

1040

8874  
Jan 8/13  
AI 1/19

# ALASKA EARTHQUAKE INSURANCE

Y4  
. In 8/13  
AI 1/19

## HEARINGS BEFORE THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

**S. 2719**

A BILL TO AMEND THE ALASKA STATEHOOD ACT (ACT OF JULY 7, 1958; 72 STAT. 339), AND FOR OTHER PURPOSES

APRIL 14, 15, AND MAY 5, 1964

Printed for the use of the Committee on Interior and Insular Affairs



KSU LIBRARIES



22422 ✓  
A 11900 824622

Handwritten notes in the top left corner, including the number '5' and some illegible scribbles.

Handwritten notes in the top right corner: 'AY', 'E/8 nI.', and 'E/2 IA'.

ALASKA TERRITORY INSURANCE (mirrored bleed-through text)

COMMITTEE (mirrored bleed-through text)

UNITED STATES (mirrored bleed-through text)

COMMISSIONER OF (mirrored bleed-through text)

DEPARTMENT OF THE INTERIOR (mirrored bleed-through text)

LANDS AND WATER RESOURCES (mirrored bleed-through text)

GENERAL INVESTIGATION (mirrored bleed-through text)

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

HENRY M. JACKSON, Washington, *Chairman*

CLINTON P. ANDERSON, New Mexico  
ALAN BIBLE, Nevada  
FRANK CHURCH, Idaho  
ERNEST GRUENING, Alaska  
FRANK E. MOSS, Utah  
QUENTIN N. BURDICK, North Dakota  
CARL HAYDEN, Arizona  
GEORGE McGOVERN, South Dakota  
GAYLORD NELSON, Wisconsin  
HERBERT S. WALTERS, Tennessee

THOMAS H. KUCHEL, California  
GORDON ALLOTT, Colorado  
LEN B. JORDAN, Idaho  
MILWARD L. SIMPSON, Wyoming  
E. L. MECHEM, New Mexico  
PETER H. DOMINICK, Colorado

JERRY T. VERKLER, *Staff Director*  
STEWART FRENCH, *Chief Counsel*

RICHARD W. C. FALKNOB, *Professional Staff Member*

U.S. GOVERNMENT PRINTING OFFICE (mirrored bleed-through text)

# CONTENTS

	Page
S. 2719.....	1
Proposed amendment by Senator Kuchel.....	44
Proposed substitute by Senator Jackson.....	87

## STATEMENTS

Bartlett, Hon. E. L., a U.S. Senator from the State of Alaska.....	81
Clausen, Hon. Don H., a U.S. Representative in Congress from the State of California.....	19
Deisher, Dr. J. B., Seward, Alaska.....	51
Deveau, Peter M., mayor, city of Kodiak, Alaska.....	55
Egan, Hon. William A., Governor of Alaska.....	5, 31, 109
Healy, Patrick, executive director, American Municipal Association.....	126
Jackson, Hon. Henry M., a U.S. Senator from the State of Washington.....	86
Kibre, Jeff, Washington representative of International Longshoremen's Union.....	65
Kuchel, Hon. Thomas H., a U.S. Senator from the State of California.....	44
Magnuson, Hon. Warren G., a U.S. Senator from the State of Washington.....	80
Nelson, William, president, Dawson & Co., insurance agency.....	33
Ridgway, William C., Jr., chairman of the board, Crum & Forster, group of insurance companies.....	102
Supplementary statement.....	106
Rivers, Hon. Ralph J., a U.S. Representative in Congress from the State of Alaska.....	29
Seidman, Harold, Acting Assistant Director for Management and Organization, Bureau of the Budget; accompanied by Howard Schnoor, management analyst.....	23, 82, 93
Semer, Milton P., General Counsel, Housing and Home Finance Agency.....	118
Sharrock, George, mayor, Anchorage, Alaska.....	71
Shaw, Barclay, representing the National Association of Insurance Brokers, Inc.....	127
Sprague, Irvine H., deputy director, Department of Finance, State of California.....	77

## COMMUNICATIONS

Baker, J. H., president, National Office Management Association, Tacoma chapter: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964.....	136
Baker, Joel W., M.D., the Mason Clinic, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964.....	148
Bartlett, Hon. E. L., a U.S. Senator from the State of Alaska: Letter to Hon. Clinton P. Anderson, chairman, special committee of the Interior and Insular Affairs Committee, containing a bulletin of the Association of Insurance Agents.....	150
Bentz, M. E., manager, Ohio Plumbing Fixture & Supply, Inc.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 30, 1964.....	148
Blaine, E. L., Jr., Peoples National Bank of Washington, Seattle: Letter to Mr. Jack Geoffrey, Seattle Chamber of Commerce, dated April 14, 1964.....	146
Brewer, Hon. Albert P., speaker, House of Representatives of Alabama: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 24, 1964.....	138

## COMMUNICATIONS—Continued

	Page
Brooks, Derek, vice president, National Retail Furniture Association, Washington, D.C.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 19, 1964-----	152
Brown, M. E., publisher, Seattle Journal of Commerce: Telegram to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 13, 1964-----	131
Carlson, Edward C., president, Western International Hotels: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 7, 1964-----	130
Clouse, Emmet E., general manager, Public Utility District No. 1 of Klickitat County, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 30, 1964-----	147
Cocke, W. R. C., Jr., vice president and general manager, Architectural Specialties, Inc., Seattle, Wash.: Letter to Hon. Warren G. Magnuson, U.S. Senator, dated April 8, 1964-----	133
Corcoran, B. J., International Telephone & Telegraph Corp., Honolulu, Hawaii: Letter to Hon. Clinton P. Anderson, U.S. Senator, dated April 30, 1964-----	141
Davis, Norton, Flains Electric Generation & Transmission Cooperative, Inc., Albuquerque, N. Mex.: Letter to Hon. Clinton P. Anderson, U.S. Senate, dated April 28, 1964-----	139
Gaetz, Milton E., Stewart Hotel, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 17, 1964-----	136
Ganty, P. S., president, Sitka Cold Storage Co.: Telegram to Hon. Henry M. Jackson, U.S. Senate, dated April 8, 1964-----	135
Gavin, John, president, Washington State Bar Association: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 15, 1964-----	151
George, George P., Tacoma, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 3, 1964-----	149
Giurlani, G., vice president, A. Giurlani & Bro., San Francisco, Calif.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964-----	142
Goudy, N. M., executive secretary, the Indiana State Bar Association: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 23, 1964-----	140
Greater Anchorage Young Democrats: Telegram to Senator Clinton P. Anderson, chairman, Reconstruction and Planning Commission for Alaska, dated April 11, 1964-----	22
Hiddleston, George S., Seattle, Wash.: Telegram to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 9, 1964-----	132
International Longshoremen's & Warehousemen's Union: Telegram to Hon. Lyndon B. Johnson, President of the United States-----	67
Johnston, Mrs. Marguerite, Anchorage, Alaska: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 10, 1964-----	137
Joint Catastrophic Committee of the Republican and Democratic Parties of Alaska: Telegram to Senator Clinton P. Anderson, chairman, Reconstruction and Planning Commission for Alaska, dated April 11, 1964-----	22
Kallmann, Edward O., the Stationery and Office Equipment Board of Trade: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 8, 1964-----	150
Kent, Roger, Western States Democratic Conference: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 4, 1964-----	130
Ladley, John B., of W. L. Ladley Sons, Inc.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 8, 1964-----	129
Larsen, Arthur J., president, Duwamish Shipyard, Inc., Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Interior and Insular Affairs Committee, dated April 3, 1964-----	132
Lawritz, Erling, secretary-treasurer, Seattle Copper Works: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 3, 1964-----	137

## COMMUNICATIONS—Continued

	Page
Levy, Sol G., The Commission Co., Inc., Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 7, 1964.....	135
Lieby, Robert J., pastor, Christian Evangelical Church, Port Angeles, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 13, 1964.....	136
Lowen, Walter, Indian Arts & Crafts, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964.....	135
MacRae, Wayne F., general manager and vice president, Stack Steel & Supply Co., Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 14, 1964.....	137
Marx, Julius E., Mobile, Ala.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 30, 1964.....	149
Maso, Sal, general president, Wood, Wire & Metal Lathers International Union: Letter to the Committee on Interior and Insular Affairs, dated April 29, 1964.....	147
Mayer, Markus, Jr., Mayer Bros. Wholesale Jewelers, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964.....	136
Meberg, O. E., secretary-treasurer, Seattle Machine Works, Inc.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 3, 1964.....	134
Moran, William G., president, Alaska State Chamber of Commerce: Letter to Hon. E. L. Bartlett, U.S. Senate, dated April 16, 1964.....	146
Morrow, Parke T., Stromberg Division, General Time Corp., Erie, Pa.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 27, 1964.....	146
Neher, Bina B., and 14 others: Telegram to Senator Clinton P. Anderson, chairman, Reconstruction and Planning Commission for Alaska, dated April 13, 1964.....	21
O'Brien, G. A., Phelps Dodge Copper Products Corp.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 24, 1964.....	147
O'Donnell, Fred R., international president, Society of Real Estate Appraisers: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 14, 1964.....	130
Olson, Clarence H., director, the American Legion: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 5, 1964.....	138
Ottenheimer, Phyllis H., Boise, Idaho: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 20, 1964.....	141
Phillips, Alvin J., district chairman, National Federation of Independent Business, Crescent City, Calif.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 24, 1964.....	139
Powell, J. D., president, Raleigh, Mann & Powell, Inc., Tacoma, Wash.: Letter to Hon. Warren G. Magnuson, a U.S. Senator from the State of Washington, dated April 17, 1964.....	128
Pritchard & Lofquist, certified public accountants, Seattle, Wash.: Telegram to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 8, 1964.....	135
Property Owners Rebuilding Association: Telegram to Senator Clinton P. Anderson, chairman, Reconstruction and Planning for Alaska, dated April 12, 1964.....	22
Ragen, Patrick A., M.D., the Mason Clinic, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs dated April 28, 1964.....	148
Rasmussen, Elizabeth C., Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 3, 1964.....	148
Ridgway, William C., of Crum & Forster: Letter to Senator Clinton P. Anderson, containing a supplementary statement on Committee Print No. 1.....	105

## COMMUNICATIONS—Continued

	Page
Rodruck, Robert C., president, the Pacific Underwriters Corp., Seattle, Wash.: Letter to the editor, Seattle Post-Intelligencer dated April 7, 1964.	131
Schweppe, Alfred J., of Schweppe, Reiter, Doolittle & Krug, attorneys, Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 6, 1964.	131
Stewart, Mrs. Marian H., Alexandria, Va.: Letter to Hon. Joel T. Broyhill, House of Representatives, containing a copy of a letter from residents of Alaska.	142
Sweezy, R. C., president, City Electric of Anchorage, Inc.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 6, 1964.	133
Tang, Arne, owner, Cando Creamery Co., Cando, N. Dak.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 2, 1964.	150
Thomas, George E., general manager, Seattle Chamber of Commerce; Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 15, 1964.	139
Universal Services, Inc., Seattle, Wash.: Telegram to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 9, 1964.	132
Van Alen, William, Anchorage, Alaska: Telegrams to—	
Anderson, Hon. Clinton P., U.S. Senate, dated April 13, 1964.	22
Bartlett, Hon. E. L., U.S. Senate, dated April 12, 1964.	78
Wall, Harry, Idaho Democratic national committeeman: Telegram to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 13, 1964.	141
Weaver, Robert C., Administrator, Housing and Home Finance Agency: Letter to Mr. Julius E. Marx, Mobile, Ala., dated April 10, 1964.	149
Wetzel, Clifford, Wetzel Agency, Inc., Ponca City, Okla.: Letter to Hon. Page Belcher, House of Representatives, dated April 24, 1964.	142
White, Alfred W., of Bowles, White & Co., Inc., Seattle, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 3, 1964.	132
White, Alfred W., president, Alaska Ice & Storage, Inc., Kodiak, Alaska: Letter to Hon. E. L. Bartlett, a U.S. Senator from the State of Alaska, dated April 9, 1964.	77
Williams, Hon. Harrison A., Jr., a U.S. Senator from the State of New Jersey: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated May 1, 1964.	128
Wilson, Sim R., Jr., Wilson Publications, Inc., Marysville, Wash.: Letter to Hon. Henry M. Jackson, chairman, Committee on Interior and Insular Affairs, dated April 12, 1964.	137

## MISCELLANEOUS INFORMATION

Proposed substitute for S. 2719.	87
Summary of major assistance measures adopted and proposed to assist Alaska.	120

## APPENDIX

Executive Order No. 11150.	153
Public Law 506, 77th Congress.	154
War Damage Corporation, history of.	156

## ALASKA EARTHQUAKE INSURANCE

TUESDAY, APRIL 14, 1964

U.S. SENATE,  
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9 a.m., in room 4200, New Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Anderson, Jackson, McGovern, Gruening, Jordan of Idaho, Simpson, and Dominick.

Also present: Senators Magnuson and Bartlett.

Also present: Jerry T. Verkler, staff director; Stewart French, chief counsel; and Richard W. C. Falknor, professional staff member.

Senator ANDERSON. This is an open, public hearing by the Senate Interior Committee on S. 2719, a bill to provide federally sponsored insurance protection against losses from earthquake and earthquake-related damage to real and personal property in the State of Alaska. In order to be meaningful in the present disaster-emergency, this protection would be made available retroactively to persons and enterprises to cover in part the tragic losses from the catastrophic earthquake and consequent tidal wave and fires of March 27, 1964, in the 49th State.

Sponsors of S. 2719 are the distinguished junior Senator from the State of Washington, Senator Jackson, who is chairman of this committee, and all of the other Senators from all of our States bordering the Pacific Ocean. They are, in addition to the two Alaska Senators, Senators Bartlett and Gruening, Senators Magnuson, Morse, Neuberger, Engle, Kuchel, Inouye, and Fong. Also joining as sponsors are Senator Moss of Utah and Senator Bible of Nevada. Thus, the measure is truly bipartisan, being designed solely to extend desperately needed assistance to fellow Americans in a sister State whose economy has suffered greater losses, in proportion to its development, than that suffered by any other State at any time in our history.

Without objection, the text of S. 2719 will appear at this point in the record of these hearings, and if any reports from the executive agencies to which the measure has been referred are received prior to our going to press, such reports also will be printed with the bill.

(The bill is as follows:)

[S. 2719, 88th Cong., 2d sess.]

A BILL To amend the Alaska Statehood Act (Act of July 7, 1958; 72 Stat. 339), and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of July 7, 1958 (72*

Stat. 339), providing for the admission of the State of Alaska into the Union, as amended, is further amended by inserting new sections 29 and 30 as follows:

"SEC. 29. In order to provide for reconstruction, development, and assistance to the people of Alaska, the President shall establish an Office of Alaska Reconstruction.

"SEC. 30. (a) The Office of Alaska Reconstruction, under the direction of the President, is authorized to use funds which shall be appropriated, donated, or otherwise acquired, to provide through insurance, reinsurance, or other appropriate means, reasonable protection against loss or damage to property, real and personal, situated in Alaska resulting from earthquake or other disaster caused by an earthquake. Such protection shall be provided with such general exceptions as the Office of Alaska Reconstruction, with the approval of the President, may deem advisable.

"(b) Such protection shall be made available through the Office of Alaska Reconstruction on and after a date to be determined and published, but not later than six months following the enactment of this Act, upon the payment or commitment to pay premiums or other charges, and subject to such terms and conditions, as the Office of Alaska Reconstruction, with the approval of the President, may establish. The Office of Alaska Reconstruction shall from time to time establish uniform rates and criteria for categories of property for which the protection herein provided is made available.

"(c) Subject to the authorizations and limitations prescribed in subsections (a) and (b), any loss or damage to any property in Alaska insurable hereunder sustained subsequent to January 3, 1959, or from the date of ownership if after January 3, 1959, and prior to the date determined under subsection (b), may be compensated and such loss or damage may be adjusted as if a policy covering the property was in fact in force at the time of such loss or damage, upon payment or commitment to pay in full a premium as of the time application is made for insurance. Said premium shall be due and payable from January 3, 1959, at rates to be prescribed by the Office of Alaska Reconstruction.

"(d) Any insurance coverage under this section may be canceled by the Office of Alaska Reconstruction for the nonpayment of premiums or for other reasons consistent with sound insurance principles.

"(e) Appropriations, donations, premiums, and other funds of the Office of Alaska Reconstruction shall be deposited into a special fund in the Treasury of the United States known as the Alaska insurance fund, management of which shall be vested in the Secretary of the Treasury. Payment of insurance benefits from said fund shall be made by the Secretary of the Treasury upon certification of a valid claim by the Office of Alaska Reconstruction.

"(f) There is hereby authorized to be appropriated such funds as may be necessary to carry out the purposes of this section."

SEC. 2. The present sections 29 and 30 of the Act of July 7, 1958, are renumbered sections 31 and 32, respectively.

Senator ANDERSON. Before explaining what the measure is, and what it is not, and calling the witnesses, I believe that, because of my own dual role with respect to Alaska relief and reconstruction, it would be well to make the record clear how it is that I am acting as chairman of the Interior Committee for these hearings. The simple reason is, of course, that I was asked to do so by the regularly elected chairman of the committee, Senator Jackson.

One of Senator Jackson's primary reasons for asking me to serve is the fact that President Johnson has designated me as chairman of the Federal Reconstruction and Development Planning Commission for Alaska which he, President Johnson, established by Executive order of April 2, 1964. I will direct that the text of this Executive Order No. 11,150 be printed in this record as an appendix.

This Commission is a Federal executive agency Commission, consisting of the Secretaries of Defense, Interior, Agriculture, Commerce, Labor, and Health, Education, and Welfare, plus the Administrators of the Federal Aviation Agency, the Housing and Home Finance Agency and Small Business Administrations, and the Chairman of

the Federal Power Commission, and in addition, the Director of the Office of Emergency Planning. Its functions are to develop coordinated plans for Federal programs for reconstruction and development in Alaska, and to cooperate and work closely with the appropriate officials of the similarly constituted State commission appointed by Governor Egan of Alaska in both long and short-range State-Federal plans and programs to the same end.

However, the staggering problems growing out of the tragic events of March 27 cannot be met by executive agency action alone. Present laws do not provide the necessary authority, nor the essential funds to do the comprehensive rebuilding job that must be done if the State is to recover.

Nor, in this special case of the Alaska earthquake, would it seem desirable or wise to rely on our traditional pattern in natural disasters, leaving it up to State, local, and private agencies to provide in the main, the necessary aid for sufferers with an emergency assist, in some cases, from the Federal Government.

But in Alaska, the losses are too great, and their impact on the present and future economy of the State is too catastrophic, for that traditional approach. As I pointed out, no other State ever has suffered such a proportionate loss. The Alaska earthquake of March 27 and its results are truly a national disaster and must be dealt with on a national basis.

To that end, new legislation will be necessary. Senator Jackson's bill, S. 2719, offers us a starting point and a worksheet, so to speak, as a basis for developing a legislative base for the needed action. As was made plain at the time the measure was introduced, its sponsors do not regard their bill as necessarily the final ideal legislative vehicle to accomplish their purposes. But it is a starting point for aiding the private sector of the economy of Alaska to recover and rebuild.

Briefly, S. 2719 would initiate, through Federal sponsorship, earthquake insurance payments to private persons and private businesses and enterprise in Alaska for losses suffered from the quake itself and the resultant tidal waves and fires. Although at the outset Federal funds will be necessary, the measure contemplates full participation by private insurance companies under appropriate standards. It is to be expected that quite possibly this insurance program may be self-sustaining in due course.

At this point, it is appropriate to mention that we have ample, clear-cut precedent for a Federal disaster insurance program. In March of 1942, the 77th Congress enacted Public Law 506 which authorized appropriations of up to \$1 billion for insurance, including of course reinsurance, against loss or damage to property resulting from enemy attack.

And this insurance was made retroactive to the day before Pearl Harbor—to December 6, 1941.

The administering agency for this program was the War Damage Corporation, operating under the old Reconstruction Finance Corporation. I am informed that not only did it not cost the Treasury anything; it actually made money. The committee staff is obtaining a report on this subject, which will be included in the record. [The report is set forth on page 156.]

Without objection, a copy of Public Law 506, 77th Congress, will appear in this record as an appendix. It is found in volume 56 of the Statutes-at-Large, beginning on page 174.

More recently, in 1956, in the 84th Congress we enacted a comprehensive Federal Flood Insurance Act, providing nationwide coverage for losses from floods. Although no funds were appropriated to make this law operative, it still is in effect, being found in volume 42 of the United States Code, beginning with section 2401. It is interesting to note that the distinguished senior Senator from California, Senator Kuchel, urged the Banking and Currency Committee to include earthquake insurance in the bill and submitted a comprehensive study of the proposal as a basis for his recommendation.

With this brief outline of the background facts and circumstances, I will ask other Senators of the committee if they care to comment.

First of all, I call on the senior Senator from the Northwest, Senator Magnuson of Washington, and ask if there is any statement he wants to make.

Senator MAGNUSON. No, thank you, Senator, I do not. I merely want to say I have been conducting a hearing of the appropriations subcommittee this morning on appropriations for the Office of Emergency Planning with Mr. McDermott, who is the Director of that Office. We recessed that hearing to come over here and of course he will be available for any questions the committee might want to ask regarding this situation. That Office is very close to it and we might be guided by some of the testimony here in regard to the OEP appropriations which we are now considering.

Of course, like everyone else, I am deeply interested in this matter and very appreciative of the committee holding this hearing on the matter of rehabilitation of Alaska.

Senator ANDERSON. Thank you.

The chief sponsor of this bill has been Senator Jackson, who is chairman of the full committee and regularly would be presiding. I am going to ask him if he has a statement this morning.

Senator JACKSON. Mr. Chairman, in behalf of my associates on the bill, I want to express to you our appreciation for your willingness to undertake the chairmanship of this committee so that all points of view may be heard and considered in connection with the terrible disaster that has come to Alaska. I should like to say that we all regard the bill, S. 2719, as a worksheet, a document which offers one idea and one approach to this terrible situation that we face, but which can be amended or changed to set forth other ideas and proposals.

I am concerned about the prompt restoration of the economy of Alaska. This bill is aimed at doing something immediately for the private sector; that is the means by which Alaska can and must be revived. But I do not regard my proposal as a final bill in any sense. It was merely introduced as a worksheet and I would hope that the witnesses will recommend amendments that they deem appropriate to help Alaska.

I might point out that S. 2719 as introduced is limited to Alaska because of the jurisdiction of this committee. We are now in the position, of course, to expand the scope of the program, but the decision is one for the Congress. I do want to express my appreciation in behalf of all of the Senators who join me as sponsors, to the chairman

of these hearings, and the Chairman of the Commission, the distinguished senior Senator from New Mexico. I know that out of this hearing will come some constructive action that will be effective in helping restore the economic life and the social well-being of Alaska.

Senator ANDERSON. Senator Bartlett?

Senator BARTLETT. Thank you, Mr. Chairman. Because of the existing legislative situation, I do not propose to make an extended statement. We only have 1 hour, as I understand it, this morning and we can have no longer on any morning.

I want to join Senator Jackson, Mr. Chairman, in expressing Alaska's appreciation to you for conducting these hearings and for assuming the chairmanship of the Federal executive agency group. It had been Alaska's feeling and belief that when the statehood bill passed the Senate under the leadership of Senator Jackson on June 30, 1958, we should never be required to come before the Congress again for a major legislative solution to a situation purely Alaskan.

A convulsion of nature on Good Friday altered everything there. Naturally, I endorse the approach suggested in this bill, S. 2719, because I am from Alaska. As Senator Jackson said, this measure is only intended to be a working document, a means whereby the committee and the Congress may search for the proper answers which must be given promptly if Alaska is to recover soon in the manner which its resource base entitles it to.

Alaska has a great contribution to make to this Nation. It can make that contribution all the sooner if our fellow Americans now give us a hand in the rebuilding job.

Thank you.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. Also in view of the fact that we are limited in time, I will speak very briefly. I share the views expressed by the chairman of this committee, Senator Jackson, and my colleagues. The task before us is extremely necessary to find ways to help the private sector of the Alaskan economy. It is pretty well understood that the public sector can be taken care of in the ways presently established, but the pressing problem is to take care of the men and women who have made Alaska and can again bring it forward.

I am very hopeful that this bill will be a vehicle, in itself and through amendments to be introduced, to achieve that end.

Senator ANDERSON. I am sure the public sector is well at work. I compliment Mr. McDermott for what he has been doing in that field.

Does any other Senator wish to comment?

If not, I am going to call on Governor Egan to come forward.

I know you have just returned to Washington from a long, hard trip, Governor. I appreciate your coming here before us this morning.

**STATEMENT OF HON. WILLIAM A. EGAN, GOVERNOR OF ALASKA;  
ACCOMPANIED BY ROBERT E. SHARP, DEPUTY COMMISSIONER  
OF HIGHWAYS**

Governor EGAN. Members of the committee, I appreciate very much this opportunity to appear as a witness in support of S. 2719. On March 27, 1964, south central Alaska was struck by an earthquake of unprecedented violence and magnitude in this country. Disaster

hit an area of over 30,000 square miles. This area embraces approximately 60 percent of Alaska's population and produces over 55 percent of its gross product and revenue. Never before has so much of the economy of one State been subjected to such damage from a natural disaster. The intensity of the earthquake and the damage caused are beyond description.

The destruction included industrial plants, commercial and residential buildings, as well as public property of all kinds.

I have for your files a copy of a report of the damage which was prepared on April 4, 1964. Latent damages are being reported daily and I have no doubt but what the final figures will be greater. In that regard, Mr. Chairman, with respect to latent damages, we now know that the high tides at Kodiak are wreaking havoc in that area and the high tides because of the sinkage in the Portage and other areas along the Alaska Railroad south toward the Seward area, have caused similar conditions at Seldovia, Cordova, Valdez, and possibly at Seward. However, I would like to review for you the damage to the private sector as it is contained in the report.

The city of Anchorage and surrounding communities suffered damage to private, real, and personal property in the amount of \$143,218,000. This figure is predicted to increase to \$208,198,000 when latent damages are added.

The city of Seward and surrounding area reports damages to the private sector amounting to \$5,416,000, and with latent damages, this could increase to \$7,816,180.

The city of Valdez had private damages totaling \$5,950,000, which, with latent damages, may increase to \$8,450,000.

The city of Kodiak and surrounding community was damaged to the extent of \$18,900,000 in private property, and this may increase to \$25,650,000. The rest of Kodiak Island had damage to private property totaling \$1,782,000, and this amount may increase to over \$2 million.

Cordova, Homer, and other areas less extensively damaged had private damages ranging from \$2,230,000 to \$4,230,000 and now, as I mentioned previously, Seldovia has been added to that list. In summary, the total damages to the private sector of the Alaskan economy will range from \$177,496,000 to \$257,066,180.

For a State with only 250,000 people, these are staggering sums. To a State only a few years old, the burdens of restoring the private sector are beyond its financial capabilities. This area of Alaska had, as most growing areas of our country, substantial private indebtedness when the disaster struck.

The composition of the loan portfolios of Anchorage Bank branches and others shows loans in the Anchorage area of \$272,170,000; Kodiak area, \$2,880,000; Seward area, \$615,000; and the Kenai area, \$4,380,000. These total \$235,045,000. Governmental lending institutions have loans totaling several millions of dollars more. In addition to loans held in Alaskan banks, financial institutions in 13 other States and Canada hold mortgage paper.

While SBA, FHA, and other Government agencies can modify their normal practices in major disaster areas, it is obvious these agencies cannot solve the entire problem of reconstruction in Alaska.

To pyramid loans on top of loans will destroy the competitive position of many businesses. To the homeowner, it would mean payments beyond his means or a loan period in excess of the useful life of his property.

It is important that the capital flow to Alaska be maintained because it took many, many years to develop this flow. Therefore, something must be done about the loss to the private sector of the Alaskan economy. Otherwise, the economic problems will be chronic for years and years to come and both the State and Federal Governments will be burdened with welfare and similiar problems which we do not want.

S. 2719 offers a basis for a solution, insurance with retroactive features to cover private damages. The U.S. Government has itself set a precedent for disaster insurance. Early in 1941, war-risk insurance against possible loan losses to property began to receive the attention of the Federal Loan Administrator and other Federal agencies. Following studies, it was concluded that war-risk insurance by private insurance companies was not a proper subject for issuance and that only the U.S. Government was in a position to underwrite the risk. After Pearl Harbor, on December 13, 1941, the War Insurance Corporation was created under the authority of the law relating to the Reconstruction Finance Corporation.

The new War Insurance Corporation was authorized to issue policies at certain premiums. The policies were not made available until July 1942. The coverage, however, to both real and personal property was made retroactive to December 6, 1941, the day before Pearl Harbor. The insurance was paid then to those persons suffering loss even though such persons were, prior to July 1, 1942, without a contract of insurance.

The War Damage Corporation did not receive any direct appropriation from Congress. Its stock, or rather a portion thereof, was purchased by the RFC, which paid \$1 million in cash to the War Insurance Corporation. From the inception of the War Insurance Corporation, later called the War Damage Corporation, premium revenues were more than enough to enable the corporation to meet its operating expenses and to pay claims for property losses and damage.

On March 31, 1944, the Corporation had insured over \$117 billion of private property, both residential and business. Over 600 claims were processed and paid by them for a total disbursement of more than \$172 million. (Claims for damages in the Philippine Islands were lodged with the War Insurance Corporation, since coverage extended to the Philippines. But at the end of the war, Congress set up the Philippine War Commission to discharge claims in the Philippines. The new Commission took over the obligation of the War Insurance Corporation and paid over \$170 million to residents and property owners in the Philippines.) As of June 30, 1945, the Corporation yielded to the U.S. Government a net revenue of over \$227 million.

The situation met by the War Insurance Corporation is very similar to the disaster situation in Alaska today. The answer can and should be similarly provided. It is not necessary to appropriate a dollar to capitalize insurance funds. Moneys held by agencies such as FHA or SBA can be used to capitalize such a fund. If the risk

is spread over a sufficient number of persons, it will probably become an operation that does not need congressional appropriations.

The execution of the program can be accomplished through private carriers, as was done by the War Damage Corporation. Their offices and their understanding of the methods of operation can greatly reduce the overall administrative costs of the program.

As Governor of a State that was stricken, I know firsthand the need for such insurance. It is necessary that we have it, not only in Alaska for this past disaster, but over a wider area to insure against future losses elsewhere over these great United States of ours.

Admitted as the 49th State in the Union, Alaska's progress since 1959 has been excellent, both in the private and public sector. While we have had budgetary problems, so have our sister States. We have balanced our budget, bonded for capital improvements, and made an impressive growth during these early years of statehood. This disaster, unless early remedial action to the private sector of the Alaskan economy is taken, will set us back for two decades or more. Therefore, we feel it is mandatory and we think most Americans will agree, to rebuild the private sector and continue the growth pattern established since statehood. Therefore, Mr. Chairman, and members of the committee, I urge your early favorable consideration of this important legislation.

Thank you.

Senator ANDERSON. Thank you, Governor.

I see in your tabulations that you have again repeated for the Anchorage area some \$90 million in latent damage. Have you had any developments since the first estimate was made up that indicates that \$90 million amount should be increased?

Governor EGAN. It certainly appears that way, Senator Anderson. There are many, many areas in the Anchorage region, as elsewhere over the entire south-central district, where it now appears that the total of \$100 million that we allowed for the overall south-central district in latent damage figures will be very close to the actual need.

Senator ANDERSON. What is that based on?

Governor EGAN. That is based on the knowledge that has derived from firsthand studies that have been made in the various areas; that it appears definite that certain relocations, major relocations, are going to be made and that almost every 3 or 4 days some new area where certain fissures that were not known to exist show up. The water table and the sinkage that there has been in some of the areas, not only away from Anchorage but over the entire south-central district, also must be taken into account. Now, it could be that in some of the other areas, where we had anticipated possibly a \$10 million latent damage figure, the estimate will rise and the Anchorage area figure will be less or vice versa, Mr. Chairman.

Senator ANDERSON. Well, here is an article in the paper which says that Anchorage asks quick remapping. It tells that the State of Alaska has hired a New York planning concern—Fleming & Associates—to plan the rebuilding of Anchorage in less than 3 weeks. Was that contracted for by the State?

Governor EGAN. I will have to admit that at this moment that I am not familiar with that particular contract. But we have several teams of geologists and others in the Anchorage area, as well as some

geologists in the Valdez and Seward and Kodiak areas, that are checking into many aspects of the situation. There is a mapping program in the Anchorage area. I personally am not familiar with it at this moment.

Senator ANDERSON. These are city planners. You have been asking help from the Federal agencies. I was just wondering what the basis was for bringing in a New York concern to replan Anchorage on exactly the same faults that heretofore caused the damage.

Governor EGAN. Mr. Chairman, I suggest the news report from which you quoted may not quite state the facts fully. At the present time—this morning or yesterday morning—the geological report which was evolved through the night and day studies by four different groups of geologists representing some of the major oil companies, the U.S. Navy, the Geological Survey, and the University of Alaska, has just been made available to the Anchorage City Council.

Senator ANDERSON. Well, this news story may not be wholly accurate. It says the State of Alaska has hired this New York firm and that the head of the firm said, "We are taking this on as a public service and a challenge, not for the money we will make." He said \$35,000 will barely cover expenses. If Alaska is going to spend \$35,000 on such a firm, would you know about it?

Governor EGAN. I certainly should, Senator Anderson.

Senator ANDERSON. Do you?

Governor EGAN. But I have no knowledge of that at all. That may be through the urban renewal program. I don't know.

Mr. Chairman, Mr. Sharp, who has worked night and day on this overall problem, informs me that it is the Urban Renewal Agency under the HHFA, through the Alaska State Housing Authority, that has contracted for this study. So the contract would be a Federal contract through the Alaska State Housing Authority, which is a Federal-State agency.

Senator ANDERSON. What has been the reaction to a proposal that some \$22 million be added for rehabilitation through the transitional funds provided in the Alaska Omnibus Act which we passed shortly after statehood?

Governor EGAN. Mr. Chairman, the reaction has been one of appreciation. From the time I left Washington on Friday and my return yesterday, we have been able to come up with more complete and more accurate figures of the immediate needs if we are not to have the State of Alaska wholly crippled. I would hope to be able to have a meeting today or in the morning with appropriate officials in the Bureau of the Budget to discuss this problem. We are most appreciative of the thinking behind the proposal of President Johnson with relation to the need for transitional grants.

Senator ANDERSON. Governor, I think we will let the other Senators ask questions if they wish and I will defer any further questions I might have, because when it gets to be 10 o'clock the Senate will have to go into session. At that time the Federal Reconstruction Development Planning Commission for Alaska might take over this hearing, since committees will not be allowed to sit.

Are there any questions, Senator Jackson?

Senator JACKSON. No questions.

Senator SIMPSON. Mr. Chairman, I want to say hello to the Governor from Alaska again. I can readily understand his tremendous

sorrow and his deep concern because of the great catastrophe in his State. As a former Governor of Wyoming, a State similar, though not as great in size, similar in population, even small disasters like fire and flood have caused us great distress. But here is a national catastrophe. I would hate to think that the Senate of the United States and the Congress of the United States would be so remiss in its solicitude and concern for one of our States of our great country that we would treat our fellow Americans there less well than we do the people of other nations to whom we pour out our largess in Federal aid and other payments.

I want to assure the Governor of Alaska that in the short experience I have had with his legislators who have come to Washington, it is quite obvious to me that the State of Alaska is doing everything in its power to help and rehabilitate itself. Certainly we should help them help themselves, and I am one who is dedicated to that proposition. If we spend on Alaska less than 1 percent of the money that we waste in some foreign countries, I think we would be remiss in our duty. I want the Governor to know that.

Governor EGAN. Thank you very much, Senator Simpson. Alaska appreciates your generous, public-spirited position.

I would like to add that Alaskans are most grateful to the generally sympathetic attitude of the Members of the Senate, the House, and our fellow citizens in the other States as well as that of the President of the United States in attempting to arrive at a solution of this problem.

Senator SIMPSON. Am I correct, Governor, in saying that the State of Alaska has already appropriated \$50 million for relief in the disaster area?

Governor EGAN. Yes; that is correct. The Alaska Legislature at my request enacted a statute giving the Governor the authority to issue disaster bonds in the amount of \$50 million. I would like to say that it is my view at this time that that kind of an obligation against the people of Alaska would be much the same as an obligation of \$50 billion or \$100 billion with regard to the overall United States.

Senator SIMPSON. I think the potential of Alaska is so great that it will be repaid a hundredfold. I do want to compliment the Governor as well as the legislative contingent here, including the State senators. I want to compliment all of you on your attitude and the speed and thoroughness of your efforts.

I also want to join my colleagues in the effort to get speedy remedial legislation on the books.

Governor EGAN. Thank you. We hope so, too, Senator.

Senator ANDERSON. Senator Jackson?

Senator JACKSON. Would you have any comments directly on the bill, Governor Egan, in addition to what you covered in your remarks?

Governor EGAN. Well, Senator Jackson, I feel that this kind of legislation is definitely needed if the private sector of the economy is going to have a chance to come out of the terrible disaster that was thrust upon it on March 27. The magnitude of the disaster was unprecedented, particularly with regard to the fact that it resulted in damaging or destroying better than 50 percent of the assessed valuation of the State of Alaska's ability to finance local programs and many of the State and other public programs that were going ahead so strongly.

I think this disaster points up the need, not only for legislation that would help the private sector in Alaska at this critical time, but the need for national disaster legislation whereby people all over the Nation in the private sector could, at a reasonable premium rate, purchase disaster insurance that would cover earthquakes, cyclones, hurricanes, and all kinds of disasters from here on out. The fund could be administered by the Federal Government, but the premiums could be collected and the policies sold through all of the private insurance agencies in the United States.

Senator JACKSON. You think that if such a program were to be enacted into law—that is, to provide for retroactive coverage and also coverage for the future for individuals and businesses so that they will have an opportunity to obtain earthquake insurance at reasonable rates—that that should take care of any future catastrophe so they will not attempt to call upon the Federal Government for help because they didn't have the insurance?

Governor EGAN. I certainly do, Senator. I feel that the same percentage of homeowners and businessmen would have this kind of insurance as the percentage of businesses and homeowners who have fire insurance. The reason that people do not have earthquake and tidal wave insurance is not because they don't want that insurance, but because of the prohibitive premium rate for most citizens in Alaska, as is the case with most citizens in the United States.

Senator ANDERSON. Wasn't there some earthquake insurance in Alaska?

Governor EGAN. Mr. Chairman, there may have been some.

Senator ANDERSON. Not just there may have been. Isn't the Penney store being rebuilt out of earthquake insurance?

Governor EGAN. I don't know about that. I inquired when I went back to Anchorage and the people I inquired of were not aware that that is the case.

Senator ANDERSON. You are not aware that the Penney store is being rebuilt out of insurance?

Governor EGAN. I was not able to make contact in the short time I was back there with the Penney people themselves. But I did query one or two insurance people in the Anchorage area and they said that they were not aware of any earthquake coverage. If Penney's were insured, they would be one of the very few, possibly because they are a nationwide chain. But the insurance people were not aware nor had they heard that Penney's were insured with earthquake insurance. It may be that they were. It would be one of the very few insurance policies of that kind, I think, that exists.

Senator JACKSON. At some appropriate time and place, Mr. Chairman, I suggest that we obtain the rates on earthquake insurance throughout Alaska which could be obtained—

Senator ANDERSON. The earthquake rates in Alaska run from 70 cents up to \$2.50, don't they, depending on the type of construction?

Governor EGAN. Per hundred dollars?

Senator ANDERSON. Yes.

Governor EGAN. We are trying to get the figures on that now. Many different figures were given to me all the way from \$60 a thousand on some buildings to \$90 a thousand on other buildings. On other types of low level construction, it would be down to possibly

\$7 or \$8 a thousand, but we have not been able to get a compilation of the actual figures with regard to earthquake insurance in Alaska.

Senator ANDERSON. Were most of the buildings under construction covered with earthquake insurance?

Governor EGAN. That is a question, also, that I could not answer at this time. I have heard specific mention of one building that totally collapsed that was not quite completed. The story came to me that they had earthquake insurance during the time of its construction. But the little businessman and the homeowner, because of the rates, I think you would find that the number of people who had earthquake insurance would be negligible, as you would probably find it to be in any other State in the Union.

Senator ANDERSON. Governor, there were several buildings in Anchorage that had been condemned by the city. Did any of those fall?

Governor EGAN. The Mount McKinley Apartments and the L Street Apartments, both of which are 14-story buildings, did not fall. They appeared to be—

Senator ANDERSON. Were they condemned?

Governor EGAN. It appears that they should be condemned.

Senator ANDERSON. I am talking about buildings that were condemned prior to the earthquake.

Governor EGAN. I don't know of any buildings that were condemned prior to the earthquake, Senator Anderson. But the two buildings you are speaking of, I think, were the buildings I am speaking of, the 14-story buildings that apparently have been condemned. They were really well constructed because they took this tremendous violence and stood up. They didn't cave in, but they certainly were wrecked.

Senator ANDERSON. There has been no effort to find out how much earthquake insurance there was?

Governor EGAN. We have not been able to get any figures that would indicate that there was any earthquake insurance in volume anywhere in Alaska.

Senator ANDERSON. Well, we will have an insurance witness here tomorrow who has been writing insurance up there and knows something about the volume. Upon his testimony, I am informed that the Penney store was fully covered by earthquake insurance and is now being rebuilt in conformance with the policy.

Governor EGAN. It could be that the Penney store was covered and they are, of course, a nationwide chain. But I think that we will also find that if they were, they were one of the few who were able to have this kind of insurance.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. Governor, in connection with latent damage, you know that after we had looked over the scene, we came to the conclusion that Cordova was one of the five cities that had very little damage. But I had yesterday, 10 days after the earthquake, something in the mail that points out that, owing to the raising of the level of the city, the harbor is dry, the boats are not able to function, that the Alaska Steamship vessels cannot come to the dock and that there is very serious damage. The smaller boat harbor will not be able to function at all with the large number of boats left unless there is dredging there immediately. This indicates that there are other dam-

ages that have not been ascertained immediately and it will be some time before we know the full extent of these.

Governor EGAN. That is certainly true, Senator Gruening. Cordova was one of the places that we took into consideration when we added this figure for latent damages as best we could, knowing that probably all of the problem had not been made clear as yet.

Senator GRUENING. The acting mayor reports that yesterday morning, a vessel fell over because it struck bottom there and spilled 500 gallons of diesel oil over the docks, creating an enormous fire hazard. This is just one of the many things that I think will develop as we go into the extent of the damage.

Governor EGAN. That is correct, and, Senator Gruening, I would like to point out also that our total estimate of \$486,438,180 in damages, including latent damages as best we can estimate them, does not represent one penny of the damage to Federal Government property in Alaska that could very well, I would imagine, run up to \$200 million, or \$250 million, or better.

Senator GRUENING. Thank you.

Senator ANDERSON. Senator Dominick?

Senator DOMINICK. Mr. Chairman, thank you.

Governor, I did not get here at the very beginning of your statement, and for that I apologize. I was otherwise occupied.

I wonder if I could get some figures clearly in my mind?

I want to say first that I have been to your State on several occasions and I am very fond of it. I think it is a great spot.

It is my understanding that the Federal Government has made an emergency appropriation of \$50 million which has been sent to Alaska. Is that correct?

Governor EGAN. No, the Federal Government, through both Houses of the Congress, in an almost unprecedented action, did appropriate \$50 million for a disaster fund. But that is not designated for Alaska alone. Obviously, it appeared to be the intent that most of it would be applied to the Alaska situation, but that money is available for other disaster areas under the Office of Emergency Planning's disaster program.

Senator DOMINICK. But as far as you know, that money is available for Alaska right now?

Governor EGAN. A good portion of that money, we hope, will be available for specific projects that will be approved by the Federal Government.

Senator DOMINICK. Alaska has also put in \$50 million, is that right?

Governor EGAN. We have a bond issue that was approved in the amount of \$50 million. Now, I might point out that up until March 27, 1964, our financial condition was in good shape. Our bonds, our general obligation bonds, were bid for by the major investment firms of the Nation. At each bond sale six or seven or eight of the major investment houses in the East would bid for the bonds and we received very good interest rates. They were bought and sold very quickly. But under the existing situation, we would have to make a recommendation that, in order that we can go ahead with our \$50 million bonding program and not be subjected to tremendous interest rates because of the disaster that hap-

pened, where these people know that our assessed valuation in these communities is a major part of our entire State revenues and local area revenues, we are going to request that the Federal Government either purchase these bonds of ours or guarantee these bonds.

I want to point out that there will be no doubt that we will sacrifice even further to be able to pay the debt service on these bonds. But in order to get consideration at this time through the investment houses of the Nation, we feel very strongly that we are going to have to have some Federal support in order to cover the investment.

Senator DOMINICK. I want to say I am in favor of giving whatever Federal support may be necessary to start you on the way back. I am just trying to go to find out what figures are involved, that is all.

Governor EGAN. \$50 million.

Senator DOMINICK. You have not done anything as far as advertising those bonds for sale as yet?

Governor EGAN. No; because we feel that to do so now would cause something to happen that would possibly injure the credit of the State even after we do get back on our feet. People will remember that the investment community would not buy Alaska bonds. They would forget what the reason was and it would hurt the good faith and credit of the State for years to come.

Senator DOMINICK. Have you made any private inquiries?

Governor EGAN. Yes, we have. We have consulted with our financial advisers, John Nuveen and Co. of Chicago, who have been our financial advisers since 1960 or 1961. Also we have consulted with bond attorneys who have worked with us almost since the day we achieved statehood, and others knowledgeable on this matter.

Senator DOMINICK. I don't want you to say anything if you don't feel like it. Would you give us any idea of what the interest rate might be if you don't get any Federal guarantee of these bonds?

Governor EGAN. It was hinted our interest rate would be 10 or 11 percent if they bid at this time until there was some knowledge or definite assurance that the private sector would be built up. I hope that everyone understands it. Speaking of the private sector, if it had been a situation where there were \$30 or \$40 million in damage, I think we could have done something about it ourselves. But the problem here is that a great percentage of the entire assessed valuation of the State itself and its local political subdivisions has been affected, which puts us in this terrible position.

Senator DOMINICK. What is your estimate of the aggregate total of the private sector damage? Just an estimate.

Governor EGAN. Our estimate of the aggregate total, including a figure that we have inserted as latent—very likely latent—and peripheral damage that will result in a heavy cost, is \$486,438,180, not including any damage to Federal Government facilities in Alaska.

Senator DOMINICK. And you do not know how much of that \$486 million is covered by insurance at the moment?

Governor EGAN. No, Senator, I am sorry.

Senator ANDERSON. Governor, I think you misstated yourself. You included all the public as well as the private.

Governor EGAN. That is right; I did. It is \$257,066,180—I am sorry, Senator—on the private side of it.

Senator DOMINICK. You do not know how much of that is covered by private insurance at the moment?

Governor EGAN. No; there would be very little of it that is covered with private insurance. A relatively small percentage, I am certain.

Senator DOMINICK. There are other programs available, are there not, for assistance in this? You have the President's Emergency Fund. I believe you would probably have ARA funds, would you not?

Governor EGAN. I do not know very much about how ARA could be too helpful in a situation of this kind. The emergency funds reach into the—the disaster funds—into the public sector only. There you have the problem that a strict adherence to the statutes involved would permit only temporary or makeshift reconstruction in many cases. But insofar as the private sector is concerned, the Small Business Administration's loaning capabilities are available and the Farmers Home Loan facilities are available, I think under HHFA, or the Urban Renewal.

But where we reach into the rate problem here is that most of these people, business people and homeowners, which constitute a real large percentage of the State's overall number of private homeowners and private businessmen, are carrying paper—mortgage paper—at the present time. And to think that they could carry that load and feel that most of these people go on and think of rebuilding their businesses or their homes, carrying two burdens, regardless of how light the additional burden might be, under the Small Business Administration's program, it is just almost out of the question.

Now, there are a number of other persons whom the SBA could help at this time. Homeowners, and most of the small businessmen have no other place to turn.

Another huge problem is the matter of moving houses that were in areas that are now considered to be—that were partially damaged—in areas where the great intensity of the quake hit, or in areas back from those areas that have now been determined to be danger areas. We have to find new locations for these homes, and the problem of the costs of moving those homes and relocating them is also the responsibility of the homeowner.

Now, this cost could run from \$2,500 to \$12,000 in getting a single home replaced and put into a position for sewage and water facilities.

Senator DOMINICK. Governor, how many homes are involved?

Governor EGAN. How many homes?

Senator DOMINICK. In this damage, yes; private homes.

Governor EGAN. Well, I believe that the figure on that would run somewhere between 2,000 to 2,500 homes destroyed or almost totally destroyed in all of the communities of south-central Alaska.

Senator DOMINICK. Now, under this bill as it is now written, I gather that we are setting up an insurance program which runs from January 3, 1959, so that, presumably, insurance would cover the entire amount of damage. Is that correct?

Governor EGAN. Senator, I do not believe that actuarially, the way the bill is written now, we could expect it to pay out with it applying to only one State. I think that, as I mentioned in my presentation here, we would have to use funds that are presently in the reserve

fund of the Federal Housing Administration or within the province of SBA or the FDIC. I am not about to say State of Alaska retroactive premiums would cover damage costs. But it would be possible to do this under existing fund balances, we believe, without a direct appropriation if FHA, SBA, or FDIC reserve funds could be used to cover this kind of insurance. But if premium payments should go back 5 years, where people have been literally wiped out, having 5 years' premiums to pay would be almost insurmountable for most homeowners and businessmen. I'm sure the best approach possible will be worked out by the committee.

Senator DOMINICK. Mr. Chairman, did you say we are going to have an insurance witness tomorrow?

Senator ANDERSON. Yes.

Senator DOMINICK. That is all the questions I have at the moment.

Senator ANDERSON. Governor, when you said you have been notified by bonding people that the rate of interest might go up to 10 percent, we had a meeting of what we call a financial task force yesterday and they thought that should be no problem at all. I call your attention to the New York Times of Sunday, April 5, which quotes bonding firms dealing in municipal and State bonds, in which Moody's Bond Service, with which I think you are familiar, Moody's Bond Service says that upon sober reflection, we realize that the whole course of history has proven that natural disasters have been intensely effective in the realm of economic activity. They go on to say a few things about the market for these bonds.

What firm guessed it might run to 10 percent?

Governor EGAN. Well, Senator, do I have to—as I recall it, it was on the Sunday or Monday or Tuesday following the disaster. There was no definite statement made as to what it could be, but we were talking. I remember asking the bond advisers from—our financial advisers from John Novene & Co., if it would be possible that our interest rates could go up to 9 or 10 or 15 percent under the circumstances, and they said, "Well, it very well could be unless we had assurance that there would be activity that could bring the private sector of the economy back." But I don't want to say—

Senator ANDERSON. If they lie dormant in Alaska and never do anything, it could be up to 8 or 10 percent. But you don't assume that; do you?

Governor EGAN. I don't, Senator, no; but I can certainly see why financial institutions would not look at it as I look at it and may not have the faith at this time that I and 250,000 other Alaskans have in the great future that is yet ahead for Alaska.

Senator ANDERSON. The Times article quoted Frederick Tilney, partner of Tilney & Co.:

Mr. Tilney, who is fiscal adviser to the State-owned Alaska State Development Corp., returned last year from a trip up there. He does not think it is greatly changed.

Governor EGAN. Now, when was Mr. Tilney's statement? What date was it?

Senator ANDERSON. In the New York Times of April 12. I have nothing more recent than that.

Governor EGAN. I am very happy that that is Mr. Tilney's feeling at this time, Senator, because these people, after a clear and lengthy

evaluation of what Alaska's future is, have confidence in Alaska's future. And I can understand that during the first week following the devastation and ravages that had occurred, it would have been difficult for financial advisers to advise me otherwise at that time as to the attitude of the investment community. I do recall that the Bond Buyer, which is a recognized organ, highly regarded in the financial community, gave some very poor evaluations as to what our position would be in the bond market. If it is true that we can get essentially the same rate on our bonds, on our \$50 million in bonds that we were receiving prior to the disaster, which was around 3.56 or 3.57, no one will be more happy than I.

Senator ANDERSON. I am only trying to point out that I am quite sure the Federal Commission hopes that it can make a recommendation in case you do run into very bad weather in marketing the bonds. Nobody will approve a 10-percent bond for Alaska, I think; in his right mind, at least.

Governor EGAN. That would make it out of the question.

Senator ANDERSON. We pay 8 percent to the banks all the time, which a New Englander would not think would be out of the question at all. You cannot get that in the rest of the States.

Governor EGAN. No.

Senator ANDERSON. Now, when these federations come in, are they talking in terms like that? Is the Farmers Home Administration offering, to all the people living in towns of under 2,500 and all rural communities, loans at lower rates, far less than they ever had in their lives before?

Governor EGAN. It may be that under the Farm Loan Administration that the interest rates would be lower and, under the SBA, I understand that they are even willing, at least in some cases, to approve a 5-year moratorium.

Senator ANDERSON. You heard the businessmen in the Small Business Administration offer one of the Alaska people a 20-year loan, first 5 years without interest and the remaining 15 years at 3 percent interest. That is better than the present rate of interest at the banks by a long range. That will pay off the entire loan in a very short time because they are paying 8 percent interest and in 20 years that is 160 percent. Then, for the next 15 years, it is 45 percent. So you pay the full face value of the loan if you do it that way.

Governor EGAN. But still there is a very large segment of the business community and the private homeowners' community that could not afford to pay anything on the debt that is now outstanding against them and pick up any obligation in the future at all. Most of these people are people who just do not have any funds other than their home and other worldly goods, and the ability to have met their original obligation and commitment.

Senator ANDERSON. I think there will have to be some sort of compromise on these matters, but that is not unusual in financial affairs.

Well, Senator Magnuson?

Senator MAGNUSON. One thing I am quite concerned with, other than the docks and the merchant marine. I think it is very important that this committee have the number of homes of the 2,500 that had

FHA loans. And say that would be 500 or 1,000. This would eliminate a great number and we can deal with that a little differently. Because FHA does have a very big reserve fund, mainly set up for losses. It is actually insurance. And surely in many of these cases, probably all of them, they could wipe the loss off and start all over again. They have the authority to do this. And I think it is very important. We can take care of one sector of those people who happen to have FHA loans. I do not know how many. But those who did, because we have a big reserve fund.

The reason, Mr. Chairman, I sort of butted in here is that I am having them up for their appropriation this week and this is a very important point that I would like to discuss with them.

Secondly, the \$50 million which the Office of Emergency Planning has just got through this morning, that can be used for any purpose for which the President determines it needs to be used, on the recommendation of the Emergency Planning Board, or the Office.

So I think there are two sectors there that give us some real light, particularly FHA loans, because we many times write off an FHA loan. People just could not pay it. We write it off. Sometimes we resell them, sometimes forget about them, condemn them. And we have a big fund that can handle a great number of these homes if they had FHA loans. I think it is very important.

Senator ANDERSON. I want to say, Senator Magnuson, that the task force is looking into that. It is one of the things that was early mentioned and I think very correctly mentioned. I want to point out that when you come to FHA and say, "I want to have you wipe out our reserve," and they will say, "This is gathering up insurance policies all over the United States and we do not want to put it all in one basket." But the FHA is not a very large owner of mortgages, \$16 million. The rest are owned by banks.

Governor EGAN. This is one of the problems, \$16 million is a large sum of money in Alaska, Senator.

If I may, I would like to point out to Senator Magnuson that under the existing statute and regulation, FHA can only wipe out a mortgage if the house is returnable in any usable condition. So it would take a statutory change, as we understand it, Senator.

Senator MAGNUSON. Not in the case of an emergency. But we can look into that.

Senator ANDERSON. Yes, indeed. And you will find, Governor, that Senator Magnuson will be dealing with that legislatively, probably, and others will be. You found out the other day that legislation can go through pretty quickly. It may be necessary, it may not. You may have some other way of doing it.

I do think you should point out on this insurance matter that the usual practice in earthquake insurance is immediately 15 percent deductible. Then you have to spend premiums from January 1, 1959, for 5 years, \$6 a thousand; that is a substantial additional sum that people have to pay and pay immediately. That is going to have to be borne in mind by the committee also as to how useful it will be. It may be very useful.

But the Farmers Home Administration has the same sort of powers we were talking about in FHA and the Small Business Administration has powers. These agencies uniformly at meetings have been very anxious to be helpful and I think will be. They have, as Small Busi-

ness pointed out, \$140 million. FHA has \$100 million or so, as Senator Magnuson pointed out. These are going to come up pretty rapidly. I don't think they are all in Alaska, but a good part, at least.

Governor EGAN. Senator, as you pointed out, the FHA program will not remedy the total situation. It would be helpful. But the large problem here is beyond the FHA-covered mortgages.

Senator ANDERSON. Farmers Home, which does have lots of administration, can work for every rural piece of property in Alaska, can it not, plus every community under 2,500 that is in the area. Does not that leave out only Anchorage and Kodiak? In all other places it can work, can it not? In Valdez, can it work?

Governor EGAN. It can be utilized in Valdez.

Senator ANDERSON. Cordova?

Governor EGAN. It can be in Cordova. To what extent I am not too familiar, Senator.

Senator ANDERSON. The people who are up there outline it can work to a very great extent. They have a task force up there at work, trying their very best to find people who want to operate this way. They are able to assess losses and try to work out a new basis and approach. As Senator Magnuson pointed out, while FHA may say they cannot do this ordinarily, there may be emergency powers. If there is not, the Congress is still in session.

Governor EGAN. Yes.

Senator ANDERSON. It proved the other day it could operate pretty rapidly for an emergency in the Alaska situation.

Governor EGAN. Mr. Chairman, we are certainly grateful for this opportunity to air these views and I know that the members of this committee are going to do the best job that is possible for them to do in evaluating the legislation and other remedial actions that will get Alaska back on its feet.

Senator ANDERSON. Are there any other questions of the Governor? I want Don Clausen to have a few words here, if he can.

Senator BARTLETT. I have no more questions, Senator.

Senator ANDERSON. Mr. Clausen, will you come forward?

Mr. Clausen, a representative of the Crescent City area of California.

#### STATEMENT OF HON. DON H. CLAUSEN, A U.S. REPRESENTATIVE IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT OF THE STATE OF CALIFORNIA

Mr. CLAUSEN. Thank you, Mr. Chairman, members of the committee. I want to join many of the comments that the Governor made and I truly wish that I were not here because of this particular reason. It is rather ironic that I was participating with the Congressman from Alaska, Mr. Rivers, on a committee assignment out there in California prior to this happening. We saw Ralph off, sort of sympathizing with him, and then I was prepared to come East. When I was driving into the Los Angeles airport to head East, I heard about Crescent City being hit with a tidal wave because of this. So I headed home immediately and saw the devastation in that area.

Mr. Chairman, I have a brief statement which I would like to read at the moment.

You have before you today under consideration a bill, S. 2719. The proposed legislation is designed to offer assistance to the people of Alaska who suffered immeasurable losses during the recent catastrophic earthquake. The losses, I am told, run into the hundreds of millions of dollars, in addition to the many lives lost.

Where many of Alaska's problems are unique and without precedent in our Nation's history, I feel obligated to bring to the attention of this committee the very similar circumstances facing the small city of Crescent City in Del Norte County, Calif. I am sure you appreciate my bringing to your attention the fact that Crescent City was hit by a 12-foot tidal wave caused by the earthquake in Alaska. Where the total losses were not as great as Alaska's, the relative losses on a per capita basis would not exceed or equal those of the Alaska residents.

My reason for appearing before you today is to simply request that you include Crescent City and Del Norte County in any disaster relief measure relating to the Alaska damage. As you know, President Johnson has declared the Crescent City-Del Norte County area a disaster area along with Alaska and I merely ask that their joint consideration of their mutual problems be carried forward and included if this be the determination of the committee.

An appropriate amendment to this bill is being drafted, I am told, and offered to this committee. It is my understanding that Senator Kuchel has been considering the offering of such an amendment.

Senator ANDERSON. Senator Kuchel suggested to me yesterday that if the bill were to be reported favorably by the committee, he hoped there would be language in it that would take care of the Crescent City situation and all of those areas hit by the tidal wave which followed the earthquake.

Mr. CLAUSEN. I might add that the area which did not ask for help down near Fort Bragg, Noyo Harbor, had substantial damage in the tidal wave, more than had been reported. This is also in my particular district.

In reviewing existing programs and legislation relating to disaster relief, we find problems that are impossible to resolve under current law. The primary source of the problem points to an inadequate program of earthquake insurance at a premium residents and business owners can afford to pay. This has been reported to me. Therefore, many of the persons in the private sector were not covered by any insurance for this devastating loss.

I might also add, some of them were of the opinion that they would be covered under flood losses, due to the fact that it was a tidal wave. It has been pointed out to me, though not verified, that the technical language would not cover this. However, I understand that some people are going to contest this and see if there cannot be some losses recovered in this area.

Last evening, in preparation for this hearing, I made some phone calls to Crescent City for the singular purpose of arriving at a fairly reasonable estimate of the damage. After checking with the assessor's office, local newspapers, insurance, real estate men, and the chamber of commerce, I found that the losses in the private sector alone will run in the vicinity of \$6 to \$7 million. This does not include auto-

mobiles or damage to public facilities. Twenty-one fishing boats, normally valued at \$7,000 to \$8,000 each, were sunk or destroyed. Some 200 building structures were extensively damaged or destroyed, most of these being businesses in the immediate downtown section of Crescent City. Much of the property was already under mortgage and creates special problems for those who attempt to finance a new start in their business enterprise.

During my recent visit to the community, I observed at firsthand the extent of the damage so I would be happy to answer any questions the committee might choose to ask.

Where some people may be able to refinance and immediately start rebuilding, many of them are facing the impossible plight of committing themselves to new loan obligations, with previous mortgage payments due or payable. The problem is monumental. The solution will require the cooperation of all of us concerned with the great and catastrophic losses associated with the earthquake in Alaska and the subsequent seismic tidal wave at Crescent City.

In closing, gentlemen, I want to thank you on behalf of the people of Del Norte County for your expeditious hearings and consideration of our problem. I want to urge that all work together to try to come up with some sort of a solution. I do not know that this is the answer as far as the bill itself is concerned. But as the Senator from Washington has said, it certainly should be a vehicle to work out some program to resolve the national disaster problems.

Senator ANDERSON. Thank you.

Are there questions?

(No response.)

Senator ANDERSON. Thank you.

We certainly have the problem in mind, Mr. Clausen. We are glad you came here. We didn't want to keep you waiting so long, but we are glad you did.

Mr. CLAUSEN. I have here a telegram from Governor Brown. I understand there will be a representative from his office here.

Senator ANDERSON. At this time I will put into the record a few telegrams I have urging adoption of a retroactive insurance plan proposed by Senator Jackson. This seems to be a nonpartisan matter. I see one from the Joint Catastrophic Committee of the Republican and Democratic Parties of Alaska; also the Young Democrats and William Van Alen of the Turnagain area.

There are several others, all to be included in the record.

(The telegrams referred to follow:)

SEATTLE, WASH., April 13, 1964.

Senator CLINTON ANDERSON,  
*Senate Office Building, Washington, D.C.:*

The undersigned taxpayers strongly urge adoption of retroactive insurance plan proposed by Senator Henry M. Jackson, Democrat, of Washington, as most effective means of aiding State of Alaska in its loss from natural catastrophe. Need is most urgent and immediate; has the Senator from New Mexico considered the higher cost to Federal Government due to lack of revenues from Alaskans, plus undermining the strategic military security if action is delayed?

BINA B. NEHER  
(And 14 others).

ANCHORAGE, ALASKA, April 11, 1964.

Senator ANDERSON,  
New Senate Office Building,  
Washington, D.C.:

Give wholehearted support to Jackson plan in principle. Wish to express our appreciation for yours.

GREATER ANCHORAGE YOUNG DEMOCRATS.

ANCHORAGE, ALASKA, April 13, 1964.

Senator CLINTON P. ANDERSON,  
Washington, D.C.:

Vital to Alaska recovery that you speed legislation providing retroactive earthquake insurance.

WILLIAM VAN ALLEN.

ANCHORAGE, ALASKA, April 11, 1964.

Senator CLINTON ANDERSON,  
Chairman, Reconstruction and Development Planning Commission for Alaska,  
Senate Office Building, Washington, D.C.:

The despair of Alaskans was lifted immeasurably by the most cheering knowledge that President Johnson not only appointed one of the Nation's most capable Senators, but that he appointed a tried and true personal friend of all Alaskans to head the President's all-important Committee for the reconstruction of our State. May we say that we hope some legislation similar in principle to that proposed for your consideration by Senator Jackson be looked upon by your committee with approval. We have the upmost confidence that you will find the solution to our problem.

Respectfully,

JOINT CATASTROPHIC COMMITTEE OF THE REPUBLICAN AND  
DEMOCRATIC PARTIES OF ALASKA,

WALLEY HICKEL AND STAN McCUTCHEON, *Cochairmen.*  
FRANK HARRIS, *Republican State Chairman.*  
ALEX MILLER, *Democratic National Committeeman.*

ANCHORAGE, ALASKA, April 12, 1964.

Senator CLINTON P. ANDERSON,  
New Senate Office Building,  
Washington, D.C.:

Thank you for your keen interest in Alaska. Working with your committee on AEC disposal, know you will do all you can for citizens of Alaska. We urge support of Jackson's bill or similar bill. Both major parties of Alaska are working as one in passage of similar bill. Keep up posted.

PROPERTY OWNERS REBUILDING ASSOCIATION,  
VIRGIL McVICKER, *Chairman.*

Senator ANDERSON. Mr. Seidman, what is your wish on this? Would you rather go over until tomorrow, or will you start testifying now?

Mr. SEIDMAN. Whatever the committee desires.

Senator ANDERSON. You wouldn't mind if we had to adjourn the meeting of the Interior Committee and proceed in a specially called session of the Territory Rebuilding Group, would you?

Mr. SEIDMAN. I have no objection to that.

Senator ANDERSON. I would like to have your testimony in the record at this time, if you could, Mr. Seidman.

We will go ahead.

There will be a 5-minute recess.

(Short recess taken.)

Senator ANDERSON. We will get back in session.

Mr. Seidman, your testimony is to be taken for the Federal Reconstruction and Rehabilitation Commission of Alaska. Would you have objection if I made it available to the Interior Committee?

Mr. SEIDMAN. I think that would be quite appropriate.

Senator ANDERSON. I might say the only witness I think we will have this morning is the representative of the Bureau of the Budget. They have had a very, very important role in getting us underway, because we would not know how to proceed, what to do, without the splendid guidance we have had from the Bureau of the Budget. I want to commend everyone in the organization that I have had contact with for the very fine help they have given us.

**STATEMENT OF HAROLD SEIDMAN, ACTING ASSISTANT DIRECTOR  
FOR MANAGEMENT AND ORGANIZATION, BUREAU OF THE  
BUDGET; ACCOMPANIED BY HOWARD SCHNOOR, MANAGEMENT  
ANALYST**

Mr. SEIDMAN. Thank you very much, Mr. Chairman.

Mr. Chairman, I am accompanied by Howard Schnoor, who is my associate in the Bureau of the Budget. I have a statement and with your permission, I shall read it.

Mr. Chairman and members of the committee, I am pleased to appear before the Alaska Commission, and to make my testimony available for the Senate Interior Committee, discuss S. 2719, a bill to amend the Alaska Statehood Act (act of July 7, 1958; 72 Stat. 339), and for other purposes.

The bill would provide insurance assistance for those who suffered losses in the earthquake which struck the State of Alaska on March 27. This very terrible event has caused us all great concern. It has had a severe impact on the people and the economy of one of our youngest States; it has also created major problems for the Federal Government.

The President has taken rapid action both to meet immediate emergency needs and to provide for the long-range reconstruction of Alaska. Under the terms of Public Law 875, 81st Congress, the President has declared the earthquake to be a major disaster, thus making the area eligible for the various types of assistance provided by the Office of Emergency Planning under that law.

An initial allocation of \$5 million for such disaster relief work was made by the President on April 4, and he stated that additional funds will be allocated as work progresses. The President has further requested and the Congress has appropriated, an additional \$50 million for the disaster relief fund.

To compensate for the estimated shortfall in State and local revenues which will result from the disaster, the President has indicated that he will request an extension of the transitional grants authorized under the Alaska Omnibus Act. We plan to propose legislation in the next few days to extend the grant period for 2 years and to authorize \$22.5 million for such grants. Continuance of the transitional grants will assure that there is no interruption or impairment of essential public services.

Senator ANDERSON. Could I stop you there and ask you, does this take into consideration the existing government of the State of Alaska?

Mr. SEIDMAN. That is correct.

Senator ANDERSON. And to make sure that it is able to function?

Mr. SEIDMAN. This will maintain the financial soundness of the Government of the State of Alaska, as well as the local governments in Alaska.

Senator ANDERSON. Does it also have some impact on schools?

Mr. SEIDMAN. Yes, it will certainly have an impact on schools, to the extent that schools are being financed in Alaska by both the State government and the local community.

Senator ANDERSON. Do you realize that the money made available, so far as costs go, could make the State's economy well for a short period at least? A period of what, 18 months, 2 years?

Mr. SEIDMAN. For a period of 2 years. The purpose is to maintain the financial soundness of the governments of Alaska, both the State government and the local communities, to make up the estimated shortfall in their revenues, which we believe will result from the disaster.

Senator ANDERSON. As I recall it, this estimate is based on the study of Alaska's revenues.

Mr. SEIDMAN. That is correct.

Senator ANDERSON. And by the estimate by the Bureau of the Budget to determine what it will take to carry those revenues forward.

Mr. SEIDMAN. That is correct. We cannot presented to have full knowledge of what will result. But they are our best judgment as to what the results of the disaster will be.

Senator ANDERSON. In the analysis which you presented earlier, you gave an estimate of the individual income taxes. Do you anticipate there may be a dropping off of the individual income taxes?

Mr. SEIDMAN. That is correct.

Senator ANDERSON. Therefore, you supplied some funds to fill that deficiency?

Mr. SEIDMAN. They are based on varying estimates of losses of individual income taxes and property taxes and other taxes in Alaska.

Senator ANDERSON. I realize all this was supplied to me at one time but I want to have most of it in the record, if I can.

Mr. SEIDMAN. The President has also directed that Federal agencies utilize to the fullest extent and as rapidly as possible their current authorities and resources to meet emergency needs and facilitate the prompt reconstruction of damaged Alaskan communities. This is being done.

Both the Federal and State Governments have a common interest in assuring the most effective use of Federal and State programs and funds in advancing the reconstruction and development of a better Alaska. The President has therefore established the Federal Reconstruction and Development Planning Commission for Alaska which is to coordinate and insure prompt and effective reconstruction as well as long-range development planning for the State. In carrying out its responsibilities, the Commission will be working closely with Governor Egan and a counterpart State group.

One of the first things the Federal Commission has done is to organize a series of task forces to review major aspects of the Alaska problem. They will be reporting shortly on priority needs and potential solutions.

One area the task forces are examining is that of the operations and resources of the financial institutions, including insurance companies, of the Alaskan community. They will be exploring what ought to be done to maintain an adequate flow of capital into the State.

S. 2719 has a significant relationship to that work of the President's Commission. It would amend the Alaska Statehood Act to create an Office of Alaska Reconstruction to provide insurance and other reasonable protection against loss of property in Alaska resulting from earthquake or other disaster caused by earthquake. Such protection is to be made available within 6 months after enactment of the bill under terms and conditions approved by the President, but is to be retroactive generally to January 3, 1959. Provision is also made for the payment of retroactive premiums.

Disaster insurance certainly merits serious consideration. However, it is interrelated with many other courses of action that must be explored by the President's Commission. For example, it may be that an insurance program will not provide the most effective use of resources. It may not be the best answer to Alaska's problems.

Nor can the question of disaster insurance be considered solely in the context of Alaska. There are certain national needs in this area with which the Federal Government has been grappling for years with very limited success.

Mr. Chairman, I might call attention to a very excellent staff study which was made by the Committee on Banking and Currency of the Senate in 1956, entitled, "Federal Disaster Insurance." It is Report No. 1313, 84th Congress, 2d session. I think that this report indicates both the importance and the complexity of the problem we face.

Private insurance is available for property damage arising from most types of natural disasters with the major exception of flood, tidal wave, related water damage, earthquakes, and volcanos. The present desire for Alaska earthquake insurance is, in many respects, comparable to the sudden demand for flood and broader disaster insurance which arose immediately after the Kansas City flood disaster of 1951. The recurrence of severe floods in 1955 and 1956 in other major areas led to enactment of the Federal Flood Insurance Act on August 7, 1956. The question of insurance for other types of disasters was left for further study by that act.

The problems which subsequently arose in trying to establish a workable flood insurance program after enactment of the law are very suggestive of the problems which would be faced if earthquake insurance were authorized. These problems have not yet been resolved, and, in fact, a bill (S. 2032) has been passed by the Senate to authorize extensive further study of alternative methods for providing financial assistance to those suffering property losses in flood disasters, including alternative methods of flood insurance.

It might well be that amendment should be sought for that bill in the House to extend it to include study of earthquakes. As in the case of flood insurance, the Administrator of the OAR would be required to—

establish uniform rates and criteria for categories of property for which the protection \* \* \* is made available.

As the Bureau of the Budget pointed out in our report last September favoring enactment of S. 2032, one of the principal controversies about the previously proposed flood insurance program involved the system of premium ratemaking. We stated at that time that—

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.

I think, Mr. Chairman, under any insurance program, we would not want to make it so favorable that people would then locate in areas of maximum hazard. This has been a problem of the flood insurance program, not to have people build expensive homes or any homes in areas which are highly susceptible to flooding.

We believe that for earthquakes, as well as for floods, it is essential to base rates on probable risks, but this would require studies in depth of the historical experience in all major areas and of the damage sustained by the various types of properties. How many of these facts are available is unknown, but the administrative difficulties involved in developing the necessary facts and applying them would undoubtedly be huge.

While the proposed bill is framed primarily as an insurance proposal, the major immediate impact is contained in the retroactive features. While the bill is silent as to the degree, if any, of Federal subsidy, in effect it could provide a grant amounting to almost the full amount of the private property damage incurred in the recent earthquake. The only precedent for it in this country of which we are aware is the relatively small retroactive program mainly for Hawaiian property damage incurred in December 1941 before war damage insurance was established. In that instance, the War Damage Corporation was authorized to provide limited compensation, without premiums or policies, for losses occurring after December 6, 1941, and before the date (July 1, 1942) on which the policy programs began.

I think the amount of prepolicy insurance in this instance amounts to no more than \$1 million. However, the Corporation provided a very broad protection and had a broad base upon which to base its premiums and calculate its risks and losses. It also faced very minor claims because of its prepolicy compensation feature. As a result, it was a significant success from a financial standpoint, paying out less than \$2 million in claims which included prepolicy claims and returning about \$200 million to the Treasury as net income when it ceased operations.

Retroactive earthquake insurance which is limited to Alaska, we believe, has no such hope of becoming a viable insurance program.

The base of the insurance system would be far too small and the risk far too great. The Alaska area is well known for its earthquake hazard. The authoritative study made by the Senate Banking and Currency Committee staff in 1955-56 points out, among other things, that—

Alaska has been frequented by more than 20 destructive earthquakes (actual or potential because of sparsely settled regions) in the past 50 years \* \* \*. The Anchorage area often has earthquakes that would severely damage a more thickly populated region.

As a result, it would appear most difficult to devise an earthquake insurance program limited to Alaska, particularly with a retroactive feature, that could operate on a reasonable basis. The fees would have to be almost prohibitive or the program would have to be heavily subsidized.

The above problems may be soluble. It may be that, if more broadly based on various natural hazards throughout the United States, a reasonable insurance program could be devised.

The main point I am trying to make is that we need more information and a careful appraisal of the situation before it is possible to say that S. 2719 represents a feasible approach to the Alaska problem. This is a matter which the President's Commission is now reviewing. Again, if insurance appears possible, it also appears likely that it must be considered as a national program beyond the confines of Alaska and the operations of the present Commission. We strongly recommend waiting for the Commission's review of the situation before proceeding with a retroactive insurance program that has many possible pitfalls.

Senator ANDERSON. Thank you very much.

Senator Bartlett, have you any questions?

Senator BARTLETT. No, thank you, Mr. Chairman.

Senator ANDERSON. Senator Gruening?

Senator GRUENING. No, thank you.

Senator ANDERSON. Thank you very much. I assume what this really says is "Be careful"?

Mr. SEIDMAN. That is right.

Senator ANDERSON. You are not trying to say it could not be done, but be careful if you do it because of what is involved?

Mr. SEIDMAN. I think it says, "Be careful and let's get the facts first before we act, rather than after we act."

Senator ANDERSON. We are going to continue with the Commission's procedure, of course, to try to find out where the actual damage is in Alaska, what financial steps can be taken to remedy the situation. These things will be done as we go along.

Mr. SEIDMAN. It should be pointed out that this particular bill will not take care of the immediate needs of all the people in Alaska, because it will not be applicable until 6 months after enactment, if it could be assumed that such a program could be developed.

Senator ANDERSON. Thank you very much.

We will meet tomorrow morning at 9 o'clock.

(Whereupon, at 10:45 a.m., the committee recessed, to reconvene Wednesday, April 15, 1964, at 9 a.m.)



# ALASKA EARTHQUAKE INSURANCE

WEDNESDAY, APRIL 15, 1964

U.S. SENATE,  
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
*Washington, D.C.*

The committee met, pursuant to recess, at 9:05 a.m., in room 4200, New Senate Office Building, Senator Clinton P. Anderson presiding. Present: Senators Anderson, Jackson, Gruening, and Simpson.

Also present: Senator Bartlett.

Also present: Stewart French, chief counsel; and Richard W. C. Falknor, professional staff member.

Senator ANDERSON. The hearing will be in order.

Our first witness this morning is Congressman Rivers from the State of Alaska. We are very happy to hear from you and you go right ahead with your statement.

## STATEMENT OF HON. RALPH J. RIVERS, A U.S. REPRESENTATIVE FROM THE STATE OF ALASKA

Mr. RIVERS. Mr. Chairman, and members of the committee, I appreciate this opportunity to appear briefly in support of S. 2719, most aptly described as the Alaska earthquake insurance bill.

It was only 3 weeks ago and 4,000 miles from here that this devastating and monstrous earthquake occurred and the resultant tidal waves with which this legislation is concerned.

In addition to an estimated quarter of a billion dollars damage to community facilities in Alaska, at Anchorage, Seward, Whittier, Valdez, Cordova, Homer, and Kodiak and in numerous nearby small villages, there has occurred a shattering and paralyzing destruction of and damage to privately owned homes and business assets which were without insurance coverage on loss or damage caused by earthquake or resultant tidal waves or fires.

I understand this lack of coverage stems from the fact that insurance carriers have not been offering this sort of insurance in this stricken area of Alaska within the limits of economically feasible premiums.

In any case because of the lack of that type of insurance coverage about one-half of the economic strength of Alaska in the private sector, so to speak, has been ruined, without recourse or financial means for restoration unless the Federal Government, through legislation under consideration, or other appropriate legislation, followed by appropriations, comes to the rescue.

Incidentally, such rescue of the afflicted private individuals and the business concerns of which I speak, mostly in the cate-

gory of small business, if accomplished in a timely manner would also quickly restore the economy of the State of Alaska instead of letting it languish for 15 to 20 years while in the process of coming back the hard way.

No doubt this latter do-nothing mode of procedure would be to the detriment of our Nation as a whole as well as to the detriment of Alaska, and I will suggest why.

Alaska is the corridor between Asia and North America only 50 miles from Siberia across the Bering Strait and should be kept as a strong and thriving buffer area and not be allowed to remain a partial economic vacuum over a period of years. As the farthest west bastion of our national defense and the situs of our distant early warning systems, the DEW line, and the ballistic missile early warning system, BMEWS, Alaska is too important to our national security to be dropped by the wayside.

Alaska, populated by rugged patriotic Americans from all the States, affords an opportunity for Federal action in the interests of the national security, and the general welfare upon the bedrock of American soil instead of upon the shifting international political sands of foreign nations.

As to all of the facets and implications and technical considerations of S. 2719, I join with Senator Jackson, the author, and with Senators Bartlett and Gruening, and the other distinguished Senators, who are cosponsoring this legislation, in the view that it is not at this point a finished product, but I do consider it a thoughtful and valid starting point from which to develop a legislative formula for needed action in helping the private sector of the economy of Alaska to recover and rebuild.

Specifically, I am impressed with the possibility of solving this difficult problem through the use of insurance concept following the precedent of the war insurance experience in the past years with retrospective features to cover the losses occurring in the recent earthquake and resultant tidal wave disaster.

Accordingly, I take pride in associating myself with the distinguished Senate sponsors of this legislation through the medium of introducing an identical bill in the House of Representatives which I did 2 days ago.

At this point I assure the committee that maximum use will be made of the record which is being written at this hearing when this legislation reaches the hearing stage in the appropriate committee of the House of Representatives.

As to the scope of the losses thus far ascertained and estimated with respect to the several stricken communities, I refer you to the figures submitted by Gov. William A. Egan earlier in this hearing, as he has had readier access to such data than I have.

May I also subscribe to Governor Egan's able analysis of the disastrous economic situation presently pertaining to Alaska and his urgency as to the dire necessity of adopting S. 2719 with probable amendments, or other appropriate legislation to restore the private sector and thereby recreate a strong economy for Alaska as soon as feasibly possible.

I also take this opportunity to acknowledge with my compliments the contributions to the hearings made by my dauntless fellow Alaskans who have appeared here as witnesses on behalf of their

respective home communities as well as in behalf of Alaska as a whole.

Thank you, Mr. Chairman, and members of the committee, for your efforts in our behalf.

Thank you for the opportunity of being here.

Senator ANDERSON. In this bill you have introduced in the House, do you contemplate that it will take care of the total damage in Alaska of some \$450 million?

Mr. RIVERS. Senator, I put in a bill identical to the one drafted by Senator Jackson.

Senator ANDERSON. I was going to ask you a question about that later on but since you put it in I am going to ask you what your concept of it is?

The Washington Post, this morning, has a picture of Governor Egan and the caption says:

He told the group that a retroactive insurance program to help pay the earthquake damage to his State could be set up without congressional appropriations.

Is it your understanding that that can be done?

Mr. RIVERS. That is not my understanding because I have not even considered that prospect up to this time. It has been my thought thus far that legislation would be required.

Senator ANDERSON. When you say "legislation would be required without Congressional appropriations?"

Mr. RIVERS. Well, I won't dispute the Governor on that because I haven't investigated that point. I don't know just how the funding of the retrospective aspect would occur unless there were some appropriations in conjunction with the premiums that would be paid.

Senator ANDERSON. Almost total appropriation, wouldn't you say?

Mr. RIVERS. Well, that is the only conclusion I can arrive at based upon the knowledge I have right now.

Senator ANDERSON. Thank you.

Governor Egan, I wonder if you would mind coming back for just a second?

Is this an accurate quotation of what you had to say?

It says:

He told the group that a retroactive insurance program to help pay the earthquake damage to his State could be set up without congressional appropriation.

#### STATEMENT OF HON. WILLIAM A. EGAN, GOVERNOR OF ALASKA—Resumed

Governor EGAN. It was a part of my statement, Mr. Chairman.

Senator ANDERSON. How could that be done?

Governor EGAN. Through various funds that are now available such as in the Federal Housing Administration's reserves.

Senator ANDERSON. Could you take those funds without congressional appropriations?

Governor EGAN. Well, Mr. Chairman, what I intended to say, what I meant, was that it wouldn't take the appropriation of funds that were not now available. Funds that are available in certain other programs could be used to set up the revolving portion of the fund if the Congress felt that that was an appropriate way of approaching this.

Senator ANDERSON. You referred to the insurance fund which FHA has accumulated by insuring mortgages?

Governor EGAN. I referred, Mr. Chairman, to the fact that, in setting up the War Damage Administration, funds were not directly appropriated at that time in order to set up the revolving feature.

The Reconstruction Finance Corporation furnished a million dollars.

Senator ANDERSON. Some of your war damage claims were paid 6 or 8 years later. Would you be happy if that were done in Alaska?

Governor EGAN. No; I would not be happy even if it was to be 6 months later, Mr. Chairman.

Senator ANDERSON. It is bound to be 6 months later under the bill, isn't it?

Governor EGAN. I wouldn't think that that would be necessarily true. I would hope that if this—

Senator ANDERSON. The point I want to get to, Governor, is this: The people who put this bill in, including your two Alaskan Senators, and principally Senator Jackson of Washington, who is trying hard to help carry these things, says:

There is hereby authorized to be appropriated such funds as would be necessary to carry out the purposes of this section.

They recognized it cannot be done except through appropriations if it is done by this route and I do not understand the purpose of the statement that it could be done without appropriations because that confuses the issue.

Governor EGAN. I explained it in my statement and I meant that it wouldn't necessarily be true that an appropriation out of the general Treasury would be necessary to set this up. It is my understanding that in the FHA reserve, for example, and the Small Business Administration's funds there would be enough moneys available to start the revolving fund without a direct appropriation from the Treasury of the United States as such. A new appropriation to accomplish this enactment would not be necessary if the Congress would prefer to use moneys already available to them.

Senator ANDERSON. This money of the FHA reserve fund, which they built up over long years, is in the Treasury of the United States, isn't it?

Governor EGAN. It is. But it wouldn't be moneys, new moneys which would upset this year's budget in order to accomplish the intent of this enactment.

Senator ANDERSON. Well, the representative of FHA was at one of the hearings. He took rather violent exception to taking the FHA trust fund to the tune of \$200 million. Don't you believe that presents a problem?

Governor EGAN. I believe that is a matter, Mr. Chairman, that probably wouldn't necessarily be in the overall final province of the administrator but of the Members of the Congress, including the Senate.

Senator ANDERSON. Do you believe that the payment of premiums would finance this work finally?

Governor EGAN. The payment of premiums would not actuarially finance this at the outset; no, sir, I would not say that.

Senator ANDERSON. Would it at any time finance it?

Governor EGAN. It would if eventually some sort of a fund creating an insurance—a permanent insurance—on a reasonable cost basis for

disasters such as earthquake were set up in the Federal Government to provide nationwide coverage.

Senator ANDERSON. If it were pointed out to you that the total premiums paid for earthquake insurance in Alaska for the period of the last 4 or 5 years totaled only \$50,000, at the rate of about \$10,000 a year how long would it take to get \$450 million?

Governor EGAN. Mr. Chairman, I think you will find that, in discussions with insurance people, they are not overly anxious to urge upon persons the taking of earthquake insurance in areas that may possibly at some time be considered as a likely place for potential earthquake damage.

It is not the general policy of insurance companies to want to cover everyone with earthquake insurance. I don't believe that private firms could stand such a disaster as was inflicted on the State of Alaska on March 27.

Senator ANDERSON. I think they would protect themselves against too great a loss to any one company. We have an atomic energy act that gives very liberal coverage, hundreds of millions of dollars, but it is pretty well reinsured and the insurance companies have formed a pool and have handled it very well.

I think private insurance can be done if the companies wish to do so. The only point that bothers me about it, Governor, is the fact that in an area like San Francisco, which had a very disastrous earthquake and resultant fire, you can't sell earthquake insurance, and earthquake insurance over the Nation is going down year by year.

The danger has been averted now but the purchase has not been high.

Governor EGAN. Mr. Chairman, I don't believe that you would find, in the course of a research study, that insurance companies would be overly anxious to have that area totally protected by earthquake insurance coverage, because if such a disaster as happened in Alaska on March 27 occurred, I would be hesitant in thinking that private firms could cover the losses.

Senator ANDERSON. Well, I only wanted to find out if you were correctly quoted when you said you thought this could be done without congressional appropriations.

Governor EGAN. I think it could be done if, in the province and wisdom of the Congress of the United States, it is deemed proper to use a portion of the funds that have been built up in FHA and under the Small Business Administration program as a revolving fund.

Senator ANDERSON. Very well, thank you very much.

Mr. Nelson, do you wish to make a statement? I know you are running a business of insurance. Do you have an office in Alaska?

#### STATEMENT OF WILLIAM NELSON, PRESIDENT, DAWSON & CO.

Mr. NELSON. Yes, sir, Mr. Chairman, we do.

Senator ANDERSON. Will you state your name for the record?

Mr. NELSON. My name is William Nelson. I am president of Dawson & Co. We are an insurance agency and brokerage firm. We have offices both in Seattle and in Anchorage, Alaska.

Senator ANDERSON. Do you have connections with insurance companies who place earthquake insurance?

Mr. NELSON. Pardon me, I didn't hear you.

Senator ANDERSON. Do you have connections with companies which write earthquake insurance?

Mr. NELSON. Yes, we do.

Senator ANDERSON. How many of the buildings of Alaska already constructed and in operation do you think were covered by earthquake insurance?

Mr. NELSON. Actually the amount of earthquake insurance in Alaska, as nearly as our office can find, was a very infinitesimal amount. In fact, Mr. McDermott, in his report to you of April 6, says that from 1958 to 1962 the National Board of Fire Underwriters indicates that there were only \$55,000 of earthquake premiums in that 5-year period.

In determining the amount of earthquake insurance in force on property—and I will confine my remarks, and these are personal remarks, largely to the Anchorage area—yesterday I met with one of the largest writers of fire insurance in Alaska, and he could find no record of any earthquake coverage in his office alone. I think he made the statement that they wrote, their company wrote, between 15 and 20 percent of the fire insurance business in Alaska.

Senator ANDERSON. Would you say, on your experience, that that is a pretty substantial chunk for one company to write?

Mr. NELSON. Yes.

Senator ANDERSON. Therefore, they are probably the largest representative writer up there?

Mr. NELSON. Yes, sir. I should point out this is a pool of companies, not one company, but a pool controlled by one source.

I might expand my remarks a little bit, Mr. Chairman, at this point. In order to give a little background information to the committee, it might be well to point out how earthquake insurance is written, and if this is all right with you I will give a little background information on the process of writing earthquake coverage.

Senator ANDERSON. I think it would be helpful to the committee.

Mr. NELSON. I will refer to a statement prepared for, and written to Senator Kuchel by the American Mutual Alliance.

This was forwarded to him in a letter dated March 2, 1956. It is basically on earthquake insurance as pertains to California, but the remarks, even though they were made in 1956, would, in my opinion, be very applicable to Alaska and would still be applicable today.

This isn't too long and I will read it, at least in pertinent part:

In response to your request concerning earthquake insurance the following information is gathered from our Chicago and San Francisco offices.

I might mention that the American Mutual Alliance is an alliance of mutual companies formed to give representation to all of these companies.

Our experience in general for this type of insurance has been limited to California and adjacent areas. In general the information contained herein pertains to earthquake insurance in the California area. Today it is very difficult to place earthquake coverage alone. This applies even in the London market. Some years ago, Lloyd's were quite active in this field. But today they have gotten out of it almost entirely. The problem, of course, is that the only people who want to buy earthquake insurance are those in a particular area that has recently had either a serious shock or a series of small tremors. However, where there is literally no market for flood insurance there is a definite market for earthquake insurance. Most of the companies writing sizable amounts of fire insurance in California, both stock and mutual, will write so-called earth-

quake assumption or in other words earthquake coverage in conjunction with the fire instance on the same property. The major reason why companies will not write earthquake business alone is the great problem in attempting to determine what damage is due to earthquake and what damage is due to fire. This problem is a very real one because earthquake and fire so frequently occur together. The earthquake is, however, subject to a substantial deductible and the rates are frankly quite high. The deductible is essential because of the impossibility of determining whether such minor damage, such as cracks in walls is the result of recent tremor or just plain settling of the structure or other causes.

The rates are high primarily because losses are not only serious to a given structure where there is a substantial earthquake with damages above the deductible but also because of the large number of heavy losses in a given area. The deductible incidentally, is a minimum of 5 percent of the total value of the structure, not just of the amount of the insurance on it, and in certain types of construction the deductibles runs to 10 or 15 percent.

I think that is enough on this. They go on as to what they will do in commercial buildings and what they will do in private buildings.

To give you a further breakdown on this, and I don't want to appear as an expert but just to give general background, rates of earthquake insurance, there are generally eight classes of rates. It is broken into eight classes.

Senator ANDERSON. Because this is of consummate importance to this committee when it gets to action on this bill, will you take them slowly and distinguish these eight classes and what the rate is per class, if you can?

Mr. NELSON. Yes; I would prefer, I think, Mr. Chairman, to give more of a general background because if you get into the ratings specifically of earthquake insurance it would be much too detailed and if you paraphrase it I am afraid it would be misleading.

Senator ANDERSON. You handle it the way you think this committee will understand it.

Mr. NELSON. Yes, sir. I would say there are eight classes of rating of earthquake insurance. First I should give the background of how rates are arrived at.

Generally the type of construction and the geographical area are the two general bases of arriving at rates.

Class No. 1 would carry a rate of 15 cents per hundred dollars of value.

Now, earthquake insurance, like fire insurance, is not per thousand dollars but it is per hundred dollars. The deductible, a mandatory deductible, and I am talking now about earthquake assumption, that is, earthquake coverage that is written in conjunction with fire insurance, these rates that I am giving—

Senator ANDERSON. What type of structure would that 15-cent rate be?

Mr. NELSON. This would be frame and would apply normally to one story buildings on firm natural ground. This would include both dwellings and commercial buildings.

Senator ANDERSON. One-story frame. Now, the fire rate on that would be higher than the fire rate on a brick building, would it not?

Mr. NELSON. Yes, and again that would vary according to the type of fire protection in that area. This would be the lowest rate.

Now, I will jump clear to the highest rate, the other end of the spectrum, and then talk about something that is in between.

We go from a 5-percent mandatory deductible and a 15-cent rate on class 1 to a \$2.50 per hundred dollar rate on class 8 with a mandatory 15-percent deductible.

Senator ANDERSON. I understand 15 percent but maybe you had better explain what that is.

Mr. NELSON. The 15-percent deductible, if you took a million-dollar structure, the mandatory deductible would be \$150,000.

Senator ANDERSON. Even if you could prove a million dollars loss you would have to take an \$850,000 settlement?

Mr. NELSON. This is correct, yes, sir. It would be the amount above the deductible. If there is only a hundred thousand dollars in loss the deductible would eat the loss and there would be no coverage.

This class 8 pertains to buildings of tile or concrete block, where the walls hold the rest of the structure.

Senator ANDERSON. Bearing walls?

Mr. NELSON. Yes, bearing walls. On a very large part of the construction, even of new construction in Alaska, according to the engineers, the \$2.50 rate would apply on the commercial buildings.

Class 7, and this is the only other class that I want to refer to, specifically carries a mandatory deductible of 10 percent, and a rate of 75 cents per hundred dollars. This is for buildings of reinforced concrete, with reinforced frame tied together with monolithic reinforced concrete floors and roofs. Again, between class 7 and class 8, the large part of the commercial buildings in Alaska would fall in these two classes, and the rate of class 7 is 75 cents per hundred dollars of value.

Now, it seems very inconsistent to have a 75-cent rate for class 7 and a \$2.50 rate for class 8. I can't tell the Senator why there is such a wide variation.

Senator ANDERSON. It is based upon experience.

Mr. NELSON. It is based upon experience and type of construction, yes, sir.

Reinforced concrete of this type would carry a 75-cent rate. Let's see what it would cost the businessman in Anchorage, Alaska, for a million-dollar building. Under class 7, the premium would be, these are annual premiums, \$7,500 annually, with a mandatory deductible of \$100,000.

In class 8, for a million-dollar building, the mandatory deductible would be \$150,000, and the cost of the annual premium would be \$25,000. Obviously in this particular case the economic feasibility of carrying this type of insurance is just not in the cards.

Senator ANDERSON. If you had a million-dollar building in class 7 under this bill you would pay six premiums on it, would you not?

Mr. NELSON. This is correct; that is my understanding.

Senator ANDERSON. Six premiums of \$7,400, \$45,000 in cash and a hundred thousand dollars in deductible would be required.

Mr. NELSON. Yes, sir.

Senator ANDERSON. In the ordinary commercial market. If the building was of cement block, concrete block, and ran a million dollars you would pay \$25,000 a year for 6 years, \$150,000, and have \$150,000 deductible so the insurance would shrink, if retroactive, it would shrink, to \$700,000 on a million-dollar building.

Mr. NELSON. I believe the computations the chairman has made are correct.

Senator ANDERSON. Well, six premiums of \$25,000 is \$150,000 and the deductible is \$150,000 and you end up with \$300,000 deductible with these two items.

Mr. NELSON. Yes; and \$700,000.

Senator ANDERSON. Has it been easy to sell earthquake insurance?

Mr. NELSON. Well, I think the remarks, Mr. Chairman, are that it is not easy to sell earthquake insurance whether it be Alaska or California. The remark was already made this morning by you that the amount of earthquake insurance carried in the State of California has diminished each year. I think the insurance experts who gathered yesterday indicated that the amount of earthquake insurance carried everywhere is dwindling.

No, sir; to answer your question, the average person does not carry earthquake insurance. I have already stated that there is virtually no earthquake insurance on completed structures in Alaska now.

Senator ANDERSON. My attention has been called to the Wall Street Journal of April 7 which points out that the Fireman's Fund Insurance Co. and its subsidiary, American Insurance Co., had a combined net loss of \$750,000 in the Alaska earthquake. He said most of these losses were on ocean marine policies such as on piers. So that loss wasn't on earthquake insurance.

Mr. NELSON. No, sir; I have talked to the manager of the fireman's fund in Seattle. We had quite a discussion. They suffered quite severe losses in workmen's compensation. I believe the figure they gave was there were 18 either dead or missing people. This would run into several millions of dollars in workmen's compensation coverage. They also are heavy writers of marine insurance. There very definitely would be coverage for vessels lost. Also, certain types of marine cargo could be lost due to the tidal wave following the earthquake.

Senator ANDERSON. You and I both know the Firemen's Fund is a large and aggressive company; would you say?

Mr. NELSON. Yes; very large and very aggressive; yes, sir.

Senator ANDERSON. And they had two policies in Alaska of earthquake coverage and no more. Yes; they take a very substantial loss because of things they were insuring, such as docks and vessels.

If—and this question is based solely on the fact that some day we may have to come to a resolution of how much we are going to do and when we are to do it—if there were to be a retroactive insurance program in Alaska wouldn't you have to get the same information from that that you are going to have to get in any event to find out what the total losses are. There were so many dwellings destroyed; 217 in 1 list of dwellings destroyed in Anchorage. If you had a retroactive insurance program you would have to find out what each residence represented, would you not; in the way of costs?

Mr. NELSON. Yes, sir.

Senator ANDERSON. To make settlements on them?

Mr. NELSON. In adjusting losses, you attempt to put back the loss that has been sustained. To do so, the very first thing you must do, obviously, is to determine the amount of loss in the first place, and you would have to do this dwelling by dwelling, business building by business building, property by property.

Senator ANDERSON. If you were not to cover, and I am merely making this as a supposition, suppose the various agencies of the Govern-

ment such as Farmers Home, FHA, Small Business, and so forth, tried to come in with some program of their own, wouldn't they have to have the same information?

Mr. NELSON. Yes, sir; in my opinion they would.

Senator ANDERSON. Then we would want to get the information promptly whichever way we are going, whether it is by retroactive insurance or by some of the various agencies.

Mr. NELSON. I would surely agree with you.

Senator ANDERSON. I have been asking these questions all day of this witness, and he knows what he is talking about.

I will defer to Senator Bartlett.

Senator BARTLETT. I have no questions but I would like to say this because California has come into the discussion. Last night, Mr. McCone, head of the Central Intelligence Agency, came to me and expressed sympathy as to what has happened in Alaska. He and his family have both lived in San Francisco for a long, long time and held property there, and, of course, there was no Government assistance to speak of at all following the San Francisco earthquake.

He told me that San Francisco was well into World War II before it made a complete recovery from the 1906 earthquake, lacking assistance from the other States.

Senator ANDERSON. World War II? I think you mean World War I.

Senator BARTLETT. He said World War II twice.

Mr. NELSON. Mr. Chairman, for the information of the committee, I think it would be interesting to take several losses that I am personally familiar with that have been sustained in Alaska, to give an idea as to what is necessary to get the economy back and going.

For example, let's take what is known in Anchorage as the Hill Building. This is a multistory building just completed a year ago. It is the largest office building in Anchorage, and it cost, I would say, in excess of \$4 million.

The core of the building is severely damaged, the inside structure, and engineers are in Anchorage right now determining if the building can be restored, and the probable cost of restoration will definitely run into millions of dollars if it can be restored.

Now, the people who own that building—the money actually came from Lathrop, who was known as Alaska's first millionaire and his philosophy has been that Alaska was good to him and he wanted to invest his profits back in Alaska.

He has passed away, but the people who have followed in his footsteps have not had to stay there. They could have left the territory—it was then the Territory and now the State of Alaska—but instead they have attempted to build Alaska, continue to build Alaska. We are faced with the problem of getting this building back on the tax rolls.

How are we going to do it, because there is a very substantial mortgage, multi-million-dollar mortgage. A further mortgage on this property would obviously be economically not feasible.

Now, there is a situation that must be met, and met right away, because where are these people going to work?

Another example would be the Coca Cola bottling plant, which has been totally destroyed. It was a concrete block building, and the warehouses that go along with this. Again there are mortgages and how do these people get back into production? Additional mortgages would not be the complete answer. These are things that the people

are attempting right now to get back into production, and it seems to me we must do something to help them.

I am out of my field of insurance, but this is the practical problem which will confront this committee.

Senator ANDERSON. Have you been to Anchorage since the earthquake?

Mr. NELSON. I have had two men of our office there, Senator. I personally have not been there. I go to Anchorage many times a year but I have not been there since the quake.

Senator ANDERSON. I think this is constructive. Here is a building—

Mr. NELSON. To take a specific case.

Senator ANDERSON. What do you do with it? Just walk off and say, "let them foreclose the mortgage and see what they have," which would represent an enormous loss to the mortgage holder or do you try to find some way of resolving this financial difficulty?

Mr. NELSON. This is my point, the specific point; yes, sir.

Senator ANDERSON. That is why Senator Jackson introduced this bill and why we are holding hearings on it. We have to get some specific answer to that issue. We just can't walk off.

Mr. NELSON. The chairman is aware of the problem, I can see that.

Senator ANDERSON. Senator Jackson?

Senator JACKSON. Mr. Nelson, I want to compliment you on your testimony. How long do you think it would take to get a reasonably good bill of particulars with reference to the amount of damage in each of the structures, the nature of the financial situation, that is, the indebtedness as you have illustrated here, so that we can get a reasonably accurate economic and social picture of the problem we are trying to meet?

Could this be done through assistance of private insurance companies, possibly the Government working out some arrangement whereby it could use good appraisers and adjusters to go out and make that determination?

Mr. NELSON. Yes, sir, and I believe it is the chairman's desire, and his instructions, that such a program be accomplished in a 30-day period. Because of the short construction period in Alaska, this is imperative.

In my opinion, the adjusters available to the insurance companies could accomplish this for the private sector within a 30-day period and do so very competently.

Senator JACKSON. It would seem to me it would be wise possibly for the Government to work out some arrangement, reimbursable arrangement, with a group of private companies, whether they have insurance on the buildings concerned or not, to do that adjustment job so that we will have some facts on which to relate what we are trying to do here to the problem.

Mr. NELSON. Senator Jackson, I can't speak for the insurance industry, but I will speak as an individual. I would definitely agree that this should be done.

No. 2, that it can be done. While I am not speaking for the industry, I feel, as a person working in the industry, that every assistance should be given by any and all people toward this effort.

Senator JACKSON. You think this is a sensible thing to do?

Mr. NELSON. Yes, sir; I do.

Senator JACKSON. As sort of a condition precedent to knowing what we really are attempting to do, right?

Mr. NELSON. Yes, sir.

Senator ANDERSON. I want to assure you, Senator Jackson, that that is underway. We tried to get the Government agencies to bring us their lists first of the mortgagees they may have had, things of that nature, and we have decided the thing to do is to just start out, take it block by block as if there was complete devastation. Dwight Ink, who will be the executive director of this commission, is going to undertake this responsibility at once to be sure we get the actual figures down for property by property, what its value was, what its history was, when it was constructed, how much depreciation may have been charged against it, and what the financial situation was.

Senator JACKSON. Its replacement value.

Senator ANDERSON. Its replacement value, is it heavily mortgaged? We have gone very heavily on Mr. Nelson's experience in that area in order to realize the things we might be able to find out.

Senator JACKSON. I am very pleased to have that statement from the chairman, because I think we all agree that what is really needed desperately are complete and accurate facts so that when we discuss a certain approach we will be at least in agreement on what the problem is.

Mr. NELSON. I think this has been one of the problems. I think it has been the Government's problem, I think it has been the chairman's problem. In my discussions with the chairman, the problem has been to get down to accurate facts on this. It is no one's fault, it is just a shock has occurred, and it is humanly impossible to get these figures in a few days. I believe that the chairman has set a program, a definite program, and he has asked that this be accomplished within a given period of time, recognizing the importance of the time factor, and again I want to emphasize the necessity for prompt action.

Senator JACKSON. Mr. Nelson—one other question, Mr. Chairman—you know the situation in Alaska quite well, I take it?

Mr. NELSON. Yes, sir.

Senator JACKSON. Do you have an office up there?

Mr. NELSON. Yes, sir.

Senator JACKSON. And how many times a year do you go to Alaska?

Mr. NELSON. I personally go to Alaska, I would say on the average of three to four times a year. We have other men from our organization either there all the time or making trips almost monthly.

Senator JACKSON. Based on the information available to you as of this time, do you feel that something in this general area of retroactive insurance is the best approach, without giving any specific details?

I am talking about the need here of assistance to the private sector.

Mr. NELSON. I heard your speech in Seattle at the Olympic Hotel more than a week ago and my understanding of your approach to this is to find the best way to help the private sector.

I think we are all endeavoring to do this, and we have to do it quickly. I think the purpose of this discussion right now is to see whether this is the best way and to draw on segments of various industries, whether it be the insurance industry or any other industry.

Thus far, it has been a concrete proposal, and from my discussions—

Senator JACKSON. Let's call it a rough proposal.

Mr. NELSON. A rough working draft, let's say this. And the people in the Pacific Northwest, the Seattle area and the Alaska area, definitely are appreciative of the fact we have something here that is concrete.

Whether it is the best known I don't know but nothing better has yet been proposed.

Senator JACKSON. You are convinced that, based again on the information available to you, some kind of help must be forthcoming to the private sector.

Mr. NELSON. And it has to be more than just a long-term loan. I tried to give the two specific examples. These are actual cases, and these are the people who have built Alaska, and these are the people who are needed to reconstruct Alaska. The faster we get the private sector going, Senator, the faster the Federal Government will not have to support Alaska. I think this is the desire of the individual who is on what we might call the last frontier, the people who have worked and gone through hardship.

To answer your question I would be in favor of it.

Senator JACKSON. I want to compliment you on your helpful testimony.

Senator BARTLETT. Mr. Chairman, I would like to say the same thing. I think Mr. Nelson has been a most excellent witness.

Mr. NELSON. Thank you, Mr. Chairman.

Senator ANDERSON. I was sure the committee wanted technical insurance advice and if they knew of Mr. Nelson's firm they would like to hear him.

Senator Gruening?

Senator GRUENING. I would like to congratulate you on the lucidity and clarity of your statement and your obvious complete knowledge of the situation.

Now, you refer to the Hill Building which, as you say, was built with money inherited from the Lathrop estate by Harry Hill. That was leased by the FAA. I take it the FAA has moved out, is that correct?

Mr. NELSON. Yes, sir. The building is not occupied at the present time.

Senator GRUENING. Do they continue to pay their rental to the Hill Corp.?

Mr. NELSON. This was discussed with me, and that is not my understanding, without having seen the lease itself. I have talked to Harry Hill since the earthquake. It is my understanding that the terms of the lease mean that the rental is abrogated and that the—

Senator ANDERSON. Whenever the building is uninhabitable, it is standard.

Mr. NELSON. Yes, that is correct, it is a standard lease.

Senator GRUENING. When the Government, the FAA, abrogates that lease, it has to go and find other quarters. Do you know what the FAA has done to locate its employees elsewhere?

Mr. NELSON. No, sir.

Senator GRUENING. Presumably they have to go and rent additional quarters?

Mr. NELSON. Yes, sir.

Senator GRUENING. So the Government has to pay rental somewhere else and meanwhile the Hill estate gets no income and it is confronted with the rehabilitation of this building which you say has cost several million dollars.

Mr. NELSON. Plus the fact they have interest to pay on the indebtedness, plus the fact they had no real need to build this building. They could have gone elsewhere and retired but they wanted to put the money back into Alaska which was the first thought of Cap Lathrop.

Senator GRUENING. I know that Cap Lathrop had that feeling. I have a telegram here which I think is pertinent to the discussion. It comes from Edwin L. Suddock, Grocers Wholesale Terminal Investment Corp. Mr. Suddock is very enterprising and an energetic businessman and he telegraphed as follows:

Our Grocers Wholesale suffered estimated \$350,000 inventory equipment loss due total collapse its 430-foot building owned by our Terminal Investment Corp. whose resulting loss is total of \$850,000 book cost since geologist have condemned site and city refuses permit to rebuild.

They were down in that area near the railroad where there was complete damage. They have lost not merely their building and their inventory but they have lost their land, which is a new aspect of the situation. That is also true of the Turnagain homeowners. They have not only lost their homes and property, personal property inside their homes, but they have lost their land, some of which was quite costly.

Meanwhile we operate from less than half space required in four scattered buildings on military bases experiencing up to \$500 day losses. Cannot survive routine SBA delay before we start actual land acquisition and building. Costs will break us and construction season will vanish. Request following SBA commitments Grocers Wholesale \$350,000 or less to cover loss as finally Terminal Investment \$750,000 or less as required to replace land and building plus \$300,000 to pay off Seattle Bank for existing loan we cannot now meet on present terms and against which no property will exist so loan will be in default. If we cannot be helped approximately inside this context we are dead. Appreciate your help and suggestions. Personal regards. Signed Edward M. Suddock.

That is another example of the kind you have been illustrating.

Here is a man who has lost everything. He already has heavy indebtedness to a Seattle bank and he wants a loan of some kind to help him out. I am not sure that a loan would be sufficient. He has to have something to help him.

Have you any comments on that, Mr. Nelson?

Mr. NELSON. No; I think the example is just another case of what the actual situation is in Alaska. I want to make one more remark to the chairman because of his own personal background.

One of the bonding companies right now has refused further additional bonding credit to contractors in Alaska until it can be satisfied as to the stability and the position of the Alaska banks.

As you know, for a contractor to go ahead and take further work, it is necessary to finance his payrolls and to meet his obligations and the bonding company wants to know whether the banks are able to perform and will perform in such future cases. They have directed our office as well as other offices to issue no further bonds until this situation is clarified and everyone knows where he is going.

To this committee, I just want to point out that we are largely in an economic stalemate. People in Alaska don't know what is happening and what can be done, and the most important thing is quick

action of some kind and the giving of some kind of assurance—not necessarily money right now, but rather support—that their problems are being given thought and that the Congress is getting facts.

It would help a great deal to let people know what you are doing and what you are attempting to arrive at. Then, if they could know that something will be done by a certain time people will feel much more like trying to go on. Uncertainty as to whether there will be any action here is the worst kind of thing right now..

Senator GRUENING. Mr. Nelson, you say "not necessarily money." If Mr. Suddock wants to go ahead and acquire some land he presumably has to pay for it or get it on credit but then he has to pay the workers to start construction.

If he doesn't have any money, and he obviously is broke, how is he going to do it?

Mr. NELSON. Senator, please don't misunderstand my statement, "not necessarily money." What I mean is that as the chairman has pointed out, we must get the facts. Then from the facts let the man know what the next step is. Then for the next step he knows what is coming and when it is coming. That is my point.

Senator GRUENING. Thank you very much, Mr. Nelson.

Senator ANDERSON. Well, to get back to this man who wants to build a property, you have done enough contract bonding to know as soon as the commitment is made for the land he can get what money he needs; can he not?

Mr. NELSON. Well, Mr. Chairman, this contractor normally would have his banking relationship established.

Senator ANDERSON. I understand the first point you make and it is perfectly valid, but there are some other things in it that haven't been mentioned and there are a great many people who hesitate to see contracts given for fear of seeing inflation in Alaska.

You start building up Elmendorf and Richardson and public housing in Anchorage and pretty soon they will be in competition for materials and men. I am only saying when this man has decided upon a lot and the type of building he wants to build he is able to get, I believe will be able to get, Federal credit on it.

Once he has that Federal credit some bank is going to lend him the money to meet his payrolls. The man who starts a building doesn't always have cash in the bank when he starts building. I think you probably have seen some people, as I have, who didn't have very much cash in the bank but had a perfectly good commitment.

Mr. NELSON. And made us worry a little bit, too, didn't they?

Senator ANDERSON. Thank you very much, Mr. Nelson, you have been very helpful.

Mr. NELSON. Thank you very much.

Senator ANDERSON. Senator Kuchel has asked to have inserted in the record a statement that he has prepared on S. 2719 which he supports. Previously, when flood insurance was up, Senator Kuchel tried very hard to get earthquake insurance included in it, and he was unsuccessful in that. He, therefore, is proposing an amendment to S. 2719 providing that—

The President is authorized to provide the same protection against loss of or damage to property, real and personal, situated in any State or the District of Columbia as is provided under the amendment made by this Act for property situated in the State of Alaska—

and so forth, because they had some damage in the State of California.

That will be made a part of the record.

(The statement and amendment referred to follow:)

STATEMENT OF HON. THOMAS H. KUCHEL, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Mr. Chairman, I am most pleased to be a cosponsor of S. 2719 and to urge its enactment along with a broadening amendment which I have always felt was necessary but which I had not perfected at the time of introduction of the measure before us.

The recent tragic trauma which so devastated a great portion of Alaska and the principal city of the northwestern part of my State of California has brought to the Nation's attention again the cold, haunting, frightening, too real fact that many of our people—indeed all of us—live in the shadow of a constant threat of calamity by reason of earthquakes and their effects.

Terror can result from the inescapable fact this can be calamity with no warnings, calamity undeserved, calamity against which no individual prudence can guard. How horrible to realize we live in the ominous shadow of calamity which can leave heretofore industrious, responsible, contributing members of our society wretchedly deprived of all that made them so. In an instant, human beings can be deprived of property hard earned, such as their homes; deprived of businesses providing livelihoods for them and their families, and perhaps many others; deprived, often, of loved ones; deprived of that most important of human values, hope.

It is almost unconscionable that this great Nation has not long ago undertaken to protect against the calamity of earthquakes and other disasters caused by earthquakes, notably seismic waves.

I urged the Congress to provide such protection in 1956, when we passed legislation affording protection against floods. If I had prevailed at that time we might not have had to be here today—and by the fortune of congressional foresight the people hurt by the recent catastrophe might have already had relief through the protection we now propose. I ask that there be inserted in the record at this point my presentation on this subject during Senate hearings in 1956.

What I proposed then, I propose now, not only for Alaska, as in the bill, S. 2719, but for all Americans, for I feel that there is no ultimately countervailing reason why what most of us here today agree is appropriate for Alaska is not equally appropriate for all regions of the United States.

Representative Don Clausen, who is from the area of California so ruinously hit by the immense waves resulting from the Alaska earthquake of last month, will tell you of the damage done there. It is a very sobering story. It is also a challenging one. Certainly the U.S. Government—which can launch men into orbit, which can spend billions to avoid destruction by man, which can move mountains—should be ingenious enough to provide a modicum of help to the victims of this disaster and others like it in the future. Why should it not be provided? Are we so cold that we would deny it any longer? Who else is there to provide it at a practical cost and scope? What logic calls for a few to bear the whole loss rather than to spread it among the many who will each hardly begrudge their fellow citizens the relatively miniscule sacrifice necessary of the many to save the few from loss of hope?

The Governor of California has also transmitted a statement describing the situation at and around Crescent City. He makes the very significant point that person Del Norte County suffered just as much as anyone in Alaska.

I urge my amendment and I believe we have an undeniable duty to take prompt favorable action on S. 2719, thus amended, so that the United States may now redeem itself from its past neglect and also offer needed, reasonable, appropriate assurance to all its people that they will not stand alone when a calamitous earthquake hits again.

AMENDMENT TO S. 2719, INTENDED TO BE PROPOSED BY SENATOR KUCHEL

At the end of the bill insert a new section as follows:

"SEC. 3. (a) The President is authorized to provide the same protection against loss of or damage to property, real and personal, situated in any State

or the District of Columbia as is provided under the amendment made by this Act for property situated in the State of Alaska, under the same terms and conditions except for such differences in application as he may determine necessary because of differences in location.

"(b) There are hereby authorized to be appropriated such funds as may be necessary to carry out the purposes of this section."

[Excerpt from hearings of Feb. 21, 1956, before the Senate Banking and Currency Committee]

STATEMENT OF THOMAS H. KUCHEL, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator KUCHEL. Thank you very much, Mr. Chairman.

Senator LEHMAN. This is of great interest.

Senator KUCHEL. Mr. Chairman, in the state of the Union message, the President of the United States said:

"A modern community is a complex combination of skills, specialized buildings, machines, communications, and homes. Most importantly, it involves human lives. Disaster in many forms—by flood, frost, high winds, for instance—can destroy on a massive scale in a few hours the labor of many years.

"Through the past 3 years, the administration has repeatedly moved into action wherever disaster struck. The extent of State participation in relief activities, however, has been far from uniform and in many cases has been either inadequate or nonexistent. Disaster assistance legislation requires overhauling, and an experimental program of flood-damage indemnity should be undertaken. The administration will make detailed recommendations on this subject."

On January 5, Mr. Chairman, I was delighted to join with the senior Senator from Connecticut, Mr. Bush, and others in introducing a series of bills, one of which provided for disaster insurance legislation. That legislation confined disasters to be covered by indemnity legislation to floods. At that time I said in the Senate:

"The Senator from Connecticut is rightly concerned with floods. So am I. But I am also going to ask this Congress to include in disaster insurance legislation provision for the people in this country to buy, upon the same basis that they would purchase flood insurance, insurance against the tragedies which the people of my State have suffered from time to time when earthquakes have destroyed great communities and large areas in California and elsewhere in the West."

After almost every widespread disaster caused by nature in this country, the problem of insuring the American people against serious economic losses through unpreventable and uncontrollable forces has caused study and discussion. Unfortunately, there never has been any followthrough resulting in creation of a system which would enable our Nation to obtain coverage in advance of catastrophes. It is very heartening to know that this subcommittee and a companion group in the House are working seriously on legislation proposed to meet this desperate need.

The urgency of affording financial protection against the ravages of floods now seems to be generally recognized. This has come about for several reasons, including the mushroom growth of communities in all sections of our country, the seeming change in the pattern of devastating hurricanes, and the realization that flood prevention and stream-control works cannot be constructed to meet every possible eventuality.

I am extremely desirous to participate in the enactment of a law that will fill the gap in our comprehensive system of insurance against accidents to persons and property. The people of the United States have devised through the years a most admirable and commendable insurance system which takes care of almost every conceivable variety of calculated risk. The glaring weakness, which this committee is trying to correct, is in protection against forces of nature.

Recently, different parts of the United States have sustained tragic and great losses through floods. The devastation resulting from torrential downpours has not been confined to any area, as was so shockingly clear last year when hurricanes and tropical storms ravaged the Atlantic coast and unprecedented unseasonable storms smashed the Pacific coast.

In coming here this morning, I have two purposes, Mr. Chairman. I want to urge this subcommittee to write and recommend to the Senate a comprehensive bill providing protection against future flood losses, and I wish to ask specifically

that such legislation be broad enough to cover another and often more terrible type of natural catastrophe, earthquakes.

While I have seen personally the devastation which can be wrought by rampaging rivers and streams, I desire to suggest that the extent of losses from floods often can be reduced through advance warnings. It is physically possible to track storms, measure rainfall, and predict heavy runoff, although it is not practicable to evacuate entirely areas where floods may strike.

The threat of earthquake damage, Mr. Chairman, cannot, however, be anticipated in any degree. Instead of being a visible menace such as rain and snow, the shudders and thrusts and twists of the earth which often destroy substantial buildings and break highways, water and sewer systems, power and communications lines, and other works strike without the least or slightest warning.

The science of seismology has not yet reached the point where any counter-measures can be taken except to adopt, to apply, and to enforce building codes calling for extraordinary techniques and generally increased expenditures in areas history shows earthquakes are most likely to occur.

The area of the United States from which I come is, of course, one of the most active earthquake zones on the face of the globe. My home State has suffered no less than 25 destructive quakes in the past 50 years. The records of the U.S. Coast and Geodetic Survey, which admittedly are neither complete nor up to date, show California suffered between 1810 and 1948 a total of 15 shocks officially classed as "great." There were between 1800 and 1948 another 36 termed "very strong."

The official scientific classification is not, however, a true indication of the damaging effect. The Long Beach quake of 1933, which I saw, Mr. Chairman, is described as "not of major magnitude" but is officially cataloged, nevertheless, as "the second most destructive shock" in American history. Damage was officially estimated at \$40 million and 115 lives were lost. Since records have been kept, hardly a part of the State of California has escaped the effect of convulsions of the earth. The Coast and Geodetic Survey records show quakes have been felt from San Diego and the Mexican border to the Oregon line.

I want to mention just a few of the more damaging tremors which are on record. Less than 4 years ago, in the summer of 1952, damage of at least \$50 million was done in the area around Bakersfield in Kern County by what is termed the largest earthquake since the tragedy at San Francisco, the quake and fire of 1906. Damage estimated at \$25 million was done by shakes in the Olympia-Tacoma area of neighboring Washington in 1949. Extensive damage, especially to irrigation and reclamation works, was sustained when a series of earthquakes in the summer of 1954 hit upward of 130,000 square miles of neighboring Nevada. During the past several months shudder after shudder has stirred the Imperial Valley. And just last week I was in Los Angeles we experienced several minor quakes which, however, did trifling damage.

My desire to obtain insurance protection against earthquake damage naturally stems from the fact that so much of my own State lies along one of the greatest and best known faults in the entire face of the earth. However, I wish to emphasize that the sleeping giant in the bowels of this planet can vent his wrath almost anywhere in our Nation.

I am sure members of this subcommittee, Mr. Chairman, will be as impressed as I was to find that the Coast and Geodetic Survey has recorded earthquakes in 44 separate States of the Union. At least one measurable quake has occurred in every State represented by members of your subcommittee. The greatest number shook the State of the chairman. New York has had 16 recorded quakes between 1900 and 1946, and 1 in 1944 was felt over 175,000 square miles.

Fortunately for our Nation, the bulk of earth shudders are not severe and the overwhelming number of heavy quakes has been observed in relatively unpopulated sections. Cases of minor damage are common, generally limited to broken glass, cracked walls, tumbled dishes, and groceries. Furthermore, scientists and engineers have increased their knowledge of the nature of shocks and quivers of the earth and observed the resistance of various building materials and different construction methods, so that the danger is constantly being reduced.

California, for example, as a result of the several earthquakes surrounding the Long Beach disaster, by law provided for building restrictions with respect particularly to public buildings and especially to the new construction of schoolhouses in California, to cope with that problem.

However, just as New England and New York went untouched by a hurricane for over a century and now seem to be in the direct path of recurrent major disturbances from the Tropics, damage from earthquakes is entirely possible—

on the basis of official records—at almost any point in the entire country. There is no way of estimating what damage would have been done, how much loss would have been sustained, if some city on the Atlantic seaboard had been hit by the contortions of the earth in 1925 instead of Santa Barbara and Ventura, 3,000 miles across the continent.

In view of the recorded seismological history—a total of 390 tabulated by the Coast and Geodetic Survey in the first 46½ years of this century—I submit there is every reason to include earthquakes in the list of natural disasters covered in the insurance legislation your subcommittee is endeavoring to perfect.

I am quite aware, Mr. Chairman, that you have included in the legislation, which bears your name, before this committee the subject of earthquakes as one to be covered in disaster legislation. I make this statement particularly because at the time that I joined my friend from Connecticut, who was primarily interested in the continuing tragedy of hurricanes and floods, no mention was made of earthquakes in his legislation.

I appear here, I repeat, for two purposes: To pledge to this committee that any type of sound legislation permitting disaster insurance for all kinds of hazards from the elements will receive my unstinting support; and secondly, and particularly with respect to that legislation I do want the subject of earthquakes considered and I hope included in any legislation which this committee will recommend to the State floor.

Thank you.

Senator LEHMAN. Thank you very much, Senator.

I am sure you are aware of the fact that in the original draft of a bill which I submitted to the committee I included a coverage on many natural disasters. As a matter of fact, I went considerably further, and in that first draft I included manmade disasters. As far as I know, there is nothing now in any of the bills that covers natural disasters beyond flood and the effect of tidal waters on property, things of that sort, except that in my bill—and I am not sure whether that is contained in Senator Bush's bill or not—I do provide for coverage against flood damage and then direct the Administrator to make a study and report back to Congress within a reasonable time with regard to the practicability and the desirability of coverage on other natural disasters.

We recognize that other natural disasters do impose a very great obligation on the Congress to study this situation carefully with the expectation that at some time the number of natural disasters which are covered by the bill would be increased.

But the reason we have limited it so far, the actual language, to flood insurance is because we felt that was the most urgent, the most current matter. We did not want to complicate it by consideration of further coverage on further natural disasters.

I do not know whether Sentaor Bush's bill goes further than my bill. I do not believe it does, however.

Senator BUSH. No.

Senator IVES. Mr. Chairman?

Senator LEHMAN. May I just finish one further question? Is earthquake insurance available now?

Senator KUCHEL. No; it is not.

Senator LEHMAN. Commercially?

Senator KUCHEL. No.

Senator LEHMAN. No insurance companies as far as you know write it, at any rate?

Senator KUCHEL. That is correct.

Senator IVES. Well, my impression, Mr. Chairman, is that you can get earthquake insurance at a price. That is the one thing I was going to bring out. However, I want to point this out, Mr. Chairman: I am very glad that the legislation we have so far has pinpointed on floods. I strongly favor legislation of that type now. It is not available, we all know, from a commercial source. I think if we keep it pinpointed on one thing, we may get some legislation. But if we spread out and include every type of disaster known to man, we will not get anywhere or anything.

That is the comment I had to make.

Senator LEHMAN. That is my feeling too.

Senator Bush.

Senator BUSH. Mr. Chairman, if I could have the Senator's attention on this, of course the Senator is one of the sponsors of our bill S. 2862, and I am awfully glad he is. He certainly has good reason to be with the disasters they have had out there due to the floods in the last few months particularly.

But on the question of earthquakes, I would like to quote from the hearings which our committee held. On page 516 it speaks of insurance customarily written by insurance companies covering natural disasters, and it says:

"Protection from the peril of earthquakes may be insured by 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."

Then in our staff study on page 247, on the question of Federal disaster insurance, we find this statement at the top of page 247:

"During 1954 the company had one earthquake claim resulting in a loss of \$1,532. It is estimated by the U.S. Coast and Geodetic Survey that about \$1 billion of earthquake insurance is presently in force in California."

I mention those things to show why we did not put earthquake insurance into the bill, because it does appear as though there is private coverage available for earthquakes.

Senator IVES. Mr. Chairman, may I interrupt the Senator from Connecticut at this point?

Senator BUSH. I yield.

Senator IVES. Thank you. On page 518 of the hearings—I think that is the same volume you are using—the rates are quoted. For earthquake insurance in California on frame dwellings it is 20 cents in one part of California and 15 cents in another part. That is per hundred. That is on frame dwellings.

On brick mercantile buildings it is 40 cents in one portion of California—the counties are listed—and in another part, in the rest of California, it is 30 cents.

So I think you will find, Senator Kuchel, that there is available at the present time this type of coverage.

Senator KUCHEL. Senator, my information is that it has not been utilized because of the restrictions that are made a part of the policy and, so far as my inclination is concerned, the excessive costs.

If the judgment of the committee were to rest up on what type of earthquake insurance is available, then I would like to have the further opportunity of accumulating the type of earthquake insurance which is presently available and on that to indicate that it amounts to nothing at all by reason of the restrictions in the writing of the policies.

If that were to be the turning point of the committee's judgment then I would ask for an opportunity to supply what my information is with respect to that subject.

Senator LEHMAN. We will undoubtedly keep the record open for some days. We would be very glad indeed to have you submit anything.

Senator IVES. I will be glad to have the information.

(The following was received for the record:)

U.S. SENATE,  
March 2, 1956.

HON. HERBERT H. LEHMAN,  
Senate Office Building,  
Washington, D.C.

DEAR HERBERT: Since my appearance before your subcommittee considering disaster insurance bills, I have endeavored to obtain more details and specific information about the availability, conditions, and cost of insurance against property losses from earthquakes.

To sum up the results of various inquiries, I find that insurance against this hazard technically may be purchased but is very costly and generally is available only in connection with other forms of insurance. The premium scale is extremely high in California, partly because of the degree of risk and partly because of the fact that this kind of insurance is not widely sold in other sections of the Nation, so that the base is extremely narrow.

I am told that some companies writing fire insurance will write earthquake insurance, but only as an accommodation, and no real effort is made to sell such insurance because, in the words of one person in the business, "it is not a good buy." I have been informed, also, that in some situations companies are reluctant to write such policies unless the risk can be divided by reinsuring and that in one recent instance a property owner was able to obtain his coverage only because of participation by British companies.

So far, I have been unable to learn how much insurance against earthquakes is in existence. The only indication is the fact that aggregate premiums in California for 1916 through 1954 are \$70,761,189; the 1954 total was \$3,756,199.

The idea has been presented to me from various sources that earthquake insurance in conjunction with some other kind of protection against disaster losses might be made available on better terms. That is why I have suggested that earthquakes should be included with floods in disaster insurance legislation which may be enacted by this Congress.

One of my informants points out that dollar losses from earthquakes over a period of a year is a fraction of the losses from floods, windstorms, cyclones, and tornadoes. In view of this fact, linking of flood and disaster insurance might prove advantageous.

The comparative rates for earthquake insurance in California emphasize the reason, I believe, why property owners contend that as a matter of practice such coverage is virtually unavailable. Depending upon the zone in which the property is located and the class of risk determined by construction, straight earthquake insurance in California costs from \$0.20 per \$100 to \$5.25 while the "earthquake damage assumption" insurance, which carries a deductible clause ranging from 5 to 15 percent, costs from \$0.15 to \$3.75 per \$100. In the contrast, 3-year term rates for fire insurance vary from \$0.25 to \$0.133 per \$100.

The deductible feature, furthermore, is a minimum of the total value of the structure, not merely the amount of insurance on it. This is a very forceful additional reason why earthquake insurance is not taken out in substantial volume, I believe. Such a unique feature no doubt is justified when such coverage is purchased in a very limited area, but it occurs to me that more adequate protection might be possible through some combination of different types of insurance which would spread the risk.

As I told the subcommittee, I hope that since earthquakes present an unusual hazard and available records indicate they can happen almost anywhere in the United States, it will be feasible to include such natural disasters in the list of catastrophes against which protection may be provided through disaster insurance legislation.

Perhaps the subcommittee will be interested in the letter I am enclosing, which is a reply from the American Mutual Alliance to my inquiry about the availability of earthquake insurance.

With best wishes, I am

Sincerely,

THOMAS H. KUCHEL, *U.S. Senator.*

---

AMERICAN MUTUAL ALLIANCE,  
*Chicago, Ill., March 2, 1956.*

Senator THOMAS H. KUCHEL,  
*U.S. Senate, Washington, D.C.*  
(Attention: Mr. Warren B. Francis.)

DEAR MR. FRANCIS: In response to your request concerning earthquake insurance, the following is information gathered from our Chicago and San Francisco offices. Our experience in general with this type of insurance has been limited to the California and adjacent areas. In general, the information contained herein pertains to earthquake insurance in the California area.

Today it is very difficult to place earthquake coverage alone. This applies even in the London market. Some years ago Lloyd's were quite active in this field, but today they have gotten out of it almost entirely. The problem of course is that the only people who want to buy earthquake insurance are those in a particular area that has recently had either a serious shock or a series of small tremors; however, where there is literally no market for flood insurance, there is a definite market for earthquake insurance.

Most of the companies writing sizable amounts of fire insurance in California, both stock and mutual, will write so-called earthquake assumption or in other words earthquake coverage in conjunction with the fire insurance on the same property. The major reason why companies will not write earthquake business alone is the great problem in attempting to determine what damage is due to earthquake and what damage is due to fire. This problem is a very real one because earthquake and fire so frequently occur together. The earthquake is, however, subject to substantial deductibles and the rates are frankly quite high. The deductible is essential because of the impossibility of determining whether minor damage, such as cracks in walls, is the result of a recent tremor or just plain settling of the structure or other causes. The rates are high primarily because losses are not only serious to any given structure when there is a substan-

tial earthquake with damage above the deductible, but also because of the large number of heavy losses in a given area. The deductible, incidentally, is a minimum of 5 percent of the total value of the structure, not just of the amount of insurance on it, and in certain types of construction the deductible runs to 10 or 15 percent.

A number of companies writing this type of business will not write substantial value commercial buildings but a sufficient number of companies will write it. Again this commercial business is written in conjunction with fire coverage and is never written alone.

It is difficult to simplify the rating situation. For example, in an excellent fire-protected area such as the city of San Francisco, the earthquake rate is nearly twice the fire rate. On the other hand, if the building is brick or hollow tile construction as against frame, reinforced concrete, or steel the earthquake rate is much higher.

Now assume you are talking about a frame structure in an unprotected fire district, such as some farm communities, the earthquake rate would be lower in relation to the fire rate for obvious reasons but, again, if the rural structure were brick or similar construction, the earthquake rate would be vastly more than the fire rate.

With respect to the high cost, it is a reasonable conclusion that many people probably prefer to assume the earthquake risk themselves because historically in California earthquakes don't seem to occur in the same place except at intervals of many, many years. For example, there was a serious earthquake in Santa Barbara in 1925 and there has not been one before or since. There was a serious earthquake in parts of Los Angeles in 1933. There has not been a serious one there before or since.

In conclusion, I wish to point out that from the viewpoint of the number of companies, there is a wide market for earthquake-assumption insurance, and as compared to flood insurance, there is plenty of market for this type of protection.

For what use it may be having the foregoing general situation in mind, I am enclosing a list of earthquake premiums and losses from 1916 through 1954.

If we can be of any further assistance, please feel free to call on me.

Sincerely,

WALLACE M. SMITH.

Enclosure.

*Net earthquake premiums and losses—California*

Year	Premiums	Losses	Year	Premiums	Losses
1916	\$362	\$622	1937	\$921,134	\$3,660
1917	5,957		1938	929,416	982
1918	8,826		1939	860,478	
1919	32,490		1940	982,163	43,319
1920	79,425	622	1941	1,080,696	30,515
1921	49,027	4,727	1942	1,249,982	58,819
1922	61,372	1,109	1943	1,420,504	2,045
1923	213,909	11,813	1944	1,697,450	1,867
1924	298,132	692	1945	1,393,042	997
1925	1,898,383	730,772	1946	2,369,836	53
1926	2,500,774	98,138	1947	2,780,914	241
1927	2,865,795	320,429	1948	2,708,392	646
1928	1,806,789	11,930	1949	3,375,118	10,024
1929	1,936,075	38,584	1950	3,307,182	15,679
1930	2,056,490	10,383	1951	3,391,422	12,777
1931	2,031,206	6,690	1952	3,908,161	141,834
1932	729,916	435	1953	4,318,715	86,730
1933	919,217	1,053,906	1954	3,756,199	24,225
1934	1,039,761	503,862			
1935	855,400	37,075	Total	70,761,189	3,338,113
1936	922,220	72,533			

Senator BUSH. I certainly agree with the chairman we should keep the record open and receive any information the Senator wants to submit on this subject, but I am inclined to agree with the thought recently expressed this morning by the chairman, who revised his original ideas about a total disaster insurance bill to get it down really to a flood-insurance bill. If we burden this bill with other types of insurance I feel sure that every extra burden put on it will be an additional hurdle for it to get over on the floor of the House and the Senate.

We have never been able to pass a flood-insurance bill. This is a clean flood-insurance bill, either the Senator's or mine. The insurance is against floods caused from high tides or rain or whatever.

I just feel that if we start taking in other forms of insurance, especially where they may be available through private sources, that it may interfere with the possibility of getting a flood-insurance bill, which I know the Senator from California is very anxious to get.

Senator KUCHEL. Does not your definition of flood include damage from floods resulting from hurricanes?

Senator BUSH. Only as they may include high tides or rains that create water, floods. It is not a wind-insurance bill, no.

Senator KUCHEL. What was that?

Senator BUSH. It is not a wind-insurance bill as against hurricane or tornado damage per se. Only as they may whip up high tides in the coastal shores or inland.

Senator IVES. Well, there is no need for that kind of insurance anyway in the bill, because that is already available from commercial sources.

Senator KUCHEL. My point was that it seemed to me the language of the legislation would indicate that the sponsors' definition of flood for the purposes of buying disaster insurance was quite broad and did include damage resulting from hurricane.

Senator BUSH. No, the term "flood" shall include rising water caused by tide, wind, or rain and shall have such further meaning as prescribed by regulation of the Administrator.

That is at the top of page 4 in the bill of which the Senator is cosponsor.

Senator LEHMAN. Well, Senator, I think I can speak for the committee that we recognize the advisability of making a very careful study with regard to other natural disasters which are not now covered adequately or practically by private insurance companies. We have, as I said, concentrated for the time being on this flood insurance and the collateral effects, because we feel that it is the most important, it is the most current, it is the most vital thing.

As Senator Ives has pointed out, there is no way of obtaining protection at any price, really.

But we have not in any way closed the door to consideration of insurance on other natural disasters.

Section 17 (a), page 16, of my bill, reads:

"The Commissioner shall undertake a continuing study of the practicability of extending the coverage of insurance programs similar to those authorized under this act to one or more of the perils included within the term "natural disaster" as defined in this act."

Senator KUCHEL. Yes, Mr. Chairman, and also in your bill I think perhaps the definition of "flood" is somewhat more comprehensive than that which Senator Bush has used in his proposal.

On page 15, section 16(a) says:

"As used in this act, the word "flood" shall include any flood, tidal wave, wave wash, or other abnormally high tidal water, hurricane, deluge, or the water component of any other severe storm, and landslide due to excess moisture."

Mr. Chairman, I will immediately endeavor to justify consideration by this committee of the inclusion of earthquake insurance on that basis and will endeavor to supply it to the committee immediately.

Senator LEHMAN. Thank you very much, indeed.

Senator KUCHEL. Thank you.

Senator LEHMAN. Thank you for appearing.

Senator ANDERSON. Our next witness is Dr. Deisher. Will you identify yourself, please?

#### STATEMENT OF DR. J. B. DEISHER, SEWARD, ALASKA

Dr. DEISHER. I am not sure I can add very much to what has been said this morning.

I am Dr. Deisher from Seward, Alaska. I came down here to talk to Senator Bartlett, but after listening to the testimony that has been given, I am not sure that I can add anything to these experts except

my own experience up there. If there are any particular questions I would gladly answer them.

Senator BARTLETT. Dr. Deisher was at Seward when the Alaska earthquake took place.

Senator ANDERSON. Who owns the docks?

Dr. DEISHER. Alaska Railroad.

Senator ANDERSON. Who owns the Alaska Railroad?

Dr. DEISHER. The U.S. Government.

Senator ANDERSON. Therefore, there is no problem with the docks.

Dr. DEISHER. I am not certain about that particular point. Perhaps Senator Bartlett has some information on it of some kind.

Senator BARTLETT. Well, the chairman said the problem is that of the U.S. Government only as the docks were not privately owned. You would agree that that is correct?

Dr. DEISHER. That is correct.

Senator ANDERSON. I think the Government agencies are working on a program that is their responsibility. I think the Government is making good progress and I hope you outline the problem, what the problem is up there. Outside of the docks what is the problem?

Dr. DEISHER. The problem is in the loss of all the facilities which have been used on the waterfront. We need a railroad.

Senator ANDERSON. You need a what?

Dr. DEISHER. A railroad. It is the Alaska railroad which is owned by the U.S. Government. But unless that is reestablished our community will die completely.

Senator ANDERSON. Unless what is reestablished?

Dr. DEISHER. The Alaska Railroad facilities between Seward and Anchorage.

Senator ANDERSON. You are familiar with the fact there has been agitation for 40 years to get rid of it.

Dr. DEISHER. I know; and there are those who think it should be gotten rid of.

Senator ANDERSON. And the cost may be somewhat in the neighborhood of \$20 to \$30 million to restore the portion from Anchorage down to Seward. If it could be more reasonably established that a road, a highway, can be built to adequately serve the areas would that not suit you as well?

Dr. DEISHER. We have two new industries coming into the community, the Bayright Co., which makes drilling rigs for drilling oil wells, and a smelting industry which is about to establish a plant there.

These industries require rail facilities, I understand.

Senator ANDERSON. Rail facilities to get mud down from the drilling area close in?

Dr. DEISHER. This is what I was informed. And the rock for the smelter should be brought in by rail also. These are the beginnings of what we hope would be larger industries eventually. These industries have said that they will still come into our town if they have a railroad, and if they can work it out somehow that they can get their product out and their raw materials in.

Senator ANDERSON. Would the restoration of the present Alaska Railroad serve the oilfields?

Dr. DEISHER. No, sir; not as——

Senator ANDERSON. You would have to get the mud out in trucks anyhow; wouldn't you?

Dr. DEISHER. There has been discussion of rerouting the railroad. Senator ANDERSON. Rebuilding it, rerouting it to a new section?

Dr. DEISHER. Rerouting it.

Senator ANDERSON. To the oil areas?

Dr. DEISHER. This has been talked about up there. I am not sure I have any valid information on it.

Senator ANDERSON. Well, since it gets down to the question of the oil business, isn't mud ordinarily brought in trucks from the oilfields?

Dr. DEISHER. It has to be now, but it could be more cheaply done by rail.

Senator ANDERSON. Well, leave out Alaska, if you are going to move mud from the oilfields don't you move it by truck?

Dr. DEISHER. I haven't been in other oilfields, Senator.

Senator ANDERSON. Well, you have a great advantage there.

Any questions?

Senator GRUENING. Yes.

Dr. Deisher, the economy of Seward was primarily based on long-shoring and the economy that the railroad brought in there, that being the principal port of entry to western Alaska, was it not?

Dr. DEISHER. Yes, sir.

Senator GRUENING. There was also income from a shrimp cannery in the development?

Dr. DEISHER. Yes, sir.

Senator GRUENING. And some fishing. They have all gone, haven't they?

Dr. DEISHER. Yes, sir.

Senator GRUENING. So there is no income now, there is no economy in Seward at all?

Dr. DEISHER. Nothing.

Senator GRUENING. You are a practicing physician? I suppose it is impossible to expect these people who have no income to pay their bills, they have to depend upon you to extend credit. Isn't that the case with practically all the economic community of Seward?

Dr. DEISHER. Yes, sir; that is true.

Senator GRUENING. Do you see any justification whatsoever for considering the abandonment of Seward?

Dr. DEISHER. I personally see no justification for it. It is an abandonment of 2,000 people, and their lives as they have existed. However, in a disaster like this, I suppose 2,000 people and the economy and property of a community of that size, I don't know—

Senator GRUENING. Well, not only was the railroad between Anchorage and Seward cut off by tides and the wrecking of bridges but the road was also cut off.

Dr. DEISHER. Yes, sir; completely.

Senator GRUENING. So we probably would need both as an insurance if Seward is not going to be permanently cut off and isolated, isn't that correct?

Dr. DEISHER. That is correct.

Senator GRUENING. You have lived there quite a while; do you believe that the interior of Alaska can be adequately served without Seward as a port of entry?

Dr. DEISHER. There is a port at Whittier but I believe that the port of Seward is necessary for adequate service.

Senator GRUENING. Have you ever been in Whittier?

Dr. DEISHER. Yes, sir.

Senator GRUENING. Can you imagine a permanent community being built there?

Dr. DEISHER. No, sir.

Senator GRUENING. You know that it was considered as a possible penal colony and that idea was abandoned as being unconstitutional because it would constitute cruel and unusual punishment to locate people permanently in Whittier.

Dr. DEISHER. Yes, sir; I am aware of that.

Senator GRUENING. So you would conclude from your knowledge of the situation that Seward is essential, is it not, as a port of entry?

Dr. DEISHER. As a port of entry for the interior of Alaska, yes, sir.

Senator GRUENING. That would be my conclusion also.

Thank you very much.

Senator ANDERSON. Doctor, you recognize the right of the Secretary of Defense to make his own decision, do you not?

Dr. DEISHER. I beg your pardon, sir?

Senator ANDERSON. Wouldn't you recognize the right of the Secretary of Defense to make his own decisions on whether to make it Whittier or Seward?

Dr. DEISHER. That would be his prerogative, I assume.

Senator BARTLETT. Dr. Deisher, if the Secretary of Defense, who has never been at Whittier or Seward, and whose visiting generals, who may have reported to him, were in the earthquake area about 3 hours, would you say that this determination ought to be made by the Secretary of Defense, maybe from his computing machines, or by the Department of the Interior which has the primary responsibility.

Dr. DEISHER. I am sure that the lines of responsibility are properly set out. What my opinion is doesn't make too much difference but it seems to me that the Department of the Interior perhaps would have more information about what is going on in Alaska and what can be developed out of it.

Senator BARTLETT. Are you aware of the fact that the Department of Defense, for a number of years, held Whittier to be essential, that was the word employed, to the national security of the United States, and thereafter a few years ago said it was of no consequence to us and gave up operation of the port?

Dr. DEISHER. Yes, sir.

Senator BARTLETT. Do you see a possibility in the events of war that the tunnels which lead from Whittier to Portage, and thus connect with Anchorage, might be closed?

Dr. DEISHER. All of these things have occurred to many of us before.

Senator BARTLETT. In your reading, in your general information, have you ever heard before that the military did want available a maximum number of ports in the event of an emergency?

Dr. DEISHER. It is my understanding that one of the reasons Whittier was developed was to have two ports so if one was eliminated the other would be there.

Senator BARTLETT. And in addition to railroad losses, Seward was badly hurt in losses of homes, public buildings, water system, sewer system, and other utilities?

Dr. DEISHER. Yes, sir; we were damaged.

Senator BARTLETT. And the rebuilding of those will require prompt action if people are going to be able to live there?

Dr. DEISHER. Yes, sir. If there is not prompt assurance something will be done, people won't stay.

Senator BARTLETT. I was in Seward less than 48 hours after the disaster and talked with Mr. Harrison, the city manager. Mayor Stockton, you were there at the time, is my memory correct when it informs me that the city manager told me that 95 percent of the economy of Seward had been dealt a crippling or even fatal blow by what had happened to the railroad there and people had no sort of income at that time?

Dr. DEISHER. I think that is an accurate estimate.

Senator BARTLETT. Is it not true that Seward has always been considered to have one of the great harbors of the world?

Dr. DEISHER. This is one of the finest harbors on the west coast.

Senator BARTLETT. Thank you.

Senator ANDERSON. I don't know how far we will get before a quorum call. But is Mr. Deveau here?

Mr. DEVEAU. Yes, sir.

Senator ANDERSON. Come around, please.

(Short recess.)

Senator ANDERSON. When the Alaska Rehabilitation Commission is started up again we will make the notes available.

Mr. Deveau, we are glad to have you with us today.

#### STATEMENT OF PETER M. DEVEAU, MAYOR, CITY OF KODIAK, ALASKA

Mr. DEVEAU. My name is Peter Deveau, mayor of the city of Kodiak, and superintendent of the only existing cannery left in the city of Kodiak.

The city of Kodiak suffered damage due to tidal wave exceeding \$27 million. The amount of latent damage is yet to be determined.

Eighty percent of the economy of the city of Kodiak depends on the fishing industry, directly or indirectly. Previous to the tidal wave Kodiak City had three major canneries and one minor cannery. Two major and one minor cannery have been totally destroyed.

Approximately 40 percent of the fishing vessels in the Kodiak area were either partially or totally destroyed by the tidal wave and the storm following 2 days after the disaster. That caught us with no docking facilities for our fishing fleet of over 250 vessels.

It has been confirmed now that the island of Kodiak in some areas has sunk 5½ feet. April 15 will be the highest tide for this monthly period. On June 11 and again December 19 will occur the highest tides of the year.

At the present time the tide now enters the main business district of the city of Kodiak. Some businesses that were 3 feet above the highest tides now have 2 feet or more of water above the floors. It appears that this will necessitate the moving of the entire business district to higher ground. Cost estimates are now being gathered to estimate this total cost. It is believed that the total will run in the neighborhood of \$40 million, both private and public combined.

The city of Kodiak, from the day immediately following the disastrous tidal waves, proceeded with the demolition and a temporary reconstruction of sewers, power distribution, and repair of public facilities.

Inasmuch as this area is now covered with from 1 to 3 feet of water this will necessitate extensive planning. At the present time 40 percent of our business district is totally demolished, burned, and cleared. The city of Kodiak is now studying the feasibility of making a large fill to reconstruct the damaged portion of the business district on or planning to move the entire downtown area to higher ground. At this time we do not have firm figures on the cost of this project.

Losses of public facilities, \$5,400,000, believed to be totally reimbursable.

Losses of fishing vessels destroyed or damaged, believed to be totally reimbursable under the perils of the sea clause in their insurance policies, \$2.5 million.

But I wish to point out that the amount of insurance carried will not rebuild these vessels which were lost. In other words, the insurance money would not replace a vessel of the like type and length.

Losses of private and commercial property, buildings, \$11,346,000; stock, \$6 million; equipment, \$2 million, total private and commercial, \$19,346,000, total public, \$5,400,000, grand total, \$27,246,000.

Not only are we facing a major and minor disaster, but now we have a disaster approaching us in the life blood of Kodiak which is our fishing industry.

The city of Kodiak has overcome one major and one minor disaster but now we are faced with the menace of the Russians fishing king crab in the Kodiak area. A Russian factory ship, 1 tangle net setting boat, and 12 picker boats are now operating in our most productive area between Chirikof and the Trinity Islands.

This cannery vessel carries a crew in excess of 600 people, almost the amount that the total cannery production used during the course of a day's operation in Kodiak. The vessel carries a crew in excess of 600 people and has a capacity equal to or exceeding the total capacity of the Kodiak Island king crab canning facilities. This latest threat points out the necessity for immediate financial aid to get our fishing fleet, canning facilities, homes and businesses back to total use and production.

With the passage of S. 2719 and other aid we can do the job.

Senator ANDERSON. This Russian factory ship, you say, has about 600 people on it?

Mr. DEVEAU. It is 12,000 tons, and by looking at Jane's list of ships classified for the world, we figure it is 12,000 tons and has over 600 people. We have made visual observation of this daily operation by plane.

Senator ANDERSON. Is it pretty strongly competitive to what used to be the fishing fleet?

Mr. DEVEAU. Well, they are moving into the very area that we have protected by regulation and research for years, and of course, the people of Kodiak are at the point where they are ready to give up. Not only has this disaster happened but now we see the only means of livelihood we have in the Kodiak area diminishing because of the encroachment of the Russians.

Senator ANDERSON. How would restoring these smaller vessels in Kodiak help you in competition with the big Russian vessels?

Mr. DEVEAU. Senator, we have an unemployment rate that probably exceeds 75 percent in the city of Kodiak. All we need is money.

If we had money we could put our canneries back into production and we could go out and employ people. But I have been down here a week now and I haven't had any results. We need money in Kodiak. If we had money we could do the rest.

Senator ANDERSON. Where would you get a big ship comparable with the Russian's?

Mr. DEVEAU. Pardon me?

Senator ANDERSON. Aren't you trying to get in competition with the Russians?

Mr. DEVEAU. We are not going to try to get in competition but go out there and try to get some of the crab that—

Senator ANDERSON. Don't you need that type of operation?

Mr. DEVEAU. No; we have the vessels.

Senator ANDERSON. Weren't you losing out to Russian vessels prior to the earthquake?

Mr. DEVEAU. No; it was probably an exploratory maneuver by the Russians last year. They didn't have the extensive operations they have right now.

But the feeling of the people is that now we have this disaster on our hands we are practically broke, and now the Russians are moving in and making things even worse. I feel the people are going to leave Kodiak if we can't get our facilities into operation.

Senator ANDERSON. Would money given to the people of Kodiak stop the Russians?

Mr. DEVEAU. No.

Senator ANDERSON. No?

Mr. DEVEAU. At least we will make a living.

Senator ANDERSON. The estimate that the Government furnished us was that the private facilities amounted to about \$25 million. Your figure would be \$19 million.

Are they comparable figures, did you do the same thing they did?

Mr. DEVEAU. We estimated \$27 million and I have detailed it here. The actual loss to private interests is \$19 to \$20 million. I didn't quote the reimbursable because the city will not have to take on this burden.

Senator ANDERSON. Who will take that on?

Mr. DEVEAU. Well, various agencies.

Senator ANDERSON. In other words, the Federal Government.

Mr. DEVEAU. The Bureau of Yards and Docks are going to reconstruct our dock, build us a new dock.

Senator ANDERSON. At a different elevation?

Mr. DEVEAU. Yes. The Corps of Engineers is going to reconstruct our breakwater and boat harbor and inner facilities, which were practically totally destroyed.

Two days after the tidal waves, of course, we had no facilities for our boats and the boats were all scattered in the bay and we had a very severe storm. This severe storm caught us with no docking facilities and again we were faced with disaster. We lost approximately 20 boats. Of these we salvaged 10 or 12 but some of the boats that were caught in the storm, of course, were total losses. The whole town depends on the operation of the cannery and the fishing fleet.

Right now at the cannery, we are working night and day to try to restore it because this one cannery, of which I am superintendent, will furnish practically the only employment in the city of Kodiak. We need money and we need it desperately.

Senator ANDERSON. Well, there was some discussion here at one of our meetings about the possibility of getting a loan from Small Business and the Governor reported he had some difficulties in trying to raise the money.

Would you tell us about that?

Mr. DEVEAU. Well, I have been down here talking to various members of the Small Business Administration and they say they will give us a loan. They don't say for how much. They don't tell us the interest rate. They don't tell us how long they will delay the principal payments and interest. I mean, we don't know yet and I can't go home until we have these figures so we know what we can do.

Senator ANDERSON. Is this a loan to the corporation that you represent?

Mr. DEVEAU. Not only to the corporation but to the business—the fishing vessels so they can replace the gear that they lost, that was dropped overboard, that was destroyed. This is not covered by insurance.

In other words, it is not a part of the vessel, therefore, it is not covered with insurance.

Senator ANDERSON. I am trying to find out what it is you want in the way of a loan. What mortgage did you specify?

Mr. DEVEAU. Well, we asked in the neighborhood of \$250,000 to repair the damage. We had 9 feet of water inside the cannery and we have sent all our electric motors to Seattle for repair and we hope to within the next day or so have the cannery back in operation on a limited basis, only hiring 40 people, but we have 500 to 600 people, who are unemployed in the town. Can you visualize any town in the United States that had 75-percent unemployment? That it is what we are facing right now.

Senator ANDERSON. Did you ask for a \$250,000 loan for this cannery?

Mr. DEVEAU. Yes, to repair the damage. We asked for operating funds, and it is very possible that we will have to reconstruct our total cannery due to the new tidal range. Our city dock today will be afloat. The water will be inside the cannery. There are other canneries on the island where the water is already over the deck and they are out of business.

This takes immediate action. We can't sit there with unemployment running from 60 to 75 percent in the town. Could you visualize in this town here, if you had 65- and 75-percent unemployment, you would have to call out the national guard.

Senator ANDERSON. Well, most people would leave.

Mr. DEVEAU. Where would they go?

Senator ANDERSON. Some of them went to Fairbanks.

Mr. DEVEAU. But you have the same problem. Alaska has the highest unemployment rate of any State in the United States. At the time it runs between 18 to 20 percent due to the climate conditions.

Senator ANDERSON. So it wasn't just the earthquake?

Mr. DEVEAU. Beg pardon?

Senator ANDERSON. So it wasn't just the earthquake?

Mr. DEVEAU. I didn't understand you.

Senator ANDERSON. So it wasn't just the earthquake that brought on the unemployment problem?

Mr. DEVEAU. No, but now we are approaching our construction period and if we had money we could put these people to work. I mean this is of vital concern to us.

Senator ANDERSON. How large a loan did the cannery have prior to the earthquake?

Mr. DEVEAU. We had a \$250,000 small business loan that we paid off 2 weeks before the tidal wave.

Senator ANDERSON. You paid it off?

Mr. DEVEAU. Yes.

Senator ANDERSON. You had no loan at all in the cannery?

Mr. DEVEAU. Beg pardon?

Senator ANDERSON. So you had no loan at all on the cannery?

Mr. DEVEAU. We still have \$250,000 out on accounts receivable to the fishermen that we are paying 6-percent interest on. In the canning industry the canneries finance the fishermen because the loans are not available to them. We do not charge them interest, but they have to pay interest to the Seattle banks.

Senator ANDERSON. Did the Small Business Administration understand this was the same cannery that paid back \$250,000 just a couple of weeks ago?

Mr. DEVEAU. Well, I don't see that we can pay a high interest rate on this. We are talking about interest rates down below 3 percent and holding off for 5 years on the payment of interest and principal. But I have never determined how much the interest rate will be.

Senator ANDERSON. Have you asked them?

Mr. DEVEAU. Yes.

Senator ANDERSON. And they couldn't answer it?

Mr. DEVEAU. I have asked Mr. Foley in conjunction with Senator Gruening and we have gotten no answer.

Senator GRUENING. I might say at this point, Mr. Foley informed me 2 days ago and again yesterday that he could make no loans to Alaska until he had gotten approval of the Commission, and that is the reason there was the delay.

Senator ANDERSON. I was trying to find out what that was all about, and we don't get quite the same answer from Mr. Foley. He says until there has been a determination that we are going to do this by insurance or by loans or by some sort of settlement, it is difficult for him to determine what he is going to do, and I think it might be.

If you got some sort of retroactive insurance you wouldn't need Mr. Foley, would you?

Mr. DEVEAU. No.

Senator ANDERSON. So it might be well for you to wait until you find out?

Mr. DEVEAU. What are we going to do with the hundreds of people who are unemployed in the meantime?

Senator ANDERSON. You said you were going to get ready to put some of them back to work.

Mr. DEVEAU. Forty.

Senator ANDERSON. How many do you normally employ?

Mr. DEVEAU. In a one-shift operation we have 100 to 110. If we can go into 3 shifts we can employ over 300 people.

Senator ANDERSON. Did you run three shifts last year?

Mr. DEVEAU. Sometimes we run a shift and a half. But we have all these vessels.

Senator ANDERSON. Did you run three shifts last year?

Mr. DEVEAU. At times we have run almost two shifts. In other words, we run from 7 in the morning until midnight.

Senator GRUENING. Of course, there were two other canneries operating then. Now this will be the only cannery.

Mr. DEVEAU. We are the only cannery, the only market for these vessels in Kodiak, and—

Senator ANDERSON. The vessels have all been sunk, haven't they?

Mr. DEVEAU. No, we still have enough vessels to sustain a crab operation. Previous to this disaster there were 3 major canneries in Kodiak employing from 90 to 110 people on a 1-shift basis. Now we have the only facility. With damage money and with financing we can go into a three-shift operation and we can at least put the economy of Kodiak somewhat back to normal. I would say maybe 50 to 60 percent.

Senator ANDERSON. Any further questions?

Senator GRUENING. I think for the record it is important to clarify the situation, if there is any question as to the facts. I think we should have Mr. Foley up here, because I met with Mr. Foley and Mayor Deveau last Saturday and he then said he would do all kinds of things. He would make a very low interest rate and very favorable terms.

And then I talked to him again on Monday and he said he couldn't make this loan until he had the approval of the Commission, and meanwhile Mr. Deveau is waiting, wants to know what he is up against. So again I talked to Mr. Foley yesterday, and he stated categorically that he could not make any loans to Alaska until the Commission had determined certain things.

Now, I think if there are any questions of fact we should have Mr. Foley up here. Normally the Small Business Administration can make loans, it does make loans all over the country without having to get clearance from a commission. Why can't it proceed where there is this emergency, this acute emergency, where people are waiting, where people are unemployed.

It is now nearly 3 weeks since the disaster, and I think we should get some action, whatever the terms. I hope they will be favorable. I hope they will be at least as generous as the loans we are making to foreign countries where we have a 10-year moratorium, and three-quarters of 1 percent interest.

I see no reason why that shouldn't be applied to our disaster areas. But in any event, I think we should get action and before Mr. Deveau goes back I think he should have the assurance he is going to get the loans and on what terms. Then he can go back and put people back to work and, of course, there will be three shifts because it is the only cannery.

The reason there weren't three shifts before was because there were three canneries operating. Now there is only one, and that is in the heart of the fishery operation in Kodiak. If there is much further delay the season will be upon us and the people will not be prepared even to the extent of this one cannery. I hope that can be done.

Senator ANDERSON. What is going to happen to the other canneries, Mr. Deveau? Are you going to put them out of business?

Mr. DEVEAU. The Alaska Packers is right now planning on building a totally new plant. They were completely wiped out. There is nothing but the piling stubs left.

Senator ANDERSON. If you put on three shifts there is nothing for them to do, is there?

Mr. DEVEAU. It will take them 7 or 8 months to rebuild. Even when they rebuild we can't handle all the crab from the fishermen anyhow, and we welcome the competition because this will lighten the burden on us. It is quite hard for us to run a cannery three shifts.

Senator ANDERSON. What is the other cannery up there?

Mr. DEVEAU. Beg pardon?

Senator ANDERSON. What is the third cannery?

Mr. DEVEAU. The third cannery was the Alaska King Crab. It is a total loss.

Senator ANDERSON. Does it plan to rebuild?

Mr. DEVEAU. I don't know what their plans are at the present time because I have been away from Kodiak now about 8 days.

Senator BARTLETT. Who owns that?

Mr. DEVEAU. That is owned jointly by the San Juan Packing Co. and Kodiak Fisheries.

Senator SIMPSON. Mr. Chairman, may I ask a question?

Mayor DEVEAU, what is the population of Kodiak?

Mr. DEVEAU. The last census showed 7,150 people on the Kodiak island; I would say in and around the city of Kodiak it is about 5,000.

Senator SIMPSON. Incorporated?

Mr. DEVEAU. Yes. It is a first-class incorporated city.

Senator SIMPSON. So not only was your revenue cut off by three-quarters but you also have a situation that cuts down on the handling and administration of your local government, have you not?

Mr. DEVEAU. Well, actually I can't quote figures but I don't see how we are ever going to come out of it unless we get direct grant.

Senator SIMPSON. I am not disagreeing with you. I certainly think there is need for speedy and substantial help. But I am trying to find out if the administration of all your government is at a standstill, too, because of the lack of funds to undertake administration; is that correct?

Mr. DEVEAU. Yes. We had a tax assessment valuation on Kodiak of \$21 million, and the main business district being destroyed and out of business, of course, our financial structure will practically collapse.

Senator SIMPSON. That is all I have, Mr. Chairman.

Senator ANDERSON. You finally ended up by saying you didn't see how you could ever get out of it without direct grants. First you used direct loan and then direct grants. You feel the only way to get out of it is by direct grants by the Government?

Mr. DEVEAU. A direct grant—we can't wait that long. I mean we have got to get back in production. But the businesses, the small businesses, the homes, I don't see how they can ever refinance. They must have direct grants.

Senator ANDERSON. That does not apply to businesses then?

Mr. DEVEAU. Beg pardon?

Senator ANDERSON. That does not apply to businesses; they do not need direct grants?

Mr. DEVEAU. No, I say the uptown businesses need direct grants because they are totally destroyed—stock, buildings, everything. We have damage, and with money we can get back into operation. We are healthy compared to those people.

Senator ANDERSON. Are you differentiating between the fisheries and the remaining commercial establishments?

Mr. DEVEAU. Yes. They are totally destroyed.

Senator ANDERSON. And they will need direct grants?

Mr. DEVEAU. I would say "yes."

Senator ANDERSON. And the residents will need direct grants?

Mr. DEVEAU. Yes.

Senator ANDERSON. How heavy was the loss to the city?

Mr. DEVEAU. The public damage was approximately five and a half million dollars, almost all of it reimbursable.

Senator GRUENING. How much was the private damage?

Mr. DEVEAU. Approximately \$20 million. But we still have further damage because where we are going to relocate the town, the tide is up to the main street. Forty to forty-five percent of the business district will now be tideland with the tide going in and out.

Senator GRUENING. That is due to the fact that the level of the island has sunk about five and a half feet, is that correct?

Mr. DEVEAU. Yes.

Senator GRUENING. So that was a situation that you did not fully approximate or appraise when you first saw the disaster, did you?

Mr. DEVEAU. It was the general belief that after this tidal wave, the large, abnormal tides would recede but now the Coast and Geodetic Survey officially estimates that we are stuck with these tides. This means that sometime in the future—June 11 will be our highest tide, and the cannery will be out of business, the city dock will be out of business—when the tides recede we will be able to go into the salmon operation. We have a summer salmon operation coming up about the middle of June and, of course, this summer salmon operation will provide employment for the people outside of the city of Kodiak, the smaller fishing vessels that are still left. But sometime between the June and December operation, we have to make plans to change the whole structure of our cannery.

We have got to take all our canning machinery—we have five different lines, salmon lines, crab lines, freezing lines—and raise all of these above the existing level and still try to keep in operation in between these changes and it is going to be a tough job.

Senator ANDERSON. With this large Russian boat that is in there now has there been discussion with the Russians about protecting the territory that is closest to your place where you have done your fishing heretofore?

Mr. DEVEAU. I believe Governor Egan can elaborate on this, he just come back from Moscow a short time ago.

Senator ANDERSON. Governor Egan is back in the room. Will you come up while Mr. Deveau is testifying and tell us about that?

Governor EGAN. Mr. Chairman, I was adviser to the Fur Seals Commission, American delegation, at their annual meeting in Moscow. I went with them this year because we would be able to have discussions with Mr. Ishkov, the Soviet Minister of Fisheries, and other Soviet officials with regard to the gear conflict problem off the coast of Kodiak. It has caused great concern and loss of our king crab pot gear over the last two seasons.

Now, as Mr. Deveau stated, the Russians in 1963 or in 1962 were not engaged in the commercial crab fishery. They came in with their trawlers fishing for other things, chiefly at night, and running through

the American gear, and causing damage to gear that was not compatible with the type gear they were using. This was the problem that arose off Kodiak Island, which reached such proportions that on some occasions American fishermen were threatening to arm their vessels in order that their livelihood could be protected.

Fortunately, we thought it was fortunate, Mr. Ishkov and his people had a number of meetings and discussions with us in Moscow over a period of 5 or 6 days.

We came back home at the conclusion of those meetings. The American group was headed by Mr. William C. Harrington, who heads the Fisheries Section of the U.S. Department of State. At the conclusion of the meetings there was a statement of understanding agreed to by both the American delegation and the Soviet delegation, including Mr. Ishkov.

A copy of this statement of understanding went to our own U.S. Department of State, and a copy went to the Soviet Foreign Office.

I do not know what has transpired since that time, but we thought that, as a result of this statement of understanding, we would not again have any problem off the coast of Kodiak with regard to the king crab situation.

Then a few days ago, or about a week ago, this 12,000-ton ship showed up with a number of catcher boats. A day or two later I was at a meeting conducted by U.S. Ambassador at Large Llewellyn Thompson attended by the Soviet Ambassador to the United States, Mr. Dobrynin, and Mr. Harrington. A statement was given to the Soviet Ambassador by Ambassador Thompson. The Soviet Ambassador stated that he personally was not familiar with this problem or why his people would be in those waters fishing for crab at this time. He wanted to make it clear that he felt they weren't trying to take advantage of the disaster situation. But he would report to his Government the fact that the U.S. Government was greatly concerned once more over the encroachment on the king crab fishery in the Kodiak area.

It seems to me that the time has come when the Government of the United States must take unilateral action in declaring king crab to be creatures of the Continental Shelf, and exert jurisdiction over that resource at the earliest possible time.

Now 21 nations have ratified the Geneva agreement. The ratification of 22 nations usually is required to make an agreement effective, as I understand it; but because of the fact that there was such unanimity at Geneva, it is the position of our Government that we could declare unilaterally the king crab to be a creature of the Continental Shelf, and still be in good keeping with the spirit of the Geneva convention.

I hope, as I said before, that this is done at the earliest possible time because it is the American regulation of those United States, State of Alaska, and U.S. Government regulation of the king crab resources, even at 30, 40, 50 miles from shore that has resulted in the continuous seeding of the resource which permits the large stocks of crab in closer to the shore which generally speaking, the Kodiak fishermen fish for with only a crab-pot type of gear which is the only type of gear we will permit them to use in fishing king crab.

The Russians have come in there with tackle net gear, a type of gear that we consider will wipe out the king crab fishery entirely over a given length of time.

Senator ANDERSON. How far off the coast are the Russians fishing?

Governor EGAN. Now there have been different reports of them having been situated 16 miles out, 30 miles out, 40 miles out.

Senator ANDERSON. How far off the coast do we assert jurisdiction?

Governor EGAN. We assert jurisdiction, of course, 3 miles out but—

Senator ANDERSON. Doesn't that somewhat answer the question?

Governor EGAN. But the spirit of the discussions we had with the Russians in Moscow, the spirit of the U.S. activity on the fishing ground, is that discretion and understanding is also a part of the fisheries problem, Mr. Chairman.

Senator ANDERSON. Isn't this a problem all over Latin America?

Governor EGAN. Well, we felt that we had arrived at a statement of understanding that would recognize for the first time local areas of conflict whereby our fleets or their fleets would avoid these local conflicts, and thus avoid international incidents that could be very detrimental to both nations.

But I do say that I think the time has come when the United States of America should declare king crab to be creatures of the Continental Shelf and thus exercise complete jurisdiction out to the end of that shelf.

Mr. DEVEAU. Mr. Chairman, in Alaska—

Senator ANDERSON. Just one second—We have been trying to check out this statement about this confusion with Mr. Foley, and I have just had a talk with Small Business and they assure us that the Deveau loan will be considered under the regular procedures without checking with this Commission.

Mr. DEVEAU. At what percent interest?

Senator ANDERSON. Well, now you are going to negotiate that, I am not your banker. They have offered you a five-year moratorium, and a 15-year extension at 3 percent. That is a pretty good rate of interest. You are paying 8 percent now, aren't you.

Mr. DEVEAU. Six.

Senator ANDERSON. Six percent?

Mr. DEVEAU. Yes.

Senator ANDERSON. Well, we had testimony from Mr. Rasmussen, who I thought knew the banking business reasonably well, who said the uniform rate for commercial loans is 8 percent. Are you getting your commercial loan in Alaska?

Mr. DEVEAU. No; we are getting it from Seattle.

Senator ANDERSON. The prevailing loan in Alaska is 8 percent?

Governor EGAN. The prevailing rate is 8 percent.

Senator ANDERSON. Please answer my question. What is the prevailing rate?

Governor EGAN. It is my understanding a good percentage of good commercial loans are made at 6 percent or in that area, Mr. Chairman.

Senator ANDERSON. In Alaska?

Governor EGAN. In Alaska.

Senator ANDERSON. Well, at least we have contradictory testimony, haven't we?

Governor EGAN. Well, I don't think that Mr. Rasmussen said that there aren't loans being made at 6 percent.

Senator ANDERSON. No; that the prevailing rate, the firm commercial rate is 8 percent in Alaska, isn't it?

Governor EGAN. Ordinarily, that is the maximum rate, yes, but that is not always the rate that is—

Senator ANDERSON. You put the word "maximum" in each time. That is what the prevailing rate is for ordinary commercial loans in Alaska.

Governor EGAN. You would have to ask the bankers but I am sure that a good many loans are made at under 8 percent. The maximum rate that can be charged by the banks is 8 percent.

Senator ANDERSON. Well, if a man applies for a loan at the regular hard commercial rate, which is  $4\frac{1}{2}$  percent here, and gives as collateral a million dollars worth of Government bonds he can get a loan at less than  $4\frac{1}{2}$  percent.

Governor EGAN. Yes.

Senator ANDERSON. But that is not the normal commercial rate, is it?

Governor EGAN. Four and a half percent would probably be the normal rate for the average individual but if they have a better credit standing—

Senator ANDERSON. You can make some headway with them, that is your problem.

Senator Gruening suggested it ought to be zero for 10 years and three-quarters of 1 percent thereafter.

Governor EGAN. That is right. Each individual case would be considered on its own merits, I imagine.

Mr. DEVEAU. I wanted to clarify one thing that Governor Egan didn't clarify, that we do have jurisdiction approximately 80 miles off Kodiak waters by what we call the landing law, and this landing law says that the vessels cannot fish by means, methods, and times unlawfully outside the 3-mile limit if these means, methods, and times are unlawful inside.

So actually the whole Kodiak Island area where the Russians are fishing now is in our regulatory area and we have been regulating these areas for about 5 years now, 4 years.

Governor EGAN. Insofar as American fishermen are concerned?

Mr. DEVEAU. Inasmuch as American fishermen are involved.

Senator ANDERSON. All right. Thank you.

I am going to have to ask Senator Bartlett to take over.

Can Jeff Kibre come up? You go right ahead.

#### STATEMENT OF JEFF KIBRE, WASHINGTON REPRESENTATIVE OF INTERNATIONAL LONGSHOREMEN'S UNION

Mr. KIBRE. Thank you, Mr. Chairman.

Mr. Chairman, I might explain that Mr. Ralph Rider, of Seward, had planned to be here to testify but unfortunately at the last minute, because of the fact that he is heavily burdened with a lot of duties in Seward, he was unable to come.

Senator BARTLETT. He didn't come at all.

Mr. KIBRE. He was not able to come at all.

Senator BARTLETT. In what capacity would he have come if he had done so?

Mr. KIBRE. He would have come as a representative of the union to testify from firsthand knowledge of the situation at Seward.

Senator BARTLETT. All right.

Mr. KIBRE. Mr. Chairman, my name is Jeff Kibre. I am the Washington representative of the International Longshoremen's & Warehousemen's Union. Our interest in the legislation before this committee stems from the fact that we represent many hundreds of longshoremen, warehousemen, fishermen and other workers in most of the port towns of Alaska. I might emphasize that we are particularly concerned with Seward, the historic major port of entry for central Alaska.

On behalf of the ILWU as a whole and its members in Alaska, I am happy to support the objectives of S. 2719; and I want to commend the Senator from Washington, Mr. Henry Jackson, as well as the other Senators from the States bordering on the Pacific Ocean, for introducing this measure. By so doing, they have afforded all concerned with the Alaska disaster an opportunity to focus legislative attention on the urgent task of helping the 49th State recover from its tragic losses.

The ILWU fully supports any and all measures designed to restore the shattered communities of Alaska. As soon as the facts on the extent of the damage became known, the officers of the ILWU wired President Johnson to commend him for his swift action in setting Federal agencies into motion.

Moreover, the ILWU urged special emphasis on the problem facing workers who had lost their jobs, and particularly fishermen who had lost their boats as well as fish plant operators whose facilities had been destroyed. I ask that a copy of that telegram be inserted in the record following my remarks.

Senator BARTLETT. That will be done.

Mr. KIBRE. It now appears that substantial help is on the way to restore public facilities. The need of the hour, as we see it, is to generate aid for the private sector of the economy; to help people rebuild their homes, to help small business people get back on their feet, to see that the all-important fishing industry swings into operation for the summer season.

Seward, in particular, faces staggering problems. The cargo-handling facilities, upon which the economy of the community rested almost entirely, were completely destroyed. At the same time, according to available information, private property worth some \$7.8 million was wiped out and must be replaced. This is an enormous task for a community of some 2,000 persons whose main source of livelihood is temporarily nonexistent.

Disaster grants and loans will help rebuild much of the public damage. But what about the problem facing owners of some 94 houses destroyed in whole or in part?

Many of these homeowners were longshoremen or otherwise employed in cargo operations; they had substantial mortgages on their homes and little in the way of accumulated savings. Now those mortgages are secured only by debris and immediate earning prospects are bleak indeed. Low-cost loans to those persons on top of their outstanding mortgages hardly provide a realistic solution.

Considering the circumstances in a community such as Seward, we feel that legislation along the lines of S. 2719 is urgently demanded. In one form or another, private home owners and small business people must have relief to take care of their losses. The retroactive insurance benefits provided under the bill may not be the most desirable answer; in fact, we would prefer immediate indemnity grants where the need can be justified. But certainly, as the basis for a prompt starting point, the program envisioned under this bill is worth serious consideration.

We recognize that considerable study may be needed to perfect a sound answer. But we also say that the important thing is to proceed, to act promptly and boldly to provide the most practical form of relief for the private sector.

The people of Alaska want to get on with the job of recovery, today, tomorrow. They deserve—at once—a generous helping hand from the Congress.

(The telegram referred to follows:)

President LYNDON B. JOHNSON,  
*The White House, Washington, D.C.:*

On behalf of hundreds of our Alaska members, we are heartened by your swift action to provide Federal aid to help restore devastated Alaska. Situation demands urgent, massive action. Available reports indicate Alaska suffered worst catastrophe ever to befall a single State. Nation can demonstrate readiness to do for our people what we have done for so many others around the world. We feel Federal Government must set in motion full-scale program to restore a greater Alaska. We urge:

(1) Immediate Federal grants to the most stricken communities as urged by Seward city manager.

(2) That the Government pick up all outstanding mortgages on destroyed private homes and buildings.

(3) That the Government provide extended unemployment insurance for all workers who have lost their jobs.

(4) That the Government provide emergency public works projects to provide employment, especially in the coastal towns and villages.

(5) That the Government proceed to assist in the immediate reconstruction of Seward, the major port of entry into central Alaska.

(6) That the Government undertake to make fishing boats available to replace those lost and to help rebuild canning plants in time for the coming fishing season.

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION,  
HARRY BRIDGES, *President.*  
LOUIS GOLDBLATT, *Secretary-Treasurer.*  
J. R. ROBERTSON, VICE PRESIDENT.

Senator BARTLETT. How many members of the union are there in Seward?

Mr. KIBRE. Approximately 200.

Senator BARTLETT. And what importance are the longshoring operations to the economy?

Mr. KIBRE. The longshoring operation has been virtually the entire economy of Seward. It has represented virtually the entire economy of Seward.

Senator BARTLETT. You heard discussion here earlier this morning about the possibility that a recommendation may have been made by the military that railroad facilities at Seward should not be rebuilt. Do you have any comment to make on that? Let us assume that this report is being circulated and let us hope it is merely a rumor but I would like you to comment in any case.

Mr. KIBRE. I read those reports with a great deal of distress, Mr. Chairman. We feel very strongly that the port of Seward should be restored completely, with the railroad facilities and with the harbor. We feel that the port of Seward historically has demonstrated it worth, and its importance to the economy of Alaska, and we are certain that the people of Alaska, those who are most vitally concerned, would want to see the port of Seward completely and fully restored.

Senator BARTLETT. It is completely destroyed now?

Mr. KIBRE. It is completely washed out.

Senator BARTLETT. I know in this connection I have received many wires and I am sure Senator Gruening and Congressman Rivers have also from residents of towns down on the Kenai Peninsula which are linked commercially and otherwise to Seward. These towns are most interested in the restoration of Seward, and these wires came in long before there were any reports abroad of a recommendation adverse to the rebuilding was made.

Senator Gruening?

Senator GRUENING. Mr. Kibre, you have been familiar with Alaskan matters for a good many years, have you not?

Mr. KIBRE. What was that, Senator?

Senator GRUENING. You have been familiar with Alaskan matters for a great many years?

Mr. KIBRE. To some extent.

Senator GRUENING. How many would you say?

Mr. KIBRE. Back to about 1940. I used to travel up there periodically in connection with fishing activities.

Senator GRUENING. In other words, a quarter of a century more or less?

Mr. KIBRE. About that.

Senator GRUENING. Do you see any reason why the Secretary of Defense should have any say as to whether the civilian community of Seward shall or shall not be rebuilt?

Mr. KIBRE. I recognize that counsel of the Secretary of Defense is always valuable and always needed but it seems to me that he should not make the final determination.

Senator GRUENING. Why should he make any decision?

Mr. KIBRE. I don't think he should make any final decision with respect to the port of Seward or any other area of Alaska.

Senator GRUENING. That is my view. We are not living under a military state. We are a civilian community. We are a sovereign State, and it seems to me very definitely that matter should be settled by the civilian authorities.

Mr. KIBRE. Certainly, sir.

Senator GRUENING. Constituted elected authorities and not the appointed authority of the Federal agency.

Mr. KIBRE. It certainly is my feeling, Senator, and I am very glad to hear it said.

Senator GRUENING. Mr. Kibre, you said quite correctly that longshoring was the principal economy. Those 200 men, many of them have bought their homes and are paying for them now, are they not?

Mr. KIBRE. Yes. They are solid residents of the community. I might point out in this connection, sir, that Mr. Ralph Rider at one time was not only president of the Longshoremen's Union in Seward

but also president of the chamber of commerce. In other words, longshoring is the economy there. The longshoremen are a very vital, very important part of the community.

Senator GRUENING. I think the fact that Mr. Ralph Rider was both president of the Longshoremen's Union and the president of the chamber of commerce is a striking revelation of the stability and the character of the industry and of the character of the men who are in it. They are essentially businessmen as well as occupying their profession of longshoring.

Mr. KIBRE. That is true. I might also point something out, Senator, and that is this: Shortly after the disaster, our longshore locals on the west coast were prepared to work out a program whereby the longshoremen in Seward, at least temporarily, would be transferred to other areas along the west coast.

However, the men in Seward said, "Look, we want to remain in Seward. All we want is some help so we can rebuild Seward. This is our town, this is our home, get us some help to rebuild this town. We want to stay here."

That was their attitude.

Senator GRUENING. Of course, it is my view that apart from the essential human factors, that the economy of western Alaska, central Alaska, whatever you should call it, cannot possibly be rebuilt without the establishment of Seward as a port and it has been the principal port. There have been other means of entry. Anchorage has entered into the picture with some difficulty; Whittier was never in adequate substitute. We need all the ports there.

Senator BARTLETT. Including Valdez?

Senator GRUENING. Including Valdez and we wished to have the port of Cordova.

The facilities on the Copper River have been damaged as a result of the earthquake but we need more ports, not fewer ports.

Mr. KIBRE. Precisely. It is my understanding of the situation that the long-term development of Alaska is going to require more ports, more transportation.

Senator GRUENING. These longshoremen now unemployed will be drawing unemployment compensation. What do you think should be done when this expires under the normal terms of the length of time that they can draw this?

Mr. KIBRE. We recommended to the President that steps be taken to provide extended unemployment insurance, not only for the longshoremen in Seward but for all workers in Alaska who have lost their jobs through no fault of their own.

Senator GRUENING. I think that is a very sound recommendation. I think it should be extended until their livelihood is restored.

I think, in the case of Seward, they should have unemployment compensation which, of course, is not the equivalent of the wages they earned, until the port is restored and longshoring is resumed. I know the delegation will do its utmost to bring that about.

I think I have completed my colloquy on that subject. I have nothing further.

Senator BARTLETT. Senator Simpson?

Senator SIMPSON. Didn't your national organization make a very substantial contribution to the immediate disaster relief in the area?

Mr. KIBRE. Well, there have been a number of substantial contributions from various sources to provide for immediate relief. That is very true. As a matter of fact, the response not only from the labor unions but from all over the country has been very substantial. However, the problem is not only relief, immediate relief, the problem is to restore the homes, rebuild the homes.

Senator SIMPSON. Yes, I understand that. I was just pointing out that you made a very substantial immediate contribution.

Mr. KIBRE. That is true.

Senator SIMPSON. Do you have any jurisdiction in Kodiak?

Mr. KIBRE. No. Kodiak is separate.

Senator SIMPSON. Would the type of work done by the people of Kodiak and other places correspond to the type of work being done, say, at Seward and these other places that have been so badly stricken?

Mr. KIBRE. There is a great deal of similarity, that is true.

Senator SIMPSON. Could you transfer some people from one area to another and they would have the experience to do a different type of work? Wouldn't it necessitate doing a different type of work to make a living than they had ordinarily been accustomed to?

Mr. KIBRE. It may be necessary to transfer people to projects of different kinds, fish canneries getting into operation, let's say, in Kodiak or in other areas where they have been wiped out at the present time.

Senator SIMPSON. It seems to me that it is difficult to transplant people who are accustomed to a different type of environment and work and I was wondering if you would agree with me it would be a most difficult thing to ask for the transfer of people out of a stricken area into another area.

Mr. KIBRE. Yes; there is that distinction, sir. To transplant them, for example, is most difficult when they have been rooted for a good many years in a particular community.

However, it may be possible, let us say, during the summer, when the salmon season gets underway, to provide temporary employment in other areas for a number of these people in the various port towns.

Senator SIMPSON. That is all I have, Mr. Chairman.

Senator BARTLETT. I think you made a very pertinent observation there, Senator Simpson. It reminds me of a time about 3 years ago when, for the first time, my wife and I drove to a little town in north-west Pennsylvania where my mother had been born. Coming back we stopped at Johnstown City and the next morning the waitress was telling us she had two brothers, one who had worked for the steel mill for years but who had been unemployed for 2 years. Another brother, and she was comparing him with the young ones' performance so I assume the brothers were quite young, worked for the coal mines all his life and he had been out of work 3 years, and I said to her, "Why doesn't he go somewhere else to get work," and she said, "This is home."

People don't leave home, they are not inclined to. They don't want to.

Senator SIMPSON. I know that is true. I worked in the coal mines myself. I know when the mines were shut down the people would remain there for many years and take up some other occupation

temporarily with the hope that they would be restored to their original occupational work.

Senator BARTLETT. Thank you, Mr. Kibre, for your useful testimony.

Mr. KIBRE. Thank you, sir, for the opportunity to appear and I want to thank the committee for undertaking this hearing.

Senator ANDERSON. May I apologize to you for being out. Mayor Sharrock. Welcome, Mr. Mayor. We are sorry we kept you a little late this morning, but these are not normal days any more. We do not expect to have any more normal days until the civil rights bill is over.

#### STATEMENT OF GEORGE SHARROCK, MAYOR, ANCHORAGE, ALASKA

Mr. SHARROCK. Thank you, Mr. Chairman.

On behalf of our people of the city of Anchorage, I would like to thank the committee for considering our problems in Alaska at this time, and also thank you for allowing me to appear.

I further would like to thank the Congress and the administration, the executive agencies of the Government, for the expeditious way that they have stepped in to alleviate the problems and the losses of the governmental agencies in Alaska under Public Law 875, and the existing programs of the various agencies.

We appreciate it very much.

However, our concern now is mainly with the private sector of the economy. I do not want to be repetitive and, therefore, I will try to only emphasize again the impact of the earthquake on our economy in Alaska and, perhaps, add some information which has been newly received just in the past day or so.

The base of our economy in Anchorage still exists, such as the Federal and military establishments, our young oil industry, the fish in the sea and streams, and many other resources. But despite this, the civilian economy, especially the year-round part, which is largely service in nature, was dependent upon private investment for their ability to provide the jobs and services. Much of this investment has been lost or severely damaged.

Almost 14 percent of our commercial buildings were destroyed or made unusable, plus some 265 residential buildings, many of them multiunit structures.

As of April 10 it was estimated that we had 732 families displaced. The potential number of buildings no doubt will be higher because of latent damage which we have not taken fully into consideration up to this time.

For instance, yesterday I received a wire saying that the geological evaluation group, which has been making some studies of the Anchorage area, recommended evacuation of homes which are adjacent to the areas which have been destroyed by slides during the earthquake on Good Friday.

Some 150 to 170 additional homes are involved. This recommendation, of course, is made pending further soil studies to be made in these areas to determine if some of the buildings need to be relocated.

They also recommended no new building or utility construction be done in these areas until the studies are completed; and, of course, there may be some complete loss of land for any useful purposes other than for parks.

I am quite certain that private loss is high in any disaster. However, I am sure that no State has lost such a high percentage of its total assets in just a few minutes. In Anchorage, for example, we lost an estimated \$143 million in private assets out of a total of \$330 million, which is over 40 percent, and I might add that these figures are admittedly or may not be completely accurate, but they were not made by any shot in the dark. We had our building inspectors and assessors immediately go out as soon as they could after the earthquake and start making some of the evaluation of the loss, and these are the figures that they came up with, and I am sure that they are fairly accurate, not taking into consideration, of course, any further latent damage.

I think that the smaller cities, Kodiak, Seward, and Valdez were probably to a greater extent, greater percentage of their total, lost. Such losses represented many years of capital accumulation, even with no existing debt replacement at one time, and would in many cases create debt service too high to meet.

Private enterprise especially in smaller concerns add capital investment in small amounts so that they can maintain some reasonable debt service.

In the Anchorage area total debt has been high because of a growing economy. A partial investigation shows \$227 million in private debt, and I am sure this is not the complete picture. Much of this has also been lost. For a businessman to service an old debt and a new one at the same time would be extremely difficult even on a long-term, low-interest basis, because principal payments would need to be large.

A man losing his home mortgaged under FHA might find it impossible to finance a new one since total payments could run from \$400 to \$500 a month. Many incomes would not permit loans to be made under those circumstances.

More important, such a debt picture might discourage the inflow of capital necessary not only for reconstruction but for any new developments that might need to take place.

Yesterday Governor Egan indicated that the State legislature had approved or authorized him to issue bonds in the amount of \$50 million. This may not seem very large, a very large amount, to those of you from the other States. However, based on the budget of the State of Alaska that it has, if it were compared to New York, would mean that New York State would need to authorize bonds somewhere in the neighborhood of \$2 billion in order to be a comparable figure.

Interest rates on municipal and State bonds were also discussed yesterday. One thing not brought out was that the ratio of debt to total assets is an important factor in credit ratings and interest rates, and we consider the large loss of capital assets—when we consider that—it seems almost certain there will be limitations almost automatically placed on the new State and municipal debt in order to obtain reasonable interest rates, at least until such time as private capital has increased the total investment to something near their previous values.

It should also be considered that many failures of private business would tend to slow up the inflow of capital. Any substantial lag in investment will certainly affect both State and municipal government operations, and also Federal taxes will suffer.

Since you are considering an insurance program, I believe I should say that I have talked to many homeowners who were purchasing under FHA. Almost all believed that they were fully covered for earthquake damage by the insurance premium paid under that program. Even the bankers and the local FHA officials were not certain of this immediately after the earthquake.

As Governor Egan said, I believe only a relatively small number of losses were covered by specific earthquake insurance. Some buildings under construction or nearly completed were covered under builders-risk insurance, and like the Governor and some of the others who may have spoken, said, I would think that the program, in order to provide reasonable premium rates, would need to be broadened to cover the United States. I think that most of us think of an earthquake as possible only someplace else, and not at all likely in our own area or at least we won't have any severe shocks.

Evidence supports and points to the fact that although severe quakes in any area may not be frequent, they occur all over the world. There are estimates of some 4,000 earthquakes averaged throughout the world each year with, perhaps, 4 or 5 of destructive force.

Mr. Frederick L. Hoffmann in his book called "Earthquake Hazards and Insurance," says:

Obviously, and on general principles, the whole United States must be considered as a field for earthquake insurance, for in the light of much experience, no large section can be safely considered as not liable to earth movements at some time in the future.

He divides the United States into four regions, of which he says, "all are subject to seismic shocks of more or less severity."

Even the Eastern United States has not been spared. South Carolina had a quake in 1886, felt over an area of 2 to 3 million square miles. The southern Mississippi Valley had a very destructive quake in 1811. New England had three quakes in 5 years in the 1920's. Boston has had six severe shocks from 1638 to 1870.

This is not meant to alarm anyone, but to remind that earthquakes can happen anywhere. Although they may occur more frequently in some areas, no area may safely assume it will be spared.

Mr. Seidman yesterday quoted a Banking and Currency Committee, Senate Banking and Currency Committee, report, in which it said that Anchorage, the Anchorage area, often had earthquakes that would be severe in more populated areas. Well, the record may bear this out. However, I have lived there for over 17 years, and I have never experienced an earthquake up until the one on Good Friday which I would consider a very severe one or one that caused any particular alarm, and no significant damage that I know of other than dishes falling on the floor.

Senator ANDERSON. How long have you lived there, you say?

Mr. SHARROCK. Something over 17 years.

Senator ANDERSON. Then you were there in October 1954?

Mr. SHARROCK. Yes, sir.

Senator ANDERSON. Was there an earthquake then in Anchorage?

Mr. SHARROCK. We have had a great many earthquakes of variable intensities, but nothing that I would consider very strong or any one that was there—

Senator ANDERSON. There were buildings damaged by it?

Mr. SHARROCK. Pardon?

Senator ANDERSON. Weren't there buildings damaged by it?

Mr. SHARROCK. No significant damage, Senator.

Senator ANDERSON. Let me read you from a geologist report. This is a bulletin of the Geological Survey for 1963, and one of the paragraphs says:

Anchorage is in the earthquake region and numerous tremors and shocks have been reported accordingly. See table No. 6. Earthquakes are reported by the degree of intensity—

and it sets forth what happens in each one of these 12 earthquakes it lists, and it says:

In October 1954 a strong earthquake damaged structures in Anchorage. One of the buildings damaged was the International Airport Building. Damage was minor and consisted only of cracking of concrete blocks, no structural damage was done to the load-bearing walls. In addition to damage to masonry buildings, i.e., fallen plaster and cracked concrete walls, there were several slides along the Alaska Railroad in the Anchorage area. Slides in fill at miles 102.8 and 103.1 along the steep till bluff of Turnagain Arm left 140 feet of track suspended 15 to 20 feet in the air. In addition, part of the subgrade slid out on the Bootlegger Cove Clay between Chester Creek and Ship Creek.

Did you forget that in 10 years?

Mr. SHARROCK. No; I did not forget it, Senator. I say, comparatively speaking, it was a rather insignificant amount of damage and caused no particular alarm that I recall.

Senator ANDERSON. I see. The table of earthquakes they list is on page 106, and they start out in 1936 in Anchorage. There are 35 or 40 of them listed and the dates for them.

Mr. SHARROCK. Well, I think that I pointed out that earthquakes occur all over. I remember reading in the same book that you quoted here that the city of San Francisco in California, has an average of 89 a year, but there are none of them real strong and cause no significant damage. They occur everywhere.

Senator ANDERSON. The only reason this question came up in my mind is whether or not it was wise to rebuild in exactly the same areas where all the building was done this time or whether there are safer areas in Anchorage where the residential construction might be pushed.

Mr. SHARROCK. Well, I think this is one of the things we are certainly going to do, and we have stopped new building construction in these areas until it can be determined that it is safe. This will be part of our planning program for reconstruction.

Senator GRUENING. Mr. Chairman, I think one reason why the people of Alaska have tended to overlook these minor earthquake shocks is that they are fortunate in respect to other natural disasters. We never have anybody killed by tornadoes up there, we never have anybody killed by hurricanes, we never have anybody killed by lightning. This happens in all of the 48 States, so possibly this is one of the reasons why they do not pay too much attention to these minor earthquakes.

Mr. SHARROCK. This about concludes what I have prepared, Mr. Chairman. I did want to add though that it appears that since the hazard of earthquakes does exist almost everywhere, perhaps in varying degrees, that insurance in this sort of a catastrophe ought to be available nationwide on some reasonable premium payment. I think it has been brought out that the premiums for most construction have

been considered rather high and, perhaps, a broader base would bring the premium rate down.

I think also that most of the existing agency programs, although I am sure that they might be helpful for the severity and the great need we have in the private sector, do not appear to be adequate without some modification and, therefore, we are certainly endorsing this S. 2719 which, at least, seems to provide the relief we need.

I also want to make one more statement, and that is with regard to the port of Seward. We firmly believe, along with Seward, that that port is necessary to the rail belt area of Alaska, and we want to lend every possible support that we can for complete reconstruction of the Seward port.

Senator ANDERSON. Any questions?

Senator SIMPSON. Mr. Chairman, I want to compliment the Mayor on his fine statement. I also want to point out that that is no inconsiderable amount of money that your great State has contributed in the way of a bond issue, \$50 million. My State is much smaller in area than yours, but with comparatively more people, and that amount of money would approximately run us for 3 years of administration in the State government, the total load. I think it is an indication on the part of the people of Alaska that they are willing to do everything they can, and indicates the need for speedy action, as speedy as possible, with respect to the Federal Government's attitude toward your great State.

Senator ANDERSON. I want to congratulate you also, because the list we had of damage was sort of a variable list making minimum damage and maximum damage, and you have used in your statement a figure that was the minimum amount. In that minimum amount, using that as \$143 million in Anchorage, the private sector came to \$177 million, and it seems to me that is not an unreasonable figure of that much damage, and not one that can be handled.

How much can be handled by existing agencies I do not know. I would hope that someone could because I think you would recognize if we were starting in now trying to pass this insurance program, if we reported a bill favorably tomorrow, it would be some months perhaps before it could get to the Senate floor, and it might be a long time before the people of Alaska could get actual relief. These agencies ought to be able to do something of a temporary nature very quickly.

You have made a good statement and I appreciate it.

Mr. SHARROCK. Thank you.

Senator ANDERSON. This runs us through our list of witnesses, and I assume, unless there are some questions which arise, we will not have additional public hearings by the Interior Committee on the bill.

I do want to say before we close that I hope the people who return to Alaska won't feel that because our questions are asked about procedures and how you are going at things it means we are unsympathetic with what the problem is or that we are unsympathetic with the need for a satisfactory remedy, a complete remedy.

We have tried to get people to work through the Commission, to find out what the damage is house by house, because we have to have that information. If an insurance program is to be adopted you have to have the loss house by house.

When there is a devastating fire that covers four blocks, they don't say four blocks, so many million dollars; they go to John Doe's ware-

house and Jim Brown's store and Ed Smith's hardware shop, and so forth, and fix them individual by individual. We are going to try to do that same sort of thing in Alaska, and have it done quickly because relief has to be given and it must be given, and it will be given.

I hope you people going home will not go home discouraged with what has taken place, even though they may not be overjoyed by some of the questions and answers that have been given. This is a rather novel venture. We start talking about repairing the private sector and paying for its loss in the communities, and it is a little bit unusual.

We have floods along the east coast, we have money we turn in from the Federal Government to rebuild maybe a roadway, but the individuals are supposed to put their places back in order. It would be a very severe blow to Anchorage, a very severe blow to the economy of Alaska, and we are going to have to have some way of avoiding that. But I think we can look forward with some degree of confidence to the fact that we have a program that I hope you will find satisfactory, and I hope will keep Anchorage and these other communities going and growing, and will get Alaska back its very fine reputation for growth and for prosperity. At least that is my hope and my ambition.

I am sure it is that of other members of the committee.

Is there anything further?

Senator BARTLETT. Yes, Mr. Chairman.

I would like to say this: I, personally, am most appreciative of the time, devotion, and effort you have given to this cause. We, here, know how busy a man you are, with the demands that are made upon you. We know that the President chose you to head up the Commission because he had faith in you. I share that faith, and I think that the approach you are making is the one best calculated to get the job done.

Senator ANDERSON. Well, I only want to say that if we succeed in doing what we are now trying to do, namely, get an accurate count on damage, and an accurate evaluation of what each loss has been, and Congress then decides to go to the retroactive insurance route, a tremendous amount of work on that will already have been done, and that is what we are working on now.

If the Congress does not then go on the prepaid insurance route, then the other agencies will have been canvassed carefully to see what they can contribute. They are in the midst of it now.

Secretary Orville Freeman has sent me a text of some language he would like to see put in the bill so that the Farmers Home Administration can move faster than it is now going.

Secretary Udall has called and said that he would like to see his department move faster than it is now going. He thinks we ought to be moving very rapidly in this matter, and he is trying to get to that.

Mr. Halaby of the FAA, who has charge of airports, believes he can move to put them all back in shape in a short time, rebuild Anchorage tower, and do all the things that have to be done as quickly as possible.

We are going to have to be ready to do that regardless of what route the Congress finds it has to take, and this work will go forward just as rapidly as it can, with full confidence that Alaska is not going to be left in a position where it cannot recover from this very severe shock.

I have here a statement of Irvine H. Sprague, deputy director, Department of Finance of the State of California, for inclusion at this point in the record. Also, there are two communications Senator Bartlett has given me that will be included.

(The documents referred to follow:)

STATEMENT OF IRVINE H. SPRAGUE, DEPUTY DIRECTOR, DEPARTMENT OF  
FINANCE, STATE OF CALIFORNIA

Mr. Chairman, thank you for the opportunity to discuss the earthquake relief legislation now before your committee.

Governor Brown instructed me to appear today to offer his full support for the measures being explored by your committee and by the Federal Reconstruction and Planning Commission for Alaska.

I am testifying today with special reference to S. 2719, legislation which would provide federally sponsored insurance protection against losses from earthquakes and earthquake-related damages to real and personal property in the State of Alaska, this protection to be made available on a retroactive basis.

The basic problem facing your committee is to determine how best to assist the people of Alaska in their time of desperate need and in this goal we fully concur.

However, the record should also show that some individuals in Del Norte County, Calif., suffered hardships from the earthquake and tidal wave equally severe as those suffered by the people of Alaska. As a matter of equity and demonstrated need, they should be afforded equal treatment.

Ten persons in this northern California coastal community lost their lives, and six others are still missing and presumably lost, and damages to private and public property have been estimated to be in excess of \$10 million.

The downtown section of the community was virtually destroyed.

We were grateful to note in the hearings yesterday the comment of Senator Jackson, chairman of the full committee, to the effect that the legislation, while initially limited to Alaska, is open for amendment to cover other areas as appropriate and we support such an amendment.

We in California realize that earthquake insurance is not the only answer and we recognize with appreciation the efforts of the many Federal agencies which were in the field to offer assistance within hours of the disaster.

Governor Brown was on the scene at Crescent City shortly following the tidal wave and his appeal to President Johnson for designation of the county as a disaster area was promptly acted upon. The Army Engineers were at work before the seas had fully receded and just yesterday the President formally allocated \$1,250,000 from his emergency fund to finance some of the work now underway at Crescent City.

In addition, the Housing and Home Finance Agency is working with our State on an urban planning grant to help redesignate the community and the Small Business Administration is in the field offering low-interest, long-term loans to assist individuals and business firms.

The California Legislature also is expected to act promptly on the special call of the Governor for emergency legislation that would permit the disaster victims to deduct from their 1963 California income tax the amount of loss they suffered as a result of the disaster.

It further appears from the hearing record that additional relief may be afforded administratively by the Federal Housing Administration and possibly other Federal agencies.

In conclusion, the State of California offers its grateful thanks to your committee for acting so promptly in this emergency and we promise full support in implementing the solutions you devise.

---

ALASKA ICE & STORAGE, INC.,  
Kodiak, Alaska, April 9, 1964.

Hon. E. L. BARTLETT,  
Senate Office Building, Washington, D.C.

SIR: I am greatly distressed by the serious conditions confronting the people and their businesses in Alaska. It is estimated that between 55 and 60 percent of the assessed valuation of Alaska has been destroyed. To my knowledge

this situation has never been experienced by any one of our States. If some sort of a direct grant is not made possible to individuals and businesses in Alaska, I see little hope for the economic future of that great State.

I have heard of a proposal that certainly makes sense to me, without a hardship on any segment of our population. Namely, extend the War Damage Insurance Corporation to include and make it possible for business and the public to buy earthquake, flood, and tidal wave insurance at a reasonable cost but make the claims for earthquake damage in Alaska retroactive.

By this method the Government would offer to business and the public an opportunity to insure their buildings, homes, etc., at a reasonable premium. If they did not take advantage of that offer, any future claims of that kind would merit no recovery. As a matter of fact, I think all mortgage companies would make it mandatory if it is available.

I am sure the insurance industry would offer their assistance in handling this coverage for the Government as they did on war risk insurance.

It just happens that this particular catastrophe occurred in Alaska but it could occur anyplace on the west coast. Insurance of this type is too great for the insurance companies to assume, as is the case with tidal wave insurance and flood insurance. For this reason, although it is obviously socialistic, I think the only answer is to offer this coverage to everyone in the United States at a reasonable cost and create a reserve to take care of future losses in the United States from earthquake, tidal wave, or flood.

I understand Senator Jackson has proposed a corporation which would do just that. I am hoping that Congress will make this the No. 1 priority and act fast and that you will do everything within your power to assist in pushing this legislation.

Cordially yours,

ALFRED W. WHITE, *President.*

ANCHORAGE, ALASKA, *April 12, 1964.*

Senator E. L. BARTLETT,  
*Washington, D.C.:*

Vital to Alaska recovery that you speed legislation providing retroactive earthquake insurance.

WILLIAM VAN ALLEN.

Senator ANDERSON. The hearing is adjourned.

(Whereupon, at 11:35 a.m., the committee was adjourned to reconvene subject to call of the Chair.)

## ALASKA EARTHQUAKE INSURANCE

TUESDAY, MAY 5, 1964

U. S. SENATE,  
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9 a.m., in room 3110, New Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Anderson, Jackson (chairman), Gruening, Simpson, Len B. Jordan, Burdick, Moss, Nelson, and Walters.

Also present: Senators E. L. Bartlett and Warren G. Magnuson; and William A. Egan, Governor of Alaska.

Also present: Stewart French, chief counsel; Jerry Verkler, staff director; and Richard W. C. Falknor, professional staff member.

Senator ANDERSON. This is the resumption of the open hearings held April 14 and 15 by the Senate Interior Committee on S. 2719, a bill sponsored by the distinguished Senator from the State of Washington, Senator Jackson, for himself and all of the other Senators of the Pacific Basin to provide earthquake insurance for the State of Alaska to alleviate the disastrous effects of the earthquake of Good Friday, March 27.

Yesterday, May 4, this committee held a public hearing on S. 2772 and then favorably reported the measure to the Senate. S. 2772 is an administration bill, also introduced by Senator Jackson, to authorize additional grants of \$23½ million by the Federal Government to the State of Alaska so that local governmental functions can continue there.

It is my hope that, in view of the emergency in which a sister State of the United States finds itself as a result of a natural disaster, the Senate can pass S. 2772 today.

As I pointed out, S. 2772 is an administration bill to provide aid to the public sector of the Alaskan economy—to the State and local governments. Senator Jackson's S. 2719, on the other hand, would provide direct aid to the private sector. Businesses and private individuals who suffered property losses in Alaska from the earthquake would be compensated for those losses, in substantial part, through a program of federally sponsored insurance with full participation by private insurance companies. A theory and a hope of the sponsors of the bill was that this insurance program might become self-sustaining, as did the insurance program of the War Damage Corporation, which the 77th Congress enacted in March of 1942 to be retroactive to the day before Pearl Harbor—December 6, 1941.

At our earlier hearings, however, doubt was expressed whether such a program based only on Alaska could become self-sustaining.

Accordingly, Senator Jackson has been working on a revision of his bill which would make it nationwide in its applicability and its financial base. I understand that a worksheet setting forth a preliminary draft of this revision is available in committee print form. It well may be that Senator Jackson will want to present this worksheet today for the consideration of the witnesses and the committee.

The first witness will be Mr. Harold Seidman.

Mr. Seidman is Assistant Director for Management and Organization, Bureau of the Budget. Go ahead, Mr. Seidman.

Mr. SEIDMAN. Mr. Chairman, I am accompanied by Mr. Howard Schnoor, my associate.

Senator ANDERSON. Before we start with Mr. Seidman, do any of the other Senators present wish to make a statement?

Senator MAGNUSON. Mr. Chairman, I have a very short statement. I will be glad to place it in the record at this point.

Senator ANDERSON. We would be happy to have you read it or place it in the record, as you wish.

Senator MAGNUSON. If I may, I will just insert it. I appreciate your courtesy.

#### STATEMENT OF HON. WARREN G. MAGNUSON, A U.S. SENATOR FROM THE STATE OF WASHINGTON

Senator MAGNUSON. Mr. Chairman, the American people and their elected representatives have always responded openly and generously when natural disaster has struck any part of this country. We have not been willing to see the economy of a community or region destroyed by the haphazard impact of natural forces.

But this response has had to come after the fact. Congress and the administration, spurred by the sense of tragedy that follows a fresh disaster, have acted through one device or another, to relieve the economy of the affected region.

Alaska's Good Friday earthquake has been no exception. Substantial assistance has already flowed to Alaska and more will follow.

But after each disaster, interest in placing such relief on a permanent basis has flagged—until the next disaster.

The legislation now before this committee is based upon the belief that it is time to develop a uniform, coherent plan to meet the needs arising from major natural calamity—the belief that we can no longer afford to wait until the damage has been done before rushing to provide ad hoc relief.

I am pleased to be a cosponsor of S. 2719, both because I am convinced that the ravaged economy of Alaska merits relief, now, on a retroactive basis, and because I am convinced that Congress must act now to provide the mechanism for adequate relief from future disasters whenever and wherever they may strike.

To a limited extent, Congress provided such programs of uniform compensation in the War Damage Insurance Act, the Federal Crop

Insurance Act and, more recently, the Federal Flood Insurance Act of 1956. These were efforts to spread the risk, throughout the Nation as a whole, of disasters that might strike at any time, in any one of hundreds of places. The legislation now before this committee seeks to forward that admirable objective.

Senator BARTLETT. May I have the same privilege, Mr. Chairman?

Senator ANDERSON. Of course, we are glad to have your further views.

#### STATEMENT OF HON. E. L. BARTLETT, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator BARTLETT. Mr. Chairman and members of the committee, I am pleased to appear before the committee in support of S. 2719 which I cosponsored along with 11 other Senators from the Western States.

This bill would authorize insurance assistance for those who suffered losses in the disastrous earthquake which struck Alaska on March 27. The bill amends the Alaska Statehood Act. It creates an Office of Alaska Reconstruction to provide insurance or other reasonable protection against loss of property resulting from the earthquake. Protection is made available within 6 months after the enactment of the bill under terms and conditions approved by the President. The bill also includes a provision making it retroactive to January 3, 1959. Broad discretion is given to the Office of Alaska Reconstruction to establish uniform rates, criteria for categories of property, and the organization under which the program would be administered.

The sponsor of this legislation, Senator Jackson, has pointed out that this legislation indicates the compelling and immediate need to assist the private sector of the Alaska economy. If we rebuild the sidewalks and highways, if we reconstruct the schools, if we repair the docks, our effort will be in vain unless if at the same time we restore the private sector and thereby assure the use of these walks and highways and schools and docks by Alaskans confident of a future.

Senator Jackson said the bill "will be a working document enabling the Interior Committee to hold hearings on all aspects of this disaster." This was needed. The Interior Committee has commenced work on broader insurance features of this bill and their efforts deserve our fullest cooperation and support. I would emphasize that this is particularly true in respect to the need to cover this and similar types of risk by insurance in the future. I think that the hearings on this legislation will offer a friendly and receptive forum for all who wish to express suggestions for meeting the problems of our private sector.

From these suggestions, from the work of the Alaska Reconstruction Commission so ably chaired by the senior Senator from New Mexico, Clinton P. Anderson, and from the efforts of this committee will come, I am sure, the responsible and soundly based legislation which all will agree is so badly needed by Alaska.

Senator ANDERSON. Now, Mr. Seidman, if you will continue, please.

**STATEMENT OF HAROLD SEIDMAN, ASSISTANT DIRECTOR FOR  
MANAGEMENT AND ORGANIZATION, BUREAU OF THE BUDGET;  
ACCOMPANIED BY HOWARD SCHNOOR—Resumed**

Mr. SEIDMAN. I am accompanied by Mr. Howard Schnoor, my associate in the Bureau of the Budget.

I do have a rather brief statement, and with your permission I will go ahead and read it.

Mr. Chairman and members of the subcommittee, I am pleased to appear before this Special Committee of the Whole of the Interior Committee to discuss the further views of the Bureau of the Budget on S. 2719, a bill to amend the Alaska Statehood Act (act of July 7, 1958: 72 Stat. 339), and for other purposes.

When I appeared before this subcommittee on April 14, I stated that this proposal for a retroactively effective program for insurance against earthquake damage in Alaska offered no hope of becoming a viable insurance program. However, I also stated that the general concept of disaster insurance—which would deal with a nationwide problem—merits serious consideration. In conclusion, I stated that we need more information and a careful appraisal of the situation before it is possible to say that S. 2719 represents a feasible approach to the Alaska problem.

Subsequently, in view of the tentative nature of my closing remark, Chairman Anderson requested a further statement of our recommendations on S. 2719 at this hearing.

Therefore, I want to make clear that we believe the insurance proposal embodied in S. 2719 does not represent a feasible solution to Alaska's problem. Assuming that the proposed program is to be self-supporting—and the bill is silent on this point—it would have to be based on premiums paid and risks and losses encountered by at most about 50,000 Alaska homeowners and businessmen. It would also start off with retroactive losses of about \$200 to \$220 million based on current Federal and State estimates of damage to private property during the earthquake on March 27. That would result in a burden on each potential policyholder of about \$4,000 to \$4,400 without even considering future risks and costs.

The extremely high fees that would result make it doubtful that anyone who has not already suffered a major loss would desire or be able to purchase the insurance involved. Without doubt, the result would be that only a fraction of the potential Alaskan policyholders would actually participate in such a program, and the fees would have to be increased proportionately and to a level where they would be considered prohibitive.

In summary, S. 2719 is objectionable in that it attempts to create an insurance program with too small a base and too great a risk. This high risk involved has, of course, made private earthquake insurance extremely expensive over the years in areas like Anchorage.

In reality, the proposal for retroactive insurance, as provided in S. 2719, authorizes a program calling for indemnification of private losses, not insurance. It is our judgment that only grants from the Federal Government could make the proposal work. Nevertheless, S. 2719 is attempting to deal with a very real and serious problem—protection of individuals against natural disaster losses. This is a national problem which affects the flood risk areas of the Mississippi

Basin, the areas of the Atlantic coast that suffer hurricanes, and the areas of Hawaii that are endangered by volcanoes, as well as the earthquake areas of Alaska and the west coast.

I believe S. 2719 really raises two separate issues: (1) The need for, and feasibility of, broad nationwide disaster insurance; and (2) the need for, and feasibility of, some form of direct compensation to private individuals who suffer uninsurable losses. Both courses require further and careful study.

The Federal Government has been struggling with the problems of disaster insurance and other forms of financial assistance to individuals in cases of disaster for over a decade. After several flood disasters in the 1950's, the Federal Flood Insurance Act was passed in 1956. However, no administrative funds have been appropriated to permit the writing of insurance under the act. Inability to develop a reasonable premium rate structure recognizing relative risks has constituted the major obstacle in devising a sound disaster insurance program.

A pending bill (S. 2032), which has passed the Senate, authorizes further study by the Housing and Home Finance Administrator of the problems of financial assistance, including insurance, in connection with floods. We would recommend that the bill be amended to provide for a study, probably by an independent commission, of assistance to be provided in all forms of natural disaster, including earthquakes.

It should, however, be pointed out that there are many serious problems to be resolved in such a study. For example, there is the question of the relationship of a Federal insurance or indemnification program to private insurance, the question of relative risks, cost sharing with the States, and relationship to other forms of Federal assistance.

We believe that the Federal Reconstruction and Development Planning Commission for Alaska can make a major contribution in this area by developing the facts and recommendations which are still lacking regarding the particular situation in Alaska.

We do not yet know enough about the extent and type of losses by individuals; their indebtedness, assets, and creditors; the compensation they are receiving from insurance and other sources; the cases in which indebtedness is being forgiven or compromised; the impact of such losses on the Alaskan economy; and any requirement for further action.

However, it is evident that a great deal of Federal assistance is being provided to individuals in Alaska, particularly in the form of tax writeoffs and inexpensive credit. For example, most individuals who have suffered losses in the earthquake will be able to recover between 12 and 30 percent of those losses through the refund of taxes or reduction in prospective taxes.

Also in the private sector, for example, the Small Business Administration has estimated that it will be making about \$100 million available in loans to individuals and businesses for the reconstruction of homes and other facilities and financing of small business enterprises. The Farmers Home Administration also has about \$2 million available for loans in Alaska.

Those agencies, such as the Veterans' Administration and Federal National Mortgage Association, which possess the necessary authority will be acting to adjust any outstanding loans that they have in the

disaster area and to make additional loans. Loans and grants are also made through the Departments of the Interior, Agriculture, and Health, Education, and Welfare in connection with the restoration of fishing boats, rural electric cooperatives, and school facilities.

This raises questions of how much further the Federal Government should go, not just in Alaska but elsewhere. In our view, it should not embrace the course proposed in S. 2719. However, before an alternative approach can be recommended, we need more of the facts outlined above on the Alaskan situation and the type of study called for by S. 2032 to determine the feasibility of the alternatives.

Thank you very much.

Senator ANDERSON. Senator Gruening.

Senator GRUENING. Mr. Seidman, you take a pretty negative view on this proposal.

Mr. SEIDMAN. That is correct, sir.

Senator GRUENING. Don't you think there is a difference between disasters arising from an earthquake which is unexpected and unforeseeable and those resulting from hurricanes which are foreseen for several days, at least, and give people an opportunity to move out, perhaps take their household goods and move away from the area; and the same is true of floods which are prophesiable? They occur in the different river basins every so often, whereas the earthquake disaster in Alaska came completely "out of a clear blue sky" and did not offer any type of insurance protection that is available for any other type of disasters. Don't you think there is a difference? It seems to me you don't point this out quite as emphatically as it might be pointed out.

Mr. SEIDMAN. I don't think there is quite the difference that you state, Senator Gruening. Of course there is one of degree. The study, for example, which the Banking and Currency Committee published in 1956 cites at some length the earthquake hazards in Anchorage and says that the Anchorage area is particularly susceptible to earthquakes. The staff report says that—

Alaska has been frequented by more than 20 destructive earthquakes (actual or potential because of sparsely settled regions) in the past 50 years.

\* \* \* The Anchorage area often has earthquakes that would severely damage a more thickly populated region.

So, apparently it was known that the area in Anchorage has been particularly susceptible to earthquakes.

Of course, in terms of the individual who suffers property loss, it seems to me immaterial—

Senator GRUENING. He can save his life; he can't move his property and save his property. What additional facts would you want to get before you could recommend an alternative? You say in your concluding paragraph:

Before an alternative approach can be recommended, we need more of the facts.

What set of facts would you need that you do not have now?

Mr. SEIDMAN. I think these facts are recited on page 4, Senator Gruening, and these are facts that would not justify a retroactive insurance program I should make clear, but whether there should be a proposal for some sort of indemnification to private individuals. I

don't think this relates to the concept of insurance. On page 4, I indicated:

We do not yet know enough about the extent and type of losses by individuals; their indebtedness, assets, and creditors; the compensation they are receiving from insurance and other sources; the cases in which indebtedness is being forgiven or compromised \* \* \*.

And, furthermore, and I think this of primary importance, "The impact of such losses on the Alaskan economy." We have many, many people who suffer losses from natural disasters in this country. We have not undertaken to indemnify anyone who loses his home in a tornado such as that which occurred recently or a hurricane. If we approach this problem of indemnification, I think we do it in terms of its impact on the State and what is required to restore the economy of the State to the position where it can go forward and grow, rather than the needs of the individual, sympathetic as we may be to those needs.

Senator GRUENING. What would you think of the proposal which would be similar to what we do in our foreign aid program, to have the Federal Government make a loan to the State of Alaska at three-fourths of 1 percent, with a 10-year moratorium of repayment, and let the State government of Alaska help the private sector? That is what we have done abroad all over the world in cases where there has been no disaster.

I wonder if this is not an alternative that we might consider here in the case of Alaska?

Mr. SEIDMAN. It would not seem to me to be an acceptable alternative, Senator Gruening, and I would be most reluctant to treat the State of Alaska as a foreign country.

Senator GRUENING. What?

Mr. SEIDMAN. I would be most reluctant to treat the State of Alaska as a foreign country.

Senator GRUENING. Let me analyze that statement. Does that mean that you feel that the State of Alaska would not be entitled to as good treatment as foreign countries throughout the world where there has been no disaster?

Mr. SEIDMAN. No; I would not say that. If we examine the situation today, a major proportion of the income of the State comes from the Federal Government through one form or another. If it were a foreign country, of course, it would not be eligible for assistance of the various grant-in-aid programs of the Federal Government which most often provide assistance on more liberal terms than we make to any foreign country.

Senator GRUENING. The State of Alaska receives income from Federal activities there because Alaska is a key point in our Defense Establishment. The Alaskan coastline must be defended with national forces. The State has several national parks. It is not the only State that receives funds through Government expenditures but, because of its strategic position, it gets military aid as a result of its role in national defense. Federal expenditures are not a bonanza.

Mr. SEIDMAN. I did not mean to imply that Alaska receives a bonanza. The development of the State of Alaska is very important for the Nation as a whole. These are funds that go to the State of

Alaska that would not go to any foreign country under existing Federal programs.

Senator GRUENING. I think when we consider the program of helping the private sector and the matter of indemnification, I think you might give this proposal of mine some thought, even though it seems startling to you at first.

Mr. SEIDMAN. We have not, as I pointed out, Senator Gruening, ruled out the question of consideration of indemnification, if that is needed to put the economy of the State back on its feet.

As I said, we are compassionate and sympathetic, but I do not think we can approach it on the basis of what individuals have suffered. But if the Alaskan Commission finds, on its study, that the only way we can restore the economy of Alaska is through some form of indemnification for individuals—and that is a very difficult thing to do in all situations—I am confident the Commission will make such a recommendation.

Senator GRUENING. Of course, when you indemnify the private sector and enable it to recover, you are really investing in the future, because as the private sector recovers it—pays taxes, both to the State and Federal Government, and much of that money comes back, which is not the case in the foreign aid program. That money does not come back.

Mr. SEIDMAN. Senator Gruening, as I pointed out, there is some minor form of indemnification which would take place right now through the tax writeoffs, because people can go in for a refund immediately on the basis of their losses and obtain funds from the Government. So you have at least a partial form of indemnification for these losses. We have estimated that this could amount to between 20 and 30 percent of the losses, not the full amount. I might note that under any indemnification program there would also probably be a certain amount deducted, and there would be a maximum limit to any amount paid, so that such a program would also stop short of a 100-percent indemnification.

Senator GRUENING. I have no further questions at this time, but I hope the Bureau of the Budget will come up with an alternative recommendation if it does not see fit to support this proposal of Senator Jackson's.

Thank you.

Senator ANDERSON. Senator Jordan?

Senator JORDAN. In the interest of time, I will yield to the sponsors of the bill, to the questions they have.

Senator JACKSON. Mr. Chairman, I ask that the text of my prepared statement on the hearing this morning be inserted into the record at this point.

Senator ANDERSON. We will of course be happy to have it a part of the record as if read in full.

**STATEMENT OF HON. HENRY M. JACKSON, A U.S. SENATOR FROM  
THE STATE OF WASHINGTON**

Senator JACKSON. Mr. Chairman, today I am submitting for this committee's careful consideration an extensively refined version of S. 2719 based in large part on bills examined by the Senate Banking

and Currency Committee in its 1956 hearings on Federal flood insurance.

When I introduced S. 2719 on April 8, I explained that the initial version of this bill was only a working draft. And this draft did enable the Senate, through this committee, promptly to begin work on all aspects of the disaster caused by the March 27, 1964, earthquake in Alaska. Since that time I have been working on new language designed to meet some of the objections raised against the original draft bill. And I ask that the text of my proposed substitute be printed at this point in the record:

PROPOSED SUBSTITUTE TO S. 2719

That this Act may be cited as the "Federal Earthquake Disaster Insurance Act of 1964."

FINDINGS AND POLICY

SEC. 2. The Congress finds that a natural disaster resulting from earthquake activity and causing devastation in one area of our country has a harmful impact on our Nation, our economy, and our people as a whole, adversely affecting the general welfare. The Congress further finds that insurance protection against individual losses from such disasters, including seismic or tidal waves proximately caused by earthquake activity, is not generally available on a practical basis at present.

SEC. 3. (a) In order to lessen the impact of resultant devastation upon individuals and particular areas of our country it is the purpose of this Act to establish a program against risks of loss from earthquake disasters, to be carried out by private insurance companies or other private enterprise where possible. To the extent that adequate protection is not available from private or other public sources under reasonable terms and conditions, then such protection shall be made available in accordance with terms and provisions of this Act, through direct insurance or through reinsurance: Provided, however, That no insurance or reinsurance shall be issued under the provisions of this Act covering risks against which insurance is available on reasonable terms from other public or private sources: Provided further, That no insurance or reinsurance shall be issued under the provisions of this Act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local zoning laws.

FEDERAL EARTHQUAKE DISASTER ADMINISTRATION

SEC. 4. (a) To carry out the functions authorized by this Act, the President shall establish an agency under the direction of an Administrator to be appointed by the President to provide insurance or reinsurance, or both, against loss resulting from damage to or destruction of real or personal property resulting from national disaster caused by earthquake activity within the United States, its territories, or possessions.

(b) Subject to the authorizations and limitations herein provided, any loss of or damage to any property located in an area declared by the President, acting pursuant to authority granted in the Act of September 30, 1950, as amended (42 U.S.C. 1855-1855q), to have suffered a major disaster because of earthquake or proximately caused thereby, and having been sustained subsequent to September 30, 1950, may be compensated and such loss or damage may be adjusted as if an earthquake insurance policy covering the property was in fact in force at the time of such loss or damage, upon payment or commitment to pay in full premiums for such insurance as of the time application therefor is made: Provided, however, That no insurance or reinsurance shall be issued under this provision unless the total estimated replacement cost to the national economy for such loss or damage in the disaster areas designated in recognition of the adverse effect of the same earthquake activity exceeds \$250,000,000.

## PREMIUM RATES

SEC. 5. 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 Act, and (2) terms and conditions upon which and areas (including subdivisions thereof) within which each rate shall apply. Such rates shall be based insofar as practicable upon consideration of the risks involved and upon calculations of amounts needed to cover all administrative and operating expenses arising under this Act, as well as reserves for probable losses, to be accumulated over a reasonable period of years, but such basis shall be used only to such extent as in the judgment of the Administrator shall be consistent with the aim of offering insurance and reinsurance at rates reasonable enough to make available to those who need it, at rates they can afford, the protection intended to be provided by this Act.

## PROPERTY AND LOSS LIMITS

SEC. 6. In consultation with the Director of the United States Geological Survey, 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 under this Act, 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. 7. 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. 8. (a) The aggregate amount of insurance issued by the Administrator to any one person 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, plus 10 per centum of the remainder or such larger amount or percentage as may be prescribed by the Administrator in the insurance contract.

(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.

## REINSURANCE REGULATORY AUTHORITY

SEC. 9. (a) The Administrator is authorized to issue such regulations regarding reinsurance under this Act as he deems advisable in order to carry out the purposes of this Act.

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

(c) The Administrator shall use his best efforts to encourage private insurance companies to undertake the issuance of insurance policies covering that portion of the loss in excess of the limits specified in section 8(a) of this Act resulting from damage to or destruction of real or personal property caused by earthquake activity as defined in this Act. The Administrator shall seek to achieve this end by offering a program of appropriate reinsurance within the authority granted him by this Act.

(d) Wherever practicable, the Administrator shall encourage, by offering suitable reinsurance subject to the provisions of this Act, the issuance by private insurance companies of policies insuring against loss resulting from damage to or destruction of real or personal property caused by earthquake activity.

## USE OF OTHER PUBLIC AND PRIVATE FACILITIES

SEC. 10. (a) In providing insurance or reinsurance under this Act, 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 or the Commonwealth of Puerto Rico (including insurance com-

panies, agents, brokers, and adjustment organizations); and the Administrator may arrange for payment of 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 Act, the Administrator may use the services of other public agencies, and pay reasonable compensation therefor.

(d) The Administrator may supply, receive from, and exchange with other agencies of the Federal Government, State, District, territory, possession, local and interstate commissions or agencies, and 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 Act.

#### FEDERALLY AIDED PROPERTY

SEC. 11. 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 Act, 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 reasonably available under the provisions of this Act.

#### CLAIMS PAYMENT AND JUDICIAL REVIEW

SEC. 12. (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 Act. 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 10(b) of this Act.

(b) No claim under color of any insurance or reinsurance made available under this Act shall be liable to attachment, levy, garnishment, or other legal process before payment is to the insured or the insurer, as the case may be, nor shall any such claim be liable to deduction on account of indebtedness of the insured or his estate, or the insurer, as the case may be, to the United States, except claims of the United States arising under this Act.

(c) Upon disallowance of any claim against the Administrator under color of any insurance or reinsurance made available under this Act, 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 claimant receives from the Administrator written notice of disallowance or partial disallowance of the claim. 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.

#### FUNDS AND TREASURY BORROWINGS

SEC. 13. (a) To carry out the purposes of this Act, the Administrator is authorized to establish two funds to be known as the (1) earthquake disaster insurance fund, and (2) earthquake disaster reinsurance fund.

(b) Into the earthquake disaster insurance fund shall be deposited all insurance premiums collected by the Administrator for insurance policies issued by him under this Act. Into the earthquake disaster reinsurance fund shall be deposited all fees collected by the Administrator in connection with reinsurance made available by him under this Act.

(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 Act shall be deposited in the earthquake disaster insurance fund; and all salvage proceeds realized by the Administrator in connection with reinsurance made available under this Act shall be deposited in the earthquake disaster 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 \$1,500,000,000 (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: *Provided*, That before July 1, 1965, the amount of such notes or other obligations issued to the Secretary of the Treasury by the Administrator and outstanding at any one time shall not exceed \$1,000,000,000. 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 earthquake disaster insurance fund and the earthquake disaster reinsurance fund.

(f) Moneys in the earthquake disaster insurance fund and the earthquake disaster 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 Act, including the payment of operating and administrative expenses;

(2) To pay from the earthquake disaster insurance fund approved claims for loss under insurance policies issued by the Administrator under this Act;

(3) To pay from the earthquake disaster reinsurance fund approved claims under reinsurance agreements entered into by the Administrator under this Act; 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.

#### ADVISORY COMMITTEE

SEC. 14. In carrying out his functions under this Act, the Administrator shall appoint an advisory committee to consist of not less than three nor more than fifteen persons familiar with the problems of insurance or reinsurance, to advise the Administrator with respect to the formulation of policies and the execution of functions under this Act.

#### DEFINITIONS

SEC. 15. As used in this Act, the term "disaster" shall include earthquake activity and seismic or tidal waves proximately caused thereby but shall not include fire except where such peril occurs as a result of or in conjunction with one of the perils listed herein.

#### STUDIES

SEC. 16. (a) The Administrator shall also undertake a continuing study of participation by private insurance companies in the programs authorized by this Act, in order that the protection it authorizes can be provided, whenever practicable, through insurance policies issued by private insurance companies and reinsured with the Administrator, in lieu of providing such protection through insurance policies issued in the name of the Administrator.

(b) The Administrator shall undertake a continuing study of the feasibility of having private insurance companies take over, with or without some form of Federal financial support, the insurance program authorized by this Act.

SEC. 17. For the purpose of carrying out functions under this Act, the Administrator may—

(a) sue or be sued;

(b) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 20, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), enter into and perform contracts, leases, cooperative agreements, or other transactions, on such terms as he may deem appropriate, with any agency or instrumentality of the United States, or with any State or agency or political subdivision thereof, or with any person, firm, association, or corporation and consent to modification thereof, and make advance or progress payments in connection therewith;

(c) without regard to sections 3648 and 3709 of the Revised Statutes, as amended (31 U.S.C. 529 and 41 U.S.C. 5), and section 322 of the Act of June 30, 1932 (47 Stat. 412, as amended (40 U.S.C. 278a)), by purchase, lease, or donation acquire such real and personal property and any interest, hold, use, maintain, insure against loss, sell, lease, or otherwise dispose of such real and personal property as the Administrator deems necessary to carry out the purposes of the Act;

(d) appoint, pursuant to civil service laws and regulations, such officers, attorneys, and employees as may be necessary to carry out the purposes of this Act; fix their compensation in accordance with the provisions of the Classification Act of 1949, as amended; define their authority and duties; require bonds from such of them as may be necessary; and delegate to them, and authorize successive redelegations by them, of such of the powers vested in him by this Act as he may determine;

(e) issue such rules and regulations as he deems necessary to carry out the purposes of this Act; and

(f) exercise all powers specifically granted by the provisions of this Act and such incidental powers as are necessary to carry out the purposes of this Act.

#### RESERVATION OF RIGHTS IN REAL ESTATE ACQUIRED

SEC. 18. The acquisition by the Administrator of any real property pursuant to this Act shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local law of the inhabitants on such property.

#### TAXATION

SEC. 19. Nothing in this Act shall be construed to exempt any real property, acquired and held by the Administrator in connection with the payment of any claim under this Act, from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

#### ANNUAL REPORT

SEC. 20. The Administrator shall make an annual report to the President for submission to the Congress on all programs for which provision is made under this Act, together with such recommendations, if any, deemed by the Administrator desirable to improve, extend, or eliminate any of the programs authorized hereunder.

#### SEPARABILITY PROVISION

SEC. 21. 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.

Senator JACKSON. The new version of S. 2719 (embodied in Committee Print No. 1) would establish a Federal earthquake disaster insurance program. This program would be retroactive only in Presidentially declared earthquake (or related) disaster areas where the total replacement cost to the national economy from the earthquake

activity in question exceeded a quarter of a billion dollars. According to these criteria, only damaged or lost property in the southeastern Alaska and Crescent City areas would be eligible under this program. As we all know, the March 27 earthquake activity caused our economy far more than a quarter of a billion dollars in replacement costs.

Several comments have been made about the initial version of S. 2719. It was claimed that its premium base was too narrow. The current version proposes a national, not just Alaskan, premium base. Another objection was that a more general disaster program was required. I should heartily concur. But legislation of such broad scope would necessarily require deliberate and close scrutiny by the Senate Banking and Currency Committee. And the promptness of any relief to the private sector of the Alaskan economy is an even more crucial factor today than it was when I introduced S. 2719 on April 8.

A Federal earthquake insurance program—properly administered in close consultation with the Interior Department's Geological Survey—would certainly offer the States bordering the Pacific rim an opportunity to minimize the effects of such a disaster in the future. For example, I do not need to point out what calamitous effect the loss of a major productive facility through earthquake would have on the economic development of these States.

The proposed program first seeks to replace ad hoc Federal emergency assistance to the private sector in any area damaged by earthquake with a coherent program designed to make the small- and medium-sized property owner substantially whole again. Thus it avoids the inadequacies of those Federal emergency assistance programs that, in various guises, pyramid indebtedness upon existing indebtedness.

Quite significantly, section 11 of the committee print allows the appropriate officials of the Federal Government to require such insurance for future Federal financial assistance available under established HHFA and allied programs. Accordingly, construction in areas of potential seismic activity can be effectively guided in the direction of earthquake-resistant construction. It is not certain whether the revenues from this program would defray the cost of all indemnifications under it. But it is obvious that substantial revenue would be forthcoming through such a Federal earthquake insurance program. Important savings would thus accrue to the Federal Government as opposed to a program of grants or quasi-grants to the private sector.

Nature may not be disposed to contain itself during the measured pace of future Federal studies of this whole subject. I should certainly be happy, however, to see the limited program I propose—making full use of private insurance companies and avoiding to the maximum the creation of another layer of Federal officials—incorporated, after its enactment, into any more comprehensive plans that the Congress might adopt in the more distant future.

In this connection, I should like to draw your attention to Senator Harrison A. Williams' letter to me of May 1. Senator Williams, you may recall, authored Senate Report 634 last November on S. 2032, authorizing further study on flood insurance. He writes:

You will be interested to know that many people in New Jersey are in strong support of S. 2719, the bill to provide aid for the people of Alaska upon which your committee has been holding hearings.

I strongly urge the committee to act upon this essential legislation at the earliest possible date. I believe our 49th State deserves all the help we can provide in its time of crisis.

The yet more compelling requirements of timely relief to Alaska's property owners, the advantages of a more coherent relief program for earthquake damage to the private sector in all States and the strong possibility that such a program can be self-supporting are, in my judgment, all factors that militate toward this committee's further sympathetic consideration of Federal earthquake disaster insurance.

Senator ANDERSON. Do you have any questions of Mr. Seidman, Senator Jackson?

Senator JACKSON. Mr. Seidman, you will recall at the last meeting I endeavored to make the point that the bill, S. 2719, as introduced was merely a tentative one, and that it was not intended that we confine our efforts just to Alaska. I believe we sent down to you a revised draft of S. 2719. Did you have a chance to look at that?

#### TESTIMONY OF HAROLD SEIDMAN—Resumed

Mr. SEIDMAN. We received a copy of committee print No. 1 last evening. I did go over it very hurriedly. I think you will recognize it is a very complex bill as now drafted. In many respects, as I look at it, it does resemble in some of the details, the Federal Flood Insurance Act of 1956.

Senator JACKSON. My point is that you make the same objections that were made at our earlier hearing; that is, the relief proposed is confined just to Alaska. I thought it was understood that we had to confine the original bill to Alaska in order for this committee to move ahead with the bill. At that time I said that having the bill in the form of an amendment to the Statehood Act was a means of getting action. I wonder if you would talk in terms of a national program for a minute?

Mr. SEIDMAN. It is correct, Senator Jackson, that you did state—

Senator JACKSON. I am reluctant to have you go through this same narrow argument all over again. I would rather your statement had been directed to the question of whether we should have a national program.

Mr. SEIDMAN. I am, first of all, responding to questions asked by Senator Anderson to clarify the record. Senator Anderson had raised the specific question with me whether S. 2719 was a feasible approach for aid in Alaska. He wanted the record to be completely clear whether we regarded an insurance program of this type as feasible.

Senator JACKSON. What do you mean by "this type?"

Mr. SEIDMAN. The retroactive insurance approach. We believe it should be dealt with in the realm of indemnification rather than retroactive insurance, and in the terms of the immediate needs of the State. I thought in my statement, Senator Jackson, I had made clear at the end that we did think disaster insurance was a very important subject. The damage caused by national disasters, which is basically uninsurable through normal channels, has presented a problem to the Government for some years. We have been concerned about this and tried to develop something, particularly with respect to flood insurance.

The bill which passed the Senate, S. 2032, we think is on the right track. This bill was endorsed by the administration. It says, "To authorize the study of the methods of helping to provide financial assistance to victims of future flood disasters." It includes insurance, but it goes beyond that, and we think this is very necessary that it include the broad question of financial assistance. It is our proposal—and I think this is a very difficult matter to deal with—that that bill, the proposal, be amended perhaps to create an independent Commission rather than have a study by the Housing and Home Finance Agency Administrator, which would go into this whole problem of the developing some sound disaster insurance program, and one which should be accepted by the Congress.

The last time, as you know, we got the flood act through the Congress, and we never could obtain any money for the administrative expenses except for, I think, the first year—for the Federal Flood Insurance Administration.

Senator JACKSON. I might call your attention that in connection with S. 2032, the author of the report on the bill, Senator Williams of New Jersey, sent a letter to me on May 1, Friday, as follows:

You will be interested to know that many people in New Jersey are in strong support of S. 2719, the bill to provide aid to the people of Alaska upon which your committee has been holding hearings.

I strongly urge the committee to act upon this essential legislation at the earliest possible date. I believe our 49th State deserves all the help we can provide in its time of crisis.

It is obvious that Senator Williams feels that something along the nature of the retroactive insurance program should be considered.

I think the Budget Bureau should face up to this broad question and either say yes or no on disaster insurance. I personally am convinced that we are confronted with a disaster which has taken the largest segment, proportionately, of a State's economy in our history. An entirely new problem is created as a result of its overall impact, and I would hope that the Bureau would give serious consideration to some kind of a national disaster insurance program with retroactive features as it pertains to Alaska and to Crescent City, Calif.

Now I don't think this issue has been cogently discussed, to be very candid about it, in your statement.

Mr. SEIDMAN. I think, as I tried to make clear, the position of the Bureau of the Budget is that we would not favor a retroactive insurance program for Alaska. I think our position is that—

Senator JACKSON. Even on a national basis?

Mr. SEIDMAN. Even on a national basis I don't think we would favor any disaster insurance program with retroactive features. In fact, I find it very difficult to grasp the concept of retroactive insurance. It still seems to me when we are talking of retroactive insurance we are talking of indemnification of private losses on some basis.

Senator JACKSON. Mr. Seidman, we are already getting indemnification through tax deductions, and we have no way of knowing whether these are equitable or not. The person, of course, who has a pretty good income record will get a pretty good recovery; but where is the equity in that? The Government loses the money—it is indemnification; but is it equitable indemnification?

Mr. SEIDMAN. I think it would be as equitable as the insurance principle which would again be proportionate to the amount lost.

Senator JACKSON. How is that, again?

Mr. SEIDMAN. It would be proportionate to what the individual has lost.

Senator JACKSON. Well; no. How is a person who had a poor income record but who has a big loss treated as compared with the fellow with the good income record and a similar loss?

Mr. SEIDMAN. I think it would be likely that, if he has fairly substantial losses, his income record will likely be fairly good. Of course, again, in Alaska, so much of the employment, well over 50 percent, is for the Government, to begin with. So, you have really a more stable situation than you have in many other States, and I should make clear, Senator JACKSON, that we are certainly not sitting back in the terms of the needs of Alaska. Many programs are well underway to provide assistance.

Senator JACKSON. I am talking now about the private sector. Everyone is aware of the public sector.

Mr. SEIDMAN. I am speaking of the private sector.

Senator JACKSON. Well, can you give us a rundown of what you are doing on the private sector?

Mr. SEIDMAN. Yes; the Small Business Administration has announced, and they will be making available, loans which they contemplate will be in the neighborhood of \$100 million, on very liberal terms. The loans will be made at 3 percent, with a maturity of 20 years, but amortization of 30 years, with forgiveness or forbearance on interest and principal for the first year and moratorium on principal for the next 4 years. These are available terms. In considering the high cost of financing in Alaska normally, this will be of substantial benefit.

I don't know what the rates have run for financing in the State, but I am sure they are considerably in excess of 3 percent. The Farmers Home Administration, of course, is also making low-cost loans available. The Veterans' Administration can, under its direct loan program, provide forgiveness and there are a number of other things that have been done.

Senator JACKSON. Say that again, "forgiveness." Would you spell that out?

Mr. SEIDMAN. On the direct loan program, they can just write the loan off.

Senator JACKSON. On the Veterans' Administration direct loan program?

Mr. SEIDMAN. Yes.

Senator JACKSON. But that is a very limited amount.

Mr. SEIDMAN. Yes; a limited amount.

Senator JACKSON. How much is involved in that area?

Mr. SEIDMAN. I really don't have that. I could obtain it for you.

Senator JACKSON. It is very small, isn't it? The number of direct Veterans' Administration loans in Alaska?

Senator GRUENING. They are not very numerous; there are very few.

Senator JACKSON. But that is the only area of forgiveness, is it not?

Mr. SEIDMAN. Except for mortgages held by FNMA; that is correct.

Senator JACKSON. The FHA-guaranteed are not in that category?

Mr. SEIDMAN. No; except to the extent they are held by FNMA.

Senator JACKSON. Because they are all handled through the banks?

Mr. SEIDMAN. That is correct.

Senator JACKSON. And savings and loans institutions. They are all commercial loans?

Mr. SEIDMAN. Correct; but again in this area, there are a number of things in the private sector which have been considered by the Alaska Commission and are now in bills pending in the Congress, for instance, for the leasing of fishing boats to individuals and for loans to restore the canneries and the fishing industry in Alaska. That bill, I think, is the one that passed the Senate and is now pending in the House.

I know there are a number of proposals which the Alaska Commission now has under consideration to provide assistance for the private sector, so we are certainly very sensitive to the needs of the private individuals in the State of Alaska and things are going forward.

I might point out, Senator Jackson, that at the time of the Kansas City floods—and you probably will recall this—President Truman did purpose an indemnification program for people who lost property as a result of that flood. The damage there was very much in the neighborhood of the damage in Alaska. There was over \$790 million worth of property damage as a result of the 1951 flood. The indemnification proposal by President Truman was for limited amounts, as I recall, with some deductible. Up to \$10,000, on a graduated scale, you could get 80 percent of the loss and lesser amounts up to \$20,000 as I recall. This was not adopted by the Congress and was not enacted.

Senator JACKSON. We have never had a loss, however, of such a large proportion of both the public and private sectors in any State as we did in this last disaster in Alaska?

Mr. SEIDMAN. Well, in Kansas——

Senator JACKSON. Proportionately, I am talking about.

Mr. SEIDMAN. Of course, we are dealing with a smaller base in Alaska. On the other hand, in terms of the proportion of the economy of the State which is dependent on the Federal Government, we have never had any State where that was as high as it is in Alaska, which we assume results in a more stable economy.

Senator JACKSON. I understand. But laying that aside, I will still get back to my point: Have we ever had a disaster in any of the 50 States in which there has been such a high proportionate loss in both the public and the private sectors as appeared in Alaska in March?

Mr. SEIDMAN. No; I would not think so but the basis that we are starting at in terms of——

Senator JACKSON. I said proportionately.

Senator JORDAN. I think you made the position of the Bureau of the Budget clear and precise, and if I understand that, you would not favor retroactive insurance under any circumstances?

Mr. SEIDMAN. That is correct.

Senator SIMPSON. Mr. Chairman, I am rather impressed with your presentation—your defense of it. I am one who believes that everything under the sun should be done to help our family of States, and though I am very much opposed to foreign aid and a lot of other things that the administration is doing, I nevertheless go all out for assistance to the State of Alaska in this horrible emergency that has arisen. I would not like to adopt the proceeding set forth by some of the press that if Alaska would secede from the Union, they could

probably receive Federal aid as a foreign country. That was done facetiously. But as pointed up in the discussion by my distinguished colleague from Alaska, Senator Gruening, I am for any type of aid that would assist them, and I am inclined to vote for this measure here, which is a little foreign to my philosophy.

You make me hesitate, but certainly something has to be done for the State of Alaska. These others are merely pallid—

Mr. SEIDMAN. Senator Simpson, I certainly agree that there should be a major and continuing effort for the reconstruction of Alaska. This is certainly President Johnson's view. I don't think it necessarily follows that retroactive insurance is the way to do it. That is the only difference.

Senator GRUENING. Mr. Seidman, on page 4, you say:

We do not yet know enough about the extent and type of loss of individuals of \* \* \*

After all, we will have had 39 days now since the earthquake. It would not be very difficult if you wanted the individual records of people who had suffered losses, to obtain them. I don't quite see what more information you could get by the further passage of time. If it is a case of individual rundowns, any victim could certainly estimate his loss, the loss of his home or the loss of the contents, the loss of the lot on which it was built, the loan that he has at the bank. What more do we need?

Mr. SEIDMAN. First of all, Senator Gruening, the work of the teams making the appraisals of property loss is still going on. It has not yet been completed. So we do not have all that information available at this time. Other forms of assistance are being provided. It is not possible to assess what the amount of the individual loss is until we find out whether the person has received assistance from other sources, either insurance or in some cases the Red Cross is providing assistance. I read in the newspapers that free lumber has been donated to individuals for reconstruction purposes, and other forms of assistance which have to be taken into account.

Senator GRUENING. You say it is evident that a great deal of Federal assistance is being provided to individuals of Alaska, particularly in the form of tax writeoffs and extensive credits, and you say they will be able to recover between 12 and 30 percent of that loss.

Do you think that coincides with your statement that a great deal of Federal assistance is being provided to individuals in Alaska and that there may be other forms that are forthcoming, but they are not cited in your paragraph.

Mr. SEIDMAN. They are in the next paragraph.

Senator GRUENING. You say, "inexpensive credit." Do you think the credit that is being given is inexpensive?

Mr. SEIDMAN. I think the credit being provided by the Small Business Administration is being provided on very liberal terms and on more liberal terms than would be available to individuals in the lower 48 States which have not been affected by a disaster.

Senator GRUENING. Do you realize that the loans made by the Small Business Administration are being made at the maximum rate of interest provided in the law?

Mr. SEIDMAN. For disaster loans?

Senator GRUENING. Yes.

Mr. SEIDMAN. The regular loans of the Small Business Administration, as I understand it are 5 percent.

Senator GRUENING. We are dealing here with disaster loans. I am speaking of disaster loans. They are the only ones we are concerned with here. The Disaster Loan Act provides the loans should be made not to exceed 3 percent. But nothing whatever is said about a lower level, a minimum rate, and yet they are being made by the Small Business Administration at their maximum rate of 3 percent. Do you think that that is the most generous and inexpensive method we can find? Nothing in the act prevents Administrator Foley from making loans at 2 percent, 1 percent, or three-quarters of 1 percent interest.

Mr. SEIDMAN. Administrator Foley, under that act, certainly has the responsibility for exercising the judgment as to what the needs and circumstances are in Alaska and what should be done. Of course we can always be completely generous and have no interest at all. I don't know that the Alaskans would want that.

Senator GRUENING. The authority exists to do just that under the act?

Mr. SEIDMAN. I don't know whether the people of Alaska expect this or want it.

I think they want liberal terms, but I know my friends in Alaska, and I do not think they are in effect asking for charity.

Senator GRUENING. I don't think there is anything charitable about this procedure under an act which says the maximum rate shall be 3 percent and has no provision for a minimum rate, and yet the loans are being made at the maximum rate. I think the people of Alaska are no different in this respect from people in any other part of the United States. They would usually like to get the best terms available under the law.

Mr. SEIDMAN. That is understandable. I think in other areas of disasters, it has been the policy of the Small Business Administration to make loans at this 3-percent rate. I know of no instance, at least to my knowledge, where they have gone below that rate in any disaster area.

Senator GRUENING. You know that that is the maximum rate though, don't you?

Mr. SEIDMAN. Yes, it is. It says "not to exceed 3 percent."

Senator GRUENING. I have nothing further.

Senator ANDERSON. Let me explain the reason I wrote you requesting your further appearance here today. In visiting Alaska, I found that a great many people were saying, "Is Senator Jackson's bill going to pass or not?" They were holding off making repairs until they found out whether the Government was going to compensate them for their losses.

I understood that the State of Alaska has \$100 million as latent damages in its files. So, in answer to Senator Gruening's question, "What more do we need to find out?" I would reply that if we can eliminate that \$100 million the situation would be clarified.

The people say that the snow is still on the ground and they cannot tell what the damages are.

In September 1956, hearings were held on a nationwide Federal flood bill. An earthquake insurance amendment was proposed by Senator Kuchel of California, was it not?

MR. SEIDMAN. Yes. Senator Kuchel did present an earthquake amendment to the bill. I have just recently looked into the matter and found that S. 2032—

Senator ANDERSON. The Williams bill, S. 2032, that was proposed in this session?

MR. SEIDMAN. Yes.

Senator ANDERSON. Do you know what happened to it?

MR. SEIDMAN. It passed the Senate and is now in the House. It is confined to financial assistance in floods, and in my statement I indicate that I thought some action should be taken to have an amendment to that bill to cover other forms of national disaster, including earthquakes.

Senator ANDERSON. Wasn't the Kuchel amendment concerning earthquakes rejected?

MR. SEIDMAN. Yes, it was.

Senator ANDERSON. Are there any further questions?

Senator MAGNUSON. I appreciate the opportunity to ask questions. I am not a member of the committee, but I will reciprocate, and will extend the same privilege to the members of this committee when they come to my committee.

Mr. Seidman, you say on page 2:

It is our judgment that only grants from the Federal Government could make this proposal work, of course—

and you base this upon another statement on the top of page 2 that—

At least 50,000 Alaskan homeowners and businessmen would have to start off with retroactive losses at about \$200 million, or about \$4,000 per person.

Are those figures accurate, or is that an estimate?

MR. SEIDMAN. They were estimates, Senator Magnuson, but I think they are still—

Senator MAGNUSON. Would you say it is a conservative estimate or a liberal estimate?

MR. SEIDMAN. I would hazard a guess based on experience in other disasters that it is possibly a liberal estimate.

Senator MAGNUSON. Do you feel the need for a so-called national disaster program?

MR. SEIDMAN. Yes, sir.

Senator MAGNUSON. Then, if there were set up a national disaster insurance corporation, why couldn't the Federal Government make a loan to that corporation so that they could pay indemnity and get the people started, and it could be paid back with premiums in the future?

MR. SEIDMAN. I would think you could have various ways, Senator Magnuson, of financing disaster corporations if that was the approach decided upon. The Federal Flood Insurance Corporation, Federal Flood and Insurance Administration did have borrowing authority up to \$500 million.

Senator MAGNUSON. Of course, all these programs had to have a loan or a grant or some means to get started.

MR. SEIDMAN. I guess it did have.

Senator MAGNUSON. Would it not be possible, I don't know whether it is desirable or not—I think it may be that you have a different view—that you start off a Federal insurance disaster corporation with a retroactive payment on the Alaskan earthquake, and the Federal Treasury

could loan them the money to begin with. Then the premiums in the future from all over the country would pay that back in time. What is wrong with that proposal?

Mr. SEIDMAN. This is where I have my difficulty. I would agree that certainly there should be devised a system of flood insurance or disaster insurance against national disaster.

Senator MAGNUSON. You have precedence for this. We made a grant or a loan, or whatever you want to call it—a loan to the FHA when they started. We made a huge loan to the Farmers Home Credit starting off. As a matter of fact, we had even made a grant to the Bureau of Commercial Fisheries on the duck stamp to start them off, so the premiums in the future could pay that back. It seems to me that you could make a loan to the Federal Insurance Disaster Commission of \$200 million based upon the security of the economy for future repayment. I don't know; it is just an idea.

Mr. SEIDMAN. This, Senator Magnuson, is my problem, one of retroactive insurance.

If you started out your insurance program with the assumption of this major loss, and then had to write the premium rates to retroactively cover this disaster, they probably would be prohibitive. This is the problem of getting a rate structure that would be practicable.

Senator MAGNUSON. You mean the rate would be prohibitive for future premiums—

Mr. SEIDMAN. Yes.

Senator MAGNUSON (continuing). Because of the debt of some \$200 million?

Mr. SEIDMAN. Certainly, given the narrow base in Alaska, if you had to start on that.

Senator MAGNUSON. Not over a period of years?

Mr. SEIDMAN. It would start, certainly it would start the program on a very poor basis if you were to start out with the assumption of a major loss.

As you know, on insurance programs, you try to minimize your risk or else the insurance company won't assume it.

Senator MAGNUSON. It is a \$200 million spread over a 200-year period; isn't that the risk?

Mr. SEIDMAN. I think it would be difficult, and in terms of needs of Alaska, I think we should face up to the problem of whether we need to indemnify private individuals. That is what we are really talking about.

Senator MAGNUSON. We gave the Export-Import Bank a great deal of money to start off, and they paid it back. I don't know the figure on the Farmers Home Credit, which got a substantial sum to start off, but, of course, you are right. You would have to evaluate the future premiums to pick up the amount you would have to have to start off with if you made it retroactive. But I don't think it is without precedent that we take a Federal corporation and give it the money to start off with, the money they need. You are right. You would have to evaluate the future premiums to pick up the amount you started off with if you made it retroactive. But I don't think it is without precedent that we take a Federal corporation and give it the money to start with—that they need—if you can see enough return in the future payment of premiums. If we were thoroughly fortunate that in the next 5, 10, or 15 years, we did not have too many

national disasters, the premium would not be prohibitive. It would pick this up.

Mr. SEIDMAN. Of course, you are correct, Senator Magnuson. We have provided assistance to a number of insurance programs, the Federal deposit insurance program, the Federal Savings and loan, and others, although Congress is more reluctant to grant borrowing authority on financing now than it was a few years ago.

Senator MAGNUSON. Let Congress decide that instead of you.

Mr. SEIDMAN. The flood insurance program in this case, floundered because it was not possible to develop a reasonable rate structure. If the program commenced with a \$200 million debt, development of a reasonable rate structure would be more difficult.

Senator MAGNUSON. You think, in other words, this is your opinion—and I do not dispute your figures because I don't know—that the payment of \$200 million starting off the corporation would cause the premiums to be prohibitive in the future to return the advance of that much money. Is that your opinion?

Mr. SEIDMAN. It would certainly present an insuperable obstacle.

Senator MAGNUSON. That could be explored some more.

Mr. SEIDMAN. I think I should again at least make clear what our position is: We think that an intensive effort should be made to develop a sound disaster insurance program—there is a need—if it is possible to do so.

Second, we believe that such assistance as is required should be given to the State of Alaska and its people in terms of the interest of the National Government and the State, but we do not think that retroactive insurance is the most direct way to meet that problem.

Senator ANDERSON. We are going to have to give Mr. Ridgway an opportunity to speak. He is going to have to testify.

I just want to point out the first estimate sent in by the State of Alaska confirmed again the damage to the private sector was \$257 million. We tried to get all the figures in up to May 1. They have now been totaled. The appraisers for the professional insurance companies have been at work and have set up figures including 20-percent averages above what they came up with of \$68 million, and that is really the problem as to how far these shrink. For instance, the highways figure is \$110 million. The State of Alaska Bureau of Public Roads reduced it to \$75 million.

The contractors estimated somewhere around \$25 million. The question is to give them \$200 million or give them what the damage is, and we come to the insurance. Just take a look at that map, which is a map of the earthquake areas around the world—every earthquake from 1904 to 1954. Here is the line that they follow, the Pacific coastline and the Pacific coast only. It follows on down the coast of Asia and there is a little strip that runs to Gibraltar. The question is: Do you ask all the people of the United States to take the burden of this part of the country, and if so, on what basis do you tax a man on this type of insurance?

I think that is all. That is the real problem that you have to face. Anyway, Mr. Ridgway, if you will step forward, we will be glad to hear from you.

Senator JORDAN. That is very important.

Senator ANDERSON. Identify yourself, please, for the record, Mr. Ridgway.

Mr. RIDGWAY. R-i-d-g-w-a-y.

STATEMENT OF WILLIAM C. RIDGWAY, JR., CHAIRMAN OF THE BOARD OF THE CRUM & FORSTER GROUP OF INSURANCE COMPANIES, AND ON BEHALF OF THE NATIONAL BOARD OF FIRE UNDERWRITERS

Mr. RIDGWAY. Mr. Chairman and members of the subcommittee, my name is William C. Ridgway, Jr. I am chairman of the board of the Crum & Forster Group of insurance companies and am appearing here today representing the National Board of Fire Underwriters.

Senator ANDERSON. Is Crum & Forster a large writer of insurance in Alaska?

Mr. RIDGWAY. Yes.

Senator ANDERSON. Probably the largest writer of insurance in Alaska?

Mr. RIDGWAY. I think we are the largest writers of fire insurance in the State of Alaska. It is my understanding and impression that the Firemen's Fund Insurance Co., writes a bigger volume of all classes of businesses in Alaska.

The National Board of Fire Underwriters is an organization of approximately 190 stock insurance companies engaged in the business of writing property insurance. Most of its members do business in the State of Alaska.

S. 2719 provides for the establishment by the President of an Office of Alaska Reconstruction which—

is authorized to use funds which shall be appropriated, donated, or otherwise acquired to provide, through insurance, reinsurance, or other appropriate means, reasonable protection against loss of or damage to real and personal property situated in Alaska resulting from earthquake or other disaster caused by an earthquake \* \* \*. The Office of Alaska Reconstruction shall from time to time establish uniform rates and criteria for categories of property for which the protection \* \* \* is made available.

I might add at this point, if I may, I am referring to the original draft of S. 2719. I have not had a chance to study the new draft. The protection afforded would cover any loss or damage to such property sustained subsequent to January 3, 1959, or from the date of ownership if after January 3, 1959.

From the insurance standpoint the program outlined in S. 2719 is unrealistic. The bill seems to recognize this. In effect, it provides grants to reimburse for a high percentage of the property loss sustained.

We submit that insurance is presently offered by private insurers upon reasonable terms in the sense that the premium charges made for such coverage are commensurate with the risk entailed. In this connection it should be observed that earthquake is a catastrophe hazard the risk of which must be measured over a considerably long period of time with professional judgment substituted in the absence of a credible statistical base. Moreover, to be written on a sound basis, earthquake insurance must reflect premium charges which are related to the location of the insured property from the standpoint of the probability of the occurrence of earthquakes. Since faults in the earth structure are known to exist in certain areas of our continent and to give rise to the probability of earthquake at such locations, it is only reasonable that the premium charges made for earthquake coverage in these areas properly reflect the probability of occurrence as dis-

tinguished from the improbability of occurrence in areas where such faults do not exist. Obviously, owners of property are interested in purchasing earthquake insurance only in those areas where there is a probability of occurrence, which gives rise to what is called in insurance parlance adverse selection of risk and which must be taken into consideration in determining premium charges. If property owners countrywide were inclined to purchase earthquake insurance then the general charge for such coverage could be substantially reduced. Such, however, is not the case.

If the Government were to undertake the writing of earthquake insurance it would encounter the same difficulties as those described above confronting private insurance and a true insurance program by the Government would have to reflect charges based on probability of occurrence in fault areas and the resulting "adverse selection of risk," since there is no constitutional way in which the Government can compel owners of property to purchase earthquake insurance and thereby reduce the charge. Such being the case, it is apparent that the proposed legislation is not intended to provide true insurance protection upon the basis of reasonable premium charges reflecting the unavoidable "adverse selection of risk," but rather to provide a deliberately subsidized protection at the expense of all taxpayers who thereby become the "underwriters" of the insurance. Not only does this interpretation flow from the disjunctive use of the phrase "or other appropriate means" but also from the absence of any requirement for the charts to be made commensurate with the risks assumed. The provision for retroactive coverage offers further proof of the nonintent to provide true insurance since such is the very converse of true insurance which by its very nature must be prospective in its operation because it protects against a contingent event. We object to legislation which purports to provide subsidies or "grants in aid" under the guise of insurance since such represents an abuse of the insurance concept.

As a general proposition we believe that Government should not compete with private business except to the extent that the latter is unable or unwilling to provide adequate protection to the public upon reasonable terms. In saying this, it should be clear that our business is not protesting against legislation which would provide direct subsidies or grants-in-aid to stricken areas in Alaska or wherever else disasters may occur. We believe this to rest within the judgment of the Congress and our interest in such determination would only be as taxpayers sharing the financial burden with others.

Thank you.

Senator ANDERSON. Mr. Ridgway, did the insurance companies have a rate of earthquake insurance in Alaska on certain types of insurance as low as 15 cents per hundred?

Mr. RIDGWAY. Yes; they do.

Senator ANDERSON. What was the comparable fire rate, four or five times that?

Mr. RIDGWAY. The comparable fire rate? I have nothing to answer that from and have to do it from memory because I do not have the fire schedule. I would say the average fire rate would probably be closer to 40 or 50 cents. I am talking now about the broad fire coverage.

Senator ANDERSON. You did have earthquake insurance at a rate as high as \$2.50 per hundred?

Mr. RIDGWAY. That is right.

Senator ANDERSON. And the intermediate group was 70 cents. Therefore, you did not measure the hazard. Didn't the earthquake that struck Alaska pretty well coincide with the hazard that you folks came up with in the assumption of risk?

Mr. RIDGWAY. Yes, it did, Mr. Chairman.

Senator ANDERSON. Will you pause for a moment? The morning hour in the Senate is not over. We have the right to continue until the morning hour is completed. Therefore, we will continue until the morning hour is completed.

Mr. RIDGWAY. I would like to point out that the rate for earthquake insurance as applied to Alaska is a general rate that was developed for the entire west coast including Alaska. It was divided into three regions, of which Alaska is region 1. The risks in Alaska were divided into eight classes of construction which also includes the location of the risk involved, the type of terrain on which it is constructed, and from the base for a rate ranging from 15 cents per hundred to \$2.50 per hundred. It might be interesting to note that I think it is in zone 3, which is the Imperial Valley of California, that the rate goes as high as \$3.50.

Senator ANDERSON. This map we have shows why.

Mr. RIDGWAY. That is correct.

Senator ANDERSON. At this low rate of 15 cents, which you give on a private dwelling, was there a great deal of insurance written in Alaska on earthquakes?

Mr. RIDGWAY. There was not.

Senator ANDERSON. Premiums for 5 years?

Mr. RIDGWAY. I understand the total premiums for 5 years ended in 1962, were roughly, \$55,000.

Senator ANDERSON. Or, roughly, \$14,000?

Mr. RIDGWAY. That is correct per year.

Senator ANDERSON. From an actuarial standpoint, how long do you have to take to meet a \$200 million loss?

Mr. RIDGWAY. Mr. Chairman, I have a very interesting and I must admit, oversimplified illustration. I think it would be interesting at this very point, if you would be willing to bear with me for a moment on it, the total premium volume for fire insurance in Alaska in 1962 was \$5,400,000. This is the total premium volume of 1962. Let us assume for the illustration that in 1963 it had reached the stage of \$6 million, and, assuming again for the illustration, that the average rate for fire insurance was \$1 a hundred, on the basis of \$6 million premium volume, we were insuring total values of \$600 million. Now, if we also assume a rate for earthquake insurance that would be considered by the great majority of people as being an inexpensive rate or a low rate of 10 cents a hundred, we would generate, the industry would generate, from that total value of \$6 million, an annual premium, gross premium of \$600,000, at a 10-cent rate. You can vary this using any rate you want to. Of the \$600,000, it is estimated—and again I am using very rough figures—that a third of that total premium would be involved in the expense of collection, the issuance of the policies, et cetera. So, the net, after expenses, remaining to the company, and assuming the company is incurring no losses, would be \$400,000. I submit that our present Federal Government tax rate is roughly 50 percent, so after taxes, we would retain \$200,000 per year to take care

of the potential loss of \$600 million in the State of Alaska as a result of a major earthquake.

We realize that under this present earthquake the damage to the private sector is somewhere in the neighborhood of \$100 to \$200 million. Again, Mr. Chairman, I submit that the industry would have, under an insurance program of the nature being considered, little in the way of reserves to build up a reserve after taxes to take care of a \$100 million loss in Alaska. It would take, on the basis of \$200,000, it would take what? Five hundred years to build it up.

Senator ANDERSON. I think when we get to it, Mr. Ridgway, the figures from Alaska will shrink very substantially.

Mr. RIDGWAY. I think so.

Senator ANDERSON. I just point to the fact that the survey we have made indicates \$68 million instead of the \$237 million estimate used by the State. The same thing applies to the highways. The highways are down very substantially and the only reason that the Bureau of Public Roads' figure is up to \$57 million, is because it wants to reconstruct above the present scales—not put back what was there before. For instance, in the Copper River area, you had single-lane roads. Now they want to put in double lanes, put in all new bridges and new roads. It does run the damage figure up. That change was not caused by the earthquake. They could reconstruct the bridges the same as before, but the problem is trying to find out how you would finance it.

Mr. RIDGWAY. Very interesting.

Senator ANDERSON. Would your experience in the insurance business give you the information to state whether people in the eastern five-sixths of the United States could be sold earthquake insurance?

Mr. RIDGWAY. No, sir. We know it would be very difficult to start. It is a question of who would buy it and yet it is conceivable that we could have losses.

Senator JACKSON. Mr. Ridgway, in the interest of time, I think some of the points that you have raised are answered in the draft bill. After you have had a chance to go through the draft bill, I would like to have your comments for the record so that your statement would be complete with that amended version before the committee. I will not ask any further questions at this time.

(The information requested is as follows:)

CRUM & FOSTER,  
New York, N.Y., June 2, 1964.

Re S. 2719.

Senator CLINTON P. ANDERSON,  
Senate Interior and Insular Affairs Committee,  
New Senate Office Building,  
Washington, D.C.

DEAR SENATOR ANDERSON: When I testified on the above bill on May 5, 1964, Senator Jackson requested the National Board of Fire Underwriters to file a supplementary statement giving its views on Committee Print No. 1.

I have conferred with various representatives of the industry, as a result of which the enclosed supplementary statement has been prepared and is presented herewith for the information of your committee.

May I extend my thanks and appreciation to you for the opportunity of presenting not only my previous statement, but also this supplementary one.

Sincerely yours,

WILLIAM C. RIDGWAY, JR.,  
Chairman of the Board.

[Enclosure.]

SUPPLEMENTARY STATEMENT OF NATIONAL BOARD OF FIRE UNDERWRITERS ON  
COMMITTEE PRINT NO. 1

My name is William C. Ridgway, Jr., chairman of the board Crum & Forster group of insurance companies. This statement supplements the statement I submitted on behalf of the National Board of Fire Underwriters on May 5, 1964, in connection with S. 2719. At that time Senator Jackson requested a supplementary statement which would give the committee the national board's views on Committee Print No. 1. The national board welcomes the opportunity to comply with that request.

Committee Print No. 1 strikes out all after the enacting clause of S. 2719 and insert a draft of proposed Federal Earthquake Disaster Insurance Act of 1964. It provides for a Federal agency called the Federal Disaster Administration. This agency is "to provide insurance or reinsurance, or both, against loss resulting from damage to or destruction of real or personal property resulting from national disaster caused by earthquake activity within the United States, its territories, or possessions."

To the extent that adequate protection is not available from private or other public sources under reasonable terms and conditions, then such protection shall be made available in accordance with terms and provisions of the act, through direct insurance or through reinsurance. No insurance or reinsurance shall be issued under the provisions of the act on any property declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local zoning laws.

Premium rates, policy terms and areas within which rates are to apply, are to be prescribed by the Administrator. The rates are to be based "insofar as practicable" upon consideration of the risks involved and upon calculations of amounts needed to cover all administrative operating expenses as well as reserves for probable losses to be accumulated over a reasonable period of years, but "such basis shall be used only to such extent as in the judgment of the Administrator shall be consistent with the aim of offering insurance and reinsurance at rates reasonable enough to make available to those who need it, at rates they can afford, the protection intended to be provided by this Act."

The Administrator is to encourage by offering suitable reinsurance, the issuance by private insurance companies of policies insuring against damage caused by earthquake activity, but the premium rate and terms and conditions of any policy reinsured shall be subject to approval by the Administrator. He is also to encourage private insurers to issue policies covering that portion of the earthquake loss in excess of \$300,000 and this is to be accomplished by a program of appropriate reinsurance.

The act would permit any department or agency of the Federal Government, engaged in making direct loans or guaranteeing loans made by private lending institutions for purchase, construction, or repair of property, etc., to require as a condition for future financial assistance that such property be insured against perils of natural disaster to the extent such insurance is reasonably available under the provisions of the act.

The act further provides for retroactive coverage for "any loss of or damage to any property located in an area declared by the President \* \* \* to have suffered a major disaster because of earthquake or proximately caused thereby, and having been sustained subsequent to September 30, 1950 \* \* \*." Compensation is to be paid for such loss "as if an earthquake insurance policy covering the property was in fact in force at the time of such loss or damage."

In our judgment, the program embodied in Committee Print No. 1 is quite as unrealistic as the original S. 2719 program. The program is not an insurance program. Section 5 provides for inadequate rates—in fact, compels the use of inadequate rates. The Administrator is to use as his basis "insofar as practicable" rates based upon reserves for losses and administrative and operating expenses. But, "such basis shall be used only to such extent as in the judgment of the Administrator shall be consistent with the aim of offering insurance and reinsurance at rates reasonable enough to make available to those who need it, at rates they can afford, the protection intended to be provided by this Act." These, obviously, are rates that are inadequate for private insurers. There not only would be no loading for profit, there would not even be enough in the rate to cover losses and expenses. This is not insurance. The inadequacy in the rate is to be made up by all the taxpayers in the United States. This is a grant or a subsidy. The insurance business is not expressing any opinion as to the

wisdom or propriety or constitutionality of such grant or subsidy, but it does wish to make this point clear—a grant or subsidy should not be called insurance.

The retroactive indemnity provision in section 4(b) is an even larger grant or subsidy than that provided in original S. 2719, inasmuch as it would be retroactive for approximately 14 years as distinguished from the original draft which provided for approximately 5 years.

The enactment of this bill would destroy the private earthquake-insurance market, since private insurers could not compete against the lower so-called "practical" rate provided for in section 5. This result runs contra to the purpose of the act, which is to furnish insurance only "to the extent that adequate protection is not available from private or other public sources under reasonable terms and conditions \* \* \*." Private insurers have been, and still are, offering protection against earthquake damage under reasonable terms and conditions.

Apparently the act contemplates that private insurers could continue to write earthquake coverage by using the Federal agency as a reinsurer (sec. 9 (a) and (b)). The rate would still be inadequate, the inadequacy would be made up to the insurer by payments from the reinsurer and the reinsurer would obtain its funds from the taxpaying public. This would still amount to a subsidy in the guise of insurance.

To the extent that the act is intended as an indirect regulation of the price of earthquake insurance, it is not only an unwarranted intrusion but also a complete reversal of congressional policy. Under the reinsurance program provided for in this act "the premium rate and terms and conditions of any policy reinsured under the provisions of this act shall be subject to approval by the Administrator."<sup>1</sup> But Public Law 15 of the 79th Congress provides, "the continued regulation and taxation by the several States<sup>1</sup> of the business of insurance is in the public interest \* \* \*." Regulation of insurance rates is probably the most important part of State regulation in the property insurance field.

The consequences of this policy change obviously go far beyond the present Alaska problem.<sup>2</sup> We respectfully submit that this point deserves the most painstaking and searching study as the interests not only of insurers and insureds, but also of every State of the Union, are involved in this decision.

Section 11 makes it clear that the rates for earthquake insurance in every State would be affected if this legislation were enacted. That section permits any Federal agency, lending money or guaranteeing loans for construction, etc., to require as a condition for such future financial assistance that such property be insured against perils of natural disaster to the extent that such insurance is reasonably available under the provisions of the act. Thus, the FHA or the Small Business Administration or any other Government department or agency engaged in such activity might require borrowers in non-earthquake-prone areas to purchase earthquake insurance and borrowers in interior States, with no coastline, to purchase tidal wave insurance. Here again, we face broad questions of policy apart from any question of constitutionality. Should individuals who are not exposed to a peril be forced when borrowing to contribute to the cost of indemnification of other individuals, up to almost \$300,000, because those other individuals are exposed to a peril? If reimbursement is to be made to individuals, why should borrowers assume this burden and nonborrowers be exempt? Will this added expense on the borrower impair Federal lending programs?

We submit these questions merit the most serious deliberations before such policy is adopted, but whether adopted or not, this provision is further proof that the program is not an insurance program and should not be described as an insurance program. Insurance is bought for protection against a peril to which the buyer is exposed. The buyer under section 11, in most cases, would be paying for protection against loss from a peril to which he was not exposed.

To sum it up, it is the view of the National Board of Fire Underwriters that the program embodied in Committee Print No. 1 is fully as unrealistic as that contemplated in the original S. 2719. It is not insurance; it defeats its purpose of encouraging private insurance; it embodies an element of compulsion which is repugnant to our traditional concept of government and contains a reversal of congressional policy with far-reaching consequences.

These views are addressed to the program embodied in Committee Print No. 1. They are not intended as any expression of views on direct subsidies or grants-in-aid to areas stricken by natural disaster.

<sup>1</sup> Emphasis added.

<sup>2</sup> So far as we know, there has been only one attempt at departure from the congressional policy embodied in Public Law 15 of the 79th Cong. The Federal Flood Insurance Act of 1956 contained similar rate control provisions, but Congress has never approved any appropriation to implement that legislation.

Senator ANDERSON. Senator Jordan?

Senator JORDAN. No questions.

Senator GRUENING. No questions.

Senator SIMPSON. No questions.

Senator MAGNUSON. I would like to ask a question. It has nothing to do with Alaska, but it is a curiosity: If an earthquake shook a home enough to start a fire, and the home burned down, would the fire insurance cover the home?

Mr. RIDGWAY. The normal approach to that is to adjust the loss based on the damage occurring from the earthquake which, of course, has to occur first before the fire, even though the fire may result from the earthquake damage. The damage from the earthquake is estimated first and the damage resulting from the fire is the actual claim. That is the basis.

Senator MAGNUSON. The fire claim would be paid?

Mr. RIDGWAY. Yes, sir. I am frank to admit that it is an area that is rather difficult to adjust.

Senator MAGNUSON. If I take out fire insurance and the earthquake causes the fire, I can get my fire insurance less what the damages of the earthquake were?

Mr. RIDGWAY. That is correct.

Senator ANDERSON. As a matter of fact, Mr. Ridgway, the fire did damage to the property after the earthquake—a fire broke out.

Mr. RIDGWAY. That is correct; although the incidence of fire in the Alaska disaster actually was quite minor as compared to other earthquakes.

Senator ANDERSON. I agree with that completely. Seward is probably the only place where there may have been losses of that nature. Anchorage got a shaking up but almost no fire. In fact, I saw no evidence of fire at all. Therefore, that is a loss that would not be included in the fire policy.

Thank you very much, Mr. Ridgway. If there are no further questions—

Mr. RIDGWAY. Mr. Chairman, would it be in order if I made one more off-the-record or on-the-record statement?

Senator ANDERSON. Sure.

Mr. RIDGWAY. I am very hopeful when Alaska rebuilds that full consideration will be given to the fact that there are certain earthquake resistant types of construction. They have been well researched; they are well thought out; they are well known; they are available.

We also know that tremendous protection against earthquake damage can be obtained right at the inception of a construction program if the proper consideration for the ground and the type of foundation that is being constructed is worked out along the lines of earthquake resistance.

I feel strongly, as you just pointed out, Mr. Chairman, the entire Pacific rim is subject to earthquakes. I think that this is an area that should be given full consideration at this time, so when, in the State of Alaska the reconstruction goes on, that there is given consideration to the development of earthquake resistant factors that are inherent in proper construction.

Senator ANDERSON. I appreciate your making that statement tremendously because I think it is extremely important. If Alaska rebuilds with cement blocks, she is going to have trouble again.

Mr. RIDGWAY. There is no question about that.

Senator ANDERSON. And certain other types of construction such as that in the Penney Store will always have trouble. But I know that the National Bank of Alaska, Mr. Rasmussen's bank—I was interested to look at it personally. I heard that it had no damage whatsoever.

They said there was no damage. One of the vault doors was a little bit hard to open the next morning and that was the total amount of the damage.

As far as I saw, the well-built buildings that were properly designed stood up well, including the new part of the Western Hotel, which was not damaged substantially. But some of the buildings not so well constructed are in real tough shape. I think a great majority of the buildings in Anchorage rode out the quake very well.

Of course you cannot do much with the Turnagain area where the coast disappeared and the houses went to the sea. No type of construction would save that situation.

Mr. RIDGWAY. That is correct. On the other hand, a full study of the soil systems might have saved that situation.

Senator ANDERSON. In 1959, the Geological Survey published a booklet saying that it was dangerous to build in that area—the very point you are making. We had better be careful of some of these things.

Thank you.

Governor Egan, do you have a statement to make?

Thank you, Mr. Ridgway. You are very kind to come back.

#### STATEMENT OF HON. WILLIAM A. EGAN, GOVERNOR OF THE STATE OF ALASKA—Resumed

Governor EGAN. First, if I may, I notice that through this record, for some reason, there is being built the argument that because there is a considerably heavy Federal expenditure in Alaska, that Alaska should be considered in somewhat another category than that of other States.

I would like to point out for the record, Mr. Chairman, that last year, judging from the State of Alaska's records, we have a State income tax based on the percentage basis wherein individuals paid to the State of Alaska a certain amount of their income off of the Federal income tax.

Based on the figure that was actually received by the State of Alaska, people in the State paid better than \$90 million back to the Federal Government.

Now, I would like to say also, Mr. Chairman, that the records of the Federal Internal Revenue Service would only show something like \$45 million having been paid by the people of Alaska to the Federal Government.

The reason for that is that a large portion of our heaviest taxpayers do not file their income tax payments in Alaska but in the other States.

In addition to that \$90 million that the Federal Government receives in income taxes from people of Alaska, from business done in the State of Alaska, I feel that not less than \$50 million was paid the Federal Government from Federal excise taxes and other taxes upon the purchase of equipment from the States of New York, New Jersey, Ohio, Michigan, and other industrial States whose own income taxes reflect the taxes on the equipment that was sold in Alaska.

I think Alaska has a more peculiar situation in this regard than does any other State in our great Nation in that as of this date we do not manufacture equipment. Consequently, every other State in the Union reaps off of Federal appropriations and off of State appropriations moneys that come directly from residents of the State of Alaska, a far greater profit, a far greater rate of return from the people of Alaska than from any other State because in the States of Washington, Idaho, and other of the Western States, there is some production of heavy equipment. There is none in Alaska.

Now, to get down to the Federal expenditures in Alaska that will be made this year. The appropriation is going to be something like \$470 million—maybe it is \$478 million or some such figure—under half a billion is requested to be appropriated as expenditures charged to the State of Alaska by the various Federal agencies, including the Department of Defense.

My recollection of the total appropriations requested by the Department of Defense, which, incidentally, Mr. Chairman, are expenditures that are not made for the people of the State of Alaska—they are made for the security of all the States of the American Union—the Defense Department appropriation is \$345 million, which includes the payroll and the purchase of expensive electronic equipment, probably from the State of Michigan, from the State of New York, from New Jersey, and other industrial States—those people again will derive the benefits of the profits from the sale of that equipment to Uncle Sam, but Alaska gets charged for it.

Since 1959, the last year when there was a boom-type construction effort in Alaska, of a total of about \$130 million, at times that total has dropped down in actual defense, what you could consider boom-type construction where men are at work, to as low as from \$15 to \$18 million, and Alaska has progressed wonderfully well.

Despite that tremendous falloff, we have taken up much of that slack in our economic and resource development progress.

I want to say that we are very proud of the Military Establishment in Alaska, of the commanders and other personnel that make up the complement of the military personnel in Alaska, and they contribute much to the Alaskan economy as they do to the State of Virginia, the State of New York, or Pennsylvania, or other areas where they are stationed, but they are stationed there because they are there to protect the internal security of the United States. There are many, many States where hundreds of millions of dollars annually are expended by the Defense Establishment; but the only reason that it is made to appear that there is more spent in Alaska than in other States is because they relate it to Alaska's population.

Well, population should have nothing to do with it. The Defense Establishment is there for the protection, Mr. Chairman, of all the people of all the States of the United States. We just hope that there are enough Defense Establishments there that a dastardly attack

can be stopped for a few minutes—and I do not have hopes in my own mind that we could stop an attack at this time for more than just a few minutes—in order to afford establishments in the rest of our Nation to get ready.

But I want to point out again that of the \$345 million of Defense Establishment appropriations, much of that money is not spent in Alaska. It is spent in purchasing costly aircraft and very costly electronic equipment which goes into these early warning sites that do not employ many men.

But I would say that the \$130 million that Alaska pays in taxes each year will increase as our resource development programs continue to grow, that this figure pretty well covers other Federal expenditures in the State of Alaska.

With respect to Mr. Ridgway's testimony, Mr. Chairman, I would like to say that I have personally purchased fire insurance on dwellings and on businesses that I have a connection with in Alaska for more than 30 years, but I have never had one agent of any insurance company come to me and tell me, "Mr. Egan, Alaska is earthquake country; it is more likely to be earthquake country than any other area in the United States, and you should take out earthquake insurance."

Mr. Chairman, I would hazard a guess that if everyone in Alaska suddenly tried to take out earthquake insurance policies, that the insurance companies would declare a moratorium and look at the whole situation.

I would hazard a guess, Mr. Chairman, that if this would happen in the area bounding San Francisco that the same thing would happen. I think, Mr. Chairman, that Mr. Ridgway's testimony points out more clearly than ever before the need for a national disaster insurance program of this nature.

Mr. Ridgway pointed out very clearly that if they did have insurance in Alaska covering all of these establishments that were destroyed or damaged on March 27, they could not possibly have come close to covering the damage through premium payments.

Senator ANDERSON. I have to go down for ceremonies for Alan Sheppard which I agreed to do for some time. Senator Gruening will take over while you finish your statement. I apologize for leaving.

Senator GRUENING (presiding). Governor Egan, before you resume, I want to say that I find myself in complete accord with your very correct statement as to the Federal aid in Alaska which is very largely aid for the entire Nation. It is wholly inappropriate to cite that aid as an example of the Federal Government's generosity for Alaska. Actually, if the military establishments in some of the other States were cited, they would be found to be far in excess of expenditures of those received in Alaska, and I might say in States of far less strategic importance than in Alaska.

Governor EGAN. Mr. Chairman, I would say that it is my opinion that if all the Federal expenditures were suddenly withdrawn from Virginia, for example, employment and everything else that is connected with the Federal Government, that it would have a more disastrous impact. It would be a disastrous impact in Alaska also if this kind of situation came about. But if this happened in the State of Virginia, there would be chaos from the standpoint of the economy, if the Federal Government said that all the Federal expenditures and

payments of payrolls were to be abolished in the State of Virginia as well as in Alaska. I think Alaska would have a better opportunity, from the standpoint of our resource development, of coming out of this kind of a situation than Virginia. I do not mean to imply that Virginia is a special situation; I am just picking one of the States from the 50 States where the Federal participation, the payment of Federal money into the State's economy, is a great amount.

You are absolutely right, Mr. Chairman. The record shows many, many States which have a far greater expenditure, from the standpoint of the military or expense establishment, than does Alaska. I think this is wrong. I think we are not giving the United States of America the protection it must have in that big, wide open door up in Alaska. I think on the northwest coast and other areas of Alaska, our defense establishment is woefully inadequate. I hope that our friends across the street do not contemplate any attack whatsoever on this great United States of ours until that situation is remedied and brought into perspective in the minds of people in the Department of Defense so that we will eventually have an adequate defense establishment in Alaska.

Senator GRUENING. Isn't it a fact that despite Alaska's having a part of the National Defense Establishment, the Defense Establishment there has not been able to prevent the Russians from fishing in our waters, and hurting our fisheries and making an impact on our own economy?

Governor EGAN. That is absolutely correct, Mr. Chairman. I want to point out that the Federal expenditures in Alaska—a large portion of those expenditures—are actually expended in other States of the United States for heavy equipment and expensive electronic equipment and aircraft which are manufactured in other areas of the United States.

Much as I admire the Defense Establishment, most of the people in the establishment do not pay State income tax. They undoubtedly pay their taxes in their own States of the Union and yet Mr. Seidman and others charged these expenditures off to the State of Alaska in their language as if this is really a gift to the State of Alaska. There is no reason to charge these Defense Department expenditures to the State of Alaska when as a matter of fact a large share of those dollars are not even spent in Alaska.

Senator GRUENING. And apart from the Defense Department picture, which is a part of the security of the entire Nation, isn't it true that a large part of Alaska was set aside for national forests, national parks, and wildlife refuges which provide recreational and conservation benefits for the people of the entire Nation and most of these were set aside without consultation with the people of Alaska?

Governor EGAN. That is correct, Mr. Chairman. I want to say, too, Mr. Chairman, I certainly differ from Mr. Seidman with regard to S. 2719. The enactment of S. 2719, in my opinion, together with an appropriation to cover the enactment that would get it going, would only provide the basis for a national disaster insurance program that has long been needed.

It is my view also, Mr. Chairman, that when a disaster fund was created under the Office of Emergency Planning, that that was the first real recognition our Nation gave to the fact that we are reaching the point where our State is becoming so populated, where industry

is becoming so great, that we must recognize that something has to be done to provide some support for disaster. It is above and beyond what we had ever contemplated through the years, 50 years ago or a hundred years ago, and the enactment of S. 2719, together with an appropriation, would only provide the groundwork and the basis for which Mr. Seidman says it is his conviction that we should study the need for some future overall disaster program. This would get the study off the ground, Mr. Chairman, and facilitate any of these other programs that are being considered and the help that is being given through the Small Business Administration or the HHFA or other agencies at the present time—the Farmers Home Loan Administration. There could be an equitable distribution under the provisions of the enactment of S. 2719 that would compensate for any early loans that were made by the Small Business Administration or any of these other agencies.

There was a question asked here, too, Mr. Chairman, about the Federal veterans loans in Alaska. I don't know how many Federal veterans loans were made in Alaska in numbers, but they were very, very few. Federal veterans loans made in Alaska were very few in proportion to the number of veterans there are in Alaska because there was a difference in consideration in Alaska with respect to veterans loans and veterans home loans for a good many years than there was in the other States of the Union.

Senator GRUENING. Wasn't there a tremendous contrast between what the Federal veterans program did and the State veterans program? The Alaska State veterans program which was established before that of any other States of the Union when Alaska was a territory; it made hundreds of loans to enable veterans to build homes, to acquire fishing boats, farms, et cetera, and that was many times more than the Federal agency did.

Governor EGAN. That program is one, Mr. Chairman, in which Alaska is justly proud, and the administrators of such programs in other States have many times complimented Alaska. I believe two or three States have copied that act as a model act.

Mr. Chairman, there is another item. I want to say that I do not have any information at the present time that would cause me to feel that the State of Alaska's report of damages—our report of April 4, which showed a total of \$373 million damage in the private and public sector, not including Federal damage, and setting aside a possible \$100 million latent damage figure, which brought that figure up to \$473 million—I don't have any information that would cause me to feel that in the final analysis the damages are going to be any less than \$373 million. I am certain in my own mind that when all the damage reports are in, we will find that it is considerably higher than \$373 million and will utilize a considerable portion of that \$100 million latent figure and peripheral damage figure that we set up.

It has been stated here that at the present time the estimate has been \$68 million damage in the Anchorage area, where it was shown to be a loss of \$198 million or something like that. But at a meeting I attended a few nights ago in Anchorage at which Mr. Johnson, the Federal assessor, and people from our State housing authority testified, the people who were conducting these assessment studies throughout the damaged areas, it was pointed out that they were not con-

sidering at that time the value of the land that was assessed by the city, nor were they arriving at conclusions as to whether or not a \$5,000 damage to a house or a business or a \$10,000 damage to a business constituted such damage as would require the engineers or other surveyors to condemn that entire structure. They were just concerned with the immediate damage without its relationship to the entire building. If such were the case and the building is condemned for future use, a total reconstruction of that building would be necessary. I don't believe that the \$68 million is in any way, shape, or form an accurate assessment of the damage in the Anchorage area. I don't believe that the people who are conducting the survey up there would say that this is the case, Mr. Chairman.

Senator GRUENING. Governor Egan, isn't it also a fact that because of the profound geological changes, much of the earthquake damage is not fully estimable at this time; much of it is still latent. The level of certain areas, the Kenai Peninsula, Kodiak, Seldovia, and Homer, has been lowered. The raising of the levels elsewhere as at Cordova and the ultimate effect on our fishing streams cannot be estimated at this time and the damage may be much greater than it was presumed to be the day after the earthquake.

Mr. RIDGWAY. That is true. This damage showed up at Cordova, Seldovia, Homer, and at Portage—they are outstanding examples of this. It has shown up in the northern areas of our highway system and will continue to show up as the breakup comes and until after the breakup is over, and all the snow is gone in certain areas, Mr. Chairman. We do not know yet how much more settling of the land there will be, which will give us the latent damage figure.

I want to say, Mr. Chairman, that Alaska's State Highway Department just completed this week its final determination as to the overall damages that are evident at this time to the highway system, and they came up with the figure of \$75,600,000 as against the original figure of \$110 million. The \$110 million figure was based on a hasty study. We immediately sent our people back and have several hundred really qualified engineers. The Bureau of Engineers have a total force, best force and all, of only 60 people, I think. I have great confidence in the report that has just been completed by our State highway department. Our engineers were in the field day in and day out, night in and night out, and there were a number of qualified engineers.

In addition to having come up with a written statement relative to every area that suffered damage on the highway system, they have also backed that up with a pictorial record that covers each and every location where they state that this damage will have to be reconstructed.

Governor EGAN. I want to say with respect to certain bridges, it is true, Mr. Chairman, that in our long-range highway program, as you are well aware, we are trying to build and are building roads that we won't have to rebuild 15 years from now. We are building them to the Federal-aid Highway Act specifications to be roads that will last, roads that will last for the first time in Alaska's history and will save tens of millions of dollars in the long run; and it is true that in some of these areas where we had contemplated projects that there are bridges that 5 or 10 years from now, we know that these bridges

would not be adequate to take care of the traffic—the present-day traffic needs will require—and we had worked this into our program.

Unfortunately, the earthquake destroyed or badly damaged many of these existing structures that are not capable of taking the traffic. So what are we going to do, Mr. Chairman? Are we going to build single-lane bridges as we rebuild these bridges? The expenditure of this rebuilding that will be needed is in the millions of dollars, and should we build them the same, single lanes, knowing at the time we build them they will not be adequate for the traffic, just because the earthquake came along and caused these to be upset? I think it would be a travesty on the Treasury Department to put up single-lane bridges when we already planned to enlarge them as money became available. To replace these same structures at the present time with single-lane structures would be to move backward in our highway program. Then to come back and have to replace them with very, very expensive bridges to handle future traffic would be an avoidable expense.

Senator GRUENING. I do agree, Governor Egan. I think it would be absolute folly, when we rebuild these roads and shattered bridges, merely because they were destroyed by the earthquake, to rebuild them on an inadequate basis. I thoroughly agree with you. I hope the Federal Government and I hope the President's Commission, which has, as its object, the long-range rehabilitation of Alaska, not only the earthquake damage, will see the adequacy of the program you mention.

Governor EGAN. Mr. Ridgway urged the construction of safer buildings, Mr. Chairman. That is a fine idea. I certainly hope in all our cities, that in rebuilding, they rebuild the structures so they will, at least in a large measure, be able to withstand any future earthquakes. I am sure Mr. Ridgway has been in Alaska and has seen what happened in the various communities. It was not only damage from the earthquake itself in some communities, but what happened from the effects of the tidal waves. On Fourth Avenue in Anchorage, it would not have made any difference what kind of structure you had when the earth parted. The picture being painted here, I think, is false to the people who have not seen what happened. It is being painted in such a manner so people think the only reason the buildings collapsed was because they were not constructed properly. There are areas on Fourth Avenue and on Fifth Avenue where buildings went, and right alongside of these buildings were some not obviously too well constructed which were not too badly affected.

In many cases fissures would run under a particular building and run through the earth itself. This happened in Valdez in my own home, where the fissure came under my own house, and the house next to it did not even have damage to its foundation. It did not totally break up my house either.

I think when these kinds of statements are made, they should go further into detail and give the whole picture of what happens in an earthquake.

As I recall, Mr. Ridgway spoke of this specific ridge area being earthquake core. The mayor of Anchorage, Mr. George Shurrah, read a statement drafted by a group of earthquake specialists who stated that all of the United States is earthquake country. It is true

that possibly some of the coastal areas are more likely to have earthquakes, but, as I read, remember, in the State of South Carolina in the 1870's or the 1880's, there was a terrible earthquake that extended all the way up into part of the area that is New York State. If South Carolina and other States in between there and New York had been built up industrialwise, and populationwise as they are today, there would probably have been a disaster that would have entailed a number of billions of dollars in damage and a tremendous loss of life. So any one area is not totally immune from the possibility of having a disastrous and tragic earthquake at any time. I believe the testimony of Mr. Seidman and Mr. Ridgway point up very clearly the need of the type of legislation embodied in S. 2719 at the earliest possible time. I see nothing wrong in having the groundwork laid as a result of the tragedy that came upon the great State of Alaska on March 27.

Senator GRUENING. Well, Governor Egan, I notice also there has been a tendency in some of the testimony to blame the people of Alaska for building in an area that they should have known was liable to earthquakes. But the Federal Government's Interior Department was the agency that picked out the Anchorage site.

In 1914 it was deliberately selected for the headquarters of the Alaska Railway, and subsequently and far more recently FHA has insured those Anchorage homes—so the Federal Government is fully responsible, not the people of Alaska.

Governor EGAN. It grieves me to have the Federal representatives come here and make statements concerning the failure of builders to take out earthquake insurance. Why are they reporting on these conditions after the fact? Why did not FHA and the insurers tell them, "This area is in real danger of earthquakes. Why don't you force people with whom you have contracts in those areas to have earthquake property damage?"

I cannot help but come to the conclusion in my own mind that if most of the people in Alaska or the San Francisco area, had tried to take out earthquake insurance the private insurance companies would have taken the risk. I don't think they would welcome that kind of thing. That is my personal opinion, Mr. Chairman.

Senator GRUENING. Governor Egan, we are very grateful to you for having presented such a splendid, comprehensive statement. I hope you will stay here and listen when Mr. Semer will talk on the housing situation.

Governor EGAN. I certainly will.

Senator GRUENING. And if you would like you may come back and make some more remarks, the committee will be glad to have you do so.

Mr. SEIDMAN. I wonder if I could make one comment, because I would not like the record to show any sharp difference with my very good friend, Governor Egan, who is—in any case, I think perhaps there is some misinterpretation of my remarks, and I would not want the record to be unclear.

First of all, I do not think I made any reference to the Defense Establishment in the State of Alaska. Obviously, this is there for the protection of the Nation as a whole. It is not there just for assistance to the State of Alaska.

GOVERNOR EGAN. Mr. Seidman, didn't you refer to the heavy Federal expenditures in the State of Alaska?

MR. SEIDMAN. My reference to Federal expenditures, Governor Egan, was only in response to a question from Senator Gruening, and no conclusion should be drawn from this. I was referring only to assistance coming from the Federal Government directly to the State government of Alaska and local governments under formulas applicable to any State. There is no invidious conclusion to be drawn from this. These funds are available under Federal law to all States. The State budget for the fiscal year 1965 shows total revenues for the State of \$122,966,000, of which it is estimated that \$67,393,063 will come from Federal sources. That is a fact. There is no conclusion drawn. This is what any State is entitled to under the formula established by the Congress, so I was not in any way saying that the State of Alaska was therefore dependent upon the Federal Government. This was just what any State is entitled to.

SENATOR GRUENING. I think this discussion, Mr. Seidman, should be balanced by citation of the historical record and the shameful neglect of Alaska as a Territory. We may cite the fact that Alaska alone was excluded for 40 years from 1916 to 1956 from the Federal aid highway program. In consequence in Alaska not merely a few but the majority of its communities are not connected with any highway system or railway system as they are in the older 48 States. We have had other things of that nature. During the 50 years which elapsed between the admission of the two previous States, Arizona and New Mexico in 1912, all the great changes wrought by invention—the automobile, which brought the highway network, the airplane, which brought the airline systems, and the hydropower, which brought the great dams to the West, all of these came to the States that were then in the Union. But Alaska was totally excluded from these benefits.

I think that that is a matter that should be included in the reckoning. Alaska has a terrific task of catching up as a result of Federal discrimination and neglect during those 92 territorial years. There was the Federal control of fisheries and it's ruining them under Federal mismanagement. I think that should be brought into the picture rather than that the Federal Government is doing anything very generously to Alaska, because it is not.

MR. SEIDMAN. Except for the transitional grants, we are not doing anything for Alaska which we are not doing for other States. As you will recall, I presented before this same committee, legislation which would give equality to the State which the Territory did not receive under the Federal highway and other programs, and I certainly support this.

SENATOR GRUENING. Even the Federal neglect of surveying may be cited. Senator Anderson, at the hearings held in 1950, stated that the rate at which the Federal Government was carrying its land surveys in Alaska they would not be completed for 12,000 years. So the new State has the handicap of working out its land program because the Federal Government did not keep up with its surveying. It still remains to be done.

Other similar points of neglect and similar discriminations can be stated as contrasted with other parts of the Union.

Mr. SEIDMAN. I wanted to make clear to Governor Egan that the high proportion of the revenues coming from Federal sources does not constitute preferential treatment. I just wanted to be sure there was no inference of that kind.

Governor EGAN. I am certainly happy, Mr. Chairman, that Mr. Seidman came back because of his testimony I certainly did get the idea that he was approaching this from the standpoint that the people of Alaska were here with their hand out. I want to point out that we are not a State that is just the recipient of Federal handouts and we have to be considered differently. My recollection was that Mr. Seidman referred to another State where there was \$790 million damage and indicate that, even though they might have several billions of dollars of assessed valuation in that State, that Alaska had to be treated differently. We had to remember that Alaska received heavier Federal assistance.

Mr. SEIDMAN. This is why I wanted to come back, Governor Egan; because of my long association with you, I did not want to leave any inference of disagreement on this point. I did not want in any way to leave the record unclear on this fact, the fact that the State of Alaska does receive these funds from the Federal Government does not constitute preferential treatment, and any States which comply with these requirements receive the same treatment.

Governor EGAN. I was afraid that, because Alaska was only paying \$35 million of income taxes, it would show a totally erroneous picture and consideration would not be given to many who pay large income taxes and do business in Alaska but live in another State.

Senator GRUENING. Thank you for your statements, Mr. Seidman. Mr. Semer, will you come forward and make your statement?

#### STATEMENT OF MILTON P. SEMER, GENERAL COUNSEL, HOUSING AND HOME FINANCE AGENCY

Mr. SEMER. Mr. Chairman and members of the committee, I will just file this statement which is specifically directed to S. 2719. It does not add anything to what has already been discussed. I would like to take a minute to explore with you what might possibly be an alternative to the housing problems that we have in Alaska.

Senator GRUENING. Your statement will be included in the record at this point and we will be glad to give you time for any further statements.

(The statement referred to follows:)

#### STATEMENT OF MILTON P. SEMER, GENERAL COUNSEL, HOUSING AND HOME FINANCE AGENCY

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before this special committee to discuss S. 2719, which is designed to assist the people of Alaska to recover from the effects of the disastrous earthquake of March 27 and to provide reasonable protection against loss of, or damage to, property resulting from earthquakes.

S. 2719 would add to the Alaska Statehood Act now provisions which would require the President to establish an Office of Alaska Reconstruction. Under the direction of the President, the Office of Alaska Reconstruction would be authorized to provide, through insurance, reinsurance, or other appropriate means, reasonable protection against loss of or damage to property resulting from earthquakes or other disasters caused by an earthquake. The bill would re-

quire such protection to be made available not later than 6 months after its enactment.

The bill would permit the Office of Alaska Reconstruction to compensate, on a retroactive basis, any loss or damage to property in Alaska which resulted after January 3, 1959, from an earthquake. Generally, any such loss or damage sustained could be compensated just as though a policy covering the property was in force at the time of the loss or damage. To obtain compensation the owner of the property would be required to pay or make a commitment to pay in full the premiums that would have been due on the retroactive policy from January 3, 1959, at rates to be prescribed by the Office of Alaska Reconstruction.

The bill would establish a special fund in the Treasury of the United States from which insurance benefits would be paid by the Secretary of the Treasury upon certification of a valid claim by the Office of Alaska Reconstruction. Appropriations, donations, premiums, and other funds of the Office of Alaska Reconstruction would be deposited into this fund and the bill would authorize to be appropriated such Federal funds as may be necessary to carry out its purposes.

A program of disaster insurance, if possible, could prove useful as a means of protecting the citizens of Alaska as against natural disasters which may occur in the future. Such a program could spread the financial losses caused by any natural disasters among a much wider group and assure Alaskan citizens that no individual need by himself bear the brunt of any financial injuries that might be caused by any future earthquake.

#### EXPERIENCE WITH DISASTER INSURANCE

The problems involved in establishing such a program of insurance against natural disasters are, however, very great. Our experience in attempting to establish a workable program of disaster insurance under the Federal Flood Insurance Act has taught us that a tremendous amount of preliminary study and investigation is necessary before one can determine whether an insurance program is feasible.

One of the major problems in the development of an acceptable disaster program is the formulation of a schedule of estimated rates adequate to pay for all claims for probable losses over a reasonable period of years. If rates are established scientifically—that is, on the degree of exposure to risk—the rates may be so high for those who need protection most, that the policies would generally not be marketable.

On the other hand, if the rates are established on a more or less uniform basis, with no variation for risk, the program would be faced with "adverse selections." That is, insurance would be sold in areas subject to the greatest risk but not in other areas. This would make the insurance economically unsound.

It is essential to base rates on probable risks. But this requires studies in depth of historical experience in all major areas served by the insurance and of the damage sustained by the various types of properties. The degree to which these facts are available is unknown, but the administrative difficulties involved in developing the necessary facts and applying them would undoubtedly be great.

Insofar as Federal flood insurance is concerned, these problems still have not been resolved. In fact, a bill (S. 2032) has been passed by the Senate and is pending in the House of Representatives to authorize further study of alternative methods for providing financial assistance to those suffering property losses in flood disasters, including alternative methods of flood insurance.

It is doubtful that an earthquake insurance program limited to Alaska, particularly with a retroactive feature, could be operated on a reasonably self-sustaining basis. The premiums, if based on risk, would be prohibitive.

It may be that a program more broadly based on various natural hazards throughout the United States, and which included earthquakes, could be devised. But the length of time required and the serious technical problems involved should not be minimized.

We believe that the actions already taken by the administration and measures proposed and under consideration can more quickly, and perhaps more effectively, help revive the economic base of Alaska and enable its citizens to recover from the injury they have suffered.

Attached is a summary of major assistance measures adopted and proposed by the administration and the major activities undertaken by the Housing Agency to assist Alaska.

## SUMMARY OF MAJOR ASSISTANCE MEASURES ADOPTED AND PROPOSED TO ASSIST ALASKA

Immediate emergency needs are being met by the Office of Emergency Planning. An initial allocation of \$5 million for emergency disaster relief work in Alaska was made by the President on April 4. In quick response to the President's request, the Congress on April 7 appropriated an additional \$50 million for the disaster relief fund and the President has stated that additional funds for emergency needs will be allocated for Alaska as work there progresses.

To compensate for the decline in State and local revenues which will occur as a result of the earthquake, the President has recommended legislation which would provide for a continuation of the "transitional" grants to Alaska to help her assume her responsibilities as a State until June 30, 1966, and authorize an additional \$22,500,000 for such grants. As you know, this legislation, introduced as S. 2772 by Senator Jackson, has been reported by this committee with the amount of grants authorized increased to \$23,500,000.

The President, by Executive Order 11150 on April 2, established the Federal Reconstruction and Development Planning Commission for Alaska which, under the chairmanship of Senator Anderson, is developing coordinated plans for Federal programs which will contribute to reconstruction and to economic and resources development in Alaska.

In addition, the President has directed the Federal agencies to utilize to the fullest extent and as rapidly as possible their current authorities and resources to assist Alaskan communities to recover from the earthquake disaster. This is being done.

## HOUSING AGENCY ACTION

As one of the first Agency actions after the earthquake, the FHA authorized forbearance relief on all existing home loans in Alaska insured by that Agency.

Since the earthquake, and acting under its existing authority, the Housing Agency, through its Urban Renewal Administration, has authorized planning surveys for urban renewal projects for Anchorage, in the amount of \$719,000; Kodiak, in an amount exceeding \$141,000; Seward, in an amount exceeding \$586,000; and Valdez, in an amount exceeding \$465,000.

In Anchorage, planning is already underway for the redesign and reconstruction of the entire downtown area which includes most of the heavy damage in the city excepting Government Hill and Turnagain. A request for urban renewal planning funds for the Turnagain area is now being processed in the Agency and \$300,000 has been allocated for a survey for the Turnagain area. In Kodiak, planning and other studies have been commenced for renewal of the downtown area and the waterfront. Primary consideration is being given to the future character and location of the central business district.

Under the low-rent public housing program of the Housing Agency a 150-unit project in Anchorage, initiated before the earthquake, has been expedited. Localities affected by the disaster are now considering the use of this program to provide additional accommodations for their families.

The Housing Agency's Community Facilities Administration has earmarked \$175,000 of advance public works planning funds for the city of Anchorage and earmarked an additional \$150,000 of such funds for other Alaskan communities. In addition, the Community Facilities Administration has agreed to a moratorium on rents granted to tenants of a 340-unit project in Kodiak, Alaska, on which the Community Facilities Administration holds the mortgage.

The Housing and Home Finance Administrator has authorized deferment of payments on account of some 98 public works projects, ranging from water systems to warehouses, constructed in 23 Alaskan communities under the Alaska Public Works Act. In addition, a detailed estimate of the housing damage in Alaska is nearing completion and will soon be submitted to the Federal Reconstruction and Development Planning Commission for Alaska.

Mr. SEMER. If S. 2719 should become law, of course, that would serve as a broad base for resolving the question that I would like to raise with you. If, on the other hand, S. 2719 should not be the basic approach, then there are some alternatives that are possible—as a matter of fact, some alternatives are possible today.

The most severe form of the problem that we are confronted with in Alaska is the problem of the homeowner who has suffered a total loss of his home. Either the home has slid down into the water or

it is so badly damaged that it is irreparable. The Federal Government, through Fannie Mae, one of its instrumentalities, is a lender. In that respect, in its role as a lender, it can act without any authorization or appropriation needed, just as a private lender could.

In the case which involves the total loss of the home, we could write off the loan completely. This is in effect what we are tentatively proposing to do in the case of the homeowner who suffered total loss. I think I can explain our proposal by use of an example.

Assume prior to the earthquake, a homeowner had a home, valued at \$35,000 and on it he had an FHA-insured mortgaged in the amount of \$25,000 with a 30-year maturity. The interest rate on the mortgage would be  $5\frac{1}{4}$  percent, plus half a percent for the premium charge, or a gross  $5\frac{3}{4}$  percent financing charging. The monthly payments on the mortgage would be \$146 a month.

Now assume this house were totally destroyed as a result of the earthquake and assume this homeowner wants to build a substantially similar house.

The Small Business Administration can give this homeowner a disaster loan which would carry a 3-percent interest rate and a maturity of up to 30 years. But this homeowner still is obligated on a \$25,000 mortgage on his totally destroyed home. Now the benefit of the 30-year 3-percent loan is quite substantial, and—in terms of the monthly payment required—this homeowner can, with the 3-percent loan, carry quite a bit more debt than he would at  $5\frac{3}{4}$  percent.

But, obviously, even with a 3-percent 30-year loan he cannot carry the \$35,000 required to finance a new house plus an additional \$25,000 to pay off the whole mortgage. Nor could the Small Business Administration make a \$60,000 loan on the strength of a \$35,000 house. Therefore the question is, how can we shrink or wipe out the whole debt? I want to say parenthetically that our proposal would apply only to people who want to rebuild—it would not apply to people who just wanted to get out.

As a lender holding paper on homes in Alaska, we would make this tentative suggestion. We would accept a \$1,000 token payment to wipe out the mortgage on the destroyed home. This token payment could be absorbed by the homeowner as part of the refinancing he gets from SBA.

Senator GRUENING. Let me ask you a question at this point: Would this thousand dollars be irrespective of the amount that he owed? I mean, if he had a \$30,000 loan, would he get a thousand dollar added debt? Suppose he had only a \$5,000 loan, would he still have the same \$1,000?

Mr. SEMER. At the moment, we are saying \$1,000. You could say \$3,000 or you could say a percentage. We have not really worked out the fine points, but we think that there ought to be some kind of token payment to the lender which could then be absorbed as part of the refinancing that would be provided by the Small Business Administration. Whether it be \$1,000 or a percentage, or whatever it might be, there would be this token payment. For it, the lender, which in our case would be Fannie Mae, would write off the debt owed by the homeowner.

The homeowner would also, in most instances, be making quite a substantial contribution because he would lose his equity in his home.

Let me follow that example through the logical steps and see how it would work out.

We are assuming a \$35,000 valuation. To rebuild that home, it would take \$35,000 in new debt or in some kind of new financing, plus the thousand dollars which represents the payments to the mortgage lender, so it would be a \$36,000 obligation for the new home.

Let us assume for the sake of discussion that there was an outstanding indebtedness on the old home of \$25,000. That means that the owner would lose the difference between \$25,000 and \$35,000, or a \$10,000 equity that he had in the home. The lender, which in our case would be Fannie May, would lose the difference between \$25,000 owing and the \$1,000, or whatever the percentage might be. There would be a \$24,000 loss.

Fannie May, of course, is not the only lender in Alaska. There are others. On the basis of preliminary explorations of this problem with private lenders, we feel that we ought to set the pace on a proposal such as this. We have reason to believe, although no commitments have been made, that other lenders will follow this lead. This will resolve quite quickly the problem of the homeowner who has suffered a total loss.

Senator GRUENING. Well now, how close is this program, which sounds very good, to realization? What does it depend on now? It does not require legislation?

Mr. SEMER. No; it does not require legislation because the requirements of Federal lending legislation are ample to take care of these kinds of allowances of loans.

Senator GRUENING. What about those who do not have FHA loans? Do you think you can induce the banks who may be the lenders to follow the same policy?

Mr. SEMER. I would hope so, Mr. Chairman. I think the best way to explore whether we can induce them is to set the pace to the extent that we can.

Senator GRUENING. Have you any idea of the value of the loans under FHA insurance?

Mr. SEMER. I don't have the figures on that, Mr. Chairman. There are two key factors in the proposal that we are prepared to meet on now—there are two requisites—one, that the home be FHA insured; secondly, that the mortgage still be held by Fannie May.

Senator GRUENING. Can we say you are announcing this as an FHA policy now?

Mr. SEMER. The Housing and Home Finance Agency is prepared to move on this right now.

Senator GRUENING. Under these conditions: A token payment of \$1,000 on the debt and then a refinancing at 3 percent of the former indebtedness?

Mr. SEMER. Well, it would be a financing of a new indebtedness.

Senator GRUENING. A new indebtedness.

Mr. SEMER. That is right.

Senator GRUENING. In other words, a man who was paying, say, on a \$35,000 house, with a \$25,000 loan at  $5\frac{3}{4}$  percent would now be able to get a loan for \$36,000 at 3 percent, is that correct?

Mr. SEMER. Let me repeat that so that we may be sure the record shows it correctly.

Senator GRUENING. I am taking your illustration of a man that had a \$35,000 house on which he owes \$25,000, and you are going to charge him \$1,000 as a token payment to liquidate that loan, and then you are going to make him a loan so that he can build a new \$35,000 house.

Mr. SEMER. That is correct.

Senator GRUENING. So you are making him a new loan for \$36,000, 30 years at 3 percent, is that correct?

Mr. SEMER. That is correct; yes, sir.

Senator GRUENING. And that is the policy that the FHA proposes to follow?

Mr. SEMER. I would like to put it this way: The Housing and Home Finance Agency is proposing this. We need the concurrence of sister agencies such as the Veterans' Administration and the Small Business Administration. The only step left is to explore some of the refinements with the staff of the Commission and also to explore it with this committee.

Certainly, if we moved on this proposal, we would not want to do anything that would end run the possibility of adopting a broader proposal such as this insurance proposal.

Senator GRUENING. Actually, except for allowing, perhaps, for the increased cost of construction which goes on up from year to year, this man would be as well off as he has been before, would he not?

Mr. SEMER. In terms of monthly payments, Mr. Chairman, that \$25,000 debt at the FHA terms was about \$146; that new debt, which would be \$36,000 at 3 percent for 30 years, would be \$152. There would be a \$6 raise.

Senator GRUENING. He would be able to build a new home then, and he would actually be paying less in monthly payments and in total than he was paying before, is that not the case?

Mr. SEMER. Well, in the case of the FHA level, he would be paying \$6 more. In the case of the conventional loan, say, a 25-year loan at 7 percent, which is the prototype rate, in converting that to a 3-percent 30-year Small Business Administration loan, the monthly payment would drop substantially. For example, and I furnish this example for the record: We figured out a case where the principal and the interest on the conventional loan would be \$247 and then after wiping out the old indebtedness, the new monthly payment would be \$215. The reason for that is, there is a greater drop from a 7-percent, 25-year base, to a 3-percent 30-year base than there is from 5¾-percent 30-year base to the 3-percent 30-year base.

Senator GRUENING. Mr. Semer, there is one unique aspect of the Alaska earthquake disaster in that a great many of the homeowners lost not merely their homes and their contents but the lot on which the house was built. That is true of Turnagain and some other areas and will be true of some houses that are still standing. But where the land has disappeared or is likely to disappear, would the loan include payment for the lot?

Mr. SEMER. The new loan would certainly include the lot as well as the structure.

Senator GRUENING. I would say offhand that this is a very sound policy and I hope it can be carried through, and before we adjourn, I hope that Governor Egan will give his comments on it because we would like to have his view as he represents the State.

Governor, would you be kind enough to come forward. Don't go, Mr. Semer.

Have you pretty well understood the purport of what Mr. Semer has been speaking about? Were you able to hear from the back of the room there?

Governor EGAN. Yes; I have.

Senator GRUENING. How does that strike you as a method of a solution for those who had FHA loans?

Governor EGAN. It strikes me as being a good proposal for those people. I don't know whether there would be a few people involved or many. I had heard that your agency was considering going to 40 years on these loans, Mr. Semer, but what are we going to do about the others? This is extending a real good service to some people in the private sector, but I wonder if Mr. Semer has any suggestions to make with relation to how we approach other people who would not come under this in the private sector.

Mr. SEMER. Mr. Chairman, we just bit off what we thought was obvious; namely, that there had to be some remedy for people who suffered total loss. The damage assessment on these was easy. Just a casual inspection showed that the home was gone. Now let us take, hypothetically, the 80- or the 85-percent loss. I don't think we are smart enough at the moment—and it may be that we have to wait, as Governor Egan has said, to see what develops over the next few days or the next few weeks, as to whether or not there is anything left, if you have an 80-percent loss.

The curious thing about some of the data that I have seen is that housing damage tends to be concentrated in very great loss or relatively small—say 20 percent and under is small. This is indicated by the figures that I have seen, although we have gotten verbal reports from people that there may be more houses with damage between 20 and 80 percent. One set of early statistics showed that under 1 percent of houses damaged had losses that were between 20 and 80 percent.

The 20-percent loss or under could possibly be absorbed very easily by refinancing, which drops the interest rate from, say, 5¾ to 3 percent and stretches the maturity. Damage of \$2,000 to \$4,000 can be absorbed very easily without increasing the monthly payment. The 80-, 85-, or 90-percent loss, once people go over the data and have more firsthand experience, may turn out to be irreparable, so it is tantamount to a total loss. If the people who are the experts on damage assessments should say that, "Yes, it is 85 percent but as a practical matter it is a total loss," then the proposal I just discussed would cover it.

Senator GRUENING. Let me ask you this question, Mr. Semer. What about the man who loses his home and has no indebtedness on it? Would you make him a loan? Could he now get FHA insurance for the home that has vanished on the same terms as you give a man under the FHA?

Mr. SEMER. This is a very tragic case that I do not have any solution for. I want to make it very clear that one of the components of this proposal is that there are two losses, the mortgage lender loses his claim to the debt but the homeowner loses whatever equity he has. That may turn out to have some inequitable consequences but we just do not know enough. We have been trying to get the pattern of equities in the Alaskan housing. We do know that in FHA experi-

ence in recent years, the tendency was for the prospective homebuyer to go in for large mortgages for the same reason that people take large mortgages and low downpayments over the rest of the country.

Senator GRUENING. I hope the agency will apply this program to those who followed Benjamin Franklin's counsel of being thrifty and farsighted and paid off their indebtedness and who consequently owned their home free and clear—they should not be penalized more than the person who has the large debt, should they?

Mr. SEMER. We are constantly plagued by the problem of the ant and the grasshopper in here. I don't think the solution I propose is at all perfect in solving that. The person is going to lose his equity under this proposal.

Governor EGAN. Mr. Chairman, I was told yesterday afternoon that the Small Business Administration had agreed, or tentatively agreed, to make loans to homeowners on a long-term basis at 3 percent. Would that include people who are not in your program, Mr. Semer?

Mr. SEMER. That is correct.

Governor EGAN. That you are familiar with?

Mr. SEMER. Let me recapitulate that, Governor. The proposal I have submitted to the chairman on a tentative basis is the proposal of what one Government agency can do affecting a majority of cases, in hopes of setting the pace and hoping that other lenders would follow this model.

Governor EGAN. Mr. Chairman, you asked the question some time ago about whether or not private lending institutions would follow suit and drop their mortgages as against a certain amount of the minimum amount of the equity. It is my understanding if they would do that, they would then be entitled to a refund on their Federal tax returns. Is that true or not, Mr. Semer?

Senator GRUENING. Would that be your view, Mr. Semer?

Mr. SEMER. I am not completely informed on that, but I understand that is a possibility.

Senator GRUENING. Mr. Seidman, would you have a comment to make on that?

Mr. SEIDMAN. I understand that is the case.

Governor EGAN. Do you have any indication that private lenders will go along with that idea?

Senator GRUENING. I think that is a matter that you, as Governor, or the Chairman of the Commission, could very properly take up with these banks in Anchorage. I would think they would be in a very uncomfortable position if they did not extend the same terms that the Government would extend. They would not lose anything, they would just—

Governor EGAN. The greater portion, as I understand it, of institutions that are holding this paper are not banks in Alaska but are outside institutions.

Senator GRUENING. That is a matter we have to explore. Have you anything further, Mr. Semer?

Mr. SEMER. That's all I have, Mr. Chairman.

Senator GRUENING. Thank you very much. We very much appreciate your statement and we are very pleased that we can announce the policy that you are about to pursue in the matter of those who have FHA mortgages.

Mr. SEMER. I would like to have the rest of the day—because the question that you raised has turned out to be most difficult because of the equities involved, whether the payments should be some percentage of the debt or—

Senator GRUENING. I would make you a suggestion that rather than having a flat \$1,000 which would establish a difference between a man who owed \$25,000 than a man who had \$5,000, that the forgiveness be made on a percentage basis. Possibly it could be 1 or 2 percent of the loan, which seems to be a more equitable method of payment than a flat payment.

How would you react to that?

Mr. SEMER. We have felt that, because it is a token and does not even begin to pay any relationship to the outstanding debt, that it could be a flat figure without any effort to adjust it as a percentage.

Governor EGAN. I wonder if, in the last 2 days, Mr. Semer has received any information from those doing the assessing up there in Alaska as to the relationship in the number of homes that were seriously damaged which had FHA mortgages and those which did not?

Mr. SEMER. Governor, I do not. I start out with certain gross figures which are not particularly meaningful at this stage, FHA insured about 70 percent of all the housing in Alaska. That is not particularly meaningful at this time. The figures that have come in in the last few days which may prove quite troublesome are those as to percent of damage to houses which I just related. I hope you will all make an effort to get the details as soon as possible. An early set of figures showed concentration of damage, at the two extremes, 80 percent or more or 20 percent or less, and the proportion of the homes damaged between that 20- and 80-percent range was under 1 percent; but we have since heard informally from people such as Vic Fisher, who is our representative on this thing, that there may be more than 1 percent in that 20- to 80-percent range. In that range, it may turn out to be very troublesome as to whether or not to absorb all the old debt and come up with the new debt, or just to concentrate on keeping the monthly payments down, or devise some comparable shrinkage or wiping up of the old debt.

Senator GRUENING. Is there anything further?

Governor EGAN. No, sir.

Mr. SEMER. No, sir.

Senator GRUENING. Since the first 2 days of hearings on April 14 and 15 we have received several statements and communications which will be inserted in the hearing record at this point. We will keep the record open to get the answer from Mr. Ridgway to Senator Jackson's question.

(The documents referred to follow:)

STATEMENT OF PATRICK HEALY, EXECUTIVE DIRECTOR, AMERICAN MUNICIPAL ASSOCIATION

Mr. Chairman and members of the committee, I am Patrick Healy, executive director of the American Municipal Association, an organization representing some 13,000 municipal governments across the Nation both directly and through State municipal leagues. Among these is the Alaska Municipal League and all the cities of that State.

Municipal officials of the other 49 States, like all Americans, were distressed to learn of the tragic earthquake which struck Alaska on Good Friday. We express

our profound sympathy to the victims of this unfortunate event, and we certainly would support all reasonable efforts to assist Alaska in her hour of need.

The Alaska earthquake was a most unusual natural disaster. Past natural disasters, however unfortunate, have not dealt such a staggering blow to the total economy of an entire State. Our understanding is that the Alaska earthquake seriously damaged the area of the State producing over 55 percent of the gross product and revenues where 60 percent of the population lives. In view of this scale of damage, the shortness of Alaska's construction season, and its geographic relationship to the other States, rapid Federal action is most important.

The Alaska disaster has one feature completely in common with all other natural disasters in our Nation; namely, no natural disaster insurance covered the losses sustained by its victims. This once again demonstrates the necessity of a national program which, through some form of insurance, would provide the basic means to rebuild damaged property.

The national municipal policy of the American Municipal Association on this subject is as follows:

"The American Municipal Association calls upon the administration and the Congress to develop a plan for natural disaster insurance which will adequately protect our cities and which will allow for the maximum participation of private business."

Our communities continue to face the perils of earthquake, flood, tornado, hurricane, and other natural disasters. We hope in the consideration of the Alaska disaster we do not lose sight of the fact that these perils exist throughout the land and that the best approach is to provide for them before the fact, not after it.

Our association is anxious to cooperate in the passage of S. 2719. We would also support a national plan of disaster insurance, as we supported the 1956 flood insurance legislation and now support the bill S. 2032, authorizing a flood insurance study, passed by the Senate last November.

The committee may wish to consider broadening section 30 of S. 2719 to require that earthquake insurance, through the Office of Alaska Reconstruction, be mandatory for all persons receiving Federal credit (either direct loans or loan guarantees) for real property. Mandatory insurance coverage would have the effect of broadening the insurance base and, thereby, reducing premiums for residents of Alaska.

We also note that special assistance is required for victims of the Alaska disaster other than that contemplated in S. 2719.

We suggest that Congress and the executive branch consider a special amendment to the Housing Act of 1949 containing a special appropriation to allow evaluation of properties in an urban renewal area within a major disaster area to be on the basis of the property value before the disaster. This would permit cities to designate most of the damaged area within their limits an urban renewal area, purchase the property from present owners at the value before the disaster, clear the land, and then redevelop the land.

Congress and the President may also wish to consider a special amendment to the Small Business Act which would permit, within disaster areas, refinancing of existing Small Business Administration loans and extending terms of repayment of new and refinanced loans to a minimum time of 30 years. Such an amendment would allow a business to return to normal operations without an extremely heavy debt amortization problem.

Finally, let me reiterate our deep sympathy with the residents of disaster-struck Alaska and express the sincere desire of our association to cooperate in the solution of the problems resulting from the earthquake.

---

STATEMENT OF BARCLAY SHAW, REPRESENTING THE NATIONAL ASSOCIATION OF  
INSURANCE BROKERS, INC.

My name is Barclay Shaw and I am a partner in the law firm of Palmer, Serles, Delaney, Shaw & Pomeroy, New York City, who are counsel for the National Association of Insurance Brokers, Inc.

The National Association of Insurance Brokers is a nonprofit corporation whose membership is comprised of insurance brokers from coast to coast. Such members are individuals, partnerships, and corporations, and also State or local associations.

Insurance brokers have a unique position in the insurance business. In fact and by law they represent solely the insured—the policyholder—on whose be-

half they purchase insurance coverage. As brokers they do not represent insurance companies.

We have examined S. 2719 and although we are in favor of the objective of assisting our fellow citizens in Alaska as a result of the disaster they suffered from the earthquake last March 27, we are strongly opposed to the method provided in the bill to carry out that worthy objective. We believe that the sponsors of the bill in their zeal to provide relief to the property owners in Alaska have confused the need for prompt financial assistance with the desire for future protection from a similar disaster.

The need for financial assistance can be more quickly and sensibly accomplished by private or public grants, loans, or other similar means. To attempt to set up a Government earthquake insurance program based on retroactive coverage would not only be a ponderous and time-consuming approach to the problem but would be a distortion of the basic principles of insurance and encourage its extension to other unsound Government programs.

Further, the number of property owners who would be available to pay premiums under the proposed program is so small in relation to the estimated losses of \$250 million, that the program could not possibly succeed even initially without a large Government subsidy.

There was some indication in the testimony given your committee on this bill that there was a precedent for this proposed retroactive earthquake insurance program in the war-damage insurance legislation of World War II. There the retroactive period was limited to a few months and the losses to private property were relatively small. S. 2719 would extend this retroactive period back over 5 years and, more importantly, would involve hundreds of millions of dollars.

Congress has many times considered a Government insurance program for various catastrophic perils of a regional or national nature which private insurers have been unable to undertake. So far Congress has had very little success in attempting to solve these most difficult problems.

In conclusion, the earthquake insurance program proposed under the bill does not meet the immediate needs of Alaska nor does it hold any promise of success under the very adverse condition it would set up. In view of past experience, any such Government insurance problem should be given exhaustive study and not embarked upon precipitously as would be the case here.

---

U.S. SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
May 1, 1964.

Hon. HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,*  
*U.S. Senate,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: You will be interested to know that many people in New Jersey are in strong support of S. 2719, the bill to provide aid for the people of Alaska upon which your committee has been holding hearings.

I strongly urge the committee to act upon this essential legislation at the earliest possible date. I believe our 49th State deserves all the help we can provide in its time of crisis.

With best regards.

Sincerely,

HARRISON A. WILLIAMS, JR.

---

RALEIGH, MANN & POWELL, INC.,  
*Tacoma, Wash., April 17, 1964.*

Senator WARREN G. MAGNUSON,  
*U.S. Senate,*  
*New Senate Office Building,*  
*Washington, D.C.*

DEAR SENATOR MAGNUSON: Many of us are concerned over the delay in providing adequate funds for the rebuilding of earthquake damage in Alaska. Regardless of the method used to provide the money there will be some inequities, these, however, certainly have to be overlooked in a catastrophe of this nature.

I think retroactive insurance opens the door for many abuses that may come in the future. However, our industry is probably the only one designed to act as a medium for handling the valuations and adjustments in Alaska. To

prevent the use of this approach in all catastrophes some dollar guide should be used; that is, any loss of catastrophic nature that exceeds so many dollars will, in the future, be handled this way. Anything less can be handled by Government loan or grant.

Our industry is geared to handle and expedite this catastrophe providing our Government will reinsure the participating companies to the extent of the loss including a modest expense factor adequate to cover the cost of handling.

It should be on a businesslike basis. Policies should be issued on an actual cash value basis using the following formula:

1. Cost to replace today less depreciation based on age and use.
2. Deductibles should be adjusted ranging from 5 to 15 percent, based on construction of buildings.
3. Premium should be paid on issuance of the contract if necessary, the Government should guarantee loans to the bank for this purpose.
4. Value of large damaged buildings can be determined by professional appraisers with the owners paying this modest cost. Smaller buildings and dwellings can be appraised by adjuster or other insurance personnel.

Let us use a hypothetical case on a dwelling:

Cost to build, 1950.....	\$18,000.00
Estimated replacement value today.....	27,000.00
Depreciation 24 percent.....	2,480.00
Sound value.....	20,520.00
Assume total loss:	
Earthquake policy issued 80 percent of value.....	16,416.00
Deductible 5 percent of sound value.....	1,026.00
	15,390.00
Loss payment.....	15,390.00
Straight earthquake premium on \$16,416 plus expense load for policy handling adjuster fee including appraisal.....	23.31

Issue loss draft at time of adjustment and let individual negotiate his own rebuilding and salvage.

Difference between new replacement value and adjustment could be handled on a long-term low-interest loan.

Time is of real importance and regardless of the method used something needs to be done now.

The foregoing is the opinion of this office only as we cannot speak for the industry. We, of course, will cooperate in any way possible.

Sincerely,

J. D. POWELL, *President.*

W. L. LADLEY SONS, INC.,  
Pittsburgh, Pa., May 8, 1964.

Re Bill S. 2719.

Hon. HENRY JACKSON,  
U.S. Senator, Senate Office, Washington, D.C.

DEAR SENATOR JACKSON: As downtown chairman for the National Federation of Independent Business, let me commend you for your thoughtfulness in trying to be of help to our friends in Alaska.

It would seem to me that with all of the money we have been sending all around the world to backward countries, which is in truth U.S. citizens' tax dollars, that the least we can do is to try to help out our own when a horrible disaster occurs beyond anyone's control.

I would like to offer a little suggestion in the respect that some thought be given toward a percentage of funds sent around to these backward countries and helping them to get moving so they don't fall into communistic hands and other good and sound reasons, that maybe there could be a bill put through to deduct a certain percentage of these billions of dollars of funds to set aside in what might be called an American catastrophe fund to help our own citizens when one of these terrific natural catastrophic things occurs.

It is no wonder the rest of the world looks upon this great United States of America and shakes their heads with a wonderment and misunderstanding as to our approach to things. Here we are, for a number of years, handing out moneys around the world in great quantities, and then when a catastrophe happens effecting a great many of our own good citizens, we just don't have any money quickly available to send and help them get back on their feet.

Maybe some thought should be given toward clipping off just a small percentage of these billions of dollars that are going around the world to set up as a fund to help American citizens, who are victims of catastrophic happenings, to get back on their own feet.

Very truly yours,

JOHN B. LADLEY.

---

WESTERN STATES DEMOCRATIC CONFERENCE,  
San Francisco, Calif., May 4, 1964.

Senator HENRY M. JACKSON,  
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: The following telegram was sent by Roger Kent, chairman of the Western States Democratic Conference, to Senator Clinton Anderson, chairman of the Federal Reconstruction and Development Planning Commission for Alaska. The telegram reads as follows:

"Western States Democratic Conference polled on Jackson bill (S. 2719) for retroactive insurance. Heavy response and no dissenting votes. Feel sure you will back Governor Egan, Senators Bartlett and Gruening, and Congressman Rivers to see that the bill becomes law.

"(Signed) ROGER KENT."

We urge your support and vote in favor of Senator Jackson's bill, S. 2719, for retroactive insurance for Alaska.

Very truly yours,

CLIFFORD E. WARREN, *Chairman.*

---

SOCIETY OF REAL ESTATE APPRAISERS,  
Washington, D.C., April 14, 1964.

HON. HENRY M. JACKSON,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR JACKSON: The Society of Real Estate Appraisers urges your early and favorable consideration of S. 2719, to provide assistance to the State of Alaska.

The private economy of Alaska has been seriously endangered by the magnitude of the recent disaster, and it is imperative that we take well-considered steps to prevent a chaotic situation from developing. We are informed by our Alaska chapter that the most beneficial service the Federal Government could render in this case is to pass S. 2719, and thereby keep the private sector of the economy afloat until the situation is stabilized and normal market conditions can be reconstructed.

Due to the necessity for quick reassurance of the good people of Alaska, we hope that you will move as quickly as possible to indicate what course of action the Senate will take in this case.

We greatly appreciate your consideration.

Respectfully,

FRED R. O'DONNELL,  
*International President.*

P.S.—It may be of interest to you that our 15,000-member organization has deposited portions of its reserves in Alaska banks, in an effort to expand the lending base of these institutions.

---

WESTERN INTERNATIONAL HOTELS,  
Seattle, Wash., April 7, 1964.

HON. HENRY M. JACKSON,  
U.S. Senate,  
Washington, D.C.

DEAR SCOOP: I was in Chicago and Detroit the week that you were in Seattle. By telephone with Anchorage and Seattle I was kept well advised of our problems in connection with the Anchorage-Westward Hotel. On a limited basis, we are again in operation and yesterday were advised that if all goes well should have all the facilities (440 rooms) available for the business and tourist needs of the Anchorage area by July 1.

In our instance we were perhaps more fortunate than other businessmen because of depth of organization and ability to move promptly with respect to emergency financing. Nevertheless, the results are the same; whether the business is large or small, reconstruction costs and loss of revenue must eventually be amortized.

Your thoughtful proposal of retroactive earthquake insurance, in the opinion of many I have talked to within the last few days, is the most positive suggestion yet advanced, not only as it pertains to the immediate situation, but as a basis for providing answers to other areas who someday may face this same type of disaster. Many of us are reminded of the substantial earthquake damage we had in Seattle a few years ago. San Francisco and other California areas have a long history of earthquake tremors. Some business firms can weather minor disturbances, but a major temblor can be disastrous.

We hope you will find much support for your proposed legislation.

Sincerely yours,

EDWARD E. CARLSON, *President.*

---

SCHWEPPE, REITER, DOOLITTLE & KRUG,  
ATTORNEYS AND COUNSELORS AT LAW,  
*Seattle, Wash., April 6, 1964.*

HON. HENRY M. JACKSON,  
*Senate Office Building,  
Washington, D.C.*

DEAR SCOOP: The Seattle press has reported your suggestion of retroactive Federal insurance for the Alaska quake victims.

Among my papers I still have my old war damage policy, preserved just as a souvenir.

It has occurred to me a number of times especially in connection with the east coast hurricanes, Midwest tornadoes, Ohio River, and other floods that our Federal Government, following the war damage precedent, should set up a nationwide program of disaster insurance available at reasonable rates to everybody, because since disasters may occur anywhere most people would buy coverage, if cheap enough.

Before 1949, earthquake insurance in Seattle was nominally priced with private insurance carriers, but since the 1949 quake, we are marked as a major quake potential, and the insurance rates are now prohibitive.

Disaster rates spread over the whole country could probably be made quite low and would be enthusiastically paid by most people, I suspect.

Perhaps you could initiate such a program in Congress.

Much emergency relief money now expended in disaster areas might well be saved by some such disaster insurance plan.

Cordially yours,

ALFRED J. SCHWEPPE.

SEATTLE, WASH., *April 13, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building,  
Washington, D.C.:*

Strongly urge passage of a retroactive disaster insurance bill as a measure of aiding Alaska earthquake victims as well as victims of future disasters.

M. E. BROWN,

*Publisher, Seattle Journal of Commerce.*

---

THE PACIFIC UNDERWRITERS CORP.,  
*Seattle, Wash., April 7, 1964.*

EDITOR, SEATTLE POST-INTELLIGENCER,  
*Seattle, Wash.*

DEAR SIR: Your editorial, Friday, April 3, 1964, "The Long View" spells out in no uncertain terms, what is required to rehabilitate the earthquake shattered State of Alaska, and you are to be commended for your forthright approach to the problem. When we give foreign aid grants, we do so because it is to the best interest of these United States. What could be of greater interest to our country as a whole, than the rebuilding of an important member State, which has met with such a catastrophe as did Alaska.

Senator Jackson's suggestion for using the war-risk insurance approach to assist private enterprise that lost property, due to earthquake damage is a practical one, and Congress should at once provide a reinsurance fund to carry out his suggestion. Endorsements should be provided by the respective insurance companies that had each property insured, for fire insurance, providing earthquake coverage, only in the amount of the fire insurance coverage which the insured purchased prior to the earthquake. A premium, without commission, should be charged by the insurance companies for this insurance, based on rates in effect prior to the earthquake, thus the Government reinsurance pool would be reimbursed to that extent. The adjustment of earthquake claims should be made in the normal manner by the insurance companies.

Making loans to people already broke, would only result in retarding rehabilitation, as you have already ably stated.

Sincerely yours,

ROBERT C. RODRUCK, *President.*

DUWAMISH SHIPYARD, INC.,  
*Seattle, Wash., April 3, 1964.*

HON. HENRY M. JACKSON,  
*U.S. Senate, Washington, D.C.*

DEAR SIR: We attended the meeting Thursday afternoon in Seattle of Government and private parties concerning the Alaska disaster.

The suggestion advanced of a retroactive earthquake-tidal wave insurance for those injured and availability of a reasonably priced like insurance for all concerned within the U.S. Pacific rim area of potential risk, we feel was excellent.

Our feeling is that enabling action should be taken immediately.

Our Nation does have an international responsibility, but certainly we must take care of our own.

Very truly yours,

ARTHUR J. LARSEN, *President.*

SEATTLE, WASH., *April 9, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building, Washington, D.C.:*

We heartily endorse your Government-sponsored disaster insurance program for all States covering innumerable personal and property losses caused by (mentioning a few not insurable through normal channels) floods, hurricanes, dam breaks, tornados, earthquakes, tidal waves, etc. These affecting all of U.S. citizens in various degrees.

Universal Services, Inc., Seattle office employees: Grobe, MacDonald, Mudd, Williamson, Starke, Hynes, Kalar, Pescatore, Aldridge, Clerf, Legrone, Mattie, Riveria, Ryan, Spendlove.

SEATTLE, WASH., *April 9, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building, Washington, D.C.:*

Enthusiastically endorse your very practical program to serve all citizens in the 50 States through a Government-sponsored disaster insurance program covering uncontrollable catastrophes—both personal and property—such as earthquakes, tidal waves, floods, hurricanes, tornados, dam breaks, landslides, and innumerable other unforeseen tragedies. If I personally or Universal Services can be of any assistance please allow us to do so.

GEORGE S. HIDDLESTON.

BOWLES, WHITE & CO., INC.,  
*Seattle, Wash., April 3, 1964.*

HON. HENRY M. JACKSON,  
*Senate Office Building, Washington, D.C.*

SIR: I am greatly distressed by the serious conditions confronting the people and their businesses in Alaska. It is estimated that between 55 and 60 percent of the assessed valuation of Alaska has been destroyed. To my knowledge this situation has never been experienced by any one of our States. If some sort of a direct grant is not made possible to individuals and businesses in Alaska, I see little hope for the economic future of that great State.

The proposal you made certainly makes sense to me without creating a hardship on any segment of our population. Namely, extend the War Damage In-

insurance Corporation to include and make it possible for business and the public to buy earthquake, flood, and tidal wave insurance at a reasonable cost, but make the claims for earthquake damage in Alaska retroactive.

By this method the Government would offer to business and the public an opportunity to insure their buildings, homes, etc., at a reasonable premium. If they did not take advantage of that offer, any future claims of that kind would merit no recovery. As a matter of fact, I think all mortgage companies would make it mandatory if it is available.

Don't think that a similar catastrophe can't happen here or any place on the Pacific coast. We are in a geologic fault area. I would like to be able to buy earthquake insurance on my home and business and offer the coverage to our clients. I am sure the insurance industry would offer their assistance in handling this coverage for the Government as they did on war-risk insurance.

Time is certainly the essence, as you know. I am wondering if provision is being made to introduce such a bill and, if so, who it will be and how quickly can it be done? I am hoping that Congress will make this the No. 1 priority and act fast and that you will do everything within your power to assist in pushing this legislation.

Cordially yours,

ALFRED W. WHITE.

---

ARCHITECTURAL SPECIALTIES, INC.,  
Seattle, Wash., April 8, 1964.

Senator WARREN G. MAGNUSON,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR MAGNUSON: I am attaching a copy of a letter from one of our customers because I am tremendously impressed by it.

I feel that Senator Jackson's recommendations on retroactive catastrophe insurance for Alaska and all other areas in the United States, is the only reasonable answer for the terrible catastrophe that has befallen our country in Alaska.

The \$50 million just passed by Congress is a drop in the bucket. These people in Alaska are courageous and deserving of the support of every U.S. citizen. I do not see how we can justify billions of dollars in foreign aid if we do not take care of our own. I have no doubt that your sympathies lie with mine for the people of Alaska.

The problem is going to be to get the citizens of the eastern part of the country to recognize that Alaska is not in Siberia and is part of our great country. Those people up there desperately need help and I hope it can be forthcoming quickly. I think that Mr. Aubrey Schmidt's letter is an outstanding example of courage and honesty and I know that you can be counted on to push things to a successful conclusion.

Sincerely yours,

W. R. C. COCKE, JR.,  
Vice President and General Manager.

---

CITY ELECTRIC OF ANCHORAGE, INC.,  
Seattle, Wash., April 6, 1964.

Senator HENRY M. JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: I had the pleasure of attending the meeting in the Olympic Hotel on April 2 called by you, Senator Magnuson, and Senator Bartlett concerning the Alaska earthquake disaster. I feel quite close to this situation having lived 14 years in Alaska prior to our move to Seattle. I continue to maintain offices in Alaska as well as in Seattle.

Immediately following the earthquake I visited Anchorage and Kodiak to survey damage to our facilities as well as to the communities in general. In talking to the bankers, as well as other business people in Alaska and bankers in Seattle, the need for public assistance to the private sector becomes readily apparent. It is also generally agreed among the aforementioned segment of business that disaster loans are not the answer to the problem. Outright public grants are needed in the majority of cases. However, I am sure you

will find general concurrence with your thinking that such grants would create an undesirable precedent. Therefore, some form of a retroactive insurance program such as you suggested appears to be the sensible means of providing the necessary relief, if such a program can be implemented in time to fill the void.

A catastrophe insurance program providing coverage on a nationwide basis for risks not now normally covered due to the unrealistic rate structure most private companies have for these risks, should be financially self-sustaining. Premiums could be established at a minimum rate to amortize losses within a reasonable period of time without accumulating large reserves. Such a program would not be in keeping with sound business practices and, therefore, could not be undertaken by the private insurance industry. However, I feel that the Federal Government could justifiably enter into such a program to alleviate hardships in catastrophes.

The other aspects of public help in the event of a catastrophe, includes earlier employment of people put out of work because of the occurrence, the reduction in charity payments, the reduction in unemployment insurance payments, earlier rebuilding of destroyed property creating additional jobs and, in turn, creating a higher base for taxable property, earlier payment of property taxes to local governments, and earlier payment of sales tax and income tax to local, State, and Federal governments. I would not be surprised to learn that the complete evaluation of all economic aspects would indicate the desirability of prompt action in achieving a program of aid which would allow the earliest possible reconstruction of damaged areas. The moral obligation to accomplish the foregoing is also paramount.

I want to thank you for your interest in this matter and, in my opinion, the very excellent program you suggest and want to do everything I can to realize a realistic aid program for disaster areas. My motives are somewhat selfish in that we did have losses in the Alaska earthquake. However, they are minor compared to the losses of many people I personally know and I believe my views would be very little different if we had no losses at all. If you know of any to which I can be of service in this matter, please advise me of such at once.

I would appreciate being advised of the proposed legislative action required for a relief bill to help the private sector of the Alaskan economy damaged so severely in the March 27 earthquake; Who will sponsor the legislation, when will it be introduced, what is the probable time to be consumed by committee action and what do you feel are the probabilities for House and Senate action? I would also appreciate being kept advised of developments as they occur.

Thank you again for your interest in this matter and I hope speedy action will result.

Sincerely yours,

R. C. SWEEZEY, *President.*

---

SEATTLE MACHINE WORKS, INC.,  
*Seattle, Wash., April 3, 1964.*

HON. HENRY M. JACKSON,  
*U.S. Senate, Washington, D.C.*

DEAR SIR: We attended the meeting Thursday afternoon in Seattle of Government and private parties concerning the Alaska disaster.

The suggestion advanced of a retroactive earthquake-tidal wave insurance for those injured and availability of a reasonably priced like insurance for all concerned within the U.S. Pacific rim area of potential risk, we feel was excellent.

Our feeling is that enabling action should be taken immediately.

Our Nation does have an international responsibility, but certainly we must take care of our own.

Very truly yours,

O. E. MEBERG,  
*Secretary-Treasurer.*

THE COMMISSION Co., Inc.,  
Seattle, Wash., April 7, 1964.

HON. HENRY M. JACKSON,  
U.S. Senate, Washington, D.C.

DEAR SENATOR: I have noted the newspaper articles with reference to your suggestion of earthquake insurance, to protect the people of Alaska.

This is a very wonderful idea, but I would like to suggest that some thought be given to carrying this idea further. I believe that if we had earthquake insurance in the entire United States, and if business, banking, and real estate, collectively, could be assessed, and if all insurance companies could add to fire insurance, with some Government support for pooled coverage in the entire United States, there would be a great sense of security for the entire Nation. We carry a big army, navy, and air force, at tremendous cost, for the protection of our country. It would seem sensible that we protect our Nation from disaster, such as earthquakes. No one State can pay the cost of a disaster such as has happened in Alaska and in other parts of our Nation, in the past. The entire United States are bound together to help one another in times of need. We are one Nation.

I hope that you, with the Representatives and Senators from the Northwest, will give thought to the protection of the entire Nation, even as you are planning ways to work out the Alaskan problem.

Sincerely,

SOL G. LEVY.

SEATTLE, WASH., April 8, 1964.

Senator HENRY M. JACKSON,  
U.S. Senate, Washington, D.C.:

We heartily endorse your proposal for retroactive disaster insurance to assist the State of Alaska and to provide against future losses. We strongly recommend that Congress take speedy affirmative action.

PRITCHARD & LOFQUIST,  
Certified Public Accountants.

SEATTLE, WASH., April 8, 1964.

HON. HENRY M. JACKSON  
Senate Office Building,  
Washington, D.C.:

As an Alaska businessman I concur in the prevalent feeling in business and financial circles here and in Alaska that the concept of retroactive insurance you advanced in Seattle recently provides a feasible approach to huge problem of restoring the homes and business which suffered such greivous losses in the recent earthquake.

P. S. GANTY,  
President, Sitka Cold Storage Co.

INDIAN ARTS & CRAFTS,  
Seattle, Wash., April 20, 1964.

Re S. 2719.

HON. HENRY M. JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: Being in close personal and business contact with the people of disaster-stricken Alaska, and knowing your favorable viewpoint in regard to above bill, we urge you not to change your mind in pressing and voting for its passage.

The citizens of the State of Washington will be as thankful to you as the people of Alaska.

Sincerely,

WALTER LOWEN.

NATIONAL OFFICE MANAGEMENT ASSOCIATION,  
TACOMA CHAPTER,  
*Tacoma, Wash., April 20, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR JACKSON: We appreciate your bill, S. 2719, regarding retroactive insurance for Alaskans. We also hope that you will support any other legislation to help these people during this time of great trial.

Thank you.

J. H. BAKER, *President.*

---

CHRISTIAN EVANGELICAL CHURCH,  
*Port Angeles, Wash., April 13, 1964.*

HON. HENRY M. JACKSON,  
*U.S. Senate, Washington, D.C.*

MY DEAR SENATOR JACKSON: Along with many of your friends here I personally appreciate your keen interest in the condition of disaster and suffering which is being felt in Alaska due to the recent earthquake experienced there.

Your reasoning relative to insurance being made available to those people retroactive to before the earthquake is certainly a very sound one and one that needs the full support of every true American.

May the good work which you are doing continue long for we know that it is to the best interest of our State and Nation and to the best interest of preserving for mankind, especially in this country, the blessings and liberties which have been purchased for us at an infinite cost.

Sincere personal regards.

Very sincerely yours,

ROBERT J. LIEBY.

---

THE STEWART HOTEL,  
*Seattle, Wash., April 17, 1964.*

Senator HENRY JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
Senate Office Building, Washington, D.C.*

DEAR SIR: We own and operate the Stewart Hotel here in Seattle. For many years, it has been the Alaskan people's headquarters while in Seattle.

I am sure that if you and other Senators could be here and hear some of their stories at first hand and see their pictures you would hasten to pass bill S. 2719.

We must all remember that this type of disaster could happen at any place. They need help now—not months away.

I attended your Seattle meeting and I personally think your ideas on this matter are very sound.

Sincerely yours,

MILTON E. GAETZ.

---

MAYER BROS.,  
*Seattle, Wash., April 20, 1964.*

HON. HENRY M. JACKSON,  
*U.S. Senator from Washington,  
Senate Office Building, Washington, D.C.*

DEAR SENATOR JACKSON: We have been in communication with a number of our friends and customers in and around the Anchorage area in Alaska since the earthquake disaster there, and feel that we should write to you in this regard.

According to our understanding, the wheels have been set in motion for the Government to assist in rebuilding some of the public utilities that were damaged and destroyed in Alaska; but there is a very great problem regarding private individuals who lost almost all property due to the earthquake and who will be completely wiped out financially if they do not receive some sort of help or assistance.

The purpose of this letter is to ask you to please support any workable plan which would help these people to work out their financial problems so that they can restore their property and in some way manage to stay solvent. There should be some sort of grants or long-term loans that could be given to individuals to help in this regard.

Our firm has done business in Alaska for a great many years, and we feel very close to the problems in that area.

Thanking you for your support in the above matter, we remain  
Sincerely,

MARKUS MAYER, Jr.

SEATTLE, WASH., April 14, 1964.

Hon. HENRY M. JACKSON,  
*Senate Office Building,*  
*Washington, D.C.*

Have just returned from quake-stricken Alaska. Suggest immediate congressional support to Senate bill 2719 proposed April 8. As best solution for financial aid sorely needed to bolster broken economy of this 49th State of the Union. Without such immediate aid this new State is on the brink of complete financial ruin. Time is of the essence.

Best regards,

WAYNE F. MACRAE,  
*General Manager, Vice President, Stack Steel & Supply Co.*

SEATTLE COPPER WORKS,  
*Seattle, Wash., April 3, 1964.*

Hon. HENRY M. JACKSON,  
*U.S. Senate,*  
*Washington, D.C.*

DEAR SIR: We attended the meeting Thursday afternoon in Seattle of Government and private parties concerning the Alaska disaster.

The suggestion advanced of a retroactive earthquake-tidal wave insurance for those injured and availability of a reasonably priced like insurance for all concerned within the U.S. Pacific rim area of potential risk, we feel was excellent.

Our feeling is that enabling action should be taken immediately.

Our Nation does have an international responsibility, but certainly we must take care of our own.

Very truly yours,

ERLING LAURITZ,  
*Secretary-Treasurer.*

WILSON PUBLICATIONS, INC.,  
*Marysville, Wash., April 12, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building,*  
*Washington, D.C.*

DEAR SENATOR: This letter is to express approval of the plan you have proposed for retroactive insurance for losses in Alaska resulting from the great earthquake.

We are receiving appeals from the stricken Anchorage area to help convince Congress that the need is too large and too immediate for any lesser agency than the Federal Government to cope with. In other parts of Alaska where the big wave hit, it is no less urgent to do all that can be done to restore the economy to a productive level.

We are so very fortunate that loss of life was not greater. This fact should not obscure the seriousness of the situation from those farther than the scene than we, whose approval must be gained in this matter.

Sincerely,

SIM. R. WILSON, Jr.

HAMMOND ORGAN STUDIOS OF ALASKA,  
*Anchorage, Alaska, April 10, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building,*  
*Washington, D.C.*

DEAR SIR: I appreciate your efforts on behalf of our State in attempting to enact legislation which will give financial relief to our cities and in particular to individual businessmen who have suffered heavy losses in the recent earthquake.

I am sure you realize that time is of an essence in this problem. I feel that your proposal of retroactive disaster insurance to cover these losses is a fair and equitable means of getting this financial aid to our citizens. They need help as soon as they can get it.

This studio which I operate in rental space was not badly damaged, but the Anchorage Hardware, which my husband and I have been paying on for 15 years, is a total loss. You cannot conceive of the amount of property damage unless you could see it. It is impossible for these hundreds of businessmen, including my husband, to start up again without some outside financial help.

We do appreciate your interest in Alaska and the work you are doing to help rebuild it.

Sincerely,

Mrs. MARGUERITE JOHNSTON.

STATE OF ALABAMA,  
HOUSE OF REPRESENTATIVES,  
April 24, 1964.

HON. HENRY M. JACKSON,  
U.S. Senator,  
Senate Office Building, Washington, D.C.

DEAR SENATOR JACKSON: I am pleased to add my enthusiastic endorsement to S. 2719, which would provide retroactive earthquake insurance reinsured by the Federal Government to those who suffered property loss during the recent Alaskan disaster.

Certainly, this appears to be an area in which the Federal Government has a responsibility for immediate action. I should appreciate your conveying my endorsement of this legislation to the Senate Interior and Insular Affairs Committee.

By copies of this letter to Senators Hill and Sparkman, I am advising them of my position on this legislation in the sincere hope that they will lend their full influence to supporting its passage.

Thank you for your consideration.

Sincerely yours,

ALBERT P. BREWER, *Speaker.*

THE AMERICAN LEGION,  
Washington, D.C., May 5, 1964.

HON. HENRY M. JACKSON,  
Chairman, Senate Committee on Interior and Insular Affairs,  
New Senate Office Building, Washington, D.C.

DEAR SENATOR JACKSON: At its recent meeting, the National Executive Committee of the American Legion unanimously approved Resolution 51, which supports S. 2719. A copy of that resolution is attached. While we understand hearings on the subject bill were concluded today, it is our hope that you will make the resolution a matter of record in the compilation of hearings.

With best wishes, I am,

Sincerely yours,

CLARENCE H. OLSON, *Director.*

#### RESOLUTION 51

Whereas a substantial number of Alaskan veterans and their families have suffered losses of their homes and businesses in the recent earthquakes which shattered Alaska and spread seismic seawave destruction as far as California and Hawaii; and

Whereas there is pending in the Senate of the United States a bill (S. 2719) to provide retroactive earthquake insurance, reinsured by the Federal Government, to all who suffered losses in said catastrophe; and

Whereas S. 2719 will materially assist in the reconstruction of Alaska and provide assistance to those unfortunate victims of a disaster unprecedented in the history of this Nation: Now, therefore, be it

*Resolved*, by the National Executive Committee of the American Legion in regular meeting assembled at Indianapolis, Ind., April 30-May 1, 1964, that the American Legion does hereby endorse S. 2719 and similar legislation designed to provide assistance in the reconstruction of Alaska in both the public and private sectors thereof; and be it further

*Resolved*, That all departments, districts, and posts of the American Legion are urged to join in a request to the Congress to enact such legislation without delay; and be it finally

*Resolved*, That all Federal agencies are urged to facilitate the reconstruction of the 49th State with a minimum of redtape and delay and with compassion for the victims of this disaster.

---

SEATTLE CHAMBER OF COMMERCE,  
Washington, D.C., April 15, 1964.

HON. HENRY M. JACKSON,  
U.S. Senate, Washington, D.C.

DEAR HENRY: The officers and trustees of the Seattle Chamber of Commerce have asked me to express to you, and to the Senate Committee on Interior and Insular Affairs, their sincere commendation for the committee's prompt action in holding hearings on legislation to alleviate the damage and suffering caused by the Alaska earthquake.

Three points of particular concern have been expressed by the chamber with respect to Federal assistance for the quake area:

1. That whatever Federal aid is planned be activated as quickly as possible in view of the limited construction season in Alaska.
2. That any Federal programs devised consider maximum teamwork with the private sector in order to accelerate action and bring about results that will be economic and lasting.
3. If hearings on proposed legislation establish that retroactive earthquake insurance is the most feasible means of providing this assistance, the Seattle Chamber of Commerce urges maximum utilization of the private insurance system, including rating, underwriting, and distribution.

We hope you will suggest to us any steps within our means and capacities to be helpful to you in meeting this problem.

With best regards, I am,  
Sincerely yours,

GEORGE E. THOMAS, *General Manager*.

---

CRESCENT CITY, CALIF., April 24, 1964.

Senator HENRY JACKSON,  
Senate Office Building, Washington, D.C.

DEAR SENATOR JACKSON: It has been called to my attention, as a district chairman of the National Federation of Independent Business, that you have introduced Senate bill 2719, to set up an Office of Alaska Reconstruction, to provide earthquake insurance coverage for all victims of the disaster.

As you know, the Crescent City business area was pretty well destroyed by the tidal wave which followed the earthquake in Alaska.

As chairman of the national federation, I represent 46 members in the county of Del Norte, and 18 of these members lost their businesses in the downtown area of Crescent City.

These people are struggling to rebuild and get back in business via SBA loans and by other means; but the fact remains that, despite these loans and other State and Federal assistance, the loss represents years of hard work and savings on the part of most of these people, which, under the present setup, cannot be regained for years to come, if ever.

Only one of these businesses, the Ben Franklin store here, had insurance to cover their losses, and they are going right back into business again, without too much loss, which indicates the benefits to be derived from a bill such as you are introducing.

I have not been able to poll the members, but I am sure that they would be in favor of this bill, almost 100 percent. I feel sure the federation will make a poll of the membership on this bill in the near future, and the results will be made known to the Members of Congress.

I, personally, am in favor of Senate bill 2719.

Yours truly,

ALVIN J. PHILLIPS,  
*District Chairman of the National Federation of Independent Business.*

THE INDIANA STATE BAR ASSOCIATION,  
Indianapolis, Ind., April 23, 1964.

HON. HENRY M. JACKSON,  
U.S. Senate, Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: I enclose a copy of a resolution adopted by the unanimous vote of the Board of Managers of the Indiana State Bar Association Saturday, April 18, supporting Senate bill 2719 and intended to provide relief for persons who have suffered severe losses in the recent Alaskan earthquake disaster.

It is the sincere hope of the officers and members of the board of the association that this resolution may be of some assistance to you in your efforts to enact this bill.

Sincerely yours,

N. M. GOUDY, *Executive Secretary.*

RESOLUTION OF INDIANA STATE BAR ASSOCIATION

Whereas, the members of the Indiana State Bar Association feel concern for their fellow citizens in the area of Anchorage, Alaska, who suffered from the recent earthquake disaster; and

Whereas Senate bill 2719, as introduced by Senator Henry M. Jackson of Washington provides for the relief of such individuals who have suffered substantial economic losses; and

Whereas said said Senate bill is now the subject of hearings before a subcommittee of the Senate under the chairmanship of Senator Clinton P. Anderson, of New Mexico; and

Whereas the Indiana State Bar Association joins with the Alaska State Bar Association in hoping that favorable consideration will be given to said Senate bill: Now, therefore, be it

*Resolved by the Indiana State Bar Association, by its board of managers,* That said association support in principle Senate bill 2719, and respectfully asks that favorable consideration be given thereto by the Congress of the United States.

Dated at Indianapolis, Ind., this 18th day of April 1964.

The above and foregoing resolution was passed by the unanimous vote of the Board of Managers of the Indiana State Bar Association, with direction that copies of the same be disseminated to the U.S. Senators and the Members of the House of Representatives from Indiana and to other Members of the Congress of the United States.

PLAINS ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.,  
Albuquerque, N. Mex., April 28, 1964.

HON. CLINTON P. ANDERSON,  
U.S. Senator,  
Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: I am writing to you in your capacity as chairman of the Reconstruction and Development Planning Commission for the State of Alaska, to urge that every effort be made by the use of Federal funds to heal the damage to Alaska's economy caused by the recent devastating earthquake.

It would seem that individuals and private businesses of our newest State, who suffered such irreparable damage to homes and possessions, should receive grants of funds in preference to what the United States is giving (not loaning) to such foreign countries as Indonesia, Cambodia, and Vietnam, who do not seem to appreciate our aid.

You, who worked so diligently for Alaskan statehood, must realize that legislation must provide for a complete restoration and rehabilitation program; that unless this is accomplished, our national security will be jeopardized, for Alaska, with its front on the Arctic adjacent to Soviet Siberia, is our northwestern bulwark.

It is my opinion that Senator Jackson's bill for retroactive earthquake insurance and the \$50 million appropriated for disaster relief are not nearly enough to assist the hundreds of people who have not only lost their homes, but have lost their jobs because their places of employment no longer exist.

May I strongly urge that you ask the President of the United States to intercede by direct communication with Congress, insisting on grants (not loans) to private citizens and business people who have suffered such great financial losses through no fault of their own.

Yours very truly,

NORTON DAVIS.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.,  
*Honolulu, Hawaii, April 30, 1964.*

HON. CLINTON P. ANDERSON,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR ANDERSON: As a resident of Alaska and Hawaii, I wish to request your most urgent and affirmative consideration of the prompt passage of Senate bill 2719, to provide some measure of relief to the disaster-stricken people of Alaska. Hardly any amount of monetary relief could ever compensate the brave residents of Alaska who have endured the unprecedented shock and suffering unleashed by this devastating earthquake. Their despair grows daily and I cannot urge upon you too strongly the need for immediate action by the Federal Government to take the necessary steps to restore their hope and to revitalize their lives and their economy.

On behalf of my company, I recently toured the earthquake area to survey the damage done to our facilities and, as you are aware, it is virtually impossible in a letter to describe conditions. The loss of life and property was tremendous; hundreds of families are homeless or living in unsafe dwellings but fighting tenaciously for the future which you, the Government, holds in your hands.

Time is of the essence; this is truly an hour of peril, not only for the people of the State of Alaska, the bastion of our hemispheric defense, but for all Americans and liberty-loving people everywhere. May we count on your support?

Sincerely yours,

B. J. CORCORAN.

LEWISTON, IDAHO, *April 13, 1964.*

ROGER KENT,  
*San Francisco, Calif.:*

Both you and Senator Jackson have my support on retroactive disaster insurance for Alaska.

HARRY WALL,  
*Idaho Democratic National Committeeman.*

ANDERSON, KAUFMAN, AND ANDERSON, LAWYERS,  
*Boise, Idaho, April 20, 1964.*

Senator HENRY M. JACKSON,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR JACKSON: I have read of your efforts for a retroactive insurance program to help repay losses in our stricken State of Alaska, and note that hearings are tentatively scheduled to begin this week on your bill to set up such a program.

This seems to me an extremely worthy bill and I will write to our Idaho Members of Congress to support such an effort. It seems to me, if we can send millions in foreign aid overseas, charity can also begin at home and we can help people of our own States, with far more beneficial results.

Yours very truly,

PHYLLIS H. OTTENHEIMER.

WETZEL AGENCY, INC.,  
*Ponca City, Okla., April 24, 1964.*

HON. PAGE BELCHER,  
*House of Representatives,*  
*Washington, D.C.*

DEAR PAGE: I have a very dear friend and client whose daughter and son-in-law were involved in the Anchorage, Alaska, earthquake.

They lost two children. Their home, household furnishings, and personal effects were a total loss.

My friend just returned from Anchorage and his review of the conditions there now indicates to me that the retroactive insurance bill covering the earthquake hazard now pending in Congress needs very much to be passed. They need desperately to have their homes and the contents rebuilt without the burden of both the old mortgage and the new.

I will appreciate you giving this your favorable consideration.

Very truly yours,

CLIFFORD WETZEL.

\_\_\_\_\_  
 A. GIURLANI & BRO.,  
*San Francisco, Calif., April 20, 1964.*

HON. HENRY M. JACKSON,  
*Washington, D.C.*

DEAR SIR: May we congratulate you upon offering a bill to provide Federal Insurance against earthquake loss or damage.

We have long felt this was a necessity for those living in areas vulnerable to such damage.

We sincerely hope that you will gain necessary support to gain passage for your very worthwhile legislation.

Yours truly,

G. GIURLANI, *Vice President.*

\_\_\_\_\_  
 ALEXANDRIA, VA., *May 5, 1964.*

HON. JOEL T. BROYHILL,  
*House of Representatives,*  
*Washington, D.C.*

DEAR CONGRESSMAN BROYHILL: In the belief that you may be interested in reading firsthand and factual information concerning the earthquake catastrophe that hit Alaska recently, I am enclosing a copy of a letter received from friends, a lovely young couple, Mr. and Mrs. Richard Adams, parents of three young children, Karen, Kate, and Dick. The Adams were residents of Alexandria for a short time following World War II. Mr. Adams currently is the senior member of the firm Adams-Corthell-Lee, consulting engineers, Anchorage.

The letter is lengthy and you are a busy man. However, it does impart information as to the problems many of the Alaskan residents are faced with as a result of the terrible earthquake. I hope you will find the time to read the letter and that you will support Senator Jackson's bill, S. 2719, when it comes up for consideration. Would it be feasible to have the letter or pertinent excerpts therefrom included in the official record on hearings on the bill?

Thanking you in advance for any assistance you may be able to give this matter, I remain,

Very truly yours,

MRS. MARIAN H. STEWART.

[Enclosure]

\_\_\_\_\_  
 ANCHORAGE, ALASKA, *April 3, 1964.*

DEAR ONES: I finally am stealing some time to do something I've tried to do for days. That is, sit down and put my thoughts down on paper—tell you how we are, what we're doing, and what happened to us last Friday during our horrible earthquake.

We have been told to expect aftershocks for at least 2 weeks and every day we have a few at least, probably more than we know when we're sleeping, but at 12:30 today, we had a real good jolter that sent everyone outside and put everyone's nerves on edge (I use the term in its relative sense because we're all nervous) and I decided it might calm me down a bit to sit down and write. This quake today or aftershock, whatever it was, was registered 6+ on the Richter scale and the one last Friday was 8.6 but the first one lasted 6 to 8 minutes and the one today less than a minute. That makes quite a difference. Nevertheless, my lamps were swinging again, my house plants shaking, the house shaking, etc.

Well, a lot of new phrases and expressions have been born from this experience. Now I call us "Turnagain in the Sea" instead of our former location, Turnagain by the Sea; people tell you where they were when it happened and if they didn't run outside as we finally did, then they "rode it out." When I think of the people in the 14th story of the Mount McKinley Building riding it out I really get the superwillys. Those people who were in houses that went over the bluff (and what a miracle so many of them are here to tell about it) speak of "riding it down the hill."

To start at the beginning—the Adams family was together when it happened, thank God. I was in the kitchen peeling potatoes, Kate and Dick watching TV in the recreation room downstairs, Karen reading in the living room, and Bud had just driven up in front. When it started we (and most people I've talked to) said to ourselves "Oh, a little quake." We have numerous small ones—not every month, of course, but in our 11 years in Alaska, both here in Anchorage and in Fairbanks, we've lost count of the number of small ones. You develop a relaxed attitude about the experience. The next day there is a small blurb in the paper about it—when it happened and what reading on the scale it was, but that's all. Still, in the back of my mind has always been the thought that just maybe, someday, we'd have a good shaker. It wasn't inconceivable. Anyway, for about 20 seconds we just stood still, but the minor shake continued and grew in intensity, dishes began to rattle, then to fall and break; we have several lamps hanging from the ceiling, especially one over the stairwell which is my pride and joy and suspends from a gold chain about 5 to 6 feet. It was flying at this point and breaking. Later we found pieces of it way down under the ping-pong table in the recreation room downstairs. My plants fell over, etc. Bud's car was rocking back and forth outside; he jumped out and ran in and told us to get outside; he ran down and got Dickie and came around from the back of the house and deposited him with me while he ran next door. Just the grandmother and little girl were home there and they were screaming that oil was pouring into their house. The oil proved to be water, thank heavens. The quake was still on at this point; we could hardly stand up out in the street; the house was rocking back and forth and I kept hearing a terrible splintering sound.

I shall never forget it. At the time I thought I was hearing trees breaking, but knew later that what I hear was the monstrous sound of houses splintering and going over the bluff in our subdivision. Mothers were screaming for children and children were screaming for their mothers; then it stopped and there was a deathly silence for a few minutes. Karen had recently been talking about the San Francisco earthquake and had heard about people being swallowed into crevices so this was fresh in her mind and she was so terrified of the ground opening up underneath her. I worried about being under the power poles. Incidentally, one factor that saved everyone was that the power went out immediately or there might have been terrible fires. Bud told me to go break the electric circuits after he had checked the house for oil leakage or water damage and safety. The house appeared structurally all right at first quick glance, but what a mess—wow, you can't imagine unless you could visualize 100 vandals coming in and uprooting the place. I had been making a lovely big stew for dinner and it was all over the floor floating in gravy; one picture was completely turned upside down over the piano, etc., etc., etc. Bud had meantime run over to the bluff to see about others and he brought one of the little Mead children up who was cut and in terrible shock. Out of our subdivision of about 18 homes, we lost 2 children, the youngest and oldest boys of Dr. Mead. They haven't been found yet and the parents don't want them to be. Somehow, and no one will ever know, how the families in the other seven lovely homes that went down and out toward the water managed to escape. They can't tell you how they did it even now, they just managed to survive. When you stand near where their homes used to be and look down, the sight is sickening. The Mead house which was a big two-level structure had slid out several hundred yards as well as over the bluff and Bud said when he got there the roof was about 2 feet from the ground. Within a few minutes these families began to emerge and made for the houses that were standing. It was getting dark and no electricity at this point. We took the Smith family with us. They had built their beautiful home just last fall and moved in at Christmas time, then he had been transferred and they were just sick about having to move and leave Alaska and their new home. Incidentally the selling price on it was \$93,000 and no one had earthquake insurance.

To continue, we checked the radio stations on our transistor radio and found that one had come on which had auxiliary power so that we could follow. We all had a stiff shot of brandy and I began to fix something to eat. The poor Smiths had lost everything we thought then, but they were holding up so well. They had three extra children with them and through the night and we never knew for sure why we had them, but it was the next day before those kids got together with their families. It was dark by now and cold so we built a fire in the fireplace, but at this point a fireman knocked at the door and told us all to get out to higher ground because a tidal wave might hit. We quickly gathered up blankets, sleeping bags, etc.: Bud put our family in his car and the Smiths took my old Mercury and we headed out of the area but fast. It was so chilling to drive out from the area and through town—no lights anywhere and the roads were as slick as skating rinks. The Smiths went to friends of theirs for the night and we headed for another part of town to stay with the wife of one of Bud's employees who was alone. Incidentally, they had bought our old house and I never thought I would want to move back into it, but it looked good that night because it's at least 5 miles from the inlet area. We spent the night there. Bud and I didn't sleep much, just listened to the terrible reports on the transistor radio. So many people were missing and unaccounted for and the reports kept coming about this building and that building that was destroyed, including our beautiful West High School, another grade school, J.C. Penney's four-story new building, etc., and we were told there was a million gallons of jet fuel spilled at the airport all over the ground and to stay away. And to add to it all, in the back of all our minds was the belief that we should be prepared for another quake because a second sometimes follows. The next morning we left the kids in that part of town and Bud and I returned to the house to clean up and see what the situation was. Bud looked the place over real good and was amazed at how well the house had stood the shock. Outside of lots of broken dishes and glasses and knocked over lamps, tables, etc., we discovered that two doors downstairs didn't close as well and the fireplace had a little movement in it. That was all.

Bud had been so concerned about our office and laboratory building, especially the chemistry room filled with rows of chemical reagents, etc. We really expected to hear the worst there because there had been fires in the chemistry rooms of two schools, but Harry, Bud's partner, had let us know that the building came through very well, with very little damage, and by some miracle, most of the chemical bottles had stood on the shelves. We'll never know how, but we're grateful. All our employees were OK and this enabled the company to go right to work, except Bud, who helped out in our neighborhood. For more than a week our laboratory was the only one testing water and this was critical as the city tried to rehabilitate its water system and check it for purity.

In the meantime we had cleaned up and started helping our neighbors salvage things from their homes over the bluff. It was really amazing what they did finally get out. Most of them were able to get a great deal. Climbing down to the houses and back up with possessions turned into a very hard job, but it wasn't long before help arrived with trucks and a bulldozer to plow a road down over the cliff and the Rotary Club organized crews of men, 10 to a home, to salvage belongings. The Lowell Thomas' house was just filled with antique treasures and things acquired in their travels around the world, including the Tibetan flag presented to Lowell and his father years ago. Many of the antique things were lost or broken, but they were able to get Lowell's camera and irreplaceable films, etc. The Mead's house had just simply dropped into oblivion, almost, and they were able to get out very little. But strangely enough, several cars were salvaged and were driven off when they were pulled to the top. I was the only woman left in the neighborhood. Many of the wives had gone outside for various reasons, so I was kept busy making sandwiches for the salvage crews for the first few days. Everyone worked so hard and unselfishly. A common disaster brings out the best in people.

Water and electricity were restored to most of the city in a few days, but we were 2 weeks without water in our area, and even then we were the recipients of water via an emergency aluminum pipe system layed on top of the ground into which we connected our garden hoses. But it was (and still is) water. I boil it for drinking.

I believe the first week we were all kept so busy trying to clean up and, especially in our Turnagain area, help those who had lost homes, that the true realization of just how much we had lost in terms of the city and State didn't set in.

By the time we were organized and the kids were back in school some 10 days later, a depression really set in on everyone. For people whose homes had been destroyed or whose homes were left perched on the edge of the new bluff, there appeared no help at all. This is the case right now, unless the bill introduced by Senator Jackson in Congress, the so-called retroactive insurance bill, is passed. Congress moves very slowly and it doesn't look good. So in the meantime, these people are legally bound to continue making mortgage payments on a pile of rubble, while trying to live somewhere else, paying rent. Many of them will undoubtedly have to file bankruptcy. We will receive Federal money to help us restore Federal facilities but the individual who lost a home and a business or either one, has been very badly hurt which in turn hurts our economy and tax base. It has been a cruel blow to a land that has been hard to settle from the beginning. We had such a big construction season ahead and the oil picture looked good this year, too, with tideland drilling scheduled. Now we've been set back many years.

I haven't talked to a soul who plans to leave (though no doubt some have). Everyone is determined to stay and try to rebuild. But for the next few months we'll be in a state of limbo while a big soil study gets underway to determine just what happened in the slide areas and whether or not it will be safe to rebuild in the downtown and Turnagain areas. We now find that even though our house is in fine condition, we are located in a questionable zone, close to the new bluff, and should the soil studies disclose a more unstable condition than we know, we may face condemnation. As we understand it, in this case we would be paid a postquake value for our land and house, and could try to move the house, but trying to move a hillside house with daylight basement is no little task and finding a proper lot for it is even more impossible right now, so we find the realization difficult to live with right now.

Bud's firm will be very deeply involved in the soils study, which will be under the direction of a very fine firm of soils consultants from Seattle. We have worked with them before and they are tops, and if its any consolation—we will be one of the first to know about land instability as the drilling and testing progresses. Since it will take 2 to 3 months, we must just sit tight and hope for the best. I plan to carry on as though this worst won't happen—plant my garden, finish seeding the back lawn, but I may put off some painting I'd planned. Bud will be so deeply buried in work we probably won't see much of him.

I began this letter on April 3, and now finish it on April 26. We have had aftershocks ever since the fateful March 27 and are told to expect them for maybe months to come. Last Sunday two geologists from Seattle were here with Bud and one of them said to me, "I hate to wish anything bad on you, but I hope while we're here you have a real good aftershock." It seems he's quite an earthquake fan, if such a thing can exist, has his own seismograph in his home, etc. Well that night we had two real strong shocks that rattled the house, and when they came for dinner the next night and stepped in the door I chided them for causing our latest shocks. I no more than had the words out of my mouth when a real good "shaker" hit. I started out the door and as I did so, the geologist, I noted, was in seventh heaven, counting the swaying cycles and just generally enjoying the "feel" of it. Afterwards he told us we didn't realize how fortunate we were to live here and experience this. Wow! We'll gladly give him all the aftershocks he wants. Our area has turned into a veritable laboratory for engineers, geologists, and seismologists from all over the world and they came pouring in in great numbers. Many are still here. It is the best opportunity they've ever had to observe the effects and topography of a major earthquake and no doubt they will learn a lot that will be helpful. Seattle and San Francisco and Los Angeles are particularly well represented here, as is Japan, all of whom are sitting on potential time bombs, too. We've all decided that safety is a relative thing and there is no place where one is safe from the elements, let alone cigarettes and crowded highways.

So many have written to us asking, "What can we do to help?" Your support of the Jackson bill, S. 2719, will be greatly appreciated. Please write to your Congressmen urging its passage. And next time you wonder which charity to contribute to—the Salvation Army did a magnificent job here.

Love from us all,

(Signed) MARGARET AND BUD.

(Penned note in loughand) :

DEAR MARIAN: Many thanks for writing us. It was so comforting to hear from friends after our disaster here. We're hoping things will work out so that our lovely city can be rebuilt.

PEOPLES NATIONAL BANK OF WASHINGTON,  
*Seattle, Wash., April 14, 1964.*

Mr. JACK GEOFFREY,  
*Care of Chamber of Commerce,  
 Seattle, Wash.*

DEAR JACK: You asked for a brief outline of the two ideas I expressed regarding possible financial assistance to Alaskans. I would like to point out that I have not thought either of these through to a conclusion or in detail but I am pleased to describe them for whatever further study they may merit.

The first is aimed to assist the individual or the firm who has had heavy uninsured property losses. Could there be a plan under which all insurance companies were required to add a surcharge of a nominal percentage to all fire and casualty premiums, which surcharge would then be paid into a pool? That pool, administered by a committee of the insurance industry, would then be used to pay such catastrophic losses as periodically occur from earthquakes, tornado, hurricane, and flood. If every insured in this manner contributed to the pool, the fund, over a period of years, should average out sufficient to cover the periodic catastrophe losses from these presently uninsurable hazards.

The other idea, directed to the individual or business firm seeking loans to reestablish itself is as follows: There are bound to be a number of cases where the credit risk places the proposed loan in a borderline position and many of such applications will therefore be declined. Could the Federal Government establish a guarantee fund which might insure, wholly or in part, extensions of credit to worthy Alaskans on loans by banks or open account credit by wholesalers and others? Such a fund could be administered by a committee of credit executives and possibly there should be some premium paid into the fund by all lenders who obtained the protection of its guarantee. This would make possible a great deal of credit extensions that otherwise might be difficult to obtain.

Yours very truly,

E. L. BLAINE, JR.

JUNEAU, ALASKA, *April 16, 1964.*

Senator E. L. BARTLETT,  
*Senate Office Building,  
 Washington, D.C.:*

The Alaska State Chamber of Commerce during emergency session in Anchorage, Alaska, Monday, April 13, unanimously adopted the following resolution: "The board of directors of the Alaska State Chamber of Commerce supports and endorses the concept of retroactive disaster insurance in principle as now under consideration by Senator Jackson's committee."

We sincerely urge your support of this measure which will speed our severely damaged economy on its road to recovery.

WILLIAM G. MORAN,  
*President, Alaska State Chamber of Commerce.*

STROMBERG DIVISION,  
 GENERAL TIME CORP.,  
*Erie, Pa., April 27, 1964.*

Senator HENRY JACKSON,  
*Senate Office Building,  
 Washington, D.C.*

DEAR SENATOR JACKSON: I am highly pleased with the S. 2719 bill that you have introduced and would have set up an Office of Alaska Reconstruction.

I have discussed this with several other business and professional people and the majority of them feel as I do about it.

Sincerely,

PARKE T. MORROW.

WOOD, WIRE & METAL LATHERS  
INTERNATIONAL UNION,  
*Takoma Park, Md., April 29, 1964.*

HONORABLE SENATOR,  
*Senate Office Building,  
Washington, D.C.*

DEAR SIR: This letter is being directed to you in reference to bill S. 2719, to amend the Alaska Statehood Act, which will be presented to you and the other Members of the Senate for consideration in the near future.

We would appreciate your favorable support of this bill, S. 2719.

Sincerely,

SAL MASO, *General President.*

\_\_\_\_\_  
PHELPS DODGE COPPER PRODUCTS CORP.,  
*New York, N.Y., April 24, 1964.*

HON. HENRY M. JACKSON,  
*U.S. Senate Office Building,  
Washington, D.C.*

DEAR SENATOR JACKSON: It is our understanding that Senate bill 2719 has been introduced in the Senate for consideration. I do not know too much about the bill. However, I feel that in a tragedy such as happened in Alaska, each of us in the United States should bear a certain share of the financial resultant burden.

Specifically, I am opposed to the Government's entree into this relief situation and believe that a retroactive earthquake insurance program is the most feasible.

I most strongly believe that aid should be given to our own people before some of our theoretical foreign friends, but realize that this process would take too long to be of any help for the present Alaska problem.

It is my suggestion as one of your constituents, that your consideration be given to Senate bill 2719.

Respectfully yours,

G. A. O'BRIEN.

\_\_\_\_\_  
PUBLIC UTILITY DISTRICT NO. 1 OF KLICKITAT COUNTY,  
*Goldendale, Wash., April 30, 1964.*

Re Alaska relief.

HON. HENRY M. JACKSON,  
*U.S. Senate Office Building,  
Washington, D.C.*

HON. WARREN G. MAGNUSON,  
*U.S. Senate Office Building,  
Washington, D.C.*

HON. CATHERINE MAY,  
*U.S. House of Representatives,  
Washington, D.C.*

Just a note to let you know that I am in favor of immediate and swift legislation to give special relief to the Alaskans in the form of retroactive earthquake insurance.

Charity should begin at home. This could be taken off some of our more questionable foreign aid programs if it becomes a budget problem.

We also feel that the rural electricians should be given special assistance and relief in their losses. Your support of the Alaskans will be appreciated by us as well as by our Alaskan friends.

EMMET E. CLOUSE, *General Manager.*

THE MASON CLINIC,  
Seattle, Wash., April 28, 1964.

HON. HENRY M. JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: I greatly appreciated the opportunity of meeting you and your charming wife last month at the home of Doctor Lehman.

Although our discussion that night was about medical care for the aged, that is not the purpose of this letter. I would simply like you to know that you have a great deal of support for the retroactive disaster insurance bill which you are sponsoring. Alaska certainly needs our help, and it would appear that we definitely need an effective and preplanned method of aiding any future disasters of such magnitude if they, God forbid, occur.

Sincerely yours,

PATRICK A. RAGEN, M.D.

THE MASON CLINIC,  
Seattle, Wash., April 20, 1964.

HON. HENRY M. JACKSON,  
Senate Office Building, Washington, D.C.

DEAR SENATOR JACKSON: I wish to congratulate you on the Jackson bill for retroactive disaster insurance. I hope that you will have strong support, and that this bill will be rapidly passed.

I realize that the proposition poses a problem in discriminating between certain natural disasters as cyclones, floods, earthquakes, etc., as well as between the helplessly needy and those in whom Federal assistance is not essential to recovery and in whom it is, therefore, not justified.

Respectfully yours,

JOEL W. BAKER, M.D.

SEATTLE, WASH., May 3, 1964.

Senator HENRY JACKSON,  
U.S. Senate, Washington, D.C.

DEAR SIR: I strongly feel that aid for our sister State of Alaska and the citizens there who suffered misfortune during the earthquake should take precedence over all other business of our Government at this time. I know Anchorage residents who are waiting, worrying, and wondering, and not knowing what to do next, nor what to expect of the Government.

I felt that your plan for retroactive quake insurance or something like it should be put into effect as soon as possible, so that these people can begin to plan and to act, and to feel that our country does care and take care of its own.

I wrote mainly to ask you to proceed with all that you can do for Alaskans, but while I am writing I would like you to know my views on some other matters. I am decidedly in favor of the passage of civil rights legislation, medicare, and Federal aid to education—even if that should have to include some kind of aid to parochial schools. I am neither a Negro nor a Catholic, but I do feel that everything possible should be done to make this a better country for every person.

Yours very truly,

ELIZABETH C. RASMUSSEN  
Mrs. J. F. Rasmussen.

OHIO PLUMBING FIXTURE & SUPPLY, INC.,  
Columbus, Ohio, April 30, 1964.

Senator HENRY JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: As a member of the National Federation of Independent Business, we wish to go on record as standing squarely behind their endorsement of your S. 2719, aid for Alaska reconstruction.

We feel it appropriate and very necessary that all possible aid be given this disaster stricken area as your bill will provide for and we trust you will move for a speedy passage of this legislation.

Very truly yours,

M. E. BENTZ, Manager.

TACOMA, WASH., May 3, 1964.

Hon. Senator HENRY JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: I am very much concerned about what is being done or not being done to help the sufferers of the Alaska earthquake out of their economic troubles. I read that you have a proposal to restore our fellow citizens the economic losses they endured and get them back on their feet again. Please don't forget them in their critical hour. I know you have the civil rights battle on right now and I hope we win that one. But this is an emergency and a lot of people not living in Alaska are concerned how this emergency is going to be handled. We Democrats haven't lost our touch of humanity and compassion. I hope that is true. I hope we are still concerned with the anxieties and suffering of our people. Why are we so damned slow in getting around to doing a job that is bleeding at all corners? Let's push aside some of this mimeographed redtape and come to the rescue of our people as our forefathers did in the old West.

I will be throwing my vote for you in the election for I am convinced beyond any doubt that the country doesn't stand a chance today with any other philosophy but that of the Democratic Party. We are the doers. We are the ones that know concern.

Democratically yours,

GEORGE P. GEORGE.

MOBILE, ALA., April 30, 1964.

Senator HENRY M. JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: I am pleased to read in Realtor's Headlines your interest in some type of insurance in reference to the Alaskan disaster, and I note that the representative of the Budget Bureau states that it could not be enacted solely in the context of Alaska.

We really need the insurance which the Housing and Home Finance Agency has been working on under S. 2032 in line with Dr. Weaver's letter of April 10, a copy of which is enclosed.

It would seem that along with this bill or as an amendment to it, disasters such as earthquakes could be included.

This area in which I live needs protection against hurricanes and rising water. The only such insurance available is from Lloyds of London at the rate of about \$3 per \$100.

I do hope that something can be worked out which would cover all types of disaster, whether earthquakes, floods, broken dams or whatever that the American insurance companies find it impossible to insure against.

I do trust that you will have success along these lines.

Thanking you, I am,

Yours very truly,

JULIUS E. MARX.

HOUSING AND HOME FINANCE AGENCY,  
OFFICE OF THE ADMINISTRATOR,  
Washington, D.C., April 10, 1964.

Mr. JULIUS E. MARX,  
First National Bank Building Annex,  
Mobile, Ala.

DEAR MR. MARX: Your letter to President Lyndon B. Johnson, dated March 16, 1964, with regard to flood insurance has been referred to this office for consideration and reply.

As I wrote to you on January 24, 1964, this Agency cannot proceed to develop an appropriate flood insurance program without additional congressional authorization for the study proposed in S. 2032. While the U.S. Senate has approved S. 2032, the House of Representatives has not as yet acted upon this bill. Consequently, we have to hold further action in abeyance until such time as legislative action for the study proposed is completed and funds appropriated.

Sincerely yours,

ROBERT C. WEAVER, Administrator.

## THE STATIONERY AND OFFICE EQUIPMENT

BOARD OF TRADE, INC.,  
New York, N.Y., May 8, 1964.Hon. HENRY M. JACKSON,  
U.S. Senate,  
Washington, D.C.

SIR: I have read with interest Senate bill 2719 in connection with a reconstruction program for Alaska.

I think the disaster as a result of the earthquake necessitates prompt and favorable consideration of this bill, and I would like to go on record as being in full support of it.

Very truly yours,

EDWARD O. KALLMANN,  
East Williston, Long Island, N.Y.CANDO CREAMERY CO.,  
Cando, N. Dak., May 2, 1964.Hon. Senator HENRY JACKSON,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR JACKSON: Your efforts in behalf of the Alaska earthquake victims has our wholehearted approval.

More power to you.

Sincerely,

ARNE TANG, *Owner.*

Senator GRUENING. The meeting will be adjourned.

(Whereupon, at 11:25 a.m. the hearing adjourned.)

(Under authority previously granted, the following communications were ordered printed.)

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
May 18, 1964.Hon. CLINTON P. ANDERSON,  
*Chairman, Special Committee of the Whole Interior and Insular Affairs Committee, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Enclosed you will find copy of a bulletin prepared by the Alaska Association of Insurance Agents, Inc., discussing the issues involved in providing nationwide all-risk insurance coverage to be underwritten perhaps in some manner by the Federal Government.

This bulletin was prepared by Mr. Ross P. Duncan, executive secretary of the association.

I believe Mr. Duncan sets forth, in a sensible manner, the issues involved and for that reason I would appreciate your making it a part of the hearing record on S. 2719.

Sincerely yours,

E. L. BARTLETT.

[Bulletin No. 54, Apr. 16, 1964]

ALASKA ASSOCIATION OF INSURANCE AGENTS, INC.,  
*Juneau, Alaska.*

## POLICIES OF THE FUTURE

Probably because we are a little more cognizant of catastrophe losses at this time, we continue to wonder about the future of insurance for true all-risk coverage. I recall several years ago writing myself a note on true all-risk coverage, and, as usual, pressing problems demanding the filing of my notes in the "not now" folder.

There is considerable talk about retroactive insurance for earthquake and related after effects, and without a doubt the talk will continue with the yearly hurricanes in the East, tornadoes in the Midwest, floods in the Mississippi and Ohio Valleys, and earthquakes in the West. Each of these could be considered a catastrophe, especially to those having the losses.

The industry must come up with the answer to offer protection for these disasters but at a rate not prohibitive to the ordinary citizen.

The biggest question is whether we want the Federal Government to be in the catastrophe business or not; or, is a catastrophe pool by the insurance companies one of the answers?

It is very possible that a close look at our standard fire policy, giving all-risk coverage so that it includes earthquake, flood (including tidal wave or other water damage), windstorm, etc., would prepare us for any emergency and give the insurance buying public the full protection they need. In the past we have gone for the limited policy covering only specific types of losses. The public indicated they wanted an inexpensive policy—one that did not necessarily cover the remote catastrophe losses. We now find the remote catastrophe losses are not as infrequent as originally thought. There are floods, earthquakes and windstorm damage of considerable magnitude every year.

Maybe with the entire country discussing the catastrophe losses, this is the time to give consideration to the true all-risk fire policy. The industry should have little difficulty showing the public where the new policy form is in their interest. A true all-risk policy covering the several items normally applied to a fire policy by endorsement should increase the cost of this policy by only a few cents a hundred, if the new standard form was applied nationwide. I believe the demand is there.

To assume this additional protection as a nationwide filing, it would have to be accepted and encouraged by the many State insurance departments. Also, any fire form not having the all-risk coverage must be identified as a limited policy and be signed by the assured that he knows he has received a limited policy. I do not think this plan will work unless the standard form requirement is changed in every State. The extra risks involved must be spread across the entire United States. We, for example, couldn't make this work only in Alaska—the cost for this one area would be prohibitive.

If the retroactive insurance plan goes into effect for the Alaska quake, it could set a precedent that could include catastrophe losses in the entire country, both past and future—if sufficient size to interest the Congress. The only problem being the determination of "What constitutes a catastrophe?" If the change in the standard fire form is a workable answer to our problem, for the future, it will not be a job for one or a dozen companies—it is a job for the entire industry working together. The standard fire form will have to be changed in every State so that there will be uniformity in filing. I believe the industry could provide the answer and at a rate acceptable to the public.

As I see it, this is a challenge to the industry and we must provide the solution. People all over our country have lost their lives and entire life savings because of catastrophes. Since we are the industry as far as our clients are concerned, they are looking to us for the solution.

There seems little question that lending agencies could and will require the extra hazards of earthquake, windstorm, and floods to be included in any policy covering a risk upon which they hold a mortgage. This is to be expected. We in the industry could be of great service to the public by requesting this coverage to be in standard form.

If this suggestion has merit, I hope it will be discussed by the National Association of Insurance Commissioners during their June conference. Also, if our association's board feels the plan has any future, that it be brought before our national for further study and recommendations.

\* \* \* \* \*

ROSS P. DUNCAN,  
*Executive Secretary.*

— — —  
WASHINGTON STATE BAR ASSOCIATION,  
*Seattle, Wash., May 15, 1964.*

HON. HENRY M. JACKSON,  
*Senate Office Building,  
Washington, D.C.*

DEAR SCOOP: The president of the Alaska Bar Association, Mr. Dave Thorsness of Anchorage, Alaska, has called me personally concerning S. 2719 which, as you well know, is a bill providing for relief in that State as an outgrowth of the recent catastrophic earthquake. He asked me as a lawyer and as president

of our State bar association to express my support of S. 2719, and to request the Members of Congress from this State to give it every consideration.

I am pleased to recommend it to your favorable consideration by means of this letter.

With personal regards, I am,  
Yours very truly,

JOHN GAVIN, *President.*

---

NATIONAL RETAIL FURNITURE ASSOCIATION,  
*Washington, D.C., May 19, 1964.*

Subject: S. 2719, Office of Alaska Reconstruction.

Senator HENRY M. JACKSON,  
*Chairman, Committee on Interior and Insular Affairs,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: The purpose of this letter is to let you know that Mr. Jerry Nerland, Nerland's Home Furnishings, Post Office Box 379, Anchorage, Alaska, is a member in good standing of the National Retail Furniture Association and is also a valued member of the NRFA board of directors.

Mr. Nerland is also chairman of the Legislative Committee of the Anchorage Chamber of Commerce which has checked over the bill, S. 2719 and which, along with most all organizations in Alaska, has approved it as a good approach to the problem.

On account of Mr. Nerland's connection with NRFA and our interest generally in the business welfare of small businessmen in all of the States in our country, we are taking this means of conveying to you our hope that your committee may take as soon as possible any needed and proper steps, such as contained in S. 2719, which would assist these merchants to get back on their feet.

With thanks for your cooperation,  
Very truly yours,

DEREK BROOKS,  
*Vice President and Director of Government Relations.*

# APPENDIX

## Title 3—THE PRESIDENT

### Executive Order 11150

#### ESTABLISHING THE FEDERAL RECONSTRUCTION AND DEVELOPMENT PLANNING COMMISSION FOR ALASKA

Whereas the people of the State of Alaska have experienced death, injury, and property loss and damage of staggering proportions as a result of the earthquake of March 27, 1964; and

Whereas the President, acting pursuant to authority granted in the Act of September 30, 1950, as amended (42 U.S.C. 1855—1855g), has declared a major disaster in those areas of Alaska adversely affected by the earthquake beginning on March 27, 1964; and

Whereas the Federal Government and the State of Alaska desire to cooperate in the prompt reconstruction of the damaged Alaska communities; and

Whereas the Federal and State Governments have a common interest in assuring the most effective use of Federal and State programs and funds in advancing reconstruction and the long-range development of the State; and

Whereas such effective use is dependent upon coordination of Federal and State programs, including emergency reconstruction activities, which affect general economic development of the State and the long-range conservation and use of natural resources; and

Whereas the Governor of Alaska has declared his intention to establish a State commission for reconstruction and development planning:

Now, therefore, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

SECTION 1. *Establishment of Commission.* (a) There is hereby established the Federal Reconstruction and Development Planning Commission for Alaska (hereinafter referred to as the Commission).

(b) The Commission shall be composed of a Chairman, who shall be designated by the President, the Secretary of Defense, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Administrator of the Federal Aviation Agency, the Housing and Home Finance Administrator, the Administrator of the Small Business Administration, the Chairman of the Federal Power Commission, and, so long as the President's declaration of a major disaster is in effect, the Director of the Office of Emergency Planning. Each agency head may designate an alternate to represent him at meetings of the Commission which he is unable to attend.

(c) The Chairman may request the head of any Federal executive department or agency who is not a member of the Commission under the provisions of subsection (b), above, to participate in meetings of the Commission concerned with matters of substantial interest to such department or agency head.

(d) The President shall designate an Executive Director of the Commission, whose compensation shall be fixed in accordance with the standards and procedures of the Classification Act of 1949, as amended.

SEC. 2. *Functions of the Commission.* (a) The Commission shall develop coordinated plans for Federal programs which contribute to reconstruction and to economic and resources development in Alaska and shall recommend appropriate action by the Federal Government to carry out such plans.

(b) When the Governor of Alaska has designated representatives of the State of Alaska for purposes related to this order, the Commission shall cooperate with such representatives in accomplishing the following:

(1) Making or arranging for surveys and studies to provide data for the development of plans and programs for reconstruction and for economic and resources development in Alaska.

(2) Preparing coordinated plans for reconstruction and economic and resources development in Alaska deemed appropriate to carry out existing statutory responsibilities of Federal, State, and local agencies. Such plans shall be designed to promote optimum benefits from the expenditure of Federal, State, and local funds for consistent objectives and purposes.

(3) Preparing recommendations to the President and to the Governor of Alaska with respect to both short-range and long-range programs and projects to be carried out by Federal, State, or local agencies, including recommendations for such additional Federal or State legislation as may be deemed necessary and appropriate to meet reconstruction and development needs.

SEC. 3. *Commission procedures.* (a) The Commission shall meet at the call of the Chairman.

(b) The Commission may prescribe such regulations as it deems necessary for the conduct of its affairs, and may establish such field committees in Alaska as may be appropriate.

(c) Personnel assigned to the Commission shall be directed and supervised by the Executive Director of the Commission. Activities of the staff shall be carried out, under the general direction and supervision of the Chairman, in accordance with such policies and programs as may be approved by the Commission.

(d) The Chairman of the Commission shall report to the President from time to time on progress and accomplishments.

SEC. 4. *Agency cooperation.* (a) Each Federal agency represented on the Commission shall, consonant with law, cooperate with the Commission to expedite and facilitate its work. Each such agency shall, as may be necessary, furnish assistance to the Commission in accordance with the provisions of section 214 of the Act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691).

(b) Other Federal agencies shall, to the extent permitted by law, furnish the Commission such information or advice bearing upon the work of the Commission as the Chairman may from time to time request.

SEC. 5. *Construction.* Nothing in this order shall be construed as subjecting any Federal agency or officer, or any function vested by law in, or assigned pursuant to law to, any Federal agency or officer, to the authority of the Commission or of any other agency or officer, or as abrogating any such function in any manner.

LYNDON B. JOHNSON

Approved:

THE WHITE HOUSE  
April 2, 1964.

[F.R. Doc. 64-3378; Filed, Apr. 3, 1964; 9:56 a.m.]

[Chapter 198]

PUBLIC LAW 506, 77TH CONGRESS

AN ACT To provide for the financing of the War Damage Corporation, to amend the Reconstruction Finance Corporation Act, as amended, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 5d of the Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting immediately before the fifth paragraph thereof the following new subparagraph:

"(5) To acquire real estate and any right or interest therein by purchase, lease, condemnation, or otherwise, determined by the Corporation to be necessary or advantageous to the carrying out of any authority vested in any corporation created or organized pursuant to this section. The Corporation is also authorized to sell, lease, or otherwise dispose of any such real estate. Proceedings for such condemnation shall be instituted in the name of the United States pursuant to the provisions of the Act approved August 1, 1888 (25 Stat. 357), as amended, and any real estate already devoted to public use which would be subject to condemnation in proceedings instituted upon application of any officer of the Government

shall likewise be subject to condemnation in proceedings instituted upon application of the Corporation as herein provided. Sections 1, 2, and 4 of the Act approved February 26, 1931 (46 Stat. 1421), as amended, shall be applicable in any such proceeding. Any judgment rendered against the United States in any such proceeding shall promptly be paid by the Corporation. Immediately upon the vesting of title in the United States of America in any such proceeding, the Secretary of Commerce, by deed executed by him in the name of the United States of America, shall transfer the entire title or interest so acquired to the Corporation, and the Corporation shall thereupon have the same rights with respect to any real estate so acquired as it has with respect to real estate acquired by purchase. The power to institute proceedings for condemnation in pursuance of this section shall terminate on June 30, 1944, or upon such earlier date as the Congress by concurrent resolution, or the President by proclamation, may designate, but no such proceedings instituted prior to such termination shall abate by reason thereof."

SEC. 2. The Reconstruction Finance Corporation Act, as amended, is hereby amended by inserting after section 5e thereof the following new sections:

"SEC. 5f. (a) Any department, agency, or independent establishment of the Government or any corporation all of the capital stock of which is owned or controlled, directly or indirectly, by the Government is hereby authorized, notwithstanding any other provision of law, to sell, transfer, or lease, with or without consideration, to the Corporation or to any corporation created or organized pursuant to section 5d of this Act, any real estate and any right or interest therein.

"SEC. 5g. (a) The Reconstruction Finance Corporation is hereby directed to continue to supply funds to the War Damage Corporation, a corporation created pursuant to section 5d of the Act; and the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this subsection. Such funds shall be supplied only upon the request of the Secretary of Commerce, with the approval of the President, and the aggregate amount of the funds so supplied shall not exceed \$1,000,000,000. The Reconstruction Finance Corporation is authorized to and shall empower the War Damage Corporation to use its funds to provide, through insurance, reinsurance, or otherwise, reasonable protection against loss of or damage to property, real and personal, which may result from enemy attack (including any action taken by the military, naval, or air forces of the United States in resisting enemy attack), with such general exceptions as the War Damage Corporation, with the approval of the Secretary of Commerce, may deem advisable. Such protection shall be made available through the War Damage Corporation on and after a date to be determined and published by the Secretary of Commerce which shall not be later than July 1, 1942, upon the payment of such premium or other charge, and subject to such terms and conditions, as the War Damage Corporation, with the approval of the Secretary of Commerce, may establish, but, in view of the national interest involved, the War Damage Corporation shall from time to time establish uniform rates for each type of property with respect to which such protection is made available, and, in order to establish a basis for such rates, such Corporation shall estimate the average risk of loss on all property of such type in the United States. Such protection shall be applicable only (1) to such property situated in the United States (including the several States and the District of Columbia), the Philippine Islands, the Canal Zone, the Territories and possessions of the United States, and in such other places as may be determined by the President to be under the dominion and control of the United States, (2) to such property in transit between any points located in any of the foregoing, and (3) to all bridges between the United States and Canada and between the United States and Mexico: *Provided*, That such protection shall not be applicable after the date determined by the Secretary of Commerce under this subsection to property in transit upon which the United States Maritime Commission is authorized to provide marine war-risk insurance. The War Damage Corporation, with the approval of the Secretary of Commerce, may suspend, restrict, or otherwise limit such protection in any area to the extent that it may determine to be necessary or advisable in consideration of the loss of control over such area by the United States making it impossible or impracticable to provide such protection in such area.

"(b) Subject to the authorizations and limitations prescribed in subsection (a), any loss or damage to any such property sustained subsequent to December 6, 1941, and prior to the date determined by the Secretary of Commerce under

subsection (a), may be compensated by the War Damage Corporation without requiring a contract of insurance or the payment of premium or other charge, and such loss or damage may be adjusted as if a policy covering such property was in fact in force at the time of such loss or damage."

Sec. 3. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized to issue and have outstanding at any one time under existing law is hereby increased, in addition to the increase authorized in section 2 of this Act, by \$2,500,000,000.

Approved, March 27, 1942.

(The following report was submitted by the staff on the history of the War Damage Corporation:)

#### WAR DAMAGE CORPORATION

War Damage Corporation was created on December 13, 1941, under the authority of section 5(d) of the Reconstruction Finance Corporation Act, as amended. The Corporation was established as War Insurance Corporation, but by an act approved March 27, 1942, the name was changed to War Damage Corporation.

The purpose of the Corporation was to provide reasonable insurance protection against loss of or damage to property as the result of enemy attack, or from the action of the military, naval, or Air Force of the United States in resisting enemy attack.

The charter of WDC provided for a total authorized capital stock of \$100 million. RFC subscribed for all of the stock and paid in \$1 million. The remaining \$99 million was never disbursed and was subsequently canceled. (See table W-6 in app. C.)

The management of War Damage Corporation was vested in a Board of Directors appointed by RFC. Most of the members of WDC's Board, and most of the officers appointed by them, also served as directors or officers of RFC itself or of RFC's other subsidiaries.

To conduct its program, War Damage Corporation entered into agreements with 546 established insurance carriers. These insurance companies agreed to act as fiduciary agents for WDC in receiving applications, issuing policies, and otherwise handling the program. There were approximately 1,200 policy-issuing offices active in the program.

There were approximately 8,700,000 policies and renewal certificates issued for war damage insurance involving a risk of \$117 billion. There were 1,782 claims paid, amounting to \$1,274,744. Of the total, 1,491 claims amounting to \$1,198,705 were paid to residents of Hawaii and other Pacific islands under the Corporation's "prepolicy" program. This program was in effect until July 1, 1942, while the general program was being formulated, and provided protection for property in the United States, its territories, and its possessions without payment of premium or insurance.

By the provisions of its charter, WDC had existence only until January 22, 1947, except for purposes of liquidation. No policies were issued after March 15, 1946, and all policies expired April 1, 1947. The Corporation's operations produced a net income of \$210,598,722, all of which was paid to the Treasury of the United States.

All recorded assets of WDC were liquidated prior to June 30, 1949, and the final payment of net earnings was made to the Treasury on December 30, 1949. However, the capital stock of WDC was not canceled until 1959. This came about because of lawsuits filed by former policyholders seeking to recover the Corporation's net income which had been paid into the Treasury. The stock of WDC was transferred from RFC to the Secretary of the Treasury under the provisions of Reorganization Plan No. 1 of 1957, and was not canceled until the time for all appeals on the one remaining suit had expired.

For statistical purposes, it has been considered that the investment in WDC's capital stock was recovered in the net earnings of the Corporation and was returned with the \$209,827,810 paid to the Treasury on August 29, 1947.

TABLE W-6.—Purchases of capital stock in and loans to RFC wartime subsidiaries under the act approved June 25, 1940—War Damage Corporation

Year and quarter	Authorized		Canceled or withdrawn	Disbursed	Repayments and other reductions	Outstanding
	Number	Amount				
1941						
4th	1	\$100,000,000				
1942						
1st.						
2d.						
3d.				\$1,000,000		\$1,000,000
4th						1,000,000
1943						
1st.						1,000,000
2d.						1,000,000
3d.						1,000,000
4th						1,000,000
1944						
1st.						1,000,000
2d.						1,000,000
3d.						1,000,000
4th						1,000,000
1945						
1st.						1,000,000
2d.						1,000,000
3d.						1,000,000
4th						1,000,000
1946						
1st.						1,000,000
2d.						1,000,000
3d.						1,000,000
4th						1,000,000
1947						
1st.						1,000,000
2d.						1,000,000
3d.					\$1,000,000	
4th			\$99,000,000			
Total	1	100,000,000	99,000,000	1,000,000	1,000,000	

