

cial professional activity and as a group responsibility, engage or undertake to engage in the coordinated practice of their profession primarily in one or more group practice facilities, and who (in this connection) share common overhead expenses (if and to the extent such expenses are paid by members of the group), medical and other records, and substantial portions of the equipment and the professional, technical, and administrative staffs, and which partnership or association or group is composed of at least such professional personnel and make available at least such health services as may be provided in regulations prescribed under this subchapter.

(4) The term "group practice unit or organization" means—

(A) a private nonprofit agency or organization undertaking to provide, directly or through arrangements with a medical or dental group, comprehensive medical care, osteopathic care, optometric care, dental care, or podiatric care, or any combination thereof, which may include hospitalization, to members or subscribers primarily on a group practice prepayments basis; or

(B) a private nonprofit agency or organization, established for the purpose of improving the availability of medical, osteopathic, optometric, dental or podiatric care in the community or having some function or functions related to the provision of such care, which will, through lease or other arrangement, make the group practice facility with respect to which assistance has been requested under this subchapter available to a medical or dental group for use by it.

(5) The term "nonprofit organization" means a corporation, association, foundation, trust, or other organization no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual except, in the case of an organization the purposes of which include the provision of personal health services to its members or subscribers or their dependents under a plan of such organization for the provision of such services to them (which plan may include the provision of other services or insurance benefits to them), through the provision of such health services (or such other services or insurance benefits) to such members or subscribers or dependents under such plan.

(6) The term "State" includes the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the District of Columbia.

(7) The term "mortgage" means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term "first mortgage" means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located,

together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty.

(8) The term "mortgagee" means the original lender under a mortgage, and his or its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee named therein.

(9) The term "mortgagor" means the original borrower under a mortgage and his or its successors and assigns.

(June 27, 1934, ch. 847, title XI, §1106, as added Nov. 3, 1966, Pub. L. 89-754, title V, §502(a), 80 Stat. 1276; amended Aug. 22, 1974, Pub. L. 93-383, title III, §312(a)(6), (b), 88 Stat. 683, 684.)

AMENDMENTS

1974—Par. (1). Pub. L. 93-383, §312(b)(1), inserted references to practice of osteopathy and authorized inclusion of podiatric care or treatment under the professional supervision of persons licensed to practice podiatry in the State.

Par. (2). Pub. L. 93-383, §312(a)(6), added par. (2). Former par. (2) redesignated (3).

Par. (3). Pub. L. 93-383, §312(a)(6), (b)(2), redesignated former par. (2) as par. (3) and inserted references to persons licensed to practice osteopathy and persons licensed to practice podiatry. Former par. (3) redesignated (4).

Par. (4). Pub. L. 93-383, §312(a)(6), (b)(3), (4), redesignated former par. (3) as par. (4) and in cls. (A) and (B) inserted references to osteopathic care and podiatric care wherever appearing. Former par. (4) redesignated (5).

Pars. (5) to (9). Pub. L. 93-383, §312(a)(6), redesignated former pars. (4) to (8) as pars. (5) to (9), respectively.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749aaa-4 of this title.

SUBCHAPTER IX-C—NATIONAL INSURANCE DEVELOPMENT PROGRAM

SUBCHAPTER REFERRED TO IN OTHER SECTIONS

This subchapter is referred to in section 1735d of this title.

§ 1749bbb. Program authority; termination date; report to the Congress

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

(b) The powers of the Director under part B shall terminate on November 30, 1983, and part A shall terminate on September 30, 1985, and parts C and D shall terminate on September 30, 1995, except to the extent necessary—

(1) to continue reinsurance and direct insurance in accordance with the provisions of sections 1749bbb-9(b) and 1749bbb-10a(c) of this title until September 30, 1985, and September 30, 1996, respectively;

(2) to process, verify, and pay claims for re-insured losses and directly insured losses and

perform other necessary functions in connection therewith; and

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

(June 27, 1934, ch. 847, title XII, §1201, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 556; amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(a), 84 Stat. 1788; Apr. 8, 1975, Pub. L. 94-13, §2, 89 Stat. 69; Apr. 30, 1977, Pub. L. 95-24, title I, §104(a), 91 Stat. 55; Sept. 30, 1978, Pub. L. 95-406, §5, 92 Stat. 880; Oct. 31, 1978, Pub. L. 95-557, title III, §307(a), 92 Stat. 2097; Dec. 21, 1979, Pub. L. 96-153, title VI, §601, 93 Stat. 1137; Aug. 13, 1981, Pub. L. 97-35, title III, §342(a), 95 Stat. 420; Oct. 6, 1982, Pub. L. 97-289, §4(c), 96 Stat. 1231; May 26, 1983, Pub. L. 98-35, §4(c), 97 Stat. 198; Oct. 1, 1983, Pub. L. 98-109, §5(c), 97 Stat. 746; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(a), (b)(1), 97 Stat. 1230; Oct. 12, 1984, Pub. L. 98-473, title I, §113, 98 Stat. 1964; Oct. 8, 1985, Pub. L. 99-120, §4(b), 99 Stat. 503; Nov. 15, 1985, Pub. L. 99-156, §4(b), 99 Stat. 816; Dec. 26, 1985, Pub. L. 99-219, §4(b), 99 Stat. 1731; Mar. 27, 1986, Pub. L. 99-267, §4(b), 100 Stat. 74; Apr. 7, 1986, Pub. L. 99-272, title III, §3010(b), 100 Stat. 106; May 2, 1986, Pub. L. 99-289, §1(b), 100 Stat. 412; June 24, 1986, Pub. L. 99-345, §1, 100 Stat. 673; Sept. 30, 1986, Pub. L. 99-430, 100 Stat. 986; Sept. 30, 1987, Pub. L. 100-122, §1, 101 Stat. 793; Nov. 5, 1987, Pub. L. 100-154, 101 Stat. 890; Nov. 17, 1987, Pub. L. 100-170, 101 Stat. 914; Dec. 3, 1987, Pub. L. 100-179, 101 Stat. 1018; Dec. 21, 1987, Pub. L. 100-200, 101 Stat. 1327; Feb. 5, 1988, Pub. L. 100-242, title V, §§542(a), (b), 545(a), 101 Stat. 1940, 1942; Nov. 3, 1989, Pub. L. 101-137, §6(a), (b), 103 Stat. 825; Nov. 5, 1990, Pub. L. 101-508, title II, §2301(a), (b), 104 Stat. 1388-23.)

AMENDMENTS

1990—Subsec. (b). Pub. L. 101-508 substituted “September 30, 1995” for “September 30, 1991” in introductory provisions and “September 30, 1996” for “September 30, 1992” in par. (1).

1989—Subsec. (b). Pub. L. 101-137 substituted “September 30, 1991” for “September 30, 1989” in introductory provisions and substituted “September 30, 1992” for “September 30, 1990” in par. (1).

1988—Subsec. (b). Pub. L. 100-242, §545(a), redesignated former par. (1) as subsec. (b) and former subpars. (A) to (C) as pars. (1) to (3), respectively, and struck out former pars. (2) and (3) which read as follows:

“(2) On September 30, 1981, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance and direct insurance programs.

“(3) The Administrator shall notify participating insurers under part B that the reinsurance authority of the Administrator under such part shall terminate on November 30, 1983.”

Pub. L. 100-242, §542(a), (b), substituted “September 30, 1989” for “March 15, 1988” in introductory provisions and “September 30, 1990” for “September 30, 1986” in par. (1).

1987—Subsec. (b)(1). Pub. L. 100-200 substituted “March 15, 1988” for “December 16, 1987”.

Pub. L. 100-179 substituted “December 16, 1987” for “December 2, 1987”.

Pub. L. 100-170 substituted “December 2, 1987” for “November 15, 1987”.

Pub. L. 100-154 substituted “November 15, 1987” for “October 31, 1987”.

Pub. L. 100-122 substituted “October 31, 1987” for “September 30, 1987”.

1986—Subsec. (b)(1). Pub. L. 99-430 substituted “September 30, 1987” for “September 30, 1986”.

Pub. L. 99-345 substituted “September 30, 1986” for “June 6, 1986”.

Pub. L. 99-289 substituted “June 6, 1986” for “April 30, 1986”.

Pub. L. 99-272 made amendment identical to Pub. L. 99-219. See 1985 Amendment note below.

Pub. L. 99-267 substituted “April 30, 1986” for “March 17, 1986”.

1985—Subsec. (b)(1). Pub. L. 99-219 substituted “March 17, 1986” for “December 15, 1985”.

Pub. L. 99-156 substituted “December 15, 1985” for “November 14, 1985”.

Pub. L. 99-120 substituted “part A” for “parts A, C, and D” and inserted “and parts C and D shall terminate on November 14, 1985.”

1984—Subsec. (b)(1). Pub. L. 98-473, §113(1), substituted “September 30, 1985” for “September 30, 1984” in provisions preceding subpar. (A).

Subsec. (b)(1)(A). Pub. L. 98-473, §113(2), inserted “, and September 30, 1986, respectively”.

1983—Subsec. (a). Pub. L. 98-181, §452(b)(1), substituted “Director” for “Secretary”.

Subsec. (b)(1). Pub. L. 98-181, §452(a)(1), (b)(1), substituted “part B shall terminate on November 30, 1983, and parts A, C, and D shall terminate on September 30, 1984” for “this subchapter shall terminate on November 30, 1983” and substituted “Director” for “Secretary”.

Pub. L. 98-109 substituted “November 30, 1983” for “September 30, 1983”.

Pub. L. 98-35 substituted “September 30, 1983” for “May 20, 1983”.

Subsec. (b)(3). Pub. L. 98-181, §452(a)(2), added par. (3). 1982—Subsec. (b)(1). Pub. L. 97-289 substituted “May 20, 1983” for “September 30, 1982”.

1981—Subsec. (b)(1). Pub. L. 97-35 substituted “1982” for “1981” in par. (1) and “1985” for “1984” in subpar. (A).

1979—Subsec. (b). Pub. L. 96-153 substituted “September 30, 1981” for “September 30, 1980” and “September 30, 1984” for “September 30, 1983” in par. (1) and “On September 30, 1981,” for “On September 30, 1981, or as soon thereafter as possible,” in par. (2).

1978—Subsec. (b)(1). Pub. L. 95-557, §307(a)(1), (2), substituted in provision preceding subpar. (A) “September 30, 1980” for “October 31, 1978” and in subpar. (A) “September 30, 1983” for “October 31, 1981”.

Pub. L. 95-406, §5(1), (2), substituted in provision preceding subpar. (A) “October 31, 1978” for “September 30, 1978” and in subpar. (A) “October 31, 1981” for “September 30, 1981”.

Subsec. (b)(2). Pub. L. 95-557, §307(a)(3), substituted “September 30, 1981” for “October 31, 1978”.

Pub. L. 95-406, §5(1), substituted “October 31, 1978” for “September 30, 1978”.

1977—Subsec. (b)(1). Pub. L. 95-24, §104(a)(1), (2), substituted in provisions preceding subpar. (A) “September 30, 1978” for “April 30, 1977” and in subpar. (A) “September 30, 1981” for “April 30, 1978”.

Subsec. (b)(2). Pub. L. 95-24, §104(a)(3), substituted “September 30, 1978” for “April 30, 1978”.

1970—Subsec. (a). Pub. L. 91-609 inserted reference to part D of this subchapter.

Subsec. (b). Pub. L. 91-609 extended termination date for powers of Secretary in par. (1) from Apr. 30, 1973, to Apr. 30, 1975; provided for continuation of direct insurance and for continuation of insurance in accordance with section 1749bbb-10a(c) of this title, formerly §1749bbb-11(c) renumbered §1749bbb-10a(c) by Pub. L. 91-609, title VI, §602(d), and extended continuation date from Apr. 30, 1976, to Apr. 30, 1978, in par. (1)(A); provided for claims for directly insured losses in par. (1)(B); provided for liquidation and termination of direct insurance programs in pars. (1)(C) and (2), and extended date for submission of liquidation plan from Apr. 30, 1976, to Apr. 30, 1978, in par. (2).

1975—Subsec. (b)(1). Pub. L. 94-13 extended termination date for powers of Secretary to Apr. 30, 1977, from Apr. 30, 1975.

1970—Subsec. (a). Pub. L. 91-609 inserted reference to part D of this subchapter.

Subsec. (b). Pub. L. 91-609 extended termination date for powers of Secretary in par. (1) from Apr. 30, 1973, to Apr. 30, 1975; provided for continuation of direct insurance and for continuation of insurance in accordance with section 1749bbb-11(c) of this title, and extended continuation date from Apr. 30, 1976, to Apr. 30, 1978, in par. (1)(A); provided for claims for directly insured losses in par. (1)(B); provided for liquidation and termination of direct insurance programs in pars. (1)(C) and (2), and extended date for submission of liquidation plan from Apr. 30, 1976, to Apr. 30, 1978, in par. (2).

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of this title.

CONGRESSIONAL FINDINGS AND DECLARATION OF PURPOSE

Section 1 of Pub. L. 94-13 provided that:

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

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

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

Section 1102 of Pub. L. 90-448, as amended by Pub. L. 91-609, title VI, § 601, Dec. 31, 1970, 84 Stat. 1788, provided that:

“(a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection against riot and civil commotion damage will be available to property owners at reasonable cost.

“(b) The purposes of this title [this subchapter] are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses; and (3) provide direct insurance through the facilities of the Federal Government in the case of properties for which statewide programs and the Federal reinsurance program either do not make crime insurance available or offer such insurance to property owners only at prohibitive cost.”

§ 1749bbb-1. Advisory Board

(a) Establishment; membership; Chairman and Vice Chairman; term; vacancies

(1) There is established an Advisory Board (hereinafter called the “Board”) consisting of nineteen members appointed by the Director. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

(2) The Director shall designate a Chairman and a Vice Chairman of the Board.

(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a fulltime employee of a State or the Federal Gov-

ernment shall serve in such position after he ceases to be so employed, unless he is reappointed.

(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

(b) Meetings

The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Director may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Director may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Director.

(c) Functions

The Board shall review general policies and shall advise the Director with respect thereto, and perform such other functions as are specified in this subchapter.

(d) Compensation and travel expenses

The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS-18 of the General Schedule under section 5332 of title 5 when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

(June 27, 1934, ch. 847, title XII, §1202, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 556; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsecs. (a)(1), (2), (b), (c). Pub. L. 98-181, substituted “Director” for “Secretary” wherever appearing.

REFERENCES IN OTHER LAWS TO GS-16, 17, OR 18 PAY RATES

References in laws to the rates of pay for GS-16, 17, or 18, or to maximum rates of pay under the General Schedule, to be considered references to rates payable under specified sections of Title 5, Government Organization and Employees, see section 529 [title I, §101(c)(1)] of Pub. L. 101-509, set out in a note under section 5376 of Title 5.

TERMINATION OF ADVISORY BOARDS

Advisory boards in existence on Jan. 5, 1973, to terminate not later than the expiration of the 2-year period following Jan. 5, 1973, unless, in the case of a board established by the President or an officer of the Federal Government, such board is renewed by appropriate action prior to the expiration of such 2-year period, or in the case of a board established by the Congress, its duration is otherwise provided by law, see sections 3(2) and 14 of Pub. L. 92-463, Oct. 6, 1972, 86 Stat. 770, set out in the Appendix to Title 5, Government Organization and Employees.

§ 1749bbb-2. Definitions

(a) When used in this subchapter, unless the context otherwise requires, the term—

(1) “affordable rate” means such premium rate as the Director determines would permit the purchase of a specific type of insurance coverage by a reasonably prudent person in similar circumstances with due regard to the costs and benefits involved;

(2) “crime insurance” means insurance against losses resulting from robbery, burglary, larceny, and similar crimes, and may include broad form personal theft insurance, mercantile open stock insurance, mercantile robbery and mercantile safe burglary insurance, storekeepers burglary and robbery insurance, office burglary and robbery insurance, and may include business interruption insurance as the Director may designate; the term does not include automobile insurance or losses resulting from embezzlement;

(3) “directly insured losses” means losses on direct insurance claims and all direct expenses incurred in connection therewith, including but not limited to expenses for processing, verifying, and paying such losses;

(4) “environmental hazard” means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

(5) “essential property insurance” means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority, and insurance, for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Director by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

(6) “inspection facility”, with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

(7) “insurer” includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

(8) “pool” means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

(9) “losses resulting from riots or civil disorders” means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1749bbb-7 of this title, as determined under regulations of the Director;

(10) “property owner” with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

(11) “person” includes any individual or group of individuals, corporation, partnership,

or association, or any other organized group of persons;

(12) "reinsured losses" means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

(13) "standard line of property insurance" includes—

- (A) fire and extended coverage;
- (B) vandalism and malicious mischief;
- (C) other allied lines of fire insurance;
- (D) burglary and theft;
- (E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);
- (F) inland marine;
- (G) glass;
- (H) boiler and machinery;
- (I) ocean marine;
- (J) aircraft physical damage; and
- (K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Director by regulation may designate;

(14) "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions, and the Trust Territory of the Pacific Islands;

(15) "urban area" includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Director and such additional areas as may be designated by the State insurance authority;

(16) "year" means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Director; and

(17) "Director" means the Director of the Federal Emergency Management Agency.

(b) The Director is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this subchapter.

(June 27, 1934, ch. 847, title XII, §1203, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 557; amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(b), 84 Stat. 1788; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), (2), 97 Stat. 1230.)

AMENDMENTS

1983—Subsec. (a)(1), (2), (5), (9), (13)(K), (15), (16). Pub. L. 98-181, §452(b)(1), substituted "Director" for "Secretary".

Subsec. (a)(17). Pub. L. 98-181, §452(b)(2), added par. (17).

Subsec. (b). Pub. L. 98-181, §452(b)(1), substituted "Director" for "Secretary".

1970—Subsec. (a). Pub. L. 91-609 added pars. (1) to (3) and redesignated former pars. (1) to (13) as (4) to (16), respectively.

TERMINATION OF TRUST TERRITORY OF THE PACIFIC ISLANDS

For termination of Trust Territory of the Pacific Islands, see note set out preceding section 1681 of Title 48, Territories and Insular Possessions.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb-7 of this title.

PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

PART REFERRED TO IN OTHER SECTIONS

This part is referred to in sections 1749bbb, 1749bbb-2, 1749bbb-7, 1749bbb-9, 1749bbb-16 of this title.

§ 1749bbb-3. FAIR plans

(a) Cooperation by insurers with State insurance authorities

Each insurer reinsured under this subchapter shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

(b) Approval and administration of plans; provisions of plans

Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provisions that—

(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance agent, broker or other producer, and such requests need not be made in writing;

(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1749bbb-4 of this title, as may be designated by the person requesting the inspection;

(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

(A)(i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an un-surcharged premium rate; and

(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

(B) the specific reasons it declines to write coverage;

(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

(8) the inspection facility shall submit to the State insurance authority and to the Director periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

(c) Membership of board of directors, board, etc., for each plan

At least one-third of the voting members of every board of directors, board of governors, advisory committee, and other governing or advisory board or committee for each plan described in subsection (b) of this section shall be individuals who are not employed by, or otherwise affiliated with, insurers, insurance agents, brokers, producers, or other entities of the insurance industry.

(June 27, 1934, ch. 847, title XII, §1211, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 558; amended Oct. 31, 1978, Pub. L. 95-557, title III, §307(b), (c), 92 Stat. 2097, 2098; Aug. 13, 1981, Pub. L. 97-35, title III, §342(b), 95 Stat. 420; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsec. (b)(8). Pub. L. 98-181 substituted “Director” for “Secretary”.

1981—Subsec. (b)(11). Pub. L. 97-35 struck out par. (11) which related to maximum rate of insurance for risks within the plan on and after Jan. 31, 1979.

1978—Subsec. (b)(11). Pub. L. 95-557, §307(c), added par. (11).

Subsec. (c). Pub. L. 95-557, §307(b), added subsec. (c).

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of this title.

§ 1749bbb-4. All-industry placement facility

Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

(June 27, 1934, ch. 847, title XII, §1212, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 560.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb-3 of this title.

§ 1749bbb-5. Industry cooperation

(a) Each insurer seeking reinsurance under this subchapter shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Director.

(b) No insurer acquiring reinsurance under this subchapter shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

(June 27, 1934, ch. 847, title XII, §1213, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 560; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsec. (a). Pub. L. 98-181 substituted “Director” for “Secretary”.

§ 1749bbb-6. Plan evaluation; modification or waiver of plan criteria

(a) In accordance with such rules and regulations as the Director may prescribe, each State insurance authority shall—

(1) transmit to the Director any proposed or adopted plan, or amendments thereto; and

(2) advise the Director, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insur-

ance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

(b) The Director may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if he finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this subchapter. The Director may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

(June 27, 1934, ch. 847, title XII, §1214, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 560; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

§ 1749bbb-6a. Office of Review and Compliance

The Director, through an Office of Review and Compliance under the Federal Insurance Administrator, shall periodically review each plan under this part and the methods and practices by which such plan is being actually carried out in the areas and communities where it is intended to operate, in order to assure that such plan is effectively making essential property insurance readily available in such areas and communities and is otherwise carrying out the purposes of this subchapter, and in order to identify any aspects of the operation or administration of such plan which may require revision, modification, or other action to carry out such purposes.

(June 27, 1934, ch. 847, title XII, §1215, as added Dec. 31, 1970, Pub. L. 91-609, title VI, §603, 84 Stat. 1791; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary”.

PART B—REINSURANCE COVERAGE

PART REFERRED TO IN OTHER SECTIONS

This part is referred to in sections 1749bbb, 1749bbb-13 of this title.

§ 1749bbb-7. Reinsurance of losses from riots or civil disorders

(a) Authorization; lines of property insurance included

(1) The Director is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1749bbb-9 of this title, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1749bbb-2(a)(13) of this title together, and any insurer or pool purchasing such reinsurance shall also be eligible, to

purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1749bbb-2(a)(13) of this title or which may be designated by regulation pursuant to subparagraph (K) of that section.

(b) Temporary coverage

Reinsurance coverage under this section may be provided immediately following August 1, 1968, to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

(1) the termination of such ninety-day period, or

(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Director under section 1749bbb-8 of this title for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

(c) Participation in State plan or pool

No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b) of this section, unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State Law, the insurer is participating in such a pool.

(June 27, 1934, ch. 847, title XII, §1221, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 560; amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(c), 84 Stat. 1789; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsecs. (a)(1), (b)(2). Pub. L. 98-181 substituted “Director” for “Secretary”.

1970—Subsec. (a)(2). Pub. L. 91-609 substituted reference to section “1749bbb-2(a)(13)” of this title for “1749bbb-2(a)(10)” in two places.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb-2 of this title.

§ 1749bbb-8. Reinsurance agreements and premiums

(a) Authorization to enter into contracts, agreements, treaties, or other arrangements for reinsurance coverage

During the first year following August 1, 1968, the Director is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Director, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1749bbb-13 of this title in

excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this subchapter, and thereafter the Director may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this subchapter.

(b) Reimbursement for total proved and approved claims for covered losses

Reinsurance offered under this subchapter shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots of civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurers' or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

(c) Terms and conditions of contracts, etc., uniformity of rates, terms and conditions

Such contracts, agreements, treaties, or other arrangements may be made without regard to section 1341(a) of title 31, and shall include any terms and conditions which the Director deems necessary to carry out the purposes of this subchapter. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

(d) Expiration date of contracts, etc.

Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, except that such term shall expire on September 30, beginning in either calendar year 1977 or 1978, as determined by the Director.

(June 27, 1934, ch. 847, title XII, §1222, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 561; amended Dec. 24, 1969, Pub. L. 91-152, title IV, §405, 83 Stat. 396; Dec. 31, 1970, Pub. L. 91-609, title VI, §602(e), 84 Stat. 1790; Apr. 30, 1977, Pub. L. 95-24, title I, §104(b), 91 Stat. 56; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230; Oct. 17, 1984, Pub. L. 98-479, title II, §203(i)(1), 98 Stat. 2230; Feb. 5, 1988, Pub. L. 100-242, title V, §545(b), 101 Stat. 1942.)

AMENDMENTS

1988—Subsec. (c). Pub. L. 100-242 substituted "section 1341(a) of title 31" for "section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a))". See 1984 Amendment note below.

1984—Subsec. (c). Pub. L. 98-479 substituted "section 1341(a) of title 31" for "section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a))". Directory language of Pub. L. 98-479 should have provided for amendment of section 1222(c) of act June 27, 1934 (the National Housing Act) rather than amendment of the Urban Property Protection and Reinsurance Act of 1968 (Pub. L. 90-448), which added this section. See 1988 Amendment note above.

1983—Subsecs. (a), (c), (d). Pub. L. 98-181 substituted "Director" for "Secretary" wherever appearing.

1977—Subsec. (d). Pub. L. 95-24 inserted exception that such term shall expire on Sept. 30, beginning in ei-

ther calendar year 1977 or 1978, as determined by the Secretary.

1970—Subsec. (a). Pub. L. 91-609 renumbered section 1233 as 1243 of act June 27, 1934, without affecting its designation in the text as section 1749bbb-13.

1969—Subsec. (d). Pub. L. 91-152 struck out requirement that any contract, etc., for reinsurance be entered into within 90 days after Aug. 1, 1968, or within 90 days prior to Apr. 30 each year thereafter, or within 90 days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1749bbb-7, 1749bbb-9, 1749bbb-14 of this title.

§ 1749bbb-9. Conditions of reinsurance

(a) Subject to the provisions of subsection (b) of this section, reinsurance shall not be offered by the Director in a State or be applicable to insurance policies written in that State by an insurer—

(1) in any States which has not, after the close of the second full regular session of the appropriate State legislative body following August 1, 1968, adopted appropriate legislation, retroactive to August 1, 1968, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Director for any reinsured losses in that State in any reinsurance contract year, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the calendar year immediately preceding the end of the reinsurance contract year on those lines of insurance reinsured by the Director in that State during the contract year, to the extent that reinsured losses paid by the Director for such year exceed the total of (A) reinsurance premiums earned in that State during that reinsurance contract year plus (B) the excess of (i) the total premiums earned by the Director for reinsurance in that State during a preceding period measured from the end of the most recent reinsurance contract year with respect to which the Director was reimbursed for losses under this subchapter over (ii) any amounts paid by the Director for reinsured losses that were incurred during such period;

(2) after thirty days following notification to the insurer that the Director finds (after consultation with the State insurance authority) that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this subchapter; except that this paragraph shall not become effective until two years after August 1, 1968, or at such earlier date as the Director, after consultation with the State insurance authority, may determine;

(3) after thirty days following notification to the insurer that the Director, or the State insurance authority, finds that such insurer is not fully participating—

(A) in the plan in the State;

(B) where it exists, in a pool; and

(C) where it exists, in any other program found by the Director to aid in making essential property insurance more readily available in the State:

Provided, That the Director shall not make any such finding with respect to any insurer unless (i) prior to making such finding the Director has requested and considered the views of the State insurance authority as to whether such finding should be made, or (ii) the Director has made such a request in writing to the State insurance authority and such authority has failed to respond thereto within a reasonable period of time after receiving such request;

(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this subchapter and one or more insurers with or without such reinsurance, unless the surviving company—

(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1749bbb-8(d) of this title; and

(B) within ten days pays any reinsurance premiums due; or

(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Director in the State.

(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1749bbb-8 of this title, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made.

(June 27, 1934, ch. 847, title XII, §1223, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 562; amended Dec. 24, 1969, Pub. L. 91-152, title IV, §406, 83 Stat. 396; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsec. (a). Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

1969—Subsec. (a)(1). Pub. L. 91-152 substituted provisions requiring appropriate legislation to be adopted by the close of the second full regular session of the appropriate State legislative body following Aug. 1, 1968 for provisions requiring such legislation to be adopted within one year following Aug. 1, 1968, or by the close of the next regular session of the appropriate State legislative body if that body had not met in regular session during that year, and provisions computing the requisite amount of State reimbursement on the basis of the reinsurance contract year for provisions computing such amount on the basis of the calendar year.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1749bbb, 1749bbb-7, 1749bbb-20 of this title.

§ 1749bbb-10. Recovery of premiums; jurisdiction; limitations

(a) The Director, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Director.

(b) No action or proceeding shall be brought for the recovery of any premium due to the Director for reinsurance, or for the recovery of any premium paid to the Director in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Director a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Director.

(June 27, 1934, ch. 847, title XII, §1224, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 563; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

PART C—FEDERAL INSURANCE AGAINST BURGLARY AND THEFT

PART REFERRED TO IN OTHER SECTIONS

This part is referred to in sections 1749bbb, 1749bbb-13 of this title.

§ 1749bbb-10a. Review and program authority

(a) Review of market availability

The Director shall conduct a continuing review of the market availability situation in each of the several States to determine whether crime insurance is available at affordable rates either through the normal insurance market or through a suitable program adopted under State law.

(b) Government crime insurance

Upon determining pursuant to subsection (a) of this section that, at any time on or after August 1, 1971, a critical market unavailability situation for crime insurance then exists in any State and has not been met through appropriate State action, the Director is authorized to make crime insurance available at affordable rates within such State through the facilities of the Federal Government. Such insurance shall be provided upon such terms and conditions, and subject to such deductibles and other restrictions and limitations, as the Director deems appropriate, but no such insurance shall be made available to a property which the Director determines to be uninsurable or to a property with respect to which reasonable protective measures to prevent loss, consistent with standards established by the Director, have not been adopted.

(c) Termination of insurance

Notwithstanding any other provision of this subchapter, direct insurance may be continued for the term of the policies written prior to the

date of termination of the Director's direct insurance authority under this part, for as long as the insured pays the required direct insurance premiums; except that direct insurance under this part for any risk shall be terminated after notice whenever the Director determines that the standard lines of crime insurance otherwise have become available to such property at affordable rates.

(June 27, 1934, ch. 847, title XII, §1231, as added Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted "Director" for "Secretary" wherever appearing, and "Director's" for "Secretary's" in subsec. (c).

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb of this title.

§ 1749bbb-10b. Use of existing facilities and services

In carrying out his responsibilities under this part, the Director may utilize—

(1) insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States,

(2) such other officers and employees of any executive agency (as defined in section 105 of title 5) as the Director and the head of any such agency may from time to time agree upon, on a reimbursement or other basis, or

(3) both the alternatives specified in paragraphs (1) and (2), or any combination thereof.

(June 27, 1934, ch. 847, title XII, §1232, as added Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), (3), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted "Director" for "Secretary" wherever appearing, and in par. (2) struck out "officers and employees of the Department of Housing and Urban Development, and" before "such other officers".

§ 1749bbb-10c. Affordable rates; establishment; factors considered; uniform national rates; periodic modification

In estimating the affordable rates for the various crime insurance coverages offered from time to time under this part, the Director shall consult with appropriate State insurance authorities and other knowledgeable persons and is authorized to take into consideration the nature and degree of the risks involved, the protective devices employed, the extent of anticipated losses, the prevailing rates for similar coverages in adjacent or comparable areas and territories, the economic importance of the various individual coverages and the type of property involved, and the relative abilities of the particular classes and types of insureds to pay the full estimated costs of such coverages. Nothing in this section shall be construed to prohibit or require either the adoption of uniform national rates or the periodic modification of currently estimated

affordable rates for any particular line or subline of coverage, class, State, territory, or risk on the basis of additional information or actual loss experience.

(June 27, 1934, ch. 847, title XII, §1233, as added Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1790; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted "Director" for "Secretary".

LIMITATION ON PREMIUMS

Pub. L. 100-242, title V, §542(c), Feb. 5, 1988, 101 Stat. 1940, as amended by Pub. L. 101-137, §6(c), Nov. 3, 1989, 103 Stat. 825; Pub. L. 101-508, title II, §2301(c), Nov. 5, 1990, 104 Stat. 1388-23, provided that: "The premium rates charged for crime insurance under any program established pursuant to part C of title XII of the National Housing Act [this part] may not be increased during the period beginning on the date of the enactment of this Act [Feb. 5, 1988] and ending on September 30, 1995, by more than a prorated annual rate of 15 percent."

§ 1749bbb-10d. Reports on operations

The Director shall report to the Congress not less than annually on the program authorized by this subchapter. The reports under this section shall include—

(1) full and complete information on the operations and activities of the Director under this part, together with such recommendations with respect thereto as the Director may deem appropriate; and

(2) a detailed justification of any increase in premium rates charged for crime insurance made during the period for which the report is submitted.

(June 27, 1934, ch. 847, title XII, §1234, as added Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1790; amended Oct. 19, 1980, Pub. L. 96-470, title II, §205(a), 94 Stat. 2244; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230; Nov. 3, 1989, Pub. L. 101-137, §6(d), 103 Stat. 825.)

AMENDMENTS

1989—Pub. L. 101-137 amended section generally. Prior to amendment, section read as follows: "The Director shall include at least biennially in his reports to the Congress on the program authorized by this subchapter full and complete information on his operations and activities under this part, together with such recommendations with respect thereto as he may deem appropriate."

1983—Pub. L. 98-181 substituted "Director" for "Secretary".

1980—Pub. L. 96-470 inserted "at least biennially" after "shall include".

PART D—GENERAL PROVISIONS

PART REFERRED TO IN OTHER SECTIONS

This part is referred to in section 1749bbb of this title.

§ 1749bbb-11. Submission of claims; judicial review; jurisdiction; limitations

(a) All reinsurance or direct insurance claims for losses under this subchapter shall be submitted by insurers or property owners in accordance with such terms and conditions as may be established by the Director.

(b)(1) Upon disallowance of any claim under color of reinsurance or direct insurance made available under this subchapter, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Director on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

(June 27, 1934, ch. 847, title XII, §1241, formerly §1231, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 563; renumbered §1241 and amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), (g), (h), 84 Stat. 1789, 1790; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsecs. (a), (b)(1). Pub. L. 98-181 substituted “Director” for “Secretary”.

1970—Subsec. (a). Pub. L. 91-609, §602(g), provided for direct insurance claims and submission of claims by property owners.

Subsec. (b)(1). Pub. L. 91-609, §602(h), provided for disallowance of claim under color of direct insurance.

§ 1749bbb-12. Fiscal intermediaries and servicing agents

(a) In order to provide for maximum efficiency in the administration of the reinsurance and direct insurance programs under this subchapter, and in order to facilitate the expeditious payment of any funds under such program, the Director may enter into contracts with any insurer, pool, or other person, for the purpose of providing for the performance of any or all of the following functions:

- (1) estimating or determining any amounts of payments for reinsurance or direct insurance claims;
- (2) receiving and disbursing and accounting for funds in making payments for reinsurance or direct insurance claims;
- (3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;
- (4) establishing the basis of liability for reinsurance or direct insurance payments, including the total amount of proved and approved claims which may be payable to any insurer or property owner, and the total amount of premiums earned by any insurer in the respective States for reinsured or directly insured lines of property insurance; and
- (5) otherwise assisting in any manner provided in the contract to further the purposes of this subchapter.

(b)(1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Director may deem appropriate.

(2) In the absence of gross negligence or intent to defraud the United States—

(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

(June 27, 1934, ch. 847, title XII, §1242, formerly §1232, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 563; renumbered §1242 and amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), (i), 84 Stat. 1789, 1790; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsecs. (a), (b)(1). Pub. L. 98-181 substituted “Director” for “Secretary”.

1970—Subsec. (a). Pub. L. 91-609, §602(i), provided for: administration of direct insurance in introductory text, payments for direct insurance claims in pars. (1) and (2), and liability for direct insurance payments, payment of claims to any property owner, and premium for directly insured lines of property insurance in par. (4).

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb-14 of this title.

§ 1749bbb-13. National Insurance Development Fund

(a) Establishment

To carry out the programs authorized under this subchapter, the Director is authorized to establish a National Insurance Development Fund (hereinafter called the “fund”) which shall be available, without fiscal year limitations—

- (1) to make such payments as may, from time to time, be required under reinsurance and direct insurance contracts under this subchapter;
- (2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this subchapter; and
- (3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 1735d(b) of this title.

(b) Credits to fund

The fund shall be credited with—

- (1) reinsurance and direct insurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance and direct insurance provided under parts B and C;
- (2) interest which may be earned on investments of the fund;
- (3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;
- (4) such amounts which are hereby authorized to be appropriated as may be necessary from time to time to reimburse the fund for losses and expenses (including administrative

expenses) incurred in carrying out the program authorized under part C;

(5) receipts from any other source which may, from time to time, be credited to the fund; and

(6) funds borrowed by the Director under section 1735d(b) of this title and deposited in the fund.

(c) Investment in obligations issued or guaranteed by United States

If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 1735d(b) of this title), the Director determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) Annual budget

An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by sections 9103 and 9104 of title 31 for wholly owned Government corporations.

(June 27, 1934, ch. 847, title XII, §1243, formerly §1233, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 564; renumbered §1243 and amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), (j), 84 Stat. 1789, 1790; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230; Oct. 17, 1984, Pub. L. 98-479, title II, §203(i)(2), 98 Stat. 2231; Feb. 5, 1988, Pub. L. 100-242, title V, §545(c), 101 Stat. 1942.)

AMENDMENTS

1988—Subsec. (d). Pub. L. 100-242 substituted “sections 9103 and 9104 of title 31” for “law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849))”. See 1984 Amendment note below.

1984—Subsec. (d). Pub. L. 98-479 substituted “sections 9103 and 9104 of title 31” for “law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849))”. Directory language of Pub. L. 98-479 should have provided for amendment of section 1243(d) of act June 27, 1934 (the National Housing Act) rather than amendment of the Urban Property Protection and Reinsurance Act of 1968 (Pub. L. 90-448), which added this section. See 1988 Amendment note above.

1983—Subsecs. (a), (b)(6), (c). Pub. L. 98-181, substituted “Director” for “Secretary”.

1970—Subsec. (a)(1). Pub. L. 91-609, §602(j)(1), provided for payments under direct insurance contracts.

Subsec. (b)(1). Pub. L. 91-609, §602(j)(1), (2), provided the fund with a credit for direct insurance premiums and in connection with direct insurance and inserted reference to part C, respectively.

Subsec. (b)(4) to (6). Pub. L. 91-609, §602(j)(3), added cl. (4) and redesignated former cls. (4) and (5) as (5) and (6), respectively.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1749bbb-8 of this title.

§ 1749bbb-14. Records, annual statement, and audits

(a) Information reports for Director

Any insurer, pool, or property owner acquiring reinsurance or direct insurance under this sub-

chapter shall furnish the Director with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this subchapter, in such form as the Director, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Director shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

(b) Filing of annual statement

Any insurer or pool acquiring reinsurance under this subchapter shall file with the Director a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

(c) Recordkeeping requirements

Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Director under section 1749bbb-8 or 1749bbb-12 of this title shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance or direct insurance payments by the Director.

(d) Investigation and audit

The Director and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Director. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

(June 27, 1934, ch. 847, title XII, §1244, formerly §1234, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 565; renumbered §1244 and amended Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), (f), (k), (l), 84 Stat. 1789-1791; Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

1970—Subsec. (a). Pub. L. 91-609, §602(k), required property owners acquiring insurance to furnish necessary information and made the requirement applicable when acquiring direct insurance.

Subsec. (c). Pub. L. 91-609, §602(f), (l), renumbered section 1232 to be 1242 of act June 27, 1934, without affecting its designation in the text as section 1749bbb-12, and provided for audit of liability for direct insurance payments, respectively.

§ 1749bbb-15. Study of reinsurance and other programs; report to the President and Congress

(a) The Director is authorized and directed to conduct a study of reinsurance and other means to help assure—

(1) an adequate market for burglary and theft and other property insurance in urban areas; and

(2) adequate availability of surety bonds for construction contractors in urban areas.

(b) The Director shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than June 30, 1970.

(June 27, 1934, ch. 847, title XII, §1245, formerly §1235, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 565; amended Dec. 24, 1969, Pub. L. 91-152, title IV, §407, 83 Stat. 396; renumbered §1245, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

1969—Subsec. (b). Pub. L. 91-152 substituted “June 30, 1970” for “one year following August 1, 1968”.

§ 1749bbb-16. Other studies; cooperation with State insurance authorities and private insurance industry

(a) The Director is authorized to undertake such studies as may be necessary to carry out the purposes of this subchapter including, but not limited to, inquiries concerning—

(1) the operation of plans under part A;

(2) the extent to which essential property insurance is unavailable in urban areas;

(3) the market for private reinsurance; and

(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

(b) To such extent and under such circumstances as may be practicable and feasible, the Director shall conduct any study authorized under this section in cooperation with State insurance authorities and the private insurance industry.

(June 27, 1934, ch. 847, title XII, §1246, formerly §1236, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 565; renumbered §1246, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

§ 1749bbb-17. General powers of Director

In the performance of, and with respect to, the functions, powers, and duties vested in him by this subchapter, the Director shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) of the Secretary of Housing and Urban Development set forth in section 1749a,¹ except subsections (c)(2), (d), and (f), of this title. Any rules or regulations of the Director shall only be issued after full consultation with the Board and after no-

¹ See References in Text note below.

tice and hearing, if granted, as required by subchapter II of chapter 5, and chapter 7, of title 5.

(June 27, 1934, ch. 847, title XII, §1247, formerly §1237, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 566; renumbered §1247, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), (4), 97 Stat. 1230; Oct. 17, 1984, Pub. L. 98-479, title II, §202(a)(2), 98 Stat. 2228.)

REFERENCES IN TEXT

Section 1749a of this title, referred to in text, was repealed by Pub. L. 99-498, title VII, §702, Oct. 17, 1986, 100 Stat. 1545. Previously, subsec. (c)(2) of section 1749a had been repealed and subsec. (c)(3) had been redesignated (c)(2) by Pub. L. 98-479, title II, §201(d)(1), Oct. 17, 1984, 98 Stat. 2228.

AMENDMENTS

1984—Pub. L. 98-479 substituted “subchapter II of chapter 5, and chapter 7, of title 5” for “the Administrative Procedure Act”.

1983—Pub. L. 98-181 substituted “Director” for “Secretary” in two places and inserted “of the Secretary of Housing and Urban Development” after “regulations”.

§ 1749bbb-18. Utilization of services and facilities of other agencies

The Director may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Director shall, to the extent permitted by law, upon request of the Director make such data available to the Director.

(June 27, 1934, ch. 847, title XII, §1248, formerly §1238, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 566; renumbered §1248, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary” wherever appearing.

§ 1749bbb-19. Advance payments

Any payments which are made under the authority of this subchapter may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Director may determine.

(June 27, 1934, ch. 847, title XII, §1249, formerly §1239, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 566; renumbered §1249, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Pub. L. 98-181 substituted “Director” for “Secretary”.

§ 1749bbb-20. Taxation

(a) The National Insurance Development Fund, including its reserves, surplus, and in-

come, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Director as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

(b) Any measures undertaken by any State to meet or to fund its obligations under section 1749bbb-9(a)(1) of this title shall not be the subject of any retaliatory or fiscal imposition by any other State.

(June 27, 1934, ch. 847, title XII, §1250, formerly §1240, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 566; renumbered §1250, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789; amended Nov. 30, 1983, Pub. L. 98-181, title IV, §452(b)(1), 97 Stat. 1230.)

AMENDMENTS

1983—Subsec. (a). Pub. L. 98-181 substituted “Director” for “Secretary”.

§ 1749bbb-21. Authorization of appropriations

There are hereby authorized to be appropriated such sums as may be necessary to carry out this subchapter.

(June 27, 1934, ch. 847, title XII, §1251, formerly §1241, as added Aug. 1, 1968, Pub. L. 90-448, title XI, §1103, 82 Stat. 566; renumbered §1251, Dec. 31, 1970, Pub. L. 91-609, title VI, §602(d), 84 Stat. 1789.)

SUBCHAPTER X—NATIONAL DEFENSE HOUSING INSURANCE

EXPIRATION DATE

Insurance of mortgages under this subchapter prohibited, with certain exceptions, after July 31, 1954, see section 1591c of Title 42, The Public Health and Welfare.

SUBCHAPTER REFERRED TO IN OTHER SECTIONS

This subchapter is referred to in sections 1702, 1715f, 1731a, 1735f-8, 1743 of this title; title 42 sections 1591, 1591a, 1591c.

§ 1750. Definitions

As used in this subchapter, the terms “mortgage”, “first mortgage”, “mortgagee”, “mortgagor”, “maturity date”, and “State” shall have the same meaning as in section 1707 of this title.

(June 27, 1934, ch. 847, title IX, §901, as added Sept. 1, 1951, ch. 378, title II, §201, 65 Stat. 295.)

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1750g of this title.

§ 1750a. Repealed. Pub. L. 89-117, title XI, § 1108(aa), Aug. 10, 1965, 79 Stat. 507

Section, act June 27, 1934, ch. 847, title IX, §902, as added Sept. 1, 1951, ch. 378, title II, §201, 65 Stat. 296, created the National Defense Housing Insurance Fund.

For establishment of the General Insurance Fund, see section 1735c of this title.

§ 1750a-1. Omitted

CODIFICATION

Section, act Nov. 1, 1951, ch. 665, Ch. V, 65 Stat. 763, authorized the National Defense Housing Insurance

Fund to be available for administrative expenses of the Federal Housing Administration. Pub. L. 89-117, title XI, §1108(aa), Aug. 10, 1965, 79 Stat. 507, eliminated the Fund, and all functions, powers, and duties of the Federal Housing Administration and its Administrator were transferred to and vested in the Secretary of Housing and Urban Development by Pub. L. 89-174, §5, Sept. 9, 1965, 79 Stat. 669, classified to section 3534 of Title 42, The Public Health and Welfare, Act June 27, 1934, ch. 847, title V, §519, as added Aug. 10, 1965, Pub. L. 89-117, title II, §214, 79 Stat. 471, classified to section 1735c of this title, created the General Insurance Fund, which authorized the general expenses of the operations of the Department of Housing and Urban Development relating to mortgages and loans which are obligations of the General Insurance Fund to be charged to the General Insurance Fund.

§ 1750b. Insurance in critical areas

(a) Limitations; termination of certain commitments; requirements; discrimination against children

This subchapter is designed to supplement systems of mortgage insurance under other provisions of this chapter in order to assist in providing adequate housing in areas which the President, pursuant to section 1591 of title 42, shall have determined to be critical defense housing areas. The Secretary is authorized, upon application by the mortgagee, to insure under this section or section 1750g of this title as hereinafter provided any mortgage which is eligible for insurance as hereinafter provided and upon such terms as the Secretary may prescribe to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the property covered by the mortgage is in an area which the President, pursuant to section 1591 of title 42, shall have determined to be a critical defense housing area, and that the total number of dwelling units in properties covered by mortgages insured under this subchapter in any such area does not exceed the number authorized by the Secretary of Housing and Urban Development from time to time as needed in such area for defense purposes and to be insured pursuant to this subchapter: *Provided further*, That in the event the Secretary has issued a commitment to insure a mortgage under this section, which commitment was in force and effect on June 1, 1953, and the Secretary determines that, because of changes in defense requirements, there is reasonable doubt that such housing is needed for defense purposes and that it is probable that the mortgage would become immediately in default and claim made for payment under the mortgage insurance contract if the unit or units are completed and the mortgage insured, the Secretary is authorized, in the interest of conserving the General Insurance Fund, to pay (in cash from the General Insurance Fund) to the mortgagee for the account of the mortgagor such amount as the Secretary shall determine to be necessary to reimburse the mortgagor the amounts paid or to be paid by the mortgagor on account of labor performed and materials in place, less the Secretary's estimate of the reasonable salvage value of such materials, plus an allowance for development costs equal to 4 per centum of the principal amount of the mortgage specified in such commitment, and no payments