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U.S. CONGRESS. BANKING AND CURRENCY
COMMITTEE (S)

STUDY OF FEDERAL FINANCIAL ASSISTANCE
TO VICTIMS OF FLOOD DISASTERS.

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REPORT
No. 634

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NOVEMBER 7 (legislative day, OCTOBER 22), 1963.—Ordered to be printed

U.S. Congress
MR. WILLIAMS of New Jersey, from the Committee on Banking
and Currency, submitted the following

REPORT

[To accompany S. 2032]

The Committee on Banking and Currency, to whom was referred the bill (S. 2032) to authorize a study of methods of helping to provide financial assistance to victims of future flood disasters, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF BILL

S. 2032 would direct the Housing and Home Finance Administrator to undertake a study of alternative programs to help provide financial assistance to victims of future flood disasters, including the present and other possible Federal flood insurance programs, and related matters. A report would be made to the Congress within 9 months from the enactment of the act or the appropriation of funds, whichever might be later.

BACKGROUND OF THE BILL

S. 2032 was introduced on August 8, 1963. Favorable reports were received from the Housing and Home Finance Agency on August 23, the Bureau of the Budget on September 5, and the Small Business Administration on September 13. Copies of these letters are printed below as part of this report.

S. 2032, 88th Congress, is identical with S. 3066, 87th Congress, 2d session, as reported by this committee. S. 3066 was passed by the Senate on July 25, 1962, but it did not become law.

PREVIOUS LEGISLATION

Floods and other disasters have called for Federal action for many generations. Sometimes this action has taken the form of preventive public works along the coasts and rivers of the United States, sometimes it has taken the form of relief to the victims of these disasters.

Following the disastrous floods of 1955 and 1956, the Senate Banking and Currency Committee made a thorough study of the problem of floods and other disasters and of Federal assistance to the victims of such disasters. Extensive hearings were held by the committee in those years, both in the District of Columbia and in many of the affected areas. In addition, the committee issued a staff study on the subject of Federal disaster insurance (S. Rept. 1313, 84th Cong.). This study contained an extensive collection of information on the subject of floods and other disasters and the damages resulting therefrom. It also contained a survey of the relief provided by the Federal Government and by State, local, and private organizations to the victims of disasters. Following the committee's investigation of the matter, a bill was reported out by the committee (S. Rept. 1864, 84th Cong.), which became the Federal Flood Insurance Act of 1956 (Public Law 1016, 84th Cong.).

This act provided for the establishment of three programs—a Federal flood insurance program, a Federal flood reinsurance program, and a Federal loan contract program covering flood losses. Upon the enactment of this act, the Federal Flood Indemnity Administration was created as a constituent unit of the Housing and Home Finance Agency. Extensive discussions were held with other Federal agencies, with State and local governments, and with the insurance industry. However, no satisfactory program was developed, and following the refusal of the Congress to grant appropriations to provide funds for the flood indemnity program, the Federal Flood Indemnity Administration was abolished and a final report on its activities was transmitted to the Congress by the President on July 28, 1958 (H. Doc. 426, 85th Cong.). A copy of this report was printed as a part of the committee's hearings on S. 3066, 87th Congress.

THE PROPOSED STUDY

S. 2032 would authorize and require—

* * * an immediate study of alternative programs which could be established to help provide financial assistance to those suffering property losses in flood disasters, including alternative methods of Federal flood insurance, as well as the existing flood insurance program * * *

The bill provides that the report to be filed must include—

* * * an indication of the feasibility of each program studied, an estimate of its cost to the Federal Government and to property owners on the basis of reasonable assumptions, and the legal authority for State financial participation. * * *

In addition, the bill requires the report to include, with respect to each method of flood insurance considered—

* * * an indication of the schedule of estimated rates adequate to pay all claims for probable losses over a reasonable

period of years, the feasibility of Federal flood plain zoning for the purpose of selecting areas which may be excluded from insurance coverage, and the feasibility of initiating a flood insurance program on an experimental basis in designated pilot areas.

The Housing and Home Finance Administrator testified at the hearing on S. 3066 in 1962 that the agency had consulted with the Corps of Engineers, the Geological Survey, the Weather Bureau, the Department of Agriculture, and the Bureau of the Budget as to the type of study which might be understood under the resolution. These agencies concluded that it would be desirable to make a detailed study of seven or eight selected areas for which hydrological data and contour maps are available.

The Administrator testified that—

The areas selected would provide appropriate geographical representation and include coastal as well as inland flood plain areas and would vary in size and include residential, industrial, and commercial developments. The hydrological data relating to these areas could then be studied to develop estimates of the probability of occurrence of floods. These could be delineated on contour maps so as to indicate the sections of the areas which would be inundated by floods of various probabilities of occurrence. In addition, a study could be made of the value of the properties subject to flooding, the estimated damages to these properties when floods do occur, and the estimated average annual damage. With this information estimated insurance premium rates could be developed which would be necessary to cover the average annual loss in these particular areas and a determination would be made as to whether it would be feasible to initiate a flood insurance program on an experimental basis.

* * * * *

If this study is authorized we would work in close cooperation with the appropriate Federal departments and agencies, particularly the Corps of Engineers, the Geological Survey, the Weather Bureau, and TVA, which have accumulated a wealth of data and knowledge pertaining to floods and flood plains, and the Department of Agriculture, which administers the Federal crop insurance program through the Federal Crop Insurance Corporation. The Corps of Engineers would conduct the studies in the pilot areas and an analysis of these studies would be carried on in cooperation with the corps, the Geological Survey, and the Weather Bureau. Both the TVA and the Corps of Engineers have developed programs of assistance and information in the field of flood plain zoning. We would look to these agencies for advice on problems that relate to zoning. We would also consult with the Council of State Governments, which, for many years, has expressed keen interest in flood plain zoning and flood insurance. Representatives of the insurance industry who we understand were most cooperative in the planning of the flood indemnity program under the Federal Flood Insurance Act of 1956 would be consulted with reference to the studies on the feasibility of flood insurance programs.

On May 31, 1962, the President issued a statement expressing his support for the bill and indicating that a supplemental request for appropriations of approximately one-half million dollars to finance the study would be submitted at the appropriate time.

Since S. 2032 only authorizes appropriations, the committee expected that any appropriate further details with respect to the proposed study, and a detailed justification of every aspect of it, would be presented to the Appropriations Committees.

[S. 2032, 88th Cong., 1st sess.]

A BILL To authorize a study of methods of helping to provide financial assistance to victims of future flood disasters

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Housing and Home Finance Administrator shall undertake an immediate study of alternative programs which could be established to help provide financial assistance to those suffering property losses in flood disasters, including alternative methods of Federal flood insurance, as well as the existing flood insurance program, and shall report his findings and recommendations to the President for submission to the Congress not later than nine months after the enactment of this Act or the appropriation of funds for this study, whichever is later. The report shall include, among other things, an indication of the feasibility of each program studied, an estimate of its cost to the Federal Government and to property owners on the basis of reasonable assumptions, and the legal authority for State financial participation. With respect to each method of flood insurance considered, the report shall include an indication of the schedule of estimated rates adequate to pay all claims for probable losses over a reasonable period of years, the feasibility of Federal flood plain zoning for the purpose of selecting areas which may be excluded from insurance coverage, and the feasibility of initiating a flood insurance program on an experimental basis in designated pilot areas. There is hereby authorized to be appropriated such sums as are necessary to carry out the purposes of this Act.

HOUSING AND HOME FINANCE AGENCY,
Washington, D.C., August 23, 1963.

Subject: S. 2032, 88th Congress (Senator Williams, of New Jersey).

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for our comments on S. 2032, a bill to authorize a study of methods of helping to provide financial assistance to victims of future flood disasters.

This bill would require the Housing and Home Finance Administrator to undertake an immediate study of alternative programs which could be established to help provide financial assistance to victims of future flood disaster. The Administrator would be required to report

his findings and recommendations to the President for submission to the Congress not later than 9 months after the enactment of S. 2032 or the appropriation of funds for the study, whichever is later.

The study directed to be undertaken would include alternative methods of flood insurance as well as the existing flood insurance program; the feasibility of Federal flood plain zoning for the purpose of selecting areas which may be excluded from insurance coverage, the legal authority for State financial participation, and the feasibility of initiating a flood insurance program on an experimental basis in designated pilot areas.

The Housing Agency favors enactment of S. 2032 because there is an immediate need for the type of study it would authorize.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ROBERT C. WEAVER, *Administrator.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., September 5, 1963.

HON. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate,
5300 New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of August 9, 1963, for a report on S. 2032, a bill to authorize a study of methods of helping to provide financial assistance to victims of future flood disasters.

The bill would require the Housing and Home Finance Administrator to undertake an immediate study of alternative methods of providing financial assistance to those suffering property losses in flood disasters, including alternative methods of flood insurance. With respect to each method of flood insurance, the bill requires that the report of the study include an indication of the schedule of estimated rates adequate to pay all claims for probable losses over a reasonable period of years, the feasibility of Federal flood plain zoning to select areas which may be excluded from insurance coverage, and the feasibility of initiating a flood insurance program on an experimental basis in designated pilot areas.

One of the principal controversies about the program previously proposed under the Federal Flood Indemnity Act of 1956 involved the system of premium ratemaking. The feasibility of any future flood insurance program will depend heavily on the possibility of developing an economical method of establishing premium rate schedules reasonably reflecting relative risks and a feasible method of flood plain zoning to exclude unreasonably extreme risks. A determination of the possibility of developing such methods in various alternative insurance programs will require a thoughtful analysis of data on flood probability and damage under various conditions. Collection of such data will require careful fieldwork.

We therefore recommend enactment of S. 2032 authorizing the required study. Its enactment would be consistent with the administration's objectives.

Sincerely yours,

WILFRED H. ROMMEL,
Acting Assistant Director for Legislative Reference.

SMALL BUSINESS ADMINISTRATION,
Washington, D.C., September 13, 1963.

Re S. 2032, to authorize a study of methods of helping to provide financial assistance to victims of future flood disasters.

HON. A. WILLIS ROBERTSON,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in further reply to your letter of August 9, 1963, requesting the comments of the Small Business Administration on the captioned bill.

S. 2032 would direct the Housing and Home Finance Administrator to undertake a study of the cost and feasibility of programs which could be established to help provide financial assistance to those suffering property losses in flood disasters, including consideration of the existing Federal flood insurance legislation, as well as alternative methods of Federal flood insurance.

As you know, section 7(b)(1) of the Small Business Act authorizes us to make low interest loans to persons whose property has been damaged by the physical impact of any type of disaster, including floods. However, such loans do not compensate for losses and are no substitute for the protection offered by insurance.

In contrast to fire and other forms of disaster which may strike anywhere, the danger of floods is limited to particular areas. The only persons interested in protection against this danger are those whose property lies in such areas. These facts, together with the high risks involved, have prevented private industry from developing suitable insurance. Accordingly, I favor Government action, such as that proposed in the captioned bill, to explore the possibilities of establishing a program to remedy or at least alleviate the situation.

The Bureau of the Budget has advised that enactment of a bill for such a study would be consistent with the administration's program.

With kind regards, I am

Sincerely,

EUGENE P. FOLEY, *Administrator.*

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