creek, and further that those townships where zoning is in existence, or may be hereafter adopted, that consideration be given to those features of water conservation and control, if any, that may be regulated by zoning ordinances insofar as the same may affect the waters of Wappingers Creek in said townships.

STATE OF NEW YORK,

*County of Dutchess, ss:*

This is to certify that I, the undersigned, clerk of the board of supervisors of the county of Dutchess, have compared the foregoing copy of resolution with the original resolution now on file in the office of said clerk, and which was adopted by said board of supervisors on May 11, 1953, and that the same is a true and correct transcript of said original resolution and of the whole thereof.

In witness whereof, I have hereunto set my hand and seal of said board of supervisors this — day of — 195—.

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*Clerk of the Board of Supervisors.*

REPORT TO THE BOARD OF SUPERVISORS, DUTCHESS COUNTY, N. Y., FROM THE  
DUTCHESS COUNTY WATER CONSERVATION COMMITTEE

The committee met on April 1, 1935, to consider reports on the flood situation in Wappinger Creek. Data were presented on height of floods, their frequency, amounts of water involved, and means of forecasting time and height of peaks of floods. The data also indicated that partial control of floods could be achieved most cheaply by reforestation and soil-conservation practices in farming. In addition to these, supplemental control by reservoirs will be necessary. Specific recommendations regarding these reservoirs await the publication of the watershed management report being prepared by the Soil Conservation Service (probably available in midsummer).

Studies completed demonstrate that the capacity of Wappinger Creek to handle large flows of water has been materially reduced by unwisely placed man-made structures, built within the waterway that must be reserved for handling large runoffs. Such structures are not only likely to suffer damage during times of high water, but by their presence may shift the flow to damage lands and structures which would otherwise not be affected. Their construction is against public interest.

The committee agreed that channel space sufficient to handle flows which reach 4,500 cubic feet per second at the Red Oaks Mill gage should be left free of buildings, embankments, and other man-made obstructions. While it is not proposed to remove any such obstructions as already exist, the committee makes the following recommendations to the board of supervisors:

**Recommended:** That the board of supervisors assert that it is against the best interests of the people of Dutchess County for anyone to construct buildings, embankments, or similar obstructions within that part of the channel of Wappinger Creek and its tributaries which is filled with water when the flow of Wappinger Creek reaches 4,500 cubic feet per second at the United States Geological Survey gage at Red Oaks Mill.

**Recommended:** That the board of supervisors communicate the above decision to the town boards and zoning officials within the towns concerned.

It should be pointed out that if these recommendations are adopted:

1. The term "obstructions" does not refer to farm crops.  
2. The figure of 4,500 cubic feet per second carries no official implication that floods in Wappinger Creek will be held to that level.

3. The county water conservation committee will assist landowners in determining what part, if any, of their land lies below the 4,500 cubic feet limit. Neither the committee nor the board of supervisors, however, will assume any responsibility for accuracy of such determinations.

The committee also briefly discussed several cases of stream obstruction recently noted in the county, where landowners made changes which proved detrimental to their neighbors. This illegal practice is common in the county, but the only effective relief is in a suit for damages against the offender, a course most people are unwilling to undertake. The committee deplores the situation, but at this time is unable to bring an effective recommendation in the matter to the board of supervisors.

**Present:** Members Bahret, Brockway, Burke, Cross, DuBois, Mahar, Petrovits, Scoralick, Warthin; conferees without vote, Harold Klingaman, Harold Wright.  
Respectfully submitted.

A. S. WARTHIN, Jr., *Chairman.*

Is there anyone else who wishes to be heard?

**STATEMENT OF CHARLES VAN ALST AND HENRY MERTZ,  
WALLKILL VALLEY, N. Y.**

Mr. VAN ALST. My name is Charles Van Alst and this is Henry Mertz. We are from the Wallkill Valley. There were quite a few people caught in the flood in the Wallkill Valley. We had to get a boat and take them out in boats in the Springtown area. We are farmers there. We don't have any representative here. Myself, I had a large loss of crops. I own the old Arbuckle farm. I lost 120 acres of corn in the August flood there. I estimate that it was worth

about \$15,000. We planted 100 acres of wheat and winter grain. Now that is practically lost.

Senator LEHMAN. Was that the August flood?

Mr. VAN ALST. The last flood, in October.

Senator LEHMAN. Was it affected by the August flood?

Mr. VAN ALST. Yes; that is when we lost the corn, but not the wheat we put in later. We are used to the floods, as far as that goes. But the point is now it seems to me that the water stays up so long it seems to kill the crops. If it stays up over 4 days, the crops die. We lost about 35 acres of hay; I did. If there was some way we could make this water go down quicker, it would be a great saving to us. If this keeps up this way, we are going to have to look for a new business.

Senator LEHMAN. Have you, or your board of supervisors, who are undoubtedly interested in your plight and the plight of other farmers, made any application to the Corps of Engineers?

Mr. VAN ALST. Not yet that we know of. Well, I'll tell you one thing: The farmers in the Springtown area and myself are kind of used to it in the sense that it comes up and goes down, and it doesn't give us trouble. But it seems as though there is an awful bottleneck toward Tilson and Rosendale, down near Mr. Mulenauser. If that was opened up some way—the central Hudson has a big dam—if that was opened up some way so it would make it wider, it would help. Also the throughway has gone through there, and I don't think the bridge there helps the matter any.

Senator LEHMAN. Have you taken it up with any of the State agencies?

Mr. MERTZ. We don't know who to go to.

Senator LEHMAN. I would suggest you do. I cannot advise you at this moment just who to take it up with. But I would think in the Federal Government you would have to take it up with the Corps of Engineers, and in the State, with the public works department.

I mentioned this this morning, but I want to point out again that all these flood-control undertakings must receive the approval of the Corps of Engineers. If they approve, there is a chance of getting an appropriation for it from the Congress, although there is no certainty, because they have a very long list. If it is not approved, there is virtually no chance of the Appropriations Committee acting favorably. So I would suggest that through your regular channels this matter be taken up with the Corps of Engineers in Washington, and also with the public works department in Albany.

Mr. MERTZ. If this continues, the floods during the harvest season, our land will be valueless, because there won't be any resale value under present conditions.

Senator LEHMAN. I realize that. And I want to help you as much as I can. But after all, to undertake one of these things will require some governmental action. I do not know of any other way except through the Corps of Engineers.

Mr. MERTZ. I'm a dairy farmer. I had to move my cows out of the barn to get them out of the water. I lost two-thirds of my hay fields and 2 acres of corn. I reseeded it, but that may be gone, too, with this last flood. So the effects will only be felt in another year.

Senator LEHMAN. Have you had these flood conditions before?

Mr. MERTZ. Not as serious as this. When it lays there so long, it just kills all the crops.

As I say, this crop we lost now doesn't affect us very much right at the present time, but it will in years to come. I raise all my own grain for chickens. We make our own mash and feed for the cows. We have 60 head of stock. We have got enough from last year held over to last us a few months. But when that is gone, it is going to start hurting. To go next spring and put in crops again, you have to buy feed for your cows besides and pay your taxes.

Senator LEHMAN. You are not covered by any crop insurance, are you?

Mr. VAN ALST. No. Along the river there, you could not buy insurance. We had one neighbor there, he had 1,200 laying hens. The water came up in his chicken house. I took a tractor down and buried them for him.

Senator LEHMAN. I was thinking about crop insurance. The Department of Agriculture does operate a crop-insurance program.

Mr. MERTZ. We never had need of it before.

Senator LEHMAN. I do not think your county is covered.

Mr. VAN ALST. This farm I used to farm with my father, and when he passed away, I bought this farm here. I have been farming this farm 5 years now, and I have lost 2 crops of corn in 5 years, and a tremendous lot of oats the last time, which came in the first of July. I replanted the corn and the water went down and the oats were too late, and I lost a lot of hay. But the effect of the flood hits you 2 or 3 years afterwards.

Senator LEHMAN. Did you save your cows?

Mr. MERTZ. Yes.

Senator LEHMAN. Which river is that?

Mr. VAN ALST. The Wallkill. There is a dam and below there is a fall. If the water could go on through there—there are three bridges within half a mile.

Senator IVES. In other words, you have a bottleneck.

Senator LEHMAN. I would again like to suggest that you take it up with the Corps of Engineers. I think they are the only people that can do anything on this in the Federal Government. I think that feeds into a navigable stream, so I think it would come under the Corps of Engineers.

Mr. VAN ALST. You know how it is. Nobody ever gets started doing anything, and we are always getting the consequences.

Senator LEHMAN. Thank you very much, gentlemen.

I think that concludes the hearing. I want to thank you all for coming, and I particularly want to express my gratification that even though we have been sitting here for a long time, every person who appeared at this hearing and wanted to testify was given an opportunity to testify at such length as seemed desirable to him or her. That is a great satisfaction to me, and I am sure it is to Senator Ives also. Nobody has been excluded; everybody has had a chance to testify. I thank you very much for coming.

We will recess now until our hearing in Boston on the morning of November 9.

(Whereupon, at 4:30 p. m. the hearing was recessed until Wednesday, November 9, 1955.)



## FEDERAL DISASTER INSURANCE

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WEDNESDAY, NOVEMBER 9, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Boston, Mass.*

The committee met, pursuant to recess, in courtroom No. 4, Federal Building, Boston, Mass., at 10 a. m., Senator Herbert H. Lehman presiding.

Present: Senators Lehman and Bush.

Also present: Senator Kennedy, and Representatives Philbin, Rogers, Macdonald, Curtis, and O'Neill.

Senator LEHMAN. The hearing will please come to order.

Before calling Senator Kennedy, who will be the first witness, I want to make a brief statement.

These hearings are not confined to any one bill or any specific legislation. And this is not a subcommittee of the Banking and Currency Committee. Senator Bush and I have been asked to represent the committee. Of course, the record will be made available to the full membership of the committee.

There have been a number of pieces of legislation introduced, all directed at the same purpose but differing very considerably in detail. One piece of legislation was introduced by your two Senators, Senator Kennedy and Senator Saltonstall. Another bill was introduced by Senator Carlson of Kansas. I have introduced a rather more comprehensive bill than any of those before the committee. Senator Bush, while he has not made public any bill, has had one drafted under his direction which is available to the committee.

We have been carrying on these hearings in the hope that out of them will come some effective and practicable legislation. We realize that this is a very, very difficult problem, and it has no easy solution. We want to get all the facts. We have had fine cooperation from the executives of various States and from public bodies and private individuals.

We have had two hearings in Washington. We had 2 hearings in New York, 1 in New York, and 1 upstate, at Goshen.

We are very glad indeed to be here today. Tomorrow we hold a hearing in Providence, on next Monday in Hartford, and then later on we probably will hold hearings in one or more Southern States, which were also seriously affected by floods.

We have a fine list of witnesses here today. It is a pretty long one, but we hope to be able to get through by this afternoon.

I have a piece of good news for you. I have been advised that smoking is permitted. The audience is requested to make use of the ashtrays. Will you please follow those suggestions?

Senator Kennedy, will you come up?

May I say how pleased I am on behalf of the committee to welcome you here. I hope that when you have completed your testimony you will take a seat here at the table. We would be very glad indeed to have you join us.

Senator KENNEDY. Thank you, Mr. Chairman.

Senator LEHMAN. Senator Bush.

Senator BUSH. I just want to say in behalf of the people of my State, your neighboring State of Connecticut, that I know we all feel the very deepest sympathy for the State of Massachusetts, particularly western Massachusetts, which has been so ravaged in this past year with floods, just as we have.

I am afraid that Connecticut has the unfortunate distinction of having been the worst hit of any of the States. I feel that our people, and yours in Massachusetts, will approach this question of flood insurance with a very high degree of sympathy and very great hopefulness that finally we may be able to get on the books of the Federal Government some sort of a program which will guarantee indemnity to the people who are threatened with disaster in the future and who have been so decimated by it in the past.

I certainly join the distinguished chairman in expressing my pleasure at being able to be here today and in welcoming our good colleague, Senator Kennedy.

Senator KENNEDY. Thank you.

Senator LEHMAN. Governor Herter, won't you take a seat here at the committee table?

Governor HERTER. Thank you very much.

Senator LEHMAN. Senator, I do not know whether or not you have a prepared statement.

Senator KENNEDY. I have, Mr. Chairman.

Senator LEHMAN. Will you proceed in whatever manner seems desirable?

#### **STATEMENT OF JOHN F. KENNEDY, A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS**

Senator KENNEDY. Mr. Chairman, Governor Herter, I have a rather lengthy statement which I have boiled down to three and one-half pages which I will proceed to read.

I am very grateful to you and members of your committee for coming to Massachusetts and New England for this problem of such major importance.

Although prevention of damage to property is obviously preferable to reimbursement for its loss, once such destruction is an accomplished fact reimbursement softens the blow and makes possible earlier rehabilitation. Some suggest that flood insurance, however, whether public or private, is undesirable because it would encourage retention of property in potential danger areas, a problem which is not presented by fire and most other disaster-insurance programs. Certainly, some care needs to be exercised to prevent this tendency.

But an estimated 10 million people live on 50 million acres in potential flood areas in this country, particularly here in New England, where our major cities are located in river valleys, and some \$400 billion is invested in those areas.

All possible floods in these areas cannot be prevented. The cities and industries cannot be abandoned or relocated, and thus insurance is needed.

It is apparent from the unavailability of private flood insurance that the only alternative to some form of Federal insurance is no insurance at all. However much we may criticize the Federal Government's entry into this field, however doubtful we may be about the success of such an experiment, it is important to remember that the only other choice facing us is no insurance whatsoever.

Floods have long been recognized as an appropriate subject for congressional action because of their devastating effects upon our Nation's interstate commerce, preparedness, health, welfare, and economic well-being. Without Federal flood insurance the Federal Government receives less tax income from nonproductive flooded industries and from homeowners able to deduct flood losses. Without Federal flood insurance heavy Federal subsidies through direct relief grants, to which flood victims have made no special contribution, will continue.

Finally, the Federal Government has an important stake in preventing the abandonment of cities and industries in potential flood areas.

It has been suggested that the accelerated flood-control program which I have previously mentioned should be preferred to the exclusion of any insurance program. But consider these facts:

(a) Every flood-control expert in the country agrees that no amount of projects, however high the dams and however adequate the warning systems, could ever eliminate all floods and all damage.

(b) It will be years before a comprehensive flood-control program can be completed, if it will ever be completed.

(c) In some areas flood control is simply not economically feasible because of the cost of the project, the value of the land to be acquired, or other factors.

(d) Responsibility of the Federal Government for payment of flood-insurance claims would decrease, not retard, the speed with which it built projects to reduce these claims.

The argument has been made that direct grants of money from both Federal and private sources would be more in keeping with the American tradition of voluntary relief for humanitarian purposes. But such relief, by its very nature, and as demonstrated by our experience here, is irregular, unreliable, and inadequate in terms of complete recovery.

Early in September I proposed a draft Federal flood-insurance bill which is before your committee now and was joined in this endeavor by the senior Senator from Massachusetts, Senator Saltonstall. I have since received assurances of cosponsorship from Senators in other parts of the country.

The difference between this draft proposal and the other proposals contained in the committee prints before your committee points up a number of questions concerning the exact nature and details of any Federal disaster-insurance bill.

First, of course, is the question of the use of the word "insurance," some preferring the use of the word "indemnity." I think it's just a question of semantics, and "indemnity" would be satisfactory even though, of course, the principles are based on insurance.

Second, a fundamental question is whether the proposed insurance program should cover other natural or manmade disasters in addition to those caused by floods or high water. With respect to man-made disasters such as war damage, I have always favored the revival of the War Damage Corporation. Thus, I would prefer to see such legislation considered independently rather than be tied up in this question of flood insurance.

With respect to other natural disasters, it is my understanding that private insurance is presently offered—and the committee, of course, will be checking into this—for every natural catastrophe except floods and high water.

The definition of “flood” should be broadly interpreted to cover the entire insurance gap, including damage caused by hurricane-driven tides, tidal waves, and other high-water damage from either fresh or salt water.

Of course, this is particularly important to cities such as New Bedford, where the primary damage has been from hurricane-driven tides and salt water.

Third, the question of what agency would be appropriate. In the bill that Senator Saltonstall and I introduced, we have designated the Small Business Administration, but this is at best tentative and was made primarily because that agency succeeded the RFC, under whose jurisdiction was placed the war-risk program and is the only agency presently in touch with both homeowners and businessmen in case of disaster.

But, of course, whatever decision the committee makes would be very satisfactory.

Fourth, insurance or reinsurance: One of the proposals most frequently made is that the role of Government should be restricted to that of a reinsurer protecting private insurance companies against excessive loss on flood-insurance policies sold to their customers. To the extent that broad, economical, and fair coverage could result, reinsurance would be the ideal way to provide flood insurance with the greatest amount of private enterprise, and this bill authorizes such a function.

But to restrict the Federal program to reinsurance alone and to prohibit it from providing insurance on its own makes the dangerous assumption that the insurance companies would be willing with Federal backing to underwrite flood risks at reasonable rates, providing the same protection to the same people who would be covered under a Federal program. Neither insurance nor reinsurance should exclude the other.

Under the Saltonstall-Kennedy bill, both insurance and reinsurance are authorized, and a high degree of flexibility is retained.

Fifth, the role of the insurance industry: The cooperation and participation of the private insurance industry are essential to the success of any Federal insurance program. I have stressed that we must not compete with private insurance, and, in addition to restricting the bill to flood property not now eligible for private insurance coverage, the bill specifically provides that insurance and reinsurance would not be available from the Federal Government except where they were not available from private sources.

Permanent or temporary? I have stressed from the beginning that this proposal is something in the nature of an experiment, much

as the initial programs of crop insurance and war-damage insurance were experimental. But I do not share the opinion expressed by the Budget Bureau, however, that any bill adopted should be temporary in nature with a life of perhaps 3 years, for the very nature of insurance, especially flood insurance, makes it necessary that costs and risks be calculated on a permanent, long-range basis from the beginning.

No. 7, retroactivity: The committee print on which no sponsor's name appears would provide under this program indemnification for losses already suffered during the current year because no insurance was taken or premiums paid. It might be well for the committee to examine whether it would not be wiser to consider if such a proposal should be independent of flood insurance.

No. 8, what kinds of property? The next fundamental question to be determined by your committee is the type of property to be covered under a Federal flood-insurance program. The Saltonstall-Kennedy bill covers only privately owned real property, including commercial, industrial, and residential property. It thus excludes all personal goods, business inventories, crops, detachable equipment, and property owned by State and local governments.

Since reading the testimony taken by your committee, I think that it would be proper to include business inventory in there, even though it is excluded in the original draft of the bill.

The primary reason for this admittedly narrow scope was my belief that an experimental bill of this nature would meet success only if strictly limited in terms of coverage and potential economic loss.

Although I would favor the broadest bill possible of enactment by Congress, to the extent that no duplication of private insurance efforts is found by this committee, the following should be kept in mind:

Federal crop insurance should be expanded, but under its own program, not in this bill. Private insurance companies presently offer flood insurance on bridges, tunnels, and other types of publicly owned property, while other State and local governments look upon themselves as self-insurers, as does the Federal Government. Automobiles, jewelry, furs, and many other types of movable personal property are also covered by private insurance, and the administrative problems of paying insurance claims on other types of personal property are almost insurmountable.

No. 9, compulsory or voluntary coverage? Inherent in most of the bills before you is the principle of voluntary coverage. Such coverage, of course, would be limited, a problem we cannot ignore. It has been suggested that coverage be made universal by making it compulsory by automatically including premiums either in the property taxes paid in every State or in the premiums paid on private insurance policies for fire and extended coverage. Such a proposal violates the basic principles of insurance and distributes the cost of floods equally among all persons regardless of their exposure or their efforts to avoid damage.

No. 10, cost to policyholders and Government. Would a subsidy be necessary? No flood-insurance program should be financed entirely out of general revenues, for that would again violate the principle that those receiving protection should pay more than those who did not.

The bill we have introduced provides that premiums will be charged and that "rates shall be based insofar as practicable upon consideration of the risks involved and shall to the extent deemed practicable by the Administrator be adequate to cover all administrative and operating expenses arising under this act, as well as reserves for probable losses."

In order to carry out that objective, several provisions have been included in the bill:

(a) Coverage, both as to types of property and types of catastrophe, is strictly limited.

(b) The Administrator is empowered to establish such terms, et cetera, as are necessary to obtain this objective, and he may decline some applications and risks altogether.

(c) A "deductible" of at least \$300 plus 10 percent of the remainder of the claim is required.

Senator LEHMAN. Will you read that again?

Senator KENNEDY. A deductible of at least \$300 plus 10 percent of the remainder of the claim is required.

Senator BUSH. \$300 deductible?

Senator KENNEDY. Yes.

Senator BUSH. And?

Senator KENNEDY. And 10 percent of the remainder of the claim.

Senator BUSH. Is also deductible?

Senator KENNEDY. Yes. I think the 10 percent is provided in some of the other bills.

(d) No insurance or reinsurance shall be issued for properties in conflict with flood zoning laws, and the program shall be administered to prevent inducements for unwarranted acquisition of facilities in obvious flood-danger areas.

(3) A broader base is made possible by authorizing other Federal agencies participating in the financing of real estate to require purchase of Federal flood insurance under this act.

No. 11, and lastly, the dollar amounts suggested in the bill with respect to both the aggregate amount of insurance suggested covering any single piece of property and the total amount of insurance which can be issued were arbitrarily selected and tentative. We have suggested \$250,000 as the limit. I understand that the bill introduced by the chairman provided \$300,000, which would be perfectly satisfactory. The amount was fixed not only because of my previously expressed desire to offer a limited experimental bill but also because of a feeling that those whose real property alone exceeds that value are not those most in need of insurance.

The limit on the total amount of insurance provided under the bill begins at \$500 million, increasing by that amount each year at the discretion of the President until it reaches \$1½ billion by 1958.

Although this might well be adequate for an experimental approach of the type I have expressed, particularly in view of the pessimistic predictions that there will be little demand for insurance once these floods have been forgotten, I would nevertheless be willing to accept the recommendations of the committee in this matter.

Lastly, speaking both for Senator Saltonstall and myself, we have introduced or propose to introduce this bill. The committee is going into this highly technical question. The more it is entered into I know the more conscious of the problems that are raised you are, and there-

fore on any bill—we are not particularly interested in which draft is accepted—we will certainly cooperate in every way possible with the committee. We are most grateful for the chance to testify this morning.

Senator LEHMAN. Thank you very much indeed.

I am going to ask you a few questions.

Senator Bush, do you wish to ask any questions?

Senator BUSH. No.

Senator LEHMAN. It is a very clear statement. I do want to ask you this: Do you feel that this plan would necessarily have to be self-supporting?

Senator KENNEDY. No. Of course, we hope—and there is tremendous discretion left to the Administrator under this bill—that he shall charge such rates as shall make it self-supporting. It may be that a subsidy will be required, though of course the aim should be to make it as self-supporting as possible.

My guess would be that there might have to be a subsidy especially at the beginning, and, of course, if a disaster came in the next year there would be a tremendous subsidy. But over a period of years it would be hoped that actually it could be balanced out so it could come out even. It would just depend on what luck we had with floods in the next few years.

Senator LEHMAN. I understood from your statement that you do not include crop insurance.

Senator KENNEDY. No, we do not, Mr. Chairman. We thought it would be better to expand it under the present insurance program rather than including it in this bill.

If it would make it more desirable and you feel that it would increase support and also increase the actuarial possibilities of balancing out the program, it perhaps could be done, though I think it would be sounder to include it in crop insurance rather than put it under this bill.

Senator LEHMAN. Of course, some of the most tragic and heart-rending testimony we have taken so far reflects the loss that farmers have suffered because of the loss of their crops.

Senator KENNEDY. Yes. Well, I don't know whether it would be confusing two insurance programs just to have flood under this program and then all other crop insurance under a different program or whether it would be easier to put all crop insurance, expand the present type of crop insurance, under that program rather than including it under this. It was for that reason I thought it would be better to do that rather than bring it under this bill.

Senator LEHMAN. Under the present law, while some provision is made for crop insurance, it is very limited.

Senator KENNEDY. That is right.

Senator LEHMAN. Only 800 counties in the entire country.

Senator KENNEDY. That is right, and it is directed to another problem rather than this problem of floods.

Senator LEHMAN. Yes.

Senator KENNEDY. Completely. But I do think it might be wiser to just expand the existing program rather than for it to be brought under these bills. But it might affect the payments and the soundness of the program. If it presented difficulties perhaps it could be

brought under new legislation. From the first look, it seemed to be better to bring it under the present program.

Senator LEHMAN. You testify that in your opinion this insurance should not become available to anyone who does not obey the local zoning laws.

Senator KENNEDY. Yes.

Senator LEHMAN. I have some doubt as to whether the Federal Government could pass legislation of that character. It seems to me that the zoning laws are purely local in character.

Senator KENNEDY. Well, under the bill the Administrator—

Senator LEHMAN. I would be inclined to doubt it, though I am not a lawyer.

Senator KENNEDY. I don't know about the conflict of law there, but under the bill that we had introduced the Administrator was given the power to turn down insuring property where he thought the risk was excessive. I should think you could easily define it so there is a tremendous amount of discretion vested in him, which I think there has to be in a new program like this. It seems to me obvious he could turn down accepting insurance from any property which had not obeyed the local zoning laws.

Senator LEHMAN. You mean within his own discretion?

Senator KENNEDY. Yes. I don't know whether you could write that into the law or not.

Senator LEHMAN. There is no doubt that if you could enforce zoning laws, if localities did pass adequate zoning laws and they could be enforced, in the long run it would reduce flood damage tremendously because it would prevent the erection of additional factories and homes and businesses in the low-lying lands. It would go a long way.

But I am not sure whether we have the legal right to do it.

Senator KENNEDY. The chairman may not feel that the Administrator should be vested with this power of turning down some of these. I think he really would have to be, especially at the beginning until we have experience. It seems to me under that power he could turn down without having it written into the law. He could set that up as one of his standards for acceptance of risk.

Senator LEHMAN. I think it is a fair statement that everybody agrees on that all the legislation proposed provides for a continuation of flood control. But in the testimony that we have thus far taken, the Chief of Engineers testified that even on those projects that have already been recommended by the Corps of Engineers, which are limited in scope, even in spite of that just those would take at least 22 years to carry out. That is a long time to wait, it seems to me.

Senator KENNEDY. Yes, that is right.

Senator LEHMAN. I note, Senator, that your bill does not cover personal property.

Senator KENNEDY. No, Senator.

Senator LEHMAN. I wonder whether sometimes the hardship on little people in loss of their personal property is not almost as serious as the loss of their homes or serious damage?

Senator KENNEDY. Yes. There were two reasons. First, we thought the insurance companies could cover a lot of that themselves. And secondly, the problems of administration and depreciation, et cetera, which I think were discussed before your committee the first day, made

us feel that in an experimental program of this type it should be excluded. Of course, the committee may decide differently, but it seemed wiser to us.

Senator LEHMAN. I did not know that loss from flooding save as a result of fires could be covered by insurance.

Senator KENNEDY. No, but I felt the insurance companies might be willing to take on coverage of personal property damaged by floods rather than having the Federal Government do it. If they would not, it may be desirable, but I think it would raise tremendous problems of administration. You would obviously have to do that through reinsurance, that part of the program, not insure directly, because if we ever got into the business of insuring personal property directly it would be an impossible job.

That would be one element we would have to write in completely, making reinsurance obligatory, if you took that on. I think it would be difficult.

Senator LEHMAN. Your bill also omits coverage of State and local government-owned property.

Senator KENNEDY. Yes; that is correct.

Senator LEHMAN. I wonder how that—

Senator KENNEDY. Well, I think only because on most State property, at least from my understanding of it, most States feel by their nature they insure themselves and, therefore, it would not be necessary for the Federal Government to insure them. But I think the Governor could possibly shed more light on the desirability of insuring State property. We felt it would be undesirable or unnecessary in this program, that the State could protect itself.

Senator LEHMAN. Thank you. I have no further questions to ask. I do want you to know I appreciate your being here.

Senator KENNEDY. Thank you, sir.

Senator LEHMAN. You made, in my opinion, a very clear statement. If you have anything you wish to add to your statement after Senator Bush has questioned you, I would be glad to have it.

Senator BUSH. I have just one more question, Mr. Chairman. In the State of Connecticut we have a State law which permits local communities to adopt local ordinances prohibiting encroachments on the river channels and to prevent such abuses as dumping refuse in the rivers. Incidentally, some of the worst damage that we sustained in our State, and I would hazard a guess it might be true up here, was due to the fact of the lack of local ordinances and permitting of encroachment in the river. Even permitting the dumping of old automobiles and automobile parts, raising the river and providing obstructions which added considerably to the height of the flood when it came.

I am referring to your observations about inducing communities to do something about this, and I would like to ask what you think of this provision as a possible inducement. Perhaps it is a little stronger than what you say in your bill. But suppose this language were in a bill:

No indemnity or reinsurance shall be provided under this act for property located in communities which have not adopted or have failed to enforce zoning laws applicable to floods or other natural disasters or for property used in conflict with such laws.

The purpose of that is prevention, so to speak, rather than insurance, but it would also, of course, make the insurance more realistic, less expensive, one might say, too. But it will induce people not to encroach upon the river or use it as a refuse or a dump and thus avoid a great deal of the disaster which has taken place in these recent floods.

Would you care to comment on that?

Senator KENNEDY. I think the chairman was raising a question of the legality of such language. If it is legal and the Federal Government can write that in, I should think it would be very satisfactory and much better than leaving it to the discretion of the Administrator. But if it is not, if there is some question about how far we can go in stating that, then I think we should suggest it in the report of the committee and on the Senate floor and then leave it up to the Administrator. Give him the discretion to deny those applications which he feels are either excessive risks or go against local zoning laws. But if you can write it in the law it would be much more satisfactory.

Senator BUSH. It seems to me one of the objections to flood insurance, Mr. Chairman, offered in the past and even lately is that people are insured who actually invite disaster. As you suggested in your statement, those who avoid it deliberately are sought to help indemnify those who have invited it. It would improve a bill, perhaps the salability of a bill, one might say, in the Congress, if it invited these communities to have adequate zoning laws and enforce the zoning so as to avoid the invitation to disaster. It would improve a bill, I think.

Senator KENNEDY. Yes. I think you can either do it by the language you suggested—perhaps the best way—or otherwise give the Administrator power to refuse or otherwise give him power to set such excessive premiums that it would be prohibitive and therefore we would not have to accept those insurance risks.

Obviously we cannot insure and expect other people to assume the insurance burden of people who build in risky areas. Of course, yours goes a little bit beyond just the question of insuring but also the policing.

Senator BUSH. The enforcing. Of course, that does leave with the Administrator the decision whether those zoning laws are being enforced or have been enforced and whether they are adequate, and so forth. It gives him some discretion there. But it fortifies him in not issuing insurance broadly to places where disaster is really invited.

Senator KENNEDY. Yes. I think it would be more satisfactory to write it in if you were able to. Otherwise, I am sure we could do it through these other means.

Senator LEHMAN. I believe what you read was merely a condensation of a longer statement.

Senator KENNEDY. Yes.

Senator LEHMAN. Will you make sure the statement is offered for the record—the full text?

Senator KENNEDY. Thank you very much.

(The full text of Senator Kennedy's prepared statement follows:)

STATEMENT OF JOHN F. KENNEDY, A UNITED STATES SENATOR FROM  
THE STATE OF MASSACHUSETTS

Mr. Chairman, I am sure I speak on behalf of every citizen of this State and region when I express my appreciation to you for your efforts in coming to Massachusetts and New England. I want to welcome you and your associates to this

city and emphasize my personal gratitude for your generosity in adding, at the request of Senator Saltonstall and myself, this hearing to your already heavy schedule.

#### I. THE NEED FOR A FEDERAL FLOOD-INSURANCE PROGRAM

##### 1. *The growing flood problem*

Estimates of the property damage and financial loss suffered as the result of the August and October floods in this region, though varying, have gone as high as \$2 billion. The communities, homeowners, businessmen, and others who bore the brunt of this terrible loss can never hope to regain, from public or private sources, all that was swept away; but they do hope that the tragic lesson of this calamity may spur Congress into taking action to alleviate such losses in the future. The most important step, of course, is acceleration of the construction of all necessary flood-control projects. But of nearly equal importance to this area—where the frequency of floods may be sharply increasing as the result of new hurricane paths—is the question of insurance.

##### 2. *The need for insurance*

Although prevention of damage to property is obviously preferable to reimbursement for its loss, once such destruction is an accomplished fact, reimbursement softens the blow and makes possible earlier rehabilitation. The accepted manner of providing such reimbursement is through a system of insurance—whereby the risks of future losses are spread equitably (a) over all interested members of the community and (b), perhaps more important for our purposes today, over a very long period of years—thus making it possible to budget in advance, with consequent increases in peace of mind and economic security, a small, regular contribution for such purposes each month for many years, instead of being confronted with an overwhelming amount following a catastrophe.

These benefits are as true in the case of floods as they are in the case of any other catastrophe now covered by insurance. Some suggest that flood insurance, however, whether public or private, is undesirable because it would encourage retention of property in potential danger areas, a problem which is not presented by fire and most other disaster-insurance programs. Certainly some care needs to be exercised to prevent this tendency (and the Kennedy-Saltonstall bill so provides). But an estimated 10 million people live on 50 million acres in potential flood areas in this country—particularly here in New England, where our major cities are located in river valleys—and some \$400 billion is invested in those areas. All possible floods in these areas cannot be prevented; the cities and industries cannot be abandoned or relocated; and thus insurance is needed. Of course, insurance by its very nature cannot be available on the same terms to those who live in the very flood bottoms themselves; and any insurance program requires, moreover, all policyholders to take preventive measures to reduce damage. Thus, unlike a flood-relief program restricted to direct grants to all persons, the cautious and careless alike, insurance discourages unwise investments and encourages reduction of losses.

##### 3. *The unavailability of private insurance*

An insurance program is thus both necessary and desirable to cover floods in much the same manner as fires, lightning, hailstorms, cyclones, earthquakes, tornadoes, blizzards, and practically every other natural catastrophe are covered. But the fact of the matter is that flood insurance of any kind is virtually unavailable today. Nor is there any prospect that the private insurance industry will offer adequate protection against potential flood damage at reasonable rates. Practically none of the heavy damage suffered by the homeowners and businessmen in this area was covered by insurance. This is without question the most glaring gap in the protection offered by an industry which has otherwise offered insurance on every conceivable—and some not so conceivable—subject.

##### 4. *The reasons for the unavailability of private flood insurance*

I do not criticize the private insurance industry for its failure to offer this badly needed protection. The prudence which they owe their other policyholders as well as their stockholders prevents them from embarking alone on such a program for the following reasons:

(a) First, any insurance company which unilaterally added flood damage to its extended coverage policies would find itself unable to compete with other companies failing to offer this expensive item.

(b) Second, in attempting to cope with flood problems in multistate river valleys, to fix varying rates and conditions for property in different areas, and to experiment in this new, uncharted wilderness, private insurance companies would face 48 different sets of conflicting State insurance laws and inappropriate (for flood purposes) restraints.

(c) Third, no insurance company is able or willing to expend the funds necessary for the prediction and measurement of floods and flood damage in each river basin in order to make possible some actuarial estimate of the risks involved. Even if such surveys could be undertaken, it would be necessary to recover their costs through still higher premiums from policyholders.

(d) Fourth, no insurance company would be willing to tie up the funds necessary for the maintenance of the large financial reserve which would be required to meet the contingency of a heavy flood early in the program (before flood premium income was sufficient to maintain that reserve).

(e) Fifth, previous experience with flood insurance, largely around the turn of the century and limited to particular valleys, was most unprofitable; and any modern company whose sales might be concentrated in a particular region fears the same result.

(f) Sixth, the possibilities of a catastrophic loss early in the game, an adverse selection of risks due to a limited base, a declining demand after floodwaters have receded and unpopular variations in rates, would all make impossible the guaranty of a reasonable profit within a reasonable period of time.

##### 5. *The need for, and feasibility of, Federal flood insurance*

It is apparent from the unavailability of private flood insurance that the only alternative to some form of Federal insurance is no insurance at all. However much we may criticize the Federal Government's entry into this field, however doubtful we may be about the success of such an experiment, it is important to remember that the only other choice facing us is no insurance whatsoever.

The insurance company report of 1952 which outlined the industry's reasons for refusing to enter this field also stated:

"Since for the reasons outlined private underwriters cannot undertake to provide specific flood indemnity as an insurance venture, it follows that Government likewise could not undertake to provide specific flood indemnity by means of insurance. There is no reason to believe that the Government would encounter fewer obstacles to such an undertaking than private insurers."

A reexamination, in terms of a Federal program, of the six obstacles found in private insurance, shows the fallacy of this conclusion.

(a) The Federal Government, of course, would have no problems of competition with other insurance companies who would not offer flood protection. On the contrary, the monopolistic nature of its position would make possible a broader base and cheaper rates than any single company could offer.

(b) Similarly, the Congress, recognizing that State boundaries have no significance in national disasters, would be able to promulgate a fair and yet economically sound program for property owners in all parts of the country, experimenting without regard to the various State insurance regulations.

(c) Third, the Federal Government has already, and properly so, assumed the responsibility of predicting and measuring floods and flood damage, as well as erecting flood-control projects to reduce this damage. The cost of such tasks, clearly in the national interest, are properly borne by the public as a whole, and thus, unlike private insurance administrative costs, would not be charged exclusively to the policyholders.

(d) Fourth, the question of a large financial reserve poses no difficult problems for Congress, which can authorize—as it has in the past authorized—an agency to borrow funds from the Treasury, either on a regular basis or in case of an emergency in the early years of its existence, such loans to be repaid from premium income.

(e) Fifth, unlike the private flood-insurance ventures on the Mississippi in 1899, a Federal program would inherently be nationwide in coverage—drawing additional strength from the fact that major floods tend to occur only in 1 of 2 regions—not every region—during any one year.

(f) Finally, it cannot be denied that a Federal program will also face problems of risk selection, rate variation and other problems that make a profit dubious. But the Federal Government is not required to make a reasonable profit on its insurance within a reasonable period of time. As stated in the Hoover Commission task force report on water resources and power:

"Food insurance \* \* \* cannot pay off in the working life of an individual, and hence could not be attractive to the managers or stockholders of a business firm. But Government, as a permanent institution with much at stake already, can take a long-range course."

Moreover, a Federal insurance program would pay no State and Federal taxes; it could use existing Federal personnel without additional cost to policyholders; and it could borrow money at cost, or even less than cost, from the Federal Treasury. It would also be in a better position to require long-term commitments from policy purchasers who might otherwise fail to renew as flood memories become dim. Federal flood insurance is thus not only necessary but feasible.

#### 6. *The responsibility of the Federal Government*

Floods have long been recognized as an appropriate subject for congressional action because of their devastating effects upon our Nation's interstate commerce, preparedness, health, welfare, and economic well-being. Without Federal flood insurance, the Federal Government receives less tax income from nonproductive flooded industries and from homeowners able to deduct flood losses. Without Federal flood insurance, heavy Federal subsidies through direct relief grants (to which flood victims have made no special contribution) will continue. Finally, the Federal Government has an important stake in preventing the abandonment of cities and industries in potential flood areas.

Neither is insurance a new field for congressional action. Crop insurance, war-damage insurance and maritime cargo war insurance are among those well-known Federal programs most closely related to the subject at hand; and in addition the Federal Government provides insurance for bank deposits, savings and loan accounts, mortgages on houses and vessels, and investments under the Mutual Security Act; several types of insurance for Government employees and veterans; and social insurance against the risks of retirement and unemployment for practically all working men and women. The Federal Government entered many of these fields, particularly those first mentioned, because of the unwillingness or inability of the private insurance industry to offer adequate protection at reasonable rates, and in spite of predictions of certain failure from representatives of that industry, in much the same situation as we have today. But every one of the programs mentioned has been generally accepted and financially successful. (It is important to note that the insurance industry, in its 1952 report, specifically compared flood damage with modern war damage; and the report offered

"The complete facilities of the insurance business \* \* \* to the Government in carrying out such an undertaking should Congress \* \* \* determine to provide specific flood indemnity \* \* \* (and) wish to make use of such facilities in a manner similar to their utilization in connection with the War Damage Corporation in World War II.")

#### 7. *The relationship of Federal flood-control projects to insurance*

It has been suggested that the accelerated flood-control program which I previously mentioned should be preferred to the exclusion of any insurance program. But consider these facts:

(a) Every flood-control expert in the country agrees that no amount of projects, however high the dams, and however adequate the warning systems, could ever eliminate all floods and all damage.

(b) It will be years before a comprehensive flood-control program can be completed, if it will ever be completed.

(c) In some areas flood control is simply not economically feasible, because of the cost of the project, the value of the land to be acquired or other factors.

(d) Responsibility of the Federal Government for payment of flood-insurance claims would increase, not retard, the speed with which it built projects to reduce those claims.

#### 8. *The relationship of Federal flood-relief measures to insurance*

The argument has been made that direct grants of money, from both Federal and private sources, would be more in keeping with the American tradition of voluntary relief for humanitarian purposes. But such relief, by its very nature, and as demonstrated by our experience here, is irregular, unreliable, and inadequate in terms of complete recovery. Moreover, unlike insurance, for which the property owner pays, it too often requires recipients to undergo a means test to demonstrate that they are eligible for a handout. Similarly, disaster loans are no substitute for insurance; for their repayment requires the mortgaging of future in-

come, a mortgaging which many small homeowners—already left with a debt and mortgage for which they have no house—simply cannot undertake. Certainly the insurance method of a small regular payment in advance of the disaster is to be preferred.

## II. WHAT KIND OF FLOOD-INSURANCE BILL?

Early in September I proposed the draft Federal flood-insurance bill which is before your committee now. I was joined in this endeavor by my colleague, the senior Senator from Massachusetts, Mr. Saltonstall; and I have since received assurances of cosponsorship from Senators in every part of the country, including the senior Senator from Rhode Island (Mr. Green), the senior Senator from South Carolina (Jr. Johnston), the senior Senator from North Dakota (Mr. Langer), the junior Senator from Oregon (Mr. Neuberger), and the junior Senator from Maine (Mr. Payne). Numerous other Senators have indicated to me their interest in the bill.

The difference between this draft proposal and the other proposals contained in the committee prints before your committee points up a number of questions concerning the exact nature and details of any Federal disaster insurance bill.

(1) *Use of the term "insurance"*.—Representatives of private insurance companies have objected to the use of the term "insurance" in connection with these proposals. Personally I am willing to substitute the word "indemnity" or any other term if that would facilitate passage of the bill. But inasmuch as all of the proposals thus far envisioned, with or without a Federal subsidy, are based upon the basic principles of insurance, this objection would appear to merit little attention.

(2) *Other disasters?*—A more fundamental question is whether the proposed insurance program should cover other natural or manmade disasters in addition to those caused by floods or high water. With respect to manmade disasters, such as war damage, I have always favored the revival of the War Damage Corporation which operated so successfully in previous years; but your committee knows of the many controversial problems which have prevented enactment of such legislation in recent times. Thus I would prefer to see such legislation considered independently, rather than risk the delay or defeat of a flood-insurance bill which is unrelated to those particular controversies.

With respect to other natural disasters, it is my understanding that private insurance is presently offered—and I hope your committee will check into this—for every natural catastrophe except floods and high water. In the belief that no Federal program should compete with private industry, I limited my bill to floods alone. I realize that the inclusion of natural disasters more prevalent in other parts of the country is said to increase the potential support of such a bill; but this should not be necessary in view of the official figures on flood damage in every State in the Union during the last several decades.

The definition of "flood" should be broadly interpreted to cover the entire insurance gap, including damage caused by hurricane-driven tides, tidal waves, and other high-water damage from either fresh or salt water.

(3) *What agency?*—The next fundamental question facing your committee is the location of responsibility for the administration of this program. I want to stress that the designation of the Small Business Administration in my bill is at best tentative; and was made simply because that agency (a) succeeded the RFC under whose jurisdiction was placed the war risk program, and (b) is the only agency presently in touch with both homeowners and businessmen in case of disaster. This year's floods point up a drastic need for improved coordination of our many disaster relief programs; and as chairman of the Subcommittee on Government Reorganization of the Senate Government Operations Committee I hope to look into this matter. Should an overall disaster agency be created, naturally it should administer this program. If not, and if the Government agencies involved feel that the FHA would be preferable to the SBA, I would be willing to accept that judgment and the judgment of this committee. A related question which I am also willing to leave to more expert determination is whether such a program should be administered by an independent Government corporation.

(4) *Insurance or reinsurance?*—One of the proposals most frequently made is that the role of the Government should be restricted to that of a reinsurer, protecting private insurance companies against excessive loss on flood-insurance policies sold to their customers. To the extent that broad, economical, and fair coverage could result, reinsurance would be the ideal way to provide flood insur-

ance with the greatest amount of private enterprise; and my bill authorizes such a function. But to restrict the Federal program to reinsurance alone, and to prohibit it from providing insurance on its own, makes the dangerous assumption that the insurance companies would be willing, with Federal backing, to underwrite flood risks at reasonable rates, providing the same protection to the same people who would be covered under a Federal program. Neither insurance or reinsurance should exclude the other. Under the Kennedy-Saltonstall bill, both insurance and reinsurance are authorized, and a high degree of flexibility is retained. It would be possible, for example, to handle the program entirely through the private insurance companies, including not only the use of their facilities and personnel but also their voluntary financial participation in the underwriting of risks and the sharing of losses and profits. Similarly, practically all of the other various proposals made for some kind of flood insurance would be possible under this bill; and I would prefer the adoption of such a broad and flexible plan, rather than a bill strictly limited to only one of these alternatives.

(5) *Role of the insurance industry.*—The cooperation and participation of the private insurance industry are essential to the success of any Federal insurance program. I have stressed that we must not compete with private insurance; and in addition to restricting my bill to flood property not now eligible for private insurance coverage, the bill specifically provides that insurance and reinsurance would not be available from the Federal Government except when they were not available from private sources. As mentioned, the Kennedy-Saltonstall bill also authorizes reinsurance for companies willing to insure flood risks on that basis; and the maximum use possible of their facilities, services, personnel, records and claims adjustment procedures, as well as their financial participation, is directed. Finally, the Kennedy-Saltonstall bill calls upon the administrator to exchange loss experience and similar information with private firms, and to appoint an Insurance Advisory Committee of members from the industry to assist in the administration of the act. It is my hope that this program of partnership with private insurance, not competition or duplication, will meet with the approval of the industry and the Congress.

(6) *Permanent or temporary?*—I have stressed from the beginning that this proposal is something in the nature of an experiment, much as the initial programs of crop insurance and war-damage insurance were experiments. For this reason I have attempted, as indicated, to make my bill flexible in nature, with most details left to its administrator. I do not share the opinion expressed by the Budget Bureau, however, that any bill adopted should be temporary in nature, with a life of perhaps 3 years; for the very nature of insurance, particularly flood insurance, makes it necessary that costs and risks be calculated on a permanent long-range basis from the very beginning. Undoubtedly Congress will want to make changes in the program after its first few years of operation, as it did with crop insurance; but we should not write into law this restraint upon sound, long-range planning.

(7) *Retroactivity?*—The committee print on which no sponsor's name appears would provide under this program indemnification for losses already suffered during the current year because no insurance was taken or premiums paid. It might be well for the committee to examine whether it would not be wiser to consider if such a proposal should be independent of flood insurance.

(8) *What kinds of property?*—The next fundamental question to be determined by your committee is the type of property to be covered under a Federal flood insurance program. The Kennedy-Saltonstall bill covers only privately owned real property, including commercial, industrial, and residential property. It thus excludes all personal goods, business inventories, crops, detachable equipment and property owned by State and local governments. The primary reason for this admittedly narrow scope was my belief that an experimental bill of this nature would meet success only if strictly limited in terms of coverage and potential economic loss. Although I will favor the broadest bill possible of enactment by Congress, to the extent that no duplication of private insurance efforts is found by this committee, the following should be kept in mind: Federal crop insurance should be expanded, but under its own program, not in this bill. Private insurance companies presently offer flood insurance on bridges, tunnels, and other types of publicly owned property, while other State and local governments look upon themselves as self-insurers as does the Federal Government. Automobiles, jewelry, furs, and many other types of movable personal property are also offered coverage by private insurance, and the administrative problems of paying insurance claims on other types of personal property are almost insurmountable.

(9) *Compulsory or voluntary coverage?*—Inherent in the Kennedy-Saltonstall bill, and I believe in all of the bills before you, is the principle of voluntary coverage. Such coverage, of course, would be limited, a problem we cannot ignore. It has been suggested that coverage be made universal by making it compulsory, by automatically including premiums either in the property taxes paid in every State or in the premiums paid on private insurance policies for fire and extended coverage. Such a proposal violates the basic principles of insurance and distributes the cost of floods equally among all persons regardless of their exposure or their efforts to avoid damage. Those who were actually protected by the program would be paying the same amount for their protection as those who received no direct benefits under the program whatsoever. If a flood-insurance subsidy is necessary—as will be discussed momentarily—it should come from general revenues and supplement premium payments, thus requiring a larger contribution from those who will benefit than from those who will not, and distributing the burden equally over all taxpayers, not simply those who own property or insurance policies.

(10) *Cost to policyholders and Government.*—But would a subsidy be necessary? No flood-insurance program should be financed entirely out of general revenues, for that would again violate the principle that those receiving protection should pay more than those who do not. The Kennedy-Saltonstall bill provides that premiums will be charged, and that “rates shall be based insofar as practicable upon consideration of the risks involved and shall to the extent deemed practicable by the Administrator be adequate to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses.” In order to carry out that objective, several provisions have been included in the bill: (a) Coverage, both as to types of property and types of catastrophe, is strictly limited. (b) The Administrator is empowered to establish such terms, conditions, and limits as are necessary to attain this objective, and he may decline some applications and risks altogether. (c) A “deductible” of at least \$300 plus 10 percent of the remainder of the claim is required. (d) No insurance or reinsurance shall be issued for properties in conflict with flood zoning laws; and the program shall be administered to prevent inducements for unwarranted acquisition of facilities in obvious flood-danger areas. (e) A broader base is made possible by authorizing other Federal agencies participating in the financing of real estate to require purchase of Federal flood insurance under this act.

I have previously stated the financial advantages enjoyed by a Federal program of this nature. Of course, there will still be problems of maintaining a steady demand, broadening the base to avoid an adverse selection of risks, and selling policies with wide variations in rates dependent upon the location of property; but, as pointed out by the Hoover Commission task force report, these are questions which can be answered only by the initiation of a limited, experimental program. If a supplemental Federal subsidy should eventually be needed, it would still be a more efficient and less burdensome form of Federal assistance than the heavy relief grants now required and a not inequitable burden in view of other subsidies in order programs and areas.

(11) *Amounts of insurance offered.*—The dollar amounts suggested in the Kennedy-Saltonstall bill, with respect to both the aggregate amount of insurance covering any single piece of property and the total amount of insurance which can be issued, were arbitrarily selected and intended to be tentative. I have suggested \$250,000 as the limit on the amount of insurance to be written on any single property (but not for any single owner), an amount fixed not only because of my previously expressed desire to offer a limited, experimental bill, but also because of a feeling that those whose real property alone exceeds that value are not those most in need of such insurance. The limit on the total amount of insurance to be provided under the Kennedy-Saltonstall bill begins at \$500 million, increasing by that amount each year until it reaches \$1½ billion by 1958. Although this might well be adequate for an experimental approach of the type I have expressed—particularly in view of the pessimistic predictions that there will be little demand for such insurance once these floods have been forgotten—I would nevertheless be most willing to accept the recommendations of the committee on this matter.

(12) *Conclusion.*—In reviewing some of the questions with which my staff and I were confronted, and with which this committee and its staff will be confronted, in drafting a bill for Federal flood insurance, I have set forth the rationale which lies behind many of the provisions contained in the Kennedy-Saltonstall bill. But I want to stress to you, Mr. Chairman, that my chief concern is not whether my name will be on the bill finally enacted, or whether

it is a Democratic bill or a Republican bill; my chief concern is to obtain the best bill possible. I will be delighted to work with you, Mr. Chairman, and the members of your committee, to bring about the passage of such a measure; and I want to assure you again how deeply your efforts are appreciated in this State and region.

Senator LEHMAN. I have a letter from Senator Kennedy and Senator Saltonstall, which will go in the record.

(The letter referred to follows:)

UNITED STATES SENATE,  
Washington, D. C., October 14, 1955.

HON. HERBERT H. LEHMAN,  
United States Senate,  
Washington, D. C.

DEAR SENATOR: It is our understanding that during the first 2 weeks in November you plan to conduct a series of hearings on the question of insurance for floods and other disasters which will take you to Rhode Island, Connecticut, New York, and North Carolina. Although we are reluctant to impose still further upon this heavy schedule, which we are delighted that you are undertaking, we feel that it would be most important and beneficial to hold hearings in Massachusetts. The floods of last August caused more property damage—not covered by insurance, of course—in our State than in any other save one; and, as you may know, we have joined in proposing a Federal flood-insurance program to alleviate this problem. Consequently we do feel that hearings in Massachusetts are both logical and desirable.

Such hearings could be held either at the Federal Building in Boston, or in one of the communities hard hit by the recent floods. We would be glad to cooperate with you in arranging this matter. Several Massachusetts businessmen, labor groups and other organizations have indicated their interest in this matter of insurance, and would undoubtedly have extremely valuable testimony to present to your committee. Hearings in Massachusetts would not only be more convenient for them but would permit your committee to receive a more comprehensive view of the problems in our State—a State which, in light of the heavy damage suffered last August, certainly should be included on your committee's itinerary.

We understand the difficulties facing you in scheduling these hearings, and will be appreciative for whatever cooperation you can give us in this matter. We join in the hope that these hearings will produce the best flood-insurance bill possible.

Sincerely yours,

JOHN F. KENNEDY.  
LEVERETT SALTONSTALL.

Senator LEHMAN. I am going to call on Governor Herter next.

Senator Kennedy, will you come up with us?

According to the memorandum that was given to me, Congressman Philbin and Congresswoman Edith Nourse Rogers were next, but they very kindly yielded to the Governor.

We are very glad indeed to have you here. We were afraid you might not get back from Europe in time to testify, and we are very pleased you are here.

**STATEMENT OF CHRISTIAN A. HERTER, GOVERNOR, ACCOMPANIED BY RICHARD PRESTON, COMMISSIONER, DEPARTMENT OF COMMERCE, STATE OF MASSACHUSETTS**

Governor HERTER. Do you want me to give my name for the record?

Senator LEHMAN. Yes.

Governor HERTER. Christian A. Herter, Governor of Massachusetts.

May I at the very outset thank you and members of the committee for your willingness to come here to hold this hearing.

We have had in the last 3 years—

Senator LEHMAN. May I interrupt you, Governor, one moment? I note one of the witnesses here is the commissioner of the department of commerce, Mr. Commissioner Preston. Would you like him to sit with you?

Governor HERTER. Fine.

In the last 3 years the Commonwealth of Massachusetts has had the unhappy experience of having four separate and distinct disasters, of which the floods which have been the primary basis of discussion here this morning were the last.

The first one was a tornado, and a very serious one, in the Worcester area, completely unexpected, unprecedented in a way as far as our Commonwealth was concerned.

In the following 2 years we had 2 hurricanes accompanied by very considerable damage both on the shorefront and in the interior of the State, carrying right through.

And then, finally, this fall we have had first a very serious flood as far as we were concerned and then a secondary flood of less serious proportions, but a very difficult one from the State of Connecticut.

I have noticed in the hearing so far, at least as far as Senator Kennedy's discussion is concerned, that he was limiting himself entirely to flood damage. I am wondering if I am out of order if I broaden my few remarks to the question of natural disasters? I do not know to what extent the committee has gone into the question of the many natural disasters that can occur.

Senator LEHMAN. Well, we are considering it, and we hope that you will testify in the manner that seems most desirable to you.

Governor HERTER. In this particular case, and I am localizing the problem entirely as far as the Commonwealth of Massachusetts is concerned, we have had these three entirely different types of disasters. The first one, the tornado, was primarily a terrifically strong wind not accompanied by any rain or water damage of any kind. The hurricanes had a combination of wind damage and water damage, particularly along the shorefront, of very considerable proportions. The more recent floods have been entirely a question of water damage.

But we had three different types of natural disasters involved that have hit us in a very unprecedented fashion, and we hope that a pattern has not been set.

On the other hand, we have no idea what the future will bring, and for that reason are tremendously interested in some form of coverage, particularly for the individual propertyholders and industry who under our Constitution we cannot help ourselves, because we have a constitutional prohibition against aid to any private individual or concern.

We are not as directly concerned with public property because there is a field in which we can help ourselves and where again the Civil Defense Act can be of assistance to us.

But it is with this field of personal property, and mostly real property and industrial property, that we are very seriously concerned because there neither the Federal Government, except through loaning operations, nor the State government under any existing legislation can be of assistance.

It is rather interesting to note that in 1938 we had a hurricane of some proportions that hit Massachusetts. As a result of that, hurri-

cane insurance was written by many of the private insurance companies, and nearly all the lenders of money from the point of view of mortgages required that hurricane insurance be written as a part of the mortgage protection on individual properties. As a result of a very wide demand for it, it was comparatively inexpensive and was a great help to us when the hurricanes of the last 2 years hit us, but only on mortgaged property or as individuals had sought to take out the hurricane insurance on their own. It was a required thing by the financial institutions, almost universally speaking, from the point of view of mortgaged property.

When the flood hit, I made inquiries of one industry—

Senator BUSH. May I ask right there, Governor, if that insurance insured against hurricane damage from flood as well as wind?

Governor HERTER. No; that was one of the very real difficulties. It was straight wind damage.

Senator BUSH. Wind damage only?

Governor HERTER. Straight wind damage only. And, of course, it led to a great many difficulties along the shorefront where it was very difficult to ascertain when a house had been washed away whether the wind had blown it down first or the waves had carried it away.

Senator LEHMAN. May I interrupt you? I know that generally speaking your statement is accurate that the insurance companies will not reimburse for flood damage caused by high wind, but is that universal? I am told—

Governor HERTER. I cannot tell you. I can only tell you by my own experience.

Senator LEHMAN. I know some insurance companies have recognized claims of that sort. I did not know if you had knowledge of that.

Governor HERTER. No; my impression is if you combined water damage the rate became absolutely prohibitive.

I wanted to cite just one instance of one individual, an industrial concern, that I visited very shortly after the flood and inquired as to whether or not they had taken out any kind of flood damage, water-hazard damage, and they said they had not. The reason they had not was that the best price they could get on it was \$785,000 a year, an absolutely prohibitive premium.

So that I despair somewhat in connection with water damage of private insurance companies being able to handle the situation. For that reason I am so glad you are exploring the whole field and the whole possibility of governmental action in the situation.

I hope, however, that it will not be limited entirely to floods, and the reason that I say that is that the hurricane problem seems to be a very real one. The hurricanes may not hit this particular area year after year, but we, of course, have had hurricane experiences running from the gulf along the east coast for many, many years, some of large proportions and some of rather minor proportions. It is one of those freaks of nature that we should have had so many disasters in this very short recent period of time.

I do not pose as an expert as to how best the Government can meet this situation. Senators Kennedy and Saltonstall have filed a bill. I would not want to comment on the details of that bill, because I do not feel I am sufficiently qualified. But I do feel very strongly about

one thing, and that is that, if possible, there be some kind of agreement that might be made between the Federal Government and insurance companies, for one primary reason.

As I visualize this picture, if the Federal Government should go into disaster insurance by itself and handle the whole problem, it would have an extraordinarily difficult situation facing it from a point of view of the settling of claims, and from the point of view of the writing of policies, without building up a tremendous bureaucracy, so to speak, of individuals who would be available to take care of it.

We have trained insurance adjusters all over the United States, in every section. We have individuals who I think could be called on when it was necessary to handle a large part of the adjusting end of claims as well as in the writing of policies.

But I am a little puzzled as to how the situation can be handled, because obviously, if disaster insurance is going to be reasonable, and everybody is going to fight it if it is not at a reasonable rate, there has got to be tremendously wide coverage of it.

As I recall the war-disaster insurance, it ran to about a dollar a thousand, and there was almost universal coverage. Everybody said, "It's so cheap, let's take it. We don't know where a bomb will fall or what enemy actions may cause some particular disaster in our area."

Because of the very wide coverage, it became extremely cheap. It seemed to me that that is an all-important factor in this particular situation. From that point of view general disaster coverage—even though there were regional applications of it and regional differences of rates because of the incidence of disasters in certain areas, which might be a perfectly proper thing without having a universal rate for the whole country, is a very desirable thing.

There is one element in the Kennedy-Saltonstall bill that I think is very important, and that is to start the initial coverage with a requirement that every federally guaranteed mortgage or every mortgage in which the United States Government has any interest should be covered. Then at once you start with that very considerable base that is spread very widely all over the country and gives you the possibility of bringing coverage to a reasonable rate in a comparatively short time. It would give you a very good start right at the beginning.

But, as I say, I am not enough of an expert. I am a little concerned about how the individual insurance companies are going to be able to handle this problem, particularly in areas that are more susceptible to damage than others, which might be their home areas. There are a great many insurance companies, and whether or not they could themselves get wide enough coverage even to make their own participation, even if it was only a part participation in this, a reasonable risk I don't know. The experts coming before you are very much more qualified than I.

Senator LEHMAN. As I interpret your remarks, you doubt whether the insurance companies could on their own account possibly write this insurance without Federal governmental assistance?

Governor HERTER. I do not see how they could. From all I heard, I do not see how they could do it, particularly—

Senator LEHMAN. In other words, this does not need to be self-supporting. It would not be self-supporting, of course.

Governor HERTER. Might I agree entirely with Senator Kennedy that over a period of years it might well become self-supporting.

Senator LEHMAN. Oh, yes.

Governor HERTER. There might be adjustments from year to year in the rates. But, as he pointed out, an initial year might be a very tough one.

Again, I think estimates have been made as to the overall cost of disasters in the country on a year-by-year basis. I think that the Red Cross has estimates of those. I think the Federal Civil Defense Administration has made some investigation of those. On this figure I would hesitate very much to pretend to be an authority, but my recollection is that I saw a figure of roughly a billion and a half being the sum total damage done by all forms of disasters annually in the United States.

Senator BUSH. One and a half billion?

Governor HERTER. One and a half billion. That may be an excessive figure, but that is my recollection.

Senator BUSH. General Sturgis of the Army engineers has indicated before this committee I believe that the total damages in connection with this year's disaster, meaning beginning August 19, have exceeded that figure.

Governor HERTER. That might well be. This has been a rough year.

Mr. Chairman, I know you have many witnesses here who can testify much more expertly than I. I do want to stress very strongly the fact that we here in Massachusetts have been through a situation which makes it very urgently desirable for a committee of this kind to be giving very intensive study to the problem you are now studying, that we hope will lead to some practical answer that will be of very great benefit to us after the experiences we have been through.

Senator LEHMAN. I want to assure you on one point that you raised that I do not believe it is the thought of any of the sponsors of any of these proposals or of the committee itself in any way to exclude the insurance companies. We want their cooperation. We would like to work through them. As a matter of fact, we believe that it would very greatly simplify it.

But we also recognize that in order to do that the Federal Government, in our opinion at least, must take an active part, and it must accept some risk.

Governor HERTER. I agree with you entirely, Senator. I do not see how that can be avoided, considering the uneven incidence of these disasters. Private insurance companies would never know where the great blow would fall, and unless there was some very strong reinsurance or limit to their liability you might section by section destroy insurance companies one after another if they had to take the full brunt.

Senator LEHMAN. Governor, you and I at different times have attended a good many governors' conferences, and I think they are very valuable indeed. I wonder whether you think that the conference of governors might be moved to take an active part in urging appropriate legislation for disaster risk insurance.

I want to point out that if we do get a number of governors outside of the Northeast area to express their interest in these proposals we would obviously have a far better chance of congressional action.

I wonder what your thought is on that, sir.

Governor **HERTER**. I think that might well be possible. There again it is a question of the extent of the coverage. If you have in mind general disaster, that is something that can hit any area of the country, whether it be through tornado or earthquake or otherwise, at any time.

One of the curious developments of these freaks of nature has been that these tornadoes have hit areas that never before have been hit by tornado, that earthquakes seem to be developing in very unexpected areas, and certainly that these hurricanes and floods are taking erratic courses that have never been charted before.

So that the areas of the country that are interested in this, assuming that your coverage can be wide enough and broad enough, ought to be extended to nearly every State in the Union. I think there might very well be a good chance of the States being interested.

Senator **LEHMAN**. Senator **BUSH**.

Senator **BUSH**. Mr. Chairman, does the Governor know whether the communities in Massachusetts generally have satisfactory zoning laws applicable to floods or other natural disasters? Or, may I put the question differently? Do you have a law which empowers these communities to make such ordinances to protect encroachment?

Governor **HERTER**. Yes; we have a general enabling act which allows all communities to set up their own zoning regulations.

Senator **BUSH**. Do you have any idea how they behave under that enabling act, so to speak?

Governor **HERTER**. Well, from the point of view of flood hazard, which is the thing you are most interested in, I do not think it has been a serious consideration up to now.

Commissioner **PRESTON**. No, it has not.

Governor **HERTER**. Commissioner **Preston** can probably—

Commissioner **PRESTON**. There has been a considerable interest in it, shall we say, since the hurricanes of last year, and our department, the division of planning, has been advising and advocating flood-plan zoning and other measures to insure prevention for several years—the institution of local ordinances.

The idea has been rather slow to gather momentum, but these disasters of last year, the hurricanes, and the floods of this year have stepped up considerable interest in that. Our planning division has been working with quite a few towns on it now to put these flood-plan zonings into effect.

Governor **HERTER**. I think I might add one thing there, and that is that a very considerable part of our own difficulty in the flood came from small streams that nobody would have anticipated would suddenly become flash-flood streams.

Senator **BUSH**. Yes.

Governor **HERTER**. There again the plans that have been talked of in connection with flood control are certainly of great importance for major drainage systems. In this particular one, for instance, it was very fortunate for Massachusetts and for Connecticut that in the upper reaches of the Connecticut the rains did not fall heavily in New Hampshire and Vermont.

But a great many entirely new streambeds spread out of this that nobody could have anticipated, and there a zoning ordinance would not have been of any help at all. Areas were very severely damaged

or wiped out where there had never been any thought of a strong water hazard.

Senator BUSH. Do you not feel, Governor, that the implementation of existing authorizations for flood projects in New England as authorized by the Congress on the recommendation of the Corps of Engineers some years ago—the appropriation for completing that system—is a vital necessity at this time?

Governor HERTER. Yes; very definitely.

Senator BUSH. And do you not feel too that such completion would very greatly reduce the cost of flood insurance to the Federal Government or anybody else?

Governor HERTER. Oh, there is no question about that. I think the figures from the Army engineers that have already been produced to show what existing reservoirs were able to save from the point of view of the recent floods were very impressive.

Senator BUSH. I feel, Mr. Chairman, we in New England do not want to lose sight of that flood protection system, because I think that is basic in the whole thing, if you will pardon parenthetical reference to it.

Senator LEHMAN. We, of course, have the same problem in New York State. I am convinced that we should not only refuse to curtail the prosecution of flood control but we should do everything in our power to increase appropriations and to speed it up. I think that is essential. I do not think anybody is unwilling to see that. The trouble is that it takes so long—at the rate appropriations have been made in recent years.

Senator BUSH. Yes. Well, I was not suggesting it be a substitute for flood-insurance programs. I am sure the Senator understands that. But it would be, rather, an inducement to a good flood-insurance program.

Senator LEHMAN. Governor, was there much crop damage in Massachusetts?

Governor HERTER. There was considerable crop damage in the Connecticut Valley particularly. There again I note that the crop-damage question came up. I doubt whether any of our farmers has ever thought of taking out crop insurance. They suffered very severely. Some of the tobacco growers and some of the others had very serious losses. On the other hand, I am a little inclined to agree with Senator Kennedy that when you get into crop insurance as such as a part of the whole you do run afoul of another Federal program and that those ought to be very carefully thought out and thought through so there won't be two programs covering the same crops.

Senator LEHMAN. Well, as I stated when Senator Kennedy was testifying, I think some of the most heart-rending accounts that were given before this committee came from farmers who lost their crops, either crops that had already been harvested but not sold or crops still growing. That was true in both the August flood and in the October flood.

Governor HERTER. There again, Senator, I do not envy you the job of trying to define a natural disaster if you are going to apply it to crops. Whether an influx of locusts or a new grub or whether it would have to be water or climatic conditions, drought affecting a crop, presents very real hazards and very real difficulties of definition.

Senator LEHMAN. Well, under a program of wide coverage such as I understand you favor and which I included in the bill which I drafted, would you include crops both growing and stored under the program? I am talking now about a wide program.

Governor HERTER. If you are going to include personal property, I would; yes. I would provide the action on that particular crop was the same as other affected areas—as long as it was not confined to the agriculture alone.

Senator LEHMAN. Further questions, Senator?

Senator BUSH. No, sir.

Senator LEHMAN. Thank you very much indeed.

Mr. Preston, if you will just wait a minute, I am going to call Congressman Philbin and Mrs. Rogers and Congressman MacDonald.

Commissioner PRESTON. Mr. Chairman, if I may, I have no statement, sir, other than that which the Governor made, and I simply would like to place at the disposal of your committee the Massachusetts Department of Commerce, as I offered to you before.

I will file this statement.

Senator LEHMAN. If there is no objection, so ordered.

(The prepared statement of Commissioner Preston follows:)

STATEMENT OF RICHARD PRESTON, COMMISSIONER, DEPARTMENT OF COMMERCE,  
STATE OF MASSACHUSETTS

I am appearing as neither an insurance expert nor one fully qualified to speak on the relative merits of direct Government insurance, reinsurance, or like technicalities.

Rather, I appear as one who has been responsible for aiding commercial and industrial enterprises of all sizes to fight back in the face of great losses through tornado, hurricanes, and floods.

It has been my observation that the assistance the State and Federal Government can now offer commerce and industry are inadequate to the need. After a disaster strikes, speed of recovery is paramount. It is essential that men and women, victims of disaster, return to their remunerative positions as rapidly as possible. It is essential that commerce and industry return to normal productivity quickly and efficiently. Under our present system this essential need cannot be realized. SBA loans must be negotiated. Surplus property must be sought and procured. Reconstruction and repair machinery must be awarded on a priority basis. A market must be negotiated for damaged inventory, and lack of ready cash makes procurement of vital replacement raw materials often impossible.

Insurance would assure commerce and industry of known funds against which operations may be resumed immediately. It would cover costs of immediate repairs, clearance work, and the like, necessary to resumption of business. It would be an important psychological factor essential to morale in the face of seemingly overwhelming odds.

The best flood insurance is flood control. We all agree on that. The premium is Federal taxes and the payment is equitable return on the tax dollar in flood-control projects. Much of our industry is located along rivers and streams. It does not wish to move, but must in all commonsense if the necessary flood measures are not planned and executed with all possible dispatch. Movement of such industries is expensive to management and to labor alike. Loss of the industry to the community is often catastrophic to all concerned—weakening the economy and, therefore, a great national evil. In the fact of these facts and the stern reality of this year's disasters, we are confident that the Congress will make adequate flood control its priority concern in January.

However, there is nothing yet known to control natural disasters, such as earthquakes or windstorms, and there is little that can be done in the next year to control flooding here in Massachusetts.

I, therefore, am convinced that disaster insurance must be written by the Government, or the Government and private insurance, or by private insurance alone. The premium must be within the reach of the smallest elements of com-

merce and industry, and the necessary legislation must be enacted under emergency measures of highest priority. Surely the matter has been discussed in adequate detail to assure all concerned of necessary consideration.

Therefore, I urge the legislation be undertaken directly as soon as Congress convenes, and I place at the committee's disposal the facilities of the Massachusetts Department of Commerce to assist in whatever way possible to expedite these measures.

Senator LEHMAN. Does your statement include any figures with regard to the monetary losses in the State of Massachusetts?

Commissioner PRESTON. It did not, sir. There are others who will testify today on that who I felt were more competent to give you personal figures from the regions, so my statement is simply the same as the Governor's.

Senator LEHMAN. Can you provide that?

Commissioner PRESTON. I certainly can.

Senator LEHMAN. Will you do that promptly so we will have it for the record?

Commissioner PRESTON. Right. Thank you.

(Mr. Preston subsequently submitted as the estimated monetary losses in the State of Massachusetts as of September 22, 1955, \$55,720,600.)

Senator LEHMAN. You feel free to ask any questions you wish, Senator Kennedy.

Senator KENNEDY. Thank you.

Senator LEHMAN. We are very glad indeed to have Congressman Philbin and Mrs. Rogers and Congressman Macdonald with us.

**STATEMENTS OF PHILIP J. PHILBIN, EDITH NOURSE ROGERS, AND  
TORBERT H. MACDONALD, REPRESENTATIVES IN CONGRESS  
FROM THE STATE OF MASSACHUSETTS**

Mr. PHILBIN. Thank you, Senator, Senator Bush, and Senator Kennedy. We appreciate it so much.

I have with me our distinguished and beloved colleague, Mrs. Rogers, and my distinguished colleague, Congressman Torbert Macdonald.

First, Mr. Chairman, let me extend to you and the committee a very hearty welcome to Massachusetts. We are very happy to have you here this morning, and I want especially to express the gratitude of our delegation and the people of our State for the painstaking attention which your committee is giving to the very serious problems which confront us as a result of the recent disastrous floods in this area.

I am very thankful for the opportunity to appear and to present my views, as are my distinguished colleagues here, Mrs. Rogers and Mr. Macdonald. Mrs. Rogers is one of the members of our Flood Control Committee, and I know that you will be glad to hear from her and to hear also from Congressman Macdonald.

Let me state also that I have been very much gratified by the work to date of your distinguished committee under the leadership of our good friend, Senator Lehman, one of the outstanding members of the United States Senate, distinguished for his long—

Senator LEHMAN. I have had fine cooperation from my fellow members on this committee.

Mr. PHILBIN. And I would like to say marked for his long, valuable service as Governor of the great State of New York as well as for his conspicuous service in the Senate.

I would like to say to you, Senator Lehman, there are many bonds of friendship and admiration which tie you to the people of Massachusetts and to our particular cause, and we appreciate more than I can say the thoughtful and forward-looking approach which you and Senator Bush and your committee are pursuing in these matters.

The great havoc wrought by the floods in our State and area, indeed throughout much of the Northeast, hardly requires any detailed description. It suffices for me to emphasize the fact that the ensuing destruction and havoc and distress were widespread and that the resulting problems of relief and rehabilitation and flood control and protection will have to be tackled vigorously and, in my opinion, on a very broad front.

Let me state further, gentlemen, that all our people are deeply grateful for the efforts which the Federal Government has made up to this time. At the President's direction, many Federal agencies too numerous for me to mention here have rendered invaluable and effective assistance to us, and plans are in being which, if they are carried out by the Congress, should be of immeasurable benefit.

First I should like to suggest, if I may, the real, genuine, unquestionable urgency of immediate appropriations by Congress of adequate funds to proceed as fast as we possibly can with studies and construction of flood-control projects already authorized and wherever necessary in the various river basins of our State and region.

Delay would be fraught with grave possibilities of fresh disaster.

Our Flood Committee, of which I have the honor to be chairman, is intensively studying many necessary, specific projects, and the Army engineers are conducting exhaustive surveys. The earliest possible action is of paramount importance.

A second proposal is the one which you immediately have under such able study, and that is the urgent need for flood insurance and for disaster insurance. I am very glad that Senator Lehman and your committee have broadened your studies to cover complete disaster insurance as distinguished from flood insurance alone. Following the terrible Worcester tornado of 1953, I introduced H. R. 6129 which would create a Government-owned corporation to insure against all natural disasters such as floods, tornadoes, droughts, forest fires, earthquakes, hurricanes, and all disturbances and conditions of such impact and severity that it should become necessary for the President to declare disaster areas in any part of the Nation. I have previously submitted to the committee for insertion in the record the text of this measure.

(The bill referred to follows:)

**TEXT OF H. R. 6129, INTRODUCED IN THE CONGRESS ON JULY 7, 1953, BY UNITED STATES REPRESENTATIVE PHILIP J. PHILBIN, OF CLINTON, MASS.**

**A BILL Creating a Government-owned corporation to insure against certain disasters**

*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 Disaster Relief Corporation Charter Act."*

**SEC. 2.** There is hereby created a body corporate to be known as the "National Disaster Relief Corporation" (referred to in this Act as the "Corporation") which shall be an agency and instrumentality of the United States.

**Sec. 3.** The Corporation shall have its principal office in the District of Columbia and may establish offices in such other places as it may deem appropriate in the conduct of its business.

**Sec. 4. (a)** The objects and purposes of the Corporation shall be to provide through insurance, reinsurance, or otherwise, reasonable protection to all persons against loss of or damage to property, real or personal, which may result from a catastrophe determined by the President to be a major disaster for the purposes of the Act entitled "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes," approved September 30, 1950, as amended (42 U. S. C. secs. 1855-1855g).

**(b)** The Corporation shall establish, from time to time, uniform rates for each type of property with respect to which protection is made available under this Act, and, in order to establish a basis for such rates, the Corporation shall establish the average risk of loss on all property of such type in the United States. Such protection shall be available only to such property situated in the United States (including the District of Columbia) Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

**(c)** The Corporation may insure or reinsure in whole or in part any company authorized to do insurance business in any State of the United States which will directly insure any person against loss of or damage to property resulting from any catastrophe of the type which may be determined by the President to be a major disaster for the purposes of such Act of September 30, 1950, as amended, whenever in the opinion of the Corporation such insurance or reinsurance is required to protect property which it is authorized to protect, and such insurance or reinsurance cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do insurance business in any State of the United States.

**Sec. 5.** The Corporation shall have the following general powers in carrying out the objects and purposes set forth in section 4 of the Act—

(1) to have succession until June 30, 1964, unless sooner dissolved by Act of Congress;

(2) to adopt, alter, and use a corporate seal, which shall be judicially noticed;

(3) to adopt, amend, and repeal bylaws governing the conduct of its business, and the performance of the powers granted to it by law;

(4) to sue and be sued in its corporate name in any court of competent jurisdiction;

(5) to determine the character of and the necessity for its obligations and expenditures and the manner in which they shall be incurred, allowed, and paid, subject to the laws applicable specifically to Government corporations;

(6) to acquire, in any lawful manner, any property—real, personal, or mixed, tangible or intangible—to hold, maintain, use, and operate such property; and to sell, lease, or otherwise dispose of such property, whenever any of the foregoing transactions are deemed necessary or appropriate to the conduct of the activities authorized by this Act, and on such terms as may be prescribed by the Corporation;

(7) to execute all instruments necessary or appropriate in the exercise of any of its functions;

(8) to use in the United States mails in the same manner and under the same conditions as the executive departments of the Federal Government;

(9) to settle and adjust claims held by it against other persons or parties and by other persons or parties against the Corporation;

(10) to appoint such officers, agents, attorneys, and employees as may be necessary for the conduct of the business of the Corporation; and to delegate to them such powers and to prescribe for them such duties as may be deemed appropriate by the Corporation; and

(11) to take such actions as may be necessary or appropriate to carry out the powers and duties herein or hereafter specifically granted to or imposed upon it.

**Sec. 6.** The Corporation, including its franchise, its capital, reserves, surplus, and income, shall be exempt from all taxation (which shall, for all purposes, be deemed to include sales, use, storage, and purchase taxes) imposed by the United States, or any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property (or buildings which are considered by the laws of any State to be personal property for taxation purposes) of the Corporation shall be subject to State, Territorial,

county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

Sec. 7. The Corporation shall be managed by a board of directors of the Corporation to be appointed by the President, by and with the advice and consent of the Senate, and to consist of five directors. The term of office of each member of the board of directors shall be five years except that the terms of office of the directors first taking office after the date of the enactment of this Act shall expire, as designated by the President at the time of appointment, one at the end of one year, one at the end of two years, one at the end of three years, one at the end of four years, and one at the end of five years, and whenever a vacancy shall occur in the office of director other than by expiration of term, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the director whose place he is selected to fill. Any director may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. Each director shall receive compensation at the rate of \$17,500. No director shall engage in any business, vocation, or employment other than that of serving as a member of the board of directors.

Sec. 8. (a) There is hereby created the "National Disaster Relief Fund" (referred to in this Act as the "Fund") which shall be used by the Corporation as a revolving fund in the performance of the powers and duties granted to or imposed upon it by law. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$5,000,000 to be allocated to such Fund.

(b) Insurance premiums and any other revenues derived by the Corporation from its operations shall be deposited in the Treasury of the United States to the credit of the Fund, and all moneys in the Fund not needed by the Corporation for its current operations shall be invested in bonds or other obligations of the United States guaranteed as to principal and interest by the United States.

Sec. 9. Section 101 of the Government Corporation Control Act is amended by inserting after "Tennessee Valley Authority;" the following: "National Disaster Relief Corporation;"

I think we all realize that it is impossible to secure flood insurance or disaster insurance from private insurance companies because its cost would be prohibitive. We have had such testimony from the distinguished Governor of our State, and I am sure that you have had other testimony along that line. Under the proposed bill which I introduced, the Government would reinsure disaster policies, as well as insure them, designed to cover every part of the United States against the ravages of all natural disasters.

I am desirous, as apparently Senator Kennedy is and you gentlemen are, of having the private companies cooperate with the Federal Government in this coverage. It would not interfere in any way, as has been pointed out here, with current private insurance coverages wherever they may exist of storm, wind, and hurricane damage and the like, because the proposed insurance, the proposed disaster insurance, would not go into effect in any area until the President has declared an emergency.

I note from the press, Mr. Chairman, that you are considering a measure—I believe it is your own measure—to include damage from atomic attack and possibly other war damage, and so far as I am concerned I believe that this proposal is not only sound and feasible but vitally necessary if we are to be prepared for any great national emergency that might strike us like a bolt from the blue with devastating effects.

In this connection it might be relevant—it is relevant—to refer to the War Damage Corporation organization during World War II on the theory—and this was the theory—that war risk is catastrophic in nature, that it arises out of a single peril—war—and that war-risk losses are unpredictable as well as impossible for private companies to undertake by themselves.

You will recall, gentlemen, that the act of March 22, 1942, provided specifically for property loss or damage which occurred after Pearl Harbor to the end of the war period, and the War Damage Corporation entered into agreements with some 546 established insurance companies to transact general war-risk insurance protection available to the public.

Under the program the companies were permitted to make a reasonable profit for their work in writing the insurance and handling claims and the like. It was not necessary for the Corporation to request or receive any direct appropriation from the Congress, and it was capitalized for something like a hundred million dollars, and its stock was held by the RFC.

You will recall that from December of 1941 to June of 1945 premium revenues aggregating something like \$250 million were collected—more than adequate to enable the Corporation to meet its operating expenses and to pay approved claims for property loss and damage.

Actually, the only funds made available to the Corporation by RFC were \$1 million for the acquisition of the initial issue of 1,000 shares of capital stock. The rest was in a revolving fund, and it was adequate to pay all of the charges made upon it, all of the claims that were settled. As you will recall, there was special legislation to pay the claims that arose out of the great Pearl Harbor attack, the infamous attack of December 7, 1941.

About \$372,000 was expended in approved claims for losses which occurred before inauguration of the premium-insurance program.

This war-risk insurance was set up so that it could cover all the property in the United States, homes, residences, business properties, churches, public institutions, and the like, with the assistance and participation of the private companies but under the leadership and direction of the Government and also the guaranties of the Government.

Let me repeat that I regard such a program not only to be sound and feasible but to be decidedly necessary at this time. I hope and urge that the committee will consider my bill, H. R. 6129, in connection with its study of other pending proposals that you now have underway.

In the third place, I have made certain efforts looking toward expansion of the Weather Bureau to speed intensive study of weather problems and to inaugurate as early as possible more effective hurricane and storm warning systems. I think there is a real need for increased and improved research on weather and weather service, and I am introducing appropriate legislation when Congress reconvenes. I would like very much to have your permission to include in the record the text of the preliminary draft of my weather bill.

Senator LEHMAN. There being no objection, it will be done.

(The text of the proposed bill referred to follows:)

#### PRELIMINARY DRAFT

The Philbin bill to create a Federal Disaster Research Commission to offer adequate protection for the Nation against hurricanes, floods, tornadoes, and other meteorological disasters through an accelerated program of research and development:

*"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created a Federal Disaster Research Commission, hereinafter referred to as the Commission, to be*

composed of the Chief of the United States Weather Bureau, the Secretary of Defense, the Director of Defense Mobilization, the Administrator of Civil Defense, the Director of the Office of Scientific Research and Development, the Chairman of the Federal Communications Commission, the President of the American Red Cross, the Chairman of the National Science Foundation, the President of the American Meteorological Society, to direct and supervise, under such regulations as it may adopt, a program of research to provide maximum possible protection for the nation against hurricanes, floods, tornadoes, and other meteorological and natural disasters.

"Sec. 2 (a) The Commission shall institute an immediate program of basic research involving the determination of all the physical attributes of hurricanes and tornadoes, their behavior, development of scientific theories and their proof, and the collection and use of data already obtained by various Federal agencies.

"(b) The Commission further shall institute a program of applied and development research to provide methods of forecasting, detection, and tracking of tornadoes and hurricanes.

"(c) The Commission shall study the development and utilization of an effective, early warning system to function in the case of hurricanes, tornadoes, or any type of situation with disastrous possibilities. The Commission shall further study the feasibility of integrating such warning systems into existing national and civilian defense warning networks to forecast approaching atomic air attack.

"Sec. 3. The said Commission shall have an Executive Director, who shall be selected by the Commission. The Executive Director of the Commission shall receive compensation at the rate of \$20,000 per annum and shall be a recognized meteorological authority.

"Sec. 4. The Executive Director of the Commission is authorized to requisition from existing Federal agencies, on behalf of the Commission, and to assign such professional and clerical staffs as may be deemed necessary and practicable.

"Sec. 5. For the implementation of this Act, there is hereby authorized to be appropriated the sum of not more than \$5,000,000."

Mr. PHILBIN. Fourth, I also think that the Congress will definitely have to strengthen and expand our machinery for disaster relief and rehabilitation. It should be permanent. It should be more closely coordinated with the State and local community, bearing out the points that were so ably brought out by your distinguished colleague in the Senate, Senator Bush. It should be broader and more generous in its coverage, as Senator Kennedy has pointed out and as Governor Herter thoroughly and fully agrees.

I seriously question that relief of disasters of such great magnitude as we are dealing with now in this particular instance and which we will have to deal with from time to time undoubtedly and which may hit anywhere in the country can be satisfactorily handled by Government loans.

The Small Business Administration acting under its present mandate has done splendid work, and I should be the first wholeheartedly to commend this Government agency for the help that it has rendered to us and is still rendering to us. And, of course, the Red Cross and all the other Government agencies participating, cooperating agencies, have done splendid work.

However, I believe that these relief and rehabilitation problems will have to be approached on a much broader front and that consideration must be promptly given to the equitable and humane aims of speedily putting or trying to put flood and disaster sufferers as nearly as we can into the status quo ante—the position they were in before the disaster struck them.

This is not possible in all cases, but the Government can do much more than it is doing under present techniques and present entitlements and present laws to effectuate that result.

It can be definitely said, I think, that many of these losses, individual and collective and human and material, are far beyond the resources of individuals or the State and local governments, in fact, to cope with adequately. A broader measure of assistance by the Federal Government is required, in my opinion.

Such a program will be costly and expensive. We can all take note of that. But so is the foreign relief; so are agricultural subsidies; so are the great public projects in other parts of the Nation. The stricken people of the eastern seaboard who have been so ravaged and so afflicted, so distressed by this terrible disaster, who pay such heavy taxes to the Federal Treasury, are also entitled I think to the generous help and assistance of the Federal Government in their time of terrible affliction.

In conclusion, gentlemen, I earnestly plead for your cooperation and assistance. We have been sorely stricken. Our own people have shown tremendous courage and resourcefulness in trying to reestablish their homes, their industries, and their communities. But our need is still very great. To ward off the effects of the disastrous floods and to set up adequate safeguards against possible future visitations and safeguards against these unpredictable disasters, which are in effect so unpredictable in their approach and point of attack and so paralyzing in their consequences we now need the sympathetic help and assistance of the Government.

There can be no question about that, gentlemen. If your illustrious committee, comprised as it is of great leaders of the United States Senate, great leaders of the Nation, whom we all admire, able, esteemed and patriotic, working so diligently under the leadership of the very distinguished Senator from New York and with the valuable assistance of our distinguished friend from Connecticut whose State was very badly struck, one of the worst disaster areas in the entire section, if you gentlemen can help us in any way—and I know you are all anxious to do it—to realize the objectives in this field of relief, rehabilitation, and protection which we in Massachusetts feel must be so urgently and vigorously pursued, then we will, indeed, be very, very grateful to you.

Please let me thank you, Mr. Chairman, Senator Bush, Senator Kennedy, and all the members of your committee, for hearing me this morning and for giving your valuable time and, most of all, for your sincere and your sympathetic consideration of our serious flood problems.

I am sure that you will do everything that you can to assist us.

Thank you very much, Mr. Chairman and members of the committee.  
(Representative Philbin's prepared statement follows:)

**STATEMENT OF PHILIP J. PHILBIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. Chairman, ladies and gentlemen, I greatly appreciate the privilege given me by the very distinguished gentleman from New York, Senator Lehman, and this committee, to present my views on proposed flood-insurance and disaster-insurance legislation and also to outline as briefly as possible the need for other present and future Federal assistance for flood-ravaged areas.

I realize that your committee is vitally concerned with the vital problem of flood insurance. May I allude to the fact that immediately following the Worcester, Mass., tornado in 1953, I introduced H. R. 6129 which provided for disaster insurance to cover losses from floods, tornadoes, earthquakes, forest

fires, hurricanes, and other great natural disturbances and other conditions affecting public safety and convenience. This measure is much broader than other proposals that have been submitted providing for flood insurance alone because it covers, as you well know, a much wider field.

It is my view that all necessary insurance should be provided, if this is possible at reasonable rates by the private companies, and, of course, I desire to urge legislation to this end. However, if for any reason, the private companies cannot or will not assume these great risks without guaranties or inducements by the Government, then my proposed measure provides that such guaranties shall be given, in order to provide by law adequate coverage for all losses caused by natural disasters.

At present, as you know, it is not possible to secure such insurance from any of the private companies, and I am informed that not even Lloyd's of London, famed for the breadth and flexibility of its risks, will write such insurance.

My bill is modeled, in part, after the War Damage Corporation program which, you will recall, insured the entire Nation during the World War II period. It contains insurance provisions which would allow and encourage the private companies, when deemed necessary, to reinsure their risks with the Government corporation established by the bill.

I think it is almost redundant to argue the need and propriety for some kind of legislation of this type. Natural disasters strike every part of the Nation. They are unpredictable in their advent and devastating in their consequences. This great Government should be organized along a broad front to cope with them with maximum speed and efficiency in order to minimize and relieve widespread human suffering and economic loss.

I should like most respectfully to present a four-point program which is applicable to floods and includes other great natural disasters for the consideration of your learned committee:

1. Immediate appropriation by Congress of adequate funds to proceed with engineering studies and construction of necessary flood-control projects already authorized, and wherever necessary, in the Connecticut, Thames, Blackstone, Housatonic, Hoosic, Neponset, Merrimac, Charles River Basins, and in all the tributaries and branches of these streams, including industrial and other small dams, which constitute so much of New England water resources and must be effectively controled. Flood control is our great and urgent need.

2. Machinery and funds for national disaster insurance, preferably utilizing regular insurance companies, which would cover damage from floods, tornadoes, droughts, forest fires, earthquakes, hurricanes, and other natural catastrophes of such severity as to require the President to declare emergency disaster areas in any part of the Nation. Private insurance companies could reinsure these risks on a basis limited only by needs with Government backing under this plan. An adequate revolving fund replenishable, if necessary, by appropriations, would be set up.

3. A long-range program of weather and climatic research, coordinated with Weather Bureau activities and adequately financed by the Federal Government, to furnish a broader, integrated basis for the gathering and dissemination of meteorological information and the forecasting of weather and climatic conditions to be coordinated with civil defense and the armed services, to warn the civilian population of approaching storms and possibly of impending military attacks.

4. Consider permanent machinery for relief and rehabilitation following great natural disasters, embracing direct grants as well as loans by the Federal Government, including permanent, not just temporary, repair of public facilities.

This able committee and its distinguished chairman, who is so rich in experience and forward-looking in approach, is admirably constituted to prepare, foster, and bring to early enactment legislation necessary to insure America against huge paralyzing economic losses resulting from disaster and I urge your early action.

The people of New England will thank you for your good work and in time the entire Nation will come to appreciate your solicitous provision for our citizens in distress wherever they may reside.

Mr. PHILBIN. I have with me, as you know, our beloved Congresswoman Rogers, and she would like to have the privilege now of saying a few words with your permisison.

Senator LEHMAN. We will be delighted to hear both from Congresswoman Rogers and from Congressman Macdonald. Before we do that, I want to thank you for being here, Congressman Philbin, and

congratulate you on the very clear and, in my opinion, informative and convincing document which you read. I am particularly glad that you emphasized the importance of disaster insurance on a broad scale, including manmade disasters. I think it is a matter that should call for the very, very careful thought, not only of this committee but the people as a whole.

I think it was particularly valuable that you emphasized what happened in the Second World War to the administration of war-risk insurance and how it was possible to get the insurance companies to work with the Government and to give a feeling of confidence and protection to a great many people in this country.

I want to point out one other thing if I may. I think this is of greatest importance to Members of Congress and to the public generally. That is, I think we must convince people that what happens in Massachusetts and Connecticut and Pennsylvania and New York is not only the concern of the people who live within those States but is the very great concern of the people in California, Arizona, New Mexico, Iowa, Nebraska, and Minnesota. This can't be done on a sectional basis. It must be done on a national basis in my opinion.

Mr. PHILBIN. I am in complete agreement with you.

Senator LEHMAN. I think we make it clear to people that we have passed the parochial stage of just one little section looking at its own interests; that we must approach all these things from a national basis and understand that what helps and protects New York, Massachusetts, and Connecticut also helps and protects the other States of the Union.

I want to thank you very much, indeed.

Have you any questions, Senator Bush?

Senator BUSH. No; but I join, Mr. Chairman, in congratulating Mr. Philbin on his very excellent presentation.

Mr. PHILBIN. Thank you very much, gentlemen.

And now our beloved and most distinguished colleague, Mrs. Rogers.

Senator LEHMAN. We will be delighted to hear from you, Mrs. Rogers.

Mrs. ROGERS. I will be very brief, Senator Lehman. I do not want to take up your most valuable time here. You have many witnesses who want to be heard, and I am in Washington a great deal and perhaps you will let me talk to you individually there.

I am very grateful to you for coming, Senator Lehman, and I remember my deep pleasure in working with you on legislation that you and I and others were mutually interested in. I remember you kept from the burning a bill and secured passage of it in the Senate over a Presidential veto. I will never forget that and other things you have done.

I am so glad to see you, Senator Bush, and I would like to extend my deep sympathy to you and the other people in Connecticut for your terrible losses there.

I have been extremely anxious because we did not have a special session of Congress. I feel that the delay has been most unfortunate. I think that the country was so aroused at the worst hurricane and flood that the world has ever known that I think a special session of Congress would have brought about legislation.

I am delighted you feel it is not a local matter or a sectional matter, because we in New England have very few votes, as Senator Bush

knows, and we need your help, and I am delighted you are the chairman of the committee.

We have had frequent tornadoes and hurricanes and floods, as you know. In my own city of Lowell the other day part of Lowell had a terrific deluge of rain, great damage. The lights were all out. I think my house was the last one affected. The other part of Lowell was not affected. That is how the rains are coming.

I am particularly anxious to have personal property insured, Senator. I know families whose possessions are completely wiped out and I do not see how they are going to start again. They cannot get enough money from the Red Cross. Business cannot get enough money to get going from Small Business. And it is very difficult to secure the help that we feel we ought to have.

Perhaps I may file a statement later on if that is satisfactory with you.

Senator LEHMAN. Surely.

Mrs. ROGERS. I may introduce a bill myself, but I do like Congressman Philbin's bill very much because it is so extensive and all-embracing, and I hope you will consider something of that sort.

Senator LEHMAN. Thank you very much for coming.

Mr. PHILBIN. Now I should like to present Congressman Torbert Macdonald, our very distinguished and able colleague.

Senator LEHMAN. We will be delighted to hear from you, Congressman.

Mr. MACDONALD. Thank you very much, Mr. Senator.

I certainly appreciate the opportunity to come here before you this morning, and I certainly appreciate Congressman Philbin's courtesy in having me here.

I will not take up more time of the committee than necessary inasmuch as I know, as Mrs. Rogers has said, that you have other and perhaps more informed witnesses from whom you must hear. I would like to say I join wholeheartedly in the plans that have been presented here by Congressman Philbin and also by Senator Kennedy, and I say, and I think I echo the thoughts of many people in New England, that they are long overdue.

We are in double jeopardy here in having inadequate flood-control system, and certainly we have no insurance of any nature, that of reinsurance of the Federal Government or insurance by private companies.

So I certainly want to say to you it is heart warming indeed, as Mrs. Rogers said. There were many people who felt the Federal Government perhaps should have taken quicker action, and it is heart warming indeed, Senator Lehman and members of the committee, to have such expeditious action on the part of this committee of the Senate. It gives the people of New England a feeling that even though the Congress is not in session that the Congress is thinking and acting in dealing with their problems.

I would just like at this point to ask permission to insert into the record a statement on that subject.

Senator LEHMAN. There being no objection, it will be received. Thank you again very much indeed.

(The prepared statement of Representative Macdonald follows:)

STATEMENT OF TORBERT H. MACDONALD, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF MASSACHUSETTS

Mr. Chairman and members of the committee, I deeply appreciate the opportunity of appearing before this subcommittee of the Senate Banking and Currency Committee to present my views on flood insurance because in my opinion flood insurance deserves to rank high on the list of priority legislation before the Congress when it reconvenes in January.

Since I have just returned from a 6-week far-eastern trip as chairman of the subcommittee of the House Interstate and Foreign Commerce Committee, and obviously have not as yet been able to explore fully all of the many vexing ramifications of legislation in this highly complex and technical field, it may seem somewhat presumptuous of me to offer this committee my views on legislation in this area. Yet, as you distinguished gentlemen know so well from your work in these hearings to date, any proposals which are advanced must necessarily be highly flexible and tentative in nature. While the ultimate scope and magnitude of the problem with which we are dealing is enormous, the information and data which we presently possess is grossly inadequate to serve as authoritative guidelines for the enactment of Federal flood-insurance legislation.

In this respect, I wish to commend highly the excellent work of your subcommittee. As an inevitable result of the hearings in which you are currently engaged, an impressive and invaluable record is being compiled which will furnish the Congress and the American people with the facts needed to enact an intelligent, workable Federal flood-insurance program. A program which, while providing adequate protection against the economic rigors of flood loss, will nevertheless be completely consistent with the principles of our American free enterprise system. I, for one, await with great interest the opportunity to examine the full record of your hearings, together with whatever recommendations your committee may see fit to make as a result of your investigation.

The recent unprecedented flooding of cities and towns in the northeastern area of our country caused great personal suffering and enormous property losses. While damages have been estimated to run as high as \$2 billion, only between 5 and 10 percent of the losses caused by these floods were covered by flood insurance. Obviously, the absence of flood-insurance coverage inevitably hinders the ability of a stricken area to recover. People cannot easily rebuild their ravaged homes. Businesses and factories are not speedily put back into full production. Economic activity is slowed down and the natural growth and progress of the economy is seriously impeded. And, let us never forget, when the productive capacity and economic well-being of one section of the Nation is thus dislocated, all of us ultimately suffer.

It is my belief that recent events have only served to highlight and dramatize the self-evident fact that a Federal flood-insurance program is sorely needed throughout the length and breadth of the United States. Under present conditions, the insurance industry is apparently unable to provide adequate flood insurance at reasonable rates. I am not criticizing the insurance industry. There are excellent reasons why the prudent management of existing insurance funds and reserves militates against the development of flood insurance by private industry. Risks of loss by flood are in many respects far more difficult to estimate than risks of loss by fire. The absence of sound actuarial data and experience records, the primary difficulty of providing adequate initial reserves, the relatively heavy expense of engineering surveys with reference to flood risks, the lack of prospect of early profit—these, and many more sound business reasons, have been advanced, and justifiably so, by insurance companies to explain their inability to operate in the flood-insurance field. But the outstanding and undeniable fact of cardinal significance to all of us is that at the present time indemnification for flood losses is either highly inadequate or totally nonexistent. The American people are not now sufficiently protected from the catastrophic consequences of flood losses. Here, obviously, is a situation which we cannot continue to tolerate without great damage to the welfare of our people. Here is an area in which the Federal Government must assume its proper responsibilities in promoting the general welfare.

I am not prepared to offer a detailed legislative proposal for your consideration at this time. Yet I should like to outline for your consideration five general principles which I believe should guide all Federal activity in the flood-insurance field:

(1) Owing to the grave uncertainties and many imponderables which presently exist in this area, whatever legislation is ultimately enacted by the Congress should have a definite statutory time limit, perhaps 3 years, upon its effective operation. It should be clearly understood at the outset that any such legislation is regarded as highly tentative and experimental in nature, and that subsequent developments will be closely watched and existent deficiencies corrected.

(2) Any legislation which is enacted to provide for the initiation of a system of flood insurance should be operated upon a modest and limited scale which can ultimately be expanded as experience, knowledge gained, and the force of events seem to dictate. Not only should the legislation provide for a maximum overall limit, but indemnification on individual properties should likewise be limited.

(3) In order to safeguard the American free-enterprise system and to insure that the Federal Government will not unnecessarily compete with private industry, specific provisions should be written into the legislation requiring the fullest possible cooperation between the Federal Government and the insurance industry. The facilities and services of the private insurance industry, particularly in the underwriting of risks and the exchange of loss experience and similar information, should be utilized to the maximum degree. Only through the closest cooperative effort on the part of the Federal Government and the insurance industry can this problem be handled effectively.

(4) In order to encourage the greatest possible degree of expansion of flood-insurance coverage by the private insurance industry, some program of Federal reinsurance should be established for those companies who are willing to undertake the peculiar risks of offering flood insurance on a private basis.

(5) Inasmuch as no accurate actuarial data and experience records exist in connection with flood insurance, any legislation that is enacted should include stringent provisions for the careful supervision by the appropriate agency of the Federal Government of the premiums and reserves of the insurance companies operating in this field.

Mr. Chairman, I need not remind the members of this committee that the problem of flood insurance is not a new subject of congressional concern. In fact, as you well know, there exists a valuable backlog of practical experience in the area of Federal insurance and reinsurance programs which would seem to justify much optimism as to the future. I am referring, of course, to war-damage insurance, maritime war-risk insurance, and crop insurance. Moreover, the merits of a national system of flood insurance have been recognized for a long while. As early as 1939, Dr. Gilbert F. White, then secretary of the Water Resources Committee, National Resources Committee, later the National Resources Planning Board, in a report stated that—flood insurance offers a practicable means for stabilizing economic life in flood plains in which neither complete protection nor permanent evacuation are desirable or immediately practicable. Indemnification of flood losses is not obtainable generally in the United States, and it would be difficult to establish. Requiring wide distribution of risks, long-term contracts, and continued stimulation of interest, it probably never would be conspicuously profitable or suitable for private financing without Governmental aid. It has great merit, nevertheless, as a substitute for the haphazard system of private liquidation and public-relief subsidy by which flood losses now are absorbed.

We in the hard-hit New England area are particularly apprehensive about the continuing threats which the prospect of more rampaging floods hold to the economic life of our community. To our way of thinking, prevention of floods is—much more valuable and important than insurance against floods. Yet we are acutely conscious of the agonizing state of double jeopardy in which we live: We are woefully lacking in both flood-control facilities and flood-insurance coverage. For this reason, we were heartened by the words of President Eisenhower meeting with the Governors of the flooded Northeastern areas in Hartford, Conn., last August when he said: "We're going into the business of seeing whether we can prevent these floods in the future on a long-range basis, whether we can get insurance through some cooperation between insurance companies and States and Federal governments to prevent the kind of losses that have been suffered by our industries."

Yet, I must confess, many of us are troubled by the persistent and disturbing reports that there are those, both in and out of Congress, who would attempt to make a sectional issue out of the need of our people for assistance in the present and protection in the future. I find it difficult to believe that anyone could be so ill-advised and so impervious to the legitimate needs of his fellow Americans as to attempt to raise the bloody standard of sectionalism over such tragic issues

as uncontrolled floods and their resultant catastrophic losses. On issues of such great national importance, where the welfare and future happiness of the American people is so vitally at stake, it seems to me incumbent upon all of us, Democrats and Republicans alike to submerge our State and sectional differences within the larger, more all-embracing unity of the national interest.

I sincerely hope that the Congress will see fit to give early consideration to whatever flood-insurance legislation eventually emerges as a result of your penetrating hearings, and I thank you for this opportunity of appearing before you.

Senator LEHMAN. Before asking the next witness to testify, I want to insert into the record telegrams which I have received. The first comes from Mr. Thomas M. Sullivan, president, Local 369, UWUA-CIO:

BOSTON, MASS., *November 9, 1955.*

Local 369 UWUA-CIO wish to be placed on record as wholeheartedly in support of the Federal flood-insurance program. Our more than 2,000 members feel that such a program is vital to the industrial progress of New England.

Fraternally yours,

THOMAS M. SULLIVAN, *President.*

The next one is from Congressman Donald W. Nicholson:

WAREHAM, MASS., *November 9, 1955.*

Regret it is impossible for me to attend meeting this morning. May I assure you of my wholehearted support for a flood-insurance program for New England area.

DONALD W. NICHOLSON, *Member of Congress.*

I have another one just handed to me from Congressman William H. Bates:

SALEM, MASS., *November 9, 1955.*

Vitally interested in study of possible Federal flood-insurance program by your committee as a means of assisting victims of flood disasters in New England area, including Merrimack River Valley which has been hard hit in past.

WILLIAM H. BATES,  
*Member of Congress.*

Finally, I have one from Congressman John W. Heselton, First District, Massachusetts:

DEERFIELD, MASS., *November 7, 1955.*

Have just received your advice that Senate Committee on Banking and Currency has now scheduled hearing at Boston on Wednesday, November 9, with reference to proposals for disaster insurance. I regret that scheduled office hours in Holyoke will prevent my personal appearance before committee. I wish to be recorded as favoring early and careful consideration of proposals to be filed upon convening of Congress by Senators Saltonstall and Kennedy. I understand that the administration is developing possible alternative proposals which should also receive most careful consideration by congressional committees and Congress. I shall appreciate the insertion of this telegram in the record of the committee hearing at Boston.

JOHN W. HESELTON,  
*First District, Massachusetts.*

I do want to point out—and I say this because Congressman Heselton has made reference to administration proposals—that we had hoped we would have those in our hands 2 or 3 weeks ago. We received assurance at the time this committee went into session and commenced hearings we would have proposals from the administration. We have not been favored with them yet, although we have had before us representatives of most of the agencies which would be interested in this proposal. They have promised us that they are working on them now as vigorously as possible and that they would be in our hands very promptly.

We have also not been able as yet to hear testimony from the insurance companies. There again we had hoped that we would hear from the representative of the insurance association, Mr. Herd, in New York a week or 10 days ago, but he too asked to be permitted to testify at a later date. We, of course, were glad to accommodate him.

We are, however, going to hear from Mr. H. W. Yount, of the American Mutual Alliance, accompanied by Mr. Chase Smith.

The next witness is Professor Harris. Professor Harris, you have testified before many congressional committees, including the Banking and Currency Committee. I am very glad to welcome you as an old friend. We are anxious to hear from you. We are glad that you are testifying before this committee again as you have on previous occasions.

**STATEMENT OF SEYMOUR E. HARRIS, CHAIRMAN, NEW ENGLAND GOVERNORS' TEXTILE COMMITTEE, AND CHAIRMAN, ECONOMICS DEPARTMENT, HARVARD UNIVERSITY**

Mr. HARRIS. Senator Lehman, I am very glad to be here. I might say I am speaking for the New England Governors' Textile Committee, of which committee I am chairman, but I am also chairman of the economics department of Harvard, and I am speaking as an economist as well.

I agree with most of the things said here this morning by Senator Kennedy, Governor Herter, and my 3 distinguished Congressmen, 2 of whom, I may say, are fellow Harvard people and were distinguished football players when they were at Harvard.

I shall not read this statement and bore you, but I should like to underline a certain number of points here and expand 1 or 2 points.

I need not tell you the great advantage of flood insurance in terms of distributing the cost and reducing the sacrifices for those especially vulnerable.

The problem of the cost of insurance, as has been so eloquently said, depends in part upon how much we spend for flood control and to what extent, as Senator Bush indicated, we have rezoning and movement of industry, and so forth, away from vulnerable areas.

I think myself that private insurance in this field is not practical. At least the private insurance companies have not shown any great interest so far. And I think it is quite clear why they find it very difficult. It is very difficult to measure the vulnerability of different properties.

It is also true that the amount of cost varies greatly from one year to another. For example, in one year the cost was \$3 million and in another year it was \$1,050,000,000, in the last 25 years a difference of close to 400 times.

In this kind of situation it is very difficult to have private insurance, because the private insurance company must balance its accounts over a reasonable period, and if you have differences between \$3 million and \$1,050 million as possible costs of insurance, obviously this is a very difficult business for private insurance companies. They just simply cannot build up that kind of reserves.

The case for Government insurance rests largely on this sort of problem. We know that over the last 25 years the costs of floods have

averaged around \$150 million a year, and the current estimate is \$300 million a year in the future.

Senator LEHMAN. Professor, may I interrupt you there?

Mr. HARRIS. Yes, sir.

Senator LEHMAN. The figures that we have received from a number of witnesses show that the average loss is much more than \$150 million.

Mr. HARRIS. On floodings?

Senator LEHMAN. On floodings.

Mr. HARRIS. These figures are taken out of the Hoover report, and it may well be these are wrong, but these are the figures that have been presented to the Hoover Commission.

Senator LEHMAN. Well, I am quoting now from figures that have been given to us by General Sturgis, of the Corps of Engineers, and by the Department of Commerce. They say the losses run in excess of \$500 million a year on the average.

Mr. HARRIS. Is that so?

Senator LEHMAN. This year, of course, they will be very much greater than that, and in several previous years.

Mr. HARRIS. One year it went up to \$1,050 million.

I would like to say this: That I have read Senator Kennedy's bill, and I think it is a fine bill. I would disagree with it in some issues. For example, I would think it would be a great mistake to have the rates as actuarial rates—that is, according to the risk. I would certainly try to encourage property to move from vulnerable places, and to that extent I would have different regional rates, but I think if you put the rate on a purely actuarial basis the net result would be that you would help aggravate or accentuate the migration of industry from the vulnerable States. This problem of migration of industry is a very serious matter partly brought on by Federal policies I may say. It would be a great mistake for the Federal Government to impose an insurance program upon the industry of this region which would further accentuate that movement, and I think that actuarial rates would tend to have that effect.

Senator LEHMAN. Professor, may I interrupt you? I wonder whether you have studied the bill which I drafted?

Mr. HARRIS. Senator, I am ashamed to say I have not because you did not send me a copy, and Senator Kennedy did send me a copy. I read his and did not read yours.

Senator LEHMAN. We will rectify that omission.

Mr. HARRIS. I would very much like to see it, and, Senator, I will be very glad to send the committee my comments if you would like.

Senator LEHMAN. I provided for just that kind of coverage.

Mr. HARRIS. I am awfully sorry I have not read it.

Senator LEHMAN. We will see that you get one.

Mr. HARRIS. May I also say that, therefore, although in general I agree with Senator Kennedy's bill, I would like to see a narrowing of the range of rates so that you don't establish fully actuarial rates, with this one reservation: That when new property comes into a vulnerable area, that property should be hit for the full actuarial rate. In other words, this would discourage people from coming into a vulnerable area.

Senator, I would like to be a little eloquent on one point. This point has not been made. Actuarial rates would not be fair from the viewpoint of equity. I am thinking now of what has happened to the New

England region in recent years as a result in no small part of Federal policy.

In a general way—I want to put this on a national basis—there have been many policies that I have approved that have helped the South has against the North, but I also want to point out that the South has had many favors. I made the following statement to at least two Senate committees on which there were prominent Southern Senators: The Southern Senators in general talk free enterprise, but they actually practice somialism.

It is an interesting thing. For example, I have been making a study of more than a hundred programs of Federal expenditure, and the State that gets the most money out of the Federal Government and gives back the least—I mean gets the most and is taxed the least relatively speaking—is Texas. And the State that gives the most and gets back the least is Connecticut.

Senator, the Governor of Texas said a good deal about socialism in the Democratic Party, and I'm not raising a political issue here, but the fact did impress me that here was Texas talking free enterprise all the time but getting as much money as it possibly could out of the Federal Government, never refusing any money and always begging for more.

If you take a look at the New England situation, you will find something like this on the basis of the preliminary study I have made: If you take the three States of Massachusetts, Connecticut, and Rhode Island—

Senator BUSH. May I ask the witness are those per capita figures? How do you arrive at that?

Mr. HARRIS. These are per capita figures. That is, how much money each State pays, not only pays in taxes but the burden of taxation. In other words, if North Carolina pays taxes on tobacco, we estimate how much of those taxes are paid by Massachusetts. The same with Michigan automobiles. So that putting this on a per capita basis, what we find, for example, is that the three major industrial States of New England, Massachusetts, Connecticut, and Rhode Island, received back one-third as much relative to what they paid into Federal taxes as five major southern industrial States, North Carolina, South Carolina, Georgia, Alabama, and Tennessee. Surely, the Northeastern States can fairly claim some help from the Federal Government to meet part of the costs of disaster.

I was very pleased to read in the New York Times, which I think is generally very accurate, the statement by Senator Bush that he thought it was about time, when we were in trouble and had to have some help as a result of disaster not of our own doing, that some of the other States might pay back a small amount of the money that we have put into the Federal Treasury.

This is not merely a matter of spending. For example, you can go through almost every Federal policy, social security, tax amortization. Under tax amortization, which has provided plants for the South and West particularly, the South and West have been able to build plants with special tax privileges, even textile plants, which have taken away our business as a result of special tax favors.

As far as agriculture goes, we pay more for our food and raw materials and therefore have to export more to pay this particular bill.

The same principle holds as regards certain labor policies.

What I am trying to say here, Senator, is that on the grounds of equity in terms of what the Federal Government has done for New England we have a strong claim that part of the cost of this kind of disaster should be borne by the rest of the country.

Senator Kennedy pointed out very effectively in a statement he made sometime ago that if you look at flood control that of the \$10 billion authorized 3 percent of these \$10 billion for flood control has gone to New England, and of the \$1.8 billion appropriated in the last 5 years only one-third of 1 percent has gone to New England. I have recently looked into the figures for the last 2 years of the Army engineers' expenditures of about \$1,200 million and the expenditures for reclamation of about \$400 million which are no small part of flood control. Of these sums in the last 2 years New England had received \$7 million, or less than one-half of 1 percent. And in terms of her share of income which is 6½ percent, of Federal taxes borne 7½ percent, of manufacturing employment 9 plus percent, and in terms of our vulnerability to floods, we should have had 15 or 20 times as much as we actually received.

I shall not take the trouble to read you paragraph 8, of the resolutions of the New England governors, because Governor Herter presented this well, but the statements in a general—

Senator BUSH. Would the professor mind interruption?

Mr. HARRIS. I wish you would.

Senator BUSH. I think it would be very helpful if you would amplify these comments or give tables or whatever information you think would give a completely clear picture of these statements about the beating New England has taken vis-a-vis some of these other States respecting the matter of taxes paid and benefits received. I am sure you have more comprehensive information.

Mr. HARRIS. I have a great deal of information I could give you.

Senator BUSH. If you would prepare a supplementary statement on that point, I think it would be very useful to have in the record.

Mr. HARRIS. I would be glad to.

Senator LEHMAN. We would like to have that. I wonder if you could include New York State?

(The information referred to will be found at the end of Mr. Harris' testimony, p. 468.)

Mr. HARRIS. I might say I have talked to Governor Harriman about this twice, and he is interested, and I talked to Senator Douglas about it. I said that it seemed to me that States like Illinois and New York should be very much interested in this problem because the South is fighting the Civil War all over again in terms of trying to take away our industry. They are on the make, and they want to take away our industry, and we have got to fight them equally.

I must say on behalf of Senator Kennedy that he has taken a great deal of leadership in trying to organize New England Senators especially. I hope ultimately he is going to get other northern Senators in this group, so if they are well organized we will be equally well organized so we can at least get our share of what is coming to us.

Senator LEHMAN. I can assure you I always enjoy working with Senator Kennedy, and we have joined our forces on many occasions.

But I think if you could make a survey of New York that you would find that the situation was approximately the same as in the New England States.

Mr. HARRIS. Exactly. The only reason that New York State hasn't bled over textiles as we have is that she has relatively more of other industries, and she has a better location than some of the New England States. Connecticut has a good location. Connecticut has done very well compared with other New England States. Of course, Connecticut has taken more of a beating on the flood than other New England States.

Senator KENNEDY. Of course, as Professor Harris has gone into this more than anyone else in the country, he knows every program that devised, such as Hill-Burton, all laudable programs, have written into them formulas which give us the short end, which is inevitable because we are a high-income area. But, nevertheless, in every new program that is developed, these traditional bad balances against us are continued, and I think that we are going to have to be more concerned with that as time goes on.

Mr. HARRIS. Senator, I would say this: What you say is absolutely right. I go even further and say, even in terms of our income we pay a larger part of the bill.

Senator LEHMAN. Senator Kennedy pointed out that the Senate Labor and Public Welfare Committee is considering many projects, of which committee we are both members. He has been very active and very, very sound, I think, in his statements.

Mr. HARRIS. I am sure of that. He has had training at Harvard so he ought to be sound.

I shall not read you paragraph 8 because you had this presented to you a number of times. The program of the New England governors I think is a minimum program, because it does not deal with flash floods, of course, which the Army engineers have not had an opportunity to deal with, and it does not provide help in a number of cases where there were difficulties of getting a compact among the New England governors.

On the problem of insurance and expenditures on flood control, I think we are all in agreement that these should be increased a good deal. I have gone through I think it is almost 2,000 pages of the Hoover Commission report, and I would like to point out to you, Senator, that the Hoover Commission is very much worried about the amount of money we are obligated to pay out for flood control.

I think the Hoover Commission report came out at a very unfortunate time. If it had come out after the present floods the Commission probably would have taken a somewhat different position. It would be unfair to criticize the report on the basis of past history. But there are very exaggerated figures of how much money we are obligated to pay out. As you know, the Hoover Commission suggests that whenever local government is involved in a flood project it is the job of the local government to finance this project. If you are going to finance in that particular way, you are not going to get very much flood-control operation.

I just give you one example of the exaggeration of some of these figures in the Hoover report. They say, for example, that the Department of Agriculture has obligated us for something like \$17 billion for flood programs. Actually, as you know, the Department of Agriculture cannot make these plans on their own without congressional approval, and so far, despite this \$17 billion plan, only \$42 million has been appropriated under Department of Agriculture plans.

The Hoover Commission suggests that what we really need is to put the burden on State and local government. Let me point out to you, Senator, in view of the rise of State and local expenditures in the face of their rigid tax systems—the rise of State and local expenditures has been  $2\frac{1}{2}$  times since 1946 as compared to  $1\frac{3}{4}$  times for Federal expenditures, and the rise of the national debt for the Federal Government has been 8 percent since 1946 and 110 percent for State and local government or 14 times as much—it seems to me unrealistic to say that a larger part of the burden should be put upon the State and local governments.

I might say parenthetically here that when we are talking about tax reduction we might conserve some part of the money we would lose through tax reduction through this kind of a flood program.

On insurance and disaster relief, which has been one of our problems, of course, of late, I think we all agree the Federal Government has tried to do a good deal for us, but, unfortunately, it has not been enough for New England for various reasons.

In the first place, ODM regulation I, amendment I, which provides accelerated amortization, does not cover textiles, because textiles are not covered under the expansion program of the ODM, and yet it does cover the airplane industry, which, according to the Senate Military Committee, had profits of something like 40 or 60 percent—I cannot remember the exact figure, but I think it was 60 percent, or it may have been 40 percent—of net worth in the last year. The textile industry in that year had an awful time breaking even.

As far as the problem of loans to meet this situation, it is not at all clear that the textile industry would qualify.

Finally, there has been a great deal of talk about providing us with contracts, war contracts, under special terms. So far, according to the Department of Labor, and I quote :

Only 2 preference contracts, valued at \$100,000 or more, were awarded to New England firms in labor-surplus areas in 1954. The entire program of granting tax-amortization assistance (in labor-surplus areas) was expected to create 9,000 jobs.

I think we are all agreed here in New England that this business of transferring contracts, however good the intentions are, has been a complete farce. It has been promised year after year it would help without any significant results.

What kind of insurance do we want? We need a combination of insurance and subsidy. We need rates that reflect only in part vulnerability. We need wide coverage. We need experimentation at the beginning. I suggest if you look at the bottom of page 8 you will see some figures on what is happening—

Senator BUSH. Mr. Chairman? Mr. Harris, when you say “we need experimentation at the beginning,” you mean the first bill we adopt should be a term bill of 3 years or 4 years or something of that order?

Mr. HARRIS. I was thinking, Senator, that we know so little about this whole problem I myself am a little critical of Senator Kennedy’s bill because I think it does not go far enough.

For example, his bill, as I recall, provides \$500 million of insurance 1 year, a billion the second, a billion and a half the third. For example, the United States Government granted \$35 billion of housing

mortgages, and I would say guaranteeing the building of new houses is not as serious a problem as taking care of people after they have lost their homes.

This is to be said of Senator Kennedy's bill—I am speaking quite frankly—that it is a sort of an experimental bill. What he is really saying is, "We will have to start slowly in order to get anything of this sort through."

I will show you in a minute the figures that are involved. It may very well be that even a \$500-million amount, then a billion, and then going on to a billion and a half may not be adequate even at the beginning.

But I certainly would agree that in terms of our lack of experience that we should not plunge into this thing completely at the beginning but see how the thing comes out and adjust year after year.

I am impressed by what has happened with the crop-insurance program. If you look at the last few lines of page 8, you will see in the first 5 years indemnities under the crop-insurance program as a percentage of premiums were 164, 151, 168, 149, and 182, but in the years 1950-53 the figures were 91, 112, 97, and 115.

This program went through the mill a number of times, and it improved each time, and I am hoping the same sort of thing could happen with our flood insurance.

Senator LEHMAN. May I point out for the record that the bill which I drafted and I think the bill drafted under Senator Bush's direction had a limit of \$2 billion, not \$500 million. The amount originally suggested I believe by the administration limited it to \$500 million, and I believe yours does, Senator Kennedy.

Senator KENNEDY. Yes; that can be moved up at the discretion of the President.

Mr. HARRIS. There are two problems here. I would like to put this question to the distinguished Senators. This is a case of the man biting the dog. When you say a billion or a billion and a half or 2 billion, you mean this is how much the Government is interested, not how much they are obligated to pay. When you consider something like \$900 billion or \$1,000 billion of wealth in this country, if you look at the table at page 9 at the bottom, you see real estate is \$349 billion, producers' durable goods \$29 billion, consumers' durable goods \$99 billion, and inventories \$32 billion, you have a total right there of \$509 billion. You can cut that some in terms of the property that is not in the flood-plain areas. But the amounts involved are hundreds of billions of dollars, and I wonder whether even a billion and a half insurance is going to make much of a dent on this.

You might try to limit the Government obligation some other way, but the coverage of insurance, I should think, would even at the beginning be more than a billion and a half or even more than \$2 billion.

This is purely a personal position, and I know the two Senators, with much more political experience, have their eyes on what we can get by. I am looking at this from a somewhat more academic viewpoint.

Senator LEHMAN. Of course, the measure I have drafted permits the Government to write up to \$2 billion flood insurance, flood-damage insurance. They can, of course, if authorized by the Congress, write a larger amount.

Mr. HARRIS. Yes.

Senator LEHMAN. But that is the limit without further legislative approval. But as far as the other items of manmade disaster insurance, the amount, of course, is vastly greater; I believe \$10 billion.

Mr. HARRIS. I am going to finish pretty soon. I am coming in a minute to the problem of general-disaster insurance. I just wanted to point out that you can look at the problem in this way: You can say, for example, "We will insure only property in the flood-plain areas." This would be roughly \$400 billion, according to the Hoover report, but I hope the committee would get more careful estimates. But if we estimate the total average is going to be \$400 billion, this would mean a rate of 75 cents per \$1,000.

If we assume we are going to cover all wealth, this would reduce the charge to 37½ cents per \$1,000.

If we assume that the Federal Government will pay part of the bill, and by that I mean they would pay probably no more than they would save through tax income because of the reduction of losses, and if you allow for how much disaster relief would be necessary, it is probably true that if the Government took about 25 percent of this cost plus administration this would get the charge down to 30 cents per \$1,000, and this would roughly be \$3. The limits would be \$3 to \$7.50 for the average \$10,000 house.

That is one way of looking at the problem. As I say in paragraph 13, there is a great deal to be said for the Saltonstall-Kennedy—

Senator BUSH. Mr. Harris, before you get on to paragraph 13, you say at the bottom of paragraph 12 that the ideal situation would be to add the payment to the general property tax. I do not quite understand that statement.

Mr. HARRIS. It is a tough one, and I don't know whether this would be practical or not. I think the first reaction would be, "No, this would not be practical."

Senator BUSH. I haven't any reaction, but I don't know what the general property tax is that you refer to.

Mr. HARRIS. The real-estate tax.

Senator BUSH. Those are all local taxes?

Mr. HARRIS. Those are local taxes, but frequently there is some kind of control by the State Government, and very often the State collects part of the tax. What I was hoping is that the program might be sold in such a way with rates adjusted in such a way with a sufficient Government indemnity or subsidy that each State would take a responsibility in adding a certain amount to the general property tax.

Actually, the general property tax yields about \$10 billion a year. If \$200 million, say, which would be about what would be required here, were added, this would be an increase in the general property tax of only 2 percent. If the present rate were \$30, then the new rate would be \$30.60.

Senator BUSH. That in effect would be the States' contribution?

Mr. HARRIS. That is right.

Senator BUSH. That is based on the assumption all States would contribute?

Mr. HARRIS. The idea would be they would collect this from the local government.

Senator BUSH. Yes; but I mean it takes all the States into account?

Mr. HARRIS. That is right. The theory would be where the vulnerability was very small the rates would be very low. There would be some adjustment in this direction.

I just want to make one general remark about flood insurance and disaster insurance generally.

Senator, you recall in the 1951 hearings a bill was introduced which suggested the Federal Government put up a billion dollars for a general disaster program. That, of course, would include atomic bombing, all kinds of disasters. I gather you are also interested in this general problem.

There was a good deal of evidence on this, a good deal of dissatisfaction with various bills proposed, and finally the Government came across with a suggestion of its own, and this suggestion was that \$1 billion would not anywhere near meet any likely damage done by even one atomic bomb in a big city and that, therefore, the wisest solution might be to say the Government ought to put up \$20 billion and say, "We are ready to cover \$20 billion worth of property." On some kind of basis—for example, Senator Kennedy suggested some part of your loss would be coinsurance—some part of your loss would not be covered, and you might put a ceiling on the amount, and so forth.

But if you only allowed \$1 billion, people might think they were getting much more than they were going to get. It would be better to announce you would make a certain amount of money available and when that amount was gone there was nothing else you could do so far as covering these losses.

The advantage of this kind of program is, Senator, that if you had this kind of universal disaster that the net results would be, for example, that the Government would have to feel free to take care of all kinds of emergency situations including loss of income.

I might say parenthetically—I meant to say this before—that when you are considering a flood insurance bill and talking about the losses that are involved, there is something to be said for taking account of income maintenance in this sense.

I think, for example, there ought to be provisions in unemployment insurance programs which make it possible to pay the workers who lose their jobs, as they have in New England through the flooding of the textile mills, so that instead of collecting, say, for 26 weeks, they could collect, say, for 15 or 20 weeks longer. This, of course, would be a State matter, but the Federal Government might make recommendations.

And the same way if we had, say, an atomic attack, you would want to be prepared to provide the minimum amount of subsistence for the people in the cities and so forth who have been damaged or who are in trouble. You would also want to be ready to deal with all kinds of emergency situations.

Therefore, it would be a great mistake in this kind of program for the Federal Government to try to cover anything more than a small percentage of all the property that is involved.

Twenty billion dollars is perhaps 4 percent or 5 percent of all the wealth of the country. We actually build each year about \$40 billion worth of construction, so that the \$20 billion program or something of that sort might not be bad.

I would also, finally, like to say that it would be a great mistake to collect large sums of insurance premiums to cover this kind of

disaster. We already have \$100 billion tied up in insurance, pension, and retirement reserves. As a matter of fact, this was in 1949. It is larger now. It would be a great mistake to keep on piling up this kind of money, because it has certain serious effects on the economy.

Let me say in conclusion I think we ought to have a comprehensive disaster insurance program, that it should not be on a purely actuarial basis, that on grounds of equity there is a great deal to be said for having a subsidy program in part although the subsidy would probably be covered largely by savings on tax returns.

There should be wide coverage including unemployment insurance. The program should be related to other programs like disaster relief and the flood-control works and so forth.

Senator, I appreciate very much the opportunity to come here, and I hope I haven't been too long-winded.

(Mr. Harris' prepared statement follows:)

STATEMENT OF SEYMOUR E. HARRIS, CHAIRMAN, NEW ENGLAND GOVERNORS TEXTILE COMMITTEE AND CHAIRMAN, ECONOMICS DEPARTMENT, HARVARD UNIVERSITY

#### SUMMARY

[Numbers refer to paragraphs in statement]

1. Flood insurance results in an improved distribution of the costs of floods over time and place.

2. Costs of flood insurance would be reduced insofar as outlays on flood control, inclusive of rezoning and disaster relief are made available.

3. Private insurance is not practical.

4-5. The case for Government insurance rests in part on the fact that the Government can pay part of the costs out of savings on taxes otherwise lost and savings on disaster relief; partly on the fact that floods are a national disaster and the Government should require a sharing of the costs; and partly on the large reserves required by private companies when annual costs vary as much as 400 times, as they have over a period of 20 to 25 years. Rates based merely on vulnerability to floods would aggravate the migration of industry from the Northeast already stimulated by some Government policies.

6. Rates reflecting factors other than vulnerability to disaster (that is, rates below actuarial ones) are supported by the great contribution of the Northeast net to the Treasury. The Northeast has been the stepchild of the Treasury. Over a period of 18 years, 3 major Northern States received back from the United States Treasury one-third as much as 5 major Southern States.

7. New England has in recent years received from flood-control outlays about one-fifteenth of what might be expected on the basis of the size of her economy or needs.

8-9. The New England Governors' program for help on flood control is a minimum one. Despite inadequate outlays on flood control, the Hoover Commission has recommended great caution and larger relative contributions by State and local governments. But the financial position of these governments has deteriorated much more than that of the Federal Government since 1946.

10. Federal aid associated with recent floods is acknowledged; but aid is inadequate, especially for such peacetime industries as textiles. Hence an even greater need for insurance.

11. What kind of insurance? With experience, the bugs will be eliminated—as they have largely in crop insurance, a similar kind of insurance.

12-14. *Coverage and rates.*—The Saltonstall-Kennedy bill for flood insurance marks a large step forward. A more comprehensive proposal is the following. Depending upon whether all property values are covered (\$800 billion), only real property, durable goods and inventories (\$500 billion), property only in flood plains (\$400 billion), and upon the proportion reasonably assessed upon the Government, the cost per \$1,000 would average 30 to 75 cents.

15. *Flood insurance and disasters generally.*—Coverage should be limited, premiums should be restricted, and Government allowed a free hand.

## FLOOD INSURANCE AND RELATED MATTERS

*1. The advantage of flood insurance*

The need of flood insurance arises because the damage done is large and insurance makes possible a wide distribution of costs both at one time and over time and thus reduces the sacrifices for those especially vulnerable.

*2. Costs of insurance and related programs*

Insofar as flood control is carried through, the damage would clearly be reduced and the costs of insurance cut. Insofar as the Government is prepared to meet part of the costs of floods through disaster relief or tax concessions, to that extent also the need of insurance is reduced. Insofar as zoning regulations or movements of population or property result in reduced hazards, to that extent the need of insurance or the costs are reduced.

*3. Impracticability of private insurance*

Private enterprise is not prepared to carry this kind of insurance, in part because of the difficulty of measuring vulnerability, in part because of the large proportion of those insured likely to collect damages (and hence the high actuarial rates, or adverse selectivity), and in part because of the need for balancing accounts over a short time under private insurance. Flood insurance, because of the large variation in costs, requires large reserves at the outset and balancing over long periods.

*4. The case for Government insurance*

The case for Government insurance rests on the following grounds:

The Government alone has adequate resources and can take a long view. Average costs of floods over 25 years have been \$150 million annually—with a figure of \$3 million in one year in the early thirties and in excess of a billion in one year. The estimate current now is \$300 million per year in the future.

The Government can set rates which do not reflect purely actuarial considerations. A flood is a national disaster just like an atomic bomb, and the costs should not be borne disproportionately by those especially vulnerable. Hence Government insurance should be part insurance and part subsidy. But the subsidy would not necessarily be larger than the sum of savings on taxes and outlays for disaster otherwise payable by the Federal Government. Not only would losses uninsured result in reduced incomes, but imposition of actuarial rates would further cut investment and income and induce disinvestment with unfortunate effects on Treasury income. Finally, by offering subsidy rates the Government might well induce a wider coverage than would otherwise be possible.

*5. Actuarial rates*

Under the theory of classical economics, property in hazardous spots should be charged high rates so that the inducement to seek safer locations would be increased. But some reservations must be made to this position. Property owners in older industrial areas already operate under large handicaps, and in part these spring from Federal policies. An actuarial rate to cover potential flood damage might often be the final blow. Some variations in rates according to risks should be allowed, but the range of rates should be restricted. It might even be appropriate to charge the full actuarial costs for property newly established in vulnerable places.

*6. Actuarial rates and issues of equity*

One of the strongest reasons for not charging full actuarial rates is that the northeastern area, especially vulnerable to floods in recent years, has been the stepchild of the Federal Government. To give but two examples. Over a recent period of almost 20 years, the 3 major industrial States in New England (Massachusetts, Connecticut, and Rhode Island) received back but one-third as much relative to what was paid into the Federal taxes as 5 major southern industrial States (North Carolina, South Carolina, Georgia, Alabama, and Tennessee). Surely, the Northeastern States can fairly claim some help from the Federal Government to meet part of the costs of disaster. Again, from 1934 to 1953, Massachusetts, Connecticut, and Rhode Island received back 60 cents for every dollar of Federal taxes borne (Connecticut only 40 cents). Similar trends are to be observed in tax concessions under accelerated tax amortization.

### *7. New England's small participation in Federal outlays on flood control*

The case for a mixed-insurance and insurance-subsidy program is strengthened by the following, because it shows that New England does not receive much help from flood control.

Especially relevant here is the fact that under flood control New England received 3 percent of the \$10 billion authorized, one-third of 1 percent of the \$1.8 billion appropriated in the last 5 years (as Senator Kennedy noted), and my survey of the years 1953 and 1954 shows \$666 million spent by the Army Engineers in 1953 and \$533 million in 1954 and \$393 million for reclamation in these 2 years. But New England received but \$7 million in all, or less than one-half of 1 percent. Her share of income, however, is 6½ percent, of Federal taxes borne 7½ percent, of manufacturing employment 9+ percent, and of vulnerability to floods an even greater percentage.

### *8. Resolutions of New England Governors*

A minimum program which must be supplemented by programs to deal with flash floods is suggested by the New England Governors. We strongly support the resolution of the New England Governors of September 23 for expenditures of \$34.3 million for fiscal year 1957 for flood-control projects recommended by Army Engineers and approved by the New England Governors; \$12.45 million for construction in 1957 of navigation and beach-erosion projects; authorization of an expenditure of \$1.5 million for emergency funds by the Chief of Engineers for immediate planning of flood-control projects authorized in affected or potentially affected areas; a supplemental appropriation of \$3.5 million by next February 15 to start construction of such projects; and \$200,000 to expand and expedite the authorized \$600,000 New England hurricane survey and \$100,000 for studies of additional flood protection.

### *9. Insurance and expenditures on flood control*

Despite the unsatisfactory record on flood-control outlays both in the country and in New England, the Hoover Commission has just announced that outlays are excessive; that overall period of 50 years present plans call for outlays of \$41 billion aside from \$16.8 billion under plans of the Department of Agriculture. Even admitting that these estimates are grossly exaggerated (so far \$42 million have been appropriated under Department of Agriculture plans) and that even the inflated \$41 billion figure involves outlays of less than one-fifth of 1 percent of the GNP expected over this period, it is clear that there are powerful interests determined to reduce Federal flood-control program. The Hoover Task Force, disturbed by State and local sharing of but \$176 million (6-7 percent of total costs, demands an immediate contribution of 50 percent of costs for State and local governments. But in view of the rise of State and local expenditures in the face of rigid taxes of 2½ times since 1946, as compared with one of 1¼ for Federal expenditures, and of national debt of 8 percent for the Federal Government and of 110 percent for State and local debt, or 14 times as much for State-local governments, is this a realistic approach?

### *10. Insurance and disaster relief*

Acknowledging gratefully the help proposed by the Federal Government under ODM Regulation I, amendment I (accelerated amortization), Executive Order No. 10,634 (loans to aid in reconstruction, rehabilitation and replacement of facilities), and under ODM Order VII-7, supplement I (favoring disaster areas in Federal procurement), we nevertheless urge the Federal Government to move further. In particular, it is imperative that tax allowances be given to the textile and other industries damaged by the floods but not eligible for accelerated tax amortization under ODM Regulation I, because no expansion goals have been set for them by the ODM; that the Government specifically state that the textile industry is eligible for loans under Order 10,634 and especially that the Bureau of Internal Revenue allow as offsets for tax payments from current income any private outlays incurred to reduce the danger and damage of floods.

Finally, we are no longer assured by the promises coming from high sources in Washington for years that distressed areas would be given preferential aid by Government procurement agencies. "Only two preference contracts valued at \$100,000 or more were awarded to New England firms in labor surplus areas in 1954. The entire program of granting tax amortization assistance [in labor surplus areas] was expected to create 9,000 jobs. \* \* \*" (U. S. Monthly Labor Review, June 1955).

Disaster relief has not been adequate and is not likely to be. Hence the case for insurance is strengthened.

**11. What kind of insurance?**

- We need a combination of insurance and subsidy.
- We need rates that reflect only in part vulnerability.
- We need wide coverage.
- We need experimentation at the beginning.

Note that with experience in crop insurance adverse selectivity was cut, continuous policies were devised, and many other improvements made. The difficulty of discovering appropriate rates is perhaps as great as in flood insurance (one factor in crop insurance). Thus in the first 5 years indemnities under the crop-insurance program as a percentage of premiums were 164, 151, 168, 149, and 182, but in the years 1950-53, the figures were 91, 112, 97, and 115 (Agricultural Finance Review, November 1954, p. 58).

**12. Coverage and rates**

One approach is to assume costs of \$300 million per year as estimated officially (with estimates to vary with experience). Then all property in the plain flood areas might be covered. An expert for the Hoover Commission has estimated the property thus to be covered at \$400 billion. Hence the cost would be 75 cents per \$1,000, or \$7.50 per \$10,000 on the average. Insofar as the coverage was extended to nonflood areas, the costs would be reduced. On the assumption that all wealth would be covered, the costs would be reduced to 37½ cents per \$1,000. On the assumption that the Federal Government would bear the costs of administration also to offset savings on taxes and disaster relief, the cost to property owners should not exceed 30 cents per \$1,000, or \$3 per average home per year. The ideal situation would be to add the payment to the general property tax (GPT). On the assumption that \$200 million were to be collected, the net addition to the GPT would be 2 percent of present revenues of \$10 billion.

**13. The Saltonstall-Kennedy flood-insurance bill**

This marks a great advance forward and should be seriously considered. The coverage is rather limited and probably because of the recognition of the opposition Federal insurance may occasion. But Senator Kennedy well said the alternatives are public insurance or no insurance.

**14. Property values**

The best estimate available of net worth is the following:

	<i>Billion</i>
(a) Total net worth-----	\$1, 073
(b) Items most significant for this problem:	
Real estate-----	349
Producers durable goods-----	29
Consumers durable goods-----	99
Inventories-----	32
Total-----	509

This estimate leaves out of account losses to individuals of income resulting from disasters—both workers and part of the income potential of others. To some extent the Government would have some responsibilities here.

**15. Flood insurance and disaster insurance generally**

It is my understanding that this committee is concerned not only with flood insurance but with disaster insurance generally. In this general picture flood insurance is a relatively inexpensive item. One atomic bomb, for example, might result in the destruction of billions of dollars of property and also of income. It is easy to envisage the loss of half the country's wealth and more than half the income as a result of atomic warfare.

Certain general principles can be suggested for disaster insurance broadly defined:

1. Coverage by insurance can only be limited, in part because actuarial principles are not available. The \$1 billion program suggested under the War Damage Corporation Act of 1951 would be most inadequate and either involve the Government in large subsidies or give the insured an unjustified feeling of security.

2. A better proposal would be one suggested by the Budget Bureau in 1951, a limited guaranty by the Government. In this instance the guaranty was to be \$20 billion for private property and \$2 billion for public property (roughly 4 percent of the wealth of the Nation, or a little more than one-half of 1 year's construction). In this manner, part of the damage at least would be covered

and the Government would have a free hand to deal with emergency situations, inclusive of losses of incomes. Guaranties, say, running into hundreds of billions, would be impractical because of the unavailability of resources to rebuild except over a long period.

3. It would be a great mistake to collect large sums of insurance premia even if the public were cooperative. Compulsory insurance would probably not be acceptable. Even in 1949 there were almost \$100 billion tied up in insurance, pension, and retirement reserves. Continued accumulations of this sort may well have disturbing effects on the economy.

Senator LEHMAN. Thank you very much indeed for coming. I want to ask you just 1 or 2 questions, and then I will ask Senator Bush and Senator Kennedy if they have any.

In the very last paragraph on page 10 you say, "It would be a great mistake to collect large sums of insurance premiums even if the public were cooperative. Compulsory insurance would probably not be acceptable."

I want to say that it is probable you are right on that. I am merely seeking light.

Mr. HARRIS. Yes.

Senator LEHMAN. We have had testimony that it would be well for the Government—this refers to wide coverage of natural disasters—to add a very small additional amount to the income tax that people pay. That of course would not in the first year or two in all probability be enough to cover anything but a small part of natural disasters if such disasters did occur on a large scale. But why wouldn't it be a good idea to do that and in that way build up a reserve which might not in 1 or 2 or 3 years be enough to care for it but would in the course of a longer period? I know that you advise against it, but I would very much like to know your reasoning.

Mr. HARRIS. I think, as a matter of fact, if you get that kind of legislation through probably it would save a lot of administrative headaches and be more equitable if you could put it on income tax rather than property tax, if it were done that way. The reason this would disturb me would be, for example, if you were actually carrying through this kind of program—Were you thinking about atomic warfare as well or merely flood insurance?

Senator LEHMAN. I was thinking of largely natural disasters, but it certainly could be atomic attacks. That could easily be added to that.

Mr. HARRIS. Yes, sir. I say as far as flood insurance goes I would be with you. I don't think that the amount of accumulation of reserves would be a very serious matter. We are already accumulating something like \$10 billion in all kinds of reserves of this kind. But if you are talking about the real disasters—I mean atomic warfare—then I think it would be a mistake to accumulate large sums of money, because, for example, you would be in a sense paying off national debt. What you do with this money obviously is not sit on it but use it to pay off Government securities held by all kinds of people.

In a general way whenever there is prosperity there is a lot to be said for paying off Government debt, and if you accumulate this money in prosperity and pay of Government debt at that time, that would be fine. But if you had a rule you would collect say \$4 or \$5 billions year for this general disaster program and paid off Government debt every year irrespective of business conditions, then you might have a

serious effect on the business situation. I think this might be a mistake.

If you could make the repayment or the question of money flexible according to economic conditions, which is a very difficult thing to do in view of the fact that Congress is jealous of its rights in these matters, I would be inclined to agree; otherwise not.

Senator LEHMAN. Let me ask you this question: I don't know whether I understand your proposal with regard to disaster insurance, atomic-energy disaster insurance or compensation. As I understand, your proposal is that the Government obligate itself to reimburse for property loss and personal loss up to \$20 billion in the aggregate. That would not be an insurance policy. It would simply be an obligation that the Government has entered into with its people. Am I correct?

Mr. HARRIS. That is right. Indemnity.

Senator LEHMAN. The next thing is not a question at all; it is an observation. I was very much interested in your statement. It is excellent, as I am sure my colleagues would say, too. We are going to keep the record of these hearings open for several weeks now. I think the figures that you gave with regard to the differential between payments by certain States and the amount which they have received from the Government for flood control and for other purposes are most interesting ones. As I have said, I hope that you would add States like New York, notably New York because that is the State of course that I am particularly and primarily interested in, but also other States like Pennsylvania and Illinois if you could add those to your computations and place the figures in the record.

I think that if we can show that great divergency—not attacking any State at all, not casting any aspersions—I think our chances of success in this thing would be greatly improved.

Mr. HARRIS. I will be very glad to do that.

Senator LEHMAN. Senator Bush.

Senator BUSH. Mr. Chairman, I would just like to share your observation about the competence of Professor Harris as a witness here. I think there is no witness who has been before this committee yet who has showed such a complete degree of preparation and understanding of this problem, and I think the committee is very grateful to him for this fine presentation of his views. We hope we will hear more from you.

Mr. HARRIS. Thank you.

Senator LEHMAN. Senator Kennedy.

Senator KENNEDY. Just one question. On this business of how much the rates would be based on the area that has been flooded during the last 20 years or so and on the reasonable acceptance of the program and without too much of a Federal subsidy, I don't know whether you could get that rate down as low as you had it. I don't know quite how you got those figures.

Mr. HARRIS. You mean the 37 cents?

Senator KENNEDY. Yes. You went into some detail on this before. I just saw the outline so I did not understand how you arrived at it.

Mr. HARRIS. I might say this is the third piece I have done on the flood. I think each one is better than the last. I hate to think how bad the first one was.

If you assume only the flood-plain areas with coverage, that is \$400 billion.

Senator KENNEDY. Would you say the areas which have been flooded perhaps in the last 20 years or so?

Mr. HARRIS. I was thinking in terms of a statement the Hoover Commission made, namely, the property in the flood plains is worth about \$400 billion.

Senator KENNEDY. By "flood plains" what do you mean?

Mr. HARRIS. Particularly large cities on the eastern seaboard, along the Mississippi, and so forth, wherever there is any real danger of floods. The wealth in this region—and you know, of course, there are a great many big metropolitan centers—is estimated at \$400 billion. I myself, having gone through a number of the estimates of the Hoover Commission, would like to check on this. I am just simply using their figure now. I suspect it may be a little less than that. Anyway, it gives you a rough idea.

That against \$300 million, which we assume the annual loss to be on the basis of the last estimate of the Hoover Commission—what the losses are likely to be; \$300 million into \$400 billion is 75 cents per \$1,000. If you double the amount of coverage and cover all wealth, roughly that would cut the amount down from 75 cents to 37½ cents.

Senator KENNEDY. Double for all wealth?

Mr. HARRIS. That would bring the average down, you see, to 37½ cents. Of course, you could not get this additional property in without making special rates for them, and, therefore, I am simply giving you the average rate. The range might be somewhat wider.

Senator KENNEDY. When you double the rate you mean you bring in disasters other than flood?

Mr. HARRIS. No; no. I just simply mean that instead of covering \$400 billion we would cover \$800 billion—say virtually all property and wealth in the country. If you cover twice as much and you only have to cover \$300 million worth of damage, the rate would be one-half of 75.

Senator KENNEDY. Why should anybody in the other areas take it?

Mr. HARRIS. On the theory that we would set up the rates in such a way that there would be a sufficient Government subsidy involved. Or, as Senator Lehman suggested, we might operate through an income tax, you see.

You are not going to get these other States in unless you give them a very low rate, but you will get some more revenue in. It may very well be instead of 37-cent rate you will get a 60-cent rate.

Then on top of that you are going to make the Federal Government pay, say, one-quarter because of taxes saved, and so forth. That would get you down to 45 cents.

Senator, what you are saying to me is my 37½-cent rate is too low. I am perfectly willing to agree with you. Perhaps 60 cents is the right price.

Senator KENNEDY. I never thought you would get any kind of base of those who would be willing and felt their risk was such it would warrant them coming in. Of course, if the rate is this low they would come in.

Mr. HARRIS. Especially if the Government paid a sufficient part where the risk was low. Where you had great risks you might, for

example, instead of \$7.50 per house, average house, conceivably have a rate of \$10 or \$15. Even that would be perhaps a bargain for most people.

Senator KENNEDY. Would you increase the rate to those more vulnerable?

Mr. HARRIS. I differ with you on that, Senator. Simply this: That I would be less inclined to adhere as closely to actuarial considerations as your bill seems to suggest. I would to some extent because, as you say very well, you want to discourage people from living in vulnerable areas. I would put the full rate on anybody who moves into a vulnerable area. But beyond that I would be inclined to say let's not have too wide a dispersion of rates, because if you do, Senator—and you know we have talked about this a number of times—you are going to put an additional tax on property in New England where we are having certain problems of heavy taxes and migration. I think this is an issue that is very important.

Senator KENNEDY. Yes. I thought after reading your statement before Mr. Jones on that point—that if the rate is excessive it would affect migration—possibly we might change the bill we had to make it less, to make these people bear less burden than they actually ought to.

Mr. HARRIS. We are more or less in agreement on it then.

Senator KENNEDY. Yes.

Senator LEHMAN. I have one observation to make. Testimony has been given here today and at other places with regard to the great aid that has been given to flood sufferers by the Federal Government through the Small Business Administration, the Red Cross, and possibly 1 or 2 others. But that assistance is always in the form of loans. What concerns me deeply is the fact that the little fellow who has lost his house, seen his house virtually destroyed, a house that has a seven or eight thousand dollar mortgage on it, can get in some cases, not in all cases, another loan of seven or eight thousand dollars. He builds a house for ten or eleven or twelve thousand dollars, but all he has left now is a mortgage that he must pay, and when he borrows from the Small Business Administration or from the Red Cross or from other agencies—well, the Red Cross would not make any business loan, but from the Small Business Administration or other agencies—then his obligation, his liability, is doubled. He might easily find himself with a \$10,000 new home and a \$14,000 obligation.

It seems to me we are not helping that fellow very much. We are not really solving his problem at all. If he loses his home from a tornado or an earthquake, fire, any of those things, he would get compensation which would permit him to rebuild without double liability.

Mr. HARRIS. Senator, I would say this: I agree with you a 100 percent, and I think this is what we would try to deal with through insurance. This would be the great advantage of insurance.

I would go further and say that one of our great problems in all these programs is that when we have a real disaster we don't have the facilities to rebuild very quickly, you see. This is one of our troubles. This especially would be true if you had an atomic attack. Therefore, it might be necessary in a bill of this kind to allow installment payments in terms of what the economy can stand in additional building in any region. If you had a whole city wiped out there is no use paying out the amount of money that was lost because they can't do any-

thing about it anyway, and you wouldn't want to put too much pressure on the construction industry. So you would have to make some administrative provision or provision in the law to cover the rate at which you can replace properties in face of a great disaster.

Senator LEHMAN. Professor, just for the sake of the record, may I ask you on what the figures that you give at the bottom of page 9, property values, are based? Where do they come from?

Mr. HARRIS. These come from the most famous study that has ever been made on property values or wealth values in the United States, and this was a study made by a man named Goldsmith, which was subsidized by all the insurance companies and a great many investment banks in the United States. It is a book called *Savings in the United States*, and it is the best and the only study of this kind we have ever had, and it is by far the best study ever done anywhere. It just came out about a year ago, and these are the most reliable figures we have on wealth by categories. It gives you the increase of each increment of wealth since 1900.

This is a really important study, and these are as accurate figures as could be obtained.

Senator LEHMAN. Where can that report be obtained?

Mr. HARRIS. It is published by Princeton University Press. I might say it costs \$30. I don't know whether that worries a Senator, but it worries a professor a good deal.

Senator LEHMAN. We have a special appropriation.

Mr. HARRIS. This chap had a big staff. The study cost something like half a million dollars to do, and it used all available Federal figures, State and local figures, and he put together every kind of census material, property valuations in towns, and so on. Probably 10 percent of the figures are wrong because of the raw materials, but it gives us the best general picture.

For example, back in 1900, there was something like less than \$100 billion of wealth, and now it is up to almost around \$1,000 billion, a trillion dollars.

Senator LEHMAN. Just one more question. There has been a great deal of testimony—individuals and agencies—about the advisability of starting this on an experimental basis, and the usual period of experimentation given was 3 years. In my opinion, that is entirely inadequate.

I think you have already testified, but I want to be sure, as to whether a 3-year experimental period would be sufficient to give us any real experience of value.

Mr. HARRIS. As I remember the crop-insurance program—and in essence the crop-insurance program raises some of the general problems this program does because part of the disaster faced is flood—the crop-insurance program has been running not too far from 20 years now, and it has been revised a number of times, and each time there have been improvements. I would say they still feel it is far from a finished product. It certainly is very limited in its coverage and all that sort of thing.

So that I would say that what you ought to do is pass a bill and then within 2 years or 3 years rewrite it on the basis of experience, and my guess would be you may be 15 or 20 years before you have a bill you feel is adequate.

Senator LEHMAN. Thank you, Professor, for coming here.

(The following was subsequently received from Mr. Harris supplementing his testimony :)

CAMBRIDGE, MASS., December 7, 1955.

In re Federal tax burden and Federal disbursements: By regions and States, 1934-54

HON. HERBERT H. LEHMAN,  
United States Senate,  
Washington, D. C.

DEAR SENATOR LEHMAN: I enclose the material on the distribution of taxes and Federal disbursements by regions and States. You will recall that at the hearings on flood insurance before the subcommittee of the Senate Banking and Currency Committee under your chairmanship (Boston, November 9, 1955), I presented some material on the extent to which the South and the West were subsidized by the Northeast and a few of the Middle Western States. The point of emphasis was that, in view of these large and continued transfers, a strong case could be made out for a generous program of flood control, flood aid, and flood insurance which might send back a small part of the money transferred and being transferred via the Treasury from the Northeast.

You urged me at that time to send this material for the use of the Senate hearings. Since then you have assured me that the hearings would be kept open until December 23. I was doubtful that I could finish this study in time; but the miracle of electronics has helped and the material is now available. Your committee is getting the first release of this material.

I should like to emphasize the point that this study has been made possible by the generous help of the New England Governors, who have financed the New England Governors' Textile Committee. That committee, in turn, has used some of its funds to hire research workers, pay for the use of IBM machines and for the typing required for this study.

The New England Governors for years have been concerned with the problem of the decline of textiles, the migration to the South, and similar problems. The Middle Atlantic and some of the North Central industrial States should be equally interested. The losses of textiles by New York, New Jersey, and Pennsylvania have been as great as those of New England. Indeed, with a larger economy the Middle Atlantic States have not felt the losses as much.

In New England we are all aware that the South has great possibilities as an industrial area—among her advantages are her determination to get ahead, proximity to rich natural resources, large reservoirs of agricultural labor being squeezed off the farm, and proximity to rich markets. But we have also been aware that part of the gains are to be associated with the great political influence of the South. Much of the aid from the Federal Government is to be approved and raises no serious questions. But in such matters as labor legislation, mergers, tax privileges, use of Federal credit, and tax exemptions some questions may be raised.

We have insisted for years that any one Federal policy should be considered in the light of all Federal policies. It is not fair to consider tariff (say) or agricultural policies without a consideration of what all Federal policies do to an industry or region. Hence the importance of an overall view of regional effects of taxes and Federal disbursements.

The present study is an attempt to highlight one important aspect of this problem: To what extent does the Federal Government serve as a mechanism for transferring cash from rich to poor, from North to South and West, and under what programs? An examination of the figures for 140 programs over a period of 20 years and with minute studies for 1939, 1952, 1953, and 1954 will give Congressmen an opportunity to make decisions on each program with an awareness of the overall problem of transfers of cash.

#### THE MAIN OUTLINES OF THE STUDY

[All numbered references are to paragraphs in the text]

#### *Taxes borne, 1934-54*

1-3. The first table presents the percentage of taxes borne by States over a 20-year period broken down by subperiods. It is clear that the rich States bear taxes in greater proportion than their proportionate income. But as the poorer States grow, their share tends to rise.

*Federal disbursements in relation to taxes borne*

4. Disbursements under 140 programs (grants and aids) reveal variations of as much as \$38.62 of Federal disbursements per \$1,000 of taxes borne by Delaware to \$534.46 for Mississippi. Ten poor States receive 10 times as much as 10 rich States in relation to taxes borne.

5. Sparsely populated Western States and Southern States especially gain from these transfers: 4 Middle Atlantic, 3 New England, 2 Middle Western, and 1 Far Western States are the most generous contributors.

*Same comparison: New England and the competitive South and rich and poor States*

6-7. Over a period of 20 years, New England gets back but 31 percent of the amount of taxes borne relative to what 5 major southern industrial States get back; the corresponding rate for the 10 richest vis-a-vis the 10 poorest States is 19 percent.

*Expenditures, loans closed and insured, 1939*

8-10. For 1939, a comparison of 4 Northern States (New York, Illinois, Massachusetts, and Connecticut) and 5 Southern States (Alabama, Georgia, North Carolina, South Carolina, and Tennessee) reveals that the Southern States received 2½ times as much Federal disbursements relative to income as the 4 Northern States. Vis-a-vis New York and Connecticut, the ratio was 3 to 1. (Note only 60 percent of expenditures are covered.)

11-12. Again, for 1939, New England with 8.2 percent of the Nation's income received but 6.1 percent of the Federal expenditures and 3.3 percent of the loans closed. The 10 richest States profited from Federal expenditures equal to two-thirds their percentage of income; but the 10 poorest States, with 9.6 percent of the Nation's income, accounted for 17.8 percent of the expenditures.

*Same comparison: 10 Northern and 10 Southern and Western States*

13-14. In 1939, 10 Southern and Western States profited from Federal disbursements almost 5½ times as large relative to tax burden as 10 Northern States; in loans closed, the 10 Southern and Western States received 10 times as much relative to taxes borne as the Northern States. (Massachusetts, Connecticut, Rhode Island, and New York are among these States.) It is clear that the expansion of the South and West is beset with smaller obstacles than that of the older States had been.

*1939: Taxes borne and Federal disbursements, regional and rich and poor*

15-16. In relation to 5 major southern industrial States, New England received back in expenditures one-third as much relative to taxes borne; and Rhode Island, Connecticut, and Massachusetts, 30, 21, and 37 percent, respectively. The 10 richest States received back much less than New England in relation to taxes borne in Federal outlays and loans.

*A study of taxes and expenditures for 1952*

17-18. A study for 1952 considers not only Federal grants and aids to individuals but also market transactions—e. g., Government purchases. It is clear that some States gain more than others according to the nature of the Government outlays.

*Revenue incidence and Federal expenditures*

19-24. The 1952 expenditures are analyzed on the basis of benefits received or the incidence of the disbursements. Necessarily the results can be held to be only roughly tenable. New England, the Middle East, and New York reveal receipts from Federal disbursements (average of benefits and disbursements) equal to about 75 percent of taxes borne. Of course, the South and the sparsely populated Northwest gain greatly.

*Tax burdens*

25-26. Tax burdens vary much more than Federal receipts—a minimum of tax burdens per capita was \$112 in Mississippi to \$1,015 in Delaware. On an incidence basis, since sales to Government are included, the rich States lose less than on a benefit criterion—but even on this basis, the Southeast comes off almost twice as well as New England on a tax-revenue basis. Twenty-nine States with incomes below average received 75 percent more in revenues contributed than the poor States. Connecticut and Massachusetts paid out \$1,103 million in excess of what they got back; Rhode Island, \$123 million; and 3 other New England States, \$47 million.

*Distribution of Federal payments by types*

27. Federal income payments (exclusive of purchases of goods and services) greatly benefit the South vis-a-vis the North.

28-31. On Government contracts, New England's record is much better than on all Federal disbursements. Here, of course, is a competitive field. From July 1950-March 1954, New England received \$8.1 billion of \$101 billion of military procurement and construction awards—a level below its percentage of manufacturing employment but in excess of its percentage of income. Connecticut received 3 times as much as Massachusetts, however, when the figures are related to income of both States. New York's proportion was 15.5 percent. (Her income averaged a little over 12 percent for 1950-54.) Once adjustments are made for place of production rather than for place where the contract is consummated, New England's share is reduced from 8.0 to 7.5 percent and New York's, from 15.5 to 10.1 percent.

*Federal tax burdens, Federal disbursements and national income, 1954*

32. A master table for 1954 gives Federal disbursements, Federal taxes borne, and the relation of these and of disbursements. The original table covered 140 disbursement programs; but with those accounting for less than \$10 million omitted (they add up to less than \$1 billion), the table treats only 75 programs.

33-34. In only 18 out of 75 programs does New England receive back percentage-wise as much as she puts into the Federal program. In the grant and aid programs, her receipts are equal to but 81 percent of the amount suggested by her relative income.

35-40. In the category 2A, grants, etc., to individuals and groups, New England received more than indicated by her share of income. But the explanation here is that this category is primarily an insurance one. New England does not fare well in the category of loans or of projects within States. (In the last, the major item is civil projects of the Army Corps of Engineers—New England profited from but 0.62 percent of the national outlays, a figure less than one-tenth of her relative income.)

41-42. New England profited little from Federal loan programs; they were used primarily to bolster or stimulate other parts of the economy. New England's loans were but 1.26 percent of the Nation's \$6.2 billion. But in guaranties her record was much better.

43. Of salaries disbursed by the Federal Government, New England received 88 percent of the amount indicated by her income; but less, of course, in relation to taxes.

44-45. For all expenditures considered (\$17.8 billion) New England received an amount equal to 96 percent suggested by her income and much less relative to taxes borne—but the figure is inflated, of course, by the large amount of insurance payments. Her receipts from loans were but one-fifth that indicated by relative income.

*Disbursements in relation to taxes borne, 1954*

46-50. As might be expected, New England's receipts of Federal payments are much lower relative to taxes borne than to incomes. Of 75 substantial programs, New England receives amounts per \$1,000 taxes borne in excess of the national total only in 6 programs.

51. On this criterion, New England received 82 percent of what might be expected from her taxes borne, 16 percent for loans closed, and 77 percent for loans insured. For the important assistance and grants, New England's figure was but 69 percent.

*Ibid: New England, New York, the Nation, and the South*

52. On the same comparisons, New England receipts are less than those of the South Atlantic States in 69 of the 75 programs. (In 46 programs, New England's relative share is 50 percent or more less than that of the South Atlantic States.)

53. The major comparisons are presented in a condensed table in this section. In re the United States, Federal disbursements in New England relative to taxes borne are 82 percent; New York's, on 63 percent; disbursements in New England relative to competitive States in the South, 68 and 37 percent (South Atlantic and East South Central States). For loans, the New England position is much weaker.

54. When insurance payments are eliminated, the contrast of Northeast and South is greatly increased.

*The position of New York, 1954*

55-56. New York's net transfers are even larger than New England's, in part because of her higher income and in part (related) her higher taxes. For grants to States and local units, for example, New York's figure is 44 against 69 for New England.

*Ten richest and ten poorest States, 1954*

57-59. In 1954, the 10 richest States received much more Federal funds than the 10 poorest States. But when allowance is made for relative incomes, the 10 richest States received but 58 percent as much of Federal expenditures as the 10 poorest and on the basis of taxes borne, only 42 percent. Of 75 programs, in only 3 did the rich States get back a proportion in excess of the ratio of taxes borne.

*A comparison of 1954 and 1953*

60. Finally, we compare the results in 1954 with 1953. Though there are numerous differences in individual programs, the totals are not far apart.

Then follows the important master table, which gives the details by regions and States of disbursements and relation of disbursements to income and taxes borne for 75 programs, each involving more than \$10 million, costing close to \$30 billion in all. The major omission is Government purchases in the open market; but these are covered in the 1952 survey. Here we have a breakdown which highlights the shares of Government grants, grant outlays within a State, Government loans, and Government insurance.

With kind regards, I am,  
Very sincerely yours,

SEYMOUR E. HARRIS.

Enclosure.

TAXES AND TREASURY DISBURSEMENTS,<sup>1</sup> REGIONAL AND STATE DIFFERENCES,  
1934-54, 1939, 1952, 1953, 1954

Seymour E. Harris, Chairman of the New England Governors' Textile Committee

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<sup>1</sup> I am indebted to the New England governors for providing the funds which made this study possible; to Mr. Peter Kenen, a graduate student at Harvard University, who supervised the statistical work and needed at least 25 agencies in Washington for information; to Mrs. Joan Eckstein for much research help; to the wonderful contributions of the Harvard Computational Laboratory and, in particular, to Mr. J. E. Van Tassel, Jr., its manager; to Mrs. Anna Thorpe for the typing; and to the members of the New England Governors' Textile Committee, who have given me much independence in carrying on and much useful advice at all times. The Byrd committee's work has also been very helpful, and I should give special thanks to a number of economists who have allocated taxes on an incidence basis, but especially to Miss Mabel Newcomer and to Miss Selma Mushkin (assisted by Miss Crowther), of the Public Health Service, who is the latest of this group of pioneers.

*Taxes borne, 1934-54*

1. In this study we estimate the relation of Federal taxes borne (i. e., taxes paid corrected for passing on of the burden to others) and Federal expenditures. We have depended upon the Sundelson-Mushkin and the Mushkin-Crowther studies of incidence for 1939 and 1952, respectively.<sup>2</sup> On various assumptions of incidence (e. g., who pays the corporation income tax) they obtain results which allocate the burden of taxes. For our 1934-54 study we depend in varying degrees upon these 2 studies for a determination of the taxes borne by these States in the 5 periods covered in the table below. The 1934-51 figures of expenditures are derived from the Byrd study,<sup>3</sup> and the 1952-54 totals are obtained from the Annual Report of the Secretary of the Treasury on the State of the Finances for the fiscal years 1952, 1953, and 1954.

*Tax incidence indexes—Percentage of United States taxes borne by each State, fiscal 1934-54*

State	1934-39	1940-42	1943-45	1946-48	1949-54
Alabama	0.730	0.773	0.793	0.813	0.855
Arizona	.269	.308	.327	.348	.385
Arkansas	.458	.460	.461	.464	.465
California	7.445	7.963	8.223	8.477	9.002
Colorado	.765	.811	.834	.858	.903
Connecticut	2.231	2.193	2.175	2.156	2.119
Delaware	.723	.649	.613	.577	.502
District of Columbia	.940	.938	.935	.934	.930
Florida	1.484	1.562	1.601	1.640	1.717
Georgia	1.058	1.116	1.145	1.175	1.232
Idaho	.225	.239	.245	.254	.266
Illinois	7.451	7.492	7.514	7.529	7.577
Indiana	1.852	1.969	2.027	2.086	2.203
Iowa	1.232	1.301	1.335	1.370	1.438
Kansas	.760	.831	.866	.902	.972
Kentucky	.981	1.004	1.014	1.027	1.048
Louisiana	1.014	1.042	1.055	1.071	1.097
Maine	.609	.582	.568	.556	.527
Maryland	1.815	1.815	1.816	1.817	1.817
Massachusetts	4.475	4.287	4.193	4.098	3.912
Michigan	4.112	4.264	4.341	4.414	4.569
Minnesota	1.895	1.852	1.831	1.809	1.766
Mississippi	.390	.395	.398	.402	.406
Missouri	2.449	2.454	2.456	2.458	2.463
Montana	.361	.359	.359	.359	.356
Nebraska	.659	.694	.711	.730	.763
Nevada	.157	.158	.159	.162	.161
New Hampshire	.368	.356	.351	.346	.333
New Jersey	4.290	4.137	4.061	3.983	3.833
New Mexico	.187	.224	.243	.263	.288
New York	19.466	18.227	17.611	16.978	15.755
North Carolina	1.210	1.252	1.271	1.293	1.333
North Dakota	.233	.239	.241	.246	.250
Ohio	5.559	5.626	5.660	5.690	5.761
Oklahoma	.945	.941	.939	.937	.932
Oregon	.677	.805	.869	.934	1.061
Pennsylvania	8.591	8.217	8.030	7.838	7.470
Rhode Island	.763	.722	.801	.682	.639
South Carolina	.477	.525	.549	.574	.621
South Dakota	.230	.243	.249	.256	.267
Tennessee	.941	1.009	1.043	1.079	1.146
Texas	3.574	3.790	3.899	4.005	4.223
Utah	.251	.271	.281	.292	.310
Vermont	.217	.216	.215	.214	.213
Virginia	1.277	1.355	1.394	1.434	1.511
Washington	1.193	1.317	1.379	1.441	1.564
West Virginia	.758	.770	.775	.783	.793
Wisconsin	2.101	2.089	2.083	2.078	2.066
Wyoming	.152	.158	.161	.166	.170
Total United States	100.000	100.000	100.000	100.000	100.000

Sources: See text.

<sup>2</sup>Sundelson and Mushkin, *The Measurement of State and Local Tax Effort*. Federal Security Agency, 1944, and Mushkin and Crowther, *Federal Taxes and the Measurement of State Tax Capacity*, Public Health Service, 1954.

<sup>3</sup>S. Doc. No. 101, *Reduction of Nonessential Federal Expenditures: Additional Report of the Joint Committee on Reduction of Nonessential Federal Expenditures*, Congress of the United States on Federal Grants-in-Aid to States, 1952.

2. This table shows the tax burden of each State over 5 periods in the last 25 years. It will be noted that the rapidly growing States (e. g., California, Washington, Michigan, and most Southern States) now account for a larger part of the tax burden than in the early years; and that the slower growing States (e. g., those in New England, New York), a smaller part.

3. It is well to point out here that the New England States (notably Massachusetts) and the Middle Eastern States (notably New York) bear taxes substantially exceeding the proportion of income of these States.

*Federal disbursements (aid programs) in relation to taxes borne, 1934-54 (States with lowest and highest relative disbursements)*

4. The next table gives disbursements under some 140 programs of Federal aid to the States and aid payments to individuals within the States. Here it will be noted that these Federal expenditures for the Nation over the years 1934-54 equalled \$118.47 per \$1,000 Federal taxes. In general, the Federal expenditures were low in the richer States vis-a-vis the poorer States. The minimum of expenditures per \$1,000 taxes borne was for Delaware (\$36.62) and the maximum (\$534.46) for Mississippi, or 15 times as great. For 10 rich States (largely industrial) the average was \$69.46 per \$1,000 Federal disbursements, or 60 percent of the national average. For 10 poor States (equally divided between Southern and Western States) the average was \$370.53, or 5+ times as great as that for the 10 Northern States, inclusive of California, and 3 times the national average.

*Federal disbursements, aid programs, per \$1,000 taxes, 1934-54, 10 rich and 10 poor States*

1. Delaware.....	\$36. 62	1. Mississippi.....	\$534. 46
2. Connecticut.....	49. 93	2. North Dakota.....	441. 89
3. New York.....	54. 62	3. Arkansas.....	438. 15
4. New Jersey.....	61. 75	4. South Dakota.....	402. 10
5. Maryland.....	67. 98	5. Idaho.....	331. 02
6. Rhode Island.....	79. 83	6. Wyoming.....	330. 73
7. Illinois.....	81. 04	7. Alabama.....	312. 91
8. Massachusetts.....	85. 60	8. New Mexico.....	309. 59
9. California.....	88. 63	9. South Carolina.....	302. 55
10. Michigan.....	88. 73	10. Oklahoma.....	301. 92
<b>Total.....</b>	<b>694. 63</b>	<b>Total.....</b>	<b>3, 705. 32</b>
<b>Average, 10 States.....</b>	<b>69. 46</b>	<b>Average, 10 States.....</b>	<b>370. 53</b>

*The incidence of selected Federal programs, fiscal 1934-54*

State	Aggregate Federal expenditures (\$1,000)	Aggregate Federal tax incidence (\$1,000)	Federal expenditures per \$1,000 of taxes (\$1)
Alabama.....	1,541,921	4,927,695	312.91
Arizona.....	472,735	2,140,098	220.89
Arkansas.....	1,210,598	2,762,951	438.15
California.....	4,568,341	51,543,822	88.63
Colorado.....	1,076,901	5,196,904	207.22
Connecticut.....	638,176	12,780,207	49.93
Delaware.....	120,556	3,292,328	36.62
District of Columbia.....	609,558	5,557,565	109.68
Florida.....	1,211,371	9,920,572	122.11
Georgia.....	1,659,257	7,109,201	233.40
Idaho.....	506,968	1,531,543	331.02
Illinois.....	3,645,627	44,982,819	81.04
Indiana.....	1,564,010	12,655,886	123.58
Iowa.....	1,402,591	8,293,495	469.12
Kansas.....	1,163,011	5,507,961	211.15
Kentucky.....	1,215,800	6,156,988	197.47
Louisiana.....	1,662,981	6,427,740	258.72
Maine.....	372,763	3,253,719	114.57
Maryland.....	736,073	10,827,515	67.98
Massachusetts.....	2,060,689	24,073,567	85.60
Michigan.....	2,361,317	26,612,428	88.73
Minnesota.....	1,618,784	10,700,317	151.28
Mississippi.....	1,282,530	2,399,692	534.46
Missouri.....	2,245,810	14,660,675	153.19
Montana.....	616,186	2,130,551	289.21
Nebraska.....	956,822	4,409,237	217.00
Nevada.....	175,229	956,814	183.14
New Hampshire.....	227,824	2,033,983	112.01
New Jersey.....	1,448,536	23,458,766	61.75
New Mexico.....	504,366	1,629,156	309.59
New York.....	5,401,391	98,895,477	54.62
North Carolina.....	1,554,671	7,779,740	199.84
North Dakota.....	648,955	1,468,577	441.89
Ohio.....	3,159,733	34,061,456	92.77
Oklahoma.....	1,682,916	5,574,017	301.92
Oregon.....	870,857	5,806,538	149.98
Pennsylvania.....	4,167,438	46,028,399	90.54
Rhode Island.....	317,562	3,977,951	79.83
South Carolina.....	1,061,367	3,508,040	302.55
South Dakota.....	620,717	1,543,678	402.10
Tennessee.....	1,513,329	6,554,544	230.88
Texas.....	3,945,140	24,292,197	162.40
Utah.....	512,018	1,770,569	289.18
Vermont.....	189,362	1,276,937	148.29
Virginia.....	1,059,211	8,691,092	121.87
Washington.....	1,374,508	8,822,283	155.80
West Virginia.....	781,546	4,680,645	166.97
Wisconsin.....	1,480,281	12,360,700	119.76
Wyoming.....	327,833	991,255	336.73
Total, United States <sup>1</sup> .....	70,788,050	596,016,000	118.77

<sup>1</sup> Detail will not add to total as territories and possessions of the United States have been omitted from the detail but are included in the total.

Sources: See text.

5. Ten States with the largest Federal disbursements vis-a-vis taxes borne accounted, then, for almost 5½ times as much relatively as the 10 States which profited least from Federal outlays vis-a-vis taxes borne. Among those especially profiting were 5 Southern States and 5 sparsely populated Western States which gain heavily from Federal road disbursements. Among the 10 States experiencing the largest net transfers to the Treasury were 4 Middle Atlantic States, 3 New England States, 2 Middle Western States, and 1 State from the far west.

*Same comparison: New England and the competitive South*

6. In another compilation, we compare Federal expenditures (as defined above) and aggregate Federal tax incidence for the New England, South Atlantic, and East South Central States. Federal payments per \$1,000 of taxes collected

amounted to \$118.77 for the country, \$80.31 for New England, \$146.64 for the South Atlantic States, and \$277.14 for the East South Central. Significant for North-South competition are the ratios of 55 and 29 percent of New England vis-a-vis the South Atlantic and East South Central States. The large relative gains of the industrial South vis-a-vis New England are underestimated here, since the South Atlantic States include Delaware and Maryland. In fact, the figure for New England (\$80.31) is but 31 percent of that for 5 major Southern industrial competitors of the North (North Carolina, South Carolina, Alabama, Georgia, and Tennessee). In other words, New England gets back from 140 Federal-aid programs over a period of 20 years less than one-third as much as was paid in vis-a-vis the receipts and payments of 5 major industrial rivals.

*Same comparison: 10 richest and 10 poorest States*

7. Finally, the 10 richest States (on the basis of 1953 income) received back vis-a-vis taxes borne only 19 percent as much as the 10 poorest States.

*The incidence of selected Federal programs, fiscal 1934-54, New England, South Atlantic and East South Central States*

State	Aggregate Federal expenditures (\$1,000)	Aggregate Federal-tax incidence (\$1,000)	Federal payments per \$1,000 of taxes collected (\$1)
United States total <sup>1</sup> .....	70, 788, 050	596, 016, 000	118. 77
New England .....	3, 806, 376	47, 396, 364	80. 31
Connecticut .....	638, 176	12, 780, 207	49. 93
Maine .....	372, 763	3, 253, 719	114. 57
Massachusetts .....	2, 060, 689	24, 073, 567	85. 60
New Hampshire .....	227, 824	2, 033, 983	112. 01
Rhode Island .....	317, 562	3, 977, 951	79. 83
Vermont .....	189, 362	1, 276, 937	148. 29
South Atlantic .....	8, 184, 052	55, 809, 033	146. 64
Delaware .....	120, 556	3, 292, 328	36. 62
Florida .....	1, 211, 371	9, 920, 472	122. 11
Georgia .....	1, 659, 257	7, 109, 201	233. 40
Maryland .....	736, 073	10, 827, 515	67. 98
North Carolina .....	1, 554, 671	7, 779, 740	199. 84
South Carolina .....	1, 061, 367	3, 508, 040	302. 55
Virginia .....	1, 059, 211	8, 691, 092	121. 87
West Virginia .....	781, 546	4, 680, 645	166. 97
East South Central .....	5, 553, 580	20, 038, 919	277. 14
Alabama .....	1, 541, 921	4, 927, 695	312. 91
Kentucky .....	1, 215, 800	6, 156, 988	197. 47
Mississippi .....	1, 282, 530	2, 399, 692	534. 46
Tennessee .....	1, 513, 329	6, 554, 544	230. 88
10 richest .....	19, 750, 615	272, 784, 034	72. 40
10 poorest .....	13, 206, 820	49, 255, 747	372. 96

<sup>1</sup> Detail will not add to total as territories and possessions of the United States have been omitted from the detail but are included in the total.

Sources: See previous table.

*Expenditures, loans closed, and loans insured, fiscal year 1939*

8. The material for this part of our study is drawn from the Office of Government Reports, Activities of Selected Federal Agencies, 1933-39 (these cover 60 percent of outlays). The year 1939 is studied because it was the last year when military outlays remained relatively small.

9. The next table gives Federal expenditures, loans closed, and loans insured. Again, we should note that the rich Northern States tend to account for a relatively small part of the Federal expenditures, loans closed, and loans insured. Below I compare relative incomes with relative amounts of the 3 variables listed here for 4 major Northern States and 5 major southern industrial States.

*Fiscal year 1939*

State	Percent income	Percent Federal expenditures	Percent Federal loans closed
New York.....	15.3	8.2	5.4
Illinois.....	7.7	6.0	7.5
Massachusetts.....	4.3	3.5	1.6
Connecticut.....	1.9	1.0	.6
4 Northern States.....	29.2	18.7	15.1
Alabama.....	1.0	1.9	2.6
Georgia.....	1.3	2.0	3.1
North Carolina.....	1.5	1.7	1.6
South Carolina.....	.7	1.5	1.3
Tennessee.....	1.2	1.6	2.8
5 southern industrial States.....	5.7	8.7	11.4

"The direct Federal expenditures included are certain items for the Department of the Interior, Bureau of Reclamation, War Department and Veterans' Administration. These data represent 58 percent of total Federal expenditures, excluding debt retirement. \* \* \*"<sup>4</sup>

10. Whereas the percentage of Federal expenditures to percentage income in fiscal year 1949 was 64 percent for the 4 Northern States, the percentage was 153 percent, or almost 2½ times as great, for the Southern States. A similar comparison for Federal loans closed yields even more favorable results for the South; in fact, the southern ratio is almost four times as great as the northern ratio for Federal loans closed relative to the proportion of incomes. For New York and Connecticut, with percentage of expenditures to percentage of income 54 and 53 percent, the percentage of Federal expenditures in these States relative to incomes, was only one-third as much as that of the 5 southern industrial States.

<sup>4</sup>Bureau of the Budget staff memorandum, Nov. 10, 1955, Tabulation of Federal Expenditures, Receipts \* \* \*, p. 3.

*Selected Federal expenditures, loans closed, and loans insured, fiscal 1939*

[In thousands of dollars]

State	Expenditures <sup>1</sup>	Loans closed <sup>2</sup>	Loans insured <sup>3</sup>
Alabama.....	102,067	37,179	7,308
Arizona.....	39,844	9,053	4,707
Arkansas.....	94,116	54,606	3,590
California.....	305,235	96,059	167,294
Colorado.....	77,133	15,570	7,665
Connecticut.....	53,738	5,680	9,408
Delaware.....	9,716	471	1,627
District of Columbia.....	81,900	4,294	3,884
Florida.....	67,218	19,825	22,376
Georgia.....	105,386	44,714	12,847
Idaho.....	36,636	20,079	3,015
Illinois.....	322,951	108,082	58,928
Indiana.....	138,823	26,722	27,014
Iowa.....	98,318	98,315	7,935
Kansas.....	82,026	22,911	9,051
Kentucky.....	94,644	17,456	8,828
Louisiana.....	99,740	32,727	9,688
Maine.....	25,595	4,210	1,998
Maryland.....	49,558	9,590	13,751
Massachusetts.....	187,532	22,948	11,297
Michigan.....	210,430	28,424	77,573
Minnesota.....	127,340	36,134	12,451
Mississippi.....	98,794	58,509	5,647
Missouri.....	164,941	31,645	19,925
Montana.....	60,864	28,267	2,050
Nebraska.....	71,440	40,306	5,554
Nevada.....	13,026	3,440	1,596
New Hampshire.....	18,018	5,026	1,574
New Jersey.....	136,616	37,082	42,511
New Mexico.....	38,815	9,564	2,315
New York.....	440,012	77,319	88,546
North Carolina.....	92,125	23,296	7,166
North Dakota.....	48,619	11,985	836
Ohio.....	324,974	32,709	46,307
Oklahoma.....	114,812	29,757	13,037
Oregon.....	58,822	21,989	7,635
Pennsylvania.....	346,612	35,636	46,046
Rhode Island.....	26,527	3,066	3,951
South Carolina.....	78,585	19,222	4,938
South Dakota.....	49,987	14,744	1,629
Tennessee.....	87,067	40,050	11,752
Texas.....	253,304	121,874	47,570
Utah.....	32,883	7,319	5,093
Vermont.....	15,961	4,818	1,240
Virginia.....	71,504	10,130	14,916
Washington.....	125,114	24,058	20,795
West Virginia.....	61,375	5,614	6,584
Wisconsin.....	127,706	21,892	11,480
Wyoming.....	26,713	8,230	3,159
Total, United States <sup>4</sup> .....	5,395,161	1,436,596	906,089

<sup>1</sup> Includes expenditures for the Agricultural Adjustment Administration, the Farm Security Administration, the Soil Conservation Service, the land utilization program, agricultural experiment stations, agricultural extension work, colleges for agricultural and mechanical arts, forest funds, forest roads, the Public Roads Administration, the Civil Conservation Corps, Indian service work, the Bureau of Reclamation, the Public Buildings Administration, the Public Works Administration, the Work Projects Administration, the National Youth Administration, the Social Security Act, rivers, harbors and flood-control programs, Mineral Lease Act payments, vocational education and rehabilitation, the U. S. Employment Service, State marine schools, Federal Water Power Act payments, State homes for disabled soldiers and sailors, the National Guard, the Veterans' Administration, and the value of surplus agricultural commodities distributed.

<sup>2</sup> Includes loans closed by the Reconstruction Finance Corporation, the Farm Credit Administration, the Commodity Credit Corporation, the Farm Security Administration, the farm tenant-purchase program, the Rural Electrification Administration, the Public Works Administration, the Disaster Loan Corporation, the Federal Reserve Board, the Home Owners' Loan Corporation, and the U. S. Housing Authority.

<sup>3</sup> Includes loans insured by the Federal Housing Administration under title I and title II.

<sup>4</sup> Aside from rounding error, the detail should add to this total; it is for the continental United States, excluding United States Territories.

Sources: See text.

11. In the next table, we compare the totals for the United States, New England, the Southern States, and the East South Central States. The same general results are revealed. Thus, New England with 8.2 percent of the Nation's income received but 6.1 percent of the Federal expenditures: 3.3 percent of the loans closed; and 3.2 percent of the loans insured. But compare, for example, the East South Central States: they accounted for 4 percent of income, 7.1 percent of expenditures, 10 percent of loans closed, but only 3.7 percent of loans insured. (The small number of large cities in this region explains in part the low percentage for the last.)

12. Finally, note that the 10 richest States with 43.5 percent of the income, accounted for 28.6 percent of Federal expenditures; the 10 poorest States, with 9.6 percent of the income, accounted for 17.8 percent of the expenditures. These rich States are largely the industrial States of the Northeast and North Central; and they account for Federal receipts equal to one-third relative to income (and even less relative to taxes) as compared with the 10 poorest States.

*Selected Federal expenditures, loans closed, and loans insured, fiscal 1939, New England, South Atlantic and East-South Central States*

[In thousands of dollars]

State	Expenditures <sup>1</sup>	Loans closed <sup>2</sup>	Loans insured <sup>3</sup>
United States total <sup>4</sup> .....	5,395,161	1,436,596	906,089
<i>New England</i> .....	327,371	45,748	29,468
Connecticut.....	53,738	5,680	9,408
Maine.....	25,595	4,210	1,998
Massachusetts.....	187,532	22,948	11,297
New Hampshire.....	18,018	5,026	1,574
Rhode Island.....	26,527	3,066	3,951
Vermont.....	15,961	4,818	1,240
<i>South Atlantic</i> .....	483,192	132,862	84,205
Delaware.....	9,716	471	1,627
Florida.....	67,218	19,825	22,376
Georgia.....	105,386	44,714	12,847
Maryland.....	49,558	9,590	13,751
North Carolina.....	92,125	23,296	7,166
South Carolina.....	78,585	19,222	4,938
Virginia.....	71,504	10,130	14,916
West Virginia.....	61,375	5,614	6,584
<i>East South Central</i> .....	382,572	153,194	33,535
Alabama.....	102,067	37,179	7,308
Kentucky.....	94,644	17,456	8,828
Mississippi.....	98,794	58,509	5,647
Tennessee.....	87,067	40,050	11,752
<i>10 richest</i> .....	1,544,911	357,737	398,909
<i>10 poorest</i> .....	916,215	336,774	75,949

<sup>1</sup> Includes expenditures for the Agricultural Adjustment Administration, the Farm Security Administration, the Soil Conservation Service, the land utilization program, agricultural experiment stations, agricultural extension work, colleges for agricultural and mechanical arts, forest funds, forest roads, the Public Roads Administration, the Civil Conservation Corps, Indian service work, the Bureau of Reclamation, the Public Buildings Administration, the Public Works Administration, the Works Projects Administration, the National Youth Administration, the Social Security Act, rivers, harbors and flood-control programs, Mineral Lease Act payments, vocational education and rehabilitation, the U. S. Employment Service, State marine schools, Federal Water Power Act payments, State homes for disabled soldiers and sailors, the National Guard, the Veterans' Administration, and the value of surplus agricultural commodities distributed.

<sup>2</sup> Includes loans closed by the Reconstruction Finance Corporation, the Farm Credit Administration, the Commodity Credit Corporation, the Farm Security Administration, the farm tenant-purchase program, the Rural Electrification Administration, the Public Works Administration, the Disaster Loan Corporation, the Federal Reserve Board, the Home Owners' Loan Corporation, and the U. S. Housing Authority.

<sup>3</sup> Includes loans insured by the Federal Housing Administration under title I and title II.

<sup>4</sup> Aside from rounding error, the detail should add to this total; it is for the continental United States, excluding United States Territories.

Sources: See text.

1939: Federal expenditures, loans closed, and loans insured, 10 Northern and 10 Southern and Western States

13. In two final tables in this section, we compare tax burdens and Federal expenditures, loans closed, and loans insured. Again, the rich Northern States experience losses relative to Southern and Western competitors. Thus, here we compare 10 Northern and 10 Southern and Western States.

Northern States	Value per \$1,000 of taxes paid of—			Southern States	Value per \$1,000 of taxes paid of—		
	Federal expenditures	Loans closed	Loans insured		Federal expenditures	Loans closed	Loans insured
Delaware.....	\$243	\$12	\$41	Mississippi.....	\$4,589	\$2,718	\$262
Connecticut.....	437	46	76	North Dakota.....	3,780	931	65
New York.....	410	72	82	Arkansas.....	2,685	610	317
New Jersey.....	577	131	180	South Dakota.....	3,948	1,165	129
Maryland.....	495	96	137	Idaho.....	2,953	1,619	243
Rhode Island.....	630	73	94	Wyoming.....	3,185	961	377
Illinois.....	786	263	143	Alabama.....	2,533	923	181
Massachusetts.....	760	93	46	New Mexico.....	3,772	930	225
California.....	743	234	407	South Carolina.....	2,987	731	188
Michigan.....	928	125	342	Oklahoma.....	2,201	571	250
Average, 10 States.....	600.9	114.5	154.8	.....	3,263.3	1,117.9	223.7
United States.....	978	260	164	.....	978	260	164

14. This table suggests that the 10 Southern and Western States profited from Federal disbursements almost 5½ times as large relative to tax burdens as the 10 Northern States. The latter States received back amounts equal to about 60 percent of the taxes borne. In loans closed, the Southern and Western States received 10 times as much relative to taxes borne as the Northern States. But in loans insured the relative total was but 1½ times that of the Northern States.

*Federal tax payments and Federal expenditures, loans closed, and loans insured per \$1,000 of taxes paid, fiscal 1939*

State	Federal tax incidence (\$1,000)	Value, per \$1,000 of taxes paid, of—		
		Expenditures <sup>1</sup>	Loans closed <sup>2</sup>	Loans insured <sup>3</sup>
Alabama.....	40,293	2,533.12	922.72	181.37
Arizona.....	14,839	2,685.09	610.09	317.20
Arkansas.....	25,261	3,725.74	2,161.07	142.12
California.....	410,579	1,743.43	233.96	407.46
Colorado.....	42,207	1,827.49	368.90	181.60
Connecticut.....	123,017	436.83	46.17	76.48
Delaware.....	39,875	243.66	11.81	40.80
District of Columbia.....	51,866	1,579.07	82.79	74.89
Florida.....	81,869	821.04	242.16	273.31
Georgia.....	58,360	1,805.79	766.18	220.13
Idaho.....	12,405	2,953.33	1,618.62	243.05
Illinois.....	410,926	1,785.91	263.02	143.40
Indiana.....	102,132	1,059.25	261.04	264.50
Iowa.....	67,967	1,446.55	1,446.51	116.75
Kansas.....	41,918	1,956.82	546.57	215.92
Kentucky.....	54,106	1,749.23	322.63	163.16
Louisiana.....	55,925	1,783.46	585.19	173.23
Maine.....	33,585	761.87	125.32	39.47
Maryland.....	100,104	495.07	95.80	137.37
Massachusetts.....	246,797	759.86	92.98	45.77
Michigan.....	226,862	927.81	125.33	342.03
Minnesota.....	104,504	1,218.52	345.77	119.14
Mississippi.....	21,526	4,589.52	2,718.06	262.33
Missouri.....	135,085	1,221.02	234.04	147.50
Montana.....	19,881	3,061.42	1,421.81	103.11
Nebraska.....	36,332	1,966.31	1,109.38	152.87
Nevada.....	8,668	1,502.77	396.86	184.13
New Hampshire.....	20,297	887.72	247.62	77.55
New Jersey.....	236,584	577.45	131.38	179.66
New Mexico.....	10,289	3,772.48	929.54	225.00
New York.....	1,073,603	409.85	72.02	82.48
North Carolina.....	66,743	1,380.29	349.04	107.37
North Dakota.....	12,863	3,779.76	931.74	64.99
Ohio.....	306,565	1,060.05	106.70	151.05
Oklahoma.....	52,158	2,201.23	570.52	249.95
Oregon.....	37,345	1,575.10	588.81	204.45
Pennsylvania.....	473,808	731.55	75.21	97.18
Rhode Island.....	42,072	630.51	72.88	83.91
South Carolina.....	26,310	2,966.89	730.60	187.69
South Dakota.....	12,600	3,948.42	1,164.61	129.67
Tennessee.....	51,881	1,678.21	771.96	226.52
Texas.....	197,106	1,285.12	618.32	241.34
Utah.....	13,825	2,378.52	529.40	368.39
Vermont.....	11,980	1,331.19	401.83	103.42
Virginia.....	70,433	1,015.21	143.82	211.78
Washington.....	65,775	1,902.15	365.76	316.15
West Virginia.....	41,805	1,468.13	134.29	157.49
Wisconsin.....	115,887	1,101.99	188.91	99.06
Wyoming.....	8,387	3,185.05	981.28	376.65
Total United States <sup>4</sup> .....	5,515,225	978.23	290.48	164.29

<sup>1</sup> Includes expenditures for the Agricultural Adjustment Administration, the Farm Security Administration, the Soil Conservation Service, the land utilization program, agricultural experiment stations, agricultural extension work, colleges for agricultural and mechanical arts, forest funds, forest roads, the Public Roads Administration, the Civil Conservation Corps, Indian service work, the Bureau of Reclamation, the Public Buildings Administration, the Public Works Administration, the Work Projects Administration, the National Youth Administration, the Social Security Act, rivers, harbors and flood-control programs, Mineral Lease Act payments, vocational education and rehabilitation, the U. S. Employment Service, State marine schools, Federal Water Power Act payments, State homes for disabled soldiers and sailors, the National Guard, the Veterans' Administration, and the value of surplus agricultural commodities distributed.

<sup>2</sup> Includes loans closed by the Reconstruction Finance Corporation, the Farm Credit Administration, the Commodity Credit Corporation, the Farm Security Administration, the farm tenant-purchase program, the Rural Electrification Administration, the Public Works Administration, the Disaster Loan Corporation, the Federal Reserve Board, the Home Owners' Loan Corporation, and the U. S. Housing Authority.

<sup>3</sup> Includes loans insured by the Federal Housing Administration under title I and title II.

<sup>4</sup> Aside from rounding error, the detail should add to this total; it is for the continental United States excluding United States Territories.

Sources: See text.

*1939: Taxes borne and Federal disbursements*

15. Finally, I come to a breakdown for 1939 of Federal tax incidence and value, per thousand dollars of taxes paid, of expenditures, loans closed, and loans insured for New England, for the South Atlantic, and for the East South

Central States—as well as for the 10 richest and 10 poorest States. The New England States get back about two-thirds in expenditures, one-third in loans closed, and 37 percent insured as the country generally. Roughly the same percentages hold for the relation of the New England States and the South Atlantic States; but in relation to the East South Central, the percentages received back by New England are less than one-third, one-tenth, and less than one-third, respectively, than Federal expenditures, loans closed, and loans insured. In relation to 5 major Southern industrial States, New England received back in expenditures one-third as much relative to taxes borne, and Connecticut, Massachusetts, and Rhode Island received back only 21, 37 and 30 percent, respectively, as much as the Southern States.

16. The 10 richest States, with 43.5 percent of the income of the Nation, accounted for 49 percent of the tax incidence and received back only 59 and 51 percent as much in Federal expenditures and loans closed respectively in relation to taxes borne vis-a-vis the country's totals. The 10 poorest States accounted for 7.5 percent of the taxes, 9.6 percent of the income, and received back 2.3 as much relative to taxes borne in expenditures and 3.2 times in loans closed as the total for the country.

*Federal tax payments and Federal expenditures, loans closed, and loans insured per \$1,000 of taxes paid, fiscal 1939, New England, South Atlantic, and East-South-Central States*

State	Federal tax incidence (\$1,000)	Value, per \$1,000 of taxes paid, of—		
		Expenditures <sup>1</sup>	Loans closed <sup>2</sup>	Loans insured <sup>3</sup>
United States total <sup>4</sup> .....	5,515,225	978.23	260.48	164.29
New England.....	477,968	684.92	95.71	61.65
Connecticut.....	123,017	436.83	46.17	76.48
Maine.....	33,595	761.87	125.32	59.47
Massachusetts.....	246,797	759.86	92.98	45.77
New Hampshire.....	20,297	887.72	247.62	77.55
Rhode Island.....	42,072	630.51	72.88	93.91
Vermont.....	11,990	1,331.19	401.83	103.42
South Atlantic.....	485,499	995.25	273.66	173.44
Delaware.....	39,875	243.66	11.81	40.80
Florida.....	81,869	821.04	242.16	273.31
Georgia.....	58,360	1,805.79	766.18	220.13
Maryland.....	100,104	495.07	95.80	137.37
North Carolina.....	66,743	1,380.29	349.04	107.37
South Carolina.....	26,310	2,986.89	730.60	187.69
Virginia.....	70,433	1,015.21	143.82	211.78
West Virginia.....	41,805	1,468.13	134.29	157.49
East South Central.....	167,806	2,279.85	912.92	199.84
Alabama.....	40,293	2,533.12	922.72	181.37
Kentucky.....	54,106	1,749.23	322.63	163.16
Mississippi.....	21,526	4,589.52	2,718.06	262.33
Tennessee.....	51,881	1,678.21	771.96	226.52
10 richest.....	2,692,225	573.84	132.88	148.17
10 poorest.....	409,501	2,237.39	822.40	185.47

<sup>1</sup> Includes expenditures for the Agricultural Adjustment Administration, the Farm Security Administration, the Soil Conservation Service, the land utilization program, agricultural experiment stations, agricultural extension work, colleges for agricultural and mechanical arts, forest funds, forest roads, the Public Roads Administration, the Civil Conservation Corps, Indian service work, the Bureau of Reclamation, the Public Buildings Administration, the Public Works Administration, the Work Projects Administration, the National Youth Administration, the Social Security Act, rivers, harbors and flood-control programs, Mineral Lease Act payments, vocational education and rehabilitation, the U. S. Employment Service, State marine schools, Federal Water Power Act payments, State homes for disabled soldiers and sailors, the National Guard, the Veterans' Administration, and the value of surplus agricultural commodities distributed.

<sup>2</sup> Includes loans closed by the Reconstruction Finance Corporation, the Farm Credit Administration, the Commodity Credit Corporation, the Farm Security Administration, the farm tenant-purchase program, the Rural Electrification Administration, the Public Works Administration, the Disaster Loan Corporation, the Federal Reserve Board, the Home Owners' Loan Corporation, and the U. S. Housing Authority.

<sup>3</sup> Includes loans insured by the Federal Housing Administration under title I and title II.

<sup>4</sup> Aside from rounding error, the detail should add to this total; it is for the continental United States, excluding United States Territories.

Sources: see first table on 1939.

*A study of taxes and expenditures for 1952\**

17. Obviously a study of all expenditures, not merely grants and aids upon which we have concentrated so far, yields somewhat different conclusions than the more limited study. The broader study includes the large volume of market transactions—in particular Government purchases of goods and services. Since a large part of the purchases are manufactured products related to war, the incidence of these outlays is to be found primarily in the industrial States. Hence a broad analysis of Federal outlays reveals outlays more closely related to income, though still greatly exceeding tax contributions of the poorer States than a study restricted to grants and aids.

18. Outlays for natural resources tend to favor the sparsely populated and on the whole the poorer States, and this generalization holds also for highway outlays and assistance programs. The poorer States also profit disproportionately from Federal loans and even guaranties. But under insurance programs, and notably OASI and unemployment compensation, the wealthy States seem to profit from disbursements at least equal to their share of income. They gain disproportionately, then, from Government purchases inclusive of interest payments; at least proportionately from insurance programs; and lose heavily from the Government programs of grants and assistance, whether administered through State or local governments or paid directly to individuals. In a general way, it may be said that the richer States gain from market transactions and lose through grants and aids.

*Revenue incidence and Federal expenditures*

19. In the table below, Miss Mushkin and Miss Crowther compare the incidence of revenue and of expenditures. In their analysis they estimate expenditures on a benefit and an incidence basis. Under the former the criterion is who benefits from a program (e. g., under a military program it is assumed all share equally); under the latter criterion, the test is who gets the cash poured out by the Federal Government. On a Government contract, the relevant point would be where the item is produced.

20. Obviously, the results can only be roughly accurate; for all kinds of assumptions and estimates are involved. The crude figures for disbursements at least are accurate; they tell us amounts received by each State. The benefit disbursements require allocations according to benefits; the incidence figures tell us who profits from the disbursement, not necessarily where the contract is made.

21. In the table below, adapted from the Mushkin-Crowther study, the comparison is of revenues and intermediate expenditures—the latter an average of the benefit and incidence expenditures. It will be noted that whereas New England accounts for 8.08 percent of revenue, she receives but 6.175 percent of the expenditures. Maine alone of the New England States receives as much relatively as taxes borne.

22. The Middle East is roughly in the same position as New England, with the percentage of revenue exceeding that of expenditures by about one third. New York's revenue contributed exceeds that of its expenditures by 60 percent.

23. The Southeast and Southwest profit greatly. Their expenditure receipts exceed their revenues by 63 and 44 percent, respectively. Relatively, the Southeast's expenditure-revenue is more than twice that of New England. The ratio of expenditure receipts to revenues for the sparsely settled Northwest is 179 percent. In the Central States, with large segments both industrial and agricultural, revenues borne exceed Federal disbursements by 9 percent; and in the Far West, there is roughly a balance.

24. Variations in expenditures per capita are much greater than in revenues. In 1952, Federal tax burdens ranged from \$112 per capita in Mississippi to 9 times as much, or \$1,015, in Delaware. The range of benefit expenditures was from \$403 to \$573 per capita. In another survey where revenues and benefit expenditures are compared, the differences between New England and the Middle East, on the one hand, and the South, on the other, is much greater than in the comparison of revenues and the intermediate estimate (benefits and incidence averaged). But a comparison of revenue and expenditure on an incidence basis yields a somewhat smaller difference, the explanation being the large amounts of Federal contracts, accruing to the industrial States and reflected greatly in the incidence totals. But the ratio of expenditures to revenues for the Southeast vis-a-vis New England is still almost twice as great.

\* What follows in this section on 1952 is primarily based on statistical materials by Miss Mushkin and Miss Crowther (now in mimeographed form); but the arrangement and analyses is by S. E. H. I owe much to their study, which they kindly allowed me to use.

*Estimated incidence of Federal cash revenue and intermediate estimate of Federal expenditures, by State and region, fiscal year 1952*

State and region	Revenue incidence (millions) <sup>1</sup>	Intermediate expenditure estimate (millions) <sup>2</sup>	Excess revenues (+) or expenditures (-) (millions)	Percent distribution of excess of revenues <sup>3</sup>	Percent distribution	
					Revenue incidence	Estimated expenditures
Continental United States.....	\$67,274	\$66,660	\$613	100.0	100.000	100.000
New England.....	5,436	4,116	1,320		8.080	6.175
Connecticut.....	1,502	1,065	437	4.6	2.232	1.598
Maine.....	348	349	-1		.518	.523
Massachusetts.....	2,758	2,057	701	7.4	4.100	3.086
New Hampshire.....	229	185	44	.5	.341	.277
Rhode Island.....	458	332	126	1.3	.681	.498
Vermont.....	140	129	12	.1	.209	.193
Middle East.....	21,106	15,949	5,157		31.374	23.925
New York.....	10,672	6,623	4,048	42.5	15.863	9.936
Southeast.....	7,751	12,628	-4,877		11.522	18.945
Alabama.....	549	1,204	-655		.816	1.806
Georgia.....	828	1,292	-466		1.230	1.938
North Carolina.....	950	1,293	-343		1.412	1.939
South Carolina.....	404	889	-485		.601	1.334
Tennessee.....	740	1,499	-759		1.100	2.249
Southwest.....	3,783	5,430	-1,647		5.623	8.146
Texas.....	2,716	3,576	-860		4.038	5.368
Central.....	18,575	16,924	1,651		27.611	25.388
Illinois.....	5,089	3,610	1,479	15.5	7.565	5.416
Northwest.....	2,712	3,722	-1,010		4.032	5.583
Far West.....	7,911	7,891	20		11.759	11.838

<sup>1</sup> See Measurement of the Distribution of Federal Expenditures and Revenues, by State for explanatory notes on allocation of incidence among States.

<sup>2</sup> Based on table 1 (Mushkin-Crowther study) with total cash payments to the public adjusted to a Daily Treasury Statement basis.

<sup>3</sup> Represents the percentage distribution of positive amounts only shown in the column on excess incidence.

NOTE.—Amounts may not add to totals because of rounding.

**Tax Burdens**

25. The next table shows revenue burdens (somewhat more inclusive than taxes, for revenue per capita is \$435 and taxes \$412). The percent of United States average varies from 29 percent from Mississippi to 238 for Delaware. Whereas New England's revenue incidence is \$577 per capita and the Middle East \$583, the averages for the Southeast, Southwest, and Northwest are \$239, \$317, and \$332, respectively.

*Estimated per capita Federal revenue and tax incidence, by State and region, fiscal year 1952*

Region and State	Per capita revenue incidence		Region and State	Per capita revenue incidence	
	Amount	Percent of United States Average		Amount	Percent of United States average
Continental United States.....	\$435	100	Southeast.....	239	55
New England.....	577	133	Alabama.....	177	41
Connecticut.....	725	167	Georgia.....	236	54
Maine.....	390	90	North Carolina.....	228	52
Massachusetts.....	582	134	South Carolina.....	181	43
New Hampshire.....	430	99	Tennessee.....	226	52
Rhode Island.....	570	131	Southwest.....	317	73
Vermont.....	378	87	Texas.....	334	77
Middle East.....	583	134	Central.....	454	104
New York.....	711	163	Illinois.....	572	131
			Northwest.....	332	76
			Far West.....	510	117

26. In the next table, the material for States with incomes above average and those with incomes below average are given. The former (20 States) bore 72 percent of the burden of Federal revenues, but profited only from 57.3 to 61.5 percent of the expenditures, depending upon the manner of measuring expenditures. The 29 States with incomes below average accounted for 28 percent of the revenue burden and profited from 38.5 to 42.7 percent of expenditures. Relatively, the poor States received 75 percent more in relation to revenues contributed than the rich States. This division of States with above or below average income minimizes the differences. A comparison of such wealthy States as New York and Connecticut with such States as Alabama and Tennessee reveals much greater differences. An interesting point is that the 3 poorer New England States (New Hampshire, Vermont, and Maine) contribute \$717 million and receive back only \$670 million (the intermediate estimate). This is unusual for States with less than average income. Rhode Island, a State experiencing difficult transitional problems, pays out \$123 million, or 37 percent, more than she gets back. Connecticut and Massachusetts pay out \$1,103 million more than they receive back, and New England \$1,273 million.

*Estimated distribution of Federal expenditures (3 illustrative estimates) and revenue incidence, by State per capita income*

[Amounts in millions]

States ranked by 1951-52 per capita income	I. Intermediate illustration	II. Benefit illustration	III. Expenditure incidence illustration	Revenue incidence
Percent distribution of expenditures and revenues				
Percent of continental United States. ....	100.0	100.0	100.0	100.0
States with income above United States average.	59.8	57.3	61.5	72.0
States with incomes below United States average.	40.2	42.7	38.5	28.0
States with per capita income above United States average				
20 States, total. ....	\$40,325	\$39,188	\$40,866	\$48,455
Selected States:				
Delaware. ....	166	149	181	349
Connecticut. ....	1,077	852	1,278	1,502
New York. ....	6,698	6,578	6,421	10,672
Illinois. ....	3,651	3,745	3,462	5,089
Massachusetts. ....	2,080	2,096	2,016	2,758
Rhode Island. ....	335	357	308	453
States with per capita income below United States average				
29 States, total. ....	\$27,085	\$29,188	\$25,585	\$18,817
Selected States:				
New Hampshire. ....	187	229	146	229
Texas. ....	3,617	3,721	3,593	2,716
Idaho. ....	279	315	247	161
Maine. ....	353	380	330	348
Vermont. ....	130	161	103	140
Georgia. ....	1,307	1,519	1,150	828
Tennessee. ....	1,516	1,510	1,569	740
South Carolina. ....	899	915	920	404
North Carolina. ....	1,307	1,676	1,001	950
Alabama. ....	1,218	1,387	1,099	549
Mississippi. ....	757	968	585	275

*Distribution of Federal payments by types*

27. Federal income payments as classified by the Department of Commerce exclude purchases of goods and services. The table below suggests that New England's share of Federal income payments roughly corresponds to its share

of income; but these Federal payments are much below (4⅓ percent of the total) its income share (6½ percent) of military and civilian pay and somewhat above in payments from trust funds and other. In general, Federal income payments are heavy for the Southeast. Thus, though her share of income is about twice that of New England, her share of these Federal income payments is 3½ times as great; and the Southwest, with about the same percentage of income as New England, receives about 80 percent more in these payments.

*Federal Government income payments, calendar year 1952<sup>1</sup>*

[In millions]

State and region	Total Federal income payments	Military and civilian pay <sup>2</sup>	Payments from trust funds and other <sup>3</sup>	Public assistance grants <sup>4</sup>
Continental United States.....	\$27,282.5	\$12,741.0	\$13,288.2	\$1,253.3
New England.....	1,606.7	593.4	936.9	76.4
Connecticut.....	242.2	54.0	178.8	9.4
Maine.....	171.3	82.4	81.3	7.6
Massachusetts.....	907.8	355.2	505.0	47.6
New Hampshire.....	69.7	16.2	50.0	3.5
Rhode Island.....	164.5	70.7	88.4	5.4
Vermont.....	51.2	14.9	33.4	2.9
Middle East.....	6,999.0	3,295.0	3,514.8	189.2
New York.....	2,509.3	908.1	1,503.8	97.4
Southeast.....	5,509.5	2,811.7	2,412.3	285.5
Alabama.....	543.4	257.7	261.6	24.1
Georgia.....	638.7	358.8	244.5	35.4
North Carolina.....	475.5	206.1	247.0	22.4
South Carolina.....	349.7	189.0	145.7	15.0
Tennessee.....	482.9	203.5	252.6	26.8
Southwest.....	2,290.8	1,268.2	888.3	134.3
Texas.....	1,499.4	843.9	583.7	71.8
Central.....	5,653.1	1,865.8	3,483.4	308.9
Illinois.....	1,359.4	538.1	765.2	56.1
Northwest.....	1,517.5	739.8	699.0	78.7
Far West.....	3,705.9	2,167.1	1,353.5	185.3

<sup>1</sup> All figures are from Office of Business Economics, Department of Commerce, except those on public assistance, which are from Social Security Bulletin, September 1953, p. 61.

<sup>2</sup> Includes net military pay and gross wages and salaries of civilian employees less contributions for disability insurance and retirement.

<sup>3</sup> Includes interest payments to individuals, benefits paid from social insurance trust funds (old-age and survivors insurance, railroad retirement, railroad unemployment insurance, railroad cash sickness, civil service and other Federal retirement programs, State unemployment insurance), veterans' subsistence, interest payments on veterans' loans, military reserve pay, adjusted service bonds, military retirement pay, allowances and allotments, mustering out pay, terminal leave pay, national service life insurance special dividends, payments by War Claims Commission, veterans' indemnity payments, and payments to farmers (Federal payments classified by the Office of Business Economics as income to self-employed farmers, including some \$30 million classified as rental income).

<sup>4</sup> Includes Federal share for assistance and administration of old-age assistance, aid to dependent children, aid to the blind, aid to the permanently and totally disabled, and general assistance programs.

28. A table giving the facts for military procurement and construction contracts further clarifies the issues. In this field—and especially for the years 1950-54 (July 1950-March 1954)—New England's experience has been satisfactory. She received 8 percent, or \$8.1 billion, of \$101 billion of military procurement and construction contracts. Here her total exceeds the Southeast by almost 20 percent and the Southwest by about two-thirds. Connecticut, in particular, is in a favorable position. Her receipts amount to 4.3 percent of the Nation's total as compared to but 2.6 percent for Massachusetts. (In Federal Government income payments, Connecticut's proportion was 0.9 percent and Massachusetts 3.0 percent.)

*Value of military procurement and construction contracts (prime contracts) awarded in the United States, by region and State, fiscal year 1952, and July 1950-March 1954*

Region and State	Fiscal year 1952				July 1950-March 1954			
	Amount (in thousands) <sup>1</sup>	Percent distribution <sup>2</sup>	Per capita		Amount (in thousands) <sup>4</sup>	Percent distribution <sup>2</sup>	Per capita	
			Amount	Rank			Amount	Rank
Total awarded, continental United States	\$42,000,815	-----	-----	-----	\$110,249,786	-----	-----	-----
New England	2,263,008	5.9	\$240	-----	8,101,816	8.0	\$860	-----
Connecticut	963,354	2.5	465	4	4,302,010	4.3	2,076	1
Maine	138,697	.4	155	20	368,611	.4	413	20
Massachusetts	920,378	2.4	194	14	2,651,660	2.6	559	16
New Hampshire	62,755	.2	118	24	198,332	.2	372	23
Rhode Island	146,035	.4	182	16	467,234	.5	581	14
Vermont	31,789	.1	85	29	113,969	.1	306	26
Middle East	11,579,166	30.2	320	-----	28,846,545	28.6	797	-----
New York	6,246,809	16.3	416	6	15,629,984	15.5	1,041	7
Southeast	2,594,944	6.8	80	-----	6,857,676	6.8	211	-----
Alabama	217,975	.6	70	32	598,563	.6	193	34
Georgia	245,301	.6	70	33	1,337,140	1.3	382	22
North Carolina	427,963	1.1	103	25	862,430	.9	207	33
South Carolina	177,982	.5	82	30	385,586	.4	178	35
Tennessee	296,273	.8	90	28	722,924	.7	220	32
Southwest	1,443,835	3.8	121	-----	4,787,285	4.7	401	-----
Texas	1,298,475	3.4	160	19	3,500,878	3.5	431	19
Central	13,197,947	34.4	323	-----	30,408,824	30.1	744	-----
Illinois	1,733,937	4.5	195	13	4,913,670	4.9	552	17
Northwest	592,624	1.5	73	-----	3,035,288	3.0	371	-----
Far West	6,657,365	17.4	430	-----	18,899,332	18.7	1,219	-----

<sup>1</sup> Data from Munitions Board Report 3B, Oct. 15, 1952; Military Prime Contracts, by State, July 1950-June 1952.  
<sup>2</sup> Amounts may not add to totals because of rounding.  
<sup>3</sup> Based on average of Census Bureau estimates of population (Series P-25, No. 84) for July 1, 1951, and July 1, 1952.  
<sup>4</sup> Data from Department of Defense, Office of Assistant Secretary of Defense (Supply and Logistics), July 15, 1954; Military Prime Contracts, by State, July 1950-March 1954, table 1.  
<sup>5</sup> Less than 0.05 percent.

29. For Walsh-Healey contracts (military items are excluded) New England's record is even better. She accounts for 12.7 percent of \$11 billion of these contracts for 1952, with Connecticut capturing 5.8 percent, Massachusetts 4.3 percent, and Rhode Island and Maine each 1 percent.

*Unclassified contracts awarded subject to the Walsh-Healey Public Contracts Act during fiscal year 1952, by State and region of manufacture*

Region and State	Amount <sup>1</sup> (in thousands)	Percent <sup>2</sup>	Per capita <sup>3</sup>	
			Amount	Rank
Continental United States .....	\$10,966,552	100.0	\$71	-----
New England .....	1,396,431	12.7	148	-----
Connecticut .....	637,679	5.8	308	1
Maine .....	107,727	1.0	121	5
Massachusetts .....	473,729	4.3	100	8
New Hampshire .....	55,677	.5	104	7
Rhode Island .....	108,847	1.0	135	4
Vermont .....	12,772	.1	34	30
Middle East .....	3,079,344	28.1	85	-----
New York .....	1,178,352	10.7	78	13
Southeast .....	1,220,529	11.1	38	-----
Alabama .....	104,397	1.0	34	29
Georgia .....	128,988	1.2	37	25
North Carolina .....	126,875	1.2	30	31
South Carolina .....	124,522	1.1	57	18
Tennessee .....	171,366	1.6	52	20
Southwest .....	304,611	2.8	26	-----
Texas .....	219,657	2.0	27	35
Central .....	3,781,107	34.5	92	-----
Illinois .....	787,500	7.2	89	9
Northwest .....	131,144	1.2	16	-----
Far West .....	1,053,386	9.6	68	-----

<sup>1</sup> Data from U. S. Department of Labor, 1952 Annual Report of the Wage and Hour and Public Contracts Divisions, pp. 61-62.

<sup>2</sup> Amounts may not add to totals because of rounding.

<sup>3</sup> Based on average of Census Bureau estimates of population (Series P-25, No. 84) for July 1, 1951, and July 1, 1952.

30. Once the measurements are based on the place of production rather than that of the consummation of contract, the concentration of business is greatly reduced. New England's share is reduced from 8 (military prime) and 12.7 (Walsh-Healey) to 7.5 percent. The reduction is large for Connecticut, and Massachusetts gains. Large relative gains are to be noted for the Southeast (6.8 and 11.1, respectively, to 11.5) and the Southwest. New York loses substantially.

*Percentage distribution of Federal contract awards and estimated production impact of military purchases, by region and State*

Region and State	Military prime contracts, 1950-54	Contracts under Walsh-Healey Act, 1952	Estimated military purchases, 1952
Continental United States.....	100.0	100.0	100.0
New England.....	8.0	12.7	7.5
Connecticut.....	4.3	5.8	3.2
Maine.....	.4	1.0	.5
Massachusetts.....	2.6	4.3	3.2
New Hampshire.....	.2	.5	.2
Rhode Island.....	.5	1.0	.4
Vermont.....	.1	.1	.1
Middle East.....	28.6	28.1	26.1
New York.....	15.5	10.7	10.1
Southeast.....	6.8	11.1	11.5
Alabama.....	.6	1.0	1.4
Georgia.....	1.3	1.2	1.1
North Carolina.....	.9	1.2	1.0
South Carolina.....	.4	1.1	.5
Tennessee.....	.7	1.6	1.3
Southwest.....	4.7	2.8	6.2
Texas.....	3.5	2.0	4.6
Central.....	30.1	34.5	31.7
Illinois.....	4.9	7.2	5.7
Northwest.....	3.0	1.2	3.9
Far West.....	18.7	9.6	13.1

NOTE.—Amounts may not add to totals because of rounding.

31. Finally, we present a table which shows Federal grants to States and localities for 1949-51. More than \$2 billion are distributed. The amounts tend to be larger on a per capita basis as incomes decline; \$13.01 for the high-income group, \$15.65 for the middle-income group, and \$17.56 for the low-income group. In relation to income, the differences are even greater. But results vary for different States. Thus, Nevada, a high-income State, received 2.2 percent of income, Connecticut 0.6 percent, Massachusetts 0.9 percent. In the low-income group, Mississippi received 2.4 percent and Vermont 1.3 percent. For assistance payments, the largest item included, the percentage of income varied from 0.4 percent for New Jersey to 2.8 percent for Louisiana.

*Per capita Federal grants to States and localities, by State and purpose, fiscal year 1952<sup>1</sup>*

States ranked by 1949-51 per capita income	Average per capita income, 1949-51	Per capita grants						
		Total	Assistance payments and administration <sup>2</sup>	Employment security administration <sup>3</sup>	Health services <sup>4</sup>	Other welfare services <sup>5</sup>	Educa-tion <sup>6</sup>	All other <sup>7</sup>
Continental United States	\$1,449	\$14.94	\$7.63	\$1.18	\$1.16	\$0.72	\$0.71	\$3.54
High-income group		13.01	6.92	1.47	.72	.53	.61	2.77
New York	1,871	10.85	5.94	1.87	.42	.42	.17	2.03
Connecticut	1,792	10.85	4.97	1.37	.81	.66	.41	2.63
Illinois	1,771	11.65	6.05	1.06	.65	.53	.52	2.84
Massachusetts	1,696	14.02	9.12	1.78	.76	.49	.22	2.55
Rhode Island	1,554	17.72	6.66	2.22	1.60	.61	.85	5.78
Middle-income group		15.65	7.68	1.01	1.21	.67	.72	4.35
New Hampshire	1,319	15.29	5.80	1.81	1.60	.74	.59	4.75
Texas	1,296	17.83	8.37	.85	1.45	.71	.98	5.48
Low-income group		17.56	8.84	.87	1.87	1.14	.88	3.96
Vermont	1,208	16.26	7.66	1.23	1.44	1.05	.69	4.18
Maine	1,197	16.95	8.29	1.23	1.64	.75	.57	4.47
Georgia	978	19.00	9.66	.81	1.96	1.34	1.63	3.61
Tennessee	965	14.78	7.62	.88	1.42	1.17	.41	3.28
North Carolina	953	12.56	4.99	.83	1.80	1.17	.46	3.32
South Carolina	877	15.43	6.42	1.11	2.18	1.38	.69	3.66
Alabama	853	16.14	7.64	.88	2.39	1.34	.51	3.37

<sup>1</sup> From Social Security Bulletin, June 1953.

<sup>2</sup> Old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled.

<sup>3</sup> Unemployment insurance and employment service administration.

<sup>4</sup> Maternal and child health services, services for crippled children, general public health services, venereal disease, tuberculosis, heart disease, and cancer control, mental health activities, hospital survey and construction, and water pollution control.

<sup>5</sup> Child welfare services, vocational rehabilitation, State and Territorial homes for disabled soldiers and sailors, and school-lunch program.

<sup>6</sup> Colleges for agriculture and mechanic arts, vocational education, education of the blind, State marine schools, school survey and construction, and maintenance and operation of schools in certain areas.

<sup>7</sup> Agricultural experiment stations and extension work, cooperative projects in marketing, forestry cooperation, removal of surplus agricultural commodities, commodities donated by the Commodity Credit Corporation, wildlife restoration, annual contributions to public housing agencies, Federal airport program, regular and emergency highway construction, and civil defense grants.

**Federal disbursements and national income, 1954**

32. In a master table for 1954, we have compared Federal disbursements in New England relative to New England's income and relative to her Federal tax burden; and the disbursements relative to tax burdens for New England in comparison with similar ratios for the United States, South Atlantic and East South Central States, and New York, as an example of an additional Northern State. In this study, I include the total of each of 8 categories, inclusive of the smaller items, but comparisons of individual programs are limited to the 75 costing \$10 million or more in 1954. The original material includes 140 programs. In this master table, I also compare the disbursements in the 10 richest and the 10 poorest States, both relative to incomes and taxes borne.

33. Here are some of the results to be gleaned from this master table.

*Federal disbursements in New England as a percentage of New England's income.*—In 18 out of 75 programs, New England gains in excess of its proportion of income. In the category totals, percentage of disbursements exceeds percentage of income only in 2A (grants and payments to individuals) and 2D (non-tax-financed Federal insurance).

*Programs costing more than \$10 million, New England's share in Federal disbursements and in the national income, 1954*

	<i>Percentage share in Federal disbursements was greater than percentage share in national income in NI—</i>
Aid to States and local government.....	8 out of 25 programs.
Loans to States and local government.....	0 out of 1 program.
Projects within States.....	0 out of 8 programs.
Grants and payments to individuals and groups.....	4 out of 13 programs.
Loans to individuals and groups.....	0 out of 8 programs.
Loan guaranties and insurance.....	0 out of 1 program.
Non-tax-financed insurance payments.....	1 out of 1 program.
Salaries, services, and procurement.....	5 out of 18 programs.

34. For category 1A (grants to States and local units), New England received in Federal disbursements only 81 percent as much as might be expected from her relative income. The total amount spent by the Federal Government in this category was close to \$4 billion.

35. Under the Federal highway program (\$532 million), New England received only 72.1 percent of what might be expected on the basis of her relative income; from old-age assistance (\$957 million program), 88 percent; from grants for aid to dependent children (\$360 million), New England's relative receipts were 75 percent. The only substantial programs in this category where New England received amounts in excess of her relative income position was the annual contributions to State and local authorities of the Public Housing Administration (\$37 million program), with New England receiving 161 percent relative to her income position; and the grants to States of the Bureau of Employment (\$198 million program), where New England received 120 percent of the amount suggested by relative income.

35a. Under 1B (loans to State and local authorities), New England again does not fare too well. Its relative share of loans in slum clearance is 47 percent (again, 100 is the figure suggested by relative income).

36. Of the 8 projects listed under 1C (projects within States) and accounting for \$944 million, New England's total is only 9 percent in relation to her relative income, or one-eleventh of what might be expected from relative income. (New England received six-tenths of 1 percent of disbursements.) Under the largest program in this category (civil projects of Army Corps of Engineers), accounting for \$532 million, New England received 0.62 percent, or 9 percent of the amount expected from her relative income.

37. In category 2A, New England profited from disbursements in only 4 out of 13 programs in amounts exceeding her share of national income. But for the whole category (total grants and payments to individuals and groups) Federal disbursements were \$9,824 million and New England received 112 percent of the amount indicated by her relative income.

38. The explanation of these favorable results for New England lie largely in the importance of insurance programs—the high incomes and wide coverage in old-age and survivors insurance (OASI), the wide coverage under unemployment insurance (and high incidence of unemployment), and relatively large veterans pensions are relevant here.

Program	Amount of disbursements (millions)	New England receipts, percent of total	Percent received by New England relative to New England's relative income
Veterans' Administration pensions.....	\$2,368	7.25	109.5
Bureau of Employment Security: Withdrawals by States.....	2,015	7.68	116.0
Bureau of Old-Age and Survivors Insurance: Benefits paid....	3,633	9.11	117.7

39. The largest relative gains of New England in this category are to be found in the item "Public Health Services, National Institute of Health fellowships, grants, and trainee rewards." New England's share relative to her relative income is 251 percent. The program of \$43 million is a small one, but New England's favorable position is explained by her eminence in education and health.

In other important programs, railroad retirement, unemployment and other benefits (\$648 million), conservation program payments to farmers (\$172 million), veterans' benefits, readjustment benefits under Public Laws 364 and 500 (\$574 million), New England's share was relatively low compared to her share of income—52, 24, and 77 percent, respectively.

40. I repeat that New England's favorable position in this category is explained primarily by insurance programs where an industrial region profits (?) from higher coverage and more unemployment. The payments are related more directly to what is paid in than is true generally of Federal disbursements.

41. In category 2B (loans to individuals and groups), which amounted to \$6,173,000,000 in 1954, New England's share was but 1.26 percent. In every instance New England's record was poor. Thus in the 5 major programs, VA direct loans to veterans (\$118 million), Farm Credit Administration, loans closed by agencies under FCA (\$2,158,000,000), Rural Electrification loans (\$236 million), Department of Agriculture, Farmers' Home Administration direct loans (\$280 million), and Commodity Credit Corporation nonrecourse loans (\$3,305,000,000), New England's share relative to her ratio of income was 24, 47, 1, 27, and 1 percent, respectively.

42. Under 2C (loans guaranteed and insured), the amounts involved were \$4,934,000,000. New England received 90 percent of the amount indicated by her relative income. For the VA guarantee of loans to veterans (\$1,855,000,000), New England's share on this criterion was 120 percent; but of the housing loans insured by the Housing Administration (\$3,069,000,000), New England received but 60 percent of the amounts suggested.

43. Of \$3,663,000,000 paid out in salaries by the Federal Government (category 3A), New England received 88 percent as much as is indicated by her relative income. The percentages vary from 3 percent (agricultural research) to 130 percent (Army National Guard payments). For the largest item, Post Office, mail delivery and collection (\$1,619,000,000), New England's relative percentage was 105.

44. For the \$17.8 billion of expenditures in all, New England received 6.36 percent, or 96 percent of the amounts indicated by her income. Without insurance payments, New England's share is, of course, much smaller, and notably in grants to State and local governments and projects within States.

45. Of the \$6.2 billion of loans closed, New England's share was especially low—19 percent of the expected level. Of the \$4,934 million loans insured, New England received 90 percent of the total expected.

*Disbursements in relation to taxes borne*

46. A table below summarizes the relation of New England to the United States. For 75 substantial programs the ratio of Federal disbursements in New England per \$1,000 of taxes exceeds that of the Nation in only 6 programs, is 25 percent or less below the national ratio for 16 programs, 25 to 50 percent less for 16 programs, and more than 50 percent less for 37 programs.

*Programs costing more than \$10 million, Federal disbursements per \$1,000 of taxes—New England and United States*

	Federal disbursements in New England per \$1,000 of taxes were—			
	More than those in United States	Less than those in United States by—		
		25 percent or less	26-50 percent	51 percent or more
Aid to States and local government.....	2	8	8	7
Loans to States and local government.....			1	
Projects within States.....			1	9
Grants and payments to individuals and groups.....	2	2	3	6
Loans to individuals and groups.....				8
Loan guaranties and insurance.....	1		1	
Non-tax-financed insurance payments.....		1		
Salaries, services, and procurement.....	2	5	2	9
Additions of above.....	7	16	16	39

47. Since New England's Federal tax burden as a percentage of the national tax burden exceeds her percentage of the national income, it would be expected that a comparison of Federal disbursements in New England relative to New England's tax burdens in the Nation would show an even less favorable position for New England than was revealed in the earlier comparisons of disbursements on the basis of relative incomes.

48. Hence the percentages in column 4 of the master table are invariably lower than those in column 3. The only instances under 1A (grants to States and localities) where a percentage in excess of 100 is revealed for New England is housing, annual contributions to State and local authorities (138 percent) and Bureau of Employment Security, grants to States (103 percent). For all grants to States and localities, New England's percentage, as indicated by the ratio of Federal disbursements in New England to taxes borne by New England, is only 69.

49. The only large program where on this criterion New England shows a percentage in excess of that suggested by the relation of disbursements and taxes borne are benefits paid under OASI (118 percent).

50. On the basis of comparisons of disbursements and taxes, New England also receives more than 100 percent in the category Housing loans (120). But for all loans her total is reduced to 77 percent. In the salary category, her percentage for the total on this criterion is 75, and only in VA construction, etc., of hospital and domiciliary facilities and Army National Guard is a figure in excess of 100 percent reached (109 and 111, respectively).

51. For all expenditures, the percentage is 82 percent of what would be expected on the basis of disbursements in New England relatively to taxes borne: for loans closed, 16 percent; and for loans insured, 77 percent. Allow me to add that the relative disbursements to taxes borne is higher in this year for New England than over a longer span.

*Taxes and disbursements, comparison of New England, the Nation, and the South*

52. Useful comparisons are those between New England, on the one hand, and the South Atlantic and the East South Central States, on the other. Again, the comparison is of Federal disbursements received and taxes borne. In relation to the South Atlantic States, New England's receipts relative to taxes borne are less than the South Atlantic's in 69 out of 75 instances. In 46 programs the figure for New England is more than 50 percent below that of the South Atlantic States. In relation to the East South Central States, New England's percentage is higher in only 3 out of 75 instances and more than 50 percent less in 57 instances.)

*Programs costing more than \$10 million, Federal disbursements per \$1,000 of taxes—New England and South Atlantic*

	Federal disbursements in New England per \$1,000 of taxes were—			
	More than those in South Atlantic	Less than those in South Atlantic by—		
		25 percent or less	26-50 percent	51 percent or more
Aid to States and local government .....		3	5	16
Loans to States and local government .....	1			
Projects within States .....			1	5
Grants and payments to individuals and groups .....	3		2	7
Loans to individuals and groups .....				8
Loan guaranties and insurance .....	1			1
Nontax financed insurance payments .....			1	
Salaries, services, and procurement .....	1	3	5	9
Additions of above .....	6	6	14	45

*Programs costing more than \$10 million, Federal disbursements per \$1,000 of taxes—New England and East South Central*

	Federal disbursements in New England per \$1,000 of taxes were—			
	More than those in East South Central	Less than those in East South Central by—		
		25 percent or less	26-50 percent	51 percent or more
Aid to States and local government.....			4	20
Loans to States and local government.....				1
Projects within States.....				6
Grants and payments to individuals and groups.....	1	1	1	8
Loans to individuals and groups.....				8
Loan guaranties and insurance.....	1		1	2
Nontax financed insurance payments.....				1
Salaries, services and procurement.....	1		4	11
Additions of above.....	3	1	10	57

53. It is only necessary to show the relation of disbursements to taxes borne for New England relative to the other two groups of States. (A total of 100 means that New England's receipts from Federal disbursements relative to taxes borne are equal to those of the other section; a score of 50, that New England receives only half as much relatively.)

*Disbursements in re taxes, 1954*

	Amounts involved	New England in re—			New York in re United States
		United States	South Atlantic	East South Central	
	<i>Millions</i>				
1. Grants to States and local units.....	\$2,958	69	49	28	44
2. Projects within States.....	944	8	13	3	6
3. Grants and payments to individuals.....	9,824	95	83	53	72
4. Total expenditures.....	17,799	82	68	37	63
5. Total loans closed.....	6,193	16	17	6	10
6. Loans insured.....	4,934	77	74	67	69

54. It is clear that New England received much less back for each dollar of taxes paid than the Southern States; and if the insurance payments are eliminated, the differences are striking. See, for example, rows 1 and 2 which give the major expenditures other than salaries and payments to individuals (largely insurance). Rows 1 and 2 are, in fact, the genuine Federal subsidies. New England's relative position is especially unfavorable in the Federal loan categories. In relation to taxes borne, she receives back out one-sixth as much as the Nation and the South Atlantic States and one-sixteenth as much as the East South Central States. In other words, the South and West are being built up with a considerable use of Federal funds.

*New York*

55. Perhaps a word should be said about other Northern States. In the last table, I inserted figures for New York State. It will be noted that Federal disbursements in New York relative to taxes borne are even lower relative to the national ratio than for New England relative to the national. For grants to States and local units, the New York figures is 44 percent as compared with 69 for New England; for grants and payments to individuals, 72 as compared with 95 for New England; and for all expenditures, 63 as against 82. The explanation is partly higher incomes in New York and a heavier tax burden.

56. In some of the important programs, the percentage for New York varies from that for New England to an extent that suggests smaller or larger participation in a particular program—aside from the differences in tax burdens. As might be expected, the relevant figure for removal of surplus commodities was 42 (91 for New England); for highways, 36 (62 for New England); for old-age

assistance, only 29 (75 for New England) ; for dependent children, 71 (64 for New England) ; for VA pensions, 59 (94 for New England) ; for Railroad Retirement benefits, 47 (44 for New England) ; for Employment Security benefits, 91 (New England, 91) ; for OASI, 78 (New England, 118) ; for postal collections, etc., 100 (New England, 89).

*Disbursements in New York per thousand dollars of taxes as a percentage of that in the United States*

[Programs costing more than \$25 million]

	<i>Program</i>	<i>Percent</i>
A3	Public housing contribution.....	58.6
A5	Agricultural extension work.....	16.7
A7	Department of Agriculture school-lunch program.....	38.2
A8	Department of Agriculture surplus commodities.....	42.0
A10	Aid highways.....	36.3
A12	School districts grants.....	17.6
A13	School construction.....	15.3
A16	Hospital construction.....	25.0
A17	Old-age assistance.....	29.3
A18	Department of Health grants for disabled.....	138.8
A19	Department of Health grants to blind.....	34.5
A20	Department of Health aid to dependent children.....	71.0
A23	Payments from mineral leasing.....	N. Y.-nil
A25	Employment security grants.....	95.2
Total aid to State and local government.....		<u>43.9</u>
C2	Army Corps of Engineers, civil projects.....	8.1
C3	Bonneville Power Administration.....	0.0
C4	Reclamation.....	0.0
C5	National park maintenance.....	7.7
C6	National forest maintenance.....	0.0
C7	Forest roads and trails.....	0.0
C8	Soil conservation.....	14.3
Total projects within States.....		<u>5.9</u>
D1	Veterans' Administration readjustment benefits.....	49.0
D2	Veterans' Administration vocational rehabilitation.....	45.3
D3	Pensions.....	58.5
D4	Railroad Retirement Board, various benefits.....	46.8
D5	Agricultural conservation program.....	14.1
D6	Commodity stabilization, sugar.....	0.0
D7	Agricultural disaster emergency funds.....	0.0
D8	National institutes of Health, fellowships, etc.....	104.4
D9	Bureau of Labor, payments to veterans.....	30.1
D10	Withdrawals payroll insurance fund.....	90.6
D11	Commodity stabilization.....	3.5
D12	Maritime Administration.....	411.2
D13	Old-age benefits.....	77.6
Total grants and payments to individuals and groups.....		<u>72.9</u>
E1	SBA regular loans.....	31.0
E2	Veterans' Administration direct loans.....	8.1
E3	Loans under FCA.....	15.0
E4	Loans under REA.....	0.0
E5	Loans under Farmers' Home Administration.....	7.7
E6	Loans under CCC (nonrecourse).....	2.6
E8	Housing loans for educational institutes).....	83.6
Total loans to individuals and groups.....		<u>7.8</u>
F1	Veterans' Administration private loans.....	92.2
F2	FHA mortgages insured.....	54.7
Total loan guaranties and insurance.....		<u>68.7</u>

*Disbursements in New York per thousand dollars of taxes as a percentage of that in the United States—Continued*

[Programs costing more than \$25 million]

	<i>Program</i>	<i>Percent</i>
G1	Veterans' Administration life insurance.....	57.5
	Total nontax financed insurance payments.....	57.5
H1	Advisory Committee on Aeronautics, supplies.....	0.0
H2	Advisory Committee on Aeronautics, salaries.....	0.0
H3	Veterans' Administration administrative expenses and salaries.....	57.0
H4	Veterans' Administration hospital construction and facilities.....	28.0
H5	TVA procurement.....	47.0
H6	Salaries.....	0.0
H7	Agricultural Research Service, expenses and salaries.....	5.1
H10	Forest pest control, etc.....	0.0
H11	Air National Guard.....	64.2
H12	Army National Guard.....	46.7
H13	Public Health Service.....	60.3
H14	Compensation of postmasters.....	35.3
H15	Post Office maintenance, etc.....	126.8
H16	Mail delivery, etc.....	99.6
H17	Ship construction.....	0.0
H18	Bureau of Old Age Insurance, expenses and salaries.....	60.0
	Total salaries, services, and procurement.....	70.0
EX	Total expenditures.....	63.2
LC	Loans closed.....	9.8
LI	Total loans insured.....	68.7

*Ten richest and ten poorest States*

57. For the year 1954, the 10 richest States profited from Federal disbursements in relation to the 10 poorest States as follows: 240 percent as much from expenditures, 77 percent in loans closed, and 548 percent in loans insured. But since the income of the rich States was more than 4 times that of the poor States, when disbursements are related to incomes, the respective figures become 58, 19, and 132; and when related to taxes borne, 42, 14, and 97 percent are the totals. In other words, the richest States received only two-fifths as much from Federal expenditures and one-seventh in loans closed as might be indicated by relative taxes borne. The rich States, primarily States in the Northeast and the Middle West, receive relatively little compared to what they pay in.

58. That the richest States get back much less than they put in might be expected. Of 75 programs, in only 3 (aside from 1 guarantee program) to the receipts exceed the taxes borne relatively; and these are unimportant programs.

59. Here are some details on important programs and totals which underline these conclusions.

*Ten richest and ten poorest States:<sup>1</sup> Percentage of former to latter, relative disbursements and in relation to taxes borne and income, 1954*

Program	Amounts (millions)	Disbursements, 10 richest	Disbursements, relative to taxes, 10 richest	Disbursements, relative to income, 10 richest
		Disbursements, 10 poorest	Ibid., 10 poorest	Ibid., 10 poorest
<b>Grants:</b>				
Highways.....	532	168	30	41
School construction.....	104	154	27	37
Old-age assistance.....	957	159	28	38
Permanently disabled.....	74	148	26	36
Dependent children.....	360	160	28	39
Employment security.....	198	375	66	90
Projects within States.....	944	178	32	43
<b>Grants and payments to individuals:</b>				
Veterans' Administration pensions.....	2,369	204	36	49
Withdrawals: Employment security.....	2,015	419	74	101
Old-age and survivors insurance.....	3,633	443	78	107
All grants to individuals and groups.....	9,824	295	52	71
<b>Loans—Guarantees and insurance:</b>				
Veterans' Administration private.....	1,855	594	105	143
FHA.....	3,069	530	94	128
Salaries.....	3,664	219	39	53
All expenditures.....	17,799	240	42	58
All loans closed.....	6,193	77	14	19
Loans—insured, etc.....	4,934	548	97	132

<sup>1</sup> See master table for listing of these States.

60. In a table which follows we compare the totals for 1953 and 1954 as well as the figures for the more important programs. It will be noted that though there are differences in the 2 years for the individual programs the summary figures show relatively small differences in the 2 years.

*Programs costing more than \$25 million, the ratio of disbursements in New England per thousand dollars of taxes to that in the United States, 1953 and 1954*

$$\left( \left[ \frac{\text{Disbursements}}{\$1,000 \text{ taxes}} \right] \text{ New England} + \left[ \frac{\text{Disbursements}}{\$1,000 \text{ taxes}} \right] \text{ United States} \right)$$

Program	1953	1954
A3 Public housing contribution.....	(1.4194)	1.3793
A5 Agricultural extension work.....	.4167	.4167
A7 Department of Agriculture, school-lunch program.....	.5968	.6016
A8 Department of Agriculture, surplus commodities.....	.6765	.9076
A10 Aid highways.....	.6451	.6168
A12 School districts grants.....	.5657	.6471
A13 School construction.....	.2951	.1288
A16 Hospital construction.....	.4970	.4848
A17 Old-age assistance.....	.8062	.7327
A18 Department of Health, grants for disabled.....	.7283	.8969
A19 Department of Health, grants to blind.....	.4902	.5000
A20 Department of Health, aid to dependent children.....	.6705	.6431
A23 Payments from mineral leasing.....	NE = 0	NE = 0
A25 Employment security grants.....	1.0682	1.0257
Total aid to State and local government.....	.7046	.6996
C2 Army Corps of Engineers, civil projects.....	.0813	.0800
C3 Bonneville Power Administration.....	NE = 0	NE = 0
C4 Reclamation.....	NE = 0	NE = 0
C5 National park maintenance.....	.1224	.0577
C6 National forest maintenance.....	.1042	.1064
C7 Forest roads and trails.....	.1471	.1111
C8 Soil conservation.....	.2870	.2768
Total projects within States.....	.0770	.0769

*Programs costing more than \$25 million, the ratio of disbursements in New England per thousand dollars of taxes to that in the United States, 1953 and 1954—Continued*

Program	1953	1954
D1 VA readjustment benefits	0.5928	0.6574
D2 VA vocational rehabilitation	.6444	.7188
D3 VA pensions	.9388	.9366
D4 Railroad Retirement Board, various benefits	.4609	.4430
D5 Agricultural conservation program	.2391	.2037
D6 Commodity stabilization—sugar	NE=0	NE=0
D7 Agriculture disaster emergency funds	NE=0	NE=0
D8 National Institutes of Health fellowships, etc.	2.000	2.1471
D9 Department of Labor, payments to veterans	(.8919)	.6748
D10 Withdrawals payroll insurance fund	1.0107	.9924
D11 Commodity stabilization	.1176	.0175
D12 Maritime Administration	NE=0	NE=0
D13 Old-age benefits	1.1964	1.1766
Total grants and payments to individuals and groups	.9502	.9554
E1 SBA regular loans	Nil	.4048
E2 VA direct loans	.1912	.2000
E3 Loans under FCA	.4609	.4921
E4 Loans under REA	.1905	.0881
E5 Loans under Farmers' Home Administration	.2101	.2290
E6 Loans under CCC (nonrecourse)	.2149	.0081
E8 Housing loans for educational institutions	1.000	NE.=0
Total loans to individuals and groups	.2747	.1621
F1 VA, private loans	1.1530	1.2027
F2 FHA, mortgages insured	.4892	.5119
Total loan guaranties and insurance	.7239	.7711
G1 VA life insurance	.8600	.8583
Total nontax financed insurance payments	.8600	.8583
H1 Advisory Commission on Aeronautics, supplies	NE.=0	NE.=0
H2 Advisory Commission on Aeronautics, salaries	NE.=0	NE.=0
H3 VA, administrative expenses and salaries	.7539	.7959
H4 VA, hospital construction and facilities	2.1905	1.0933
H5 TVA, procurement	.4410	.2652
H6 TVA, salaries	NE.=0	NE.=0
H7 Agricultural Research Service, expenses and salaries	.0426	.0169
H10 Forest pest control, etc.	(.2381)	.1064
H11 Air National Guard	1.1333	.9811
H12 Army National Guard	1.1366	1.1099
H13 Public Health Service	.3525	.2941
H14 Compensation of postmasters	.8069	.8159
H15 Post Office maintenance, etc.	1.3395	.9281
H16 Mail delivery, etc.	.9053	.8962
H17 Ship construction	2.1381	.6460
H18 Bureau of Old Age, Insurance, expenses and salaries	(.4330)	.4343
Total salaries, services, and procurement	.8465	.7546
EX Total expenditures	.8204	.8217
LC Total loans closed	.2751	.1630
LI Total loans insured	.7240	.7711

NOTE.—Figures in parentheses indicate that program cost less than \$25 million in 1953 but more in 1954.

## PROGRAMS COSTING MORE THAN \$10 MILLION, 1954

(FULL TITLES OF PROGRAMS IN MASTER TABLE)

A *Grants to States and local units*

- A1 Federal Civil Defense Administration, Federal contributions to the States (Annual Report of the Secretary of the Treasury on the State of the Finances, hereafter cited as Finances).
- A2 Housing and Home Finance Agency, Office of the Administrator, grants for slum clearance and urban redevelopment (Finances).
- A3 Housing and Home Finance Agency, Public Housing Administration, annual contribution to State and local authorities (Finances).
- A4 Department of Agriculture, Agricultural Research Service, payments to States for experiment stations (Finances).
- A5 Department of Agriculture, Agricultural Extension Service, cooperative extension work (Finances).
- A6 Department of Agriculture, Forest Service, national forest funds, shared revenues (Finances); includes payments to school funds, Arizona and New Mexico.
- A7 Department of Agriculture, Agricultural Marketing Service, national school-lunch program (Finances); includes value of commodities distributed but excludes those donated by the Commodity Credit Corporation.
- A8 Department of Agriculture, Agricultural Marketing Service, removal of surplus agricultural commodities (Finances); value of commodities distributed at cost to Commodity Credit Corporation.
- A9 Department of Commerce, Civil Aeronautics Administration, grants to States under the Federal Airport Act (Finances).
- A10 Department of Commerce, Bureau of Public Roads, Federal-aid highways (Finances); includes access roads, elimination of grade crossings, public land highways and other programs.
- A11 Department of Health, Education, and Welfare, Office of Education, grants for vocational education (Finances).
- A12 Department of Health, Education, and Welfare, Office of Education, payments to school districts for maintenance and operation of schools (Finances).
- A13 Department of Health, Education, and Welfare, Office of Education, grants for school construction (Finances); does not include payments to Housing and Home Finance Agency for construction of federally owned schools.
- A14 Department of Health, Education, and Welfare, Office of Vocational Rehabilitation, grants to States (Finances).
- A15 Department of Health, Education, and Welfare, Public Health Service, grants under various disease control and general health assistance programs (Finances); includes supplies furnished to States.
- A16 Department of Health, Education, and Welfare, Public Health Service, grants for hospital construction (Finances).
- A17 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, grants for old-age assistance (Finances).
- A18 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, grants for aid to the permanently disabled (Finances).
- A19 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, grants for aid to the blind (Finances).
- A20 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, grants for aid to dependent children (Finances).
- A21 Department of Health, Education, and Welfare, Social Security Administration Children's Bureau, grants for maternal and child health services (Finances).
- A22 Department of Health, Education, and Welfare, Social Security Administration, Children's Bureau, grants for services for crippled children (Finances).
- A23 Department of the Interior, Bureau of Land Management, payments out of receipts under the Mineral Leasing Act and from special funds (Finances); includes payments to States from grazing receipts, to Oklahoma from gas and oil royalties, to counties in California and Oregon in lieu of taxes on land grants and to Arizona and Nevada from the Colorado River dam fund.

## PROGRAMS COSTING MORE THAN \$10 MILLION, 1954—Continued

- A24 Department of the Interior, Fish and Wildlife Service, grants to States (Finances); comprises Federal aid for wildlife and fish restoration and payments under the Migratory Bird Conservation Act.
- A25 Department of Labor, Bureau of Employment Security, grants to States (Finances); this item may involve duplication of part of the amount listed under D10 which covers total withdrawals from the payroll tax trust fund administered by the BES.
- B *Loans to States and local authorities (gross)*
- B1 Housing and Home Finance Agency, Office of the Administrator, loans to States for slum clearance and urban redevelopment (supplied upon request to agency).
- C *Projects within States*
- C1 Department of Commerce, Bureau of Public Roads, forest highways (Finances).
- C2 Department of Defense, Army Corps of Engineers, civil projects (supplied upon request to agency).
- C3 Department of the Interior, Bonneville Power Administration, total expenses (supplied upon request to agency); estimated allocation by BPA based upon distribution of fixed investment.
- C4 Department of the Interior, Bureau of Reclamation, total expenditures on reclamation projects (supplied upon request to agency); expenditures on multi-State projects divided evenly among States involved.
- C5 Department of the Interior, National Park Service, total expenditures for park maintenance and development (supplied upon request to agency); obligations distributed by location of park.
- C6 Department of Agriculture, Forest Service, national forest protection and maintenance (Department of Agriculture, Project Breakdown, hereafter cited as Projects).
- C7 Department of Agriculture, Forest Service, forest roads and trails (Projects).
- C8 Department of Agriculture, Soil Conservation Service, operating expenses (Projects); includes flood prevention, soil conservation, watershed protection and technical aid to farmers.
- D *Grants and payments to individuals and groups*
- D1 Veterans' Administration, readjustment benefits under Public Laws 364 and 550 (Annual Report of the Administrator of Veterans' Affairs, hereafter cited as Veterans).
- D2 Veterans' Administration, vocational rehabilitation under Public Laws 16 and 894 (Veterans).
- D3 Veterans' Administration, pensions (Veterans).
- D4 Railroad Retirement Board, unemployment, temporary disability, retirement and death benefits (Annual Report of the Railroad Retirement Board).
- D5 Department of Agriculture, Agricultural Conservation Program Service, payments to farmers (Finances).
- D6 Department of Agriculture, Commodity Stabilization Service, administration of the Sugar Act program (Finances).
- D7 Department of Agriculture, Commodity Credit Corporation, Disaster emergency funds (Finances).
- D8 Department of Health, Education, and Welfare, Public Health Service, National Institutes of Health, fellowships, research grants and trainee awards (Finances).
- D9 Department of Labor, Bureau of Employment Security, payments to veterans (Finances).
- D10 Department of Labor, Bureau of Employment Security, withdrawals by States from the payroll tax trust fund on account of benefits payable (supplied upon request to agency); calendar year; may include item A25.
- D11 Department of Agriculture, Commodity Stabilization Service, agricultural adjustment programs (supplied upon request to agency); exclusive of payments under the Sugar Act and loans provided by the Commodity Credit Corporation.
- D12 Department of Commerce, Maritime Administration, operating differential subsidy (supplied upon request to agency); by location of business office of steamship company receiving subsidy payments.

## PROGRAMS COSTING MORE THAN \$10 MILLION, 1954—Continued

- D13 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age and Survivors Insurance, benefits paid (supplied upon request to agency); calendar year.
- E *Loans to individuals and groups (gross)*
- E1 Small Business Administration, regular loans (Annual Report of the Small Business Administration); period from August 1, 1953, to July 31, 1954.
- E2 Veterans' Administration, direct loans to veterans (veterans); gross value issued as difference between cumulative totals for 1952 and 1953 and for 1953 and 1954, by office of issue; residents of Connecticut, Delaware, the District of Columbia, Massachusetts, New Hampshire, New Jersey, Rhode Island, New York City, and Philadelphia ineligible for these loans.
- E3 Farm Credit Administration, gross value of loans closed by agencies under supervision of the FCA (supplied upon request to agency); includes loans closed by the Federal land banks, the Federal intermediate credit banks, the production credit associations and the banks for cooperatives; excludes Federal intermediate credit bank loans to the production credit associations and banks for cooperatives; note that these loans are financed out of funds raised by the sale of bonds to the public without Federal guarantee.
- E4 Department of Agriculture, Rural Electrification Administration, net value of loans (Projects).
- E5 Department of Agriculture, Farmers Home Administration, direct loans (supplied upon request to agency); includes water, production, orchard, farm ownership, and farm housing loans.
- E6 Department of Agriculture, Commodity Credit Corporation, nonrecourse loans (statement of operations and financial condition of the Commodity Credit Corporation); on 1952 crops through the end of fiscal 1953 and on 1953 crops through the end of fiscal 1954.
- E7 Department of Agriculture, Commodity Credit Corporation, storage facilities and equipment loans (supplied upon request to agency).
- E8 Housing and Home Finance Agency, Office of the Administrator, housing loans to educational institutions (supplied upon request to agency); includes loans to public educational institutions totaling about 40 percent of the listed amount.
- F *Value of loan guaranties and insurance (gross)*
- F1 Veterans' Administration, guaranties of private loans to veterans (Veterans); gross value issued as difference between cumulative totals for 1952 and 1953 and 1953 and 1954, by office of issue.
- F2 Housing and Home Finance Agency, Federal Housing Administration, mortgages insured (supplied upon request to agency); by location of property and by calendar year.
- G *Nontax financed insurance payments*
- G1 Veterans' Administration, life insurance payments, all programs (Veterans).
- H *Salaries, services and procurement*
- H1 National Advisory Commission for Aeronautics, supplies and services purchased (supplied upon request to agency); allocation by location of disbursing unit.
- H2 National Advisory Commission for Aeronautics, salaries (supplied upon request to agency); allocation by location of disbursing unit.
- H3 Veterans' Administration, administrative expenses including salaries (Veterans); may include some benefit payments of the type ordinarily classified under title D; excludes disbursements from supply fund.
- H4 Veterans' Administration, construction and related costs of hospital and domiciliary facilities (Veterans).
- H5 Tennessee Valley Authority, procurement (supplied upon request to agency); by point of manufacture or processing.
- H6 Tennessee Valley Authority, salaries (supplied upon request to agency); by site at which services were rendered.
- H7 Department of Agriculture, Agricultural Research Service, research expenses (including salaries) (Projects).
- H8 Department of Agriculture, Agricultural Research Service, plant disease and pest control, operating expenses including salaries (Projects).

## PROGRAMS COSTING MORE THAN \$10 MILLION, 1954—Continued

- H9 Department of Agriculture, Agricultural Research Service, meat inspection, operating expenses including salaries (Projects).
- H10 Department of Agriculture, Forest Service, pest control and brush disposal, operating expenses including salaries (Projects).
- H11 Department of Defense, Air National Guard, payments to State agencies administering program (Finances).
- H12 Department of Defense, Army National Guard, payments to State agencies administering program (Finances).
- H13 Department of Health, Education, and Welfare, Public Health Service, operating expenses including salaries (supplied upon request to agency); by location of regional office.
- H14 Post Office Department, compensation of postmasters (supplied upon request to agency).
- H15 Post Office Department, rental, maintenance of buildings, utilities, and services (supplied upon request to agency).
- H16 Post Office Department, mail delivery and collection, clerical and contractual services including salaries (supplied upon request to agency).
- H17 Department of Commerce, Maritime Administration, ship construction and repair (supplied upon request to agency); by location of shipyard.
- H18 Department of Health, Education, and Welfare, Social Security Administration, Bureau of Old-Age and Survivors Insurance, operating expenses including salaries (supplied upon request to agency); estimated on the basis of workload and regional distribution of benefits.

NOTE.—The 10 richest and 10 poorest States were selected from the 1953 tables State income payments (Survey of Current Business, August 1954). The 1954 tables could not be used since they were not published until this study was well under way; in any case the difference would have been slight—a matter of one State.

The States used in our calculations are:

## 10 richest:

California  
Connecticut  
Delaware  
Illinois  
Michigan  
Nevada  
New Jersey  
New York  
Ohio  
Washington

## 10 poorest:

Alabama  
Arkansas  
Georgia  
Kentucky  
Louisiana  
Mississippi  
North Carolina  
South Carolina  
Tennessee  
West Virginia

## RESOLUTION SUGGESTED FOR CONSIDERATION OF CONFERENCE OF NEW ENGLAND GOVERNORS

By New England Governors' Textile Committee (S. E. Harris, chairman)

(Accepted by New England Governors, November 11, 1955)

## "RESOLUTION I—TRADE POLICY

"We urge the United States Tariff Commission and the interdepartmental trade agreement organization not to grant further concessions in tariffs on textile products in the forthcoming international discussions of trade policy."

*Support of resolution I*

In support of this resolution, we point to the large losses of textile jobs in New England and substantial losses in the country (a 20 percent national loss in a recent period of 3½ years). From the first quarter of 1947 to the first quarter of 1955, the decline in textile jobs in New England was from 301,000 to 172,000, or a loss of 43 percent. Though textiles are still the largest manufacturing industry in the region, the percentage of textiles to manufacturing jobs declined from almost 20 percent in 1947 to 12 percent in early 1955 and from 9+ to 5 percent of all jobs.

We base our case for the maintenance of present levels of trade restrictions as a minimum on the following:

1. The losses of jobs in the industry as a whole.

2. The large losses of New England and the North generally to the South, a movement that aggravates the adjustment problems. These losses to some extent result from Federal policies such as special tax favors to the South, the low standards of social security in the South, Federal aid in power and research, etc.

3. The large drains of cash by the United States Treasury from New England relative to what is put back: over a recent period of 18 years, leading industrial States in the South received back 3 times as much as the 3 major New England States relative to what was paid in to the Treasury. We are now studying how each of our New England States has fared under more than 100 important Federal programs over a period of 21 years. In general, we did not fare well. The relevant facts will soon be released.

4. Federal agricultural policies not only raise the prices of raw materials and food and notably prices of cotton and wool which are a large part of total costs of textile products and thus put us at a competitive disadvantage, but in the course of recent legislation (e. g., the Agricultural Trade Development Act) and proposed policy, the Government seeks to dump cotton on foreign markets at low prices. Such policies should not be tolerated unless corresponding restrictions on United States imports of finished products made with this cheap, raw material are imposed.

5. In taking this position, we are not unaware of the international responsibilities of this country. But we insist that tariff cuts should not stand an excessive part of the burden of adjustments; that New England already greatly injured by Federal policies should receive special consideration here and at any rate this burden of reduced tariffs should be concentrated more on the strong industries; that just because textiles are the important export of Japan and Japan needs bolstering, it does not follow that therefore New England and textiles should bear the brunt of these adjustments. Note in particular European countries in 1955 refuse to grant concessions to Japan as we did.

6. No matter how we look at it, the textile industry is in trouble—with prices generally rising by 15 percent since 1947–49, prices of cotton goods are down by about 10 percent; with world trade up since prewar by about 40 percent in volume, trade in cotton goods is down by 25 percent and cotton and rayon by 10 percent; world raw cotton production is up 22 percent since prewar, but world trade in raw cotton is down by about 15 percent; textile profits in this country are less than one-half those of all manufacturing goods; and though all plant and equipment investment in the United States is up in 1952–54 about 25 percent since the early postwar years, in textiles these investments in the last few years are down by 30 percent.

#### "RESOLUTION II—FLOOD CONTROL

"We invite attention to the resolution of the New England Governors' Conference of September 23 in favor of additional outlays for flood control, provision of navigation and beach erosion projects and additional outlays for planning, new flood projects and for a hurricane survey.

"In addition, we urge consideration of flood-control projects which involve further compacts between northern and southern New England (beyond those suggested by the Army engineers) and especially the projects that are relevant to prevent floods of the 1955 vintage."

#### *Support of resolution II*

Here again we should note that, as Senator Kennedy showed (release of October 14, 1955), New England with unusual vulnerability to floods has received but 3 percent of the \$10 billion (in 1955 prices) authorized since 1936 for flood control. In fact, in the last 5 years \$1.8 billion were appropriated for flood control according to Senator Kennedy; but this region received but \$19 million, or about one-half of 1 percent. This compares with 6.5 percent, New England's share of national income, 9.3 percent, her share of manufacturing employment, and 7.5 percent, her share of Federal tax burdens. Hence, we received from one-thirteenth to one-eighteenth of the amount suggested by these variables.

The projects planned on the basis of the difficulties of 1927 and the 1930's are not exactly suited to deal with the floods of 1955, though the earlier type of catastrophe may be repeated.

## "RESOLUTION III—FLOOD INSURANCE

"We urge a Federal program of flood insurance and reinsurance, the Federal government to participate insofar as private companies are unprepared to make flood insurance available."

*Support of resolution III*

In this connection we are pleased to note that Senators Saltonstall and Kennedy have prepared a bill to be submitted early in 1956 to deal with the problem of flood insurance, and Congressman Philbin had introduced a bill for insurance and relief 2 years ago. These proposals mark a great step forward.

Though agreeing in general with the Saltonstall-Kennedy bill, we raise the following issues.

1. Is a program of \$500 million for both insurance and reinsurance adequate to cover property losses—even if items in excess of \$250,000 are not covered? Note that the \$10 billion collected from the general property tax suggests real property of \$300–350 billion, even if it is assumed that property is taxed only at the rate of 3 percent of real value (\$30 per \$1,000). Even in 1937 taxable real property and improvements inclusive of public utilities were estimated at \$190 billion. Since that year prices have doubled, and new construction (to be offset by depreciation) rose by about \$250 billion. Hence it must be clear that real property is worth substantially more than \$350 billion and New England's share substantially more than \$20 billion.

Note also that the Government-insured mortgages outstanding under FHA and VA amount to \$35 billion, and the responsible Government officials are unable to estimate the risks involved for the Federal exchequer. Housing insurance is for houses to be built and improved, and not for dealing with disasters, which should have an even higher priority than new construction.

2. Is it appropriate to rule out all subsidies by the Federal Government as the Saltonstall-Kennedy bill proposes? First, if rates are based on vulnerability, the effect would be an additional stimulus to migration. (Would it not be better to vary rates to some extent according to vulnerability?) Actuarial rates might indeed be paid by new plants that seek to move into vulnerable areas.

Second, surely the Federal Government might be asked to pay at least what it would otherwise have to pay to finance disasters in the absence of insurance.

Third, in the light of the payments by the Federal Government to other sections of the country at the expense of the Northeast, would not some small repayment be justified?

Another approach to this subject was suggested in my letter and memo to Arthur S. Flemming, Director of ODM, of October 5. Here I assumed that insurance would cover all the wealth of the Nation (roughly \$1,000 billion); that rates would vary to some extent with vulnerability; that through a grant-in-aid program the Federal Government would help finance the program and also use this device to induce States to join the program. Since the cost of floods over 25 years has averaged only \$150 million a year and on the assumption that the Federal Government carries at least one-third the cost, the average charge per \$1,000 would be \$1, or \$10 per average home. (Rates might vary from 50 cents to \$1.50 per \$1,000.)

## "RESOLUTION IV—FEDERAL FLOOD AID

"Acknowledging gratefully the help proposed by the Federal Government under ODM regulation I, amendment I (accelerated amortization), Executive Order No. 10,634 (loans to aid in reconstruction, rehabilitation, and replacement of facilities), and under ODM order VII-7, supplement I (favoring disaster areas in Federal procurement), we nevertheless urge the Federal Government to move further. In particular, it is imperative that tax allowances be given to the textile and other industries damaged by the floods but not eligible for accelerated tax amortization under ODM regulation I, because no expansion goals have been set for them by the ODM; that the Government specifically state that the textile industry is eligible for loans under Order 10634 and especially that the Bureau of Internal Revenue allow as offsets for tax payments from current income any private outlays incurred to reduce the danger and damage of floods."

*Support of resolution IV*

Note that the textile industry has no expansion goal under regulations of the ODM. But an industry like airplanes with a net profit in 1954 of more than 60 percent of net worth before taxes receives this tax aid.

Note also that loans are available only for "facilities which are destroyed or damaged by a major disaster and which are required for national defense."

Finally, we are no longer assured by the promises coming from high sources in Washington for years that distressed areas would be given preferential aid by Government procurement agencies. "Only two preference contracts valued at \$100,000 or more were awarded to New England firms in labor surplus areas in 1954. The entire program of granting tax amortization assistance [in labor surplus area] was expected to create 9,000 jobs. \* \* \*" (U. S. Monthly Labor Review, June 1955).

**"RESOLUTION V—TRANSPORTATION RATES**

"We urge the Southwestern Freight Bureau, the eastern railroads, the trucking industry, and the ICC to bring rates on transportation by motor carrier and railroads within the southern areas in due proportion to rates in the North and between North and South. We insist that any concessions in freight by the Southwest Freight Bureau on the shipment of raw cotton within the South (a 20-cent reduction on raw cotton—\$1 per bale—was granted by the Southwest bureau in August for shipments to southeastern points) should be matched by similar concessions on cotton shipped to the North. We hope that the executive committee of the Southwestern Freight Bureau (and the eastern railroads) will consider this matter seriously in its meeting of November 28. We would also like to know why truck rates to the Middle West from the South are lower than from New England. (See Report of New England Governors' Committee on New England Textile Industry, 1952, pp. 203-204.)"

*Support of resolution V*

It is significant that the lower motor freight rates from the South than from New England (noted by the New England Governors' Textile Committee in 1952) has been the occasion for a reduction in railroad rates, so that now a single disadvantage has been multiplied into a double disadvantage.

The chairman of the Southwestern Freight Bureau wrote the chairman of the New England Governors' Textile Committee (September 27, 1955) as follows:

"Reduced rates were published to become effective September 30 on cotton, carloads, from the eastern portion of Arkansas and Louisiana, also from southeastern Missouri to destinations in the South in an effort by the southwestern and southern railroads to meet the competition of motor carriers. Those rates were reduced in the same amounts as the reductions made in the rates from Memphis, Tenn., to the same destinations in the South by railroads in the South. Petitions have been filed with the Interstate Commerce Commission to suspend the proposed rates because of restrictions in the railroads' routes via which they are to apply. Consideration was not given to making reductions in the rates to New England because the competition with motor carriers was limited to the origins and destinations covered by the reduced rates. Should there be any further consideration of proposal 74698 by the Southwestern carriers, I should be very pleased to inform you."

This was in reply to the following (letter of S. E. H., September 19, 1955, to Mr. Knobeloch):

"On behalf of the New England Governors, I am writing you concerning a proposed 20 percent reduction in the freight rates on some 600,000 bales of raw cotton shipped to New England points annually (docket No. 74698 emergency).

"A rise in the differential between New England and the South by 20 points per pound of cotton or \$1 per bale has resulted from a decision of August 1955 to reduce the freight on cotton shipped to Southeastern points.

"It is our view that unless a similar reduction is allowed for cotton shipped to New England, the railroads will have seriously injured the competitive position of the New England mills. A loss of New England business is serious for the railroads as well as for the cotton-manufacturing industry of New England. Per bale of cotton the railroads gain much more on cotton shipped to New England than on that shipped to the South. Higher costs to New England mean not only losses of business to regions closer to the sources of supply but also to foreign competitors.

"In a prewar study it was found that freight charges were 2½ percent of the value of baled cotton at destination and for cotton and cotton cloth about 1.9 percent. An increased differential in favor of the South of 20 percent on the raw cotton, in a highly competitive industry, may be the decisive matter in a loss of markets and a loss of business for railroads in shipments of both raw material and finished products. Cost differentials of 1 percent are very large indeed when the margin of profit may be but a few percent and frequently is even less than that.

"We urge you strongly to report favorably on the 20 percent reduction for cotton shipped to New England."

#### "RESOLUTION VI—MINIMUM WAGES

"We welcome the recent rise of minimum wages, from 75 cents to \$1 per hour, supported by every New England Congressman and by a majority of southern Congressmen and even by the southern industrialized States. We urge the Congress to appropriate adequate funds to enforce the minimum (as has not been done in recent years) and to relate the minimum more frequently than in the past to the rise of wage rates in the economy."

#### *Support of resolution VI*

In a statement before the Senate Labor and Welfare Committee (May 12, 1955), the chairman of the New England Governors' Committee made clear why a rise in the minimum was required. (Also see letter to Boston Herald, August 28, 1955.) It was pointed out that a higher minimum was one way of moderating the reduction of working standards, the low social security standards, and the pouring of cash into, and the provision of other Federal aids on behalf of, newly industrialized States. A rise from 40 cents to \$1 since 1938 and 75 cents to \$1 since 1949 was not commensurate with the gains in wages and those expected in the next 5 years; but since 25 percent of the southern workers were earning less than \$1 in 1954, it would not be wise to move beyond \$1 too rapidly. The great gains of the South despite the increase in the minimum from 40 cents to 75 cents, and an examination of vulnerable industries in earlier years showed clearly that rises in the minimum have not substantially destroyed jobs. Minimum pay is still far from what is required to cover minimum consumption budgets; but some progress is being made. The competitive advantage resulting from reduced standards has in part been removed.

#### "RESOLUTION VII—MERGERS

"The Conference of New England Governors has been greatly disturbed by the large number of mergers in recent years that have culminated in the shutting down of plants and especially textile plants in the Northeast. Since tax laws which, for example, enable the absorbing firm to set off losses of the absorbed firms against its profits, often make the mergers possible, we request the Justice Department, the Treasury Department, and the congressional Committees on the Judiciary to stop manufacturers which are based primarily on tax avoidance and not on genuine economic considerations. We remind them that promises have been made to watch this situation and if necessary ask for and pass new legislation."

#### *Support of resolution VII<sup>1</sup>*

*Mergers and regional migrations.*—One aspect of the merger movement has received no attention in the two postwar reports of the Federal Trade Commission, and in fact nowhere else. That is the contribution of the merger movement toward the displacement of the textile industry in the North and its migration to the South. It is primarily firms operating in the South which acquire northern plants. Most of the northern plants are shut down and the plants and machinery auctioned off, part of the latter moved to the South. (Some crude estimates of disposal of machinery are presented.)

*Mergers, taxes, and other Federal policies.*—We stress the point that the merger movement accelerates the shift of industry from North to South; that this shift, partly related to genuine advantages of the South, also feeds on low-wage standards, strong anti-trade-unionism, low standards of social security, large inflows of Federal cash (in 17 years 3 large New England States received

<sup>1</sup> Excerpts from statement of S. E. H. in the staff report, House Committee on the Judiciary, *The Merger Movement in the Textile Industry, 1955*, pp. 36-37.

back only one-third as much relative to what was put into the Federal coffers as 5 industrial Southern States), and other Federal favors. In other words, the merger movement capitalizes on artificial induced advantages for some regions as well as on other advantages.

Of special significance is the impetus given to the merger movement by our tax system. In textiles this is a matter of greater importance than in any other major industry. Losses are serious in textiles over the years and especially during the low points of the 2-year textile cycle; and in the last few years, many of the major woolen firms have experienced large and steady losses. Under these conditions the textile mills operating primarily in the South find it profitable to absorb the northern units. The prices or the value of the assets reflect loss financing, not the potential value of these assets as later offsets against profits reported for taxes of textile firms experiencing large profits. Hence the equities or assets are available at very favorable prices for those firms which seek avoidance of taxes by acquiring plants or firms suffering large losses. There is clearly something wrong with a tax system which encourages such noneconomic movements of industry.

*Northern capital cooperates with southern communities.*—It is an interesting commentary of recent economic history that much of the capital to finance the mergers comes from the Northeast. This theory is supported by the statistics on changes in ownership of plants, both North and South. Whereas the South purchases few of the northern mills involved in transfers, the northern interests buy a very large proportion of the plants transferred in the South. Hence it should be concluded that northern capital accelerates the migration to the South and the accompanying advance of the merger movement. In other words, northern financial interests, in cooperation with southern communities and rather calloused to the interests of northern communities and labor, push investments in textiles where exploitation of low-wage standards, regressive taxes, and Federal aid can be exploited.

*Reconsideration of Federal policies.*—Surely there is a strong case for revisions of our tax laws which encourage mergers that do not yield gains for one region commensurate with the losses of another. Surely, a reexamination is needed of the Federal policies which advantage one region at the expense of another and excessively stimulate the merger movement. We should reconsider Federal tax and spending policies, minimum-wage legislation inclusive of Walsh-Healey, the present social-security program which favors the South, the labor legislation insofar as it encourages right-to-work laws, largely in vogue in the South, etc.

#### "RESOLUTION VIII—CONGRESSIONAL COOPERATION

"We would also like to take this opportunity to thank the New England congressional delegation which, operating in the national interest, nevertheless has increasingly fought for our regional interests. In protecting the region against unjustifiable trade liberalization, in fighting for a higher minimum wage, in seeking increased appropriations for flood control, aid to distressed areas, and flood insurance, and in helping on many other issues, we have had the strongest support of our congressional delegation, both Republicans and Democrats. We commend them for these contributions and for their increased realization that strong organization by Congressmen in other regions must be offset by equally strong organization of New England's Congressmen."

Senator LEHMAN. Next we will hear from Congressman Curtis.

#### STATEMENT OF LAWRENCE CURTIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. CURTIS. Mr. Chairman, I am Lawrence Curtis, Tenth Massachusetts District. I shall be very brief. I merely want to record myself as very much in favor of the efforts being made by your committee to relieve this flood-disaster situation by providing some system that will share the loss. I am heartily in favor of that.

There seems to be a gap that is not covered by private insurance.

I would like to commend your committee, sir, for coming to our section and sitting in Boston where we are all close to this. Although

the flood did not hit the district which I represent, because it is a "brick sidewalk" district, certainly many of the people whom I represent are very much concerned with the industries and the properties which have been hit. So I commend your committee.

I expect to support the results of your deliberations when they are reported into the House, which I hope will be very soon, Mr. Chairman.

Senator LEHMAN. Where is the Tenth Congressional District?

Mr. CURTIS. Newton, Brookline, and seven wards of Boston, sir.

Senator LEHMAN. The reason I ask that is that I went to Williams College, and I was in hopes that my Congressman would be here today.

Senator KENNEDY. Mr. Heselton represents your district. He is represented by telegram.

Mr. CURTIS. Thank you, Mr. Chairman.

Senator LEHMAN. Thank you, Congressman. Mr. H. W. Yount and Mr. Chase Smith, American Mutual Alliance.

**STATEMENT OF H. W. YOUNT, VICE PRESIDENT, LIBERTY MUTUAL INSURANCE CO., APPEARING ON BEHALF OF THE AMERICAN MUTUAL ALLIANCE**

Mr. YOUNT. Mr. Smith was unable to be here. In fact, I didn't know until last night that I was going to be here.

For the record my name is H. W. Yount. I am vice president of the Liberty Mutual Insurance Co. and appearing on behalf of the American Mutual Alliance.

Senator LEHMAN. May I make one explanation to you in apology?

Mr. YOUNT. Surely.

Senator LEHMAN. I did say something earlier today that we had expected to hear from Mr. Herd, and I characterized him as the representative of the insurance companies, but I understand that he represents the stock insurance companies, while you represent the mutual insurance companies. Is that correct?

Mr. YOUNT. That is correct; one segment of the mutual insurance companies, Senator.

Senator BUSH. Could we have just an idea of the scope of the American Mutual Alliance for the benefit of the record?

Mr. YOUNT. The American Mutual Alliance consists of 118 mutual companies in the fire and casualty business, writing insurance programs on an annual basis in excess of a billion dollars a year.

Senator BUSH. That is the largest federation of mutuals in the fire and casualty business?

Mr. YOUNT. That is correct.

My statement will be very brief, Senator. We have not had the opportunity to prepare the sort of formal statement we would like.

Senator LEHMAN. Have you extra copies of your statement?

Mr. YOUNT. I have a few extra copies.

I remarked to Mr. Harris that after listening to an economist talk about the insurance business perhaps it would be appropriate for an insurance man to talk a little economics.

As I understand the purpose of the committee, it is to consider the problem of dealing with economic loss resulting from natural disasters and perhaps other disasters.

This morning I want to talk merely about flood insurance and a little bit about the attitude of the companies which I represent.

Our companies are owned and operated by their policyholders, and we are all concerned with the economic loss which can be covered by insurance. The matter of catastrophic losses from floods has been a matter of major concern both to our company managements and to our policyholders.

First of all, therefore, we wish to express our desire to cooperate with your committee in the exploration of this problem. We regret that we have no immediate solution for the problem.

The following observations which I jotted down have been covered by other speakers this morning. I think I'd like to take them one by one and discuss them briefly, however.

It seemed to me that the various speakers have approached the problem first from the standpoint of the amount of economic loss; second, what can be done about preventing that loss; third, whether insurance is applicable; and, fourth, whether something other than insurance would have to be done.

I might point out parenthetically that the companies which I represent are interested in loss prevention, and therefore it is natural that in thinking about the problem of flood insurance we would first say: What can be done to prevent the loss? Secondly, what can be done to provide insurance for the loss that remains over and beyond what can be prevented?

We believe that it is generally recognized that areas regularly subjected to flood present a problem which cannot be solved by insurance as I understand the term and as we generally speak of it in the industry. The frequency of damage is such as to render any normal insurance principles inapplicable. We believe that in these areas the problem of economic loss can be solved best by flood prevention.

I refer there to the river flood plains so called which normally overflow every year or every other year. Prevention would seem to be the better part of trying to work out compensation schemes in those areas.

This, of course, entails a long-range program of cooperative action between Federal, State, and local government agencies, and we had some discussion this morning on the cost of such a program.

Incidental to such a program of control in normal flood areas should be some method of local control of the occupancy of such areas. It has seemed to us in our consideration of this problem that it is contrary to the public interest to subsidize people and pay them again and again for losses that arise in an area that is going to be flooded out every year or so. I realize the problem is broader than that, but ultimately we should work toward some regulation of who and what is going to be located in areas that are normally subject to floods.

Now, turning to the second problem, as to what may be insurable, if we eliminate from consideration those areas which are subject to regular flood damage, it may be possible to develop an insurance program applicable to areas subject only to occasional floods. I realize in this connection that some of my friends in the business disagree and claim that you can't possibly insure flood damage. I think that speaking from the standpoint of private industry there is an area which might possibly be covered.

A primary requisite of any program of insurance would appear to be one which over a period of time would produce enough in premiums to meet losses and expenses.

You asked a question earlier as to how long an experimental period would be. We have thought of that probably in terms of 10 years as a minimum, just to explain what we mean by a long period of time.

Admittedly, such a program would have to be highly experimental in its early stages. Such a program would have to be developed after careful study in order to determine some sort of fair relationship between premiums charged and the coverage to be afforded. The rates would therefore vary by broad ranges of incidence—by that I mean flood frequency—and by the degree of coinsurance required of the insurance purchaser.

In connection with this problem, I was interested in Professor Harris' remarks about an actuarial basis for the rates. I'm not sure that he and I are speaking the same language on that problem. Certainly from a standpoint of the insurance industry we would not think of making a rate that would be adequate for the Connecticut Valley, for instance. That involves imposing premiums under which the people would pay their own losses in that area.

We might have some specific suggestions on that later, but our thinking at this time is that countrywide analysis of relative flood areas might serve as a basis for relativity in rates and the same rate would apply to the same type of flood area regardless of where you find it.

Now, a third point, as to whether private insurance could participate in such a program. I think at this stage about all I can offer is that we would like to have the privilege of participation. We would like to have the door left open. I think if the proper conditions can be developed a certain amount of private insurance could be sold.

If private insurance were to participate in such a well-conceived program it would probably be necessary to provide the equivalent of geographical spread through some form of governmental reinsurance until the business could become established ratewise and the necessary reserves accumulated. By that I mean the point that I believe Senator Kennedy brought up this morning. One carrier writing only in the Housatonic Valley might have so much coverage it would be wiped out; it doesn't have the benefit of spread in other areas.

So that if private insurance were to participate in such a program it might be desirable in the early years to provide governmental reinsurance which would effectively stop the amount which an individual insurance company could lose.

The next point may be a minor one, but I notice in the press that it has been mentioned by others. If private insurers should decide to offer coverage in this field, it would probably be helpful if the present income-tax regulations were amended to permit the accumulation of the necessary catastrophe reserves for future losses without having such reserves taxed as profit.

Senator LEHMAN. What is the law now with regard to that?

Mr. YOUNT. You get some carryforward, Senator, or carryback, but I think the opinion of the people who have been working on this is that a catastrophe that is spread widely in time needs more than the present provision, and I am sure that other industry spokesmen before they are through may have some specific recommendations on that. I

mention it merely as a point at this time which ultimately should be considered if private insurance is going to participate.

While this problem is not peculiar to flood insurance but is common to all catastrophe insurance coverages, we believe it merits particular consideration in connection with the flood problem.

From that, going to No. 5, if the above conditions could be met it seems reasonable to assume that private insurance might be willing to write a reasonable amount of flood coverage. In that connection I am afraid I will have to speak at this time only for the group of companies I represent, and that is largely a personal opinion at this juncture. Our companies in general are interested in developing new forms of coverage to meet the needs of their customers as they can find means of doing it without incurring too much loss. However, we doubt that this would be in sufficient volume to meet the problem—at least in the early years of experimentation.

Therefore, if the insurance approach is to be recommended, it would appear desirable to provide for Government insurance and reinsurance. Legislation might also provide for periodic review of the amount of private insurance capacity available in order to determine the need for direct Government insurance, thereby providing a means by which the Government might gradually withdraw from the field.

If the initial approach is to be Government insurance without private carrier participation, then on behalf of the companies I represent we are prepared to offer the services of our companies and their staffs in the handling of claims if that can be worked out.

The concluding portion of this prepared statement is something that seemed to us very important, and I haven't seen too many references to it in the press with respect to other testimony. The presence of insurance, the availability of insurance does not necessarily mean that insurance will be used. People do not buy the insurance protection that is available today. We have had some discussion this morning about hurricane damage and windstorm losses. It is surprising that despite our experience in New England with hurricanes in the last year or so, a good many people are reducing or dropping their extended coverage because they think the rates are too high. And yet, as I recall it, the present rate here is predicated on a burning ratio of once in 400 years or some such figure.

In other words, mere availability of insurance does not mean that the economic loss will be eliminated unless people buy it.

We had some experience in this connection with the offering of wave-wash coverage, so-called, along the coast. This is my own companies. After the experience of some years ago, we developed a coverage and offered it to our customers who had properties located in exposed locations along the shore. The rate was, as I recall it, no higher than the rate that Mr. Harris talked about, and yet people didn't want to buy it. The cost was too great.

So I think the insurance approach of making protection available where people can buy it for their own self-preservation is a good thing, but I do not believe it is a good idea to get the impression that that will solve the problem of economic loss, because I think substantial numbers of people will not do it.

Today comprehensive coverage on an automobile is covered by flood loss. We have a lot of losses that we pay out of that. We sell—the

insurance industry generally sells—personal property floater coverage which covers inside property in connection with floods. A number of coverages are available which are not very widely purchased.

I cite these examples merely to demonstrate that the availability of insurance and its success in eliminating economic loss depends upon the extent to which people buy it. And the memories of insurance buyers seem to be rather short when it comes to catastrophies.

That concludes the statement which I have, Mr. Chairman. I would be very glad to answer any questions if I could. I am sorry I haven't anything more to offer at this point. We would like to reserve the right to offer some comments at the hearing on some specific bills.

As far as the insurance approach is concerned, it seems to me personally that the idea of coinsurance or deductible is absolutely essential in offering any kind of coverage of this sort whether by private companies or through Government auspices. We stand ready to offer any assistance to your committee we can.

Senator LEHMAN. I want to ask you a few questions. The first question that I had ready to ask you I think is largely answered already by your statements in paragraphs 5 and 6 on page 3 of your statement. I will ask you anyhow so as to clarify the situation. Would the insurance companies with which you are acquainted be willing to put Government disaster risk insurance on their list of coverages and act as agents and adjustors for the Government for a fair fee?

Mr. YOUNT. Our companies are prepared to do that.

Senator LEHMAN. Would they be willing to sit on an advisory committee to help guide the Government in setting rates and, in general, policy and procedure?

Mr. YOUNT. Our companies are prepared to offer any such assistance.

Senator LEHMAN. Thank you very much.

What if any, coverage do your companies offer against flood damage?

Mr. YOUNT. We offer no coverage today against flood with respect to real property. As I pointed out, there are coverages available which cover personal property in connection with floods. They are not too widely sold. The ordinary form of automobile insurance which is usually purchased by a buyer, comprehensive coverage, does cover loss in connection with flood. But to the best of my knowledge no companies today are offering coverage on real property resulting from flood. And the specialty types of coverage such as wave wash which I mentioned are not now being offered although they may be again.

But that does not solve the basic problem of flood coverage, and I think the answer is no one is selling that form today that I know of.

Senator LEHMAN. Is tornado insurance available in all parts of the country?

Mr. YOUNT. To my knowledge. We write windstorm coverage, tornado coverage, freely wherever we do business.

Senator LEHMAN. Does the rate vary?

Mr. YOUNT. The rate varies widely. The city of Philadelphia has about the lowest rate, as I recall it, and down in Florida it gets pretty high. It gets up to the point of perhaps the—

Senator LEHMAN. Could you give us some idea of what those rates are?

Mr. YOUNT. Well, I am not a property physical damage man and I am not as familiar with fire rates as I should be, but perhaps the relativity might be 5 cents in the lowest rates—

Senator LEHMAN. That is for what?

Mr. YOUNT. Five cents per \$100 of value. And it might be 75 cents in the highest rate or perhaps a dollar.

Senator LEHMAN. That would be out in the Middle West?

Mr. YOUNT. That would be more likely in the hurricane areas of south Florida.

Senator LEHMAN. If the Federal Government should adopt a plan for reinsurance on an excess loss basis for any catastrophe, would the private insurance company write insurance against floods?

Mr. YOUNT. I believe as I stated in my statement that some of them would immediately. Others would come along later. They would necessarily watch their lines and their limits pretty closely at the outset, and I doubt if they would write enough to solve the problem in the early years.

Senator LEHMAN. Well, if they did adopt that plan, would that plan, in your opinion, be preferable to a plan to limit individual claim exposure of a private insurance company to the middle portion of the risk, say from \$1,000 to \$50,000?

Mr. YOUNT. My view of the matter would be that at the outset whether it is Government insurance or private insurance there has to be a fairly low limit on any individual piece of property. Speaking strictly now as a private insurer, we would prefer to write the lines subject to those limits and merely buy an excess policy through Government reinsurance above some predetermined amount which would limit our total loss on the line.

In other words, we would not think very much of taking the middle portion, say between \$1,000 and \$50,000. We would prefer a straight excess contract.

Senator LEHMAN. I did not get that last part.

Mr. YOUNT. Well, as I understand your question, you were thinking in terms of private insurers limiting their lines, say to \$50,000 and then providing Government insurance above that. I think that the problem has not been sufficiently thought through by our industry, but I believe they would prefer a scheme on which they would write the whole coverage available, up to whatever their line limit is, and purchase reinsurance through Government facilities which would limit their losses on that line in any 1 year.

I am not sure they would approach it that way, but I think they would rather do that than to have a split on the individual risk.

Senator LEHMAN. Senator Bush.

Senator BUSH. This American Mutual Alliance, Mr. Yount, is confined to factories or industrial risks or does it get down to the home level?

Mr. YOUNT. The American Mutual Alliance companies write every form of fire and casualty insurance for which they can be licensed to write. In general, the companies in that group do not write the large sprinklered factory risks, which are normally written by the factory mutuals, a different organization, or by the factory insurance association, a stock company association.

Senator BUSH. But these are, you might say, like the mutual savings banks? That type of company? Is that right?

Mr. YOUNT. Well, we have all sizes of companies, Senator. Some are small, and some are large. Some limit themselves to fairly restricted areas. Some, like our own company, write in every State in the country with a great many branch offices. So our companies are quite diverse in their operation. Collectively they cover the whole field of property and casualty insurance.

Senator BUSH. That is all I wanted to know.

Senator LEHMAN. If I recall Professor Harris' testimony, he stated that the Hoover Commission recommended, among its recommendations, that State and local governments assume responsibility for flood-control works. As one who has had considerable experience over a long period of years both in State and local government and in Federal Government, I would say that that suggestion is completely impracticable and unrealistic. In my opinion, and I feel very strongly about this, if there is anything which is a Federal responsibility it is flood control in navigable streams. Rivers and watersheds do not recognize State boundaries. This was quite evident in the recent flood where waters from Pennsylvania or from New Jersey flowed into New York and Connecticut.

I do not believe that flood-control works could possibly be considered on navigable streams, and that is all we are doing, a local or State responsibility. If we should ever come to that policy, I think there would be mighty few flood-control works undertaken.

Mr. YOUNT. Could I offer a comment, Senator? This is not my field, but our own experience here demonstrates that the flood problem goes beyond navigable streams, and if we are going to do something on preventing these things happening, it is probably desirable that these be joint efforts. But it would also seem desirable that some attention be paid to Mr. Harris' remarks about the distribution of Federal—

Senator LEHMAN. I did not get that.

Mr. YOUNT. I say that some attention should be paid to Mr. Harris' remarks about the distribution and return of Federal funds and that the Federal Government would contribute rather measurably toward those nonnavigable streams. I am not sure that could be done under existing legislation.

Senator LEHMAN. I am inclined to agree with you on that. But I do want to point out that flood-control works in my opinion are a Federal responsibility. If we accepted this philosophy of the Hoover Commission I think flood-control works would almost completely cease. In view of the fact that we all are agreed that flood control is an essential feature, an essential necessity in the work of not only controlling floods but preventing damage, I think anything that would interfere with Federal construction of flood-control works would be a calamity for the country.

Senator BUSH. Mr. Chairman, I do not want to disagree with your general premise, but there is an awful lot of flood-control work that has got to be done at the State and local level. Some of the worst damage that we have seen in our State as a result of these floods has been due to inadequate culverts, to encroachment in the stream by bridges where the buttresses are too close together narrowing the stream, to the building of parking spaces out into the natural bed of the river and closing off the possibility of water running out under

bridges just below those streams. I am mentioning here in each case certain situations I have in mind.

So much could have been done to prevent flood damage if there had been adequate regulation of the building of bridges and other structures along some of these small streams which are not navigable streams.

I have not read what the Hoover Commission report said about this subject. I should and I will. But I do feel——

Senator LEHMAN. Professor Harris testified——

Senator BUSH. Yes; I know what he said, but I do feel that if we are to get adequate protection for our homes and our businesses we have got to realize that the local towns and the States, too, must meet their responsibilities in connection with such matters as I have mentioned.

I agree with you that nothing should interfere with the implementation of the Corps of Engineers' plan for flood control in New England and elsewhere—in New York—but I do feel that we should not fail to recognize the responsibility of local and State governments in connection with these matters.

Senator LEHMAN. Oh, certainly, in relation to culverts and storm sewers there is no question that is a local responsibility.

Senator BUSH. Yes.

Senator LEHMAN. But I am thinking about great potential dangers from flood like the Susquehanna River, the Connecticut River, the Delaware River. You can no more do that by local initiative than fly.

Senator BUSH. I do not believe the Hoover Committee takes issue with that. They like the protective works on the Connecticut River and so forth.

Senator LEHMAN. Thank you very much indeed, Mr. Yount. May I ask you just one question?

Mr. YOUNT. Surely.

Senator LEHMAN. We have been trying to get a statement of the premium rates applied to various disaster insurance. Is such a table of rates available? Would you provide the record with it?

Mr. YOUNT. I would be very happy to provide it in such detail as you want. I can be quite detailed, as you probably appreciate. But the rates which we could furnish you would be the rates for extended coverage in different parts of the country, of which one hazard is windstorm.

Perhaps you had better let me see just what we can get together for you and send it along to you, and if you want something more we will be glad to try to dig that out. I am sure Mr. Herd's people will also be glad to.

Senator LEHMAN. We would like the low to high on the various kinds of disasters.

(The information requested follows:)

LIBERTY MUTUAL INSURANCE CO.,  
Boston 17, Mass., November 19, 1955.

Re Flood and disaster insurance statement on behalf of American Mutual Alliance.

HON. HERBERT H. LEHMAN,  
*Senate Committee on Banking and Currency,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR LEHMAN: At the hearing which you held in Boston on November 9, I presented a brief statement on behalf of the American Mutual Alliance. In the course of the discussion I pointed out that the insurance industry gener-

ally writes coverage for natural disaster, such as windstorm, tornadoes, and hurricanes, freely in all portions of the country. I also pointed out that the rates for this coverage varied in accordance with the experience on the coverage.

**INSURANCE RATES FOR SO-CALLED EXTENDED COVERAGE (INCLUDING WINDSTORM,  
TORNADO, AND HURRICANE)**

There is attached brief comparisons of extended coverage rates as promulgated by the various fire-rating organizations for different States for frame dwellings and for brick mercantile establishments. You expressed an interest in rate relativity in different parts of the country and these two classifications have been selected as typical for the homeowner and for the small-business establishment. There are other rates promulgated for other types of dwellings and for other types of mercantile and industrial establishments but for your purpose we believe this exhibit furnishes a fair index of rate relativity.

It should be understood that extended coverage rates apply to the full coverage of the extended coverage endorsement, which includes a number of other perils in addition to the windstorm or tornado hazards. However, the principal variation in rates is attributable to windstorms such as tornadoes or hurricanes. In connection with the dwelling rates, it will be noted that some States permit full coverage and a \$50 deductible, in which case the rate is starred (\*) for \$50 deductible. The unstarred rate is the full coverage rate. In the State of Florida the deductible is usually \$100, which may be removed for an additional charge, and there is also a minimum requirement of 50-percent coinsurance in order to prevent underinsurance. If a higher percentage of coinsurance is carried a corresponding reduction in rate is given.

You will note that the rates are expressed in dollars per \$100 of value—for instance, 0.10 means 10 cents per \$100 of value. Where coverage is purchased for 3 years the 3-year-term rate would be 2.50 times the annual rate, or a reduction of 16½ percent. Where coverage is purchased on a 5-year basis the 5-year-term rate is 4 times the annual rate, or a reduction of 20 percent. In addition to these term reductions, mutual companies—such as those which I represented at your hearing—customarily pay dividends. These dividends probably average about 20 percent, although they may be as high as 25 percent, or even 30 percent, and as low as 15 percent. Certain other companies use such rates as a departing point and write on what amounts to an advance discount basis substantially equal to an average dividend on the part of dividend-paying mutual insurance companies.

**EARTHQUAKE AND VOLCANIC-ERUPTION INSURANCE**

There is a second exhibit attached showing so-called bureau rates on earthquake and volcanic-eruption insurance. These rates are also expressed in dollars per \$100 of value; i. e., 0.04 equals 4 cents per \$100 of value. You will notice that coverage is available in all areas of the country, although very little coverage is actually sold outside of the Pacific Coast States. This coverage is also written on a deductible basis in some States, usually 5 percent of value insured with respect to residence and 10 percent on mercantile buildings. Rates, except on the Pacific coast, are generally published subject to an 80-percent coinsurance clause being made a part of the policy. In most of the Pacific Coast States a 70-percent coinsurance clause is mandatory. The coinsurance clause is, of course, designed to prevent underinsurance and to restrict recoveries unless coverage equivalent to the coinsurance limit is actually carried. The rates shown for these coverages may vary, depending on the circumstances of each risk, but we believe for comparative purposes they will serve your needs.

**FLOODS**

In the course of the hearing at Boston I pointed out that with respect to personal property a certain amount of insurance is already available under existing forms of coverage. It occurs to me that your committee might be interested in a little more detail on this phase of the problem.

The top exhibit attached lists some forms of insurance coverage now generally sold by all property insurance companies which protect personal property against most forms of water damage, including flood damage. The forms designed specifically for homeowners are multiperil or all-risk forms which are broader than the standard fire and extended coverage usually purchased by homeowners. The personal-property floater has been available for a good many years, and while substantial amounts of this coverage are sold by most property insurance companies it is probably fair to say that the purchasers are in a distinct minority.

The homeowners, policy C mentioned as item 2 is a new contract introduced in the past few years. It is now available in most States but is so new that relatively little coverage has been written to date. This form is also written by most property insurance companies.

With respect to business insurance you will note 11 of the forms made available by most insurance companies in the field of inland marine insurance. These contracts are customarily multiperil contracts with minor exclusions designed to cover property in transit or without a fixed location.

The above examples of windstorm, tornado, hurricane, earthquake, and flood-insurance coverages are intended to demonstrate that the insurance industry is offering widespread coverage for certain types of natural disaster. Windstorm, tornado, and hurricane coverages are rather freely written in all parts of the country. Earthquake insurance, while available in all States, is purchased largely in the Western States. Coverage to personal property for flood damage is available under the forms shown which, while purchased by an increasing number of buyers, is probably a relatively small part of the total market. As stated at the hearings, I know of no current insurance being offered with respect to flood damage to real property.

If upon further consideration your committee would like any further explanation of the figures attached or if our organization can be of assistance in any way do not hesitate to call upon us.

Very truly yours,

HUBERT W. YOUNT,  
*Vice President, Liberty Mutual Insurance Co.  
for the American Mutual Alliance.*

(Headquarters of American Mutual Alliance located at 20 North Wacker Drive Chicago, Ill.)

**INSURANCE CUSTOMARILY WRITTEN BY INSURANCE COMPANIES COVERING NATURAL DISASTERS**

**American Mutual Alliance, November 19, 1955**

**WINDSTORM, TORNADO, HURRICANE**

Insurance for this peril is usually written by attachment of the extended coverage endorsement to the fire-insurance policy in all States. It also may be covered by a specific windstorm policy. All standard inland marine policies cover the perils of windstorm, tornado, and hurricanes.

**EARTHQUAKE**

Protection from the peril of earthquake may be insured by a specific earthquake policy or by endorsement attached to a standard fire-insurance policy. All inland marine policies may be extended to cover damage caused by earthquake. Some policies include earthquake as one of the perils of the standard contract.

**FLOOD**

Insurance for flood damage is not available except under certain inland marine contracts, usually involved with the transportation of merchandise and personal property of individuals. Among the policies that include flood damage for individuals are:

1. Personal property floater
2. Homeowners C (contents only)
3. Personal articles floater

Among the policies covering business pursuits that include insurance for the peril of flood are:

1. Transportation floater
2. Motortruck cargo
3. Bailee's customers insurance (while in transit only)
4. Installment sales floater
5. Contractors equipment floater
6. Farm-equipment floater
7. Installation floater
8. Jewelers block (by specific endorsement)
9. Parcel-post insurance
10. Processors-risk floater
11. Salesmens-sample floater

EXTENDED COVERAGE RATES—AMERICAN MUTUAL ALLIANCE, NOV. 19, 1955

Frame dwelling extended coverage endorsement rates per \$100

State	Inland	Seacoast	State	Inland	Seacoast
Alabama	\$0.10	\$0.20	Nevada	.014	
Arizona	.014		New Hampshire	*.08	*.12
Arkansas	.34		New Jersey	*.08	
California	.014			.12	
Colorado	.28		New Mexico	.18	
Connecticut	*.18		New York	*.08	
Delaware	*.10			.14	
District of Columbia	*.10		North Carolina	.08	.14
Florida	1.24		North Dakota	*.16	
Zone 1		1.92		.22	
Zone 2		1.62	Ohio	.10	
Zone 3		1.47	Oklahoma	*.34	
Georgia	.10	.20		.46	
Idaho	.04		Oregon	.04	
Illinois	.14		Pennsylvania	*.10	
Indiana	.16		Rhode Island	*.30	
Iowa	.18		South Carolina	.12	.24
Kansas	*.34		South Dakota	*.22	
	.48			.32	
Kentucky	*.13		Tennessee	.16	
Louisiana	*.13	*.23	Texas	*.35	*.40
Maine	*.12			.40	
Maryland	*.05		Utah	.014	
Massachusetts	*.30		Vermont	.12	
Michigan	.10		Virginia	.08	.12
Minnesota	*.16		Washington	.10	
Mississippi	.20	.36	West Virginia	.06	
Missouri	.20		Wisconsin	.10	
Montana	*.014		Wyoming	.14	
Nebraska	*.20				
	.28				

\*\$50 deductible clause.  
 † 50 percent coinsurance rates and \$100 deductible.

Brick mercantile extended coverage endorsement rates, 80 percent coinsurance

State	Inland	Seacoast	State	Inland	Seacoast
Alabama	\$0.12	\$0.20	Montana	1.12	
Arizona	.12		Nebraska	2.084	
Arkansas	.29			.132	
California	1.05		Nevada	1.08	
Colorado	.096			2.056	
Connecticut	.09		New Hampshire	.06	.10
Delaware	.06		New Jersey	.08	
District of Columbia	( <sup>2</sup> )		New Mexico	.096	
Florida	4.23		New York	.06	
Zone 1		4.84	North Carolina	.11	.14
Zone 2		4.45	North Dakota	.096	
Zone 3		4.34	Ohio	.084	
Georgia	.12	.22	Oklahoma	.204	
Honolulu	( <sup>3</sup> )		Oregon	1.04	
Idaho	.062			2.028	
Illinois	.084		Pennsylvania	.06	
Indiana	.096		Rhode Island	.10	
Iowa	.096		South Carolina	.14	.26
Kansas	.182		South Dakota	.132	
Kentucky	.084		Tennessee	.096	
Louisiana	.12	.22	Texas	.16	.35
Maine	.07		Utah	1.05	
Maryland	.05			2.035	
Massachusetts	.10		Vermont	.06	
Michigan	.084		Virginia	.10	.188
Minnesota	.11		Washington	( <sup>6</sup> )	( <sup>7</sup> )
Mississippi	.23	.35	West Virginia	.10	
Missouri	.11		Wisconsin	.084	
			Wyoming	.096	

<sup>1</sup> Unsprinkled.  
<sup>2</sup> Sprinkled.  
<sup>3</sup> Use Delaware—6 cents.  
<sup>4</sup> 50 percent coinsurance rates and \$100 deductible.  
<sup>5</sup> Same as California.  
<sup>6</sup> 10 percent of fire rates.  
<sup>7</sup> Subject to \$0.02 minimum rate.

## Rates for earthquake and volcanic eruption insurance

[Per \$100]

	Frame dwellings	Brick mercantile buildings
<b>Alabama:</b>		
Counties of Blount, Calhoun, Cherokee, Clay, Cleburne, Colbert, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Madison, Marion, Marshall, Morgan, Pickens, Randolph, Saint Clair, Shelby, Talladega, Tuscaloosa, Walker, and Winston	\$0.04	\$0.10
Balance of State	.02	.05
<b>Alaska (entire Territory)</b>	1.20	1.40
<b>Arizona (entire State)</b>	1.20	1.40
<b>Arkansas:</b>		
Counties of Baxter, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Mississippi, Poinsett, Randolph, and Sharp	.06	.13
Balance of State	.04	.10
<b>California:</b>		
Counties of Alameda, Contra Costa, Del Norte, Humboldt, Inyo, Kern, Lake, Lassen, Los Angeles, Marin, Mendocino, Modoc, Mono, Monterey, Napa, Orange, Plumas, Riverside, San Benito, San Bernardino, San Diego, San Francisco, San Louis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Solano, Sonoma, Trinity, and Ventura	1.20	1.40
Counties of Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Fresno, Glenn, Kings, Madera, Mariposa, Merced, Nevada, Placer, Sacramento, San Joaquin, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Tuolumne, Yola, and Yuba	1.15	1.30
Imperial County	1.30	1.60
<b>Colorado (entire State)</b>	.04	.10
<b>Connecticut (entire State)</b>	.04	.10
<b>Delaware (entire State)</b>	.04	.10
<b>District of Columbia</b>	.04	.10
<b>Florida (entire State)</b>	.02	.05
<b>Georgia (entire State)</b>	.04	.10
<b>Illinois:</b>		
Counties of Alexander, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Massac, Monroe, Perry, Pope, Pulaski, Randolph, Saline, Union, Wabash, Washington, Wayne, White, and Williamson	.06	.13
Balance of State	.04	.10
<b>Idaho</b>		
<b>Indiana:</b>		
Counties of Gibson, Pike, Posey, Vanderburg, and Warrick	.06	.13
Balance of State	.04	.10
<b>Iowa (entire State)</b>	.02	.05
<b>Kansas (entire State)</b>	.02	.05
<b>Kentucky:</b>		
Counties of Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, Trigg, Union, and Webster	.06	.13
Counties of Boone, Campbell, Kenton	.02	.07
Balance of State	.04	.10
<b>Louisiana (entire State)</b>	.02	.05
<b>Maine (entire State)</b>	.06	.13
<b>Maryland:</b>		
Allerany and Garrett	.02	.07
Balance of State	.04	.10
<b>Massachusetts:</b>		
Counties of Barnstable, Bristol, Dukes, Essex, Middlesex, Nantucket, Norfolk, Plymouth, Suffolk, and Worcester	.06	.13
Balance of State	.04	.10
<b>Michigan (entire State)</b>	.02	.07
<b>Minnesota (entire State)</b>	.02	.05
<b>Mississippi:</b>		
Counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Grenada, Holmes, Humphreys, Itawamba, Lafayette, Lee, Leflore, Lowndes, Marshall, Monroe, Montgomery, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Washington, Webster, Winston, and Yalobusha	.04	.10
Balance of State	.02	.05
<b>Missouri:</b>		
Counties of Bollinger, Butler, Cape Girardeau, Carter, Crawford, Dent, Douglas, Dunklin, Howell, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Ozark, Pemiscot, Perry, Reynolds, Ripley, Sainte Genevieve, Saint Francois, Scott, Shannon, Stoddard, Texas, Washington, Wayne, and Wright	.06	.13
Balance of State	.04	.10

*Rates for earthquake and volcanic eruption insurance—Continued*  
[Per \$100]

	Frame dwellings	Brick mercantile buildings
Montana (entire State).....	1 \$0. 20	1 \$0. 40
Nebraska (entire State).....	.02	.06
Nevada (entire State).....	1. 15	1. 30
New Hampshire (entire State).....	.06	.13
New Jersey (entire State).....	.04	.10
New Mexico (entire State).....	.04	.10
New York (entire State).....	.04	.10
North Carolina (entire State).....	.04	.10
North Dakota (entire State).....	.02	.06
Ohio (entire State).....	.02	.07
Oklahoma (entire State).....	.02	.06
Pennsylvania:		
Counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia.....	.04	.10
Balance of State.....	.02	.07
Oregon (entire State).....	.10	.14
Rhode Island (entire State).....	.06	.13
South Carolina (entire State).....	.06	.13
South Dakota (entire State).....	.02	.06
Tennessee:		
Counties of Benton, Carroll, Chester, Crocket, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton, and Weakley.....	.06	.13
Balance of State.....	.04	.10
Texas (entire State).....	.02	.06
Utah (entire State).....	1. 15	1.30
Vermont (entire State).....	.04	.10
Virginia (entire State).....	.04	.10
Washington.....		
West Virginia (entire State).....	.02	.07
Wisconsin (entire State).....	.02	.06
Wyoming (entire State).....	.04	.10

1 5 percent deductible for frame dwelling; 10 percent deductible for brick mercantile building.

Senator LEHMAN. Congressman Thomas P. O'Neill.

Mr. O'NEILL. Senator, I received a statement from Congressman Edward P. Boland of the Second Congressional District of Massachusetts. That is the Springfield area that was badly hurt in the flood. Mr. Boland is presently traveling with a committee, and he has asked me to file his statement with the committee for the record.

Senator LEHMAN. There being no objection, it will be so ordered.

(The prepared statement of Congressman Boland follows:)

**STATEMENT OF EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

It is high time that we stop merely discussing the need of flood insurance and adopt an equitable insurance program that cushions our economy and the home and business owner against the disastrous effects of floods.

After every major flood there is a great hue and cry for some kind of protection against the ravages of floods. It has been evident for years that flood protection through public works is not enough. I am convinced that it is the responsibility of the Federal Government to backstop the backbreaking losses that are periodical'y heaped upon great segments of our economy. Floods are almost the only natural hazard not now insurable by the home or factory owner. This is so because the experience that private industry has had with flood insurance has not been at all successful. Companies that, in the distant past, have endeavored to write this kind of insurance have been ruined because major flood disasters have wiped out their reserves. Yet, it is conceivable and I believe practical that the haphazard relief of physical distress and bankruptcy that follows a flood can be avoided by a system of insurance. However, the program must be financed to a considerable degree by the National Government. It is crystal clear that private initiative will not and cannot underwrite the great risk involved. Floods contain very special problems not encountered in the more familiar forms of insurance and thus the reluctance of established insurance companies to engage in this field.

One of the fundamentals of the great insurance business is that the small contributions of the many take care of the great losses of the few. The experience with floods and the places where they occur make it highly improbable that coverage would be wide enough to attract private insurance business. Great losses would be sustained by comparatively few premium payers and one of the sound principles of the insurance business would be violated. It is apparent that the only entity that can develop a good form of flood insurance is the Federal Government itself. And if disaster insurance is to do any good at all, it must be available at rates which the people in the affected areas can afford to pay.

It is incredible that the Federal Government has not moved with more rapidity to establish some form of flood insurance. Although recommendations to this end have been made to past Congresses, nothing concrete has been done. Despite the success of crop insurance, war-damage insurance and maritime war-risk insurance, there has been no real drive to establish the Government's responsibility in flood disasters.

The number of resolutions and bills calling for action that will be filed with the Congress in January will, I know, result in constructive action. Like many other members from affected areas, I intend to file a bill placing the major burden on the Federal Government to protect people from such disasters. I am confident that the recommendations of this committee will play an important part in what we all want to accomplish. I am grateful to the committee for coming here today to get the reaction of the public of the New England area to the proposals that will be submitted to the next session of the Congress.

#### STATEMENT OF THOMAS P. O'NEILL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. O'NEILL. Mr. Chairman, I unfortunately will be unable to come back here this afternoon. I am a member of the National Monuments Committee meeting in the same building today. They are meeting in the 11th Congressional District here, which happens to be my district.

I am more than happy to welcome you and the committee. I know you are aware of the terrific flood damage that has occurred in Massachusetts. Fortunately, the people of my district were not affected at all. I have a small, compact district which is here in Greater Boston and the metropolitan area.

But I want to subscribe to the remarks that have been made here this morning by Congressman Philbin. I read his prepared statement. I believe also that we must give disaster relief to those people who need it, and we must give it within their reach. We must set up some type of a revolving fund. Not only should we be prepared for insurance for flood damage but we should have it for tidal waves, for tornadoes, for hurricanes, for forest fires, and things of that nature.

I know your committee is going to make a complete study of this, and I want to go on record as being in favor of it.

Senator LEHMAN. Thank you very much. May I say to you, Congressman, that we are going to hold the record open for a couple of weeks, and if you want to submit any additional memorandum, do not hesitate to do it.

We will stand in recess until 2: 15 p. m.

(Whereupon, at 12: 50 p. m., the hearing was recessed, to be reconvened at 2: 15 p. m., this date.)

#### AFTERNOON SESSION

Senator LEHMAN. The hearing will resume.

Before we call the first witness, there are several things I want to put into the record if there are no objections.

The first one is a letter which I have received from Hon. John W. McCormack representing the 12th District of Massachusetts.

BOSTON, MASS., *November 8, 1955.*

DEAR SENATOR: I am sorry that I will not be in Boston while you are holding hearings in connection with disaster-insurance legislation, but I desire to record myself in favor of effective legislation that will meet the situation and enable property owners to obtain coverage against future hurricanes and floods. It is also my opinion that in connection with such legislation, there must be Federal assistance in order to prevent prohibitive premiums being paid by property owners, either home or business.

I will appreciate it if you will record my views in the hearings conducted by you.

With kind personal regards, I am,  
Sincerely yours,

JOHN W. MCCORMACK.

Senator LEHMAN. There is submitted for the record a report to this committee by Mr. Donald H. Mudd, president, Manufacturers Association of Chicopee, Mass.

(The report referred to follows:)

REPORT OF CHICOPEE, MASS., MANUFACTURERS ASSOCIATION, DONALD H. MUDD,  
PRESIDENT

To thoroughly investigate and ascertain the staggering losses sustained by industrial plants in the Chicopee area due to the destructive forces of Hurricane Diane, positive and constructive action was taken immediately by the formation of a committee recruited from the ranks of the Chicopee Manufacturers Association, Chicopee Taxpayers Association, and the municipal governing body of the city of Chicopee.

The committee, under the direction of Mr. Leo N. Roy, has met on numerous occasions with qualified representatives and engineers of the affected firms, and substantial information has been received and reviewed as to cause of flood conditions and recommendations for preventive measures have been suggested. Approximately 10 industrial firms have submitted written reports to the committee outlining estimates of damage.

At the request of the committee, Congressman Edward Boland toured 3 of the ravaged plants and participated in 1 of the meetings. The Congressman generously offered to be of service in whatever manner possible. In addition, Mr. Louis Kendrick, of the Commonwealth department of commerce has been in close touch with the committee and sat in on a recent roundtable discussion of flood control.

A preliminary report has been submitted to the Chicopee manufacturers' board of directors and other company representatives in a meeting on November 2 by the committee engineers. At this meeting it was voted to submit this report to proper State and Federal authorities. Copies have been submitted to the associated industries of Massachusetts and the Commonwealth department of commerce.

This report, while not purporting to be extensive and minutely detailed in scope, refers to the extent of loss to Chicopee manufacturers as well as losses to others, offers suggestions for some immediate corrective measures, and urges that a definite program be expedited as quickly as possible.

The engineering committee makes note of the fact that a more detailed recommendation from both an engineering and cost standpoint is necessary. They also stress quite emphatically that, because of the many intangibles, the report obviously cannot be recognized as anything beyond a study of an exploratory nature. It refers only to several and not all of the plants experiencing damage. The figures referred to in the report represent preliminary observations and are subject to considerable revision.

Beyond the work and analysis already completed, it is the purpose of the committee to pursue further the study with the ultimate hope of exchanging views and opinions in conference with duly qualified State and Federal officials.

The attached report outlines the nature and estimated cost of damage to respective firms.

*Estimated damage reported by firms in Chicopee, Mass., as a result of  
Hurricane Diane*

Surface water damage :	<i>Estimated damage</i>	Floodwater damage :	<i>Estimated damage</i>
A-----	\$745, 000	A-----	\$300, 000
B-----	50, 000	B-----	500, 000
C-----	50, 000	C-----	600, 000
D-----	100, 000	D-----	5, 000
E-----	25, 000		
F-----	5, 000	Total -----	1, 405, 000
G-----	6, 000		
H-----	4, 000	Grand total -----	2, 400, 000
I-----	10, 000		
Total-----	995, 000		

REPORT TO MEMBERS OF THE CHICOPEE MANUFACTURERS' ASSOCIATION

On September 7, 1955, a majority of the directors of the Chicopee Manufacturers' Association met with Mayor Walter Trybulski; President Robert McComb and Executive Secretary Dr. David Galligan, of the Chicopee Taxpayers' Association; City Engineer Thomas Robinson; and City Solicitor Joseph Nowak for the purposes of forming a committee to thoroughly investigate the severe losses to a large number of Chicopee manufacturers by flood and excess surface water occasioned by hurricane Diane, with the thought of eventually arriving at recommendations for immediate and long-range corrective measures.

A committee was appointed, with Mr. Leo Roy, chairman, Messrs. John Shaw, Walter Trybulski, and D. H. Mudd, with Dr. David Galligan to act as secretary.

Many meetings of this steering committee have been held, which have included qualified representatives of affected firms whose engineers have submitted detailed written reports to the committee of damage to their plants. There are 10 such reports on file. Congressman Edward Boland attended 1 of our meetings and likewise visited 3 of the plants where great damage was inflicted. Mr. Louis Kendrick, representing Mr. Richard Preston, commissioner of the Commonwealth department of commerce, was present at one of the meetings and has been in touch with us on other occasions.

A preliminary report was submitted to the Chicopee manufacturers' board of directors and other company representatives in a meeting on November 2 by Committee Engineers Messrs. Leo N. Roy, John Kapinas, Joseph A. Nowak, Jr., and Thomas Robinson. At this meeting it was voted to submit this report to State and Federal authorities.

This report refers to the extent of losses to Chicopee manufacturers as well as losses to others, offers suggestions for some immediate corrective measures, and urges that a definite program, which would undoubtedly require a considerable length of time to complete, be determined upon.

The engineering committee emphasize that a more detailed recommendation from both an engineering and cost standpoint is necessary. They also stress that the report be accepted only as preliminary. It refers only to several and not all of the plants experiencing damage. The estimated costs of proposed immediate corrective measures to be taken are not the estimates of any firm of construction engineers and undoubtedly would be subject to considerable revision.

It is felt, however, that this initial report is sufficiently detailed to present to State and Federal authorities.

The engineering committee have spent many long hours and days in investigation by actual observance and survey throughout Chicopee and in the study of maps and charts and are to be commended for their fine work.

You will be advised of further developments.

Yours very truly,

D. H. MUDD,

*President, Chicopee Manufacturers' Association.*

REPORT OF COMMITTEE ENGINEERS

In reviewing flood effects, damage and sources of same, a reviewing committee agrees generally on a temporary measure of expediency, to some of those who suffered, that the full impact of another unprecedented rainfall will not be so devastating. In some instances possible damage may be alleviated if not completely eliminated.

In general it is agreed that the location of some of our industrial plants makes it impossible to conceive of any means of temporary protection. This reference is to such plants as are located on the Chicopee River banks. It would appear that restricting dikes to prevent the spread of river flow would be the only means of damage relief. Of course, these dikes should be of permanently rigid, well-anchored materials, preferably concrete. Either as self-sustaining structures or earth-backed walls of concrete. If impervious cored-earth dikes are used, flow exposed surfaces should be close jointed riprapped. Since the damage suffered by three of our main industries located on the Chicopee River banks and since the river's behavior is the responsibility of the Federal Government, it leaves no alternative but our local and State government administrators should press for immediate action. This project of relief is one of sizable scope and requires the study of all aspects of terrain factors bordering the river and innumerable contributing tributaries. It is reported that Army engineers are studying the problem at the present time.

It is recommended that dam conditions east of the Deady Memorial Bridge in Chicopee Falls be thoroughly inspected, especially the bank keyings and the northeast end of the dam, which has been seriously weakened by bank and road washouts.

Damages sustained by our industry in the Chicopee Falls area, including the municipal plant, roughly approximates \$2,400,000. Propertyholders along the Chicopee River have suffered considerable loss likewise. This amount has not been appraised. However, it is recommended that the total loss be ascertained by a survey group for record purposes to support claims.

Industrial and residential property damage suffered in the northwestern area of our city, damaging areas at and around A. G. Spalding and Church Manufacturing is definitely due to excessive surface runoff. In both areas damage was caused by unprecedented rainfall and poorly maintained and insufficient take-away facilities; accumulated earth wash and rubbish have reduced the capacity of our drainage facilities seriously.

To relieve flash flows of water into the A. G. Spalding area inexpensive collection or flow-arrester basins are available as natural topographical sinkages and dammed by railroad ballast and road crossing. One to serve the Spalding protection is headed off by Dale Street in Aldenville. The only requirement would be the riprapping of the road embankment, the northeast side only, construction of a headwall and control gate. These gates can be manned during flood periods and the flow backup released as our sewer system indicated ability to cope with the released flow. An approximate figure of \$20,000 could be used to provide headwall, control gate, and riprapping of the project. It is also recommended that the present storage basin east of Spalding plant be enlarged by width, depth, and length; plus the riprapping of railroad ballast.

Another flow-arrester or collection basin should be considered to take care of the Church Manufacturing-Hampden Brewery area. This basin is like the Dale Street Basin, a natural topographical sinkage, and its location northeast of the North-South Memorial Drive Highway directly opposite the Roberts Pond. Similar treatment would be recommended as above described and at an approximate cost of \$30,000.

The cleaning up of the open flow-away to the Hampden Brewery Pond to restore the full capacity of passage in conjunction with the flushing and removal of accumulated earth deposits in the pond itself, restoring its original capacity. Reconditioning of the control gate of the pond to make it readily functionable could give complete assurance that no backup water would ever reoccur in this area. The gate at the brewery pond should be manned in all cases of flash flows and the pond drawn down if conditions indicate a backup in the flow-away skirting the Tremblay-Paquette properties. It would appear, for tentative figures, that six to eight thousand dollars would suffice to insure the proposal as a cure-all to that particular area. There may be other small flushes that occur only under flash runoffs but it is felt that a cleared flow-away will be ample to cope with these incidental areas. At any rate there will be no cause for backup other than an unprecedented river height such as occurred in 1938.

Unfortunately our sanitary takeaway system is imposed upon by storm water takeaway also, which in the event of our experience of the recent hurricane effect would be insufficient to take away storm water alone, say nothing of the system's original design to take care of sewerage only. In this area referred to several drainage areas are piped into the sanitary system which at times taxes the system to about 50 percent of its capacity. At this stage of our population size and considering our rapid growth, the time has long passed that a storm-

water system should have been started so that we could have borne this expense without a serious jump in our taxation. Such long-range planning and payment procedures have been repeatedly recommended by such organizations as Chicopee United, Chicopee Federated, and previous to such sources, privately interested citizens.

However, now because of time and total expenditure involved to correct a serious situation that may threaten and actually reoccur in as bad or worse degree than we have recently experienced, an expedient suggestion is offered in the way of natural collection areas such as above mentioned which by gated controls can prevent the present threat, requiring considerable less expense than a permanent storm-water system and pumping facilities. It would be necessary to cruise these areas in which the source of difficulty originates to present any degree of comprehension of the entire suggested project. In lieu of a cruise it would be necessary to plot and present a topography and a diagrammatic layout requiring considerable time and expense.

McKinstry Avenue hill should be guttered and paved in trough form so that the runoff from a large borough bank which is pitched toward the slope of the hill, so that it can, to some degree, be directed to a storage basin area southwest of McKinstry Avenue and southeast of the B. & M. Railroad ballast. This area should be controlled by gates at outlet points that now lead under the B. & M. Railroad tracks. This arrangement would give protection to the Production Pattern & Foundry as well as the Roy Lumber Co., Overhead Door Co., and Meadow Terrace and Senecal housing projects.

Similar treatment should be given to Granby Road hill. However, burns and gutter stone-lined relief-ways to the river would eliminate any necessity of gate control. It may be found necessary to series the relief-ways, as the total flow calculation would indicate.

The two projects could involve fifteen to twenty thousand dollars expenditure, this being dependent on results of accurate survey of conditions to be controlled.

Many other storm-damaged areas which can be similarly treated and the major ones concerned being Szot Park swimming pool and Oxford Country Club. It is understood that the highway department and Army engineers are working on the repairs and corrections to these two projects.

A map showing 36 damaged areas within our city bounds, furnished by the city engineer, is included as part of this general review. Also a map submitted by the city engineer indicating storm collection and control reservoirs, proposed elimination of low area devastation is included and is recommended for study to make this report comprehensive.

In conclusion it would appear that the total expenditure to provide temporary but expedient protection against unusual behavior of recent storm elements would reach approximately \$200,000. This committee would also urgently recommend that a study be made immediately and costs obtained for the installation of a complete storm water system for our city.

For the present I would suggest that a meeting involving all interested persons be arranged to discuss the proposal of temporary protection which we feel will suffice for several years at least while some reliable permanent measures can be secured.

It is approximated that damage sustained by industry and property losses in the northwest area of our city could be set at \$1 million.

LEO N. ROY,  
JOHN KAPINOS,  
JOSEPH A. NOWAK, Jr.,  
THOMAS ROBINSON,  
*Committee Engineers.*

Mr. EDELSTEIN. There is also submitted for the record by Mr. C. Conrad Parker of Parker & McPherson, insurance agents, a proposal for legislation along the lines of what is being studied by this committee. That is submitted to this committee for the record, to be printed in the record.

(The proposal for legislation referred to follows:)

PARKER & McPHERSON,  
Worcester 8, Mass., November 8, 1955.

*To Whom It May Concern:*

Enclosed is a proposal for recovery in part from damage to buildings and their contents as a result of a flood.

It is intended as a supplement to flood-control programs recently mentioned in the press.

It is not contemplated to cover roads, bridges, drains, sewers, etc., that constitute the responsibilities of public agencies.

It is only intended to cover such properties as are described in the insurance policies to which it is attached.

Its limitations are intended to encourage property owners to protect their interest in addition to such protection as furnished in public agencies for communities.

Its ramifications are for discussions and explorations only. Careful study and computation of all available statistics must be made before its true worth can be evaluated.

I have submitted this proposal to those persons and organizations that I believe would be interested, such as the Chamber of Commerce of the United States, the National Board of Fire Underwriters, certain companies, company and agency associations, Senators Saltonstall, Kennedy, and others.

I would appreciate your comments and suggestions as to the proposal and your views as to the value of further explorations along these lines.

Sincerely yours,

C. CONRAD PARKER.

A PLAN FOR PROVIDING LIMITED FLOOD INSURANCE PROTECTION TO REAL AND PERSONAL PROPERTY

1. All owners of real or personal property must share in the expense of providing funds to cover flood damages regardless of where their property is located.

2. Property owners to recover from flood funds must expect to bear a portion of the loss themselves, for at least two reasons:

(a) As an incentive to protect the property as far as is reasonable against anticipated recurrent floods.

(b) To keep overall costs to everybody within reasonable bounds.

3. A Federal flood insurance corporation or fund be set up within the scope of the powers of the proper department or existing bureau.

4. That the fund be held by the proper authorities for the payment of losses within the ramifications of an insurance program later described in the plan.

5. To facilitate handling details with the public every insurance company or association licensed to do fire insurance anywhere in the United States shall become a fiduciary agent of the Federal organization under whose jurisdiction the program is assigned. If a Federal flood insurance corporation is set up, companies becoming a fiduciary shall subscribe an average of \$5,000 to the flood fund held by that corporation and then issue as a part of every fire insurance policy negotiated thereafter a special endorsement (to be prescribed) and collect the required fee (to be determined) for remittance to the duly constituted flood insurance corporation less a predetermined percentage to cover expenses; also the fiduciary shall make available its facilities for loss adjustments.

6. Recommended special endorsement: This policy shall also cover the hazard of flood in the same amount and under the same participating conditions as prevails for the fire insurance portion of the policy except that—

1. On all real and personal property, excluding 1- or 2-family dwellings and household furniture in any dwelling, there shall be a \$1,000 deductible from every loss and a 10 percent deductible of any excess over the \$1,000. This deductible to apply to each building and contents thereof except that if there be several buildings under one ownership at the same location the amount deductible shall not exceed 25 percent of the value of any building or contents. (Note: To provide some coverage on small buildings and small stores, etc.)

On 1- and 2-family dwellings there shall be a \$500 deductible and 5 percent in excess thereof.

On household effects there shall be a limit of \$5,000 after a \$100 deductible is applied.

7. Flood-insurance endorsement shall not be attached to policies that otherwise include flood damage, such as transportation policies, inland marine policies, and personal property floater policies.

8. The charge for flood endorsement shall be at a rate of 1 cent per hundred dollars on insurance or fraction thereof per year or any portion of a year.

(a) There is to be no return allowed on the flood charge when a policy is reduced or canceled, except that if a policy is canceled for nonpayment of premium within the time prescribed by the other portion of the policy the flood charge may also be canceled.

(b) If a policy is increased in amount the proper charge for flood cover coverage shall be collected for balance of policy period. If less than 1 year, for full year, if more than 1 year for full year intervals.

9. The flood charge to be collected with the insurance premium for the policy and the insurance company shall retain 25 percent of the charge to cover expenses of handling and loss adjustment expense.

10. In case of loss the insurance companies to furnish the facilities of their adjustment arrangements in same manner as they would if loss was a fire or other hazard usually covered.

11. Details of loss and proofs of claim to be forwarded to the Federal flood insurance corporation or fund for their approval and payment.

12. Notice of flood damage must be filed with the insurance company within a reasonable period of time which shall not exceed 30 days.

#### COMMENTS

1. This is not a charitable proposition.

2. It is a plan to attempt to spread the cost of disasters over all persons, firms or corporations that are prudent enough to insure their property against fire and other hazards.

3. It is not an insurance to be purchased as flood insurance alone and as private insurance companies cannot legally compel others to pay for a coverage they do not think they need, it is to all intents and purposes a Federal tax collected by private industry, acting as fiduciary, for the purpose of setting up a fund to relieve in part flood disaster losses.

4. The size of the original fund can be determined by multiplying the number of insurance companies by \$5,000 and the income to the fund by multiplying the total amount of fire insurance written by 1 cent per hundred dollars thereof.

Example:

\$5,000 insurance companies average \$25 million

100 billion fire insurance annual income \$10 million

5. If this income is not proper the annual rate can be adjusted accordingly.

6. With a large deductible and with no attempt to protect those who do not choose to protect themselves against fire and other catastrophes (self-insurance programs are not eligible for participation) with no attempt to have this fund applied to flood control, repair or replacement of public facilities, such as roads, bridges, etc. This plan should be workable, with probably changes and enlargements.

7. After trial this plan could probably be enlarged to cover limited loss of income and rentals on business properties.

8. To cover loss of pay a plan might be worked out as a tax on payroll as a part of workmen's compensation insurance.

Submitted by,

C. CONRAD PARKER.

Senator LEHMAN. The first witness this afternoon is Mr. Schumacher, president of the American Optical Co.

#### STATEMENT OF WALTER A. STEWART, APPEARING ON BEHALF OF AMERICAN OPTICAL CO. AND ON BEHALF OF PEOPLE AND MANUFACTURERS IN VALLEYS OF THE QUINEBAUG AND FRENCH RIVERS

Mr. STEWART. Mr. Chairman, my name is Walter A. Stewart, formerly president and now a trustee of the American Optical Co. I

am appearing for Mr. E. W. Schumacher, president of the American Optical Co., and also in a dual capacity as the representative of the people and manufacturers located in the valleys of the Quinebaug and the French Rivers in southern Massachusetts and northern Connecticut.

Senator LEHMAN. Do you have a prepared statement?

Mr. STEWART. We have a prepared statement, and I will file that statement.

In relation to that statement, Senator, I would like to say briefly that as the American Optical Co. we represent a manufacturing corporation that endured a loss of \$2½ million due to the floods of August 18 this year.

Supplementing our good Congressman and our interested Congressman, Philip J. Philbin, if your committee would drive by that place now you would find little evidence of the disaster, because the recovery has been so rapid and so well.

In the Quinebaug and French River Valleys we endured a disaster amounting to \$35 million in material and economic loss.

The American Optical Co. is wholeheartedly in favor of flood or disaster insurance. We have canvassed the residents of the Quinebaug and the French River Valleys through their chambers of commerce with only one dissenting vote or voice. They are completely in favor of some form of insurance and are requesting this committee to look after their interest in that respect.

They have asked me to stress the fact or express the hope that the interest in insurance does not divert us from the interest in flood control, because there are certain conditions that we face that can be taken care of only by flood control.

In relation to insurance, we would suggest to the committee to look closely at the question of zoning.

Senator BUSH. The question of what?

Mr. STEWART. The question of zoning, of applying zoning to the insurance. The zoning could raise artificial barriers. It could be a barrier as between communities in their competition with each other for the improvement.

For instance, a city like Hartford with its facilities would undoubtedly earn a better rating than, say, a city like Putnam, and if that were so, then the city of Putnam would be handicapped as against Hartford in seeking to improve its economic opportunity.

We would like to see Federal insurance available. We think that under the circumstances it is the only answer.

I would like personally, Senator, to support your remarks and also the remarks of Senator Bush about flood control being a Federal proposition. The residents in the valley of the Quinebaug River have been working on some form of flood control through their individual efforts and through town and local efforts since 1822. They have not accomplished the result because there has been no overall authority. Therefore, we believe that flood control is a Federal proposition, that once the Federal proposition is stated then there is room for the local, municipal, and other people. But without the dominant Federal influence to establish the standards, the local people cannot function to advantage on their own.

That is what we wish to say, Senator. I would like to divert here a minute to go back to a remark that I heard Senator Bush make

this morning about his interest in the western end of Massachusetts and the western end of Connecticut. We hope, Senator, that your interest there does not divert you too much from the eastern part of Connecticut, because we think we have a common cause there along the Quinebaug River.

Senator BUSH. Well, Mr. Chairman, I would like to correct the gentleman's impression, because when I spoke of the western part of Massachusetts I did not say anything about Connecticut at that time. I did speak of the western part of Massachusetts because I believe that that was the part of Massachusetts which suffered the most damage and virtually all the damage in these recent floods. But, of course, I did not say anything about the western part of Connecticut. I think you misunderstood me, if you will permit me.

Mr. STEWART. I am glad to hear that.

Senator BUSH. I was at Putnam immediately after the flood, and in that whole area, and I certainly agree with you that there is no worse devastated area in the whole of New England than that immediate area. I know the American Optical Co. very well, and I am very sympathetic with the views which you are submitting and which you expressed on their behalf.

Mr. STEWART. Thank you.

Senator LEHMAN. You have several plants?

Mr. STEWART. Yes. We have a plant in Putnam, Conn.

Senator LEHMAN. Where in Massachusetts?

Mr. STEWART. We have two plants in Massachusetts. We have one in New Hampshire. We have one in Vermont. And we have a very good plant in New York State at Buffalo.

Senator LEHMAN. You referred to the loss of \$2½ million resulting from these floods.

Mr. STEWART. Yes.

Senator LEHMAN. Did you have any insurance on that?

Mr. STEWART. Insurance has not been available to us, to the American Optical Co., since 1936. If it was available from the one source we know of where we could get it, it would have cost us a premium rate of 30 percent. But since—

Senator LEHMAN. What was that? Lloyds?

Mr. STEWART. Lloyds. But since the 1936 flood it has not been available. They won't give it to us.

Senator LEHMAN. So this damage resulted in a completely uncompensated loss to the company?

Mr. STEWART. Yes. In respect to that, Mr. Chairman, I would like to make one brief comment on relocation. Something can be done in relocation. But these manufacturers are not adjacent to these rivers either stubbornly or capriciously. The water is an asset. In our operation we take more than 4 million gallons a day out of the river and put it back. We have to have the water.

Some relocation can be done, but the water in these rivers to these manufacturers is an economic asset and, in our opinion, just as valuable as the farm soil, the trees, the minerals, and the oil. It is an economic asset of this Nation, and we think that it should be looked upon in that aspect and that flood control should be considered from that standpoint.

Senator LEHMAN. You talked about zoning. Has anything been done in relation to zoning in the localities in which your plants are situated?

Mr. STEWART. Nothing has been done in the past. We are now earnestly interested in maybe working out a planning district as between ourselves and the adjacent townships in Connecticut. That can be done.

Senator LEHMAN. In the bill that I prepared I placed a limit of \$300,000 on any individual coverage—commercial facilities. Senator Kennedy based it slightly lower—\$250,000, I think. What is your thought about that?

Mr. STEWART. Mr. Chairman, neither of those limitations fits us. So far as our operation is concerned, on a limitation of that kind in respect to the cost of the insurance, we might better carry the insurance ourselves.

That does not alter our opinion of the need and the necessity for an insurance for many other people. In fact, I could give you a list today of people up and down the Quinebaug and the French Rivers, possibly extending to 50 different commercial concerns, whom this insurance would not only fit but is almost today a dire need, a complete, vital necessity.

We are not insurance people. I am not qualified to discuss the various kinds of bills. We have confidence in the testimony I heard here this morning from Professor Harris and from Mr. Yount. This committee will have the viewpoints of the different people who can work those things out. We are confident and will be content with what comes out of your deliberations in respect to that; whether it fits an operation of our size or not we don't know.

Senator LEHMAN. Thank you very much indeed.

Did you have any further questions, Senator Bush?

Senator BUSH. No.

(The prepared statements submitted by Mr. Stewart follow:)

STATEMENT OF WALTER A. STEWART, TRUSTEE AND FORMER PRESIDENT,  
AMERICAN OPTICAL CO.

Gentlemen, my name is Walter A. Stewart, and I am a trustee and former president of American Optical Co. I am sure it is recognized that our company suffered as much as any Massachusetts industry as a result of the flood disaster of August 19, 1955.

I want to state these basic facts as background for the position American Optical Co. takes before this committee:

1. Flood insurance has not been available to American Optical Co. since 1936.
2. Were this insurance available, it is estimated by competent authorities that the cost would be excessive—approximately 30 percent.
3. Expensive flood-protection facilities instituted and paid for by the company were entirely inadequate for the volume of water recorded August 19, 1955. Protection against such volume is impossible for a private enterprise.
4. American Optical Co. has property and inventory on the Quinebaug River at Southbridge, Mass., and Putnam, Conn., with a replacement value of \$40 million.
5. Complete protection of this property would require an additional \$11 million in business interruption protection.
6. American Optical Co. now estimates cash expenditures of \$2,500,000 entirely attributable to the August 19 flood.

With these facts in mind, we make these three points:

1. We believe broad-scale, low-cost flood insurance is necessary and can be obtained only under Federal sponsorship; that protection up to \$250,000 is better than no protection; that it will give vital assistance to the many small businesses

that are of paramount importance to our economy; but that it obviously is not the answer to the problem faced by industries with multimillion-dollar assets exposed to the threat.

2. We believe that our rivers and the water that flows in them are valuable natural resources, assets just as much as the land in farming areas, the trees in forest areas, and minerals in mining areas. Some form of flood insurance will afford minimum protection to those who use these assets. However, it could be in a temporary or liquidating form because, obviously, it will offer nothing to promote the development or exploitation of these national assets. It will afford no added benefits to those citizens who are resident in areas served by the rivers, but not exposed to the menace of flood. Flood control would develop, exploit, and expand the benefits of these national assets.

3. We believe there is grave danger that efforts to obtain enactment of a flood insurance program would, with or without the expressed or tacit consent of its sponsors, weaken the efforts of those working to obtain flood control, and it is our conviction that effective flood control offers the greatest benefit to all the people.

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STATEMENT OF WALTER A. STEWART, CHAIRMAN OF THE ORGANIZING COMMITTEE,  
SOCIETY OF THE QUINEBAUG

Gentlemen, my name is Walter A. Stewart, and I represent the Society of the Quinebaug, an organization of business people whose interests are in the valleys of the French and Quinebaug Rivers, specifically in Southbridge and Webster, Mass., and Thompson and Putnam, Conn. I speak for them on the related subjects of disaster insurance and flood control.

It is now estimated that damage to public, private, and industrial property in this area resulting from the flood disaster of August 19, 1955, will be approximately \$35 million.

We have canvassed the businessmen in the area, through their chambers of commerce, and find that with only a few dissenting voices sentiment is in favor of disaster-relief insurance, with the reservation that the sentiment is expressed without knowledge of proposed rates, coverage, or limitations. These businessmen speak for a program that will fit the needs of the area.

It is the unanimous sentiment of the organization that a program for flood control is of supreme importance. It is emphasized that the manufacturers of the area are not located where they are haphazardly, carelessly, or stubbornly. They are located where they are because water is essential to their operations.

Therefore, it is their conviction that if the welfare and economy of the area are to be preserved, there must be proper control of these rivers so that their waters will remain an asset and not a periodic menace.

Senator LEHMAN. Mr. Richard B. Young, chairman, New Bedford Committee on Hurricane Damage.

**STATEMENT OF RICHARD B. YOUNG, ACUSHNET PROCESS CO., NEW BEDFORD, MASS., ON BEHALF OF NEW BEDFORD COMMITTEE ON HURRICANE DAMAGE**

Mr. YOUNG. I appreciate very much, of course, this honor of appearing before you. I might state I appear very much like Mr. Stewart does—as a floodee, not as an expert on insurance. However, we do also have some ideas on this subject.

I do have a prepared statement, Mr. Chairman, that I have passed in. I believe you have a copy there.

Mr. Chairman and members, I would like to start by saying my name is Richard B. Young. I am associated with the Acushnet Process Co., in New Bedford and represent the New Bedford Committee on Hurricane Damage. This committee was formed by the 35 large and small industries in Greater New Bedford which were subjected to damage by flooding salt water during the 1938, 1944, and 1954, hurricanes.

Let me state the committee was first formed with the idea of performing an exchange of engineering information regarding self-protection. We recognized that we had a problem on rehabilitating our plants and on drawing out electrical equipment and handling very vital machine tools and dies and that sort of stuff and we needed each other's help.

So the 35 of us got together, thinking to help ourselves first before we started talking of concerted effort. However, we since then have tried to get together as a group to give an effort on such projects as flood insurance and on flood protective works.

Last year in the Hurricane Carol, New Bedford was hit badly. Greater New Bedford itself suffered \$50 million damage, and better than \$10 million of that was in industrial plants alone.

Incidentally, we believe that estimate to be relatively accurate. That survey of our 35 companies was taken in April and May of 1955, long after the companies had been able to assess their damage, and we think that they knew by then pretty accurately what their damage was.

That figure of \$10 million though does not include loss of business or loss of payroll to the employees who were put out of work for as much as a month or 6 weeks.

I would like to concern myself today mainly with the industrial problems rather than the problems confronting other commercial establishments and homes, primarily because that has been my major interest.

I have here and would like to submit for your perusal and to have included in the record if you care to, sir, a copy of the testimony which was given before the Senate Public Works Subcommittee in regard to Senator Bush's bill S. 414. I bring it because in it there are some pictures showing typical damage of what happens to plants in salt water. I do not know whether you would like that as part of the testimony or not.

Senator LEHMAN. In view of its thoroughness and completeness, we will not make it part of the record, but we will keep it in the committee and make it available to all members of the committee.

Mr. YOUNG. You would like me to turn it in?

Senator LEHMAN. Yes.

Mr. YOUNG. Mr. James Buckley, who was the vice president of Revere Copper & Brass in charge of New Bedford operations, and I were pleased to appear before this committee and assist in getting authorizations for the United States Army engineers to make studies and build flood-protective devices in areas affected by salt water rather than just fresh water.

You will find, as I stated, attached to the testimony some pictures indicating the extent of the damage in many of our members' plants. It is our impression that salt-water damage is just as bad, if not worse, than fresh-water damage, because immediately tools, dies, and other mechanical and electrical equipment start to rust. They all must be taken down within 2 or 3 hours or they are ruined completely.

Several things became obvious to us. First, with the changing weather patterns we believe the New England coastal area is now extremely vulnerable to future flooding, and the plants along the waterfront, which were built before this danger existed, are not in a posi-

tion where they can move their buildings and equipment to higher ground.

Second, it is very obvious that all of the plants affected are taking precautionary measures with their own funds to make their plants as watertight as possible. With existing buildings and with the danger from heavy seas and floating objects, this is not, we feel, a satisfactory solution. Frankly, all of us have bottled up our windows and our doors and we have plugged up our drains with valves and we have got pumps in there to try to pump our buildings out. We thought we were going to have a chance to test it when Diane came along but we are very glad we didn't. But we are still curious whether it would work or not.

Thirdly, from a survey of our 35 participating plants it was apparent that the majority do have a definite interest in flood insurance if it should become available at a reasonable cost. At the Acushnet Process Co. we have endeavored to get quotations on flood insurance and to this date have been unsuccessful in getting a proposal that is practical from the cost standpoint.

We do feel that insurance is a real necessity and, whether the United States Government realizes it or not, they do have a definite part to play in the insurance program. Each time there is a disaster, the Government loses tax income on the amount of money which was lost by each of the industrial concerns. For instance, last year Uncle Sam lost somewhere over \$5 million in taxes because of the damage suffered by our concerns.

Senator BUSH. You mean just in your area?

Mr. YOUNG. Just in our area in New Bedford alone; yes.

If we are to be subjected to further floods without insurance, it is obvious that many of these companies will feel they cannot expand or continue to do business in their present location, which will mean loss of employment to the area and loss of future taxable income to the Federal Government.

As we see it, industrial disaster insurance should embody the following points, and let me repeat I am not an insurance expert, but this is what as a possible insuree we think might be a workable scheme.

1. Each plant participating should be required to purchase insurance for the full appraised value of that portion of the plant which is subject to water damage.

2. There should be a reasonable high deductible clause, probably as high as 10 percent of the insured value.

3. Even above this deductible clause we feel that the corporation should be a coinsurer with the insurance company to the extent of somewhere around 10 percent of the remaining damage.

4. We believe individual rates should be established for each plant, depending upon the degree of risk and protective measures taken.

In other words, if a company spends a lot of its money to try to fortify themselves and reduce the risk, of course, there wouldn't be as much risk in the first place, but we feel they should possibly get a better rate too.

And there is a fifth point I do not have in my testimony, but we believe in order to build up funds that it would be necessary to have some minimum amount of time which a participating company could buy this insurance, say 5 years or something like that, so they couldn't buy

the insurance the day before the flood and then get rid of it the day afterward.

We believe that the above five points would prevent companies from building in vulnerable locations without getting adequate physical protection and that the dollar cost to the insurance company would, thereby, be reduced appreciably.

If the above points were followed, we feel that the private insurance companies could justify the issuing of insurance themselves, as long as there is a proviso for reinsurance by the Federal Government to prevent economic failure of the insurance companies in the event of a widespread national disaster. It would appear reasonable to us that the insurance companies should be in a position to withstand the first \$50 million of damage per disaster and that insurance above this figure should be obtainable from the Federal Government. We would definitely recommend keeping the Federal Government out of the primary insurance business and feel that their participation should be in the form of reinsurance only.

It is obvious that the broader the base of this insurance program, the better will be the diversification and the quicker the insurance companies can build up funds to withstand disaster. It is, therefore, our recommendation that this insurance cover all types of natural disasters, not manmade, rather than merely flood damage, and, of course, that would be disasters not already covered by existing insurance policies.

I believe it was pointed out this morning there are some disasters which are coverable at the present time.

We recognize that insurance is not the only answer to our problem. As proposed, it will not reimburse the plants for all of the damage, nor will it pay for the loss of business to the company during shut-down, or wages to the thousands of employees involved. During the 1954 Hurricane Carol, this loss of wages to employees threw a tremendous handicap on the economy of New Bedford when the whole city was least prepared to stand it. We feel it is imperative that each plant be given as much incentive as possible to take their own protective measures.

One of the biggest handicaps at the present time to this self-protection program is the fear that the protective measures must be capitalized even though they do not add to the productive capacity of the plant nor do they improve the facilities. And I might point out in the case of the plants in New Bedford there they have spent an awful lot of money, and they are not equipped to produce a pound more of material than they could before, and their buildings are not as good as they were before. We have ruined the ventilation. We have ruined the light. We have made the buildings much less flexible than they were before. Yet we have put the money in merely to protect ourselves and not to increase our ability to make goods.

It is our understanding that this is under discussion by the Commissioner of Internal Revenue at the present time, and we strongly urge that the companies which will spend money to protect themselves be allowed to write off the cost of protection immediately unless there is an improvement to their property.

In addition to this self-protection, it is obvious that physical protection in the form of dams, causeways and bulwarks, et cetera, are of prime necessity along the rivers which are vulnerable to fresh water

flooding and along the seashore where you have estuaries which are subject to salt-water flooding during hurricanes. We are pleased to know that the Federal Government has recognized the salt-water problem and has authorized the Army engineers to study salt-water flooding. We believe these studies and projects should receive the same amount of attention as the fresh-water control projects.

Until insurance is available from private companies, it is our recommendation that the tax laws be revised, as a stop-gap measure, to allow industrial concerns to set up a reserve for self-insurance which could be deductible from income. I understand that was one of the provisos of the 1954 Internal Revenue Code, and, as you know, it was since repealed. Obviously if insurance was available the companies would be allowed to deduct the premium cost of that insurance from their profits before taxes as a reasonable business expense, but it is not permissible to build up a fund to cover yourself in the event of disaster. It appears to us if insurance is not available that corporations should be allowed to build up this self-insurance reserve.

We believe that obviously some limits should be set on the rate at which this reserve could be set up, and as a guess we picked a figure of not over 10 percent of income before tax, and that the maximum size of the reserve per company should be set up possibly not more than 50 percent of the appraised value of the capital assets which are vulnerable to flooding. Obviously some people would take advantage of such a reserve provision unless there was some control put on it.

I appreciate very much this opportunity of expressing my views, Mr. Chairman.

I do have one other thing I would like to say. Mr. William Flack came up here with me from New Bedford and was prepared to present a statement. His name did not get on the agenda. I realize you are running short of time, and he asked that I request his statement be included in the record also.

Senator LEHMAN. We are very glad to have it. Without objection, it will be included.

Mr. YOUNG. Fine.

Senator KENNEDY. I know how much work Mr. Young and his committee have done down in southeastern Massachusetts, and I think his testimony is very helpful, because they have had as much experience as anyone with this business of salt-water flooding. So I am glad he had a chance to testify today.

Mr. YOUNG. Thank you, Senator.

Senator LEHMAN. Thank you very much for coming, Mr. Young.

Mr. YOUNG. I appreciate it very much, sir.

(The prepared statement of Mr. Flack follows:)

STATEMENT OF WILLIAM E. FLACK, CONTROLLER, ACUSHNET PROCESS CO.

My name is William E. Flack. I am the controller of the Acushnet Process Co. It is my understanding that the primary subject of this hearing is flood insurance. I will, therefore, limit my testimony principally to that topic.

Flood insurance has been considered and the possibilities of writing such a coverage reviewed by the major insurance companies several times in the past. There have also been previous bills in Congress and I believe that most of them have died in committee. When one understands the underwriting problems created by flood insurance, it is easy to understand why previous efforts to establish such coverage have been unsuccessful. The principal underwriting difficulties are:

1. Adverse selection of risk (purchase of coverage only for property with a severe flood exposure).
2. The magnitude of potential losses.
3. The concentration of loss (usually losses are limited to a few communities).

It would seem that proper legislation could eliminate the last two of these difficulties by providing adequate reinsurance facilities to the private insurance companies. The first problem presents greater difficulty. If the program is confined to flood insurance alone, it appears likely that only those with severe flood exposure would purchase the coverage and that, as a result, the rates for such insurance would become prohibitive. On the other hand, if the coverage is broadened to include all natural disasters, it is feared that it will degenerate into a relief program rather than insurance. Probably the solution lies somewhere between these extremes.

The present extended coverage endorsement which is available on most fire-insurance policies is a good illustration. This extended coverage endorsement covers such widely assorted risks as sprinkler leakage, windstorm or hail, explosion, falling aircraft, smoke, riot and civil commotion, vandalism, and destruction of property at the order of civil authorities. Some of these risks certainly present opportunities for adverse selection. It would seem to me that it would be possible to add fresh- and salt-water flooding and possibly some other risk such as earthquakes to the risks presently included under the present coverage endorsement. In my opinion, it is much more desirable to add perils to the present extended coverage endorsement than to write a totally new coverage. In many flood losses there is also wind damage and it becomes difficult to distinguish between wind and flood damage. If the risks are covered by the same insurance carrier, this problem is eliminated. Should it be found that it is not practical to add flood insurance to the present extended coverage endorsement, it seems to me that a new endorsement covering flood and a limited group of other perils could be developed.

To summarize I believe that our insurance companies should be able to develop an insurance package which would include flood insurance and that the Federal Government should supply the necessary reinsurance support for such a program.

In conclusion I would like to emphasize that flood insurance is only one means of alleviating the hardships caused by floods. Direct physical protection should be provided by Federal flood-control programs wherever it is economically feasible to do so. It is hoped that the surveys now being made by the United States Army engineers will establish a basis for such flood-control programs in New England. Private flood-control programs should also be encouraged by tax-relief measures.

I very much appreciated the opportunity to express my views before this hearing.

Senator LEHMAN. Mr. Belanger, president of the New England conference of CIO councils.

I understand he has been delayed for a few moments. We will pass over him for the time being.

Mr. Kenneth J. Kelly, secretary-treasurer of the Massachusetts Federation of Labor.

Senator KENNEDY. I think that is also true of him.

Senator LEHMAN. We will pass over Mr. Kelly for the time being and call him later if we have time.

Mr. Walter P. Muther, Associated Industries of Massachusetts.

#### STATEMENT OF JARVIS HUNT, GENERAL COUNSEL, ASSOCIATED INDUSTRIES OF MASSACHUSETTS

Mr. HUNT. Mr. Chairman, Senator Bush, and members of the committee, I am Jarvis Hunt, general counsel of the Associated Industries of Massachusetts. Mr. Muther, whose name appears, is my assistant who reserved the opportunity of representing a brief here

today. I believe, Senator, you have copies of this brief, and if you haven't, I have plenty of them here.

Senator LEHMAN. Will you identify yourself for the record?

Mr. HUNT. My name is Jarvis Hunt. I am general counsel for the Associated Industries of Massachusetts.

It is a privilege for me to attend this hearing on behalf of the Associated Industries of Massachusetts, the only statewide association of manufacturing employers. Our membership is responsible for approximately 90 percent of the industrial payroll in Massachusetts.

On August 31 and September 10, 1954, Hurricanes Carol and Edna struck the New England States, causing millions of dollars worth of damage, not only as a direct result of windstorm and rain but also as the result of the inundation of coastal cities and towns and settlements by the tremendous floods of sea water pushed ashore by the force of the hurricanes.

On this occasion in 1954, a hurricane water and flood damage committee of this association was formed. As a first step, a survey of the AIM membership of approximately 2,000 companies was made in order to determine the value of industrial property exposed, the extent of losses, and the extent of interest in some measure of insurance, if available at reasonable cost.

The results of that survey are typical of the flood-insurance problem, in that only a few manufacturers suffered staggering losses. For example, the survey disclosed that almost 70 percent of the estimated industrial loss was suffered in the New Bedford area. Only 7 percent of the entire membership considered themselves subject to water damage—rising waters or flood—and a large proportion of these indicated an interest in insurance if the cost were not only reasonable but low.

The AIM committee met with representatives of the insurance industry to urge upon it the desirability and need for coverage of this nature. It is probably most accurate to say that the insurance group, relying on the insurance executives' report of 1952, felt that the certainty of very large losses, the difficulties of establishing anything but high rates, and the problems of adverse selection of risk precluded the offering of such coverage at a marketable rate.

Representatives of the Associated Industries of Massachusetts appeared before the Senate Public Works Subcommittee on Rivers and Harbors in support of a survey study to make our coastal waters, particularly in the New Bedford and Massachusetts areas, as flood-proof as possible. A good proportion of this survey has been accomplished but it needs additional funds which are included in the New England governors' conference recommendations of September 23, 1955, and which our committee specially endorses.

With the torrential rains accompanying Hurricane Diane this August 1955 the losses in Massachusetts, as well as in Rhode Island and Connecticut, were not only greater but far more extensive than previous storms. The latest figures indicate a total of \$100 million in Massachusetts alone, of which \$55 million is the industrial figure. This has naturally increased the sense of urgency, the determined support for protective measures, and reconsideration of the possibilities of insurance.

The AIM flood committee being primarily occupied with the intricacies of relief measures and facilities has not resurveyed or polled

the total AIM membership. It has met and determined a number of policy positions with that total membership in mind, and it is in the capacity of a representative of the Associated Industries of Massachusetts flood committee that I appear before you today.

This flood committee has considered this problem broadly as involving three areas of action, namely, flood control, more adequate tax relief, and flood insurance. Although this committee today, as I understand it, is primarily considering the insurance issues, it will most accurately reflect the position of our committee if I may be permitted to mention all three areas.

First, as to flood control, the Associated Industries of Massachusetts committee endorses the New England governors' conference position in its entirety. Primarily this calls for an expenditure of \$34 million for construction of dams, reservoirs, and diversions in New England, less than one-half of which will actually involve Massachusetts projects per se. In addition to this there would be \$12 million for navigation on rivers and harbors work and \$4.9 million for necessary additional planning funds in order to execute this greatly needed construction.

We are especially concerned with a further appropriation of \$1.2 million to expedite and conclude the hurricane survey of coastal waters referred to above.

Although this prevention program does not include all the necessary projects needed for the area, it does represent an immediate concrete program which has already been authorized by Congress and needs only appropriation.

The AIM committee unanimously concurs in the opinion that this is the most necessary, valuable, widely beneficial and appropriate form of Federal expenditure for protection from flood damage in this region. As Professor Harris told you this morning, the adverse ratio of taxpayments to the Federal Government from this area compared with benefits received would alone justify these recommendations in our opinion, irrespective of the tremendously increased hazard and storm incidence that now faces this densely populated State whose plants and towns are built on the banks of its many small rivers, each of which is potentially dangerous in time of flood.

I might mention in view of Professor Harris' statement this morning in regard to the Hoover committee, first, that I think that this is perfectly proper work for the Federal Government to do; secondly, that I think that Professor Harris has misinterpreted the report of the Hoover committee. There was a study task force of the committee staff report which recommended that the localities themselves handle these things, but this report, Senator, was not adopted.

In the Hoover committee's report there were merely two recommendations, one the formation of the national policy on flood control, the other the taking from the Soil Conservation Division of the Department of Agriculture the flood control projects and turning them over to the Army engineers.

So I think that we will find there is practically no opposition or no recommendations against Federal flood control.

Senator LEHMAN. I want to let you know I have a telegram from Mr. Edward A. Sherman, regional director, Citizens' Committee for the Hoover Report, which I intend to put into the record at the conclusion of your remarks.

Mr. HUNT. Thank you, Senator.

Senator LEHMAN. That may throw some light on it.

Mr. HUNT. Secondly, the AIM flood committee unanimously concurs in the opinion that a number of Federal income-tax provisions could greatly reduce the shattering impact of flood losses upon the economic organizations which produce the wealth and well-being of the region. Such provisions would include, for example, the election to take current costs of replacement of property destroyed or damaged as a deductible item, or provision for estimating reserves for self-insurance—I believe Mr. Young mentioned these as well—or election to take new flood control or other casualty prevention projects as a deduction.

A provision analogous to this last is already available to farmers for soil and water conservation under section 175 of the Internal Revenue Code with certainly no greater apparent justification.

Alternatively, rapid depreciation of capital expenditures over 3, 4, or 5 years including plant relocation to avoid future losses would be most beneficial and also directly tie in with the best flood-control efforts.

Again, permission to terminate the taxable year following casualty loss and thereupon claim tentative carryback adjustment under section 6411 of the code would greatly facilitate rehabilitation and supply immediate needs.

Similarly, a number of proposals for the immediate benefit of employees make good sense as, for example, permitting the employer to refrain from further withholding tax where the employee is not expected to have taxable income at all because of casualty; a prompt refund of the withholding tax where the employee suffers a casualty loss; or, further, a prompt refund of prior year's taxes based on net operating loss carryback for individuals.

It is worthy of note that there is already the organization and machinery in the Internal Revenue Service to execute and control the specific application and individuality of needs inherent in all casualty losses through such an approach. No further appropriation of Federal funds or extension of governmental functions is necessary to grant this relief.

Third, the AIM committee welcomes the concerted efforts of this committee and its staff, that of our Senators Kennedy and Saltonstall, the administration, and the Housing and Home Finance Agency, as well as certain insurance spokesmen and others who have all determined that the difficulties and complications of some form of insurance are not insurmountable. We recognize both a need and the desirability of development here. We applaud the recognition in the measures formulated in bills before this group that we are on the frontiers of insurance problems in dealing with large-scale disasters, that the history of the insurance industry promises further development, and that naturally the facilities, skills, and services of the insurance industry are to be utilized.

As an employer group in a competitive economy, we are concerned with both (1) the immediate cost to be shouldered by individual economic units in the free market and (2) the method and controls on Federal subsidies, if such are to be involved. On the basis of our present understanding of the measures now before this committee,

we are not prepared to say that these two concerns have been sufficiently clarified or resolved to warrant a more specific endorsement.

I wish to thank this committee for the opportunity to have appeared here today in the hope that the considered views of the Flood Committee of Associated Industries of Massachusetts may be of some help.

Senator LEHMAN. Is my memory correct that until quite recently many of the industries of the State have objected to flood control because of their fear it might develop public power?

Mr. HUNT. There has been some objection, particularly, of course, from the point of view of public utilities. Our association represents manufacturers. There have been some manufacturers, those who generated their own power, who have objected to that. But I think that was mainly because in some of the proposals for flood control there was tied in Federal power proposals. I think there have been no objections to flood control purely as such.

Senator LEHMAN. I know.

Mr. HUNT. That is right.

Senator LEHMAN. Then my recollection is correct that that has been there for a considerable length of time.

Mr. HUNT. You are right.

Senator LEHMAN. I won't make a statement it exists today, because I think the point of view has changed.

Mr. HUNT. I think it is changing.

Senator LEHMAN. But there was that opposition to flood control because of the fear it might bring about development of public power?

Mr. HUNT. That is right.

Senator LEHMAN. There is one other question I want to ask you. I am deeply interested in the prosperity of industry, in every State of the Union, of course, and I certainly want to see full justice done to industry. But it seems to me that while they must be protected, their interest must be safeguarded, the one in the unfortunate position is the little fellow, the little householder who has seen his home destroyed or damaged and who has nothing left except a mortgage that he has to pay is far more serious and burdensome than the plight of some manufacturers, much as I deplore that plight.

As I understand it, if a company suffers a loss, let us say, of \$500,000, and its earnings are in excess of \$500,000, he can deduct that loss of \$500,000 from his corporation tax, which, if my recollection is correct, is 52 percent now. Is that not a fact?

Mr. HUNT. Unfortunately, Senator, it isn't quite as easy as that. The only loss that he can deduct is the depreciated value. He cannot deduct the replacement value or any reserve set up for replacement, and that is one of the elements in regard to tax relief that we think should be given very serious consideration.

Senator LEHMAN. Of course, that I know is a criticism of our tax laws. I mean so far as they refer to depreciation. That is quite a separate thing. We are going to look into this question and possibly make recommendations, although the committee will certainly not be able to speak for the Finance Committee to which, of course, all tax legislation goes.

But what I was bringing out was the little fellow might have a loss of five or ten thousand dollars and has an income of two or three thousand dollars, and he cannot write that off. If he writes any part of it, he can write it off at a very, very, very low rate of interest. He has

no protection because he has double liability if he goes and borrows money.

The situation is a little bit less burdensome or considerably less burdensome in the case of industries. I am talking about the large industries that may be affected.

Mr. HUNT. That, of course, is true. The small fellow can write off a loss insofar as it is not covered by insurance, but with his small income, of course, that is of very little help to him. I see your distinction between that case and the case of the industrial concern with the large income and not proportionally larger loss. That is true.

Senator LEHMAN. The reason I mention that is not in any way to show lack of interest in the success or prosperity of business, because their success and prosperity, of course, affect the entire economy, but merely to emphasize that we must not lose sight of the little fellow.

Mr. HUNT. That is true.

Senator LEHMAN. He has disabilities and disadvantages that do not always show. In the case of a wealthy man who may have lost his home, he can write it off. If he has a large income it does not cost him much.

Mr. HUNT. That is right.

Senator LEHMAN. It does not show to the same extent in the case of the larger corporations. But it is a tragic thing, a notably tragic thing, when it happens to a fellow who has seen his home disappear or damaged so badly that it is virtually valueless.

Mr. HUNT. You are entirely right, Senator, and we are mindful of that. You will note in some of our tax recommendations in this brief we suggest that he be given a refund of his withholding tax when he has a casualty loss, and that that be immediate.

Senator LEHMAN. I thank you very much for your testimony. I do want you to know that our staff has been working on some of the very things that you very clearly outline here today.

Mr. HUNT. I know.

Senator LEHMAN. And they will continue to work on it. We have voluminous information already on many of these things.

Senator BUSH. Mr. Chairman, on this question of opposition to flood control that the chairman raised, I think it should be pointed out that flood-control devices, flood-control dams, are absolutely antipathetic to power development. One defies the other, so to speak. I think the gentleman is correct that back in 1944 or 1945 when we did authorize some projects and built a few, which, incidentally, have proven their worth recently many times over, there was some opposition in certain areas by public utilities. But it was mostly on a fear basis and not realistic, because a protective dam has got to be kept empty or nearly empty to be of any use. A power dam has got to be kept full to be of any use. So that I do not think we should encounter any intelligent opposition to the flood-protection works that we do want to implement with appropriations with that understanding abroad now, which I think it is.

As far as New England is concerned, unfortunately, the possibility for power development on our rivers is very, very limited indeed. We have not been able over the years, despite ingenuity, market, and everything else, to develop much power.

Senator LEHMAN. Senator Kennedy?

Senator KENNEDY. Just one question. Mr. Hunt, since the floods in August, has there been any talk of industrial migration from New England by those plants which have been particularly affected?

Mr. HUNT. I am glad to say that we have heard very little. I think I could say any serious—

Senator KENNEDY. Do you think companies like American Optical which took a tremendous loss and are in a vulnerable position unless effective action is taken on flood control, and possibly and probably a bill such as this, might migrate?

Mr. HUNT. I have every faith that American Optical will work out its problems as it has. It has done a wonderful job of digging out of mud and silt that the rains brought down and certainly did a job better than we ever thought it could do.

Senator BUSH. Mr. Stewart wants to be recognized for a comment.

Senator LEHMAN. Mr. Stewart, do you want to comment on that?

Mr. STEWART. Mr. Chairman, Senator Kennedy, the answer to your question is an answer in time and arithmetic. Let's say that it would take a good plant a certain amount of time to relocate, to retrain its people and get into operation. I believe that the question of migration is balanced between that time that it would take that plant to relocate itself thoroughly and the time within which it can see relief from flood control. Do I make the point?

Senator KENNEDY. Yes. You would say though that governmental action on flood control plus an insurance program would be of assistance to you in figuring out that arithmetic, would it not?

Mr. STEWART. Exactly. If it would take a plant 4 years to relocate and that plant cannot see protection from flood within 4 years, then the mathematics of the situation says it must relocate. So I don't think that what has happened now immediately should be accepted as a criterion. I think that what we do and what we plan to do in the way of a time factor in bringing in insurance and bringing in flood control is going to be the criterion as to whether you get the migration or not. Do I make it clear?

Senator KENNEDY. I think that is very important.

Senator LEHMAN. Thank you very much, Mr. Stewart.

Thank you very much, Mr. Hunt.

Mr. Hunt, you referred to the matter of the report of the Hoover Commission. I have this telegram which I have already referred to from Mr. Edward A. Sherman, regional director for the Citizens' Committee for the Hoover Report, and I shall put in the record:

BOSTON, MASS., November 9, 1955.

Senator HERBERT H. LEHMAN,

*Chairman, Senate Banking and Currency Committee:*

Testimony this morning before your committee reveals a definite misunderstanding of the difference between the findings and proposals of the Hoover Commission's study task forces and the official reports and recommendations to the Congress by the bipartisan Commission itself.

To clarify this matter I respectfully call your committee's attention to the fact that in the Commission's report on water resources and power in the chapter on flood control there are no recommendations. There are only two recommendations in the whole report that in way affect flood control. The first recommendation is recommendation No. 1 which proposes that there be established a national water policy and suggests nine policy criteria. The only other recommendation remotely concerning flood control is recommendation No. VI in the

same report which recommends that construction of headwater dams in the flood-control program of the Soil Conservation Service of the Department of Agriculture be transferred to the Army Corps of Engineers.

EDWARD A. SHERMAN,  
*Regional Director, Citizens' Committee for the Hoover Report.*

Senator LEHMAN. I want to say I am very glad to have this clarification but, of course, in my opinion it makes no difference since I was directing my remarks against the point of view, whether by the Hoover Commission or the Hoover Commission task force, which have become public documents submitted to the Congress. It is in my opinion a regressive point of view, a parochial point of view, which must be resisted if we are to provide the maximum protection against tragic disaster.

You recall my remarks were based on a statement and testimony by Professor Harris that the recommendation was that flood control be made a matter of local—State or local—interest.

If we ever do that, I repeat, we are certainly going to find ourselves in a very, very difficult position with very little progress made.

I am glad to have this in the record.

I am going to call on Assistant Attorney General Dorice S. Grace representing the attorney general of the Commonwealth of Massachusetts.

#### STATEMENT OF DORICE S. GRACE, ASSISTANT ATTORNEY GENERAL, COMMONWEALTH OF MASSACHUSETTS

Miss GRACE. My name is Dorice Grace. I am an assistant attorney general of the Commonwealth.

Mr. Chairman, Senator Bush, Senator Kennedy, the attorney general's experience in disaster dates to 1953 when Worcester County was visited by a tornado. Previously, in 1938, Massachusetts had its first great hurricane disaster. Very few of our citizens were covered by insurance.

After the 1938 hurricane, they purchased windstorm insurance, and when the tornado hit in 1953 their losses to a great extent were covered. Ninety-five percent of the real estate in the area was covered by insurance, and approximately 70 percent of personal property.

The distinction between the losses in the tornado and the flood was the fact that none of the people in the flood area had coverage.

Mr. Hunt mentioned the fact that the loss in Massachusetts alone was \$110 million and that \$55 million of that \$110 million was industrial. Therefore, the remaining \$55 million would be for public property and the small-home owner and the small-business man.

It is the small-home owner and the small-business man in whom we are particularly interested. We realize that the small man cannot exist unless industry supports him. But when everything that a homeowner has is suddenly carried down the river or the stream, he is in a sorry plight. Neither the Federal nor the State law permits a grant to a private individual. The only relief that was given was to public property. The cities and towns were reimbursed by the State, and to some extent the Federal Government reimbursed the State for certain specified items.

The Army engineers did a perfectly terrific job in getting the roads passable again.

But who is there to help the little man? He may get a loan, and that loan, of course, he must pay interest on, and the loan must ultimately be returned to the person from whom he borrows it whether it is the Small Business Administration or any private loan company.

The Red Cross has made grants. They are the only ones we know of that have made grants. The Salvation Army helped to a great extent.

In inquiring to determine how large a sum any of the people received, \$3,000 was the largest figure that I had heard mentioned as given by the Red Cross.

That does not mean that they have not given more, but from inquiring about we learned that people in the western part of the State on several occasions received that amount of money to repair foundations, et cetera.

The loss in Massachusetts covered a very great area, the entire Blackstone area, the Quinebaug and Mad Rivers, the Swift River. That is where the greatest loss to crops occurred. The rivers rushed down with such force that the topsoil was washed away and the crops were destroyed.

It is incumbent upon all of us to do our part in seeing that flood insurance or, rather, an all-covering disaster insurance is enacted in the next session of the Congress.

The hour is late, and I am very grateful to you for listening to me.

Senator LEHMAN. Thank you very much indeed. We are grateful to you for coming.

Senator BUSH. Mr. Chairman, I just wish to make an observation, because the distinguished lady's information about the Red Cross is quite different from some of the examples that we have seen in Connecticut.

I think the Senator recalls I mentioned one family consisting of a widow and 1 child in Waterbury where a total grant by the Red Cross was \$16,000 for this widow and 1 child, which enabled them to buy a new home, to furnish it, and to replace the clothing of that little family. So, I mean, that is a \$16,000 limitation.

Over in Unionville we had a case where the Red Cross put up \$2,196 to pay off the mortgage debt on this particular demolished home, on the land; \$2,000 to replace the home appliances and furniture, and \$7,452 for the construction of a new home, in addition to which the SBA made a loan to that family which consisted of just a man and wife of \$5,000.

So that while this is not directly in point or no argument against the need for flood insurance, I do not want the record to show, if we can avoid it, that there has been such a limitation as the distinguished lady suggested.

I know you pointed out that was just what you observed. I know that. I just want to make this statement for the record and not in any criticism but just to make the record that we have observed elsewhere much more generous treatment where the circumstances have required.

Miss GRACE. I am very happy to have that called to my attention. Thank you.

Senator LEHMAN. Senator Kennedy?

Senator KENNEDY. No; thank you.

Senator LEHMAN. Has Mr. Belanger arrived?

Mr. BELANGER. With your permission, Mr. Chairman, we have a few witnesses who happen to be victims of these floods.

Senator LEHMAN. Have you a prepared statement, Mr. Belanger?

Mr. BELANGER. Yes; a short statement.

Senator LEHMAN. Will you identify yourself and introduce your associates?

**STATEMENT OF J. WILLIAM BELANGER, PRESIDENT, NEW ENGLAND CONFERENCE OF CIO COUNCILS; ACCOMPANIED BY JOHN E. COLEMAN, CIO REPRESENTATIVE WITH RED CROSS IN CENTRAL MASSACHUSETTS DISASTER AREA, LUTHER LINCOLN, AND CHARLES J. VASSAR**

Mr. BELANGER. I am J. William Belanger, and I am the president of the New England Conference of CIO Councils.

Mr. COLEMAN. I am John Coleman. I am the CIO's representative with the Red Cross in the central Massachusetts disaster area, and these gentlemen are Mr. Luther Lincoln, one of the victims, and Mr. Charles Vassar, another one.

Mr. BELANGER. Mr. Chairman, members of the committee, we are grateful for your being here today because we have a most serious problem in these New England States which is increasing all the time.

We do not profess to be authorities on flood control or on insurance, but we do know that something should be done. We have tried to probe into this situation to gather some information to help give us some direction, and we have had formal conferences of our State CIO councils in New England. It was unanimously agreed that these organizations would press for immediate enactment by Congress of the broadest possible Federal disaster-insurance legislation.

While we don't wish to claim a monopoly on suffering, it is a fact that the men and women who make up the unions affiliated with CIO and who live and work in the areas affected by the floods were probably as a group the worst hit by these disasters. Every union official and every union representative in this region has been obliged to spend much of his time since last August dealing with relief problems of our membership.

We can report on the basis of extensive firsthand contacts with actual victims of the disaster that there is an imperative and an urgent need for an insurance system that will make up to the average citizen substantially all of the costs of the physical damage he suffers as a result of these disasters.

I specifically refer to physical damage, because no one can measure the emotional aftereffects of these catastrophes. Who can measure the sorrow and distress as a result of loss of life or injury to members of one's family or to neighbors or fellow workers? Who can say that there are no inner scars left upon children, let alone adults, who have lived through these periods of terror or deep anxiety?

There is very little if anything we can do to erase these emotional losses which occur because of natural disaster, but we can and must make good the loss of homes, clothing, essential furniture, and automobiles such as thousands of people have suffered in this region during recent months.

The New England Conference of CIO has asked the technicians attached to our national office to study the financial and legal questions involved in framing legislation setting up a genuine disaster-insurance program. We will have future recommendations on the precise terms of legislation we shall favor.

For the moment, we wish to emphasize that it is clear only the Federal Government can provide the type of protection which our experience in recent tornadoes and floods in New England demonstrates to be absolutely needed. It is abundantly evident that the conventional private-industry approach just won't do in these circumstances. There should be no need to belabor this point.

Moreover, we in New England feel that this program should be made compulsory and universal. The citizens should pay their premiums in the form of tax. No human being can foretell on whom or where or to what extent disaster will strike tomorrow or next year. It should go without saying that we must take every sensible and practical precaution against flood or tornadoes. It would be gross negligence to permit the present state of affairs in respect of flood control and tidal inundation to continue.

But it is not possible to build dams or reservoirs quickly enough to protect against new floods or to find ways and means of avoiding all damage to life and property from rising waters and rainstorms. Full insurance protection is needed and must be had even if, as we hope, the losses turn out to be infinitesimal.

We have read with great interest the draft plans for flood insurance offered by Dr. Seymour Harris in his capacity as chairman of the New England Textile Committee, and we say that we believe that he has good points and that he has good recommendations and that he is a good technician who could offer much to this committee.

We have not studied the Lehman bill, with apologies, or the Kennedy-Saltonstall bill, too closely. We propose to do so and will comment in more detail later on and particularly in Washington. However, our basic approach is somewhat broader than seems to be the approach in these two bills.

The CIO would recommend and would urge that the Federal Government insure the homes and belongings of everyone or as nearly everyone as is possible and that the premiums be paid through tax deductions. If Dr. Harris' estimates are anywhere near correct, reasonable coverage for the average home would be had for annual costs of not more than \$5, probably considerably less.

We observed that the experience of our membership who are veterans and carry insurance with the Veterans' Administration demonstrates that a Federal governmental setup can work efficiently, humanely, and speedily.

We most certainly don't want an organizational setup to administer disaster insurance which will force us to fight for payments for losses as we too often have to fight today for other social benefits.

As a spokesman for CIO in New England, I would be derelict in my duty, Mr. Chairman, if I failed to go one step further in this discussion to point out that CIO strongly urges a broad and comprehensive and eminently practical multipurpose river basin development project including flood control calculated to prevent most, if not all, of the vast human and physical wreckage and losses which occur year after year in this region.

I might say that this is not new to us. I recall that in the mid-thirties when Congressman-at-Large Bill Citron, from Middletown, from your home State, Senator Bush, introduced bills for the Connecticut Valley Authority. Since then we have had surveys and surveys, and I believe in the archives of Congress we must have volumes upon volumes of what should be done.

However, in New England it has been said that we have a sort of an individual pride as a region; that we don't care for interlopers or outside interference; that we can well meet our problems locally—that is, local and State. It all stems from Yankee ingenuity. I might say to you that we feel that our Yankee ingenuity has run out. We need not be too bashful, and we should put our pride in our pockets because there is human suffering.

As a matter of fact, not too long ago in your State of Connecticut, Senator Bush, there were picket lines of small-business men and small manufacturers saying, "We've had enough."

I might also add that we have company. Usually floods emanating from hurricanes or from other natural disasters only seem to hit the people who live near the rivers, and it happens to be mostly the members of our union. Well, we have them in the high and mighty places today. You take here even in Boston and in our suburban communities, Newton and Brookline and Dover, where the best families of Massachusetts live; the byword is in councils among neighbors and in discussions, "Have you had water of late?"

And so it knows no boundaries. It seems that the water tributaries have taken strange courses. It seems that we are all affected—yes, even part of our Boston area, the lifeline of our commerce along the Charles. Comes a flood or a heavy rainstorm and men cannot get to their offices to work, and we have to reroute our streets, which are narrow, as you might know, in Boston, and everything is tied up for hours, which means loss in time, effort, money, and then, also, frustration.

So we believe that something should be done.

We find also that the Corps of Engineers have stated that dams could have been placed in certain areas but they are not fast coming, and of late we have noticed that there is a little buck-passing between the community and the Engineer Corps stating that they cannot get permission, and henceforth the rivers go on their merry way.

So we think that the damage has been extensive, as we have found out, and the figures are enormous. If we were to take the figures quoted by the Chief of the Army Engineers, Lt. Gen. Samuel Sturgis, who sticks to his billion-and-a-half-dollar figure, this is really a tremendous amount.

We are not a new part of the country. We are an old part. We have old buildings, and they just can't stand these floods. Yes; it can be said that we can look for new plateaus or higher plains, but, unfortunately, it can't be done, because we are a heavily congested area, and we cannot move our factories.

Some say also that we can build stronger foundations. Well, from what we have seen, the way the waters flow on a rampage, I don't know what type of a foundation would hold back the waters unless we harness them.

So, as spokesman for some half-million wage earners in these New England States, we believe that the recommendations of the New Eng-

land governors do not go far enough, and we believe that we must proceed on a program of an effective approach to this situation.

I am going to present the committee with the testimony that we gave to the House Government Operations Committee in Springfield on October 24, where we covered this flood program quite well.

It is high time that in New England we stop pussyfooting with this dreadful and constantly reoccurring problem of overflowing of our rivers and high tides. We can assure you that the working people are at long last showing signs of assuming real responsibility for public education and political activities designed to correct the disgraceful errors and omissions of the past 20 years.

When we ask why things are not done to protect ourselves, we are told the people don't want it. When you narrow it down, who are the people? We find that when it comes to harnessing the rivers or if we talk power we know that it's the Power Trust in New England who seems to be the "people." However, it's all tied in it with our electric rates, and it's tied in with many other factors which have had a bearing on the flight of our industry out of New England, particularly the textile industry.

The New England economy is hard hit by floods and high winds. It needs the stimulation which cheaper power and large-scale public works can afford. We reject the proposition that if we mention the issue of public power we will get no flood control. It is our judgment that unless and until we fight for both needed lower cost power and flood control we will get neither.

I am convinced that the A. F. of L. unions in New England will join CIO in pressing this problem as quickly as our immediate merger problems are resolved this December 5.

We welcome your visit to New England and assure you once more of our great admiration and regard for you personally and your colleagues. We pledge to you our energetic and persistent efforts to win over our entire congressional delegation from New England to the support of the program that we outlined here today.

Senator LEHMAN. Thank you very much. I was very much interested in your whole statement, but I am glad that you followed my very brief remarks about the relationship of flood control and development of public power, and I think it has been the fear of development of public power, I repeat, that has been one of the handicaps under which New England has suffered.

I wonder whether you know—you probably do—something which I have spoken of many, many, many times: That today in New England and in New York the rate for power is just twice as high as the rate for power in certain other areas of this country, notably the Tennessee Valley, the Pacific coast, both in California and in the Northern States, Washington and Oregon. It is just twice as high in this New England-New York area as out there.

The interesting part is, one that I think is not fully understood, that the rate is twice as high here but the consumption in the other areas that I have mentioned—the Tennessee Valley area, the Pacific coast—the per capita consumption is virtually twice as great as in New England and in New York, so that there is this direct relationship between the cost of power and the consumption of power. As a result of the increased consumption of power in the low-cost power areas the profits

that have been made by the private utility companies have been greater than ever before.

I think it is an interesting commentary.

Mr. BELANGER. I should like to say that the Federal Power Commission report for 1954 shows that our average homes here in New England for a 250-kilowatt-hour-a-month use of electricity pay from \$7.63 to \$7.85 per month as compared to the TVA and Bonneville areas of \$4.92, Tennessee of \$5.53 and Washington \$4.63. This shows the difference. Also the average for large communities in New England of consumption of power has been 1,741 kilowatt-hours as compared to these lower rated communities of 2,625 kilowatt-hours.

Senator LEHMAN. I was conservative in my figures.

Mr. BELANGER. I might also add it has had a direct bearing on the electrical appliance industry which has grown by leaps and bounds in this territory, because we seem to have less of those appliances than where we're getting lower cost power. In other words, consumption of more electricity and more of the utilities.

Senator LEHMAN. Senator Bush.

Senator BUSH. That is a very interesting statement—I mean your prepared statement, Mr. Belanger. I think it is a very interesting and a very helpful one.

I caught one thing that you said that I would like to ask you to amplify. You said you thought the cost of flood insurance could be paid—that the premiums might be paid—by tax deduction. Would you mind explaining that a little more fully?

Mr. BELANGER. That is more than a \$64 question.

Senator BUSH. Well, I didn't mean—

Mr. BELANGER. I would say that there would be various means. It could be in the form of a local tax, State tax to the Federal Government—I mean as the collectors—or directly by Government in the form of withholding. Certainly it would have to be worked out. The reason why—

Senator BUSH. Maybe I can make my question a little clearer, because I thought you had a very interesting thought there. I thought you meant something like this: That if an individual is going to subscribe to flood insurance that instead of paying for it on top of his taxpayments that he could deduct the premium from his taxpayment to the Government.

Let's say, for instance, a man's annual taxpayment is \$60 and that he is going to carry flood insurance and that it is going to cost him \$50 a year to carry it. Maybe that is high, but let's just say that. Therefore, it would reduce his taxpayment to the Government to \$10. Do you follow me?

Mr. BELANGER. Yes; I follow you.

Senator BUSH. Is that what you had in mind?

Mr. BELANGER. That is what we would like; yes.

Senator BUSH. I mean—

Mr. BELANGER. That is what we would like. But I also might add that we are mindful that insurance of this magnitude, of this comprehension depending on the disaster itself—because I have had experience and saw the tornadoes at Worcester and all of these floods, and believe me, I can understand the potentiality of cost—the cost of it is beyond reach insofar as water is concerned.

We had a hassle here in our last rainstorm because I know neighbors around where I live had a little water, and they were saying, "Well, we're covered." So someone said, "Well, look at your policy." Then the newspapers came out and said the policies covering winds and hurricanes would not apply to this type of disaster, which was rains and rains and more water and floods.

We are told that the only people attracted to this type of insurance might be those along the waters, that they might even try to struggle to pay because we are getting repeated doses here regularly now and may even try to buy that type of insurance. But the reason why it is high, the coverage is not sufficient enough to go around—I mean in places where they believe they are not affected by floods.

So we think that it is becoming a public concern. For instance, a tornado doesn't choose the rivers. They will hit a spot like they did in central Massachusetts. Also if you have drought or if you have other disasters of any magnitude in the country, I think that it's one's responsibility to another rather than continuously trying to pass the hat and raise the money the way we did in the Worcester area.

There was a big statement made that the President would send in \$500,000, but it hasn't been received yet.

I mean we try to probe and say, "Where is this money coming from?" So we found out that the Army engineers do a certain type of cleanup work and try to rearrange the conditions that prevailed prior to the disaster, and that's what the Government means. Well, it's not enough to take care of the little people.

We have worked with the Red Cross diligently, and they have done a good job. We have no complaint. But it's slow, and it's always seeming to beg the issue. I think that we owe more to our citizens than continuously trying to meet our problems that way. I believe sincerely that all citizens would want to contribute in one form or another, whether it is by deduction from the tax if the Government can stand the bill or even pay a little more if need be to protect themselves.

Senator LEHMAN. Further questions?

Mr. BELANGER. I would like Mr. Coleman, who was on the scene, to speak. And these are people who have had their homes washed away, Senator, and I think it's interesting.

Mr. COLEMAN. Well, Senators, I have been on the scene since, well, 4 days after this happened, and I have been with the Red Cross acting as liaison man between them and our union people. My job was to interpret the Red Cross program to these people so that they would understand it and to all our union members so they would understand it and carry the message to them.

I had an opportunity or many opportunities I should say to be with the caseworkers when they visited these people and sat down with them and went through all of their private business.

As you know, these cases are very extensive. They have to go into a lot of digging and history of the family, because it is the public's money. Very few people understand that. They're not spending their money. They are spending the public's money, and they have to answer to the public.

So a good many of our people misunderstood the delays that were incurred there.

As Senator Bush mentioned in Connecticut some of the awards that were made there, we can compare them very easily with those in Massachusetts. In the town of Charlton we had one there of \$15,000, which represented a 4-room house completely furnished and clothing and all the rest that goes with it. That was for a man 69 years old.

You see, there was no mention there of longevity or anything. The man was a homeowner. The home was destroyed. He was to be given a home that was in comparison with his need.

That is one of the factors that was a little tough to get over to our people—this problem of need. We couldn't give them television sets and those nice easy chairs that we spend so much time making money to buy. So they just had to get along with just the essentials.

In going along on this problem of presenting this to you today, we thought that we would present two typical cases to you. One is a very extreme one, which is a complete wipeout—everything. That means the very soil. There is nothing left but rubble and rock there. You couldn't put a foundation there if you wanted to. The second one is what we might call an average case of a high-water deal where it would be, oh, the first floor and furniture and complete renovation of the rooms on the first floor and possibly foundations.

The first case we have is of a man here, Mr. Lincoln, who lost his home completely, and if you would like to question him, fine, or he can tell you anything he wants.

Senator LEHMAN. Will you tell us about your experiences?

Mr. LINCOLN. My name is Luther Lincoln. I lived in Charlton on the Katy Brook, and I lost my home and everything. Of course, I got aid from the Red Cross which helped me out a lot.

Senator LEHMAN. Will you talk a little louder, please?

Mr. LINCOLN. But without the aid from some of those associations, something like that, I don't know what I would have done. I had a mortgage on the place around \$5,000, and in order to pay that off and pay rent, try to build a new home—I couldn't do it; that's all. I don't know what I would have done.

About the only thing I could do was go into bankruptcy, wouldn't have that old mortgage on. That's all I could see. But still now with the aid of the Red Cross and everything I'm put back about 10 years in owning my home. My home should have been paid for in about 6 or 7 years more. Now I've got to go around 16 or 20 years.

Senator BUSH. Did you have to make a new loan?

Mr. LINCOLN. New loan.

Senator BUSH. How much did you borrow?

Mr. LINCOLN. Well, I haven't settled that yet.

Senator BUSH. Have you got the new home yet?

Mr. LINCOLN. No; not yet.

Senator LEHMAN. What happened to the old loan?

Mr. LINCOLN. It went down the river.

Senator LEHMAN. You mean you have got the old loan still?

Mr. LINCOLN. Oh, the old mortgage? No.

Senator LEHMAN. I didn't say "home." I said "loan."

Mr. LINCOLN. Loan; yes. Well, that old loan is taken care of so far. The bank took half the loss and the Red Cross has paid the other half.

Senator LEHMAN. Will you have to borrow money for the new home?

Mr. LINCOLN. I will, but the Red Cross is going to give me a little help on that. But without the aid from the Red Cross or anything it would have been pretty tough. It has set me back about 10 years.

Senator BUSH. Did you lose any of your family in this?

Mr. LINCOLN. No; I didn't lose any of my family.

Senator BUSH. Do you have a family?

Mr. LINCOLN. Yes; I have a wife and two kids.

Senator LEHMAN. Did many of your neighbors suffer severely?

Mr. LINCOLN. Well, yes. I lost four neighbors up above in the flood. They were in a house when it went down the river. There were about 15 homes in that vicinity that went down the river.

Mr. COLEMAN. This is Mr. Vassar.

Mr. VASSAR. My name is Charles Vassar. I belong in Millbury, in the Blackstone Valley area. Back in 1954 I purchased my home, and 8 months later Edna and Carol came along and paid me a visit. I had about several hundred dollars' worth of damage to my property, but I went to work and did the repairing myself, and to do that I had to take a part-time job. That meant that I had to be away from my family morning and night.

So I did that for a little over a year, until we got hit again. The loss was considerable. But the Red Cross came to my aid. They helped me out to try to get back to my home, which I hope to do, in which I hope to be with my people for a long time to come.

I want to thank Mr. Coleman and Mr. Murray for being responsible for me being here, and I thank you.

Mr. COLEMAN. Gentlemen, you are probably familiar with the figures in Massachusetts that the Red Cross has spent here. I think that is pertinent to these facts here. In central Massachusetts the Red Cross has spent \$1,054,000. That is up to October 28. Those figures are not final. Their original estimate of this area damage was about \$700,000 when they first came in here, but when they got into some of the furniture losses, which was tremendous here, replacing of furniture and some of the buildings, the cost of buildings, their figures just jumped by leaps and bounds until they are now well over a million dollars.

In this town of Charlton that this gentleman, Mr. Lincoln, comes from, \$125,000 was spent in that town, or has been awarded to that town. That is an enormous sum for such a small place. That town was hit harder in comparison with the number of people and houses than any other place in this whole area as far as I know.

I think that concludes anything that I have. Are there any questions?

Senator LEHMAN. No questions. Thank you.

I understand Mr. Robert Segal is appearing on behalf of the Massachusetts Federation of Labor for Mr. Kenneth J. Kelly.

#### STATEMENT OF ROBERT SEGAL, COUNSEL, MASSACHUSETTS FEDERATION OF LABOR

Mr. SEGAL. I am Robert M. Segal, counsel for the Massachusetts Federation of Labor. Mr. Kelly, who was scheduled to be here, was suddenly called away and at the last minute has called me in.

We have a short prepared statement of Mr. Kelly's, and I just have a few words of my own that I would like to give to this committee. The statement of Mr. Kelly which I would like to read first is a very short one. It goes as follows [reading]:

The recent flood disasters in New England have graphically and tragically pointed up the need for national legislation to provide some form of flood and disaster insurance. New England has been sorely beset with manmade problems for a number of years. They themselves are enough to discourage a less resilient or resourceful people or region. The visitations of the tornado in Worcester in 1953, the hurricanes of August and September 1954, and the ravages of the floods in August and September of the current year constitute a crushing blow to our people and to our region. Because of our location, it seems likely that we will be targets for the ravages of nature in the near future.

While proposals for flood controls have been considered in the past and are currently being reexamined by another branch of the Federal Government, it is still indefinite as to when and how these protective measures will become an actuality. In the meantime it is necessary to initiate some flood and disaster insurance protection.

To date the private insurance companies for various reasons have shown little inclination to enter this field. Flood insurance admittedly does not lend itself to the fundamental insurance principle of risk reduction through risk sharing. It would appear as though the solution lies in some federally sponsored program which might be integrated with the facilities and services of the private insurance industry.

The Federal Government has already had experience in a somewhat similar field of insurance, such as war damage insurance, crop insurance, and maritime risk insurance. In these fields there was an unwillingness or inability of the private insurance to handle these problems.

The Massachusetts Federation of Labor favors Federal action in the heretofore neglected field of flood insurance.

Out of the bills that have been proposed, we hope that a workable method of insuring homes and industrial establishments against flood and disaster damage can be secured at a nominal cost shared by all the people in the country. We hope that some minimal legislation will be enacted at the next session of Congress.

That, gentlemen, is the statement of Mr. Kelly, who is very sorry he could not be here.

There is a slight addition that we might want to put in at this stage. As you gentlemen know, the Massachusetts Federation of Labor is made up of the members of the A. F. of L. in this Commonwealth, of which there are over 300,000. We have in the vicinity of 600,000 organized-labor people in this Commonwealth, and over 300,000—closer to 400,000—belong to the A. F. of L. After December 1, as you have already heard, the merger will probably take place and we will all be one group.

As you noticed from the testimony of Mr. Belanger from the CIO, we are in fact backing a good deal of that testimony. We feel the same way about a good many of these problems.

Many of the details of the bills, I am sorry to say, I am not familiar with. We have not studied the bills in detail. I just got these bills, as a matter of fact, about an hour and a half ago.

I believe I can, however, say that the problem of this flood insurance and flood control in general may well be discussed at the coming executive council meetings of the A. F. of L. in New York starting December 1. I have been led to believe that they may in their discussions discuss this very problem, and undoubtedly you gentlemen will have more testimony from the gentlemen in Washington from the A. F. of L. and CIO or the merged group relative to this problem.

I would like to say further with specific regard to this problem that

the recent floods here in New England, with losses to eight States in general of a billion and a half, we think have brought to a head this problem in this particular field. We think that the narrow approach and possibly the overconservatism of the insurance companies have left a good deal of this field uncovered by adequate insurance. There has been some criticism that possibly the insurance companies have been paying too much attention to the highly lucrative field of workmen's compensation rather than this particular field.

Based on these and other factors, the Massachusetts Federation of Labor believes that the best solution is some form of a federally sponsored program which draws on the facilities and services of the private insurance industry.

As you gentlemen know, the Federal Government already has experience in both fields of insurance and floods. The TVA and the other power projects which have been denied for too long a period to New England have been Federal projects. The Army Corps of Engineers' flood-control projects have already reduced the potential flood damage nationally from \$809 million to \$500 million a year according to the best estimates that we have seen. This year perhaps \$45 million in damage was avoided in your own State, Senator Bush, in Connecticut, by existing dams, reservoirs, and other controls.

The Federal Government, as you well know, has been in the field of war-damage insurance, maritime war risk insurance, and crop insurance. In all three fields there was an unwillingness of private industry to handle the problems.

Therefore, the Massachusetts Federation of Labor favors Federal action in this neglected field of flood insurance. We think parts of the proposed bills may not go far enough, but they are definitely a step in the right direction.

Specifically at the moment—and this, incidentally, is true of both the Lehman bill and the Kennedy-Saltonstall bill—there are advisory committees I think set up in both of them. One I think calls for 12 members; the other calls for 6. We think it is fatal in their drafting in that point that there is no position for representatives from labor on those advisory committees.

As you heard from the testimony of the CIO, it is our people who are affected just as industry is affected, and to have just insurance people on those advisory committees we think would be wrong.

The Lehman bill, as I recall it, does not have that particular provision. It provides for just an advisory committee without specification as to what it comes from. As I understand the Kennedy-Saltonstall bill, it calls for people from the insurance industry only. We think if that is so that that should be corrected in both bills with some proposal for labor representation in both bills.

There is a question in my own mind, and this may have been cleared up by earlier testimony, with regard to the Kennedy-Saltonstall bill in connection with section 3 (a), for instance. The language there that says that they can't give out too much insurance in areas which may be subject to recurring floods may hurt us here in New England. Maybe we're subject to recurring floods. If so, that may work to our disadvantage. We might suggest that there be some review of that proviso in section 3 (a) of the Kennedy bill.

That, briefly, gentlemen, is our statement at this time. I'm sure you will hear from organized labor in far more detail in further hearings in Washington.

I want to thank you both on my own behalf and on behalf of Mr. Kelly and the Massachusetts Federation of Labor for your attention and the opportunity to appear before you.

Senator LEHMAN. Thank you very much indeed.

I just want to point out one thing. Of course, it is very natural that at this hearing today and in the hearing we are going to hold tomorrow in Providence and the hearing which we are going to hold in Hartford next week that the emphasis should be laid on the situation in New England. But I don't want people to forget that this very tragic situation is not confined only to New England. I have been at great pains to describe the situation as affecting the northeastern situation, because it does very greatly affect Pennsylvania, New York, New Jersey, and Delaware, and it also affects the Carolinas which suffered very greatly from the hurricane and flood damage.

Mr. SEGAL. I would agree with that, Mr. Chairman. It happens we are from New England. Our concentration is on New England.

Senator LEHMAN. Very naturally. I am very glad there is such very great interest shown in New England, and I am sure the same thing will be true in the other hearings.

I think we have one more witness who is not on the list but who has asked to be heard here today, and that is Mr. Joseph D. Noonan of the Smaller Business Association of New England, Inc.

**STATEMENT OF JOSEPH D. NOONAN, ON BEHALF OF SMALLER BUSINESS ASSOCIATION OF NEW ENGLAND, INC.**

Mr. NOONAN. My name is Joseph D. Noonan, executive secretary of the Smaller Business Association of New England.

Before I start to read this very brief statement, I would like to say this: That as I listened today I saw some lack of recognition of the problems of small business. For instance, the insurance man was talking about relocation of factories on higher ground so that they could get a rate against floods that might be profitable to them and small enough in cost to the smaller businesses.

I visited over 1,100 plants in the last 4 years in New England, all of them under 500 employees, and I want to tell you that these plants were located originally on water because they needed water, and they were located there in many instances because they needed the water power. It would be one stupendous job to attempt to move those plants up onto higher ground and have to pump the water all the way up to the higher ground and have roads built up there, and so on.

So that is a fantastically unrealistic attitude to even consider the problem in.

The other thing is that the Kennedy-Saltonstall bill, as I understand it, provides for the exclusion from insured material of inventories. A great many of the smaller plants in New England are in rented buildings, and the only assets they have are their machinery and their inventory, and the largest part of their assets is frequently, most frequently probably, inventory. So to exclude inventories from that consideration in the setup of this bill is going to be perfectly ridiculous.

The Smaller Business Association of New England would like to go on record as favoring an insurance plan to insure business firms against catastrophe such as floods, now unobtainable except at prohibitive costs.

Since we believe implicitly in the preservation of our free-enterprise system in all phases of business, we believe that the possibilities of insurance companies handling these situations should be first thoroughly explored. However, the need for some kind of insurance coverage in these catastrophes is urgent and a plan should be worked out in the immediate future. If the insurance companies need Government participation in any form, we believe it should be furnished and furnished promptly.

The Kennedy-Saltonstall bill recognizes the necessity for action, but we believe that the matter should be more thoroughly studied and the details be more definitely spelled out before we commit ourselves to a specific bill.

However, we are convinced that the excellent plans prepared by Army engineers should be immediately put into operation for flood control in New England. The plan in its entirety, it is estimated at the last publication of the cost, will cost \$34 million, and \$48 million if you include the harbors and rivers section.

We would like to point out that New England has received only one-half of 1 percent of money appropriated by Congress for flood control, while it pays in taxes 3 percent of the money appropriated for this purpose.

We also would like to offer for your consideration and your careful consideration the possibility that a setup of insurance by insurance companies with reinsurance by the Government which would increase the cost of insurance or would be such a high figure that the small-business man could not afford it would be, in effect, to exclude the small-business man from the operation and the good effects of the bill.

So, unless something can be set up with an insurance company and the Government as the reinsurer or a part insurer or by the Government itself at a cost low enough for the small-business man to afford the premiums, then, in effect, it is of no value and you are wasting your time.

Thank you very much, sir.

Senator LEHMAN. Thank you very much.

Mr. NOONAN. It is good to be looking at three fine Senators who are what we consider in New England among the foremost friends of small business in this country.

Senator BUSH. Mr. Chairman, I would just like to observe for the gentleman's benefit that, of course, the committee is interested in the very small business, the small merchant, the ice cream parlor, the barber, and those fellows who got so badly hit down in our area. I am sure they must have over here in Massachusetts too. They probably are too small to belong to the gentleman's association but—

Mr. NOONAN. Oh, no. One-man businesses belong to our association; yes.

Senator BUSH. I am glad to hear that. But I did want you to know that the committee is very mindful of the tremendous suffering that has been caused by the disaster as it affected that particular type of small-business operator which I have seen a great deal of in our State. I want to assure you that we have the greatest sympathy and determi-

nation that whatever we do will be geared so it affects that extremely small fellow as against what we call generally small business. We think of it in terms of something that employs less than 500 people. But I am thinking in terms of the fellow who owns his own little place and doesn't have any employees or maybe an occasional one.

Mr. NOONAN. About half of our men—

Senator BUSH. I want you to know we are very conscious of the fact that he, multiplying him, so to speak, represents a basic problem here because he has no place to go.

Mr. NOONAN. That is very reassuring, Senator. I know you do consider that. Half of our members have less than 10 employees, so you're talking to the right man.

Senator BUSH. Good. I am glad to hear that.

Senator LEHMAN. Former Congressman Furcolo is unable to appear but has asked to submit a statement for the record during the course of the hearings. There being no objection, the record will show this statement.

(The prepared statement of Mr. Furcolo follows:)

STATEMENT OF FOSTER FURCOLO, SPRINGFIELD, MASS.

My name is Foster Furcolo, and I am an attorney practicing at 1340 Main Street, Springfield, Mass. My only purpose in testifying is that it occurred to me the experience I had had might be of some help to the committee. Back in 1951, I was one member of a 5-man congressional committee that had been appointed after the Kansas-Missouri flood. The Congress had been asked to appropriate \$400 million to finance a program having to do with indemnification, loans, and flood insurance following the disastrous floods in the Midwest.

At the time, I was shocked and appalled to learn that the Federal Government had apparently never adopted any sort of overall policy or well-thought-out pattern of dealing with disasters of that magnitude. Congress apparently merely followed the custom of waiting until there was a disaster, then taking emergency steps of one kind or another, and then hope that there would never be another disaster. There was no program of any kind.

I called attention of the Congress to that incredible situation by saying: "If the hearings established anything conclusively, it is the utter lack of any planned course of action on the part of the Federal Government in disasters of this magnitude. The testimony repeatedly emphasized the need for speed in getting a program into high gear. Yet those who have the responsibility for rehabilitation of the stricken area are virtually helpless in their attempts to outline an effective program when it is not known how far, if at all, the Congress is willing to go in granting assistance. Certainly it should not be left to the last-minute decision of an appropriations subcommittee that has not had either sufficient time or authorization to decide a matter of such tremendous scope and far-reaching implications. This disaster has caught us unprepared but that must never happen again. Let us at least benefit by our knowledge that we must decide how far we want to go in such disasters." [See Congressional Record of October 4, 1951.]

I then went on to point out that Congress should immediately hold hearings in order to determine some sort of policy or program that would be followed when other disasters occurred. I said: "The Congress should immediately undertake a full-scale investigation of the entire matter of major disasters. The proper legislative committee should hold long and complete hearings, an overall policy should be formulated, the Nation should scrutinize it, and then the Congress should by legislation specify just how far the Federal Government will go in assisting disaster victims. Let no one criticize any program or lack of program until the Congress itself has met its own responsibility of providing the framework for a program." [See Congressional Record of October 4, 1951.]

I then discussed specifically the experience of our committee with the Kansas-Missouri disaster and pointed out various steps that should be considered and possible standards that should be applied.

Now to get to my specific reason for testifying today. I believe it is important that this committee know of the efforts I made several years ago as a Congressman in order to try to get other Congressmen interested in such disasters.

Knowledge of my experience may help this subcommittee in deciding whether they are going to recommend merely some type of flood-insurance program or whether they will make the program much broader by getting into a program that concerns disasters of every type. I strongly recommend the broadest possible type of program in order to interest as many Congressmen as possible, because otherwise you may find a lack of interest in Congressmen whose districts have not yet been touched by floods. Let me tell you why I say that.

Back in 1951, when I was trying to get Congressmen interested in floods and other disasters, I found that the only ones who showed much interest were those whose districts had just suffered or been close to some flood disaster. For example, everyone in the Kansas, Missouri, and Ohio area seemed to be greatly interested in the situation. However, it was exceedingly difficult to arouse much interest among Congressmen whose areas were remote.

We in the New England area have recently had disasters of our own. Naturally, as a result of that experience, Congressmen in this area are now alert to the disaster menace and are keenly interested in having something done about it. I assume those same feelings will be shared by other Congressmen in other sections that have been recently ravaged by floods. However, judging from my experience some years ago when I was trying desperately to interest Congressmen whose areas at that time had not suffered any flood damage, it seems accurate to say that your subcommittee will be able to interest Members of Congress only to the degree that the program that you will suggest is broad enough to reach into most Congressional Districts. That very practical consideration is among the reasons I urge that you consider a program comprehending every disaster and not merely floods.

I thought I should call the committee's attention to the experience I had some years ago, because I believe it illustrates one of the extremely practical difficulties confronting this committee.

I should also like the committee's permission to include at this point the entire statement I made on October 4, 1951.

(The statement referred to is as follows:)

Mr. FURCOLO. Mr. Chairman, before discussing the request before us, I want to pay tribute to all the members of the subcommittee handling this appropriation, and particularly the chairman, the gentleman from Arkansas. He not only gave every witness every opportunity to testify fully, but he also tried to get additional evidence and, with it all, did everything possible to expedite the matter.

Last week, immediately after the testimony had been heard, I prepared a statement that summarized my viewpoint on this matter, and I now offer it for the consideration of the Congress.

The Congress is asked to appropriate \$400 million to finance a program that falls roughly into three phases: First, direct aid, indemnification, or grants not intended to be repaid; second, loans; third, flood insurance.

The evidence presented to the committee gives a clear and accurate picture of the damage in the disaster area and of the need for help. However, to answer the question of "What to do about it?" the committee has merely a mass of testimony that is contradictory, unconvincing, and unsatisfactory.

The evidence indicates clearly that the Government has no detailed or carefully thought out program or policy for distributing the funds either by loan, grant, insurance, or any other method or combination of methods. That is not offered in adverse criticism because the evidence also establishes the difficulty, if not the impossibility, of advancing any hard and fast program or policy of any kind. It may not be practicable to have more than a policy framework with the details to be filled in by trial and error techniques. That is admittedly dangerous and unsatisfactory but failure to get the stricken area back on its feet may be even more dangerous and unsatisfactory.

The evidence establishes beyond question a disaster of unprecedented magnitude. Its toll in human misery and private loss is almost indescribable. Its impact on our domestic economy is obvious and the Office of Defense Mobilization evidence also clearly indicates that the disaster has seriously impeded our war effort.

Although not spelled out in detail for individual cities, towns, and villages, it is also apparent that many communities cannot recover, rehabilitate, and resume normal life without outside help. Whether the States in the disaster area have or have not given full measure in self-help, it nevertheless still remains true that additional assistance must be forthcoming from sources beyond the borders of the States directly affected.

Four hundred million dollars has been requested. The committee has decided that approximately \$150 million will be channelled into the area, either by direct appropriation of the committee or by funds already made available to existing agencies after the President's request and before the date of this report.

The committee has granted approximately all the money requested for loans but has denied all the money requested for flood insurance and for outright grants or indemnification to individuals for loss of property. It has increased the disaster relief fund by \$5 million.

On the evidence presented to the committee, the flood-insurance phase of the program cannot be put into effect. Apparently private insurance companies either cannot or will not undertake a program of such magnitude where the risk is well-nigh incalculable.

As far as any form of Government insurance is concerned, no feasible program was advanced by anyone. The evidence presented was insufficient to be the basis for any opinion except that the whole matter should be the subject of an exhaustive and detailed study that was not possible in a speedy hearing on an emergency program.

On the scanty and insufficient evidence presented, I think any reasonable person would conclude that any wide-scale and all-inclusive program of flood-insurance is out of the question. However, in order to prevent mass unemployment due to any wholesale uprooting of industry—if evidence adduced should indicate such a probability—it might be possible to inaugurate some selective insurance program through the cooperation of private insurance companies with premiums paid for a brief period—for example, 10 years—by the joint contribution of the Federal Government, the State or local government, and the industry itself. Every possible solution should be thoroughly explored.

It is possible that some thought should also be given to granting tax concession as an inducement to damaged industry to relocate in the area, assuming it is essential that it remain there.

On the question of grants or direct aid to individuals who need assistance but cannot qualify for loans, the Government has no practical solution that is ascertainable from the evidence. The committee has recommended a very liberalized loan policy plus the amount of \$5 million in direct aid—in addition to the \$25,800,000 already appropriated for direct aid. While I do not think any member of the committee regards that as a complete solution, I think we all believe it is at least better than nothing.

I am supporting the committee recommendation for a liberalized loan policy. I also do not disagree with the committee recommendation of \$5 million for flood relief. I shall not only support that recommendation but shall also support any recommendation of many times that amount for direct aid or grants not intended to be repaid if such aid is conditioned upon reasonable standards and if adequate safeguards or precautionary measures are adopted.

For example, it might well be that before any outright grant should be made to any individual he would have to establish that:

First. His family's need is extreme.

Second. There are so many similar cases that the local community or State is unable to provide all the needed assistance.

Third. A local citizens' committee or some organization similar to the Red Cross recommends the grant.

Fourth. The community or State is willing to contribute a fraction of the grant.

I believe there is a need for direct aid or outright grants and that, in addition to whatever safeguards we may establish, we are also going to be compelled to rely on the discretion, judgment, and honesty of those who will administer the program.

Of course in any such program the danger of abuse is great, but the need is even greater, in my opinion.

If the hearings established anything conclusively, it is the utter lack of any planned course of action on the part of the Federal Government in disasters of this magnitude. The testimony repeatedly emphasized the need for speed in getting a program into high gear. Yet those who have the responsibility for rehabilitation of the stricken area are virtually helpless in their attempts to outline an effective program when it is not known how far, if at all, the Congress is willing to go in granting assistance. Certainly it should not be left to the last minute decision of an appropriations subcommittee that has not had either sufficient time or authorization to decide a matter of such tremendous scope and far-reaching implications. This disaster has caught us unprepared but that must never happen again. Let us at least benefit by our knowledge that we must decide how far we want to go in such disasters.

The Congress should immediately undertake a full-scale investigation of the entire matter of major disasters. The proper legislative committee should hold long and complete hearings, an overall policy should be formulated, the Nation should scrutinize it, and then the Congress should by legislation specify just how far the Federal Government will go in assisting disaster victims. Let no one criticize any program or lack of program until the Congress itself has met its own responsibility of providing the framework for a program.

In any large-scale disaster there are certain criteria that may determine whether or not Federal assistance should be forthcoming. One or more of the following stages or situations may exist after any disaster. Let the proper legislative committee examine them—and others—and then draw the line at that point where Federal aid should be advanced, whether by loan or grants or any other method.

After any disaster there may be one or more of the following situations where the question is, Shall Federal assistance be given if?—

First. Immediate emergency aid is essential: This would include rescue of victims; medical aid to prevent disease; providing food, clothing, shelter, and so forth, to prevent starvation and exposure; and other emergency measures connected with "drying off" the victims of a flood.

Second. The war effort is seriously impeded and it is imperative to restore as quickly as possible the status quo before the disaster.

Third. The war effort is not seriously impeded—or there is no war effort, in time of peace—but local or State help alone is not sufficient to enable the community to "dig itself out" and resume its place in the domestic economy of the Nation. This is a situation where it affects the community as a whole and directly.

Fourth. The individual cannot be rehabilitated or resume his former productive status without assistance and he is unable to obtain sufficient local or State assistance because there are too many other individuals in the same classification. This category is one affecting individuals directly but not the community as a whole.

Fifth. There is nothing to justify assistance except sympathy: This is the "compassionate case" where there may be no productive capacity or any basis for help other than the Golden Rule.

Sixth. Indemnification for losses is asked, even though there is no need of help for rehabilitation purposes. Here the individual has suffered loss of personal possessions, and so forth, and asks the Federal Government to reimburse him. This looks to the past, for the most part, and is not primarily concerned with the present or the future.

Seventh. Assistance is probably necessary to protect the individual against future disasters: This preventive category looks to the future, for the most part. However, it may also play a role in the present—for example, on the question of whether or not an industry is going to leave a certain area if there be no insurance or other guaranty against future loss.

There probably are many other phases or situations or criteria. I have merely suggested a few to indicate the scope of the question. Where the line is to be drawn is something for the Congress to decide only after long and careful study.

For the purposes of the case now before us for attention, I think I am safe in saying that the evidence very clearly indicates that most of the help requested falls within criteria first, second, and third. I believe that the Congress is willing to advance Federal aid when at least such justification exists.

We cannot now tell where exhaustive study will indicate the line should be drawn; however, it seems to me that in any event it will not be drawn to exclude criteria first, second, and third.

We must be very careful not to establish a precedent that will return to haunt the Congress or bankrupt the Treasury. In full recognition of the need for such caution, it nevertheless seems that Federal assistance must be given in any case where failure to aid will seriously impede the war effort. What other decision can be made if the choice is between establishing a precedent or risking the security of the Nation?

Not quite so clear a case is the situation where the war effort is not impeded but only the peacetime economy of the Nation is damaged by the inability of a community to "dig itself out" with just local or State help. But will not any Congress in all probability be willing to help in such a situation?

The danger of establishing a precedent under such conditions is more remote than the danger of failing to act. Perhaps we are willing to go even further

but it is not necessary in the case at hand. The most we need to say to justify assistance here is: The Federal Government will give aid and where failure to act seriously impedes the war effort, or hurts the Nation's domestic economy, and State help alone is not sufficient to remedy the condition. Is that a dangerous precedent?

Let me mention one other point briefly: The Treasury Department says it will lose about \$250 million in income-tax receipts from that area this year because of the loss of income from business. Granted that at least part of that will be made up elsewhere, the fact still remains that, if rehabilitated, the area probably will pour back into the Treasury in taxes at least every cent that is poured into it now.

This report should not be concluded without stating that the evidence also clearly indicates that governmental departments and agencies that have sought to help the stricken area have done an outstanding and, in fact, a remarkable job up to the present time. Tribute should also be paid to the people of the States, the Armed Forces, the Red Cross, and similar agencies, and to all who helped in the first stages of the disaster. However, I single out the Federal governmental bodies not because their contribution was greater but only because some or all of such departments and agencies will be concerned in administering the proposed program. The Congress may want to know their record and experience. I think I am safe in saying that the evidence indicates clearly that the governmental departments and agencies have performed an extremely fine and creditable work in the disaster area.

Lastly, if the situation is even half as serious as the chief witness for the Government contended in his testimony, then Congress must act first and talk about it later.

Senator LEHMAN. Mr. Edward D. Sirois, executive vice president of the Mutual Fire Insurance Association of New England, on behalf of that association and its 25 New England mutual fire-insurance-company members, wishes to have his statement appear in the record. Also a statement from C. F. Bowers, Insurance Brokers Association of Massachusetts. There being no objection, it is so ordered.

(The statements referred to follow:)

STATEMENT OF EDWARD D. SIROIS, EXECUTIVE VICE PRESIDENT, MUTUAL FIRE INSURANCE ASSOCIATION OF NEW ENGLAND

In opening, may I first identify the organization which I represent? The Mutual Fire Insurance Association of New England is composed of 25 mutual fire-insurance companies. The association itself was organized in 1879 and has been continuously in operation. It is a voluntary, not for profit, organization and can properly be classified as a service or trade organization.

Of its 25 member companies, 19 are domiciled in Massachusetts, 2 in Rhode Island, 3 in New Hampshire, and 1 in Maine; 21 of our companies have been continuously in business for more than 100 years; 1 is 155 years old.

I mention these facts not only to point up the extent to which we are involved in the social and economic life of this section of the country, but also as an indication of our sincere desire to assist in finding a solution to the problems being discussed here.

At a meeting in September, the recent catastrophic losses sustained by a substantial segment of New England due to the floods which we have experienced were fully debated, and by unanimous vote the association was directed to interest itself in this problem and lend every possible assistance in evolving a solution.

I shall not attempt to labor over facts that are already well known, except to say that the recent New England loss alone exceeding \$2 billion is pretty strong evidence that private insurance carriers could not possibly hope to provide insurance to indemnify against such catastrophes.

Last year this section suffered from two devastating hurricanes and private insurance adjusted and paid losses on hundreds of thousands of claims amounting to several hundred million dollars. Private insurance is able to provide protection against such perils because most of our people buy such protection on both private homes and businesses. A lot pay a little and thus provide the funds necessary when calamity strikes. Everyone is subject to windstorm. The insurance industry gets the spread of risk so necessary and further protects itself

and its policyholders by reinsurance which is available to further spread the loss.

Flood is a far different story. The man on the hill or far from a river bank will not voluntarily buy coverage against flood, and there are not enough people living or conducting their businesses along the rivers and on the shores. We have the same problem to a lesser degree on the matter of protection against wave wash and damage along coastal areas due to high water and wind-driven waves. Any attempt to provide coverage for losses of this kind would produce a rate which no one could pay, so we should be no better off under such conditions than we are right now with no coverage available.

As a matter of fact, the industry does provide a considerable degree of protection as of right now. Automobiles are covered under the comprehensive policy, merchandise in transit and on consignment is or can be covered under inland marine floaters, and there is the inland marine policy for jewelry, furs, objects of art, contractors' equipment, et cetera, and the personal property floater for personal property. Therefore, the field which is to be surveyed is principally buildings and structures, homes and factories.

I frankly admit that I do not have the answer to this problem. But I believe, as do the people whom I represent, that by full and complete cooperation between Government, all segments of the insurance industry, and other interested parties, a workable solution may be found. Many suggestions have been made. They will need to be studied carefully.

We take the position that in this enlightened age large segments of our population should not have to suffer the terrible economic loss which it seems is visited upon some section of the country each year, indeed upon the same section 2 or 3 times in a given year. But the solution will not be easy.

Of course the real and permanent answer to flood is public works. Such a program, however, is costly and will of necessity take time to accomplish. In the meantime we feel that a plan should be found to provide indemnity at least in part against catastrophes due to flood. The insurance industry at first thought that it was impossible to provide insurance against loss due to atomic operations; now, after intensive study and cooperation by the Government and industry, it appears that at least a partial solution to that problem is near. We feel flood may prove more difficult of accomplishment, however.

On behalf of the people I represent, I wish to congratulate all those who have taken hold of this problem and are meeting it head on, and I wish to offer the fullest cooperation of all of the facilities of my association and its member companies.

[New England Agency Mutuals, Insurance Newsletter, October 1955. Mutual Fire Insurance Association of New England]

So far, so good—10 hurricanes have come and gone, and with the beautiful fall weather we are now enjoying in New England, it seems almost incredible that anything could happen to us this year. But we are not out of the woods yet, with 4 or 5 weeks left in the normal hurricane season. So we will continue to keep our guard up.

While we have escaped wind this year—so far—Diane created the most devastating floods in New England history, leaving behind some pretty tough questions that will be debated, and in which this industry will be expected to take an important part.

On his visit to New England immediately after the floods in Massachusetts and Connecticut, President Eisenhower noted that some action should be taken to provide insurance against such economic loss. Secretary of Commerce Sinclair Weeks, at the time of his visit, made a similar statement. Governors Herter of Massachusetts and Ribicoff, of Connecticut, have indicated their interest in some form of insurance protection for the victims of such catastrophes. Senators Saltonstall and Kennedy have filed legislation in the Congress. Other bills have been filed in several New England legislatures. Senator Lehman, of New York, has announced his interest in the subject. Federal Housing Administrator Cole has held one meeting on the subject, and announced others will follow—to name only a few of the moves and pinpoint the extent of the interest.

Now, Senator Fulbright of the Senate Banking Committee has announced that special hearings will be held latter part of October in an effort to help draft a program of Federal disaster insurance, and named Senator Lehman to be conducted hearings. Lehman promptly announced that hearings would be held in Washington, D. C., New York, and in "affected and interested areas ravaged by hurricane-fed floods." There is a tremendous amount of public interest in

this subject which will highlight these hearings and bring this matter into sharp focus.

This association believes that the insurance industry can contribute a great deal to these studies and, by unanimous vote of our member companies, we shall take an interest in these various hearings and cooperate with public agencies and authorities in their effort to secure a solution. We believe this industry as a whole owes it to the public to assist. The public nature of our business and the fact that we are able to provide protection as free institutions engaged in private enterprise against many other forms of catastrophe, it seems to us, makes it almost mandatory that we participate in these studies.

As a matter of fact, the industry does provide a considerable degree of protection, as of right now. Automobiles are covered under the comprehensive policy, merchandise in transit and on consignment is or can be covered under inland marine floaters, and there is the inland marine policy for jewelry, furs, objects of art, contractors' equipment, etc., and the personal-property floater for personal property. Therefore, the field which is to be surveyed is principally buildings and structures, homes and factories.

Broadly speaking, this type of risk is too great for private insurance companies to undertake—the exposure too great, the spread too limited, resulting damage too severe, with the possibility of running even into the billions, causing insolvency. A system akin to the old War Damage Corporation has been suggested. Under this plan the rate was countrywide and, regardless of where property was located, it was subject to damage as a result of warlike acts. Will the man on the hill buy flood insurance? If he does not, the man in the valley will not be able to afford it, because there are not enough people who live on the riverbanks to provide a fund of sufficient proportions.

As one of our senior company executives, speaking about WDC, put it—"Any countrywide rate would, in comparison, be much too low near the coast and in river valleys and much too high in other areas where the danger from flood would be so remote that the people would not take out flood insurance." This same official also made a statement that will interest agents. He said, "The agents, who did the bulk of the war damage business during the last war, it would seem, would hardly care to go through that headache again."

The American people may be reaching the point where they will demand some protection against the economic loss which, each year with alarming intensity, is visited upon some section of the country, indeed sometimes on the same section 2 or 3 times in a given year. It may be, too, that the public is in a frame of mind for action and not give a tinker's dam whether it is supplied by private enterprise or public subsidy. If the Government is forced into the picture, is it not possible in this day and age that the pressure would become irresistible for a plan for the Government to pay everyone something?

If that happens, where will the money come from—direct taxation, out of general revenue, or from some type of special tax used to set up a fund for this specific purpose, such as for unemployment compensation and, if the latter, who pays into the fund, everyone who owns property regardless of location—can the man on the hill be taxed for something that will never benefit him? Is it not possible that someone will advocate a fund for all types of catastrophes, including windstorm, asserting that while private insurance companies provide protection for this sort of hazard, the cost for same is getting too high?

C. Conrad Parker, of Parker & McPherson, insurance firm of Worcester, who is also a director of the Merchants & Farmers Mutual Fire Insurance Co. of Worcester, has proposed a plan for study that would provide recovery in part for loss due to flood. This plan excludes public works such as roads, bridges, drains, sewers, et cetera—it would cover only properties described in insurance policies. It is intended to encourage property owners to protect their interest. All owners of real property would share in the expense of providing the fund, to be operated by the Federal Government, regardless of where their property was located. Persons suffering loss would have to assume a fairly large proportion of it by application of a substantial deductible. The fund would be known by some such name as Federal Flood Insurance Corporation. A special endorsement would automatically be attached to every fire insurance policy and every policyholder would be required to pay a small additional premium. Private insurance companies would administer the fund and adjust losses, which would be paid by the fund. There is much merit to the suggestion.

Maybe private industry cannot undertake this great hazard, but the industry has a great deal of information on the subject and can help find an acceptable solution until we are able to provide by public works the flood-control protection that seems to be the real answer to these tragedies.

## MEMBER COMPANIES

Abington Mutual Fire Insurance Co., Abington, Mass., founded 1856.  
 Attleboro Mutual Fire Insurance Co., Attleboro, Mass., founded 1844.  
 Barnstable County Mutual Fire Insurance Co., Yarmouthport, Mass., founded 1833.  
 Berkshire Mutual Fire Insurance Co., Pittsfield, Mass., founded 1835.  
 Cambridge Mutual Fire Insurance Co., Andover, Mass., founded 1833.  
 Dorchester Mutual Fire Insurance Co., Boston, Mass., founded 1855.  
 Fitchburg Mutual Fire Insurance Co., Fitchburg, Mass., founded 1847.  
 Grange Mutual Fire Insurance Co., Rochester, N. H., founded 1888.  
 Hingham Mutual Fire Insurance Co., Hingham, Mass., founded 1826.  
 Holyoke Mutual Fire Insurance Co., Salem, Mass., founded 1843.  
 Lowell Mutual Fire Insurance Co., Lowell, Mass., founded 1832.  
 Lynn Mutual Fire Insurance Co., Concord, Mass., founded 1828.  
 Manufacturers & Merchants Mutual Insurance Co., Concord, N. H., founded 1886.  
 Merchants & Farmers Mutual Fire Insurance Co., Worcester, Mass., founded 1846.  
 Merrimack Mutual Fire Insurance Co., Andover, Mass., founded 1828.  
 Middlesex Mutual Fire Insurance Co., Concord, Mass., founded 1826.  
 Mutual Fire Insurance Co., Saco, Maine, founded 1827.  
 Norfolk & Dedham Mutual Fire Insurance Co., Dedham, Mass., founded 1825.  
 Pawtucket Mutual Fire Insurance Co., Pawtucket, R. I., founded 1848.  
 Phenix Mutual Fire Insurance Co., Concord, N. H., founded 1913.  
 Providence Mutual Fire Insurance Co., Providence, R. I., founded 1800.  
 Quincy Mutual Fire Insurance Co., Quincy, Mass., founded 1851.  
 Salem Mutual Fire Insurance Co., Salem, Mass., founded 1838.  
 Traders & Mechanics Insurance Co., Lowell, Mass., founded 1848.  
 Worcester Mutual Fire Insurance Co., Worcester, Mass., founded 1823.

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STATEMENT BY C. F. BOWERS, CHAIRMAN, LEGISLATIVE COMMITTEE, IN BEHALF OF  
 THE INSURANCE BROKERS ASSOCIATION OF MASSACHUSETTS

I was assigned with one other to appear before the Senate Subcommittee on Banking and Insurance at the Federal Building on November 9, 1955.

In accordance with the published notice of that hearing, our association did file in writing, as requested by the published notice, with the office of Senator Kennedy, 702 Federal Building, Boston, the names of its representatives who would appear. Through some error, the names of our representatives were not on the list of speakers presented to the committee.

Following the protest of our association, it is now accorded the privilege of preparing statements to be made a part of the record of the subcommittee.

My statement to the committee was to be twofold.

1. To direct attention to several factual investigations—1 completed and 2 in process—which the committee might make use of for its knowledge:

A. The report made by the Insurance Executives Association, an organization of stock fire insurance companies, in 1952 which report was made at the suggestion of the National Association of Insurance Agents.

B. An investigation now being made by the American Insurance Association (a successor to the Insurance Executives Association) which is a follow-up of their prior report of May 1952.

C. The investigation in progress made at the request of the Federal Housing Administrator, Norman P. Mason, by a team of FHA technical experts for the benefit of the flood insurance committee headed by Administrator Albert M. Cole of the Housing and Home Financing Agency, which committee includes representatives of all segments of the insurance industry.

2. To remind the committee that the great success in the amount of sales by the National Service Life Insurance Administration was the result of efforts of insurance salesmen sparked by those in the life-insurance industry; and that the success of the sales by the War Damage Administration was the result of the wholehearted efforts of insurance producers throughout the country; that other insurance producers share the feelings of the membership of our association in that if a flood-disaster program includes anything like insurance, insurance salesmen throughout the country would wholeheartedly support its sales.

Had I been called on to speak at the hearing, I most certainly would have commented on Senator Lehman's statement that the power rates of electricity in New England is just twice as high as in the area served by the Tennessee Valley Authority (TVA).

I submit the following tabulation of adjusted operating expenses taken from page 9 of a pamphlet by D. J. Guy, manager, Natural Resources Department, Chamber of Commerce of the United States, entitled "The Real Cost of TVA Power," which covers the operations of the TVA from its origin through June 30, 1946. The figures are rounded out to even millions.

	Million
Taxes (over and above what TVA pays)-----	\$155
Interest:	
Government -----	\$78
Rate of return differential-----	97
Adjusted operation cost-----	175
	165
Total-----	495
Less total TVA revenue-----	216
	279

The above tabulation indicates that the TVA is selling its electricity at less than one-half of the price its costs.

You will recall that Professor Harris made a statement to the effect that Connecticut, Rhode Island, and Massachusetts are contributing \$3 in Federal taxes to every \$1 which is spent by the Federal Government in the 3 States named.

It is out of the excess \$2 collected from these States and from other States similarly situated that the Federal Government has acquired the \$800 million or more to finance the TVA and to pay the cost of its continued operation.

It is interesting to note that the General Accounting Office in reporting on the TVA activities says: "Unless all costs for TVA's power operations are included in its income statement \* \* \* it cannot be conclusively shown that the power operations are self-supporting."

OCTOBER 15, 1955.

HON. LEVERETT SALTONSTALL,  
*Senator of the United States,*  
*Senate Building, Washington, D. C.*

HONORABLE SIR: We have read with considerable pleasure and interest, in our local paper, that you and the Honorable John F. Kennedy, plan to introduce and sponsor Federal flood insurance. I assume it will also cover damage in coastal areas when water comes over the banks and enters our homes, the aftermath of hurricane and cyclone windstorms.

Right now, we have available to us what we can consider dual responsibility insurance. The company sells us hurricane and cyclone wind insurance but we, the homeowners, must assume the cost of wave wash or flood damage. Wave wash is the term used by the insurance companies when water spills over the banks and into our homes but, as soon as the latter happens, the companies stoutly maintain that all the damage was the result of the wave wash and that the hurricane winds did no damage at all. Therefore, we can actually call the present type of hurricane insurance phony or fake coverage. The companies, of course, benefit from the premiums they collect while the public very little indeed. And who suffers the most? Usually the poor guy who can ill afford it: I have reference to the many homeowners—who have small homes near the shore mortgaged to the hilt—many of whom lost everything they owned during the hurricane of August 1954.

In view of this, it is my belief that the Government insurance should also include hurricane and cyclone wind insurance together with the flood insurance and prevent the insurance companies from selling their present windstorm coverage because, if the dual type of insurance is maintained, or the responsibility divided between the government and the insurance company, the company will throw all the responsibility on to the Government anyway as they do now.

Somehow, the insurance companies have been able to paint a rosy picture of their saintly benevolence toward their policyholders. Actually, they have been practicing financial rape on their policyholders where hurricane coverage is involved. You cannot be expected to know this because if a public official were to sustain hurricane damage, even where wave wash is concerned, the company

would pay the loss without a word of objection. Or if a large company executive were to sustain a loss, who had at his command a lot of future insurance to offer the companies, his personal loss would also be paid without any quibbling. However, with regard to the small guy, let us analyze what happened when Hurricane Carol hit this area a year ago, in August of 1954. You can accept this as a factual story of what actually transpired.

The day of hurricane Carol, the winds began blowing at 7 a. m. at about 60 miles an hour. By 9:30 a. m. the winds had increased to 85 miles an hour and remained that way until noon, when they dropped down to 60 miles an hour. Wave wash did not occur until 11:40 a. m.; however, by 9:30 and 10 a. m. the severe winds had battered houses out of shape beyond repair, others were torn apart, while still others had disappeared altogether. But, as soon as the wave wash came over the banks it was an "out" for the insurance companies and they proclaimed steadfastly that all the damage was the result of the wave wash and that the hurricane winds did no damage at all. That has been their policy ever since. Many of the small guys had to settle as best they could, even for a pittance, as they had to accumulate all the money possible, in an attempt to rebuild as much as they could. Others, like myself, still haven't collected as of this day—and there are many of us, too.

The people who have homes away from the beach suffered plenty, too, by roofs being blown off their homes, the paint on their homes destroyed by salt spray, leaves blown from the trees, earth and mud which the hurricane winds stirred up and splashed against their buildings. As a result, some of the homes are almost black in color—homes that were painted within a year or two of the hurricane. Yet, the insurance companies maintain they are not responsible for paint jobs, although there is no clause in the policy that differentiates between damage to paint or any other kind of damage.

The companies are able to treat their policyholders as they please because they have established a veritable racket by organizing the general adjustment bureau, which handles all claims for all the insurance companies, or almost all, anyway. This setup is, I believe, operating in restraint of trade because the insurance companies are able to maintain one set policy in dealing with the unorganized policyholders. The adjustment board sees to it that no company is more liberal in the treatment of their policyholders than the next because if one company did give their policyholders a better settlement, it might lead to increased business for said company. In other words, they have removed all competition in the settlement of claims.

You now have this picture—the States usually set the insurance rates for all companies so that there is no competition. This leaves the individual with not much choice in the selection of the insurance agency he wants to give his business. Usually, he picks the one who promises him better protection when losses are involved and in whose promises he has the most faith. But when a loss does occur, the insurance companies remove the agent or agency from the scene and the general adjustment bureau takes over for them, so that the promises the agency had made are "frozen" altogether.

You might say there is an arbitration clause in the policy for the protection of the holder of the policy. Even this clause is phony. First of all, you must remember that the arbitration clause was drawn up by the lawyers for the insurance companies, experts in the art of writing all kinds of clauses to make them sound either innocuous or reasonable. Actually, all that it means is that by arbitration, a ceiling is established for the loss. If, however, the insurance company refuses to accept the verdict, we have to go to court to compel them to do so and there are instances of delay for as long as 2 years when a company wants to indulge therein to harass a policyholder and, in the meantime, try to settle with him for less than the arbitration award. This too has happened time and time again. In this connection, a policyholder should be able to sue an insurance company directly if he cannot settle with them, as one does when he is hurt by an automobile or when an automobile damages his property.

Therefore, I say, let us not have dual responsibility where hurricane winds, wave wash or flood losses are sustained. Federal insurance should cover all such losses.

To offset such losses you can cause to be removed from the income-tax law, the clause that permits deduction for such losses where a Federal insurance policy is in effect.

To cope with the insurance company's operations in restraint of trade, I submit—When all or almost all insurance companies gang up on their policyholders through their combined general adjustment bureau, it is a flagrant violation of our laws in restraint of trade and the matter should be referred to the Antitrust Division of the Attorney General's office.

I take the liberty to write you the above for your kind consideration. If you want proof of what I say, all you have to do is send a Senate committee down here, subpoena all the files of the general adjustment board—those paid and those that are unpaid—then subpoena the claimants and get their stories. I am sure the evidence will corroborate all that I have charged above.

May I offer this prayer:

"Oh, Lord, cause to be brought forth another public-spirited personality with the ability and will of the Honorable Charles Evans Hughes, a half century ago, when he compelled other insurance companies to clean up their dirty practices of that era,

"Inspire this public-spirited personality to pull the present insurance companies, bleeders of their policyholders, from the backs of the public; may he cause the elimination of the conniving that now goes on amongst the insurance companies who, when a catastrophe occurs, send their vice presidents to their combined adjustment bureau to set the policy for them and they, in turn, send forth their 'hatchet' men with the title of adjuster to mow down the claims filed with them for losses sustained, even if they have to cut the heart, liver, and gut out of their policyholders in doing so. To eliminate the phony arbitration clause from present policies which accomplishes nothing for the insured except that it sets a ceiling on his claim but which the policyholder has to go to court to compel acceptance by the company, so that the insured can resort to trial by a jury of his peers which is our American tradition.

"I thank thee O Lord."

Respectfully submitted.

SAMUEL I. COLE.

Senator LEHMAN. That completes our list of witnesses. I want to thank you all for appearing here. It has been a very, very interesting and useful hearing.

Thank you.

(Whereupon, at 4:15 p. m., the committee recessed to reconvene in room 313, statehouse, Providence, R. I., Thursday, November 10, 1955, at 10 a. m.)

## FEDERAL DISASTER INSURANCE

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THURSDAY, NOVEMBER 10, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Providence, R. I.*

The committee met, pursuant to recess, in room 313, Statehouse, Providence, R. I., at 10:10 a. m., Senator Herbert H. Lehman presiding.

Present: Senator Lehman.

Also present: Senator Green and Representatives Fogarty and Forand.

Senator LEHMAN. The hearing will please come to order.

Governor Roberts, Senator Green, Members of Congress, before we hear from the first witness I want to make a very brief observation.

This is not a subcommittee of the Banking and Currency Committee. It is the full committee. I have been appointed by the chairman to serve as acting chairman representing the entire committee.

Thus far we have had 2 hearings in Washington, a hearing in New York City, 1 in Goshen, N. Y., yesterday in Boston, and today I am very glad indeed to be here in Rhode Island. Early next week we go to Hartford, and then later on we will have hearings in one of the Carolinas which also suffered very greatly from flood damage.

We have before us for the consideration of the committee drafts of several bills; 1 that was prepared by me; 1 that was prepared by the 2 Senators from Massachusetts, Senator Saltonstall and Senator Kennedy; 1 prepared by Senator Carlson of Kansas, and 1 drafted at the direction of but not presented by Senator Bush of Connecticut.

We are considering all the bills in the hope that we can take from them, all of them, the best that is in them and report back to the committee and to the Senate an effective and workable and practicable bill. We are not in anyway committed to any one bill.

We have not yet had any recommendations or suggestions from the administration, which came as a great surprise to the committee because as late as October 18 the conference of governors of the New England States was notified by the President that the recommendations and suggestions would be in the hands of the committee at the time of our first meeting.

When we met in Washington, we had representatives of the various Federal agencies appear before us, but, to our great disappointment, they advised us they were not in position to make any recommendations at that time. The Budget Director, of course, also took a very strong stand on it through his deputy.

We have also not had any full reports from the insurance companies. We have heard from some, but others have asked to be allowed to give their testimony at a somewhat later date.

I am glad to know we are going to hear today from Mr. Freeman, president of the Manufacturers Mutual Fire Insurance Co. We are looking forward to his testimony.

As the first witness I am going to ask Senator Green to say what he wishes.

**STATEMENT OF THEODORE FRANCIS GREEN, A UNITED STATES  
SENATOR FROM THE STATE OF RHODE ISLAND**

Senator GREEN. Senator Lehman, may I begin by saying that we appreciate very much your coming here and holding this hearing. I want also to say that we appreciate very highly all that Governor Roberts has done in this connection, and in connection with this hearing, especially getting such prominent witnesses whose views carry weight to address you on your tour of inspection of different places that are worst hit by these floods.

I just returned from a trip abroad on which I was sent as a member of the Foreign Relations Committee, so I am not well acquainted with what has been going on the last couple of months here in relation to this matter. However, I did go through the period of recovery from the first flood just before I went abroad, and while I was abroad I understand there was another one which was almost as bad.

So my sympathy is deep even if my knowledge of the details is not what I wish it were.

We appreciate very much the necessity for some action. We felt so strongly about it that when Senator Saltonstall and Senator Kennedy proposed a bill they sent me a copy of it and asked whether I would be a cosponsor, and I said I was very glad to. That was a couple of days before I left, and now that is one of several bills which you are considering.

I don't think there ought to be any pride of authorship in considering these bills. Doubtless there will be others to be presented later when Congress reconvenes, and I think that your committee will have a great deal to do in deciding between not only the ideas in some of the bills but also the exact phraseology.

The more one looks into these questions of insurance the more technical difficulties we find in knowing how far the Government can go, especially the Federal Government, in adopting insurance policies. While we may approve in general of the necessity for insurance, yet the degree to which insurance can go, the property loss which it can insure, requires technical wisdom.

I think we are bound to profit greatly by your hearing here, and I hope that we will add something to what you are collecting in the way of information to help you in your decisions.

The problems, as I say, are complicated, much more so than they seem at first glance. I appreciate that from having given consideration not only to this bill which Senator Saltonstall and Senator Kennedy propose to introduce in January but also because 3½ years ago we have been through a similar crisis, not as severe, but the same kind, and President Truman sent to the Congress a message requesting insurance of this sort. Bills were drafted and proposed, referred to committees in both the Senate and the House, and that was the end of that story.

I hope the end of this story is going to be very different and that it may result in actual action and legislation which will make that action effective.

I know that the number of witnesses you are going to hear today is such and the amount of testimony you have already had is such that I can add little as to the merits of the idea in general or the details either. As you know, enormous losses have been occasioned, and one of the questions is whether they are insurable, whether they are so vast that it is beyond even Government as a practical matter to insure them. I believe not, myself, and I hope that you will come to the same conclusion. Perhaps it is exaggerating to say it will make uninhabitable the regions of the country which have been most prosperous in the past. That is an extravagant phrase, but sufficient to make the point. Business cannot be conducted here as it has been in the past along similar lines. In a certain sense it does make these regions uninhabitable.

I am looking forward to hearing what the Governor, particularly, and the others have to say, and if I can be of any help in the future either here in Rhode Island or in the Senate in Washington, I shall be glad to be called upon for my service to your committee.

Thank you for the opportunity of saying these few words.

Senator LEHMAN. Thank you very much indeed, Senator Green.

I want to assure you that the members of the committee and I think many Members of the Congress and the public realize the complexity of this problem and realize too that there is no easy solution to it. Because of that fact, I have been glad that we were able to conduct these many hearings in different areas, and we have been getting a great deal of very valuable information and suggestions.

I can assure you too, Senator Green, that I feel convinced that there is not going to be any pride of authorship in these bills. I have referred to bills that were drafted or prepared by Members of the Senate, but I know too that a number of bills have been drafted or will be drafted by Members of the House for consideration. I know the two branches of the legislature will work very closely together on this.

There is one observation that I want to make further, and that is this: In these hearings in New England we very naturally have laid great emphasis on the problem of New England, but this is not exclusively a New England problem. Other States have been involved and are deeply concerned.

For instance, in these very floods which we are now speaking about New York suffered very great damage, Pennsylvania unusually great damage in some areas, New Jersey, and Delaware likewise. There were very serious floods in some of the Southern States along the seaboard.

New York State not only suffered from this flood but we had two very disastrous floods during the years I was governor, possibly as bad or worse than this last one.

So that it is really more than a sectional problem. It involves a very large area.

Now, the next witness that I am going to call on is Mr. C. J. Maisano.

Mr. MAISANO (administrative assistant to Senator Pastore). If the Senator please, there is a letter from Senator Pastore who is serving at the United Nations and could not be here today, and there is a

statement from Senator Pastore that I gave to Mr. Edelstein. I would like to have it read into the record.

Senator LEHMAN. I will be very glad indeed to put the letter and statement in the record.

(The letter and statement referred to follow :)

UNITED STATES SENATE,  
Washington, D. C., November 5, 1955.

HON. HERBERT H. LEHMAN,  
Chairman, Special Committee,  
Federal Disaster Insurance Legislation.

MY DEAR SENATOR: It is gratifying to me to know that you and your associates have planned to extend your studies to Rhode Island by a visit to the State in your efforts to determine a solution to the pressing problem of disaster insurance.

As you know I am presently engaged at the United Nations as a delegate representing the United States Government, and for that reason I am submitting for the record the accompanying statement.

As a member of the United States Senate, I am intensely interested in the problems confronting your special committee and pledge to you and to the members of the Senate Committee on Banking and Currency my unqualified support to any practical and reasonable plan of disaster-insurance legislation, which will serve to alleviate the tremendous losses we have experienced in the recent few years as a result of natural disasters.

With warmest personal regards and wishing you and your special committee every success, I am,

Sincerely yours,

JOHN O. PASTORE,  
United States Senator.

STATEMENT OF JOHN O. PASTORE, A UNITED STATES SENATOR FROM THE STATE OF RHODE ISLAND

First of all, I would like to express my appreciation and gratitude to the Senate Committee on Banking and Currency for looking into the problem of disaster insurance. The expeditious and efficient manner in which the committee has acted is truly indicative of the desire to remedy this most pressing and distressing problem.

My very good friend, the junior Senator from New York, who is chairman of this committee, brings with him to these hearings the knowledge and experience gained through his many years in public life. I know that you will forgive me if I take a moment to say that I know of no one who has devoted himself more conscientiously to his duties than Senator Herbert Lehman. I think the fact that he has taken time out from his extremely busy schedule to come to Rhode Island and to visit other areas which were victims of the recent disastrous floods is an indication of this devotion to duty. I know that when this committee returns to Washington, it will have first-hand information which will be of inestimable value in preparing disaster-insurance legislation.

Personally, I cannot stress too strongly my conviction that some form of disaster insurance is an absolute necessity. I pledge my support during the forthcoming session of the 84th Congress to the speedy enactment of such legislation.

I realize that this committee has traveled many miles and has heard many views and opinions concerning the need for disaster-insurance legislation. Therefore, I shall try to be brief with the thought in mind that I shall have a further opportunity when such legislation comes before the Congress in January.

To attack this problem logically, I think it is first necessary to determine that there is need for such legislation. From the testimony offered to this committee, I think this is undeniable. One of the points that I would like to make here this morning is that this legislation is not something which is local in nature. Damage by natural catastrophes is national in nature. When an area is damaged by floods, hurricanes, and tornadoes, the sources of supply and markets for other areas suffer. When Hurricane Diane left her path of death and destruction in the Pennsylvania, New York, and New England area, those other sections of the country which depended upon the products which this area produced also suffered. This is the make-up of our American economy and I'm sure it will always be this way.

To my way of thinking, this is one of the strongest arguments in favor of Federal legislation in the field of disaster insurance. The Federal Government must act, and act as promptly and expeditiously as possible. A man who has lost his business, a family that has seen its entire life's work destroyed cannot wait a year or even 9 months for assistance and relief. They need help immediately in order that they may pick up the threads and reweave them into the economic pattern characteristic of the American way of life.

Therefore, I feel that any machinery dealing with disaster insurance must be geared to go into action at once. There must be an elimination of the redtape that binds the hands of progress.

I am of the opinion that a separate agency should be responsible for the administration of disaster insurance. I favor the establishment of a board of directors, well versed in the field of insurance, who can supervise and direct this program in an efficient and businesslike manner.

Cooperation with private insurance companies is, in my opinion, a "must." In fact, I feel that private insurance companies will be only too happy to make their facilities available. Insurance of this type should not be in competition with already existing insurance. It should be only insurance which cannot be secured from private insurance companies at a reasonable rate. It should be available to all industries and individuals.

I trust that this committee will also consider the factor of reinsuring those companies that are willing to handle disaster insurance in accordance with legislation.

At this time, I personally favor limiting disaster insurance to natural catastrophes. These natural catastrophes are apt to strike any part of our country. There may be floods in the Middle Atlantic and New England areas. There may be an earthquake in California. And Texas, Arkansas, and Oklahoma are not immune to tornadoes. This could spread the burden of financing this plan throughout the United States and its Territories, and no particular section of the country, by reasonable standards, would stand to benefit or gain any more than any other section of the country.

I know that the staff of this committee has either investigated the methods or will study the setup of the War Damage Corporation inaugurated during World War II. It seems to me that the pattern followed by the WDC can be of great assistance in formulating a policy to be followed by Federal disaster insurance.

Under the War Damage Corporation plan, applications for the insurance were solicited and received by insurance agents and brokers. The participating insurance companies issued the WDC insurance policies and accounted for the premiums collected. Losses were investigated and adjusted through the WDC offices utilizing the facilities of three private adjustment organizations already established and experienced in that field. Participating insurance companies were compensated for the cost and expense involved in handling the program.

I understand that in a general way the War Damage Corporation policy was an adaptation of the standard fire insurance policy of New York State as it existed prior to 1942.

I think that one of the most difficult phases of disaster insurance will be the question as to whether this insurance shall be compulsory or voluntary. If it is voluntary, there is the likelihood of losses not being covered by insurance. When it is voluntary, the purchasers include primarily those who have strong expectations of damage. I believe that if dividends were declared out of existing premiums paid, a voluntary plan would prove satisfactory and attractive.

A compulsory plan avoids these problems and it can be handled at far lower rates, but it does raise the very difficult problem of setting premiums on heterogeneous valuations and of accumulating reserves.

I think it is a fair statement to say that the private insurance companies would be more than satisfied to have a working agreement with the Federal Government similar to that which prevailed with the War Damage Corporation during World War II.

This committee is faced with a tremendous task. It is trying to solve a problem that affects the life of every American. It desires, I am certain, to report legislation which will provide a ray of hope for those whose future may be threatened by a "repeat performance" of Diane or Carol. To me there is no choice. Federal disaster insurance legislation must be enacted as promptly as humanly possible, because for many, if some relief is not forthcoming, the next time may be the last time.

Senator LEHMAN. Thank Senator Pastore for preparing and submitting this very interesting and useful memorandum.

Mr. MAISANO. Thank you, sir.

Senator LEHMAN. The next witness I am going to call on is Congressman Forand.

**STATEMENT OF AIME J. FORAND, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF RHODE ISLAND**

Mr. FORAND. Mr. Chairman, like others I am very happy to see you here and welcome you to Rhode Island. I have known for a long time your deep interest in this subject.

Because of the study you have made of the problem and also the testimony you have received concerning our losses and deaths and destruction of property, I am not going to go into those details, but I have been working for quite some time without any pride of authorship but in the hope of being able to be helpful in putting into words the language of a working plan.

I have had drafted a bill which I would like to submit to you for consideration along with the other bills that you have. I believe this is a practical approach.

Senator LEHMAN. You wish this printed in the record?

Mr. FORAND. Inserted in the record; yes.

Senator LEHMAN. So ordered.

(The draft bill referred to follows:)

BILL INTENDED TO BE PROPOSED BY MR. FORAND

A BILL To provide for Federal disaster insurance and reinsurance

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal Disaster Insurance Act."

CONGRESSIONAL FINDINGS AND DECLARATION OF POLICY

SEC. 2. The Congress hereby finds and declares that the recurrence within recent years, within the United States and its Territories and possessions, of natural disasters in the form of flood, hurricane, tidal wave, tornado, storm, blizzard, wind, dust storm, cyclone, earthquake, or other change, disturbance, or variation of weather, is adverse to the general welfare, interferes with the production of goods and the furnishing of services, hinders commerce among the several States and with foreign nations, and, in general, causes great economic hardship and distress and militates against the well-being and happiness of the people of the United States. The Congress hereby further finds and declares that, at present, there is not generally available to the people of the United States any program or other means, through private enterprise alone, which is adequate to provide reimbursement for the loss and destruction of, and damage to, property as a result of such natural disasters. It is, therefore, the purpose of this Act to provide an initial basis for the alleviation of the economic hardship and distress resulting from such natural disasters by making available to the people of the United States (1) a program of direct insurance, with respect to certain types of property, by the Federal Government of the risks and hazards incident to such natural disasters, and (2) a program of reinsurance, with respect to such types of property, by the Federal Government of private insurers insuring such risks and hazards.

## DEFINITIONS

Sec. 3. As used in this Act, the term—

(1) "Administrator" means the Administrator of the Small Business Administration;

(2) "natural disaster" means any flood, hurricane, tidal wave, tornado, cyclone, storm, earthquake, earth tremor, blizzard, wind, dust storm, and any other like type of natural meteorological change or disturbance or of variation of weather which the Administrator may designate as a natural disaster for the purposes of this Act;

(3) "person" means an individual, corporation, partnership, association, or any other organized group of persons (excluding any government and any subdivision or agency thereof and any private insurer);

(4) "private insurer" means any private corporation, company, association, or other organization which is (A) duly licensed in any State, the District of Columbia, or any Territory or possession of the United States to engage in the making and writing of contracts of insurance against the loss and destruction of and damage to property and (B) holds a valid certificate of authority issued by the Administrator as an approved private insurer for the purposes of this Act;

(5) "real property" means land, interests in land, and improvements on land which are permanently affixed to the land;

(6) "insurable interest" means any right, title, interest, or other property right, legal or equitable, in and to property, and any other interest, benefit, or advantage with respect to property which in the determination of the Administrator is an insurable interest for the purpose of this Act by reason of being of such nature that any loss or destruction of or damage to such property would result in an immediate and direct pecuniary loss to the person having such other interest, benefit or advantage;

(7) "direct insurance" means insurance provided by the Administrator, on behalf of the Federal Government, directly to a person or persons, under and by means of one or more direct insurance contracts in conformity with this Act;

(8) "direct insurance contract" means a written individual or group policy, contract, or agreement between the Federal Government and one or more persons for the insurance by the Federal Government, in conformity with this Act, of such person or persons against loss or destruction of or damage to property of such person or persons as a direct or reasonably foreseeable result of a natural disaster, (A) without any private insurer being party to any such policy, contract, or agreement and (B) without any private insurer having a direct or indirect financial or other interest, right, commitment, or obligation in connection therewith, except to the extent that the Administrator may utilize in connection therewith, in accordance with this Act, the facilities, information, agency, and services of such private insurer;

(9) "reinsurance" means indemnity which the Administrator, on behalf of the Federal Government, undertakes to provide, in accordance with this Act, to a private insurer or insurers in the form of one or more written contracts or agreements between the Federal Government and such private insurer or insurers to the effect that the Federal Government will indemnify, in whole or in part, such insurer or insurers for any financial loss actually sustained under one or more private insurance contracts by such insurer or insurers in connection with the loss or destruction of or damage to property of any person or persons as a direct or reasonably foreseeable result of a natural disaster;

(10) "private insurance contract" means a written individual or group policy, contract, or agreement, in conformity with this Act, between one or more private insurers and one or more persons for the insurance by such insurer or insurers of such person or persons against loss or destruction of or damage to property of such person or persons as a direct or reasonably foreseeable result of a natural disaster, without the Federal Government being party to any such policy, contract, or agreement or having any interest, commitment, or obligation in connection therewith other than as a reinsurer or indemnitor in accordance with this Act; and

(11) "household effects" means furniture, furnishings, and equipment necessary and appropriate for the operation of a household;

(12) "United States," when used in geographical sense, means the several States, the District of Columbia, and the Territories and possessions of the United States.

## PROVISION OF INSURANCE

SEC. 4. (a) The Administrator shall establish, administer, and maintain a program of direct insurance and reinsurance against loss or destruction of, or damage to, real property and household effects due to any natural disaster. No person may obtain insurance under this Act (1) with respect to real property or household effects except to the extent of his insurable interest therein, or (2) if insurance of such a character is available to him from other sources at reasonable rates. No person may obtain reinsurance under this Act if reinsurance is available to him from other sources at reasonable rates.

(b) The aggregate potential liability of the United States under direct insurance contracts and private insurance contracts reinsured under this Act shall not exceed \$500,000,000 at any one time, except that such aggregate amount may be increased on July 1, 1957, and July 1, 1958, by the President by not to exceed \$500,000,000.

(c) The Administrator shall from time to time determine the aggregate amount of insurance which may be outstanding and in force under this Act at any one time in each geographical area of the United States, taking into account the needs of persons in such areas for such insurance.

## PREMIUM RATES

SEC. 5. (a) The Administrator shall establish premium rates for direct insurance contracts and private insurance contracts which are reinsured under this Act at the lowest practicable level, taking into consideration (1) the risks involved and (2) the desirability of providing insurance protection at reasonable rates shall be uniform throughout the United States.

(b) The Administrator shall establish premium rates to be charged private insurers for reinsurance of private insurance contracts or groups of private insurance contracts entered into under this Act at the lowest practicable level taking into consideration (1) the risks involved and (2) the desirability of providing insurance protection through private insurers at reasonable rates which would not be provided but for such reinsurance. Such premium rates shall be uniform throughout the United States. Private insurance contracts reinsured under this Act must contain such provisions as the Administrator may prescribe.

## COVERAGE OF INSURANCE CONTRACTS

SEC. 6. (a) Each direct insurance contract and each private insurance contract entered into under this Act with respect to real property used as a residence shall provide for payment in full of approved claims in excess of the first \$50 thereof for loss or destruction of, or damage to, household effects due to any natural disaster; however, the maximum payment that may be made with respect to such household effects shall not exceed \$3,000.

(b) In addition to the coverage provided under subsection (a), each direct insurance contract and each private insurance contract entered into under this Act shall provide for payment in full of approved claims for loss or destruction of, or damage to, real property due to any natural disaster up to a maximum of \$15,000, and of payment of 50 percent of the amount of approved claims in excess of \$15,000; however, the approved amount of each claim allowed under this subsection shall be reduced by \$100.

(c) The aggregate amount that may be paid under all such contracts entered into with respect to a single item of real property (1) shall not exceed the maxima prescribed by subsections (a) and (b), and (2) shall not exceed \$250,000.

(d) No claim shall be approved in an aggregate amount which exceeds whichever is the lower, (1) the actual cash value of the property, or (2) the cost of replacing, repairing, or rebuilding the property with material of like kind and quality (less depreciation at the time of damage).

## PAYMENT OF CLAIMS

SEC. 7. Under such regulations as the Administrator may prescribe, he shall adjust and pay valid claims for losses covered by direct insurance contracts and by reinsurance under this Act. In the investigation of claims under this Act, he is authorized, by contract or otherwise, to utilize the facilities, services, information, and agency of private insurers. Upon disallowance by the Administrator of any such claim, the claimant may, within one year after the date of mailing of notice of disallowance, institute an action on such claim (1) in the

United States district court for the district in which the insured real property or household effects, or the major part thereof, shall have been situated, or (2) in the Court of Claims. Jurisdiction is hereby conferred upon such courts to hear and determine such actions without regard to the amount in controversy.

#### DISASTER INSURANCE FUND

Sec. 8. (a) There is hereby established in the Treasury of the United States a fund to be known as the "Disaster Insurance Fund" (hereinafter referred to as the "fund"). All premiums paid with respect to direct insurance contracts and reinsurance shall be deposited and covered into the Treasury to the credit of the fund, which, together with sums appropriated to the fund, and interest thereon, shall be available for the payment of liabilities under such contracts and reinsurance. Payments from the fund shall be made upon and in accordance with awards by or under authority of the Administrator.

(b) The Administrator is authorized to set aside out of the fund such reserve amounts as may be required under accepted actuarial principles to meet all liabilities under such contracts and reinsurance. The Secretary of the Treasury is authorized to invest and reinvest all or any part of the remainder thereof in interest-bearing obligations of the United States, or in obligations guaranteed as to principal and interest by the United States, and to sell such obligations for the purposes of the fund.

(c) There is authorized to be appropriated to the fund from time to time such sums as may be necessary to carry out this Act.

#### ADMINISTRATIVE EXPENSES

Sec. 9. Administrative expenses in connection with direct insurance contracts and reinsurance under this Act shall not be paid from the fund, but out of specific appropriations for such purposes. There is hereby authorized to be appropriated such sums as may be necessary for such administrative expenses.

#### INSURANCE ADVISORY COMMITTEE

Sec. 10. (a) The Administrator is authorized to appoint an advisory committee, consisting of not less than three members experienced in the writing of insurance against property loss, to advise him with respect to the execution of his functions under this Act. Persons so appointed who, while so serving, hold other offices or persons under the Government of the United States or the municipal government of the District of Columbia shall receive no additional compensation for such service. Other persons so employed shall serve without compensation; but they shall be allowed in accordance with the Travel Expense Act of 1949 and the Standardized Government Travel Regulations actual transportation expenses, without regard to section 10 of the Act of March 3, 1933 (5 U. S. C., sec. 73b), and other travel expenses, including not to exceed \$50 per diem in lieu of subsistence, while away from their homes or their regular places of business.

(b) Service of an individual under this section shall not be deemed subject to the provisions of section 281, 283, 284, 434, or 1914 of title 18 of the United States Code or section 190 of the Revised Statutes of the United States (5 U. S. C., sec. 99).

#### INVESTIGATION AND REPORTS

Sec. 11. (a) The Administrator shall collect information with respect to the public need for other types of insurance against natural disasters, and other types of insurance against property loss, not available from private sources, and to study methods of making such insurance available to the public. He is authorized to make recommendations to the Congress for legislation to provide such types of insurance, if he determines that such insurance may be feasible.

(b) The Administrator shall submit to the Congress, as soon as practicable before the 1st day of February in each year, a report of operations under this Act, which report shall include a review of the work, activities, and functions authorized under this Act for the preceding calendar year. He is authorized to make recommendations to the Congress for legislation to improve the administration of this Act and the programs thereunder.

## FALSE STATEMENTS OR CLAIMS WITH RESPECT TO INSURANCE

Sec. 12. (a) Chapter 47 of title 18 of the United States Code is amended by adding at the end thereof the following :

“§ 1027. Federal Disaster Insurance Transactions

“Whoever, in any matter relating to a direct insurance contract, contract of reinsurance, or private insurance contract, entered into under the Federal Disaster Insurance Act, knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than \$10,000 or imprisoned not more than 5 years, or both.”

(b) The analysis of chapter 47 of title 18 of the United States Code is amended by adding at the foot thereof the following :

“§ 1027. Federal Disaster Insurance Transactions.”

## CONTINUATION OF AUTHORITY OF ADMINISTRATOR

Sec. 13. The termination of the Small Business Act of 1953 and of all authority conferred thereunder pursuant to section 221 (a) of the Small Business Act of 1953 shall not impair or otherwise affect the authority, responsibility, or function of the Administrator under this Act.

Mr. FORAND. The plan is a rather simple one, but I think it is a workable plan. I don't for a moment contend that there would not be some “bugs” found in it or that the committee after studying all of the several plans suggested may not find that I am not on base. But I have worked on the theory that what we need is not just flood insurance but really disaster insurance, something that would cover all of the major disasters as declared by the President and so defined in this bill.

The idea behind my thought is, first of all, that if we should have simply Federal flood insurance the appeal to the people to purchase coverage would be rather limited.

The second thought is that while we suffered from floods, other areas have suffered from tornadoes, earthquakes, dust storms and what have you, and their damage and their loss is just as great as ours has been. After all, if the Federal Government is to set up an insurance fund, the money put into that fund will come from all the taxpayers, taxpayers from all over the country, and I believe that every area, every citizen of this country is entitled to equal protection.

This plan is a voluntary plan and made available to those who wish to purchase, and we hope at a very reasonable premium, coverage for their property. Most plans that I have seen offer coverage for real property, real estate, or industrial property, and so forth, but I have seen no mention yet of taking care of household effects. Yet we in Rhode Island, like you in New York in your tenement districts, have a lot of poor families whose sole possessions in this world are the household effects that they have. I believe they too should be offered an opportunity to purchase insurance coverage for their possessions.

I define “household effects” in this bill not to include works of art or money or bonds or things of that sort but the basic articles of furniture and furnishings. I believe that that would have a great appeal, and the greater appeal this type of legislation has to the people generally throughout the country the greater the demand will be for coverage, the greater the pool of premiums will be, and the less the burden on the Federal Government as a whole.

On this bill I just simply have touched the highlights of it because I have submitted a copy, and I do not want to take too much time. The bill provides for both direct insurance and reinsurance. In this bill the concept of disaster does not include explosions or volcanoes. It has a limitation of insurance coverage of \$250,000. It has a provision for the establishment of a fund of Federal money of \$500 million but also authority for the President on July 1, 1957, and again on July 1, 1958, if he sees that conditions demand it, to add an additional \$500 million to this fund.

Senator LEHMAN. What is the original amount?

Mr. FORAND. \$500 million. The fund will be set up as a separate fund in the Treasury, and all the premiums would be turned in there. By the way, the Administrator under this bill would be the Administrator of the Small Business Administration that now handles this type of disaster relief fund. But there is a provision in the bill stating that if in the disaster the Small Business Administration goes out of business it would not affect the Administrator of the disaster insurance fund.

There is a deductible clause to be written in all insurance contracts so that on furnishings there will be a deduction of \$50 and on real property a deduction of \$100 before payments would be made. The loss in real property will be paid to the extent of the first \$15,000 plus one-half of the remainder of the damage so as to more or less make the individual a coinsurer in the higher brackets.

The idea of the first \$15,000 of a claim being paid is because I am thinking of the people who own their own homes and that \$15,000 would take care of those in the smaller brackets. In other words, I believe this should be insurance for the homeowner and insurance assistance to business.

The Administrator would be authorized to appoint—

Senator LEHMAN. Do you mind being interrupted?

Mr. FORAND. No, sir. Any time.

Senator LEHMAN. I can follow that with regard to the small loan. How would that work in connection with a business undertaking—the \$15,000?

Mr. FORAND. The \$15,000 plus one-half of the remaining damage over and in excess of the \$15,000 to a total of \$250,000 per parcel or individual building or industry, whatever it is that they have.

In other words, this bill at the beginning would not be a full-coverage bill, but it would be a partial-coverage bill, so that after we gain some experience we may be able to make the necessary changes.

Senator LEHMAN. In other words, if a man loses a home worth \$15,000, which had a cost of \$15,000, he would get full compensation for that loss less the deductions which you have enumerated.

Mr. FORAND. That is correct.

Senator LEHMAN. For real property and for personal property. If a business concern suffered a loss of \$265,000 they would be compensated for \$15,000 plus one-half of the remaining \$250,000?

Mr. FORAND. That is the idea. What I am seeking to do is to bring down the premiums so that they will be within the reach of these people.

This bill also contains a statute to make immune from the conflict-of-interest statute those insurance people that might be called in by the Administrator to serve as a group of advisers to him in the fear

that because of the conflict-of-interest statutes we might well be deprived of perhaps the best heads in the business.

There is also a penal statute in here to avoid fraud and false claims. There is authority for the Administrator to use the existing insurance companies, to use the facilities for services and information of the agencies and of all the insurance companies somewhat along the line that Senator Pastore has suggested in his statement.

The premium rates are to be fixed by the Administrator after due study, and the Administrator will have to report occasionally to the Congress as to the state of the fund, the number of insured—in other words, keep Congress advised as to the developments in the insurance fund agency.

Senator LEHMAN. May I ask one question with regard to that?

Mr. FORAND. Yes, sir.

Senator LEHMAN. Does your bill provide for a uniform rate?

Mr. FORAND. Uniform rate throughout the country.

Senator LEHMAN. It does not give any discretion to the Administrator to fix rates based on the risks inherent in the policies?

Mr. FORAND. I think that is taken into consideration, but whatever he arrives at, then, the rate would be uniform throughout the United States.

We had some lengthy discussion on this. As I said, this has been in the works now for quite a long time, and we drafted and redrafted it several times. The Administrator would establish premium rates for direct insurance contracts or private insurance contracts which are reinsured under this act at the lowest practicable level taking into consideration—first, the risks involved and second the desirability of providing insurance protection at reasonable rates shall be uniform throughout the United States.

Senator LEHMAN. So it is not wholly a uniform rate?

Mr. FORAND. Not in the full sense of the word.

Senator LEHMAN. Thank you.

Mr. FORAND. I think I have covered all the highlights of the bill, Senator, and unless there are more questions I want to express my thanks for the opportunity of expressing myself here this morning.

Senator LEHMAN. I want to compliment you on presenting a very interesting suggestion that will receive the very careful study of the committee.

But the coverage of the bill is not entirely clear to me. In the bill that has been submitted by Senator Kennedy, Senator Saltonstall, and Senator Green provision is made only for protection against flood damage. You, I know, go much further.

Mr. FORAND. I do.

Senator LEHMAN. The bill that I have drafted and presented to the committee, is a very comprehensive bill that covers all kinds of disaster. It covers both natural and man-made disaster. I don't know whether your bill covers both categories or only the natural disasters.

Mr. FORAND. It is the natural. In other words, I am in between the two of you.

Senator LEHMAN. I see.

Just one other question. In some of our hearings the recommendation has been made, the suggestion has been made, that the cost of this be defrayed by levying a small additional tax, income tax, on the

people of this country. The amount given may not be at all accurate. It was relatively small, because that would include everybody in the country and, therefore, there would be the widest kind of coverage.

I know you have had an unusual amount of experience in tax matters as a long-time member of the Ways and Means Committee. What kind of reception do you think a suggestion like that would receive?

Mr. FORAND. I doubt that any increase in taxation during the coming year would be getting a very favorable reception in the committee, and I think you understand fully why that is. Both the Democrats and the Republicans are going to be opposing tax increases and fighting for tax reductions.

Senator LEHMAN. I would judge so, reading some of the articles that have appeared in the press in the last day or two. But I wanted to get your expert advice on it.

Mr. FORAND. Thank you very much, Senator.

May I suggest one more word? The thought has just occurred to me now I have not mentioned anything about the expenses of administration. The expenses of administration of this fund would not come out of the fund but would be subject to appropriations by the Congress.

Senator LEHMAN. Thank you very much indeed.

Any questions, Senator, that you want to ask?

Senator GREEN. No; I am sticking by my original bill.

Senator LEHMAN. I am going to call on Congressman Fogarty.

#### **STATEMENT OF JOHN E. FOGARTY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND**

Mr. FOGARTY. Senator Lehman, I want to join with my colleagues, Representative Forand and Senator Green, in thanking you for taking the time and spending the effort in conducting these hearings throughout New England.

I think you know as well as we do that since 1938 these storms have been taking toll not only in New England but in New York, New Jersey, Pennsylvania, and in this northeastern section of our country. I think you deserve a tremendous amount of credit for taking the time, especially when the Senate is not in session, to conduct these hearings, because I know it is not an easy job to do.

I am sure because of your interest and your seniority in the Senate that some bill is going to emanate from that body as soon as we reconvene in January that will help those whom these bills were intended to help.

Senator LEHMAN. I would like to defer to the man who has real seniority—Senator Green.

Mr. FOGARTY. We expect he is going to be supporting you in your endeavors in getting this bill through Congress. I did not think there was any question about that.

I also think it should be said we should give credit for these hearings to Governor Roberts not only as Governor of the State of Rhode Island but as chairman of the New England Governor's Conference for this year of 1955. I don't believe I have ever seen a governor work any harder in some of the catastrophes that we have had, in the hurricane of last year and in the floods of this year, than Governor

Roberts has worked. I think he too deserves a tremendous amount of credit.

I do not have a bill prepared for introduction in January as yet for any disaster-insurance program. I expect to have one. If I don't, I will be supporting the bill that I think will be best for Rhode Island first; secondly, one that is best for the northeastern section of our country; and thirdly, that which is best for the country as a whole.

It seems to me, Senator, that in considering legislation such as this that it is about time that we in this great part of the country—I am talking about the northeastern part of the country—decided to work on a program that would be beneficial to labor, to management, and to the Government. That has been a pet with me now for 5 or 6 years. I have been contending that we have not been getting our just share of appropriations that have been appropriated over the years in this section of our country. I think it is about time now that we got together on a regional basis, regardless of our politics, on a program that will help this area of our country not only to protect life and property such as your bill would help to do but also to help maintain the jobs that we have in this section of our country and to provide new job opportunities for our unemployed.

I have been convinced for some time now that with men like you in the Senate, coming from New York, and men like Senator Green with his seniority, and men on the other side of the political fence like Senator Bridges, of New Hampshire, who when the Republicans are in control is chairman of the Appropriations Committee, and on the House side with men like John McCormack, the leader of the Democratic Party in the House of Representatives, and Joseph Martin, the Speaker of the House when the Republicans had control, that with men like that coming from this section of the country, it seems to me that we should be getting more than we have been getting in the past.

As I said before, I expect to support your bill or some bill that we think will get through the Congress and will help this section of our country. At the same time, I do not think that we should forget the preventive side of this entire program either, and when we talk about prevention that means money. How we get money is we introduce legislation, enabling legislation, in both Houses of the Congress authorizing appropriations for the Army engineers to make surveys. Then after these surveys have been completed, when the decisions have been made, it takes a considerable appropriation to carry out the decisions of the Army engineers and the local interests.

I think you know that we were able last year to get an appropriation of \$1 million through both Houses of Congress which would enable the engineers to make a survey in this section of the country as far as hurricanes were concerned and to try to come up with some recommendations that would help decrease the damage that has been accomplished through these other hurricanes. The work is going on now.

I notice in the press this morning they have made considerable headway since July in the short time they have been working on this project, especially in the Narragansett Bay area, which will prevent future flooding of the city of Providence, which has driven many business people out of business because of tidal waves that accompanied

the hurricanes of 1938 and the last hurricane of 1954 and almost again in 1955.

I see one of the representatives of the Engineer Corps here today, and I hope to be here when he testifies. One of his assistants in Boston made the announcement on yesterday through the Governor's committee that they have gone as far as they possibly could with the available money that they have had to operate with. If they do not have enough money at this time to carry on that survey that was outlined in the enabling legislation, it's their fault and not the fault of the Congress, because when this amendment was prepared by me in the House of Representatives early last summer the Army engineers in Washington were asked how much could they spend in the next fiscal year—not what was the least amount they could expend but what was the most that they could expend in a survey like this, and the answer to our committee was \$1 million.

So the Congress appropriated the full amount that was asked for by the Army Engineers in Washington to carry out this survey of Narragansett Bay area and the northeastern section of our country.

I asked the question to make doubly sure whether that would be enough, and the answer came back again it would be all they could justifiably expend in the coming year.

So I hope that there is no impression left by that report in the press that the Congress was derelict in its duty in appropriating funds for this particular survey, because that is not the case. I was the author of the amendment at that time and saw it through the Congress.

Also on these floods that have taken place this year, it seems to me that the Army engineers, if they had additional money now, because of the flood situation that came upon us unexpectedly during the past year, could with what manpower they have at the present time be making plans and surveys that would help prevent these floods in another year. But as I understand the monetary situation now, they do not have the money available. It is impossible to get a transfer of funds because when we appropriate funds for a particular project the Congress says that they must be expended for that particular project. We have not been able to get any funds released up to this time, although I do understand or I have been told by clerks on our committee that the White House does have a \$1 million emergency fund that could be used—some of it could be used—for this particular survey and preliminary work that must be done to prevent some of these floods.

I think also that if we had taken advantage of some of these appropriations in the past over the years and if we had plans already made here in Rhode Island and New England and had fought for additional appropriations for authorized projects in New England, that some of these floods could have been prevented in this past year.

I am sure from the talks that I have had with the Army engineers that this flood that did such terrible damage in the city of Woonsocket in the northern part of our State could have been prevented.

Those floods and those things that can be prevented are the responsibility of the local community, the State and the Federal Government working as a unit or as a team together with the Members of Congress from this particular district, forgetting about politics and doing what we think is best for our community, our State, and

this section of the country. I am sure, Senator, that in the future we are going to prevent many disasters such as we had caused by the floods this past year.

Senator LEHMAN. May I just ask 1 or 2 questions? I believe you are a member of the Appropriations Committee of the House?

Mr. FOGARTY. I am.

Senator LEHMAN. I don't want to anticipate the testimony that is going to be given by General Fleming, but at the hearing we had in Washington the Chief of Engineers appeared before us, and he agreed that many of these floods could be prevented or certainly minimized in their effect through flood-control work.

I am going to talk not about these particular conditions to which you refer in Rhode Island or even in the northeastern area. I am looking at them now from a national standpoint, because I think we must all agree that a great many floods, the effect of a great many floods, could be eliminated or greatly reduced if adequate flood-control works were undertaken and prosecuted by the Federal Government.

General Sturgis, testified—and I may be misquoting him, and General Fleming will correct me if I do when he testifies—that to complete just the projects that had been recommended or were practicable under the limitations of our statutes would take at the present rate of appropriations by Congress about 22 years.

Twenty-two years is an awfully long time for people to wait for protection, whether it is New York or Rhode Island or Louisiana or other parts of the country. I was wondering whether you thought that the Appropriations Committee of the House and the Appropriations Committee of the Senate would be more generous in appropriating money on projects that had already been authorized.

Mr. FOGARTY. I am sure they will, Senator. I am sure because of the interest that has been created in this part of the country, if all our Members of Congress work together as a unit we can get the Committee on Appropriations to appropriate sufficient funds to cover all authorized projects that have a priority high enough in our country—and priorities should be high in this particular section of the country.

I remember very well the flood on the Missouri River about 3 years ago and the disaster caused out there. There was no question on the part of Congress at all. We were asked to appropriate supplementary funds at that time, and they came through with no opposition at all. It was proposed by the President, and both branches of the Congress appropriated the funds. That is one of the things that has to be done when we get back in January. A supplemental appropriation bill will have to be prepared to enable the Army engineers to get along with some of their preliminary planning now to prevent some of the floods that occurred in this section of the country during the past year.

That I think will be done, and I expect to play a part in introducing that legislation and getting the proper appropriation through as soon as we possibly can right after the first of the year.

Senator LEHMAN. So that we have the record in this hearing as we have had in the Washington hearing, General Sturgis testified in part as follows:

Now, at the rate of the present appropriation for 1956, which is \$235 million for flood control, it will take about 22 years to complete the remaining projects in our flood-control program.

I want to emphasize those are only the projects that are in the present flood-control program. I do not consider that too excessive a time. We have already been at the job about 20 years since 1936. Probably it should be accelerated in connection with looking at the growth of our economy, the population, and so on, if it is possible, and so forth.

I want to point out that if, as I believe is the fact, we are all agreed that we should not in pushing for a disaster-insurance program overlook the great value of flood control, it is important to make larger appropriations.

Mr. FOGARTY. That was the point I wanted to make at this hearing today. I am for a disaster-insurance program such as yours or one that will be very comprehensive in order to get it through Congress. But at the same time I did not want you or the committee to overlook the fact that many of these disasters can be prevented, such as the floods that occurred in New England, if we have the proper planning and we have a sufficient appropriation for the Army engineers to do a decent job and then to carry out their recommendations after their decisions have been made to the Congress of the United States.

But that takes money, and it's not the easiest thing in the world to get the Appropriations Committee in the Senate or in the House to appropriate funds for flood control or anything else unless we work at it and are together on a particular drive like this.

Senator LEHMAN. I want to make it clear that what I have said about this being a national problem should not in any means be construed as minimizing in the slightest degree the unusual needs for this area, particularly along the Atlantic seaboard.

Mr. FOGARTY. I think that is something that should have been stressed to General Sturgis—that this protection or these projects that are coming up now as far as the flooding of this section of the country has been concerned should be of a priority nature. I am sure it will take priority over many of these flood-control projects that have already been authorized by the Congress amounting to some \$200 million.

Senator LEHMAN. What I think cannot be stressed too often is that this is, in effect, or really, a nationwide problem and that the whole Nation should be concerned with it. In my opinion, if there is anything which is a Federal responsibility it is flood control on navigable streams, rivers, and watersheds. Rivers and watersheds do not recognize State boundaries. This was quite evident in the recent floods where waters from Pennsylvania, New Jersey flowed into Connecticut and New York.

I can't emphasize my feeling too strongly that in order to succeed we must have all sections of the country get behind this legislation for general disaster insurance covering all risks not now covered by private insurance and at reasonable rates.

I think that many States just do not consider and recognize their responsibility toward other States.

Mr. FOGARTY. I agree with you, but the point I was trying to make is that in the experience I have had in the Congress, unless we get together on a regional basis to support a program like this, 1 or 2 or 3 or 4 individuals can never get a program through unless we have the support and cooperation of all segments of our economy from that particular section of the country.

The reason that we have \$200 million worth of flood projects approved by the Congress or authorized by the Congress up to this date is because these people in the Mississippi Valley and along the Mississippi River have been flood-control conscious for many years, and they have been fighting for these programs. It isn't something that happened overnight. That is one thing that we have not been fighting for in this section of the country—flood-control projects. We have not, I do not believe, had the support of the press in this part of the country for such projects. We have not had the support of independent groups and business groups in this section of the country, because we have not had that problem until the past year. Now it is upon us, and that is one of the reasons why we should all be supporting such a program at this time.

Senator LEHMAN. I want you to know, Congressman, I fully agree with you, but I have been disturbed and distressed that very frequently we of the Northeastern States very willingly and cheerfully vote appropriations for various projects of flood control and similar activities which will benefit our sister States, and I think that we should do that. But when it comes to asking support from some of our sister States we don't always get it.

Mr. FORAND. May I say a word?

Senator LEHMAN. Surely.

Mr. FORAND. Relative to the Congress appropriating money for these flood-control projects, I believe that if you will look into what happened during this current year you will find that many projects that have been authorized were not included in the list that the Bureau of the Budget submitted to the Congress but the Congress went ahead and made appropriations for many of these projects. After the money was appropriated, the Director of the Budget impounded those funds because those particular projects were not included.

I say not only the Congress should be on its toes but the administration has been lacking very, very much.

Senator LEHMAN. I wholly agree with you on that, Congressman.

Thank you very much, Congressman Fogarty.

The next witness will be the Governor of the State of Rhode Island, Governor Roberts. We all realize that in addition to holding the high office of Governor of the State, Governor Roberts is chairman of the New England Governors' Conference. From all reports that have come to me from many sources, he has had a key role in meeting the impact of the recent disaster and arranging for interstate cooperation.

He served in that way not only his own State but all of the neighboring States in New England and in the northeastern area. I know there is no man who is better qualified to speak on this subject than Governor Roberts.

#### **STATEMENT OF DENNIS J. ROBERTS, GOVERNOR OF THE STATE OF RHODE ISLAND**

Governor ROBERTS. Senator Lehman, Senator Green, Congressman Fogarty, and Congressman Forand, distinguished members of the Senator's staff, Mayor Reynolds, other municipal officials, ladies and gentlemen: At the outset I would like to express my personal grati-

tude to Senator Lehman and his staff, to Senator Green, to our Members of Congress for their kindness in coming to Rhode Island this morning and arranging for an opportunity for the people of Rhode Island to express their views and to urge their thoughts to this committee of the Congress in the interest of disaster insurance here in the State of Rhode Island and throughout the Nation.

I realize that the Senator has already had a hearing in Boston yesterday and has had several other hearings in the northeastern section of the country. It indicates his interest in this most important matter—legislation to provide disaster insurance that will not only protect the lives of our people but will give some protection to the economy of various sections of the country. It is one more manifestation on his part of his devotion to public service, and, consequently, Rhode Island is very honored and proud of his presence here this morning.

Likewise, we are very grateful in Rhode Island to Senator Green and Senator Pastore, to Aime Forand and John Fogarty, to the Federal officials who have had such an active part in the program that we are trying to develop to bring about preventive measures and also disaster insurance so Rhode Island, New England, the Northeast, and the country will not be penalized economically or the welfare of its people as a result of natural disasters.

The Senator has emphasized, and I think we all agree, that major natural disasters such as floods are not confined to any one section of the country. They do not respect State boundaries. In the past 30 years we have seen floods causing damage running into hundreds of millions of dollars in the Mississippi River in 1927, in the Ohio Valley in 1937, the Columbia Valley in 1948, and the lower Kansas-Missouri Valley in 1951.

As Governor of Rhode Island and as chairman of the New England governors' conference I am naturally most concerned with the recent experience of the Northeastern States and particularly the experience of New England and Rhode Island. But I do agree that it is a national problem; it is not one that is regional.

I think if I may be permitted at this time, Senator, I would like to read into the record a resolution of the New England governors' conference to the President of the United States that was adopted Friday, September 23, in Boston. The resolution reads:

The hurricane flooding of New England cities and towns last month caused untold personal suffering and property losses. The destruction resulting from this natural disaster was not insurable. The losses of production and productive facilities have disrupted major industrial areas in New England. The national economy has thereby been weakened.

As a result of the recent disaster, all segments of the economy are urging a complete program of protection which includes not only flood-control projects and adequate warning but also disaster insurance. Disaster insurance through private insurance companies is prohibitive in cost. The Federal Government, which is able to insure against war risk, crop loss, and the hazards of unemployment, can and must find an adequate and humane answer to recurring natural disasters.

Disaster insurance, to be feasible, must be made available at reasonable rates. This may require a Federal subsidy as many Federal programs do that are in the general welfare. If that were true it would still be less costly than a prostrate New England: Therefore be it

*Resolved*, That the New England governors' conference do hereby respectfully urge the President of the United States to direct the Secretary of Commerce to organize the resources of his department in support of Federal disaster insurance; and be it further

*Resolved*, That the New England governors' conference through its chairman, appoint a small committee of the conference to cooperate with the New England congressional delegations and the Banking and Currency Committee of the United States Senate to unify support for adequate legislation for Federal disaster insurance at moderate rates to the end that such legislation will be enacted in the 2d session of the 84th Congress.

As a result of that resolution directed to the President of the United States, Senator, I received a reply from the President, and I will read the pertinent paragraph dealing with this resolution of the New England governors' conference. It reads as follows. The letter is addressed to me as chairman of the New England governors' conference and signed by Dwight D. Eisenhower, President of the United States. The seventh paragraph reads as follows:

The governors recommended that the Secretary of Commerce organize the resources of his Department in support of Federal disaster insurance. Some weeks ago this matter was taken under close scrutiny. It is now being examined by all Federal agencies concerned under the general direction of the Bureau of the Budget and the Housing and Home Finance Agency. The Senate Banking and Currency Committee will hold hearings on this problem late this month. The administration will present specific legislative suggestions at that time.

I read that to indicate, Senator, that the New England governors and the congressional Representatives and Senators from New England are proposing and have given study to unified action to secure disaster legislation, disaster insurance, through Federal legislation, and also to expedite preventive measures such as flood control and the hurricane studies which will eventually indicate protective devices to protect us against flooding by reason of tidal floods caused by hurricanes.

In the 2 years of 1954 and 1955 the Northeastern States suffered——  
Senator LEHMAN. May I break in at this point?

Governor ROBERTS. Please, Senator.

Senator LEHMAN. You may be familiar with this. You may have covered it in your memorandum. But I do want to tell you what happened in Washington when we had the hearing and we had the representative of the Director of the Budget there. We had representatives of the other agencies who we understood had been directed to prepare recommendations, specific legislative recommendations. We were told, much to our regret and much to our disappointment and surprise, that those were not ready and could obtain no promise whatsoever from the Bureau of the Budget or from the other agencies when they would be ready, and we have not received them up to this date. We do not know when they are going to be received.

Governor ROBERTS. Senator, I read that substantially in the press, and it was a source of surprise and disappointment to me because New England congressional membership had impressed upon the New England governors the importance of having administration backing in proposals in disaster insurance, the flood-control projects, and the preventive measures to protect us against tidal floods as a result of hurricanes.

I do hope that the administration will be prompt in submitting to the Congress of the United States or to your committee a proposal so that we can all have the opportunity of analyzing it and then indicating support or lack of support.

I am extremely grateful for your calling it to my attention and for the interest that you have displayed in it in your previous meetings.

I would like, Senator, to point out for the record—I know that you have an appreciation of it—the extent of damage that the Northeastern States suffered.

In the years of 1954 and 1955 the extent of damage was \$750 million from hurricanes and floods. Of this total, \$630 million of damage occurred in New England and \$124 million in Rhode Island alone. Most of the losses in Rhode Island were due to flooding.

Hurricane tidal floods in 1954 were largely responsible for \$50 million damage in the city of Providence. That sum equals 8 percent of the total assessed value of all real and tangible property in the city.

The torrential rains caused by Hurricane Diane in August 1944 flooded Rhode Island's Blackstone Valley causing damage of \$11.5 million in the city of Woonsocket, or over 10 percent of that city's real and tangible assessed valuations.

Such losses are too heavy for the State to bear alone. They are even more unbearable for those local communities hardest hit, and for the individuals and businesses most directly affected they spell great hardship, suffering, and often ruin.

In these disasters the Red Cross has done fine work in providing immediate relief and rehabilitation, yet their total expenditures in Rhode Island in 1954 and 1955 of \$1,275,000 represented only slightly over 1 percent of the total losses.

Direct Federal assistance of various kinds in the 2 years was considerably larger but still represented only about 10 percent of the total losses.

Private insurance covered incidentally another fraction of the total, but no private insurance company today will write specific coverage for floods, especially on real property or other property not primarily movable.

In 1952, the report on floods of the insurance executives association concludes that such risks are "quite outside the scope of private business and of insurance." Today by far the greater part of the intolerable burden resulting from such natural disasters as floods must be borne by the individuals and the businesses directly affected.

The Federal Government is the only agency in a position to take effective action under such circumstances as this, where major natural disasters can strike any part of the Nation and where they often devastate an entire region. The basic responsibility of the Federal Government to protect its citizens against major disasters which threaten all or several States has long been recognized. The original Constitution specifically allocated to the Federal Government the responsibility for protection against that greatest of man-made disasters—war and the threat of enemy invasion. In recent years this concept has been broadened to include provision of Federal insurance against war damage, which private companies could not cover.

Federal responsibility for the control of floods on the Nation's major watersheds has long been recognized, and a permanent program to accomplish this objective has been in operation for the past 20 years. The Federal Government has accepted its responsibilities for protection against hurricane floods in control projects at Galveston, Tex., Lake Okeechobee, Fla., and, more recently, in the study of protection of the Atlantic coast and Narragansett Bay now being carried on by the Army Corps of Engineers.

Such preventive measures are of the utmost importance, and, wherever feasible, as in Narragansett Bay, they must be pushed to completion at the earliest possible date.

However, preventive measures have two serious limitations. First, engineering studies and construction of dams and other protective works take time—time too often measured in terms of years. Second, there are many areas and circumstances where preventive measures are not practical either from the standpoint of engineering or of cost.

Thus, there are today millions of Americans subject to the hazards of devastating floods pending future completion of protective works, and other millions who are not and probably cannot be fully protected against the hazards of floods and other natural disasters by preventive measures. In Rhode Island at the present time a large part of our population, business, and industry is without adequate protection against the dangers of tidal or river floods.

If the Federal Government is to face up to its responsibility to protect the people against flood disasters, it must recognize that the need is immediate, whatever plans may be on the engineers' drawing boards for the future. In view of the limitations of preventive measures, logic, justice, commonsense—indeed, necessity—dictate that adequate and fair compensation in the form of disaster and flood insurance be made available by the Federal Government at reasonable cost to those who are not now or who cannot be adequately protected otherwise.

Granted that the Federal Government has a responsibility in the matter, what should be the guiding principles in setting up a system of Federal disaster or flood insurance? In determining those principles we must keep our eyes firmly on our objective, which must be to make available adequate compensation at reasonable costs or premium rates to all those subject to the risks of flood or other major natural disasters and to do it as soon as possible.

This must not be a public relations program. It must be a program of action, and that is why we are so grateful for your presence here with this congressional committee this morning. That is why the New England Governors' Conference has organized its own resources, its technical personnel. That is why the New England Governors' Conference has arranged for a meeting on the 17th in Boston with the congressional membership of New England to put forth a positive program in the field of prevention, flood control, hurricane protection, disaster insurance, so there will be an organized and forceful action program originating in New England in cooperation with the rest of the country to secure immediate action on the part of the Federal administration and a legislative program that will render assistance and security to our people in the immediate future.

Time is important, for one of the major objectives of disaster insurance should be to offer protection in the form of compensation to bridge the unavoidable time lag until major preventive works can be completed, and this insurance protection should be furnished immediately. I think the need is obvious.

To do its job, coverage should be broad and comprehensive. This means that the premium rates or costs must be low enough so that the average small homeowner, worker, or businessman can afford it.

Senator LEHMAN. Governor, may I interrupt for 1 minute? I can't tell you how glad I am that you so strongly stress the importance of receiving immediately full Federal support, the support of the

administration, and the suggestions and recommendations of the administration in this matter, so that this committee can proceed with its work expeditiously and without delay.

I think my colleagues will agree with me that it is a very difficult thing to obtain passage of major legislation through both Houses of Congress in one session. The purpose of these hearings which the committee is carrying on during the recess is to try to overcome that very great handicap. That is why the administration's program should and must be submitted to us just as promptly as possible so that it can be studied by members of the committee and interested parties before Congress convenes.

I think that we can't afford to delay on this thing, and yet we are greatly, very greatly, handicapped and the Members of both Houses will be handicapped if we do not get the recommendations and the full cooperation of the Federal Government.

Even after we get that, the committee will have to take time to study it, and the public and the Members of both Houses of Congress will have to take time that will further delay us.

So I am delighted to know that you are stressing that so strongly.

Governor ROBERTS. If I may, Senator, it impresses me that in order to provide the economy of New England with the protection it needs—and when I say "New England" it applies to other areas of the country that are subject to natural disasters—we need disaster insurance now and preventive measures such as flood control.

And I say this with a full recognition that the Corps of Engineers are working with every ounce of effort that they have. Their cooperation has been excellent. They face certain procedures laid out by law that perhaps are delaying in the matter of authorizations and appropriations.

But regardless of how much expedition is given to the Corps of Engineers by the Congress, by the Bureau of the Budget, and so forth, there is a time lag that is very vital to the economy and the welfare of our people.

Next summer, the latter part of the summer, we could be visited with another hurricane. Next spring we could have another flood. As I have said repeatedly, the economy of New England cannot stand the multi-million-dollar loss in the short period of time that it has experienced.

I think in 16 years we have had four major natural disasters that have run into a loss to our industry, to our people, to our economy of hundreds of millions of dollars, running into billions. One more might be fatal.

So we are emphasizing what the first step, the immediate step, is. That is the reason the New England Governors' Conference in its resolution petitioned the President for immediate action on the part of the administration to do something in concrete form that the Congress could act on immediately after its convening in January, because that lag is extremely important.

There are men sitting in this room today who have major industrial units in the State of Rhode Island that have suffered severe loss causing unemployment, causing them to consider twice whether they will reopen in the State of Rhode Island. And reopening in the State of Rhode Island means reopening in New England.

So, therefore, it is of vital importance to us. I want to assure you as chairman of this committee and your colleagues in Congress that the New England governors are pushing with all the vigor at their command to have this organized as thoroughly as we possibly can.

We received great cooperation from John McCormack, of the House of Representatives, from Joe Martin, from our own Representatives in Congress and Senators, in Connecticut and all through New England to get the organization, and for that purpose we intend to have a meeting of the governors and the New England delegation to Congress in Boston on the 17th of November to adopt, if we possibly can, concrete courses of action to submit to the President and to the Congress of the United States.

I agree with you, Senator, that is extremely important, and it would be very vital to the welfare of our people should we not have immediate action on the part of the administration.

Senator LEHMAN. I am very glad indeed to hear those very stirring and very valuable words.

Governor ROBERTS. Thank you, sir.

Senator LEHMAN. I am sure they are going to have a very great effect.

Governor ROBERTS. To have disaster insurance adequate, it means that it should cover the major part of all substantial losses not otherwise insurable, whether they be the household furniture of the worker who rents or the stock and fixtures of the small-business man or the industrial plant of a major industry.

When a major industry is devastated it is not merely a question of the owner's loss. The jobs and livelihood of hundreds and even thousands of workers are at stake. These may be of even greater importance to the community, the State, and the Nation than other forms of property loss.

In this connection, I should like to point out that in Rhode Island almost 7,000 workers were thrown out of work in the first instance by the Blackstone River flooding of last August. Fortunately, most of the industrial damage could be repaired in the weeks which followed. But even today, almost 3 months later, there are close to 1,000 jobs which have not been restored, and that is vital in Rhode Island.

In fact, there are 1 or 2 industrial plants which may never open again in consequence of losses so heavy that borrowing to reestablish the plant seemed out of the question.

For that reason, there should be no arbitrary upper limit on compensation to individual firms especially where jobs are at stake. Failure to compensate adequately to reestablish jobs would be an evasion of Federal responsibilities to maintain full employment as set forth in the Employment Act of 1946.

But there is greater weakness in most of the tentative proposals to date which apparently reflect the timid and ill-advised approach of the Bureau of the Budget. What I refer to particularly is the idea of arbitrary and relatively low limits to the total insurance coverage of the program.

In setting his criteria for a program of flood and disaster insurance Mr. Jones of the Budget Bureau has evidently lost sight of meeting the public's great need for effective protection. His thinking indicates an inadequacy. Instead, he would hold the total coverage to a modest figure and exclude from consideration altogether the thousands

of people whose heaviest losses were of household furniture and personal property. His thinking is confined by the limitations and practices of private insurance in a field in which private insurance experts themselves concede they cannot operate successfully.

Instead of real protection for the public, he offers merely a laboratory experiment, in the pious hope that perhaps sometime in the remote future a real program can be worked out. And that would be fatal. If this is the best the national administration has to offer, I am bitterly disappointed. This is certainly not what I was led to expect by President Eisenhower at our meeting in Hartford and in the correspondence I have had with the President of the United States as chairman of the New England Governors' Conference.

The same weaknesses appear in most preliminary drafts of proposed bills, which set the limits of total insurance coverage from as low as \$500 million in the first year up to \$2 billion. To limit the total insurance written to any such sum would defeat the purposes of the program.

The highest limit of coverage presently set by the various tentative proposals is \$2 billion. This is less than the total value of real and tangible property in Rhode Island alone. Yet the program purports to be one designed to embrace the entire Nation. Such an arbitrarily small limit of coverage would mean one of two things. Either coverage would be limited to the worst risks or coverage would be spread so thin across the Nation that no area would be given more than token protection.

The fact that a general program of disaster or flood insurance is new does not justify such extreme caution. Comprehensive disaster or flood insurance is certainly new, and it must consequently be experimental, but only in the sense that we must allow for flexibility in its initial organization and administration, and we must be prepared to review the program frequently in the early years, in the light of experience.

We have an excellent example of a successful, and even larger, federally-sponsored insurance program which was designed to provide broad coverage and protection from its inception—unemployment insurance. As was true of unemployment insurance in the middle 1930's, the need for disaster insurance is real and immediate. We cannot afford to wait until an ideal program is developed. We need protection against disaster and flood now. And the program to provide that protection must be big enough and comprehensive enough to do the job.

Rhode Island and I am sure New England governors join with me in making that request of the Congress and the administration through this committee. I am certain that they enjoy the same sense of appreciation and gratitude to you as chairman, to the members of the committee, and to all those who have cooperated in this type of need in the New England area.

As Governor of Rhode Island, Senator, I am very happy that you have been with us this morning and express to you the thanks of the people of Rhode Island for your kindness in coming to our State.

Senator LEHMAN. Thank you very much indeed, Governor Roberts. I think your report has been most valuable, most informative, and I can assure you that the committee, and I know the Congress, will

give very careful thought and consideration to what you have said and what the New England Conference of Governors has said or will say on this matter.

Governor ROBERTS. Thank you.

Senator LEHMAN. I do want to say one word. Both you and I and others have been very critical of the delay in receiving cooperation and assistance in this matter from the Federal administration. I want to express my regret that Senator Bush, of Connecticut, who is a member of this committee, is not here to speak up in defense of the administration. He has been prevented from being here. He has presented what he believes to be a defense of the administration in the past. He pointed out that this is a very complex and difficult subject, and, of course, we recognize that it is just that. But that seems to me to be all the more reason to have the administration's proposal before us without delay.

I am going to hold the record open, however, to receive Senator Bush's comments on your testimony and on my comments just to be completely fair to him in this matter.

Governor ROBERTS. It was my thinking, Senator, if I may take another moment, and concurred in by the New England governors, that we request the President to direct the Secretary of Commerce to use the resources of his agency to make the studies necessary for a recommendation to Congress of an administration bill for disaster insurance, and we did that, feeling that the Secretary of Commerce by reason of the responsibility vested in his Department and in the Secretary of Commerce under the law and the concept of that agency, would have a greater appreciation of the need of insurance in this area because of the fact that his responsibility is in industry and in business, and so forth.

We had the concern in mind of turning it over to Mr. Jones. I don't know whether that was the particular individual at that time, but to that agency. I think it is Housing and Home Finance. That was getting into the area of insurance, and we have got to face up to the fact that disaster insurance, if it was an insurable risk, would be written by private companies. Private companies cannot do it because of the nature of the losses and so forth, and, therefore, it requires immediate action, and it requires a subsidy in my opinion from the Federal Government to meet a need—to meet a need that is of vital interest to the Federal Government, because repeated losses of this kind will destroy the economy of an area, will destroy eventually the economy of the Nation, and we cannot afford to have our economy either nationally or regionally weakened in any respect whatsoever.

The Federal Government has a responsibility for that, to the State governments, the local governments, industry, the people of the United States. That is the reason we directed our resolution to the Secretary of Commerce rather than to the agency that is now dealing with it because we felt they would have a better grasp of the need, a better feel of the situation.

Senator LEHMAN. Well, I think obviously there is a very little difference between your comments and my remarks.

Governor ROBERTS. That is right.

Senator LEHMAN. But I am going to hold the record open so as to be entirely fair. I believe your comments and my remarks were timely, necessary, and appropriate.

Governor ROBERTS. Thank you.

Senator LEHMAN. I want to be entirely fair in the matter.

Governor ROBERTS. Thank you.

Senator LEHMAN. Thank you again, Governor Roberts.

Governor Roberts, it has been suggested—I believe the suggestion has come from the Hoover Commission task force—that State and local governments should assume responsibility for flood control. I think I can speak for New York because of my long experience there, but I want to ask you as Governor of your State could the State of Rhode Island protect its citizens and property against flood?

Governor ROBERTS. To answer your question, Senator, neither the State of Rhode Island nor any other State in the Union can protect itself against flood because the watersheds where the floods originate when these waters start to accumulate are regional.

Here in Rhode Island we are visited by floods that originate in the upper part of New England and accumulate velocity and volume and so forth and wreck the area that they visit here in Rhode Island.

I think that a suggestion that a State can handle flood control projects is not practical. It indicates that they have not given thought to lines of responsibility.

The State of Rhode Island cannot affect a watershed lying in Massachusetts or Vermont. The Federal Government is the only agency that can do it. The Federal Government in its flood-control programs has been trying to do it.

It is the experience here in New England, and it will be agreed by all, that if some of the New England States had cooperated with the Federal Government and given authorizations, if some of the communities had been cooperative in giving authorizations in the past, many of the projects that were necessary to protect the New England area against flood damage would have been completed and we would have some degree of protection, more so than we have now.

The reluctance on the part of many of the communities and many of the States has been because they have had an opposition to the multipurpose dam. They are always fearful of public power. One of the things that Rhode Island needs or that the New England area needs, whether it be public or private, is cheap power so we can utilize the resources of our people here in the New England area.

But that has been a basic reason for refusal to approve or to authorize certain projects in the upper part of New England that have affected Rhode Island.

I doubt that any State would have the ability to finance a complete protection project for flood control. It goes beyond State borders. It is extremely expensive. It can best be done by one agency, and that agency is the Corps of Army Engineers of the Federal Government, who are doing a good job if they could get the cooperation of finances to do it.

I think the Hoover Commission in making that report indicates that they have not had the real information that is necessary in the field. It is an opinion that perhaps looks well on paper but as a practical matter is an impossibility.

Senator LEHMAN. This was a report, a report of the Hoover Commission task force, which, however, became a public document and was submitted to the Members of both Houses. I am convinced, Gov-

error, and I said so yesterday and on previous occasions as strongly and as vigorously as I could, that if we once adopted the theory that the States would have the responsibility of carrying on flood control, flood-control work would very nearly cease entirely.

Governor ROBERTS. I agree with you, Senator. There would be no flood control whatsoever.

Senator LEHMAN. There is just one other question I would like to ask you. You referred to the fact that this disaster insurance should be experimental. By that I understood you to mean that it should not be experimental as to time but should be flexible and subject to change as conditions justify.

Governor ROBERTS. The idea that I tried to convey is this, Senator: That it should not be experimental in the sense that we are going to have a pilot or a miniature or a laboratory experiment, that the only essence of experiment that you want in this is after it is in full operation and after it is comprehensive and adequate enough to meet the entire need throughout the Nation that if you want to review it after 4 years and see if better procedures of administration could be brought out or if some details of financing could be brought about, that's it. But I gather from the testimony of Mr. Jones before your committee that he is thinking of approaching this problem in a timid attitude with a sense of inadequacy and lack of security. He wants to just sort of approach it on a miniature basis, a basis that is not comprehensive, not real enough to meet a need. I feel that he does not appreciate the need and he hasn't the concept of the tremendous damage and the tragedy that results from these natural disasters, whether it be New England or the Missouri Valley or the Columbia Valley or whatever it is.

It affects our people, it affects our economy, it affects the well-being of the Nation, and Mr. Jones should be devoting all his resources to following out the charge of the President of the United States to bring to the Congress of the United States something that is real and something that is adequate to meet a need that is confronting the people of the United States and the New England region particularly at this time. Not next year or 2 years from now, but now.

Senator LEHMAN. Well, I think your analysis is exactly the impression I got of Mr. Jones' testimony.

Senator GREEN. Senator, may I comment? I made reference in my brief remarks to the message of the President of the United States in May 1952. I wonder whether that is a part of your record?

Senator LEHMAN. I do not believe it is, Senator.

Senator GREEN. Well, I was reminded by what we have heard in the most interesting statements that have already been presented to this committee that this is just a repetition of what we have been through 3 or 4 years ago resulting from the great floods in Kansas, Missouri, and Oklahoma in 1951, and it seems to me that the message of President Truman about that time is quite appropriate now.

He began in this message:

Last summer, following the great floods in Kansas, Missouri, and Oklahoma, I recommended that the Congress establish a national system of flood-disaster insurance. As I said then, the lack of such an insurance system is a major gap in the means by which a man can make his home, his farm, or his business secure against financial loss.

He goes on in an eloquent message and encloses a proposed draft bill. It seems to me that we might well make that message a part of the record of this meeting.

Senator LEHMAN. We would very much like to place that in the record. It is not in the record now. Our staff has been making a study of this thing for some months, but it is not in the official record of the committee.

It will be placed in the record.

(The message of President Truman referred to follows:)

**MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING RECOMMENDATIONS RELATIVE TO NATIONAL FLOOD INSURANCE**

*To the Congress of the United States:*

Last summer, following the great floods in Kansas, Missouri, and Oklahoma, I recommended that the Congress establish a national system of flood-disaster insurance. As I said then, the lack of such an insurance system is a major gap in the means by which a man can make his home, his farm, or his business secure against financial loss.

In order to be of help to the Congress in its further consideration of this matter, I have had draft legislation prepared embodying the views of the executive agencies concerned as to the best way to set up a sound and workable flood-insurance system. A copy of this draft legislation is attached to this message, and the agencies that prepared it, particularly the Reconstruction Finance Corporation, stand ready to give the Congress any further help they can.

The reasons for enacting such legislation are very clear. At present, insurance against flood damage is virtually unobtainable from private insurance companies, nor does it seem likely that the private companies, by themselves, will find it possible to write flood insurance at reasonable rates. The need for such insurance, however, is urgent. Homeowners, farmers, and businessmen may have their assets and their savings of years wiped out in a few hours if a disastrous flood strikes their property. We have seen it happen year after year.

To meet this situation, we can and should make available to those in potential flood areas the opportunity to protect themselves against the financial losses which such floods bring. I am sure that the great majority of the people concerned want to provide in advance out of their own resources for protection of their property against floods—just as they do now against fire and other hazards.

A Federal system of flood insurance is the logical answer. It would enable individual property owners to pool their risks and to meet a large part of their losses out of their common funds rather than forcing them to rely upon emergency relief, as is too often the case now. It would provide funds needed to restore property damage in floods, without requiring people to borrow heavily against their future incomes.

Insurance is especially important under present circumstances when our system of protection against floods is so incomplete. Flood insurance, however, has more than short-run significance. It is also necessary as part of our long-run attack on the flood problem. Dealing with floods at their source, by doing the necessary work on the land and in the stream beds to catch and hold floodwaters, will always be our major weapon for preventing flood damage. Limits also need to be placed on the use of the flood plains, through State and local zoning laws, wherever the cost of complete protection from floods would be prohibitive. But flood insurance will always be necessary to protect people against the financial losses which may be caused by unexpected and catastrophic floods which it is impossible to prevent.

The attached draft legislation would authorize the Reconstruction Finance Corporation to provide either insurance or reinsurance against losses resulting from floods. If private insurance companies wish to do so, under this bill they could write insurance against floods and could then reinsure themselves against excessive loss by paying appropriate premiums to the Reconstruction Finance Corporation. Or, alternatively, the Corporation would be authorized to issue insurance policies directly. The Corporation, of course, should not compete with private insurance companies. The draft bill would prohibit the issuance of Federal policies in cases where private insurance is available at reasonable rates. In addition, it would require the Corporation to work through private insurance companies in administering the program.

This draft bill would authorize insurance to be made available for homes, for business and farm properties, and for agricultural commodities. It would also establish a maximum amount of insurance for any one person or business of \$250,000. While this would not cover some of the large losses in a flood, it would take care of the homeowners, businessmen, and farmers who are least able to afford flood losses because their total assets are small. As experience is gained, it may be desirable to change this maximum amount.

Furthermore, the bill would limit the insurance payment on any given property to 90 percent or less of the loss sustained. Such a limitation will preserve the incentive for the property owner to do what he can to protect his own property.

I believe that this flood-insurance program should be set up on a basis that is designed to permit the Government to break even. To do so, it will be necessary that rates be set high enough to cover all expenses, including a proper reserve for losses.

However, since there is only limited experience upon which to rely in determining such rates, it will be necessary to start the program on an experimental basis, both with respect to rates and areas covered. Accordingly, the draft legislation provides for limitations on the total amount of insurance to be written in each of the first 3 years, and for a report to the Congress by the Corporation before the end of that period, making recommendations concerning the nature and extent of the program thereafter.

In addition, the draft legislation authorizes Federal agencies that make or guarantee loans to require borrowers to purchase flood insurance where it is available. Thus the Reconstruction Finance Corporation, for example, might require its borrowers to carry flood insurance, where appropriate, just as it now requires them to carry fire insurance.

All in all, I believe this draft legislation represents a sound and workable approach, and I heartily recommend it to the consideration of the Congress. I strongly believe that legislation along these lines is most urgently needed. There is no reason whatever for continuing to rely on inadequate and emergency relief programs to take care of the thousands of people every year who suffer extensive flood damage to their homes and farms and businesses.

We can and we should provide a businesslike system of insurance to finance the restoration of such losses. I hope the Congress will enact such a system without delay.

HARRY S. TRUMAN.

THE WHITE HOUSE, May 5, 1952.

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#### A BILL To provide for National Flood Insurance, and for other purposes

*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 Flood Insurance Act of 1952".*

#### DECLARATION OF PURPOSE

SEC. 2. It is the purpose of this Act to promote the national welfare by alleviating the widespread economic distress suffered from time to time within the United States, its Territories and possessions as a result of floods, and the attendant impairment of the free flow of interstate and foreign trade and commerce, by providing direct governmental insurance against certain flood risks or by making insurance against such risks available through private insurance companies by means of governmental reinsurance.

#### FUNCTIONS

SEC. 3. (a) To carry out the purposes of this Act, the Reconstruction Finance Corporation (hereinafter referred to as "the Corporation") is authorized to provide either insurance or reinsurance, or both insurance and reinsurance, against loss resulting from damage to or loss of real or personal property (including agricultural commodities, and property owned by the State or local governments) due to flood as defined by the Corporation occurring within the limits of the United States, its Territories, and possessions: *Provided, That no insurance or reinsurance shall be issued for losses resulting from (A) any hostile or warlike action by (1) any government or sovereign power (de jure or de facto) or any authority maintaining or using military, naval, or air forces, or*

(ii) an agent of any such government, power, or forces, or (B) any action taken by any Federal, State, or local government agency in hindering, combating, or defending against any such hostile or warlike action (whether actual, impending, or expected), or (C) disorder or other lawlessness accompanying the collapse of civil authority determined by the President to have resulted from any action referred to in clause (A) or (B) or from control by enemy forces.

(b) The Corporation shall from time to time prescribe (1) premium rates for each type of insurance and/or reinsurance which it shall make available under authority of this Act, and (2) the terms and conditions under which and the areas and subdivisions thereof within which each rate shall be applicable. All such rates shall be based upon consideration of the risks involved and shall be adequate, in the judgment of the Corporation, to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses. The Corporation may receive from or exchange with any State or territorial insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss experience information as may be necessary for the establishment of such premium rates.

(c) The Corporation shall by regulation provide for the determination of (1) the types and location of property with respect to which insurance and/or reinsurance shall be granted, (2) the nature and limits of loss or damage in any area or subdivisions thereof which may be covered by such insurance or reinsurance, (3) rates, terms, and conditions of such insurance or reinsurance, and (4) such other matters as may be necessary to carry out the purposes of this Act. The Corporation may decline such applications and risks and may establish from time to time such regulations with respect to the classification, limitation, and rejection of risks as it shall deem advisable for the purposes of this Act.

(d) In providing insurance and/or reinsurance, the Corporation may by contract arrange for the financial participation of private insurance companies or other insurers in the underwriting of risks assumed, and for their proportionate participation in premiums and in any profits or losses realized or sustained. The Corporation shall utilize the facilities and services of other public agencies, of private insurance companies, and of established insurance agents and brokers and established insurance adjustment organizations to the maximum extent which the Corporation shall deem practicable and consistent with minimum cost of providing insurance protection.

(e) The aggregate amount of insurance issued by the Corporation in favor of any person or State or local government shall not exceed \$250,000. No claim shall be approved in an aggregate amount which exceeds the actual cash value or the cost of replacing, repairing, or rebuilding the damaged property with material of like kind and quality (less depreciation at the time of damage) whichever is lower: *Provided*, That the approved amount of any claim shall be reduced by \$300 plus 10 per centum of the remainder, or by such larger amount or percentage as may be prescribed by the Corporation in the insurance contract. The Corporation shall prescribe such regulations applicable to reinsurance as it may deem appropriate to give effect to the intent of the limitations in this subsection. The Corporation may from time to time prescribe such regulations regarding coverage available to subsidiary and affiliated corporations as it shall deem appropriate to effectuate the purpose of this subsection.

(f) The Corporation, on and after the first day of the sixth month following the enactment of this Act, may provide insurance or reinsurance in an aggregate amount not to exceed \$500,000,000 outstanding and in force at any one time, which limit may be increased, with the approval of the President, by further amounts of \$500,000,000 each on July 1, 1953, and July 1, 1954.

#### COORDINATION WITH OTHER PROGRAMS

Sec. 4. (a) In carrying out the functions authorized in this Act, the Corporation shall consult with other agencies of the Federal Government and interstate, State, and local agencies having responsibilities for flood control and flood damage prevention in order to assure that the insurance facilities offered are consistent with the programs of such agencies.

(b) No insurance or reinsurance shall be issued (1) for risks eligible for insurance provided by other Federal programs, or to the extent that coverage is available on reasonable terms from other private or public sources, or (2) for properties whose use is in conflict with State or local flood zoning laws.

(c) Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring or guaranteeing loans made by private lending institutions, for the construction, modernization, repair, or purchase of property eligible for insurance under this Act may require as a condition for such future financial assistance that such property be insured against flood damage to the extent such insurance is available.

#### FINANCING

SEC. 5. (a) To carry out the functions authorized by this Act, there is authorized to be established in the Treasury of the United States a National Flood Insurance Fund (referred to hereinafter as the "fund"). The capital of the funds shall consist of such amounts as may be advanced to it from appropriations. Such sums as may be required are authorized to be appropriated without fiscal year limitations for the purposes of the fund.

(b) Advances shall be made to the fund from the appropriations made therefor when requested by the Corporation. The Corporation shall pay into miscellaneous receipts of the Treasury at the close of each fiscal year, interest on such advances at a rate determined by the Secretary of the Treasury, taking into consideration the average rate on outstanding interest-bearing marketable public debt obligations of the United States.

(c) Premiums paid to the Corporation for insurance and reinsurance under this Act, interest earned on investments of the fund, and receipts from any other operations under this Act shall be credited to the fund. The fund shall be available for the payment of liabilities under such insurance and reinsurance and for payment of all expenses of the Corporation under this Act.

(d) Whenever any capital in the fund is determined by the Corporation to be in excess of its current needs, such capital shall be credited to the appropriation from which advanced where it shall be held for future advances. After liquidation of all outstanding advances, any cash in excess of current needs may be invested or reinvested by the Corporation in interest-bearing obligations of the United States or in obligations guaranteed as to interest and principal by the United States. The proceeds from the sale or redemption of the obligations held by the Corporation pursuant to this Act shall be credited to the fund.

#### ADVISORY, CONSULTANT, AND OTHER PERSONNEL

SEC. 6. (a) The Corporation (1) shall appoint an advisory committee, consisting of not less than three individuals experienced in the writing of insurance against property loss, to advise the Corporation with respect to the execution of its functions pursuant to this Act, and (2) may also employ such part-time consultants and advisory personnel as the Corporation may deem necessary in carrying out the purposes of this Act. Persons so employed who, while so serving, hold other offices or positions under the United States shall receive no additional compensation for such service. Other persons required under the provisions of this subsection may be employed as authorized in section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), but at rates for individuals not in excess of \$50 per diem.

(b) In order to carry out the purposes of this Act, the Corporation is hereby authorized, subject to the procedures prescribed by section 505 of the Classification Act of 1949, to place not more than five positions in grade 16, 17, or 18 of the general schedule established by said Act, and such positions shall be in addition to the number authorized by said section.

#### PAYMENT OF CLAIMS

SEC. 7. (a) Under such regulations as the Corporation may prescribe, it shall adjust and pay valid claims either directly or through agents for losses covered by insurance and reinsurance under this Act. The Corporation shall collect from participating insurance companies such amounts as they may be obligated to contribute toward such losses.

(b) Upon disallowance of any claim against the Corporation or upon refusal of a claimant to accept the amount allowed by the Corporation, the claimant, within one year after the date of mailing notice of disallowance or partial disallowance by the Corporation, may institute an action against the Corporation on such claim in the United States district court for any district in which the in-

sured property or a part thereof is situated. Exclusive jurisdiction is hereby conferred upon such courts, sitting without juries, to hear and determine such actions without regard to the amount in controversy.

## REPORTS

SEC. 8. (a) The Corporation shall make a comprehensive annual report of its operations under this Act for the fiscal year ending on the preceding June 30 to the Congress as soon as practicable in each year, but in no case later than the third day of the following January.

(b) The Corporation shall make a study and investigation of (1) the work, activities, personnel, and functions authorized under this Act, for the period from the enactment of the Act to June 30, 1954, and (2) the practicability of providing insurance or reinsurance for loss resulting from business interruption due to floods. It shall report to the Congress the result of the study and investigation, and make such recommendations as it may deem appropriate, on or before January 3, 1955.

## SUCCESSION

SEC. 9. The powers, functions, duties, and authority arising under this Act shall be exercised and performed by the Reconstruction Finance Corporation while that Corporation has succession, and thereafter by such officer, agency, or instrumentality of the United States as the President may designate: *Provided*, That for the purposes of carrying out this Act by any such officer, agency, or instrumentality the authority granted to the Reconstruction Finance Corporation in section 3 of the Act of January 22, 1932, as amended (15 U. S. C. 603), shall be available to such officer, agency, or instrumentality, notwithstanding dissolution of the Reconstruction Finance Corporation.

Senator GREEN. As I said before, that message with the enabling legislation was referred to committees in both Senate and House, and they never reported.

Governor ROBERTS. Senator, if I may, I would like to introduce for the purpose of putting into the record these photographs of the damage in the Woonsocket area. I think they would be very informative to anybody who had an opportunity of seeing them.

This one indicates the flood in the social area of Woonsocket, and you can clearly see it is a residential area and an industrial area, and the damage it has inflicted is great.

If I may, Senator, I would like to introuce into the record these three photographs.

Senator LEHMAN. They will be introduced in the record, there being no objection. Have they received wide publicity?

Governor ROBERTS. Yes; they have.

Senator LEHMAN. They are very interesting and moving.

Thank you again.

Governor ROBERTS. Thank you.

(The photographs referred to will be found in the files of the committee.)

Senator LEHMAN. The next witness has a statement to present. Mr. George A. Bisson, commissioner of insurance of the State of Rhode Island.

Commissioner Bisson.

### STATEMENT OF GEORGE A. BISSON, INSURANCE COMMISSIONER, STATE OF RHODE ISLAND

Mr. Bisson. Senator, for the record I would like to read this prepared statement if I may.

On November 4, 1955, Hon. C. Lawrence C. Leggett, president of the National Association of Insurance Commissioners, appointed a special committee designated as flood and hurricane committee. The members serving on this committee are: George A. Bisson, Rhode Island, chairman; Leffert Holz, New York, vice chairman; F. Britton McConnell, California; Charles F. Gold, North Carolina; Arch E. Northington, Tennessee; and Mark Wentz, Texas.

The National Association of Insurance Commissioners will meet in New York at their regular semiannual meeting from November 28 to December 2, 1955, and at that time there is scheduled on the agenda a meeting of the flood and hurricane committee at which all segments of the insurance industry—stock insurance companies, mutual insurance companies, reciprocal exchanges, etc., will be present.

The purpose of the meeting is to make available the full facilities of the insurance companies, their producers, and the Insurance Commissioners to the Federal Government and the several States and to cooperate should Congress and/or the several States see fit to enact a program of flood insurance.

Senator LEHMAN. Thank you very much.

I want to let you know at the hearing we had in Goshen, N. Y., last week Commissioner Holz read substantially the same statement.

Mr. BISSON. Thank you.

Senator LEHMAN. The next witness who is listed is Mayor Reynolds, of Providence.

#### **STATEMENT OF WALTER H. REYNOLDS, MAYOR, PROVIDENCE, R. I.**

Mayor REYNOLDS. Senator Lehman, Senator Green, Congressman Fogarty, Congressman Forand, and Governor Roberts, I am extremely pleased to have this opportunity to present my views to the Senate Committee on Banking and Currency relative to the subject of flood insurance.

I have no specific proposals to offer this committee with respect to how such insurance should be written. I believe that I am very clearly in a position to demonstrate the need for such insurance.

During the summer of 1954 the city of Providence was visited by the hurricane known as Carol and was very nearly visited by hurricanes Edna and Hazel. The damages caused by hurricane Carol in Providence were probably the heaviest experienced in New England, at least up to that time. Commercial losses alone were estimated at \$40 million.

Telephone service was seriously disrupted, and electrical power in the city was almost completely shut off, causing large quantities of foods to spoil from lack of refrigeration.

With 4 to 5 feet of water in downtown Providence, thousands of parked automobiles were submerged, and it is estimated that at least five thousand such automobiles were rendered completely useless.

Damages to industrial plants and equipment were also extremely heavy, and were estimated at more than \$10 million. Producing chemical plants lost much of their stockpiled materials from flooding, and manufacturers of jewelry and machinery suffered severe corrosive damage to machines, equipment, and finished products.

The total estimate of damage from Hurricane Carol and successive storms was \$52,725,000. Of this, almost \$51 million was attributable to tidal flooding which occurred during Hurricane Carol. These figures are exclusive of damage to State and municipal facilities, railroads, communications, and power.

The effects of these losses upon this community experienced almost entirely by individuals and firms without insurance coverage against flood damage can well be imagined by the members of this committee. Every possible aid was extended to our stricken downtown area by the Providence fire and police departments, and by the various private agencies accustomed to providing for emergency situations.

There was, nevertheless, for most businesses and for most industries, a protracted period of recovery involving, of course, additional business losses not computed in the foregoing estimates.

In many cases recovery was possible only through disaster loans made available by the Federal Government after the declaration of Providence and surrounding territories as a disaster area. Reports indicate that approximately \$2½ millions were made available in Providence in disaster loans from the Small-Business Administration. It is, of course, obvious that these loans, necessary and welcome as they were at that time, place an additional and heavy burden upon those firms forced to carry additional indebtedness by reason of this catastrophe of nature.

The context in which flood insurance must be considered, however, is not merely that of assessment and repair of the damages which occurred in the summer of 1954. I shall have nothing to say this morning with respect to damage suffered in this vicinity during 1955 as a result of Hurricane Diane and subsequent storms. Those storms resulted in damage to New England communities outside of Providence, and while my sympathy is extended to them, I must assume that you gentlemen of this committee are familiar with the plight of these localities or will become so during the course of these hearings.

I must be concerned, however, as are numbers of our citizens in Providence, with the constant threat of repeated damage which continually hangs over our heads.

I have been told frequently, and I can well believe, that few commercial enterprises or industrial firms can sustain a repetition of the damages suffered through Hurricane Carol and continue in the city of Providence or, indeed, continue to remain solvent.

I have no estimate of the amount of money spent during 1955 by individual firms and plants for individual protection of their own buildings and properties. Some such protection was of temporary nature; some was of a relatively permanent nature. Certainly the value of these ventures must have run into the hundreds of thousands of dollars; perhaps into the millions.

The important fact to recognize is that investment in the varied types of protection reflects the apprehension and the very real dangers in repetition of these storms and storm damage in this city. I can assure you that many uneasy hours, more than that, many uneasy days were spent here following the reported progress of Hurricanes Connie and Diane as they approached the coastline of the United States.

The Congress of the United States, in its recent session authorized the United States Army engineers to make a study of flood protection

in New England with the first priority to be given to the Providence and Narragansett Bay area. We are extremely grateful for the work of the engineers which began last August and which is now underway. We can expect a report to the Congress by the engineers sometime late in 1956.

After receiving this report the Congress may, if it chooses—and we have every reason to believe it will so choose—make an appropriation for the construction of protective works in Narragansett Bay. It is probable that the simplest type of barrier, following the authorization for construction, would take at least 2 years to complete. This means for us here in Providence, assuming that these events go forward as scheduled, an extremely critical 3 to 4 years between the present date and the eventual completion of large-scale hurricane protection for the city of Providence.

We need, I think I can fairly say that we desperately need, the protection which would be afforded over this period by an adequate program of flood-damage insurance.

I should like to conclude my remarks with a general statement as to what proper protection means to the city of Providence as a municipality. Below the 15-foot contour level in Providence we have some \$144 million in assessed valuation in land and buildings, exclusive of inventory and personal property. With a total assessment of \$487 million, this means that approximately 30 percent of our tax base lies within this low and vulnerable area. With reference to inventory and personal property the percentage is probably at least as high. Additional losses, should these occur and should they be unprotected by an adequate insurance program, could well create a revenue problem of such proportions as to be almost unsolvable.

There are, I understand, a variety of proposals for flood insurance with differences of opinion as to how the risk should be shared and as to whom the insurance should be written by. I am not concerned at this time with the details of the various proposals. I am here only to present my plea, in the strongest possible terms, for an adequate flood-insurance program, which will protect the businessmen and industrial concerns of this city and the tax base of our municipal government, by whomever and in whatever way it is possible to make such insurance available, and available at a very early date.

Senator LEHMAN. Thank you very much, Mayor. Your statement I think is very interesting. Those figures you give about the amount of property that is below a certain level and is not necessarily protected I think are particularly impressive.

I want to ask you to comment, if possible, in regard to the accuracy of the statement that is in the study which our very efficient staff of the committee has made and which is now before the committee. The report that comes to me is as follows:

The records of the Coast and Geodetic Survey show Providence has the record high level of sea water on the east coast—15.6 feet above mean high water.

Do you know anything about that? Can you comment on it, or possibly the Governor?

Governor ROBERTS. I am certain that is correct.

Mayor REYNOLDS. That is about right, Senator, as far as I know. It is about correct.

Senator LEHMAN. About correct?

Mayor REYNOLDS. Yes.

Senator LEHMAN. That does show an unusual situation in Providence and unusual needs.

Governor ROBERTS. In the 1938 hurricane it was at least that high.

Senator LEHMAN. That is tremendous. There is a tremendous difference between that and the mean high on the coast.

Thank you very much.

Mayor REYNOLDS. Thank you very kindly, Senator.

Senator LEHMAN. I understand the mayor of Woonsocket is here. We will hear from him next. I would ask in the interest of saving some time, since we have a large number of other witnesses, that Mr. William S. Farrell, executive director of the Industrial Development Foundation of Greater Woonsocket, also come and sit at the witness table.

Mayor, we are very glad indeed to hear your statement. Have you a formal statement?

**STATEMENT OF KEVIN K. COLEMAN, MAYOR, WOONSOCKET, R. I.,  
AND WILLIAM S. FARRELL, EXECUTIVE DIRECTOR, INDUSTRIAL DEVELOPMENT FOUNDATION OF GREATER WOONSOCKET**

Mayor COLEMAN. I have; yes, Senator.

Senator LEHMAN. Do you have copies of it?

Mayor COLEMAN. I do not, but I will be only too happy to see to it that you and your committee members do receive copies.

Senator LEHMAN. Thank you. Will you proceed?

Mayor COLEMAN. Senator Lehman, Members of the Congress, Governor Roberts, on behalf of the city of Woonsocket I should like first to express appreciation for being accorded the opportunity and privilege of addressing the committee on the nationally significant subject of disaster insurance.

Obviously, our interest and concern in the matter are intense. They stem from the fact that Woonsocket, as many other communities throughout the country, has been exposed in recent years to a series of natural phenomena which threatened the lives of its citizens and seriously jeopardized its economy.

Specifically, reference is made to the several hurricanes which have occurred and, more particularly, to the floods which have devastated the area intermittently and with increasing extremity since the turn of the century. In this regard, an abundance of data are available. Certain of these have been or will be presented by other participants in this hearing. All, I am sure, are known to this committee.

In any event, it is a matter of record and can be stated without exaggeration that the impact of these occurrences upon the community has been tremendous. Numerous industries and commercial establishments as well as many residences have been inundated repeatedly. Losses in terms of property damage, lost production, and rehabilitation expenditures have been staggering.

The indirect effects upon the operation of municipal government in the form of reduced payrolls, diminished tax revenue and increased relief costs have proven burdensome to the point of restricting or prohibiting expenditures for normal operations as well as for urgently needed improvements.

Further, direct losses resulting from damage to and destruction of public facilities have been enormous in relation to the size and character of our community. In this respect remedial measures have been instituted to the extent that they are available and applicable.

A flood-control project has been authorized for the upper reach of the Blackstone River in Woonsocket as a result of the joint effort of Federal, State, city, and private interests. Its early construction is contingent only upon the necessary congressional appropriation. In light of the events of August 1955, the United States Army Corps of Engineers has been asked to review its previous studies of the lower portion of the Blackstone as well as the Mill River against the possibility that corrective measures may now be warranted contrary to its earlier conclusions.

Similarly, we are prepared to execute such additional preventive actions as may be indicated with respect to other types of disaster as rapidly as they are demonstrated to be appropriate. We recognize, however, that the planning, design, and development of such devices are necessarily time-consuming. At this stage, therefore, we are deeply concerned with the institution of any measures which will prevent or diminish future losses, insure continuing job opportunity, afford stabilization and expansion of commerce and industry, or otherwise may be beneficial.

Mindful of these and related factors, it is understandable that the people of Woonsocket are enthusiastically receptive to the possibilities of disaster insurance, also that they are extremely desirous of having it made available as promptly as possible consistent with sound economic principles.

Admittedly, our knowledge of the subject is limited. Moreover, cognizance is taken of the many complex technical involvements attendant upon such a vast undertaking. Nonetheless, it is our feeling that certain courses should be pursued by the Federal Government as promptly and vigorously as is possible. They are:

1. That the most feasible means of providing disaster insurance at nonprohibitive rates be determined and that it be made obtainable by interested parties without delay.
2. That authorization be granted and adequate appropriations be made to improve the acquisition and distribution of scientific data as they relate to the detection of and warning against potential disasters.
3. That programs of preventive and protective construction be continued and that they be expanded and accelerated.

It is our emphatic opinion that these measures not only will minimize hazard to life and property but they also will provide the means of recovery which are imperative if commerce, industry, and residential investors are to survive and prosper.

Thank you, Senator.

Senator LEHMAN. Thank you very much indeed, Mr. Colman.

Mr. FARRELL. Senator, the scope of my testimony is limited to the extent that other organizations in the city are going to give testimony on the relation of the need for flood insurance to their program. And even as to our program I have limited my prepared statement to the immediate need for the enactment of flood insurance to further the progress of our particular program.

I have with me some brochures which relate to my testimony, and I would like to distribute them to the members of the committee if I may.

Mr. Chairman, the Industrial Development Foundation of Greater Woonsocket is a community organization dedicated to promoting the economic well-being of industry already operating in the area and to attracting new industry to the city to provide employment for those displaced by textile removals. The industries we would induce to move to Woonsocket are the growth industries that are sparking the economy or other regions of the country.

Some of these we consider to be electronics, computing machines, instruments, and measuring devices and pharmaceuticals. Aware that clean, light buildings are a necessity for some, we are developing new construction in an industrial park that is free of any flood threat.

However, not all industries in various stages of growth can afford the cost of new construction and we are fortunate to have some excellent existing structures for rent or for sale in the city itself. To promote the sale or lease of these, the foundation prepared a brochure describing each property in detail and picturing the buildings and typical floors. Of the 7 buildings we have to offer today, 6 were damaged by flood.

An idle mill known as the Rhode Island Rayon property offering a total of 250,000 square feet of floor area suffered damage to the plant and the loss of railroad-siding services because of the destruction of a trestle over the Blackstone River.

The Clinton Mill, Clinton Street, Woonsocket, had 7 feet of water on the lower floor.

The former American Paper Tube plant on Hazel Street received severe first-floor damage to plant and heating equipment. The plant is vacant. After flood damage, it was sold at public auction for approximately \$30,000 less than at a sale a year before.

The handsome Nyanza Mill with 4 floors of 70,000 square feet each with 14-foot ceiling clearances and bays 25 feet by 10½ feet was damaged structurally to the extent of \$35,000 on the ground floor. Boilers and compressors were incapacitated and caused work stoppages on upper floors that cost the community heavily in payroll losses.

The Riverside plant on Fairmount Street was inundated on the lower floor and basement. Damage to the real estate was not so serious as the dislocation to a textile manufacturer who suffered machinery and inventory losses in the thousands of dollars and a work stoppage of many weeks.

An occupant of a 125,000-square-foot building in the former Guerin Mills whom the foundation induced to move to Woonsocket lost \$350,000 in inventory and machinery. A payroll of about \$8,000 per week has yet to be resumed. Other buildings in the Guerin group now owned by Millville Realty, Inc., who purchased for the purpose of lease or sale to diversified industries, were wrecked on the lower floors and restoration costs will be in the vicinity of \$35,000.

Our organization has the job of selling the city to industry. Adequate flood controls in the Blackstone River Valley are absolutely essential if we are to find occupants for these buildings. These controls we are determined to get, but perhaps not soon enough to continue our work of planned economic development. If we must

wait some time for actual construction of dikes, dams, reservoirs, and dredging, and if our plants must remain vacant because prospects are unwilling to risk machinery and inventory losses, the city will suffer property-valuation depreciation and serious payroll losses.

We respectfully call the attention of the committee to the fact that the immediate availability of flood insurance will very greatly assist the foundation not only to induce industries to come to Woonsocket but also to help those we already have.

After the flood of August 19, our sales approach was that it was a very rare and unusual happening and that flood controls would surely come before a recurrence. Within 2 months, however, we suffered a second serious flood threat and industries in factories along Fairmount Street and Singleton Street again had to spend wasteful time and money removing goods to upper floors. Now we have no sales appeal that can overcome flood scars to buildings.

In a city with a work force of approximately 24,000 people, nearly 5,000 are unemployed or subject to seasonal layoff. During the 18-month period the foundation has been operating, it has sold or leased 7 buildings to diversified industries and can account for 750 jobs. The State development lending agency, a private finance group, thinks the program of sufficient merit to construct a new building on foundation land at an approximate cost of \$300,000 even though we have no known tenant or purchaser at this time.

The people of Woonsocket are willing to go to the limit with this program of self-help. But to overcome the losses caused by repeated floods we need Federal assistance. We are not qualified to recommend the details of a flood-insurance policy. There are, however, certain fundamental matters before this committee and we can state our position with regard to these:

1. If private insurance companies cannot underwrite a policy that provides practical and adequate coverage, the Federal Government should at least provide the supplementary coverage to fill the gaps. This might take the form of reinsurance.

2. The protection provided should not prescribe an arbitrary limitation on the amount for which a property may be insured except for an insurance-to-value factor.

3. Personal property should be included in the coverage.

I leave to the discretion of the committee whether or not this operation is deserving of immediate Federal assistance on a flood-insurance program.

Senator LEHMAN. Thank you very much, indeed.

Let me ask you this: You say that the State development lending agency thinks the program of sufficient merit to construct a new building on foundation land at an approximate cost of \$300,000 even though you have no tenant at this time. Is that a State expenditure?

Mr. FARRELL. No; that is private enterprise.

Senator LEHMAN. Private enterprise?

Mr. FARRELL. Yes, Senator.

Senator LEHMAN. Thank you very much.

Is Mr. Barrett in the room?

Mr. FINKELSTEIN. Mr. Barrett is not here, but I represent the committee. My name is Robert Finkelstein, and I am a member of the flood-control committee and am prepared to make our presentation since Mr. Barrett has not arrived yet.

Senator LEHMAN. Then we will wait for a little while on that because I want to ask General Fleming to testify.

There is just one question I want to ask you, Mayor. Would your community in your opinion be in a position to purchase insurance against floods on a community basis for its citizens?

Mayor COLEMAN. The city of Woonsocket? The local government?

Senator LEHMAN. Yes.

Mayor COLEMAN. I am certain that we would not.

Senator LEHMAN. Certainly would?

Mayor COLEMAN. I am certain we could not.

Senator LEHMAN. Could not? Would that be because of State or local law?

Mayor COLEMAN. I am not thinking of the law, Senator. Well, maybe before I give you an answer I had better make certain I understand the question. Are you asking if the city of Woonsocket could offer this type of insurance for its citizens?

Senator LEHMAN. No, no. It has been suggested that instead of confining the purchase of insurance to individuals or corporations there might be cases where the cities themselves would wish to acquire insurance on a community basis in protection of its citizens.

Mayor COLEMAN. I can't answer the question. I don't know.

Senator LEHMAN. How about you, Mayor Reynolds?

Mayor REYNOLDS. I don't believe so, Senator.

Senator LEHMAN. Well, I don't know whether you can add to that, Governor. I don't know whether it would be possible or legal.

Governor ROBERTS. I understand there has been a suggestion that the municipality purchase from either the Federal Government or any other source insurance coverage for the industry, commerce, and individuals in the community of Providence or Woonsocket. In other words, you would be paying the premiums, Mayor, for the entire community.

Mayor COLEMAN. Would the city pay the premium?

Governor ROBERTS. Yes.

Mayor COLEMAN. I can answer your question now. No, we can't.

Senator LEHMAN. I can characterize that as a very forthright answer. I wanted to have the facts.

Governor ROBERTS. I might say, Senator, that Mayor Coleman has done a remarkable job in the city of Woonsocket. Its economy has been very bad over the years, and he has given new life to the city and encouraged people to make investments, and I think he is well qualified to talk about the expenditures he might be able to make as mayor of that city. I think when he says they cannot afford to pay it, he is telling you the exact truth.

Senator LEHMAN. Thank you very much.

I am not sure whether in the course of your testimony you estimated the loss to the city of Woonsocket.

Mayor COLEMAN. To public facilities?

Senator LEHMAN. No, public and private.

Mayor COLEMAN. Total? I would say seven and a half to eight million.

Senator LEHMAN. How much of that would be public?

Mayor COLEMAN. Oh, maybe one and three-quarters million.

Senator LEHMAN. Mayor Reynolds, have you any estimate?

Mayor REYNOLDS. I think we expended about \$1.6 million for municipal buildings and so forth, and I think about \$52 million in private.

Senator LEHMAN. How much?

Mayor REYNOLDS. \$52 million.

Senator LEHMAN. Thank you very much.

Do you know when Mr. Barrett will be here?

Mr. FINKELSTEIN. I am not quite sure.

Senator LEHMAN. How long will your testimony take?

Mr. FINKLESTEIN. Just a short time.

Senator LEHMAN. Will you give it then, please? Will you identify yourself for the record?

**STATEMENT OF ROBERT FINKELSTEIN ON BEHALF OF FLOOD CONTROL COMMITTEE, WOONSOCKET CHAMBER OF COMMERCE**

Mr. FINKLESTEIN. My name is Robert Finklestein, partner in the firm of Jacob Finkelstein & Sons, one of the firms that got its feet wet.

The city of Woonsocket, its industries, its business firms, and its people have been exposed to the dangers of floods for many years. Within the relatively short span of the past 30 years, we have suffered seriously on not less than 6 occasions from the rising waters of the Blackstone and the Mill Rivers, which have their confluence in Woonsocket.

Not all of these floods have been catastrophic. None of them previously has ever approached the extent of damage and devastation that was experienced last August. But each of them has extracted its toll of suffering and loss, and each time the individuals and the business enterprises affected have had to absorb their losses and attempt to reestablish themselves.

They have not always been successful. Some of the industries lost to Woonsocket during the past 30 years can be considered as the casualties of these previous floods. They were unable to survive the heavy financial strain imposed upon their resources by conditions which were entirely beyond their control.

It was this previous flood experience which brought into existence the flood control committee of the Woonsocket Chamber of Commerce many years ago. The group has worked intermittently on the effort to secure Federal action on flood protection, but these efforts were ineffectual insofar as practical results were concerned until 1952.

Early in 1952, members of our committee learned that a flood-control program, designated as the Woonsocket Channel improvement project, had won Federal approval in 1949 and that notice of this approval had been transmitted by the Corps of Engineers to the then city government as far back as 1949. This notice required that local assurances of cooperation be given in executing the program through undertaking to meet the local aspects of expense connected with the project. Lacking such local assurances the project would expire within 5 years.

The then city government neither acknowledged this notification nor made public its existence. When it finally came to the attention of our committee in 1952, the chamber of commerce immediately authorized the committee to proceed with efforts to obtain the necessary

local assurances to the end that the long-sought-for program might become a reality.

Since 1952, our committee has had the complete cooperation of the present city government, along with the help and assistance of State officials and representatives of the Corps of Engineers. As a result, the necessary local assurances were certified in 1953 and there have since been two Federal appropriations to advance the project through the planning stages. It is our assumption that Congress is prepared at its next session to make the additional appropriations that will result in the actual construction of the planned project.

These facts are set forth for one purpose: to indicate the extensive time lag that is involved between the realization of the necessity of a protective program and its actual construction.

The only immediate protection that can be extended is that which would be available through insurance. We feel very strongly that it is the obligation of the Federal Government to initiate a disaster-insurance program to prevent economic disaster.

We have cited our previous experience with floods. In each of the floods which occurred in 1927, 1936, 1938, 1944, and 1954 many of our business firms suffered financial losses. Some were unable to meet the heavy financial burdens of rehabilitations and were forced out of business. Others managed to survive, but their recovery was long and arduous. They were encouraged by the hope that protective works would someday be built to safeguard their properties.

Many of our industrial firms went to considerable expense to protect themselves insofar as it was possible to do so against future flood losses. In some cases, extensive construction changes were made to protect the properties against flood levels. In many instances, expensive pumping facilities were installed. Certain areas in some of the plants which were subject to flooding were restricted to limited use to reduce the potential damages resulting from floods. All of these undertakings imposed an added financial burden on the property owners. Beyond the complete abandonment of the properties, they represented the best that could be done to insure the owners against future flood losses.

These protective devices, geared to cope with the levels of previous floods, were completely inadequate to withstand the unprecedented levels of the 1955 flood. Areas of the community which had previously escaped damage were this time affected. And the areas which had had previous flood experience were this time subjected to much higher water levels.

As a result, the losses inflicted upon property owners, industrial firms, and business establishments by the 1955 flood were far heavier than ever before. While Woonsocket was fortunate that it escaped without loss of lives, it was not so fortunate in the material damages that it sustained.

To indicate the severity of this economic blow to the community, we cite the fact that Woonsocket has approximately 120 industrial firms, providing employment for something over 11,000 workers. Of this number, our chamber of commerce records show that 34 firms, employing over 6,000 workers, or more than half our total industrial work force, were the victims of flood damage. The losses to individual companies ranged from a minimum of a few thousand dollars to a maximum of over \$750,000. The aggregate damage to our industrial

firms, exclusive of production losses, is estimated at \$4.5 million, an amount which may not appear large by some standards but which represents a serious blow to the economy of a city of the size of Woonsocket. A list of the firms and the approximate number of employees is appended to this statement.

Woonsocket's commercial losses, while more widespread and involving a far larger number of individual firms, were lower in total dollar value. Nearly 200 commercial firms, many of them small owner-operated businesses and the great majority comprising retail stores located in the heavily concentrated social business district, were reduced to almost total loss. In many instances, the accumulations of a lifetime of hard work were entirely wiped out. The individual losses ranged from a few hundred dollars in some of the smaller establishments to losses well in excess of \$100,000 in a few instances. No completely accurate figures are available for the aggregate loss in this category, since many of the victims are unable to estimate their losses. We estimate it to be somewhat in excess of \$2 million.

Other representatives of Woonsocket's community life are prepared and have testified pertaining to other aspects of the losses visited upon the city during these recent floods. Their testimony supports the need for Federal action to provide protection against such calamitous losses in the future.

Woonsocket's economy was not strong before the visitation of the 1955 floodwaters. The depressed conditions prevailing in the textile industry, upon which the community depends to a substantial degree, had created extensive unemployment through loss of industry and many of the firms still operating were encountering financial difficulties. Unfortunately, many of these same firms were located in flood-affected areas and are now faced with the added burden of rehabilitation costs. The economy of the community will be drastically harmed if inability to meet these flood-incurred costs should result in the further loss of industry. Had there been an adequate flood-insurance program in operation prior to the floods, the damage would be substantially minimized.

In summary, Woonsocket's flood problem is twofold. First, there is obvious need of an effective flood-control program and the community is working aggressively toward the achievement of this goal. Second, and this is the aspect that is within the province of your committee, there is absolute necessity of an insurance program that will make it possible for business and industry to obtain protection against the unpredictable financial losses that are occasioned by floods and similar disasters caused by conditions entirely beyond the control of the potential victims.

We would point out that few individuals would risk their capital in business ventures were it not possible to obtain insurance protection against the eventualities of fire, theft, liability, and similar catastrophes. Yet in most industrial communities, located as they are along the river valleys where water is available for processing and for power, the danger of loss by floods is equally grave. And in this important area of exposure only limited insurance is available, but at such high costs as to make it prohibitive.

Private insurance companies have expressed their inability to provide such protection. Since this is so, and recognizing that the risk

must exist if they are unable to assume it, there can be no valid contention that a program of Federal disaster insurance is an invasion of their proper field of operation.

It is entirely normal and proper for Government to undertake programs and projects which are in the public interest and which are too extensive, too involved, or too costly to be provided by private enterprise.

It is beyond any question that such a program is in the public interest. Much of the industrial life of our Nation is concentrated in areas adjacent to water. These areas cannot be abandoned. Business must be encouraged to maintain operations to provide the jobs and the payrolls that keep our economy strong. Yet these areas do involve a degree of exposure; and if business is compelled to absorb, without reimbursement, the losses that result from periodic floods, its ability to continue in operation is imperiled.

Immediately following the recent disaster assurances were expressed by Government officials that protection would be afforded against a repetition of the devastating losses that were experienced. These assurances were one of the motivating influences behind the remarkable rebuilding program that has brought about the resumption of operations of many of our stricken companies. Without them, some could not have found the courage nor the resources to reestablish. They now desperately need the fulfillment of these pledges which were made.

Our people do not ask for a gift or subsidy from Government. They feel that such protection can be provided at rates which are within their ability to pay. They do not feel that it is contrary to the principles of Government to give such protection when they see payments already being made by Government to reimburse individuals for crop losses resulting from the rampages of nature.

Such an insurance program should not be limited by arbitrarily fixed ceilings on coverage. Any limits imposed should be proportioned to the value of the property covered. Only in this way can a program be equitable and effective. It is obvious that a ceiling of \$300,000 would provide little inducement to a firm with a property investment of \$5 million. But the loss of a \$5-million firm to a community as a result of flood damage would be far more harmful to the economy of a community and more significant in the number of jobs involved than the loss of a small company. It is our belief that the protection of the insurance should be adequate to meet the potential losses of the owner.

A reinsurance program should be established, with Government support, to enable private insurance companies to sell a "package plan" to include flood, earthquake, tidal wave, hurricane, atomic radiation, and similar risks that insurance companies at present are unable or unwilling to underwrite. These risks would broaden the base of the program, inasmuch as the purchasers of these coverages would be not only those subject to flood damages. With a few years of experience, insurance companies might be willing to take on these risks because they would comprise a much broader base and thus would be more sound from an insurance point of view.

The Woonsocket Chamber of Commerce and its flood-control committee strongly appeals to this committee and to the Congress of the United States for prompt and favorable action in this vital matter of disaster protection.

When the Government concerns itself with crop insurance, it is protecting the farmer against the disasters of nature that can destroy crops. Note, for example, the fact that the recent floods destroyed the tobacco crop in the Connecticut Valley. The Federal Government paid hundreds of thousands of dollars for the destruction of this crop.

The manipulation of tariff rates protects workers and industries against the disastrous effects of foreign competition. Farm subsidies protect farmers against the disastrous effects of lowered prices. Our Government has plenty of precedent to enable it to protect large segments of our population against the disastrous effects of floods, tidal waves, and hurricanes.

When disaster strikes in any part of the world, millions of American dollars are sent to alleviate distress in foreign lands. This is the humane and decent thing to do. After a war, our enemies are given disaster aid. Billions of American dollars have been spent to rebuild Italy, Germany, and Japan. American money has even gone to aid Communist Yugoslavia. On the international front, we consider it extremely important to protect noncitizens against the results of disaster. American citizens and taxpayers are worthy of at least the same consideration.

(The attachment referred to follows:)

*Woonsocket industrial firms sustaining damages by floods of Aug. 19-20, 1955*

<i>Name of firm</i>	<i>Number of employees</i>	<i>Name of firm</i>	<i>Number of employees</i>
B. & F. Combing Co.....	20	Leo's Bakery.....	40
Bell Co., Lowland.....	125	Masural Worsted Mills.....	400
Blackstone Dye Works.....	65	Model Dye Works.....	45
Bonte Spinning Co.....	150	Narraganset Knitting.....	150
Brickle Wool Co.....	25	National Wadding Co.....	300
E. Brodeur & Sons.....	40	Ray Cotton Co.....	30
Consolidated Print Works.....	60	Reliance Molded Products Co.....	100
Falls Yarn Mills.....	250	R. I. Plush Mills.....	200
Jacob Finkelstein & Sons.....	450-600	Roberts Hirss Co.....	40
Florence Dye Works.....	100	Royal Robes.....	250
French Worsted Co.....	600	Star Carbonizing.....	60
The Garnett Corp.....	35	Textile Processing Co.....	35
Geltman Sponging Co.....	100	United States Rubber Co.....	800
A. E. Goldstein.....	30	Verdun Manufacturing Co.....	250
E. P. Hebert Knitting Mills.....	35	Winsor Manufacturing Co.....	75
Joan Plush Mills.....	100	Woonsocket Dyeing Co.....	65
Lafayette Worsted Spinning Co.....	125	Woonsocket Falls.....	250

Senator LEHMAN. Mr. Finkelstein, do you happen to know whether the industries of Woonsocket or any of them tried to get flood insurance on equipment or inventory?

Mr. FINKELSTEIN. Yes, sir. I can speak for ourselves.

Senator LEHMAN. Can you tell us about the rates that were quoted?

Mr. FINKELSTEIN. There were no rates given. It was unobtainable.

Senator LEHMAN. It was unobtainable?

Mr. FINKELSTEIN. Yes, sir.

Senator LEHMAN. Anywhere?

Mr. FINKELSTEIN. That's right, sir.

Senator LEHMAN. It was obtainable from one source? Lloyds?

Mr. FINKELSTEIN. Lloyds refused to write it.

Senator LEHMAN. But at such prohibitive rate—

Mr. FINKELSTEIN. They refused to write it.

Senator LEHMAN. I have been informed during the course of the hearings that while Lloyds once did offer that insurance they got out of that field.

Mr. FINKELSTEIN. They withdrew.

Senator LEHMAN. So from your own experience you can testify that insurance on inventory or on plants is unobtainable—that is, flood insurance?

Mr. FINKELSTEIN. We attempted to obtain it and we were refused it.

Senator LEHMAN. Thank you very much.

Senator Green, did you want to ask any questions?

Senator GREEN. No.

Senator LEHMAN. Since the hour is already rather late, I think we will recess for lunch and meet here again at 2 o'clock.

(Whereupon, at 12:45 p. m., the committee recessed to reconvene at 2 p. m., this date.)

#### AFTERNOON SESSION

Senator LEHMAN. General Fleming, will you be the next witness? General Fleming, as you know, is division engineer of the United States Army Corps of Engineers.

General, we are very anxious to hear from you on what is happening in the way of flood control and what if any suggestion you can make.

#### **STATEMENT OF BRIG. GEN. ROBERT J. FLEMING, JR., DIVISION ENGINEER, CORPS OF ENGINEERS, UNITED STATES ARMY**

General FLEMING. Thank you.

Well, Senator, as you know, representing the organization I do, I am supposed to be very impartial. You gave me an opportunity by the question you asked me earlier, however, to shed my cloak of impartiality, and I will plead guilty in advance to being a very rabid partisan on what I am about to talk about now, and that is the question of the status of the flood-control program in New England.

You quoted General Sturgis' testimony, and he was speaking about the United States as a whole. I am not quite sure of the figures I am going to give you now. I am digging them out of memory from having read that testimony, but, as I recall it, about \$4.5 billion has been spent by the Federal Government on flood-control programs in the United States as a whole. There is about \$4 billion for flood-control purposes in the backlog of which General Sturgis spoke, which at the rate of \$200 million to \$250 million per year would take 22 years to finish.

That would mean, sir, that of all of the authorized projects in the United States about one-half of them have been completed.

I think the situation in New England is very different from that. Our total authorized program of flood control in the New England area, of which I am in charge right now, totals about \$330 million in authorized projects. Roughly \$70 million has been spent. So the New England program compared to the United States average as a whole of roughly 50 percent complete is somewhat less than 20 percent complete, and that I think is the great problem here in New England—the fact that the flood-control program here has lagged behind the comparable programs in the rest of the country.

I am obviously not an expert on insurance and I really do not think I am competent to comment on the disaster-insurance question which you are exploring today. I would like to say this, sir: That I do not think there is any one-shot solution to this problem and that anyone who from a very partisan standpoint argues that there is only one solution to the problem of disasters in New England just doesn't know what he is talking about.

We people who are interested in flood control certainly do not make that claim. From an engineering standpoint it would be possible to protect against every possible flood threat. From an economic standpoint, however, that is absolutely impracticable, because we would never be able to afford the tremendous expenditures involved. Therefore, even when we complete the authorized projects we now have in the books, which have been authorized by Congress in the past, I think that there will still be areas subject to flood damage. From an economic standpoint as far as construction of public works is concerned we must accept the possibility of taking some damage as a calculated risk, merely because we cannot afford to spend enough to protect everything. We do not know where the floods are going to come.

In this last flood in New England, sir, the damage which that did is almost indescribable. I was the deputy chief of staff of an Army corps in Europe which was given the job of mopping up the Ruhr, in the Ruhr pocket, after the surrender of that German Army group, and one of our jobs, of course, was to restore essential public facilities. Outside of the piles of rubble which were left around on the streets from the bombing of buildings, the damage which this storm did in New England in 2 days to public facilities is just as great as we did by 3 years of bombing in the Ruhr. It is almost indescribable.

The city of Woonsocket was just gutted. The damage in the State of Connecticut was more widespread merely because a larger area was involved.

Since then we have been involved in a four-point program. I have felt at times like a ringmaster of a four-ring circus. One of those, and the most immediate job of course, is cleaning up and providing disaster relief in places which were so badly hit in August and again in October.

The second program we have been carrying on is trying to decide and to crystallize thinking on what should be done in the immediate future as regards the projects which have already been authorized by the Congress.

The third point we have been working on is a restudy of the flood-control program in New England as a whole to find out what additional coverage is necessary in view of the very peculiar storm we had in August and also the equally peculiar one we had in October.

The fourth point is to pursue the hurricane study which was authorized by the Congress in the last session and for which we were given an appropriation this year of a million dollars.

Obviously I think in New England we are dealing with two separate but related problems. One of them is the program which Mayor Reynolds mentioned to you this morning of the flooding from wind: it is a tidal flooding by the sea either at extremely high tides, hurricane-induced tides, or wind-driven tides. That was particularly damaging to the city of Providence, to New Bedford, and to certain areas of the Connecticut coastline.

We also have the problem now of the inland flooding of the water coming down.

The problem in New England I think is peculiar to New England. We have conditions in the streams here where you have very narrow valleys, extremely steep drops, and the possibility of getting a flash flood is much more prevalent here than it is in the midwestern part of the country, for example, where you have broader valleys, and there is a chance of getting warning when one of these floods is coming.

The Naugatuck River Valley in Connecticut is a good case in point. That is about 50 miles long. It drops 550 feet in that 50 miles. The valley itself is only 8 miles wide. During the height of the August flood we estimate that we had a flow past the city of Naugatuck, fairly well down the valley, of about 102,000 second-feet. It rose in some cases as high as 15 feet in 15 minutes. There was no possibility at all of getting any warning that that was coming.

So I mention the fourth point that we are working on there—the hurricane survey. I think we have to attack each one of those two problems separately, and we have been trying to keep the people who are engaged in the hurricane study completely separate from this business of the inland floods so we can go forward on both of those fronts at the same time.

I mentioned that the total bill for authorized projects in New England now would be roughly \$330 million.

SENATOR LEHMAN. That is for the New England area?

GENERAL FLEMING. That is the New England area, yes, sir. About \$70 million of that has been spent, so the balance is about \$260 million. We are not talking about a big program, sir. The total cost for the entire program up here to finish it is somewhat less than the cost of one project, one single project, in the Columbia River Basin.

The dams that we are talking about for flood-control purposes are all small dams. The Nitville Reservoir, for example, on the Westfield River in Massachusetts has a storage of 58,000 acre-feet. I would like to compare that with the Fort Peck Reservoir in Montana on the upper Missouri River which has a storage of 19 million acre-feet. So these projects we are talking about are all small projects.

Out of the two studies we now have underway, the review of the plans for the inland flooding, the flash floods coming down, and the hurricane floods, we expect to generate some additional projects. I think we will add to this total of \$330 million. I would hesitate to even try to guess how much. I do not think, however, that very much will be added—comparatively I mean. We aren't going to double the size of the program. It will probably be in the neighborhood of somewhere around 25- or 30-percent increase. So the total program we are talking about, even actual now or potential, I think still remains a fairly small program.

Getting specifically back, sir, to this present flood, my instructions are generally to effect temporary restoration of essential public facilities. That is the wording of Public Law 875. I think that with the cooperation of the people in the States and the local officials we have interpreted that word "temporary" and the word "public" just about as liberally as we possibly could. We have already spent or, rather, obligated, a total of about \$8,152,000 in direct obligations that my office has undertaken.

Those are divided up as follows: Work in progress, \$2,742,000. Work completed, about \$5,410,000. Roughly, the expenditures are about 60 percent in Connecticut, about 35 percent in Massachusetts, and about 5 percent or less than that in Rhode Island.

We have already received reimbursement requests from the various communities for work which they did at their own expense before we could get in to start doing anything, and everybody was working on this same thing. Those have been certified as eligible under Public Law 875 by the Federal civil defense people in this area, and that totals about \$3,131,000. We have actually disbursed in partial payments already about \$2,127,000 of that.

I think—and this is somewhat of a “guesstimate,” sir—that we will eventually, when we finish this thing up, have spent about the following. Some of this work is going to take quite a long time to do. For example, on repairing a sewer plant, I don't know how you temporarily repair a sewer plant or a water system other than complete reconstruction of that. As a “guesstimate,” I think it will probably take us about 6 months more before we get everything put back in fairly good shape, and I think probably the direct work will be somewhere in the neighborhood of \$14,500,000, the reimbursements about \$4,200,000, and about \$5 million will eventually be the bill of contributions to the States by the Federal Government where we make the contribution in lieu of doing temporary work and they can apply that contribution to the cost of permanent work when they put it in.

Senator LEHMAN. May I interrupt you, General, to ask a question?

General FLEMING. Yes, sir.

Senator LEHMAN. Having been a Member of Congress for a number of years, I ought to know the formula which is followed but I do not. You speak about a cost of repairs or rehabilitation that is being carried on, the cost being \$14 million plus, of which you get reimbursement I think you said of about \$3.5 million and a later contribution of \$5 million. Is there a regular formula that is followed by the Corps of Engineers or by the Government and by the States or localities in connection with flood-control work?

General FLEMING. No, sir. In this particular case, sir, there is not. This comes under Public Law 875. Roughly, sir, there are 5 provisions in the act, and under delegated authority we carry out about 3½ of the 5 provisions. But that act prescribes the Federal Government can come in and do work directly. It also prescribes that where State and local authorities have done work which comes within the purview of Public Law 875, using their own forces, the Federal Government can reimburse them for that cost. There is also another provision in there that if temporary work, temporary restoration, is obviously unsuitable or if the community wants to better a facility which has been destroyed it can do that and the Federal Government will contribute to the final cost what the temporary repairs would have cost the Government had it done it.

So I divided my figure into those three categories. The \$14 million is what we expect to do directly under contract by my office.

Senator LEHMAN. In connection with the recent disasters?

General FLEMING. Yes, sir. That involves such things as putting in temporary bridges, repairing water systems. In Woonsocket we even had to work on a cemetery up there which was private property

but we did it anyway. It involves putting in temporary bridges on roads, temporary repairs to roads, and things of that sort.

The reimbursement type of thing covers exactly the same kind of work. Everybody was working on this. We expect actually to pay back to the towns and the States here in New England out of the Federal Treasury about \$4,200,000 to cover their expenses.

The \$5 million, frankly, sir, is a guess as to what the Federal contribution to permanent repairs eventually is going to be. A large part of that will be in Massachusetts where they lost so many bridges on major highways.

Senator LEHMAN. It is still not quite clear in my mind what the \$3 million or the \$3 million plus is that the localities are going to contribute to the Federal Government. Is that for work that the Federal Government has done for their account that they should have done themselves?

General FLEMING. No, sir; the reimbursement is that we are going to reimburse the towns, sir, not the towns reimburse us. Actually, once the disaster was declared by the President as a national disaster, then under the terms of Public Law 875 the Federal Government should have moved in and done something. We moved in as rapidly as we could. In the city of Woonsocket, for example, Woonsocket did some work which the minute the disaster was declared became work which the city did for the Federal Government's account.

Senator LEHMAN. Previously?

General FLEMING. Yes, sir, and in some cases concurrently, because everybody was working on this thing at the same time. It is to reimburse the towns for their expenditures made to cover those things which the Federal Disaster Act says are a Federal responsibility once the disaster has been declared.

Senator LEHMAN. Thank you.

General FLEMING. Those things add up, sir, to a total bill for this on the part of the Federal Government for this disaster of somewhere between \$21 million and \$24 million. I do not know what the bill is going to be for the three States on their share of permanent restorations to public facilities.

I do know that the State of Massachusetts has a bond issue. Their legislature was the only one in session when the thing happened. They have a bond issue of some \$50 million that they voted for this work. Yesterday the Governor of Connecticut sent a message to the legislature in a special session which totals up to some \$32 million in that State. The Governor of Connecticut has recommended that the cost of that bond issue be borne by 10 percent blanket increase in all taxes in the State right across the board.

I would say purely as a guess, sir, that if you accept the figure of \$50 million for Massachusetts and thirty-two-million-odd dollars for Connecticut that probably the bill that the States are going to have to pick up for the permanent repair and restoration of their road systems and publicly owned property will be somewhere in the neighborhood of, say, \$75 million.

Senator LEHMAN. How much?

General FLEMING. About \$75 million. So between our expenditures and the State expenditures the bill just for public property in the three States affected will probably be somewhere around \$90 million.

That was all I had, sir.

Senator LEHMAN. May I ask you this. You reported that the program in New England, the individual program, continuing program, was about \$330 million.

General FLEMING. Yes, sir.

Senator LEHMAN. Of which about \$70 million has already been completed.

General FLEMING. Yes, sir.

Senator LEHMAN. Leaving \$260 million. You are talking about the work that should have been done. I am not talking now about what Massachusetts has to pay in restoration of its public works or Connecticut or Rhode Island but just this \$14 million or \$21 million. I am not quite sure of the figure. Is any substantial part of that included in the \$330-million program?

General FLEMING. No, sir. The figure I gave you of a total—well, \$20 million by my office and \$70 million, say, by the States—is entirely the cost of repairing the damage done by this one storm.

Senator LEHMAN. Let me ask you this: When you talk about a Federal program of I think you said \$4 billion that had already been performed and that there was still a backlog of \$4.5 billion—I am not sure about my figures—

General FLEMING. I am not either, sir, about the figures. They are approximately that.

Senator LEHMAN. Approximately is what I meant. That together would constitute \$8.5 billion approximately.

General FLEMING. Yes, sir.

Senator LEHMAN. In 1951 when this terrible flood occurred on the Missouri—and you did some very important flood work—

General FLEMING. Yes, sir.

Senator LEHMAN. How much did you spend at that time approximately?

General FLEMING. I do not know, sir.

Senator LEHMAN. Well, was that amount, which was a very substantial amount I believe, included in this \$8.5 billion?

General FLEMING. No, sir. The work which had been accomplished in permanent flood-control programs on the Missouri River, sir, would have been included in that \$8.5 billion. When that flood occurred on the Missouri I think two of the big reservoirs on the Missouri had already been completed. I know Fort Peck was completed because that was completed back around 1938.

Senator LEHMAN. I know it is a very difficult question for you to answer or for anybody to answer, but the total of the work that has been completed and the total of the work that must still be completed under the existing program totals about \$8.5 billion. But isn't it very likely that there will be other danger spots which will be demonstrated which will in time greatly add to that total? You have not surveyed or made plans or made recommendations on all the danger spots which would be susceptible to flood control that exist, have you?

General FLEMING. I am not talking now from personal knowledge, sir, but I know that we started on the survey of rivers in the United States for flood-control purposes in 1927. Most of the major river basins have been covered. There are authorizations on practically all of them which have been on the books since the early 1940's.

In the Columbia, for example, that river basin has been very well studied. The Missouri has been very well studied. I believe they know the number of dams necessary on the Ohio River.

If I can answer your question this way, sir, I think that as time goes on additional danger spots will be uncovered by actual happenings. But I believe that as those additional danger spots are uncovered they are not going to add a tremendous amount percentage-wise to the presently authorized program. I think largely the increases are going to come in local protective works and not in the major regulatory works.

In New England, for example, and this is purely a very quick expression of opinion, I think this last storm uncovered some danger areas. I do not believe that a restudy of that storm and a restudy of this hurricane problem is going to double the size of our authorized program. It will be more in the neighborhood of adding say 25 percent to what is now authorized.

Senator LEHMAN. General Sturgis testified, and I read part of his testimony this morning, that at the rate that appropriations are being made and have been made in some years past it would take 22 years to complete the programs that had been authorized.

General FLEMING. Yes, sir.

Senator LEHMAN. I have no doubt that as experience develops that there will be additional authorizations. Whether that is 50 percent or 25 percent, of course, I do not have the slightest idea. But if you had sufficient appropriations from Congress, could the work be expedited?

General FLEMING. Yes, sir, very greatly. In New England we have a balance of about \$260 million in the presently authorized program. Just for the sake of letting me throw a figure in on what we would add on this hurricane survey and the additional study, I would just arbitrarily make a guess, say, that that would be \$70 million more of work. That is nothing but a wild guess, sir. A total of \$400 million. If you spread that over a 20-year period, that would be \$20 million per year. Actually, sir, my office right now, building airfields, is spending on airfields in New England somewhat in the neighborhood of \$120 million a year. So certainly to expedite a program for New England a \$20-million-a-year expenditure above would be very simple.

I think physically the planning part of the job and the actual doing part of the job to complete the whole thing would be somewhere in the neighborhood of 7 or 8 years, but I think we could make a terrific bite in it in 5.

Senator LEHMAN. I need not explain to you—I am sure you know it without any disavowal on my part—I have absolutely no engineering skill or knowledge, but I have been asked by a member of my staff to ask you whether any of the damage in this area resulted from the collapse of or overflow of high dams, or were they largely low dams?

General FLEMING. I would like to answer the question, sir. There was absolutely no damage to any federally constructed work up here at all. As a matter of fact, the two that were tested were the Nitville Reservoir on the Westfield River, first, which now has paid for itself four times. It got 58 percent full after the August flood. We emptied it. It got up to 96 percent full in the October flood. The other one involved in this particular thing was the Mansfield Hollow Reservoir in Connecticut.

The dams which failed in New England, sir, were all privately owned dams. They were all small dams. New England is dotted—

if you fly over it, the whole landscape is dotted—by small ponds which were made by small dams put in back in the day when water power was important. In many of the cases right now some of the dams are ones built in the 1860's and 1870's. In many cases the ownership of them is very cloudy. Property has been sold and people have bought property along the bank without being aware in any way that they also acquired the responsibility for maintaining the dam.

When we say the dams broke up there—and about 150 of them did, sir—they were all small, privately owned or municipally owned affairs that had absolutely no value from a flood-control standpoint.

Senator LEHMAN. When you draft your plans for flood control based on dams, you base the height of the dams, I suppose, to a very considerable degree on past experience?

General FLEMING. Yes, sir.

Senator LEHMAN. I assume that the cost of the control work is directly—not directly necessarily, but largely—in relation to the height of the dam?

General FLEMING. Yes, sir.

Senator LEHMAN. The higher you go up, I am told, the greater the cost of the dam. These floods that we have been having here recently were most unusual in their intensity.

General FLEMING. Yes, sir.

Senator LEHMAN. Would the plans you had drawn previously in the expectation that they would protect the community have been sufficient protection in view of the unusual situation brought about by the floods?

General FLEMING. I think they would have, sir. I can give you an illustration of that on the Naugatuck Valley in Connecticut. Well, I can come closer to home. Take the Blackstone River in Rhode Island.

The Blackstone River had three authorized projects on it—a diversion project around the city of Worcester, a dam at West Hill in Massachusetts but upstream from the city of Woonsocket, and a flood-control program in the city of Woonsocket, with a very small one down at Pawtucket which I will leave out for purposes of discussion.

The local protective works for the city of Woonsocket were designed to carry a flood of about 20,000 second-feet past that city. Actually in this last flood they got about 24,000 second-feet down the Blackstone River. However, if you go back and reconstruct the hydrology of the thing, had the West Hill Reservoir also been built you would have been able to knock enough off that flood coming past Woonsocket to reduce the flow past that city down to the designed criterion for the local protective works in town.

Woonsocket would have gotten flooded. You can't eliminate the flood completely. But I think had those works been completed we would have been able to stop the disaster which occurred. I don't think they would have lost every bridge in town, for example, and things of that sort.

In Worcester I think we have even a better illustration. That is also in the Blackstone River. The Blackstone rises at Worcester, and the flood flow below the city during the height of the Diane storm was about 7,300 second-feet. The Worcester diversion tunnel—that is a tunnel under the hill where Holy Cross College is—was planned to have a capacity of 5,600 second-feet. Actually in that drainage area where it would have drained the gage showed they had 4,300, so had

that Worcester work been constructed we would have been able to take 4,300 of 7,500 second-feet or roughly two-thirds of the entire flow that went through the city of Worcester. We could have bypassed the city entirely.

There was \$25 million worth of damage according to the reports in Worcester, damage done in that one town. I think a lot of it, part of the town, would have gotten wet, but I do not think they would have had \$25 million worth of damage.

Senator LEMAN. If all the authorized flood-control projects in the Blackstone River watershed had been built, how much less would you estimate the damage would have been?

General FLEMING. Purely as a guess, sir, I think it would have been down to one-quarter what it was, less than a quarter.

Senator LEHMAN. Down to a quarter of what it was?

General FLEMING. Probably less than a quarter.

Senator LEHMAN. For Rhode Island as a whole can you make any estimate of it?

General FLEMING. I would say Rhode Island would be about the same way, because about 75 percent of the damage in the last storm in Woonsocket, for example, and in the Naugatuck Valley in Connecticut was done by the terrific velocity of the stuff as it came down. It just uprooted houses.

In the Naugatuck, for example, sir, we found gasoline tank trailers, tank truck trailers, 12 and 15 miles away from where they broke loose. We found one boxcar that was 5 miles away from where it broke loose on the railroad. When boxcars and 10,000-gallon gasoline tank trailers and houses and lumberyards go down the river, hit bridges and hit factories, it was just the terrific battering they took that did the tremendous amount of damage.

Senator LEHMAN. General, can you comment on how the priorities for flood-control projects are handled by the Corps of Engineers? I do not want to embarrass you to answer that question, but if you can, I think it would be very helpful to all of us.

General FLEMING. The priorities are covered, sir, usually on a basis of getting a ceiling from the Bureau of the Budget. Then the Chief of Engineers works under that ceiling and tries with his overall knowledge of the requirements for flood control and also influenced by the demand for flood control from the local people to work up a schedule which he sends back to the Bureau of the Budget.

In the ordinary budgeting process then that is subject to cuts and revisions and various things of that sort, but it starts from a ceiling imposed by the Budget Bureau, secondarily imposed by a demand locally for the projects.

Senator LEHMAN. I want to press that just a little bit. What worries me as a Member of Congress and I think worries my colleagues is the fact that there have been appropriations made by the Congress for specific objects in the expectation that the money was going to be used for those objects and then we found out later that they were held up and the implementation was very greatly delayed by the Bureau of the Budget.

As far as I am concerned, if I vote for a flood-control project expecting the Corps of Engineers to carry that out, I would expect the Corps of Engineers to carry it out. It is a matter of concern to

me at least. I cannot speak for my colleagues but I believe I am right in saying what I have said. I think that it is a matter of very real concern to them. I wonder, Congressman Fogarty, as a member of the House Appropriations Committee, whether you would want to comment on this situation? You know more about it than I because I am not on the Senate Appropriations Committee.

Mr. FOGARTY. That has been true in many instances. Congress has appropriated funds for construction of facilities and the Bureau of the Budget has impounded those funds, generally at the request of the President of the United States. But that generally only holds true when Congress is not in session, because the Congress can take care of that situation itself and Congress does not have to rely on the Bureau of the Budget on these overall ceilings as the general has pointed out.

That ceiling is the first overall figure that they have to go by, and they are requested by the Bureau of the Budget to stay within that ceiling. That is their job. But when that goes to the Congress, the Congress has the final decision as to how much shall be appropriated, not the Bureau of the Budget.

But when Congress is not in session the executive branch has at times impounded funds that have been appropriated, which is not what Congress intended, of course.

Senator LEHMAN. It could take a very substantial period of time, could it not, before Congress could again take action?

Mr. FOGARTY. It could. It could take a year sometimes or more. It has taken a year in some cases to straighten it out.

Senator LEHMAN. Is the mayor of Woonsocket here?

Mayor COLEMAN. Yes, sir.

Senator LEHMAN. Mayor, I cannot invite you to ask questions because this is a senatorial committee and the questioning must, under our rules, be confined to members of the committee, but if there are any questions that you might like me in your behalf to address to the general and the general is willing to answer them, I would be glad to do so.

Mayor REYNOLDS. I have no questions.

Mayor COLEMAN. Rather than run the risk of disturbing an excellent relationship between the Corps of Engineers and the city of Woonsocket I would rather defer any questions of General Fleming, particularly in view of the fact he has consented to come to Woonsocket the latter part of this month to attend a luncheon and I am sure that we will have a good many questions for him at that time.

Senator LEHMAN. I can say this for the Corps of Engineers, for whom for more than 30 years I have had great admiration. The fact that the general is coming to Woonsocket for luncheon won't in the slightest degree influence his testimony.

Senator Green, do you want to ask any questions?

Senator GREEN. I have no questions to ask.

Senator LEHMAN. You are a member of the Senate so we welcome any questions from you. I want to say, too, as you know, this is a senatorial committee but I see no objection—you are Members of Congress, Congressman Fogarty and Congressman Forand, and you have at least as great an interest in this legislation, both you have, as I have and as Senator Green has—if off the record you want to ask any questions of the general, and if he is willing to answer them I would be very glad indeed to yield to you.

Senator GREEN. Why off the record?

Senator LEHMAN. Simply because they are not members of the committee. But I would be willing to put the question.

Mr. FORAND. Senator, I have no particular question to ask now. I had one big question in my mind and I have put it in writing and addressed a letter to the general, so I expect to get a reply.

Senator LEHMAN. Good. Congressman Fogarty, on the record ask any questions you want, please.

Mr. FOGARTY. I just want to say before I ask a question, Senator, with your permission, that I have had correspondence and talk with General Fleming on many occasions since the hurricane of a year ago on what we can do to help protect our shores here in New England, and I have found him to be very cooperative, as have been all my dealings with the Corps of Engineers since I have been a Member of Congress. I think they do a splendid job and are continuing to follow out the dictates of Congress as far as the money goes that Congress appropriates.

General, you did make one statement to the effect that if anyone should say or make the statement that this is a one-shot program or control program, they don't know what they are talking about. Has anyone ever made that statement?

General FLEMING. No, sir; I do not think they have. I was trying to bring out—

Mr. FOGARTY. I never heard of it.

General FLEMING. No, sir.

Mr. FOGARTY. I was wondering if it had been made.

General FLEMING. I was trying to bring out the fact, sir, that obviously I am a great partisan of flood control. I do not believe, however, that flood control alone is a solution to this disaster problem. I was trying to bring out the fact that it would be economically just impossible to protect in advance against every possibility for a disaster.

Mr. FOGARTY. But you do say that if these other two authorized projects that have been authorized for the Blackstone River, one in Worcester and the other in West Hill, had been completed along with the flood-control project in Woonsocket, the damage done by the last flood would have been 75 or 80 percent minimized? Is that about correct?

General FLEMING. I think that is about correct, but there still would have remained, sir, a substantial amount of damage from the flood itself because we had the maximum flow that ever was recorded down the Blackstone River.

Mr. FOGARTY. Is there any other solution where we could get it down to a 5-percent differential?

General FLEMING. Economically, I don't think so, sir.

Mr. FOGARTY. You do not think so?

General FLEMING. No, sir; because you would have to have, for example, such tremendously large storage reservoirs in order to provide the storage necessary to get that control that you would just pass beyond the point of economic return.

Mr. FOGARTY. When do you contemplate those three projects will be completed on that river?

General FLEMING. Last year's appropriation bill, sir, gave us money to start the planning for the Woonsocket protective works. We were designing those when the flood hit. We have not yet received con-

currence from the State of Massachusetts on the construction of the West Hill Reservoir. By that I do not mean to point the finger of scorn at the State of Massachusetts, because the Commonwealth is moving very, very quickly on getting concurrences on all these things as fast as they can. They have already concurred in the East Springfield Reservoir on the Thames Basin, the Buffenville Reservoir, also in the Thames. They are holding hearings next week on two more in the Thames Basin. They have not gotten around to the West Hill project yet.

Mr. FOGARTY. You made another statement that the damage already done by this flood this year is costing the Federal Government, or costing you people, \$20 million or \$22 million, and the States are spending about \$70 million or \$75 million just on damage done to public property.

General FLEMING. Yes, sir.

Mr. FOGARTY. How much do you think would have been saved if all these authorized projects had been completed?

General FLEMING. As a guess, sir, I would say you would probably take off about four-fifths of that damage.

Mr. FOGARTY. Four-fifths?

General FLEMING. Yes, sir.

Mr. FOGARTY. At a cost of how much to the Federal Government?

General FLEMING. On the particular areas involved, sir?

Mr. FOGARTY. On this area we are talking about.

General FLEMING. On the particular areas involved, the Thomaston Dam in Thomaston, Conn., would cost \$16 million. There are about three reservoirs that could have been constructed in the Thames Basin which would probably cost somewhere in the neighborhood of \$25 million. That is a total of \$41 million. The local protective works in Woonsocket and the West Hill Reservoir would probably add maybe another \$8 million to that. At a cost of about \$58 million or \$60 million for the area affected by this storm I think you could have cut the bill down to about 20 percent.

Mr. FOGARTY. So for a cost of about \$56 million or \$58 million we would have saved about \$75 million this year because of the flood, in rough figures?

General FLEMING. In rough figures.

Mr. FOGARTY. Is that correct?

General FLEMING. Yes, sir.

Mr. FOGARTY. All right. That flood occurred since Congress adjourned.

General FLEMING. Yes, sir.

Mr. FOGARTY. That was something that was not foreseen by you or by any people whom I have come in contact with. Is there anything you can do now, if you could in some way get sufficient appropriations, to start work on preliminary plans or surveys to correct this situation?

General FLEMING. Yes, sir. It is a matter of public knowledge, I think, that the Chief of Engineers recommended a diversion of \$2 million prior to the 1st of October. He wanted to get it by the 1st of October. Of that \$2 million I was to get a million and a half and my counterpart down in New York was to get \$500,000, which would start us—

Mr. FOGARTY. As I understand that request for \$2 million was a million and a half for New England or this area and the \$500,000 was for some projects in Pennsylvania.

General FLEMING. Yes, sir. That is my counterpart in New York who was going to get that.

Mr. FOGARTY. But it was in the State of Pennsylvania, not in New York?

General FLEMING. I mean the man is located in New York, sir.

With that million and a half dollars we could have started the planning, the detailed planning, on about five projects which were particularly pointed out by this storm.

Mr. FOGARTY. What projects are they, General?

General FLEMING. There was East Brimfield Dam on the Thames Basin, sir. Thomaston Dam at the Naugatuck Valley. We wanted to expedite the planning on the Woonsocket local protective works. That is three of them. There was one up on the Connecticut River. Which one it is now I do not exactly remember. And I think there was an additional one on the Thames Basin at Hodgesville. Two on the Thames, one on the Connecticut, one at Thomaston Dam, and the expedition of the Woonsocket local protective works.

Mr. FOGARTY. Apparently that request has been denied—

General FLEMING. Yes, sir.

Mr. FOGARTY. On the basis that funds that have been appropriated for specified projects would have to have the agreement of the chairman and ranking members of the Appropriations Committees of both Houses.

General FLEMING. That is what I understand; yes, sir.

Mr. FOGARTY. So that they could be reimbursed after the first of the year through supplemental appropriation; is that correct?

General FLEMING. Yes, sir.

Mr. FOGARTY. That is out apparently because someone of the parties have not agreed to go along with that. I have been informed that the President has a million-dollar emergency fund that could legally and technically be allowed for such work as we are talking of now.

General FLEMING. Yes, sir.

Mr. FOGARTY. As long as that money would not be expended for projects that had already been turned down by the Congress. Do you know whether or not any request has been made of the President for the use of any of those funds for these purposes that you have just talked about?

General FLEMING. I do not know, sir.

Mr. FOGARTY. You do not know whether any request has been made or not?

General FLEMING. No, sir; not from that specific source.

Mr. FOGARTY. I see. All right. If the first request is denied and it is found that none of this million dollars is available for these purposes, the next step is, as I understand it, a request for a supplemental appropriation from Congress at the first of the year for this work to be carried out; is that correct?

General FLEMING. Yes, sir; a supplemental 1956 appropriation, sir, with authorization to start specific projects.

Mr. FOGARTY. Yes. The 1956 appropriation is the appropriation we are working on at the present time.

General FLEMING. Yes, sir.

Mr. FOGARTY. Between now and July of next year.

General FLEMING. Yes, sir.

Mr. FOGARTY. Because 1957 will carry on from the first of July next year. For that you need the authorization for this supplemental appropriation.

General FLEMING. We need the money, sir.

Mr. FOGARTY. You need the money.

General FLEMING. We need the money. Somebody has got to reimburse us this \$24 million or whatever it is eventually. Just cleaning up this mess is coming out of the civil-works appropriation with authority to divert which was given by all the Members of Congress or, rather, all the leaders of Congress when the disaster hit. The first thing we have got to do is get that money paid back to us.

Mr. FOGARTY. That will be in the form of a supplemental appropriation.

General FLEMING. Supplemental of some kind; yes, sir. The next thing we need is a supplemental 1956 appropriation just to get money to spend, and the next thing on that supplemental we need is the authority to spend it on certain specific projects, in order to make what we call new starts.

Mr. FOGARTY. That is right. It is the same authority that you received to start the survey of this Narragansett Bay area.

General FLEMING. Yes, sir.

Mr. FOGARTY. And this hurricane study that was put through last year.

General FLEMING. That is right.

Mr. FOGARTY. Do you foresee any trouble developing in Congress in opposition to such a program as this on such an emergency basis as we are in at the present time?

General FLEMING. I don't—

Mr. FOGARTY. The reason I ask is that I expect to have a supplemental bill ready at the first of the year to carry out what you claim you need in this \$2 million amount at this time to make these preliminary plans and surveys.

General FLEMING. I don't feel competent to comment, sir, on the opposition that might develop to it. Purely as an individual it seems to me so reasonable to do that that it should be done.

Mr. FOGARTY. Well, I agree with you. It was done in the Missouri River flood. We were in session at that time, though. But we have to go through the same procedure. That went through with no opposition at that time to take care of that particular situation because it was of an emergency nature.

Are there any other steps that you know of in your capacity as Chief of Engineers in this section that we can take as Members of Congress to expedite this particular program?

General FLEMING. There are no steps that occur to me, sir, that we have not already told, for example, the conference of governors that we thought should be done and that we told the three delegations separately that we thought should be done. There is nothing additional I could think of right now.

Mr. FOGARTY. The 2 steps or 3 steps that have to be taken in January are, first, a supplemental bill to repay you the \$24 million or whatever the amount is going to be.

General FLEMING. Yes, sir.

Mr. FOGARTY. Second, another supplemental bill of \$2 million for what you have just talked about, and, third, the authorization to spend that money for those new starts or new projects in fiscal 1956.

General FLEMING. Yes, sir.

Mr. FOGARTY. Are there any other steps we should take on a supplemental basis or on an emergency basis or a temporary basis that should be taken in January or February when we reconvene the Congress?

General FLEMING. I do not think of any additional steps, sir. I would like to correct the supplemental of \$2 million. The \$2 million, the million and a half for New England and \$500,000 for the North Atlantic Division, came in there for advance planning only. At that time when we said we wanted the million and a half we also said we wanted a supplemental of \$4.5 million. Because we did not get the million and a half, sir, or the \$2 million, that \$4.5 million will be different.

I would like to give you the figures separately. Involved in this thing is this: On a couple of projects, had we been able to get the money last October, we could have started certain design work, particularly on a project in Massachusetts and one in Connecticut. We could have started the railroad in the wintertime, making the design for relocation, which they then could have started on in the spring. We did not get the money, so now actually we have almost one construction season because we cannot get the thing designed in the wintertime. We cannot pay for the design; therefore, we cannot start work when the ground thaws in the spring. There will be a difference in those figures just due to that change in time, sir.

Mr. FOGARTY. If you don't know what that amount will be—

General FLEMING. I will furnish you with those separately.

Mr. FOGARTY. You will furnish me with what is needed?

General FLEMING. Yes, sir.

Mr. FOGARTY. You say that from the percentages of amounts spent on flood control throughout the country that New England has been lagging behind the rest of the country?

General FLEMING. Very definitely, sir.

Mr. FOGARTY. Why do you think that has happened?

General FLEMING. I think it is largely due to a lack of local demand for the projects. For example, on two of them I am talking about here, the Worcester diversion tunnel was definitely objected to. Rather, it was not objected to but it was never concurred in by the city of Worcester. They would never put up the cash previously to put up the assurance they would pay their expenses. The same thing is true on the Thomaston Dam in Connecticut. It was objected to by the local people who would be somewhat inconvenienced by it.

Mr. FOGARTY. Well, as I understood Mr. Finkelstein this morning, his statement was that one of the reasons that this flood-control project in Woonsocket had not been put into operation sooner was because of the refusal of local interests to put up their share until 1952 when this administration agreed to put up their share. Is that not correct?

Mr. FINKELSTEIN. I would like to clarify that if I may.

General FLEMING. I think the date was later than 1952 when we got them. I think actually it was about a year and a half ago when my office got them.

I would like to make one point, sir. Until we get the local concurrences and the local assurances on these projects under the flood-control laws they must be held in an inactive status and they are not even in line to compete for appropriations. So actually that has been one of the big roadblocks.

Mr. FOGARTY. That is right, but that was straightened out a couple of years ago in Woonsocket.

Mr. FINKELSTEIN. That is right, when the citizens of the community found out we had an authorized project. Then we immediately got to work, and our present city government and the State government immediately came through with the concurrences. There was no delay when we were made aware of the fact that Congress had given that as an authorized project.

Mr. FOGARTY. But we did lost about 3 or 4 years from 1949, as I remember your testimony, up until 1953. Is that correct?

Mr. FINKELSTEIN. That is correct.

General FLEMING. Substantially.

Mr. FINKELSTEIN. May I add something? In connection with the Woonsocket project the general has mentioned that it could be expedited if certain funds were available. Is it possible—and I ask the question of people who know here—for the State government to provide the funds on a loan basis which could be later reimbursed by the Federal Government? Is that possible under our laws to hasten the Woonsocket project?

Mr. FOGARTY. Well, you can correct me, General—you know more about the law than I do—but I do not know of any provision that would allow a State or a municipality to go ahead and build something. The Federal Government would not guarantee they would be reimbursed.

General FLEMING. I know of no precedent.

Mr. FOGARTY. We are appropriating money for specific projects, and that is the only way they can be expended. Is that correct, General?

General FLEMING. That is correct.

Mr. FINKELSTEIN. How much is involved in expediting the Woonsocket project as far as the Corps of Engineers is concerned?

Mr. FOGARTY. I do not know the answer.

General FLEMING. I do not know the answer. It sticks in my mind though it is around \$150,000.

Mr. FOGARTY. One way it can be accomplished is if the administration does not ask for additional moneys in this coming budget which is in process now I believe before the Budget Bureau in Washington that we try as Members of Congress from this State to get that particular appropriation increased on the basis of or the knowledge of the engineers that it can be expedited if a certain number of dollars extra is appropriated this coming fiscal year.

Mr. FINKELSTEIN. Don't we consider it tragic though, for the sake of approximately \$100,000, that the Woonsocket project will be held up until Congress convenes and makes available \$100,000 or \$150,000, which may be 7 or 8 months from this time, and great damage can still be done to Woonsocket for the sake of \$100,000?

Mr. FOGARTY. I know, but—

Governor ROBERTS. What Mr. Finkelstein is pointing out is that for \$150,000 approximately the planning and design work can be done on a project in Woonsocket. Is that right, General?

General FLEMING. It could be greatly expedited.

Governor ROBERTS. So he is suggesting the State not build the project but the State finance the engineering and research and design so that it will be that much more advanced by the time congressional funds are available and then the State be reimbursed for the planning funds, actually which ties in to the demand that the New England governors made, General.

General FLEMING. Yes, sir.

Governor ROBERTS. The demand on the President to advance a million dollars for this type of planning and engineering. Wasn't that correct?

General FLEMING. Yes, sir; a million and a half, sir.

Governor ROBERTS. That is the million and a half we couldn't get.

General FLEMING. Yes, sir. We had started the discussion, sir, before you came in on that point. That is what opened up this discussion.

Mr. FOGARTY. I do not think I have any further questions other than this one final one, General. I just wanted to get from you if there was anything further that we could do as a congressional delegation to expedite your work in this area, to bring it to a quicker conclusion, so that we can have better protection from floods and hurricanes, other than those 3 or 4 steps that I enumerated earlier on what we can do as far as supplemental appropriations are concerned in January and February.

General FLEMING. Sir, I am not trying to be facetious at all. You are well aware that I greatly appreciate all the moral support I have had from everybody in New England since this thing happened. I think the only thing we need right now is some financial support.

Mr. FOGARTY. Financial support and, as you say, there has got to be that public demand from New England as well.

General FLEMING. Yes, sir.

Mr. FOGARTY. Which you said had not been shown in previous years.

General FLEMING. Yes, sir. I might add there that all roadblocks—lack of concurrences which blocked the thing in the past—have now been removed.

Mr. FOGARTY. I see. The demand is there?

General FLEMING. The demand is there right now.

Mr. FOGARTY. We apparently are unified.

General FLEMING. Yes, sir.

Mr. FOGARTY. And all we need now is the funds. Of course, we have to get that information from your people now—how much is needed and what you can do with it if you get it. So you had better tell us that, and then it is up to us to try to get the money for you.

General FLEMING. Yes, sir.

Governor ROBERTS. Would Rhode Island be reimbursed if we put up the \$150,000 for planning?

General FLEMING. I cannot answer that question, sir. I know of no precedent for it.

Mr. FOGARTY. I do not believe it would, Governor.

General FLEMING. I do not know any way a State or municipality could be reimbursed for a particular project like this unless it was:

authorized by the Congress, because the funds that have been already appropriated for this fiscal year have been appropriated for specific projects and have been earmarked by the Congress. Unless we had an emergency fund of 3 or 4 million dollars, something like that; that is the only way you could do it. We do not have that available.

Mayor COLEMAN. Mr. Chairman?

Senator LEHMAN. Well, I just want to—

Mayor COLEMAN. Mr. Chairman, if I may?

Senator LEHMAN. Excuse me. Go ahead, Mayor.

Mayor COLEMAN. A few minutes ago you informed us that we could not ask General Fleming questions from the floor but that you would be only too happy to ask a question of the general. Since then one has come to mind and I would be very pleased if you would ask the general this question.

Senator LEHMAN. Well, Mayor, I would be very glad indeed to do so. I do want to point out, however, that this is an inquiry that affects the Nation. It is terribly important, of course, to consider each area separately, and I have been very glad indeed that Congressman Fogarty asked these questions, but we do have to consider this thing on a national basis, not exclusively on an area basis. But I will be glad to ask this one question.

Mayor COLEMAN. I will try to be brief, Senator. Assuming that the Congress acts favorably upon the supplemental appropriation that Congressman Fogarty has spoken of—not the one under terms of which the Corps of Engineers would be reimbursed for the funds it has already spent but the one which would give them additional moneys to construct the authorized projects—if that is done how long would it take approximately to construct the authorized project along the Blackstone River within the city of Woonsocket?

Senator LEHMAN. General, will you consider that I have asked you that question?

General FLEMING. I think it would probably take about 2 years to do it. However, the big point is that we could start 1 year sooner than if we waited till the 1st of July. There is one specific job down there in that thing, removal of the rock ledge. We know regardless of what the final plan is going to be we have to get that out. If we got a supplemental 1956 appropriation with authority to start that, we could get that work started and I think we could advance the thing 1 year in doing it.

Mayor COLEMAN. Thank you.

Senator LEHMAN. I just want to read one thing before we proceed to the next witness which I think is of very great interest. This is a part of a statement made by Prof. Seymour E. Harris, of Harvard, who appeared before the committee yesterday in Boston. He had only the figures for three New England States. He did not include New York, but I believe that the situation in New York is at least as conclusive, that the figures in New York State are at least as impressive as those quoted for the three New England States. He said the following:

Over a recent period of almost 20 years the 3 major industrial States in New England, Massachusetts, Connecticut, and Rhode Island, received back but one-third as much relative to what was paid into the Federal taxes as 5 major southern industrial States, North Carolina, South Carolina, Georgia, Alabama, and Tennessee.

Surely the Northeastern States can fairly claim some help from the Federal Government to meet part of the costs of disaster. Especially relevant here is the fact that under flood control—

and I think these are very impressive figures both for New England and for New York and certain of the other Northeastern States—

New England received 3 percent of the \$10 billion authorized, one-third of 1 percent of the \$1.8 billion appropriated in the last 5 years, as Senator Kennedy noted. My survey of the years 1953-54 shows \$666 million spent by the Army engineers in 1953 and \$533 million in 1954 and \$393 million for reclamation in these 2 years. But New England received but \$7 million in all, or less than one-half of 1 percent. Her share of income, however, is 6½ percent, of Federal taxes borne 7½ percent, of manufacturing employment 9-plus percent, and of vulnerability to floods an even greater percentage.

It shows the great discrepancy that has been allotted to the Northeastern States in relation to their share of the support of the Nation as compared to many of the other States. That is why I have made plea after plea that the other States recognize their responsibility to the States that have helped them so much and are getting very, very little help from them.

Before I ask you this question, I asked General Sturgis what he estimated the damage done by the August flood to be. The original estimate that he made was \$1.6 billion. That, however, was, I understand, not based on an official survey by the Corps of Engineers. The answer he gave me was based at that time on a statement made I believe by the Department of Commerce showing the direct damage was about \$457 million. That did not, however, include the damage done to some of the Southern States, like South and North Carolina, which would have brought the damage up to about \$600 million. That is, as I say, only direct losses, not indirect losses, which, of course, would run into very great additional figures.

The discrepancy between the figures that were first issued by the Corps of Engineers of \$1.6 billion and the later figures, including South Carolina and North Carolina of approximately \$600 million, is very difficult for me to understand. I wonder whether you have any personal knowledge or any personal opinion with regard to the losses.

I do want to again say to you that I have the testimony of General Sturgis which reduces the original estimate from \$1.6 billion to a much lower figure.

General FLEMING. Well, Senator, I contributed, of course, to that \$1.6 billion estimate that General Sturgis released. At that particular time it was labeled very preliminary. It was made up by taking the estimates which various people in the States and various towns got and adding them together. I do not remember what my proportion of the figure was right now. What he did was add up mine and other people's involved and came up with \$1.6 billion. It was in no way an engineering estimate, sir. It was just a first shot at it.

I really cannot comment now, sir, on what the total bill for this thing is. We have our damage-survey teams out in the field now; have had them out ever since the August flood. They have fairly well completed their compilations of their figures for the actual physical damage. We are nowhere near complete on the compilations which are going to end up with the indirect damages which the floods did.

I do not know. I think it will probably be somewhere in the neighborhood of 3 months before we really are able to add up the bill on it.

Senator LEHMAN. Thank you very much, General.

General FLEMING. Yes, sir.

Senator LEHMAN. Senator, have you any questions?

Senator GREEN. No.

Senator LEHMAN. The next witness will be Mr. Hovey T. Freeman, president of the Manufacturers Mutual Fire Insurance Co.

**STATEMENT OF HOVEY T. FREEMAN, PRESIDENT, MANUFACTURERS MUTUAL FIRE INSURANCE CO., PROVIDENCE, R. I., ACCOMPANIED BY AMBROSE B. KELLY, GENERAL COUNSEL, ASSOCIATED FACTORY MUTUAL COMPANIES**

Mr. FREEMAN. My name is Hovey T. Freeman, president, Manufacturers Mutual Fire Insurance Co. I appear here for my own company.

Some of my friends in the business probably want to skin me alive for what I am going to say. We have been trying for some 2 years to get the industry together to help the Atomic Energy Commission in its study of how to handle these new atomic hazards. We still are far apart in our views. We have also been trying for about as long to iron out this flood problem.

I don't like the insurance industry to have it said that they can't insure against floods. I think anything is insurable if we can get money enough and spread the risk. That is going to be quite a shock to some of my friends, and they probably won't like me for it.

Frequently in the past we have been asked, following floods such as we had in August 1955, "Why don't the insurance companies provide flood coverage?" The answer is simple. They would if they could without jeopardizing their assets.

We have just completed a survey of the damage to the mills we insure against fire which have been damaged by flood, and in this area of southern New England, New York, and Pennsylvania those mills, 134 in number, have suffered a flood loss of \$85 million. This is about a third of our total assets. No company can, of course, withstand such a shock loss. As I will point out later, however, if we can have the benefit of reinsurance I believe we can grant the coverage.

I want to make it clear that my companies handle only large risks, so most of my remarks will have to do with the large policyholder. Our average policyholder carries in excess of \$2 million, so I am not really speaking for the little householder. But I think the large property owner has just as much at stake and just as much is entitled to have insurance available to him as the small man.

The plants damaged by flood are located in southern New England. We had 15 plants where the loss exceeded a million dollars, 1 where it exceeded \$11 million. There were 16 where the loss ran between \$500,000 and \$1 million, and 56 where the loss ran between \$100,000 and \$500,000, and 47 losses under \$100,000.

Past experience has shown there are two factors which make the writing of flood insurance hazardous. One is that only those who have a real hazard want the coverage, with the result that the insurance companies get an immediate adverse selection against them. The

other factor is that when a flood comes it generally follows the length of one or more rivers, with the result you end up with not just one loss but hundreds of losses, and the total is catastrophic.

Following the flood in 1955 I took occasion to write to several thousand of our policyholders, just as we did in 1952, to see if they were any more interested in the flood hazard coverage. An analysis of these letters shows that only about 5 percent were willing to pay for flood coverage and then only if the price were low. Everybody stresses that. They want insurance at a very low cost.

In looking up the insurance plans for these plants, it was obvious every one of them had a real flood hazard. Most of them were located in States bordering on the eastern seaboard with a few along the Mississippi or its tributaries. Many of the replies stated that because of present-day high income taxes that in the long run they thought it would be cheaper to take the flood loss as an income-tax deduction than it would be to pay a substantial premium year in and year out.

Because only 5 percent of our policyholders wanted the coverage, the rate naturally would have to be higher than if it could be spread over a much higher percentage.

Based on the replies received from our policyholders, it would appear, as a result of certain rough calculations and assumptions which I have made and which I do not want to be held to on this figure, that we would have to charge an annual rate of 1 percent, or, that is, \$1 per hundred of coverage based on the sound value of the property, which is about 20 times what we are now charging for fire coverage, if we expect to break even.

The only way this could be done would be that certain safeguards would have to be established. One, the insurance companies would have to have the backing of the Federal Government through reinsurance, acting as a banker, and I would like to describe that later. The purpose being, of course, to get a broad spread and to level off the humps and smooth out the loss curve.

Each policy would have to be subject to a deductible of at least 1 percent. The reasons for this are two in number: (1) In order to make it to the advantage of the policyholder to try to protect his property from flood by moving what he could to a higher level and by barricading openings; (2) to keep out the small nuisance claims which add so terrifically to the cost in any type of catastrophe loss such as flood or windstorm.

The policy would have to be written on a noncancellable basis—and that is very important—for a period of at least 5 years.

The insurance would have to be in force for 30 days before the coverage would be effective—this for the purpose of making it impossible for a person to purchase coverage just prior to the threat of flood.

The policy would have to contain a coinsurance clause to make sure that the amount of insurance was in proper relationship to the value.

In the case of a corporation, it of course would get a tax deduction for the cost of insurance so its cost would only be about half of that of the individual who would get no tax benefit.

And, as I said before, there should be no ceiling. The big property owner should have just as much right to coverage as the small one.

It is questionable whether a corporation or an individual would be willing to pay such a high rate. Certainly in the case of a corporation

under present high taxes unless floods were anticipated more frequently than once in 5 years it would be better not to have insurance, and to take it as a tax deduction. In the case of an individual, it would probably depend upon the tax bracket which he is in.

My proposal is that I would like to see the Federal Government establish a Catastrophe or Disaster Reinsurance Company which would handle not only flood but also other catastrophies, such as war damage, the new hazard created by the development of atomic energy, contamination from radioactive fallout and third party liability.

The entire operation should be turned over to the insurance industry to run as was the War Damage Corporation. I served on that committee with our good friend, the Honorable Jesse Jones. We worked many nights almost through the night. We ended up by turning over to the Government some \$200 million. So the program was successful.

The insurance companies could handle it without question on a more economical basis. If they follow the scheme I have in mind, the cost to the Federal Government should be very little. I am not saying what might develop if we got involved in an atomic war or if a wide area was contaminated by radioactive fallout.

Under the plan I have in mind, the private companies would, through a pooling arrangement, pay the flood loss up to some specified amount for each occurrence, and what we have been talking about is to have the companies form a pool of 1 or 2 percent of their legal surpluses. That would provide a fund somewhere between—speaking now for mutual companies—\$10, \$15, or \$20 million. Then the Federal Catastrophe Reinsurance Company would come into play acting as a banker to the private insurance companies or pool. The private insurance companies or pool would then reimburse the Federal Catastrophe Reinsurance Company over a period of 10 or 20 years plus a loading for interest and expenses.

In order to permit the companies to build up reserves, the income-tax laws should be amended to make this possible without taxing such contributions to reserves as profits until adequate reserves have been established.

The private insurance companies would pay annually part of the premium which they collect to the Federal Catastrophe Reinsurance Company to cover the normal expenses of operation and to build up a small reserve there.

There is nothing new about this scheme. London Lloyds has been doing it for years. We have such a contract with them now. What it does is takes your shock loss, spreads it out so you don't get these tremendous bumps that are so disturbing to your policyholder in his costs.

One thing is sure—that no other source of credit is available which is great enough to permit the insurance companies to go into this coverage without Federal help. But, as stated previously, the flood part of the coverage does not have to be a drain on the Federal Treasury. Only with the help of the Federal Government can flood insurance be written.

We in our business have always emphasized the desirability of loss prevention rather than indemnity for loss. In my opinion, the Federal Government should follow the same principle and push to the greatest extent possible its present flood-protection program by constructing protective dams, dikes, reservoirs, and so forth, along the

more populated rivers. Many citizens have been benefited at the expense of the general taxpayer by this work, and those still subject to flooding are just as entitled to relief.

I want to add just a word to what I have said about the rate of \$1 per hundred. Of course, it is obvious that the property owner who has all of his property at flood level constitutes a greater risk than the owner whose property is at a little higher level or in a multistory building. Therefore, considerable study would be necessary to work out a rate schedule which would evaluate the hazard in each case. Such a rate schedule would have to have factors for increasing rate in those areas along those rivers that are frequently flooded as opposed to those rivers that have floods only once or twice a century.

As a rather interesting sidelight on the problem, I sounded out a certain group of our larger policyholders to see whether or not we could broaden the spread of the risk so as to get the cost down. What I suggested was that everybody let us load them—their rates—to cover the flood hazard.

Some very interesting letters came in. The people in California, where there is a real earthquake hazard, said, "We have been paying for your windstorm losses in the East for years. We want you to pay for our earthquake losses." The people who were ready to pick up the tab, however, for flood coverage were very few.

And that is why it is so important to bring in the Federal Government to smooth this out, smooth out these big shock losses.

In closing, I would like to just say a word about our local situation here. I have been working with the Governor here and with Mayor Reynolds for several years on this flood problem. I was here at a meeting last night with the Army engineers, and a little group of us subscribed money to employ a well-known engineering firm to draw up plans for a dam that would protect Providence. We were told we could build a dam for under \$7 million. Last night one of the reports that the Army engineers presented corroborated that and showed it could be done for about \$6.7 million.

That is a very paltry sum compared to what Congress is in the habit of appropriating. I would like to see you gentlemen, Members of Congress, request the engineers to submit two reports. They told us it would be 13 months before they will have their report for this area. I would like to see you suggest that they turn in the Providence report immediately. The plans are practically ready. So that we can start work at once and have Congress find some way of appropriating sufficient money with the help of the money that will come from the State and the city and maybe the benefited taxpayers to put this program of local flood protection into effect in Providence without further delay and get this thing done now.

My building has lost \$100,000 in the two floods of 1938 and again in 1954. It is hurting a lot of us.

We can't afford to wait for another hurricane or another flood. The sum which is required to take care of Providence is very small. Rather than wait for 13 months, I hope you gentlemen will do what you can to get us some money right away.

Thank you very much.

Senator LEHMAN. Thank you very much. May I ask you a few questions?

Mr. FREEMAN. Sure.

Senator LEHMAN. We are all very much interested in your statement. A good many of your proposals are included in the bill which I have drafted, but I am not quite sure of all the details which you propose.

Under your plan am I correct in assuming that the Government would work in close cooperation with the insurance companies, would allow the active work to be done by the insurance companies?

Mr. FREEMAN. That is right, sir.

Senator LEHMAN. On a fee basis?

Mr. FREEMAN. That's right, sir. We know the values. We know the properties. We know the description of the risk.

Senator LEHMAN. The insurance companies would, therefore, be utilized to write the insurance, to make estimates, survey the damage, and various things of that sort?

Mr. FREEMAN. That is quite right.

Senator LEHMAN. That is such an important part of their work. I understand furthermore that the Federal Government would set the rates for this insurance, notably in consultation with an advisory committee of the insurance companies.

Mr. FREEMAN. Yes, sir. I would not put it just that way. I think the Federal Government would need our help. If I might tell a little story on the War Damage Corporation, I think you would get a kick out of.

We sat around there with Mr. Jesse Jones for hours, and none of my associates in the industry would name a rate. I happened to have known Mr. Jones for some years, and he said, "Mr. Freeman, what do you think the rate ought to be?" It was 2:30 in the morning. I simply said, "A base rate of 5 cents." Everybody said I was crazy, that it was going to wreck the business. But it didn't. We ended up with a very nice profit for the Government.

There was one little thing that you will get a kick out of, Senator. We began talking about policy forms, and Mr. Jones said, "What is your intent?" I said, "We will insure everything. What we want is dollars to pay losses."

He said, "Are you going to insure million-dollar paintings in the Chicago Museum?"

I said, "Certainly."

He said, "The hell you are. I'm not going to go before Congress and explain paying a million dollars for a 3-foot by 3-foot piece of canvas."

So we could not and were not allowed to insure works of art.

Senator LEHMAN. Well, some insurance companies—

Mr. FREEMAN. Some did; yes, sir.

Senator LEHMAN. Will you inform me further on this—

Mr. FREEMAN. Senator, this scheme of the Government acting as banker is really just a loan of funds and you pay a loading. Now, this may be a trade secret, but Lloyds charges us roughly 40 percent. We pay the loss and then we pay it back to them plus a loading of 40 percent over the next 10 years, so they make a nice thing out of it. I think it's too much, of course, but I hope the Federal Government won't want a 40 percent loading.

But that is the scheme, and they can't lose. The Federal Government can't lose. So to me it's a perfectly sound proposition if it is done on this basis.

Senator LEHMAN. I want to reduce this proposal to its simplest terms if I may so that members of the committee and I and others will understand it. Your proposal is, I understand, based on a recognition of the expectation that if a reasonable rate is set—and this thing would not be a success unless a reasonable rate were set—that there would probably be a loss?

Mr. FREEMAN. Oh, yes.

Senator LEHMAN. Which ultimately would have to be borne by the Federal Government?

Mr. FREEMAN. Quite right.

Senator LEHMAN. That is a form of reinsurance, is it not?

Mr. FREEMAN. Yes.

Senator LEHMAN. In other words, whatever loss was sustained because of the writing of this insurance at a reasonable rate would be borne by the Federal Government?

Mr. FREEMAN. I wish you would add "reasonable and adequate rate."

Senator LEHMAN. Well, I am not quite sure whether I understand the difference.

Mr. FREEMAN. You say "reasonable," but reasonable might not be adequate. Some people want their insurance for nothing, you know.

Senator LEHMAN. Well, then, I will stick to "reasonable," but I mean the Federal Government would reimburse the insurance companies for the loss that was sustained?

Mr. FREEMAN. They would temporarily. Then they would get paid back.

Senator LEHMAN. That would be a form of subsidy or subvention or reinsurance?

Mr. FREEMAN. No, it is really nothing more than a temporary loan of funds which they collect back out of future premiums over the next 10 years.

Senator LEHMAN. My administrative assistant interprets your proposal to include a proposal by which the Federal Government would receive an annual loading charge set by the insurance companies.

Mr. FREEMAN. That is right.

Senator LEHMAN. Is that a fact?

Mr. FREEMAN. That is right.

Senator LEHMAN. What do you mean by that?

Mr. FREEMAN. Well, that is to cover the cost of what would be the equivalent of interest plus any expenses that are involved, and, of course, the Government would not have taxes.

Senator LEHMAN. Well, if they sustained a loss by virtue of the fact that they have written this insurance on a reasonable and adequate basis, there would always be a loss, would there not?

Mr. FREEMAN. No, because eventually that would be paid back by the collection of premiums which the insurance company would use in liquidating the loan they got from the Government.

Senator LEHMAN. I am sure I appear very stupid—

Mr. FREEMAN. Apparently I am at fault in the way I am explaining it.

Senator LEHMAN. Not at all. But I have recognized from the start that if we are going to do this thing you have got to have Federal assistance.

Mr. FREEMAN. That is right.

Senator LEHMAN. The Federal Government has got to be willing to assume certain losses in this thing. I favor that very definitely. My bill provides for that. But if that is the case I don't see—and I have got to be able to explain this thing and my colleagues have got to be able to explain it—how you are ever going to make up the losses which the Government would have to accept.

Mr. FREEMAN. All the Government is doing, sir, is loaning money which is eventually paid back by premium collections.

Senator LEHMAN. But supposing the premiums are not sufficient?

Mr. FREEMAN. Well, that could happen, but I don't think it will happen.

Senator LEHMAN. Why won't it happen—if you think the Government has got to reduce these premiums to a base so low as to be reasonable and adequate?

Mr. FREEMAN. I am hoping that you will get enough people who will want the coverage that the income will be sufficient to do that.

Senator LEHMAN. All right. I think maybe the next question will clear it up. Is this a proposal that you favor only for flood insurance or for general disaster?

Mr. FREEMAN. I feel much surer that it will work for flood. When it comes to atomic radioactive fallout, then I begin to get scared, because the Atomic Energy boys have thoroughly scared the insurance industry. They tell us that we could have a fallout covering an area 300 miles long and 50 miles wide. My companies have probably 10 billions in the area between Philadelphia and Providence along the seacoast, in this highly industrialized area. Well, if the Atomic Energy boys are right in saying that a fallout could cover an area that big, that creates a tremendous problem for the insurance companies and for the Federal Government.

That is why we are all going very slow in committing ourselves to any pool. The Atomic Energy Commission is pushing us terribly to give our answer. My group has an answer for it. Some of the others have not as yet. But there again we have got to have Federal help. And I am not saying this plan would pay out in the case of a major disaster under radioactive fallout.

Senator LEHMAN. I understand that.

Mr. FREEMAN. I say I am sure we can make it work in connection with floods.

Senator LEHMAN. Well, your proposal is for flood insurance—

Mr. FREEMAN. No.

Senator LEHMAN. Other natural disasters?

Mr. FREEMAN. I think you ought to have the act take care of all disasters and then run it as three separate pools. It is perfectly easy to classify your business and have 1 pool handle the atomic hazard, 1 pool handle the flood hazard, 1 pool handle the war-damage hazard.

Senator LEHMAN. The only difference between us I think is this. A great many of these things are provided in my bill. Whether the committee will accept them or the Congress will accept them I do not know. But in advocating it I want to have my facts. The only difference between you and me I think is this: That I recognize very frankly that this is going to mean a loss to the Government which they may or may not be able to recoup, dependent on the density of the coverage, the width of the coverage.

Mr. FREEMAN. It is true the Government temporarily would loan its funds to pay these losses, but if the scheme is as sound as I think it is, the Government eventually would be bailed out without loss and with something for their bother.

Senator LEHMAN. Would you include any other—well, you would include all disasters?

Mr. FREEMAN. Yes.

Senator LEHMAN. Both man-made and natural?

Mr. FREEMAN. Of course, I don't need to tell you that I and a lot of my associates don't like to see the Government getting into the insurance business. Some of my associates are dead against any Federal reinsurance program, and that is what is holding them back. We have to pay out the dollars in the first place and we have got to be sure that the Federal Government is going to be right there behind us, shoveling out their money with us and at the time it is due, because the policyholders are going to want the money. And some of the boys are a little bit afraid to put themselves in the hands of the Government to that extent.

Senator LEHMAN. May I say this to you, Mr. Freeman: While you expressed your great interest in the larger corporations, you have emphasized what I tried to emphasize at all these hearings and that others have emphasized—that it is the little fellow who really needs protection much more than big business.

Mr. FREEMAN. That is true.

Senator LEHMAN. Although I do not belittle or minimize the need of protection for the larger corporations—

Mr. FREEMAN. Whether the little man with a property worth \$10,000 could pay under my scheme \$1 per \$100, which would cost him \$100 a year, I don't know. I don't know whether he could afford it or not. It doesn't seem like much to some of us. To some people it might seem like an awful amount of money.

Senator LEHMAN. I realize that. But the big fellow, assuming now that his corporation has a large income, is able to write the loss off in most cases and deduct 52 percent on his corporate tax. The wealthy man who owns a home, a man with a large income, if his \$50,000 home is destroyed, probably can write it off from his high bracket and pay for his loss virtually nothing except sentimental attachment to his home. That is a fact; is it not?

Mr. FREEMAN. That is a fact; yes, sir.

Senator LEHMAN. That is why, while I am interested, of course, in protecting industry in every way possible, I do think it is the little man who really needs our protection more than anybody else.

Mr. FREEMAN. Well, I agree with you, Senator, that is true. But I don't like class legislation. For me, that smells of class legislation.

Senator LEHMAN. I realize that.

Mr. FREEMAN. We are all citizens. We are all taxpayers. I think everybody is entitled to equal treatment.

Senator LEHMAN. Well, there would be no question about equal treatment at all. It is only that the big man can protect himself and the little fellow can't. That is the only difference I mean. He can protect himself under the laws as they now exist.

Let me ask you—Does your company write any damage insurance?

Mr. FREEMAN. What type of damage?

Senator LEHMAN. Flood.

Mr. FREEMAN. No, sir; some companies do under these floater policies.

Incidentally, somebody said here this morning—I think Mr. Finkelstein—that flood coverage was not available. Well, that is generally true. Lloyds has just quoted on a plant in Fall River for me where they wanted flood coverage—\$400,000 with deductible of 10 percent at an annual rate of 10 percent. So they don't get much for their money, and I certainly would not recommend any corporation paying such a price as that. That isn't going to make my friends in London feel happy, I think they would be very foolish to pay that rate, they had better take it as tax deduction. But if you want to pay through the nose you can get flood insurance.

Senator LEHMAN. Does Lloyds write any, any more? I am told they do not.

Mr. FREEMAN. I have a quotation on my desk now for that amount, so they apparently are willing to write it.

Senator LEHMAN. Are they writing in this country?

Mr. FREEMAN. Yes, sir.

Senator LEHMAN. In my bill I cover both real property, inventories, and personal property, such as furniture and other things. In your proposal would personal property and inventory be covered just the same as real estate?

Mr. FREEMAN. Yes; indeed. Senator, I wonder if I can call on our general counsel, Ambrose Kelly? He says I have forgotten something.

Mr. KELLY. Mr. Chairman, just one comment.

Senator LEHMAN. Will you identify yourself?

Mr. KELLY. Ambrose B. Kelly, general counsel, Associated Factory Mutual Company's.

I noted your discussion with Mr. Freeman on this question of reimbursement for reinsurance and who was going to suffer the loss. What is involved here is basically a question of rate, as I think you have realized.

You have had in mind, I feel, that this cannot be afforded unless the rate charged is below the actual cost of doing business so that a loss is inevitable. Mr. Freeman's plan contemplates that those people who are purchasing flood insurance will in the long run, without paying an unreasonable amount, be able to pay the full cost of the program, and I think there is that basic difference.

You are thinking in terms of a subsidy in that you do not feel that the rate which people will be able to pay will be sufficient to pay the flood losses sustained, while Mr. Freeman's study leads him to the conclusion that, taking it over a long period of time and particularly coupled with the type of flood-prevention program which General Fleming was discussing today which should in time reduce the losses, that if there was a mechanism through which the shock, catastrophic losses could be reinsured with the Federal Government so they would take the load off the private companies and then they would be repaid in the form of reinsurance premiums over a long period of time, it would be possible as we see it for the program to be fully self-supporting.

I think you were looking for a loss which you felt the Federal Government had to bear, which Mr. Freeman in his plan did not think would necessarily happen.

Senator LEHMAN. May I ask this: Does Mr. Freeman's plan assume compulsory insurance or voluntary insurance?

Mr. FREEMAN. I don't think compulsory insurance would work, sir. People don't like to be told.

Senator LEHMAN. I know they don't. But what I am getting at is this: I think it is perfectly true this thing might be self-supporting within a reasonable time providing you can widen your base.

Mr. KELLY. That is right. You could have such a widening of the base without compulsions if lending institutions would feel that such coverage should be carried for their own protection. For example, we have had within the last 10 years a tremendous enlargement of the amount of windstorm or extended coverage carried because the loaning institution which made a loan on real property required that protection.

In the same way, if loaning institutions would insist that the owner of the property, in order to protect the loan, would carry flood or disaster coverage, you would get the wide base which you need to make the plan operate.

Senator LEHMAN. Thank you very much.

Mr. KELLY. Thank you very much.

Senator LEHMAN. I want to clear up this Lloyds proposal for the record. We have had information that Lloyds no longer writes insurance on real property. Does the quotation that was given you cover real property or personal property?

Mr. FREEMAN. I would say you have been misinformed. Am I right, Mr. Kelly? Does Lloyds still write coverage on real property in this country?

Mr. KELLY. They do. Lloyds is licensed in two States as a licensed insurance company. It operates through reinsurance, of course, in almost all of the other States. It has sometimes been accused—and I do not represent them so I can't ask for the fifth amendment as a defense—they have sometimes been accused of writing direct insurance on property in States in which they are not licensed.

Mr. FREEMAN. We don't like it.

Senator LEHMAN. Well, if they quote any rates such as you have mentioned, to all intents and purposes they do not offer insurance, because that would be perfectly prohibitive.

Mr. FREEMAN. In London last year I went right to the chairman of the London Lloyds about this, because I had two specific cases where they had taken specific business from us and I didn't like it, and they were stopped.

Mr. FOGARTY. I would like to ask one question, Senator, to get clear in my mind. Mr. Freeman, in your closing statement you made a statement that you hoped that the Members of Congress would urge the Army engineers to get going a little faster on this barrier in Narragansett Bay and left the inference, as you said it, that maybe this estimate for the 1 costing \$6.2 million might be the answer. Did you mean to infer that that would be the best one?

Mr. FREEMAN. I'm very sure of that. There are 2 plans that are practically identical, the McGuire plan and the Main plan, and they run between \$6 million and \$7 million. The dam is within about a hundred feet of one location or the other. And rather than wait 13

months for the Army engineers to complete this tremendous program, I say let's get going and take care of Providence, because out of the \$70 million of damage, \$50 million of it occurred in Providence.

Mr. FOGARTY. Maybe I should know more than I actually do about it, but I read the article that was in the paper this morning talking about this proposed dam down at South Street I think it was.

Mr. FREEMAN. That's right.

Mr. FOGARTY. Costing \$6 million. Then further down, around Fields Point, another estimate of \$15 million, another one at \$18 million, and then another 110 to 170 million dollars at the entrance to the bay.

Mr. FREEMAN. That's right.

Mr. FOGARTY. If the Army engineers made a determination that it is best for the city of Providence and the bay area that this project be built at Fields Point instead of South Street, I would think that we'd be bound by their advice, because they are the ones who know more about it than I. How do you feel about that?

Mr. FREEMAN. Well, I have served on Mayor Reynolds' committee for a year now, isn't it, Mayor?

Mayor REYNOLDS. About that.

Mr. FREEMAN. We have studied every report for every location. And outside of that, a group of us hired this outside engineering firm. We are, of course, primarily interested in Providence because this is practically a city-State here whether we admit it or not. Sixty percent of the people are in the city. It is a very important factor. I just don't feel we can afford to let this thing go on and take this risk. I think we have just got to get Providence protected.

Sure, it's too bad about the people just the other side of the dam, but we have just got to get going on this thing. Hurricanes and floods are not going to wait.

Mr. FOGARTY. I mean is there any engineer who told you that this project could be completed within a year?

Mr. FREEMAN. Within about 18 months; yes, sir.

Mr. FOGARTY. From the time you get the money?

Mr. FREEMAN. From the time we get the money to go ahead.

Mr. FOGARTY. I do not know how Congress could appropriate the money unless they had the advice of the Army engineers. I do not think that project would get priority from Congress under any appropriation without the specific recommendation of the Army engineers as to where that project should be located in the overall plan on Narragansett Bay.

Mr. FREEMAN. I agree with you, but I think you can tell the Army engineers that you want them to report on Providence immediately, and then they give you the report on Providence and we can get your appropriation and go ahead with that.

Mr. FOGARTY. But if they tell me, "Well, maybe this one down at Field's Point is going to be better, economically it will be better for the city of Providence as a whole than this \$6 million estimate will be at South Street," what am I to do then?

Mr. FREEMAN. I don't want to do the mayor's talking for him here, but his committee has studied this, and we are convinced that to do the job for Providence the dam at South Street is the answer.

Mr. FOGARTY. I am just as anxious as you are to get this job completed, and I think that we, Mr. Forand and I and Senators Green

and Pastore, were able to get this survey authorized last year and get the full appropriation that the Army engineers recommended for the survey to start. We hope that we will be able to get the appropriations that they will ask for in this coming spring for the next fiscal year to continue the study and to do something about these catastrophies. But I am still not clear as to the authority in this. After the Army engineers have had a chance to complete the study, if they come up with a recommendation that maybe Fields Point is better than South Street or the entrance of Narragansett Bay area, I would think I would be almost forced to go along with their recommendations, which would be based on their experience and their background and their knowledge of this particular situation which they claim is unique in engineering research.

Don't you agree with me on that?

Senator LEHMAN. Congressman, may I say I think you must understand that we have a number of other witnesses, and this is a hearing on a general proposition of disaster insurance, and while I would be only too glad to have you discuss this thing at greath length with Mr. Freeman and his associates, I do not think this committee can spend the time, the very limited time at our disposal. I have to leave for New York within an hour.

Mr. FOGARTY. I will not ask any more questions. I just wanted to make that remark and clear it up.

Senator LEHMAN. I am sure you will have ample opportunity.

Mr. FOGARTY. You have been very generous, and I appreciate it.

Senator LEHMAN. I would like to give you as much time as you want, but I am sure you will be able to discuss this thing at your leisure many times privately or in public.

Mr. FOGARTY. You have been very generous, Senator, and I appreciate it.

Senator LEHMAN. May I express my thanks to Mr. Freeman. It has been very helpful indeed. It certainly will receive very careful consideration. I want to also thank Mr. Ambrose Kelly as well as you for his great help to our staff in giving us information which could be used and has been used helpfully in our staff study.

Mr. KELLY. Thank you.

Senator LEHMAN. I hope other insurance groups will be equally helpful.

I am going to ask Mr. Thomas F. Policastro, president of the Rhode Island State Industrial Union Council, CIO, to come forward. I understand you have several people with you.

**STATEMENT OF THOMAS F. POLICASTRO, PRESIDENT, RHODE ISLAND STATE INDUSTRIAL UNION COUNCIL, CIO, ACCOMPANIED BY LIONEL M. GAUVIN AND JOSEPH E. DESROSIERS, OF WOONSOCKET, R. I., AND LAWRENCE N. HOULE AND JOHN SCALLON, OF PROVIDENCE, R. I.**

Mr. POLICASTRO. Very briefly, Senator Lehman, we are from the Rhode Island CIO. There is no need for us to present to you lengthy testimony today, because in Boston yesterday Brother Belanger, who is chairman of the New England Conference of CIO Councils, presented lengthy testimony to you and your committe. However, for

the record, we of the Rhode Island State Industrial Union Council are heartily in favor of a Federal disaster insurance just as soon as we possibly can obtain it.

However, when we state that we are for something, our position on this issue was the result of much hardship, much suffering on the part of our rank-and-file membership, and today I have with me Brother Joseph Desrosiers, of the Rubber Workers Union, Local 224, in the city of Woonsocket, Brother Lionel Gauvin from the same local union, and from the Warwick area Brother Lawrence Houle and Brother John Scallon, of Local 4408 of the United Steelworkers of America.

Mr. Houle, will you please speak first?

Mr. HOULE. My name is Lawrence Houle. I heartily agree with all the witnesses who have testified for the need of disaster insurance. I know this firsthand, for in a few moments I lost the result of 20 years of hard labor, self-denial, and just plain "do without."

Even so, I count myself fortunate, for I just barely evacuated my wife and 3 children by seconds from the immediate area that claimed the lives of 2 of my neighbors.

When you lose your home and your possessions you just don't start from scratch. You don't start from scratch. You immediately plunge yourself into debt. In the case of a middle-aged worker with three children to rear, the future seems rather bleak.

While it is true that I now possess comparatively few of the world's goods, I am still as independent as the man that stands on the top of this building. I am opposed to a handout. I believe that the worker eventually can and will pay for anything he receives. He always has and I imagine he always will.

Thanks for the hearing.

Senator LEHMAN. Did you own your house?

Mr. HOULE. I did, sir.

Senator LEHMAN. Did you have a mortgage on it?

Mr. HOULE. No mortgage, sir. I cleared it up.

Senator LEHMAN. It was paid up?

Mr. HOULE. Paid up.

Senator LEHMAN. Was the house destroyed or damaged?

Mr. HOULE. The house was destroyed. It wasn't completely destroyed, but it was destroyed to this point: The heating plant was gone. The front of the building was gone too, cleared right off. Of course, in a city that lacks sewage facilities you can understand what happens when the water piles up 5 or 6 feet in the yard and what backs into the house. It's almost unlivable. For all practical purposes my home was destroyed, and it was only through the efforts of friends and myself working you might say around the clock that we put it back in livable condition. Even today it is not what it was formerly.

Senator LEHMAN. Did you get any assistance from any Government agency or the Red Cross?

Mr. HOULE. I did. I received assistance from the Small Business Administration and I am paying for that now.

Senator LEHMAN. Now, you—

Mr. HOULE. I plunged into debt.

Senator LEHMAN. Thank you very much. How long a loan was that, may I ask? For what period was that loan?

Mr. HOULE. For 15 years.

Mr. DESROSIERS. My name is Joseph Desrosiers from what they call the social district in Woonsocket. I have 5 children, 2 of whom are in the service in Germany. I don't own a house but I have a tenement apartment of seven rooms. When the flood came that went to a foot from the ceiling and it destroyed all my furniture and left a foot and a half of mud in the house.

To get back on my feet I went out and I took a \$500 loan at 8 per cent, and I cashed some life policies that I had on the children. I had aid from the Red Cross and from the Catholic diocese and also from the Help Thy Neighbor Committee in Woonsocket. But I mean it's a thing that set me back I'd say to the time I started my family, and I heartily am in favor of getting an insurance for the small man.

After hearing all this talk about millions of dollars, it set my head whirling. After all, I mean—

Senator LEHMAN. It does mine, too.

Mr. DESROSIERS. That's probably all I can say about it.

Mr. GAUVIN. My name is Lionel Gauvin, 20 Nourse Street, Woonsocket. That is part of the social district. The same thing happened to us. Everything was wiped out by this water.

I had just renovated and put in a new heating system, hot-water system, a little convenience to make the homelife easier. Now that's all gone and I cannot replace it unless I borrow it.

Senator LEHMAN. Do you own your house?

Mr. GAUVIN. No, sir, but it's under the understanding that I do the repairs because I pay a low rent. At the same time, the plant in which I am employed, United States Rubber, suffered a great deal of damage which left us out of work. So we were, I believe, about 13 days out of work. But the bills keep coming in just the same. And we have these added bills coming in also now.

Senator LEHMAN. Did you have to borrow after this?

Mr. GAUVIN. Oh, you have to borrow, sir.

Senator LEHMAN. No, I don't mean on that, but I meant you say your heating system was destroyed.

Mr. GAUVIN. That's right.

Senator LEHMAN. And other things. Are you replacing those?

Mr. GAUVIN. I can't replace them right now. I mean the heating system I have replaced because I need it, but as far as the other things, that takes time.

Senator LEHMAN. Was your furniture destroyed?

Mr. GAUVIN. The furniture is destroyed.

Senator LEHMAN. Did you have any insurance at all?

Mr. GAUVIN. No.

Senator LEHMAN. All right.

Mr. HOULE. Mr. Lehman, I'd like to add, too, my furniture was destroyed in its entirety, and I also received greater assistance than what I mentioned. The CIO helped me quite a bit, but I consider it a loan. Though they refused repayment, I still consider it as a loan. And I did borrow \$1,000 immediately from my credit union. Without the credit union and without the help of the CIO, I would have been destitute, because I want to point out at the time that the plant that I work in was also crippled at the time, so not only were all my possessions destroyed but my livelihood was gone, too. I didn't know at the time this plant was going to open up as quick as it did.

It could have been much worse. It could have closed the place down completely, could have destroyed it completely.

Mr. POLICASTRO. That's about it.

Senator LEHMAN. Thank you very much.

The next witness is Edwin C. Brown, secretary-treasurer, Rhode Island Federation of Labor.

**STATEMENT OF EDWIN C. BROWN, SECRETARY-TREASURER,  
RHODE ISLAND FEDERATION OF LABOR**

Mr. BROWN. Mine will be the shortest testimony of the day. I am Edwin C. Brown, secretary-treasurer of the Rhode Island State Federation of Labor.

The Rhode Island Federation of Labor is very much concerned over the recurring devastation to our economy caused by high water. We are not of the opinion that every time we are confronted with a problem we must turn to the Federal Government for the solution. However, in this present situation we feel that Federal intervention is imperative. Periodically, our State is being visited by ruinous water damage caused by abnormal storms. We have no specific solution to the problem. We feel we are not qualified to offer the solution. We look to our Federal Government and qualified experts on such matters to present the solution.

We are concerned about the havoc it has caused. From the north several rivers and streams pour a heavy accumulation of water into our State. This water is accumulated over a multi-State area. It is caused either by melting snow or abnormal rainfall.

From the south, the mouth of our Narraganset Bay serves as a perfect funnel to carry the angry wind-swept seas right up through the middle of our State. Both sides of the bay are inundated and the churning water is emptied into our concentrated business district of Providence. Steps must be taken to retard the flow of Atlantic sea water that has flooded this area.

These flooding conditions have washed away hundreds of millions of dollars worth of homes, businesses, and jobs. Unharnessed New England waters and the Atlantic Ocean have killed scores of people and created conditions that are not conducive to good health.

Because of the many States involved in correcting this condition we must turn to our Federal Government for assistance. The fast-moving streams to our north must be harnessed. Other areas of this Nation have been greatly improved through Federal intervention. The Mississippi and Ohio are examples. TVA and the many dams in the West are testimonials of what our Government can do to help the people if it so desires.

It is quite possible that many of our illnesses could be attributed to our polluted streams. At the risk of being accused of creeping socialism I believe that a Northeast Authority should be established to harness our rivers, eradicate germ-breeding areas and generate lower-cost power by erecting a series of dams and reservoirs and also issue insurance to cover disaster.

We need help, and only the Federal Government is in a position to render it. We need to retard the flow of water and also provide disaster insurance to cover possible loss of business property, homes,

crops and possible aid to cover loss of jobs. We need a little "creeping progress" in New England.

Senator LEHMAN. Let me ask you, Were many of your men thrown out of employment?

Mr. BROWN. Fortunately for the members of the American Federation of Labor there were not too many in this concentrated area in Woonsocket. There were some. There is an independent union in Woonsocket that did have several members of their union who were adversely affected. But in the hurricanes of the previous years, several of our members lost their complete homes, their entire belongings and like that.

In Providence here some of our unions were affected. While we didn't have too many of our people directly affected in a devastating way, members of other unions were. I am thinking now of the teachers union in Providence. They adopted a family from Woonsocket that had been completely wiped out and were very instrumental in rehabilitating that particular family.

Those were the things that they had to turn to. But fortunately, as I say, the American Federation of Labor members in this area were spared.

Senator LEHMAN. Thank you very much.

Mr. John F. Kirby.

#### STATEMENT OF JOHN F. KIRBY, PRESIDENT, RHODE ISLAND ASSOCIATION OF INSURANCE AGENTS

Mr. KIRBY. Senator Lehman and members of his committee, Governor Roberts, in my capacity as president of the Rhode Island Association of Insurance Agents I wish to offer the facilities of the 319 member agencies of this association if a program of flood insurance is adopted by the Government.

Our agency forces and their facilities are available as a distributing agent for whatever program may be adopted.

We are heartily in accord with any movement that will tend to offer this type of insurance coverage, and we offer our assistance in whatever capacity this committee may desire in its deliberations.

Senator LEHMAN. Thank you very much. I want to thank you for your offer. We deeply appreciate it, and we will certainly not hesitate to call on you.

Conversely, if you have any suggestions to make which will simplify our task and bring us greater wisdom than we have at this moment, we would be glad to have it.

Mr. KIRBY. Thank you very much, Senator.

Senator LEHMAN. We have no further recorded witnesses, but I would be glad to hear anybody.

Mr. LADD, I am sorry. I overlooked your name. We will be delighted to hear from you.

Mr. LADD. Senator Lehman, I was a little bit afraid I had been lost in the shuffle.

Senator LEHMAN. I think you weren't here—

Mr. LADD. I was here right along, but that's all right.

Senator LEHMAN. I want to express my regret.

Mr. LADD. I am very glad to be included.

**STATEMENT OF PAUL R. LADD, GENERAL MANAGER, GREATER PROVIDENCE CHAMBER OF COMMERCE**

Mr. LADD. I am Paul R. Ladd, general manager of the Greater Providence Chamber of Commerce.

Senator Lehman, I want to say the city of Providence and the State of Rhode Island have been visited already by disastrous floods, both riverborne and seaborne. It would be repetitious here to recite the extent of damage and the suffering due to loss of life and property. Suffice it, therefore, to record that the past experience and the future threats require both flood-control and flood-insurance facilities for the future protection of our citizens and our businessmen.

The executive committee of the Greater Providence Chamber of Commerce at a meeting held yesterday instructed me to speak for that organization of 1,800 members and in so doing to state that we are in thorough accord with the general proposal of establishing a Federal disaster insurance plan which includes flood insurance.

The Providence chamber strongly supports the principle of such insurance. We do not, however, have a specific plan. This is a complex problem, and in this regard we are putting to work a study committee which will look into the various plans which may be proposed.

The executive committee instructed me further to report that they urge the maximum use possible of private insurance companies which have the know-how, the ability, and the enterprise to furnish valuable service of this kind.

We feel that the Government must underwrite or subsidize disaster insurance in some way, but we also feel that private insurance companies should be used in the plan which is devised to the greatest extent possible.

I would like to say in supplement to this, Senator Lehman, and in conclusion, that the Providence chamber might have had more to say about flood control and prevention but they understood this was a disaster insurance hearing. But they will be very gratified to know that so many witnesses have emphasized the point of flood control.

They will be gratified also to know that you have accepted the relevancy of that phase of this whole problem. For example, anything that we can do to get appropriations and control floods and prevent these disasters is also going to lessen the loss of life which can't be restored.

No. 2, it is going to reduce by the extent to which there is prevention the insurance premiums or the rates which are required, and that, according to General Fleming's testimony, is going to be very substantial.

No. 3, the Federal Government will get a byproduct benefit in the form of increased income taxes, because I read a report recently of one of the national industrial concerns which has several plants in Rhode Island, and they in this last flood suffered something over an \$11 million loss in this eastern seaboard, and they took a tax reduction, an estimated tax reduction, which was recorded in their report, of something between \$5 million and \$6 million. So there again is a very strong argument for the Federal Government stepping in and helping us out for flood control.

We also had an illustration of what the threat of flood means. Not long ago we had a very large and important firm here that had grown like Topsy, and they wanted to expand, and we were told that there was a site here in Rhode Island that they would have used which then was the only one available to them. It did happen to be on lowland. They turned it down in favor of going out of the State. That represented a very real loss in payroll and taxes to the city and to the State of Rhode Island.

So the threat of these hurricanes can be a very real damage as well as the hurricane itself.

The Providence Chamber of Commerce has declared that it will hang onto this problem of adequate flood control until it is completely solved for this area.

Thank you.

Senator LEHMAN. Thank you very much indeed. Will you just wait one moment? I want to assure you that all those members of the committee with whom I have spoken wish to have the fullest cooperation of the insurance companies and to work with them closely.

I can also assure you that all the members of the committee and other Members of the Congress with whom I have spoken would be in my opinion very adverse to reducing our flood control efforts and appropriations. Quite the opposite. Many of us favor very substantially increased appropriations because we realize the importance of that work both for the saving of lives and for the saving of property and the conserving of the economy of an area.

You have no plan to submit, you told us. This is a very complex problem. We welcome suggestions. If within the next few weeks you evolve through your committee or otherwise any plan, we would be very grateful to you if you would let us have it. We will study it. We want the best advice on this subject that we can get, as we realize the complexity and the difficulties of the plan.

I want to ask the mayor of Providence one more question if I may.

Many witnesses have testified that the cost of this insurance and the frequency of floods, flood disasters, would be reduced if there were stricter zoning laws. Obviously you cannot rapidly move your factories and your homes in a large community away from the areas which are in jeopardy. But it has been testified that much could be done in the way of preventing the erection of new homes, new factories in these threatened areas. Is anything being done along these lines?

Mayor REYNOLDS. We have a new redevelopment project in the West River Park which is not in the lowland, but I think the cost would be prohibitive to move the factories that are along the waterfront right now.

Senator LEHMAN. I realize that, but is there—

Mayor REYNOLDS. We are opening up new industrial sites that are not in the flooded area.

Senator LEHMAN. Governor, is there much in your opinion being done in other areas of the State to bring about intelligent zoning of new construction? I am not talking now of rezoning of old construction.

Governor ROBERTS. Many of the communities centered along the bay and down on the ocean front are drafting zoning ordinances which put restrictions upon the building of certain types of construction in areas—I think the first zone is 10 feet above sea level, then 20

feet above. There is intensive zoning in South Kingston. Westerly Rhode Island is going into an intensive zoning program, and they are trying by zoning to keep construction out of the vulnerable areas. So if we get floods we will not lose lives and so forth. There is quite a bit of activity, if that is the activity you are referring to.

Senator LEHMAN. That is exactly the activity, and in my judgment much can be done along those lines. I am not referring now to the removal of existing factories along large areas.

Governor ROBERTS. Providence has a very difficult situation. The great percentage of its valuation, the high tax district, is in the vulnerable area where you get the hurricane tidal floods where we were this noontime. There were 15 feet of water in there in 1938.

I would like to place in the record two teletypes from the Weather Bureau concerning a new storm moving toward New England.

Senator LEHMAN. Without objection, they will be included in the record.

(The teletypes referred to follow :)

171 State to general G-44

*November 10, 1955.*

From United States Weather Bureau, Hillsgrove

Ver bulletin issued by United States Weather Bureau at Hartford, Conn.,  
November 10, 1955

An intensifying and rapidly moving storm centered off the coast of North Carolina this afternoon is expected to move northward through New England Friday with rain beginning tonight possibly moderate to heavy at times before ending Friday afternoon. With the streams high from recent storms and the ground still soaked there is a threat of flooding during tonight and Friday throughout southern New England and on the tributaries to the Connecticut River in Vermont and New Hampshire. Since the storm is still 500 miles away a definite statement as to the intensity of anticipated flooding is not possible. But people should listen for later advisories which will be issued frequently tonight and Friday by the Hartford-Springfield Weather Bureau at Bradley Field in Windsor Locks, Conn.

169 State to general G-43.

*November 10, 1955.*

From US Wet

From United States Weather Bureau, Hillsgrove.

Weather Bureau, Washington National Airport, 3:30 p. m., November 10, 1955.

A disturbance which developed in the Gulf of Mexico is now centered over eastern South Carolina and is expected to move northeastward along the coast 30 to 35 miles per hour bringing moderate to heavy rains tonight and Friday from the Middle Atlantic States northward into New England. Rains have now spread northward to Maryland and Delaware and are expected to reach the southern New England coast before midnight. Due to the soaked condition of the ground there is a potential flood danger for some northern sections threatened by heavy rains particularly those sections of southeastern New York and portions of New England where streams are still running high due to the heavy October rains. It is still too early to give definite forecasts as to amounts of danger from flooding and therefore all concerned should be on the alert for later bulletins issued by weather bureau-river forecasts offices in their areas. Northeast storm warnings for strong to gale force winds are displayed along the coast from Cape Hatteras, N. C., to Block Island and warnings will be extended along the New England coast later this evening.

Senator LEHMAN. Mr. Ladd, I want to ask you one more question. Have you any idea how many of the residents of Providence either in business or occupants of private homes have flood insurance or have any insurance?

Mr. LADD. Senator, during the last flood there was only one firm which I know of which did have insurance with Lloyds, and that was a very substantial amount. And Lloyds, of course, has the responsi-

bility of paying that off. But the company has inquired about new insurance, and the rate has been upped, as Mr. Freeman pointed out, to the extent that this same company will not reinsure or at least has not done so at the present time.

I understand that there are several firms which had some coverage in a form of insurance policy that took care of optical goods and some photographic supplies that were flooded, but that was only a fraction of the loss of those particular firms. No others that I know of had any insurance whatsoever.

Senator LEHMAN. Have you any idea what the rate was on those companies that were covered?

Mr. LADD. I do not know what the rate is. I think it was in a general insurance coverage for the optical and photographic supply coverage. The rate as I understand it of Lloyds had been 1 percent with a certain deductible, and, as Mr. Freeman stated, it has been upped to 10 percent at the present time. I was told that. I do not know it first hand.

Senator LEHMAN. Well, that now completes I believe all the listed witnesses. Is there anybody else who wants to be heard.

Governor Roberts, do you want to say anything in conclusion?

Governor ROBERTS. No, I have nothing further, Senator, except once again to express the appreciation of the people of Rhode Island, the men and women who have had an opportunity to be here today, and my own personal appreciation for your kindness and your patience. We have a recognition of the thoroughness with which you are approaching this problem, and we have confidence that if it is within your power we will get some immediate relief.

Senator LEHMAN. Thank you very much.

I have a letter from the Firemen's Mutual Insurance Co. of Providence which will go into the record.

(The letter referred to follows:)

FIREMEN'S MUTUAL INSURANCE CO.,  
Providence, R. I., November 8, 1955.

HON. HERBERT H. LEHMAN,  
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: In connection with your committee investigating the question of flood insurance, I have yet to see any intelligent suggestions by insurance representatives or anyone else. In the hope of contributing something to the situation I suggest the following program:

Provide for a compulsory surcharge of 5 percent on all insurance premiums written (only premiums covering property damage). In case of mutual companies, net premiums after dividends.

Surcharges so collected not to be subject to State premium taxes. Not available to the insurance companies as profits and therefore not subject to Federal income taxes.

Not permitted to be distributed as dividends to stockholders of stock companies or as dividends to policyholders in mutual companies. In other words, insurance companies to set up funds so obtained as a segregated item in their statements to be termed the "disaster reserve." To be used only for payment of losses occurring from floods and other specifically designated losses now termed "disasters" and not now available for protection by existing insurance policies.

Premiums now written annually covering property damage in the United States are currently reported at approximately \$4 billion.

A 5 percent charge would produce an annual disaster premium of \$200 million to which would be added all premiums collected by the sale of flood insurance plus any investment income from the fund.

The Federal Government would set aside the sum of \$1 billion to be used only as excess reinsurance after the funds obtained by surcharges and premiums had been exhausted.

In the beginning, amount of insurance available in any 1 location should be limited to, say, \$250,000.

All policies should be written with a deductible clause whereby the assured assumed, say, \$25,000 of liability, or 10 percent of the loss, whichever is less.

Rates to be charged the policyholder to be determined by a competent group of insurance underwriters representing all branches of the insurance industry.

Since it is proposed to handle this project free from taxes, limit the administrative cost to a nominal figure, say 15 percent. As the volume builds up, this might in time be reduced.

Flood policies to be written by agents or direct writers same as present procedures on fire policies. Write policies only on a term basis, 3 to 5 years. Premiums payable on delivery of policies thus eliminating costly collection problems and bad accounts.

Losses to be adjusted by insurance company adjusters as at present. Cost of adjustment part of the loss cost.

Losses to be prorated among all insurance companies in proportion to surcharges and premiums collected by each.

Collection of losses from participating companies and payment to the assured to be handled by large group units such as factory mutual companies, Factory Insurance Association, American Mutual Alliance, Federation of Mutual Fire Co's. They may call on the United States Treasury for payment from excess fund if it is needed. The above groups represent practically all insurance companies in the country. Do not include insurance companies with annual gross income of less than \$75,000 thereby eliminating particularly a host of little farm mutuals.

Limit the authority of State insurance departments to the auditing and policing of these funds and its uses; also the control of discrimination in rates; thus avoid 48 different brands of regulation of this project.

Supervision and administration of the program to be in the hands of a small committee of, say, 8 members, consisting of 2 representatives of the Government, and 6 from various insurance groups, thus eliminating the creation of what might readily become another large Government bureau.

There will be many objections to this plan.

(1) Owners of insured property in areas not exposed to floods will object to sharing the cost of this project. It is universally agreed that no flood-insurance plan can obtain sufficient spread of risk to stand on its own feet; therefore, the cost must be passed on. This program spreads it out more thinly than any other method. For example, the small-home owner in Providence with, say, \$10,000 insurance on his house would contribute approximately \$1.75 per year by his surcharge cost.

(2) Objections will be raised to any program free from Federal income taxes, but this is a disaster-relief program without profit to anyone. There is no more reason to tax it than to tax the Red Cross.

(3) Objection will be raised to the prohibition of the use of these funds as dividends to stockholders or as dividends to policyholders. There is nothing inherent in the ideals of American business that makes it essential to make a profit out of a calamity.

The program is an attempt to find a way whereby the insurance industry finds a way to offer its nationwide expert facilities to render a public service. The alternative may well be a nationwide Government organization much more expensive and much less competent.

A few years' experience free from the disasters of recent years, a situation which we perhaps are entitled to expect, would permit this program to become entirely self-supporting.

Very truly yours,

F. T. MOSES, *Chairman of the Board.*

(The following was subsequently received for the record:)

FIREMEN'S MUTUAL INSURANCE CO.,  
*Providence, R. I., December 6, 1955.*

#### FLOOD INSURANCE

In the hope of contributing something to the problem I suggest the following program:

Provide for a compulsory surcharge of 5 percent on all insurance premiums written (only premiums covering property damage). In case of mutual companies, net premiums after dividends.

Surcharges so collected not to be subject to State premium taxes, not available to the insurance companies as profits and therefore not subject to Federal income taxes.

Not permitted to be distributed as dividends to stockholders of stock companies or as dividends to policyholders in mutual companies. In other words, insurance companies to set up funds so obtained as a segregated item in their statements to be termed the "disaster reserve," to be used only for payment of losses occurring from floods and other specifically designated losses now termed disasters and not now available for protection by existing insurance policies.

Premiums now written annually covering property damage in the United States are currently reported at approximately \$4 billion.

A 5 percent charge would produce an annual disaster premium of \$200 million to which would be added all premiums collected by the sale of flood insurance plus any investment income from the fund.

The Federal Government would set aside the sum of \$1 billion to be used only as excess reinsurance after the funds obtained by surcharges and premiums had been exhausted.

In the beginning, amount of insurance available in any one location should be limited to, say, \$250,000.

All policies to be written with a deductible clause whereby the assured assumes, say, \$25,000 of liability or 10 percent of the loss, whichever is less.

Much can be said for and against the use of a deductible clause. Its advantages are that it (1) avoids a host of minor claims, (2) if the deductible is large enough it is an inducement to the assured to handle the loss as economically as possible, (3) the amount of the deductible is a loss for income-tax purposes.

Rates to be charged the policyholder to be determined by a competent group of insurance underwriters representing all branches of the insurance industry.

Since it is proposed to handle this project free from taxes, limit the administrative cost to a nominal figure, say 15 percent. As the volume is built up, this might in time be reduced.

Flood policies to be written by agents or direct writers same as present procedures on fire policies. Write policies only on a term basis, 3 to 5 years noncancelable and not to be effective until 30 days after inception date. Premiums payable on delivery of policies thus eliminating costly collection problems and bad accounts.

Losses to be adjusted by insurance company adjusters. Cost of adjustment part of the loss cost.

Losses to be prorated among all insurance companies in proportion to surcharges and premiums collected by each.

Loss payments to be made from funds collected in the following order: (1) Earned premiums paid for flood policies, (2) funds accumulated from surcharges as earned, (3) excess available from United States Treasury.

Collection of losses from participating companies and payment to the assured to be handled by and limited to large group units such as factory mutual companies, Factory Mutual Association, American Mutual Alliance, Federation of Mutual Fire Companies. They may call on the United States Treasury for payment from excess fund if it is needed. The above groups represent practically all insurance companies in the country. Do not include insurance companies with annual gross income of less than \$75,000 thereby eliminating particularly the many small farm mutuals.

Limit the authority of State insurance departments to the auditing and policing of these funds and its uses; include the control of discrimination in rates; thus avoid 48 different brands of regulation of this project.

Supervision and administration of the program to be in the hands of a small committee of, say, 8 members, consisting of 2 representatives of the Government and 6 from various insurance groups, thus eliminating the creation of what might readily become another large Government bureau.

It should be realized that any flood-insurance program will immediately be in business. A variety of figures on flood damage have been attributed to the Army engineers. In a normal year this is said to be \$150 million or more. Those properties more seriously exposed will be insured first. Many will not be insured at all but at least the opportunity for coverage will be available.

There will be many objections to this plan.

(1) Owners of insured property in areas not exposed to floods will object to sharing the cost of this project. It is universally agreed that no flood-insurance plan can obtain sufficient spread of risk to stand on its own feet;

therefore, the cost must be passed on. This program spreads it out more thinly than any other method. For example, the small homeowner in Providence with, say, \$10,000 insurance on his house would contribute approximately \$1.75 per year by his surcharge cost. On the other hand, where there is no flood hazard a similarly insured property in San Francisco would pay only approximately 60 cents per year.

(2) Some insurance expert suggested funds be provided by an income-tax levy. To go back to my original assumption of the owner of a piece of property insured for \$10,000, his surcharge cost would be far less than the proposed levy on his income. The cost of disasters such as our New England floods or a San Francisco earthquake will either be shared by some plan that will distribute it on a nationwide basis or not paid for at all.

(3) Objections will be raised to any program free from Federal income taxes, but this should be considered as a disaster relief program without the need of profit to anyone. There is no more reason to tax it than to tax the Red Cross.

(4) Objection will be raised to the prohibition of the use of these funds as dividends to stockholders or as dividends to policyholders. There is nothing inherent in the ideals of American business that makes it essential to make a profit out of a calamity.

The program is an attempt to find a way whereby the insurance industry finds a way to offer its nationwide expert facilities to render a public service. The alternative may well be a nationwide Government organization much more expensive and far less competent.

A few years' experience free from the disasters of recent years, a situation which we hope we are entitled to expect, would permit this program to become entirely self-supporting.

FREDERICK T. MOSES, *Chairman of the Board.*

Senator LEHMAN. The committee now stands in recess until we meet in Hartford on November 14, Monday, at 10 a. m.

(Whereupon, at 4:45 p. m., the committee recessed to reconvene at 10 a. m., Monday, November 14, 1955, in Hartford, Conn.)

# FEDERAL DISASTER INSURANCE

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MONDAY, NOVEMBER 14, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Hartford, Conn.*

The committee met, pursuant to recess, in the supreme court chamber, State Library Building, Hartford, Conn., at 10:20 a. m., Senator Herbert H. Lehman presiding.

Present: Senators Lehman and Bush.

Also present: Representatives Sadlak, Dodd, Seely-Brown, Cretella, and Patterson.

Senator LEHMAN. The hearing will please come to order.

I must apologize for being a little late. I think I have a good alibi. We asked where the Supreme Court Building was and we were directed to what we thought was the Supreme Court Building, but it turned out to be the Superior Court Building. Nobody there knew anything about this hearing, and that is the reason for the delay.

Before I ask you to testify, Governor Ribicoff, I want to make a very brief statement.

In the first place, this is not a hearing of a subcommittee of the Banking and Currency Committee. This is a hearing of the Banking and Currency Committee, although there are only two of us here at the present time. I was asked to serve as acting chairman of the committee during the pendency of their hearings. Other Senators, of course, shall also sit in with us from time to time.

This I believe is the seventh hearing which we have held on Federal disaster insurance. We had 2 days of hearings in Washington and 2 in New York State, 1 in the city and 1 upstate. Last week we had hearings in Boston and Providence, and I am glad to be here today.

This will not close the hearings, although we are not contemplating any additional hearings in the immediate future. We will undoubtedly have to have another hearing, at least one in Washington, to hear the recommendations of the administration. We had hoped to have those recommendations and suggestions at the time that the hearing started 3 weeks ago, but the Director of the Budget, to whom he work had been assigned by the President, advised us at that time that the recommendations or suggestions were not ready and that he needed more time. We have not learned when these recommendations will be ready. The committee has been handicapped because obviously, in view of the importance of this work, it is highly essential that we know the views and receive the cooperation of the administration and of the various agencies concerned.

In the same way, we have not yet had final hearings with the insurance people. We have heard from some insurance men in Boston and

at Providence, and I believe in New York also, but we will want to get more views because it is the desire of this committee to work just as closely as we possibly can with the insurance companies, and not do anything which the insurance companies can do if they are in a position to offer coverage at reasonable and adequate rates and conditions.

I ask my colleague, Senator Bush, if he wants to say anything.

Senator BUSH. I want to say a word of welcome to the committee. We are very proud and happy that this distinguished committee with its able and distinguished chairman has come to Hartford to hear evidence and testimony on the question of flood insurance. It seems to me very appropriate for two reasons at least that hearings be held here.

First, because we have been the hardest hit of any State in these disasters in 1955; and, secondly, because we pride ourselves on the fact that this city is the insurance capital of the world. We are exceptionally interested in flood insurance for both reasons.

I thank you, Mr. Chairman.

Senator LEHMAN. I want to add one more word. I want to make it clear this hearing is not on one bill. It is on a number of drafts that have been submitted to the committee. Senators Kennedy and Saltonstall, of Massachusetts, have prepared a draft bill. I have prepared a draft bill. Mine is very considerably more comprehensive than the others. Senator Carlson, of Kansas, has also prepared a draft bill, and I understand that Senator Bush has had a bill prepared under his direction which he has not yet submitted, but which he may submit.

In addition to that, of course, we have already been advised there will be a number of bills presented in the House of Representatives. I know Congressman Dodd has a bill on which he will testify today, and other Congressmen in the northeastern territory also will submit bills which will be considered by the Banking and Currency Committee of the House.

Governor, we will be very glad, indeed, to have you testify in any manner you see fit.

#### **STATEMENT OF ABRAHAM A. RIBICOFF, GOVERNOR OF THE STATE OF CONNECTICUT**

Governor RIBICOFF. Mr. Chairman, first may I welcome you to Connecticut, not only as a distinguished Senator but as a personal friend. I am glad to see you in Hartford and also the members of your staff, whom I have known for many years and for whom I have a great deal of respect. We are glad that you and Senator Bush have come to Hartford in your hearings in this field of so-called disaster insurance. I would rather enlarge this to call it either catastrophe insurance or, what I am talking about basically, a catastrophe fund.

It is my opinion that no single domestic issue will be more important in the coming session of Congress than the one you are now talking about and thinking about and conducting hearings on. It is my hope that with all of the mass of work that Congress will have, that this important issue will not get lost in the shuffle because of its complexity. Having served in Congress, I am well aware of how you can shunt aside very complex and important matters because of the unwillingness really to get down and grapple with the hard facts and the hard

conclusions, and sometimes the unpalatable ones that a congressional committee will have to face.

I am satisfied from the attitude as expressed by President Eisenhower when he met in Hartford with the Governors of the affected States and the congressional delegations, that President Eisenhower will recommend a comprehensive program along this line. The President expressed great sympathy and sincerity in this field, and I am confident that there will be forthcoming a program.

It is my hope that all people in Congress, irrespective of party, on a nonpartisan basis, will push for this program.

Here we are in the State of Connecticut—

Senator LEHMAN. May I interrupt you?

Governor RIBICOFF. Yes.

Senator LEHMAN. I understand, and it is a matter of record, that the President in response to a letter addressed to him by the Conference of New England Governors, again gave very definite assurance that their suggestions and plans will be in the hands of the committee very promptly.

Governor RIBICOFF. That is right. That is so. We have a copy of that letter.

Here we are a State which has gone through two floods. We in Connecticut are not whimpering about it. We are not crying about it, but we are doing something about it. Yet the great heartbreak of the two floods gave us a feeling and a sense of inadequacy.

Believe me, Senator, when I tell you that the people of the State of Connecticut are giving right out of their very guts and very hearts, and yet, you see, we are surrounded by complete and total tragedy.

What impresses you the most is the spirit and heart of the American people, and the way that they respond in the face of seemingly overwhelming burdens and tragedies.

The great problem we have is in trying to work out the economic factors and human factors in the State of Connecticut, as we see it. The Red Cross came in and has done, and will do, a very, very adequate job, with a certain type of recipient of relief. Ellsworth Bunker is here and he will testify as to what they have done in Connecticut.

The big employer has been hurt, and hurt badly, but he has one saving grace. If he is a going corporation doing a substantial business, then under our tax laws on the carry-back and carry-forward features there is a possibility and a probability that he can absorb some of his losses out of income-tax credits.

The great tragedy, as I see it, in Connecticut, is the small individual, the middle-class individual, the small-business man, who has worked a lifetime to accumulate a business and all of his worldly belongings are tied up in a store, in his fixtures and his inventory. He is suddenly faced with the knowledge and the fact that the savings of a lifetime have been destroyed. Not only have they been destroyed, but the way back becomes a very, very difficult one.

It is easy to say that the SBA will come in and help, that the SBA will give this man a loan. The man may start with a business being left with debts and accounts payable of \$25,000 or \$30,000, and he needs \$50,000 to get reestablished in business. He finds himself saddled with a burden where even with years and years of effort it will almost be impossible for him to make himself whole.

We in the State of Connecticut, as I say, have had a grim toll taken of us. Ninety-one persons are known dead; 12 others are missing or presumed dead; 86,000 persons are unemployed, and 1,100 families were left homeless; 2,300 families were at least temporarily without shelter; nearly 20,000 families suffered flood damage; 67 towns were affected by the floods and the damages ran into the hundreds of millions of dollars.

Where does the Government come into this picture, as I see it from my own experience? First let me say that I think catastrophe is national in scope. I do not think you can isolate any one section of this Nation any more and say that this section of the country will be a section in which catastrophe will strike. The records of Connecticut show we have never had two disasters like this, or any disaster in the whole history of the State. I have talked to manufacturers with plants which go back a hundred and fifty years, and who keep accurate records along the river, who tell me that never have they suffered damage like this in the whole history of their companies or concerns. Yet it is not enough to say, as I read in the testimony in Washington, that the only way you can handle this problem is through flood-control measures and the building of flood works. That is only a partial answer. You will have to do that, but in any section of the United States, if nature decides to dump 14 or 15 or 16 inches of rain in 24 hours on 1 locality, you are going to have damage and suffering irrespective of the flood-control works on the main rivers, because much of this damage was done not on the main rivers, but was done on the small tributary streams, where the large concentration of rain overflowed those streams, which caused damage and opened up new streams where none existed before.

If you go back through the history of our Nation, I think you will see in the last 25 years we have suffered floods that have taken a toll of about \$150 million a year. It is estimated that the annual toll of floods will be approximately \$300 million a year for the foreseeable future. I do not think, coming from an insurance State, that the insurance companies are going to be able to handle this problem. I have talked to some of these insurance executives privately and personally, and it is well understandable why an insurance company for the protection of its stockholders and policyholders would find disaster insurance of this nature to be prohibitive. They could not carry it possibly because of the cost of premiums. People could not pay the premiums, because they would be so high.

Therefore, as I look at it, it is incumbent on the Federal Government to set up a so-called catastrophe fund covering all disasters. I think when you get down to it, if you find that you are trying to write an insurance program based just on floods, you will be limited in scope to sections of the country where people may suffer disasters which are beyond the scope of floods.

I think once we are looking into this field we should cover it all, and we should cover all catastrophes—hurricanes, windstorm, drought, flood, and even in the field of war damage, either through atomic bombing or other means of destruction.

In this way it is my opinion that almost every careful person and business house in the United States would take out insurance of this type. If the coverage were wide enough and large enough with a Nation of 160 million people, then you would find that the fund would

be great enough to permit you to charge a very nominal premium with a great degree of safety.

However, let us assume that you find the premiums would not be enough. Out of the many communications which have come across my desk I have a most interesting one from a man by the name of Richard H. Whitehead, of Scott & Williams, of Laconia, N. H. Let me preface the reading of this statement with this remark: If you will look up my record in Congress you will find I have always been a strong advocate of our aid programs in Asia, and our military programs throughout the world. I do not think it is an answer to say that we are sending large sums of money abroad and therefore we should not do that and should make sure this money is spent at home, I think for the protection of our Nation these policies have been sound, and I think the United States as a world leader is going to have to assume many of these burdens throughout the world if we are to assume our position of leadership. But here is an important point made by this man, and when I read excerpts from his letter you will understand why it has significance:

After the first flood disaster this year hit Connecticut, I contacted Mr. Eyanson of the Manufacturers Association of the Valley of Naugatuck and offered them a lot of machinery. I also sent to Seymour a steam jet machine for cleaning up, which is still in use. My board of directors approved a gift of \$5,000 for flood relief on my request. In addition, I wrote to Sherman Adams to forward to Val Peterson a copy of a book entitled "One Million Tons of War Material for Peace" which has recently been published in Germany. This particular book covers the activities by the German Public Corporation of which I was control officer under General Clay in the rehabilitation of Germany immediately after the war. The American public have an entirely inadequate knowledge of what was done by the United States in behalf of emaciated Germany to revive its industries. Surplus property was sold to them at around 10 cents on the dollar and all captured enemy material was redelivered to the economy; surplus incentive materials were poured into the economy; and this had nothing to do with GARIO funds. At the conclusion of the whole business we Americans gave the Germans a \$2 billion rebate, waiving all claim to 63 percent of our dues from postwar deliveries to Western Germany.

This has nothing to do with captured material or indemnities, but is actual goods delivered by the United States after the war was all over.

I am only mentioning Germany because it is one activity I was concerned with. We have done much the same for other nations.

As an executive and president of a manufacturing company in New Hampshire, I am conscious that I am working not only for the stockholders but for the Government to whom we must pay 52 percent of our earnings in cash. The Government gets much more use from most companies than the stockholders do and in effect are preferred owners of American industry.

We gave relief to Germany and other countries to the extent of many billions of dollars where the Federal Government has no taxing power. The source of the wealth that we gave away to these countries was in the productive power of American industries and was obtained by the Federal Government's taxing power. It therefore seems axiomatic that the first duty of the Federal Government is to give away its funds in places to insure its ability to raise money for future economy by its taxing power. If the Federal Government should appropriate money to rehabilitate Connecticut industries and other States that have been hit by unusual disasters, it would seem that it was only acting sensibly as it would be protecting its source of wealth. It virtually is a majority owner of these corporations because of its taxing power, and in cases of disaster it would seem reasonable that it should prudently protect its source of income.

What do we have here? With this destruction we have a loss of millions of dollars of tax income to the United States of America. If these companies which were destroyed received a return through in-

insurance funds, then of course the amount of destruction that they were compensated for would not be a deductible item, which they would be contributing then to the United States Treasury.

So in this instance, if the United States backed up this catastrophe fund with appropriations or the full faith and credit of the United States Government, it would be saving these funds which it would receive in the form of income taxes. Furthermore, the United States has come in and it will spend and has expended additional millions of dollars in rehabilitation work. If this were insured out of this fund it would not be necessary for the United States Government to make this expenditure.

Therefore, if the United States is faced with an approximate catastrophe loss of \$300 million a year, it would seem to me that the United States, when catastrophes of this nature strike, would be in a position where if you would just take the direct loss to the United States, it would more than overbalance the amount that the United States Government would have to pay into a catastrophe fund, let alone including the loss of business and loss of jobs and the other losses like the loss of income and the complete derangement of the American economy.

If the United States can go into Germany, France, and Italy, and all of these other nations, to make sure that their economies are viable and going economies, and if this is done in order to buttress the economic position of the United States on the world market—and I so agree, that the United States ought to do this and I do not criticize that program—then the United States Government certainly, with its total resources and assets, has the duty to protect the basic economy of its own people.

I say that because the economy of the United States must be solvent, and the United States economy must be able to throw off these taxes if we are to carry not only our domestic, but our international burdens.

I submit to this committee the United States Government is not doing this if they are allowing this suffering and this derangement of our economy, ranging from the small individual up to the large corporations. Therefore it is my hope that this committee will get a bill which would be a broad bill. It would be in the nature of a catastrophe fund. Premiums would be charged of a reasonable nature to anyone who would want to take out a broad coverage, and an extensive coverage, against catastrophes of all natures, including war destruction.

When the Government economists try to figure this out on an actuarial basis, if they say the funds and premiums are not sufficient, then I think that a case is made out for the United States in its own protection for its own people to make a contribution. That could be done either by an appropriation of X amount of dollars every year, or by the pledging of the full faith and credit of the United States in the event disaster strikes.

I know this would have to be supplied sometimes in a deficiency appropriation, but I have no question in my mind that should the United States declare it as its policy that it would back up this fund, that in itself, with the great credit of the United States, would be sufficient. I am sure that any succeeding Congress would vote the necessary appropriations to fill in these funds in the event the outgo, in case of a major disaster, would exhaust the fund. If it were a large catastrophe it would be over a wide range of the people of our Nation.

Our Hartford insurance companies are successful. Our Hartford insurance companies are well managed. I think one of the reasons why our insurance companies are so successful is that the people of the United States are definitely insurance minded. There are no responsible businessmen or responsible householders who will not carry insurance on their own automobile and household furniture for loss against fire and every other insurance coverage they can get. I think with the insurance-minded population such as we have in this country and with the many people we have here in disaster-struck Connecticut, who have seen a disaster such as we have not had in 300 years of history of our State, and when we know that disaster today with the shifting trends of nature can strike any section of the Nation, I am confident that this coverage is broad enough that all of the responsible elements of American life, our American householders and industry, would take out this extended coverage, and that you could market this extended coverage through our present insurance industry.

I do not think the Government would have to set up agencies, but they could do as they did with the war-risk damage program. You could get an endorsement on your policy which you took out for fire coverage or any other type of coverage through your own insurance company. The insurance companies and their agents could be the agencies for the Federal Government to handle this program.

I feel that the insurance companies cannot and will not undertake this disaster and catastrophe insurance program. I am confident if it is going to be formulated that it is going to have to be formulated by the Congress of the United States.

I know of no committee that has the intelligence, the know-how and interest of the Banking and Currency Committees of the Senate and House of Representatives. I am familiar with the membership of both of those committees, but again I must urge this upon you. When the Congress meets you must keep in mind that this is an election year and Congress would probably close its doors sometime around the end of June or the first of July. With all of the work that Congress has to do you, of course, are going to have to take it upon your shoulders to push and fight through this legislation, and make sure it does not die in committee.

You know, after the first flood came it was said that it could never happen again in Connecticut, because it did not happen for 300 years. Within a period of 2 months many of the same communities received a second blow. So we know it can happen again.

Our people in the State of Connecticut are worried and are concerned. I think it would be tragic if Congress let next summer go by with the prospect of hurricanes and floods without providing the opportunity for the people of this State to take out some form of protection.

Gentlemen, in my humble opinion the burden is upon your shoulders. I am confident that you are going to assume it, and I think in doing so you will be doing an everlasting favor to the people not only of Connecticut, but the people of the United States. Above all, you are doing something to make sure that the American economy is strong and remains strong, because if the American economy is weak then this Government is weak. I certainly plead with you to get out a catastrophe fund, and do not worry about the necessity of having Federal appropriations in order to help carry the burden of this

catastrophe fund, because in doing so you will really be protecting the funds of the United States in the form of taxes and our American economy.

Thank you very much.

Senator LEHMAN. Thank you very much. Senator Bush.

Senator BUSH. Mr. Chairman. Governor, have you given any thought as to where this catastrophe fund program might be administered in the Federal Government?

Governor RIBICOFF. I would say this: I have developed a great respect for the civil-defense organization. As I watched the civil-defense work in this last disaster, I have come to the conclusion that they have the basis of a good organization. One of the problems of civil defense is that it is set up to take care of atomic attack. It was set up originally for that. Every place you go when the 48 governors meet, or if you meet with Val Peterson, you find that to a great extent there is a great deal of indifference to civil defense all over the Nation. Now suddenly you find that civil defense can do an extra job.

I think you have a chance to put some flesh and blood onto the bones of the civil-defense organization in the disaster field. I think they understand the workings of disaster. I think they could administer this in the disaster field and you could enlarge their functions to cover it.

You have thrown this question at me. I have not thought of it. There are many things you could do with it in the Treasury Department. But I am thinking of tying up the fund with the entire problems of emergencies and disaster relief. As long as you have a going agency, I would hope—and all of us who are familiar with governments want as few bureaus and as few agencies as we can have; I would like to see it worked into an agency such as that. If you do, you may not have to have another one.

However, that is something you will have to wrestle with.

Senator BUSH. Does your thinking on this contemplate that we should use the facilities of the insurance companies?

Governor RIBICOFF. Yes.

Senator BUSH. And their agents?

Governor RIBICOFF. Yes.

Senator BUSH. And their appraisers?

Governor RIBICOFF. Yes.

Senator BUSH. And their loss adjusters?

Governor RIBICOFF. Yes.

Senator BUSH. And all that sort of machinery?

Governor RIBICOFF. I would say everything should be done so as not to set up a large group of extra employees.

Senator BUSH. In other words, use all of the existing machinery?

Governor RIBICOFF. Use all existing facilities. And even though the insurance companies in my opinion cannot undertake the writing of this insurance and the assuming of the loss, I am sure there is not an insurance company in America that would not make its facilities and its agencies available to the writing and the adjusting and the distribution of this form of insurance.

I think you are very fortunate in having this around. I know, knowing many insurance agents personally, that all of them have a sense of responsibility, and when they would write a fire-insurance

policy on the grounds, or business of an individual or a company, they would say, "Look for another X dollars now you can take out disaster insurance and I think you ought to have this coverage."

You will find instead of having only a very, very limited number of people undertaking this coverage, I cannot imagine any responsible agent not selling his clients this disaster insurance.

You will find that the insurance-minded people of the United States will be taking out this coverage, and then you will have a large fund which will be distributed all over the United States of America.

Therefore, since you spread this coverage over the entire population, the fund could then stand on its own and take care of disaster, whether it was in Connecticut, Pennsylvania, Missouri, Mississippi, or in any other place. I think it is a very feasible and practical plan and I think it could be worked out, Senator.

Senator BUSH. Mr. Chairman, one of the problems the committee has, which has come up in these hearings, is the question of how large a policy one might have. Some of these bills which have been discussed have a limitation in them. One has \$250,000 as a limitation and another has \$300,000. I wonder if you have given any thought to that, Governor?

Governor RIBICOFF. Yes; I have. I have read that testimony and it would be my hope you would not limit the size of the policy. Basically let me tell you why.

Let us say that there are many towns in Connecticut and all over that may have one main industry. This main industry may have assets worth \$15 million. Let us say we have a disaster which destroys that industry. In destroying that industry you are destroying that community and are taking out part of the heart of a State.

If you are going to write insurance, you should be able, or a person should be able to insure up to the full value or the full fair value of his assets, just as he can take out a fire-insurance policy. I think it would be a great mistake to limit it because it does not make sense to me to limit it to \$250,000. What good is that to a company that has assets worth \$10 million and which might have 3,000 employees? That \$250,000 is a drop in the bucket. All they can use it for is to clean up the debris.

I look at the insurance as not only a question of being able to give a person back his assets translated into money. If you limit it to that basis that would be tragic. I am looking at this insurance as a fund to allow the person who is hurt to build himself back to where he was before the damage hit him. In this way, to limit the policy would be very, very bad.

Senator BUSH. Down in the Naugatuck Valley we have the Hershey Co., which you are familiar with, where the loss in the first flood was \$1,800,000, and in the second flood another \$500,000. So they would not have gotten a great deal of help, relatively speaking, from the \$250,000.

Governor RIBICOFF. No. That is true of many companies.

Senator BUSH. Of course, we have the New Haven Railroad also.

Governor RIBICOFF. The New Haven Railroad is an example. It suffered a loss of \$10 million. It seems to me if the New Haven Railroad or the Hershey Co. have assets of \$1 million or \$10 million and want to take out a policy for those amounts, that the Government

should be willing to write it for them. I think this insurance should protect the small-home owner also, as well as the large-business man.

Senator BUSH. The only other question I have is this: There will be some argument about the question of retroactive indemnity in connection with this year's disasters. I will not ask you to comment on that unless you would like to.

Governor RIBICOFF. I would say there could not be a greater boon to the Connecticut economy if you could have Congress do this. I estimate there has been subtracted from the overall economy of the State of Connecticut over \$200 million. It is going to take the State of Connecticut a long time to build up that economy. If it can be done retroactively, I certainly would urge it upon the Federal Government to do it.

Senator BUSH. Of course, if we consider retroactive payments for 1955, we also have to remember that we had some very heavy losses here in 1954, due to floods on our coastline, and of course prior to that we had a flood disaster in 1951, when you were in the Congress. So one wonders how far back we can go.

Governor RIBICOFF. I do not know. I know you are raising practical difficulties, but let me say I have talked, as you have, with representatives of every part of the economic, social, labor and industrial life in our State. I have talked to those who have taken it on the chin twice. I think it can be expressed best in the words of Mr. Franklin of the Farrel-Birmingham Co., when he said, "Hell, I'm no quitter. We're not talking about moving."

I used this phrase because it exemplifies the spirit of our State. But these people, I do not think, can afford to take another blow. It has been and it is going to be a tough and a long struggle. They are cleaning up and rebuilding again. But how many more blows can these people take? I think that the knowledge on the part of our people that they can get insurance to protect them against any future disaster would be the stimulus they would need, and it would be the assurance they would need, and it would give them the confidence and the knowledge that they were not working and building for nothing. It would be assuring them that nature would not be able to destroy the results of decades of effort by their working force, their stockholders, and their management and capital investment.

Although I realize you have great difficulty with retroactivity, I urge upon you, even if you cannot put that across, that it is absolutely important that we face up to in this Congress some type of disaster insurance or catastrophe fund for the future. That can be done and it must be done.

What you could do, I think, even though you might not do it retroactively, is date it back to January 1, or the opening of Congress, so that a person would pay premiums for that time.

No one knows when these disasters strike. You might have a great and unusual blizzard, which might cause an unusual type of loss, or you might have sand storms in certain sections of the country.

I am not looking for a program just for Connecticut, but I look at it as a national thing. It is not a local problem, and should not be a local program, and I think a great mistake would be made if we were to localize the problem, because it is bigger than Connecticut. It is a problem nationwide in scope, Senator Lehman.

Senator BUSH. Another issue which has developed is the question of personal property coverage. Most of the bills that have been put in before and which are in now speak of real estate and real property, but exclude personal property from coverage. Have you given any thought to that question?

Governor RIBICOFF. Yes, sir; I have. I think it would be a great mistake to exclude personal property. After all, our insurance companies write personal property damage. What you have to keep in mind, Senator, is that sometimes the least valuable asset in a concern is the building and the shell. You go through our Connecticut manufacturing companies that have been hurt the way you have and I have, and you see that there are items of machinery there that are very valuable. One item can be worth \$100,000 to \$150,000. I have seen things like that. You might have a factory with bare walls that is worth \$1 million and it will have machinery in it worth \$10 million. It is not a question of the walls. I think personal property is just as important.

Keep in mind that there are many people who have all of their belongings in personal property. I would exclude automobiles, because they can be covered by our insurance companies, and they were. I would exclude every type of coverage that our private insurance companies can handle. In other words, I would not have the Government competing with our private insurance companies, but would sit down and analyze the policy of our insurance companies throughout America, and where they cover a loss I would not have the Government go into that type of loss.

Senator BUSH. Have you not seen, as I have, many instances of families who had lost nothing except personal property?

Governor RIBICOFF. That is right.

Senator BUSH. Where they were renting.

Governor RIBICOFF. That is right.

Senator BUSH. So if they cannot insure their personal property, they cannot insure against the flood.

Governor RIBICOFF. That is right. In other words, I can go into any insurance company, and if I have personal property worth \$3,000 I can buy a fire policy on my belongings. There is no reason why I should not be able to obtain catastrophe insurance on the same \$3,000 worth of belongings. I think it would be a great mistake to limit the amount of coverage and confine it to real property. I think it would really be a great mistake.

Senator BUSH. May I ask this, Governor? I have read very carefully the hearings that were held back in 1951, after the President had recommended a flood-insurance program to the Congress. That thing dragged on for a great many months. I believe you were in the Congress at that time. It ended up by the bill never getting out of committee.

I wonder if you could give us any suggestions that would help us avoid that kind of a result in connection with this?

Governor RIBICOFF. Yes, sir.

Senator BUSH. Is there anything we should do with the Members of Congress from all over the country? How can we dramatize our case so as to catch the imagination of these Members of Congress and

compel their attention to this bill this time? Can you give us any thoughts on that?

Governor **RIBICOFF**. I think there are a number of things you could do. Of course, I know and you know that the average Congressman is not going to wade through the thousands and thousands of pages of testimony that you take. I think it becomes very necessary for you, Senator, and other Senators from these States, to combine with the Senators of the other States that have suffered. In other words, there is not a State up the Atlantic seaboard which has not suffered. Certainly the congressional delegations from Missouri and Kansas you would find very receptive. Certainly the congressional delegation from Texas, which suffers disasters of all kinds, would be very receptive, and they are a very influential delegation.

Senator **BUSH**. And the Carolinas.

Governor **RIBICOFF**. The Senators and Congressmen, I think, from many, many States. I think just as the farm bloc is able, because of unity, to accomplish so much on behalf of the farmers, and the mining bloc is always able to accomplish a lot of things for the people from the Rocky Mountain States, and the Senators from the oil States do pretty well for the oil States, we are now getting together, you and other like-minded States, to do something for all of the people of this Nation to protect their lives. It is not one particular group, because this cuts across the entire economy of the country.

If I were in the Congress of the United States now, and having had this type of disaster confront me, I would take it upon my shoulders to have a one-man crusade. I would speak on the floor of that Congress—the House and Senate—every day. A Congressman can do it under the striking-out-the-last-word rule and under the 5-minute rule they can always make a speech. I think a Senator can always somehow find the floor. I would constitute myself as a gadfly on the conscience of America and the conscience of the Congress to call this to their attention.

In Connecticut we have had many interesting books put out. I just think of the Waterbury report which was an outstanding book of flood pictures, and there were other books and other communities which put out this material. I am sure the publishers of these papers, like the Hartford Times and the Courant and the Waterford Republican and the Bridgeport and New Haven papers, or any of those newspapers, if you would ask them to, would be glad to reprint additional copies for you to give to your colleagues.

However, as I say, the Banking and Currency Committee I know is a very influential committee. On the Banking and Currency Committees of both the House and the Senate are some of the most influential and leading Members of Congress. If you people want to do the work, you have the staff and you have the ability, but for heaven's sake, get the bill on the floor early. Do not have a bill like this come up on the floor on June 20th or 21st because it will die in conference because of its complications. I would say I would have the staff of this committee try to get the bill out as one of the early measures. You are going to have a lot of debate because of the necessity for the very type of legislation you have, and you will have to have a lot of discussion on it. You are going to have great differences between the House and Senate on this bill. Therefore you are going to have long conferences to reconcile the differences.

On word from you I will come down to Washington to testify before any committee. I will come down to Washington and walk around to the offices of every Senator and buttonhole him to tell him how important this is. I know Governors Herter, and Roberts, and Harriman, and Meyner, and Hodges, and Collins, and I am sure the Governor of Missouri, would all cooperate. I am sure you could get the Governors of all these States to do this very dramatically. You could set up a final hearing in Washington on this, to which you could invite the Governors of every potential disaster-struck State which may have suffered in the past or may in the future, and have them come to Washington. They would all come and be glad to testify for this program at one time. It will have to be dramatized.

The people of the United States in my opinion want this legislation. It is going to depend on whether the Congressmen and the Senators are going to stick with the ball and carry the ball and see it through. I am confident it can be done in the face of the widespread publicity and widespread disaster that these last two floods have brought. It has been impressed on the memories of the American people up and down the United States, as to what has happened to their friends and relatives and neighbors.

This is a program you can sell because it is self-sustaining to a great extent.

The subsidy that the United States may have to contribute to its full faith and credit to get it going, in my opinion would be a minor portion of the amount you would get in in premiums. I would be willing to prophesy that the premiums you would be receiving, even on a most reasonable basis, would be so heavy and so widespread over the entire American economy that it could afford to take a disaster loss of approximately \$300 million a year, because I think you can write more than \$300 million a year worth of premiums over the more than 160 million people of the United States.

Senator BUSH. I wanted to make one more observation. I want to thank the Governor for that very eloquent advice. I think it is very sound and I have already done some of the things you have suggested.

All of the newspapers in the flood areas have already sent us very dramatic groups of pictures which we propose to use, and I hope effectively, in line with your thinking on that. I think your observation about putting energy and vigor into recommending this thing and staying with it, is absolutely correct. As I said before and I say again, I intend to do just exactly what you think is the right thing for a Senator on this committee to do. It will have my complete and devoted attention and my entire attention throughout the entire session of Congress, if necessary.

I can say we will try to get it done early in the session and not let it go through to the end of the session. It is very difficult to get things through at the end.

I quite agree with you that we will have many allies this time. The Carolinas will be with us on this, and Florida should be with us. Others that you did not mention will be with us on this also. So I think we are thinking just along the lines you have suggested.

Governor RUBICOFF. I may add, I think it would be very helpful—you cannot do it in the House, but you can in the Senate—if you would try to get as many joint sponsors on a piece of legislation as you can. In other words, if you can get a group of senior Senators across party

lines, both Republican and Democratic, to sponsor a measure, and get as many signatures as you can on it, to make sure everyone has his thumbprints on this bill and is fighting for it, I think it would be very persuasive and effective in trying to put it across.

Senator BUSH. I think it would be very helpful. That is not quite so easy. There have been several bipartisan bills introduced already. The Saltonstall-Kennedy bill is an ideal illustration of that. I think we will have to have a proposal from the administration and come out with a committee bill. The committee bill we will probably offer as widely as we can for cosponsorship. I think that is definitely indicated. I do not see any reason why there should be any partisanship in this matter whatever. I do not see why there should be any attempt to bring party politics into this matter, because if you do, this bill is going to be in trouble.

Governor RIBICOFF. I do not think there will be. As you know, Senator, on this flood thing I have leaned over backward to keep any semblance of politics out of our proposals in the State of Connecticut. I know there is not anything that men of good will working together cannot accomplish. This is not something where anyone seeks to get any credit for it. We have a great rehabilitation job to do. All I ask of the people in Congress, and all I ask of the people in the Connecticut Legislature and the executive branch, whether it is the Governor or the President, is to try to act on this emergency as grandly as the people who have been affected have acted. That is all. I think this is one time when Congress, acting in the reflection of the American people, can do a constructive and wonderful job for the American people.

Senator LEHMAN. Are you finished, Senator?

Senator BUSH. Yes.

Senator LEHMAN. I want to assure you, Governor, that the committee has been very familiar and very much alive to the need for haste in this matter. It was because we want early action by Congress that the staff of the Banking and Currency Committee as far back as the middle of August commenced a study with regard to disaster insurance. I have it here and I will be glad indeed to have you see a copy of this very voluminous and highly informative, and I think, accurate document.

It is also because of our realization of the need for haste that I directed that hearings be held throughout most of October and into November.

As I have already pointed out, we have already had seven hearings, and the next hearing will probably be in North Carolina. Then we will have hearings in Washington, or else wherever the need arises. However, I cannot fail to express my keen disappointment that thus far the committee has not had a word with respect to the views and recommendations and suggestions of the administration.

We are working to a considerable extent in a vacuum today because no matter how good the intentions of the committees of the Senate and House may be, I think you will agree in a matter as complex as this and as important as this—a matter which will require very large funds and arouse sectional differences—that the views of the administration will bear and carry great weight not only in Congress, but with the entire American people.

We should have had those recommendations and suggestions at least in some degree long before this, because after all, the first great disaster occurred, I believe, on the 13th or 14th of August. Already a few months have passed.

So I cannot fail to express my deep disappointment, not of frustration, because we are going to go ahead and see this thing though, but a feeling that our work has been handicapped, and will continue to be handicapped until we get definite suggestions and recommendations from the administration.

I very much hope that the delay which has already occurred will at least to some extent be mitigated by prompt action.

Senator BUSH. I would like to say something.

Senator LEHMAN. May I continue to ask my questions?

Senator BUSH. I would like to make an observation about what the chairman just said.

Senator LEHMAN. I would be delighted to have you make the observation.

Senator BUSH. Mr. Chairman, I would like to speak to the chairman's point of view that the administration should have come up with a definitive bill in connection with this matter. The administration did appear and the various agencies appeared at the opening of these hearings, but as the chairman said, this is a very complex matter. It is a matter on which we are gathering evidence today, and we are going to continue to gather it in the Carolinas and Washington before these hearings close.

As the chairman just said a few moments ago, our second flood occurred in this State only in the middle of October. The administration has not had sufficient time to work out a definitive bill and I do not think it would have been wise for them to come up and with any hurried recommendations. I believe that they should have the advantage of hearing the testimony and observing the testimony and considering the testimony which this committee has gathered.

So I do feel that the administration has not been lax in this matter but, on the other hand, I feel its attention to our State and other States that have been affected during this disaster has been remarkable. Not only our Governor, but others, have commended this administration in the highest terms for its cooperation. I think the fact that the President came there on the 21st of October, all the way from Denver, to meet with the Governors and Members of Congress in this area, was one of the most remarkable things that ever happened, and had a great deal to do with bringing into action all of the Federal agencies, and giving hope and faith to our people at a time when they needed it most.

I certainly object to any emphasis on the fact that this administration should have had a bill before this committee at this time. I do not think it was reasonable to expect that they should have done so.

Senator LEHMAN. May I say to my highly respected colleague, of course he has the right to object to anything that the chairman of this committee says, but the chairman of the committee reserves to himself the right to express himself with regard to this whole subject.

May the chairman say to his colleague that this is not a matter of politics. It is a matter of getting something done. Every governor that we have heard from—every witness of substantial influence—has

called on us for speed and action and has pointed out what this means to the people not only of his State, but of other States.

I want action just as Governor Ribicoff does, and just as these other governors do.

This matter is not only one which affects Connecticut, although Connecticut, of course, has been by far the worst sufferer and it has my deep sympathy; but it has affected also Massachusetts, Rhode Island, New York, New Jersey, North Carolina, and Delaware. It is a national matter and one which should have the attention of the Budget Director and the other people to whom this matter was entrusted.

May I point out, and I believe the Governor will recall it, that as recently as October 18 the President wrote, or had written under his direction, a letter addressed to the Governors of the New England States, promising that specific recommendations would be before the Banking and Currency Committee when it met.

Senator BUSH. Mr. Chairman, I just do not like to let that pass. The administration has pledged it will have a bill before this committee before Congress convenes, and I think the time they are taking to prepare the bill in order that it may be useful to us is very well taken. I do not feel it is fair to criticize this administration for any laxity, or lack of interest, or dilatory tactics in connection with this very, very important matter.

I would hope, Mr. Chairman, we could leave this one alone from now on.

Senator LEHMAN. So do I.

Senator BUSH. And get on with the business of this hearing.

Senator LEHMAN. So do I.

Senator BUSH. I yield.

Senator LEHMAN. I also wish to point out we still have not gotten specific recommendations.

Governor Ribicoff, large sums of money will have to be raised for this.

Governor RIBICOFF. That is right.

Senator LEHMAN. I am not quite clear whether you say, as has been suggested, that this money for reserves be raised through taxation? What form of taxation I do not know, and it would depend largely, of course, on the advice of the Secretary of the Treasury. However, that is one alternative. The other alternative would be through the Congress of the United States making appropriations to care for the losses which have occurred in a previous period.

Governor RIBICOFF. I would say that I do not think a special tax would be the way to handle this. If you are going to have this be a continuous program, which I assume it should be—in other words, if you had an emergency problem that you were going to dispose of, then I think you ought to have a tax to take care of a specific loss.

In other words, in Connecticut we know we have to raise \$31 million. It is going to be a fund which is going to be used one time. I have no hesitancy in recommending that the people of the State of Connecticut for this particular type of program assume a temporary tax to pay the \$31 million. However, here you have a program which is going to be permanent in character, in order to establish a catastrophe fund. Under these circumstances I would think the proper thing

to do would be first to figure out what the premiums should be. Maybe the premiums will not cover it all.

As to the differential setting up reserve, I would have Congress appropriate a sufficient sum each year to build up this reserve. You might then find you will have a revolving fund which can be used year after year with the reserves built up. But I do not think that you should try to put a special tax on for something that will continue for such a long period of time, because I am not convinced that the premiums themselves will be insufficient to cover this program.

Senator LEHMAN. But you would favor a reserve fund?

Governor RIBICOFF. A reserve fund. Yes, sir.

Senator LEHMAN. You would not favor specific appropriations sufficient to take care of the losses in any previous given period?

Governor RIBICOFF. I would rather have the reserve fund and the premiums and have this set up on a sound actuarial basis. I think at the beginning the Government is going to have to put some subsidies into this fund, but what I can say on that is this: Certainly the Government has paid out subsidies year in and year out for causes that are less worthy than this is. There has never been any hesitancy on the part of the Congress of the United States to vote these subsidies. In my opinion, what the Congress is going to have to do before this fund gets established, is over a period of years you are going to have to appropriate each year a sum of money to go into a revolving reserve fund, which over a period of time, with the premiums collected and the reserve fund, will be more than sufficient to carry it—just like the insurance companies carry a reserve against their potential losses.

As I said before, you have a very, very capable staff of economists. This can be worked out and I am sure the insurance companies would be more than happy to lend their own people who work out these actuarial figures and who know what these losses have been over a period of time, to make recommendations on what type of reserve fund should be set up and in regard to the revolving fund, as to how large it should be each year. But I would say this: In the event in the beginning stages of this reserve revolving fund, if in any one year the losses might exceed that amount, I would say under those circumstances Congress of necessity would be obligated to appropriate a sufficient sum of money to carry it through in case in any one year a disaster should strike which would take more reserves than the fund has at that given moment.

Senator LEHMAN. What I was trying to get at is whether this should be a direct subsidy limited to the actual losses for a given period, or whether the Congress should attempt to build up reserve funds sufficient to care for possible disaster losses in the future.

There has been some objection, or a great deal of objection, to the Government building up further large reserves, on the ground that it ties up a great deal of capital, and in that way the capital is taking out of the economy of the country.

I am looking for information. I have no very definite views on this subject. I think it is largely a matter which will depend on the advice of the Treasury Department.

Governor RIBICOFF. My feeling is, I would rather see personally a reserve fund which we know the Government is committed to a

continued policy on, because we are going to have a disaster somewhere in the United States every year. History shows that.

To depend on Congress for a separate authorization every year to take care of a disaster would be just like pouring a glass of water on the middle of Main Street. I do not think it would get you anywhere, Senator.

Then too you would have that great uncertainty in the minds of the people as to whether Congress will appropriate for this disaster. This is the great danger.

My feeling is that the people of the United States should be assured that in the event they take out a policy and disaster strikes there will be money available and not have to go year in and year out, hat in hand, to the Congress of the United States and say, "Please appropriate some money to take care of our needs."

My own personal opinion is, if I were in Congress and it came up to a vote as an alternative, I would rather have a continuing fund with the commitment by the United States Government and the assurance to the people of the United States that if disaster comes there is a fund to take care of it, just like there is for social security and unemployment. I look at it as being exactly of the same nature.

I believe it would be unthinkable, Senator, for the Senate of the United States or the House of Representatives to say that we were going to vote year in and year out for unemployment compensation or social security, and then depend on the attitude of Congress year in and year out to raise those funds. I do not think that would give the assurance to the people of the United States, because Congress is a shifting body. I mean, it shifts every year.

I think the United States should establish as a policy that it is going to make sure it has a special reserve catastrophe fund to take care of every victim of disaster, provided he wants to participate. This is the type of assurance that the people of the State of Connecticut want. This is the type of assurance I want.

I do not want to have to go year in and year out to the Congress of the United States, and I think it is cruel to expect every person who suffers a loss to wonder, will Congress appropriate for me this year? I think the people of the United States should have the assurance that if a disaster comes they will be compensated for their loss, just as I know now that if my house is on fire and suffers damage, my insurance company is going to pay my losses, so that I can make myself whole.

Senator LEHMAN. Governor, I think you know my deep interest in unemployment insurance and social security. I was the author of both in my own State while I was Governor. In those two bills I always favored a reserve fund, which has been set up.

However, speaking to you now as both a former Governor and a Member of Congress, I think it is fair to assume that there is a large segment of our people who feel it was not wise, or is not wise, to maintain the very large reserves that have been set up. I did not agree with that, but I want to be reenforced, and I am reenforced by what you have said. I think this is a question which will certainly be debated at a suitable time.

Governor RIBICOFF. All I can say is, in the present economy of the United States there seems to be, in spite of these reserves, enough

money for the basic needs to meet the growth of our economy and to keep our companies going. If this fund is of such a nature, I know nothing that will reassure the people of the United States as much as to know that in case a disaster strikes they have the money there, without having to go back to every Congress for appropriations.

Senator LEHMAN. Let me ask you another question? The bill I have drafted goes much further than the other bills.

Governor RIBICOFF. I have seen it.

Senator LEHMAN. The Kennedy-Saltonstall bill, I believe, covers only flood insurance. I am not sure what is in the Carlson bill and I do not know what you have in mind, Senator Bush. My bill covers disaster insurance, both natural and manmade. It sets a limit with regard to flood insurance or natural disasters in the amount of insurance that could be written or outstanding at any one time.

I think you make a very good case out for not having any limitation. My bill sets a much higher limit with respect to the damage that is brought about by manmade disaster, such as atomic attack.

In our hearings there has been a great deal of testimony given and advice offered, not against either one of these two classes of coverage, but to the effect that the manmade disaster insurance should be covered in a separate bill, rather than the two in a joint bill. Have you any thoughts on that, Governor?

Governor RIBICOFF. No. I think you could cover them both. I would say a disaster is a disaster. I think I know your attitude, and I know mine. The President of the United States and all of the people hopefully pray that an atomic bomb will never strike this country, or any other country. We hope we can work out a world at peace. But there is one thing we are certain of. We are certain nature is going to wreak its toll year in and year out.

I would say I would like to see all disasters in one bill. I have a very practical way of looking at it. If you have all disasters in one bill, Senator, under those circumstances I think you are going to have a much wider coverage, and you are going to have many more people participating. If it is an all-inclusive disaster bill I think it can go through Congress that much faster, and it will take less of the funds of the taxpayers and the Congress, and it will be more in the nature of insurance that can carry itself.

I would prefer the general purport of your bill over the Kennedy-Saltonstall bill, but I would please urge upon you to take off the limitation in your bill, which limits the amount of insurance one can get. That is a feature that worries me a lot.

Senator LEHMAN. You mean the limitation on the amount of insurance?

Governor RIBICOFF. I think the limitation of the amount would be a great mistake. It would be my hope you would take under advisement and consideration, for the reasons I have given you, the taking off of that limitation. As I said, it is no good to give \$250,000 to an industry or a company that has suffered a \$10 million loss. I am thinking not only of the industry, but of the employees and the general State economy.

Senator LEHMAN. I think everybody on the committee, and virtually all of the witnesses who have appeared before us, felt the importance of continuing our flood-control movement. I not only

favor continuing it, but favor very substantially higher appropriations to prosecute the work at a much more rapid rate.

We have had testimony that you may be familiar with, because you have been in Congress so long, which testimony was to the effect that taking into account only the projects that have already been approved by the Corps of Engineers, and which appear to be practical from the standpoint of the costs and the savings or benefits to be derived from savings on later damages, that at the present rate of appropriations it would take 22 years to complete them. That is only the projects that have already been approved, and certainly not additional projects that will arise.

Under those circumstances, and in view of the experience which you have had here in Connecticut, where I understand there are many projects which would be of great value which have not been completed, but really in some cases have not been energetically prosecuted, is it not your feeling that flood control in itself would not be a substitute for disaster insurance?

Governor RIBICOFF. That is right.

Senator LEHMAN. And in the second place, we should increase the appropriations for flood control?

Governor RIBICOFF. The answer is in the affirmative to both. I think flood-control works are absolutely essential. Flood-control works, though, are not and cannot be and never will be a substitute for disaster insurance. I think that the Congress would be taking the people down a blind alley if they gave them the impression that building more dams would mean avoiding disasters. We would not be leveling with the people. It is very obvious that you need more flood-control works. Flood-control works are definitely a function of the Federal Government. To protect the State of Connecticut and do it adequately, though, cannot be done with just dams. We have to have dams in Massachusetts and Vermont and New Hampshire in order to protect Connecticut. It is the waters up there that cause the damage down here, just as much as it is the waters which flow in the State of Connecticut.

Certainly when you see the devastating loss that a flood can cause to the economy of the people of the United States, then the expenditure for adequate flood-relief works is only a small fragment of the overall appropriation cost to complete those works.

I think what you have to make sure of is that money is not spent for useless projects when it is appropriated. From my experience I have found the Army engineers in this area are of good judgment and are men who are thoughtful and are interested in the economy of our Nation, and they do a good job. I know that the Army engineers have done an outstanding job in Connecticut, and I would take the recommendation of the Army engineers for this area where flood-control works are involved.

I may add this: I think outside of Delaware, no State has received as little back from the Federal Government percentagewise compared to its expenditures and taxes paid to the Federal Government as the State of Connecticut. It would be my hope that the State of Connecticut would receive not more than its share, but that the State of Connecticut would receive what is necessary to protect the people of our river valleys.

We are an old State; we are a beautiful State; we are a rich State; but the State cannot continue to take these losses. Not only that, but you have to keep in mind the damage to the State of Connecticut and its effect on the economy of the United States.

You take the Naugatuck Valley, which accounts for approximately 67 percent of the brass production of the entire Nation. You destroy the brass production and you cripple the economy of the entire United States—not only of the State of Connecticut. Therefore it is vital that everything be done in all of the Connecticut valleys to make sure that we have proper widening and deepening of our rivers, and proper debris and silt removal, as well as building dams like Thomaston and other flood-control projects, which are needed to protect our people of Connecticut.

Again may I say that those works will be no substitute for a catastrophe or disaster-insurance program.

Senator LEHMAN. It is perfectly obvious, of course, that you could not possibly remove from the lowlands adjacent to the rivers and streams the many factories that have been built up and which have made New England prosperous, as well as New York. It is also perfectly obvious that you could not possibly move the many houses and homes of workers that have grown up in the lowlands around these factories. But it has been pretty persuasively testified to that if we had more stringent zoning laws the damage in the future could be minimized, not by affecting those houses and factories and homes that are there, but the new homes and factories and concerns which will be built in the future.

What is Connecticut doing about that?

Governor RIBICOFF. I would say Connecticut has done something. I have left with you a copy of the Knapp committee report, and a copy of my message to the special session of the general assembly, in which you will see we recommend just what you are talking about. This session of the legislature within a month will pass legislation giving towns authority to take care of buildings in the flood plains, and give the State water commission the right to take off encroachments and obstructions on the streams, and the right to widen the rivers. A full flood-control program on the State level where the Federal Government cannot move.

The State of Connecticut will have such a full program in completion before the next Congress of the United States meets.

Senator LEHMAN. I just want to read some testimony which we have previously taken which supports your claim that the New England States—and, may I say parenthetically, New York too—have received back only a small part of what they paid in taxes. This is testimony given to us by Prof. Seymour E. Harris, of Harvard. It says here:

Over a recent period of almost 20 years the 3 major industrial States, Massachusetts, Connecticut, and Rhode Island, received back but one-third as much relative to what was paid in through Federal taxes as 5 major southern industrial States, North Carolina, South Carolina, Georgia, Alabama, and Tennessee.

He did not compute the relationship of taxes to what came back to the States in the form of public works in New York, but I think it would be substantially the same. He went on to say again the following:

Especially relevant here is the fact that under flood control New England received 3 percent of the \$10 billion authorized; one-third of 1 percent of the \$1,800,000,000 appropriated in the last 5 years. My survey of the years 1953 and 1954 shows \$68 million spent by the Army engineers in 1953, and \$533 million in 1954, and \$393 million for reclamation in these 2 years. But New England received but \$7 million in all, or less than one-half of 1 percent. Her share of income is 6½ percent and of Federal taxes borne 7½ percent; of manufacturing employment 9-plus percent; and of vulnerability to floods an even greater percentage.

I read these figures because of what you said earlier in the day, that this is a national problem—a national problem—and we are justified in seeking the support of the Nation as a whole in all of the States of the Nation. Ever since I have been in Congress I have taken the position I was going to vote for reclamation, irrigation, and flood control projects even when New York State would not derive any direct benefit from those projects, because I had a strong feeling that what benefits Arizona, California, or Minnesota is going to benefit New York State too. I think the people of the State as a whole feel that my judgment was sound on those things.

I think what you said is so important that we must all emphasize it just as strongly as possible, that is, when a flood strikes Connecticut, or New York, or Massachusetts, or Rhode Island, it is not only the problem of those States. California, Arizona, and Minnesota, and the other States are also concerned because it affects the entire economy.

My experience in Congress, and I think probably yours too, is that an awful lot of important measures and projects are decided on a regional basis. Too few of the Members of Congress of both Houses are willing to look at these matters from a nationwide standpoint, but only from a parochial or sectional basis.

I think we are going to sell this and I think you have made some very fine suggestions. I think we must be able to show the Members of the Congress and the people back home that this is a national proposition, and that it is just as much the concern of the States which have not been directly affected by recent floods as it is of those States which have been directly affected.

Governor RIBICOFF. I want to thank the committee for all the time it has given me.

Senator LEHMAN. May I just ask one more question? I have one question which has been brought to my attention by my staff.

You say you feel there should not be any limitation, Governor?

Governor RIBICOFF. That is right.

Senator LEHMAN. With regard to the amount of individual coverage. Does that mean you do not favor any limitation whatsoever with regard to the amount that the Federal Government could write?

Governor RIBICOFF. That is right. No limitation either way, provided it furnishes a true insurance value. Naturally, you will not allow a man to take out \$200,000 insurance on \$100,000 of property. That would be handled just like an insurance company. But I would say I would have no limit. By doing that it has the saving grace, in my opinion, that you eliminate the necessity for large Federal subsidies. Because by removing the limitation and writing the insurance

coverage you would find that even large companies would buy this protection even though the disaster would never strike them, and it would all help to build up the fund, which would be a good, sound fund, and might be a self-carrying fund.

I feel if you took off the limitation and did it nationwide you would find the premiums would be very reasonable and would be sufficient to carry any potential loss.

Senator LEHMAN. But if you did set a limitation on overall amount that could be outstanding—for example, in my bill I have \$2 billion as a limitation, and the Kennedy-Saltonstall bill has only \$500 million, but on an ascending scale up to \$1.5 billion—if you set any limitation with respect to the aggregate and total amount of insurance that could be written, then you would have to set a limit on the amount of each policy.

Governor RIBICOFF. Let me make this one point on that. If you had a disaster which was so great that it would potentially destroy the fund, the United States economy would be practically destroyed. We are undertaking the same thing, if that is what you are worried about. Basically you destroy the nerve center of the economy and are giving a body blow to the whole economy if you do that.

As this gentleman, Mr. Whitehead, of Scott & Williams, points out, we go into the foreign countries and allow the businessmen in these European nations to get back into business. We vote these billions of dollars to allow them to get this material for approximately 16 cents on the dollar, and we refuse the people of our Nation the same and equal privileges. After all, this is their tax money.

The United States has the investments. The United States is the biggest partner in practically every business. In large corporations and businesses the United States Government takes 52 percent of the earnings. Under these circumstances I do not think it is too much to say to the United States, "We are going to write a sufficient amount of coverage and make it unlimited," because what you are doing is insuring basically the economy of the United States, as well as the economy of the individual affected.

It is my hope, Senator, that it will be unlimited in both ways. It might sound very, very radical, but it is only so because you envisage total destruction. However, if you do have total destruction you have no nation left anyway. So therefore, if destruction ever comes in so great an amount, then every resource of the entire Nation and of all the people will basically become pledged to revive the economy of the Nation, because if you do not have an economy you do not have a nation. That is what makes a country go—if we are going to have an industrial economy, that is—unless we are reconciled to becoming a group of small agrarian farmers. If it is developed as an industrial nation it can no longer contemplate that type of society.

So I think you have a very practical problem that might sound scary when you first talk about \$2 billion or about unlimited amounts, but when you contemplate the total assets of the United States entirely, and what it is worth, you realize that \$2 billion bulks very minutely against the total assets of the United States of America.

I think a \$500 million program and a \$250,000 limitation is totally inadequate. It would be enough for the State of Connecticut, but again I am not looking at this as a Connecticut problem, but as a

nationwide proposal. You will never get it through Congress if you look at it only as a Connecticut problem.

We have to be practical about it. Your only chance of getting it through Congress is to make sure it is sold to the Congress of the United States as a national program.

I do not expect Senator Prescott Bush to stand up on the floor of the Senate and say that this is just for Connecticut, or Senator Lehman to stand up and say it is just for the State of New York. It is for the United States. You are giving no one State as an example. It happened to our State this August; it can happen to your State next August. These are the arguments that sell the Congress of the United States. It has to be on a national basis and it will be very, very wrong and self-defeating if you limit it in amount in both ways.

Senator LEHMAN. Governor, I know your legislature is in emergency session now. Therefore, I am particularly grateful to you for having come here. I have had a few special sessions myself and I know what they are. You have been most helpful and I am very grateful. I also want to express my thanks to your assistant, Mr. Cotter, for helping to make the arrangements for the hearing here today.

Governor RIBICOFF. I say this to the committee: I stand ready to come to Washington at your call, for anything you might want—any further testimony, or further suggestions, or anything you might want of the State of Connecticut or its governor. On a moment's notice I am ready to go to Washington.

Senator LEHMAN. Thank you very much, Governor Ribicoff.

Without objection, the material submitted by Governor Ribicoff, containing his message to the special session of the General Assembly of the State of Connecticut and the report of the Connecticut Flood Recovery Committee to Governor Ribicoff, will be made a part of the record.

(The documents referred to follow:)

MESSAGE BY HIS EXCELLENCY ABRAHAM A. RIBICOFF, GOVERNOR OF THE STATE OF CONNECTICUT, TO THE SPECIAL SESSION OF THE GENERAL ASSEMBLY, NOVEMBER 9, 1955

Mr. President, Mr. Speaker, and members of the Connecticut General Assembly, on August 19, hurricane Diane caused floods throughout Connecticut that produced the worst disaster in the State's history. The loss of life was tragic. The damage to property was enormous.

Then, on October 16, with the ground still saturated from the August rain, floods struck again. A 4-day rain, high tides, and fierce winds produced a second major flood. The tragedy that couldn't happen again was repeated within the short span of 2 months. Families and business firms and communities which suffered grievous losses in August were hit by a second blow.

Here is the grim toll of the two floods: Ninety-one persons are known dead; 12 others are missing and presumed dead; 86,000 persons were unemployed; more than 1,100 families were left homeless; another 2,300 families were at least temporarily without shelter; nearly 20,000 families suffered flood damage; 67 of our towns were affected by the floods.

The damage to individual property, to business, to industry, and to State and municipal facilities must be counted in the hundreds of millions of dollars.

We meet now in nonpartisan session to help our people and our towns solve the problems arising from the floods. We must chart a course so the State of Connecticut can recoup the resources which were drained away. We must plan so that from the flood destruction will rise an even greater State than we had before the rains came.

Our first concern after the storm was for the lives and health of the families who had lost their clothes, their furniture, their homes, their every possession. All agencies of the Government and private organizations pitched in to help. On the morning of August 20 we called on President Dwight Eisenhower to declare Connecticut a disaster area and asked for help. Help came at once.

The President flew to Hartford and met with the governors of the affected States. The President's warmth and deep concern gave us all a tremendous lift. He promised that redtape would be cut and all possible Federal assistance given.

We had outstanding cooperation from the entire Connecticut congressional delegation. They were untiring in their efforts and most helpful.

I also had splendid cooperation and assistance from Lt. Gov. Charles Jewett. I am very grateful for his support.

The American Red Cross embarked on a program in which it is spending more than \$9 million in Connecticut to help rehabilitate homeowners and small-business men who were victims of the flood. During the emergency periods, the Red Cross fed and clothed and sheltered 120,000 persons.

Outstanding contributions also were made by the Salvation Army, the soldiers and airmen of the Connecticut National Guard, the State police, the State civil-defense organization, the Coast Guard, the State highway department, thousands of State employees in many other departments, the Army and Navy and private helicopter pilots, the amateur radio operators, the Merchants' Disaster Committee, the United Service Clubs' Committee, and the firms which donated helicopters and trucks and a wide variety of material.

There also were thousands upon thousands of unsung heroes who gave everything they had in the way of sacrifice and courage.

It became obvious after the August flood that the job of rehabilitation was so immense that the best brains available must be brought to bear on our problems. It has never been my philosophy that all the wisdom in the State is centered on Capitol Hill. A flood-recovery committee was appointed to make a study of the multiple-flood problems and recommend a program.

This distinguished committee was ably chaired by Sherman R. Knapp. Represented on the committee was a cross-section of the economic, the political, and the civic life of our State. The legislative leaders of both parties were on the committee and played key roles in its work.

Now there is no intent on my part, or on the part of the committee, to usurp the basic legislative functions of this body. The committee has done research. It has collected material. It has investigated the law. It has evaluated the various problems. The committee members have worked tirelessly and selflessly for the common good. Their report should be of invaluable help and guidance to you in the days ahead.

This report and its recommendations deserve your support.

For my own part, I accept the report, incorporate it as a part of this message, and recommend the passage of each and every affirmative proposal made by the committee.

The largest single expense resulting from the floods is the restoration of town and State bridges and roads. We face two alternatives in raising the necessary money:

- (1) The legislature can divert money from the highway fund, thus sharply curtailing the interior road-construction program for the 1955-57 biennium; or
- (2) It can pay for this reconstruction from an appropriation for which new taxes must be levied.

My recommendation is that the highway fund be left intact.

It must be borne in mind that the funds will not be spent for new construction, or in improvements. All we will be doing is making ourselves whole again—to bring ourselves back to where we were on August 18. If we dip into the highway fund for this work, we will set our interior roadbuilding program that much behind. To realize how badly we need this program, all you have to do is to ride our roads and look at the acute traffic problems harassing local officials across the State. This legislature recognized these enormous road needs by voting the additional taxes to make funds available for our behind-the-times road system. To destroy the fund would mean a repudiation of our own action a few short months back.

One of the greatest opportunities this legislature has to leave its imprint on the future of Connecticut is in the field of town planning.

Here you can take the leadership in seeing that from the wreckage of the floods will rise a greater and finer and more modern State.

One of our first acts after the August 19 flood was to use the Governor's contingency fund to make a panel of topflight planners available to the hard-hit communities. There could be a tendency in some quarters to do a patchup job and merely restore the towns to the conditions they were in before the flood. This would be the great tragedy of the flood disasters. Such shortsightedness and lack of imagination would merely compound the losses.

In some of the flood communities, substandard or congested sections were washed away. The floodwaters did in 1 night what town planners would have required 50 years to achieve. Some of these areas now present possibilities for the most wideopen, imaginative sort of planning. Communities where tenements, industries, and business sections were crowded hodgepodge along the riverbanks have an opportunity to plan along modern lines. They can solve their traffic problems. They can provide ample parking space. They can build industrial parks away from the riverbanks. They can open up new residential areas, develop recreational facilities, and improve their shopping districts.

We have maintained a policy that the desire and initiative for this planning must spring from the communities themselves. Neither the Governor nor the legislature wants to force its will or its personality on the individual towns. I don't mean the damaged communities should be turned upside down. Each town has a beauty and character of its own. There are areas we wouldn't want to see changed by so much as breaking a stick or turning a stone. But the best of the past can be blended with the new. We have an obligation to our children and our children's children to correct the blight of the past and build communities for the future.

Seventy-five thousand dollars has been committed from the Governor's contingency fund for the planning work already done. About 18 communities have requested this planning assistance. To carry out an additional 1-year planning program, which seems a reasonable period of time, we will have to spend another \$183,000. The Federal Government will contribute a matching amount.

In addition, under the Federal urban renewal and redevelopment programs. Federal funds will help pay the cost of improving substandard areas or relocating business, industry, and residential buildings out of the flood plain.

In the total planning and redevelopment program, the Federal contribution will amount to more than \$5 million. The State's share will be approximately \$2 million.

It is obvious that the hard-hit flood towns, some of which were faced with serious economic problems before the floods, cannot assume this financial burden themselves. The State must carry a major portion of the load.

Any outlays we make for planning and for redevelopment would be prudent expenditures. We would be helping these towns get back on their feet and become so attractive that they would draw new industry and new business. Then instead of being dependent on State tax funds, they would themselves become big producers of tax revenues.

The flood recovery committee recommended to the legislature for further study another proposal on redevelopment. This proposal would help business and industry, which are not eligible for Federal funds, to relocate out of the flood plain. This could be done by the issuance of municipal redevelopment agency bonds, or through the use of funds borrowed by the Connecticut Development Credit Corporation. A combination of both methods could be adopted. The financing would be guaranteed by the State.

This is a forward-looking step for which I have great enthusiasm. Industry needs to be encouraged. We should offer every inducement, every assistance, to hold our old industries and attract new enterprises.

A program by which a municipal or nonprofit redevelopment agency can build factories, and then lease or sell them to manufacturers, will be a boon to the economic growth of Connecticut.

One of the vital needs of Connecticut, and for which we will need substantial Federal appropriations, is flood-control works. Our people must have this protection.

Soon after the August flood, the State's unqualified support was given to the projected flood-control dam at Thomaston. Connecticut's official concurrence for the construction of this dam has been filed with Washington. We now must press hard in Congress for the necessary appropriations to build the dam. Had this dam been built, the terrible damage wreaked in the Naugatuck Valley by the August flood would have been sharply curtailed, according to the Army engineers. And the damage caused by the October flood would have been prevented entirely.

Inasmuch as adequate flood control requires projects beyond our State borders, it is vital that we work in harmony and close cooperation with neighboring States and the Federal Government. This we are doing and will continue to do in the days ahead.

Flood control is a matter that will require the full energies of Connecticut's congressional delegation. All of us know they will do their best for our people.

It would be well to bear in mind that we are not making any inordinate demands on the Federal Treasury. Connecticut has paid its full share of taxes. For every thousand dollars we have contributed in Federal taxes during the past 25 years, we have received back \$49.92—or about 40 percent as much as the rest of the country. Only one other State, Delaware, has had a smaller return. The maximum figure for any State, by comparison, is the \$534.46 received by Mississippi.

Over the years, we have more than carried our share of national taxes and helped less fortunate States. Now we need large amounts of Federal funds to protect our homes, our people, and our economic life. There should be no question about giving us this help.

A part of any flood-control program, especially as it concerns high tides and the flooding of shore areas, is the problem of shore erosion. As a result of action by this legislature, we are embarked on a \$2 million shore-erosion program. Much of this work will be carried out before next summer.

The insuring of proper inspection of dams and river channels is another major flood control responsibility facing the legislature.

There are, in Connecticut, 3,000 and 8,000 miles of rivers and streams. 250 of the dams are of such a size that they should be inspected and studied to make sure they do not present a hazard to life and property. Most of the dams were designed and built before there were any restrictions on such construction.

Until we know these dams are safe, they represent a threat to every community through which their streams flow.

In view of the seriousness of the situation, the legislature should establish a policy for such matters as construction in river channels, encroachment on the channels, and the location of new dams.

There is no authority to recommend to the towns that lakes and reservoirs be maintained at specified levels. The decision on opening or closing floodgates varies from community to community.

It is the same way with the granting of permission to build on the banks of streams. Connecticut towns have the statutory authority to restrict encroachment on the channels, but here is no uniform policy. It would be advisable to have the State flood control and water policy commission empowered to make recommendations on these matters. Town officials cannot be expected to possess this technical knowledge.

Connecticut also must hammer on the doors of Congress and make its voice heard in the plea for disaster insurance.

The Red Cross and its sister relief agencies have done an outstanding job here. The State also is assuming a heavy burden. But there are many individuals and business firms that do not qualify for any of this help. They need disaster insurance.

Because of the risks involved, the rates of private insurance companies would be prohibitive. The Federal Government, therefore, must take the lead in providing such protection.

Connecticut does have one form of insurance that protects against disaster. The unemployment compensation fund protects against the disaster of unemployment. To make the fund fully effective in this emergency, however, the legislature should modify the provisions of the Unemployment Compensation Act.

By waiving the mandatory 1-week waiting period, we will make available \$1 million from this insurance fund to 33,000 working men and women who were unemployed during the flood periods. These people have suffered hardships. Many of them are struggling to rebuild and refurbish their homes and reclothe their families. They need every dollar they can get.

Hard-hit industrialists, fighting to keep their plants in operation and their workers employed, also can be helped by modifying the act. The Legislature should amend the act so that unemployment resulting from the floods will not affect an employer's merit rating.

As you know, the revenue for the fund is derived from a payroll tax. The employer with a consistent employment record is given a good merit rating and pays a lower rate than the employer with a poor employment record. Layoffs caused by the floods will push up the merit ratings of many firms damaged by the floods and may total as much as \$2 million.

This is an unjust tax boost. Through no fault of their own, these companies, which have suffered serious losses, are being penalized even further. To make the whole thing more inconsistent, the increase in the rates of the flood-hit industries would automatically decrease the rates of firms outside the flood areas. Thus we have the incongruous spectacle of flooded industries being called upon to assume a heavier burden than the factories that were spared flood damage.

Waiving the 1-week waiting period, and modifying the act so the floods won't affect an employer's merit rating, will in no sense deplete the unemployment compensation fund. The balance of this fund as of November 1, 1955, was \$230,972,000.

It is also important that the legislature act to assure flood victims of adequate housing. Thousands of homes have been damaged and destroyed. Rental housing is in general short supply.

I wholeheartedly subscribe to the housing recommendations of the flood recovery committee as to temporary housing for occupation by flood victims, repair of flood damage to State moderate rental housing, extension of the State's low interest rate home mortgage loan program to assist those whose homes were destroyed or damaged by the floods, and expansion of the State's moderate rental housing for flood victims. By also extending rent controls into 1957, we will have done much to help those who need an adequate roof over their head.

Now we must face the decision on how to raise the money needed to pay for the flood relief program. We need \$31,373,000.

I have no hesitancy to take the leadership and responsibility in this matter. I make a recommendation that I consider fair and equitable to all.

The people of Connecticut are aware of the tremendous devastation that has been wrought by the floods. They realize it would be of the utmost cruelty to expect the bent shoulders of the victims who have suffered these grievous blows to bear the brunt of the reconstruction cost. This cost should be shared by all our people. It must be spread over the entire tax structure. It must be distributed among all groups of the Connecticut economy and society.

For this emergency purpose, to exempt any one group would be an insult to them; should they ask for an exemption would be to their shame.

The fairest way to achieve this is by a 1-cent increase in the cigarette tax and an across-the-board surtax of 10 percent on all other present taxes except the gasoline tax. The taxes would remain for 2 years. This is a middle-of-the-road approach. It is much more equitable than going to the extremes of increasing the sales tax by 1 cent, or introducing a State income tax. An across-the-board increase, however, would be shared proportionately by the big corporation as well as the average working man.

Let me cite a couple of examples on how this tax would work. A corporation paying \$100,000 a year would, with the flood-tax increase, pay \$110,000. A housewife buying a \$3 item in a department store now pays a 9-cent sales tax. Under the across-the-board proposal, which would increase the sales tax by only three-tenths of 1 percent, she would pay an additional 1-cent flood tax—or a total sales tax of 10 cents on the \$3 item.

The State would realize from this increase over a 2-year period a total of \$30,651,870, which in approximate figures would meet the flood costs.

In closing, let me say: "Don't underestimate the courage and intelligence and responsibility of the people of Connecticut."

I've seen them in their hour of adversity. I've walked with them through the mud that floodwaters left on their kitchen floors. I've stood with them in the rubble of their destroyed homes as they retrieved a few pitiful belongings. I've watched industrialists—working alongside their men in T-shirts and dungarees—start to pull ceiling-high debris out of the intricate works of mammoth machines. I've seen store owners, their shelves of goods matted into a sodden mass, sweep thousands of dollars worth of inventory into the streets. I talked with people who had lost a brother, a sister, a husband, a wife, a child to the swirling floodwaters.

It has been the saddest experience of my life.

Yet, everywhere I met courage. Everywhere I met dignity. Everywhere I met a willingness to fight back and win.

These people have given their very bodies and hearts to this disaster.

All of us should be proud to serve such people of Connecticut.

Now the eyes of these people are on us. They need our help. They expect us to act with the grandeur and with the fortitude they have shown. They do not want political wrangling to enter into our deliberations.

An epochal crisis confronts us. The most critical assignment ever facing a Connecticut Legislature is yours.

We will be judged by history—and by the people of Connecticut—by the manner in which we rise to this challenge. I am confident we will meet this obligation in nonpartisan, responsible unity.

May God's guidance be with all of us in these critical days ahead.

REPORT OF THE CONNECTICUT FLOOD RECOVERY COMMITTEE TO GOV. ABRAHAM  
RIBICOFF, NOVEMBER 3, 1955

FOREWORD

On August 19, 1955, Connecticut was the hardest hit victim of the worst flood in the history of eastern United States. A week earlier, August 13, the wake of Hurricane Connie deposited from 4 to 6 inches of rainfall on the State. On Thursday, August 18, the backlash of Hurricane Diane unleashed 14 inches of rain within a 30-hour period between Thursday morning and Friday noon. The already saturated terrain could not absorb Diane's downpour. Rivers, brooks, and streams which had virtually dried up during the parched months of July and early August were converted within a few hours into raging torrents which cut terrifying paths of destruction. The Mad and Still Rivers in Winsted the Naugatuck, the Farmington, and the Quinebaug in the Putnam-Killingly area were the worst destroyers. Many lesser streams also wreaked their share of havoc. By the time the waters had subsided the flash floods had taken nearly 100 lives and caused damage estimated at \$200 million.

Under the general direction of Governor Ribicoff, all resources were immediately mobilized to combat the disaster. Saving life and caring for stricken families came first. State, Federal, municipal, and private agencies as well as individuals, joined in rescue, feeding, and shelter operations.

On Saturday, August 27, the Governor appointed a flood-recovery committee to study the many problems facing the State and its citizens in overcoming the disaster and to map out a program of immediate and long-range rehabilitation.

The membership of this committee is as follows:

- Chairman Sherman R. Knapp, president, the Connecticut Light & Power Co., Berlin
- Lucius S. Rowe, president, Southern New England Telephone Co., New Haven
- Harold V. Bossa, president, Savings Bank Association of Connecticut, Stamford
- Norris W. Ford, executive vice president, Manufacturers Association of Connecticut, West Hartford
- Lester Shippee, chairman, Connecticut Bank & Trust Co., Hartford
- John A. Coe, Jr., president, American Brass Co., Waterbury
- Frazar E. Wilde, president, Connecticut General Life Insurance Co., Hartford
- Ostrom Enders, president, Hartford National Bank & Trust Co., Hartford
- Mitchell Sviridoff, president, Connecticut Industrial Union Council, CIO, Bridgeport
- Joseph Rourke, secretary-treasurer, Connecticut Federation of Labor, A. F. of L., Hamden
- William M. Savitt, chairman, Hartford Retail Board, Hartford
- Norman K. Parsells, majority leader, Connecticut House of Representatives, Fairfield
- W. Sheffield Cowles, speaker, Connecticut House of Representatives, Farmington
- Joseph S. Longo, majority leader, Connecticut State Senate, Norwich
- Patrick J. Ward, president pro tempore, Connecticut State Senate, Hartford
- William T. Sheasby, mayor, city of Ansonia
- John N. Dempsey, mayor, city of Putnam
- Mrs. John Briscoe, president, Connecticut League of Women Voters, Lakeville
- Bernard Kranowitz, executive vice president, New Britain Chamber of Commerce, New Britain
- W. B. Young, dean, College of Agriculture, University of Connecticut, Storrs

A final, accurate appraisal of the damage caused by the floods may never be made. Surveys indicated that residential property damage as the result of the August 19 flood amounted to approximately \$27.2 million. This included 668 dwellings totally destroyed, 2,460 which suffered major damage, and 5,213 which incurred minor damage. It has also been reported that 507 industrial establishments suffered an estimated \$88.4 million damage to buildings, inventory, ma-

chinery, and materials. Some 1,436 commercial establishments were damaged to the extent of \$45.5 million. Agricultural losses at 922 reporting farms were estimated at \$2.5 million not including damage to the land itself. The damage to public property, including highways, bridges, buildings, equipment, and other facilities was estimated to be \$36.8 million.

These estimates of damage add up to \$202.8 million. In order to appreciate the magnitude of this disaster it is helpful to compare this total dollar loss to other significant factors. For instance, the total tax income to the State for the fiscal year ending June 30, 1956, is estimated at \$172.2 million and the total property taxes levied by all Connecticut municipalities in 1954 amounted to \$194.1 million.

At the first meeting of the flood recovery committee on August 31, in the capitol, Governor Ribicoff outlined the problems confronting the State and the communities which had suffered severe damage in the flood. He stated that it was the committee's responsibility to make recommendations for legislative action to relieve the suffering caused by the flood and to make plans for rehabilitation which would result in a better Connecticut. He said that he expected the committee to undertake its job in a nonpartisan manner and to consider only the best interests of the entire State and its people in its deliberations. If this policy were followed, he felt that the committee, having the confidence of the people, could be of very material assistance to the special session of the legislature which he proposed to call to implement the committee's conclusions and recommendations.

In order to deal with the many varied problems, the committee was broken up into five subcommittees as follows:

#### *State reconstruction costs*

Messrs. Rowe (chairman), Shippee, Dempsey, Sheasby, Cowles, Ward.

*Responsibility.*—To determine the cost to the State of reconstruction, including State aid to towns, and make recommendations concerning the State's participation in financing cost of flood damage to public property.

#### *Housing*

Messrs. Longo (chairman), Bossa, Parsells, Sviridoff, Enders.

*Responsibility.*—To determine housing losses in the affected areas and the resulting need for replacements, with recommendations concerning private State or Federal action to meet the need.

#### *Aid to flood victims*

Messrs. Young (chairman), Rourke, Ford, Wilde, Kranowitz, Savitt, Mrs. Briscoe.

*Responsibility.*—To review the various sources and types of financial aid available to all classes of flood victims. Determine whether additional aid from the State is desirable and, if so, how it might be administered equitably. Study the Unemployment Compensation Act as it applies to employers and employees affected by the flood.

#### *Reconstruction planning*

Messrs. Wilde (chairman), Coe, Enders, Sviridoff, Rowe, Mrs. Briscoe.

*Responsibility.*—To formulate recommendations concerning immediate and long-range planning for devastated areas (towns and regions) including necessary changes in existing statutes. Consider flood-control measures.

#### *Legislative*

Messrs. Parsells (chairman), Longo, Ford, Young, Rourke.

*Responsibility.*—To determine what changes in existing laws will be necessary because of the flood. Consider the type of legislation which will be needed to implement the flood recovery committee's recommendations.

To expedite the work of the committee a coordinating group was formed consisting the chairmen of the five subcommittees and the general chairman. In addition to numerous meetings of the various subcommittees, meetings of the general committee and the coordinating group were held as follows:

August 31, September 9, 16: General committee; September 26: Coordinating group; September 27: General committee; October 5, 12: Coordinating group; October 19: General committee; October 25: Coordinating group; October 28: General committee.

While most of the members of the committee have visited many of the flood-stricken areas individually, it appeared desirable for the committee as a group to inspect a substantial portion of the most badly damaged sections. This was

done on Monday, October 3, starting at Ansonia and proceeding to Seymour, Beacon Falls, Naugatuck, Waterbury, Thomaston, Torrington, Winsted, and Unionville. In each instance contact was made with municipal officials and their ideas were given serious consideration. On Saturday, October 8, a few members of the committee met with representatives of the town of Washington and toured the devastated Washington Depot area.

Recognizing the need for staff assistance in compiling data concerning the flood, Governor Ribicoff assigned J. M. Loughlin, commissioner of finance and control; Robert Wall, legislative commissioner; and R. P. Lee, chairman of the Connecticut Development Commission to assist the committee. In addition other State officers and representatives of organizations functioning in the disaster such as the Red Cross, the Small Business Administration, and the Army engineers were called upon for information and assistance.

By the early part of October it appeared that the work of the committee at least with respect to recommendations requiring legislative action could be completed by November 1 and on October 10, after consulting with legislative leaders, Governor Ribicoff set November 9, 1955, as the date for convening the general assembly. With relief agencies working at maximum capacity and with the rapid progress being made in the physical process of recovery, Connecticut seemed to be moving slowly but steadily along the road back. This weary journey, however, was due to be interrupted by a second flood disaster.

Heavy rains, beginning on Friday, October 14, and continuing through Sunday, the 16th, combined with winds of gale velocity and high tides brought destruction to Norwalk, Stamford, and other shore towns in Connecticut's southwestern area. Danbury was another hard-hit victim. Other towns, principally in the western part of the State, which only 8 weeks before had borne the brunt of Hurricane Diane's torrential fury, were again inundated. Roads and bridges repaired after the August flood were again washed out. Seventeen were dead, none missing. Flood losses ran into millions and, for the second time within 2 months, Connecticut was declared a disaster area by President Eisenhower.

In spite of new areas being damaged by the second flood and some areas being damaged by both floods, the second disaster did not reveal any new kinds of problems not already being considered by the committee. It was not felt necessary, therefore, to postpone the completion date of the committee's report beyond November 1 even though it would not be possible to have an accurate estimate of the damage caused by the October 16 flood. In fact the second disaster emphasized the need for moving ahead with the recovery program as rapidly as possible. Although the destruction in October was only 10 to 15 percent of the August disaster, the effect on the morale of the people—particularly those who suffered from both—was more damaging than the first flood. It was sharply evident that action must be taken to meet both the immediate problems and the longer range problems which would prevent a repetition of the terrible personal suffering and the economic loss to which the people of Connecticut have been subjected.

The flood recovery committee would be remiss, indeed, if it did not acknowledge publicly the unstinting cooperation it has received on all sides. The committee also wishes to thank, on behalf of flood sufferers and the people of the State, the Corps of Army Engineers for their work in clearing debris from flood-stricken areas and their monumental rehabilitation efforts. Sums amounting to \$9 million were pledged by the Federal Government to aid recovery and effect permanent improvements after Hurricane Diane struck and another \$4 million may be made available to help repair the mid-October damage. During and immediately following the floods the job done by the Connecticut National Guard both in the air and on the ground, the work of the State and local civil-defense organizations and the State police all helped immeasurably to bring order out of chaos. The gratitude of the State is also due the Federal Civil Defense Administration, the Federal Housing Authority, the Farmers' Home Administration, and the Small Business Administration; the American Red Cross and the Salvation Army; such special committees as the merchants' disaster committee and the United Service Clubs Committee which were concerned with the needs of business and industry; and to many other organizations and individuals. Because of these agencies, organizations, and individuals, and the indomitable spirit of Connecticut's citizens, the State is already well on its way to recovery and the task of this committee has been made much easier.

The report which follows sets forth the general policies of the flood recovery committee and presents its conclusions and recommendations. An appendix containing pertinent data which the committee considers will be helpful to the

Governor and the general assembly in making their decisions with respect to appropriate executive and legislative action is included. The appendix also includes a reprint of an article, *Ordeal of an Industrial Valley*, from the November 1955 issue of *Fortune* magazine. The article is a comprehensive study of the impact of the August 19 flood on the industry of the Naugatuck Valley and should be helpful in understanding the problems which faced the flood recovery committee.

#### STATEMENT OF POLICY

The Connecticut Flood Recovery Committee was born of disaster. In effect, its assignment was to meet a violent act of nature with the thoughtful acts of men. In its work, the committee has faced a great number and variety of problems:

Appraisal of the scope, depth, and implications of Connecticut's greatest disaster through realistic assessment of the damage, both human and material;

The setting of immediate objectives for relief which also fit the long-range patterns of recovery;

Evaluation of responsibilities of the State to its citizens and their communities; of business and its components, small and large; of social agencies, both private and governmental;

The recognition of opportunities—after accepting the facts of disaster—as means of improvement of the State's total resources rather than a restoration of the status quo;

The definition of principles and standards, moral and dynamic, by which the committee could measure and judge its recommendations.

The members of the committee, from the time of its formation in the shadow of death and destruction, have worked in an overall philosophy. This approach toward potential actions of men aimed to temper acts of nature called for no new principles. Rather it demanded a simple restatement of those oldest human, social, and economic principles by which we all live and move.

These have been the working beliefs of the committee:

That disaster, however widespread, is but the sum of the individual loss and calamity;

That disaster—sudden and extraordinary misfortune—must be met by those means which ease the intolerable burden on the individual. The lives lost in disaster cannot be restored; but the material loss to the survivors must be shared if the total community is to survive;

That no one should profit by disaster, either directly or by any competitive advantage in civic, commercial, political, or personal affairs;

That disaster should not become a means of hasty settlement of problems and issues of long standing not inherent in the emergency;

That recovery plans should not perpetuate old errors, or merely restore the obsolete and inadequate, or limit the opportunities for a new approach which are the only potential good in any disaster.

Connecticut's two worst natural disasters in our memory have struck thousands of our fellow citizens with acute hardship. Many have lost family, friends, homes, jobs, businesses, and personal belongings. Nothing we can do will erase from their minds and hearts the frightening and dreadful experiences they have undergone. But all of us can unite in mobilizing the available resources of the State to alleviate the material and economic hardships the floods have caused.

In its recommendations, the committee has been conscious of the precedents which will be set by the State of Connecticut in all of its activities born of disaster. New ground will be plowed and no one can say for sure whether or not it will be productive. The measures proposed now are conceived as answers, in part at least, to problems existing now. They should not be considered as setting a rigid pattern for the future.

#### AID TO FLOOD VICTIMS

##### *The problem of direct grants*

One stark fact stands out in the consideration of what was undoubtedly the most difficult problem which the committee had to face, that is, there is nothing fair or equitable about a disaster and, as yet, no fair and equitable means of making restitution has been found. While this generalization applies to all phases of a disaster, it is particularly evident in the case of the individual homeowner and the small-business man.

Traditionally the job of immediate relief has been undertaken by private agencies such as the Salvation Army and the Red Cross. Subsequent rehabilitation of the family has primarily been the responsibility of the Red Cross. These organizations have played their role vigorously and competently, often under the most trying circumstances. There were few, if any, instances of flood sufferers who wanted for food, clothing, and shelter. When the Red Cross workers finally close their books on the Connecticut floods of 1955 and depart for another disaster somewhere else, all of the families which have suffered loss—in many cases not once, but twice—will be in a position to keep going and to eventually establish a satisfactory way of life.

With financial resources dependent solely upon voluntary contributions, the scope of the Red Cross rehabilitation program is of necessity limited. Contrary to the concept entertained by many, it could not possibly approach the level of full compensation for loss without consideration of the financial ability of the individual to sustain loss. In the field normally covered by Red Cross about 10,000 homes and shops suffered from the August and October floods, varying in degree from minor damage to complete destruction. Of these 10,000 flood victims, about 7,500 or three-fourths of the total will receive Red Cross grants of money amounts totaling over \$9 million. The reports of town officials and other representatives of the stricken areas which have come to the committee have, without exception indicated that the rehabilitation job done by the Red Cross has been excellent.

A number of suggestions have been made that the State should pay pre-flood market value for destroyed properties that lie in the path of proposed highway projects. Disregarding the constitutional question, the administration of such a program would involve serious inequities and would create more problems than it would solve. A study of this matter indicates that in many instances the Red Cross has provided a new home in a new location with the family rehabilitation plan being worked out on the assumption that the State would pay only the present value of the destroyed property as provided by existing law. Any further compensation by the State would obviously result in duplication for some individuals with no benefit to many others whose homes were destroyed but who did not happen to be located on the route of a new highway.

In spite of an earnest desire on the part of the committee to develop a sound plan of providing greater financial aid to individuals than is possible under the Red Cross program, it reluctantly came to the conclusion that it could not do so with respect to the 1955 floods. It strongly recommends, however, that the question of disaster insurance be thoroughly studied at the Federal level in the hope that a reasonable solution to this problem may be forthcoming in the near future.

*Recommendation.*—This committee, after considerable study of the problem of direct grants of money by the State to victims of the Connecticut floods of 1955 and concluding that there is no sound way for the State to make such grants, recommends that the legislature urge the Congress of the United States to make a comprehensive study of the possibilities and problems of a Federal disaster insurance program.

#### *Unemployment compensation*

One of the first proposals presented to the committee for its consideration and one which is related to the question of direct grants concerns changes in the presently existing unemployment compensation act. The present act provides a maximum benefit of \$35 per week for an individual worker with an additional allowance of \$3 per week for each dependent up to a total of \$52 per week. These amounts are payable to unemployed persons for up to 26 weeks after a waiting period of 1 week. The fund from which these allowances are paid was created and is maintained by a graduated unemployment tax on employers' total payroll. The variations in the percentage rate reflects the unemployment experience of the individual employer.

Several different proposals for changing the present Unemployment Compensation Act were presented for consideration by the committee. The principal feature of each was the waiving of the 1-week waiting period for employees who were out of work because of the flood. The committee, after considering the problem, was unable to agree that a change in the act was in order at this time.

The view of those members of the committee who felt that no change should be recommended is based on the concept that unemployment is a personal disaster regardless of its cause and that the present Unemployment Compensation

Act reflects the general assembly's judgment as to an equitable means of alleviating such a disaster. The hardship to an individual resulting from the loss of his job is just as great if the reason for the lost job is a fire or a flood or just plain lack of work due to poor economic conditions. In the face of the suffering and financial loss experienced by those subjected to actual flood damage, it appears inequitable to give preferred treatment to those whose only loss was employment and who were, therefore, no worse off than other unemployed individuals. In the majority of cases there was only a brief interruption in employment, or no interruption at all, because of the vast amount of cleanup and repair work to be done immediately following the flood. Those opposing a change do so because they believe that it is not justified as a flood-relief measure. In arriving at this decision no attempt has been made to assess the adequacy or inadequacy of the present act as a means of alleviating the disaster of unemployment. The legislature may wish to consider the overall question of unemployment compensation, but since it is not in reality a flood-relief matter, it is suggested that this subject should be deferred until the next regular session of the general assembly.

Those of the committee who believe that a change should be made in the Unemployment Compensation Act point out that the State created the unemployment compensation fund for replacement of income during unemployment. This fund, today, is at near record heights of over \$225 million. The severity of the losses experienced demonstrated to previous skeptics and inadequacy of present benefit payments with their average of \$27 a week including dependency allowances.

Workers who have thus been thrown out of work through no fault of their own should be able to utilize the resources of the unemployment fund during their unemployment. But the following changes are needed to bring them maximum assistance while preserving the spirit and intent of the law :

1. Immediate payment by elimination of the waiting week.
2. Increase in amount and duration of benefits including dependency allowances.
3. Maintenance of workers' credits for the future.
4. Restoration of eligibility to workers unable to qualify because of the flood.

The employers of this State should also receive assistance by the suspension of charges for these additional benefits paid as a result of the flood. The purpose of the fund is to charge employers for benefit costs over which they have some control; in case of a flood, they have no control. The additional charges should and can be absorbed by the fund generally. Those advocating a change in the law believe that these proposals are the minimum this committee should recommend both to discharge its responsibility and to reflect in some measure the wishes of the great majority of our citizens.

#### *Sales- and use-tax remissions to flood victims*

The flood recovery committee suggests that flood victims be relieved of paying sales tax on replacement of equipment and goods damaged or lost due to the floods. This would mean that householders who found it necessary to replace major items such as ranges and refrigerators would not have to pay sales tax on these replacements. The same rule would apply to business and industry flood victims in the replacement of equipment. Since such purchases would not have been necessary if the floods had not occurred, the exemption of these replacement sales from the sales tax will have no material effect on the total estimated income to the State. To simplify the administration of this suggestion, it is believed that the exemption should apply only to items costing \$35 or more.

*Recommendation.*—We recommend, therefore, that for a period of 1 year beginning August 19, 1955, the sales and use tax be refunded or remitted on all purchases of separate items or any group of associated or like items, subject to the tax, costing \$35 or more, provided that an affidavit is furnished to the seller by the purchaser affirm that such purchases were made to replace goods destroyed or damaged beyond repair as a direct result of the floods.

#### *Abatement of local property taxes*

Under existing laws, property taxes may be abated by local authorities only for those persons who "are poor and unable to pay the same." With proper safeguards, this provision should be liberalized to permit the abatement of such taxes for a limited period in cases where the property owner suffered substantial flood damage. Property tax abatements will reduce the income of the abating municipality and this loss of income should, in the opinion of the committee, be recoverable by the towns and cities from the State.

**Recommendation.**—The committee recommends that municipalities be authorized to abate taxes on property damaged 50 percent or more, provided the taxes abated were due but not payable (including a 30-day grace period) until after the date of the damage caused by the August and October floods, and that the State be empowered to reimburse, subject to audit, the municipalities for taxes so abated.

Estimated cost to the State, \$2,100,000.

**Waiver of interest on delinquent taxes**

As further relief to disaster victims, the committee approves the waiver of interest on delinquent property-tax payments during the period of emergency.

**Recommendation.**—It is recommended that the appropriate local officials be authorized to waive interest payments on delinquent property taxes where flood damage is involved for the duration of the emergency as determined by the general assembly.

**Acquisition and relocation of temporary homes**

Shortly after the August flood, it became evident that prompt action would have to be taken to provide temporary houses in certain disaster areas. Arrangements were made by the State to obtain from the Federal Government, at no cost, 300 temporary housing units located at Groton. The committee agreed that the State should take whatever steps were necessary to transport these housing units to the disaster area and to pay the transportation cost as well as the cost of setting the houses on a foundation.

When it became apparent that not all of the 300 units would be required in the disaster areas, it was recommended that any units not needed for housing be made available for the use of small-business establishments of the size and type eligible for Red Cross aid.

**Recommendation.**—We recommend that the legislature appropriate the necessary moneys to reimburse the funds from which expenditures were made to relocate and make available for use the 300 housing units obtained from the Federal Government.

Estimated cost to the State, \$180,000.

**Extension of the State home mortgage loan program**

A number of families in flood-affected areas are former homeowners or moderate-income renters. Because of financial loss as a result of the flood, these families, desiring to build or buy their own homes, might find it difficult to obtain mortgage financing through conventional sources. It is our opinion that assistance in the form of low-interest-rate mortgages should be provided to these families.

**Recommendation.**—Therefore, we recommend that legislation be enacted to provide low-interest-rate mortgages to flood victims comparable to the mortgages granted under the State homeownership mortgage program. Such defects as an unrealistically low interest rate and the sale of State mortgaged property to a purchaser not qualified for such a loan should be remedied. The amount to be made available for this program, if any is found to be necessary, to be determined in the light of circumstances at the time the general assembly meets.

**Extension of State moderate rental housing program**

Because a large number of tenement houses and rental units were destroyed or made uninhabitable by the floods, many people in the affected areas are living in crowded, undesirable circumstances. The 1955 general assembly made \$15 million available to housing authorities for the construction of moderate rental units to alleviate the housing need of families displaced by highway or other public construction. The committee feels that this program should be extended in the flood areas to provide proper housing for persons displaced by the floods.

**Recommendation.**—It is recommended that the legislature make additional funds available for moderate rental housing in the flood areas, the amount of such funds for this program, if any are found to be necessary, to be determined by the legislature in the light of existing needs.

**Liberalization of law regulating bank loans for housing repair**

To further ease the housing shortage in flooded areas, it is the opinion of the committee that savings banks and savings departments should be permitted to make mortgage and housing repair loans for flood repairs upon terms and conditions more liberal than presently allowed.

*Recommendation.*—We recommend, therefore, that legislation be enacted liberalizing the terms and conditions upon which savings banks and saving departments may make mortgage loans and home repair loans for the repair of flood-damaged houses.

#### *Small Business Administration loans*

Lawyers handling Small Business Administration loans submitted legislation to broaden chattel mortgages so as to permit advances over a period of 1 year and to cover after-acquired property acquired within the 1-year period. It was felt that this legislation should be adopted.

*Recommendation.*—It is recommended that legislation be passed to accomplish the above objective.

#### *Liquor legislation*

The Liquor Control Commission brought to the attention of the committee the problem arising in the flood areas by reason of the fact that only limited credit may be extended to dealers in liquor.

*Recommendation.*—It is recommended that legislation be passed to grant the Liquor Control Commission power to suspend the credit provisions of the Liquor Control Act during times of emergency.

#### *Succession taxes on estates of people dying on date of floods or prior thereto*

A problem exists in the situation where an individual died prior to the floods but while the estate was in probate and property of the estate was subsequently damaged or destroyed by the floods. It is desirable that provision be made for the filing of an amended inventory and appraisal and succession tax return in such cases.

*Recommendation.*—It is recommended that legislation be passed to accomplish the above objective.

#### *Misrepresentation in sales of flood-damaged goods*

One of the unfortunate byproducts of Connecticut's flood disasters is the so-called closeout sale. Itinerant vendors vacate stores and advertise closeout sales of flood-damaged goods which goods are, in fact, shoddy merchandise rather than flood damaged. The purchaser is defrauded and the reputable, established merchants whom the Red Cross, the banks, and such agencies as the Merchants' disaster committee, and the United Service Clubs committee are trying to get back on their feet are the victims of unscrupulous and unfair competition. Such a situation requires corrective action.

*Recommendation.*—The committee recommends the adoption of legislation outlawing misrepresentation in so-called closeout sales and requiring all transient vendors to make a deposit of \$500 with the State treasurer and secure a license as prescribed by local ordinance.

### AID TO TOWNS

#### *Reimbursement of grand list losses*

Many towns and cities suffered destruction of, or severe damage to, taxable property with the result that the taxable resources which make up their grand lists have been greatly reduced. While the need for municipal revenue may be even greater than it was prior to the floods, the value of the property which is the source of these revenues has depreciated or, in some instances, disappeared. The State should reimburse its political subdivisions for tax loss due to reduction of their grand lists.

*Recommendation.*—The committee recommends that the State make grants to municipalities equal to their loss of income resulting from grand list reductions because of the floods, basing such grants on property assessments for the grand lists of 1954 and the tax rate in effect on August 19 or October 15, 1955, whichever applies, provided that such grants shall be limited to a period of 1 year and be subject to audit by the State.

Estimated cost to the State, \$1,575,000.

#### *Extension of time to assessors and boards of review for filing returns*

The statutes now provide that the State tax commissioner may extend the time within which assessors and board of tax review may file completed grand lists by as much as 30 days. Because of the floods, additional time may be required to compile the abstracts and hold the necessary hearings before the board of review.

*Recommendations.*—We recommend that the State tax commissioner be given authority to extend the time for flood-damaged towns to file their grand list returns up to a limit of 90 days.

*Lump-sum payment of per pupil aid for public school operation*

Under existing law, the State per pupil grant to the towns for public school operating expenses is paid in three equal installments in October, January, and April. The committee feels that in some flood-damaged towns, hard pressed financially, it would be helpful if this grant were paid in one lump sum.

*Recommendation.*—It is, therefore, recommended that the State board of education, upon the application of a flood-damaged town, be permitted to pay the 1955-56 State per pupil grant for public school operations to the town in one lump sum should the State board deem it necessary.

*Repair and replacement of local highways and bridges*

Some flood-damaged town roads and bridges have been and are being made temporarily passable by the Army engineers. The committee feels that the extent of the damage to town roads and bridges is so great that, coupled with grand list losses and the necessity to maintain essential municipal services, the cost of permanently repairing and replacing such roads and bridges would be too burdensome for the municipalities.

*Recommendation.*—The committee, therefore, recommends that any additional expense of reconstructing town roads and bridges beyond the work done by the Army engineers be borne by the State without prejudice to annual town-aid road grants.

Estimated cost to the State, \$14,500,000.

*Repair and replacement of other municipal property*

In addition to town roads and bridges, many municipalities suffered damage to other town-owned property such as schools, school recreational facilities and equipment, and municipal buildings and equipment.

*Recommendation.*—We recommend that towns and school districts be reimbursed by the State for expenses incurred in repairing damaged publicly owned school buildings, equipment, and school recreational facilities, and other municipally owned buildings.

Estimated cost to the State, \$600,000.

REPAIR AND REPLACEMENT OF FLOOD-DAMAGED STATE PROPERTY

*Repair and replacement of State highways and bridges*

The floods caused considerable damage to highways and bridges on the State and Federal-aid highway systems. Some aid in repairing highways and bridges has been received from the Army engineers and additional financial assistance will be forthcoming from the Federal Bureau of Public Roads for repairs to highways and bridges in the Federal-aid highway systems. The committee recognizes, however, that the bulk of the work will have to be financed by the State.

*Recommendation.*—It is recommended that the legislature make an additional amount available to the State highway department for the repair and replacement of damaged State highways and bridges, and other highway department equipment and property.

Estimated cost to the State, \$15,500,000 gross.<sup>1</sup>

*Repair and replacement of other State properties and reimbursement of appropriations depleted by emergency expenditures*

In addition to highways and bridges, flood-damaged, State-owned property includes State schools and other institutions and State parks and forests. A number of State departments and agencies also incurred unusual operating expenses in connection with disaster relief and flood rehabilitation.

*Recommendation.*—The committee recommends that State departments be reimbursed for flood repairs, replacement, and emergency operating expenditures, and that the Governor's contingency fund be reimbursed for any moneys spent for planning and rehabilitation and the expenses of this committee.

Estimated cost to the State, \$600,000.

<sup>1</sup> This amount will be reduced by Federal-aid reimbursements estimated at \$3 million.

*Repair of flood-damaged housing authority property*

The property of some local housing authorities in the State was damaged in the flood. If the cost of repairs to such damaged property were borne by the housing authority, it would be necessary to raise the rents. Since the State holds the mortgage on housing authority properties and since it is the intent of the State that rental charges should be moderate, the committee feels that the State should pay for repairs to buildings of local housing authorities.

*Recommendation.*—The committee recommends that the State bear the expense of repairs to damaged buildings under the jurisdiction of the local housing authorities.

Estimated cost to the State, \$186,000.

## REDEVELOPMENT PLANNING

One of the most important responsibilities of the flood-recovery committee is to develop a pattern which will point the way to achieving a better Connecticut. The material covered in the previous sections of this report deals primarily with the immediate problems of repair and replacement. Now we are faced with the task of suggesting ways and means by which our towns and the State as a whole can eventually make positive progress toward long-range permanent improvements. In exploring this field it is inevitable that new approaches to ways of getting things done must be considered if we are to attain our objective. While departing in some respects from the traditional relationships between municipal and State government and between private undertakings and government, the committee feels that its suggestions do not violate our basic political, economic and social concepts. Certainly they merit serious study and consideration by the general assembly.

*Municipal land powers*

So far as redevelopment planning is concerned, the municipal need for legal powers relating to land appears to fall into four categories. First, there is the need for a moratorium to prevent hasty rebuilding prior to the implementation of a town plan or redevelopment plan. Second, there is the need to acquire land within the area actually flooded in order to implement a town plan or redevelopment plan which will improve such areas and exclude uses susceptible to the greatest flood damage. Third, there is the need to acquire property outside the area actually flooded in order to relocate shopping districts and industrial districts which cannot safely stay in their old locations. Fourth, there is the need for flood plain zoning.

*Recommendation concerning building moratorium*

The committee recommends legislation to authorize the towns to prevent building within the flooded area, with the exception of moderate repairs to existing buildings, for a period of 6 months following enactment of the law.

The committee is informed that the constitutional problems involved in the placing of governmental limitations on land use make it advisable to restrict any such legislation to a single disaster, to limit the length of the period during which building may be prohibited, and to include a preamble showing the necessity of the measure as an exercise of the general governmental power to promote the health, safety, and welfare of the people.

*Redevelopment of the area actually flooded*

The need to acquire land in areas actually flooded appears to be covered by the redevelopment law (ch. 55 of the Connecticut general statutes (1949) as amended). That law permits the redevelopment of " \* \* \* blighted areas which constitute a serious and growing menace injurious and inimical to the public health, safety, morals, and welfare of the residents of the State \* \* \*." It defines redevelopment areas to include areas which are " \* \* \* detrimental to the safety, health, morals, or welfare of the community." The subcommittee is advised that this language is broad enough to include areas blighted by flooding. The whole machinery of planning, land condemnation, and finance created in the redevelopment law will, therefore, apply in the improvement of areas actually blighted by flood. No further legislation appears necessary in this particular respect.

*Relocation of commerce and industry*

The need to acquire property outside the area actually flooded appears to be excluded from the redevelopment law by the definition of redevelopment areas quoted above. The committee believes, however, that redevelopment agencies

are the proper agencies to plan and administer relocation areas. It is also firmly of the opinion that the planning of relocation areas should be made to fit with the overall purposes of the town plan and of any redevelopment plan.

*Recommendation concerning relocation of commerce and industry*

The committee recommends that legislation should be enacted which will add to the scope of redevelopment by adding to chapter 55 sections providing for the planning, financing, and administration of relocation areas and the condemnation of land in that connection, and containing constitutional safeguards upon such activities.

This approach would make use of existing law and of local redevelopment agencies to acquire sites by condemnation or otherwise for the relocation of commerce and industry, to construct facilities on those sites, to rent or sell the facilities to business enterprises, and to finance the project, like redevelopment projects, through bonds of the redevelopment agency backed by project revenues. The issuance of redevelopment agency bonds is only one way of financing commercial and industrial relocation. The matter of financing is given detailed consideration later in this report.

*Flood plain zoning*

The committee is advised that it appears likely that Connecticut's zoning and planning laws (title VIII of the general statutes) are broad enough to permit any municipal zoning or planning commission to zone areas of the town for restricted use because of the susceptibility of such areas to flooding. The zoning law is very clear in this respect. (See sec. 837, Connecticut general statutes.) The planning law is probably also broad enough to allow for the limitation of building in flood-prone areas (see sec. 858, Connecticut general statutes), but in order to place the matter beyond doubt, the committee is advised that it would be wise to make specific mention of this subject in the law.

*Recommendation concerning planning*

The committee recommends that the planning law be strengthened to include specific limitation on building in flood-prone areas.

*How to pay for redevelopment*

The financing of redevelopment has three parts:

First, there are redevelopment projects which qualify for funds from the Housing and Home Finance Agency. Federal funds will pay two-thirds of their cost, leaving a balance of one-third to be raised within Connecticut.

Second, there are other redevelopment projects, authorized under Connecticut's redevelopment law and constituting the bulk of the necessary reconstruction, which do not for one reason or another qualify for Federal funds. The entire cost of these projects must be raised within Connecticut.

Third, there will be commercial and industrial relocation projects which, as this committee has recommended, should be authorized by changes in the redevelopment law. No Federal money will be available for relocations.

*Recommendations for financing for projects which qualify for Federal funds*

The committee recommends, as to redevelopment projects made necessary by the floods or the danger of flooding and for which Federal funds are available that the State should pay one-half of the town's net cost. The State's share would in these cases therefore amount to one-half of one-third of the net project cost. A grant should be made only if the town requests it and if the State agency charged with administration of the program approves the general nature of the project and is satisfied with the design. The town's share in any such case will of course be raised as the town sees fit, but one alternative available will be the issuance of redevelopment agency bonds. The debt represented by such bonds would, under existing law, be outside the municipal debt limit.

Where any town elects not to request State assistance, but to finance the cost itself, the State should offer to guarantee bonds for projects whose general nature is approved by the appropriate State agency. The guarantee would be limited to bonds issued by a town's redevelopment agency for projects made necessary by the floods or the danger of flooding. This would leave authority over the project in the town, but by lending the State's credit, would reduce interest costs and make borrowing feasible in instances where it might not otherwise be possible.

Estimated cost to the State, \$1,750,000.

*Recommendations for financing for projects not qualifying for Federal funds*

The committee recommends that where redevelopment projects made necessary by the floods or the danger of flooding do not qualify for Federal funds, and where such projects are not self-liquidating, the State should, if requested by the town, pay up to one-half the net cost. The balance of one-half should be paid by the town, through redevelopment agency bonds or direct obligations of the municipality, as the town prefers.

Again, a grant should be made only if the town requests it, and if the State agency charged with administration of the program approves the general nature of the project and is satisfied with the design.

Where the project is one which will produce revenue and can pay for itself, or where the town does not request State funds, redevelopment can be financed by a town through redevelopment agency bonds. If a town uses this method the State should, upon the town's request, guarantee these bonds subject to approval of the project's general nature by the appropriate State agency.

The outright grants made for nonrevenue projects not qualifying for Federal funds should not exceed \$10 million.

*Financing for commercial and industrial relocation*

Two disastrous floods within 2 months have put serious doubts into the minds of business executives who although they plan to rehabilitate or relocate their plants need increased assurance that their new and permanent locations will not be subject to flood damage. These doubts cannot but act as a deterrent to the modernization of plants and machinery in flood-plain areas. If the plants are not repaired or relocated they will become marginal operations and industrial Connecticut cannot survive on a base of marginal industry. The State must have a profitable, competitive industrial base to provide continuity of employment at a high-wage level.

There are at least two alternative methods of financing commercial and industrial relocation. One of these is the issuance of municipal redevelopment agency bonds, guaranteed by the State where the general nature of the project has been approved by the appropriate State agency. Another is the use of funds borrowed by the Connecticut Development Credit Corp., who loans would, for this purpose, be guaranteed by the State. Both alternatives have advantages and disadvantages.

The advantage of the Connecticut Development Credit Corporation's approach is that it permits greater speed and flexibility in the administration of funds. The relocation problem is one of considerable urgency in that decisions regarding future plans must be made as early as possible. The availability to Connecticut business and industry of a facile solution within the areas now occupied is demanded in order to meet the competition for relocation in other areas outside the State of Connecticut. New housing for business and industry in this State under normal conditions involves debt financing by the proprietors, or the leasing of properties made available through enterprise engaged in the business of renting real estate. Under the circumstances of heavy flood loss the financial condition necessary for day-by-day business credit purposes may be seriously impaired and could not support new heavy mortgage debt even in the case of companies prudently and profitably managed before the floods. Similarly, the normal rental or lease terms which must be imposed by a commercial lessor, reflecting the latter's cost of financing and normal return on investment, may be prohibitive for the business or industry suffering severe flood loss. Lower than normal lease terms would in some degree ameliorate the loss and make financially feasible a move into equivalent or better structures safe from flood danger. Only through a device using low-cost funds can this objective be attained.

The proposal of the Connecticut Development Credit Corporation contemplates the borrowing of money at favorable rates made possible by use of the faith and credit of the State in order to construct or acquire for lease or sale under lower than normal terms new housing for Connecticut business and industry which suffered serious damage in the 1955 floods. Adequate control of issuance of credit by responsible fiscal authority within the State government, and requirement that rental and sale terms be such as to reasonably insure full repayment of all debts incurred under this program are conditions stipulated in the plan.

The Connecticut Development Credit Corporation plan meets the problem of urgency by offering the services, without compensation, of an existing credit organization operated on a statewide basis whose management is directed by bankers and industrialists thoroughly familiar with the needs of industry and commerce and immune from the problems of political accountability. Because it

could operate immediately in areas where no municipal redevelopment agency or planning commission now exists, it would avoid the delay inherent in a municipality's adoption of the necessary commission, plan, and agency for redevelopment.

Use of this method with ownership of the real property involved vested in the Connecticut Development Credit Corporation or the occupant permits municipalities to retain the full benefit of property tax avoiding any problems of exemption or payments in lieu of taxes for those projects where a redevelopment agency might hold title. In cases where the redevelopment agency transferred title to a private redeveloper, it would be impossible to offer the low rental advantages contemplated in the Connecticut Development Credit Corporation plan.

The advantages of the redevelopment agency approach are as follows:

First, it combines the financing vehicle with the municipal power to condemn lands for the purpose. To have the money without the power to condemn land, which is the position the credit corporation would find itself in, would probably be frustrating. The committee has already pointed out that the power to condemn land is a necessary feature of such a program.

Second, it leaves control of the program in the towns, and gears it to local and regional planning agencies rather than placing authority in a centralized agency. This encourages the towns to shoulder a greater share of the financial responsibility and tends to produce closer integration of commercial and industrial development plans with other aspects of town planning. It also recognizes a basic fact of life, which is that nothing can be accomplished without the cooperation and active support of the towns. Placing the program in the hands of a central agency would not make it immune from municipal indecision or insularity of outlook wherever such might exist. In addition, it removes the possibility of friction which might develop between the towns and a central agency.

Third, to the extent used, this approach avoids the necessity of creating new authority to issue bonds.

Fourth, it uses existing machinery with relatively minor changes. This should result in encouraging the formation of redevelopment agencies.

The committee believes that both approaches to this problem, if approved, might be used effectively and suggests that serious consideration be given to each. The action taken by the committee with respect to the proposal of the Connecticut Development Credit Corporation is as follows:

*Resolved*, That this committee considers the proposal of the Connecticut Development Credit Corporation concerning the suggested method of financing commercial and industrial flood redevelopment favorably, but it believes the matter needs further study before implementation by the legislature.

#### *Flood control*

In any overall consideration of the situation created by the floods of 1955 the general question of flood control is very much in the minds of everyone. Unfortunately, there is no clear understanding of just what adequate flood control means. To some it means a dam such as proposed at Thomaston—to others it means restrictions on the use of land subject to periodic flooding, the construction of dikes, or increasing the capacity of the river channels to carry floodwaters. Actually, flood control is all of these things and many more. Certainly no time should be lost in proceeding with a comprehensive study of the problem as it affects the entire northeastern section of the country. In a large measure this will be the responsibility of the Federal Government working through the Army engineers in cooperation with State and local agencies.

The committee urges that the State, in concert with other New England States and New York, take every appropriate step to obtain early congressional approval of funds for a sound and effective flood-control program. It is still too early to tell what portion of the total job will be solved with Federal money, but it is not too early to predict that Federal funds will not fill Connecticut's entire need. The State has two related agencies which are responsible for flood-control measures. One of these is the State board for the supervision of dams, and the other is the State flood control and water policy commission. Both of these agencies are now working with insufficient funds and personnel.

The Army engineers are doing outstanding work in the State on the river valleys where severe flood damage occurred during the last two storms. Obviously they are unable to study the many other conditions which need investigation and on which corrective measures are also badly needed. The present staff of the water commission and the flood control and water policy commission is likewise unable to undertake these investigations. With an increased staff

possibly of two engineers and transportation equipment it is possible that this agency could make many of these investigations which the Army engineers cannot undertake. There are some conditions which will need immediate investigation and this might be done by employing expert consulting services on a temporary basis. The committee believes that enough money should be appropriated to enable the State water commission and its related organizations to do this work.

*Recommendation.*—The committee recommends that adequate funds be appropriated to insure proper inspection of dams, dikes, and other conditions relating to flood control.

#### *Regional planning*

The floods of August 19, 1955, and the resulting reconsideration of town planning and flood-control measures, underline the regional aspects of all community planning. These aspects are particularly pertinent in Connecticut, where the considerable orientation of towns along north-south river valleys creates mutual responsibilities based on waterflow, and mutual interests based on highway and railroad routes. Planning, under these circumstances, can have no real validity unless it acknowledges regional problems. Beyond the particular pertinence resulting from Connecticut's topography, it is, of course, always the sensible, economical, and foresighted thing where centers of population exist side by side to regard them for planning purposes as a single integrated area.

For these reasons the committee urges that all agencies concerned should make every effort to encourage towns contiguous to each other, or which are part of a group of communities otherwise related, to coordinate their town plans, redevelopment projects, and flood-control projects. The highway department in particular should be encouraged to cooperate in this respect.

The Connecticut General Statutes (1949) provide in chapter 46 for the creation of regional planning authorities. To the committee's knowledge, only one such authority has been created. This is the authority for south-central Connecticut, which covers an area based generally on New Haven. In the river valleys, where regional planning authorities are most needed, it does not appear that any have been created.

It appears that the statutes are in general well designed to permit the kind of regional planning which the committee believes should be encouraged. They were amended at the last regular session of the general assembly. One of the changes then adopted was to remove the requirement that towns in a regional authority be "contiguous" to each other, and to substitute the more realistic requirement that they be "\* \* \* parts of the same planning region as defined by the Connecticut Development Commission.\* \* \*")

The committee understands that the Connecticut Development Commission is submitting bills to further strengthen the commission's efforts to encourage regional planning. These bills merit the consideration of the general assembly.

*Recommendation.*—The committee recommends that the general assembly favorably consider such bills proposed by the Connecticut Development Commission.

#### *Civil defense radio network*

The committee has been reliably informed that better communication facilities would have enabled State and local authorities to deal more adequately with fast-changing conditions during the flood emergencies.

*Recommendation.*—The committee recommends that the general assembly study the matter of an appropriate sufficient to install a civil-defense radio network adequate to provide communication in any area of the State.

### SUMMARY OF RECOMMENDATIONS

#### *Aid to flood victims*

1. Urge the Congress to make a study of the possibilities and problems of a Federal disaster insurance program.
2. Abate sales and use taxes on items costing \$35 or more purchased to replace those destroyed or damaged by the floods.
3. Abate local property taxes on property damaged 50 percent or more by the August and October floods and reimburse towns and cities for such abatements from State funds. Estimated cost, \$2,100,000.
4. Waive interest on delinquent property taxes where flood damage is involved.
5. Acquire and relocate temporary housing for occupation by flood victims. Estimated cost, \$180,000.

6. Extend the State's low-interest-rate home-mortgage loan program to assist those whose homes were destroyed or damaged by the floods.

7. Expand the State's moderate rental housing program to provide housing for flood victims.

8. Liberalize the terms and conditions upon which savings banks and savings departments can make mortgage and home repair loans on flood-damaged houses.

9. Modify laws concerning chattel mortgages.

10. Suspend credit provisions of Liquor Control Act during times of emergency.

11. Amend the statutes to facilitate settlement of estates of flood victims.

12. Outlaw misrepresentation in so-called closeout sales and require all transient vendors to be properly licensed.

Total estimated aid to flood victims, \$2,280,000.

#### *Aid to towns*

13. Reimburse municipalities from State funds for tax losses resulting from grand list reductions because of floods. Estimated cost, \$1,575,000.

14. Allow additional time for assessors and boards of tax review to file complete grand list returns with the State tax commissioner.

15. Permit the State board of education to pay the 1955-56 per pupil grant for public-school operations in 1 lump sum rather than 3 installments.

16. Make grants for repair and reconstruction of flood-damaged local highways and bridges in addition to regular town-aid grants. Estimated cost, \$14,500,000.

17. Reimburse towns and cities for repair and replacement of other damaged municipally owned property and equipment. Estimated cost, \$600,000.

Total estimated aid to towns, \$16,675,000.

#### *Repair and replacement of State-owned property*

18. Make additional funds available for repair and replacement of flood-damaged State highways and bridges. Estimated cost, \$15,500,000 (subject to reduction by Federal aid).

19. Reimburse State departments and the governor's contingent fund for expenditures incurred in repairing or replacing damaged property and financing flood emergency operations. Estimated cost, \$600,000.

20. Repair damage to housing authority property. Estimated cost, \$186,000.

Total estimated repair and replacement of State-owned property, \$16,286,000.

#### *Redevelopment planning*

21. Authorize the towns to declare a moratorium on rebuilding in flooded areas for a period of 6 months.

22. Empower local redevelopment agencies to acquire land for the relocation of shopping centers and industrial plants outside flooded areas or areas in danger of flooding.

23. Strengthen existing planning laws by including specific limitations on building in flood-prone areas.

24. Assist towns in financing redevelopment projects which qualify for Federal aid by a State grant of one-half of the town's net cost.

25. Urge the General Assembly to study proposals for State assistance for local redevelopment projects which do not qualify for Federal aid.

26. Demand prompt attention of the Congress to flood-control projects which will prevent devastation in the Northeast.

27. Make adequate funds available to the State board for the supervision of dams and related agencies to ensure the proper inspection of dams and other flood-control facilities.

28. Enact legislation which will strengthen the Connecticut Development Commission's efforts to encourage regional planning.

29. Urge the General Assembly to give favorable consideration to the installation of a civil defense radio network adequate to provide communication in any area of the State.

#### FINANCING THE FLOOD RECOVERY PROGRAM

The summary of recommendations shows that the proposed cost of aid to flood victims, aid to towns, and State reconstruction amounts to about \$35 million. This money will be required chiefly for rebuilding and repair, and when this has been accomplished Connecticut will have made no real gain in economic strength. In other words, we will merely restore the facilities we had before the flood, but will not have made any forward steps in public improvement. The amount under "Reconstruction planning," which will produce long-range im-

provements, is for the most part a limiting amount, rather than an estimate of cost. It is anticipated that this will be a continuing program with amounts being appropriated as projects are authorized.

Sound principles of public finance call for the payment of expenditures for repair and rebuilding in the shortest possible time consistent with the maintenance of a vigorous overall economy. In accordance with these principles, the committee suggests that the amount needed to pay these costs be raised by an increase in taxes for a reasonable period, such as 2 years. The revenue from such an increase might well be placed in a special flood-recovery fund from which costs of the program suggested in this report could be paid.

We recognize that it is the responsibility of the legislature to determine the source of additional tax revenues and it would be presumptuous of this committee to attempt to specify a precise formula to be followed. It may be worth while, however, to point out that the problem of paying the bill for the disasters which struck Connecticut in August and October differs materially from the more familiar problem of providing additional tax revenue to meet the normal expenses of operating the State government. Despite the understandable resistance to an increase in taxes, we believe that the taxpayers of Connecticut are ready and willing to pay the bill if they are assured that the burden will be shared equitably by all.

Respectfully submitted.

THE CONNECTICUT FLOOD RECOVERY COMMITTEE.

POSTSCRIPT BY THE CHAIRMAN

The members of the Connecticut Flood Recovery Committee have been diligent in their duties and unstinting in efforts—many of them at great personal sacrifice. The chairman is deeply grateful for the work of the chairmen of the sub-committees, and for the individual contributions of every member—without which this report would not be possible.

The committee acknowledges with thanks the help of the Connecticut Public Expenditure Council in the technical organization of the material for this report.

In its operations, the committee has been a body of inquiry, a library of information, and a board of review for many proposals from many sources. Essentially, in all of these areas of research and recommendation, the committee's work became an exercise in cooperative understanding. By working together, it learned to work together, and it is the hope of the committee that the spirit of compromise and goodwill above special interest, which it found in itself, will be maintained in the deliberations which will translate recommendation into action.

Here, the committee must confess its sense of inadequacy in lessening directly the human loss and suffering which underlie every fact and figure in this report. Yet, in the face of long and close contact with the human facts of disaster, we are confident of the ability of our fellow citizens to bring into being the new Connecticut.

SHERMAN R. KNAPP, *Chairman.*

NOVEMBER 3, 1955.

APPENDIX A

STATE OFFICE OF CIVIL DEFENSE, HARTFORD, CONN., OCT. 20, 1955

Summary of damage estimates, Aug. 19, 1955, flood

Town	Public facilities	Residential	Industrial	Business	Private schools, churches, and institutions	Total
Ansonia	\$1, 278, 500	\$2, 200, 000	\$7, 477, 000	\$3, 000, 000	\$51, 000	\$14, 006, 500
Ashford	7, 000					7, 000
Avon	18, 184	100, 000		16, 500		134, 684
Barkhamsted	174, 000	600, 000	105, 000	80, 000	60, 000	1, 019, 000
Beacon Falls	60, 000	568, 560	1, 195, 000	491, 650	46, 500	2, 361, 710
Bethany	1, 000					1, 000
Bethlehem	75, 000					75, 000
Bloomfield	17, 500	17, 500	22, 500	66, 250	1, 600	125, 350
Bridgewater	15, 000					15, 000
Bristol	1, 138, 000	300, 000	1, 000, 000	1, 000, 000	30, 000	3, 468, 000
Brookfield	5, 000					5, 000
Burlington	200, 000	250, 000	30, 000	20, 000		500, 000
Canaan	101, 000				100, 000	201, 000
Canton	80, 000	215, 000	1, 000, 000	219, 275		1, 514, 275
Colebrook	143, 975	50, 000	76, 000			269, 975
Cornwall	80, 000			25, 000		105, 000
Coventry	104, 000	5, 000	15, 000			124, 000
Cromwell	200	4, 000	3, 000			7, 200
Danbury	45, 000	200, 000	1, 000, 000	1, 500, 000		2, 745, 000
Derby	75, 000	30, 000	60, 000			165, 000
Eastford	3, 500					3, 500
East Granby	47, 000	480, 000				527, 000
East Hartford	35, 000					35, 000
East Windsor	20, 000	35, 000	6, 500	41, 000		102, 500
Ellington	35, 000					35, 000
Enfield	55, 000					55, 000
Farmington	200, 000	1, 800, 000	1, 700, 000	500, 000		4, 200, 000
Glastonbury	8, 000	10, 000	58, 300	14, 550		90, 850
Goshen	40, 000					40, 000
Granby	455, 000	15, 110		14, 000		484, 110
Griswold	200	500, 000	2, 350, 000	175, 000		3, 025, 200
Hartford	25, 000	1, 500, 000	1, 800, 000	270, 000	100, 000	3, 695, 000
Hartland	38, 300	10, 000			44, 800	93, 100
Harwinton	96, 000					96, 000
Kent		25, 000			50, 000	75, 000
Killingly	200, 000	150, 000	1, 000, 000			1, 350, 000
Litchfield	750, 000	525, 000	80, 000	12, 500	10, 000	1, 377, 500
Manchester	12, 095					12, 095
Mansfield	78, 500					78, 500
Middlebury	15, 000					15, 000
Middletown	23, 176	29, 875	184, 565	33, 650		271, 267
Morris	164, 000	133, 775		27, 050		324, 825
Naugatuck	2, 460, 000	2, 600, 000	15, 493, 593	3, 179, 795	161, 800	23, 895, 188
New Britain	266, 275					266, 275
New Fairfield	2, 500					2, 500
New Hartford	600, 000	399, 679	775, 000	83, 850		1, 858, 529
New Milford	95, 000					95, 000
Norfolk	221, 300	75, 000	247, 000	40, 000		583, 300
North Canaan	49, 400	33, 855		185, 950	47, 840	317, 045
Norwich		5, 000	90, 000	18, 000		113, 000
Oxford	2, 000					2, 000
Plainfield	11, 500		1, 000, 000	5, 000		1, 016, 500
Plainville	25, 000					25, 000
Plymouth	71, 000	100, 000	175, 000	95, 000	15, 000	456, 000
Pomfret	20, 000					20, 000
Portland		1, 000				1, 000
Putnam	700, 000	984, 000	2, 500, 000	325, 000	65, 000	4, 574, 000
Rocky Hill		2, 000				2, 000
Roxbury	56, 700	30, 000		7, 000		93, 700
Salisbury	30, 000					30, 000
Seymour	675, 000	2, 000, 000	1, 250, 000	2, 600, 000	65, 000	6, 590, 000
Sharon	35, 000					35, 000
Shelton	2, 000	39, 000	571, 000			612, 000
Sherman	6, 327					6, 327
Simsbury	57, 350	350, 000				407, 350

## Summary of damage estimates, Aug. 19, 1955, flood—Continued

Town	Public facilities	Residential	Industrial	Business	Private schools, churches, and institutions	Total
Somers.....	175,000					175,000
Southbury.....	10,000	75,000	100,000			185,000
South Windsor.....	5,000	50,000				55,000
Sprague.....	4,550					4,550
Borough of Stafford.....	40,000	150,000	500,000	250,000		940,000
Stafford.....	150,000					150,000
Suffield.....	75,000	50,000				125,000
Thomaston.....	572,500	370,000	5,139,000	153,000		6,234,500
Thompson.....	200,000	1,000,000	6,500,000	85,000	3,000	7,788,000
Tolland.....	11,000					11,000
Torrington.....	2,385,000	1,350,000	7,100,000	2,150,000	81,500	13,066,500
Warren.....	75,000					75,000
Washington.....	610,000	1,580,000	130,000	350,000		2,598,000
Waterbury.....	3,105,000	2,857,000	15,364,000	14,176,000	3,498,000	39,000,000
Watertown.....	55,000	68,000	1,220,500	269,630		1,613,130
West Hartford.....	62,065	255,000		545,000		862,065
Wethersfield.....	2,500	75,000	10,000			87,500
Willington.....	17,000					17,000
Winchester-Winsted.....	2,253,190	3,000,000	11,000,000	13,500,000	370,000	30,123,190
Windham.....			2,000			20,000
Windsor.....	78,500	50,000	100,000	11,500		240,000
Windsor Locks.....	10,000					10,000
Woodstock.....	20,000					20,000
						187,883,290
STATE AGENCIES						
Department of Aeronautics.....	3,950					3,950
Food and Drug Commission.....	27,976					27,976
Department of Health.....	84,811					84,811
Liquor control commission.....	7,957					7,957
Public works department.....	190,358					190,358
Civil defense.....	66,576					66,576
Labor department.....	21,111					21,111
State Highway Department:						
State roads.....	1,620,000					1,620,000
Federal-aid roads.....	12,500,000					12,500,000
Park and forest.....	395,800					395,800
Grand total.....	36,785,329	27,231,354	88,447,958	45,536,150	4,801,040	202,801,832

## APPENDIX B

## Residential damage, Aug. 19, 1955, flood

Location	Totally destroyed	Major damage	Minor damage
Ansonia (Seymour).....	43	100	728
Bristol.....	2	2	350
Danbury.....	0	50	100
Danielson.....	3	50	35
Farmington (Unionville).....	135	80	160
Hartford area (Granby, Simsbury, New Hartford, Windsor, Windsor Locks, Warehouse Point, East Hartford, West Hartford, Avon).....	93	227	511
Jewett City.....	0	8	10
Litchfield.....	0	0	8
Middlesex.....	0	0	50
Naugatuck (Union City, Beacon Falls).....	210	490	475
New Britain.....	5	25	30
New Haven area (Derby, Shelton).....	0	0	26
New Milford.....	0	3	35
Norwich.....	0	2	6
Putnam.....	42	300	88
Rockville.....	1	25	25
Stafford Springs.....	1	10	20
Torrington.....	20	650	400
Washington.....	12	28	36
Waterbury (Thomaston, Waterville).....	75	300	1,500
Willimantic.....	0	5	20
Winsted.....	26	105	600
Total.....	668	2,460	5,213

*Residential damage, Aug. 19, 1955, flood*

A breakdown of the areas in which the most homes were destroyed and suffered major damage indicated the following areas :

Location	Totally destroyed	Major damage
1. Naugatuck.....	210	490
2. Farmington.....	135	80
3. Hartford (mostly Granby).....	93	227
4. Waterbury.....	75	300
5. Putnam.....	42	300
6. Ansonia (Seymour).....	43	100
7. Winsted.....	26	105
8. Torrington.....	20	650
9. Washington.....	12	28
<b>Total.....</b>	<b>656</b>	<b>2,280</b>

The following towns have requested prefabricated homes :

Pomfret.....	1
Putnam.....	60
Stafford Springs.....	60
Barkhamstead.....	2
Seymour.....	60
Naugatuck.....	30
Winsted.....	50
New Hartford.....	20
<b>Total.....</b>	<b>229</b>

The following towns have requested trailers :

Naugatuck.....	20
Beacon Falls.....	20
Farmington.....	25
Thomaston.....	20
<b>Total.....</b>	<b>85</b>

## APPENDIX C

*Assessors' report of grand list and tax losses in the most severely damaged municipalities, flood of Aug. 19, 1955*

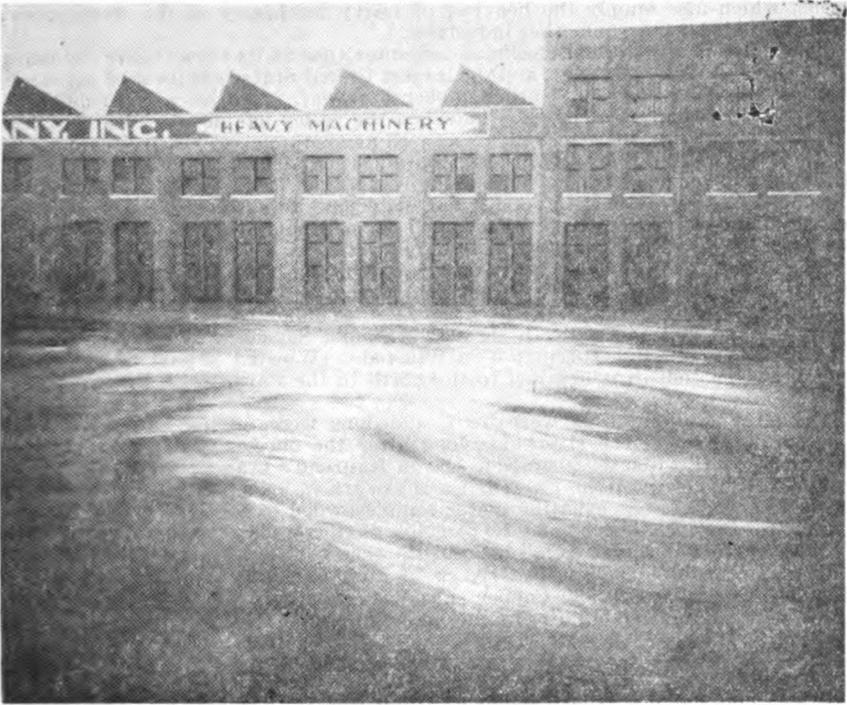
Municipality	Assessed value			Tax rate	Tax loss
	Real property	Personal property	Total		
Ansonia.....	\$182,125	\$1,116,249	\$1,298,374	0.032	\$41,547.97
Avon.....	50,000		50,000	.039	1,980.00
Barkhamsted.....	45,562	6,664	52,226	.053	2,767.98
Beacon Falls.....	344,240	228,788	573,028	.0295	16,903.74
Bristol.....	327,600	164,000	491,600	.0343	16,861.98
Canton.....	262,798	217,742	480,540	.035	16,818.90
Derby.....	30,125	75,420	105,545	.03125	3,296.28
East Granby.....	200,000		200,000	.032	6,400.00
Farmington.....	1,579,090	301,200	1,880,290	.0325	61,109.43
Granby.....	3,620	22,760	26,380	.047	1,236.86
Naugatuck.....	1,476,760	1,989,605	3,466,365	.024	83,192.76
New Hartford.....	131,046		131,046	.034	4,455.56
New Milford.....	132,139	12,000	144,139	.0185	2,697.57
Norfolk.....	38,375	114,741	153,116	.02925	4,478.64
North Canaan.....	28,595	100,000	128,595	.027	3,472.07
Putnam.....	300,103	66,425	366,528	.051	18,692.98
Seymour.....	443,233	463,420	906,653	.030	27,199.59
Shelton.....		200,000	200,000	.029	5,600.00
Stimbury.....	325,325	347,360	672,685	.029	19,507.87
Stafford:					
Town.....	157,546	113,217	270,763	.038	10,288.99
Borough.....	137,016	101,576	238,592	.0105	2,505.22
Thomaston.....	343,789	704,299	1,048,088	.0285	29,670.51
Thompson.....	146,895	319,950	466,845	.050	23,342.25
Torrington.....	1,249,577	1,539,489	2,789,066	.032	89,250.11
Washington.....	173,780	81,980	255,760	.021	5,369.91
Waterbury.....	8,450,000	15,364,000	23,814,000	.034	857,304.00
Winsted.....	1,614,051	1,432,815	3,046,866	.0335	102,070.01
<b>Total.....</b>	<b>18,173,390</b>	<b>25,083,630</b>	<b>43,257,021</b>		<b>1,458,365.03</b>

## APPENDIX D

*Estimated annual tax collections of the State of Connecticut, exclusive of Federal grants, licenses, fees, and other miscellaneous revenues accruing to the general and highway funds during the fiscal year ending June 30, 1956*

Tax	Rate	Amount
Property taxes:		
Inheritance.....	2 to 12 percent.....	\$10,000,000
Oyster grounds.....		12,350
Subtotal.....		10,012,350
Business taxes:		
Corporate business.....	3¾ percent net income.....	25,000,000
Unincorporated business.....	25 cents to \$1 per thousand gross income.....	3,150,000
Car companies.....	3 percent gross earnings.....	50,000
Express companies.....	2 percent gross earnings.....	22,000
Gas companies.....	1½ percent gross earnings.....	315,000
Gas and electric.....	do.....	1,330,000
Electric and power companies.....	do.....	700,000
Water and waterpower.....	do.....	170,000
Steam railroads.....	2 to 3½ percent graduated.....	1,300,000
Telephone companies.....	4 percent gross earnings.....	3,045,000
Telegraph companies.....	3 percent gross earnings.....	56,000
Insurance companies.....	1¾ to 2 percent premium receipts.....	9,950,000
Amusement.....	25 cents to \$8 per day.....	125,000
International banking.....		350
Subtotal.....		45,213,350
Consumption taxes:		
Gasoline and fuel.....	6 cents per gallon.....	40,560,000
Sales and use.....	3 percent.....	61,600,000
Cigarette tax.....	1½ mills per cigarette.....	18,640,000
Alcoholic beverages.....	Beer \$1 per barrel.....	6,200,000
	Liquor \$1 per gallon.....	
	Wine 10 or 25 cents per gallon.....	
Subtotal.....		117,000,000
Grand total.....		172,225,700

<sup>1</sup> One-sixth of cigarette tax receipts (\$1,440,000) are diverted to the soldiers, sailors, and marines' fund, the balance of \$7,200,000 being available for general fund use.



On August 19, 11 feet of water flowed through this Farrel-Birmingham plant in Ansonia, Conn.

#### ORDEAL OF AN INDUSTRIAL VALLEY

(By Dero A. Saunders)

Could the disaster that struck the Naugatuck Valley last summer have been averted—or insured against? Here is the first detailed account of the industrial damage done by one of the worst floods of United States history.

In a normal August the Naugatuck River of west-central Connecticut is a placid stream, so shallow in places that a boy can wade across it without fear of a scolding at home. But in the uncommon August of 1955, when Hurricane Diane suddenly strewed floods from Pennsylvania to Massachusetts, the Naugatuck became the most destructive torrent in New England's history. The towns and industries tight packed along its banks were buried several feet deep in mud, silt, and wreckage, and one of New England's key industrial concentrations was temporarily paralyzed.

How could Naugatuck Valley industry have sustained such frightful damage, and from so insignificant a stream? Can a recurrence of the catastrophe be prevented—or at least insured against? Such questions were of interest not only to New England businessmen. For there is hardly any United States industry that does not sell to or buy from the firms clustered along the Naugatuck. And much of United States industry lives alongside gentle streams that in recent weeks have been looked upon with new respect.

The tiny Naugatuck Valley (it is less than 50 airline miles along) contains over 250 factories employing a total of 80,000 workers. It is the most important nonferrous-metalworking center in the United States. Nearly 40 percent of the Nation's brass and bronze, and a large portion of its copper, zinc, and aluminum, are fashioned in the Naugatuck Valley into sheet, strip, rod, wire, and tube. These primary forms then feed the electrical, electronic, and metalworking plants that long ago replaced textile mills as New England's main industrial props. Supporting the brass and copper mills are the Naugatuck Valley's machinery

firms, which also supply the heaviest of heavy machinery to the steel, paper, rubber, mining, sugar, and other industries.

The valley is also a great clockmaking center (one of its towns bears the name of clockmaker Seth Thomas), and the largest United States producer of sneakers, arctics, galoshes, boots, and other rubber footwear. And since the rubber industry is increasingly a chemical industry, the valley has developed a chemical complex producing rubber chemicals as well as synthetic rubber itself.

The Naugatuck Valley's old plants, sprouting occasional additions like fresh twigs on old trunks, hug the edge of the Naugatuck River as though their lives depended upon it. Once they did. For waterpower, together with copper from nearby mines, and skilled labor smuggled out of England (sometimes hidden in wine casks), created the valley's first industries. The copper and brass mills long ago outgrew the river's waterpower, but by that time they were too firmly rooted to transplant, too rich in plant and machinery in place. And above all the Naugatuck Valley had grown rich in skilled labor that crowded the towns from Shelton and Derby north through Ansonia, Seymour, Naugatuck, Waterbury, Thomaston, and Torrington to Winsted. (Winsted is part of the valley complex even though it lies just to the north in the Farmington River's watershed.)

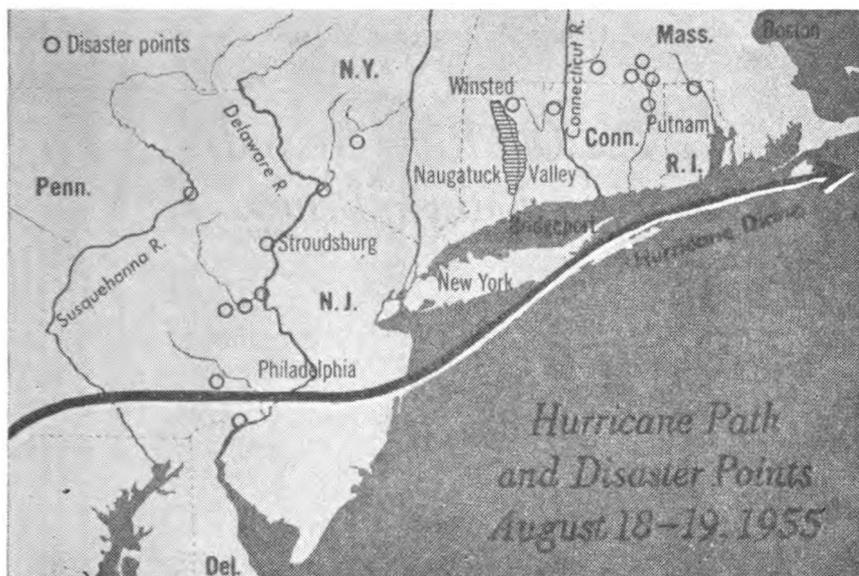
Once the original mills were built, additions were simply butted onto the old buildings along the riverbank, long after the once-essential water wheels were mossy with disuse. The New Haven Railroad's branch line up the valley followed the course of the river like a snake track, bridging it 10 times within 46 railroad miles. So even the newer mills crowded toward the water, making full use of the archaic common-law principle that extends private-property rights to the "thread of the stream," i. e., to its very center. Plants were built not only next to, but out into, the river: in fact, the main Waterbury plant of Kennecott's Chase Brass & Copper subsidiary was built by diverting the river into a new channel and building on the old stream bed.

#### INDUSTRIAL FLASH FLOOD

These man-made encroachments, by contorting the river into circuitous and unnatural channels, served to increase the valley's natural tendency toward flooding. As a glance at the map on the opposite page will show, the Naugatuck River's watershed is unusually narrow, averaging no more than 8 miles wide; but within that slender span the hills on either side frequently rise 300 feet, and in places more than 500 feet above the river. Thus it is not surprising that the valley has experienced several fairly serious floods in the last 20 years—one in 1936 from a combination of rain and melting snow, another from the hurricane of September 1938, and a third from a sudden downpour on New Year's Eve of 1948-49. Each of these caused some property damage, flooding a few low-lying factories to a depth of 2 or 3 feet. On August 18 and 19, 1955, however, the area was hit by the greatest cloudburst in its history.

The rain fell under the most unfavorable circumstances. Hurricane Connie had, during the preceding weekend, soaked the ground thoroughly with a 9-inch downpour. A lesser rain on Wednesday, August 17, helped maintain the saturation. Then, about dawn on Thursday, it began to rain again, as the sodden remains of Hurricane Diane moved into the area.

The rain gage at the city of Hartford's great Barkhamsted water reservoir (in the Farmington Valley just northeast of the Naugatuck) recorded some 3 inches by noon Thursday, after which the rain slacked off a bit. Then, beginning about 8 p. m., nearly 7 inches came pelting down within 6 hours (the previous record in the area was about 6 inches for a full 24-hour period). By mid-afternoon on Friday an additional 6 inches had fallen, for a 2-day total of nearly 16 inches of rain. The saturated earth could absorb none of it, and these enormous volumes of water rushed down the steep hillsides into the Naugatuck and its tributaries.



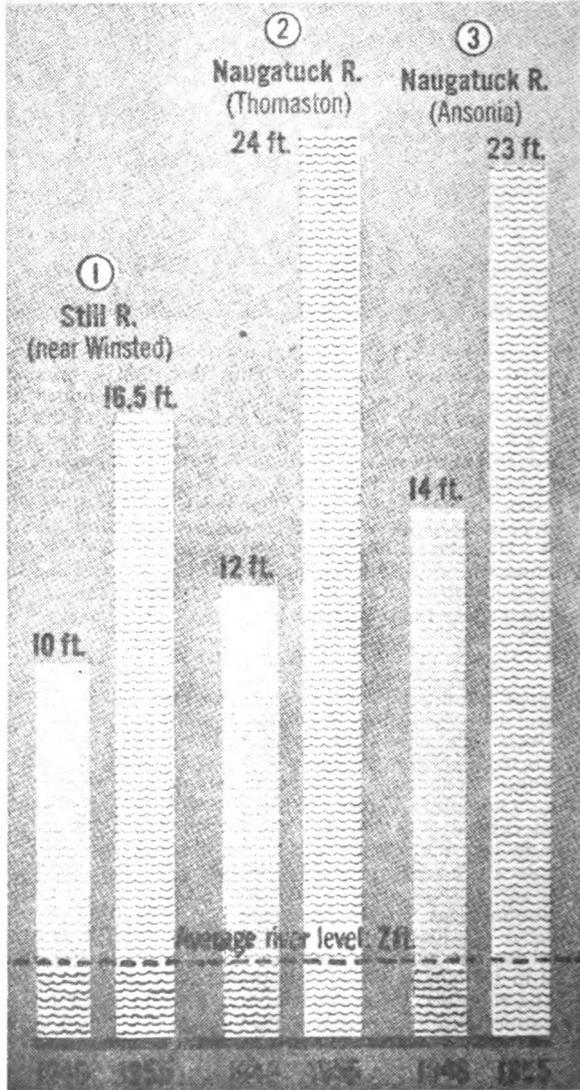
On the river gage above Thomaston, two-thirds of the way up the river, the Naugatuck showed a fairly rapid rise Thursday morning, and then receded slightly. But about 10 o'clock Thursday night, some 2 hours after the heavy rains had resumed, the river began an incredible surge, rising as much as  $4\frac{1}{2}$  feet per hour. By 3 a. m. Friday it broke its old 12-foot record and reached  $14\frac{1}{4}$  feet. At 4:15, with the recorder reading 17 feet, the float jammed against the top of its shelf; but the river continued rising to an early-morning peak of 24 feet—12 feet above the previous high. The peak rate of flow at a point above Thomaston was estimated at 35,000 cubic feet per second, against a previous record of 10,200. Downriver, near the town of Naugatuck, the former peak flow of 28,500 cubic feet was multiplied nearly fivefold, to an estimated 140,000 feet. Moreover, these vastly greater volumes of water flowed faster than ever before, probably reaching a speed of 15 miles an hour.

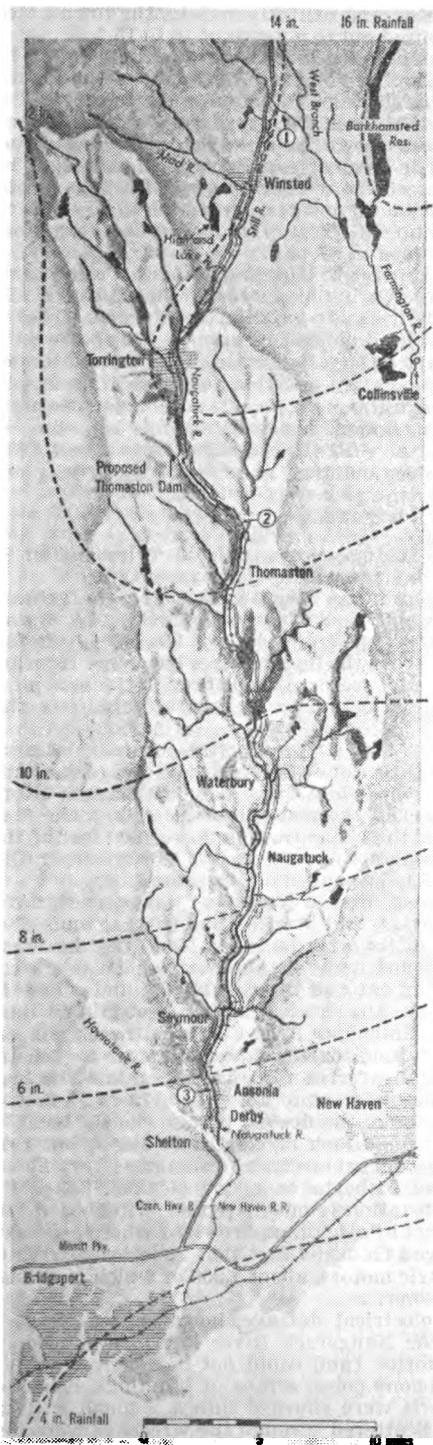
#### OLD MILLSTREAM

Some of the flood's industrial impact was indirect, via its impact on the communities—bridges destroyed, high-tension wires down, and sewers, gas lines, and water mains broken. The flood that devastated the Naugatuck Valley last August was a byproduct of Hurricane Diane, which approached New England from the southwest and then (as shown on the small map at left) skirted the coast on its way out to sea. The rainfall lines on the Naugatuck Valley map (right) show that the heaviest rainfall was not near the storm's center, but along its northern edges where the moisture-laden air met cooler air masses coming down from the north. The result was an east-west "rainfall trough" that unloosed a cloudburst and flood of epic proportions.

Other rivers besides the Naugatuck swept over their banks—notably the Delaware River, where the loss of life was heaviest, and the Quinebaug River of eastern Connecticut, one of whose devastated factories in the little town of Putnam is pictured in the portfolio beginning overleaf. But none of the other torments matched the Naugatuck for extreme height of flood crests (see river charts below, keyed against points on map). And none produced an industrial casualty list like the one to the right of the Naugatuck Valley map.

# The Old River Records Were Left Far Behind





### Some Hard-Hit Plants

(Maximum water depths in plants and estimated damage)

#### Winsted

Gilbert Clock (350 employees). Water depth: 12 feet. Damage: \$850,000.

Son-Chief Electrics (325 employees). Water depth: 8 feet. Damage: \$300,000. Pressroom destroyed.

Winsted Hardware (200 employees). Water depth: 6 feet. Damage: \$200,000 (estimate may be low).

#### Torrington

American Brass (1,200 employees). Water depth: 12 feet. Damage: \$3 million.

Torrington Manufacturing (1,000 employees). Water depth: 8 feet. Damage: \$700,000.

Hutchins Brothers (170 employees). Water depth: 7 feet. Damage: \$200,000.

#### Thomaston

Plume & Atwood (590 employees). Water depth: 11 feet. Damage: \$1,200,000. New fabricating plant badly damaged.

#### Waterbury

Chase Brass (2,500 employees). Water depth: 8 to 16 feet. Damage: \$2,500,000.

American Brass (2,150 employees). Water depth: 17 feet. Damage: \$7,500,000.

Waterbury Farrel Foundry (940 employees). Water depth: 18 feet. Damage: \$600,000.

Platt Brothers (70 employees). Water depth: 8 feet. Damage: \$800,000. Bulk of plant leveled. Will rebuild on higher ground.

#### Naugatuck

U. S. Rubber, Footwear Division (5,500 employees). Water depth: 6 to 14 feet. Damage: \$5 million.

U. S. Rubber, Naugatuck Chemical Division (1,900 employees). Water depth: 10 feet. Damage: \$3 million to \$4 million.

#### Seymour

Seymour Manufacturing (750 employees). Water depth: 15 feet. Damage: \$1 million.

Waterman Pen (360 employees). Water depth: 14 feet. Damage: \$450,000.

#### Ansonia-Derby

American Brass (1,675 employees). Water depth: 14 feet. Damage: \$4,500,000.

Farrel-Birmingham (1,650 employees in two plants). Water depth: 11 feet. Damage: \$1 million.

In Winsted, for example, where the Mad and Still Rivers join, the town's Main Street, with all its utility lines, was scoured out to a depth of 10 to 15 feet.

But the worst industrial damage was inflicted directly on the factories by the streams, in some cases by very small ones. A half-mile southwest of the town of Winsted and 100 feet above it is Highland Lake, dammed up a century ago to provide industrial waterpower. About a dozen factories once generated their power from the little millstream that runs down from the lake and empties into the Maw River. Highland Lake itself is hardly a square mile in area, and has a very small watershed. Yet the rains of Thursday night and Friday morning raised its level some 4 or 5 feet; and such a torrent ran over the spillway that the little mill brook gouged a new channel up to 75 feet wide and 30 feet deep down the hillside, tearing through whatever stood in its path.

One factory in its path was Winsted Hardware Manufacturing Co., a Dynamics Corp. of America subsidiary that makes Waring blenders and travel irons. The stream roared past one side of the company's main building and through one of its warehouses, carrying away the bulk of its finished inventory. Just below Winsted Hardware stood Son-Chief Electrics Corp. (small appliances), which less than a year earlier had built a new one-story addition to house its stamping presses. The stream ran directly through the main plant, and boulders as big as jeeps buried the new addition and its machinery under 10,000 tons of stone. On the other side of Winsted, meanwhile, the Still River gutted two Gilbert Clock Corp. warehouses, wrecked the firm's office building, and carried away its power substation.

#### THE THREE WRECKERS

In the whole Naugatuck Valley, the raging waters inflicted an estimated \$55 million of damage on 127 plants. The damage was of three main types:

*Structural.*—One of the hardest-hit plants was Plume & Atwood Manufacturing Co., near Thomaston, specialist in brass and bronze fabrication. Plume & Atwood only last March had dedicated a \$1,300,000, one-story plant of 150,000 square feet, located so that its floor would be 3 feet above the highest river level ever recorded. At the height of the August flood, 11 feet of water roared through the new plant, whose northeast section was ripped off by 2 houses that struck it as they careened downstream.

Platt Bros. & Co., a small producer of zinc strip and wire, located just south of Waterbury, was assaulted from two directions: the upstream end of its buildings took the full force of the main current, while water pouring through a long-abandoned power canal struck the center of the plant from the east. The plant stretches 500 feet along the east bank of the Naugatuck, and over 300 feet of that length was stripped down to the bare concrete floor; even the 5,000-pound rolling mills were swept into the river, and had to be snaked out by cranes.

Some of the structural damage seemed almost freakish. Seymour Manufacturing Co. (primary forms of copper, brass, and bronze) had several unused old water wheels located under the floors of its main buildings; and the floodwater that forced its way through the abandoned flume so undermined the floors that much of the old apparatus had to be dug out and the rest buried under new fill. At Torrington, the plant of Anaconda's American Brass Co. subsidiary lies a few hundred yards downstream from Hotchkiss Bros Co., a millwork concern. Some 32 carloads of Hotchkiss' lumber came roaring down the river to jam into a bridge; and this impromptu cofferdam diverted the current against the brass plant's foundation, which in places was undercut to a depth of 12 to 15 feet.

*Electrical.*—The most crippling damage in the flooded plants was the complete loss of electric power—temporarily through lack of electricity itself, but for a much longer time because of damage to internal electrical systems. Every flooded motor, generator, and transformer had to be taken apart, cleaned, baked dry, and often rewound; every power substation, control, panel switchboard, and power cable had to be dried, tested circuit by circuit, and rewired where necessary. The magnitude of the job may be judged from the fact that American Brass Co. alone had to dismantle some 8,000 electric motors, about 1,000 of which were large motors ranging from 50 to 1,500 horsepower.

*Muck, silt, and debris.*—Even the electrical damage, however, was less dismayingly than the gruesome deposits the Naugatuck River left in every flooded plant. Whole trees got inside of factories (and could not be removed without being sawed in several pieces). Telephone poles, scraps of buildings, household furniture, tank trucks, and other debris were churned into a goulash with the plants' own machinery and supplies. Scattered through the wreckage were dead

animals and even human bodies, though only one life was lost among employees on the job.

The muck and silt (frequently topped with a light frosting of fuel oil) were everywhere, often piled waist deep on factory floors and deeper still in basements and machinery-service pits. The silt forced its way into machine bearings and through the oilholes into lubrication lines and oil tanks. The lower factory floors, which usually contained the heaviest machinery—the great rolling mills and extrusion machines of American Brass and Chase Brass, Farrel-Birmingham Co.'s roll grinders, and United States Rubber's Banbury mixers—were all flooded. None of these huge machines was damaged beyond repair; but their sheer mass made dismantling and cleaning them a prodigious job.

Cleaning up this mess has been very costly. President J. M. Schaffer, of Waterbury Farrel Foundry & Machine Co., which grosses some \$12 million a year in rolling mills, cold-heading machines, and similar heavy equipment, estimated his reconditioning and cleanup tab at \$300,000 for labor alone. United States Rubber's footwear division at Naugatuck figured its plant rehabilitation cost at about \$2 million, including such items as cleaning and washing (by hand) 130,000 pairs of aluminum shoe and boot lasts that were stored in its basement.

Damage to raw materials, inventories, and supplies varied greatly. Copper and brass producers like Chase Brass suffered little damage to raw materials and not too much to finished inventory (though the river did wash away a 20,000-ton Chase coal stockpile). On the other hand, Son-Chief Electric's stock of thin steel strip was completely ruined by rust. And while Plume & Atwood sustained some \$300,000 in structural damage to its new Thomaston plant, it suffered more than twice as great a dollar loss through water damage to such fabricated brass items as lipstick and compact cases, and kerosene-lamp parts.

Could this catastrophe have been averted—or the industrial damage minimized? New Englanders are a prudent breed, and the industries along the Naugatuck, Farmington, and other New England rivers are no strangers to floods. Yet, quite naturally, they had prepared for the future in terms of the past and when the future arrived on August 18 and 19, it so far exceeded expectations as to render all preparations futile.

For example, Thursday night the watchmen at American Brass' Torrington plant forehandedly removed the bottom draws of filing cabinets and placed them atop the files—from whence they later floated away. The night shift at Winsted Hardware looked carefully for roof leaks in a warehouse that later was almost totally destroyed. Several companies laboriously hoisted big electric motors from their pits to avoid flooding—only to have the water cover motors, hoists, and all.

As the flood's magnitude frustrated all precautions, so its speed left little time for "industrial heroism." Things happened too fast—in several cases so fast that there was not even time to pull the main power switches in flooded plants, with the result that transformers blew up when the water hit them. Many plant managers and other top executives could not be notified of the disaster, as most telephone service was out; others were stopped by washouts when they tried to reach their factories. "And so," says Treasurer M. F. Fitzgerald of Son-Chief Electrics, "I sat on the hill across the river and watched the stuff sweeping out of my plant."

One plant manager who got to his factory was W. E. Bittle of United States Rubber Co.'s footwear division at Naugatuck. "At 4:30 Friday morning," he recalls, "we were still O. K., but in a little while parts of the first floor were under maybe a foot of water. The next shift was due to start at 6 o'clock. My supervisors asked me what we were going to do about working, so I said we'd go right ahead and work. Obviously we weren't going to have a full, working plant, but I told the supervisors to put men in some of the departments on upper floors where we needed extra production. That was shortly before 6; and just to show you how fast that water came up, by 6:10 we were getting people out of the plant as fast as we could. The north end of the plant ended up under 14 feet of water."

#### BENASCENCE

If the Naugatuck Valley's flood damage was startling, then the industrial response to it has been well-nigh incredible. Immediately, unanimously, with no apparent calculation of cost or thought of alternative, the valley's industries began to dig out and rebuild. Several companies in the valley—including United States Rubber—had "disaster plans" on paper. But the general experience in the flood was that the plans had to be discarded, either because keymen could

not be reached, or because the plan did not fit the disaster that actually occurred. Thus managements tended to fall back on improvisation, with the greatest emphasis on speed.

At the Waterman Pen Co.'s Seymour plant, for instance, the most critical loss was five injection molds essential to the production of a new model pen for the Christmas trade. The molds, some weighing 1,000 pounds each, had been carried out of doors from the mold shop and placed for safety on a high concrete ledge, from which the water eventually swept them into a silt-filled courtyard. "We got waders and searchlights," says Vice President E. R. Faust, "and at about 7 o'clock Friday night 8 of us started poking around in the silt for those molds. By 2 in the morning we had found them all. We smuggled a tow truck into town—only civil defense vehicles were operating then—snaked the molds out of the silt, and sprayed them with kerosene. All this by 4 a. m. Saturday, and Waterman Pen was back in business."

Not all the valley's industry was directly damaged by the flood. Scovill Manufacturing Co. and Torrington Co., the largest employers in Waterbury and Torrington, respectively, were so situated that their main plants were virtually unscathed; and both were back in production as soon as power, gas, water, and other public services were restored. But even some factories that were under 8 feet of water were producing again within 3 weeks—for example, Torrington Manufacturing Co. (not to be confused with the Torrington Co.), a producer of fan blades and related components with an annual volume of \$11 million.

#### "WE LIKE IT HERE"

The rebuilding began so instinctively that most company leaders never seem to have even considered the possibility of moving. "Good grief, imagine our freight costs if we left our big customers and moved South!" exclaimed American Brass President John Coe. "Besides, we wouldn't think of moving. We've been doing business here in Connecticut for 140 years, and that's long enough to have a heritage." Plume & Atwood President Thomas Boak summed up thus: "Our people live right here—we can't move them. We've been here quite a while: this plant was started in 1853 by Seth Thomas. We may be damn fools, but we're staying and we're going to be in business where our skilled labor lives and that's right here." Added a Gilbert Clock executive, "We couldn't hightail it out of a place that has been our lifeblood." President Theodore O. Rudd of the Kerite Co. in Seymour assured Connecticut Governor Abraham Ribicoff that "we will be operating here a hundred years from now as our predecessors were a hundred years ago."

#### JOINT ATTACK

A contagious enthusiasm seems to have gripped the entire working population of the valley. Unions forgot all about job classifications, waived wage negotiations, accepted flat pay scales for cleanup work. Workers accustomed to cleaner jobs at better pay shoveled muck from the machine pits with positive good cheer, and salvage gangs searched energetically for things that could be saved. "We weren't going to try to salvage lined gumshoes (ordinary rubbers)," said one United States Rubber executive, "but the salvage crews decided they could be saved, so we're going to have about 80,000 pair whether we want them or not."

For their part, managements of flood-damaged companies put into effect previously agreed wage increases that could easily have been deferred, and kept employees on the payroll by every pretext possible. One company head even refused the loan of mechanical cleanup equipment, explaining, "If we brought it in we'd need fewer men and would have to let some of them go. I just thought it better to keep the men." Companies that were not hit freely lent equipment and supplies to companies that were. Industrial distributors and other suppliers offered special services at reduced prices, customers accepted postponed deliveries. "It might interest you to know," wrote Waterbury Farrel's President J. M. Schaeffer in a letter to his employees, "that one company offered to recondition all of our grinding wheels free of charge."

As a result of this tremendous effort, the Naugatuck Valley's recovery should be substantially complete by Christmas. Unemployment has been negligible since October 1, as the number of workers still flooded out of production jobs was balanced by extra employment upon cleanup work, road and street repair, etc. The valley's total payroll for the last 5 months of the year will almost surely exceed what it would have been without a flood—partly because of the number of electricians, millwrights, and other highly paid skilled workmen who

have been pulled into the area, and partly because of the overtime worked in plants that have resumed production. A few badly hurt plants will not make up production lost as a result of the flood this year; but many others, including some of the biggest, will. Valleywide, industrial output during the last half of 1955 should be no more than a whisker below pre-flood schedules.

The financial strain imposed by this recovery effort was not cushioned by flood insurance. Of course, a factory located on high ground neither needs nor wants flood insurance, which means that the only potential buyers are also the poorest risks, which in turn makes for brutally high rates. Only a handful of American and British insurance companies will write flood insurance at all, and then only at annual premiums that may run to 25 percent or more of the coverage provided.

#### THE FINANCIAL SINEWS

The valley's companies depended on three things to finance their recovery: (1) Their own resources; (2) tax savings; and (3) outside help from such quarters as the Small Business Administration. As to self-insurance, the flood highlighted one of the major advantages enjoyed by large companies with scattered plants. American Brass, for example, took a loss of \$15 million; but its parent company, Anaconda, had ample resources to support recovery. One-plant companies, of course, had no rich parent to call upon. However, many of the smaller companies—including Torrington Manufacturing, Waterbury Farrel Foundry, and even Plume & Atwood—should also be able to finance their own recovery, though in some instances they will have to resort to bank borrowing.

Tax savings on losses incurred in the flood will be of less help than generally supposed. Any such losses must first be applied against this year's pretax income, and only if the loss exceeds income can the excess be "carried back" against the income of the 2 preceding years, with resultant tax refund. Moreover, any structural damage (as opposed to plant cleanup or inventory replacement) must be computed on the depreciated value of the plant. Since most of the Naugatuck Valley's plants are old and therefore fully depreciated, the actual structural damage will greatly exceed the loss for tax purposes.

A number of smaller-to-middle-sized companies in the Naugatuck Valley, among them Gilbert Clock, Hotchkiss Bros., Waterman Pen, Platt Bros., and Son-Chief Electric, will require outside financial assistance exceeding that available through regular banking channels. And the needs of these companies are serious enough to warrant a close look at the structure of United States disaster relief as it relates to business.

#### THREE-HEADED ANGEL

The bulk of Federal aid to the Naugatuck Valley was provided by three agencies. The Army engineers were responsible under the law for repairing communications, restoring public services, and confining streams to their proper channels. The Red Cross undertook personal relief; and the Small Business Administration was charged (under a special section of its enabling act) with making disaster loans to businesses and individuals. These three agencies were ordered by President Eisenhower to carry out their flood relief activities under the general direction of Civil Defense Administrator Val Peterson.

The Army engineers, using a small staff and arranging for the actual work to be done by outside contractors, dealt primarily with towns and similar governmental units. However, some engineer work directly benefited private companies; several companies, for example had debris removed from outside their plants by engineer contractors. And while the engineers left larger public utilities like Connecticut Light & Power to take care of themselves, they did a great deal of repair work for such small, privately owned utilities as Torrington Water Co., which was the town's only source of supply.

Under the law, the engineers' emergency repairs are supposed to be only temporary. But Brig. Gen. Robert J. Fleming (who is engineer boss for New England) inquires, "How do you temporarily repair a water main, or a storm sewer?" The "temporary repair" of the Winsted water-and-sewer system required that the original builders be brought in again to start practically from scratch.

The Red Cross also extended "business relief" to an extent not generally recognized. Most Red Cross business grants go to family businesses, in amounts of a few hundred dollars up to \$1,000 or so (a lunchroom in Winsted, for example,

got \$1,300, while a nearby florist got \$1,000). But a business with 6 or 7 employees, in need of a grant of \$10,000 or even \$15,000, might also be helped. These grants are generally made only if the Small Business Administration has refused a loan, but they are sometimes used to supplement SBA loans. By October 1 the Red Cross had received 478 business applications in Connecticut, processed 120 of them, and made \$188,000 in grants. And since unlikely requests are screened out upon application, most of the remaining requests will probably result in grants.

The key agency in business relief is the Small Business Administration, which is empowered to make disaster loans to businesses in any amount, for as long as 10 years, at 3 percent. (On nondisaster loans, SBA's statutory limit is \$250,000.) As a Naugatuck Valley banker commented, "The commercial banks can't do this job. We can't go in where there's no net worth; we have rigid loan limits; and we must necessarily keep our loans to pretty short terms. The SBA can waive all these things, but if the SBA bogs down in redtape, it will be a calamity." The SBA set up 4 special offices in the Naugatuck Valley within 2 weeks after the flood. But while loan applications totaling \$16,582,000 had been made by October 3, only \$3,600,000 had received the 3 or 4 layers (depending on the loan's size) of approvals required, and only \$372,000 had actually reached the borrowers.

#### ONE BIG UNION?

The SBA's handicap obviously is that it is a Government agency, politically accountable for anything it does. Thus its normal operation is hedged about with a variety of safeguards, which tend to be carried over to its disaster work. In fact, the gist of the business-relief problem is that in this particular area each of the three major agencies concerned is operating on uncertain ground—the Army engineers becoming involved with the problems of private utility companies, the Red Cross deciding how large an inventory is necessary for a shoe-store, and the SBA striving to disregard its normal criteria of security and ability to repay.

This situation might appear to call for a single Federal agency to take over disaster relief in toto. But, upon reflection, the idea quickly loses it appeal. A disaster is by definition rare; and it is hard to imagine anything more wasteful than a well-heeled Federal bureau sitting around waiting for a catastrophe. It surely would be more economical to use existing agencies, even if twisted a bit out of shape.

One solution might be to make the Civil Defense Administration responsible not only for the overall coordination of the disaster relief effort (as it was in the August floods), but for the day-to-day direction of the recovery effort as well—thus giving it something more immediate to do than preparing for the ultimate catastrophe of nuclear warfare. Civil defense might receive from Congress special funds to be released only in the event of a flood or other disaster, and used to reimburse the engineers, SBA, and any other agencies called upon to do the work. Thus civil defense, because it would be picking up the tab, could more easily persuade the SBA to cut its interest requirements, lengthen its business loans beyond 10 years, or relax its ordinary safeguards.

#### AGAINST THE FLOOD

Such a setup would seem preferable to the insurance plans now being readied for congressional consideration. Insuring against floods poses this special problem: while other natural catastrophes like tornadoes, droughts, crop failures, etc., can happen anywhere, floods can occur only near streams. Thus unless flood insurance were made mandatory (which would probably be illegal, and certainly would be difficult) only the poorest risks would seek coverage—and rates would be exorbitant. Yet cutting premiums by a Government subsidy would merely disguise relief as "insurance." It remains to be seen whether some scheme can be devised to overcome these objections.

Actually it is flood control, rather than flood insurance, that is of immediate importance to Naugatuck Valley businessmen. For only two companies of any size have announced plans to relocate their plants because of the flood: Platt Brothers will transfer most of its operations to a new plant on higher ground; and Waterbury Farrel Foundry is hastening plans (made before the flood) for a new heavy-machinery plant in nearby Cheshire. But the rest of the valley's industry continues to crowd the riverbank.

The single major flood-control project possible in the valley is a proposed dam just above Thomaston. The dam was first authorized by Congress in 1944;

but up to now the project never had the required approval from the State of Connecticut, in part because of opposition from industry. (Thomaston plant managers objected, for example, because the necessary relocation of the railroad would have put Thomaston off the main rail line). Now, however, the dam seems quite certain to be built.

Whether the proposed new dam would have protected the valley from the flood of August 18-19 is another question. It is designed to hold the runoff from a rainfall of 8 inches, whereas Hurricane Diane dumped about 14 inches on the Naugatuck Valley above Thomaston. Thus the dam might have impounded more than half the water reaching that point. Thomaston itself would have had only trifling damage, and the river's crest at Waterbury would have been lowered appreciably.

#### MEASURE OF RISK

But consider these basic facts of area and volume. The Naugatuck River near Thomaston showed a maximum flow of 45,000 cubic feet per second. Downriver, near the town of Naugatuck, the estimated maximum flow was 140,000 cubic feet per second. Thus a dam that throttled the river entirely at Thomaston might still have allowed a maximum flow of nearly 100,000 cubic feet per second at Naugatuck—which would have done nearly as much industrial damage in the river's lower basins as actually occurred. Furthermore, a Thomaston dam could not have helped upstream towns like Torrington at all.

However, it is hardly fair to judge the effectiveness of a flood-control project against the cataclysm of August 18-19. The Army engineers called the flood Operation Noah, while a river expert from the United States Geological Survey said that "on the Naugatuck and certain other streams it was the biggest in the 325-year history of the State." The Thomaston dam would at least protect the Naugatuck Valley from the "small" floods that have afflicted it in the past; whether there are to be more of the big floods must be left to heaven. And if heaven has any feeling for human fortitude, the people of the Naugatuck Valley are safe for a long time to come.

Senator BUSH. Mr. Chairman.

Senator LEHMAN. Yes, sir; Senator Bush.

Senator BUSH. Mr. Chairman, mention was made of a study by this committee's staff on the question of disaster indemnity. That study was made at my request last summer through Senator Fulbright, our chairman. That study is a very useful part of the evidence in connection with this hearing and with this problem. I have here a few pages from that study, which includes the legislative history of the question of natural-disaster insurance.

I should like unanimous consent to insert this in the record at this time. I believe it will be helpful to have this particular section of the study in the record of these hearings. I think it will serve as a spur to us to have it there, because it shows from July 13, 1951, when the Middle West flood disasters took place, that for a whole year nothing was done. As a matter of fact, it also shows that the administration at that time submitted no definitive bill on flood insurance until May 5, 1952. They, no doubt, had good reasons for not submitting one, but one was never submitted.

I would like to have this included in the record of the hearings at this point.

Senator LEHMAN. There being no objection, it is so ordered.

(The document referred to follows:)

#### LEGISLATIVE HISTORY

Two different lines of legislative history must be discussed in order to cover adequately past action in the Congress on natural-disaster insurance and on war-damage insurance.

## NATURAL-DISASTER INSURANCE

Recent discussion of this problem dates back to September 20, 1951. On that day, following disastrous May and July floods in the midwestern United States, Senator Carlson, of Kansas, introduced for himself, Senator Schoepfel, of Kansas, and then Senator Kem, of Missouri, a bill (S. 2148) to establish a National Disaster Insurance Corporation. To be known as the National Disaster Insurance Corporation Act of 1951, this bill basically would have authorized a Federal Government reinsurance program for insurance by insurance companies against loss or damage caused by flood, tidal wave, earthquake, or hurricane to privately or State or local government-owned real or personal property. The reinsured insurance would have covered only loss or damage occurring within the United States or its Territories. Reinsurance would have been made available only where insurance of the type described would have been otherwise unavailable. The Corporation would have been given general corporate powers, including the right to sue and be sued in any State or Federal court of competent jurisdiction. Its management would have been vested in a Board of Directors, consisting of 3 persons to be appointed by the President, subject to confirmation by the Senate, for overlapping terms of 6 years. No more than two of the Board members could have been members of the same political party. The President would have designated one of the Board members as Chairman. An advisory committee of not more than five members experienced in writing fire and casualty insurance could have been appointed by the Board to advise the Corporation concerning execution of its functions.

The Corporation would have had a capital structure consisting of \$50 million of capital stock subscribed by the United States. An appropriation in a like amount was authorized to enable the Secretary of the Treasury to purchase the stock. Proceeds of the sale of stock would have been placed in a National Disaster Insurance Fund the bill would have established in the United States Treasury. Reinsurance premiums would have been similarly deposited. Interest earned on investment of money in the fund in United States obligations would have augmented it. The fund could have been used to create reserves required under accepted actuarial principles, and to pay reinsurance liabilities. Administrative expenses would have been borne by the Government out of sums authorized to be appropriated. Its operations would have been made subject to the Government Corporation Control Act.

Reinsurance premium rates would have been fixed by the Corporation upon consideration of the risks involved and the desirability of providing insurance protection not otherwise available. Corporate regulations would have governed the types of property reinsured, the nature and limits of reinsured loss or damage, and other matters necessary to carry out the act's purposes.

Reinsurance could have been provided only to the extent not otherwise available at reasonable rates and upon reasonable conditions from private sources. Services and facilities of private insurance companies were to be used to the maximum practicable extent in providing reinsurance.

Corporate regulations would have governed the adjustment and payment of claims with recourse to a Federal district court in the event of disallowance.

The Carlson bill was referred to this committee during the 1st session of the 82d Congress.

Following the usual procedure, the bill was sent by the committee staff to interested agencies in the executive branch for comment.

On August 20, 1951, President Truman sent a message to the Congress taking note of the great floods in Kansas, Missouri, and Oklahoma, and recommending establishment of a national system of flood-disaster insurance using the revolving fund principle. Congressman Bolling, of Missouri, introduced a bill in the House of Representatives intended to achieve this purpose.

On December 5, 1951, the late Senator Maybank, then chairman of this committee, received a letter from RFC Deputy Administrator Bukowski in response to the invitation to comment on the Carlson bill (S. 2148). Mr. Bukowski made five points concerning the bill.

1. The program should be administered by the RFC or the Secretary of Commerce, the Treasury, or Agriculture instead of creating a new agency for that purpose.

2. The same agency should administer both the flood insurance and the war-damage-insurance programs.

3. Because of hesitancy of private insurance companies to insure, it was doubted that the reinsurance approach alone would be effective.

4. Objecting to the rate-fixing provisions, he preferred that rates be actuarially based on risks alone without permitting any subsidy.

5. Unless credit of the United States was made available in addition, it was feared the \$50 million capitalization would be inadequate.

At a meeting with the Bureau of the Budget in December 1952, RFC Deputy Administrator Bukowski was requested to have RFC assist the Bureau of the Budget in preparing an administration bill dealing with flood insurance. The drafting assignment was given to General Counsel Robert C. Goodale, of War Damage Corporation. Starting with the Carlson bill (S. 2148), Mr. Goodale revised and redrafted it, he and Associate General Counsel Alan B. Brown, of RFC, having conferred with representatives of the Bureau of the Budget late in December 1951. On December 28, 1951, the general flood insurance problem was discussed with Mr. J. Victor Herd, who had been Vice President of War Damage Corporation and executive vice president of the America Fore Insurance Group.

On January 30, 1952, the draft flood insurance bill was circulated by the Bureau of the Budget to RFC for comment, as well as to 12 other executive agencies. After consideration of the draft bill by RFC personnel, Administrator McDonald on March 28, 1952, replied to a March 18, 1952, request from the Bureau of the Budget and suggested several comparatively minor changes in the bill.

By April 25, 1952, President Truman had decided to submit a message to the Congress requesting flood-insurance legislation. Following clearance of the proposed draft of legislation to be submitted to the Congress for its consideration, the President on May 5, 1952, sent a Presidential message to the Congress containing recommendations relative to national flood insurance, and attached a copy of the draft legislation. That message and the accompanying draft bill, printed as House Document 458, 82d Congress, 2d session, read as follows:

**"MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING RECOMMENDATIONS RELATIVE TO NATIONAL FLOOD INSURANCE**

*"To the Congress of the United States:*

"Last summer, following the great floods in Kansas, Missouri, and Oklahoma, I recommended that the Congress establish a national system of flood-disaster insurance. As I said then, the lack of such an insurance system is a major gap in the means by which a man can make his home, his farm, on his business secure against financial loss.

"In order to be of help to the Congress in its further consideration of this matter, I have had draft legislation prepared embodying the views of the executive agencies concerned as to the best way to set up a sound and workable flood-insurance system. A copy of this draft legislation is attached to this message, and the agencies that prepared it, particularly the Reconstruction Finance Corporation, stand ready to give the Congress any further help they can.

"The reasons for enacting such legislation are very clear. At present, insurance against flood damage is virtually unobtainable from private insurance companies, nor does it seem likely that the private companies, by themselves, will find it possible to write flood insurance at reasonable rates. The need for such insurance, however, is urgent. Homeowners, farmers, and businessmen may have their assets and their savings of years wiped out in a few hours if a disastrous flood strikes their property. We have seen it happen year after year.

"To meet this situation, we can and should make available to those in potential flood areas the opportunity to protect themselves against the financial losses which such floods bring. I am sure that the great majority of the people concerned want to provide in advance out of their own resources for protection of their property against floods—just as they do now against fire and other hazards.

"A Federal system of flood insurance is the logical answer. It would enable individual property owners to pool their risks and to meet a large part of their losses out of their common funds rather than forcing them to rely upon emergency relief, as is too often the case now. It would provide funds needed to restore property damage in floods, without requiring people to borrow heavily against their future incomes.

"Insurance is especially important under present circumstances when our system of protection against floods is so incomplete. Flood insurance, however, has more than short-run significance. It is also necessary as part of our long-run attack on the flood problem. Dealing with floods at their source, by doing the necessary work on the land and in the stream beds to catch and hold floodwaters,

will always be our major weapon for preventing flood damage. Limits also need to be placed on the use of the flood plains, through State and local zoning laws, wherever the cost of complete protection from floods would be prohibitive. But flood insurance will always be necessary to protect people against the financial losses which may be caused by unexpected and catastrophic floods which it is impossible to prevent.

"The attached draft legislation would authorize the Reconstruction Finance Corporation to provide either insurance or reinsurance against losses resulting from floods. If private insurance companies wish to do so, under this bill they could write insurance against floods and could then reinsure themselves against excessive loss by paying appropriate premiums to the Reconstruction Finance Corporation. Or, alternatively, the Corporation would be authorized to issue insurance policies directly. The Corporation, of course, should not compete with private insurance companies. The draft bill would prohibit the issuance of Federal policies in cases where private insurance is available at reasonable rates. In addition, it would require the Corporation to work through private insurance companies in administering the program.

"The draft bill would authorize insurance to be made available for homes, for business and farm properties, and for agricultural commodities. It would also establish a maximum amount of insurance for any one person or business of \$250,000. While this would not cover some of the large losses in a flood, it would take care of the homeowners, businessmen, and farmers who are least able to afford flood losses because their total assets are small. As experience is gained, it may be desirable to change this maximum amount.

"Furthermore, the bill would limit the insurance payment on any given property to 90 percent or less of the loss sustained. Such a limitation will preserve the incentive for the property owner to do what he can to protect his own property.

"I believe that this flood-insurance program should be set up on a basis that is designed to permit the Government to break even. To do so, it will be necessary that rates be set high enough to cover all expenses, including a proper reserve for losses.

"However, since there is only limited experience upon which to rely in determining such rates, it will be necessary to start the program on an experimental basis, both with respect to rates and areas covered. Accordingly, the draft legislation provides for limitations on the total amount of insurance to be written in each of the first 3 years, and for a report to the Congress by the Corporation before the end of that period, making recommendations concerning the nature and extent of the program thereafter.

"In addition, the draft legislation authorizes Federal agencies that make or guarantee loans to require borrowers to purchase flood insurance where it is available. Thus the Reconstruction Finance Corporation, for example, might require its borrowers to carry flood insurance, where appropriate, just as it now requires them to carry fire insurance.

"All in all, I believe this draft legislation represents a sound and workable approach, and I heartily recommend it to the consideration of the Congress. I strongly believe that legislation along these lines is most urgently needed. There is no reason whatever for continuing to rely on inadequate and emergency relief programs to take care of the thousands of people every year who suffer extensive flood damage to their homes and farms and businesses.

"We can and we should provide a businesslike system of insurance to finance the restoration of such losses. I hope the Congress will enact such a system without delay.

"HARRY S. TRUMAN.

"THE WHITE HOUSE, May 5, 1952."

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"A BILL To provide for National Flood Insurance, and for other purposes"

"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 Flood Insurance Act of 1952'.

"DECLARATION OF PURPOSE

"SEC. 2. It is the purpose of this Act to promote the national welfare by alleviating the widespread economic distress suffered from time to time within the United States, its Territories and possessions, as a result of floods, and the attend-

ant impairment of the free flow of interstate and foreign trade and commerce, by providing direct governmental insurance against certain flood risks or by making insurance against such risks available through private insurance companies by means of governmental reinsurance.

"FUNCTIONS

"Sec. (a) To carry out the purposes of this Act, the Reconstruction Finance Corporation (hereinafter referred to as 'the Corporation' is authorized to provide either insurance or reinsurance, or both insurance and reinsurance, against loss resulting from damage to or loss of real or personal property (including agricultural commodities, and property owned by the State or local governments) due to flood as defined by the Corporation occurring within the limits of the United States, its Territories, and possessions: *Provided*, That no insurance or reinsurance shall be issued for losses resulting from (A) any hostile or warlike action by (i) any government or sovereign power (de jure or de facto) or any authority maintaining or using military, naval, or air forces, or (ii) an agent of any such government, power, or forces, or (B) any action taken by any Federal, State, or local government agency in hindering, combating, or defending against any such hostile or warlike action (whether actual, impending, or expected), or (C) disorder or other lawlessness accompanying the collapse of civil authority determined by the President to have resulted from any action referred to in clause (A) or (B) or from control by enemy forces.

"(b) The Corporation shall from time to time prescribe (1) premium rates for each type of insurance and/or reinsurance which it shall make available under authority of this Act, and (2) the terms and conditions under which and the areas and subdivisions thereof within which each rate shall be applicable. All such rates shall be based upon consideration of the risks involved and shall be adequate, in the judgment of the Corporation, to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses. The Corporation may receive from or exchange with any State or territorial insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss experience information as may be necessary for the establishment of such premium rates.

"(c) The Corporation shall by regulation provide for the determination of (1) the types and location of property with respect to which insurance and/or reinsurance shall be granted, (2) the nature and limits of loss or damage in any area or subdivisions thereof which may be covered by such insurance or reinsurance, (3) rates, terms, and conditions of such insurance or reinsurance, and (4) such other matters as may be necessary to carry out the purposes of this Act. The Corporation may decline such applications and risks and may establish from time to time such regulations with respect to the classification, limitation, and rejection of risks as it shall deem advisable for the purposes of this Act.

"(d) In providing insurance and/or reinsurance, the Corporation may by contract arrange for the financial participation of private insurance companies or other insurers in the underwriting of risks assumed, and for their proportionate participation in premiums and in any profits or losses realized or sustained. The Corporation shall utilize the facilities and services of other public agencies, of private insurance companies, and of established insurance agents and brokers and established insurance adjustment organizations to the maximum extent which the Corporation shall deem practicable and consistent with minimum cost of providing insurance protection.

"(e) The aggregate amount of insurance issued by the Corporation in favor of any person or State or local government shall not exceed \$250,000. No claim shall be approved in an aggregate amount which exceeds the actual cash value or the cost of replacing, repairing, or rebuilding the damaged property with material of like kind and quality (less depreciation at the time of damage) whichever is lower: *Provided*, That the approved amount of any claim shall be reduced by \$300 plus 10 per centum of the remainder, or by such larger amount of percentage as may be prescribed by the Corporation in the insurance contract. The Corporation shall prescribe such regulations applicable to reinsurance as it may deem appropriate to give effect to the intent of the limitations in this subsection. The Corporation may from time to time prescribe such regulations regarding coverage available to subsidiary and affiliated corporations as it shall deem appropriate to effectuate the purpose of this subsection.

"(f) The Corporation, on and after the first day of the sixth month following the enactment of this Act, may provide insurance or reinsurance in an aggregate amount not to exceed \$500,000,000 outstanding and in force at any one time, which limit may be increased, with the approval of the President, by further amounts of \$500,000,000 each on July 1, 1953, and July 1, 1954.

#### "COORDINATION WITH OTHER PROGRAMS

"SEC. 4. (a) In carrying out the functions authorized in this Act, the Corporation shall consult with other agencies of the Federal Government and Interstate, State, and local agencies having responsibilities for flood control and flood damage prevention in order to assure that the insurance facilities offered are consistent with the programs of such agencies.

"(b) No insurance or reinsurance shall be issued (1) for risks eligible for insurance provided by other Federal programs, or to the extent that coverage is available on reasonable terms from other private or public sources, or (2) for properties whose use is in conflict with State or local flood-zoning laws.

"(c) Any department or agency of the Federal Government engaged in making direct loans or advances, or in participating in, insuring or guaranteeing loans made by private lending institutions, for the construction, modernization, repair, or purchase of property eligible for insurance under this Act may require as a condition for such future financial assistance that such property be insured against flood damage to the extent such insurance is available.

#### "FINANCING

"SEC. 6. (a) To carry out the functions authorized by this Act, there is authorized to be established in the Treasury of the United States a National Flood Insurance Fund (referred to hereinafter as the 'fund'). The capital of the fund shall consist of such amounts as may be advanced to it from appropriations. Such sums as may be required are authorized to be appropriated without fiscal year limitations for the purposes of the fund.

"(b) Advances shall be made to the fund from the appropriations made therefor when requested by the Corporation. The Corporation shall pay into miscellaneous receipts of the Treasury at the close of each fiscal year, interest on such advances at a rate determined by the Secretary of the Treasury, taking into consideration the average rate on outstanding interest-bearing marketable public debt obligations of the United States.

"(c) Premiums paid to the Corporation for insurance and reinsurance under this Act, interest earned on investments of the fund, and receipts from any other operations under this Act shall be credited to the fund. The fund shall be available for the payment of liabilities under such insurance and reinsurance and for payment of all expenses of the Corporation under this Act.

"(d) Whenever any capital in the fund is determined by the Corporation to be in excess of its current needs, such capital shall be credited to the appropriation from which advanced where it shall be held for future advances. After liquidation of all outstanding advances, any cash in excess of current needs may be invested or reinvested by the Corporation in interest-bearing obligations of the United States or in obligations guaranteed as to interest and principal by the United States. The proceeds from the sale or redemption of the obligations held by the Corporation pursuant to this Act shall be credited to the fund.

#### "ADVISORY, CONSULTANT, AND OTHER PERSONNEL

"SEC. 6. (a) The Corporation (1) shall appoint an advisory committee, consisting of not less than three individuals experienced in the writing of insurance against property loss, to advise the Corporation with respect to the execution of its functions pursuant to this Act, and (2) may also employ such part-time consultants and advisory personnel as the Corporation may deem necessary in carrying out the purposes of this Act. Persons so employed who, while so serving, hold other offices or positions under the United States shall receive no additional compensation for such service. Other persons required under the provisions of this subsection may be employed as authorized in section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), but at rates for individuals not in excess of \$50 per diem.

"(b) In order to carry out the purposes of this Act, the Corporation is hereby authorized, subject to the procedures prescribed by section 505 of the Classif-

cation Act of 1949, to place not more than five positions in grade 16, 17, or 18 of the general schedule established by said Act, and such positions shall be in addition to the number authorized by said section.

#### "PAYMENT OF CLAIMS

"SEC. 7. (a) Under such regulations as the Corporation may prescribe, it shall adjust and pay valid claims either directly or through agents for losses covered by insurance and reinsurance under this Act. The Corporation shall collect from participating insurance companies such amounts as they may be obligated to contribute toward such losses.

"(b) Upon disallowance of any claim against the Corporation or upon refusal of a claimant to accept the amount allowed by the Corporation, the claimant, within one year after the date of mailing notice of disallowance or partial disallowance by the Corporation, may institute an action against the Corporation on such claim in the United States district court for any district in which the insured property or a part thereof is situated. Exclusive jurisdiction is hereby conferred upon such courts, sitting without juries, to hear and determine such actions without regard to the amount in controversy.

#### "REPORTS

"SEC. 8. (a) The Corporation shall make a comprehensive annual report of its operations under this Act for the fiscal year ending on the preceding June 30 to the Congress as soon as practicable in each year, but in no case later than the third day of the following January.

"(b) The Corporation shall make a study and investigation of (1) the work, activities, personnel, and functions authorized under this Act, for the period from the enactment of the Act to June 30, 1954, and (2) the practicability of providing insurance or reinsurance for loss resulting from business interruption due to floods. It shall report to the Congress the result of the study and investigation, and make such recommendations as it may deem appropriate, on or before January 3, 1955.

#### "SUCCESSION

"SEC. 9. The powers, functions, duties, and authority arising under this Act shall be exercised and performed by the Reconstruction Finance Corporation while that Corporation has succession, and thereafter by such officer, agency, or instrumentality of the United States as the President may designate: *Provided*, That for the purposes of carrying out this Act by any such officer, agency, or instrumentality the authority granted to the Reconstruction Finance Corporation in section 3 of the Act of January 22, 1932, as amended (15 U. S. C. 603), shall be available to such officer, agency, or instrumentality, notwithstanding dissolution of the Reconstruction Finance Corporation."

On May 9, 1952, Senator Maybank, as then chairman of this committee, introduced by request the bill suggested by the President in his message. It became S. 3146 and was referred to this committee. A companion bill was introduced in the House of Representatives by Congressman Bolling as H. R. 7726. It was referred to the House Committee on Banking and Currency.

Under S. 3146 the Reconstruction Finance Corporation would have been authorized to provide insurance or reinsurance against loss or damage to real or personal property, including farm commodities and property owned by State or local governments, due to floods occurring within the United States, its Territories or possessions. War-risk coverage would have been expressly excluded. RFC would have been authorized to prescribe premium rates by type of insurance and the terms and conditions of the policy. Premium rates would have been computed on a basis, considering the risks, intended to cover operating expenses as well as loss reserves.

RFC would have been authorized to determine the types and locations of property covered and the nature and limits of loss or damage in any area eligible for insurance or reinsurance as well as the rates, terms, and conditions of the policies. RFC would have been expressly authorized to decline particular applications and risks. The maximum limit of insurance to any one person or State or local government would have been fixed at \$250,000. No claim would be paid in excess of the cash value or repayment cost (less depreciation) of the property damaged. A loss deductible clause would apply to each claim, amounting to \$300 plus 10 percent of the remainder or any larger amount pre-

scribed by RFC in the policy. RFC could regulate the issuance of policies to affiliated corporations.

No insurance or reinsurance could have been issued for risks eligible under other Federal programs or to the extent of coverage available on reasonable terms from other public or private sources; nor for property used in conflict with flood zoning laws. Private insurance companies or other insurers would have been authorized to participate financially in the underwriting of risks. RFC would have been directed to use the facilities and services of public agencies and private insurance companies, agents, brokers, and adjustment organizations to the maximum practicable extent consistent with the minimum cost of providing insurance protection.

Any federally aided property could have been required prospectively to carry flood insurance.

The maximum liability of RFC under the bill would have been limited to \$500 million outstanding at any one time after the beginning of the sixth month following passage of the bill. With Presidential approval cumulative increases of a half billion each could have been made on July 1, 1953, and July 1, 1954. The bill would have created a national insurance fund in the United States Treasury, its capital to consist of amounts advanced from appropriations authorized without fiscal year limitations. Advances to the fund would have been made as requested by RFC, which would have been required to pay the Treasury the average rate of interest on marketable United States public debt obligations. Into the fund would go premiums collected by RFC plus interest earned on investments of the fund in United States obligations and receipts from other obligations under the bill. The fund could be used both to pay insurance liabilities and expenses of operations of the program.

RFC would have appointed an advisory committee of three persons experienced in writing property insurance to advise concerning execution of functions under the bill.

Claims would have been adjusted and paid by RFC directly or through agents, and RFC would have collected the necessary shares from participating companies. Judicial review in a United States district court would have been permitted for disallowance of claims or refusal to accept a partial allowance.

RFC would have been required to study the program under this bill to June 30, 1954, and the practicality of providing against business interruption due to floods. RFC would have reported to Congress on or before January 3, 1955.

Pressing consideration of amendments to the Defense Production Act by this committee made it impractical for it to hold early hearings on S. 3146. On July 1, 1952, the House Committee on Banking and Currency held an open hearing on H. R. 7726, but took no further reported action on the measure. The draft bill progressed no further in the 82d Congress.

No bill dealing with flood insurance was introduced either in the 83d or, to date, in the 84th Congress.

Renewed interest in legislation of this nature arose following the disastrous loss and damage caused by hurricanes and floods in August 1955.

On August 23, 1955, Senator Bush in a telegram to Senator Fulbright, chairman of this committee, requested staff action on a study of the practicability of Federal disaster insurance looking toward action on possible legislation as soon as the Congress shall reconvene.

On August 28, 1955, Senator Lehman's office announced he would introduce an omnibus bill providing for Federal disaster insurance and empowering the Federal Civil Defense Administration to meet the effects of manmade (atomic) and natural disaster.

Similar evidences of interest in arranging for consideration of appropriate legislation were received from several other Members of the Congress, including Senator Carlson, Senator Ervin, Senator Green, Senator Johnston of South Carolina, Senator Kennedy, Senator Pastore, Senator Payne, Senator Purtell, Senator Saltonstall, and Congressman Dodd.

Senator LEHMAN. I understand the Members of Congress from Connecticut who are here today are willing to defer to Mr. Ellsworth Bunker, the very distinguished president of the National Red Cross.

Mr. Bunker came here from New York and is anxious to return as soon as possible to help carry on the great work in this area and other areas in which the Red Cross is engaged.

Mr. Bunker.

**STATEMENT OF ELLSWORTH BUNKER, PRESIDENT, AMERICAN NATIONAL RED CROSS**

Mr. BUNKER. Mr. Chairman, Senator Lehman, and Senator Bush. I appreciate very much the invitation to speak to this distinguished committee and to describe briefly the role of the American Red Cross in disasters, and the scope of its work, what we do and how we go about doing it.

The Red Cross was reincorporated in 1905 by Federal statute as the official instrumentality of the United States Government to assist in carrying out responsibilities assumed under an international treaty—the Geneva Convention. At that time it was also charged by the same statute—and I will quote the words of the statute—to “carry on a system of national and international relief in time of peace and apply the same in mitigating the sufferings caused by pestilence, famine, fire, floods, and other great national calamities, and to devise and carry on measures for preventing the same.

During the ensuing half century the American National Red Cross has expended more than \$200 million in giving relief to men, women, and children, the victims of calamities to which our Nation has been subjected. As contemplated by the charter, all of these funds have been derived from voluntary contributions. They have come from a generous American public.

I might say in the case of this recent disaster, not only thousands of contributions came not only from a generous American public, but literally from all over the world. We have had gifts from 34 foreign countries toward the relief of this disaster.

None of this money has been provided through congressional appropriations.

Throughout this period the Red Cross has interpreted its responsibility to be that of providing assistance to individuals and families, rather than that of restoring utilities or other facilities normally maintained by public authorities. Therefore I can say, I think with confidence, that no conflict has arisen between the Red Cross and other Federal agencies who are authorized to provide disaster relief. Quite the contrary, the Red Cross always enjoyed the closest cooperation of the other Federal agencies that have assisted the stricken communities.

The Congress and the executive branch of the Government have repeatedly noted the distinction between these activities of the agencies operating with funds appropriated and made available by the Congress, and those carried out by the Red Cross with funds which are voluntarily contributed.

For example, the terms of Public Law 875, which were approved September 30, 1950, authorizing Federal assistance in the major disasters, made provision for very close cooperation between the Red Cross and the other Federal agencies; but it was also very careful to distinguish between their functions and authority. Agreements have been entered into between the Federal Civil Defense Administration and the Red Cross to implement these provisions of Public Law 875. These have carefully spelled out operating details to insure maximum coordination and cooperation. At the same time they have recognized the essentially different categories of disaster relief assis-

tance provided by the Red Cross and agencies of the Government which operate with appropriated funds.

In carrying out these responsibilities of its congressional charter, the Red Cross maintains a nationwide organization of more than 3,700 chapters. These chapters cover every county in the United States and Territories and insular possessions as well. Each chapter is responsible for the development of a disaster preparedness plan and establishing an organization of trained volunteers which can go into action immediately should a disaster occur in the chapter's territory. I may say it is an obligatory service of each chapter.

An important part of this plan provides for coordination with public officials and other community groups. The Red Cross maintains also at national headquarters and in area offices a highly trained body of experienced disaster relief workers who work with the chapters in the event of a major disaster.

Immediately following a disaster, the Red Cross provides emergency assistance for all of the disaster-affected persons who are in need. Shelters are provided for those whose homes are unusable or untenable; food and clothing and medical and nursing attention are given. While this assistance in the first few hours or days following a disaster is often the most dramatic and is always easily recognizable, I think it is interesting to note that 20 cents or less of each Red Cross disaster relief dollar is spent for that kind of help. Eighty cents or more of each Red Cross disaster relief dollar is spent in helping families and small businesses who are unable to reestablish themselves with their own resources. So that the major Red Cross job, therefore, is really long-term assistance, that is, helping to restore the capacity of the family to reach and maintain its predisaster way of living. That assistance may include clothing, food, maintenance, the repair or rebuilding of homes and other buildings, the replacement of household furnishings, payment of hospital and doctor bills, long-term medical care, provision of supplies and equipment or tools needed by a worker to earn his living.

Assistance also may be given to small businesses owned and operated by families which have insufficient resources to recover from disaster losses on their own. For example, in the Eastern States floods of last August and October, the Red Cross helped more than 1,150 small businesses to replace stock, supplies, tools, and equipment, and repair or rebuild their places of business.

I think it is important to note that the Red Cross makes no attempt to replace all disaster-caused losses. What we try to do is to meet disaster-caused needs of families, small businesses and farmers, that cannot be met within the resources that are available to them.

I should like to emphasize too that this assistance is given on an individual basis. Obviously, no two families are alike, and no two have identical losses, and no two have the same resources or the same problems, so no two will have the same disaster-caused needs. The Red Cross worker discusses with each individual or family in detail the family situation, such as the home ownership or business ownership, the health and earning capacity, the insurance, and other resources and liabilities. Together they develop a plan which in each instance is submitted for approval by the Red Cross to an advisory committee composed of responsible local citizens, who are appointed

in each community following each disaster, and who do make and have the final scrutiny of the award and the approval of it.

Another point which I should like to emphasize strongly is the fact that the Red Cross assistance given both during the immediate emergency and long-term assistance are given without any obligation to repay. The assistance is on outright gift made through the Red Cross by the American people, who give their voluntary contributions for this purpose.

I think the committee will be interested in knowing the scope of the assistance which has been extended by the Red Cross following these floods. More than 45,000 persons were helped during the emergency days immediately following the floods of August 19 and October 16, at a cost to the Red Cross of just over \$2 million. But more than 14,000 individuals and families or small businesses have been given long-term assistance at a cost in excess of \$13 million. The total relief commitments, as of November 11, amount to \$15,373,646. Of this amount 44 percent represents the expense of repair or restoration and rebuilding of houses, businesses, farms, and other buildings; 34 percent was spent for household furnishings; 11 percent for occupational tools, stock, fixtures and equipment for small businesses; and 11 percent for food, clothing, and medical care.

Cases are still being processed and these figures are not final. They will run considerably higher than the amounts I have mentioned, but I think it is apparent that from the figures I have mentioned, disaster relief is a complex matter and it involves many types of assistance if the needs of the victims are to be met effectively and satisfactorily.

I think it is instructive to consider the needs for Red Cross assistance in disasters caused by hurricanes, tornadoes, and other storms. Wind damage, as the committee knows, is coverable by insurance. Nevertheless, despite the fact that insurance claims totaling many millions of dollars were paid in 1953 to victims of a series of tornadoes that afflicted the Nation then, the Red Cross spent \$3,600,000 for tornado relief in providing mass care for 60,000 persons and long-term assistance to 6,000 families.

Last year, when the eastern coast was hit by Hurricanes Carol, Edna, and Hazel, and again large insurance claims were paid totaling many millions of dollars, the Red Cross gave emergency mass care to more than 61,000 individuals and more than 7,000 families applied for and received assistance in the amount of \$2,400,000.

The Red Cross has accumulated through many years, I think over the years of experience in disaster relief, a great deal of data concerning the frequency, type, and geographical spread of disaster, and concerning the needs of the disaster victims. All of this information, of course, is available to the committee, should you believe it helpful for your consideration.

Finally, in keeping with the policy of the American Red Cross not to attempt to influence the deliberations of the Congress, and to confine its comments to legislation having a direct bearing on the congressional-authorized activities of the Red Cross, we offer no opinion on the various plans which have been made regarding a Federal disaster insurance plan. We do believe, however, that this is a matter deserving the most earnest consideration of the Congress and would, of course, welcome any measure which would lessen human suffering caused by disasters.

Again, we certainly shall continue to cooperate to the very best of our ability with all of the public and private agencies in the alleviation of the disaster-caused suffering.

I would like to comment further, Mr. Chairman, that we have had the most cordial relations with all Government authorities, Members of the Senate—you and Senator Bush and Senators of the affected States—the Congressmen and Governor Ribicoff and all of the other governors have been tremendously cooperative and helpful in assisting us in carrying out these obligations which the Congress has imposed on the Red Cross.

We have worked in the closest way with Civil Defense and with the Small Business Administration, with the Department of Health, Education, and Welfare, and the mayors and officials of the communities affected.

We have had also, I think, an astonishing example of a response on the part of the American people to our appeal for funds. We asked for \$10 million originally and discontinued the appeal when we reached that amount; but as of today we have received about \$15.5 million. As I said earlier, contributions from all over the world with expressions of friendship and affection for the victims of the disaster, were received.

I have been and we have been greatly impressed by the courage and determination of the victims and the way they have set about rebuilding and restoring and getting back to a normal way of living, and by their gratitude for what the Red Cross has done.

I appreciate very much, Mr. Chairman, the opportunity to speak to you, and I appreciate the courtesy of the Congressmen in allowing me to speak now so that we could return to New York. It was a great pleasure to be here.

Senator LEHMAN. Thank you very much. Senator Bush.

Senator BUSH. Mr. Chairman, I presume Mr. Bunker would like to have included at the end of his remarks these two tables in back of his prepared statement.

Mr. BUNKER. Yes; I would, Senator. Thank you.

Senator BUSH. I take it then, Mr. Bunker, that you do not care to offer any observations today on the question of flood insurance?

Mr. BUNKER. No; except to say, of course, the Red Cross will welcome anything which will lessen human suffering and suffering caused by disaster. We will certainly cooperate with the Government in any way.

Senator BUSH. Mr. Chairman, I certainly want to say a word on behalf of our State for the record here, regarding the services of the American National Red Cross in the recent disasters affecting Connecticut, not only the first, but the second flood. The Red Cross was on the job immediately and brought into this area its highly trained body of experienced disaster relief workers, without which I just do not know what we would have done. They came in with clear heads and plenty of money, fortunately, and they did a perfectly extraordinary and magnificent service for this State. I feel that we here will forever be grateful to the Red Cross for its very extended service. They are still here, some of them, working on cases which developed during these floods.

It has been a matter of tremendous comfort and inspiration to all of us to have had the Red Cross in our State at this crucial time.

Mr. BUNKER. Thank you.

Senator LEHMAN. I need not assure you, I am certain, of the great appreciation that the people of my State have for the work of the Red Cross in this disaster, as in many others.

There are just 1 or 2 questions I would like to ask you.

Mr. BUNKER. Yes, sir.

Senator LEHMAN. On page 2 of your statement you state the following:

While assistance in the first few hours or days following a disaster is often the most dramatic and is always easily recognizable, only 20 cents or less of each Red Cross disaster relief dollar is spent for such help. Eighty cents or more of each Red Cross disaster relief dollar is spent in helping families and small businesses who are unable to reestablish themselves within their own resources.

That comes as somewhat a surprise to me because I had an idea that virtually all of the money that was contributed to the Red Cross went for direct palliative disaster relief. Let me ask you whether the figures you have given there of 20 for relief and 80 for rehabilitation are unusual figures just for this disaster, or is that more or less normal in all disasters which have been handled by the Red Cross?

Mr. BUNKER. Senator, that is an average. In this disaster I think more than 80 cents will go for the long-term relief job.

Senator LEHMAN. I am just looking for information. It is hard to reconcile it because you name some previous flood-relief operations and I will pick out the first one—the Mississippi Valley flood of 1927, where you have 637,000 persons receiving emergency mass care, as compared to only 45,000 in the present flood disaster. Yet you spent only \$17 million at that time. I know the value of the dollar has changed in those years.

Mr. BUNKER. Yes.

Senator LEHMAN. But is it hard to realize that you could have used very much of your funds in that disaster for rehabilitation work, because with 637,000 needing relief of one kind or another, I would assume almost all of the money was used for palliative relief.

Mr. BUNKER. No, Senator. I think the number who received long-term rehabilitation was 121,000 in that disaster, compared to 15,000 in the present one. So that the ratio was still pretty close. But that 80 percent is an average over a period of years.

I say in this present disaster we will be spending probably 85 cents or more on the long-term job.

I might also say I think one of the reasons why we would be spending more on the long-term damage job here is that the damage was relatively more severe. For example, in a flood on the Mississippi, in a normal flood, the waters rise rather slowly and people have warning and time to get away. In these disasters it came with almost no warning to those living on the Connecticut. It came so suddenly and the waters attained such velocity that the damage was relatively very heavy.

Senator, also I think if I may say so the general conception of what the Red Cross does is that it does an emergency job, but it is actually the rehabilitation, restoration, and rebuilding and long-term job which is the important thing we do. Not that they are not both important, but the great proportion of our funds go into that job of rebuilding and repairing homes and restoring the small-business people.

Again, in this disaster the number of small-business people affected was higher than in the usual average disaster that we have experienced. So we had to do considerably more. We have been working very closely with the Small Business Administration and with the governors' committee and with the local credit facilities. We may do the entire job sometimes. We may do part of a job with the Small Business Administration at other times, or with local banks.

But in any case, whatever the Red Cross does, if it is a part of the job with the Small Business Administration, or someone else, it is in the form of an outright grant or gift.

Senator LEHMAN. Can you give us for the record the average amount of these outright grants?

Mr. BUNKER. We can and will supply it, Senator. I cannot give it to you offhand, but we will supply it for the record.

Senator LEHMAN. Have you any limit on individual grants either to business concerns or individuals?

Mr. BUNKER. We have no limit, Senator; no. I think the maximum grant in this disaster so far that we have given would be somewhere around \$17,000 or \$18,000.

Senator LEHMAN. What was that for?

Mr. BUNKER. That would have been for business—small business.

Senator LEHMAN. Have you any idea what the average individual grant is for the rehabilitation of homes, including furniture?

Mr. BUNKER. My assistant tells me, for example, in one community here in Unionville, the average was \$4,000 for repair or reconstruction. But where the house has to be rebuilt completely, of course, that will run a good deal higher—\$8,000 or \$9,000 or \$10,000, or more.

Senator BUSH. Mr. Chairman, if I might be permitted to observe, I know of one case that I saw in Waterbury, where a grant of \$16,000 was made to 1 family, consisting of a widow and 1 child. They got a new house, furnished, and their clothing restored, this little family, costing \$16,000.

Mr. BUNKER. Yes. Here is a case in Farmington of \$4,567. Here is another case of a farmer who had a total grant of \$9,824 for rebuilding his barn and repairing his house and replacing stock, and so forth.

As I say, each individual case is handled separately and on its merits with an experienced Red Cross disaster worker and then, very importantly, I think, with the community advisory committee, who have functioned very wonderfully well in this operation everywhere. Every case is submitted to them for approval.

Senator LEHMAN. As I understand it, out of the \$15 million which you collected, approximately \$3 million was used for actual immediate relief?

Mr. BUNKER. A little over \$2 million, Senator.

Senator LEHMAN. And \$13 million—

Mr. BUNKER. Out of \$15,373,000 a little over \$2 million went for the immediate.

Senator LEHMAN. I had no idea of that. I would have thought the greater part of your funds were used in immediate relief.

Mr. BUNKER. No, sir. It is a big, long job.

Senator LEHMAN. Mr. Bunker, you stressed that the Red Cross disaster aid is given on the basis of need and not to replace all losses. So even with the very useful and valuable assistance of the Red Cross, disaster victims are not made whole for all of their losses.

Mr. BUNKER. That is right.

Senator LEHMAN. In this gap you agree there is room for an insurance program to operate?

Mr. BUNKER. Yes. We do not operate as an insurance program, Senator. The Red Cross, as I say, attempts to fill the disaster-caused needs on the theory that the victim, to the extent he can, will want to help himself. We do not replace all losses. There is a gap between what we do and between what an insurance program would do.

Senator LEHMAN. Can you establish for the record, let us say, and for our information, the need of a family for a particular sized grant for rehabilitation? How do you get at that?

Mr. BUNKER. In that case the worker, the case worker works with the family and goes very carefully into their situation—their resources and their health situation and their loss. We have building advisers who advise on the cost of reconstruction or repairs to buildings. We have had very useful assistance from the Department of Health, Education, and Welfare, who have loaned us some of their staff who were trained as building advisers, and in each case we go into it in great detail. Then with the family we come to an agreement on what they will need for getting back on their feet and getting back to their predisaster basis of living.

Senator LEHMAN. I want to make one observation. The estimates of the losses from the floods in August and in October ranged from about \$700 million, including the Carolinas and New England and the Northeastern States, up to a billion and a half, roughly speaking.

Mr. BUNKER. Yes, sir.

Senator LEHMAN. The lowest estimate is around \$700 million. Through your kind offices in the Red Cross you supplied \$13 million for rehabilitation. I am not minimizing in the slightest degree the very valuable work that the Red Cross is doing.

Mr. BUNKER. Yes; I understand.

Senator LEHMAN. I think we must all be very grateful to you. But that does leave a gap of approximately very close to \$700 million, and that is the minimum figure I have seen, which still has to be made up. That represents losses sustained by men, women, and children against which there is no insurance and no way of compensating them, and no way of putting them on their feet again, because they were unable to get flood insurance. I just want to make that very clear.

While I think you have done a wonderful piece of work, it still only goes a very, very short way in solving the problem we have before us.

Mr. BUNKER. Yes, sir. Senator, as I pointed out in the statement, of course the Red Cross has nothing to do with the losses in public utilities, and railroads, and bridges, and highways, and anything of that kind. We do attempt to fill the needs of the small-business men, but obviously the large business which suffers and has suffered very heavy losses in this disaster we do not attempt to render any assistance to. What we do try to do is to fill all of the individual needs.

As I say, we try to fill not the losses, but the needs of individuals and the small-business man who has been affected, and I believe, Senator, that when this relief operation is finished, every family and small-business man in need will have had those needs met by the Red Cross.

Senator LEHMAN. Thank you very much indeed. Thank you for coming. We know how busy you are and I want to congratulate you again on your fine work.

Mr. BUNKER. Thank you very much.

Senator LEHMAN. Without objection, the tables attached to the prepared statement of Mr. Bunker will be made a part of the record at this point.

(The tables referred to follow:)

#### ATTACHMENT 1

*Statistical and financial summary, eastern States floods, as of Nov. 11, 1955*

State	Estimated families affected	Families and small business applying for assistance	Families and small businesses assisted	Relief expenditures
Connecticut.....	18,429	7,328	6,625	89,328,173
Massachusetts.....	5,917	1,934	1,729	1,000,219
Rhode Island.....	1,440	850	595	255,737
New York.....	4,438	723	600	325,947
New Jersey.....	2,385	858	748	447,390
Pennsylvania.....	8,457	4,444	4,069	3,072,460
Total.....	41,066	15,937	14,387	15,373,646

#### ATTACHMENT 2

*Some facts about American Red Cross disaster relief*

	Persons receiving emergency mass care	Families receiving individual rehabilitation	ARC expenditure on the relief operations
<b>(a) 5 major flood-relief operations:</b>			
1. Mississippi Valley flood, 1927.....	637,000	121,000	\$17,000,000
2. Spring floods (Eastern United States), 1936.....	85,000	83,000	6,000,000
3. Ohio-Mississippi Valley flood, 1937.....	916,000	236,000	25,000,000
4. Kansas, Missouri, Oklahoma, Illinois, floods, 1951.....	45,000	20,000	14,000,000
5. Eastern States floods, 1955.....	145,000	115,000	16,500,000
<b>(b) All disaster relief operations, January 1948-December 1954:</b>			
Relief after weather-caused disasters <sup>1</sup> .....	674,000	164,000	44,000,000
Relief after other disasters.....	29,000	15,000	2,000,000
7-year total, all types of disasters.....	703,000	179,000	46,000,000
<b>(c) All tornado relief operations, calendar year 1953.....</b>			
All hurricane relief operations, calendar year 1954.....	80,000	6,000	3,000,000
<b>(d) In the 30-year period from January 1925 through 1954,</b> among the 3,700 Red Cross chapters, Red Cross disaster relief has been given following:	61,000	7,000	2,400,000
Disasters of any type in 3,000 chapters.			
Weather-caused disasters <sup>2</sup> in 2,600 chapters.			
Flood disasters, in 1,700 chapters.			
Tornado disasters, in 1,300 chapters.			

<sup>1</sup> Estimated.

<sup>2</sup> Weather-caused disasters include hurricane, tornado, other storms, flood and flash flood. (Other types of disaster in the classification used by Red Cross are fire, explosion, wreck and miscellaneous.)

(The following was subsequently received from Mr. Bunker :)

THE AMERICAN NATIONAL RED CROSS,  
Washington, D. C., November 23, 1955.

HON. HERBERT H. LEHMAN,

*The United States Senate, Washington, D. C.*

MY DEAR SENATOR LEHMAN: During the course of my appearance before the Senate Committee on Banking and Currency you queried me concerning the average of Red Cross awards and categories of assistance extended in Massachusetts, Connecticut, Rhode Island, New York, New Jersey, and Pennsylvania following the floods of mid-August and mid-October. I informed the committee that I would submit in writing the answers to the questions.

You were particularly interested in my statement that on the average "only 20 cents or less of each Red Cross disaster relief dollar is spent for such help (emergency assistance). Eighty cents or more of each Red Cross disaster relief dollar is spent in helping families and small businesses who are unable to reestablish themselves within their own resources." You will be interested to know that on the Eastern States floods only 15 cents of the Red Cross disaster relief dollar was spent in providing for emergency assistance while 85 cents was spent for long-term assistance enabling families and small businesses to reestablish themselves. The average award for helping families and small businesses for the total operation was \$1,691. In the State of Connecticut, where the damage and destruction was the heaviest, the average Red Cross award was \$2,004.

Red Cross relief expenditures in the 6-State area now total \$16,009,824. Of this amount \$7,043,090, or 44 percent, represents expenditures for the repair or reconstruction of houses, business, farm, and other buildings. The next major expenditure in the amount of \$5,305,366, or 33.1 percent, was for the provision of household furnishings; \$1,875,998, or 11.8 percent, was expended for occupational tools, stock, fixtures, and equipment for small businesses; \$1,785,369, or 11.1 percent, has been spent for food, clothing, and medical and nursing care.

In addition to the relief expenditures set forth above, the Red Cross has incurred service and administrative expenditures amounting to \$960,009. These costs represent only 5.7 percent of the total expenditures made by the Red Cross in this operation.

I wish to express to you, on behalf of the American National Red Cross, appreciation for the opportunity of appearing before the Committee on Banking and Currency and wish to thank you personally for the courtesy shown me.

With kind regards,  
Sincerely yours,

ELLSWORTH BUNKER.

Senator LEHMAN. Before I call on the next witness I want to place a letter in the record which I have received from Senator William A. Purtell, dated today.

WEST HARTFORD, CONN., November 14, 1955.

HON. HERBERT H. LEHMAN,

*United States Senate, Flood Insurance Hearings,  
Supreme Court, State of Connecticut, Hartford, Conn.*

DEAR SENATOR LEHMAN: I regret that I am confined to my home by a heavy cold which prevents my appearance before your committee. However, knowing that many of my constituents desire to be heard at your hearing my appearance would have been brief in any event, since of course I shall have the opportunity to appear before the committee in Washington, and I would have allowed as much time as possible to our people here.

As I have stated on many occasions and reiterate now, it is my strong conviction that flood insurance must be made available at reasonable rates to the people, as well as insurance covering other natural disasters which is not available at the present time.

I would hope that this might be done through a plan by which private companies could write the insurance at reasonable rates, with the Federal Government reinsuring.

I have tentative drafts of bills prepared and tentative drafts of legislation pending covering these matters which are based on this approach.

This whole subject of disaster insurance is of course a very complex one, and your hearings will do much to develop the facts necessary for the determination of the best possible legislation to meet this need. We must see to it that

insurance protection at reasonable and bearable rates is available to all of our people against damages and losses due to floods.

I assure you of my continuing interest, effort and support in this matter.  
Warmest personal regards to Senator Bush and to you.

Sincerely,

WILLIAM A. PURTELL,  
*United States Senator.*

Senator LEHMAN. Now we are going to hear from the congressional representatives. We hope to complete their testimony before we recess for lunch. I am going to ask my administrative assistant, Mr. Edelstein, to call them in the order of their congressional districts.

Mr. EDELSTEIN. Congressman at Large Sadlak.

#### STATEMENT OF ANTONI N. SADLAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. SADLAK. Mr. Chairman and members of the subcommittee, I am Antoni N. Sadlak, a Congressman at Large from the State of Connecticut, and I make my home at Rockville, 16 miles east of here.

I have no prepared statement, but I would like to make a few brief observations.

I believe, gentlemen, we have in this proposal of flood disaster insurance something that will appeal to our colleagues in both the House and Senate. It seems to me that we are not necessarily gradually, but somehow we are very quickly, reaching a point where all of us have a mutuality of interest with respect to disasters. From my observation of insurance history, where we have now provided for crop insurance and wind insurance, invariably there will be provision for endorsements of one on the policy of the other. I believe that we are heading for a comprehensive and overall disaster insurance policy.

I am bolstered in that statement, gentlemen, by the fact that during the past many years we here in this particular area have not experienced the flood disasters that our fellow citizens have experienced in the Midwest and Far West. For that matter, hurricanes did not visit with any frequency this particular area, but somehow they used to confine their paths of destruction to Florida. That pattern has now changed tremendously, and I think that change has been more emphasized in the past 2 years. We have been visited by an unprecedented flood and only a week or 10 days ago a very large flood and windstorm had hit Washington State, where incidentally I was to be today with the Subcommittee on Narcotics of the Ways and Means Committee, whom I hope to rejoin in Chicago tomorrow to carry on that work.

However, as has been mentioned by the chairman, I too came here for information today, so that I might be able to add the benefit of my legislative experience and, through knowing the area I might contribute in my small way to finding a remedy for this difficulty.

I have no bill at the present time, but I am working on one and I hope to go over the draft when my subcommittee, which I have just mentioned, returns to Washington the first week in December to conclude their hearings. Then I will have an opportunity to go over the draft which I hope to submit when Congress reconvenes in January. I hope, too, after this committee has made its very serious survey, when the committee finally comes up with its bill that I will be invited to

come before the Senate committee and will have an opportunity in Washington to appear both before your committee and the House committee, to urge what I will then have made firm suggestions and recommendations on.

I am agreed that our fellow legislators in Washington will be tremendously impressed with the photos which have been mentioned here. Some time ago I mentioned to our Governor that I would like to have photos taken of the various areas which were so seriously affected during the past floods, and to have them available for presentation in Washington, and even put them in the lobby, as I recall we did on the hoof-and-mouth disease, which made so dramatic an impression on all of us. We took care of that situation. I am convinced if we do not have recommendations earlier, that we certainly will have recommendations by the administration by the President either in person or by his sending over to the Congress the state of the Union message.

I am further convinced this next session of Congress, which will meet January 3, will not conclude until about August 10. In that interim there ought to be sufficient time to take care of a bill of this nature, because there is a mutuality of interest, which I want to stress, among all of the Members of Congress, to do something about these unusual and unprecedented storms.

I am concerned about writing a proper definition for floods. I have in the back of my mind the question, having followed insurance history, whether if we had here in Connecticut another disaster 2 months from now, would that be covered by the first insurance policy if it were expired? Can we be recovering from floods as a result of hurricanes, or the bursting of a dam, or other reasons?

I am thoroughly cognizant with the fact that the chairman wants to include in an overall bill atomic disasters and atomic attacks. Would subsequent attacks, if something was still left after the first one, be covered? Would a second or third be covered?

I think there are many ramifications and questions involved. I know the committee is groping for some of the answers. I hope when the committee is ready with its bill in January that I will be able to come before it with some suggestions as a result of the inquiries I have made and the research I have instigated through my committee in the interim; that is, in these few weeks that remain here of our so-called vacation.

I have one further thing to say. Of course, we do not want to put the Red Cross out of business. If Mr. Bunker had that concern I do not think he need worry. I am convinced we must dovetail all of these agencies to deal with this great disaster.

My particular work thus far has been along the line of drafting a bill to bring relief by virtue of taxation, either taxation refunds, or to permit the rapid amortization of capital investments made as a result of flood damage. As you know, I am a member of the Ways and Means Committee, where such legislation must originate. In your particular case you in the Senate can originate bills to deal with this particular disaster and we can carry it on over there in the House, but on tax measures they must originate in our body.

I hope you have that particular bill ready by January 3, so that we might, by virtue of tax refunds or tax amortizations, bring relief.

Again I want to stress, gentlemen, that must be something which

must be dovetailed in relation to the particular problem on which we are meeting today.

Senator LEHMAN. May I ask you a question, Mr. Sadlak?

Mr. SADLAK. Yes.

Senator LEHMAN. I can see how through tax relief or rapid amortization you would help the larger concerns, but how would you help the little fellow who has a small income and who lost his house and has nothing left except a mortgage on which he still has to pay? He cannot write it off.

As I understand it, he would not be in any position to get any tax benefit.

Mr. SADLAK. I am exploring that now, Senator, trying to bring in not only the large man, but the small and intermediate man, and make it more comprehensive, since the flood does not discriminate between them.

Senator LEHMAN. I am sure you are familiar with this, but let us take a large concern with a very substantial earning power which is suffering a loss of \$500,000 or \$1 million. They can write off at least the major part of that in debt forgiveness out of the 52 percent, but a little fellow who has an income and probably has very little, if any, income tax would get nothing out of it.

Mr. SADLAK. I am endeavoring, Senator, in the bill which my committee and my staff of the Ways and Means Committee and the Joint Committee on Taxation is working on—I am endeavoring to look into all phases of it. I am very glad to have your comments on that, but I want to assure you that we are looking into all phases of that problem, which has many ramifications, and we will make provision for some of those things where we do not have them at the present time.

Senator BUSH. Mr. Chairman, I have had some contact with Congressman Sadlak on this matter. I think one of the things we have discussed for the benefit of all, and even the smallest person who might have lost everything, was the question of an immediate refund on prepaid taxes, so that he would immediately be able to get that back. I think the Congressman agreed that would be very much worth his consideration in the bill he is drafting concerning the tax features.

Mr. SADLAK. I might say this, Senators: I have made a request, and I know Senator Bush made the request, and perhaps Senator Lehman, that there be an augmentation of the staff of the Internal Revenue Service immediately after the first of the year, so that when the returns are made, especially from those who have been hard hit by the floods, where refunds are to be made that they might be made at the very earliest opportunity.

Senator LEHMAN. Thank you very much indeed, Congressman.

Mr. SADLAK. Thank you.

Senator LEHMAN. Will you call the next witness, please?

Mr. EDELSTEIN. Congressman Dodd of the First District of Connecticut.

#### **STATEMENT OF THOMAS J. DODD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mr. DODD. Senator Lehman and Senator Bush, first of all I want to express my appreciation for this opportunity to appear before your

committee, and also to say that we, that is, all the members of my own office staff, have received a great deal of advice and help and technical assistance from members of your staff, and we are grateful for all of that help. We have also received a great deal of assistance from the members of your own staff, Senator Lehman.

Next I want to commend Senator Lehman for his promptness in getting into this whole problem. I know how many other things you are concerned with, but I think it is a great credit to you that you got these hearings underway as rapidly as you did. We are certainly all benefiting from them.

My own interest in this problem of insurance goes back to a little more than a year ago. You will remember, in this State and beyond it we suffered severe damage, particularly along the coast, from the hurricanes. Through conversations with some small-business people on our coast in Connecticut I learned what I had not known before, that is, that these people suffered damage from great waves, sometimes called tidal waves. I found that they had suffered this damage more than once and were not able to buy insurance against a repetition of this loss or damage.

That caused me to look into the whole business and I came across the Bowles bill and others. Then came the dreadful disaster in August, which accentuated the whole problem.

I want to make clear at this time that all I am trying to do is to make some contribution, and I am sure it will be small, toward the general solution of the great problem. I do not have any panacea or any new suggestions except perhaps one small one, but I am hopeful out of all our efforts and thinking we can come up with a bill which will answer the problems that confront us more acutely now than perhaps they have at any other time.

Also, I have tried to think in terms, to some extent, of traditional insurance. I recognize the fact that that is not completely possible to do, because the nature of this problem is larger and greater than problems which ordinarily confront the insurance industry; but it would seem to me, as I have tried to understand the problem, that we either have to consider or think about it in terms of insurance, or else think about it in terms of outright subsidy or grant. Maybe there is a middle way of compromising the two.

At times it has seemed to me that is perhaps the way we will ultimately resolve this whole problem. As you well know, I think it is an accurate statement to say a larger number of people throughout the United States want to buy protection against damage from floods or natural disasters. It is just not available, I am convinced, from private insurance sources. However, it seems to me it is not too difficult to move to the next step, that if it is not available certainly it is the responsibility of Government under the general welfare clause of the Constitution to make available to people some kind of protection.

I hasten to say I doubt very much we can do everything we would like to do for everybody. That is not as attractive as to say perhaps that we will do everything for everybody, but it would seem to me, as in other efforts of this kind, we will have to begin somewhere on as wide a base as we can and try this thing out, with the advice of experts, and perhaps have it grow rather than start out at full growth.

As I say this I am reminded of the conversation here a little earlier today about how much should be the face value of a policy. Well, in the proposal which I have tried to draft I have used what I think is an arbitrary figure of \$250,000, but I do not have any particular concern about that as far as I am concerned, because I am not an insurance expert. I do not know whether it should be \$250,000 or \$300,000 or \$1 million, but it does seem to me from the little bit I have devoted in time and study to it, that there must be some relationship between the amount of insurance available and the limit on the face value of any one policy, or else, it seems to me, a few people conceivably might buy up all of the insurance and their losses might be enormous, and the thing would be in terrible shape, from a financial standpoint.

However, I speak of it as a layman and not an expert and I do not know all about it, so I wish you would understand that my figure is more or less arbitrary and I think this question would best be answered by those who know much more than I do about the whole insurance problem.

In the proposal I have drawn up I want to point out it seems to me it is not in the nature of Americans to be content with the mere hope that in the event of disaster the Government will furnish relief. I think it is rather their nature to sustain their economic position by insuring against loss by paying what has been described as a fair and reasonable premium rate for insurance protection.

There are two suggestions made in this proposal. One is that the Government directly write insurance where it is not available from private insurance sources, but that it be sold and that the administration of the insurance program, as sold by the Government, be handled by private insurance companies.

Secondly, private insurance companies sell this type of insurance on the basis of a backup by the Federal Government, or on a reinsurance basis.

Both of those proposals are contained—

Senator LEHMAN. Do you mind being interrupted?

Mr. DODD. Not at all, Senator.

Senator LEHMAN. Do you include in your bill provision that not only should the insurance be sold by the private companies, but that they should be used and employed in the settling of claims?

Mr. DODD. Yes.

Senator LEHMAN. And appraisal of damage?

Mr. DODD. Yes, sir; I do, Senator. That is included. But those two suggestions are made and then I make a third one, which I offer for your consideration. You may reject it, as it is just an idea and I have no particular pride of authorship in it.

It provides what I call something of a new or novel solution to the dilemma of finding some sort of insurance against these disasters, such as floods and other natural disasters, which can be offered to the public at a low premium rate without large Federal subsidies, because it seems to me in both of these other situations we will have to make large Federal grants.

Briefly, the plan that offers this solution provides that a party can purchase a policy at a low premium rate in which the Government would give the policyholder an absolute promise of a long-term, non-interest-bearing loan, in the event of loss through natural disaster.

The absolute right to obtain such a loan would give the person holding such a policy the means by which the destroyed property could be promptly restored. The primary loss would ultimately lie on the person whose property was destroyed, but through the loan plan the loss could be spread out over a long period of time.

In order that the Government will not unduly enter into the banking business, the bill provides that the money shall be borrowed from private lending agencies, with the Government acting as guarantor and paying all interest. If the loan, for some unforeseen reason—and I cannot think of one—cannot be had through a private lending agency, then the Government will make the loan directly under this proposal and, of course, charge no interest.

Thus, under this plan, a man owning a small factory or business concern which was destroyed by a flood, and left with only goodwill and know-how, would be provided as a matter of contractual right with the means promptly to put these two remaining assets back into operation.

The repayment of the loan could be made over an extended period of time and the burden could be spread out in the same way as depreciation.

The only risk that the Government would be taking under such a plan would be the obligation to pay the interest on loans that would be made under the contracts, and its capacity as guarantor to make good on any defaulting loans.

I think it is anticipated that these expenses will be paid from the premiums taken in under the plan.

Also I have suggested under the provisions of this bill—

Senator LEHMAN. May I interrupt you to make an observation?

Mr. DODD. Yes.

Senator LEHMAN. I think this third proposal is a very novel one and a very interesting one. I do not believe it is in any of the other bills.

Mr. DODD. Not to my knowledge.

Senator LEHMAN. Thank you.

Mr. DODD. As I say, it is just an idea and it was intended to meet that middle group who would seem to me would have difficulty in buying any insurance which we think of in traditional insurance terms.

Under the provisions of this bill, combinations of the usual insurance plan could be offered where reimbursement is made in cash in the traditional type of policy and loan plan as suggested. For example, a man could take out a policy, it occurred to me, on the traditional insurance basis, for 30 percent of what he contemplates his risk to be, and 70 percent on a loan basis. This would make the premium very much lower and I think it would be attractive to a lot of people, particularly the smaller people.

I am not only thinking of business people, but I am thinking of homeowners also, of course.

I include in this proposal coverage for personal property as well as real property. I have suggested that a Federal corporation be set up—a special one. I know many feel this operation should be carried on by already existing agencies, but I am inclined to lean toward the special corporation, because I think there are problems here which require a very special type of knowledge in the insurance and financial world. But I am not too much concerned about that.

If we find an agency already existing which can do the job, it is all right with me.

I have stressed the fact that we ought to utilize private business to the fullest extent in the carrying out of this program. We should make use of private insurance companies, as I have already said, and make use of private lending agencies.

I have tried to draw the proposal to avoid any competition between the Government and private insurance companies and private lending agencies. There are probably places where that can be broadened, but that has been the intent.

Finally, Senator Lehman, I am particularly interested in your bill, which I have not had an opportunity to study adequately, because I have been away, but I have been in touch with it through my office. I suggest here that some study be carried on by this corporation with respect to other types of risk loss, such as are included in your bill. Maybe we should include them all, as you do. About that I am not prepared to give much helpful advice or knowledge, and certainly you know much more about it than I do, but I would like to see it as comprehensive as we can make it. I think your bill is the most comprehensive that I have seen.

All I want to stress and point out, Senator Lehman, is that it is not really a proposal I would ask you to accept in lieu of your own, but rather a suggestion you might find helpful as you struggle with this problem of legislation in your committee.

Once again I say I am grateful to you for permitting me to appear here. I have learned a good deal this morning, and I expect to learn more from your hearings. I would like to leave this statement, which I have partially read from. I have not read it all, but parts of it.

Senator LEHMAN. Without objection, the full text of your statement will be inserted.

Mr. DODD. Also may I submit to you the proposal as part of that statement?

Senator LEHMAN. Without objection, the full statement and the bill itself will be included in the record.

(The prepared statement and proposed bill by Mr. Dodd follow:)

STATEMENT ON PROPOSED DISASTER INSURANCE BILL SUGGESTED BY CONGRESSMAN  
THOMAS J. DODD, OF CONNECTICUT

I. NEED FOR DISASTER INSURANCE LEGISLATION

After the terrible destruction of this year's August flood a great number of people in Connecticut and other Northeastern States were most anxious to purchase some form of flood or disaster insurance to protect their economic well-being in the event of another flood.

There was obviously a large market for flood insurance, but private insurance companies were unable to offer the necessary protection due to the enormous risk factor.

Less than 2 months after the August disaster another devastating flood struck the same area, and again no insurance was in effect to lessen the terrible loss suffered by so many homeowners and businessmen through no fault of their own.

It is apparent that private citizens and private enterprise cannot for long sustain such great economic losses without it having an extremely detrimental effect on the overall economic condition of some of the Nation's most productive areas. However, private insurance companies are not to be considered delinquent in failing to offer insurance contracts that would cover floods or other natural disasters. Private insurance institutions, although sympathetic to the needs of the country, cannot accept risks that might bring about bankruptcy and destroy the protection against other losses presently being given existing policyholders.

It is not the nature of Americans to be content with the mere hope that in the event of disaster the Government will furnish relief. It is rather their nature to sustain their economic position by insuring against loss by paying a fair and reasonable premium rate for insurance protection.

Now that it is apparent that private enterprise will not be able to undertake a program of either flood or natural disaster insurance and the recent floods have pointed out the great need for such protection, it is clearly the responsibility of the Federal Government to meet the need of its people by undertaking a disaster insurance program.

## II. BASIC PROBLEMS CONCERNED WITH DISASTER INSURANCE

The risk factor involved with flood insurance or disaster insurance cannot be accurately determined at this time due to the lack of adequate actuarial information. Due to the imponderable risk factor, private insurance companies are reluctant to offer a flood insurance policy to the public, and if they were willing to accept the risk it is realized that the premium rate might necessarily be prohibitive.

Because the Federal Government is obligated to promote the general welfare of its people, it does not work under the same criteria as private insurance institutions do. When the Government undertakes a program such as disaster insurance it obviously would not be doing so with the intent of making a profit. Rather than hoping to make a profit, the Government in meeting a need of its people would expect to expend funds to meet that need.

The problem, however, is how much money should the Government spend on a disaster-insurance program, or whether or not in promoting the general welfare, Federal funds could be better spent on flood-prevention measures. Of course, as more flood-prevention measures are put into effect the risk factor will be diminished, and when the risk is lowered to a reasonable degree, it can be expected that private insurance institutions will be able to offer flood or disaster insurance policies in the same way that they presently offer life or fire insurance.

The problem is basically to find a solution to the problem of how the Federal Government can offer some degree of economic protection against natural disasters to all its people and still do so without expending large Federal subsidies.

It must be realized that no panacea to this problem will be found. When a disaster such as a flood strikes, a great economic loss is inevitable. It is my belief that the bill I am presenting for consideration will furnish a means by which that loss can be equitably shared. The bill cannot be expected to solve all the problems, but it is hoped that it will furnish the legislative means by which many of the problems can be lessened.

## III. FEATURES OF THE DODD DISASTER-INSURANCE PROPOSAL

### (a) *Direct disaster insurance and reinsurance to be made available*

This proposed disaster-insurance bill is designed to provide a means by which an individual or a businessman may insure his property against destruction by such natural disasters as floods and tidal waves in the same way that he can presently purchase insurance protection against fire. Thus the bill provides for a type of policy in which the insured party, in the event of disaster, would be reimbursed in cash to the extent of the face value of his policy.

This type of insurance would provide complete protection, but unfortunately in the absence of large Federal subsidies the risk factor is so great that for most people the premiums would prove too expensive. With limited Federal subsidies, and because the Government would be operating on a nonprofit basis, it is expected that such insurance could be offered at premium rates considerably lower than private insurance companies would be able to offer it, although not low enough for the average homeowner or businessman.

By offering insurance against all natural disasters, it is believed that a wider base can be established, which in turn will result in lower premium rates.

This proposal provides for both direct insurance and reinsurance. Reinsurance in which private companies offer their own policies and contract with the Government to lessen their risk is to be stressed because it affords a more acceptable means of eventually converting the program into one entirely run by private enterprise.

*(b) Contracts in which the Government will enable the insured to obtain, in the event of disaster, a long-term loan, without interest, and without regard to traditional credit rating requirements*

This bill offers a new solution to the dilemma of finding some form of insurance against floods and other natural disasters which can be offered to the public at a low premium rate without large Federal subsidies.

Briefly, the plan that offers this solution provides that a party can purchase a policy at a low premium rate in which the Government would give the policyholder an absolute promise of a long-term, non-interest-bearing loan in the event of loss through natural disaster.

The absolute right to obtain such a loan would give the person holding such a policy the means by which the destroyed property could be promptly restored. The primary loss would ultimately lie on the person whose property was destroyed, but through the loan plan the loss could be spread out over a long period of time.

In order that the Government will not unduly enter into the banking business, the bill provides that the money shall be borrowed from private lending agencies, with the Government acting as guarantor and paying all interest. If the loan, for some unforeseen reason, cannot be had through a private lending agency the Government will make the loan directly, and, of course, charge no interest.

Thus under this plan a man owning a small factory or business concern which was destroyed by a flood and left with only goodwill and know-how would be provided as a matter of contractual right with the means to promptly put these two remaining assets back into operation. The repayment of the loan could be made over an extended period of time, and the burden could be spread out in the same way as depreciation.

The only risk that the Government would be taking under such a plan would be the obligation to pay the interest on loans that would be made under the contracts, and in its capacity as guarantor to make good on any defaulting loans. It is anticipated that these expenses will be paid from the premiums taken in under the plan.

*(c) Combination of plans offered in sections (a) and (b)*

Under the provisions of this bill, combinations of the usual insurance plan where reimbursement is made in cash as discussed in section (a) and the loan plan discussed in section (b) are to be offered. Under the plan a great variety of policies will be made available in which part of the reimbursement in the event of loss would be made in cash and part in a non-interest-bearing loan.

Thus an individual or business concern that could only pay a small premium rate could enter into a contract that would provide reimbursement in the form of a loan. For example, another party not willing to accept the burden of such a loan, and still unable to pay a substantial premium rate, could take out a policy which would provide him with 30 percent in cash and 70 percent in a non-interest-bearing loan, and with a slightly higher premium rate.

The premium rate would largely depend on what percentage of reimbursements would have to be paid in cash. A person who wishes to be completely reimbursed in cash would pay a maximum premium rate.

The exact type of policy to be offered, and premium rates are matters to be determined at a later date in accordance with administrative discretion.

*(d) Federal corporation to be set up*

It is the concept of this proposed bill that a separate Federal agency should be established for the exclusive purpose of offering to the public and administering insurance against certain risks for which there is a national need, and which is not obtainable through private enterprise. The immediate type contemplated is national disaster insurance, but other types such as war damage insurance might be added. Eventually this proposed Federal corporation might be used to administer many of the existing insurance programs presently offered by the Government.

*(e) Private enterprise to be utilized to the fullest extent*

This bill provides that in the administration of the proposed disaster-insurance program, private insurance companies will be used as agents of the Government in selling policies, investigating claims, and in the general handling of insurance functions of the plan.

The bill provides that private lending agencies will be given the opportunity to make the loans and generally conduct the administration of the plan's lending functions.

This proposal makes it clear that the Federal Government is not to be in competition with private insurance and lending institutions. It is further provided that the Government is to engage in this field of insurance only until such time as private enterprise is capable and willing to take over the responsibility.

*(f) Personal as well as real property to be insured*

The question of what types of property should be insured is a problem that confronts all those attempting to find a solution to this overall matter. To limit the disaster insurance only to real property such as homes and factories is avoiding some of the fundamental ills that disaster-insurance legislation should be expected to cure. The problems of what personal property should be insured, and how it can be properly inventoried and how depreciation can be accounted for, may be difficult to solve, but these problems can be solved by an agency set up to administrate the offering of insurance.

Whatever legislation evolves should provide a means by which a person can be assured that he can replace his possessions such as furniture, cars, and general household belongings, and a businessman can replace his inventory if it is destroyed by flood or other natural disaster.

*(g) Study and report to be made on other types of insurance by Corporation*

Among the primary functions of the Disaster Insurance Corporation will be to gather all possible information on the public's need for, the possibility of, and the proper means of administering other types of insurance not presently being offered by private insurance institutions. One of the first things that the Corporation would be directed under the bill to study and report to Congress on is war-damage insurance. It will be the responsibility of the Corporation to present all the necessary facts, and propose solutions to problems where the people of this Nation have a need and desire to insure against certain risks and are unable to do so with private insurance companies.

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DRAFT OF PROPOSED LEGISLATION PRESENTED BY CONGRESSMAN THOMAS J. DODD,  
CONNECTICUT, FOR CONSIDERATION PRIOR TO THE RECONVENING OF CONGRESS

A BILL To provide for national disaster insurance, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SHORT TITLE

SECTION 1. This Act may be cited as the "National Disaster Insurance Act".

CONGRESSIONAL DECLARATION OF PURPOSE

SEC. 2. The Congress hereby declares that it is the purpose of this Act to promote the general welfare and further the national interest by providing a means by which the people of the United States can insure real and personal property against certain losses caused by unpredictable and widespread disasters for which no reasonable insurance protection is presently offered by private enterprise. Through this Act the Congress establishes a body corporate which shall be empowered to enter into contracts of direct insurance, contracts of reinsurance, and contracts making available loans at low premium rates. It is further the purpose of this Act to direct the aforesaid body corporate to utilize private insurance institutions and private lending institutions as its agents in carrying out the functions of this Act whenever possible as determined by the duly appointed directors of the aforesaid body corporate. The purpose of the insurance contracts or the non-interest-bearing Government guaranteed loan contracts shall be to offer economic protection against the capriciousness of nature which has resulted, from time to time, in meteorological and other disasters such as floods, hurricanes, earthquakes, tornadoes, and tidal waves. It is further the intent of the Congress that the aforesaid body corporate shall conduct a study of war damage and other types of insurance not generally made available through private enterprise and for which, in the national interest, there is or may be a need and to report the results of such study to the Congress for such future legislative action as may be deemed necessary.

## DEFINITION OF NATURAL DISASTER

SEC. 3. As used in this Act, the term "natural disaster" means any flood, tidal wave, hurricane, tornado, blizzard, dust storm, hailstorm, or other severe storm, earthquake, landslide, snowslide, severe freeze, heat wave, volcanic eruption, or other like catastrophe or disaster occasioned by weather changes.

## CREATION OF CORPORATION

SEC. 4. (a) To carry out the purposes of this Act, there is hereby created as an agency of the United States a body corporate to be known as the "National Disaster Insurance Corporation" (hereinafter referred to as the "Corporation"). The principal office of the Corporation shall be located in the District of Columbia, but agencies or branch offices may be established elsewhere in the United States under rules and regulations prescribed by the Board of Directors.

(b) The Corporation shall have a nonassessable capital stock of \$50,000,000 subscribed by the United States of America. There is hereby authorized to be appropriated to the Secretary of the Treasury not more than \$50,000,000 for the purpose of subscribing to such stock. Receipts for payments by the United States of America for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury, and shall be evidence of the stock ownership by the United States of America. Sums so received by the Corporation shall be deposited to its credit in the National Disaster Insurance Fund established by this Act.

## CORPORATION MANAGEMENT AND PERSONNEL

SEC. 5. (a) The management of the Corporation shall be vested in a Board of Directors (hereinafter called the "Board") consisting of five persons appointed by the President of the United States by and with the advice and consent of the Senate, one of whom shall be designated by the President as Chairman of the Board. Not more than three members of the Board shall be members of the same political party. Each such appointment shall be for a term of six years, except that (1) of the directors first appointed two shall be appointed for terms of two years each, two for terms of four years each, and the Chairman for a term of five years, and (2) whenever a vacancy shall occur other than by expiration of term, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of his predecessor. The Chairman shall receive a salary at the rate of \$17,000 per annum, and other directors at the rate of \$16,500 per annum.

(b) Each director shall devote his time principally to the business of the Corporation. No person shall hold office as a director of the Corporation while holding any office, position, or employment in any privately or publicly owned insurance company.

(c) So long as there shall be three members in office, vacancies shall not impair the powers of the Board to execute the functions of the Corporation, and three of the members in office shall constitute a quorum.

(d) Within the limitation of appropriated funds, the Board shall (1) select, appoint, employ, and fix the compensation of such officers, attorneys, experts, employees, and agents as shall be necessary for the transaction of the business of the Corporation, (2) define their authority and duties, (3) delegate to them such of the powers vested in the Corporation as the Board may determine, and (4) obtain and procure bonds, in accordance with law, for such of them as the Board may designate.

## CORPORATE POWERS

SEC. 6. The Corporation—

(1) shall have succession in its corporate name until dissolved by or pursuant to an Act of Congress;

(2) may adopt, alter, and use a corporate seal, which shall be judicially noticed;

(3) may adopt, amend, and repeal bylaws, rules, and regulations for the conduct of its business and the exercise of the powers granted to it by law;

(4) may make contracts and purchase, lease, hold, and dispose of such real and personal property as may be necessary and incident to the conduct of its business;

(5) may sue and be sued in its corporate name in any State or Federal court of competent jurisdiction;

(6) may conduct or cause to be conducted such researches, surveys, and investigations as may be determined by the Board to be necessary and incident to the performance of its functions or the exercise of its powers;

(7) with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, or of any wholly owned or mixed-ownership Government corporation, may avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this Act;

(8) may receive from or exchange with any State insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States such loss-experience information as may be necessary to the establishment of premium rates for reinsurance authorized to be issued by the Corporation upon a sound actuarial basis and upon the lowest practicable level;

(9) shall be entitled to use of the United States mails without prepayment of postage; and

(10) may exercise, by the Board or duly authorized officers or agents of the Corporation, all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the functions and powers of the Corporation.

#### DIRECT INSURANCE AND REINSURANCE INVOLVING CASH REIMBURSEMENT

SEC. 7. The Corporation is authorized to provide insurance or reinsurance, or both, against damage to, or loss of, real and personal property (excluding property owned by Federal, State, and local governments) due to natural disasters occurring within the United States and its Territories and possessions. Such insurance and reinsurance will provide cash reimbursement to the insured.

#### CONTRACTS FOR DIRECT GOVERNMENT AND GOVERNMENT GUARANTEED NON-INTEREST BEARING LOANS

SEC. 8. (a) The Corporation is also authorized to enter into loan contracts pursuant to which—

(1) the Corporation will guarantee in whole or in part any public or private financing institution against loss in connection with any loan (including interest thereon) by such institution to any party for the purpose of financing such party in connection with any loss of or damage to real and personal property as a result of a natural disaster; and

(2) if any such loan from such institution is not obtainable or available, to make a loan directly, without interest or other charges, to such party, upon application therefor, in an amount not to exceed the amount of such loss or damage.

(b) In connection with any contract of guaranty authorized by paragraph (1) of subsection (a) of this section, the Corporation may enter into any such contract through the agency of private insurance companies or any Federal Reserve bank. Any Federal Reserve bank may also act as fiscal agent of the United States in carrying out any such contract of guaranty with funds supplied and disbursed by the Corporation out of the National Disaster Insurance Fund. Each such bank and private insurance company shall be reimbursed by the Corporation for all administrative expenses incurred in connection with its functions under this subsection including attorneys' fees and expenses of litigation. Such contracts of guaranty shall contain provisions limiting the amount of guaranty and such terms and conditions and require such monetary consideration therefore as the Corporation may prescribe. Such monetary consideration shall be in the lowest practicable amount.

(c) Loans under paragraphs (1) and (2) of subsection (a) of this section shall be on an extended, long-term basis if so requested by the party to whom such loan is to be made.

#### COMBINATION OF INSURANCE AND LOANS

SEC. 9. The Corporation is also authorized and directed to establish, under such regulations as it may prescribe, a program combining direct insurance and loans in order to provide the greatest variety and amount of protection against loss and damage due to natural disaster to the greatest number of affected parties in accordance with individual needs.

## RELATED PROVISIONS COVERING INSURANCE AND LOANS

SEC. 10. (a) The Corporation shall prescribe premium rates for the insurance and reinsurance authorized by this act upon consideration of (1) the risks involved and (2) the desirability in the public interest of providing insurance protection which would not otherwise be available.

(b) The Corporation shall by regulation provide for the determination of (1) the types of property with respect to which insurance, reinsurance, and loans will be granted, (2) the nature and limits of losses or damage which may be covered by such insurance, reinsurance and loans, and (3) such other matters as may be necessary to carry out the purposes of this Act.

(c) Insurance, reinsurance, and loans shall be provided by the Corporation under this Act only to the extent that they are not otherwise available at reasonable rates and upon reasonable conditions from private sources. In providing such insurance and reinsurance, the Commission shall utilize the facilities and services of private insurance companies to the maximum extent practicable.

(d) The Corporation may receive from or exchange with any State or territorial insurance commission or agency or with any private corporation or association engaged in the writing of insurance against property loss within the United States and its Territories and possessions such loss experience and other information as may be necessary for the establishment of premium rates under this Act.

(e) The Corporation may decline such applications and risks and may establish from time to time such regulations with respect to the classification, limitation, and rejection of applications and risks as may be advisable to carry out the purposes of this Act.

## DEDUCTIBILITY CLAUSE AND MAXIMUM INSURANCE AND LOAN AMOUNTS

SEC. 11. (a) Insurance, reinsurance, and loans shall be provided under this Act only with respect to amounts exceeding the first \$\_\_\_\_\_ of the approved claim.

(b) The aggregate amount of insurance or reinsurance under this Act covering loss of or damage to a single item of property shall not exceed \$250,000. The amount of each loan (including interest thereon) covered by contracts of guaranty entered into by the Corporation and the amount of each direct loan made by the Corporation, shall not exceed \$1,000,000.

(c) The aggregate amount of insurance and reinsurance by the Corporation under this Act outstanding and in force at any one time shall not exceed \$1,000,000,000. The aggregate amount of direct and guaranteed loans under this Act outstanding and in force at any one time shall not exceed \$2,000,000,000. Each such aggregate amount may be increased, with the approval of the President, by not to exceed \$500,000,000 in any one fiscal year.

## PAYMENT OF CLAIMS

SEC. 12. Under such regulations as the Corporation may prescribe it shall adjust and pay valid claims for losses covered by insurance, reinsurance, and contracts of guaranty under this Act. In the investigation of claims under this Act, the Corporation is authorized, by contract or otherwise, to utilize the facilities, services, information, and agency of private insurance companies. Upon disallowance by the Corporation of any such claim, the claimant, within one year after the date of mailing of notice of disallowance by the Corporation, may institute an action on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated. Exclusive jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

## NATIONAL DISASTER INSURANCE FUND

SEC. 13. (a) There is hereby established in the Treasury of the United States a fund to be known as the "National Disaster Insurance Fund" (referred to hereinafter as the "fund"). All premiums paid to the Corporation for insurance and reinsurance and monetary considerations for loans under this Act shall be deposited and covered into the Treasury to the credit of the fund, which, together, with interest earned thereon, shall be available for the payment of liabilities under such insurance, reinsurance, loan contracts, and direct loans. Payments from the fund shall be made upon and in accordance with awards by or under authority of the Corporation.

(b) The Corporation is authorized to set aside out of the fund such reserve amounts as may be required under accepted actuarial principles to meet all liabilities under such insurance, reinsurance, loan contracts, and direct loans. The Secretary of the Treasury is authorized to invest or reinvest all or any part of the remainder thereof in interest-bearing obligations of the Government of the United States, or in obligations guaranteed as to principal and interest by such Government, and to sell such obligations for the purposes of such fund.

(c) Administrative expenses of the Corporation shall not be paid from the fund, but out of specific appropriations for such purpose. There is hereby authorized to be appropriated to the Corporation, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for the administration and operation of the Corporation.

#### INSURANCE ADVISORY COMMITTEE

SEC. 14. (a) The Corporation shall appoint an advisory committee, consisting of not less than twenty members experienced in the writing of insurance against property loss, to advise the Corporation with respect to the execution of its functions under this Act and may also employ such consultants and advisory personnel as the Corporation may deem necessary in carrying out the purpose of this Act. Persons so employed who, while so serving, hold other offices or positions under the Government of the United States or the government of the District of Columbia shall receive no additional compensation for such service. Other persons so employed shall serve without compensation; but they shall be allowed in accordance with the Travel Expense Act of 1949 and the Standardized Government Travel Regulations actual transportation expenses, without regard to section 10 of the Act of March 3, 1933 (5 U. S. C., sec. 73b), and other travel expenses, including not to exceed \$50 per diem in lieu of subsistence, while away from their homes or their regular places of business.

(b) Service of an individual under this section shall not be deemed subject to the provisions of section 281 or 283 of title 18 of the United States Code, unless the conduct made unlawful by such section is performed with respect to a matter in which the Corporation is directly involved.

#### INVESTIGATION AND REPORTS

SEC. 15. The Corporation is authorized and directed to collect information with respect to the public need for other types of insurance not presently available from private sources and to study methods of providing a program for making such insurance available to the public. The Corporation shall make a special study of the problems of war damage insurance with a view to the practicability of providing an insurance, reinsurance, and loan program covering the loss of and damage to real and personal property as a result of risks of war and shall report to the Congress the result of such special study as soon as practicable. The Corporation shall submit to the Congress, as soon as practicable before the first day of February each year, a report of its operations under this Act and shall include therein a review of the work, activities, and functions authorized under this Act for the preceding year.

#### EXEMPTION FROM TAXATION

SEC. 16. The Corporation, including its franchise, capital, reserves and surplus, and its income and property, shall be exempt from all taxation now or hereafter imposed by the Government of the United States, any Territory, dependency or possession thereof, any State, county, or municipality, or by any other local taxing authority.

#### SERVICE OF PROCESS

SEC. 17. The Board shall designate an agent upon whom service of process may be made in each State, Territory, or jurisdiction in which property upon which the Corporation has issued insurance may be situated.

#### AMENDMENT OF GOVERNMENT CORPORATION CONTROL ACT

SEC. 18. Section 101 of the Government Corporation Control Act is amended (a) by striking out "and" immediately preceding the name "Tennessee Valley Associated Cooperatives, Incorporated," and (b) by inserting immediately after such name a semicolon and the following: "and National Disaster Insurance Corporation."

Senator LEHMAN. Senator Bush.

Senator BUSH. Has the Congressman given any thought as to whether we should have a term bill here, as has been proposed in some of these proposals, where it might be set up for a period of 3 to 5 years, or whether we should attempt to set up a permanent program?

Mr. DODD. I have thought about it, Senator Bush, and I will tell you just how I thought about it. It is my hope, and I am sure it is the hope of all of us, that we can reduce the incidence of loss by reason of water or flood damage, for example, very greatly, by flood-prevention work. If we ever reached the time where we had very few floods, obviously the need for this type of insurance on water damage would be negligible.

What we can do about earthquakes I do not know. I do not know how you ever prevent them, or how you can prevent hurricanes or tornadoes and other great natural disasters. Thus it seems to me we had better fix it as a permanent thing now, because while you can prevent floods, or the engineers can, I do not know of anybody who can prevent an earthquake or a tornado. The solution to it may come down the road one of these days and I am sure we will all be glad to see and hear about it. However, for the reason that we do not have any solution to those now, I am of the view that it ought to be permanent.

Senator BUSH. One of the difficult problems the committee has, I think, came up on the question of retroactive recognition in this situation.

Mr. DODD. Yes.

Senator BUSH. Have you given any thought to that?

Mr. DODD. Yes; I have. I would like to restore everybody who ever suffered a loss to the position he or she occupied before the loss. It is an easy thing to say and I am sure it will have great popular appeal to people who have suffered recently. As a practical matter I think it presents the largest of difficulties.

As someone suggested here today, how far back are you going to go? People who suffered this year deserve and will receive our full sympathy and help. But I cannot forget about the people who were terribly hurt in 1954 in the hurricane, and a few years earlier than that also. There have been floods and all kinds of disasters that have occurred.

It seems to me it would be impossible to achieve. If anyone knows an easy way to do it, I will be for it, but I have not been able to think of one.

Senator LEHMAN. I want to compliment you on a very interesting statement. Thank you very much.

Mr. EDELSTEIN. Congressman Seely-Brown.

#### **STATEMENT OF HORACE SEELY-BROWN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mr. SEELY-BROWN. Mr. Chairman, certainly I want to congratulate you and your committee for coming to Connecticut. I think the promptness of your coming is certainly gratifying to all of us here in Connecticut, and we do unite very sincerely in thanking you for making this public hearing possible. In the Congress we are trained

to operate under the 5-minute rule and I hope my training will not be in vain.

Senator LEHMAN. Take as much time as you want, within reason.

Mr. SEELY-BROWN. The job of a Congressman certainly involves the responsibility of doing all that he possibly can to protect the lives and livelihood of people. As you have conducted these hearings I have been very pleased to hear you talk in terms of Federal disaster insurance, rather than in terms of Federal flood insurance alone. I look on a Federal disaster-insurance program as basically a job-protection-insurance program. The man who was the hardest-hit man in my district was the man who not only lost his house in the flood, but who lost his job. It was either washed downstream when the factory was destroyed, or was burned up by fires that were caused by the floodwaters.

I think a Federal disaster-insurance program will be of real and vital help to that individual, and certainly a proper program of that type, I am sure, will have the full and united support of the New England delegation.

I personally believe, sir, that the committee at this time may best be served by hearing from the local authorities, who might find it difficult to come to Washington to testify at some later time. So with your permission I will yield the balance of my time, hoping that later in Washington, if necessary, I may appear before you again on behalf of a proper program to help all of the people.

Senator LEHMAN. Thank you very much indeed, Congressman.

Mr. EDELSTEIN. Congressman Cretella, of the third district.

#### STATEMENT OF ALBERT W. CRETELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. CRETELLA. Mr. Chairman and members of the committee, I join with my colleagues in expressing my thanks and gratitude for the opportunity to appear before you. I represent the Third Congressional District of Connecticut, bounded on the west by the Hammonasset River and on the east by the Housatonic River.

My district was not really affected physically by the recent floods. However, many of my constituents have all of their interests other than physical property, such as business and business associations, with people of the affected areas. As soon as the first flood arose and came into being, while I say my district was not affected, I traversed all of the fifth district and parts of Congressman Morano's district, which was vitally damaged, to view the damage that was done. In this regard and at this time I want to pay special tribute to Senator Bush, who devoted his time and energy at all times during that flood, and has continued up to the present time. I know he has had ever so many meetings because I have been at some with him, and I know he has devoted all of his energies to this problem.

As for my own position, I have no particular legislation in mind at this time. I am in the same position that you members of the committee are in, in trying to ascertain all the facts in order that proposed legislation may be brought into being. I subscribe, however, to a form of insurance that will cover all types of catastrophes. I know it cannot be all-inclusive, so as to take in every type of catastrophe. When we talk about earthquakes, for instance, how far can we go

with that? When we talk of other damages, just how far can we go? That is the responsibility of this committee and the respective committee of the House, to come up with an answer to this problem.

I disagree a little bit with our Governor, who makes much of the fact that he did not think a flood project alone was sufficient. I say it is not sufficient, but it will go a long way, and perhaps now we have come to a rude awakening—we of the New England States and we of the Northeast. Let us not kid ourselves. We are always at the tail end of the stick when it comes to any project dealing with floods, or anything for our particular localities. You, the Senator from New York, are well aware of that. We of the Connecticut delegation are well aware of it, and we in New England are aware of it. Perhaps this will now serve to act as a spur, a good deal like when a family is struck by a death or a tragic event, and all of the members of the family come from all parts of the country to a funeral. We are now at the funeral.

Perhaps some of our colleagues in the House and some of our colleagues in the Senate will pay a little more attention to our requests and demands than they have heretofore.

I will give you an example. For instance, in the Housatonic River, which I said is to the east of my district, 9 years ago or 10 years ago an authorization was given for a project, and it took the entire delegation of Connecticut this last year finally to put it into being. Yes; we had the authorization, but the wherewithal, the cash, was lacking. If it had been done, perhaps the Housatonic would not have caused the havoc it did, because engineering experts tell me if it had been done perhaps there would have been a more moderate flow of water, with less attendant disastrous consequences in the valley.

So we have something to talk about now. We are now at this wake or funeral involving a large portion of this country, the northern New England section and the east coast. We have given unstintingly to other parts of the country, and you are well aware of that, Senators. But we of New England and this part of the country have not been treated as generously as we are entitled to.

I know from this mass of testimony that you have before you that this committee in its wisdom, and with its knowledge, will certainly come up with a recommendation to the Congress for immediate action.

I disagree with our Governor, who says that if we come up with some sort of an insurance program, that perhaps the Civil Defense should be the ones to administer it. I disagree with him in that respect, because you need more than people who are trained in the excellent work which they do of civil defense, to administer this mammoth program.

In closing I would like to say I think I have expressed myself as adequately as I can at this time, but there is only one other thing I would like to comment on, Mr. Chairman. I am hopeful as we talk about these programs that partisan politics will be left out. It has been said on all sides that it will be kept out.

In your comments, Mr. Chairman, you disclosed and stated how complex this problem is. As to that, I think we are in agreement. Mr. Bunker in his prepared speech and his comments says:

I believe it is apparent from these facts that disaster relief is a complex matter.

So I think we are all agreed it is complex, and I do not think anybody can come up with a sure cure for all of our problems.

It has been expressed here that there was keen disappointment that the administration had not come up with any views or recommendations. Again I trust and hope that partisan politics will be kept out of this, because from my own observation the administration is as much interested in this problem as we are. Our own President came from wherever he might have been to this stricken area, and has given orders and instructions to all of the various Government agencies at least to attempt up to this point to administer the provisions of the law to do all they possibly could, and to cut redtape. That he has done. I do trust if these hearings continue, whether here or in Washington, or wherever they may be, that we can all join as members of this big family coming back to this wake, to do the best job we can possibly do under the circumstances.

Thank you very much.

Senator LEHMAN. Thank you very much.

Senator Bush?

Senator BUSH. No questions.

Senator LEHMAN. Thank you.

Mr. EDELSTEIN. Congressman Patterson of the Fifth Congressional District.

#### STATEMENT OF JAMES T. PATTERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. PATTERSON. Mr. Chairman and members of the committee. It is a pleasure for me to be here today.

Mr. Chairman, first I want to say I appreciate the work that our great Senator has done for my particular area. My area is the one which was really devastated in this last disaster. We owe a debt of gratitude that we do not know how we will ever pay to our Senator, Senator Bush.

As I listened to the various witnesses testifying here today, Mr. Chairman, I could not help but feel we are putting the wagon in front of the horse. I am in agreement on this Federal insurance, or any other kind of insurance which will aid and assist the people of my particular district, but right now, Mr. Chairman, what we need is a crash program—some kind of a program which will prevent another flood—another flood of muddy waters from going into areas in Naugatuck, Winsted, Torrington, Derby, Ansonia, Seymour, Thomaston, Waterbury, and others.

The thing my people want in my district at the present time is the protection against those muddy waters. I know from being a member of the Joint Committee on Atomic Energy, which is a joint committee of both the Senate and the House, and being a member of the Armed Services Committee of the House, when our country makes up its mind to do something under a crash program, we accomplish just what we set out to do.

We have the opportunity of building at least some kind of real, strong, temporary dikes along all of these rivers, and eventually go into a program of flood control, where we will have dams which will assure us in our homes for the future.

Here we are coming into the season of peace and Christmas. I can tell you, Mr. Chairman, there is no peace in the minds of my people in Naugatuck and in that entire valley. Every time it rains the fear of God is placed in their hearts. It is something that our Government has to do not tomorrow, but right now.

I listened very attentively to your suggestions or remarks that nothing has been done by the present administration. This is one time, Mr. Chairman, as a Member of Congress from that great district of mine, I would hate to see the slightest bit of politics injected into this. But if I were to go back into the history of previous administrations, appropriations have been made and surveys have been made, but never has the actual work of controlling those mad rivers in my particular part of the State been accomplished. I hope that if there was a little bit of politics played here today, that it will cease, because we are not dealing with politics solely. We are dealing with the lives and futures of our people.

I know we are a very small segment of this country, but as has been attested to previously here, we do pay our own freight. We pay a great deal of money in taxes and have been receiving very little in return. That too can be traced back for a good long period of 25 years.

So, Mr. Chairman, I want to say right here and now that I condone all of the recommendations that have been made here today on insurance. I, too, will probably have some legislation which will not only be along the lines of insurance, but will be along the lines of real protection for my people in the future.

Insurance is great. I agree with the fact that insurance is another little cushion that a person can have who lives in a particular area like mine. However, it is an awful thing even to think of, even if you do have insurance, that tomorrow another flood might again wipe your business out, or your home. Of course, you will be presented with a certain amount in the form of a check to rebuild it, but you will only have to face another terrible disaster and the reality that it is bound to come.

The thing which worries me, Mr. Chairman, is that winter is coming on and of course there will be snow. Knowing this area as I do, being a native here, born and raised here, I fear what might happen unless we have a crash program which is going to do something right now for the protection and welfare of my people.

Getting back to the question at hand, listening to our good Governor, he said that it could possibly be a quasi-program, where the administrative end would be handled by private enterprise. I too will have to differ on that point. I do not think you can serve two masters. Either this will be really federally controlled, like our Veterans' Administration insurance, or it will be private enterprise. I do not think it can be a combination of both.

Furthermore, Mr. Chairman, here is a recommendation that I would have for this crash program which I referred to. I think a combination of our Army engineers and our Seabees would be a thing which would, for one thing, bring about unification, and also would accomplish the goal that the people in my area are hoping we will be able to accomplish in the very near future.

If necessary, I would recommend a special session of Congress to start right now—not tomorrow, but immediately. I, as a Representative, would recommend it.

Senator LEHMAN. May I point out that I have no authority to call a special session of Congress?

Mr. PATTERSON. It is just a part of the picture, Mr. Chairman, so that you will know just exactly how serious I feel about this entire disaster we have just gone through.

Mr. Chairman, I have with me a mayor, Mayor Charles Clarke, from Naugatuck, who is sitting at my right. He is the executive officer of that town, and it is one which has been really and truly devastated. I would ask your indulgence and permission at this time to have Mr. Clarke tell you just a little bit about what happened in Naugatuck, with your permission, Mr. Chairman.

Senator LEHMAN. Congressman, I had announced that we hoped to hear all of the Members of Congress before lunch. I did not announce this, but it is on the program, that we expected to hear the various mayors after the recess. There are several mayors.

MAYOR CLARKE. I will wait until after the recess.

Mr. PATTERSON. Then I withdraw my request, Mr. Chairman.

Senator BUSH. I would like to make one observation. We have heard from all of the members of our congressional delegation present this morning. I feel that we should pay special tribute to each one of them—each and every one of them—for coming here and giving us the benefit of their experiences, which were very intense.

As Congressman Patterson pointed out, they have been very harrowing, and I think every one of them has lived up to his responsibilities and fulfilled them all. They have been of tremendous service in this to the people of their districts, such as Congressman Patterson's district, which is certainly one of the very worst hit, if not the worst. Also we have met here as a congressional delegation in Hartford and shook hands and said that we are going to work together, every one of our delegation, for the benefit of all the people of this State, and New England, and the whole country, as far as that is concerned, in an effort to bring about a program which will prohibit the possibility of this kind of disaster striking again.

I want to congratulate them all, Mr. Chairman, and express my appreciation of their having taken the time to come here and give us this very eloquent testimony this morning.

Senator LEHMAN. May I say I am grateful to you for coming here. I paid a great deal of attention to your very interesting remarks. However, I do want to say to you, Congressman, that if politics are being played, I am not playing them. Every witness who has been before us, including yourself, has stressed the urgency of this matter—speed, speed, speed—whether it be a crash program or whether it be a long-range regional program or, as I hope it will be, a national program.

I am trying to keep the heat on the administration to produce their specific recommendations, so that these various and many proposals that we have had will be turned into action and not merely into words for public consumption. I want an action program and not a public-relations program. Recommendations received next week would be twice as valuable as recommendations received in January. I want to get these proposals and hope we will get them just as soon as possible. I never expected the President himself to sit down and produce

plans, but there is an administration—an administration which is in being and which has been charged by the President to produce these specific recommendations under a promise from the President that we would have them.

I am looking to the administration. I am not looking to the President, whose health I know has been unfortunately affected, and for whose recovery I pray just like every other good American, with all my heart; but I do want recommendations, and specific recommendations, from the administration.

Mr. PATTERSON. As a member of the present administration in Washington and as a Congressman from the fifth district, Mr. Chairman, I recommend that we do adopt some kind of a total Federal program on insurance.

Secondly, I recommend that we immediately start building, not temporary but stronger than temporary, dikes along all of the rivers in my particular area, where we have witnessed terrific disaster. I recommend the dredging of various rivers, both for the removal of debris and silt of all kinds; and, last, but not least, permanent flood control—the same that possibly some of our Southern States have. For instance, I have in mind communities in Louisiana and several other States.

Furthermore, I recommend that the State of Connecticut immediately make up its mind as to when and where the new proposed highways are going to go through my particular area, in order to give the people in the various towns an opportunity to make plans for the future with respect to the properties which will be condemned.

I think all those recommendations, Mr. Chairman, plus any Federal aid which can be given to individual people in my particular area, if they are adopted by our Government, I know they will find no greater gratitude than they will from the people in my district. We will greatly appreciate it. But, as in Caesar's court they said, "Words, my Lord, words, my Lord." There are meetings after meetings, but nothing to date has been really and truly set up. I hope in the next 4 or 5 weeks we will have protection along all of these rivers afforded to our people.

With that, Mr. Chairman, I want to say it has been a pleasure to appear here before the committee, and I am sure you will take into consideration the recommendations that have been made, not only by the Congressman from the Fifth District but all of those who have testified and all those who will follow me.

Senator LEHMAN. Congressman, I can assure you, in this as in all other matters, I will support any program that is sound and practical and in the public interest.

Thank you very much for coming.

Senator BUSH. I would like to make one more observation. I do not wish to pursue this argument about politics, but I just cannot let the chairman's statement pass without observing that I do not think there is evidence at all that the administration is conducting a public-relations program, and I object, and I must object, to the inference there as a member of this committee. I have to remind the chairman that there has been no politics brought into this situation as far as I recall until in Washington the chairman made what I thought was a rather severe attack on the administration. I did not think it was

appropriate. I said so at that time—that I did not think we should play flood politics with the disaster and that we should concentrate in these hearings on the business of flood insurance and disaster insurance.

I ask the chairman once more, and I hope we can end this matter by just sticking to the flood-insurance end of it and cut out the politics.

Governor Ribicoff who testified here said, and I think we all agree, that this is not a partisan matter. It is a matter in which we are all very deeply interested. Therefore I beg the chairman—I do not want to go back and criticize the administration prior to this, although I could make a very severe condemnation of them for the way the flood-insurance program was handled in 1951 and 1952. The material which I put in the record this morning will give the legislative history of this matter and will show that despite the urgency of the situation in 1951 and 1952, when the disaster struck in Missouri in July 1951, that the then administration did not send a specific flood-insurance bill to the Congress until May 1952. I think what we want to do is to accumulate all of the information we can here without any recriminations.

Nobody will believe this administration is dillydallying about this thing. What we want is to get some unity of feeling here and get a program that we can agree on. So I hope the chairman will not resume these inferences about the laxity of the administration in this matter.

I am very sorry. I have a great personal respect for the chairman, as he knows, and we are very good friends, but I just cannot let these things pass.

Senator LEHMAN. I think if it is agreeable to you we should stand in recess until 2:30.

Senator BUSH. I agree.

(Whereupon, at 1:20 p. m. the committee recessed until 2:30 p. m. of the same day.)

#### AFTERNOON SESSION

Senator LEHMAN. The hearing will resume.

I am going to ask Mr. George T. Carmichael, senior vice president of the New York, New Haven & Hartford Railroad, to testify.

#### STATEMENT OF GEORGE T. CARMICHAEL, SENIOR VICE PRESIDENT, NEW YORK, NEW HAVEN & HARTFORD RAILROAD

Mr. CARMICHAEL. Mr. Chairman, my name is George T. Carmichael, senior vice president of the New York, New Haven & Hartford Railroad Co.

I am appearing today in place of Mr. Patrick B. McGinnis, president of the New York, New Haven & Hartford Railroad, who was tied up at a special directors meeting in New York City.

The New York, New Haven & Hartford Railroad was very vitally affected in both floods. I have with me two maps, one of which I would like to present to the committee, which shows the extent to which the property was damaged and out of service in the August floods, and a corresponding map to show that the damage was not so extensive on the main line between New Haven and New York in the October floods.

The New Haven Railroad has a depreciated investment in real property, that is, road and equipment, of \$351 million in the 3 New England States, with a small section in New York State. The cost to replace that property today, depreciated up to today, would be probably over \$500 million. In connection with these floods we now estimate that our total loss is \$10,694,000. That is made up of the \$9,417,000 in physical property and other expenses which were incurred of \$1,277,000. That would be expenses in transportation where we had to have wire trains, and for diverting traffic and using buses to transport our passengers between South Norwalk and Stamford, and miscellaneous expenses of that kind.

Senator LEHMAN. Does it include any indirect losses, such as loss of traffic?

Mr. CARMICHAEL. No, sir. I am coming to that.

Lastly we estimate our revenue losses to be \$2,367,000. That gives us total losses of over \$13,061,000, but, if covered by any disaster insurance for real property, of course all we could collect is \$9,417,000.

Senator LEHMAN. I did not get that. You did not say you were covered?

Mr. CARMICHAEL. No, sir. I say if it had been possible to have complete coverage, that is all we could have collected. So there are some \$4 million that would be uncovered unless we could buy use and occupancy insurance, so-called, which pays for loss of revenue.

Our loss in physical property was divided as follows: The loss in Connecticut, \$7,814,000; the loss in Massachusetts, \$1,382,000; Rhode Island, \$204,000; and in New York State only \$17,000.

We had some minor washouts. Our damages consisted of 47 bridges washed out entirely. We had 265 washouts scattered over New England in places marked in red on the map. We had 22 landslides and it affected 120 miles of railroad.

That means, are we interested in disaster insurance? We certainly are, and we strongly advocate it. There have been many questions raised. I think in your bill, Senator, there was a \$300,000 maximum. In the so-called Kennedy-Saltonstall there was a \$250,000 maximum. Both of your bills provided for certain deductibles which, of course, is normal in insurance. I think yours provided for a deduction of \$300 and the Kennedy-Saltonstall bill provided for a deduction of \$250, with 10 percent of the balance of the difference of the loss, which is a complicated way to figure it out, I think. I think the insurance should be made as simple as possible.

As to what the maximum should be I cannot recommend any definite amount. I go along with the Governor to a certain extent, that there cannot very well be limits set. For example, in the case of a railroad extending over the mileage that we do, we would have to be confined to a loss in a single area.

For example, take fire insurance. We have property worth \$120 million insured for fire, but carrying a maximum of \$3 million for any one conflagration or in any one area, and we have a deductible.

Any insurance, I think, that is put out, certainly should be in the hands of insurance companies. It will need very close scrutiny, as it is very complex, and I think that the Government could probably step in in some way and guarantee it. But it must be a widespread coverage, because I agree with the Governor that if we had insurance

of this type it would be taken by many people, and eventually a reserve would be built up.

In addition to insurance we certainly and thoroughly believe that there must be flood protection, but that is a long-range problem and will take a long time to cover. I think insurance is the quickest and surest remedy for giving businesses in the New England area the stability and the knowledge that they can be covered against disasters of this kind.

In 1954 we were hit by 3 hurricanes, and in 1955 by these 2 disastrous floods. We have arranged to borrow \$10 million with the help of the United States Government, who have stated they will guarantee 90 percent of the loan with a syndicate of banks, and we think that will cover it.

Senator LEHMAN. May I interrupt you to make an observation for a minute?

Mr. CARMICHAEL. Yes, sir.

Senator LEHMAN. Mr. Carmichael, you referred to flood control.

Mr. CARMICHAEL. Yes, sir.

Senator LEHMAN. As being a very necessary thing. I am in full agreement with that. I know my colleague here is also, and I think every member of the committee is. I think it is an essential thing to have. If we had it of sufficient size and diversity I think we could reduce the flood damages considerably.

I emphasize that to show my great sympathy with it. However, I do want to say, and largely for the benefit of the press and some of our friends who are here today and may not understand it—that this committee has absolutely no jurisdiction with respect to flood control. We were appointed and are sitting in connection with disaster insurance, and not flood control.

Mr. CARMICHAEL. Yes.

Senator LEHMAN. Even though I believe everybody is in favor of it. In the same way I know one of the Congressmen here today, I think it was Congressman Patterson, spoke about taking remedial action on the Housatonic River immediately. That too is entirely outside of the jurisdiction of this committee, which was appointed to look into the question of national protection against disasters, that is, natural or manmade.

I just want to mention that so that you gentlemen may know the breadth of our jurisdiction. I do not want to give you the impression we have anything whatsoever to do with flood control, even though we are much in sympathy with it.

Mr. CARMICHAEL. Thank you, Senator.

Senator LEHMAN. I shall tell you right now that I shall vote as I have for every sound flood-control project. I would like to see the amount which is appropriated very much increased.

Mr. CARMICHAEL. Yes, sir. I am glad to have that clarification, but also want to add even with flood control I still think we are going to have the necessity for disaster insurance.

Senator LEHMAN. You are quite right.

Mr. CARMICHAEL. We will have flash floods and floods we cannot help, no matter what kind of flood control we have. I can't see even partial flood control in the next 5 or 10 years in any amount that will reduce these losses. But I think if we have the proper insurance put in and as experience goes along we will build up a natural reserve, and

each corporation will have to decide what insurance to take out. That is why I think it is a mistake to have any insurance limit proposed here of \$250,000 or \$300,000. It is altogether too small for any large corporation.

Railroads have a special problem because we have so much territory to cover. We are likely to be hit one year in Massachusetts and the next year in Connecticut. That must be taken into consideration.

We do not expect any free insurance. We are willing and want to pay a reasonable premium for insurance protection. For 2 years I tried to obtain water or flood insurance for the New Haven Railroad and have not been able to get it. It is not obtainable from insurance companies. So there must be some Government assistance to get it started and placed where we need it so badly.

We have borrowed money. Of the \$10 million loss we have, to show you how fast we spend money, up to last Friday night we spent \$5,839,000 in actual cash right out of the treasury on repairing bridges and restoring roadway from the damage caused by these two floods, and things of that kind. That is why I think it is imperative, and I know your committee is fully aware of the speed that is necessary in securing this legislation.

That is all I have to say.

I certainly thank you for the opportunity to appear before you.

Senator LEHMAN. Where did you borrow that \$10 million? From what agency?

Mr. CARMICHAEL. All of our negotiations are with the Assistant Secretary of the Treasury, and through his good offices there was a syndicate formed in New York with the Chase-Manhattan Bank representing 8 New York banks and 1 bank from Providence and 1 from Boston. They have made up a syndicate which will loan us \$10 million. To obtain that \$10 million we have to obtain the approval of two-thirds of our preferred stockholders. So in the meantime we have borrowed \$4 million on a short-term loan from the Chase-Manhattan Bank, and \$2 million we withdrew from other funds.

Senator LEHMAN. Is the loan guaranteed by the Government?

Mr. CARMICHAEL. It is participated in by the Government 90 percent. Yes, sir. The \$10 million loan would be. That is because we could prove we could not borrow the money any other place. No bank would lend that amount of money.

Senator LEHMAN. That is under the Defense Production Act?

Mr. CARMICHAEL. Yes, sir. I think it is sections 702 and 703.

Senator LEHMAN. I suppose that some of this property you lost was collateral for some of your bonds?

Mr. CARMICHAEL. Yes, it was. It was under mortgages. I might mention in connection with this property, that the Governor spoke of income-tax savings through these loss deductions. Of this amount in excess of \$10 million, over \$3 million was charged to capital which, of course, does not give us any income-tax deduction; but we do hope we will get from the Defense Department some acceleration certificates for at least 80 percent of that, so that we can amortize it over a 5-year period.

Senator BUSH. Mr. Carmichael, what do you think would be a reasonable premium, or what would strike your company as reasonable to pay for the kind of insurance you mentioned?

Mr. CARMICHAEL. Senator, it is a very difficult thing to say. I think it has to be a premium based on a rate of so much per hundred on the value of the property you insure.

Senator BUSH. Fifteen percent, or 10 percent? Give us an idea.

Mr. CARMICHAEL. I can't because we have not made a study of it. The losses are so terrific you cannot figure it out.

As an example, on our insurance for \$120 million with a \$3 million maximum and a \$100,000 deductible, we pay about \$95,000 a year for insurance premiums. We have not yet had a fire which the company is responsible for which amounted to \$50,000 in the past year. We did have a \$60,000 to \$75,000 fire on one of our bridges in Derby, which was being repaired, but that is a contractor's liability.

Senator BUSH. If you were going to buy \$10 million worth of disaster insurance and the rate was 5 percent, that would be a half a million dollars a year.

Mr. CARMICHAEL. Yes.

Senator BUSH. That would be a lot more than you are paying for insurance.

Mr. CARMICHAEL. A great deal more. I think it would be a high premium, but it should be worked out by the insurance company, because I certainly hope that the insurance companies, who are well organized and have been really prohibited from putting in this kind of insurance, could get into this picture and do a real job of administering it and settling the claims and give a good recommendation on what the rates might be.

Senator BUSH. Thank you.

Senator LEHMAN. I have one other question. Your New York, New Haven & Hartford is a great railroad.

Mr. CARMICHAEL. Thank you.

Senator LEHMAN. I have traveled on it very often, as recently as Friday, but it operates within a relatively limited area.

Mr. CARMICHAEL. Yes, sir.

Senator LEHMAN. Which could be and has been subject to a disaster in the whole area.

Mr. CARMICHAEL. Yes, sir.

Senator LEHMAN. And you do carry insurance. But would a company like the Union Pacific, or the Southern Pacific, or the Southern Railroad, which cover many, many States, and an area much broader than you do—do they carry any insurance?

Mr. CARMICHAEL. They carry some insurance. Yes, sir. I am sure they do not carry any flood insurance because they cannot buy it.

Senator LEHMAN. I do not mean that, but general insurance.

Mr. CARMICHAEL. Yes, sir. All railroads carry insurance. For example, the New Haven Railroad carries fire insurance and catastrophe insurance for our passengers. We are insured for \$7 million for death and injury to passengers in any major train wreck or calamity, and we also carry \$1 million insurance on wind and hurricane, which we have been able to obtain since the three hurricanes of 1954. We are covered for everything we can be in insurance. A large corporation must of necessity do that or else be self-insurers, and only a very large company can afford to be self-insuring.

The theory of insurance, as I understand it, is like automobile insurance, that is, to spread the risk among a large number of people,

so that the entire population may be insured at a reasonable rate. That is how this flood insurance or disaster insurance must be done.

I have heard it said, is the fellow on the hill going to pay to insure the fellow in the valley? My answer is, "Yes," I think he should. I think it is for the good of the community that that be done.

Senator LEHMAN. You have been talking mainly about flood insurance. My bill covers disaster. You are in favor of disaster insurance, are you not?

Mr. CARMICHAEL. Yes, sir. Very much so. We run along the shoreline and are affected by floods and high water and tidal waves and hurricanes. We have been seriously affected by the floods.

If it would be of any value to the committee, I have a book of photographs to give you an idea of the damage and havoc that has been wrought by these floods.

Senator LEHMAN. Will you file it with the committee?

Mr. CARMICHAEL. Yes, I will.

Senator LEHMAN. We will place it in the files. We cannot print it, but it will be kept for the use of the committee, and we will study it.

Mr. CARMICHAEL. Thank you.

Senator LEHMAN. Mr. J. Victor Herd, president of the American Insurance Association and former Executive Vice President of the War Damage Corporation. Mr. Herd.

I just want to explain for the audience and the press that we are going to listen to your statement here. We may or may not ask you questions. We will probably ask some. However, the relationship between the Government on this and the insurance companies is so vital that it may be necessary to ask you to appear before the committee again for more exhaustive questioning when we get the plans a little bit more formulated. It is so difficult without knowing just what is going to be recommended, really to ask intelligent questions. So our questions this afternoon probably will be limited. I hope you will be willing to appear before the committee again.

#### **STATEMENT OF J. VICTOR HERD, PRESIDENT, AMERICAN INSURANCE ASSOCIATION**

Mr. HERD. Senator, I hope you will invite us and, if you do not, we will probably ask to be heard.

Senator LEHMAN. All right.

Mr. HERD. In order to conserve your time and to present this to you in an orderly manner, I have just made a few notes here from which I will read, and I will be following that statement which is before you and Senator Bush.

My name is J. V. Herd. I appear before you today as chairman of a special committee to study floods and flood damage appointed by the American Insurance Association. The association embraces within its membership domestic and alien stock insurance companies licensed and admitted to do the business of fire, marine and casualty insurance in the United States, its Territories and possessions. Most members of the association are transacting a worldwide business. For your convenient reference, a list of company members is attached.

Incidentally, the memberships of the American Insurance Association and of the National Board of Fire Underwriters include all Connecticut capital stock property insurance companies, some of whose

senior offices I see present here today. This record is being made for such Connecticut companies as well as for the other member companies who are domiciled elsewhere, but whose interest in and concern with this problem is shared equally by all stock property insurance company members.

The association property insurance companies transact probably more than 80 percent of the total insurance written by stock insurers in the United States and probably more than 65 to 70 percent of the total property insurance business transacted by all admitted property insurance companies, stock, mutual, and reciprocal.

I have been informed that your committee considers these hearings investigatory and primarily for the purpose of appraising the problem from the viewpoint of the public and communities—particularly as to those areas most recently distressed by the floods of August and October of this year.

I have also been informed that your committee intends to hold hearings early next year, probably on specific bills, and that the insurance business will be afforded an opportunity to address itself further to the flood problem and to any such bills pending at that time. While the American Insurance Association would appreciate an opportunity to appear later before your committee on the commercial aspects of the flood problem, we would also like to have an opportunity to address ourselves specifically to proposed legislation which might be pending at a later date through the general counsel of the National Board of Fire Underwriters. I am presently president of the National Board of Fire Underwriters, which is a trade organization of capital stock fire-insurance companies. Among its many other functions the National Board of Fire Underwriters traditionally studies and addresses itself to specific legislative proposals affecting the interests of capital stock property insurance companies.

May I interpose here reference to the floods which devastated portions of eastern Kansas and western Missouri, particularly Kansas City, during 1951? Immediately following those floods, the stock property insurance companies, through the Insurance Executives Association (predecessor to the American Insurance Association), engaged the services of prominent engineers to restudy the problem of floods and flood damage and the feasibility of flood insurance as a self-sustaining insurance enterprise. The results of that restudy were incorporated in a report on Floods and Flood Damage, sections I and II, dated May 1952. A copy of each has been furnished to Staff Director Wallace of your committee.

During and shortly following the Kansas-Missouri floods of 1951 there were hearings before a subcommittee of the House Committee on Appropriations, 82d Congress, first session. A transcript of those hearings was printed and there were set forth at pages 318 through 340 certain views of stock property insurance companies, members of the National Board of Fire Underwriters (by General Counsel J. Raymond Berry) and of the now American Insurance Association, by myself as chairman of the special committee on floods and flood damage of Insurance Executives Association (predecessor organization to the American Insurance Association). As of now those views still prevail.

The membership of the American Insurance Association met on November 2 and adopted a resolution setting forth their present position. A copy is attached for the record of today's hearing.

I will read it or just attach it, as you see fit.

Senator LEHMAN. Is this the one dated today?

Mr. HERD. That is the one dated today.

Senator LEHMAN. I would be glad to have you read it, if you will. It might be more informative to the public.

Mr. HERD. All right, sir. [Reading:]

AMERICAN INSURANCE ASSOCIATION,  
New York 38, N. Y., November 14, 1955.

#### POSITION OF STOCK INSURANCE COMPANIES REGARDING FLOOD INSURANCE

The American Insurance Association announced today that its member companies are prepared, together with their producers, to make their full facilities available to the Government and will cooperate should Congress see fit to enact a program of flood indemnity and request the aid of the industry in its administration.

The association has employed the firm of Parsons, Brinckerhoff, Hall & Macdonald to make an engineering study of the recent floods, supplementing a report the firm made for the stock companies in 1952. The completed report of the engineers has not been received and the association is continuing its current study of the subject. However, at a membership meeting of the association, it was the consensus that the following represents the present position of the companies, based on current knowledge and subject to the final conclusions of the study now being made:

1. If flood insurance could be written feasibly, insurance companies would be not only willing but eager to provide such coverage (examples of this are to be found in the broad coverages, which do not exclude the peril of flood, available for movable property, such as the various forms of marine, inland marine, and automobile comprehensive coverage, and certain floaters).

2. The companies believe that specific flood insurance covering fixed-location properties in areas subject to recurrent floods cannot feasibly be written because of the virtual certainty of loss, its catastrophic nature, and the reluctance or inability of the public to pay the premium charge required to make the insurance self-sustaining.

3. Any insurance program which does not cover areas subject to recurrent floods will not meet the public need.

4. The companies believe that it is impossible to tie in flood coverage with other coverage on fixed-location properties generally because, unlike other natural catastrophes which are unpredictable as to place of occurrence, floods can occur only where water flows or gathers and only those properties which are in the path of the flow or gathering have any need for it; competition would force the sale of coverage ex-flood and the buyers would make the adverse selection.

5. There is no way in which the purchase of flood insurance can be made mandatory (even by Government compulsion) consistent with our American concept of free government and competitive selection.

6. The companies believe that the Government would encounter the same obstacles if it undertook a program of specific flood indemnity by means of insurance on a self-sustaining basis.

7. Any Government promise of indemnity on a nonself-sustaining basis is relief under the guise of insurance. In our opinion, a direct program of relief and rehabilitation would be more effective and more equitable, particularly in restoring essential services and providing food and shelter, which are the first forms of necessary relief in the case of a major flood disaster.

8. In our opinion, flood control and prevention (rather than insurance, indemnity, or relief) are of far greater importance to potential flood victims, especially when the many forms or irremediable losses are also taken into consideration, such as death, bodily injury, loss of employment, and loss of income.

9. In view of the magnitude of Government expenditures which are involved in the event of a major flood disaster, it would seem prudent for the Government to avoid fixed advance commitments in order to be in a position to use available funds most expeditiously and to the best advantage when the emergency arises.

Going back to my memorandum, immediately following the August 1955 floods our engineers were requested to bring their 1952 report (sec. II) up to date. While they were so engaged the October occurrence intervened. Otherwise we should have had available today the engineers' supplementary report to their 1951-52 studies. It is expected that this addition will be available for study by the stock property insurance companies within the next few weeks. Following such study, any appropriate supplement to section I of the 1952 report will be made.

In view of our hope and expectation to appear later before your committee and that we will have had an opportunity to study the final supplementary report from our engineers, I shall refrain from further comment at this time except to be available for questioning, should you wish.

Your courtesies and those of your staff, especially Messrs. Wallace, Yingling, and McKenna, and, I understand, Mr. Edelstein, are appreciated.

Senator LEHMAN. Any questions?

Senator BUSH. No. I have no questions.

Senator LEHMAN. I want to ask you just a few questions. I appreciate your willingness to cooperate. The Government wishes to cooperate with the insurance companies, too.

Mr. HERD. I am not quite aware of that, sir.

Senator LEHMAN. But I am going to refer now to your memorandum of November 14, which was issued by the stock insurance companies regarding flood insurance. I will not pursue it in any great detail, because there are many questions raised which we must study very carefully, and we will have other witnesses on it. You say:

The companies believe that specific flood insurance covering fixed-location properties in areas subject to recurrent floods cannot feasibly be written because of the virtual certainty of loss, its catastrophic nature, and the reluctance of inability of the public to pay the premium charge required to make the insurance self-sustaining.

I realize the inevitable cost of flood insurance because of the limited coverage and limited number of participants, but assuming now that we can substantially broaden the base of those participating in it, would that not automatically very greatly reduce the cost of the insurance and the premium on the insurance, and thus make it practicable, not necessarily immediately without aid, but within the resources of the Government to take care of it?

Mr. HERD. Senator, I do not know what device you would use for broadening the attractiveness, let us say, of—

Senator LEHMAN. If the Government passed a law—and I am going to limit it now for the sake of discussion by the committee and others later—although I do not want to limit it—but suppose we limit the discussion for the moment to natural disasters? If we included those in one blanket policy at an attractive premium, would that not go a long way to solve the situation?

Mr. HERD. I cannot recall at the moment any natural disaster other than tidal wave or excess of surface water or flood, against which insurance is not presently available.

Senator LEHMAN. It might be presently covered, but in order to cover all forms of natural disasters it is conceivable that we would

include other forms of disasters, and, of course, it is hoped it would be possible to use the insurance companies as agents of the Government. For instance, coverage against hurricanes and tornadoes. Why could that not be included?

Mr. HERD. We today write, and in fact to my knowledge all private property insurance companies today are writing, hurricane and windstorm insurance. At the request of Mr. McKenna I conducted a little research on that recently. My own company has approximately \$20 billion of liability under hurricane and windstorm policies from coast to coast. The insurance industry generally, property insurance companies, it is estimated has approximately \$400 billion of liability under extended coverage endorsements, which include hurricane, windstorm, and tornado.

If your concept of a Government program is not to encroach on private business where insurance is available at a reasonable and a proper premium, then to wrap in to flood-insurance coverages for perils which are available in the private market would seem to me to run counter to that.

Senator LEHMAN. I have no concept on that. I do have this concept, that I certainly want the cooperation of the insurance companies. I am speaking only as an individual, because I am 1 of 15 members of the committee. We want their cooperation, and it is also hoped that the Government, if they went into this insurance business at all, would employ the facilities of the insurance companies just as they did in war-risk insurance, and use the insurance companies as agents of the Government at a reasonable fee.

It seems to me that this flood insurance is such a vital thing, not only to the New England and northeastern area, but to many other regions. If there is no other way of getting the rate down to a reasonable basis, then I believe that the Government would be justified in considering other means by which it could be done. What those means would be I am not prepared to say, and that is why I said we would certainly want to have many other talks with you.

I do not know what is in the mind of the President or in the mind of the administration, of course, either.

Mr. HERD. As stated in the cover statement, and also in the prepared statement setting forth the attitude of the companies, members of the American Insurance Association, facilities are available to you not only in your preliminary studies, but also in respect to any program you gentlemen in your wisdom might see fit to bring out.

Senator LEHMAN. Mr. Herd, to narrow the issue, I do not know whether you can answer this question or not, but I am going to put it to you.

Mr. HERD. If I cannot I will certainly tell you, sir.

Senator LEHMAN. Would the institutions with which you are acquainted be willing to put Government disaster risk insurance on their list of coverages and act as agents and adjustors for a fair fee? Would they be willing to sit on an advisory committee to help guide the Government in setting rates and general policies and procedures?

Mr. HERD. Most certainly, sir; if I understand the first question, it would not involve the private companies putting out their policies primarily. In other words, it would be a Government paper that they would market on behalf of the Government and as agents of the Government.

Senator LEHMAN. Of course, I am also at the moment working in a vacuum because I do not know what the administration would advise, and it is a great handicap. But it would be either insurance-company coverage with a reinsurance provision, or a subsidy, or a guaranty against loss; or, it would be a straight Federal insurance program. I do not know which it would be, if either.

Mr. HERD. If in the latter case, my answer to your question would be an unqualified "Yes." If it meant the private companies putting out their policies primarily and with a reinsurance arrangement with the Government, then I would want to qualify my answer.

May I have just one moment?

Senator LEHMAN. Surely.

Mr. HERD. As Mr. McKenna told you, I had a little something to do with the War Damage Corporation during World War II. From reading the testimony, some of the former witnesses claim identification with that program. However, I think it is interesting to note, based on 1942 property values, that the War Damage Corporation had liabilities outstanding under war damage policies, in New York City alone, of \$21,700 million; and that the area from Canal Street down to the Battery had a liability under war-damage policies of \$13 billion, and that did not include subways, streets, and sewers or city property, because they did not insure against it. That is just private improvements, plus tunnels and bridges of the Port of New York Authority, and the Triborough, and so forth.

If you commute those values of 1942 to the values of 1954 and 1955, the liabilities which could be outstanding under a private insurance company's policies could be very staggering; but if we were marketing a Government program, where the Government obligation was in the hands of the public, then again I say my answer to your question would be an unqualified "Yes."

Senator LEHMAN. I realize it would run into tremendous figures, of course.

Mr. HERD. Yes.

Senator LEHMAN. But the losses that have occurred over the last 25 years in natural disasters are very big also. Those fall entirely and exclusively on the corporations, businesses, and private owners or private citizens.

Mr. HERD. Yes. Our engineers in part I of the report which your committee has, estimate that the average annual property insurance loss is in the neighborhood of \$400 million. That, of course, is an average over a great many years. That does not include indirect losses.

Senator LEHMAN. I do not understand a few things that you have said here:

There is no way in which the purchase of flood insurance can be made mandatory (even by Government compulsion) consistent with our American concept of free government and competitive selection.

Then you go on to say:

The companies believe that the Government would encounter the same obstacles if it undertook a program of specific flood indemnity by means of insurance on a self-sustaining basis.

What do you mean by that? The Government has done it in many cases.

Mr. HERD. I mean this, Senator: I believe some of the witnesses who appeared before you in earlier hearings of this committee, in answer to a specific question from you or Senator Bush, or some other members of the committee, indicated that had they had flood insurance available to them shortly preceding this flood, they probably would not have purchased it. So that our feeling on that is that human nature being what it is—and any of those plans we have seen suggested, or even heard discussed today, involving the outlay of money for a premium where it was an optional selection—that memories being as short as they are, when a few years rolled around and they decided that they could safely drop the insurance, they would.

I think Governor Ribicoff cited a case this morning where they had records going back 300 years in 1 plan in particular where they have never had an occurrence of this kind. If and when catastrophe strikes and there is a comparatively small amount of insurance outstanding in that area, we will be right where we are today as to relief and rehabilitation.

Or, I will put it another way: Would the Government say that inasmuch as disaster indemnity is available at, we will say, a reasonable premium, that failure of a person to buy such a policy would foreclose relief or rehabilitation being considered by Congress after the occurrence?

Senator LEHMAN. I am not sure our minds are meeting on this. As I interpret your statement you have a feeling that the Federal Government could not subsidize these things.

Mr. HERD. No, sir.

Senator LEHMAN. We are subsidizing right and left. Some of them are worthwhile and others I have a little question about, but certainly it is nothing very new.

Mr. HERD. I hasten to correct that. My feeling is just the opposite, Senator. First of all, I do not think it should be called insurance, I mean, in the generic concept; and, secondly, whatever you call it, it would assume the complexion of relief and rehabilitation after the occurrence. That is all.

Senator LEHMAN. I think these concepts of yours go pretty far. I mean, after all, you are objecting to the use of the term "insurance." I do not care what it is called so long as the people are protected. But we subsidize our merchant marine, and I think it is fine. I think we should. We certainly subsidize our air services. We subsidize agriculture by purchasing their supplies at certain prices. The use of subsidies for various groups is not an unknown thing in this country, and has not been certainly within my time. If they can do that, why can they not subsidize the fellow who lives at Woonsocket, or Torrington, the whole community, or the State, I mean?

Mr. HERD. We have no quarrel with that whatsoever, and I am sure that was not the intent of that section of the resolution.

Senator LEHMAN. I have just one other question.

Mr. HERD. May I add something?

Senator LEHMAN. Yes.

Mr. HERD. I am not presumptuous enough to pass on the legal or physical aspects of the subsidy when engaged in by the Federal Government; we are not presuming to take a position on that.

Senator LEHMAN. I noticed under paragraph No. 8 you say:

In our opinion, flood control and prevention (rather than insurance, indemnity, or relief) are of far greater importance \* \* \*.

I have already mentioned that, but I want to emphasize that again.

Mr. HERD. Yes, sir.

Senator LEHMAN. That is, while I believe most, if not all of the members of the committee, are strongly in favor of flood control, that is not within the province of this committee.

I have one final question: The mutual companies have agreed to supply us in this case with the types of insurance coverage that they offer in the disaster field and the range of premiums. Would you be willing to do the same for the stock companies?

Mr. HERD. Yes, sir. I am getting some of that ready for a staff member right now, and have it practically complete.

(The information referred to follows:)

AMERICAN INSURANCE ASSOCIATION,  
November 17, 1955.

Mr. J. H. YINGLING,

Chief Clerk, United States Senate Committee on Banking and Currency,  
Senate Office Building, Washington, D. C.

#### FLOOD DAMAGE

DEAR MR. YINGLING: Through General Counsel J. Raymond Berry, of the National Board of Fire Underwriters, I have received Mr. McKenna's oral inquiry regarding the current gross assets and net free assets (that is, surplus as regards policyholders) as to property insurance companies. The gross assets of all companies doing the business of insuring property (about 800 in number) as of December 31, 1954, the latest available data, were \$10,450 million. The surplus as regards policyholders of such companies as of the same date aggregated \$5,300 million.

You may recall that during the 1951 hearings, particularly that held on September 26, 1951, before the subcommittee of the House Committee on Appropriations (82d Cong., 1st sess.) I stated (p. 330) that the net free assets of stock, mutual and reciprocal property insurance companies as of December 31, 1950, was just in excess of \$3 billion.

I might advise here that the principal contributions to assets and surplus as regards policyholders since December 31, 1950, have been, during the 5-year period, new capital subscriptions, new entries to the property-insurance field, appreciation in market quotations of securities held and investment income therefrom, and less than 20 percent as a result of gain from underwriting results from all kinds of property insurance written. The limited underwriting gain, on balance, in respect of all companies for the 5-year period has been due principally to the adverse impact of windstorm and hurricane claims occurring during that period. In this connection you will recall the adverse experience indicated on the chart recently furnished to you by me, especially in regard to the Atlantic Seacoast States northward from South Carolina throughout New England and including Pennsylvania, for the 5-year and 10-year periods ending with, but including, the year 1954.

I sometimes wonder whether the public is aware of the catastrophe losses suffered by property insurance companies in respect of headliners such as Carol, Edna, and Hazel, all of which occurred during the year 1954. As you know, it is our belief that insurable property values generally are protected under basic or extended coverage against all prominent insurable perils, thereby limiting the area of discussion generally to flood, high tides, and water perils which we consider to be uninsurable.

In April and September of 1944 windstorms in the New England area produced 170,000 claims, resulting in payments of approximately \$24 million by stock companies. Automobile and inland marine losses are not included in this figure.

In 1950 the windstorm which occurred about Thanksgiving time late in November produced 1½ million claims, which resulted in stock companies paying out \$165 million, not including those claims arising under automobile and inland marine policies.

In 1954 Carol, Edna, and Hazel produced a million and a half claims to stock insurance companies, resulting in payments of \$200 million, not including those claims arising under automobile and inland marine policies.

The claims arising under automobile and inland marine policies are usually substantial in the aggregate. It is more difficult to collate these but as an example the stock insurance companies paid out approximately \$25 million under automobile policies for claims arising thereunder as a result of Carol, Edna, and Hazel.

To interpret these figures in respect of all property insurance companies, that is stock, mutual, and reciprocal, it would generally be appropriate to add 25 percent to the stock company figure inasmuch as the stock companies generally write about 80 percent of the total insurance in force on the kinds of property to which we are addressing ourselves.

You also inquired of Mr. Berry as to whether any figure might be available as to the aggregate exposure of all property-insurance companies under extended coverage. While I am not aware of any exact figures in this respect I believe a reliable estimate would place the current figures in respect of all such companies in the neighborhood of \$400 billion throughout the United States. Such companies have, in addition, extensive exposures on motor vehicles, railroad rolling stock, goods in transit, and certain instrumentalities of commerce, such as bridges and tunnels where lien interest warrant the maintenance of insurance. Typical of the latter are properties of the Port of New York Authority, Triborough Bridge and Tunnel Authority, New York State Thruway Authority, Golden Gate Bridge, San Francisco-Oakland Bay Bridge, various Mississippi River toll bridges, Tacoma Narrows Bridge, Norfolk-Hampton Roads tunnel (when completed), and so forth. These motor vehicle and miscellaneous liabilities would add several billions of exposure to the above figure.

Yours very truly,

J. V. HERD,

*Chairman, Committee To Study Floods and Flood Damage.*

Senator LEHMAN. Thank you very much.

Mr. HERD. Thank you.

Mr. EDELSTEIN. Assemblyman Parsells.

Senator LEHMAN. Do you know whether the president pro tempore of the senate, Mr. Ward, is going to be here?

**STATEMENT OF NORMAN KING PARSELLS, MAJORITY LEADER,  
HOUSE OF REPRESENTATIVES, CONNECTICUT GENERAL  
ASSEMBLY**

Mr. PARSELLS. I think he is, sir. I understood he was free and is coming over.

Mr. Chairman, by name is Norman Parsells. I am majority leader of the house of representatives in the Connecticut Legislature.

First, may I thank you for coming to Hartford to hear our problems, and hearing me out of turn. We are now in session and it is a great convenience.

I am sure in your travels about New England you have heard from many people as to the great need for flood insurance. All I can say is, I reiterate everything that has been said.

The very first thing our house of representatives did this week when we came into flood session was to pass a resolution memorializing Congress to devise a method of taking care of the problems of our people who lost their goods and property and their livelihood due to the floods. Your committee either has received or will receive a copy of that resolution.

Senator LEHMAN. We will insert that in the record, together with one from the State senate.

(The resolutions referred to follow:)

STATE OF CONNECTICUT  
GENERAL ASSEMBLY

Special session, November 1955

HOUSE JOINT RESOLUTION NO. 2, ENTITLED "RESOLUTION MEMORIALIZING CONGRESS TO MAKE A STUDY OF THE POSSIBILITIES AND PROBLEMS OF A FEDERAL DISASTER-INSURANCE PROGRAM"

*Resolved by this assembly:*

Whereas the Northeastern States have suffered an estimated uninsured loss of over 2 billion in real property alone as the result of flood damage in August and October 1955; and

Whereas the flood disasters reemphasize the need for flood insurance protection which cannot be provided by private insurance companies except at prohibitive cost to the policyholder: Now, therefore, be it

*Resolved*, That this general assembly in special session for the purpose of enacting a flood recovery program urges the Congress of the United States to explore the need for forms of flood insurance not now obtainable from private insurance companies and that Congress take the initiative in the field by enacting a Federal insurance disaster program; and be it further

*Resolved*, That a suitable copy of this resolution be sent to each House of the Congress of the United States and to the Senate Committee on Banking and Currency.

[SEAL]

HARTFORD, CONN., November 9, 1955.

ALFRED A. TOSCANO,  
*Clerk of the Senate.*  
JOHN WASSUNG,  
*Clerk of the House.*  
MILDRED P. ALLEN,  
*Secretary of State.*

STATE OF CONNECTICUT  
GENERAL ASSEMBLY

Special session, November 1955

SENATE RESOLUTION NO. 5—RESOLUTION CONCERNING AID TO FLOOD VICTIMS

*Resolved by the senate:*

Whereas the problem of rehabilitating the people in the areas stricken by the two major floods is one of gigantic proportions requiring both State and Federal aid of an immediate major nature; and

Whereas most of the aid now available from either the State or Federal Government is in the nature of loans rather than grants; and

Whereas in many instances the people affected are in no position to burden themselves with debts in order to rebuild homes or reestablish their businesses or replace possessions which they have lost in the floods; and

Whereas this is particularly true of those who had to reestablish themselves by Government-sponsored loans following the first flood only to have the property obtained by such loans either seriously damaged or destroyed by the second flood: Now, therefore, be it

*Resolved*, That we urge the Congress of the United States to adopt measures providing direct grants to assist the people in the flood-stricken areas who have lost homes or businesses or possessions through these major disasters and that such aid be given as expeditiously as possible so as to prevent these people from being crushed by the heavy toll of losses they have suffered; and be it further

*Resolved*, That copies of this resolution be sent to Senator Herbert Lehman and to Senator Bush and Senator Purtell, of Connecticut, and to all of the Connecticut Congressmen.

ALFRED A. TOSCANO,  
*Clerk of the Senate.*  
ALICE T. PETERSON,  
*Deputy Secretary of State.*

HARTFORD, CONN., November 21, 1955.

Mr. PARSELLS. I would merely like to make 2 or 3 suggestions to your committee.

First, I hope that any program which you adopt will be a voluntary program.

Second, if the task turns out to be so great, as it may well turn out to be, that you are unable to insure the total risk, that at least you adopt a limited-risk program, limited in amount. Also make it possible for private companies to handle this insurance, if you can. Naturally, in the city of Hartford I would not suggest anything else.

Third, the premium paid for insurance should bear a direct relationship to the risk as affected by the location and by susceptibility to flooding. That ties in directly with my fourth suggestion, which is that flood insurance should not be made so attractive as to defeat the desire of the States that people and businesses in areas susceptible to flooding should gradually relocate outside of the flood-prone areas.

We have had a flood-recovery committee in Connecticut, and one of the things we are recommending is to make money available to some of these industries to retool and, if possible, to locate outside of the flood-prone area.

Senator LEHMAN. Would you do that by rezoning?

Mr. PARSELLS. By rezoning and redevelopment; yes, sir.

If flood insurance is made so attractive that people feel they are 100 percent protected, it may deter that program.

Lastly, it seems to me any flood-insurance program should be tied in with a flood-prevention program. The thing we need here in Connecticut is to have our riverbeds dredged and our river channels widened, where possible. We need protective dams, both big and little, and the other facilities necessary to prevent damage from flooding.

As I am sure you have been told, New England has not received its fair share of Federal money in the past. I hope that condition is coming to an end, and that we will receive money in large amounts for flood-prevention projects. I think flood insurance is most important, but even more important than flood insurance is flood prevention; and whatever you can do I am sure the people of Connecticut will be most grateful for.

Thank you very much, Senator.

Senator LEHMAN. Senator Bush.

Senator BUSH. I have no questions.

Senator LEHMAN. That was an excellent statement you made. I want to comment on just a few things.

You say, "The premium paid for insurance should bear a direct relationship to the risk as affected by location and by susceptibility to flooding." That is included in the bill I presented. I am not sure whether it is in the other bills. It increases the discretion in the setting of rates so that the rates are not rigid and uniform but are variable at the discretion of the administrator, whoever that may be.

Mr. PARSELLS. As the last gentleman said, that makes it more nearly insurance.

Senator LEHMAN. Again I want to say we are very much in sympathy with flood control, and as individuals we can take a part in that, but this committee, of course, has no control over that.

Mr. PARSELLS. Thank you.

Mr. EDELSTEIN. Mayor Quigley.

**STATEMENT OF THOMAS F. J. QUIGLEY, MAYOR,  
STAMFORD, CONN.**

**Mayor QUIGLEY.** I have a short statement here, Mr. Chairman, which I would like to read.

I think we are all familiar with the facts in this case and are trying to get a remedy. I think everybody agrees that the disaster which hit Connecticut in August and also October—

**Senator BUSH.** Might I make just a comment before the mayor starts? We are going to have several of our mayors here today, and I would like to make one general comment affecting all of them. I do not want to take up time with each one, but I do feel that these men have had the most extraordinary responsibility placed upon them due to these floods. I have had the advantage of seeing them under very great pressure, carrying responsibilities far beyond anything that any of them were ever elected to take care of. I think in the case of each one of them, their performance has been perfectly inspiring and it has been a great thrill to the citizens of their communities to see how people can measure up to the responsibilities that come when we have a catastrophe in a community.

I make that statement about the present witness and all of these succeeding men whose names are on this list. I think the State of Connecticut can be very proud of the performance of its mayors in this recent disaster.

I thank the chairman for the privilege of making that statement.

**Mayor QUIGLEY.** I certainly appreciate your kind remarks, Senator, because if ever the communities of Connecticut have lived a life, we have lived it over here in the last few months, together with our people.

As I said before, we all understand the facts and we are here to ask for help, both from Washington and Hartford. I have a short statement to make, with the feeling that you people in Washington will give us every consideration in getting some remedy not only for the future, but for today, if possible.

There appears to be unanimity of thought among officials of government in our State that congressional remedial action is required to meet the toll of disaster, whether it be flood, or hurricane, or tornado or earthquake. We must prepare to compensate our States, our cities and our people for loss sustained through natural calamities.

I heartily subscribe to the reinsurance proposals and other suggestions made by Governor Ribicoff, guaranteeing protection against all types of disaster to all sections of the United States.

As a member of the United States conference of mayors delegation to the International Assembly in Rome only a few weeks ago, I had the opportunity to see the great recovery being made in Italy from the ravages of war and flood. That recovery would not be possible without both Federal and private funds flowing into Italy from the United States.

As the mayor of a city which suffered more than \$6 million in flood damage, not to mention the heartbreak swept in the wake of such disaster, I feel that the people of Stamford—and the people of the United States—are entitled to the same opportunity to rebuild as we afford our beneficiaries in Europe.

Remember that the state of our Nation's economic and social strength is determined by the conditions existing in our local communities.

Cities such as Stamford are limited by law to raising revenues for public expenditures almost exclusively to ad valorem real-estate taxes. We cannot begin to hope to match the vastly more productive and varied methods of taxation enjoyed by our Federal and State Governments.

Naturally, self-sufficiency is a state to which we in government all aspire. But because of our limited sources of revenue, the cities which suffer in time of disaster must look to the State and Nation for assistance. That aid must be immediate enough, extensive enough, and humane enough to restore a semblance of normalcy to our economy and to our private lives.

Long-range flood-control programs, while necessary, are not the answer to the threat of disaster. Since the well-being of the whole community is affected when a portion of its people is crushed by disaster, the whole community must participate and share in the burden of a program for recovery.

It all adds up to a need for a general disaster insurance to be set up by the Federal Government, possibly with the participation of private insurance companies, to protect our industry, our States, our cities, our homes, and our people against the kind of loss we suffered during the disastrous floods of August and October 1955.

Mr. Chairman, I would like to make this statement a part of the record. I appreciate your men coming here. If we would tell you these stories of what we need we would be here for days. We humbly put ourselves in your hands in Washington on the basis of what we would like to do for the other fellow if he were in our shoes. We must face something new. If it costs something to face it, we should do it now.

The reinsurance plan is an excellent one. Whatever the cities have to recapture in the way of Federal aid and State aid is paramount, but we must not forget that the citizen is our community. We must make some awards to the little fellow, whether they be direct grants from the Government or in the form of reinsurance, or both.

Thank you very much.

Senator LEHMAN. Thank you indeed, Mayor.

Mr. EDELSTEIN. The Honorable James Kinsella, deputy mayor of Hartford.

#### **STATEMENT OF JAMES KINSELLA, DEPUTY MAYOR, HARTFORD, CONN.**

Mayor KINSELLA. Mr. Chairman and Senator. If it pleases the Chair, may I read something to insure both brevity and clarity, I hope?

The city of Hartford is remarkably fortunate in that it suffered only a little over \$5 million in damage, but we are also extremely unfortunate in that the size of the city in square miles is perhaps smaller than any other community in the county, so every acre of land is precious to us.

Senator LEHMAN. Could you talk a little louder, Mayor?

Mayor KINSELLA. We would like to insure, or have the Government insure, the city of Hartford and its people and industry against the recurrent loss caused by these catastrophes. Of course, no one can stop the catastrophes themselves, but the resulting damage can be

stopped or mitigated by the action of your committee. We would hate to see industries leave the capital city of the State because of the danger of losing large amounts of money if they are located within the city in the vicinity of our rivers.

The State is now working on flood control, as is the city of Hartford, but we feel in the city that insurance against financial loss is the obligation of the Federal Government. We certainly hope and ask that you adopt whatever legislation you think proper, but legislation which will insure the people and industries of the city of Hartford against the kind of loss that they have suffered.

Thank you, gentlemen.

Senator LEHMAN. Have you any concrete suggestions to make as to what kind of legislation we can have? I want to point out it is not the responsibility or within the power of this committee to pass legislation. That comes from the two Houses of Congress and the President.

Mayor KINSELLA. I am well aware of that, sir, and I think the legislation you have proposed is excellent, particularly in view of the fact that the insurance which we are trying to get for the people of this area—the small-home owners and the small businesses—the limit which you have placed on it would for the most part take care of everyone within this area. Perhaps I am being a bit chauvinistic toward the city of Hartford, but that is all I represent. Yours is the larger task.

Senator LEHMAN. Have you any questions, Senator Bush?

Senator BUSH. I was going to ask Mayor Kinsella, under the State law permitting local zoning regulations, has Hartford taken any steps in connection with flood zoning regulations?

Mayor KINSELLA. Yes. We have proposed and our city planning commission suggested those areas around unprotected streams, which may be flooded, be zoned to insure a minimum loss in both property and life, of course. We have for the most part industrialized those particular areas, but in some areas the city is so built that such relocation is impossible, Senator. We are doing everything we possibly can.

Senator LEHMAN. I want to ask you one more question, Mr. Kinsella. You referred to a loss of \$5 million, I think, in this flood. Am I correct or am I imagining things? Did you not have a very bad flood here about 5 or 6 or 7 or 8 years ago?

Mayor KINSELLA. In 1936, and then again in 1938, Senator, the Connecticut River overflowed its banks.

Senator LEHMAN. Yes.

Mayor KINSELLA. But due to the prompt and very farsighted action of such men as Mr. Putnam and Charles Cook and Thomas Pelasi, the Connecticut River was protected from the city, or conversely, by a large dike, which now assures us of protection in the downtown area for all except extremely bad catastrophes; so we have been fortunate in that respect.

Senator BUSH. That dike stood up very well in the 1955 flood; did it not?

Mayor KINSELLA. The comment was made that the dike, which cost \$10 million or \$11 million, paid for itself 3 times over in August 1955.

Senator LEHMAN. Thank you very much.

Mayor KINSELLA. Thank you.

Mr. EDELSTEIN. The Honorable James Casey, mayor of Bristol.

**STATEMENT OF JAMES P. CASEY, MAYOR, BRISTOL, CONN.**

Mayor CASEY. Honorable Senators Lehman and Bush, it is a pleasure to be able to come here and bring to you the little problems of our communities here in Connecticut during these storms we have had in August and October.

Historian Arnold J. Toynbee on a trip through Connecticut some years ago had this to say, and I quote:

I was once traveling in a rural part of the State of Connecticut when I came across a deserted village—a not uncommon spectacle in those parts, as I was told, yet a spectacle which is nevertheless surprising and disconcerting to a European. For some two centuries, perhaps, Town Hill—such was its name—had stood with its plank-built Georgian church in the middle of the village green, its cottages, its orchards, and its cornfields. The church still stood, preserved as an ancient monument, but the houses had vanished, the fruit trees had gone wild, and the cornfields had faded away.

Town Hill, it may interest you to know, is on an extremely high elevation in the New Hartford-Torrington area and at this moment nothing remains of the Georgian church which Toynbee observed but its basement foundations and a bronze plaque which now marks its location. The church is gone and the village green is overgrown and uncared for.

Persons familiar with Connecticut's early history will explain the demise of Town Hill to the fact that the farmers left their acres on the high hills and went down into the valley to work in the shops that had sprung up on the river banks early in the 19th century.

The shops were built along the banks to avail themselves of the abundant waterpower which the rushing brooks and streams provided. Waterpower, in the days of our great-grandfathers, was the miracle force which turned the wheels of industry, just as atomic energy may be the miracle force to take up men's burdens in the days which lie ahead for our grandchildren.

Despite the fact that the reason for their presence along the river banks no longer exists, industries in the State continue to carry their expansion programs in the same locality. Hence, they are subjected to repeated devastation by waters on the rampage.

With the availability of electricity through the use of atomic energy, industry of the future will not be limited to riverside or lowland locations.

It is no secret that other sections of the country have been wooing Connecticut industry, and in order for Connecticut to remain a stable industrial community we must offer them all the security and protection at our command.

In a 16-year period Connecticut was reported to have paid to the Federal Government \$5,267,393,000 and had returned to it a mere \$397,267,000, on a \$7-for-\$100 basis.

In 1953 Connecticut citizens paid the Government in Washington \$1,228 million and got back in the form of Federal grants and subsidies a mere \$32 million.

Permit me to state here that these more than generous contributions by Connecticut citizens to the Federal Treasury were not made to defray the costs of Government, but such funds were actually used to create industrial areas such as TVA where, under the guise of

flood control and soil conservation, cheap power was provided manufacturers that are in competition with our own industries. In providing such funds, it appears we are in the process of underwriting our own economic and industrial funeral.

I might add that a couple of years ago a former chairman of the Connecticut Development Commission on a telecast reported the State's gross product of \$5 billion, but at the same time pointed out that more than 25 percent of Connecticut's industrial workers were engaged in defense work. Curtailment of armaments would have serious repercussions, he declared.

Let us face it. We in Connecticut are in the midst of an economic war. We shall have to fight every inch of the way to maintain our position as the arsenal of the United States. Governor Ribicoff was quick to call the turn recently on southern carpetbaggers who immediately set to work to persuade flood-damaged industries to move out of the State. He properly designated their efforts as ghoulish and let it be known that he regarded their activities as a new low in human relations in such a time of distress.

For the ordinary man and woman, where they shall work is one of the cardinal facts of their existence. Almost 900,000 of them have selected Connecticut as their place of abode and to protect their lives, properties, and future security is the purpose of our presence here today.

These men and women are highly skilled artisans whose knowledge and techniques are as essential to the national defense as are the proficiencies of a jet pilot. The factories wherein they use their precious skills are our modern fortresses of defense. At whatever costs, the skills of these persons and the physical plants wherein they toil must be preserved if we are to maintain an orderly and democratic society.

It is for this reason that I advocate not flood insurance but, more accurately, general disaster insurance, with insurance companies and the Federal Government operating in an arrangement that will protect all participants against financial loss. Such coverage will include loss by hurricane, earthquake, war, rain, wind, or any other eruption of nature which causes devastation and chaos.

Flood insurance is too limited in scope. You cannot expect a man on a mountain to be interested in such a policy when he himself is under the constant threat of destruction by Mother Nature.

Bring the man on the mountain, his neighbor in the valley, and the worker in a defense area under a blanket policy and forthwith you set up a wide market and a wider spread of loss. This appeals to me both as sound business and reasonable good actuarial sense.

Because there is no statistical data at hand for losses which have been sustained by such acts of God it is essential that the Federal Government subsidize the project at the lowest possible rate to the insured. In the event of a catastrophe, such as those of recent months, insurance companies would be guaranteed against loss much as bank depositors are now protected under the terms of the Federal Bank Deposit Act. In the event of loss to the insurance companies the loss would be made up by the Government.

Naturally it would take years of experience to arrive at precise rates of premiums, but a conscientious administration of the program by men of good will would provide the community with safeguards which it lacks at present. The point is that proper coverage would

be within the reach of industrialists, businessmen and homeowners at a price they can afford to pay. Such a program would conform to the basic principle of insurance that the many take care of the losses of the few.

I do not need to remind you that there is ample precedent for such legislation. The farmer's crops are insured, his prices subsidized, he is protected against tornadoes and his bank deposits are insured. By the same token the industrial worker's job is protected by tariffs and social legislation which protect his rights in an industrial society. Quite obviously no single insurance company or group of them could stand a loss in the amount of \$230 million, which is the estimate of flood damage in Connecticut. Government assistance, as a practical expedient, is imperative.

Together with this joint insurance company-Government program it will be necessary to enact zoning legislation in local communities which will prevent persons from establishing residences or businesses in flood areas. Some exceptions might have to be made to such measures, but only after proper safeguards such as dikes, dams and channel reconstruction had been undertaken.

Likewise we should unite in a concerted effort to bring to immediate fruition those projects for New England flood control, long advocated by Army engineers, authorized for construction by Congress, but still lacking congressional appropriation. I should like to call your attention to a dispatch from Washington to the Hartford Times by its correspondent, William A. Garrett. On July 7, 1955, he wired his paper to this effect.

With Congress pressing toward an early adjournment, there isn't a ghost of a chance that this session will vote funds for six additional reservoirs needed to avert what Army engineers warn could be a major flood disaster in the Connecticut Valley.

Less than 2 months after the Congress adjourned, New York, Connecticut, and Massachusetts were devastated by raging, crushing floods, leaving death and destruction in its wake.

In conclusion, permit me a word about my own city of Bristol. We were in the midst of the destructive flood. The Pequabuck River, which bisects the city, did unprecedented damage to bridges, highways, parks, and schools. The city's business district was under several feet of water and merchants, whose fall inventories were in storage, discovered to their complete consternation that thousands of dollars worth of merchandise was destroyed. Many of these businessmen have given up the ghost and gone out of business permanently.

Major industries such as the Associated Spring Corp., the new departure division of General Motors, the E. Ingraham Co., as well as the Bristol Brass Corp., and the Superior Electric Co., sustained losses in amounts approximately \$1,500,000. Other industries, such as the Sessions Clock Co., and the Barrett Co., had substantial damage to their plants.

Such extensive damage as occurred was in no single instance covered by insurance.

If industry is to flourish in the future in Bristol, if merchants are to continue to supply the residents of our city with the goods and services demanded for living, the Government must assume the responsibility for their reasonable security.

It is for this reason that I come before you today to urge not merely protection from flood, but protection from disaster no matter its source.

Senator LEHMAN. Thank you very much, indeed.

May I ask a question that I probably should have asked the Governor this morning? Were other States successful in any substantial instances, in getting Connecticut industries to move away from Connecticut because of their vulnerability?

Mayor CASEY. No. I believe there was immediate, let us say, merchandising of our areas by development groups. This was condemned immediately by the Governor, and I believe after that, with the publicity they received, they withdrew their horns and did not continue that.

Senator LEHMAN. I am not familiar with it. I was afraid there might be some of that.

Mayor CASEY. There were 1 or 2 instances, and the Governor quickly attacked those development groups.

Senator LEHMAN. You referred to the high rates for power in this State; did you not?

Mayor CASEY. No; I do not believe I referred to the high rates of power. You said high rates of power?

Senator LEHMAN. I thought you referred to the fact that the rates of power in this country were very high.

Mayor CASEY. No; I did not, sir. I said that electricity was born from the water in the streams, and now the locations of the industries in the valley have been expanded.

Senator LEHMAN. I thought you said that was the reason for moving these properties down to the river bank.

Mayor CASEY. Yes.

Senator LEHMAN. Because they got cheap power; but that, of course, had changed now because of the development of power.

Mayor CASEY. But their major plants are still located in the valleys and to move them out might take time.

Senator LEHMAN. I thought you commented on the high cost of power in this State.

Thank you very much.

Mayor CASEY. Thank you, Senator.

Mr. EDELSTEIN. Mayor Brunjes, of Norwalk, asked to file a statement.

Senator LEHMAN. Without objection, the statement will be made a part of the record at this point.

(The statement of Mayor Brunjes follows:)

STATEMENT OF GEORGE R. BRUNJES, MAYOR, NORWALK, CONN.

I come before you today to urge with all the conviction at my command that something must be done, and soon, to protect the people of this country from the ravages of natural disasters.

The city which I serve as mayor, in the closing days of the Revolutionary War was burned literally to the ground by British troops. Relief at that time was tendered in the form of voluntary gifts, tax abatements made by the State government, and the offer of large land holdings in the Western Reserve.

On the weekend of October 15-16, the city of Norwalk again knew widespread disaster when flash floods rampaged over its land. And now, in 1955, even as in that earlier disaster, we find that relief is to be expected largely in the form of voluntary gifts provided largely through such organizations as

the American Red Cross, through Government loans of assorted types, and, quite likely, through some form of tax relief which may be granted by the State government.

Such measures are clearly not the answer to widespread natural disasters. No matter how large the Red Cross rehabilitation grant may be, it can constitute only a token payment on the total damage bill to be met by the disaster victim. And the Government loan, no matter how vital to preserving the economic life of a business, still remains to be repaid—a burden of added debt.

The city of Norwalk, like other municipalities hit by this year's floods, is still seeking an accurate compilation of flood damage. Already the figures are staggering to contemplate. An absolutely accurate report will obviously never be possible.

Our city's chief assessor has estimated that \$1,304,930 was washed from the city's grand list by the October 15-16 flood. Of this amount \$64,194 represented furniture and equipment, \$273,055 machinery and equipment, and \$607,465 business inventories.

In addition, real-estate losses from the flood amount to grand-list deductions of \$35,920 for dwellings, \$4,080 for garages, \$29,840 for land, and \$293,345 for industrial buildings.

One company, the assessor reported, lost furniture and equipment assessed at \$23,620, machinery assessed at \$53,760, and inventory assessed at \$271,720.

Summarizing, our city lost personal property assessed at \$941,745 and real estate assessed at \$363,185.

These figures, perhaps, mean little in terms of Federal appropriations. To a city the size of Norwalk they represent a very real problem. And I would point out here that grand-list assessments represent less than 50 percent of actual value in the case of real estate, and approximately 65 percent of true value in the case of personal property.

The loss of this property will result in an annual tax loss of \$51,459 at present tax rates. This, I would assure you, is an appreciable amount in the budget of a city the size of Norwalk.

There are other figures to attest to the impact of this one natural disaster on this one western Connecticut city. Our director of civil defense has prepared a report for submission to the State general assembly which will show actual loss to be well over \$8 million. Included in this figure is \$4,670,000 for industrial loss, \$1,500,000 for business loss including inventories, \$1,101,000 for public properties and facilities, and a loose estimate of \$729,000 for private home losses. And it is brought home to us almost daily that our ever-increasing estimates are obsolete almost before they are made. An estimated loss of \$1 million in bridge destruction, for instance, pales before a contractor's preliminary estimate of \$2,060,000 for replacement.

And even these figures, incomplete as they are, would if multiplied to infinity portray only a small part of the real need for adequate provisions for enabling disaster victims to meet their relief needs.

It is impressive to say that one of the city's bigger companies sustained damage estimated at \$1 million. But it is equally important to point out that an 83-year-old barber was washed completely out of business after following his trade for 70 years. It is impressive to say that State authorities have ordered the destruction of \$500,000 worth of wines, liquors, and beers which were covered by floodwater. But it is equally important to point out that a young dealer's entire inventory, a major investment in his life, was included in that figure.

For the major impact of even total disaster is almost always personal. Whether the loss be sustained by a large corporation or a one-man business; whether the damage be to a utility building or a small private home, the impact is felt personally in a series of personal reactions.

Gentlemen, we can estimate with some degree of accuracy, the total damage involved in any given disaster, but we can only guess at the extent of any one personal loss included in that total. If 3 houses are swept away in a torrent of water, for instance, we can say that their total market value was \$40,000, but that is not the extent of the damage which must be faced. Furniture replacement, landscaping, personal possessions, personal conveniences added by the owners, all these are involved, but rarely show up in damage estimates. And what of the owner of one of the houses who had been within only a year or two of completing mortgage payments in time to retire on social security? Or of the widow who owned the second house and who has, perhaps, enough savings to provide adequate new housing for herself, but depended for income

on the rental to be derived from the second floor of that house? These are problems which clearly and demonstrably add to the magnitude of disaster and which must be faced in planning for it.

The people of Norwalk, who have known disaster, know full well that in the future we must prepare for tragedy before it strikes. We prepare for tomorrow through our investments in our homes and our businesses; we prepare for old age through social-security taxes and insurance premiums; and now, it is all too apparent, we must prepare for natural disasters which can in but a few hours wipe out the homes, the businesses, the savings which we have created.

We believe, then, that two things must be done, and must be done with all of the speed, and ability and bold planning at our disposal.

In the first place, we must have, it is obvious, a comprehensive flood-control program to eliminate this form of natural disaster. This problem the Federal Government, clearly must lead in solving. For floods do not start and stop in 1 city, 1 State, or frequently, even in 1 region. We are confident that through the combined efforts of all levels of government and with the best planning and greatest cooperation of which we are all capable, this need can be met and that in the not too distant future true flood control can become a reality.

But in the meantime, we recognize that something else is necessary. That something is some form of flood insurance. It is not enough to say that nobody will insure you against flood disaster. If the need exists, the need must be met as needs have been met in the past.

I would call first on the private insurance companies of our land to meet this problem, perhaps through special policy programs or through broadened extended coverage riders to existing policies. Having faith in the private enterprise foundations of our national economy, and in the aroused concern of private companies, I would prefer such a solution.

If however, such a solution is not possible, if the private insurance industry is absolutely convinced that the problem is beyond its power, then as the mayor of a city which has known disaster, I would call now for a flood-insurance program worked out by private enterprise working in conjunction with the Federal Government by means of a reinsurance program, or, if that, too, is unattainable, then I would call unceasingly for the development, creation, and operation of a Federal flood-insurance program.

The people of my city, and of other towns and cities through the Northeast who have been sadly devastated by 2 floods in 2 months this year are not insurance experts. We cannot at this time offer recommendations as to the mechanical nature of a Government flood-insurance program. But, perhaps because we have suffered, we can be excused in demanding that something be done, and soon, to make it possible for us to face the future without fear. Our Government has recognized its obligation to provide electricity in areas where private industry has not reached. We ask now that our Government recognize its obligation to provide insurance security against disasters with which private

I thank you.

Mr. EDELSTEIN. Mayor William Carroll, of Torrington, Conn.

#### STATEMENT OF WILLIAM CARROLL, MAYOR, TORRINGTON, CONN.

MAYOR TORRINGTON. Senator Lehman and our distinguished Senator from Connecticut, Senator Bush. My name is William T. Carroll, mayor of the city of Torrington.

Torrington is a city of 30,000 population. We suffered terribly in this disaster.

I have not prepared any statement to present to your committee, but I listened very attentively to our Governor this morning in his presentation of his testimony. I concur with him most wholeheartedly in the specific recommendations he made that this committee recommend to the Congress the establishment of a disaster or flood insurance bill, to go along with the recommendations of the President in doing so.

The people expect it. The eyes of the people are at the present time on the general assembly of the State. The Governor formed

this flood-control committee to make a survey and report. They have done it and did a very diligent job in making this report. The Governor, on receiving this report, called the general assembly into special session to take action to give aid to the people in the stricken areas.

We in Torrington suffered \$13 million damage. Our industries suffered \$7 million damage.

Senator Bush was most generous in giving us his time. He has met with us many times and sat down with the committee many times in giving us his advice and assistance, and in helping us. I am sure his presence on this committee will be of great help to you in making a report to the Congress.

We expect and need help. Our industries have suffered terribly, and our people have suffered tremendously. The scars are still there. The waters have receded. We need help—Federal help and State help.

I am appealing to you not as an individual, but representing the people of my community here this afternoon, and I am most grateful for this opportunity to appear before you to bring you this message.

We expect help, and I hope it can be given.

In Hartford we have the insurance center of the world. We have the brains and the ability and the know-how and the knowledge which can be used. These agencies can be put into effect to help draft bills, and so forth, that will be helpful.

Again I say I am most grateful to Senator Bush for his remarks at the outset of the meeting, which showed he understands the tremendous task that we mayors and public officials and first selectmen have in our communities in this rehabilitation program and reconstruction program, and in getting our communities back on their feet and back to their normal way of life.

We in Torrington contribute a great deal to the national defense. In the present state of the world, we in the Naugatuck Valley feel as though it is important that these industries which are vital to the economy of our cities and the State and the health of the Nation, receive the help of our people. Nine thousand of our citizens are employed in our local industries. Therefore I appeal to your gentlemen to get the legislation necessary and help us, so that we may help our citizens and our communities in their rehabilitation.

Senator LEHMAN. Senator Bush.

Senator BUSH. I have no questions, but I certainly thank the mayor on his very able statement concerning the city of Torrington.

Mayor CARROLL. I might say that as to the administration of such a program, civil defense could very ably do it. Their program was set up for handling a disaster. We have seen that they have cooperated very well with the Corps of Engineers under Public Law 875, which is limited to works which are not of a permanent nature, at the present time. Therefore there is some legislation necessary so that outright grants can be given to the cities and towns to enable them to rehabilitate themselves and bring them back to a normal way of living.

Senator LEHMAN. Thank you very much for coming here. It was a very interesting statement.

Mr. EDELSTEIN. Mayor Bergin of Waterbury.

**STATEMENT OF EDWARD D. BERGIN, MAYOR-ELECT,  
WATERBURY, CONN.**

Mayor BERGIN. Mr. Chairman and members of the committee. I am Edward D. Bergin, mayor-elect of the city of Waterbury.

I have submitted a statement for the record and I just want to emphasize 1 or 2 particular points.

We in Waterbury are very concerned about the present condition of the river. We feel for the protection of our people and the protection of the property something must be done immediately to widen the river and to protect the banks of that river.

I would like to comment that there seems to be considerable confusion in respect to what the Army does under Public Law 875.

I have just gone into this matter recently and have attended a district meeting. I find there is no agreement amongst the people who have been working on the problem as to just what problems the Army engineers will take care of. I think that needs to be clarified. I think the cities and towns need assistance first through the State for the purpose of widening the river and for the purchase of property. I say first through the State because I believe it is an immediate problem. The cities I do not believe are in a financial position to buy the necessary land for river straightening and widening.

We in Waterbury are appealing to the State legislature for that money. In turn, I think the Federal Government should reimburse the State.

The second concern in Waterbury, of course, is for long-range dam protection. There has been talk about a dam at Thomaston. We in Waterbury feel while that will be helpful, a dam above Waterbury also is needed. The Waterbury Engineering Department made no study of this, but we feel a review of the whole Naugatuck Valley with this in mind should be made, and concrete proposals should be arrived at for the purpose of furnishing adequate protection.

Of course, we agree on the flood-insurance or disaster-insurance program, but we do feel strongly that this should be retroactive, both for personal property and for the property of industry, with an adjustment, probably, on the industrial end of it, through recovery by way of tax losses. We feel that the most important immediate concern—and I believe this is in the agenda of this committee—is that of immediate protection. We do need help to straighten out our river and dig it up and buy the properties surrounding it. We need financial aid in that respect, and that is the first and most important and most immediate concern.

We endorse the other part of the program and appreciate this opportunity of coming here this afternoon.

Senator BUSH. Mr. Chairman, I would like to say to the mayor that on the question of the review I agree with him. Immediately after this flood in August I asked the Public Works Committee of the Senate, which acted by poll—since we were not in Washington—to authorize the Army engineers to go ahead and begin that review immediately, and not wait until we came back into session. I am very happy to say there was no objection to that in the committee, and the chairman, Mr. Chavez, the Senator from New Mexico, did order that review, which is already under way.

Mayor BERGIN. That is right.

Senator BUSH. I am very glad that you brought it out.

The other thing I was going to ask you about, but I think you have answered it, is I just hapuened to catch a glimpse of you on television last Friday at 6:45, I believe, on a program. Is that right?

Mayor BERGIN. Yes.

Senator BUSH. Or perhaps it was a film. But at any rate, you mentioned something about the Thomaston Dam, and I would like to clarify that point in my mind.

I got the impression you did not feel very confident about the help that the Thomaston Dam might give us in the lower valley.

Mayor BERGIN. I think it is agreed it would not protect against that August 19 type of flood.

Senator BUSH. But is it not also felt that had it been there, a very high percentage of damage might have been avoided?

Mayor BERGIN. That is right, Senator, but it would still not have been adequate for that type of thing.

Senator BUSH. In other words, you are not in opposition to going ahead and having appropriations made to complete that dam?

Mayor BERGIN. No, sir; but I am also advocating something additional.

Senator BUSH. I am very glad to get your thought clear.

Mayor BERGIN. I would like to submit figures. I have submitted some, but in Waterbury we do not have the actual figures on the damage to industry and property. We have a figure of around \$40 million, but I think that is very, very low.

Senator BUSH. I think you have gone ahead with an urban-redevelopment program which probably will be of great benefit to the area in the future.

Mayor BERGIN. Yes, but too far in the future to help immediately or to alleviate the real suffering of our people. We have asked in our program here at Hartford that the State subsidize the purchase of those properties which are being considered for urban redevelopment, so that it might go forward immediately and so that those people concerned might move their homes or go some place else out of this area. Many of them felt after the first flood, "we can stay here." But after they were hit twice after that, they have a different feeling.

Senator LEHMAN. Is this urban redevelopment project in the flood area?

Mayor BERGIN. Yes.

Senator LEHMAN. In the area affected by the flood?

Mayor BERGIN. Yes. Do not ask me too many technical questions, because I am a very new mayor.

Senator LEHMAN. Thank you.

Senator BUSH. There has been some \$60,000 available in the way of a planning grant.

Mayor BERGIN. Yes, sir; a survey.

Senator BUSH. And \$600,000 of additional funds have been reserved for use in that area, from the Federal Government. Is that correct?

Mayor BERGIN. They have been reserved, but not ordered. They are not available at the moment.

Senator BUSH. They do not have the plans ready either. They cannot be used until the plan is ready.

Mayor BERGIN. That is right.

Senator BUSH. But it certainly did get very prompt action on that. Mayor BERGIN. They did on the amount for the survey. There is no question about that.

Senator BUSH. I hope they are going ahead with that program.

Mayor BERGIN. I am sure they will after January 1. I cannot guarantee it.

Senator BUSH. I am glad to see you here, sir.

Senator LEHMAN. Thank you, Mayor Bergin.

Without objection, the full statement of Mayor Bergin will be made a part of the record at this point.

(The statement of Mayor Bergin follows:)

STATEMENT OF EDWARD D. BERGIN MAYOR-ELECT, WATERBURY, CONN.

Mr. Chairman, members of the committee, ladies, and gentlemen; as the mayor-elect of the city of Waterbury I have been designated by the mayor to represent our city at this hearing.

Let me say first that I noted with particular interest that in the invitation to this hearing your committee said that discussion would not be limited to disaster risk insurance but would also include the general question of Federal aid for victims of our recent tragic floods.

I hope it is within my power to impress indelibly on the minds of the members of this committee just one thought—a thought that you will in turn take back to Washington and there impress on the minds of your associates in the Senate and in the House of Representatives.

The thought is this: In our city of 110,000 people, a thriving industrial center along the banks of the Naugatuck River, many thousands of persons are living in dread—fearful with each rainstorm that the river may rise in fury once again.

These men and women are looking for assurance that action will be taken, not 10 years from now, not 5 years from now, but—now.

Only the Federal Government has the facilities and the resources to lift this pall of fearful anxiety that hangs over our city and that hangs over many another community in Connecticut. The Federal Government, too, has the power to act immediately.

We want long-range projects, of course. We want, and need, flood control on the Naugatuck River. We want Federal aid on river planning. We want, of course, substantial Federal aid in redevelopment programs. We want all possible Federal aid in insuring against future disasters.

However, there are many things that can be done by the Federal Government without waiting for the future. There are things that should be done, that must be done if the people of Waterbury are to have some reasonably early relief from the gnawing terror that now seizes them with each forecast of rain.

For immediate action by the Federal Government I recommend:

1. Erection of emergency dikes to afford temporary protection to dwellings, business firms, and industrial establishments, pending permanent flood-control measures.

2. Widening of the channel of the Naugatuck River as recommended by the Army engineers.

3. Deepening of the channel of the Naugatuck River and tributary streams.

4. Advance grants on redevelopment programs, these grants to be charged against subsequent redevelopment allotments.

5. Direct grants to municipalities for the repair, reconstruction, and replacement of bridges, highways, stormwater sewers, sanitary sewers, public buildings, and other municipal facilities.

6. Assignment to municipalities, through the State office of civil defense, of CD equipment (including pumps, generators, and other emergency gear) in sufficient quantity to meet possible future disasters.

7. Direct loans and grants to families and businesses seriously affected by the flood disaster.

Many of the people of our city have not yet recovered from the shock of the August 19 catastrophe, with its appalling loss of life and its huge property damage in Waterbury. They want flood control, of course, but they want action before the necessary flood-control steps can be taken. They need tangible signs that the Federal Government has not forgotten them, that Washington knows

the terrible losses they have suffered and will try to give some direct, immediate help.

To appreciate properly the feelings of our citizens you would have to stand on a street near the river and talk to them; you would have to see their eyes scan the skies for rain clouds; you would have to hear their words of apprehension.

Our people with homes or businesses in the river area are actually desperate. We are depending on the Federal Government to help them. We are depending on the Federal Government to give that help immediately.

In the matter of disaster insurance, I believe we should have all-inclusive coverage, including not only floods but major disasters of all kinds.

I believe this disaster insurance should be retroactive to January 1, 1955.

I believe Federal disaster insurance should be started at once.

*Damage estimate, Waterbury, Conn., Sept. 8, 1955*

<b>I. Public property and facilities:</b>		
(a) Rubble debris clearance.....		\$300, 000
(b) Sewage treatment plant and incinerator.....		115, 000
(c) Water-supply system.....		166, 200
(d) Schools.....		90, 000
(e) Fire houses and fire alarm system.....		48, 600
(f) City hall and library.....		5, 500
(g) Roads, sewers, and related plant and equipment.....		322, 200
(h) Bridges.....		560, 000
(i) Police station, cars, and facilities.....		16, 242
(j) Civil defense materials.....		15, 000
(k) Evacuation costs.....		20, 000
(l) Public housing (local, State, Federal).....		5, 000
(m) Farming (land and crops).....		11, 500
(n) Parks and playgrounds.....		102, 800
(o) Naugatuck River channel clearance and restoration.....		1, 500, 000
(p) Health department, municipal abattoir.....		5, 000
(q) Dog pound.....		18, 000
	<b>Total public property and facilities.....</b>	<b>3, 301, 042</b>
<b>II. Private property and facilities:</b>		
(a) Residential housing.....		2, 857, 000
(b) Industrial plants.....		12, 034, 000
(c) Business.....		14, 176, 000
(d) Miscellaneous.....		3, 477, 750
(e) Inventories.....		3, 230, 000
	<b>Total private property and facilities.....</b>	<b>35, 774, 750</b>
<b>III. Private institutions and churches.....</b>		<b>20, 250</b>
	<b>Total damage estimate.....</b>	<b>39, 096, 042</b>

NOTE.—These estimates were prepared by present city administration. Our hasty check finds them rather low.

**THE CITY OF WATERBURY**

*Flood damage estimate, Aug. 18, 1955*

**I. PUBLIC PROPERTY AND FACILITIES**

(a) Rubble debris and clearance, highways.....		\$300, 000
(b) Sewage treatment plant and incinerator:		
Building.....		\$85, 000
Equipment.....		20, 000
Supplies.....		10, 000
	<b>Total.....</b>	<b>115, 000</b>

*Flood damage estimate, Aug. 18, 1955—Continued*

<b>(c) Water supply system:</b>		
Shepaug Reservoir.....	\$20,000	
Moris Reservoir and pipeline.....	50,000	
Wigwam Reservoir and pipeline.....	25,000	
Distribution mains.....	50,000	
Buildings, Benedict St.....	12,000	
Equipment.....	1,200	
Material.....	8,000	
<b>Total.....</b>		<b>\$166,200</b>
<b>(d) Schools:</b>		
Sprague School.....	\$50,000	
Crosby High School.....	20,000	
Furniture on railroad siding.....	20,000	
<b>Total.....</b>		<b>90,000</b>
<b>(e) Firehouses and fire-alarm system:</b>		
Waterville fire station.....	\$500	
85-foot aerial ladder.....	35,500	
Fire engine No. 9.....	500	
Damage to spare pumpers.....	1,000	
Fire-alarm boxes (24).....	3,500	
Damaged cable.....	5,000	
Fire-alarm standards.....	2,000	
Supplies.....	600	
<b>Total.....</b>		<b>48,600</b>
<b>(f) City hall and library:</b>		
City hall:		
Comfort station.....	\$250	
Records.....	250	
Library:		
Building.....	1,700	
Furniture.....	800	
Books.....	2,500	
<b>Total.....</b>		<b>5,500</b>
<b>(g) Roads, sewers, and related plant and equipment:</b>		
Reconstruction.....	\$200,000	
Curbs and sidewalks.....	50,000	
Yards and office buildings.....	12,000	
Equipment (salvaging).....	2,200	
Sewer reconstruction.....	50,000	
Material.....	8,000	
<b>Total.....</b>		<b>322,200</b>
<b>(h) Bridges:</b>		
Platts Mills.....	\$60,000	
South Leonard St.....	80,000	
Eagle St.....	100,000	
Washington Ave.....	200,000	
Bank St.....	30,000	
Freight St.....	20,000	
West Main St.....	20,000	
Huntingdon Ave.....	50,000	
<b>Total.....</b>		<b>560,000</b>
<b>(i) Police station, cars, and facilities:</b>		
3 motor patrol coaches.....	\$4,550	
3 mobile radios.....	1,500	
3 sirens.....	276	
Call boxes, traffic-control system.....	4,916	
Clothing, revolvers.....	5,000	
<b>Total.....</b>		<b>16,242</b>

*Flood damage estimate, Aug. 18, 1955—Continued*

(j) Civil-defense materials.....		\$15,000
(k) Evacuation costs.....		20,000
(l) Public housing (local).....		5,000
(m) Farming (land and crops):		
Land damage.....	\$5,000	
Crop loss.....	6,500	
Total.....		11,500
(n) Parks and playgrounds:		
Huntingdon Ave. (baseball and 6 softball diamonds):		
Building.....	\$25,000	
Grading, fertilizing, and top dressing.....	60,000	
Waterville Park (3 softball diamonds):		
Grading, top dressing, fertilizing.....	10,000	
Bleachers.....	1,000	
2 small buildings.....	300	
Paving parking lot.....	500	
Repairs to river bank.....	2,000	
Rolling Mills field: Field damage.....	2,500	
Hamilton Park: Repairs to river bank.....	1,500	
Total.....		102,800
(o) Naugatuck River Channel clearance and restoration.....		1,500,000
(p) Health department, municipal abattoir.....		5,000
(q) Dog pound.....		18,000
Total public property and facilities.....		3,301,042

Mr. EDELSTEIN. There have been submitted for the record also statements or letters from Maurice Ferland, State senator from the 28th district; George Rivers, representative of the town of Killingly, Conn.; John A. Define, Jr., mayor of Danbury; and John N. Dempsey, mayor of Putnam.

Senator LEHMAN. Without objection, they will be inserted in the record.

(The statements referred to follow:)

STATEMENT OF MAURICE FERLAND, STATE SENATOR, CONNECTICUT  
GENERAL ASSEMBLY

Mr. Chairman and members of the subcommittee, I come from a disaster area. I have witnessed the sad and discouraging scenes of burning industrial plants that we the people of Connecticut are so badly in need of. I have witnessed the partial and complete destruction of our small businesses. I have witnessed unbelievable hardship imposed by the disaster on our people who owned real and personal property. I will agree that many have been partially rehabilitated by the Red Cross and other organizations who have performed such a commendable piece of work, but the greater portion have received little or no help, due to the fact that they possessed assets.

It is most unfortunate that flood insurance was not available to our people and industries at reasonable rates. I am overjoyed that you men from Washington are here today to hear from our good people on their opinions as pertains to flood insurance.

I am not here today to recommend how flood insurance at reasonable rates should be brought about. I have confidence in you men and I know that you will make a detailed study of this matter and that you will come up with the very best solution for all the people in the United States.

I firmly believe that along with flood insurance should go a good sound flood-control program.

In my opinion everything humanly possible should be done to prevent floodwaters from raging at will. Then, if these raging waters overrun our best constructed flood-control dams, insurance would be present to cover the losses.

## STATEMENT OF GEORGE RIVERS, REPRESENTATIVE, CONNECTICUT GENERAL ASSEMBLY

Mr. Chairman and members of this committee, I am State Representative George Rivers from the town of Killingly. I am going to be brief. I am very much concerned with disaster insurance at reasonable rates that will protect our people. I would also like to see flood control put into effect to protect the people in eastern Connecticut. The people of eastern Connecticut have suffered a tremendous blow and, if we are to survive we must have flood control. I know this committee has and will continue to work for a solution to this problem.

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CITY OF DANBURY,  
OFFICE OF THE MAYOR,  
*Danbury, Conn., November 14, 1955.*

**Mr. WILLIAM F. MCKENNA,**  
*Senate Office Building, Washington, D. C.*

DEAR MR. MCKENNA: I am writing this letter to you so that you will place on the record of the Committee on Banking and Currency that the city of Danbury, through its common council, is unanimously in favor of Federal flood insurance.

I am sorry that I did not get the opportunity to address the committee in Hartford, but I believe the story was well presented, and I think the committee is to be congratulated for its willingness to come to Connecticut and hear our pleas.

I am certain I speak for all the mayors in western Connecticut when I say that our sincere hope is that some type of flood insurance will come out of the next session of Congress.

I would urge this committee to do everything in its power to make this a reality.

Sincerely,

---

JOHN A. DEFINE, Jr.,  
*Mayor of the City of Danbury.*

CITY OF PUTNAM, CONN.,  
OFFICE OF THE MAYOR,  
*November 14, 1955.*

**Mr. WILLIAM F. MCKENNA,**  
*Senate Office Building, Washington, D. C.*

DEAR MR. MCKENNA: I am writing this letter to you so that you will place on the record of the Committee on Banking and Currency that the city of Putnam, through its common council, is unanimously in favor of Federal flood insurance.

I was sorry that I did not get the opportunity to address the committee in Hartford, but I believe the story was well presented, and I think the committee is to be congratulated for its willingness to come to Connecticut and hear our pleas.

I know I speak for all the mayors in eastern Connecticut when I say that our sincere hope is that some type of flood insurance will come out of the next session of Congress.

I would urge this committee to do everything in its power to make this a reality.

Sincerely,

---

JOHN N. DEMPSEY,  
*Mayor of the City of Putnam.*

**Mr. EDELSTEIN.** The Honorable Wallace Burke, chairman of the town council of Farmington.

**STATEMENT OF WALLACE BURKE, CHAIRMAN, TOWN COUNCIL,  
FARMINGTON, CONN.**

**Mr. BURKE.** My name is Wallace Burke. I come from Farmington, Conn., and I am chairman of the town council.

Farmington is a little town. We number something less than 9,000. Senator LEHMAN. Is that where the girls' school is?

Mr. BURKE. That is right. We number something less than 9,000. In one portion of our town, Unionville, we number less than 4,000. People have lived along that river for a couple of hundred years. Some of our buildings have been around for 150 years. If you go out there today you will see we have 127 houses less than we had on August 18. They are houses which for the most part in 1 area were 90 percent mortgage free. They are houses which people worked for for two generations.

On August 20 those people became paupers. There was absolutely nothing for them. The only recourse they had was the Red Cross. There was no Federal help and no State help, and certainly the town could not provide any help.

We have estimated the losses in taxes from the loss of those houses at \$2,673,000. We hope that the legislature will reimburse us for the losses we suffered and for the tax rebates we must give. We must have that money because we spent it already for schools and other commitments.

But as I understand the purpose of this committee, it is to ascertain whether or not the people favor disaster insurance. I do not think there is any question that they do. I imagine it is only the type. However, it would seem to me whatever type of insurance the Government decided to have, it should be cheap enough so that the little man I am talking about, with a little house along the river, can afford to pay it, and the little man with the bungalow on the hill can afford to pay it to get insurance against when the wind hits him.

No one, no matter who he is, can escape the hand of God when it comes down, either a flood, fire, devastation, disease, or whatever it is. It seems to me disaster insurance is just one more step in the program which has been developed since 1932, to give the people more security in their living and security from poverty.

Certainly nothing surprises people as quickly as a devastating flood or some other type of disaster.

That is all I have to say, and I hope in the interests of our people in Farmington that legislation comes quickly, because not only were we destroyed on August 19 but again in October the floodwaters came up, and 2 weeks ago they were up again. We lost not only the houses but the land on which they sat, and we have no money with which to replace them.

I do not suppose those people can be helped by this committee, but there are other people who will suffer the same type of loss, and I hope somewhere, somehow, and soon, we will have the protection we need, and we can only do it through insurance.

Thank you.

Senator BUSH. Mr. Chairman, I want to say that Mr. Burke certainly has not exaggerated the situation in Unionville. I venture to say if there was ever a correct and accurate appraisal made of our towns that have suffered damage, that this little town on a per capita basis will have been the greatest sufferer in the whole disaster. I was there shortly after the damage occurred, and the gentleman has not in any way exaggerated the situation. It is just amazing.

Mr. Burke, may I ask you one question? This is a little bit extra-aneous, but I would like to know what you are going to do with that area where those 127 houses were destroyed? Are you going to let them go back and build, or what are you thinking about?

Mr. BURKE. What we are trying to do is have an urban redevelopment plan. We have a redevelopment committee looking into it and we have developed a plan on that portion of Farmington Avenue where we lost 17 houses. It has gone from 160 to 360 feet wide. It is 30 feet deep. We hope to set it up as a common with a memorial for the policeman who was drowned. The other part we hope to make into parks. However, no town can live on parks and playgrounds. You have to have tax-income property. We hope to be able to get the State of Connecticut to swap some land that we have which is swampy and good for birds, for some good land that they have which we think is good for industry, and see if we can attract some to our town.

Senator BUSH. Off the record.

(Discussion off the record.)

Senator BUSH. Thank you very much.

Senator LEHMAN. I believe Mr. Roger Jones comes from Farmington.

Mr. BURKE. He comes from New Hartford.

Senator LEHMAN. Is that near?

Mr. BURKE. It is above us and north of us on the Farmington River.

Senator LEHMAN. He appeared before the committee and was questioned about this proposal of disaster insurance. He testified as follows:

Mr. JONES. Well, if we can make an educated guess as to what our coverage will be, I would think you could factor it very quickly. But from my own experience in traveling up and down—I happen to come from Connecticut, and I have been home since the flood, and we were in one of the worst-hit parts of the State—people I have known all my life are very much of two minds as to whether there would be any appeal in this kind of an insurance program to them, and these are people who lost their homes, lost their businesses.

Do you think that is an accurate statement of the point of view of the people of your town?

Mr. BURKE. I do not know what he says about his town. I know in my town the people want that type of protection, and they have got to have it, because a man should not go from a substantial citizen at 9 o'clock on the 18th and be a pauper on the 19th. Some protection must be given to him.

Senator LEHMAN. I am going just a little bit afield now in the statement I am going to make, but you were talking about urban redevelopment.

Mr. BURKE. Yes.

Senator LEHMAN. Which, of course, has only an indirect connection with the flood insurance; but it is an important question, I think. I have heard a number of representatives of cities, towns, and villages talk about urban redevelopment. They now seem to be very hopeful it will help their situation. I think it would but I would merely add that I think if we are going to use urban redevelopment as any very substantial factor in this whole situation you have to help us to get more money in Congress for that purpose.

Mr. BURKE. I do not think that the present law of itself can do the job. We have looked that law over and talked to your men from the renewal agency time and again. The law, as you know, was for slum clearance. We cannot go into any part of our town and say we have a slum, or that we have none. Those areas which have been devastated by the flood they say are vacant land and it does not

qualify. We have to prove to them that there were houses there in order to qualify. It is true you have to twist and turn the law and torture it in order to get done what we want done, but the easiest thing, I think, would be to amend it to permit blight which occurs overnight to qualify just as soon as blight which takes a century.

Senator LEHMAN. I think it would be a great thing not only to relieve distress, but also to clean up areas and get people to build on less vulnerable ground.

Mr. BURKE. But people love their homes. We are having trouble getting them out of some of our areas.

Thank you very much.

Senator LEHMAN. Thank you.

Mr. EDELSTEIN. Mr. Joseph M. Rourke, secretary-treasurer of the Connecticut Federation of Labor.

#### STATEMENT OF JOSEPH M. ROURKE, SECRETARY-TREASURER, CONNECTICUT FEDERATION OF LABOR

Mr. ROURKE. Mr. Chairman and members of the committee, my name is Joseph Rourke, secretary-treasurer of the Connecticut Federation of Labor.

I am very happy to appear before your committee and I can assure you I will not take very much of your time.

I shall not attempt to repeat what others have said today as to the extent and scope of losses to the people of this State as a result of the two floods within the State. The scale has been so extensive that it is clearly beyond the ability of almost all affected to recover the complete losses they have suffered.

I am concerned most at this point with effective measures to assist the individual wage earner and his employer to return to their pre-flood way of living as fast as possible. While the private agencies have been generous in their assistance, the fact is that they have not made individuals whole. At best they supply up to 75 percent of the individual's loss. This has meant that the individual has had to take a loss of 25 percent or more. In some cases it is much more than that.

I doubt if there are many workers who can afford to take this loss. This means, of course, that they will have to borrow money and do everything possible to get back into the position they were in before the floods. We believe that the Federal Government should provide flood insurance to assist them. However, such insurance should not be limited to floods, but should cover other losses due to acts of nature which are not insurable today.

Flood insurance, however, is only one of the many items which are required. The individual worker in such an area faces immediate unemployment, which varies in duration from less than 1 week to several weeks. In a few cases it is permanent. We believe where unemployment does occur under circumstances such as floods that the Federal Government should require the State unemployment fund to make special benefits available to the workers and the employers adversely affected.

This could be done by requiring the acceptance of certain standards by States to meet the requirements of the Federal law. Such standards should assure that wage earners will receive benefits for not less

than 13 weeks over the normal benefit duration, and that they should not lose their eligibility because of lack of earnings in this period, and that they should be given wage credits for the period of their unemployment. In addition, there should be an increase in the benefits payable to assure the worker of at least two-thirds of his average wages.

Employers should not be charged for the cost of these special benefits. Above all, payments should commence immediately.

While this may be outside the province of the committee, we believe that your committee should make such a recommendation to the appropriate committee.

Insurance against acts of nature not otherwise insurable and adequate unemployment compensation together will go a long way to alleviate the losses suffered by an individual. We hope that your committee will recommend both programs.

I would like to discuss briefly with you the subject of disaster insurance and try to tie it in with regional planning for multipurpose control of our rivers and streams because I think they go together. By multipurpose development I mean a program which includes flood control, power development, pollution abatement, soil conservation, reforestation, and recreation. Even if the precise program which has been so successful elsewhere were not practical in these basins, there is still no reason not to undertake an intelligent development of our river valleys. In the New England area the trend so far has been toward single-purpose dams and other projects, in spite of the fact that this region is notorious for high power rates and underdevelopment of its hydro-electric-power resources. The per capita consumption of electricity in the New England States is one-third to one-fourth of what it is in many areas to the south and to the west.

The opposition of the private power interests to programs of multipurpose flood control has in the past effectively blocked progress along these lines.

The flood waters which inundated our six States this fall are sufficient testimony of our shortsightedness. The Hoover Commission's task-force report on water resources and power recommends a restrictive policy which would maintain the monopoly of the area's private power interests at the expense of the flood-control program.

No program of flood insurance can hope to be effective in this region if the recommendations of the Hoover Commission are followed. The New England area will continue to be subject to these disastrous floods unless the region's opposition to Federal multipurpose water-resource programs gives way. The New England region has the smallest share of Federal power projects in the country, and even of flood control. In that program only 22 percent has been completed, compared with 45 percent nationally.

The flood control and power controversy has raged for a long time, and it is still far from being settled. I mention it only because it seems to have the most serious implications for a flood insurance or indemnity program.

I ask you, can the Federal Government undertake to bail out property owners who suffer flood damages in areas which fight against the very measures which would reduce the damages they seek to be indemnified for? I think the answer is obvious and that in setting insurance rates consideration should be given to this factor, so as to

encourage the vigorous implementation of such flood-control projects as may be needed to afford the maximum possible protection consistent with these costs.

I thank you very much, Mr. Chairman.

Senator LEHMAN. I want to make an observation on what you have said. You touched on a subject, as you may know, which has been very near my heart for a great many years, that is, the extraordinarily high power rates in New York and in the New England States. It has been testified to by a number of witnesses in our hearings that one of the reasons why the program of flood control has proceeded so slowly here was because of the opposition of the power interests to any project that included the public development of power. I do not think that the extent of the handicap that the States suffer when they have high power rates is fully understood. You have touched on one phase of it.

As I said, in New York and in New England they have the highest power rates in the country. I think New England is a little higher than New York, but not much. They are approximately twice as high in New York and New England as they are in the TVA area, at Bonneville, and in the Grand Coulee area—in other words, the Tennessee Valley area and along the Pacific coast.

The interesting thing is, as you pointed out, that the consumption of power is almost in direct relation, that is, the per capita consumption of power is almost in direct relation, to the cost of power. Whereas the cost of power in New York and New England is approximately twice as high as it is in the areas I mentioned, the per capita consumption in those areas runs from 2 to 3 times as much as in the New England and New York area.

It has been proven that there is a direct relationship between them. That is why I have been fighting so hard for the development of the St. Lawrence and Niagara Rivers in New York. When those are both developed, as I certainly hope they will be, not much power, although some, will flow to New England. From the St. Lawrence I think they have set aside 100,000 kilowatts. That will go to Vermont. The rest of New England cannot be reached economically.

I am glad you brought it up because I think it is of the utmost importance.

Senator BUSH. I am glad Mr. Rourke brought that up too, but I think it should be pointed out that unfortunately for New England, we just do not have the facilities for hydropower that we wish we did have. I have discussed this with the Army engineers in the last 2 or 3 months and they say they have studied the situation over the years and the great misfortune is that we do not have the sites where we can economically use hydropower to a much greater extent than we enjoy it, which is very limited at the present time. I wish it might be otherwise.

However, another point I would like to make is the fact that we cannot develop hydrodams should not interfere with our developing protective dams. As a matter of fact, the hydrodam and the protective dam, such as we have up at Mansfield Hollow, which saved untold lives and millions and millions of dollars worth of damage this last summer—those two types of dams are antipathetic. The thing that saved the big area south of Mansfield Hollow Dam was the fact that that dam was empty when the flood came, and it built up to a height of 53

feet. The dam is 62 feet high. It could have gone up another 9 feet. But if that dam had been full of water, as it would have been had it been operating a hydrodam, it would not have done any good for flood protection.

What we want here right now and for the future is flood protection.

I am not taking issue with the gentleman at all, but only pointing out for the record that the two are not complementary, but rather work against each other, that is, hydro and a protective dam.

Mr. ROURKE. After our disastrous flood of 1936 and 1938 the Federal Government offered us \$20 million, all the way up to Maine, to protect from floods and furnish hydro power, but the six New England Governors, if I am not mistaken, said "No."

Senator BUSH. I think the gentleman is correct; that there has been some opposition in the past by the public-utility interests to the protective dam, even in the Thomaston area, 10 years ago or 11 years ago. However, I do not believe we will, and I hope we will not, encounter any opposition from that source to the development of this system of protective dams in New England which so vitally affects our future and that of our neighboring States of Massachusetts and Rhode Island.

Mr. ROURKE. I hesitate to take any more time because my brothers of the CIO are here waiting.

Senator LEHMAN. Thank you very much. It was a very interesting statement.

Mr. EDELSTEIN. John J. Driscoll, secretary-treasurer of the CIO, accompanied by certain people.

**STATEMENT OF JOHN J. DRISCOLL, SECRETARY-TREASURER, CONNECTICUT STATE CIO COUNCIL; ACCOMPANIED BY FRED RACINE, DANIELSON, CONN., AND MICHAEL ZMUDA, PRESIDENT, AUTO WORKERS UNION LOCAL, SEYMOUR, CONN.**

Mr. DRISCOLL. My name is John J. Driscoll and I am secretary-treasurer of the Connecticut State CIO Council. I am accompanied by Mr. Fred Racine, who lives in Danielson; and on my left is Mr. Michael Zmuda, president of an auto worker union local, who lives in Seymour.

I will not try to go over the statement I have prepared completely because the hour is so late and you have listened to so much previously, but there are a couple of things I would like to stress from it, while leaving it with you.

Senator LEHMAN. We will receive it. We would like to have your full statement in the record and you may proceed as you desire.

Mr. DRISCOLL. All right.

The first thing our organization would like to do, and we know you cannot do it, Senator Lehman and Senator Bush, is to call a special session of Congress. We know that the President must do that, but we believe if your committee recommended it as strongly as you could, that possibly you would have some influence with the administration.

I first heard this suggestion from Mrs. Rogers, the Congresswoman from Massachusetts. At the time I thought probably it was out of the question, but as I read and heard more about the problem involved, not only on the question before your committee, the insurance ques-

tions, but the problem of appropriations for flood control and dams and dikes and river development, it seems to me that if this gets involved, if this problem is taken up in the regular session, it will be involved with so many other problems and reports and hearings and other things which will be coming up in an election year especially, that we may not get the same kind of attention to it that we could get if the President should call a special session of Congress for it.

I know it will not be popular with you people in Congress to suggest it because I have a vague idea of the burden you labor under anyway, but it does seem to us that possibly in the course of a short session later on in November or early December it could be done in a much shorter time than you would otherwise have to give to it if it were involved with so many other questions.

I think the discussion between Senator Bush and Governor Ribicoff this morning indicated the kind of problem involved in getting bills of this nature through, not to speak of flood-control appropriation and all of the others in a regular session. So I hope you will give a little extra consideration to that idea as a part of your committee work.

Senator BUSH. Will the gentleman yield at that point?

Mr. DRISCOLL. Surely.

Senator BUSH. I would like to say that when the President came here that Tuesday following our first flood in August, I did recommend then a special session of the legislature. He took that up with the legislative leaders in the Congress in both Houses and it was decided that that would not be appropriate. So I would say that no matter how Senator Lehman and I felt about it, or this committee, it would be hopeless now, I believe, to get a special session before January.

Mr. DRISCOLL. Well, we hoped you would give it another try.

The more I hear about the problem that faces you on the insurance question, the more complex it seems to be. If you could come up with a solution in your committee of the type that has been offered in the bill that Senator Lehman has prepared, I think it would take a good deal of time to go through that alone.

Our State organization is on record, and our New England Council organization, as being in favor of disaster insurance. We have not taken specific action on that problem which Senator Lehman raised about limiting the coverage, but after hearing the discussion today I would like to call your attention to a couple of things in this statement which bear upon the same problem.

We are in favor not only of insurance for the future in all kinds of disasters, but for these last two floods in the Northeast. Senator Bush asked if we went back to those, how could we stop going back to 1954 and 1951? I think there is a logical date at which you could draw the line. Since the President of the United States in 1952, as you pointed out, Senator Bush, asked the Congress to take up the problem of disaster insurance, and the Congress did fail to act upon it, maybe that would be a proper date for the Congress to say that the insurance program which is developed, and we hope will be developed, will take effect, that is, that it will go back to that date.

I know there are problems in raising the money. On page 2 of my prepared statement I have suggested that instead of a tax cut which a number of people have said we can afford, maybe we ought to talk about spending this money to start a reserve fund which Senator Lehman was talking about, or Governor Ribicoff, and start making pay-

ments to individuals for their sufferings in the past two floods. A 5-percent tax cut on the basis of the estimated \$49 billion tax receipts for 1956 just from an income tax and corporate profits tax, would mean \$2,475 million which would be available for either of these purposes. I think that the people of the country would be willing to forego that much of a tax cut in order to get some kind of permanent program established on a sound basis, even if it does mean a direct Federal subsidy.

As far as the problems of business and industry are concerned, I have a few illustrations of the problem and our attitude to it on page 4 of my prepared statement, in the last two paragraphs, where I said that our observations about the Federal Government's requirements for loans to business and industry hit by recent floods are much too harsh and restrictive. I have been told of an example by a small-business man of my acquaintance, which indicates very severe demands for collateral and other guaranties. This man told me that he had lost about \$13,000 in the flood. He tried to get a loan from the Small Business Administration and they told him first of all he would have to take out a third mortgage on his property and his building, and would have to take a \$4,000 year salary cut. He would have to put his own life insurance up as a guaranty of the note and would have to give his own personal guaranty.

Senator LEHMAN. And then all he would get would be a loan which he would have to repay.

Mr. DRISCOLL. That is right—at 3 percent. He pointed out that out of \$4,000 a year—and I am sure he is making less money than the man who acted on his application in the Small Business Administration—would mean in the course of 10 years \$40,000 that he would lose just on that particular angle of it.

Our attitude is that the Small Business Administration ought to give loans without interest and without arguing too much about the credit rating of the borrower, as long as there is some good-faith relationship established there with the intention to remain in business and carry on.

Maybe this sounds extreme, but we have a precedent for it which I have mentioned on page 4 of the statement under the action in 1953 by the present administration for the drought sufferers in the Southwest. At that time there were passed by Congress some amendments to Public Law 875 to permit direct relief to drought sufferers. At first the Secretary of Agriculture established regulations which would have required investigation into the need of the borrower, or those who would get feed or grain. He wanted to find out whether they had the ability to remain in business and maintain a herd in relatively satisfactory condition.

That is the quotation.

But there was a good deal of opposition to this by Members of Congress from the drought-stricken areas and the administration reversed its policy.

On July 22, 1953, Secretary Benson ruled that cattlemen need not file any financial statements, nor take any pauper's oath in order to get feed under the program.

I raise this not from the point of view of inciting any sectional hostility toward the people of the Southwest. Our organization be-

lieves in supporting programs for soil conservation, multipurpose dams, flood control, and hydroelectric power, and all of the various things that are good for the country as a whole. We do not object to the cattlemen having obtained this kind of relief. But we do say it is a precedent and if, as some people say, we live by precedents, and if it is a precedent you want, I think you have a precedent right in the actions of the present administration for giving direct relief without requiring collateral for a loan the way the Small Business Administration wants it.

There was a quotation by one of the Texas Representatives at that time which I think is illustrative of the way the Small Business Administration acts now about the loan applications. Mr. Bentsen, a Representative in Congress from Texas, said:

Collateral, it seems, means that in order to borrow money you have to prove that you do not need it.

Our organization further thinks on this question of the limit that Senator Lehman has raised on the coverage, we think the Small Business Administration's limitation of \$150,000 on loans or individual loans would be one type of limitation for the past floods. As to the future, the limit suggested by Senator Lehman's bill of \$300,000 might be in some cases too small, but I suggest that these bigger businesses Governor Ribicoff was talking about have available a considerable amount of relief already under the form of tax writeoffs, that is, carry-forward and carry-back provisions, which enable them to absorb about 50 percent or so of those losses over a period of years.

Possible, Senator Lehman, in addition to your \$300,000 limitation on an individual or a corporation, possible the 5-year accelerated amortization principle might be allowed or brought into play for larger industry to permit them to take this tax writeoff on equipment and material and construction of buildings which are needed to replace those lost in disasters.

SENATOR LEHMAN. It is certainly one of the things which will be considered by the committee. I am sure of that.

MR. DRISCOLL. Yes; we are concerned especially at this time about the individual who is not eligible for a loan by the Small Business Administration and who lost his home, or parts of his home and personal property, his furniture, and what not. We think that all of the proposals that have been made up to now about insurance for the future overlook the fact that these people have suffered the kind of losses which our Federal Government has in many direct aid and grants-in-aid programs taken care of in other cases.

I would like to have Mr. Racine tell you a little bit of his own personal problems, not because it is his problem alone, but because he represents a very large group, not merely of members of the Textile Workers Union, or the CIO, but of a great many different workers of which he is a type or an example. We are concerned about those who are unorganized as well as those who are organized. We do not want you to think in telling this story he is speaking for himself as an individual.

MR. RACINE. My name is Fred Racine. I live at 21 Birch Street, Putnam, Conn.

First of all, the flood came along and caused damage, personal damage on personal property, and furniture, and to my home. The per-

sonal damage on the furniture was partially taken care of by the Red Cross. The Red Cross' damage estimate to my home is \$7,581. They told me I could obtain a loan from the Small Business Administration and our payments over a 20-year period would be \$42.15.

Immediately after they told me I would receive no help from them toward repairing my home, I went to the Small Business Administration, and because of my home being a three-family home unit I was termed small business, so they would not allow me a 20-year loan.

The Red Cross figured my budget out very closely. Actually I was spending more money per month than I was taking in, so for 10 years a 10-year loan from the Small Business Administration would be \$76.12 per month. This would have been considerably above my budget. So I was returned to the Red Cross and they told me to try to get a loan from a bank.

I went to the Danielson Federal Savings & Loan. They would not consider a first mortgage on my place until after the building had been rebuilt or repaired. The payment to the bank would have been \$52.28 a month, \$10.13 more than it would have been through the Small Business Administration. This, over a period of 20 years, would be \$2,431.20 for interest alone.

I am in a predicament where I would like to be able to borrow money, even for 3 percent, but for a 20-year period.

I could state other damage from the viewpoint of my father and mother. They lived in the same town of Putnam and lived at 25 First Street. My father is 76 and mother is 75. They had income from three houses. One 4-family unit was completely swept away by the flood and the other 2-family unit was so badly damaged it was recommended it be demolished. Now they are living at 47 Chapel Street in a 1-family house, a 14-room affair, which the Red Cross is going to repair. But the only income they have at the present time is their social security, and with this home on their hands, living there alone, the interest and taxes along will pretty nearly consume their income.

I think I want to say thank you, gentlemen.

Senator BUSH. Thank you very much.

Mr. DRISCOLL. What we said is not intended to be a criticism of the Red Cross. You understand that. Our organization has contributed heavily to the Red Cross, but we realize its limitations.

Senator BUSH. Did I understand that this gentleman lived in the residence on the first floor?

Mr. RACINE. That is right. My whole family lived on the first floor. I have a wife and two children and I was personally wiped out.

Senator BUSH. Your case did not result in any assistance from the Red Cross for furniture, or anything?

Mr. RACINE. I have received some assistance from the Red Cross for furniture and clothing. I did lose a two-car garage that was completely washed away.

Senator BUSH. Did they make any contribution toward your needs other than furniture and clothing?

Mr. RACINE. No.

Senator BUSH. None at all?

Mr. RACINE. You see, I had a mortgage on the place of \$4,000, but my father held the mortgage. So they spoke to my father and asked him to take a second mortgage, in other words, to forget the first mortgage so that I could go out and get a loan, and that is all they

have done for me. I could have done the same thing myself. I could have spoken to Dad and asked him to take the second mortgage.

Senator BUSH. I would like to say for the record I intended to introduce an amendment to existing legislation which will permit the Small Business Administration to make 20-year loans in connection with disaster cases on small-business loans. In other words, it would take care of the very case that the gentleman mentioned there and would eliminate any difference between the small business and the home loan.

Mr. RACINE. The rent that I received from these 2 other dwellings, the other units in the house, is the same today as it was 20 years ago. There is a rental control in the town and I have not been able to raise the rents. I live at 21 Birch Street but I am located at 3 Whitley Street in Danielson, Conn.

Mr. DRISCOLL. Now we have Mr. Zmuda, who will also tell you his story. He is not even eligible for consideration by the Small Business Administration. He is only in the individual category.

Mr. ZMUDA. Mr. Chairman, I live in Seymour and have been employed by the Seymour Manufacturing Co., which has been flooded twice, the first time to the tune of \$1 million and the second time \$250,000. They just started into production, incidentally.

I was right in the path of the flood, and live on Derby Avenue. That was right on the river bank. Along these rivers in the years past, certain neighbors of ours have built up retaining walls to keep the river away from the yard and they built them high enough so that we were always dry. During the first flood of August 19, all of these retaining walls had been washed away. Immediately after the flood I went down to the Red Cross and spoke for myself, asking for a little assistance in rebuilding my retaining wall, which was badly needed around there.

The engineers, incidentally, came down and looked the valley over, and they told me it would be useless to put up a retaining wall unless the neighbors put one up also. Well, at the same time they didn't consider that the neighbors' homes have floated away and they have no interest in it to put up a retaining wall.

I asked a contractor and he said, "It would cost in the neighborhood of \$4,000 to \$5,000 to put it up, and that still does not increase the value of your property," he said. "If the other fellow does not put it in you are just throwing your money down the river." The neighbors will never put up a retaining wall and do not intend to build there any more.

In the flood of October 15 I lost 15 more feet of land. Incidentally, I lost 10 feet the first time and 15 feet the second.

Senator BUSH. Is your property on a development which was put down there or is that not the case?

Mr. ZMUDA. No, sir. It is right on the main highway, Derby Avenue, Route 8.

Senator BUSH. But it was not part of a development built in the river valley?

Mr. ZMUDA. No. There were homes there for years and years back. That is why I say in years back they built up the retaining walls and kept the river away.

Senator BUSH. Is it on Route 9?

Mr. ZMUDA. Route 8.

So when the engineers came over to level out some of that land there they used the equipment and scraped it down lower than it was before. Then when the October 15 flood came in it brought the river right into our backyards, and most of the homes that did not float away had water in them again, which is something they didn't have before.

For instance, as to myself, my garage and barn floated away. I went down and asked for assistance and they told me, naturally there was a few dollars in the bank, and asked me if I could use that. I said I could. I could use every bit of it if I had to, but that money was put away for my son, who is 15 years old now and graduates in 2 years. I thought maybe I could send him to school. It took me a few years to put it in there and I could not see putting it into a useless project if I did not get the assistance of the neighbors, and so forth.

I did not have a mortgage on the place. They told me how to get a loan and by going out to get a loan I would have to start all over again, and I cannot possibly see how I can start. I'm not an old man yet, but I just cannot see how I can start and still educate my son.

I was partially reimbursed on the furniture. I had lost all my furniture on the first floor. I have a six-room house, and all of my furniture on the first floor was just washed away. The house is mostly repaired by myself.

My mother also had a three-family house on Broad Street, right across from the Seymour Public Library. She is a widow, incidentally. My father passed away this year and left her with the three-family house, as an income for her. A few months after that it washed away and the only income she has now is the social security, and they have one three-room flat upstairs they rent out. Not only did she lose the building, but also lost the ground it stood on as it is just a riverbed now.

On top of that, I asked the assessor exactly what would be done about that and they tell me she will have to pay 10-percent tax on the riverbed—which I couldn't understand. He said many people made money on riverbeds, and I can't get it through my head how you can make money on a riverbed. I wish someone would enlighten me.

But my neighbors are mostly old and retired people and have been washed out of their homes.

Senator BUSH. Incidentally, I know how terribly Seymour was struck. It was just awful. Do you think most of those people would take flood insurance at a reasonable premium if it were made available to them?

Mr. ZMUDA. I would say probably some of them would. Personally I would have.

Senator BUSH. You are in favor of some sort of flood-insurance program?

Mr. ZMUDA. I am very much in favor of it.

Senator LEHMAN. How much higher was the river this year than normal high water?

Mr. ZMUDA. This year I would say in my neighborhood about 8 feet. That is enough to come into our backyard. There was a 15-foot retaining wall and it came over the top of that wall and traveled about 75 feet to come into my backyard and into the cellar and first floor, and up as high as the kitchen table. It was just enough to ruin everything that was there.

Senator LEHMAN. I suppose you did not even have time to move your furniture?

Mr. ZMUDA. No; we could not. We just had to get—we were fortunate enough—I say we were fortunate enough that the dam below, the Kinneytown Dam below, at that moment when my neighbor's house was picked up and took off and I was the next one to go, at that time the dam below burst and the water receded, so that is what left me there. Otherwise there would have been more damage done.

Senator LEHMAN. Did your neighbors have mortgages on their houses?

Mr. ZMUDA. They did. I know one of them in particular who was a widow. Her husband passed away 3 years ago and she converted her 1-family house into a 2-family house. It was a 7-room house, so she had 3 rooms and rented out 4 rooms, and that floated down, too.

Senator LEHMAN. She has no house but she has a mortgage?

Mr. ZMUDA. She has nothing. That is why I say these retaining walls mean so much to us. If we can get them to hold back that river and keep it from coming into our yards and homes, that would help us a lot. For any individual to throw in four or five thousand dollars into a retaining wall which does not increase the value of your property, is just out of the question.

I would say if I had a piece of property there—and you can probably buy a lot there for \$1,000—it would be foolish to put in a wall when you can go out and buy a good lot up on the hill for that.

Senator BUSH. Had the property where your homes stood ever been flooded before?

Mr. ZMUDA. Not to my knowledge. I talked to some of the old-timers who had retired, and they never saw that. They say they had heard of it years back, but not that high.

Senator BUSH. You didn't think of yourself as living in a dangerous neighborhood?

Mr. ZMUDA. I would never have moved my family in there if I did.

Senator LEHMAN. That question which Senator Bush asked is a very important one: That is, whether you and your neighbors would have taken out insurance if it were available, since this is all based on having a wide base for the insurance.

Mr. ZMUDA. I say now I would have. Yes. But at that time for all of those years that river never came up that high and we were never threatened by the river. Nobody there for miles both ways.

Mr. DRISCOLL. Thank you for your time, Senator.

We suggest the exact formula for reimbursing flood victims of this nature should parallel whatever the formula is your committee works out for future coverage. I do not know what that will be and do not know what it would cost, but think that the cost will be well worth the Government's expenditure of funds for it. We are willing to support the necessary tax legislation to make it possible.

We are very glad that you have given us this time and thank you for your indulgence in letting these two men tell their individual stories.

Senator LEHMAN. Senator Bush and I thank you very much.

Without objection, your formal statement will be inserted in the record at this point.

(The statement of Mr. Driscoll follows:)

STATEMENT OF JOHN J. DRISCOLL, SECRETARY-TREASURER, CONNECTICUT STATE CIO COUNCIL

On behalf of the Connecticut State CIO Council, whose executive board has unanimously endorsed these proposals, I wish to urge that the Senate Committee on Banking and Currency recommend that Congress adopt, as quickly as possible, a program for disaster insurance which would cover potential victims of such disasters from floods as we have recently experienced in Connecticut, as well as some specific types of direct aid and relief to the victims of these floods.

The State CIO council's executive board has also unanimously endorsed the idea that a special session of Congress is needed to act quickly on these proposals, as well as on the flood-control projects involving the building of dams, dikes, river channel dredging and improvements, etc., for which Federal appropriations are needed.

Turning first to the latter point, we recognize that there will be several problems to be overcome before a special session of Congress can be called. I know that a number of Congressmen from New England have expressed themselves in favor of a special session, including Mrs. Rogers, of Massachusetts, and Mr. Patterson and Mr. Dodd, of Connecticut. No doubt it will be cited as an argument against a special session, by Congressmen from other parts of the country, that the nearness of a regular session coming up in January obviates the necessity of calling an earlier meeting of the Congress. I believe that this committee should impress on the administration, and on the other Members of the Senate and the House, that a very serious delay would result from presenting these proposals to a regular session. Despite the best intentions and the good will of Members of Congress next year, we must recognize that a tremendous amount of other legislation will come up. Much of this other legislation will be highly controversial, particularly since 1956 will be an election year.

I fear that legislation for disaster insurance will have a tough time competing for attention with other matters. Action could be seriously delayed, if not actually blocked. We can't afford to risk delay on critically needed legislation to protect people from tremendous and tragic losses such as they suffered in the August and October floods, and previously, when hurricanes inflicted heavy damage. Simply under the law of averages, the Nation must be prepared for future natural disasters, which may hit anywhere, anytime.

Therefore, we propose a special session of Congress to be held either later this month or in December, so that action on disaster insurance and direct aid can be disposed of in an atmosphere uncomplicated by other questions. The sacrifice of time which Members of Congress might experience by attending a special session would be a small matter compared to the losses suffered by individuals and business people in recent disasters.

Action taken by Congress should cover not only losses from future disasters, but should be retroactive to cover disaster losses of the current year.

I understand that it has been, or will be, urged on this committee that overall disaster insurance to provide against flood, tornado, hurricanes and even nuclear bomb blasts, will be too expensive to provide universal coverage. It will probably be argued even more vigorously that no direct aid should be given to individuals or businesses damaged by the recent floods in the Northeast. It will probably be argued that we cannot afford these direct payments or subsidies.

At the same time, suggestions are being heard in numerous quarters that the country can afford a tax cut next year. If such a tax cut amounted to only 5 percent, it would mean \$2,475 million on the basis of the almost \$50 billion tax receipts estimated from income and corporate profits taxes for 1956. I feel sure that the people of the United States would be willing to give up part of such a cut, or even do without a tax cut, in order to provide against the hardship and suffering which are the fate of victims of such natural disasters as we have recently experienced.

If we can afford \$6 billion for atomic and nuclear energy activities (most of which is undoubtedly for the production of weapons to protect us against man-made disasters in the form of aggressive attacks by enemies from without) surely we can afford a fraction of this amount to subsidize disaster insurance and payments to the victims of natural disasters.

I use the word "subsidize" advisedly, because of course it may be necessary for the Federal Government to subsidize any really adequate program of insurance, in order to make it available to all the people who may be affected.

Surely, in the event of an atomic attack the total resources of the Government would be utilized for reconstruction, all the way from the rebuilding of industrial capacity to aid in the restoration of family units.

If a business or home is demolished or damaged, the blow to the individuals affected differs little whether the destruction has resulted from manmade weapons or the natural elements going berserk.

As the members of this committee are well aware, there were individuals who experienced such terrifying losses in the recent floods that their despair could hardly have been deeper in circumstances of similar loss under conditions of warfare. In war there is at least the lift to morale that comes from the hope of ability to immediately fight back.

When natural disasters hit with the tremendously destructive force and effects of the recent floods and hurricanes, there is a feeling of extreme helplessness. The enemy in this case is nature. We cannot fight back against nature, but we can build protections to greatly cushion the blow. These protections are readily at hand. All of us must feel a sense of amazement at how slow we have been to utilize them.

I believe that the gentlemen of this committee are familiar with the many forms of direct aid and subsidy which the Federal Government has provided over the years for individual citizens, farmers, business and industry, whether or not they were the victims of disaster.

I suggest that we have precedents available in the form of Federal legislation to establish payments for soil conservation, aid to dependent children; and legislation to provide aid to the victims of natural disasters in the 1953 amendments to the 1949 Disaster and Loan Act, which was signed into law by President Eisenhower on July 14, 1953. There are several other types of Federal aid which come to mind, but let us look at the Disaster and Loan Act as it was applied to the sufferers from the 1953 drought in the Southwest.

In that case, Secretary of Agriculture Benson immediately put out regulations restricting the eligibility of drought-stricken ranchers and cattlemen for subsidy by the Federal Government (in the form of feed at reduced prices for cattle), regulations which were based on a policy of individual need, or "ability to remain in business and maintain a heard in relatively satisfactory condition."<sup>1</sup> A barrage of opposition by Members of Congress from the drought-stricken areas forced the administration to reverse its policy. On July 22, 1953, Secretary Benson ruled that cattlemen need not file any financial statement nor take any "pauper's oath" in order to get feed under the program.

I suggest that the Federal Government's requirements for loans to businesses and industries hit by the recent floods are much too harsh and restrictive under the present policy of the Small Business Administration. I have been told of an example by a small-business man of my acquaintance, which indicates incredibly severe demands for collateral and guaranties by the prospective borrower. Apparently the present SBA regulations are based on a definition of collateral similar to that which was sarcastically placed in the Record by a Member of Congress, Representative Lloyd M. Bentsen, Jr., of Texas on July 20, 1953, when he said "Collateral, it seems, means that in order to borrow money you have to prove that you do not need it."

I have been informed in connection with the recent flood disaster, that the SBA has required a third mortgage to be added where two were in existence prior to application for an SBA loan; and also that signatures of all the directors of a corporation have been demanded as personally guaranteeing the note. Regarding the signature matter, this could mean that refusal to sign by one director among several directors could mean no loan.

I do not know—but probably this committee will want to determine—whether these collateral and signature demands are official regulation. If they are not official regulation, then it would appear that representatives of SBA have assumed arbitrary powers or made their own personal regulations.

I have been told of the case of a businessman, who beside being faced with other stiff requirements, was told he must take a salary cut.

My information indicates that the SBA has sometimes taken a tougher attitude than private lending institutions. The SBA attraction, of course, is a lower rate of interest. However, in a small business, the benefit of a lower rate of interest could be canceled by the demand, such as I have mentioned, that the principal owner and operator of the business take a severe cut in salary.

<sup>1</sup> See Congressional Record for July 21, 1953, vol. 99, pt. 7, p. 9440, 88d Cong.

Surely the Congress can act now, as it did in the case of the drought-stricken ranchers and cattlemen of 1953, to permit loans to flood-stricken business and industry to be made without regard to proving need, or the lack of financial ability to remain in business without such loans.

I believe that this committee should recommend that the Government go even further that the providing of loans without restrictions as to collateral, or need, but that the Small Business Administration should grant such loans to business and industry hit by the recent floods on the basis of no interest requirements. If it is argued that this is a direct subsidy, how is it different from the direct aid which the Federal Government has been giving to defense contractors under the so-called certificates of necessity? By permitting accelerated depreciation allowances, the purchaser of a big new boring mill for a machine shop or the manufacturer who installs a modern continuous strip mill in his plant may recoup the entire cost of that within the space of 5 years, as I understand the procedure. This is certainly a form of direct aid to industry, and I can see no distinction or necessary difference between that and giving non-interest-bearing loans to business and industry hit by a flood.

If this committee takes kindly to my suggestion, but believes that it would discriminate too much in favor of small business and industry, you might consider tax legislation similar to the certificates of necessity for the replacement of flood-damaged equipment and plants of larger industrial corporations. This would mean, as I see it, that the recipients of such certificates of necessity could pay for the purchase of new equipment and the construction of new plants to replace those lost in the floods, and could take tax deductions over and above those presently permitted under the carry-back and carry-forward provisions as to losses of this type.

Now what about Federal aid to individual homeowners and families who lost houses, garages, and personal property in the past floods? Disaster insurance ought to cover future losses of this nature; and if that is so, why cannot the Federal Government grant direct personal aid to those whose losses were not replaced by Red Cross in these last two floods in the Northeast?

Of course the easiest answer to that question is to say that we've never done it before, with all the floods and tornadoes this country has suffered.

That answer is really not a reason, but an argument from precedent. And is it even a good argument from precedent? How about the ranchers and cattlemen of the Southwest, and the grain and feed they got at reduced prices—isn't that a direct grant to disaster victims, regardless of need?

What about the economic aid our Government has granted to the victims of World Wars I and II? the \$100 million voted by Congress to the war sufferers of Europe in 1919, was administered by none other than Herbert Hoover, our former President. No one charges that this money was not well spent—but if we could do it for others, why not for our own citizens?

And after World War II, did we not give direct aid to millions in other countries in the UNRRA programs? The distinguished chairman of this committee, Senator Lehman, was administrator of the UNRRA program, I believe, for some time. I think he would agree with me that the program was a vitally necessary one, and it was based on our best traditions of American aid to the victims of war and catastrophe.

It may be argued that these grants of Federal money were limited to those in need; and in the recent floods, Red Cross has taken care of the needy. We must certainly salute Red Cross for having done an admirable job, within the limits of its funds and the regulations governing its work.

But Red Cross aid has not covered all individuals whose losses could be met from their potential or actual resources, in the judgment of social workers who checked each case.

But for many people who suffered such losses, having to spend their savings to replace homes, cars, garages, and other personal possessions means that they may have to sacrifice the higher education of their children, for example.

These are resources which I believe we want to conserve, as much as we want to conserve our topsoil, and so give direct money grants to those landowners who undertake conservation programs.

The exact formula for reimbursing these flood victims is one which I believe should parallel the formula which will finally be worked out by this committee, and later on the Congress, for the disaster-insurance program which I hope will be enacted. The cost of reimbursing the victims of the last two floods would be considerably less than the 5-percent Federal tax cut which I previously discussed, on the basis of the estimates which I have seen.

I thank your committee for this opportunity, and trust that you can reach early and unanimous agreement on recommendations to Congress which will adequately meet the needs of our people, all over the United States, when they are confronted by disaster.

Senator LEHMAN. Unfortunately I have to leave now. I have engagements in New York this evening and very early tomorrow morning. I am driving down to New York. So I am going to ask Senator Bush to take over and I am leaving my administrative assistant, Julius Edelstein, here to represent me.

Senator BUSH. I think I would like to say how much we appreciate Senator Lehman's coming up here. Senator, we are very grateful to you.

Senator LEHMAN. Thank you.

Mr. EDELSTEIN. The next witness is Mr. Stuart Cleveland of the Connecticut Retail Merchants Association and the National Retail Dry Goods Association, smaller stores division.

**STATEMENT OF STUART CLEVELAND, PRESIDENT OF THE W. W. MERTZ CO., VICE PRESIDENT OF THE CONNECTICUT RETAIL MERCHANTS ASSOCIATION AND CHAIRMAN OF THE SMALLER STORES DIVISION OF THE NATIONAL RETAIL DRY GOODS ASSOCIATION**

Mr. CLEVELAND. Honorable Connecticut Senator Prescott Bush, I am Stuart Cleveland, president of the W. W. Mertz Co., a department store located in Torrington, Conn., an incorporated city about 25 miles west by northwest from here, in the upper Naugatuck Valley; vice president of the Connecticut Retail Merchants Association and chairman of the smaller stores division of the National Retail Dry Goods Association. In addition to my neighbor merchants in Litchfield County, I have expressed permission to voice the views of the Connecticut Retail Merchants Association, which is an aggregation of department stores and specialty shops both independently owned and chain operated. I also have a fresh mandate to convey the sentiment of the National Retail Dry Goods Association insofar as the subject matter affects the membership of that organization in disaster areas.

Merchants in central Connecticut are bound to be insurance conscious. We are located in the largest concentration of multiple-line insurance underwriting in the Western Hemisphere. We are well aware that retail trade volume in this area traces in substantial measure to the payrolls generated in the home offices of that industry. We would be shortsighted to initiate or support any legislative proposal that would jeopardize that wellspring of trade volume.

My own retail business, being situated in Torrington, which was hard hit in last August's disastrous flood, did not suffer proportionately as heavily as did many, many others of my fellow merchants. Nonetheless, our own loss was between \$15,000 and \$20,000, and even that amount, in a smaller business, as the boys say, "is not peanuts"—especially when there is no adequate recourse to direct financial aid. Thank heavens for what limited aid has been available through the SBA, the Red Cross, et cetera. They have done a grand job insofar as they could.

I would like to ad lib at this point in my formal statement by reciting briefly an interesting conversation I had with a fellow merchant, as we were in company leaving our local post office this past week. We had been school boy companions in our younger years. He had devoted the past 30 years of his life, the best productive years of his life, to developing a successful appliance operation. He has well educated three boys, and has a daughter still to be educated. He owns a comfortable home, a truck and a car, and I believe a small farm up in the Winchester area. He related to me the other morning that his personal loss in capital equity was in the neighborhood of \$100,000 in this disaster but, because he still has equity he was not eligible for a grant-in-aid by an agency such as the Red Cross. No reflection on them, of course. But competitive businesses or other retail operations in our community and all of these other communities we have heard from today, that possibly have been in their type of work for 5 or 6 years, had been borrowing financially and were mortgaged up to their necks. They had so little equity that they did fall eligible to grants from an agency such as the Red Cross.

It would just seem on the surface, at least to me, that the treatment in one case had been fair and liberal and humane, while in the second it might appear otherwise.

Because no American company will write flood-damage policies, the businessmen are certainly at the mercy of the elements, with no means available to them to recover in losses of this kind; hence only the Government could afford to underwrite this type of risk. Naturally, businessmen object to going to the Government for services that others in the free enterprise system can provide, but in this case I am told that only Lloyds of London write a flood policy and that premiums are set at 25 percent of the face value, which is prohibitive.

We recognize two major reasons why the insurance industry cannot offer protection in flood or other natural disasters on a straight commercial basis: (1) the mathematical impossibility of calculating the risk in terms of premium; and (2) the strong likelihood that insurance contracts covering this hazard could probably be sold only in areas where disaster damage was most likely to occur, with the result that the cost could not be spread over a sufficiently large group of potential premium buyers.

On the other hand, as firm believers in the American enterprise system, which entails the likelihood of loss as well as the promise of profit, we could not consistently expect the Federal Government to step in and restore flood sufferers to the position they occupied previously with no effort or foresight on their part.

Here, as in so many other needs of the American people, equity lies somewhere between the two extremes. We believe that the experience of the War Damage Corporation during the war offers the nearest approximation to an effective remedy that is visible on the horizon today. This, as you so well know, was a system under which the potential property damage inherent in armed hostilities, whether inflicted directly by the enemy or occasioned by internal causes, was envisioned as a risk in which the Central Government, in the exercise of its sovereign power to declare and wage war, had an obligation to reinsure. The mechanics, you will remember, were simplified by utilizing the underwriting facilities of the private insurance industry.

It seems to us that the parallel is clear. If it be argued that a natural disaster is beyond the foresight or control of Government, it must be remembered that aggressor nations are not in the habit of communicating their intentions in advance, as Pearl Harbor should have taught us. And in this connection it is not without significance that the Connecticut General Assembly of 1953 expressly authorized the use of civil-defense forces in natural disaster.

Heavy capital losses such as you and I have seen in my community and my State of Connecticut certainly call for a prompt and adequate development of Government disaster insurance before any recurrence of the disaster which fell upon us only weeks ago.

When one thinks of the billions of dollars this country has spent in the past decade for humanitarian relief outside our country, is it too much to envisage or suggest a substantial program in this area of proposed Government disaster insurance? I prefer to think not. We all hope you will be eminently successful in your endeavors and I want to thank you for this opportunity to appear and speak before you.

Senator BUSH. Thank you very much, Mr. Cleaveland. Where is your store?

Mr. CLEAVELAND. On Main Street. We celebrated our 150th anniversary sale last month.

Senator BUSH. That is very fine. I certainly congratulate you.

Was most of your loss in this flood in personal property rather than real property?

Mr. CLEAVELAND. Yes; entirely so. Entirely through seepage, in fact. We got virtually none of the silt or bad sewage water, and so on, from Main Street proper, but it worked into a depth of 3 feet in our lower sales area and stockroom and boilerrooms, and so on, and the completely display department was ruined.

Senator BUSH. You are in favor of a substantial flood-insurance program?

Mr. CLEAVELAND. Yes, sir; we are.

Senator BUSH. The committee is very grateful to you for coming over.

Mr. CLEAVELAND. Thank you, Senator. We are grateful to you for the privilege of appearing.

Mr. EDELSTEIN. The next witness is Mr. Simon M. Yaffe, insurance agent of West Hartford.

#### **STATEMENT OF SIMON M. YAFFE, WEST HARTFORD, CONN.**

Mr. YAFFE. Gentlemen, I want to talk about insurance. My name is Simon M. Yaffe; I live in West Hartford, Conn. I am now and have been an insurance agent for about 20 years. Mine is a small agency, doing business with small-business men, professional men, homeowners, and people who rent their living quarters. It is because of the nature and size of the business which has brought me close to the "little fellow," rather than in spite of it, that I feel that what I have to say may be of help to this committee.

In other words, I am the man who had to go around to see the fellows who suffered the water damage and explain to them why they were or were not covered under their insurance.

First of all, let me make myself clear on one point. Nothing which I say here is meant to be criticism of the insurance business as a whole.

or as it is conducted by any individual company. No business is conducted by better qualified men than those who direct the policies and affairs of our insurance companies. Yet, I say, no privately owned or operated insurance companies, whether they be stock companies or mutual companies, can or should take over any plan of disaster insurance. May I remind you of some basic principles of insurance which must apply to any plan which this committee may see fit to adopt or approve. First, we must have a dispersion of the risks, geographically. Second, diversification as to the kinds of risks. Third—and a main principle of insurance—a sharing by many of the losses of a few. With these principles to guide them, insurance companies have served the public throughout the years.

Of necessity, they have had to choose their risks carefully lest the assets of the companies be dissipated because of unprofitable underwriting. They have had to refuse to accept some applications for insurance, in many cases from those who needed the protection the most. In other instances, after insuring certain properties, they have found it necessary to cancel insurance, because of frequency of loss or other factors which made the business unprofitable for the companies to carry. No private insurance company could hope to remain solvent very long if it continued to insure property on which it had to pay for claims very often, and had to continue to pay out more money than it received.

Under a plan of insurance issued by private companies, premium charges would have to be calculated on an experience basis and would therefore be high. Only those who felt they were directly exposed would buy. People in areas where there are few streams would be little interested in flood insurance. Those living inland are not interested in tidal waves. We, here in New England, thought floods could do little damage to us, and even now we have little interest in earthquake insurance or coverage against perils not experienced by us. The three principles of insurance which I previously mentioned would no longer be operative and the law of diminishing returns would go to work. The final result would have to be failure.

Now may I present my plan for disaster insurance for your consideration? Naturally, this is only an outline.

1. There should be established a Federal authority empowered to issue insurance covering losses caused by large-scale disasters, such insurance to cover risks not assumed by private insurance companies, or risks which would not be profitable for them except at very high rates.

2. These policies should be on a comprehensive basis, with multiple coverages and few exclusions. It may even be advisable to include a permanent war-damage coverage.

When I say "exclusions," that was the bugaboo of the settlement of claims during the past disaster. There are millions of them, and different interpretations of them.

3. These policies should be sold to the public through licensed agents on a cash basis. Selling costs could thus be kept to a minimum and the distribution would be in the hands of the best qualified persons.

4. Policies should insure dwellings—single or multiple—commercial property, industrial property, farm property. They should cover not only real property, but personal property in rented living quarters, mercantile property; in short, practically all tangible property.

5. I can't state what the exact premiums should be for this insurance, but since everyone suffers a loss no matter where a catastrophe may occur, the premium should not be promulgated on an experience basis.

6. Policies for single residential property and household property should be in units of \$5,000, with a maximum of \$15,000 allowed on the real property.

The reason why I say that is I do not think it is the responsibility or obligation of the community at large to replace a \$50,000 or \$100,000 home for someone who suffered a loss. I think there may be other ways of taking care of that. Therefore, I set the maximum of \$15,000 in the case of a single residence.

\$5,000 on contents. We do not have to restore oriental rugs and masterpiece paintings, but \$5,000 would certainly replace the necessities in a home.

This could be on a \$100 deductible basis, in order to eliminate small claims. I suggest a premium of \$10 per unit of insurance for 3 years' coverage for this particular risk. Such a low rate would encourage everyone to buy such insurance. Incidentally, I rather believe that every lending institution would insist on such insurance supplementing the fire and extended coverage policies they insist on now in connection with the mortgages that they issue.

Senator BUSH. May I interrupt?

Mr. YAFFE. Yes, sir.

Senator BUSH. What do you mean by \$10 per unit of insurance?

Mr. YAFFE. In other words, \$5,000 of insurance.

Senator BUSH. \$10 per \$5,000 unit?

Mr. YAFFE. That is right.

If I may explain this last thing a little further, I know there was some discussion earlier about the impossibility of having compulsory insurance. Gentlemen, I own a home with a big mortgage on it. I could not hold on to that mortgage and could not get it unless I delivered an insurance policy covering fire and extended coverage to the lending institution. That is true of everyone.

Should some form of disaster insurance at a low rate be issued, there is no question about it but that your various insurance companies and banks would insist on such coverage. That would automatically give you the dispersion that I speak of—the widespread coverage throughout the country.

Multiple dwellings could be insured for larger amounts, determined by a sliding scale based on the number of apartments in the property.

7. Mercantile property of all kinds should be insured through policies issued in units of \$10,000 with a maximum of \$50,000.

I chose that maximum because I do not think that has to stand at that figure, but I simply offer that.

Senator BUSH. You mean it might be higher?

Mr. YAFFE. It might be higher, but later on I have something to say about that, so that if you will forgive me, let us leave it at \$50,000 for now.

8. Industrial property of all kinds—this may shock you—should be covered up to a maximum of \$100,000.

That applies to real property and to the contents. I would say that that \$100,000 should apply to 1 location. In other words, we had

testimony from the vice president of the New Haven Railroad as to the extensive losses that the road suffered. Well, \$100,000 would go a very, very little way in the matter of paying for losses suffered over a wide area. But if they were able to insure up to \$100,000 at any 1 location, you could see that the sum total could go considerably beyond that.

Senator BUSH. You say industrial property of all kinds should be covered up to a maximum of \$100,000. Supposing you have a plant?

Mr. YAFFE. Yes, sir.

Senator BUSH. I am thinking, for instance, of the Hershey manufacturing plant in Ansonia, which had \$1,800,000 damages in the first flood. Can they insure under your idea the real property for \$100,000 and also the personal property and inventories in addition, or was it your intent to limit that company to \$100,000?

Mr. YAFFE. May I ask you to defer that question until I have taken up item No. 11?

Senator BUSH. You may defer your answer.

Mr. YAFFE. Yes. That may be a partial answer to your question.

9. As to farm property, frankly, I don't feel qualified to say how it should be insured, but it can be done.

I know there were definite losses of topsoil and other farm property.

10. As to all property except single homes and household contents, insurance should be issued for no more than 50 percent of the value, within the limits previously mentioned.

11. This limitation as to the amount on insurance which could be issued under my plan offers a wonderful opportunity, as well as a challenge, to private insurance companies. Here is a chance for them to offer policies at low rates, covering residences on a \$15,000 deductible basis—in other words, private companies can insure the average all above the amount which would be covered under a Federal disaster-insurance plan—personal property on a \$5,000 deductible basis, commercial property on a \$50,000 deductible basis, and industrial property on a \$100,000 deductible basis. Here is a wonderful new field for private business. Just as the social-security law opened the way to more annuity sales—and I know that, because you could not go to a man who was in the low-income brackets and try to sell him a bill of goods and try to sell him \$50 worth of retirement insurance. You got nowhere with him, but when he was able to get \$100 or \$125 or more under the social-security law, that \$50 of supplemental insurance went a long way toward providing for his old age, and he was in the market for insurance.

And as to GI insurance, I know the insurance companies and we agents were very much worried about that. The GI insurance was an important factor in the tremendous increase in the sale of life insurance. The biggest boost in the amount of sales in life insurance took place after the boys got back from the Army and after they were conditioned to buying insurance in units of \$5,000 and \$10,000, whereas formerly they told you they were insurance-poor if they bought \$2,000 worth.

Senator BUSH. How would you make this Federal Insurance Authority's policies available to the homeowners? Would you use the established channels of the insurance agents of the big companies?

Mr. YAFFE. It could be issued directly by this Authority through the agencies and bypass the companies.

Senator BUSH. For sales purposes?

Mr. YAFFE. Yes.

Senator BUSH. You would use established insurance agents who represent the private companies?

Mr. YAFFE. Yes, sir.

Senator BUSH. In sales of casualty insurance?

Mr. YAFFE. Yes, sir; and sell it directly, because if it is handled through the insurance companies, those insurance companies are going to have to hire girls to take care of those policies.

Senator BUSH. Then under your plan would you have the Federal Authority organize an insurance staff of appraisers and adjusters?

Mr. YAFFE. I do not think so. I do not think it is necessary.

Senator BUSH. Who is going to decide how much a fellow will get back under his policy?

Mr. YAFFE. That can very easily be handled, sir, through the various adjustment bureaus as they are set up right now. We have home offices here in Hartford who have their own adjustment bureaus. On the other hand, we have insurance companies doing business in Hartford who cannot afford to maintain their own adjustment staff. They go directly to these adjustment bureaus. They engage them to settle claims for them. The insurance companies have their hands full. It has taken an awfully long time to settle some of the claims that came about in this last disaster business, when supposedly they were not selling disaster insurance.

Sir, you did ask me a question further back. I think that this paragraph partially answers that. You could have coverage of \$100,000 on the real property—\$100,000 on the contents. The important thing is that where there is a concern with \$5 million of assets, there is a good chance for an insurance agent to go out and do a good job and sell them insurance with a private company.

Senator BUSH. Over and above?

Mr. YAFFE. Over and above that minimum.

I say, it is an American plan because it means that every American will be his brother's keeper. When something goes wrong a man can pick himself up on a dignified basis; and, gentlemen, that is awfully important. That is more important than all of the relief and all of the benefits. It is on a dignified basis because he has provided for himself and has paid for and is entitled to the benefits he would receive.

Senator BUSH. Well, sir, I want to congratulate you on that presentation. That was a very thoughtful and constructive presentation—one of the most interesting we have had. The committee is very grateful to you.

Mr. YAFFE. Thank you.

Mr. EDELSTEIN. Might I say in behalf of Senator Lehman that a lot of these points will certainly be taken into consideration in working on our version of the bill.

Mr. YAFFE. Thank you, sir. May I just leave something else for you? Gentlemen, this is a copy of one of the most progressive life-insurance policies issued today.

Senator BUSH. You cannot sell any life insurance.

Mr. YAFFE. I am not trying to sell it to you, but just want to leave it there with you to see if you can wade through all of the exclusions and coverages and see if you can figure out what it means.

Senator BUSH. Thank you.

Mr. YAFFE. Thank you, sir.

Mr. EDELSTEIN. Mr. Irving Dichter.

**STATEMENT OF IRVING DICHTER, EXECUTIVE BOARD MEMBER,  
DISTRICT 6, INTERNATIONAL UNION OF MINE, MILL, AND  
SMELTER WORKERS**

Mr. DICHTER. Senator Bush and representatives of Senator Lehman: We realize it is late and we are not going to take up too much of your time.

Senator BUSH. Won't you be seated, Mr. Dichter?

Mr. DICHTER. I will.

Our union happens to represent some thousands of brassworkers who unfortunately live right in the Naugatuck Valley. Perhaps of any single group our membership was hardest hit by this most recent flood. It was hit two ways, of course—through loss of their homes and property and through partial loss of their jobs.

These job losses have been temporary, but many of our people have been out of work for 10 or 11 or 12 weeks, and we still have some who are not yet back to work. From all indications some of our plants may not be operating at pre-flood level until January 1, so that our people took a beating at home, so to speak, and a beating on the job.

We come here specifically today to talk about flood insurance and some immediate grant on the part of the Federal Government to cover this retroactive aspect which you discussed with some of the previous witnesses before the committee.

I will read a short statement to the committee.

We appear here today to urge upon you the imperative necessity of recommending comprehensive flood-insurance legislation immediately upon the convening of the next session of Congress.

We too would like to have a special session, but by all indications there does not appear to be any likelihood of a special session between now and January on the matter of flood protection, but we feel immediately upon the reconvening of Congress this should become one of the major items for Congress to consider. We should like to have hearings on this, that is, regular congressional hearings, as early as possible, and would like to see the bill disposed of as early as possible.

Therefore we recommend a comprehensive flood-insurance bill immediately upon the convening of the next session of Congress.

We commend this committee for holding these hearings prior to Congress going into session, so that by the time Congress does convene perhaps you can have the bill prepared.

I want to make one more comment. I know, Senator Bush, you took exception to Senator Lehman's references to the fact that the administration did not as yet make any recommendations. Well, frankly, we would rather have a little bit of a clash between partisan groups on this issue, rather than have bipartisan apathy on the question. If both of you are most anxious to get a bill before the people, we are delighted. We are going to judge everybody on the basis of what he does on this particular issue.

Hundreds of our members living in the Naugatuck Valley, in the cities of Torrington, Thomaston, Seymour, Ansonia, Derby, and

Stamford, lost their homes and all of their possessions in the recent floods. We have representatives here from all of these towns. They are members of our local unions. Many hundreds more, whose homes withstood the ravages of the floods, lost all of their household possessions. In spite of the splendid assistance rendered by the Red Cross, these people today are at a loss, wondering how they are going to re-establish their homes again. They do not have the resources available to the larger corporations.

A man who owns a \$12,000 to \$15,000 home just cannot do what the New Haven Railroad does. He just cannot go out and float a \$10 million loan. He has difficulty enough getting a \$500 loan. Their possessions represented literally a lifetime of difficult accumulation. It is a refrigerator 1 year and a washing machine perhaps 3 years later. All of these possessions just went in the flood.

These people are in no need of sympathy. Everyone has given them plenty of that. They want some assurance that they can return to their former homes or homesites, and have some degree of protection against recurring disasters. They also want to see Congress, which can be so generous in rendering assistance all over the world, provide some form of outright grants to those who suffered so grievously in the recent floods.

We therefore recommend to this committee for action by Congress:

(1) The establishment of a Federal Disaster Insurance Corporation which would provide 100 percent insurance against damage caused by floods, wind, rains, and tides. The Federal Government has considerable experience in the insurance field and there is no need to think in terms of subsidizing the private insurance companies to develop this kind of coverage. Perhaps if the Government took the risk for flood insurance it might impel it to move more rapidly on a comprehensive flood-control program.

If we want flood insurance, I am not too worried about who is going to sell it. The people in the valley are going to buy it. They have been hard hit. If the post office posted a notice that said flood insurance is available here, come and get it, the people will come and get it. Frankly, we are not interested in the details as to whether the private insurance companies are going to sell it or whether the insurance agents will. As a matter of fact, our recommendation is we make it most easily available. If we have a Federal Flood Insurance Corporation, then through the operations of the post office, and we have one in every town, this type of insurance can be sold.

It has to be on a reasonable basis. We cannot have too high a premium. I recall there was some talk previously of a 10-percent premium. That is out of the question for a poor guy who owns a \$12,000 home. He cannot afford \$1,200 a year worth of insurance. He has to have the type of insurance that would be comparable to fire insurance, which he carries at the present time, which is reasonable, and which is the kind that he can afford. Anything beyond that is just out of his ken, and he will not buy any insurance which is prohibitive because he cannot afford it. He has to pay a mortgage and pay the interest on it.

If necessary, the Government can subsidize that type of insurance operation.

(2) That Congress allocate sufficient funds for outright grants to those who lost their homes and possessions in the last two floods.

These grants could be administered by one of the disaster agencies of the Government and would do more than anything else to put our people on their feet again.

The question was raised as to how far should we develop retroactivity. We do not have to. You are going to kill this aspect of a grant if you will think in terms of 1951 and 1952 and 1947 and 1948. What happened that many years ago is most unfortunate, but the problem we face today is a tremendous catastrophe throughout New England. We have to render some assistance to the people involved. This may be unfair to the people who were involved in 1951, or in floods in previous years, but that is most unfortunate.

The point is if we begin to think in terms of how many years ago we are going to go back, then nothing will happen. Our recommendation is that we make a grant this year and forget about what happened to the people in 1951 or 1952, or in previous years, not because we want to deny them anything but because we recognize that once you start on that path you are getting nowhere.

We recognize that the above two recommendations are not the entire solution to the flood problem. We have, together with the rest of the labor movement and many community and business organizations, proposed a comprehensive flood relief and prevention program. We are attaching it to this statement for your information.

I want briefly to state it involves such things as dredging and widening the Naugatuck River, which the merchants of all our towns have clamored for and had a picket line out in front of the city hall when the Governor was there last. Also, the construction of a series of multipurpose dams to control rainfall and to provide us, if at all possible, with cheaper electricity. Also Federal flood insurance, which I already discussed.

We also propose immediate construction of low-cost housing to be made available to all flood victims. This housing is to be a subsidized form of housing similar to the Bowles program, wherein a man could get a house at a very low rate of interest and could move in without carrying a tremendous burden on his shoulders.

Of course, we have recommendations for the Senator, but there is no point in going into them here and now. In essence, this is our program.

Our feeling also is, where there is a will there is a way. In collective bargaining we many, many times first determine our needs and then find out how the companies are going to buy it or pay for it. And so it is here. If there is a will and if there is a determination that this has to be done, then it is going to be done. It does not have to be the perfect plan. Let us not worry about the fact that the first Federal flood-insurance program is going to cross all the t's and dot all of the i's. We will have to learn as we go along, but let us get started and into operation.

We pray that there will not be any more floods in the Naugatuck Valley, but there may very well be other floods of the same type in other parts of the country. We do not want to see people in any part of our country suffer floods like the people in our valley did. It is an overwhelming disaster.

I visited one of our flood towns the day after and our people were shellshocked. When I asked them what they needed they did not know. As a matter of fact, most of them said, "We do not need

anything," when their houses were gone and their jobs were gone and the bridges were down. They were simply so overwhelmed by this great destruction and great tragedy that they did not know where they were.

We therefore very, very strongly, representing the group which perhaps was hardest hit in the State of Connecticut—very strongly urge upon you the establishment of this Federal Flood Insurance Corporation for a subsidized insurance program and an immediate grant by this committee of the Senate for the people who suffered so grievously in the last two floods.

Senator BUSH. Thank you very much, Mr. Dichter. The committee is very grateful to you for coming here and giving us your views about this.

Mr. DICHTER. Thank you, sir.

Senator BUSH. Without objection, the prepared statement of Mr. Dichter will be made a part of the record at this point.

(The prepared statement follows:)

**STATEMENT OF IRVING DICHTER, EXECUTIVE BOARD MEMBER, DISTRICT 6, INTERNATIONAL UNION OF MINE, MILL, AND SMELTER WORKERS**

We appear here today to urge upon you the imperative necessity of recommending comprehensive flood-insurance legislation immediately upon the convening of the next session of Congress.

Hundreds of our members living in the Naugatuck Valley, in the cities of Torrington, Thomaston, Seymour, Ansonia, Derby, and Stamford lost their homes and all of their possessions in the recent floods. Many hundreds more whose homes withstood the ravages of the floods lost all of their household possessions. In spite of the splendid assistance rendered by the Red Cross, these people today are at a loss wondering how they are going to reestablish their homes again. They do not have the resources available to the larger corporations. Their possessions represented a lifetime of difficult accumulation.

These people are in no need of sympathy. Everyone has given them plenty of that. They want some assurance that they can return to their former homes or homesites, and have some degree of protection against recurring disasters. They also want to see Congress, which can be so generous in rendering assistance all over the world, provide some form of outright grants to those who suffered so grievously in the recent floods.

We therefore recommend to this committee for action by Congress:

(1) The establishment of a Federal Disaster Insurance Corporation which would provide 100 percent insurance against damage caused by floods, wind, rains, and tides. The Federal Government has considerable experience in the insurance field and there is no need to think in terms of subsidizing the private insurance companies to develop this kind of coverage. Perhaps, if the Government took the risk for flood insurance it might impel it to move more rapidly on a comprehensive flood-control program.

(2) That Congress allocate sufficient funds for outright grants to those who lost their homes and possessions in the last two floods. These grants could be administered by one of the disaster agencies of the Government and would do more than anything else to put our people on their feet again.

We recognize that the above two recommendations are not the entire solution to the flood problem. We have, together with the rest of the labor movement and many community and business organizations proposed a comprehensive flood relief and prevention program. We are attaching it to this statement for your information.

**MINE, MILL FLOOD RELIEF AND PREVENTION PROGRAM**

**1. Federal**

- (a) Dredge and widen Naugatuck River.
- (b) Construction of a series of dams to control flow during heavy rainfalls.
- (c) Federal flood insurance.

## 2. Federal and State

(a) The immediate construction of low-cost housing to be made available to all flood victims. The housing to be similar to the homes made available under the Bowles subsidized housing program.

(b) The quick reconstruction of bridges, roads, and other public facilities destroyed or damaged by the floods.

## 3. State

(a) The special session of the State legislature should waive the first weeks waiting period for all those who collected unemployment insurance as a result of the floods and reimburse them for that period.

(b) Declare that the unemployment insurance collected during this period not be counted toward computing credits for normal layoffs.

(c) Immediately institute a special disaster unemployment insurance fund which would reimburse all workers at full pay who are temporarily out of work as a result of a natural disaster.

Mr. EDELSTEIN. Mr. Fred Daley, of Torrington, president of the Torrington Flood Association.

### STATEMENT OF FRED DALEY, PRESIDENT, TORRINGTON FLOOD CONTROL ASSOCIATION

Mr. DALEY. I am Fred P. Daley, president of the Torrington Flood Control Association.

Senator BUSH. Mr. Daley is a former mayor of the city of Torrington.

Mr. DALEY. Senator, I do not want to take up too much of your time. I realize you have been here for many hours. I do not want to repeat just what has been gone through all afternoon and probably all day, but I do want to go on record here that our association is in favor of flood insurance. We do not care whether you call it flood insurance, or disaster insurance, or whatever handle you put on it. But we believe the only one who can really give it to the people is the Federal Government, because of the cost and because of the area it is going to have to cover. It will have to cover the whole country.

I realize no insurance company can probably afford to carry that type of insurance where disaster might be heavy in one area; but we believe through Federal insurance we, as private citizens and taxpayers, will all have to contribute to it.

If somebody is unfortunate down in South Carolina, or North Carolina, it will mean that we in the East will have to help them out. It is just a matter of cooperation throughout the country to see to it that people who are in the disaster area, or happen to be unfortunate, are covered.

As you know, in Torrington we have had many problems. We have many old concerns that have had their life savings washed away overnight. I myself know what it is to be up with 6 feet of water on your business doorstep. I do not know whether many people have had the experience at 2 o'clock in the morning where you are on a step-ladder and have to watch the water come in and wash practically your life's savings away. That is what happens during a flood.

There is no opportunity for you to do anything as an individual. It has to be done before it happens, or afterward. This is one of these cases where we have to do the job after the damage is done. It is unfortunate it is that way and I do hope your committee sees fit to bring in a report to the Senate in favor of disaster insurance. I am sure that

we, the people in our town and throughout the State, will give you our wholehearted support in any way we can to help you put this insurance across.

I want to thank the committee for their time and do not want to keep you here all night. I know what it is.

Senator BUSH. Thank you very much, Mr. Daley. We appreciate very much having you come here and giving us your views. Are there any other witnesses?

Mr. EKINS. Mr. Chairman, I sent a wire to your committee last week.

Senator BUSH. I am sorry, I cannot hear you. Will you step forward, please?

Mr. EKINS. I sent a wire to your committee last week asking that I be heard. It may have been delayed.

Senator BUSH. What is your name?

Mr. EKINS. Ekins. I represent the Communist Party of Connecticut.

Mr. EDELSTEIN. The committee did receive such a wire, but it was the view of the chairman that we were not going to hear representatives of the political parties, as such. So the committee did not schedule Mr. Ekins.

Senator BUSH. I had not been aware of it, but inasmuch as Senator Lehman had made that conclusion I am afraid we shall have to stick to it. We have not invited other political parties before this committee and therefore I am sorry but we shall have to refuse your request.

Mr. EKINS. All right, Senator Bush. I would like to point out that I think we do have a thoughtful report, if you want to call it that, to submit.

Senator BUSH. If you would care to write us your views we should be glad to hear from you.

Mr. EKINS. Thank you. I should care to do that if I could be permitted to. May I leave with the committee the report that I would like to have read? Had I known, I should have appeared as an individual perhaps rather than—

Senator BUSH. Yes. We will be glad to receive the statement. It will be filed with the committee.

I have a telegram and several letters that have been received by the committee and will be inserted in the record. Also any others that may be received at a later date.

(The letters referred to follow:)

BRIDGEPORT, CONN., *October 31, 1955.*

Senator PRESCOTT BUSH,  
*Senate Office Building, Washington, D. C.*

MY DEAR SENATOR: Please include wave damage in disaster insurance bill. Spent \$15,000 for repairs and replacement since 1938 hurricane on shore-front home assessed for \$12,000. Due to frequency of storms impossible to finance repairs without insurance help.

Respectfully,

HARRY SILOS,  
*401 Fairfield Beach Road, Fairfield, Conn.*

CONNECTICUT GENERAL LIFE INSURANCE CO.,  
*November 11, 1955.*

FLOOD RELIEF INSURANCE

Any plan for so-called flood insurance that does not emphasize insurance principles will either be a failure or simply amount to a Government handout. Insurance principles and practices are not too complicated and are fundamental

to all lines. In the case of flood insurance the three most important principles are simple. First, cost must be very low in order to gain wide acceptance and sales of the protection and thus to have a true experience.

Second, the underwriting rules, while simple, must obviously exclude any property clearly exposed to even normal floods or water damage.

Third, the machinery to sell and service the protection must be in existence in order to keep administrative costs low.

If these principles are followed, it is reasonable to believe that a large volume of protection can be sold to the American public and with little or no final cost to the taxpayer. It could be done by having the protection sold and serviced through regularly constituted property insurance agents. The commission would be very low and would not be truly compensatory. The agent would do it as a public service and to enlarge his contacts and his service to his clients. Second, the coverage should be rather broad disaster protection and not just flood insurance. One might say that the coverage should be any disaster hazard the property is subject to not covered in the present coverages now usually written. It might include, for example, atomic explosions, perhaps even war hazards.

A percentage deduction, perhaps as much as 5 percent, would be advantageous. Deductions are very valuable in reducing the handling charges incident to small claims and in the larger claims, they reduce the cost so that the premiums can continue to be low. I am well aware of the fact that the public does not like deduction clauses; nevertheless, they are good for the reasons stated.

The premium should be of the order of a dollar per thousand dollars maximum and preferably 50 cents per thousand dollars of protection per year. Perhaps the best rate would be \$1.50 for a 3-year policy. This pool could be administered, as was the war-risk pool, by a supervisory group in Washington at very little cost. The insurance industry should furnish advisers for free. The pool might be backed up in its early years 100 percent by the Government with a total limitation. Under normal conditions the loss rate should be small on an average annual basis.

In a few years the pool should have sufficient strength so that Government guaranty support would not be needed. No Government money would be directly put in the pool. It would be simply a question of backing the program.

A program of this type would, it is believed, be salable, practicable, and would offer protection in reasonable amounts to all who desired and are entitled to protection. Obviously, those people who insist upon building a cottage on the sand or a house or a factory on a low riverbank or flood plain should be excluded.

F. B. WILDE.

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CONNECTICUT GENERAL LIFE INSURANCE Co.,  
*Hartford, Conn., November 17, 1955.*

HON. PRESCOTT BUSH,  
*United States Senate, Washington, D. C.*

DEAR SENATOR: Under the theory of disaster insurance outlined in my memo, the underwriting would be by use of the fire maps which are quite complete in most areas. All that would be necessary would be for the local boards of underwriters to mark and areas which have flood records; the same applies to beaches. There might be a few debatable zones and spots, but it wouldn't take much work to straighten them out.

Any property anywhere in the United States would be eligible if they were not in the red-ink areas. In other words, individual underwriting in the normal sense wouldn't be required.

If my plan has any virtue its is because of broad coverage at minimum cost. As the property insurance companies have pointed out, flood insurance has very little national appeal. Disaster insurance, including flood, ~~is~~ something else again. I would buy it and I think you would buy it, and to repeat, the only way you can have a true insurance plan is to have something a lot of people will buy. They are not interested in it unless the cost is low, the coverage is something they can imagine happening to them and the machinery for writing and handling it is available.

Sincerely yours,

FRAZAR B. WILDE.

CONNECTICUT STATE GRANGE,  
*Merrrow, Conn., November 15, 1955.*

Senator PRESCOTT BUSH,  
*Senate Office Building,  
 Washington, D. C.*

DEAR SENATOR BUSH: The legislative committee of the Connecticut State Grange requested me, as a member and as their representative, to attend the meeting of the United States Senate Banking and Currency Committee held in Hartford, Conn., on November 14, 1955, relative to disaster insurance. Our committee wished me to present a thought we felt should be considered in regards to disaster by flood.

As you know it was found necessary to limit the number of persons who wished to testify in behalf of the citizens of Connecticut. Accordingly, on behalf of the Grange I submit the following thought: We are in favor of the Federal Government undertaking some kind of a program (preferably insurance) wherein the citizens of this country will be protected from loss by disaster. However, in the case of flood we feel a moratorium should be declared prohibiting building or rebuilding in a flood area. We realize the possibility of being flooded (and it happened this year in Connecticut) even though one may not be located in what is considered a flood area. By flood area we have in mind those sections of our country that have been flooded many times and where history indicates one can expect high water at certain times. As a town official I visited a section of my own town where four homes have been flooded, not only last August but on other occasions. My first thought was that anyone who would build in such a location should have their head examined as it was obvious what would happen not only as the result of heavy rains but in spring freshets.

Our committee does not feel that people should be followed to continue to build and rebuild in such areas and expect assistance from the Federal Government or from other sources when it is a well-established fact that floods cannot only be anticipated but will be a reality.

The legislative committee of the Connecticut State Grange respectfully asks the favorable consideration of this matter by your committee and favorable action by the Congress.

Yours respectfully,

IRA F. WILCOX,  
*Member, Legislative Committee.*

CONNECTICUT STATE GRANGE,  
 MERRROW, CONN., *November 15, 1955.*

Senator WILLIAM A. PURTELL,  
*Senate Office Building,  
 Washington, D. C.*

DEAR SENATOR PURTELL: The Connecticut State Grange, representing 30,000 members, is in favor of the Federal Government creating a disaster program for the protection of the citizens of this country.

The legislative committee of that organization is interested to the point where the subject has been given considerable time and thought. This committee feels that some kind of a program should be created that would protect our people from disaster. It appears to us that a type of insurance underwritten by the Federal Government and handled by existing agencies could be developed. This would not make it necessary to create any new governmental agencies of which we already have a sufficient number if not a surplus.

In the development of this plan we believe should be included a moratorium on building or rebuilding in areas known to be subject to floods. This committee very strongly feels the public should not be allowed to continue to build in areas subject to floods and receive reimbursement for flood damage.

The committee respectfully requests your serious and favorable consideration of this matter.

Yours respectfully,

IRA F. WILCOX,  
*Member, legislative committee.*

NEW CANAAN, CONN.

Senator PRESCOTT S. BUSH,

*Senate Office Building, Washington, D. C.*

DEAR SENATOR BUSH: I note from the newspapers that you are a member of the Senate subcommittee which is considering the possibility of some kind of national insurance against disasters. This is a most interesting question and I hope that something can be worked out. It would seem to me, however, that you have a major problem in defining what is a disaster.

To give you an example, I grew up in the Ohio River Valley, in a flood area. There was a flood of some kind by the Ohio River every spring without fail. In the town in which I lived there were a certain number of people who, for some reason, inertia or otherwise, continued to live in houses which were flooded every spring—in other words, caught by a flood of any kind. A second small group of people lived in houses which were not caught by the flood each spring, but would be caught, say, every 5 years by a somewhat larger flood. Finally, there were at least three major floods (in 1887, 1913, and 1937, as I recall the dates) which caught the major part of the town. After the 1937 flood a flood wall was built with Federal funds which it is expected would be sufficient to turn away a flood as large as the 1937 flood, this having been the largest up to that time.

From the foregoing, as you will see, there arises a natural question as to what would be the definition of "a disaster." Would it include the first group of people who deliberately chose to live in an area which was flooded every year, or the second group who could reasonably count on being flooded out once every 5 years, or the third group, who could reasonably expect not to be flooded in view of the flood wall?

I am bothering you with this letter because I think that the definition of "a disaster" is most important and should take into account situations such as that described above.

Sincerely yours,

S. PEARCE BROWNING, JR.

Senator BUSH. If there be no further witness, the committee will be recessed subject to the call of the chairman.

(Whereupon, at 6 p. m., the committee recessed subject to the call of the chairman.)



# FEDERAL DISASTER INSURANCE

MONDAY, DECEMBER 19, 1955

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Raleigh, N. C.*

The committee met, pursuant to recess, in the Hall of the House, State Capitol Building, Raleigh, N. C., at 10:10 a. m., Senator Herbert H. Lehman presiding.

Present: Senator Lehman.

Also present: Senators Ervin and Scott and Representative Cooley. Senator LEHMAN. The hearing will come to order.

May I say first how much satisfaction and pleasure I have at being here in North Carolina conducting this hearing, which, as I will explain a little later, is one of a number which we've been holding.

The first witness will be your Governor, Governor Hodges. But before hearing from him, I want to make a brief statement.

May I say too how happy I am to be here with your two very distinguished Senators, my colleagues whom I have had great satisfaction in working with in the Senate, Senator Ervin and Senator Scott.

I would be very glad indeed if you would come up here and sit with us or sit with me—I am the only member of the committee here. I hope that you will sit with me. We have room for both of you.

Senator ERVIN. I appreciate that, but I am going to have to leave early.

Senator LEHMAN. I hope you will also not hesitate to ask any questions of the witnesses that may seem desirable to you.

This is a meeting of the Senate Committee on Banking and Currency. I am acting as chairman for the purpose of taking testimony on the general subject of Federal disaster insurance.

This is the eighth hearing that we have had on this very important subject. Previous to this one, we have held 2 days of hearings in Washington and a day each in New York City; Goshen, N. Y.; Boston, Mass; Providence, R. I.; and Hartford, Conn.

The purpose of today's hearing is to receive testimony from representatives of the States of North and South Carolina.

I have offered a bill in draft form which I intend to introduce with some modifications on the reconvening of the Congress. In addition, the committee has before it draft bills prepared at the request of Senators Kennedy and Saltonstall, of Massachusetts, Senator Carlson, of Kansas, and Senator Bush, of Connecticut. I am sure other bills will be introduced when Congress reconvenes.

It is my hope that the Senate Committee on Banking and Currency will take up this subject as its first order of business when Congress reconvenes.

I want to make clear that all of the hearings we have held up to now have been confined to Washington, D. C., and to cities in the northeastern part of the United States. We are equally concerned with the impact of the recent flood on the people of North and South Carolina. We have been very aware of the disaster which struck in these States, and, as the record will bear out, I and other members of the committee, have frequently referred to the damage that was done here in our questioning of witnesses in other parts of the country.

Indeed, this is not a problem localized in the Northeast or in the Carolinas either. This is a nationwide problem, since no one knows where the next disaster will strike. It might strike again here. It might strike again in the Northeast. It might strike in the Missouri Valley.

We are studying the establishment of a system of insurance which will provide minimum protection wherever disaster strikes.

In order to secure legislation on this subject, it is important that we have the broadest kind of support from the entire Nation.

We cannot get a bill through with just the support of the Members of Congress from the northeastern part of the United States or from the Carolinas. We must have the support of the majority of the Congress from all parts of the United States.

I emphasize this because there is a tendency in local areas to think that because a program of flood insurance, for instance, seems of utmost desirability in that particular area, all other areas think likewise. They should think likewise, but they don't. It is up to those who are interested to convince the other areas that this is their problem too.

I may say that it is extremely difficult—my colleagues will bear me out on this—to obtain passage of major legislation through both Houses of Congress in one session, which is all that remains of the 84th Congress. For this reason it had been our hope that the administration would be ready to present its recommendations for legislation to the committee when we began these hearings on October 31 in Washington. We had anticipated this because the President had written the chairman of the New England governors' conference on October 19 that the administration would present "specific legislative suggestions" to this committee when it began hearings in October.

Notwithstanding the President's statement, the administration did not then submit specific legislative recommendations, nor has it to this date, notwithstanding my repeated urgings that this be done.

The fact that those recommendations have not come to this committee has very seriously handicapped us and caused delay at a time when really time is of the essence, and we should not have to submit to unnecessary delays. We are going to hold further sessions in Washington at which I very much hope that the representatives of the administration will present the recommendations of the administration and justify them.

The trouble is that that is going to cause further delay, because, naturally, we will have to give careful consideration—the committee and the Congress—to whatever suggestions will come from the executive branch of the Government.

I have urged at every meeting of this committee that we receive these recommendations as promptly as possible. I now take this opportunity once again to urge the administration to submit its proposals immediately. This delay, as I have explained, has already

endangered the success of this legislation in the next session. Furthermore, subsequent delay may well result in our inability to obtain passage of a satisfactory bill in the next session.

Now, as I have said, the first witness will be Governor Hodges.

Governor, I don't know whether you have a prepared statement or not.

Governor HODGES. I have, yes.

Senator LEHMAN. If you have, if you will read it and then if you desire to enlarge on your remarks, please do not hesitate to do so. Treat this matter in any way that seems desirable to you.

#### STATEMENT OF LUTHER H. HODGES, GOVERNOR OF THE STATE OF NORTH CAROLINA

Governor HODGES. Thank you very much.

I would like to thank you, Senator Lehman, and Senators Ervin and Scott, for providing the people of North Carolina an opportunity to express themselves on the need for disaster insurance.

For 2 consecutive years our State has been the victim of natural disasters in the form of hurricanes, and our people can give you a firsthand story on what it means to have farms, homes, businesses, and all other kinds of property suddenly destroyed by the winds and waters of these violent storms.

I wish I could take you gentlemen to the individual farmer, the commercial fisherman, the man who lost his house, or the man whose lifetime savings invested in an inventory vanished in the floodwaters.

I personally saw and talked with hundreds of such people during and immediately following the recent hurricanes, and I hope we can today get across to you something of what actually happened in our State. We must think of people, of individuals, who look to an uncertain future without present protection.

Many of our citizens, whose spirit we point to with great pride, can tell you what weariness and discouragement there is in efforts to rebuild and replace lost property when there is the ever-present knowledge that at any time in the future, and through no fault of anyone, all such efforts can be undone and the job will have to be done over again.

We here in North Carolina know that unless some method is provided by which private property can be insured, a point must eventually be reached when repeated rebuilding cannot go on, and the homes and lands and resources which lie in the areas subject to disasters will have to be abandoned.

I will not attempt, Mr. Chairman, to describe the details of the damage eastern North Carolina has suffered. I won't even attempt to go into the question of the economic growth of this great State, or credit, which can only be secured through insurance, through people lending money to people who have houses and property. Our experts from the State civil defense agency and from the office of the commissioner of insurance and other witnesses will do this for you.

I'd like to point out, however, that North Carolina is not sitting back and waiting for someone from outside to do for us. We have brought, at State expense, experts from all over the country to study the damage and to give us practical recommendations as to what we

here on the scene can do to minimize the harmful effects of future disasters.

We organized representative citizens from eastern North Carolina to work with these experts. We expect a report on this subject within the next week or two.

You Members of the Congress may be assured that this is one State that will assume its full share of responsibility in the matter to the very limit of our ability. However, I would like to emphasize that our citizens must be provided some method of financially protecting themselves in some measure against future losses. And so far as I can see, disaster insurance is the only way that this can be accomplished.

There seems little, if any, disagreement with the proposition that it would be preferable for a disaster insurance program to be carried out by private enterprise. Current newspaper reports indicate that part of the insurance industry at least are making plans. It may be that there is a determined, concerted effort of the industry as a whole to meet this national problem. If this is true—and I am not presently informed as to it—the industry will probably need help in the way of Federal reinsurance.

If industry doesn't do it, Mr. Chairman, either in whole or in part, the Federal Government must provide the necessary disaster insurance for this Nation.

Mr. Chairman, we don't need to discuss details here today. The technical experts can do that. But we do need to agree that this problem must be met and be met promptly.

I want to thank you for your courtesies.

Senator LEHMAN. Thank you very much indeed for your statement, Governor.

Can you make any estimate of the extent of the property damage in North Carolina?

Governor HODGES. We will have the whole detail for you from the witnesses following me.

Senator LEHMAN. May I ask whether possibly you will want some of your experts to answer the next question, too? Was the damage largely from the overflow of rivers or the encroachment of the sea?

Governor HODGES. Both of them, sir.

Senator LEHMAN. In some of the seaboard towns?

Governor HODGES. Much of it started from the sea, from the high waves, and then, of course, coming repeatedly, two within a week in fact, two of the hurricanes, it filled up all the rivers and sounds, and then from there it pushed up into the inland towns. And, of course, we had some very heavy rains, almost to flood extent.

Senator LEHMAN. But North Carolina has in the past in this particular disaster and other times suffered a great deal, as I understand it, from the overflow of rivers due to the lack of adequate flood control.

Governor HODGES. That is right.

Senator LEHMAN. Have you any idea how much work has been done by the Federal Government in flood control?

Governor HODGES. The Federal Government has done that for one area, which Senator Scott probably can tell you about, the Roanoke River. It has been pretty well handled. We have 1 or 2 other basins. The Government has done a good job on the Roanoke River. That was our worst flood situation, and that has been controlled.

Senator LEHMAN. That was done by the Federal Government?

Governor HODGES. That is right.

Senator LEHMAN. During the course of the hearings, it has been suggested that the State and local governments should assume responsibility for flood control. I have expressed very great doubts whether any State can do it. I am quite sure New York State could not. But I am going to ask you for the record whether in your opinion the State of North Carolina could protect its citizens and property against floods.

Governor HODGES. I don't think it is possible.

Senator LEHMAN. You have been talking about damage from floods, whether from encroachment of the sea or from overflow of the streams.

Governor HODGES. Yes, sir.

Senator LEHMAN. I have referred in my earlier remarks to a number of bills that have been drafted. None of these bills has actually been introduced, of course, because Congress has not been in session. But I have referred to the bills drafted by me and by some of our colleagues, Senator Kennedy and Senator Saltonstall and Senator Carlson and Senator Bush. My bill goes very much further than the others, in that it includes not only natural disasters, protection against natural disasters, but against manmade disasters.

Have you any feeling as to whether this legislation should cover only flood disaster or natural disaster or whether it should include a much wider field of manmade disasters?

Governor HODGES. Senator Lehman, I think that basically the thing we're talking about is natural disasters, such as hurricanes, storms, floods, and so on. On the other hand, if you are going to face a modern situation of national disaster, you have practically got to include, it seems to me, the same kind of thing we had included in war disaster insurance during the past war, namely, atomic or whatever new development there may be of a manmade disaster.

Senator LEHMAN. We had war-risk insurance in the last war.

Governor HODGES. My company had a tremendous quantity.

Senator LEHMAN. It was no drain on the Federal Government.

Governor HODGES. We made money on it.

Senator LEHMAN. Yes.

Governor HODGES. I hope we do it on another one.

Senator LEHMAN. Of course, we have as yet no experience with regard to the extent of the coverage that should be made available. In my bill there is a limitation on the size of the risk, a limitation on the size of the coverage on any one particular piece of property. Also there is a limitation on the aggregate amount of insurance that could be outstanding at any one time. The limitation as to the individual coverage is \$300,000. The limitation with regard to the aggregate amount for which the Federal Government would be responsible is \$2 billion.

During the course of the hearings we have had very, very divergent comments or suggestions with regard both to the limitation on an individual piece of property and the limitation in the aggregate. Some people have felt that \$300,000 was inadequate, that in many cases the damage to property would run much in excess of that. In many cases the suggestion was made that the Federal Government

should not have any limitation on the aggregate amount of coverage that they would assume.

Have you any feelings on that?

Governor HODGES. I would not be able to discuss intelligently the question of those amounts. That is a little bit out of my field. I think when we come to the Federal Government limitation, however, and you limit it to \$2 billion, you would probably have to separate manmade disasters, the atomic situation, as a separate group to do that.

Senator LEHMAN. That would be done. I don't think \$2 billion would cover that. I should have explained to you, Governor, that when I talk about \$2 billion that is only for flood insurance.

Governor HODGES. Oh, yes.

Senator LEHMAN. If we include manmade disasters—

Governor HODGES. It would be much more.

Senator LEHMAN. The limitation would be \$10 billion of coverage.

Governor HODGES. That makes more sense.

Senator LEHMAN. That might or might not be sufficient. Of course, we realize that nobody has any knowledge of what the damage could be from an atomic attack.

Unless you have something to add—

Governor HODGES. Nothing else.

Senator LEHMAN. Governor, may I thank you very much for appear here.

Judge Ervin? Senator Ervin? We very frequently continue to call the Senator "Judge."

#### **STATEMENT OF SAM J. ERVIN, JR., A UNITED STATES SENATOR FROM THE STATE OF NORTH CAROLINA**

Senator ERVIN. First I would like to welcome you to North Carolina and tell you how delighted we are to have you with us.

Senator LEHMAN. Thank you very much.

Senator ERVIN. Then I would like to thank you for so readily arranging a meeting here today at the request of Senator Scott and myself.

I would also like to congratulate you—I know you have plenty to do—on taking such an interest in this problem, which I think is perhaps the most crucial problem before the Nation today.

I do not have a prepared statement, and I do not care to state in detail my opinions about the problem. I have obtained copies of all of the proposed bills and have studied them, and all of the authors of those proposed bills, of course, frankly admit that they are tentative in nature.

North Carolina has been very hard hit during the past 2 years, starting with hurricane Hazel in October of 1954 and then followed this year by Connie, Diane, and Iona.

Our damage was threefold in nature as far as the causes were concerned. We had the encroachment of the sea upon the land. Then we had overflowing of the rivers. And then we had terrific winds which did tremendous amounts of damage particularly to crops and to timber.

I know from information received that others of the South Atlantic States and the Northeastern States have suffered tremendous losses.

Having visited some of the areas after the hurricane last fall, a year

ago, and having visited some of them since, I would say that no one can appreciate the havoc that was wrought without seeing it.

I want to say that I agree with Governor Hodges in the proposition that it is essential for disaster insurance to be made available to the people of the Nation. I agree with you in the idea that this is a nationwide problem and can only be solved on a nationwide basis.

I hope that there will be some way to encourage private industry to handle this burden either of itself or in cooperation with the Federal Government. But I think that the problem is so acute that if private industry cannot handle it that it is going to be necessary for the Federal Government to step in and lend assistance to our people.

I will not elaborate further because I understand that General Griffin and others have prepared statements which give the complete details about the effects of the hurricanes I have mentioned in North Carolina.

Senator LEHMAN. Senator, no insurance company will write a policy on flood insurance and many of these other disasters. We have come far enough in our hearings to convince me at least that there is no way of giving coverage on disaster insurance unless the Federal Government assumes a very substantial part of the responsibility.

Senator ERVIN. I realize that.

Senator LEHMAN. It just can't be done in my opinion. I am not critical of the insurance companies.

Senator ERVIN. Yes.

Senator LEHMAN. I hope we can work out something that will make this a cooperative effort. But I can understand the position of the insurance companies very fully in this matter.

With the exception of Lloyds of London, which for a time wrote some of these insurance policies at prohibitive cost, there is no way of insuring against such disasters.

I want to emphasize the fact very strongly to the country as a whole and to every part of the country that has been affected by these things that if we're going to do anything on this thing the Federal Government through the Congress and the Executive must be willing to assume a very substantial financial responsibility.

I think it can be done. I think it should be done without any question.

There is one other question I want to ask you, and I am going to ask the same thing of Senator Scott.

I said a few minutes ago, and I think that we can be in agreement on it, that this is not a local proposition. It is a nationwide proposition. You who have been sitting in the Senate as I have been realize that in many cases—and it has been a source of disappointment to me personally—members of Congress take a pretty local point of view with regard to the expenditures of money which cannot be proven to be of direct benefit to their States or to their districts.

My judgment is that this matter of disaster insurance is just as much a matter of concern to California and Arizona and New Mexico and Missouri and Minnesota and Iowa as it is to the Carolinas and to the Northeastern States. But I think we would be very stupid if we didn't realize that this parochial, local point of view does exist in the Congress.

Have you any suggestions as to how to overcome that and persuade our colleagues to approach this thing from a national standpoint? It must be approached that way.

Senator ERVIN. I think you're everlastly right on that, and I think we are going to have to have a bill which will try to take care of and cover all natural disasters. We have different types. Some areas have cyclones which visit them and do a great deal of injury. We have, of course, along the Missouri River, flood problems. We have that problem.

So I think we will have to get a comprehensive natural disaster bill that will appeal to all, cover all natural disasters, and get the support of the entire country, because, as you pointed out, you have to get a majority of both the House and Senate behind a bill before it will become legislation.

I haven't thought so much about coupling the two propositions. I just question in my mind whether we should put in one bill the provisions to cover disaster insurance and war-risk insurance. I think maybe it might be better separated, but I haven't thought about that. It may be that coupling the two together you would get some increased support for each one.

I agree with you that we need something in the nature of war-risk insurance such as we had during the Second World War. It is just a matter of whether it is better to couple them or leave them separate.

Senator LEHMAN. Well, I hope you will give very serious and careful thought to the subject between now and the time Congress reconvenes and let the Banking and Currency Committee have the benefit of your advice.

Senator ERVIN. I would say this also, Senator: I have talked to a number of insurance men, and they have voiced the same opinion you express—that private industry cannot handle this by itself and that the only basis on which it could be handled would be with substantial Federal aid.

Senator LEHMAN. Just one more question. At every one of these hearings there has been some confusion as between flood insurance, disaster insurance, and flood control. I think the opinion has been voiced by some, quite mistakenly, that flood control alone could handle this situation.

We developed in the course of our hearings, and this is based on testimony from the Chief of Engineers, that to care for or to complete the flood-control projects that have already been approved by the Corps of Engineers under definite rules laid down by the Congress would take 22 years. That is a long time.

What I want to emphasize here is that in my opinion—and this I think reflects the point of view of most of the witnesses who have appeared before our committee—there is no disposition whatsoever in advocating and pushing this disaster insurance legislation to reduce the efforts of the Federal Government to prosecute and complete flood-control projects. In fact, I believe, in view of the fact that it will take 22 years to complete even those projects that have already been approved, and there are many others that will be required in the future, instead of reducing, we should materially increase, the appropriations by Congress for flood control.

Flood control will not care for all the needs of this thing by any means. But there are many flood-control projects that will minimize the danger greatly.

Senator ERVIN. I think we need both. I think they supplement each other. Because by installing flood-control projects we will minimize losses under the insurance features. I think it takes both.

As far as North Carolina is concerned, I think we have several streams on which we need flood-control projects. I think also we need something too to prevent erosion of beaches and matters of that kind.

I think we need to continue the flood-control projects because they are, in a sense, an assistance in overcoming that same problem or meeting it, and they will minimize the losses of an insurance program.

Senator LEHMAN. Thank you very much indeed, Senator.

Senator ERVIN. Thank you.

Senator LEHMAN. Senator Scott, will you be the next witness? Do you want to sit down there or stay right here?

#### STATEMENT OF W. KERR SCOTT, A UNITED STATES SENATOR FROM THE STATE OF NORTH CAROLINA

Senator SCOTT. I would like to stay right here. I want to stay close to you.

Senator LEHMAN. I'll have to turn my good ear to you.

Senator SCOTT. If you'll just always do that, I'll be all right.

I would like to join in with Senator Ervin and Governor Hodges in what they have had to say in the way of welcoming you and your staff to this State. We are glad to have you. We are always glad to have visitors from the outside come in, especially coming on a mission of aid as you are here today.

I would like to join in and concur in their statements, the statements of both Senator Ervin and Governor Hodges.

I have a prepared statement that I will just give for the record to save some time here today.

Senator LEHMAN. There being no objection, so ordered.

(The prepared statement of Senator Scott follows:)

#### STATEMENT OF W. KERR SCOTT, A UNITED STATES SENATOR FROM THE STATE OF NORTH CAROLINA

In the past 18 months, rare weather conditions—resulting in several hurricanes—have created an extremely serious situation in North Carolina.

Until 1954, major hurricanes—with their accompanying devastation—were not a problem of consequence in our State. In the years 1954 and 1955 several hurricanes of major force caused many millions of dollars damage to croplands and business and residential property throughout the eastern part of the State. In several instances, loss of life was also accounted for by hurricanes and accompanying floods.

Although there is little or nothing that can be done about the frequency and extent of hurricanes and similar weather phenomena, I sincerely feel that much can be done to reduce the damages caused by them.

I hope that the committee will seek out ways and means the Federal Government and State and local governments—working hand in hand with individuals and private enterprise—can reduce damages from hurricanes and other unusual weather conditions beyond the control of man.

I am glad that the committee is studying the possibilities of some kind of insurance program as a means to reduce storm damage.

If the committee finds that insurance is the proper approach, I feel very strongly that private enterprise should be given an opportunity to develop such a program, and in the event it is beyond the abilities or desires of private

enterprise, then I feel that Congress should approve appropriate legislation to fill the needs of the people in this respect.

Senator LEHMAN. Senator Scott, you heard me ask Senator Ervin whether he had any suggestions as to the best way of getting this legislation considered on a national basis, both in the Banking and Currency Committee, which has 15 members, of which I am only 1, and in the Congress.

I don't need to be sold on the matter.

Senator SCOTT. I don't either.

Senator LEHMAN. You don't, of course. But we are just not going to get anywhere unless we can convince our colleagues that this is really a nationwide problem.

I don't know whether you have any suggestions to make.

Senator SCOTT. No; I think Senator Ervin covered that matter as far as I am concerned, and so did Governor Hodges.

I did myself personally, so far as North Carolina is concerned, ride out these storms. I was at one time ahead of it and I was at one time right at the center. The waters began to rise on me, and I got a little behind in my travels, but I caught up.

Senator LEHMAN. I have asked the Senator about the necessity of continuing flood-control projects, not getting ourselves in a mood where we think flood insurance is going to care for everything or getting ourselves into the position where we think flood control will care for all these disaster problems, because it won't.

Senator SCOTT. It won't, but it will help.

I would like to say this: In that particular, we have often referred to these flood-control propositions as pork-barrel legislation. I think it is time to get away from that expression on the part of the press and the public. We have long passed that stage. We ought to have been doing some of this work long ago, more of it. We would have been better off today had we done it long ago.

To say that certain legislation was passed as just pork-barrel legislation I think is a mistake, because it was needed, and more of it was needed at the time.

I think this will help emphasize the fact all over the Nation that what has heretofore been considered pork-barrel legislation is not pork barrel in the term that was applied or the inference that was applied.

We feel very strongly about that matter.

Senator LEHMAN. I must say I was very much shocked when I first heard that, even on those projects which had been approved by the Corps of Engineers—they can approve them only under certain pretty strict limitations set by the Congress in previous years—it would take 22 years to complete them.

It is a very frightening thing, because we have seen these tremendous damages. I have seen it in my State. I have seen it all through the Northeastern States. I have seen it in some of the Midwestern States, too. I feel that we should under no circumstances confuse these two things. They should be complementary rather than antagonistic.

My administrative assistant, Mr. Edelstein, has just reminded me that these projects to which I referred as taking 22 years were not only approved by the Corps of Engineers but they were approved under authorizations made by Congress.

The trouble is that the appropriations are not there to carry them forward. I am convinced that we must have more generous appropriations for the prosecution of these flood-control plans which are of tremendous importance. I am sure that they affect you in the Carolinas as they do the people of Connecticut and New York.

I want to ask just one other question which I am addressing to you and I addressed to Governor Hodges. I am addressing it to you now as a former Governor of your State. The suggestion has been made, and seriously made, that the responsibility for flood control—I am not talking about disaster insurance now—that the cost of flood control should be undertaken by the States and the localities. Do you think that would be possible in North Carolina?

Senator SCOTT. We might participate, but I don't believe we could do the whole job. The water originates within the State, and it goes across other States. When it goes over to another State, if we have protected it here, as it goes into the State it is protection to them there, and vice versa. So that is why I think there has to be more than a State participation in a project.

Senator LEHMAN. Isn't it a fact that some of these flood-control projects are very costly?

Senator SCOTT. Yes, sir.

Senator LEHMAN. I am quite certain we in New York State could not carry the load alone by State funds and local funds. Some of them, of course, run into very big money.

Thank you very much, Senator.

I understand Congressman Cooley has just come in. Won't you take a seat here? I am very glad indeed to see you again, Congressman.

#### STATEMENT OF HAROLD D. COOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. COOLEY. Thank you very much. I am glad to see you.

Mr. Chairman and gentlemen of the committee, I shall not trespass upon the time of other witnesses who are here to testify, but I do want to join with Senator Ervin and Senator Scott and Governor Hodges in welcoming you to North Carolina and particularly to this good congressional district.

I want to thank you for your great interest in the important problem under consideration. I am glad to have this opportunity to publicly congratulate and commend our distinguished Governor for his great interest in this very important problem. He has been right out on the firing line, so to speak, from the very beginning.

I think, Mr. Chairman, and I will be very, very brief, that the magnitude of the problem with which you are now dealing clearly indicates that it is national in its scope. I am quite certain that no one State nor any small group of States could cope with the problem that now faces our Nation.

I sympathize with you and congratulate you for your efforts.

I had a little experience in a somewhat similar field many years ago when I went to Congress and did a little pioneering in what we call all-risk crop insurance. When we talked about it first, many people said it was fantastic. It was a very difficult job.

I happened to be chairman of the subcommittee that prepared and presented the first all-risk crop insurance program. We realized at

the time that we were pioneering in a field that had never theretofore been explored. No group of insurance companies in America would have undertaken that program. It was rather ambitious, we realized, for us to embark upon a program of that magnitude.

But we realized also that individuals and corporations and other business enterprises could insure just about everything on earth but the farmer was unable to insure his crops against all of the natural hazards.

That program has proven its worth. It is now operating as a going concern. I think that it has a great future. I think that it filled a place in our economic life that could not otherwise have been filled.

I know that during the time I was serving as chairman of the subcommittee we conferred with actuaries of insurance companies throughout the country, and all of them agreed that no private company could undertake that sort of a program. I think the Hartford Life Insurance Co. in a very small way did at one time undertake to write insurance somewhat similar to that which is now being written by the Crop Insurance Corporation.

I think that you have somewhat a similar problem here to deal with. First, we must arouse the interest of the public in the importance of the problem. That can't be done only by States along the eastern seaboard or along the western seaboard. We must have support for the program from those who are living in the interior.

There is one other thing I would just like to say and then I will conclude. That is that I am very much afraid that a lot of people living in the interior think about the damage that has been sustained along the coastline as having been sustained by wealthy people who have their summer homes located along the beaches. Therefore, you find some apathy among the average man and woman who lives in the interior.

But the damage sustained on the eastern seaboard of North Carolina far exceeded that which was sustained by the wealthy people who had their beach cottages and their summer homes along the beaches of our State. Some of those, of course, were recovered by insurance of a sort, not the kind of insurance contemplated by the program that you have in mind. But the devastation wrought many miles away from these cottages still presents us with an important economic problem.

I want to assure you that as a Member of Congress I will certainly sympathetically and with great interest consider any legislation which might be presented which has for its purpose the providing of some degree of protection for citizens who are not now able to buy the protection for their properties that are constantly in danger.

I want to thank you very much.

Senator LEHMAN. May I ask you several questions?

Mr. COOLEY. Yes, sir.

Senator LEHMAN. You know much more about crop insurance than I do, Congressman, from your very long interest in it. Correct me if I am not stating the facts accurately. I may not be. I understand that when we adopted this crop insurance plan some years ago, only 800 out of the many thousands of counties that exist in the 48 States are actually covered by this crop insurance. Do you know whether that is correct or not? I think I am right.

Mr. COOLEY. Well, if I might say, Mr. Chairman, the program as originally presented was perhaps a little too ambitious. We should have approached it on an experimental basis. But having approached it on a rather wide and nationwide basis, we did sustain losses which perhaps we would not otherwise have sustained had we experimented with it a little more before broadening the program.

After having sustained losses which were within the ultimate authorization, we restricted the program and put it on an experimental basis. Now it is expanding, and year by year we hope to expand it until it covers wide areas.

The success of that program and the success of the program you contemplate will depend almost entirely upon the participation in the program. If you can spread the risk throughout a wide area rather than restrict it to an area that is likely to be damaged, then you can make a success of the program.

I think that now the all-risk crop insurance program is ready to expand and to reach out into different areas and to extend to different crops and commodities.

I think that perhaps you are wise in putting some limitations in your bill to start with until we can do a little experimenting to see just how far we can go with the program.

Senator LEHMAN. As I understand it, even in the 800 counties in which crop insurance is effective it isn't necessarily effective for damage to all crops. In other words, in certain areas the Government may insure only 1 or 2 crops.

Mr. COOLEY. That is right.

Senator LEHMAN. And in others it is right across the board. Is that correct?

Mr. COOLEY. That is right. But suppose you had a county a hundred miles away with only 50 people who were interested in crop insurance. It would be difficult to maintain an office and to render the service that would be necessary to keep that sort of a program going.

So we provided in each county for a minimum participation. I forget the exact number.

Senator LEHMAN. Are any North Carolina counties included in that?

Mr. COOLEY. Oh, yes. Yes, sir. I don't know exactly how many at the moment, but quite a few North Carolina counties are involved.

Senator LEHMAN. Will you express yourself as to the effectiveness and the usefulness of that insurance in the counties?

Mr. COOLEY. Oh, I understand it has been very successful.

Senator LEHMAN. It has been?

Mr. COOLEY. At first we did sustain some losses, but now it is operating at a profit. I think it would be well for your committee to study the reports of the Crop Insurance Corporation.

Senator LEHMAN. Do you think it would be extended? I have here a copy of a staff study made for the Committee on Banking and Currency during the course of the summer—ever since these floods struck this summer. It is a very interesting book, and I think that we have enough copies, Mr. McKenna, to provide some to the press at least, if they wish.

Mr. MCKENNA. Yes.

Senator LEHMAN. But I notice here it says Federal crop insurance is not available in all counties and in most of the counties where it is offered it is made available only on one crop. Is it your idea that it could be made available on all crops?

Mr. COOLEY. Well, it would have to have a period of trial and error. You see, we have rather complete records on certain crops due to the fact that we have had acreage allotments and marketing quotas on them. For instance, tobacco. We know how many acres are to be grown in this State. We know the average yield each year. The same goes for cotton and peanuts and the basic commodities. But when you come to fruits and vegetables, it would be necessary to obtain information which we do not now have. When I say "we," I mean the United States Department of Agriculture does not have the per-acre yield on certain fruits and vegetables and other crops that are grown in this State and in other States. But they did obtain and we did have, fortunately, statistical data with reference to those crops that are now within the program.

I think it could be broadened, but it would take some time to do it.

Senator LEHMAN. Let me ask you this: Is there any testimony or any data available to show the extent of the aid given to the farmers in the State of North Carolina through crop insurance?

Mr. COOLEY. I am certain that Mr. Julian Mann, who is in charge of the crop insurance program in this State, could give this committee complete information regarding the operation of the program in the State. I am sure that he would be glad to furnish it. If he is not now available, he will be glad to furnish it for the committee. (See p. 897.)

But I think that in Washington members of your staff could obtain just about all the information that you would need.

Senator LEHMAN. That crop insurance plan is administered by the Department of Agriculture?

Mr. COOLEY. Yes, sir.

Senator LEHMAN. Do you think the program could be incorporated into this much more comprehensive disaster program we are talking about?

Mr. COOLEY. I think it probably could.

Senator LEHMAN. Because I can see that there might be advantages in not having the whole program allocated to different departments.

Mr. COOLEY. I think it would be very unfortunate not to take advantage of the experience that we now have in this particular field, because it is a field that has never been explored before on such a broad scale as it is now being explored.

Senator LEHMAN. I don't know whether you have a copy of this study, but I am going to ask the staff to send you one, and also the Governor, and the two Senators. This is an item which is an important part of the whole idea. We have a chapter here, at considerable length, on farm insurance.

Mr. COOLEY. I shall be very glad as chairman of the House Committee on Agriculture to study this. Also, Mr. Chairman, I would like to assure you that I shall be very glad to cooperate with you and to assist in any way I possibly can in trying to coordinate the program that you have with the program that we have. When I say "we" I mean, of course, that it came from our committee.

Mr. Julian Mann, the manager of the crop insurance program in North Carolina, is here in the room, I am advised by Commissioner Ballentine, and I am sure if the committee would like to question Mr. Mann he will be readily available and glad to give you the information.

Senator LEHMAN. We shall be very glad indeed to question him later in the day.

I am very deeply interested in this thing because in the hearings we had in the Northeastern States we heard the most tragic and pathetic stories of farmers losing their entire crops because of the floods. Not so much because of the encroachment of the sea waters but the actual floods caused by the rising of rivers and creeks.

Mr. COOLEY. I am certain that General Griffin or some other technical man who is well advised will be able to give the committee some information of great importance concerning the total losses sustained in the agricultural sections.

Senator LEHMAN. I am going to see that you get one of these copies.

Mr. COOLEY. Thank you very much, sir.

Senator LEHMAN. I would appreciate very much your letting the committee have the benefit of your advice.

Mr. COOLEY. Thank you very much.

Senator LEHMAN. I am going to call as the next witness the Honorable Charles Gold, North Carolina Commissioner of Insurance.

#### **STATEMENT OF CHARLES GOLD, COMMISSIONER OF INSURANCE, STATE OF NORTH CAROLINA**

Mr. GOLD. Mr. Chairman, I do not have a prepared statement, but in behalf of myself and members of the Insurance Advisory Board of North Carolina, who serve with and work with the insurance department, I wish to express our appreciation to you for coming here to consider catastrophe insurance. Also to the members of your committee and of your staff who have done so much work on this and to Governor Hodges, Senator Ervin, Senator Scott, and members of the congressional delegation of North Carolina who have been very interested I wish to express our appreciation.

At the beginning, if I may, I would like to read into the record two telegrams that were sent to me this morning. One says:

WILMINGTON, N. C., December 18, 1955.

CHARLES F. GOLD,  
*Commissioner, North Carolina State Insurance Commission,  
Raleigh, N. C.:*

Please stress to the Banking and Currency Committee the need for catastrophe insurance. Unless this can be arranged our beach comeback will be indefinitely delayed.

JEFF BLAKE,  
*New Topsail Beach, N. C.*

I have another telegram that reads as follows:

WILMINGTON, N. C., December 18, 1955.

CHARLES F. GOLD,  
*Commissioner, North Carolina State Insurance Commission,  
Raleigh, N. C.:*

Please stress to Senator Lehman and Senate Banking and Currency Committee the importance, dire need, and urgency of catastrophe insurance. We must have some type of insurance that will sufficiently cover property that is subject to storm damage so that we can go back to developing our beaches and resorts.

We are now unable to build and develop because we cannot get financing. We cannot stay in this suspended condition any longer without permanent and large-scale injury to our growth and business future. Please read this at hearing. Regret unable to attend this particular meeting.

AL WARD, Mayor,  
Town of Surf City, N. C.

Senator Lehman, I believe that General Griffin and other witnesses can better explain the scope of the catastrophies that occurred in North Carolina between last October 15 with Hurricane Hazel and coming on through with Hurricanes Connie, Diane, and Ione, which ended I believe September 20 of this year.

But, anyway, within a period of less than 1 year North Carolina has suffered greater and more extensive losses than, I would say at any time during the last 50 years.

When we speak of flood damage, I think that the term would be better to say "inundation by water" or "water damage."

I feel that in considering a nationwide program we should extend the scope of the term or word "flood" to broaden it.

General Griffin I believe will tell you that the total losses to property in North Carolina, which includes real property, to buildings, to crops, to land and all will be approximately \$300 million from the hurricanes that I have named.

On the amount of property that was covered by insurance the figures are approximately these:

For Hurricane Hazel, the companies paid out about \$22 million; for Hurricane Connie, \$2.25 million; for Hurricane Diane, a quarter of a million; for Hurricane Ione, \$3.25 million.

That is a total paid for losses of \$27.75 million.

Breaking that down percentagewise, less than 10 percent of the total property loss in the State was covered by insurance.

I think that very vividly portrays the necessity for catastrophe coverage, natural-catastrophe coverage.

I am pleased that the witnesses who have testified today and that you from your remarks seem to be considering it from the standpoint of combining all of the natural catastrophies together. I think that that is the only way it can be approached.

It is also my very definite opinion that it should be considered on a nationwide basis, because through that we can get the spread, we can get the experience, we can get a much larger number of risks, and I think that a premium can be made more reasonably on a nationwide basis than it can from the standpoint of any one State.

I think one thing should be given consideration. I observed it during the adjustment of losses after the hurricanes. When you have one catastrophe that is covered and other catastrophies that are not, it creates an adjustment problem. If you have an all-risk type of coverage, it is much easier to adjust the loss. It can be done much speedier and much quicker.

Senator LEHMAN. You are talking now about natural disasters or manmade too?

Mr. GOLD. That would apply, sir, in the adjustment of any loss if you have an all-risk type of coverage. In other words, if a company is liable to pay for everything that has happened, it is very much easier to estimate the amount that should be paid than it would be to attempt to segregate different perils. One peril being covered and another

not, for example. That creates a difficult adjustment problem, and it has been experienced here in this State.

I think that is one lesson that we learned from the hurricanes that happened here.

I think that pretty well covers my views. I would like to say this: I am very hopeful that there will be something that the insurance companies can come up with a workable program on. I would prefer to see the companies work out a nationwide program if it can be done.

If they can't, then I feel that the Federal Government should intervene.

If the Federal Government comes in, it is my personal view that it would be better to utilize the insurance companies, to use their facilities. They have the adjusters, they have the agents, and they have the know-how about insurance. I think that that would be the cheapest, most economical way to go about it.

That was the method followed by the War Damage Corporation.

But I think that the problem is so urgent, the necessity so great, not only from the standpoint of buildings but also from the standpoint of farmlands and crops, that we should consider coverage for all of that kind of property on a nationwide basis, and I hope that Congress will be able to work out a plan.

Senator LEHMAN. Thank you very much, Commissioner.

There are some questions I would like to ask you.

Mr. GOLD. All right, sir.

Senator LEHMAN. At a hearing which we held in Goshen, N. Y., around the 10th of November and at other hearings at which State commissioners of insurance appeared, we were told that there would be a meeting of the commissioners. I am not sure whether the meeting was to be of the total organization or association or only of the executives.

Mr. GOLD. It was the National Association of Insurance Commissioners. All commissioners met in New York recently.

Senator LEHMAN. We were promised their views. We did not receive very much in the way of recommendations or advice from the commissioners at that time, but we were assured that the national association would take up the matter and give us the benefit of their advice.

Has such meeting been held and such report prepared?

Mr. GOLD. Yes, sir; such a meeting was held in New York City the last part of November and the first part of December, and I was very pleased to be appointed to serve on a special flood and hurricane committee. The commissioner of New York is a member. The commissioner of Rhode Island is the chairman of the committee. Serving also are the commissioners of Tennessee, of Texas, and of California. We had some reports. I think I have one in my file if you care to have it. We heard from some members of industry who indicated that they were studying the catastrophe problem and that they would come up with some reports soon. I will be very happy to pass that on to the committee whenever—

Senator LEHMAN. The committee has not as yet had any report at all, or any statement, from the association. We have been waiting for one.

Mr. GOLD. It is being studied now, and that is why I say the industry will submit a report to the committee of which I am a mem-

ber. We expect that soon we will meet, probably in January. That is what the commissioner of Rhode Island, George Bisson, told me.

Senator LEHMAN. After all, we want to work this thing out in cooperation with the insurance companies and in cooperation with the recognized authorities on insurance within the States, but we are really working in a vacuum until we get expressions of their point of view.

Mr. GOLD. We had a report, if you would like to see this. This is a hearing before the insurance advisory board, at which a representative of the insurance industry reported, here in North Carolina. I will be pleased to turn this over to your committee.

Senator LEHMAN. We would be glad to have it for the committee files.

But I do want to emphasize this thing. I said at the beginning of the hearing in my remarks that at best it is extremely difficult to get important legislation of this sort through in one session of the Congress, and I am sure that my colleagues will bear me out in that. That is under the best of circumstances.

Mr. GOLD. Yes, sir.

Senator LEHMAN. But if we haven't got all the facts at our disposal, facts given to us by men who are recognized authorities in that field, it increases our difficulties many, many times.

I do hope you will use every effort to see that that report comes to us with suggestions or recommendations.

Mr. GOLD. Our committee in its first meeting in New York asked for reports in order that we could gather information, and I think the purpose of it was to pass it on to your committee. That was my understanding.

Senator LEHMAN. In many of the hearings a considerable difference of opinion developed as to whether this insurance should cover only real property or should cover real and personal property both. What is your feeling about that?

Mr. GOLD. I think the insurance industry felt—and in that report that I gave to the committee the witness testified—it was much easier to insure movable property than it was property with a fixed location. The personal property is covered now—like automobiles—by physical-damage coverage. It is easier to move that away from the peril when it starts. Not always. The companies paid a number of claims for automobile damage as a result of floods.

Senator LEHMAN. There has been no objection that I have heard to the proposal that we insure real property. There has been some question raised as to insuring personal property, largely due to the difficulties of adjusting claims.

Mr. GOLD. Yes, sir.

Senator LEHMAN. But in my opinion there is just as much reason to insure personal property as real property. The fellow who has a little house and who may lose all his furniture, which may represent his earnings for years, is just as hard hit as the fellow whose house is damaged.

Mr. GOLD. His loss is just as great, whether it is movable or fixed.

Senator LEHMAN. Yes.

Recognizing the great difficulties of this program, of working out a plan, is it your idea that the program should be one of insurance

or reinsurance on the part of the private companies or a combination of both?

Mr. GOLD. It would probably be a combination. It would depend on the type of program that you have.

Senator LEHMAN. Would you talk a little louder?

Mr. GOLD. I say it would depend on the type of program that you have. I think if the companies handle it there would have to be reinsurance. If the Federal Government handled it I don't think it would be; you wouldn't have that necessity.

Senator LEHMAN. All right. I will ask you the next question. Do you believe that a Government agency should administer the program?

Mr. GOLD. Yes, sir; I do. If the Federal Government steps in, I think it would be more economical.

Senator LEHMAN. That would answer one part of my question. That would, of course, require reinsurance, would it not, in all probability?

Mr. GOLD. Yes, sir, it would.

Senator LEHMAN. Not straight out-and-out insurance?

Mr. GOLD. That is why I say it would depend on the type of program as to whether or not you have reinsurance. If it were all a Federal program without the private industry participating, then you wouldn't have that necessity.

Senator LEHMAN. Of course, I realize you cannot speak for all the insurance companies, but can you tell us, if possible, what the attitude of the insurance companies is? Have they expressed their opinion as to the possibility of reinsurance under a governmentally-administered program?

Mr. GOLD. I have heard it expressed that they would have to have a reinsurance program.

Senator LEHMAN. With Government administration? Is it your feeling that private insurance companies should act as agents of the Government in issuing policies?

Mr. GOLD. That is the way the War Damage Corporation operated. The insurance companies were fiduciary agents for the Corporation. I have heard it expressed, have heard insurance representatives say, that they wanted to participate and cooperate if the Federal Government has a program.

Senator LEHMAN. Has what?

Mr. GOLD. That they wanted to participate and cooperate. That was indicated in the hearing that was held here in Raleigh on the matter.

Senator LEHMAN. Do you think they should be employed exclusively in adjusting claims?

Mr. GOLD. I think that would be all right; yes, sir. I wouldn't necessarily say "exclusively," but I think they should have that opportunity. Certainly if they are participating—

Senator LEHMAN. Do you think it would be to the advantage of the Government to have them adjust claims?

Mr. GOLD. I think so.

Senator LEHMAN. I would think so too.

Assuming that there is Government administration, that this plan would be governmentally administered, using the insurance companies by way of adjusting claims and possibly other functions, do you

believe there should be an advisory committee from private industry to assist the Government agency?

Mr. GOLD. I didn't understand, Senator. That there should be what? Will you repeat?

Senator LEHMAN. An advisory committee set up by private industry? By private industry I mean the insurance industry.

Mr. GOLD. Yes, sir. The Commissioner of Insurance in North Carolina has an advisory committee, and I have found that very beneficial. I think it would be well to have an advisory committee with a Federal program. Yes, sir.

Senator LEHMAN. I am interested in that because while it has no direct relation to this particular problem I am interested in it in comparison to what we have in New York State or had during the years I was Governor. Is that advisory committee to be purely advisory, or do certain questions have to be submitted to them with some power or some limitation from that time on?

Mr. GOLD. It is advisory in North Carolina in most matters, except by statute in hearing procedure they have the right to designate the hearing procedure on public hearings for ratemaking. They have the right to sit in on those ratemaking hearings and participate and give their views.

Senator LEHMAN. But it is purely advisory?

Mr. GOLD. Yes, sir.

Senator LEHMAN. Have you any idea whether the coverage of the program should be limited to flood losses and inundations—I use your term now—or include all national disasters. I think you already expressed yourself on that.

Mr. GOLD. I think it should include all catastrophies.

Senator LEHMAN. All natural disasters?

Mr. GOLD. Yes, sir.

Senator LEHMAN. How do you feel about man-made disasters?

Mr. GOLD. The unusual type of man-made catastrophe, like the explosions or losses that would occur in wartime, I think it would be well to include those; yes, sir.

Another thing that companies may write but they don't now is damage caused by the atom. Fallout, I believe they call it—atomic fallout. I think that could be considered.

Senator LEHMAN. Do you think there should be a limitation, a liability limit for each policy? If so, what should be the limit on property? I have already stated that under my bill it is \$300,000, with an aggregate limitation of \$2 billion. How do you feel on that?

Mr. GOLD. I think that is very good, but we have industry that is worth a whole lot more. We must consider the security of employment, whether or not people can work. I wouldn't limit it on certain types of risk. An industrial plant may be far over that, and maybe very important to a community or to a locality.

For the individual it might be well to put a limit, say, on property that is individually owned. But when you get into big industrial plants, I would give more coverage.

Senator LEHMAN. I can see your point on that. But unless you placed a limitation on each individual policy or each individual piece of property, then you couldn't place a limitation on the aggregate amount of governmental responsibility. You would have to have that left open end.

Mr. GOLD. If I may make a suggestion, Senator, I think a limitation by a percentage of value would be—

Senator LEHMAN. I don't get that.

Mr. GOLD. A limitation by percentages. In other words, three-fourths of the value, for example. Not insure 100 percent of the value but, for example, take three-fourths of the value. Have a limitation by percentages of value.

Senator LEHMAN. Even then, if you didn't place a fairly moderate limitation you would have to have an open-end governmental responsibility. Otherwise the entire fund that was set up under a bill might be used up by 50 or 100 large corporations.

Mr. GOLD. That is true.

Senator LEHMAN. That would leave the other people unprotected.

Is that a matter that was discussed by your association? I do not want to pry into the affairs of the national association, but can you tell me whether that was a matter that was discussed at the meeting of the association?

Mr. GOLD. No, sir, that was not, because the committee received reports from the representatives of the insurance industry and they said that they were studying the matter and would report further. We did not go into that phase of it.

Senator LEHMAN. I am going to ask my administrative assistant here if he wants to raise questions, and then I am going to ask Mr. Rogers too if he has any questions that he wants to ask.

I forgot to introduce these gentlemen. This is Mr. Edelstein, my administrative assistant. Mr. Rogers represents the minority on the committee. This is Mr. Kenna, who had a great part of the responsibility of making this study.

Go ahead, Mr. Edelstein.

Mr. EDELSTEIN. Mr. Commissioner, we had testimony before the committee in Hartford that was very interesting. An idea was suggested that on this matter of putting a limit on insurance coverage there might be a \$15,000 limit put on residences and a \$100,000 limit on industrial property. Then the insurance companies would come into the field at that point and offer residential disaster insurance on a \$15,000 deductible basis and industrial insurance on a \$100,000 deductible basis. This would allow them to escape the great mass of risk, the bottom of the risk, and take the top of the risk, which they could offer at much less premium than they could at the bottom of the risk.

As an expert in this field, what would your comment be on that idea? That was the first time that had been suggested to our committee.

Mr. GOLD. It is followed quite often in insurance, and I think that is worthy of consideration. It would be a way the companies could participate without taking the part of the risk which could more or less bankrupt the companies.

In any insurance program, of course, we always wish to have stable companies, companies that can pay losses, and we don't want to do anything that would bankrupt them.

I think that is a good point.

Senator LEHMAN. May I just ask one question in line with that?

There is no doubt that that arrangement would very greatly reduce the liability of the insurance companies.

Mr. GOLD. That is true.

Senator LEHMAN. I mean that would be a very, very great concession. Have you any idea how much it would be? Is there any data on that?

Mr. GOLD. As to the——

Senator LEHMAN. What I understand is that on residence property the Government would insure up to \$15,000, which would be deductible from the liability of the insurance company. In other words, their liability would only come after the——

Mr. GOLD. The excess.

Senator LEHMAN. After the primary responsibility of the Government. And in the same way, on industrial property there would be a deductible item of \$100,000, which would in effect mean that the insurance company would not be responsible except for over the \$100,000.

Mr. GOLD. Yes, sir.

Senator LEHMAN. That would undoubtedly mean a great deal less risk for the insurance companies.

Mr. GOLD. That is true.

Senator LEHMAN. I was wondering whether any computation has ever been made with regard to that. I am sure there have been some calculations, because that is, after all, virtually coinsurance; is it not?

Mr. GOLD. Well, I am not an actuary, and I have not studied the statistics or had any actuarial study on that, Senator.

Senator LEHMAN. Do you think the insurance companies would?

We are trying to get the facts. We have no preconceived ideas about this.

Mr. EDELSTEIN. Mr. Chairman, I think maybe some of these statistical analyses which are being made now of the experience in the recent floods would show the relationship between the losses on residences below \$15,000 and the losses above that. I think the Corps of Engineers has started on such a thing.

Mr. GOLD. Applying what you say to North Carolina experience, I know that the companies would have paid out very little under such an arrangement. Practically all of the losses from the hurricanes were under that.

Mr. EDELSTEIN. I think that would be a general deduction, but I think the figures you were asking for are in the process of preparation, Mr. Chairman.

One other question that I have, Mr. Commissioner, is this: There have been different suggestions before the committee as to whether the Government insurance should cover natural and manmade disasters. Within the framework of natural disasters there has been some suggestion that cyclone and drought and other natural disasters, coverage against which is sometimes now available from private insurance companies, also be included in the Government-insurance program in order to give it a broader base.

What would your thought be on that?

Mr. GOLD. I think you should, because if you don't put in different kinds of disasters people won't want to buy except in the area that is affected. If people only purchase in the area subject to flood, where you can predict a reoccurrence, we don't have an insurance program.

We need to get a spread so that the area subject to earthquakes, the area subject to cyclones, to blizzards, to all other catastrophes

can come in and join in the program. That is why I say that it should be considered on a national basis.

Senator LEHMAN. Mr. Rogers, have you any questions?

Mr. ROGERS. Yes, Mr. Chairman.

On this last point that Mr. Edelstein raised, I wonder if the private insurance companies wouldn't object to the Government having a policy covering insurance that they already cover at the present time—I mean such as—

Mr. GOLD. I am talking about the feasibility of a national program. In order to do that, all the catastrophes should be combined.

If the private companies are handling that or if they are participating with the Federal Government I don't see that they would object.

Mr. ROGERS. I wanted to clarify one thing for the record. You spoke of the \$27¾ million paid off by the private insurance companies. Was that mostly what we would call wind damage?

Mr. GOLD. Yes, sir, because that was the peril that was covered.

Mr. ROGERS. There wasn't any—

Mr. GOLD. You see, there is no coverage for water damage.

Mr. ROGERS. I just wanted to make that clear.

Mr. GOLD. As I brought out in testifying, less than 10 percent of the total losses in North Carolina had insurance coverage.

Mr. ROGERS. You did speak of some damage payments for automobiles and that sort of thing. That was a rather minor part of the whole thing?

Mr. GOLD. Some personal property was covered for water, but I mean the big portion of it was not.

Mr. ROGERS. That is all, Mr. Chairman.

Senator LEHMAN. Mr. McKenna, have you any questions?

Mr. McKENNA. Mr. Chairman, I have four brief items that I think might help the record along a little bit, if the Commissioner can answer.

If private companies themselves wanted to offer blanket coverage on disaster insurance, would that present any problems of clearance on the State insurance commission level that you are aware of now, Mr. Gold?

Mr. GOLD. Yes, it would unless they all cooperated.

Mr. McKENNA. I mean if they came forward and said, "We are prepared to offer such a program," would they have difficulty clearing it?

Mr. GOLD. I don't think they would have any difficulty. I prefaced my answer—

Mr. McKENNA. That is one problem that has come up in the past.

Mr. GOLD. I think the departments would cooperate on that. I know the North Carolina Department would.

Mr. McKENNA. Similarly, if the private companies could see their way clear to participate in a reinsurance program where the reinsurance is offered by the Federal Government, do you know of any problems on the State level that that would present as far as clearance goes?

Mr. GOLD. I think that could be worked out all right.

Mr. McKENNA. Finally, on this question of how long a period is necessary to have a fair test of whether or not this type of disaster

insurance is feasible, I have this comment to make: I noted in your testimony you stated the fact that in the last 2 years you have had an exceptionally heavy loss.

Mr. GOLD. The last year—within a period of 12 months.

Mr. McKENNA. All right. Do you feel then it would be feasible to test the true worth of this program over a short period of 3 or 5 years, which has been mentioned from time to time, or wouldn't it likely take a much longer period to find out whether the program would really work?

Mr. GOLD. I think it would take years.

Mr. McKENNA. Thank you.

Mr. GOLD. Because a natural catastrophe can upset everything, and you can't get the experience on catastrophes in 1 year or 2 years or 3. I think it would take a much longer period.

Mr. McKENNA. It seems to me that statement is borne out by the studies we have made in all fields of catastrophe—that none of them approach the annual average. They may go way above it or way below it in any given year.

Mr. GOLD. Yes, sir.

Mr. McKENNA. Finally, I would hope again, as the Senator has said, that your national association when it does consider its suggestions on this point would do what it can to suggest a premium rate schedule. That is one thing on which we vitally need information, and it is very difficult to obtain.

Mr. GOLD. We will give that consideration.

Mr. McKENNA. That is all I have, Mr. Chairman.

Senator LEHMAN. Thank you very much, Mr. Commissioner.

We will place in the record a statement submitted by Commissioner Gold concerning the meeting of the flood and hurricane committee of the National Association of Insurance Commissioners held November 30, 1955.

(The statement referred to follows:)

STATEMENT OF THE FLOOD AND HURRICANE COMMITTEE, NATIONAL  
ASSOCIATION OF INSURANCE COMMISSIONERS

The meeting of the flood and hurricane committee was held in the east ballroom at 11 a. m., Wednesday, November 30, 1955, at which a quorum was present.

Statements were made by members of the committee to the industry requesting whether flood insurance could or could not be written, and requested all segments of the industry, stock insurance companies, mutual insurance companies, reciprocal exchanges, etc. to make their full facilities available to this committee in presenting complete and concise factual engineering reports and, complete and concise factual statistical reports as to the feasibility whether the industry can or cannot write this type of coverage. Expressions were received from the stock and mutual branches of the industry setting forth that these reports would be forthcoming in the immediate future, and will be presented to this committee.

A motion was made and seconded that this committee stand adjourned.

HON. GEORGE A. BISSON, *Chairman, Rhode Island*  
HON. LEFFERT HOLZ, *Vice Chairman, New York*  
HON. F. BRITTON MCCONNELL, *California*  
HON. ARCH E. NORTINGTON, *Tennessee*  
HON. CHARLES F. GOLD, *North Carolina*  
HON. MARK WENTZ, *Texas*  
HON. J. EDWIN LARSON, *Florida*

Senator LEHMAN. Governor, since you are still here, may I ask you one more question for the record?

Governor HODGES. Yes, sir.

Senator LEHMAN. At a number of our hearings, witnesses have testified that a great deal of the damage in the future could be eliminated or at least very materially reduced if we had stricter zoning laws.

I don't know what the situation is down here. I do know it fairly well in some of the Northeastern States.

In Connecticut, for instance, most of the damage was done in very low-lying areas, because originally the mills in New England were built to use the waterpower of the streams. They are built right on the edge of the streams. The homes of the workers, of course, grew up surrounding these industrial plants.

Obviously it would not be possible to move a great industrial plant or to move an entire area of existing houses. But it might be possible to adopt stricter zoning laws for future development of the areas.

I don't know how you feel about that, and I don't know what the situation is here in North Carolina. In the Northeastern States, testimony was given that steps are being taken either by the State to enforce zoning or on the initiative of the communities themselves to pass stricter zoning laws.

Can you testify on that?

Governor HODGES. Yes, I would be glad to say, Senator Lehman, that that is a problem that will need attention from the localities and local governments and the State governments. Many places, including here in North Carolina, have been fairly informal in some of their building. It is not going to be too easy to persuade people. But in the future I think that you can do it. We have a study being made along that line. You will have some testimony on it this morning from one of the experts—the kind of thing that is going to be suggested to this State and its communities as to how to prepare itself by stricter building codes and zoning.

Senator LEHMAN. Of course, the Federal Government could not possibly presume to adopt or compel stricter building codes. The States could, of course, and certainly the communities could.

Is there anything in the constitution in the State of North Carolina which would prevent the State from bringing pressure to bear, requiring communities to adopt zoning laws?

Governor HODGES. Not in the constitution. It would be up to the general assembly to decide what we do. But I wouldn't think within reason we would have too much trouble. We are talking about things to be done in the future.

Senator LEHMAN. Thank you very much.

Commissioner of Agriculture L. Y. Ballentine.

#### **STATEMENT OF L. Y. BALLENTINE, COMMISSIONER OF AGRICULTURE, STATE OF NORTH CAROLINA**

Mr. BALLENTINE. Mr. Chairman and gentlemen of the committee, I appear only for the purpose of registering my sentiments in the belief that disaster insurance is necessary. I am speaking now of North Carolina, but I am sure that the other States of the Nation have experienced and maybe will experience disasters similar to those experienced by the people of North Carolina.

Detailed information will be given to you by other persons appearing as witnesses. So that we may not have too much duplication, unless you have some question I believe that is my testimony.

Senator LEHMAN. How many of your counties are covered by some kind of crop insurance?

Mr. BALLENTINE. I regret that I am unable to give you that information. I could get it relayed, I think, in about half a second. I believe Mr. Mann was here, but I believe he has gone out.

Senator LEHMAN. I understand we are going to hear from Mr. Mann later.

Mr. BALLENTINE. Yes, sir.

Senator LEHMAN. I am advised he will give us the information.

Mr. BALLENTINE. Quite a number of counties, but not anything like a hundred percent of the counties.

Senator LEHMAN. Thank you very much indeed.

Edward F. Griffin, director of the North Carolina Civil Defense Council.

### STATEMENT OF GENERAL EDWARD F. GRIFFIN, DIRECTOR, NORTH CAROLINA CIVIL DEFENSE COUNCIL

General GRIFFIN. Senator Lehman, Senator Ervin, Senator Scott, Governor Hodges, distinguished guests, ladies and gentlemen, I want to say at the outset I am not one of those experts you have just heard so much about. I am just a layman trying to give you the benefit of our observations in civil-defense work.

As a result of the hurricanes which have visited our State since October 15, 1954, through September 20 of this year, the economy of eastern North Carolina has suffered a devastating and staggering blow. Every farming and business operation in the area has been adversely affected.

These storms have been so severe that it is conservatively estimated by our engineers that we have lost from 15 to 60 feet of our entire coastal area adjacent to the Atlantic Ocean.

It will be some time before we are able to accurately obtain the full extent of our damages and losses, for there are many hidden and concealed damages that will show up in months to come as a result of the terrifically high water in many of our towns.

Some of our richest and most productive farmlands are located in the area which these storms embraced. Many of these productive farms were served by drainage districts. These suffered untold damages from debris being deposited in the canals and ditches, these drainage systems being the lifeline of our agriculture in many of the storm-stricken eastern counties.

In 12 of our counties we have had 45,328 acres of our croplands covered with salt water. In 31 of our counties we have had 86,590 acres of our croplands covered with fresh water. Our losses have been tremendous and aggravated from a drainage standpoint due to the damage sustained by our drainage systems as a result of Hurricane Hazel last fall. This, in my opinion, had a great deal to do with the damages suffered from flooding in the area during these three current storms.

If we are to save from the ravages of hurricanes some of our finest and most productive farmlands situated in our coastal counties, it is essential that we construct the necessary levees along our rivers and waterways to prevent the rising waters incident to a hurricane and torrential rains which accompany it from again flooding these lands.

We are also faced with the problem of keeping open, free of debris, and operational our many drainage canals and ditches so that the waters may have an easy escapeway to our sounds and the ocean.

Many of our eastern towns and communities are in dire need of permanent-type breakwaters and bulkheads. Such structures would have saved in the past four storms many millions of dollars in property damage.

The great damage which we sustained in Hurricane Hazel was caused by the terrifically high winds and some high water. The area generally affected was from Cape Lookout southward to the South Carolina line along our coast and then northwardly through our State to the Virginia line.

Luckily, we did not suffer a great crop damage as a result of this storm, for most of our crops had been harvested and sold. But real property suffered a tremendous impact and loss.

For the storms Connie, Diane, and Ione, our great damage was sustained as a result of torrential rains and high waters pushed inland out of our sounds from the high winds and pressures of said storms. I might say here that we had 1 little town in eastern North Carolina that had 40 blocks under water at one time. They sustained in that town, by conservative estimate, a \$15 million loss and damage.

Our damages and losses were heavy. Our biggest percentage of loss was to farm crops and other agricultural losses.

The greater losses sustained in these three storms were confined to the area from New River Inlet along our entire coastal area northward to the Virginia line and inland from New River Inlet northward to the Virginia line.

Unfortunately, the insurance coverage in the storm area was very small and inadequate when compared to the tremendous losses sustained by farmers and all manner of businesses, including our commercial fishing industries, private properties, public properties, and facilities owned by the various municipalities and counties.

The figures I am about to give you as to the damages sustained in the storm-stricken area are purely estimates which are based on the best information at this time from surveys of local authorities and officials, local civil-defense directors, engineers from our office, reports from the American Red Cross, reports from the United States Department of Agriculture and its many agencies, reports from the Federal Housing and Home Administration, and from personal surveys and observations.

Our estimates—and they are estimates—may seem heavy in spots, but I am sure that you will find that they are underestimates in other areas.

It is our opinion that our losses will average out in the neighborhood of the figures which I will give you.

For example, it was our original estimate that the damages sustained to public properties and facilities owned by the counties, cities, and towns as a result of the last 3 hurricanes were \$7,839,500. As of the ninth day of this month we had received 67 project applications for Federal grants to the towns and counties under the provisions of Public Law 875 of \$7,641,647.02. This we believe is some indication as to the accuracy of our estimates of the damages.

To give you something of the heavy damage we sustained as a result of Hazel, we estimated the damages to public highways, public util-

ities, State and municipally owned properties to be \$10 million. These are proving out to be quite accurate.

On the estimates as to private property, we had 4,000 dwelling houses completely destroyed or suffering major damage, for a loss of \$30 million.

We had 20,000 dwelling houses sustained minor damage, estimated at \$1,000 average for a loss of \$20 million.

We had 10,000 farm buildings completely destroyed or suffering major damage, estimated at \$4,000 per unit, for a \$40 million loss.

We had 15,000 farm buildings sustaining minor damage, estimated at \$700 average, for a loss of \$10.5 million.

We had 1,000 business buildings completely destroyed or sustaining major damage, estimated at \$5,000 for an average, for a loss of \$5 million.

We had 4,000 business buildings and personal property units sustaining minor damage, estimated at \$1,000 for a loss, of \$4 million.

The estimated damage sustained by our church, church property, private colleges and schools as \$1 million.

The estimated damage to our standing timber—we think we are probably very light on this estimate because we had acres of our finest saw timbers blown to the ground—we estimated at \$3 million.

That is a total estimated damage in North Carolina as a result of hurricane Hazel of \$123.5 million.

As to the three storms of this year—

Senator LEHMAN. I am not quite sure if you included the crop losses in that. I know you included the loss of farm buildings, loss or damage.

General GRIFFIN. We did not, sir, because, as I said, most of this damage, sir, was from the high winds in hurricane Hazel, and we had most of our crops in and sold.

Senator LEHMAN. How about the flooding of the lands in the drainage canals?

General GRIFFIN. We had great damage, of course, to our drainage canals and districts, and that has accounted we think for a great deal of the damage we have sustained during the last three storms. We did not get any help along that line after Hazel.

Now, sir, if I may, I will give you the damages we estimated for the last three storms.

Senator LEHMAN. What are the dates of those storms?

General GRIFFIN. The first one was August 12, 1955, the second one August 18, 1955, and the third September 20, 1955.

The damage to public utilities—and this is quite accurate because we contacted the various public utility groups in the State—is \$2 million.

To North Carolina State-owned property—that includes some of our institutions—\$500,000.

To our highways and bridges, \$1,500,000. That is quite accurate also.

To farm crops and other agricultural properties, \$106,629,248.

To give you some idea of the breakdown on that, which we got from the Department, I might say that each county in that area had a hurricane committee of farmers, people interested in farming, and they got up the figures and turned them in to the Department here in Raleigh.

We had a corn loss of \$14,646,815, a cotton loss of about \$5 million, a tobacco loss in 37 counties of some \$33,500,000.

I might say that a lot of this tobacco that was lost was in the house but the roofs were not substantial enough to keep out these torrential rains, and herefore the tobacco got wet and was damaged and ruined.

We had more than a million and a half dollar loss in peanuts, soya beans around \$3 million. Many other crops go to make up this total.

The agricultural experts figure that the salt-water damage, which I gave you as 45,000 acres, and the freshwater damage to the lands in 86,000 acres was \$3,163,800. I might say that they tell us that it takes 3 years to prepare crop lands so they can be used after salt has been deposited on them. It takes that long to get them alkaline again so they can be used. That has been quite a problem.

We had a terrific mosquito invasion as a result of all this water in eastern North Carolina, and it has been necessary for the counties, the towns, the State, and the Federal Government helping us to spend about a half million dollars trying to eradicate some of these mosquitoes. It is just impossible for the people to live down there from a health standpoint without some help along that line.

I might say that the State itself and its agencies furnished and contributed services in the area from the various State departments—that is, the public health department, the welfare department, the highway commission, the adjutant general's department—more than \$565,000.

We come now to the private-property damage other than the agricultural which I mentioned, and we come up with a figure of \$49,520,000.

As I told you, the damage to public property of counties, cities, and towns was \$7,839,500.

That gives us a total for the 3 storms of this past fall of \$169,054,730.96; a loss in North Carolina or damage in North Carolina in less than a 12-month period of some \$300 million.

As Mr. Gold told you here, he thought that the insurance coverage was less than 10 percent, which is quite a blow to the economy of eastern North Carolina.

It is my opinion—and this is my opinion, of course, because I haven't talked to anybody about it—that some provision should be made so that losses from disasters may be recovered through some form of insurance.

I'm very "lay" in the insurance field, and I know nothing about it. All I know is how to pay the premiums, and they all seem mighty high to me.

It is my personal hope, however, that the insurance industry can work out some plan for this coverage. But if they are unable to do so, then it is my thought that some Federal agency should be given this responsibility, and that is the statement I make to you, Mr. Chairman, and to the members of the committee.

Senator LEHMAN. Thank you very much indeed, sir. It is a very, very interesting and informative statement.

General GRIFFIN. I would like to turn in here for the record—I'm sure you would like to have it—a pictorial brochure of the Hazel hurricane, showing something about the damage we sustained in North Carolina.

Senator LEHMAN. We will be glad to have the brochure for our files. I want to ask you one question, and then the members of my staff want to ask some questions. I would like to make just a very brief statement for the record because I think the extent of these losses and the damage has not been fully understood by the American people.

The committee has not as yet been able to get any authoritative official estimates as to the losses that have occurred during the period, let us say, of August 10 to September 20. They have not been able to give us these authoritative figures for the area included in the Northeastern States and in North Carolina and South Carolina. The Corps of Engineers is now working on a survey to cover that. That will not be ready for another month or two.

But I want to make this statement for the record: That the estimates of loss for the period I have mentioned, which covers 3 storms as I understand it, vary from a minimum estimate of \$750 million to a maximum estimate of \$1.6 billion.

But even assuming that the minimum figures are accurate—and I don't know whether they are or whether they will run much higher than the estimates—but even assuming and accepting the minimum figures we would have losses and damage amounting to \$750 million, which is certainly a staggering amount and which must cause great economic dislocation and great social dislocation in the areas affected.

I wanted that to go on the record.

General, the Red Cross worked down here, did they not?

General GRIFFIN. Yes, sir.

Senator LEHMAN. In these disasters?

General GRIFFIN. They did a fine job; yes, sir.

Senator LEHMAN. To what extent did they rebuild or rehabilitate homes and smaller industrial property?

General GRIFFIN. They spent, as I recall it, as a result of Hazel, something over \$700,000. I know from personal observation that they did assist a lot of our small fishermen and people like that in replacing their nets and repairing their boats and getting the boats back in the water, which was quite a problem.

Many places you could ride along the highway and the highway would be littered with boats literally blown up out of the water.

We had one ferry down there crossing an inland waterway which was capable of carrying 6 automobiles. This was taken out of the inland waterway and deposited some 300 yards back up on the high ground. It took the highway commission, I believe with about 60 men, a week to get it back and floated—to dig it out and float it again.

So we did have some terrific losses among those people down there who are residents of that area. The Red Cross up till now in the last 3 storms have spent, as I recall, I believe somewhere about \$600,000.

They have done a fine job, we think, and we are most grateful for everything they did. They have been very cooperative, and in our operations with them everything has been very pleasant. We feel that they did a fine job here for us.

Senator LEHMAN. I think the Red Cross is a wonderful organization, and the money that is contributed to them, of course, represents the generosity of the American people.

General GRIFFIN. Yes, sir.

Senator LEHMAN. I hope that they will always not only maintain their many grand activities but increase them.

But I do want to point out that they can't possibly in the very nature of things make very much of a dent in making good the losses.

General GRIFFIN. Oh, no, sir.

Senator LEHMAN. I mean you testified they spent about \$600,000 in this State, and they spent approximately similar amounts or relative amounts in the other States. But as against the loss which you claim of \$350 million, while their work is grand and I want to emphasize that with all the strength at my command, they certainly cannot by themselves make good the losses that have come in this State and in other States.

General GRIFFIN. Yes, sir. I want to say this, if I may, Mr. Chairman. I want to pay tribute here to the Federal Civil Defense Administration. I think that we have got as fine a setup down here in region 3, which embraces the seven Southern States, as you could find anywhere. We have had fine cooperation from them. They have done a wonderful job, we think, to try to assist our counties and towns in the temporary restoration of their essential facilities.

I want to pay a tribute to them. They have done a magnificent job, and they have cooperated with us in every way.

Judge Tom Goodman is the regional director, or the regional administrator I believe they call him, and he has come every time we have called him to our State. He has sent his people to help too, and they have done an outstanding job, we think, for us.

Senator LEHMAN. Mr. Edelstein, have you any questions to ask?

Mr. EDELSTEIN. I have a few.

Just for the record, I would like to say, Mr. Chairman, that we now have received figures from the Red Cross under date of November 23 which give their total expenditure in the whole six-State area up-to-date as \$16 million.

Senator LEHMAN. That includes the Northeastern States and the Carolinas?

Mr. EDELSTEIN. That's right.

General, do you have any idea, in view of your own experience in this field, as to where this disaster insurance program might better repose as far as the Federal Government is concerned? In what agency?

The suggestions that have been made to the committee are three—one the Housing and Home Finance Agency, another the Federal Civil Defense Agency, and the other an independent agency.

General GRIFFIN. Yes, sir. Well, it is my thought, sir, and this is purely lay now, I know nothing about what I am talking about but I will say this: That if the Federal Government is going to get into it, it seems to me that you have the agency set up now for it, and that is the Federal Civil Defense Administration. I think they could handle it beautifully along with the administration of Public Law 875. They could handle it very, very well I think.

Mr. EDELSTEIN. General, one of the bills that is before this committee—in fact, it is the bill suggested on a tentative basis by the chairman—has one section dealing with changes in the administrative responsibility of the Civil Defense Administration. Have you had a chance to look at that section of the bill?

General GRIFFIN. I have glanced at it, sir. I have some ideas about it.

Mr. EDELSTEIN. Have you any comment as to whether the giving of greater authority to the Federal Civil Defense Administration is a sound idea or whether it should be considered in connection with this legislation?

General GRIFFIN. I have followed the civil-defense program right closely now for some little time, and it is my thought, sir, with the grave situation that we face in this world today, that civil defense should be given more stature. I believe that the Federal Civil Defense Administrator should be a member of the Cabinet. He has the safety of the people of this country in his hands, so to speak, if the Congress will go along with him and help him. He has a tremendous job. I think it is just as important as anything that could happen for the good of this country and the safety of this country that the Civil Defense Administrator—I don't care who he is—should have Cabinet stature.

Mr. EDELSTEIN. General Griffin, as the official in charge of coordinating the program of relief and rehabilitation that took place in this State, would you say what was the general tenor of the general complaints, if there were any, against the assistance given by the various Federal agencies? We have in the record some complaints against the Small Business Administration, and also great praise of the Small Business Administration. What was the experience in this State?

General GRIFFIN. We probably had maybe a dozen letters where people going to the Red Cross didn't get what they thought their neighbor got and they were a little dissatisfied about that.

So far as any criticism of any of the Federal agencies that were working with us, I know of none. I haven't heard of any. It seems to me that they would have come to my attention.

A lot of people, a lot of the municipal officials, probably don't feel that Public Law 875 is liberal enough, that they're not getting what they ought to have to rehabilitate their essential facilities. But you know we all want to get all we can, and that's just the way it goes.

Mr. EDELSTEIN. One final question, sir. Do you think that public facilities, which in North Carolina suffered such damage as you described, should be included under a Federal insurance program?

General GRIFFIN. I do; yes, sir. I think your bill provides that, as I recall it.

Mr. EDELSTEIN. Yes; it does, but that question has been raised.

Senator LEHMAN. One more question, General. Under the law the authority is given I think to the Small Business Administration and also to the Farmers' Home Administration to make loans at a relatively low rate of interest for the rebuilding or the rehabilitation of homes. To your knowledge, have many of the homeowners availed themselves of that authority?

General GRIFFIN. Yes, sir; they have. I think as a result of Hazel the Small Business Administration loaned in this State probably a million and a half dollars. Of course, part of the requirements and the criteria was that the people would be unable to borrow the money in the local area. We had a number of people who lost properties who needed that help, and they got it at I believe about 3 percent interest. It was a great help to us.

We hope you will continue the Small Business Administration if we are going to continue to have these catastrophes.

Senator LEHMAN. Of course, those were loans which had to be repaid.

General GRIFFIN. They had to be paid back, yes, sir.

Senator LEHMAN. So if a man who had a little home with let us say a \$10,000 mortgage on it had his home destroyed, all he was left with was the loan which had to be repaid.

General GRIFFIN. Yes, sir.

Senator LEHMAN. If he goes ahead under the existing law and makes another loan, which is possible up to a certain point, then he is saddled with the old loan and with the new loan. In other words, if he is a man of very small means, the burden on him to pay off those 2 loans on 1 house it seems to me will undoubtedly be very heavy.

General GRIFFIN. It would; yes, sir.

Senator LEHMAN. I doubt if that is understood by a great many people. I have tried to emphasize it as much as possible. While I certainly think that these loans have been useful, they do not in the slightest degree compensate a man for the losses which he has suffered. They simply give him a chance to borrow more money at a relatively low rate of interest and rebuild or repair his home.

General GRIFFIN. That was one of the problems that faced a lot of our farmers. They had procured loans from the Farmers Home Administration prior to these storms, and they owed the Farmers Home Administration money, and then the storm came along and wiped out what they did have, and so they had to reborrow again to try to make a crop during 1956. So that has been quite a problem in eastern Carolina.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. Yes, Mr. Chairman.

On your statistics of \$169 million, is there a procedure for you to report what you found to the regional director, Mr. Goodman, or—

General GRIFFIN. Yes, sir. He has all those figures. We furnish him with all the information that we get.

Mr. ROGERS. Do you also report that to the Corps of Engineers?

General GRIFFIN. No, sir, we do not. They have their own means of inspection, as I understand it.

I might say the Federal Civil Defense Administration has their own engineers, and they come into the area too, and they make their own surveys, and then we make ours, and we furnish them our information, so they have a pretty good line on the actual damage.

Mr. ROGERS. Thank you.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. General, I have just a couple of problems involving civil defense primarily. One of these is that we have received information complaining that it is difficult at times to get adequate warning to potential victims of natural disasters. I wondered if you had had that problem here in your area.

General GRIFFIN. No, sir, we have not. We have an adequate communications net. I might say that we have the finest highway patrol net, they say, in the country. They are our first line of communications. Then we have more than 1,500 amateur radio operators in the State, and they are organized, by the way, and it has been approved by the Communications Commission, so we have that group to rely on.

Then we have in our forestry department a good radio network.

I might say that we are now augmenting the highway commission radio network.

So we feel and we know that we have a coverage to every area down in the stricken area.

Mr. McKENNA. Yes, sir. I believe the objection that was raised, General, was when one of those storms approached in the early hours of the morning it was difficult to get adequate coverage because many people had ceased listening to their radios. Many of the radio stations had gone off the air and it was a question of trying to get some personal notification to those people in the area who were in danger. That would take some sort of, as you indicate, highway-patrol activity, which probably could help out in that field. I wondered whether the civil-defense organization itself could be implemented or organized to give notification door to door.

General GRIFFIN. We have in that area, I am thankful to say, a fairly good civil-defense setup. The people have realized the necessity for some kind of organization. We call the director in the county and in the community. I might say also that all of the sheriffs' departments have their radio network tied in to the highway patrol net, and they get the information about as soon as the highway patrol people do.

So we haven't had any trouble on warning. No, sir. None whatsoever.

Mr. McKENNA. One other problem. We were told that the fine aircraft surveillance that they maintain over water areas ceases when the storm passes over land. You folks here have been unfortunate enough to receive the main brunt of the storm coming in from the ocean usually.

I wondered whether or not that had presented any particular problem to you and whether you think it is deserving of study as to whether we ought to augment that aircraft surveillance over land areas as well as over water areas.

General GRIFFIN. We would appreciate any help we can get, whether it is aircraft of whatever it might be.

Mr. McKENNA. By the same token, I assume that you would be in support of whatever additional functions we can give the Weather Bureau in aid in their reporting service?

General GRIFFIN. Yes, sir.

Mr. McKENNA. We had heard some complaints from some areas that they were frightening too many people by these weather advisories unnecessarily. The Weather Bureau in defense states that it does the best it can to notify potentially dangerous areas of an approaching storm, whether it's a tropical storm or of hurricane force, and that if they had better facilities for accurate tracking of storms they might be able to limit their advisories to more accurate predictions.

General GRIFFIN. We feel, sir, the radio industry in North Carolina and the television industry have done an outstanding job in assisting us in notifying our people, and they come into play some several hours before the actual D-hour approaches.

Mr. McKENNA. Yes, sir.

General GRIFFIN. They have been of great help to us, we think. You know, a lot of people don't like to hear the truth.

Mr. McKENNA. That's all I have, Mr. Chairman.

Senator LEHMAN. Thank you very much indeed, General. It has been very interesting and very helpful.

The next witness will be Mr. Pearson H. Stewart, director of Governor Hodges' long-range hurricane rehabilitation project.

After Mr. Stewart has testified, we are going to take a brief recess for lunch. But I want to say before we hear from Mr. Stewart that I am advised Judge Tom Goodman, regional director of the Federal Civil Defense Administration, who comes from Georgia, is here in the chamber. I believe General Griffin has referred to him a number of times during the testimony. We would be very glad indeed to hear from Judge Goodman after we reconvene after lunch if he wishes to be heard.

Mr. Stewart.

#### **STATEMENT OF PEARSON H. STEWART, DIRECTOR OF GOVERNOR HODGES' LONG-RANGE HURRICANE REHABILITATION PROJECT**

Mr. STEWART. Mr. Senator, I am director of a special staff preparing a report on hurricane damage protective programs for Governor Hodges' long-range hurricane rehabilitation project. My comments are based on the staff investigations for the project.

In my statement I have a paragraph concerning damage which recapitulates General Griffin's testimony, so I will not read it.

The severe damage in North Carolina resulted partly from inadequate measures taken to prevent or minimize hurricane damage and partly from the inability of whatever protective measures might have been taken to provide complete safety from hurricanes.

There are many ways by which particular areas can live in much more safety than at present with the hazard of hurricanes. Resort areas on exposed beaches can maintain or rebuild protective dunes. Individual structures can be built or rebuilt at elevations above expected hurricane tide height and in locations protected from the battering forces of hurricane waves. Beaches can be stabilized and erosion from hurricane action prevented by the construction of appropriate protective structures.

Farm buildings can be built above the height of expected fresh-water flooding. Fields subjected to fresh-water flooding can be put to uses such as pasturage that will not be as severely affected by flooding as others. Areas subject to salt-water coverage can be put to salt-resistant uses. Governmental units can take necessary construction and regulatory actions to help their citizens live with the threat of hurricanes.

However, no hurricane protective program can be completely effective. Hurricane tides cannot be prevented. While dikes or seawalls can be constructed in certain areas, it is completely unrealistic to expect that any system of diking could prevent hurricane tides from covering all land areas that are subject to flooding. Many existing builtup high-value areas are subject to hurricane tide coverage. Even if every building in such an area were conceivably to be raised to an elevation above tide height, nevertheless, the hurricane tide would inevitably do damage to installations and portions of buildings of necessity constructed below hurricane tide height.

It is unlikely that all areas subject to flooding (in North Carolina approximately 2,650 square miles, or 25 percent of the area of our 22

coastal counties were flooded by the hurricanes of 1955), much of which is high-value agricultural land, can be completely freed from the threat of flooding, even with extensive programs of drainage and diking.

Inevitably there will be a gap between the amount of damage that can be prevented by even excellent programs of hurricane damage protection measures and the amount of damage that would occur without such programs. To fill this gap is one of the reasons for the necessity of a program of disaster insurance.

The more an area can do to make itself safe from the hazards of hurricanes the safer and better will be disaster-insurance risks in that area. While it would be impossible to inspect and classify individual structures or properties concerning their ability to withstand hurricane forces, it may be more reasonable to take into consideration the measures being taken by governmental units to provide hurricane protection in classifying hurricane-disaster risks.

Some towns or counties will undertake active programs of providing protection from hurricane hazards—through the construction of dunes, through the enactment of building and zoning codes that will prevent the danger from getting worse and, over the years, help to reduce it, through the construction of protective works, through the building of drainage systems. Other towns or counties will do nothing.

Perhaps a system of standards could be established which would be of value in determining the ability of an area to withstand hurricane forces. If a particular area, carrying on an active program of reducing hurricane hazards, had reached a point at which the hazards actually were substantially reduced, perhaps its risk and consequently its rates could be established as being lower than those in an area not conducting such a program.

A program of hurricane-damage resistance standards for use in evaluating risks, while not feasible for individual structures, may be worthy of consideration for towns, counties, or other types of districts.

Thank you.

Senator LEHMAN. Thank you very much.

I have a few questions. As I understand it, as I interpret your statement, you feel that much could be done through the operation of control laws.

Mr. STEWART. I do, Senator, and other appropriate governmental actions.

Senator LEHMAN. As I read this, you enumerate the ways in which the safety of certain areas could be increased.

Mr. STEWART. Yes.

Senator LEHMAN. By these standards and things of that sort. But I also read into this your feeling that much could be done in the future—not in the past, of course, not in connection with existing facilities—by intelligent and carefully worked out zoning practices. Am I correct in that?

Mr. STEWART. You are, sir.

Senator LEHMAN. In my bill, the bill that I had drafted, and I believe in 1 or 2 of the other bills, provision is made for the rate not to be uniform necessarily or rigid but to be based on the vulnerability of a particular house or factory to the ravages of floods or other natural disasters. As I read your statement, I understand that you favor that.

Mr. STEWART. I do, yes.

Senator LEHMAN. I raise that question because one of the objections that has been raised to legislation of this character is that if you have universal insurance, disaster insurance, flood insurance, people will simply cease their efforts to protect themselves by manmade efforts in the way of zoning or rebuilding of certain areas which are in jeopardy.

Under the bill that I have drafted and which is before the committee now, there would not be any uniform rate but there would be a rate based on the facts that were determined by the administrator of this thing, probably in connection and in cooperation with the insurance companies, which would take into account, give effect, to the steps that had been taken by the communities themselves to lessen the jeopardy of their areas. That is correct, isn't it?

Mr. STEWART. Yes.

Senator LEHMAN. That is what you have in mind?

Mr. STEWART. Yes; it is.

Senator LEHMAN. Thank you very much.

Are there any questions?

Mr. EDELSTEIN. Just a couple. I gather that your study was directed, from your testimony, largely to possible methods of hurricane control, minimizing the damage?

Mr. STEWART. Not hurricane control itself.

Mr. EDELSTEIN. Well, I know.

Mr. STEWART. Control of the damage.

Mr. EDELSTEIN. Control of the damage. Only the good Lord can control the hurricane. But were you in a position to study available hurricane insurance?

Mr. STEWART. No; we have not dealt with that in our study.

Mr. EDELSTEIN. Because the general impression that the committee has received was that there is available hurricane insurance. I don't know how far they refine it. Did you come across any statistics or figures or testimony as to whether that was generally available in North Carolina?

Mr. STEWART. No; we have not.

Mr. EDELSTEIN. You did not go into that at all?

Mr. STEWART. No.

Mr. EDELSTEIN. When you spoke of hurricane damage resistance standards, were you referring to structural standards and things like that in houses?

Mr. STEWART. Yes; and also standards for programs conducted by governmental agencies.

Mr. EDELSTEIN. I see.

Mr. STEWART. If a community had conducted a program of developing necessary protective measures or had an effective building code or an effective zoning ordinance that was resulting in a gradual diminution of the hurricane hazard over the years, such facts should be taken into account in developing the standards.

Mr. EDELSTEIN. That's all.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. I have one question, Mr. Chairman. On this last point, would it be in your thinking that when an agency such as the FHA is insuring mortgages on homes that they would require as one of their standards for a home to be insured that it meet the hurricane-resistance standards?

Mr. STEWART. I don't see how it could be done on an individual home basis.

Mr. ROGERS. You don't?

Mr. STEWART. I have been thinking in broader area terms. I think that would be an ideal situation, but I don't see how it could be done.

Mr. ROGERS. FHA has minimum requirements before you can get your property insured. They could raise those minimum standards some in the coastal areas so it could cover hurricanes.

Mr. STEWART. There are so many homes that can't meet the requirements.

Mr. ROGERS. You're more concerned with the existing. I was speaking of new building.

Mr. STEWART. Well, new buildings—

Mr. ROGERS. You are more concerned with existing housing.

Mr. STEWART. Yes.

Mr. ROGERS. That's all, Mr. Chairman.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. I have one question too. Mr. Stewart, did your study indicate whether or not the nature of the damage done along the coastal areas was greater than in the inland areas? You will recall General Griffin gave some testimony concerning the estimates that had been made, and I wondered whether or not the damage in the coastal areas was apt to be more severe per property than it was in inland areas.

Mr. STEWART. That depends on the individual property owner.

Mr. MCKENNA. What I was wondering was whether or not the force of the hurricane was of such severe nature right along the coast that it would cause severe damage to a given dwelling as distinguished, say, from further inland when the force had waned somewhat. I didn't know whether your estimates showed that or not.

Mr. STEWART. Well, the nature of the damage was entirely different inland. That is like trying to compare two different things.

Mr. MCKENNA. Well, I was thinking primarily of damage to dwellings.

Mr. STEWART. Well, in that case; yes.

Mr. MCKENNA. They were hit harder right along the coast than further inland?

Mr. STEWART. Yes, but if a man's field is flooded with salt water, the actual force may not be as great but the damage is as severe.

Mr. MCKENNA. This becomes of importance in considering individual limits placed on insurance per property. That is one of the factors we are considering.

Thank you, sir.

Senator LEHMAN. Mr. Stewart, I understand you are director of the long-range hurricane rehabilitation project. Just for the record, is that a public body?

Mr. STEWART. It is a special study set up by Governor Hodges.

Senator LEHMAN. The study was set up by the present administration in North Carolina?

Mr. STEWART. That's right; yes.

Senator LEHMAN. How are the members elected? Are they appointed by the Governor?

**Mr. STEWART.** The Governor has appointed three groups, a technical group of which I am the head, a panel of citizens to be advisory, and a committee of governmental officials, to be a committee on hurricane rehabilitation. The three groups are working together to try to develop a hurricane-rehabilitation program.

**Senator LEHMAN.** So it is not a privately initiated organization?

**Mr. STEWART.** It is public.

**Senator LEHMAN.** It is a public body?

**Mr. STEWART.** Yes.

**Senator LEHMAN.** Thank you very much.

**Mr. Stewart's** testimony will complete the witnesses appearing before the committee this morning.

The committee will now recess and will reconvene in this same chamber about 2:15 p. m.

(Whereupon, at 12:40 p. m., the committee recessed, to reconvene at 2:15 p. m., this date.)

#### AFTERNOON SESSION

**Senator LEHMAN.** The hearing will come to order, please.

Who is the first witness?

**Mr. EDELSTEIN.** Mr. Chairman, the first witness is Mr. Julian Mann. Is he here?

**Senator LEHMAN.** We will pass him by for the moment.

**Mr. EDELSTEIN.** Judge Tom Goodman, the regional director of civil defense.

**Senator LEHMAN.** I am sorry we couldn't get to you this morning, sir.

#### STATEMENT OF TOM GOODMAN, REGIONAL DIRECTOR, FEDERAL CIVIL DEFENSE ADMINISTRATION

**Mr. GOODMAN.** Senator Lehman, this is an unexpected privilege and honor to be asked to appear before your committee, before you and your counsel and assistants. I believe that the attitude and beliefs and policy of the Federal Civil Defense Administration have heretofore been enunciated to your committee. I believe that Mr. Harold Aitken, who is the Executive Assistant Administrator for Federal Civil Defense, the assistant to Gov. Val Peterson, testified before the committee on October 31 and outlined in rather detailed form the activities of Federal Civil Defense under Public Law 875 for the entire Nation.

I would like to state this, to which I heartily subscribe and which I heartily endorse—the concluding statement of Mr. Aitken on behalf of Governor Peterson, which if you would permit me I would like to read into the record again for the benefit of the people here.

**Senator LEHMAN.** I would be very glad if you would, Judge.

**Mr. GOODMAN.** Mr. Aitken stated this concerning specifically disaster insurance:

The Administrator of the Federal Civil Defense Administration personally inspected the disaster areas in the Northeast States following the August and October floods, and he inspected eastern North Carolina following the flood there. He saw firsthand the cruel handiwork of the forces of nature when released in a relentless disaster. He saw case after case where a wall of water literally

demolished and erased the home or business for which individuals had worked a lifetime. He has expressed a sincere sympathy for some kind of insurance or other plan that would make it possible for a man to fill the gap in the family of security measures necessary to afford some protection against such disasters. We are hopeful that some feasible plan may be developed to serve this purpose.

I might say that I accompanied Governor Peterson on his visit to North Carolina and into the area affected by the three hurricanes of this past year. Right after the last hurricane, Ione, we visited the beach areas. We visited the inland cities. We visited the farm areas. We went by helicopter into the very farmlands that were still under water. Governor Peterson saw firsthand the tremendous damage and suffering caused by these disasters.

I know personally the feelings expressed by Governor Peterson that we must do something about it, which has been so ably expressed by Mr. Aitken.

I have had the privilege, Senator, of working with these good people of North Carolina, with their Governor, with their Senators and Congressmen, and with the people you see here in the room, through all three of the disasters. I think I would be remiss if I didn't comment on the very admirable fortitude that these people have displayed in these areas along the eastern coast of North Carolina and of South Carolina. To have three heavy blows practically wipe them out in succession—before they could recover from one, another one would hit them—and to see them stand up and take it certainly justifies, or more than justifies, all efforts that we can put forth to make their burden lighter in the future through such work as you're doing here.

Senator LEHMAN. Thank you very much indeed for your testimony.

I want to repeat what I said earlier this morning, Judge Goodman. The representatives of the Federal Administration have expressed themselves sympathetic to the plight in which so many people have found themselves in this State and in South Carolina and in the Northeastern States, but they haven't translated those expressions of sympathy into any suggestions or recommendations. We are necessarily working in a vacuum, and we will continue to work in a vacuum until we get their recommendations, because, after all, we're not going to get very far unless we can say, "This is what the Administration recommends." We may or may not accept it, but at any rate people are entitled to know what those recommendations are.

So I would urge and plead that so far as your organization is concerned, they make available to us specific recommendations as part of the recommendations coming from the Administration.

Mr. GOODMAN. I shall certainly convey your suggestion to them at once, Senator.

Senator LEHMAN. Do you know whether the regional administrators, of which you are one, have been asked for their recommendations by the Administrator at Washington?

Mr. GOODMAN. Not specifically to my knowledge, Senator Lehman. Informally, of course, we have discussed the need for such insurance, and I'm sure that all of us do endorse the idea of some relief in this form taking place. But as to a specific recommendation, we have not been asked nor given one.

Senator LEHMAN. Everybody approves of the recommendations in theory, or the theory of giving aid, but we have got to have something much more concrete than that before we can sell this idea to the

Congress of the United States or to the people of the United States, and that's what we are looking for now.

A hearing such as we have had here today and hearings we have had previously are very useful, extremely useful, to develop the facts, but it is so important that we have concrete, workable recommendations to which we can give consideration that I can't emphasize the need of it too strongly.

Mr. GOODMAN. I can readily understand that, Senator.

Senator LEHMAN. Mr. Edelstein, have you any questions?

Mr. EDELSTEIN. Just one question. I would like to ask you the same question I asked General Griffin, sir. On the basis of your experience as regional administrator of the CDA, do you feel that there is a need or desirability for greater authority for the Federal Civil Defense Administration in operating in the areas directly, in the cases of the various types of disaster?

Mr. GOODMAN. I certainly do. I endorse the view that the Federal Civil Defense stature should be greatly enlarged. That is, its scope of importance is even greater than we have heretofore contemplated, and it bears such an important relation both in the natural disasters that we're going through with now and in the possibility of a man-made disaster, as the Senator has stated it. The Federal Civil Defense Administration will and must have a very important part in the defense of the Nation through its civilian populace.

Mr. EDELSTEIN. That's all, sir.

Senator LEHMAN. Mr. Rogers, any questions?

Mr. ROGERS. I have no questions, Mr. Chairman.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. I have none.

Senator LEHMAN. Thank you very much indeed, sir.

Mr. EDELSTEIN. The next scheduled witness is Mr. Earl F. Penny, president of the North Carolina Association of Mutual Insurance Agents.

#### **STATEMENT OF EARL F. PENNY, PRESIDENT, NORTH CAROLINA ASSOCIATION OF MUTUAL INSURANCE AGENTS**

Mr. PENNY. Senator Lehman, I have a prepared statement here I would like to read.

The North Carolina Association of Mutual Insurance Agents, of which I am president, is composed of approximately 500 mutual agents and insurance people of North and South Carolina who are vitally interested in the problems of property protection by way of the insurance method in these areas.

Accordingly, in June of 1955 our association, in convention, passed a resolution expressing the desire that the insurance companies doing business in these States formulate means for providing wave-wash insurance.

Later, after the destruction wrought by Hurricane Ione, a further statement was filed with the Insurance Department of North Carolina, again expressing the conviction that solution to this problem lay in the inclusion of water-damage protection in what is called extended coverage insurance.

Since that time, the further evidence of the devastation that can be wrought by hurricanes in this area has brought about declarations

by various public officials that flood and other types of disaster insurance should be provided. However, we are now informed that the American Insurance Association, made up of a great majority of the stock insurance companies, has concluded that flood insurance cannot be feasibly written on fixed locations in areas subject to recurrent floods.

With full respect to the thinking which has influenced these company officials, we nevertheless point out that in our opinion and in that of respected insurance authorities of national prominence, flood insurance could be offered by private industry if the following provisions were possible:

1. A layer of catastrophe reinsurance afforded by the Federal Government.
2. A requirement that sufficient coinsurance be carried to compel the policyholder to take appropriate physical precaution.
3. A deductible sufficiently high to eliminate nuisance claims.
4. A 90-day waiting period to prevent the purchase of insurance for specific storm situations.
5. The proper encouragement of adequate building codes in storm areas.
6. The inclusion of all catastrophe perils, including flood, in any insurance policy offering protection on property.

We are firmly convinced that such insurance facilities can best be afforded to the public through the private insurance system rather than directly through Government, and we offer our full support to such a program.

Senator LEHMAN. Thank you very much. I wanted to ask you to expand these subjects. I am a laymen, and most of the other Members of Congress are also, so far as insurance matters are concerned.

What do you mean by "layer of catastrophe reinsurance"?

Mr. PENNY. Shall I take these in order as they come?

Senator LEHMAN. Will you do that?

Mr. PENNY. A layer of catastrophe reinsurance. Of course, we have had no experience rating on these because there has never been any coverage for wave-wash, but if the companies could reinsure with the Government above a certain amount, that would be working in co-operation with the Government to take care of any of the heavier losses. That would keep our companies from going broke, so to speak.

Senator LEHMAN. Let me discuss this thing in a concrete way. You say "reinsurance." Suppose the Government is asked to insure a million dollars worth of property. What part of that would be considered a layer of catastrophe reinsurance?

Mr. PENNY. I don't know that I could really answer that, Senator. What we had in mind here, making a specific case, I think it should be in such a manner, in such a lower rate, that the smaller companies could also insure some dwellings along the coast. I wouldn't like to state just what the figures would be on that. I'm not really in a position to do so.

But the companies have the same thing today. They reinsure up to a certain amount, and over a certain amount with other companies—not particularly with the Government but with other companies. A lot of companies won't take but so much on some specific building, we'll say, or specific kind of insurance. Then they reinsure above that with possibly a group of insurance companies.

Senator LEHMAN. With possibly what?

Mr. PENNY. Possibly with a group of insurance companies. I know at one time companies would not write over \$35,000 on farm property, and if you had farm property that ran over the \$35,000 they would reinsure all above the \$35,000.

That's the same principle we would like to see worked out between the companies and the Government.

Senator LEHMAN. Well, now, I want to be sure that our minds meet on these definitions. You talk about governmental reinsurance above a certain amount.

Mr. PENNY. That's right.

Senator LEHMAN. Let's say the Government had applications for a million dollars. As I understand your definition of reinsurance, the private companies would write a certain amount of that, and beyond that they could reinsure with the Government?

Mr. PENNY. With the Government; that is right.

Senator LEHMAN. And if there were losses beyond the premiums, the Government would be responsible?

Mr. PENNY. Yes.

Senator LEHMAN. That is one form of reinsurance?

Mr. PENNY. That is right.

Senator LEHMAN. Maybe the next form I mention is technically not reinsurance at all. I don't know whether you were in the room this morning when it was brought out that at some of our hearings a proposal was made that the Government reinsure residences up to \$15,000 and business properties up to \$100,000. Those sums are not necessarily fixed. They are not arbitrary. Beyond that, that would be deducted from the insurance policy before the insurance company would have to be liable for payment. Is that reinsurance or is that coinsurance?

Mr. PENNY. That is almost the reverse of what you just said. We would like to insure up to a certain amount, and which amount I would not be in a position to state, but we feel that the companies can insure up to a certain amount and then over that amount reinsure it with the Government.

Senator LEHMAN. Would that be a fixed amount of the policy, or would that vary with the type of facility that would be insured? I mean, in other words, would there be the same amount that the insurance companies would insure on a \$15,000 home as on a \$500,000 industrial plant? Or would that vary?

Mr. PENNY. What we have in mind here, Senator, is each catastrophe. The companies would insure up to so much on each catastrophe and then reinsure with the Government over a certain amount.

Senator LEHMAN. Would that be a total amount or a certain amount on each project?

Mr. PENNY. A certain amount on each catastrophe I'd say. We might call that hurricane—

Senator LEHMAN. Well, these figures are completely arbitrary, but let's assume they would say that they would write \$500 million worth of insurance. Would that be in the aggregate, mixing in, merging the insurance on residences as well as industrial concerns, or would it be divided by classification?

Mr. PENNY. Well, it could be, of course, divided, but what we had in mind on this and which we think would be the best is, just using

this specifically, we might say that each company would be liable up to \$200,000 or \$300,000 on each catastrophe, and then all above that the Government would take over.

Senator LEHMAN. How would the rates be fixed?

Mr. PENNY. Well, there hasn't been any experience rating on this at all. I expect our commissioner could answer that better than I could. But, of course, the rates are all on experience rating. I imagine they would be a little high.

Senator LEHMAN. Would there be a uniform rate, or would there be a flexible rate based on the relative ability of the items to be insured?

Mr. PENNY. Well, it could be either way. South Carolina, I understand, has broken it down into these: The outer shores, the seacoast, and then the adjacent inland. I think they have three rates on that.

Senator LEHMAN. Well, who issues that? You say they have three rates, but who issues the insurance based on those rates?

Mr. PENNY. This is on extended coverage. We don't have any wave-wash insurance at all. But under the wind—

Senator LEHMAN. Is that in operation?

Mr. PENNY. That is in South Carolina, I understand.

Senator LEHMAN. In operation?

Mr. PENNY. As far as I know it is.

Senator LEHMAN. Well, does it state—I don't know that you can answer for South Carolina.

Mr. PENNY. No; I can't very well.

Senator LEHMAN. Maybe I shouldn't push you on that.

Mr. PENNY. This only applies to the extended coverage rates.

Senator LEHMAN. What do you mean by extended coverage?

Mr. PENNY. That is wind.

Senator LEHMAN. What?

Mr. PENNY. That is wind, particularly. Windstorm. We have wind insurance in this State.

Senator LEHMAN. Well, is that the same as hurricane and tornado insurance?

Mr. PENNY. No; for hurricanes there is no coverage. Only on wind. Any damage done to, we'll say, cottages on the beach by wind is covered, but any damage done by wave wash is not. There is no coverage for crops at all on that.

Senator LEHMAN. What do you mean by "deductible sufficiently high to eliminate nuisance claims"? Is that—

Mr. PENNY. This would also have to be worked out. We would like to see a sufficient coinsurance carried to compel policyholders to take a more physical interest in their dwellings. I might state that what I mean by that is this: Suppose we had a 60-percent coinsurance.

Senator LEHMAN. Sixty percent what?

Mr. PENNY. Coinsurance. That means the companies would only pay up to the amount of the insurance if the man carried 60 percent of his coverage. If he has a \$10,000 house and only had 60 percent coinsurance on it, I would think he would be more interested in protecting his property if he knew that he was going to lose \$4,000 if his house was destroyed. So we would rather see coinsurance rate put on that.

Senator LEHMAN. That is really coinsurance that you are talking about.

Mr. PENNY. Yes, sir; that is right.

Senator LEHMAN. That is a little different from nuisance claims. I thought what you meant by that was the same thing that is I think included in some automobile policies—that if a man has his car damaged he bears the first \$50 or \$100 and then the balance, of course—

Mr. PENNY. That is deductible. Yes, sir. That is a little bit different from coinsurance, but it is a deductible insurance.

Senator LEHMAN. What you propose is just coinsurance? In other words, a man has a house that is worth \$10,000, but on, let's say, 60 and 40 percent, as you just mentioned, he could only collect \$6,000? Is that correct?

Mr. PENNY. Yes, that is right. If he had 60 percent of coinsurance, he would have to carry enough insurance in order to carry that amount, 60 percent. If he didn't, he would be penalized just like he would be on any mercantile building.

Senator LEHMAN. I am not clear on that. Suppose he has a \$10,000 house? Would he have to take, say, \$16,000 worth of insurance out before he could collect \$10,000?

Mr. PENNY. No, sir.

Senator LEHMAN. He would take a \$10,000 policy on a \$10,000 house, and if the house was destroyed what would he get?

Mr. PENNY. He would collect 60 percent of his amount. In other words, he would be penalized if he didn't carry the full coinsurance, which would be the 60 percent.

Senator LEHMAN. Of course, that extra 40 percent, the cost of that 40 percent, would have to be added to the cost of the policy, would it not?

Mr. PENNY. That's right. If he knew he was going to lose \$4,000, I think he would give much more concern to his residence.

I might cite you a personal case. I had a cousin whose house was completely washed away during Hurricane Hazel. They built back, and they built the house up on 23-foot poles. I think they sunk the poles in the ground about 7 or 8 feet. This year when the three hurricanes came along, their house was not damaged at all.

So I think if those who build their homes would give consideration to the storms that are apt to come upon them, I don't think the losses would be near as great.

Of course, a loss sufficiently high to eliminate nuisance claims I think is very easily understood. Nobody wants to fool with \$10 and \$25 and \$50 claims. We would suggest about a \$100 deductible there to do away with nuisance claims. It just takes too much time and is too expensive for adjusters to handle these nuisance claims.

Senator LEHMAN. What do you mean by "proper encouragement of adequate building codes in storm areas"?

Mr. PENNY. Well, that is just along the lines I was talking on. I think there should be building codes set up by the counties whereby people would have to abide by them in building their homes, particularly along the seacoast or the waterfront. That would, of course, have to be worked out by the different counties, or maybe the State could make out a code whereby people would have to build according to that code. That is no more or less than a protection against storms that we might have.

Senator LEHMAN. No. 6 is the inclusion of all catastrophe perils, including flood, in any insurance policy offering protection of prop-

erty. How far would you go in that? How much would that cover in the way of catastrophe?

Mr. PENNY. Well, I think, Senator Lehman, that we of North Carolina are not selfish enough to feel that only North Carolina should be protected on these hurricanes, because every State along our coast has suffered from them. Connecticut had the floods. We feel that it should cover all catastrophies, including war-risk insurance.

Senator LEHMAN. Including manmade?

Mr. PENNY. That's right.

Senator LEHMAN. Including atomic attack?

Mr. PENNY. That's right; yes, sir.

Senator LEHMAN. Would it include earthquake and tornado?

Mr. PENNY. That is one of my pet subjects. I have always been strong for earthquake insurance. I think we should have it, because we do have earthquakes.

Senator LEHMAN. I didn't get the last.

Mr. PENNY. I say earthquake is one of my pet subjects. I have always been strong for earthquake insurance, and I think we should have it because we do have earthquakes.

Senator LEHMAN. Those are all covered in the bill I have drafted.

Mr. PENNY. Yes, sir.

Senator LEHMAN. Then you say that insurance can best be afforded to the public through the private insurance system rather than directly through Government and that you offer your full support to such a program. Would you feel that the work of writing these policies and adjusting claims should be the responsibility of the insurance companies?

Mr. PENNY. I certainly do; yes, sir.

Senator LEHMAN. Would you feel that they should be given a fee? They wouldn't be entitled to a fee if there was reinsurance. I mean a fee outside of what they may get as part of their writing of the policy.

Mr. PENNY. Are you speaking of the agents now? A fee to the agent?

Senator LEHMAN. Well, of course, they would get the fee as agents. There is no doubt about it. But they wouldn't get that necessarily from the Government; would they?

Mr. PENNY. No; I wouldn't think so. I think that would be paid by their companies.

It's the general belief by the public that insurance companies cannot write catastrophe insurance. I go way back to one time they thought they couldn't write wind insurance, but they finally did. This thing can't be worked out overnight. It's going to take some time. But I think that the companies can handle it under the suggestions that we have laid down here, and I believe they would handle it.

Senator LEHMAN. I am going to ask you one more question which you may or may not be able to answer. Obviously at some stage of the game we'll have to sit down with the insurance companies and try to work this thing out.

Mr. PENNY. That's right.

Senator LEHMAN. Even after we arrive at a general policy. There are a great many different kinds of insurance companies. There is the mutual insurance company. There is the privately owned insurance company. I suppose there is the fraternal insurance company.

There are different types of insurance companies. We have heard in a general way from a number of them. Yours is a mutual?

Mr. PENNY. That's right.

Senator LEHMAN. But you have nothing at all to do with the private ones?

Mr. PENNY. No.

Senator LEHMAN. Is there any organization—outside of the Commissioners of Insurance in the States—which represents all the insurance companies that you know of?

Mr. PENNY. No, sir, I don't think so. I think the American Mutual Alliance represents the mutuals—all the mutuals. And one of the stock—

Mr. MCKENNA. National Board of Fire Underwriters.

Mr. PENNY. That's right, the National Board of Fire Underwriters.

Senator LEHMAN. Do all these insurance companies write the same kind of policies? For instance, do they all write tornado insurance, fire insurance?

Mr. PENNY. Well, it's more or less of a standard policy that all companies write at this stage. We operate under the New York State 1943 contract I believe it is.

Senator LEHMAN. But there is no one headquarters?

Mr. PENNY. No, sir.

Senator LEHMAN. I was thinking about Mr. Herd, who I think represents the mutual companies; doesn't he?

Mr. PENNY. He represents the stock companies; the stock.

Senator LEHMAN. The stock companies. He represents the stock companies. He has submitted a memorandum. A number of these other insurance people like yourself represent mutual companies. I find the mutual companies vary to some extent among themselves. The stock companies certainly do. I was simply looking for information, because it would be so much easier to discuss this thing intelligently and rapidly with some one accredited group that could represent all the different kinds of insurance companies.

Mr. PENNY. Yes, sir.

Senator LEHMAN. But you don't know of any?

Mr. PENNY. I don't know of any at all, Senator.

Senator LEHMAN. Have you questions, Mr. Edelstein?

Mr. EDELSTEIN. I have a couple. I don't think you ever answered precisely what we in the committee family call the Yaffe idea. Do you see any objection on the part of the agents of North Carolina to the idea of selling insurance that would cover the top area and let the Government write \$15,000 and \$100,000 policies and the private insurance companies write \$15,000 deductible and \$100,000 deductible? Would you see any objection to that from your point of view?

Mr. PENNY. Well, I don't think I could answer that intelligently because I haven't really discussed it with the members of the association. I could not answer for them.

Mr. EDELSTEIN. As an insurance man yourself, sir.

Mr. PENNY. Well, I'm "insurance" enough to believe that under the suggestions that we have laid down here that the insurance companies could write up to a certain percentage of insurance. I don't think the agents would object to the companies reinsuring with the Government at all, if that answers your question.

Mr. EDELSTEIN. Well, that is the proposal that is laid down in your memorandum, the reinsurance.

Mr. PENNY. That's right.

Mr. EDELSTEIN. But I think you testified, did you not, that you expected that the rates even under such a plan would be a little on the high side?

Mr. PENNY. I think they would, yes.

Mr. EDELSTEIN. Then if the Congress should decide—and, of course, the committee has not come to any kind of meeting of the minds—but, hypothetically, if the Congress should decide that in order to assure a lower rate, which admittedly would be a subsidized rate, for this lower component of the insurance, would you see any difficulty in the insurance companies selling the top, above \$100,000 and above \$15,000?

Mr. PENNY. None whatever.

Mr. EDELSTEIN. Again from your experience in North Carolina, do you think—putting aside this question of what kind of insurance there would be, of how it would be managed, whether by reinsurance or by coinsurance—there would be widespread demand in North Carolina for a disaster insurance?

Mr. PENNY. I think I could answer that without any hesitancy. There would be, yes.

Mr. EDELSTEIN. I gather, and I just want it for the record, that you think that the policy ought to be a comprehensive policy, so that you could sell it to the hilltop people as well as the valley and the seaside people?

Mr. PENNY. That's right.

Mr. EDELSTEIN. Just to clarify one other point that I think is pretty clear in the record but I'd just like to make sure, your association's recommendation—that is, the North Carolina Association of Mutual Insurance Agents—is that there would be a certain figure set, and, of course, it would have to be set by law or by the administrative agency, of the total liability for each catastrophe for the insurance companies.

Mr. PENNY. That's right.

Mr. EDELSTEIN. All above that would be absorbed by the Government through reinsurance.

Mr. PENNY. That's right.

Mr. EDELSTEIN. Do these views reflect the views of the National Association of Mutual Insurance Agents or just the North Carolina Association?

Mr. PENNY. Mr. Hugh Murray of the National is a scheduled witness here today, and I think he could answer that better than I could.

Mr. EDELSTEIN. All right.

We did not have listed as a witness a Mr. Stringfellow, but there is a statement here from him. He is of your same association?

Mr. PENNY. I think I could explain that. Mr. Murray had to leave, and he was afraid if he did not get back in time he could not appear, so he asked our executive secretary to read his statement.

Mr. EDELSTEIN. This, then, will represent the national association?

Mr. PENNY. Yes.

Mr. EDELSTEIN. Mr. Stringfellow will read it if Mr. Murray isn't here?

Mr. PENNY. Yes.

Mr. EDELSTEIN. That is all my questions.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. I would like to ask a couple of questions.

One difficulty we have had, I think, in going around the country is trying to find out what exactly is available now in insurance coverage. For example, in North Carolina could a person buy earthquake insurance today?

Mr. PENNY. No, sir.

Mr. ROGERS. Nobody would write it?

Mr. PENNY. No. I don't know whether Lloyds of London would, but that's about the only one, if they did.

Mr. ROGERS. What about hailstorm?

Mr. PENNY. We have hail insurance on crops—and damage to houses, of course.

Mr. ROGERS. Your extended coverage is a standard policy which takes care of mostly wind damage?

Mr. PENNY. It has about nine coverages. Wind, I think, is the main one.

Mr. ROGERS. Since you have had in the beach area so many hurricanes in the last 2 years, so much damage, will those people in that area now be able to get extended coverage when their present policies expire or new homes are built in that area? Or will the companies not write that type of insurance any more because it is too risky?

Mr. PENNY. I don't think I could answer for all companies. I would say, in general, yes; they could get it. Some companies may not want to write it.

Mr. ROGERS. Should we take that in consideration then when we draft our disaster bill? To take care of these instances where the present insurance companies write it but after a certain number of risks and damages they will cease to write it? Shouldn't we take care of that situation also, such as in an area that has been hit by hurricanes so many times?

Mr. PENNY. I think there was some talk about one or two companies pulling out from the beach areas just before the last hurricane came in, but I think that was misconstrued. I think the companies had decided against writing windstorm before the last hurricane came in. That just applied to two companies, as I recall. But, of course, all companies have their underwriters. Some of them are more lenient than others. Some of them are real hardboiled, and some of them will write anything.

Mr. ROGERS. As I get your thinking on this, you would have a comprehensive policy which would take the extended coverage and extend it further and include these things that are not now covered, such as earthquake and water damage and so forth.

The only problem that comes to my mind is this: Don't we have to be careful as to how far we go so that we don't get into fields where there is insurance now available—in other words, not get into competition with the private insurance companies with a Government program?

Mr. PENNY. Of course, there is always danger of that. But right at present the extended coverage, as I said a moment ago, covers about nine coverages. That could be enlarged. They could include wavewash, manmade catastrophe, as well as earthquake. It could be.

Mr. ROGERS. Well, in our bills—I don't know if you have read them—

Mr. PENNY. No; I haven't.

Mr. ROGERS. In a couple of bills in which we define "natural disaster," we said flood, tidal wave, hurricane, tornado, blizzard, dust-storm, hailstorm, other severe storm, earthquake, explosion, landslide, snowslide, severe freeze, drought, smog, radioactive contamination, air pollution, or volcanic eruption. That would just about cover everything; wouldn't it?

Mr. PENNY. I think you left out drought in there; didn't you?

Mr. ROGERS. No, drought is in there.

Mr. PENNY. Excuse me. Well, I think that would be a very broad, comprehensive coverage.

Mr. ROGERS. That is all I have, Mr. Chairman.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. I have a few problems I would like to clear up if I can, Mr. Chairman.

I am a little surprised to hear Mr. Penny state you can't buy earthquake insurance in North Carolina. I wonder if there is any representative of the insurance companies here who could tell us if it is offered.

Mr. Gold, the State insurance commissioner?

Mr. GOLD. That coverage is available, and I think it's not sold very much. Perhaps that is why Mr. Penny was mistaken.

Mr. PENNY. I am speaking for the mutual companies, of course.

Mr. MCKENNA. We had been given to understand that such coverage was available if anybody wanted it, but, naturally, if you haven't had an earthquake in a long time, maybe people won't be rushing out to buy it.

Mr. PENNY. As I stated, Lloyds of London possibly writes it, but I don't know of any mutual companies that write it; do you?

Mr. GOLD. What is that? Earthquake?

Mr. PENNY. Yes.

Mr. GOLD. Well, I know it's available. There is a rate for it, and I think you can buy it. I'm sure some companies would be glad to sell it.

Mr. MCKENNA. Mr. Rogers is correct in saying we have had some difficulty in pinning down exactly what coverage is and is not available in various sections of the country. In general, it has been our impression from the national associations that you can acquire insurance at some premium against nearly all of these hazards we have been discussing with the exception of radioactive contamination, and they are working on that one now, and with the exception of what the insurance companies themselves generally refer to as flood damage, which includes floodwater, high tidal waves, and the high tidewater, and the water component of hurricane damage.

Those are not generally available, we understand, and it is in that area that we have been concentrating most of our discussion during the hearings, to see whether it is feasible to cover that particular area.

Can you tell me in current practice in North Carolina, Mr. Penny, is a minimum deductible required on the hurricane coverage and the wind coverage on hurricane under the extended coverage clause?

Mr. PENNY. No, sir. I wish it was, but it is not.

Mr. McKENNA. I think, Mr. Chairman, that just last week they announced in the vicinity of Maryland they are going to assess a minimum of \$50 deductible as a matter of statutory or at least regulatory requirement in the future. Up until now there had been no such deductible as a minimum.

Mr. PENNY. That really does away with nuisance claims. It's just too expensive to fool with them.

Mr. McKENNA. That's true.

One other phase and I think I will be finished. I wonder if on coinsurance you would agree with this sort of illustration. I am reading now from the war damage regulations. It seems to me we left the record a little confused on that point. I will read this—it is on page 310 of the staff study—and I will then ask you, Mr. Penny, if this represents what your idea of the coinsurance feature would be.

This happens to be rule 29 of the particular rules I am reading from. It says:

The effect of the coinsurance clause is to assess equitably the cost of the insurance. The following is one illustration. Value, \$10,000. Insurance required by 50 percent coinsurance clause, \$5,000. Insurance actually carried, \$5,000. Loss, \$1,000. In this case the property owner has carried sufficient insurance to comply with the 50 percent coinsurance clause, and, therefore, the loss of \$1,000 would be paid in full.

Mr. PENNY. That's correct.

Mr. McKENNA (reading):

The following is another illustration. Value, the same, \$10,000. Insurance required by a 50 percent coinsurance clause, the same, \$5,000. Insurance actually carried, only \$2,500. Loss, the same, \$1,000. In this case, since the property owner has carried only one-half of the required amount of insurance, he would collect but one-half of his loss. The property owner would then recover only 50 percent of his loss, or \$500.

In the case of a total loss under either illustration, the property owner would collect the face amount of the policy.

Mr. PENNY. That's correct.

Mr. McKENNA. In other words, the general principle is that you have got to take enough of your own risk.

Mr. PENNY. That's right.

Mr. McKENNA. Insure enough of it so you won't be playing a sure bet and collect on any little portion of the damage that may occur?

Mr. PENNY. It only applies to partial loss. It does not apply to total loss.

Mr. McKENNA. Yes, sir. I think if you agree with that it does straighten the record out.

Mr. PENNY. I fairly agree with it.

Mr. McKENNA. Do you know from your own experience what results have occurred from settling hurricane damage claims in North Carolina? As I understand it, from your testimony, the only portion of that that is covered by the extended coverage is the wind peril. In other areas we have been told that companies have at times been liberal in assessing what was caused by wind peril. I wondered what the experience was in this particular area.

Mr. PENNY. I don't know that I can answer that intelligently. I do know that the companies were most liberal due to the pathos of the cases, we'll say, that were on our coast and paid a lot of claims that they didn't get a premium for. Of course they paid it under the extended-coverage coverage.

Mr. McKenna. Yes.

Mr. Penny. Damage done by wind. My wife and I, unfortunately, were caught in Hurricane Hazel down at Myrtle Beach. It didn't last but about 50 minutes, and we went over on the beach, and there were so many people over there that own homes that were not aware that they had no coverage for this terrible catastrophe that there was really weeping and wailing and gnashing of teeth.

So I don't know. Sometimes you can tell people they have no coverage and they seem to thoroughly understand it until they have a loss, and then they think you misrepresented or you kept something back from them. That's a headache of agents, of course.

Mr. McKenna. Yes, sir. One other question. I noted in your testimony you stated that you understood the American Insurance Association had indicated for the stock companies that they were not yet ready to write insurance against flood loss. My last information on it from the association itself was that that matter is still under study. I believe Mr. Herd when he testified before our committee in Hartford, Mr. Chairman, indicated he would have some final conclusions to give us in January at our hearings in Washington. I wondered if you had any further later information than that.

Mr. Penny. No, that's the American Mutual Alliance. They are the head of all the mutual companies.

Mr. McKenna. The mutuals?

Mr. Penny. Yes, sir. A lot of the companies think they can't write it. At one time they thought they couldn't write extended coverage.

Mr. McKenna. I understood you to refer to the stock companies before. That's what I was wondering.

Mr. Penny. No; that was in my statement here.

Mr. McKenna. Yes, sir. The point I'm trying to make is, unless you have later information than we on the staff have, that matter is still under study by the stock companies as well.

Mr. Penny. Yes.

Senator Lehman. Have you finished your questions, Mr. McKenna?

Mr. McKenna. Yes, I have, Mr. Chairman.

Senator Lehman. Mr. Penny, I just want to make clear one point. When I asked you these questions a little while ago as to whether there was any one association, any one place to which the committee could go to obtain the point of view with regard to insurance from all the insurance companies, the mutuals and the stock companies and the others, I did not want to give the impression that I favored any insurance cartel any more than I favor any other cartel in American economy.

Mr. Penny. I didn't get that impression at all, sir.

Senator Lehman. Thank you very much indeed.

Mr. Penny. Thank you, sir.

Mr. Edelstein. Mr. Chairman, Mr. Thomas Rivers, a consulting engineer of Greenville, N. C., I think has gone. He is going to submit a statement for the record.

(The prepared statement of Mr. Rivers follows:)

STATEMENT OF THOMAS W. RIVERS, GREENVILLE, N. C.

I am Thomas W. Rivers, consulting engineer, with office and home in Greenville, N. C.

My principal interest in the work of this committee is from the engineer's standpoint of protecting property to the degree that it can become an insurable risk. As an engineer I represent the owners of approximately 10 miles of ocean frontage on Bogue Banks, N. C. Of this amount, only 1 mile is incorporated (Atlantic Beach); approximately 2 miles is thickly developed (Ocean Ridge); and 7 miles is sparsely developed (Hoffman Beach and Salter Path) and is owned by the children of the late Gen. Theodore Roosevelt II.

Following the occurrence of the hurricanes of this year, the owners of this property authorized me to prepare plans and take definite steps for work that would minimize the effect of future storms. This work is now actively in progress.

The project is being accomplished without any assistance to date from Federal, State, or local governments. The protection work currently underway consists of building a concrete bulkhead along the developed ocean front. The total plan calls for installation of groins along the entire beach and construction of a jetty at Beaufort Inlet.

The property owners are constructing the bulkhead at a cost of approximately \$60 a foot and nearly 6,000 feet will be constructed at this time.

The development of the total project, including the groins and Beaufort Jetty, are essential to the success of the plan to rebuild the beach and prevent further erosion.

The Beaufort Jetty is considered to be of greatest importance. The lack of this jetty has materially increased the erosion of the beaches and has further resulted in high dredging and maintenance cost to the Corps of Engineers in maintaining the channel to the Morehead City harbor. Sands eroded from the coastline continually fill in the channel. The project has been authorized by Congress, but indefinitely deferred.

To further implement the total plan, groins are required to trap the sands and rebuild the beaches. Provision of these groins will protect private and public property and insure the State highways against damage.

It is my opinion that the first step in a disaster insurance program is to do everything feasible to minimize the effect of disaster if it occurs. This should be accomplished first by the Federal Government performing all items of work where their action or activity has tended to jeopardize private property; and second, when such corrective measure can be justified economically from the standpoint of their own operations.

The State government should perform similar projects that can be justified from other standpoints. In this instance groins to protect ocean highways, State parks, etc. The remaining protective work should be accomplished by the local government or individuals.

It is my theory that when all recognized precautions are taken and all justifiable construction accomplished that insurance can be resolved by engineering findings to a practical risk.

Mr. EDELSTEIN. The next witness then, Mr. Chairman, is Mr. S. Watson Dawes of Ocean Drive Beach, S. C., who is accompanied by several people from South Carolina.

**STATEMENT OF S. WATSON DAWES, OCEAN DRIVE BEACH, S. C.,  
ACCOMPANIED BY LLOYD B. BELL, MEMBER, SOUTH CAROLINA  
HOUSE OF REPRESENTATIVES; AND W. H. HUSSEY AND CHARLES  
T. TILGHMAN, OCEAN DRIVE BEACH, S. C.**

Senator LEHMAN. Would you like your associates to sit at the table with you?

Mr. DAWES. Yes, Senator.

Senator LEHMAN. Do you have a statement?

Mr. DAWES. No, sir; I just have a few notes.

My name is S. Watson Dawes. The name of the beach is Ocean Drive Beach.

This is Mr. Hussey in the building supply business at Ocean Drive Beach. Mr. Lloyd Bell is a member of the House from Horry County where the beach is located. Mr. Charles T. Tilghman is in the insurance and building business both.

I think probably everyone here is aware of the extent of the disaster down in South Carolina. On our several beaches down there, there were just literally thousands of homes and businesses destroyed.

There was some discussion a few minutes ago about the amount the general settlement would be, say, on this windstorm insurance we had, since the wave-wash was involved.

I think all the insurance people will agree that, as that was the first hurricane we had had in sixty-odd years, the insurance companies bent over backward to help the people. Settlements ranged anywhere from practically nothing to 80 or 90 percent. But there is no doubt that next time, if we don't have adequate protection, the insurance companies will only pay for the damage other than that the water did.

In this case I think everybody agrees, at least on Hurricane Hazel, the insurance companies paid for a lot of damage that they weren't due to pay for under the terms of the policies, and they are not going to do that again.

We have nowhere near recovered from the hurricane as yet, and I think the reason is the fact that the insurance could not and did not pay off anywhere near the value of the policies. People suffered a loss. Some of them got back in business and built their homes and took their loss. Others didn't build back. We have lost businesses by the scores. Houses aren't rebuilt; summer cottages that we get revenue from aren't there, because the people know that if we have a storm like Hazel again they will not be paid anything like the amount of their loss, assuming that there is a considerable wave damage, and that's what generally does the damage in a coastal hurricane. At least it seems to be that way.

So far as the exact program that the Government should set out, not being an insurance man I'm not an expert on such a matter, but I do think that if the Government will go ahead and work out some program that it will not cost the Government one dime more than these disasters—

Senator LEHMAN. Will not what?

Mr. DAWES. That it will not cost the Government one dime more than these disasters are costing the Government at present. The civilian defense setup and the loans that the Small Business Administration had to make cost the Government literally millions of dollars, and if they can set up an insurance program, that will take care of the costs that the Government would otherwise have to bear.

I think that in the long run the Government wouldn't lose any money at all compared to what it spends now. At least they wouldn't lose any more money than they have been losing in the past because they have to take care of it one way or another, or at least they do it.

There is one other matter about the premiums and the availability of insurance. I think you can probably get insurance for any kind of catastrophe or disaster in the world, but the premium has got to be reasonable or the people can't buy the insurance. If they can't but the insurance, there's just no point in having it.

I have been told—I don't know whether it's true or not—that for something over \$3 a hundred you can get wave-wash insurance, but I don't think the average person can afford to pay that. Therefore, he's in the same position as if the insurance wasn't available.

I don't have any concrete suggestions on a plan, but I do think that it's necessary to consider the fact that the program probably isn't one to cost the Government any more than it is already spending on rehabilitation after the disasters.

Mr. Bell, would you like to make a few remarks?

Mr. BELL. Gentlemen, it appears to me that Senator Lehman's bill has a proviso where the first \$15,000 of a private home would be possibly covered under your Government insurance and above that figure—I mean in connection with businesses—that the figure would be maybe \$100,000. That appears to me to be very practical.

The small-business man or the small homeowner cannot borrow money unless he can get insurance to support his mortgages. The average small homeowner wouldn't require more than maybe about \$15,000 loans.

So that apparently if they had available to them through the Government or some other source an insurance plan whereby it would cover their wave-wash and floods and so forth and if the premium could be low enough that they could afford to pay it, that is really what we need, particularly in our section of the country.

Senator LEHMAN. So that there may be no misunderstanding, I want to point out that this matter which we have discussed, the \$15,000 on the homes and \$100,000 for industrial business concerns governmentally-insured, is not in my bill or in any of the other bills that have been drafted for distribution to the committee. This was simply a suggestion that was made by some of the witnesses which appears to us to have sufficient attractiveness to justify a further study by the committee. That is all that I wanted to say.

Mr. BELL. I would like to go along with that line of thinking.

Senator LEHMAN. That is not a proposal in any of the bills.

Mr. BELL. I would like to go along with that line of thinking.

Senator LEHMAN. Did you want to say anything?

Mr. TILGHMAN. I think that would be very fine. Of course, I think we all know now that some type of insurance program will have to be worked out to safeguard the many people who are subject to these disasters. Whether it works where the Government carries the basic insurance and the companies carry the overriding insurance or vice versa I don't believe would make too much difference as long as it was worked out on a practical plan.

Senator LEHMAN. Mr. Dawes, to my regret I do not believe that there are any responsible officials of the State of South Carolina here today.

Mr. BELL. I am here merely as an individual.

Mr. HUSSEY. He is from the State legislature, Senator.

Mr. BELL. But I am here as an individual.

Senator LEHMAN. Have you any information as to the losses in the State of South Carolina during, let's say, the last three hurricanes, the last year, year and a quarter? I mean it has been testified that the losses in North Carolina exceeded \$300 million of direct losses. That did not include indirect, as I understand it. Have you

any information with some degree of authority with regard to the losses in South Carolina?

Mr. BELL. No, sir, I do not have with me. The State does have that information, but I don't have it with me.

Senator LEHMAN. Mr. McKenna, will you get that information from the State officials?

Mr. McKENNA. Yes, sir. I will request it.

Senator LEHMAN. So that we have it in the record.

(The information requested had not been received at the time of going to press.)

Mr. HUSSEY. Senator, may I state I was on the board of estimate of damages to our beaches. We have 9 miles of beaches which are 15 miles north of Myrtle Beach. Our estimate was \$27 million in that 9 miles on the coastal area.

In that area we had 1,400 homes totally destroyed and approximately 2,000 homes from 40 percent to 80 percent destroyed. When they put those homes back, when the people saw that they could go in and salvage something of the investment where the cost of replacing the home wasn't as great as the loss probably they would have by leaving them there, they have gone back and done so.

But we have been unable to get these people to go back and build too many homes on the oceanfront due to the fact—and I'm not an insurance man—the insurance companies, as I understand it, are not too anxious to write the insurance.

I know of a hotel, for example, which has gone up, and it was practically completed before the poor darky found out he couldn't get insurance. It was Government money put it back.

I have talked to I'll say several hundred, because I think I know everybody in that area, and being in the lumber business and so forth I get to contact most of them. If those fellows could get insurance to rebuild, our beaches would go back.

Ten years ago our beaches were just a little community. In the summertime we have a population of about 45,000, in the winter about 3,500. Our entire area through there, of course, depends on the beach—the resorts and people coming in.

We have one community there, Cherry Grove Beach, which has about 600 permanent residents. When the storm was over, we had five houses standing that were not damaged; 5 houses. It just played the dickens.

Those people—and I—had considerable property that was lost. I lost my home. I know what it is, Senator, to have a \$22,000 loss and have insurance companies give you \$4,800.

I do not say that the insurance companies did not pay me what I was supposed to get, because the water really took it off. We're all set up now, but the water got it, and it took my car and it took my boat.

But we really need something, sir, to protect us that way. I thought—and I think 90 percent of the people on the beaches that had insurance thought—that this insurance that we were carrying, which is called extended coverage, protected them against everything. When I found out my home was gone I said, "Oh, well, I'm covered." But, to my sorrow, I wasn't.

I don't know how the Government would work it out, but if only it could be insured so we'd know we could put those houses up for rent, those apartments, those business buildings I know one man on Ocean Drive Beach who was worth \$200,000 the day before the storm. After the storm we had to loan him \$5 to get groceries. That's a fact, sir.

I can show you more than one. It was terrible. They thought they were covered, and they weren't. If there is some way in the world that the little fellow like that could be protected it would be mighty fine.

Thank you, sir.

Senator LEHMAN. Commissioner Gold, I just want to ask you one question. Mr. Dawes made the statement, although he qualified it, that you could get what he called wave insurance at \$3 a hundred. Is there much of that written, and if so, at what rate?

Mr. GOLD. There was some, sir, written through Lloyds of London and nonadmitted companies—that is, companies that are not licensed to do business within the State. We have a provision in North Carolina law whereby a nonadmitted company can place business on risks within the State when no company admitted to do business here will take the risk. There was some business on the North Carolina coast written mainly on piers, if I—

Senator LEHMAN. On what?

Mr. GOLD. On piers. As to the rate, I understand it has gone up since the hurricanes.

Senator LEHMAN. I am told no American companies write it or have written it.

Mr. GOLD. They could. They don't choose to.

Senator LEHMAN. I know there were some policies written by Lloyds of London, because they will write on anything.

Mr. GOLD. Yes, sir.

Senator LEHMAN. I don't know what rate that was. But I am told that, whatever the rate was a year ago, it is considerably higher now.

Mr. GOLD. That is true, sir. I think that some of the companies have tried wave-wash insurance on an experimental basis. I believe it was in New York and Rhode Island or somewhere up there. They lost considerable and stopped writing it. That is the information that I have received.

Senator LEHMAN. I imagine the situation is very much the same on the coast of South Carolina and North Carolina as it is on the coast of New Jersey and the coast of Connecticut and Rhode Island and some parts of Massachusetts.

Mr. GOLD. I think the situation is parallel practically.

Senator LEHMAN. I think it is very much the same.

Mr. HUSSEY. Mr. Tilghman owns a pier down there and he writes insurance. He can probably tell you about that pier insurance.

Mr. TILGHMAN. We have insured with Lloyds of London on our pier, and I have written it on almost all the other piers in South Carolina. The rate with Lloyds for fire, extended coverage, and wave-wash runs I think it's \$5 a hundred for a wooden pier and \$4 a hundred for a steel pier. You get a slight reduction for a 3-year policy. That gives you fire, extended coverage, and wave-wash insurance.

Senator LEHMAN. Does that include wind damage too?

Mr. TILGHMAN. Yes, sir, that includes wind.

Senator LEHMAN. And waves?

Mr. TILGHMAN. Waves, riots, explosion, vandalism, anything just about you can think of. But, of course, that is a right high rate.

Senator LEHMAN. It's \$5 a hundred on wooden piers and 4 on steel piers?

Mr. TILGHMAN. Yes, and the latest rate I believe on the last 1 or 2 piers that we wrote went up to 6 percent, or almost 6 percent.

Senator LEHMAN. Is that Lloyds?

Mr. TILGHMAN. Yes, sir. That is with Lloyds of London.

On homes Lloyds will not write a small dwelling. They don't like to take a risk of less than \$25,000. I think that is because of all the rigmarole you have to go through to reach Lloyds from here. You have to go through about 10 different intermediaries.

On homes and dwellings the domestic companies are just canceling out on many locations now. They will write fire insurance, but they won't write any wind coverage or anything that has to do with the possibilities of a misunderstanding.

Senator LEHMAN. I want to point out something that I have pointed out at a great many of the hearings, something that has made me more eager or one of the reasons why I am eager to do something on this thing—one of the very urgent reasons.

It seems to me the present situation places an unreasonable penalty on the little fellow. The man who has a \$50,000 or \$100,000 home in all probability has a pretty good income, and if he loses that home or if the home is seriously damaged he can write it off against his income tax, and it costs him very little. The same is true when damage occurs to a large and profitable industrial concern. They usually can write off a good part in their corporation tax, which saves them 52 percent, whereas the little fellow can't do that.

Mr. TILGHMAN. That is true, sir.

Senator LEHMAN. So I think that is something that it is reasonable to bring to the attention of people all over the country and certain Members of Congress.

Mr. BELL. Senator, I know of several cases where individuals have applied for loans with which to build homes or rental property and those applications have been approved provided they could supply wave-wash insurance. Well, that immediately eliminates the small man from obtaining his money to build with.

Senator LEHMAN. Are these private loans you are talking about?

Mr. BELL. No, sir; they are insurance company loans.

Senator LEHMAN. Have many of them taken out or applied for loans from the Small Business Administration?

Mr. HUSSEY. Senator, you couldn't get those loans unless you had a loss in the last storms, in one of the floods. You're not eligible unless you had a loss from either Hazel, Diane, or one of those others.

Senator LEHMAN. I don't get that. Why should you be eligible unless you had a loss? I mean for a loan.

Mr. HUSSEY. Well, you shouldn't.

Mr. DAWES. Senator, I was appointed counsel to represent the Small Business Administration in the loans that they made in Horry County, or, rather, some part of them. There were 2 or 3 other attorneys who handled some of them. The SBA did a wonderful job down there. They made loans to any person who could show a loss as

a result of the storm. In general that is true. They wouldn't turn anybody down if his credit had ever been any good or it looked like it ever might be any good in the future.

But if we had had the right kind of insurance at that time, the Government wouldn't have had to get in the loan business. People would have gotten their money from the insurance companies.

I'd like to say this: As it stands now, we're being hurt by not having wave-wash insurance. But if we have another storm like Hazel before we get it, that whole coastal area down there is going to become a desert. We'll all have to leave—if we don't get drowned.

Senator LEHMAN. Do you have any questions, Mr. Edelstein?

Mr. EDELSTEIN. No.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. No, I don't believe so.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. I have one, Mr. Chairman. I would appreciate the comment of any of these gentlemen on this statement. It has been said that even if we were to provide insurance, either through the private companies or through the Government, against natural disaster, mainly against floods, those who chose not to take out the insurance would still press claims against the Government for relief in the event they were caught in the disaster. I wonder what your impression is on that particular comment.

Mr. TILGHMAN. It seems to me they wouldn't have very much of a leg to stand on if the protection is offered them beforehand and then if they don't choose to take it I think it would take a mighty lot of brass to ask for it later.

Mr. MCKENNA. Those who put forward the argument state if the premium is not based actuarially and they get the benefit of a low premium that those not carrying the insurance will say, "Well, my neighbor didn't really pay for this insurance anyway. Therefore, I'm entitled to some benefit out of the program, too."

Mr. HUSSEY. I believe our people would be willing to pay on the coast down there a higher premium in order to get protection, but there is a certain point beyond which we can't go.

Mr. MCKENNA. Do you other gentlemen feel the same way about that argument?

Mr. DAWES. Yes.

Mr. BELL. I think the citizens in our area would pay a reasonable rate—in other words, up to the point where it becomes prohibitive. I don't think they expect the Government to—

Mr. TILGHMAN. I think they will expect if there is any insurance provided they are going to have to pay for it.

Senator LEHMAN. I just want to have this thing clear. I don't see why these people would have any more ground on which to ask for reimbursement from the Government than they have now, and certainly the Government has never recognized any claims of that sort, so far as I know.

Mr. MCKENNA. That is true, Mr. Chairman, for private property. However, the argument has been made that they would come in and continue to press claims for relief on the theory that the Government if it embarked on a subsidized insurance program would then owe something to people who didn't choose to participate in the program

but still suffered loss. I just wanted to get the comment of these gentlemen on that charge.

Senator LEHMAN. I want to thank you gentlemen very much. Before you get up, I want to say this: I think your testimony here was certainly very dramatic, and it's the same sort of testimony that we have been having at the other eight hearings we have attended. At one after another, groups of people came to us, just as you gentlemen have, and told us about their homes wiped out or damaged beyond repair without any recourse at all, without any compensation which would permit them to rebuild. It's the same pattern we have had in every one of the other States in which we have had hearings.

I am very glad indeed you came.

Mr. EDELSTEIN. Mr. Chairman, at this point I would just like to have inserted into the record, because this is from South Carolina, a communication from Mr. Gerbrand Poster, Jr., of Myrtle Beach, S. C., who describes some of his experiences at Myrtle Beach in defense of a proposal along the lines of that which has been discussed here.

Senator LEHMAN. So ordered.

(The letter above referred to follows:)

MYRTLE BEACH, S. C., December 17, 1955.

HON. HERBERT LEHMAN,

*Chairman, Banking and Currency Investigation Committee,  
Care of the State Capitol, Raleigh, N. C.*

DEAR SENATOR: I regret that I am unable to be in Raleigh while you are conducting your investigations and therefore cannot offer to be questioned by your committee on the subject of disaster insurance.

Yet, having been through the experience of Hazel and during the current year having been threatened but not hurt by some more hurricanes, it has become most necessary for me to try to think up some ways in which our population can be protected against not only the danger of hurricanes, but, in general, against every possible kind of act of God contingency.

Permit me, at the outset, to explain that I in my thinking would prefer it if act-of-God insurance would be made available to the public by the people whose duty and business it is to do such things; to wit, by normal insurance companies. It is my personal belief and feeling that if the Federal Government does not have to enter into the fields of private business it would be better for everyone concerned. On the other hand, I believe equally seriously that if insurance cannot be bought from private industry, it is the duty of the Federal Government to step in and make such insurance available.

I believe that most every American would and does prefer to pay his way—that every American prefers to buy insurance if he so wishes for risks against which he wants to insure himself. I believe that most every American, while probably thankful for SBA and Red Cross help in case of need, still would consider it his inalienable right to buy rather than to receive gifts and/or assistance.

As such—and considering that private industry does not so provide this kind of broad act of God insurance—I believe that the Federal Government now should provide it for those who need and/or want it.

I also believe that it would be a relatively simple matter to—

(1) Set up the machinery.

(a) Use one of the existing instrumentalities now operating in Washington, or preferably set up a small subagency within the Department of the Interior, to be specifically charged with writing the policies, etc.

Congress stop set up (or establish) a basic fund for payments of losses and which fund is to be one which is in reserve only. In other words, the Treasury can arrange that, when needed, that insurance agency can immediately draw funds from the Treasury for a maximum of the initial fund as arranged. (This figure should be sufficiently high so that in case of real disaster, the fund can stand behind its policies.)

All premiums paid in to go into that fund with the understanding that conceivably the Treasury's guaranty, at some future date, may not any longer be required.

**(2) Arrange for policies, premiums, collection, and disbursements.**

(a) The policy which is written (and sold by the insurance agency) is to be in the simplest form imaginable. It should provide insurance against all such claims as cannot be covered by commercial insurance policies; without further detail mentioned so that there cannot be misunderstandings. In order to forestall litigation, the clause should only include the term and words that insurance which can be bought outside the buyer's (or insured's) normal habitat but which is not normally sold within the insured's habitat (or State) is considered for the purposes of this policy as unavailable to the insured.

The policy to be sold should be sold in a simple, nontechnical manner. All licensed insurance agents should be declared agents; their commission should be small and while probably not remunerative, still would be adequate in that this insurance would actually help them sell other insurance.

The amounts of each policy should be kept simple and in rounded off terms. For instance in \$1,000, \$2,000, and up by \$1,000 policies.

The insured has the right to buy what he feels he needs and/or wants. He does not have to buy full coverage; but if he does not buy that then in case of damages the payments would be prorated.

If desired, the policy should be made available on a noncancelable basis for a specified number of years. For instance an insurance company making a mortgage loan for a period of 12 years, should be in the position to demand that the mortgagor take out this insurance for a specified amount, and for the duration of the loan period. If that is arranged in this way, every mortgagee will support the program, across the Nation.

The secret of the success of a program like this, is to have nationwide coverage. Dangers are also nationwide, but in many instances (where during several years no disasters have occurred) individuals as well as others, tend to minimize the possibility of any disaster. Yet, hurricanes endanger not only the coastline, but equally much the interior of the country. Floods occur everywhere, as we do other types of wind-driven waters and/or rising waters. None of these are now insurable.

In case some form like this could be worked out, the amount of initial guarantee would be more or less—at best—a happy guess. For argument's sake, we might assume that a Treasury guarantee of \$1 billion, should be sufficient. The Treasury should be recompensed for providing this guarantee, even while the funds are not being used. If so, the interest to be paid on such guarantee can be the very minimum possible (e. g., one one-hundredth of 1 percent) when not used; such moneys as are used to be rated at the normal interest rate at which the Government borrows (and/or sells its debentures)). The operating of the fund can and should be kept inexpensive. In the general scope, the cost of this feature ought to be not more than one one-hundredth of 1 percent also. Agents' commission for the sale of the insurance to the public should be not higher than 5 percent of the premiums collected.

The main portion of the premium would be the sums desired and/or required to build up within the shortest possible time, that agency's own capital through premium collections.

With a risk running of \$1 billion, an annual receipt (before payment of losses) of \$50 million would mean that the premium can be as low as about 5½ percent (or lower).

I have written the above in a sincere spirit of trying to help you in your task and if I am successful even to the smallest degree, it will be pleasant to have done so.

Respectfully yours,

GERBRAND POSTER, JR.

Mr. EDELSTEIN. The next witness is Mayor Middleton, of Long Beach, N. C.

Senator LEHMAN. Have you a prepared statement?

**STATEMENT OF E. F. MIDDLETON, MAYOR, LONG BEACH, N. C.**

Mayor MIDDLETON. No, sir. I will just talk without it.

Senator LEHMAN. Present your case.

Mayor MIDDLETON. I know the beach from its beginning in 1938 and until Hurricane Hazel in October 1954. We had no reason to

worry about hurricane insurance. We had nearly 400 houses, approximately 400 houses, and all of them were destroyed overnight.

Senator LEHMAN. How many houses?

Mayor MIDDLETON. More than 300. Close to 400 houses. Most of those houses were owned by people scattered all over North Carolina, all types of people, and they owned homes down there. Some of them rented part of the time and had them for their own use part of the time.

It was a thriving community and overnight it was wiped out.

The insurance companies I thought did very well. We had no tidal insurance, and we can't get it. They sent in adjusters there and gave us a fair adjustment I think, as far as it went. But everybody wants the insurance. I think we have shown that by everybody who has been up here today.

When it comes down to the form of the insurance, the Federal Government will have to underwrite it or guarantee it some way. I think it should be possible to work it out along the lines of the old war-risk insurance. I think you would find all of them willing to pay for it. What it would cost I guess there's no way to determine until it has been in effect for a number of years. But the idea would be to fix it so that a man could build a cottage or a home or a small business on the coast and get insurance to cover his loss if any.

I would think that the old-line insurance companies that are writing insurance now could cover their part. This other insurance could come in for that that was not covered by the old-line companies.

For instance, on the property that was destroyed by Hurricane Hazel, the adjustment was based from 40 percent to some of them that got 100 percent of the face of their policies. In my particular case I got about 61 percent of the insured amount.

All right. If the Government could come in there with this other insurance and give me the other 39 percent, if the insurance I was carrying was good for 61 percent of it, then why not get this other insurance for the gap in there?

Senator LEHMAN. I am not quite sure I followed you on that.

Mayor MIDDLETON. Mr. Lehman, I had insurance—I thought all the insurance you could get, the comprehensive liability and all. All right. I got 61 percent of the amount of my policy. The insurance company acknowledged that as being that much wind damage, I suppose. I believe, as it was brought out here earlier today, the companies may not be so liberal on the next hurricane. That was the first one we had ever had down in there. I don't think we had had one similar to that hitting in that particular area in 60 years.

So if this new insurance could take up where the old companies leave off—in other words, I'm insured. I'm carrying all they will write, comprehensive, liability, wind, and fire.

Senator LEHMAN. Was that 61 percent of the value of your house?

Mayor MIDDLETON. Yes.

Senator LEHMAN. Did that cover wave insurance?

Mayor MIDDLETON. No, there was no wave insurance. That was the argument—that the wind may have caused 61 percent of the damage.

Senator LEHMAN. I see.

Mayor MIDDLETON. The remainder was caused by water, wave wash. So I was only entitled under their adjustment to the 61 percent.

What I am trying to say is this thing we are trying to get worked out here is an insurance company that will guarantee the man the value of his property if it is destroyed and let him pay for it as nearly as he can. It may be subsidized, but, on the other hand, it just might not. He might carry that insurance along for 60 years without any damage from wave wash.

It had been approximately 60 years since there had been any wave wash on that particular beach. I think a number of years ago they had wave wash in Florida. And last spring they had the wreckage in the New England States. It may be another 60 years before we have a hurricane again, or we might get one next summer. If a man can get insurance on his property and be assured of collecting that insurance, let him pay for it as well as he can, but fix this rate and carry it along.

Senator LEHMAN. May I ask you just for my own information—and if you don't want it in the record you don't need to have it—the rate you paid on your insurance on your house?

Mayor MIDDLETON. Well, sir, I just don't have it before me. I just don't have the information. I know very little about insurance. But it seems, from what I've been reading about this insurance since we started studying this thing, that the insurance came down from the old marine insurance written way back there in 1100 A. D. The English companies seemed to think of complete coverage, whereas the American companies that came forward pretend to write in these restrictions and only insure for one thing, and instead of getting complete coverage this country only writes coverage for those items named.

I would think that we should have something very similar to the war-risk insurance, and I'm not so sure that it shouldn't cover man-made disaster also, because I think that's coming, a coming necessity. I don't see why they shouldn't set it up now and set it up in a way that can make use of the present insurance companies and all the information they have, along with all of their agents, which the old war-risk insurance did do. Make use of them, use their machinery as it's set up, and put this thing under some Government agency, perhaps Civil Defense, who would know more about the disaster than anybody else. I mean they would certainly be the first line on any disaster. That would be my idea.

Senator LEHMAN. These pictures, of course, are very graphic. Was this an island?

Mayor MIDDLETON. Was it an island? No, it was no island. A peninsula.

Senator LEHMAN. A peninsula?

Mayor MIDDLETON. Yes.

Senator LEHMAN. Had you had anything of this sort in previous years?

Mayor MIDDLETON. No. As I say, from legend, the same thing happened about 60 years ago, in 1897 I believe. But at that time I don't think there were any buildings on that particular beach. This beach was started in 1939. Until we had this hurricane I think we had had a total of three small fires on the beach. We had 1 or 2 shingles ruffled by the wind. I do think that that \$50 deductible might be a good idea because it would eliminate a lot of useless work.

Senator LEHMAN. I see. This is the ocean, I assume?

Mayor MIDDLETON. There's the ocean. Here's the peninsula in here. Here's a small low place. There's a fresh-water ditch down here. You cross over that and then you hit higher woods, a hill. This is actually—

Senator LEHMAN. Here's the ocean.

Mayor MIDDLETON. Oh, you have the beach there?

Senator LEHMAN. Yes. Here's the ocean on this picture. What's on this side? Is that mainland?

Mayor MIDDLETON. Yes, mainland.

Senator LEHMAN. Are these bays in here? I see now.

Mayor MIDDLETON. The whole of the beach is all an island. It's an island that is quite high.

Senator LEHMAN. I would like to have this made available in the record.

(The pictures referred to appear on pp. 882 and 883.)

Senator LEHMAN. Any questions, Mr. Edelstein?

Mr. EDELSTEIN. No.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. No.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. No; I have none.

Senator LEHMAN. Thank you very much, Mayor.

Mr. EDELSTEIN. The next witness is Mr. J. H. Farrell, executive secretary of the Southeastern North Carolina Beach Association.

#### **STATEMENT OF JOHN H. FARRELL, EXECUTIVE SECRETARY, SOUTHEASTERN NORTH CAROLINA BEACH ASSOCIATION**

Mr. FARRELL. Senator Lehman, members of this committee, ladies and gentlemen, our association has been in existence for 10 years. Ours is a promotional organization. We promote tourist trade, sport fishing, commercial fishing, and other factors having to do with the development of southeastern North Carolina.

Our area covers from the South Carolina line, from Calabash, to Swansboro, a distance of 150 miles. Of course, the coast of North Carolina has a shoreline of 320 miles.

Immediately following Hurricane Hazel, General Griffin and Governor Hodges asked me to start making surveys of the damage. I think I covered 42 beach resorts, fishing villages, and recreational communities.

After Hazel it took considerable time, about 4 months, to complete estimates of private and public damage in that territory.

Then in August 1955 through September 19, three more hurricanes. Mr. Pat Riley, an engineer from the Department of Conservation and Development on loan to the State civil defense, and I, after each one of the three hurricanes, made the same surveys. Both of us have talked to thousands of people at all of these 42 places. Those folks who received damage, both wind and water or wave wash, I can assure you are for some form of water insurance.

Most of them, like myself, would like to see the private companies handle it, but if not, they certainly would like to see the Federal Government do something about it from an economic standpoint.

There are a few things I would like to submit for the record, and one is an editorial, and I would just right now like to read one paragraph. I wonder whether the National Association of Insurance Agents have made a complete survey.

They say:

The National Association of Insurance Agents' executive committee has just issued a report which forecasts the failure of disaster insurance to win favorable legislation in the next Congress.

Senator LEHMAN. Will you let me see that?

Mr. ROGERS. What newspaper is that from?

Mr. FARRELL. The Wilmington Morning News.

Senator LEHMAN. We will place this editorial in the record.

(The newspaper editorial above referred to follows:)

[From the Wilmington (N. C.) News, Friday, December 16, 1955]

#### TIME TO BE CONVINCING

The subject of catastrophe insurance is in the news these days which will have particular interest for local and southeastern North Carolina residents.

Firstly, the Senate Banking and Currency Committee will hold hearings in Raleigh next Monday on the subject, and this area is fortunate in that it will be represented by several delegates who have accepted invitations to appear before the group. The delegates are well-qualified and can be expected to present their facts competently and with authority.

The need for convincing facts, rather than opinions, is of utmost importance. We could hardly expect a congressional committee to offer any encouragement, except on a solid foundation of facts and figures.

Secondly, the National Association of Insurance Agents' executive committee has just issued a report which forecasts the failure of disaster insurance to win favorable legislation in the next Congress.

Their view is based on findings from the field, which, it says reveals a country-wide lack of interest in a disaster insurance program. Even though this represents the insurance industry's view, it is still startling. Here is a portion of the report dealing with the prediction:

"One factor entering into the lack of optimism for final favorable congressional action is simply a lack of countrywide interest (amounting to almost apathy) for disaster insurance and more particularly to flood insurance outside the stricken areas."

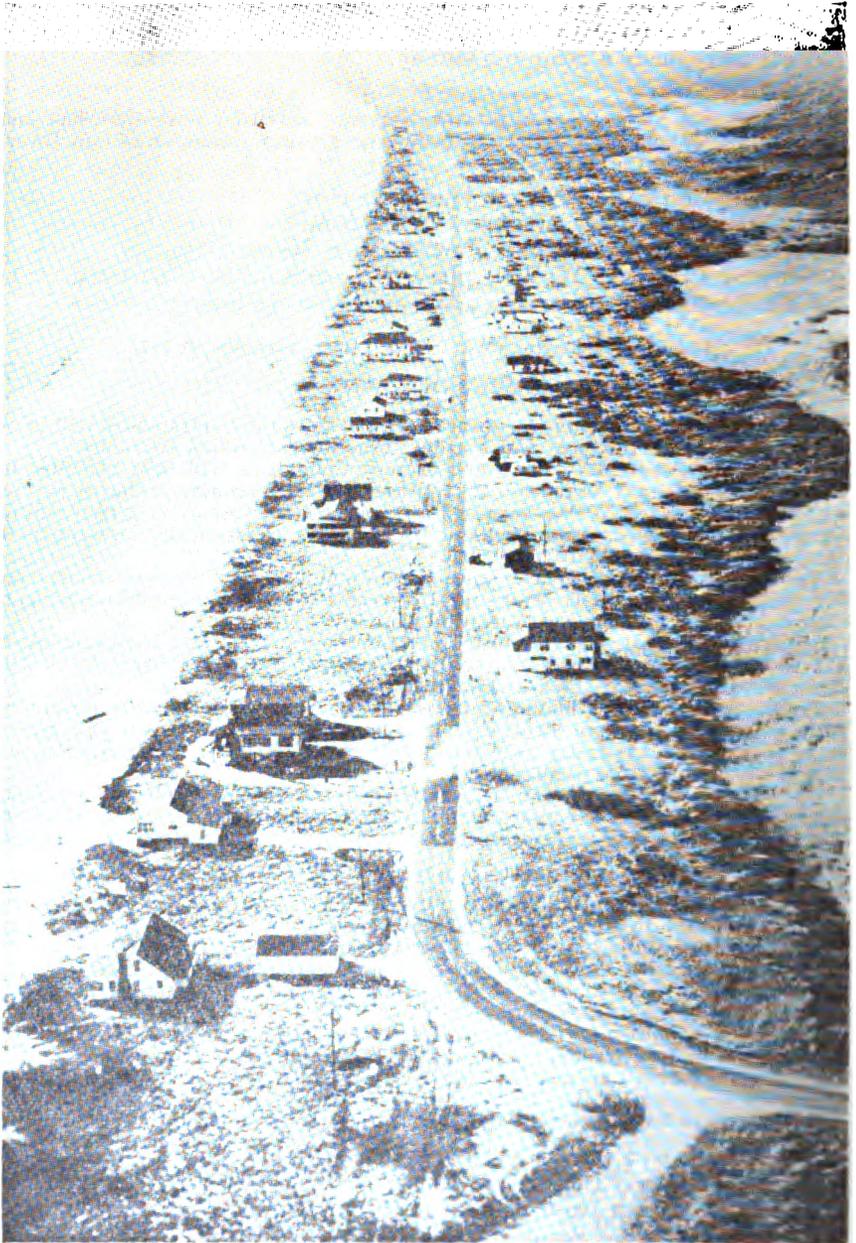
How true this may be is debatable. While it is true that the Atlantic Coast States currently may have a stronger interest in catastrophe insurance, the years have shown that disaster respects no specific region in this country. Not many if any, of the 48 States have escaped the unwelcome visits of the forces of nature. It is entirely possible that the experiences and knowledge of the havoc wreaked by these forces will influence congressional thinking, no matter what section of the Nation Congressmen represent.

The NAIA's position on the forthcoming insurance problem appears evident by its reference to it as "a relief program called 'insurance'. \* \* \*"

If there is a trend around the Nation toward apathy for such legislation, it should be discussed at the Raleigh hearing. The NAIA's report should be an added incentive for convincing arguments before the committee.

Mr. FARRELL. I listened to the testimony this morning, and there are 2 or 3 things, if I may, that I may be able to clear up.

These gentlemen from South Carolina brought it up again. That had to do with the Small Business Administration. I don't know what their rules and regulations were in South Carolina, but I definitely know what they were in making loans in North Carolina for this reason: When the regional office at Richmond came in to Wilmington, I assisted them to set up their offices in the customhouse. Again,



Long Beach, N. C., before the storm. The 15 miles of beach had over 300 homes and summer residences. Aerial photo above shows a small portion of the strand, the remainder of which was left in the same state of destruction.



**The same portion of Long Beach after the storm. Only five buildings remained on their original foundations, the smaller ones being left back toward woodlands while the large buildings were completely destroyed. "X" in this picture marks where curve in highway had been.**

immediately following Connie, I helped them again set up their offices in the Chamber of Commerce Building.

I have had the opportunity to assist a number of applicants make out their applications.

Only those people who were either in business or pier operators or owners and operators of cottages, apartments on a commercial basis were eligible for loans. The individual homeowner or cottage owner was not eligible.

Whether they have liberalized their ruling so far as New England, New Jersey, and Pennsylvania are concerned I don't know, but that is the way it happened in North Carolina.

There is a very serious economic factor involved in this present status of wave-wash or water-wave insurance.

I would like to also have put in the record a statement signed by me which is a copy of a letter addressed to a realtor-builder at one of our beach resorts. His name is here but I will omit mentioning it. I have purposely omitted the name of the signer of this letter, who happens to be president of one of the building and loan associations in Wilmington, N. C.

The copy of this letter which I have signed and put our seal on and certified to reads as follows, because I copied it word for word from the original. It says:

Due to the recent hurricanes and to the attitudes being taken by some insurance companies, we cannot, at the present time, make any commitments whatsoever on beach property.

We appreciate your application and you can rest assured that if and when we consider beach loans, we will certainly consider yours because we enjoyed doing business with you.

I have talked to a number of building contractors in southeastern North Carolina of late, and the construction of new homes and new buildings is stymied. I am sure that Mayor Middleton and the other gentlemen here who lived right through these hurricanes will tell you that it's almost impossible for new homes to be built anywhere near the beach area or anywhere within 6 miles of the ocean.

Further than that, I would like to read another letter from a former State representative of the General Assembly of North Carolina who was forced into bankruptcy because of the series of hurricanes since Hazel. I will read it fast.

This is addressed to Senator Scott. I do happen to know that Mr. Gold received a copy, and so did Senator Ervin.

DEAR SENATOR: Having appeared before a committee of Senators holding a hearing upon hurricane disaster in Raleigh, N. C., on September 28, 1955, and learning that a bill would probably be introduced at the coming session of Congress to create some insurance protection against disaster caused by water, as well as wind, I can speak for the people as one who has received a crushing blow by Hurricane Hazel and again by Connie and Diane.

To explain to you why I believe that this insurance should be offered either by the Federal Government or by the insurance companies, I offer the following explanations.

On October 14, 1955, I owned at Carolina Beach, N. C., property known as Kermon's Cottages, consisting of 10 individual 5-room cottages, completely furnished, operating at summer seasonal and winter rates, and being built on block 42A, in the town of Carolina Beach, on Route 421, facing Carolina Beach or Parmlee Lake, and within 200 to 400 feet of the Atlantic Ocean. These cottages and the land had a value of more than \$50,000 upon which I owed \$18,500.

Then came the destructive Hurricane Hazel on October 15, 1954, causing damages to my cottages and furnishings at Carolina Beach, at an estimated cost

of \$26,800, and damage to my home and pier at Harbor Island at Wrightsville Beach, of \$3,000.

I began to replace my damages at Carolina Beach by employing workmen and contractors and by doing part of the work myself and giving constant supervision of the work, and completed same at a cost of \$19,000. At which time, I had received from the insurance companies as settlement the sum of \$7,200 for damages not caused by water, the balance I borrowed on notes endorsed by my wife and myself, giving a mortgage on my home at Harbor Island for \$2,500, and by using my credit. I finished the work about June 15, 1955. My cottages had again a value of \$50,000, and I was further in debt of approximately \$12,000, but felt I could, with good business, take up this loss within 4 years.

On August 11, 1955, came the Hurricane Connie and repeated the devastating damage to my Carolina Beach property. Following within a week, Hurricane Diane came, both causing an estimated damage to the cottages and furnishings of approximately \$23,000.

The savings and loan association has foreclosed and the property was bid in at \$15,000. So my loss by reason of these disasters will amount to more than \$40,000, which could have been avoided if there had been disaster insurance. I carried on my property at Carolina Beach insurance in the sum of \$29,000.

To solve the problem, the United States Government should offer a disaster insurance, and require every one to carry same if the property is insured, and this insurance to cover only the damages not covered by their insurance with the insurance companies.

Or the insurance companies should change their standard policies to cover water damages, and that the insurance companies should permit an increase in the extended coverage premiums to meet the cost over a period of years according to their experience and write all coverage under one policy. Realizing that the extended coverage premiums are too low by reason of the recent hurricane damages, however, in the past 40 years preceding the Hurricane Hazel, the damages have been small along the Carolina coast, but this coverage would have to be national in its effect so that people in all parts of the Nation would be covered, and the extended coverage receipts be earmarked by the companies for the purpose for which it is intended, after charging against same the cost of operation and the same be exempted from corporation profit taxes.

Therefore, I believe that the people would welcome disaster insurance by our Government or private companies.

Senator LEHMAN. Sir, may I ask you one question?

Mr. FARRELL. Yes, sir.

Senator LEHMAN. In reading that letter or memorandum, you referred to a Senate hearing in Raleigh in September. I was away at that time so I can't speak authoritatively, but it comes as a great surprise to me to know that there was a Senate hearing in Raleigh in September. I didn't know about that.

Mr. FARRELL. Yes; there was a hearing here of the subcommittee of the House Public Works Committee.

Senator LEHMAN. Not the Senate?

Mr. FARRELL. Not the Senate. He made a mistake in that.

Senator LEHMAN. I thought that might be a State senate hearing.

Mr. FARRELL. No. He has made a mistake in there. It was a House subcommittee.

Senator LEHMAN. That was on flood control, not on disaster insurance?

Mr. FARRELL. That's right. But many of these side issues came up in there, the same as are coming up today.

Senator LEHMAN, I was quite sure there was no hearing of a senatorial committee.

Mr. FARRELL. Senator, those who have lived through these hurricanes, although we're only talking about 4, have lived through 6 of them in 14 months. Carol and Edna didn't do too much damage, although they did some, but not enough to be declared disaster areas.

However, we have found that every hurricane has its own individual characteristics, which has caused many problems, many related problems. Some are directly and others indirectly related to the question of insurance.

Again I wish to repeat that the thousands of people who were hurt that I have interviewed or talked to or who have talked to me are for some form of water damage insurance now.

It so happens that I am chairman of the governor's citizens' advisory panel for this project that is under way now. The last meeting we held at New Bern on the 14th of this month. It is made up of a good cross section of businessmen, soil-conservation people, agricultural agents, county officials, town officials, and promoters from the various beaches. They too expressed themselves representing their various areas all along the entire coast that they want to see some form of wave-wash insurance. First, they'd like to see the insurance companies handle it.

I happen to know a number of insurance agents who have told me—I won't mention their names—that they have taken it on the chin themselves from the people whom they were insured by due to their dissatisfaction in adjustments that were made. I'm not casting any reflection whatsoever on any insurance companies or the agents, but there was considerable complaint regarding the type of adjusters that were sent in.

For example, I know of one who was a tobacco farmer in Florence, S. C., who went to Currie Beach and offered a man who had a small cottage insured for \$3,800—I believe that he offered him, after taking one look around it, \$450. Well, this gentleman fortunately took out of his pocket some photographs of this cottage prior to the water coming over.

One of the most serious problems that we have are the hundreds and hundreds of farms north of Wilmington, N. C., perhaps from Pender County up, that have been inundated by both salt water and fresh water. It should be remembered that those farms raise 3 and 4 crops a year from the same soil due to the mild, semitropical weather that we enjoy. According to soil conservationists, that land is absolutely useless—rich soil—for the next 3 or 4 years until the salt is absorbed or sufficient fertilizer is put in there to overcome the salt.

I can't emphasize too much the terrific disaster our farmers have endured.

This morning this gentleman here—may I ask your name?

Senator LEHMAN. That is Mr. Edelstein.

Mr. FARRELL. May I clarify something, Mr. Edelstein? I believe you mentioned there were a number of complaints from people about the Weather Bureau and being scared on the hurricane advisories.

Mr. MCKENNA. I did.

Mr. FARRELL. In this survey that will be, we hope, finished about the first of February will be a strong recommendation asking the co-operation of the newspapers, the radio and the TV stations, even our public schools, to put on a campaign. I have worked very closely with the Weather Bureau, and I took it upon myself to mimeograph 500 copies of the 4 definitions used by the Weather Bureau, namely:

Hurricane advisory. No one here in North Carolina, when a hurricane is just forming down in the Caribbean, should be disturbed.

The next is a storm warning, which is wholly and solely for the ships at sea, and no one on land should be alarmed.

The third one is the one to sit up and take notice of. Hurricane alert. That is usually given by the Weather Bureau at least 36 to 48 hours before a hurricane comes anywhere near any land area.

The fourth is a hurricane warning. That is the time to be all battered down and get out, 24 hours before.

If we as well as others in the hurricane areas can do anything or do something to educate our people to have a clear definition of these four warnings, I think that you'll have much less criticism against the Weather Bureau. I would say it was unjust criticism.

I think I have covered it all.

Senator LEHMAN. Thank you very much. I just want to make an observation here. You, Mr. Farrell, have put into the record an editorial from the Wilmington, N. C. News. It is perfectly evident that this newspaper is sympathetic to what we are trying to do. I gather so from this editorial.

Mr. FARRELL. Their livelihood depends on it.

Senator LEHMAN. Yes. But they quote from a report which has recently been issued by the National Association of Insurance Agents' executive committee, and I want to use a part of that report that is quoted in this paper as the basis of what I'm going to say now.

This editorial says:

Secondly, the National Association of Insurance Agents' executive committee has just issued a report which forecasts the failure of disaster insurance to win favorable legislation in the next Congress. Their view is based on findings from the field, which, it says, reveals a countrywide lack of interest in a disaster-insurance program. Even though this represents the insurance industry's view, it is still startling. Here is a portion of the report dealing with the prediction: "One factor entering into the lack of optimism for final favorable congressional action is simply a lack of countrywide interest (amounting to almost apathy) for disaster insurance and more particularly to flood insurance outside the stricken areas."

That is the end of the quote from the insurance companies' report.

Some of you may not have been here this morning when I spoke about this very apathy that does exist in many parts of the country. I pointed out at that time, as I have at every one of the hearings being held, that this is a national issue. It is a matter of national interest. Unless we get the Nation behind us we're going to have very, very, very great difficulty.

Mr. FARRELL. Senator, may I—

Senator LEHMAN. May I just finish here, and then I'll be glad to have your comments.

Mr. FARRELL. Pardon me.

Senator LEHMAN. I am going to speak very realistically about this thing. We have, in the 6 Northeastern States that were affected by these floods, 2 Senators from each State; that is 12. We have two Senators each from North Carolina and South Carolina. I am quite sure that the Senators from the States that have had this experience either this year or in recent years will vote for some kind of Federal disaster-insurance assistance or insurance. That is 16 Senators out of 96.

In addition to that, I believe that we will have the support of the majority leader, Senator Johnson of Texas, who has already put the

question of disaster insurance on the list of the things that he expects to take up and try to push in the Senate.

That still leaves a very, very wide margin which we have to bridge before we are successful.

As I pointed out this morning and so often in the past, this is absolutely just as much a matter of interest to Arizona and New Mexico and Minnesota and Michigan and Missouri and Iowa and Texas as it is to these States that have unfortunately been stricken. But the people of those States just don't understand, don't know the situation, and the difficulty is in getting the word to them.

Even I, if I had not lived through a couple of these floods in New York State while I was Governor, wouldn't have realized the damage that they do. Who can picture, who can bring a mental picture of the photographs that Mayor Middleton has shown us and the picture which you gentlemen from South Carolina and others have told us about so dramatically? They don't understand it. They don't know it. The word is not getting out to them, and it must get out to them if we're going to have a reasonable chance of success, as I hope we will.

I want to congratulate the press of the various cities in which we have had hearings. They have given us fine local coverage. There is no quarrel with them at all. I appreciate their efforts. But it is not the localities in which the flood occurred that have to be sold on this thing. It is the fellow out in Arizona or in California or in Oregon or in Washington or in the other States that I have mentioned who has to be sold. We must in some way insure that that word gets out.

Yes, we Senators will talk in the committee, and we will talk on the floor of the Senate when, as I hope, this bill comes out from committee. I hope many of the members of the House will do the same thing. There are 431 Members of the House, and there are 96 Members of the Senate, and unless we can bring home to these people that they have an interest akin to the interests of the States which are affected, we're certainly going to have great difficulty.

I am not pessimistic about this. I am merely realistic, because I want to get this to the people. We must have national support if we are going to be confident of success, as I hope we will, and I hope we will win that success.

Again here today I repeat it as I have done so frequently. There can't be any question about the suffering and the losses in these various States which the various States have been obliged to take. As I said this morning, the losses and damages in these Atlantic seaboard States, the 6 in the Northeast and the 2 down here, are estimated to amount to from \$750 million minimum to \$1.6 billion maximum. The actual figure is undoubtedly somewhere between. My heavens. Seven hundred and fifty millions dollars, the greatest part of which is borne by the little people of these States, not by the big people, is an appalling figure.

Mr. FARRELL. That's right.

Senator LEHMAN. I pray and I hope with all my heart that we are going to in some way or other be able to bring this picture home to the people of all the States rather than merely the States which have suffered so much.

I hope you will forgive me for being so vehement, but I feel so strongly that one thing we must do before we can be confident of

success is to sell the idea, tell the story as graphically as we can, to the people of the other States of the Union.

Mr. FARRELL. Senator, I'm glad you made those remarks. We do look upon this whole situation from a national standpoint, for the simple reason that we know particularly in our sport fishing that folks from 42 States, including Tucson, Arizona, come here to fish.

Another thing, the homes and cottages that are owned at all of our beaches—and I believe the gentlemen from South Carolina will agree with me—are not owned alone just by people of North Carolina and South Carolina. I know of many homes that are owned by voters and residents of Tennessee, Virginia, even Wisconsin, Michigan, and Ohio.

So it goes beyond the scope of the coastline of North and South Carolina. If we can only impress and show the other Members of Congress that they too have a stake in what is happening from New England right straight down through to Florida.

Thank you.

Senator LEHMAN. May I just add one word. One of the gentlemen from South Carolina who is in the lumber business I think said that there is a seasonal population on that coast of 45,000 people, and he has talked I think he said to 15,000 or 20,000 people, and, as you said, they come from all parts of the country. You know, undoubtedly, if only hundreds if not thousands of people will do the same thing, coming from all over—get in touch with those people, try to get up a little grassroots interest in this thing in the Middlewest and in the Far West and in some of the Atlantic Seaboard States which haven't been touched here either as yet. A lot of these people will give lipservice, but when it comes to their voting for a thing that they think is going to increase their taxation, some of them have awfully cold feet. I say that after a very, very long experience and acquaintance with a great many hundreds of thousands of people in my State and elsewhere.

Mr. FARRELL. There is just one more important thing too to remember. Along the coast of North and South Carolina there are many armed installations that need protection too from the sea. I mean Army camps, Marine Corps camps, airfields. They are very close to the sea. If we could only have an assurance from the civilian standpoint to do something to protect our beaches from the terrific erosion, where I have seen from 60 to 75 feet eroded from hurricanes Hazel and Diane.

Senator LEHMAN. Have you any questions, Mr. Edelstein?

Mr. EDELSTEIN. Just a couple. Mr. Farrell, it's pretty obvious that an insurance program in order to succeed would have to have the widest possible patronage from the people to whom the insurance would be offered. Have you any ideas on what rates—from the many people you have talked to, from your experience in this particular field—would not be considered excessive?

Mr. FARRELL. No, except this: I have had many people say that they would be perfectly willing to pay a higher premium in comparison to the regular wind damage rates they are paying now.

Oh, there is another thing too that I forgot to mention. In the Governor's survey that will be out, it will be recommended that the beach resorts incorporate in their local laws some higher standards, tighter building codes.

That poses a problem for many of our beach resorts are unincorporated, and many of our county commissioners will have to depend

upon new legislation in our State legislature in order to give them the authority to adopt reasonable but standard building codes, which I am sure that those of us who have been working on the thing feel in all fairness to the insurance company that they have—more teeth in the building codes.

Mr. EDELSTEIN. I think Governor Hodges this morning testified that there would be no impediment to the legislature enacting such legislation.

Mr. FARRELL. That's right. It's the unincorporated places. A number of beaches that are incorporated have already passed new ordinances requiring—

Mr. EDELSTEIN. Of course, the State legislature could easily regulate the unincorporated places no matter what grants of authority were given to the local communities.

But you said a minute ago that people would be willing to pay higher than they now pay for their present comprehensive. What rates do they now pay generally?

Mr. FARRELL. I really don't know.

Mr. EDELSTEIN. While the Congress would not undertake to set rates in this legislation but would leave that to the agency to whom this would be given if a Government program is set up, it would be very helpful for the committee to be able to set forth some sort of guidance, as undoubtedly there would be standards set forth in this legislation.

A little while ago somebody mentioned that the rate that had been offered on wind-wave was \$3 and now was \$5 a hundred. It would be very interesting for the record to find out or to have some figures given as to what would be considered a reasonable rate. In other words, reasonable from the point of view of those who would buy the insurance rather than from that of the insurance companies.

You have no thoughts on that?

Mr. FARRELL. None whatsoever. If the Federal Government does come through with some cooperative insurance in cooperation with the insurance companies, I would like to see it handled through the Civil Defense. There is a very definite reason for that, because they are the overall agency in any disaster area. We had the experience in the last three hurricanes, unfortunately, of the lack of local CD units, where even our highway patrol that did a magnificent job were hesitant to take orders or suggestions from other than the CD, because they just weren't there.

Mr. EDELSTEIN. Well, earlier you testified you would like to see the private companies handle this insurance if possible.

Mr. FARRELL. I think it would be practical. They have the know-how. They are on the job. They are in the field. They know the people.

Mr. EDELSTEIN. I don't think anybody has suggested any proposal that would not envision the private agents being the agents for this insurance. Nobody at least has suggested before this committee that the Government go out into marketing the insurance. But I would just like to know your view as to whether the private companies could handle it on a somewhat higher premium; I mean, could get out the insurance on a reinsurance basis.

Mr. FARRELL. It can't go too high because most of these folks are stone broke at the beaches today, and many of the farmers, to start off with.

Mr. EDELSTEIN. I see. Then, in order to have an appeal, the rates would have to be within reason from the point of view of the people who buy the insurance, in other words?

Mr. FARRELL. Yes.

Mr. EDELSTEIN. That's all, Mr. Chairman.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. I would like to ask just one question, Mr. Chairman, about the Small Business Administration. As I understood it, did you say that they would not accept applications for disaster loans for homes?

Mr. FARRELL. For homes that were privately occupied.

Mr. CHARLES TROTT (Long Beach, N. C.). You're wrong about that.

Mr. FARRELL. Do you know any?

Mr. TROTT. My own.

Mr. FARRELL. Do you rent yours at all?

Mr. TROTT. No.

Mr. FARRELL. You were lucky.

Mr. ROGERS. What you are saying is at variance with what we found in other parts of the country. That is the only reason I raised it, because they were supposed to provide 20-year home loans at 3 per cent.

Mr. FARRELL. Well, they didn't do it.

Mr. ROGERS. If they met the other qualifications—if they did not have credit available and so forth.

Mr. FARRELL. I could give you the names of the men in charge of those temporary offices. They didn't do it. As a matter of fact, it was brought out in the newspapers.

Mr. ROGERS. Could we have that gentleman's name for the record?

Mr. TROTT. Charles Trott, from Long Beach.

Mr. ROGERS. Thank you.

Mr. MCKENNA. Mr. Farrell, I have a few problems I hope you can help me iron out.

In connection with your proposals I assume you want the disaster insurance to cover the washing away of land as well as damage to structures? Is that not correct?

Mr. FARRELL. No; I don't mean that, because most of the land that is washed away is public property except in a few cases. I believe at Long Beach a number of homesites were washed away.

Mr. MCKENNA. Of course, there has been damage to private property.

Mr. FARRELL. That's right.

Mr. MCKENNA. Not necessarily North Carolina, but farther up the coast in several of these areas.

Mr. FARRELL. Yes.

Mr. MCKENNA. That is a question that also confronts us—whether we ought to try to cover that particular type of damage as well as damage to structures themselves.

Mr. FARRELL. I don't think I'm in position to comment on that. Perhaps Mr. Trott could, because he has had that experience at Long Beach. Long Beach really suffered.

Mr. McKENNA. One other problem. From your own experience do you suppose there would be great opposition to requiring that once this disaster insurance, whether privately issued or issued by the Government, is taken out that it be noncancelable for a certain period of years, let's say 3, 4, or 5 years?

Mr. FARRELL. Oh, I think it should be for at least 2 years.

Mr. McKENNA. The point I'm raising is, it has been charged that the past experience of private companies has been people will take it the year after a hurricane and then proceed to drop it the following few years when no hurricane repeats.

Mr. FARRELL. No; I think the insurance companies should be protected, absolutely.

Mr. McKENNA. Right. Finally, I think your point on trying to educate people on the distinction in these terms in the nature of warnings is well taken. We were told that in one area at least the unfortunate experience was encountered of changing a hurricane warning to a storm warning merely because the wind rate had dropped below 75 miles an hour, which was the Weather Bureau's criterion for deciding whether it was a hurricane as distinguished from a tropical storm, and, unfortunately, the people receiving the notice took it as meaning the danger had passed, but it hadn't, because there was still—

Mr. FARRELL. What did you say? Seventy-five?

Mr. McKENNA. Yes, sir. That is the distinction they use in classifying a hurricane.

Mr. FARRELL. Where?

Mr. McKENNA. That's the Weather Bureau's national distinction.

Mr. FARRELL. Sixty-five on our coast.

Mr. McKENNA. All I can say is that the information they gave us on a national level is that they use a 75-miles-an-hour wind as distinguishing between a hurricane and a tropical storm.

The point that I was making, in any event, regardless of the actual amount of force of the wind, is that a less severe wind still can do a lot of damage in a storm, and I think your point is well taken, that it's helpful to educate people to what these particular warnings mean.

Mr. FARRELL. I'll only stay a minute, just a second or so. I know there are other witnesses. But you take just prior to Hurricane Connie, within 30 hours, we had gusts of gale winds, variable gusts, that did more roof damage than Hazel did. It was these sudden hard gusts that blew shingles off right and left. That's why each hurricane has different methods of carrying on destruction.

Mr. McKENNA. Yes, sir.

I have no more questions, Mr. Chairman.

Senator LEHMAN. That completes your questions, Mr. McKenna?

Mr. McKENNA. Yes, sir.

Senator LEHMAN. Who is the next witness?

Mr. EDELSTEIN. Mr. Tucker, Glenn M. Tucker, mayor pro tem of the town of Carolina Beach.

Senator LEHMAN. Have you a written statement?

Mayor TUCKER. I have, sir, a written statement. I might preface it if you will permit me to do so.

Senator LEHMAN. You present it in whatever way seems desirable to you.

**STATEMENT OF GLENN M. TUCKER, MAYOR PRO TEMPORE, TOWN OF CAROLINA BEACH, N. C.**

Mayor TUCKER. I am in the insurance business—or am I? I have had 7 companies leave me, 6 since the hurricanes. I find it very difficult to purchase insurance with extended coverage at our beach at this time and certainly more difficult to secure any loanable funds from any source for the lack of any certainty of insurance.

We have the very certain uncertainty of insurance at present.

While we may think today we're insured, tomorrow we may get a cancellation notice. It's happened right along. I had a wire day before yesterday to cancel something that I thought was staying well.

The companies that have left me since the hurricanes include 2 mutuals and 4 stocks. I can't say that I find any fault with them. I certainly appreciate underwriting practices. I suspect that their withdrawal has reflected good underwriting practices on their part.

On the other hand, we need the protection of insurance. We are willing to pay for it. And we hope that our people will soon be able to get insurance.

Certainly it is no time in my opinion either for industry or for the Congress to pussyfoot the question for a whole lot of years to find out what might happen when and if a whole lot of other things happen. It's a time to get down to business and really do something about it. And you, sir, are to be commended for spearheading a drive which certainly denotes business is on its way.

We want to extend our sincere thanks to you.

We suffered along with the others many severe damages, including homes and fishing piers, and, incidentally, I might add that the last quotation I have had that I can quote on selling fishing pier coverage from London Lloyds is 10 percent, required to take 3 years at 25 percent. Ten percent per year. You may get 3 years at 25 percent, and you must but 3 years in advance. That's since our most recent hurricanes.

We had a lot of pier damages. Whether that is the only quotation that could be secured or not I do not know. That is the quotation through the channel that I have previously placed piers.

I had not intended to say anything other than present this resolution, but this discussion today sort of prompted me to say a few other words that we thought might be contributory.

With your permission, I shall read this resolution very slowly, for we hope, though it's only one page double-spaced, that it will bear the facts of our condition. [Reading:]

Whereas the town of Carolina Beach is situated in the southern portion of New Hanover County, N. C., on the Atlantic Ocean; and

Whereas the town of Carolina Beach is owned largely by people of moderate means; and

Whereas the town of Carolina Beach suffered severe damages from the 1954 and 1955 hurricanes which were common to the costal areas of the Carolinas; and

Whereas the average property owner cannot afford to continue to suffer losses equal to those sustained in the aforesaid hurricanes; and

Whereas the types of insurance which were and are now available, and even now difficult to place, are inadequate to cover the kinds of losses created by wavewash and rising waters; and

Whereas the individual and corporate interests of this coastal town are seriously imperiled and stand to be completely destroyed should similar or more severe hurricanes occur; and

Whereas even now the loaning institutions will not provide loanable funds on existing or proposed construction on account of the uncertainty of insurance remaining thereon: Now, therefore, be it

*Resolved by the council of the town of Carolina Beach, in session this day assembled, That the Congress of the United States be implored to exercise every reasonable influence to provide an adequate insurable program either through private enterprise or other methods deemed to be consistent with the welfare of the citizenship of the United States.*

Done at Carolina Beach, N. C., this the 14th day of December, 1955.

Attested by the town clerk, Helen S. Skipper.

Senator LEHMAN. Thank you very much indeed.

Mayor TUCKER. Thank you, sir.

Senator LEHMAN. Mr. Edelstein, any questions?

Mr. EDELSTEIN. No, sir.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. No, sir.

Senator LEHMAN. Mr. McKenna?

Mr. MCKENNA. Only the same one I asked the preceding witness, as to whether or not you feel it is necessary that this cover land damage in addition to structural damage.

Mayor TUCKER. Frankly, the thought of having available land damage insurance had never before occurred to me until that inference came up from Mr. Farrell and you raised the question. I see no reason why such coverage should not be made available, for it is as definite a loss as is construction or personal property items.

Senator LEHMAN. Thank you very much indeed.

I want to say I neglected, Mr. Farrell, to thank you for your very valuable testimony.

Mr. FARRELL. That's all right.

Senator LEHMAN. I know that you have for many years been a loyal citizen of North Carolina. I also know that before that you were a loyal citizen of New York and lived in Troy, which is only 5 miles away from the capital city of New York where I spent 14 very happy years.

Mr. FARRELL. Senator, I have been here 10 years.

Senator LEHMAN. I also know that you are a relative of a predecessor of mine in the Senate, Senator Murphy.

I don't want to seduce you, but I'd be glad if you moved back to New York State.

Mr. FARRELL. I'm afraid that I just can't do it. I have too much tar on my heels.

Senator LEHMAN. I knew you had lived down here for many years as a loyal North Carolinian.

Mr. FARRELL. I still love New York State.

Senator LEHMAN. Who is the next witness?

Mr. EDELSTEIN. Mr. Hugh Murray, past president of the National Association of Mutual Insurance Agents.

Mr. MURRAY, is this the testimony that was prepared by Mr. Stringfellow?

Mr. MURRAY. That is a copy of it, sir, that was furnished the press yesterday I think by Mr. Stringfellow.

**STATEMENT OF HUGH H. MURRAY, JR., FOR THE NATIONAL ASSOCIATION OF MUTUAL INSURANCE AGENTS**

Mr. MURRAY. Mr. Chairman and gentlemen, my name is Hugh H. Murray, Jr., and I live in Raleigh, N. C. I am chairman of the disaster committee of the National Association of Mutual Insurance Agents, and this is the official statement of the National Association of Mutual Insurance Agents on this problem.

Potential victims of disasters can and must be afforded some means of protection against catastrophic occurrences of natural and unforeseeable origin. This is the conclusion of the National Association of Mutual Insurance Agents, with its 6,000 members, as expressed by its special committee on catastrophe insurance at a meeting in Washington, D. C., on December 15, 1955.

It is the conclusive thinking of this group that this major problem facing the Nation can be solved through the intelligent cooperation of American free private enterprise and the Government.

It must be remembered that some type of catastrophe could befall citizens in any part of the country. It matters not whether they live on mountain, plain, coast, or valley, as nature excludes no one from catastrophe exposure.

Now, in addition, manmade potential disaster in the form of nuclear explosion and contamination faces us.

It is suggested that the following points are worthy of consideration in this connection:

1. Insurance against catastrophic loss should be included in all property insurance policies.
2. Coverage should be written to include a realistic deductible provision.
3. Adequate waiting periods should be included to prevent the purchase of insurance against impending disaster.
4. Catastrophe coverage of the type contemplated should include nuclear fission, earthquake, windstorm, wave-wash, explosion, flood, and tidal wave, as well as war damage.
5. Reinsurance capacity should be afforded through a Government-created corporation similar to the War Damage Corporation for those hazards which the industry does not presently cover, but some portion of all catastrophic exposures, however, should be assumed by the industry.

6. It is our conviction that a program handled in this way by private insurance facilities will most adequately take care of the need.

We, the National Association of Mutual Insurance Agents, stand ready, willing, and anxious to lend a hand in solving these problems for the American public.

One small comment. I have been asked to state that a little error was made by the president of our State association, Senator, when he said that earthquake insurance was not available in North Carolina. It is theoretically available, but the sum total of premiums in this State is under \$2,000 a year, and the actual sale of it is virtually unknown.

Thank you.

Senator LEHMAN. Thank you very much indeed, Mr. Murray. I think this is a very valuable document, because I note that the resolu-

tion to which you refer was passed in Washington on December 15. That is only 4 days ago.

Mr. MURRAY. That is right, sir.

Senator LEHMAN. So recently I haven't received a copy.

Mr. MURRAY. It was just released, Senator. It was sent to the press on Saturday.

Senator LEHMAN. I am very glad. Thank you very much indeed.

Have you any questions, Mr. Edelstein?

Mr. EDELSTEIN. I would just like to ask one question which I also asked Mr. Penny, and it has been asked of other witnesses. From the discussions that have taken place in your committee, what as an insurance man would be the reaction if the Congress saw fit to enact a system whereby the insurance industry would be asked to provide policies with a \$15,000 deductible on domestics and residential and \$100,000 deductible on industrial?

Mr. MURRAY. I can only say, sir, that in our opinion the need would be best served by programs similar to the War Damage Corporation instead of on a basis of that type. Under the war damage plan, the private companies assumed 10 percent of the risk and reinsured 90 percent, but to my knowledge there was no top limit on it. All policies participated. They were not deductible, and the entire catastrophe was covered. I believe that would be the better program.

Mr. EDELSTEIN. That's all.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. No, thank you.

Senator LEHMAN. Mr. Murray, I wanted to ask you a question. Under the fourth point you say:

Catastrophe coverage of the type contemplated should include nuclear fission, earthquake, windstorm, wave-wash, explosion, flood and tidal wave, as well as war damage.

I have included in the bill which I have drafted—subject, of course, to change and amendment—damage from nuclear fission, in other words, A-bombs or H-bombs. I think in the committee and in the Congress itself there is going to be a good deal of difference of opinion as to whether that should be included in one bill or whether it should be included possibly in a separate bill. It is an important question; I admit that.

Supposing that were not included in your coverage, would that affect your judgment?

Mr. MURRAY. Senator, I would prefer that atomic fission be included. I wouldn't like to say that we wouldn't want to see—

Senator LEHMAN. What?

Mr. MURRAY. I wouldn't like to say that we would feel that the program was lost if it was not included, but I think it highly desirable that catastrophe insurance cover just that—catastrophe—and I ask you, sir, if atomic fission isn't disaster; I don't know what it is.

Senator LEHMAN. There will be a great deal of argument on that and difference of opinion because of the impossibility of estimating what the loss might be.

Mr. MURRAY. I understand that, sir. I can't help but slip in a plug here. You may have noticed that the mutual companies in this past week announced the formation of a pool for the purpose of providing reinsurance against nuclear fission. I am glad we got a little jump on the stocks.

Senator LEHMAN. We certainly will discuss it. Thank you very much indeed.

Gentlemen, that completes the roster of the listed witnesses. I'm here representing the committee. If there is anybody here in this room who feels he can make a contribution to what we have discussed here today, I shall be very glad indeed to listen to him.

Mr. EDELSTEIN. Is Mr. Mann here?

Mr. MANN. Yes.

Senator LEHMAN. Will you come forward, Mr. Mann? I am very anxious to hear from you.

Mr. EDELSTEIN. Mr. Mann represents the crop-insurance program, and I was told that while he did not wish to testify formally, he wished to offer his cooperation to the committee. Is that correct?

Mr. MANN. Yes, thank you, Mr. Chairman.

Senator LEHMAN. Mr. Mann, in view of the situation which you described, if I ask you any question which you feel might cause you any embarrassment whatsoever in relation to the position that you hold, don't hesitate to let me know and I will withdraw them.

#### **STATEMENT OF JULIAN MANN, STATE DIRECTOR, FEDERAL CROP INSURANCE CORPORATION, UNITED STATES DEPARTMENT OF AGRICULTURE**

Mr. MANN. Thank you, Mr. Chairman.

I would like to say I am Julian Mann. I am State director of the Federal Crop Insurance Corporation of the United States Department of Agriculture. I have held this position since 1945.

Since I didn't plan to testify, I have no formally prepared statement. For the information of those present here—probably you, Mr. Chairman, have gone into this and your committee has gone into the operations of this corporation—it was started in 1939 and has continued in some form or other in every year except 1944 when there was a failure of appropriations for its continuance.

The statements that I would like to make would be primarily in connection with the execution of this program in North Carolina.

In the beginning, of course, as they did in other States, we were insuring wheat and cotton. Tobacco is so important to our economy that we began to insure experimentally the tobacco crop in 1945.

Tobacco represents more than one-half of the farm cash income of all farmers in the State. Therefore, it is something that makes it insurable as far as we are concerned.

I'd like to say that our insurance is what we term all-risk. That is, it is insurance against the natural hazards, weather, unavoidable insects, disease.

Because of the investment in the tobacco crops particularly, it being a quota crop and a crop that our farm people depend upon for their cash income, our insurance has been taken by those people in larger numbers, and it has been a more successful insurance coverage than in any other.

In North Carolina today we have 32 counties in which we operate. That is, in 1955.

Senator LEHMAN. How many?

Mr. MANN. Thirty-two of the 100 counties, Mr. Chairman. In two of those counties we are operating in only a portion of them.

I'd like to say that we try to practice sound insurance underwriting throughout, and, therefore, we do not take all of the risks. That is, we don't insure all of the risks in any county. We have certain land that is made ineligible, for instance. We have certain operators who are made ineligible because of their management. So that it is a selected insurance from that standpoint.

As provided in the 1939 act and in the amendments that have come since then, we are now insuring not more than the investments in the crops, and we further limit that term because we say we are insuring the cash investments in those crops. Therefore, our coverage does not exceed in many instances—or I'll say in most instances—more than half of the cash investment costs against the unavoidable risks of nature and of certain insects, disease, and even fire in the case of tobacco.

We have been in this State since 1945. Our premium income has been in excess of \$6 million.

Senator LEHMAN. Your premium income?

Mr. MANN. Yes, sir. Over that period. Our indemnity outgo has been about \$5 million, Mr. Chairman.

These figures are approximate. I haven't them formally. So that overall, that is indemnity outgo compared with premium income.

Our participation has risen to the point that we are now about as large as we have ever been in the State. In 1945, for example, we had around \$150,000 premium income compared with a record of 1955 of \$1,087,000 of premium income in these 32 counties scattered well over the State.

I think that certainly my experience with crop insurance has been that we cannot get farmers to come in and take all-risk insurance. In order to get widespread participation it's necessary to carry the insurance to the farmer. In other words, it must be sold.

I don't know what parallels this type of operation would have with the study and with your bill, Mr. Chairman, on disaster insurance of another type, but I certainly would volunteer the information as far as I am concerned that probably insurance is not the whole answer in the case of insurance against perils that affect urban property and property other than crops. Since we, of course, cannot insure all types of land and all types of operators, certainly there would probably be exempt in case of disaster insurance certain high-risk places that you couldn't expect the country as a whole to carry. That has been our experience as far as all-risk insurance is concerned.

In North Carolina as of today we have something over 34,000 people insured in these 32 counties. In some counties in the State we have as much as 60 percent of the acreage of tobacco insured. In others it is very much smaller.

There are only one or two things that I would still like to emphasize if I am not repeating too much, and that is that it has to be sold, and we can't expect to take all types of risks.

One point that I haven't stressed is that in our case—it might not be in the case of this disaster insurance in which you are interested—we have found that this corporation is tremendously more successful if we operate our own program. We have had experience with contracting certain phases of it to other agricultural agencies within the Department of Agriculture. We have had some 5 years of experience in operating our own county offices and our own system of marketing

this as well as adjusting it, and we have found that, insurance being technical as it is, we cannot go fast. We have to go slowly. We have to give it adequate supervision. We have to adjust losses strictly in accordance with contract. We cannot pay for neglected crops. We must also, as I say, intelligently present it to farm people as insurance and not as any subsidy or any manner of collecting from the Government on things that are not paid for.

I may have left out some of the things, Mr. Chairman, that you would be most interested in in the extemporaneous manner in which I have given this testimony.

Senator LEHMAN. Let me ask you this: Is the availability of this crop insurance generally known to the farmers of the State?

Mr. MANN. Well, sir, I would say it is in the counties in which we operate. In the other counties we have found that probably they don't know too much about it. We have had exhibits. We give information through the press, through the radio, through television, and through the other methods of promotion. At the State fair, for example, we had an exhibit, and we found much interest in the counties we haven't been able to go into because of the experimental nature of this program.

Senator LEHMAN. Thirty-odd counties in the State are covered by insurance?

Mr. MANN. Yes, sir.

Senator LEHMAN. How many counties are there in the State?

Mr. MANN. One hundred counties.

Senator LEHMAN. Is the fact that only thirty-odd are covered due to the fact that you didn't have applications from the other counties or that there wasn't any interest in the other counties?

Mr. MANN. No, Mr. Chairman.

Senator LEHMAN. Or that you turned them down, as a matter of fact?

Mr. MANN. No, Mr. Chairman. There are counties, several in the State, that are very anxious to come into this program now, but we are limited in two ways. We happen to have a large proportionate liability in North Carolina. There is only one State in the Nation that has more liability, and that is the State of North Dakota. So we have to watch getting too much liability in one spot since we must make premiums and indemnities balance as far as we can in accordance with the legislation.

The other is that we depend upon the Congress for appropriations for administrative expenses except for maybe some loss adjustment work that we consider as being indemnity outgo.

And then, of course, another limitation is the act itself, which says that we're not permitted to have but so many counties in crop insurance at the present time.

So we have several limitations on that.

Senator LEHMAN. This has nothing to do with the question we have been discussing all day, but when I was in the textile business 50 years ago I know there was a great deal of Sea Island cotton raised in South Carolina and I believe in Georgia. Is any Sea Island cotton raised in North Carolina?

Mr. MANN. If there is, I don't know it, Mr. Chairman. There may be some, but I don't know it.

Of course, we are insuring tobacco since it is our main cash crop, and we are insuring cotton in about six counties in the western part of the State.

We have found one other thing in insurance so far that we have to watch very carefully, and that is that we don't make our coverage too high. We're mindful always of the moral hazard of neglect of crops by the operator and by our tenant system in the State. If our coverage becomes too high we'd run the risk of people farming their insurance instead of their crops. So we have to hold our coverage down.

There is a second reason for being careful of our coverage, and that is the costs. We find that the rates go up in geometric proportion while the coverage goes up in arithmetic proportion, so that for a little higher coverage the cost is very much greater. And we find agitation for higher coverage all the time among farm people until they have a good crop and have to pay the premium in the fall, and then we have the other side—that "we're paying too much for coverage."

Senator LEHMAN. I understand that the main crops which you insure are cotton and tobacco. I also understand that you do not insure fruit.

Mr. MANN. No, sir, we do not.

Senator LEHMAN. Does that insurance on cotton and tobacco cover all and every risk including drought and flood?

Mr. MANN. Yes, sir, it does. It includes all of the natural hazards of weather, including flood, tornado, drought, excessive rain, wind damage, hurricane damage, as well as the hazards of other natural causes such as insects or disease if we find them unavoidable.

Of course, there are places in this State where even though tobacco does bring in half of the cash farm income they don't grow tobacco. Our coastal region in some counties is one example of it. You have heard much about them here today. In the mountain sections there is very little tobacco. It's livestock. So that while we are insuring tobacco, there are places where we don't get into.

We have found one other thing in this that I think is as true as anything that I know in this operation, and that is we must insure the crop that bring in the cash in the operation. If we get into supplemental crops where the main cash enterprise is tobacco or cotton, if, for example, we insure corn under those circumstances, we run into the hazard of the operator attending to his cash crop and failing to attend to his supplemental crop or his crop that he uses for his livestock feed.

So that in those areas where we are insuring cotton, it is the main cash crop, and tobacco, of course, is the main cash crop.

Senator LEHMAN. Have you any questions?

Mr. EDELSTEIN. A couple. Mr. Mann, on what basis do you or does the Department decide whether to have a program in a particular county? Is it on the application of the county officials or do you decide that this county should or should not be included?

Mr. MANN. Well, I'd have to answer you this way: Lately, I'd say, the last year, we expanded 2 programs, 1 in cotton and 1 in tobacco. They were brought in, and the counties selected were further away from our major areas of liability. The further away from that we could get the better it was. So we selected on that basis since our liability is great in this State compared with surrounding areas.

In other areas we have selected by the soundness of the production

of tobacco, for example, in one county compared with another and the interest among the people as to whether the program could be carried on financially successfully—a financially successful operation I should say—from the standpoint of premium income and from the standpoint of the widest participation possible.

Does that answer your question?

Mr. EDELSTEIN. That answers my question in part. You referred earlier to the fact that it was a selective program but that it's selective also in the sense of avoiding risk to a great extent.

Mr. MANN. Well, sir, for example, if we would find land around a river, a river bottom, that was subject to flood every year or 2 or 3 years, we would tend to make that land unclassified for insurance. In other words, it's so high-risk that we couldn't build a rate that would be in line with the risk.

We would also say that in accordance with records if we found an operator whose experience over several years showed yields were so low that we were going to experience a loss with it, we would deny insurance on that.

Mr. EDELSTEIN. Does this fit into a pattern with the other programs of the Department—that they would be inclined to discourage the production of that crop in that particular area? Or do you find on one hand the crop-insurance program will not give them insurance and on the other hand the Soil Conservation Service is encouraging them to grow there?

Mr. MANN. Well, sir, I wouldn't like to speak for the other agencies too much on that. I would say that there is an agency set up within the Department that is designed to lend money when other agencies or other commercial interests wouldn't lend. I think it might be a broad policy of the Soil Conservation Service to try to build land that would make it less risky in certain instances. Whether it would be flood proposition would be another question. I wouldn't like to speak for the other agencies though.

Mr. EDELSTEIN. Yes; I understand.

One other question, Mr. Mann. Does your agency try to balance off its risk by State or by region or by country or—

Mr. MANN. Well, sir, we try to do it by counties and by States, but I don't think that we are obligated to do it any way except nationally. I don't know whether it would be good insurance theory for us to operate otherwise. But we know this: That our rates are built county by county in accordance with our experience, and if over a long period of years we could balance our premium income and indemnity outgo by county, not in 1 year but over a period of years, we would think maybe our rate structure was pretty good if we were getting above normal risks in that particular county.

Mr. EDELSTEIN. If legislation along the lines of one of these bills was passed and a general disaster program, disaster-insurance program, were promulgated and included insurance against the risk of drought and flood generally for all classes of property, would you think that should or should not include the crops?

Mr. MANN. Well, are you thinking of including crops in your bill as far as—

Mr. EDELSTEIN. Well, if nothing else is said, it would include crops unless crops were exempted specifically.

Mr. MANN. Well, I would like to have that answered maybe on a national basis rather than answer it on a State basis, sir.

Mr. EDELSTEIN. I'm sure it would have to be. I was just wondering if you cared to give me your individual judgment.

Senator LEHMAN. I think that may be an embarrassment to Mr. Mann.

Mr. MANN. It's all right.

Senator LEHMAN. I ask that that question be withdrawn, and the answer, because, after all, the decision of that will have to be on a higher authority than Mr. Mann. I promised that I would not have any questions asked him that would be embarrassing.

Mr. MANN. I don't know enough about that bill of yours yet to quite, I think, answer that question intelligently, sir.

Senator LEHMAN. Mr. Rogers?

Mr. ROGERS. Do you have any idea of the amount of payments you will have to make as a result of damage caused by these hurricanes during the last year?

Mr. MANN. Through this insurance?

Mr. ROGERS. Yes.

Mr. MANN. We have had very little indemnity payments because of the hurricanes because when these hurricanes came in both years the tobacco was harvested from the fields and in the curing houses and barns, and, therefore, there was not material indemnity from it.

We have had several contributing indemnities from the tobacco because of tobacco still in the pack houses and curing plants, but not very much from it.

Mr. ROGERS. As I understand it, the administrative expenses for the program are handled out of appropriations and not taken care of out of your premiums. Is that right?

Mr. MANN. That's correct, sir, except for some loss adjustment expense we figure. But as a whole it comes from appropriations.

Mr. ROGERS. You do not use the services of the private insurance companies or agents at all, do you?

Mr. MANN. In North Carolina we are not at the present time, although in other parts of the country they are using commercial agents for selling and for servicing but not for loss adjustment.

Mr. ROGERS. Is that a matter up to each State director to determine, or is it—

Mr. MANN. Well, to a certain extent it is. We are operating here. We had previously successful experience with our own operation. In some States I think that we could certainly say it's operating efficiently that way. But we have had some agents in North Carolina, one or two. But in 1956 we will not have any other strictly insurance-agent operation. I don't think it's an indictment of insurance agents, because we have worked with them, and we certainly don't consider our insurance competing insurance to any offered by the industry, in that we insure the lower part of the risk and the other insurance is the upper part of the risk. The fact is we always recommend certain hail insurance and fire insurance along with our insurance from the industry, from private insurance.

Mr. ROGERS. That is to give additional coverage for larger amounts?

Mr. MANN. That's right, sir. Since ours amounts to a deductible amount of about half of the value of the production. It's really disaster insurance.

Mr. ROGERS. Thank you very much.

Mr. MCKENNA. I have only one question, Mr. Mann. I had understood that while it was generally true that crop insurance did not cover crops after harvest that there was an exception made in the case of tobacco and that they covered that even while it was curing in the barns. Is that true in North Carolina?

Mr. MANN. That's correct, sir. Our coverage begins when the crop is transplanted from the tobacco beds to the fields and ends when it reaches the warehouse.

Mr. MCKENNA. I see. That is——

Mr. MANN. The reason for that is that on tobacco with us the production process is not actually over when it has been harvested, because we have a long and costly production process after it leaves the field, which is estimated roughly maybe at about a third of the cost which comes in after the tobacco is harvested in the field.

Mr. MCKENNA. I have been curious to know why you didn't extend the coverage in these other cases, because some of the hurricane or flood losses occurred after the crops had left the ground and were in storage. We ran into that in Goshen, N. Y.

Mr. MANN. Yes, sir. I think at one time we did have insurance after it left the field in some of the crops, but I wouldn't be sure about it. But they're different in the sense that the tobacco process is not over when it leaves the field.

Mr. MCKENNA. Thank you.

Senator LEHMAN. Thank you very much indeed, Mr. Mann. That is very helpful.

Are there any other witnesses who wish to be heard?

If not, this hearing stands in recess to reconvene in Washington very shortly after the start of the next session.

Thank you very much.

(Whereupon, at 5:15 p. m., the committee recessed to reconvene at the call of the chairman.)

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