

ALASKA

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COMMITTEE FILES

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1 perts in the field of earthquake loss mitigation, who
2 shall include—

3 (A) not less than 1 individual who is em-
4 ployed by a State government as an emergency
5 planner;

6 (B) not less than 1 individual who is
7 knowledgeable regarding local community build-
8 ing codes; and

9 (C) not less than 1 individual who is em-
10 ployed as a seismic engineer.

11 “(2) EX OFFICIO MEMBER.—Notwithstanding
12 paragraph (1), the Chairman of the Earthquake In-
13 surance and Reinsurance Advisory Committee under
14 section 227 shall serve as an ex officio member of
15 the Earthquake Loss Mitigation Advisory Commit-
16 tee.

17 “(c) VACANCIES.—A vacancy in the Commission shall
18 be filled in the manner in which the original appointment
19 was made.

20 “(d) CHAIRMAN.—The President shall designate a
21 chairman of the Committee from among members selected
22 for appointment to the Committee.

23 “(e) SELECTION.—Not later than 180 days after the
24 date of the enactment of the Earthquake Hazard Reduc-

1 tion Amendments Act, the President shall submit to the
2 Senate nominations for appointment to the Committee.

3 “(f) FUNCTIONS OF THE COMMITTEE.—The Commit-
4 tee shall review the loss reduction criteria (including the
5 specific loss-reduction measures) established under section
6 203. Within 90 days after receiving the draft of the loss-
7 reduction criteria under section 203(a)(3), the Committee
8 shall submit to the Director written comments and rec-
9 ommendations for any changes to the criteria.

10 “(g) RESPONSIBILITIES OF DIRECTOR.—The Direc-
11 tor shall fully cooperate with the Committee and provide
12 the Committee with access to personnel and information
13 and may, under section 101(b)(1)(E), request assistance
14 from relevant Federal agencies (including the National In-
15 stitute of Standards and Technology) as the Committee
16 considers necessary to carry out its functions.

17 **“SEC. 203. ESTABLISHMENT OF CRITERIA FOR LOSS-RE-**
18 **DUCTION MEASURES.**

19 “(a) DEVELOPMENT OF CRITERIA.—

20 “(1) IN GENERAL.—On the basis of research
21 carried out under title I, the Director shall develop
22 comprehensive loss-reduction criteria for State and
23 local land use and management ordinances, building
24 codes, and other loss-reduction measures consistent
25 with the requirements under subsection (b). The Di-

1 rector shall periodically update such criteria to re-
2 flect technical advances designed to reduce losses
3 from earthquakes.

4 “(2) COORDINATION.—The Director shall de-
5 velop the loss-reduction criteria in coordination and
6 consistent with the earthquake hazards reduction
7 program under title I of this Act and the Robert T.
8 Stafford Disaster Relief and Emergency Assistance
9 Act (and Executive Order 12699 of January 5,
10 1990). In developing the loss reduction criteria, the
11 Director shall consult other affected Federal entities
12 (including the National Institute of Standards and
13 Technology), the Building Seismic Safety Council,
14 the Interagency Committee on Seismic Safety in
15 Construction, representatives of State and local gov-
16 ernments, regional earthquake preparedness organi-
17 zations, model building code organizations, and in-
18 surance industry groups.

19 “(3) SUBMISSION OF DRAFT TO ADVISORY
20 COMMITTEE.—Not later than the expiration of the
21 12-month period beginning on the date of the enact-
22 ment of the Earthquake Hazard Reduction Amend-
23 ments Act, the Director shall submit a draft of the
24 loss-reduction criteria to the Earthquake Loss Miti-
25 gation Advisory Committee established under section

1 202. Before issuing any final regulations under
2 paragraph (4), the Director shall consider any rec-
3 ommendations made by such Advisory Committee re-
4 garding the draft criteria.

5 “(4) REGULATIONS.—Not later than the expira-
6 tion of the 18-month period beginning on the date
7 of the enactment of the Earthquake Hazard Reduc-
8 tion Amendments Act, the Director shall issue regu-
9 lations establishing the loss-reduction criteria under
10 this section, subject to the provisions of subchapter
11 II of chapter 5 of title 5, United States Code. In is-
12 suing final regulations under this paragraph, the Di-
13 rector shall cause to be published in the Federal
14 Register a description of any differences between the
15 recommendations of the Earthquake Loss Mitigation
16 Advisory Committee and the final regulations (in-
17 cluding the applicability of loss-reduction measures
18 to States and localities) developed by the Director.
19 The description shall contain, for each such dif-
20 ference, an explanation of why the recommendations
21 of the Advisory Committee were not included in the
22 final regulations.

23 “(b) CONTENT OF CRITERIA.—The Federal loss-re-
24 duction criteria established under this section shall include

1 measures for the reduction of losses from future earth-
2 quakes, as follows:

3 “(1) MANDATORY INCLUSION.—The Director
4 shall include in the loss-reduction criteria the fol-
5 lowing loss-reduction measures:

6 “(A) Minimum seismic building standards
7 applicable to new residential property and other
8 buildings located in earthquake-prone States.

9 “(B) Community-based building codes ap-
10 plicable to new residential property, which shall
11 meet or exceed the minimum seismic provisions
12 contained in (i) the most recent edition of the
13 National Building Code, (ii) the most recent
14 edition of the Standard Building Code, or (iii)
15 the most recent edition of the Uniform Building
16 Code.

17 “(2) DISCRETIONARY INCLUSION.—Consistent
18 with reports submitted to Congress pursuant to sec-
19 tion 104(a)(2) of this Act and section 947 of the
20 Cranston-Gonzalez National Affordable Housing
21 Act, the Director shall consider and may include in
22 the loss-reduction criteria established under this sec-
23 tion, any of the following additional loss-reduction
24 measures:

1 “(A) Community-based building codes
2 which contain minimum seismic provisions (in-
3 cluding restrictions on new unreinforced ma-
4 sonry construction) for new residential property
5 that is located in a seismic zone not currently
6 covered by any of the building codes referred to
7 in paragraph (1)(B) but identified by the Direc-
8 tor as being located in earthquake-prone States.

9 “(B) Geotechnical techniques to minimize
10 the effects of ground failures for new large
11 buildings in high-risk fault, landslide, site am-
12 plification, and liquefaction zones identified in
13 earthquake-prone States and, to the extent
14 practicable and cost-effective, application of the
15 same geotechnical techniques to existing large
16 buildings in the same zones.

17 “(C) Measures to control construction of
18 buildings in high-risk fault, landslide, site am-
19 plification, and liquefaction zones identified in
20 earthquake-prone States.

21 “(D) To the extent practicable, retrofitting
22 of seismically hazardous critical facilities.

23 “(E) Securing of building parapets and ex-
24 ternal ornamentations of existing buildings.

1 “(F) Bracing of gas water heaters and
2 other measures to reduce the risk of earth-
3 quake-induced fires in residential property.

4 “(G) Inspections before transfer of resi-
5 dential property (and provision to buyers of in-
6 spection reports) regarding the adequacy of the
7 anchoring of the residential structure to the
8 foundation, the presence of unbraced or braced
9 cripple walls for woodframe structures, and the
10 bracing of gas water heaters to the walls for all
11 structures.

12 “(3) RECOMMENDED MEASURES.—The Director
13 may recommend, in the loss-reduction criteria, any
14 of the following earthquake preparedness and plan-
15 ning measures:

16 “(A) Expanded research and development
17 by the National Institute of Standards and
18 Technology and other government and private
19 sector entities of new cost-effective building
20 technologies for new construction and retro-
21 fitting of existing buildings.

22 “(B) Educational and promotional cam-
23 paigns to encourage additional voluntary miti-
24 gation.

1 “(C) Reward-based fiscal incentives, such
2 as lower property tax assessments, no reassess-
3 ments for retrofitting which results in increased
4 property values, or other tax incentives to en-
5 courage use of state-of-the-art mitigation tech-
6 nology.

7 “(D) State or community-based efforts to
8 assist low- and moderate-income households to
9 purchase needed earthquake insurance and to
10 adopt cost-effective loss-reduction measures.

11 “(E) Improvements in long-term earth-
12 quake construction practices, including the
13 training and licensing of earthquake design pro-
14 fessionals as well as public and private building
15 inspectors.

16 “(F) Institutional support, training in
17 earthquake engineering technology and other
18 disciplines, and staffing to ensure compliance
19 with the community-based building codes.

20 “(G) Minimizing damage to public utilities,
21 including sewer, gas, electrical and water sys-
22 tems, and other lifelines, consistent with section
23 104(b).

24 “(c) STANDARD.—Any mitigation measures included
25 in the loss-reduction criteria established under this section

1 shall be practical, cost-effective, workable, and directly re-
2 lated to the risk of loss from earthquakes in areas where
3 residential property is located.

4 “(d) TECHNICAL ASSISTANCE.—The Director, in
5 consultation with the National Institute of Standards and
6 Technology, shall coordinate with and provide technical
7 assistance to States, interstate, and local officials and
8 agencies to encourage adoption and enforcement of State
9 and local actions that incorporate and support the loss-
10 reduction measures and preparedness goals developed by
11 the Director under this section.

12 **“SEC. 204. SELF-SUSTAINING MITIGATION FUND.**

13 “(a) IN GENERAL.—A percentage of the annual
14 earthquake insurance premiums collected under the Pri-
15 mary Insurance program under subtitle B, as the Director
16 shall designate, shall be deposited in a separate fund to
17 be known as the Self-Sustaining Mitigation Fund. The
18 percentage may not exceed 5 percent, unless the Director
19 determines that the amounts in the Insurance Fund are
20 sufficient to provide for any probable expected losses from
21 future earthquakes. Interest on amounts in the Fund shall
22 be credited to the Fund.

23 “(b) USE.—Amounts in the Self-Sustaining Mitiga-
24 tion Fund shall be available, to the extent provided in ap-
25 propriations Acts, to the Director to provide assistance to

1 support the earthquake hazard reduction activities, as fol-
2 lows:

3 “(1) Assistance to States under section 205(c).

4 “(2) Assistance to provide earthquake education
5 pursuant to subsection (c).

6 “(3) Assistance for research and development
7 supported by the National Institute of Standards
8 and Technology on construction techniques to reduce
9 costs of new construction and retrofitting of existing
10 buildings.

11 “(4) Low-interest loans or grants for the retro-
12 fitting of seismically hazardous critical facilities.

13 “(c) EARTHQUAKE EDUCATION PROGRAM.—In co-
14 ordination with the educational programs authorized
15 under title I, the Director shall provide assistance under
16 this section to support programs educating the general
17 public on the national dimensions of seismic risk and on
18 methods for homeowners to reduce the hazards resulting
19 from future earthquakes.

20 **“SEC. 205. STATE IMPLEMENTATION OF LOSS-REDUCTION**
21 **MEASURES.**

22 “(a) DEFINITION OF COMPLIANCE STATE.—An
23 earthquake-prone State shall be considered a compliance
24 State for purposes of this title if—

1 “(1) before the expiration of the 2-year period
2 beginning upon the promulgation of final regulations
3 under section 203 establishing loss-reduction
4 criteria—

5 “(A) the counties and municipalities lo-
6 cated in all seismic zones within the State have
7 adopted and are enforcing minimum applicable
8 mitigation measures required under the loss-re-
9 duction criteria; and

10 “(B) the Governor of the State has des-
11 igned an administrative authority to coordi-
12 nate the development and enforcement of earth-
13 quake implementation plans for the State,
14 which plans are equivalent to or exceed the loss-
15 reduction criteria; and

16 “(2) the State is certified under section 206(b)
17 as a compliance State.

18 “(b) DETERMINATION OF COMPLIANCE.—

19 “(1) STATE SUBMISSION OF CERTIFICATION.—
20 Before the expiration of the 2-year period referred
21 to in subsection (a)(1), each earthquake-prone State
22 shall submit a certification to the Director stating
23 whether the State has substantially adopted and is
24 substantially enforcing the applicable mitigation
25 measures under the loss-reduction criteria. In pro-

1 viding such certification, each State may consult
2 with relevant private-sector accreditation and rating
3 organizations approved by the Director. The Direc-
4 tor shall issue regulations not later than 18 months
5 after the date of the enactment of the Earthquake
6 Hazard Reduction Amendments Act describing the
7 criteria to be used in making and reviewing such
8 State certifications.

9 “(2) REVIEW BY DIRECTOR.—The Director
10 shall review each certification submitted under para-
11 graph (1) to determine whether it is an accurate
12 manifestation of the submitting State’s substantial
13 compliance with, and enforcement of, the applicable
14 mitigation measures under the loss-reduction cri-
15 teria. If the Director determines that the State cer-
16 tification is substantially accurate and the State has
17 adopted and is enforcing the applicable mitigation
18 measures, the Director shall certify the State for
19 purposes of subsection (a). Using the criteria estab-
20 lished under paragraph (1), the Director shall review
21 the compliance with, and enforcement of, the appli-
22 cable mitigation measures by each compliance State
23 meeting the requirements of subsection (a) not less
24 than once every 2 years and shall renew compliance
25 certificates as appropriate.

1 “(3) NONCOMPLIANCE STATES.—If an earth-
2 quake-prone State fails to submit a certification
3 under paragraph (1) or the Director determines
4 under paragraph (1) or (2) that the State has sub-
5 mitted an inaccurate certification, has not adopted
6 or enforced minimum applicable mitigation meas-
7 ures, or has failed to have its compliance cer-
8 tification renewed, the Director shall certify the
9 State as a noncompliance State for purposes of this
10 title and shall promptly prepare and publish pro-
11 posed regulations setting forth the minimum mitiga-
12 tion measures applicable to the State.

13 “(4) REVIEW OF NONCOMPLIANCE.—A State
14 certified as a noncompliance State pursuant to para-
15 graph (3) may at any time after such certification
16 request the Director to revoke its noncompliance cer-
17 tification and to certify the State pursuant to para-
18 graph (2).

19 “(c) ASSISTANCE TO PROMOTE COMPLIANCE.—The
20 Director shall provide assistance to each compliance State
21 from amounts in the Self-Sustaining Mitigation Fund
22 under section 204, to the extent that amounts for such
23 assistance are made available under appropriations Acts.
24 The amount of such assistance provided to each State
25 shall be based on the State’s need for hazard reduction

1 as measured by the State's lack of preparedness efforts,
2 the amount of earthquake insurance premiums collected
3 in that State under the Primary Insurance Program, and
4 the State's risk of future earthquakes. Such financial as-
5 sistance shall be used to support the State's development
6 and implementation of its mitigation plan, including edu-
7 cation, enforcement, and mitigation economic incentives,
8 such as low-interest loans for retrofitting.

9 "SEC. 206. REQUIREMENT TO PURCHASE PRIMARY
10 INSURANCE.

11 "(a) CONNECTION TO FEDERALLY RELATED MORT-
12 GAGE LOANS.—After the expiration of the 2-year period
13 beginning upon the promulgation of final regulations
14 under section 203 establishing loss-reduction criteria, no
15 federally related mortgage loan secured by residential
16 property located in an earthquake-prone State may be
17 made, increased, extended, or renewed unless the property
18 securing the loan is covered by earthquake insurance cov-
19 erage available under subtitle B or equivalent insurance
20 from a private insurer, in the amount required under sec-
21 tion 223(a)(6). The Director shall determine, in coopera-
22 tion with the appropriate Federal agencies, the methods
23 by which such mortgagors shall be required to present
24 proof that they have obtained an insurance policy consist-
25 ent with the provisions of this title.

1 "SEC. 208. COORDINATION WITH OTHER PROGRAMS.

2 "In carrying out this title, the Director shall consult
3 with other departments and agencies of the Federal Gov-
4 ernment, and with interstate, State and local agencies hav-
5 ing responsibilities regarding earthquakes to ensure that
6 the programs of such agencies and the Primary Insurance
7 Program under subtitle B are mutually consistent.

8 "SEC. 209. REPORT TO CONGRESS.

9 "The Director shall submit an annual report under
10 this section to the Congress, within 90 days after the end
11 of each fiscal year. The report shall describe the activities
12 carried out under this subtitle and evaluate any progress
13 achieved in such activities during the preceding fiscal year.

14 "SEC. 210. REGULATIONS.

15 "(a) DIRECTOR.—The Director may issue any regula-
16 tions necessary to carry out this title, pursuant to the pro-
17 visions of subchapter II of chapter 5 of title 5, United
18 States Code.

19 "(b) FEDERAL AGENCIES.—Each Federal agency or
20 instrumentality responsible for the supervision, approval,
21 regulation, or insuring of banks, savings and loan associa-
22 tions, or similar institutions, shall, in cooperation with the
23 Director, issue any regulations necessary to implement the
24 responsibilities of such agency under this title, pursuant
25 to the provisions of subchapter II of chapter 5 of title 5,
26 United States Code.

1 “(d) SUITS.—Any lawsuits by or against the Director
2 (or employees of the Federal Emergency Management
3 Agency) in connection with activities under this title shall
4 be brought in the district court of the United States with
5 jurisdiction over the action, except that any action by an
6 insurer or reinsurer against the Director (or employees of
7 the Federal Emergency Management Agency) shall be
8 brought in the United States District Court for the Dis-
9 trict of Columbia.

10 “(e) PLAN OF OPERATION.—

11 “(1) DEVELOPMENT.—The Director shall de-
12 velop a plan of operation under this subsection to
13 ensure the fair, reasonable, and equitable adminis-
14 tration of the Insurance Fund, the Reinsurance
15 Fund, and other activities under this title.

16 “(2) CONTENTS.—The plan of operation shall
17 set forth the specific policy and programmatic de-
18 tails for operating the Primary Insurance Program
19 and the Reinsurance Program, and shall include (A)
20 all guidelines, criteria, definitions, clarifications, and
21 procedures necessary to carry out this title, (B) pro-
22 cedures for implementing the mitigation incentives
23 under section 226, and (C) standards for insurers to
24 retain expense allowances from premiums collected
25 under this subtitle.

1 “(3) STUDY OF LOW-INCOME RATES.—In devel-
2 oping the plan of operation, the Director shall con-
3 sider options for charging less than actuarial rates
4 for residential property occupied by low-income pol-
5 icyholders and may include in the plan any such op-
6 tion the Director considers necessary, appropriate,
7 and practicable, subject to the requirements under
8 section 225(c).

9 “(4) ESTABLISHMENT.—

10 “(A) SUBMISSION OF DRAFT TO ADVISORY
11 COMMITTEE.—Not later than the expiration of
12 the 12-month period beginning on the date of
13 the enactment of the Earthquake Hazard Re-
14 duction Amendments Act, the Director shall
15 submit a draft of the plan of operation to the
16 Earthquake Insurance and Reinsurance Advi-
17 sory Committee established under section 227.
18 Before issuing any proposed regulations under
19 subparagraph (B), the Director shall consider
20 any recommendations made by such Advisory
21 Committee regarding the draft plan of oper-
22 ation.

23 “(B) PROPOSED REGULATIONS.—Not later
24 than the expiration of the 18-month period be-
25 ginning on the date of the enactment of the

1 Earthquake Hazard Reduction Amendments
2 Act, the Director shall issue proposed regula-
3 tions establishing the plan of operation under
4 this section, subject to the provisions of sub-
5 chapter II of chapter 5 of title 5, United States
6 Code. In issuing proposed regulations under
7 this paragraph, the Director shall cause to be
8 published in the Federal Register a description
9 of any differences between the recommendations
10 of the Earthquake Insurance and Reinsurance
11 Advisory Committee and the final regulations
12 (including the guidelines, criteria, definitions,
13 clarifications, and procedures under the plan)
14 developed by the Director. The description shall
15 contain, for each such difference, an expla-
16 nation of why the recommendations of the Advi-
17 sory Committee were not included in the pro-
18 posed regulations.

19 “(C) COMMENTS.—After the regulations
20 have been issued under subparagraph (B), the
21 Director shall request comments from the
22 Earthquake Insurance and Reinsurance Advi-
23 sory Committee regarding any changes to the
24 regulations.

1 “(D) SUBSEQUENT CHANGES.—Any
2 changes to the plan of operation contained in
3 final regulations shall be made pursuant to reg-
4 ulations issued in the manner provided in sub-
5 paragraphs (B) and (C).

6 “SEC. 222. SCOPE OF PROGRAM.

7 “(a) RESIDENTIAL PROPERTIES.—In carrying out
8 the Primary Insurance Program, the Director shall make
9 earthquake coverage available only for residential prop-
10 erty. The Director shall make such coverage available in
11 earthquake-prone States.

12 “(b) ADDITIONAL TYPES OF PROPERTIES.—If, on
13 the basis of studies and investigations undertaken and car-
14 ried out and information received or exchanged under sec-
15 tion 224, and such other information as may be necessary,
16 the Director determines that it would be feasible to extend
17 the Primary Insurance Program to cover other properties,
18 the Director may recommend to Congress that earthquake
19 coverage under this subtitle be made available to cover any
20 types and classes of—

21 “(1) other properties in residential areas;

22 “(2) small business properties that are owned
23 or leased and operated by small business concerns;

24 “(3) religious properties;

25 “(4) agricultural properties;

1 “(5) properties occupied by primary nonprofit
2 organizations; and

3 “(6) properties owned by State and local gov-
4 ernments and agencies thereof.

5 **“SEC. 223. TERMS AND LIMITATIONS OF INSURANCE COV-
6 ERAGE.**

7 “(a) **TERMS.**—Pursuant to the plan of operation es-
8 tablished under section 221 and after consultation with
9 the Earthquake Insurance and Reinsurance Advisory
10 Committee, the Director shall establish, by regulation, the
11 general terms and conditions of insurability for properties
12 eligible for residential property insurance coverage under
13 section 222. Such regulations shall meet the requirements
14 of this section and may include—

15 “(1) the type and locational classification of
16 such eligible properties;

17 “(2) the nature of damage that may be covered
18 by such insurance;

19 “(3) appropriate minimum premiums;

20 “(4) appropriate loss-deductibles including vari-
21 able deductibles based on the existence of loss-reduc-
22 ing measures that affect the risk of loss;

23 “(5) appropriate limits on coverage for each
24 classification of eligible properties;

1 “(6) appropriate minimum coverage amounts
2 pursuant to section 206(a) for each classification of
3 eligible properties, which may not be less than the
4 outstanding principal balance of the mortgage loan
5 securing the property or the maximum coverage
6 limit for the property under paragraph (5), which-
7 ever is less; and

8 “(7) any other terms and limitations relating to
9 such residential property insurance coverage that
10 may be necessary to carry out the purposes of this
11 subtitle.

12 “(b) LIMITATIONS.—Earthquake coverage under this
13 subtitle shall cover any damage to covered eligible property
14 proximately caused by an earthquake and shall include
15 coverage for debris removal and additional living expenses
16 incurred as a result of direct damage to the premises by
17 earthquake. The coverage shall not include coverage for
18 any fires associated with an earthquake.

19 “(c) ELIGIBILITY OF COVERAGE.—Any private in-
20 surer issuing residential property insurance coverage in
21 earthquake-prone States may provide the coverage under
22 this subtitle, on behalf of the Federal Government, to resi-
23 dential property policyholders of the insurer. Any private
24 insurer electing to participate in the Primary Insurance
25 Program shall make coverage available to all residential

1 property policyholders of the insurer in earthquake-prone
2 States. Any private insurer electing to purchase the excess
3 reinsurance coverage pursuant to subtitle C shall make the
4 coverage available, on behalf of the Federal Government,
5 or at equivalent coverage and rates on their own behalf,
6 to all residential property policyholders of the insurer.

7 "SEC. 224. ESTABLISHMENT OF ACTUARIAL PREMIUM
8 RATES.

9 "(a) STUDIES AND ESTABLISHMENT OF RATES.—
10 The Director may undertake and carry out such studies
11 and investigations and receive and exchange such informa-
12 tion as may be necessary to establish, and shall from time
13 to time establish and prescribe, by regulation, on a State,
14 territorial, or other appropriate basis, actuarial premium
15 rates for types of classes of property eligible for residential
16 property insurance coverage and the terms and conditions
17 under which such rates apply.

18 "(b) ARRANGEMENTS FOR SERVICES.—In carrying
19 out such studies, the Director shall consult with the
20 Earthquake Loss Mitigation Advisory Committee and the
21 Earthquake Insurance and Reinsurance Advisory Commit-
22 tee and may enter into contracts, agreements, or other ar-
23 rangements to utilize the services of the United States Ge-
24 ological Survey and other relevant Federal, State, and
25 local governmental agencies, and other persons.

1 “(c) CONSIDERATIONS.—The Director shall establish
2 actuarial rates under this section based on—

3 “(1) considerations of the risks involved,
4 including—

5 “(A) the severity and frequency of earth-
6 quakes by seismic zone and States in which the
7 insured property is located, including known
8 differences in risks from active faults and
9 known susceptibility to landslide, site amplifi-
10 cation, and liquefaction;

11 “(B) the value of the insured property;

12 “(C) the age of the structures located on
13 the insured property;

14 “(D) the construction type of the struc-
15 tures located on the insured property, including
16 woodframe, masonry, and masonry veneer;

17 “(E) the architectural type of the struc-
18 tures located on the insured property, including
19 soft first floor, box construction, and split level;

20 “(F) earthquake loss-reduction measures,
21 including measures described in section 203,
22 followed in the construction or subsequent ret-
23 rofitting of residential property structures; and

24 “(G) any other relevant criteria; and

1 “(2) application of accepted actuarial and rate-
2 making principles that reflect the risks involved, an-
3 ticipated insurance related administrative and oper-
4 ating costs and loss and loss-adjustment expense
5 payments, and provide for adequate reserves.

6 “(d) LIMITATION.—Any rate classification system
7 used by the Director to establish actuarial rates under this
8 section shall be cost-effective and shall not impose costs
9 for the initial establishment or the subsequent administra-
10 tion of the rate plan that are disproportionate to the size
11 of the insurance premiums.

12 “SEC. 225. CHARGEABLE PREMIUM RATES.

13 “(a) ESTABLISHMENT.—On the basis of actuarial
14 rates established under section 224 and such other infor-
15 mation as may be necessary, the Director shall from time
16 to time, and after consultation with the Earthquake Loss
17 Mitigation Advisory Committee and the Earthquake In-
18 surance and Reinsurance Advisory Committee, establish
19 and prescribe, by regulation—

20 “(1) chargeable premium rates for any types
21 and classes of properties eligible for earthquake cov-
22 erage; and

23 “(2) the terms and conditions under which such
24 rates shall apply.

1 “(b) MINIMIZATION OF CROSS-SUBSIDIZATION.—To
2 the maximum extent practicable, such chargeable rates
3 shall be actuarial rates over an extended period of time
4 and shall result in a minimum of cross-subsidization by
5 reasonably reflecting the risk of damaging earthquakes in
6 total and for each subclassification of policyholders. In set-
7 ting and adjusting chargeable rates under this section, the
8 Director shall provide that, over an extended period of
9 time, expected expenditures from the Insurance Fund
10 under section 228(c) do not exceed expected receipts of
11 the Fund under section 228(b).

12 “(c) LOW-INCOME RATES AND MITIGATION INCEN-
13 TIVES.—The Director may, pursuant to the plan of oper-
14 ation under section 221, establish chargeable rates under
15 this section for (1) residential property occupied by low-
16 income residents, and (2) residential properties described
17 in section 226(4), that are less than the actuarial rates
18 established under section 224, but only to the extent that
19 such rates do not prevent compliance with the last sen-
20 tence of subsection (b).

21 **“SEC. 226. INSURANCE MITIGATION INCENTIVES.**

22 “**In carrying out the Primary Insurance Program**
23 **under this subtitle pursuant to the plan of operation, the**
24 **Director shall provide for the following insurance mitiga-**
25 **tion incentives:**

1 “(1) Charging lower deductible amounts for any
2 residential property meeting the seismic building
3 standards under the loss-reduction criteria.

4 “(2) Requiring under earthquake coverage that
5 repairs to residential property sustaining earthquake
6 damage in excess of the deductible include, at a min-
7 imum, anchoring the dwelling to the foundation and
8 the addition of bracing to cripple walls.

9 “(3) Requiring under earthquake coverage that
10 residential property suffering damage in an amount
11 greater than 50 percent the replacement value of the
12 property shall be rebuilt to at least the minimum
13 standards under the loss-reduction criteria under
14 section 203 and applicable to the St

15 “(4) Charging lower premiums or deductible
16 amounts for any residential property located in a
17 seismic zone in an earthquake-prone State that
18 passes an earthquake inspection that is required as
19 a condition of sale, paid for by the seller, and meets
20 the requirements of section 203(b)(2)(G).

21 **“SEC. 227. EARTHQUAKE INSURANCE AND REINSURANCE**

22 **ADVISORY COMMITTEE.**

23 “(a) **ESTABLISHMENT.**—There is established an inde-
24 pendent advisory committee within the executive branch
25 to be known as the Earthquake Insurance and Reinsur-

1 ance Advisory Committee (in this section referred to as
2 the 'Committee'). The Committee, its members, and its
3 functions shall be separate from the National Earthquake
4 Hazards Reduction Program Advisory Committee estab-
5 lished under section 103 and the Earthquake Loss Mitiga-
6 tion Advisory Committee established under section 202.
7 To the extent not contradicted by the provisions of this
8 section, the Committee shall be subject to the provisions
9 of the Federal Advisory Committee Act.

10 "(b) MEMBERSHIP.—

11 "(1) APPOINTED MEMBERS.—The Committee
12 shall be composed of 5 members appointed by the
13 President, by and with the advice and consent of the
14 Senate. The members shall be chosen from among
15 citizens of the United States and shall include—

16 (A) 2 individuals who represent the inter-
17 ests of private insurers;

18 (B) 1 individual who represents the inter-
19 ests of private reinsurers;

20 (C) 1 individual who represents the inter-
21 ests of insurance agents; and

22 (D) 1 individual who is a State insurance
23 regulator.

24 "(2) EX OFFICIO MEMBER.—Notwithstanding
25 paragraph (1), the Chairman of the Earthquake

1 Loss Mitigation Advisory Committee under section
2 202 shall serve as an ex officio member of the
3 Earthquake Insurance and Reinsurance Advisory
4 Committee.

5 “(c) VACANCIES.—A vacancy in the Commission shall
6 be filled in the manner in which the original appointment
7 was made.

8 “(d) CHAIRMAN.—The President shall designate a
9 chairman of the Committee from among members selected
10 for appointment to the Committee.

11 “(e) SELECTION.—Not later than 180 days after the
12 date of the enactment of the Earthquake Hazard Reduc-
13 tion Amendments Act, the President shall submit to the
14 Senate nominations for appointment to the Committee.

15 “(f) FUNCTIONS OF THE COMMITTEE.—The Commit-
16 tee shall review the draft plan of operation established
17 under section 221. Within 120 days after receiving the
18 draft plan of operation, the Committee shall submit to the
19 Director written comments and recommendations for any
20 changes to the plan. After final regulations establishing
21 the plan of operation have been issued, the Committee
22 shall submit a written report not less than once every 180
23 days to the Director and the Congress evaluating the oper-
24 ation of the Federal earthquake insurance and reinsurance
25 programs under this title and making recommendations

1 for any actions relating to such programs. The Committee
2 shall respond as soon as practicable to all requests of the
3 Director made pursuant to subsection (g) or section
4 221(e)(4)(C).

5 “(g) RESPONSIBILITIES OF THE DIRECTOR.—The
6 Director shall fully cooperate with the Committee and pro-
7 vide the Committee with access to personnel and informa-
8 tion as the Committee considers necessary to carry out
9 its functions. The Director shall request comments from
10 the Committee on any questions regarding operation of
11 the Federal earthquake insurance and reinsurance pro-
12 grams established under this title.

13 **“SEC. 228. RESIDENTIAL PROPERTY INSURANCE FUND.**

14 “(a) ESTABLISHMENT.—There is established in the
15 Treasury of the United States the Residential Property
16 Insurance Fund for the purpose of carrying out the Pri-
17 mary Insurance Program under this subtitle.

18 “(b) CREDITS OF FUND.—The Insurance Fund shall
19 be credited with—

20 “(1) insurance premiums received by the Direc-
21 tor under the Primary Insurance Program (less any
22 amounts credited to the Self-Sustaining Mitigation
23 Fund under section 204) and interest earned on pre-
24 miums, as provided in subsection (e) of this section;

25 “(2) any amounts borrowed under section 229;

1 “(3) any amounts appropriated to the Insur-
2 ance Fund; and

3 “(4) any interest earned on amounts invested
4 under subsection (d).

5 “(e) USES OF FUND.—Amounts in the Insurance
6 Fund shall be available for—

7 “(1) payments for losses and loss adjustment
8 expenses under subsection (f);

9 “(2) payments for insurance company expense
10 allowances paid (including agents’ commissions,
11 State premium taxes, and companies’ administration
12 expenses);

13 “(3) administrative expenses of the Primary In-
14 surance Program; and

15 “(4) interest payments on amounts borrowed
16 under section 229 for additional losses, if any.

17 “(d) INVESTMENT OF AMOUNTS.—The Director may
18 request the Secretary of Treasury to invest any amount
19 in the Residential Property Insurance Fund in obligations
20 issued or guaranteed by the United States, as the Director
21 considers appropriate.

22 “(e) INSURANCE PAYMENTS TO FUND.—Private in-
23 surers issuing earthquake and volcanic eruption insurance
24 coverage shall remit the premiums collected, less the insur-
25 ers’ expense allowances (as provided for in the plan of op-

1 eration), to the Director on a quarterly basis 30 days after
2 the end of the quarter, according to the procedures pre-
3 scribed in the plan of operation. Such private insurers
4 shall maintain a separate, interest-bearing account for the
5 premiums to be submitted to the Director. The interest
6 collected on this account shall be forwarded to the Resi-
7 dential Property Insurance Fund with the premiums on
8 a quarterly basis.

9 “(f) REIMBURSEMENT OF INSURERS.—

10 “(1) REQUIREMENT AND PROCEDURE.—The
11 Director shall reimburse private insurers providing
12 earthquake insurance coverage pursuant to this sub-
13 title from amounts made available from the Insur-
14 ance Fund. Reimbursement for all claim payments
15 up to and including the policy limits of coverage and
16 for all loss adjustment expenses paid as a result of
17 earthquake shall be made as follows:

18 “(A) The Director shall reimburse insurers
19 for all claim payments and loss adjustment ex-
20 pense payments made pursuant to the Federal
21 Government’s obligations. To the extent that
22 reimbursement is obtained by private insurers
23 for losses also covered under the Excess Rein-
24 surance Program, the insurer shall reimburse

1 the Residential Property Insurance Fund ac-
2 cordingly.

3 "(B) If the gross reimbursements exceed
4 amounts available in the Residential Property
5 Insurance Fund, a combination of amounts bor-
6 rowed from the industry under subparagraph
7 (C) and amounts borrowed from the Treasury
8 of the United States under section 229 shall
9 cover the additional losses.

10 "(C) The industry share under subpara-
11 graph (B) shall be equivalent to 10 percent of
12 the additional losses. Private insurers issuing
13 earthquake coverage shall be assessed for the
14 industry participation in the additional losses
15 based upon the proportion that each insurer's
16 written premiums for this coverage in each
17 State in which the earthquake events occurred
18 bear to the total written premiums for such cov-
19 erage from all insurers in each State in which
20 the same events occurred, based on the most re-
21 cently published annual report of the Federal
22 Emergency Management Agency. Assessments
23 under this subparagraph may be reinsured
24 under subtitle C.

1 “(2) REGULATIONS.—The Director may issue
2 regulations establishing the general method or meth-
3 ods by which proved and approved claims for losses
4 may be adjusted and paid for damages covered by
5 the earthquake coverage issued under this subtitle.
6 The claim practices of the Insurance Fund shall be
7 subject to and conform with any applicable State in-
8 surance unfair trade practices statutes. Judicial re-
9 view of a decision of the Director regarding reim-
10 bursement of a private insurer shall be available
11 pursuant to section 221(d).

12 “(g) OBLIGATIONS.—All earthquake insurance cov-
13 erage provided through the Primary Insurance Program
14 under this subtitle shall constitute obligations, in accord-
15 ance with the provisions of this subtitle, of the United
16 States. The full faith and credit of the United States is
17 pledged for the full payment and performance of such obli-
18 gations, subject to the provisions of subsection (f)(1)(C).
19 The private insurers participating in the program shall
20 bear no risk and shall assume no liability for the earth-
21 quake coverage provided through the program except as
22 provided in subsection (f)(1)(C).

23 “(h) STATUS OF FUND.—Any premiums collected for
24 deposit in the Insurance Fund shall be exempt from all
25 taxation now or hereafter imposed by the United States,

1 by any territory, dependency or possession thereof, or by
2 the State, county, municipality, or local taxing authority,
3 except that the insurance policies issued by or in conjunc-
4 tion with the Federal Government pursuant to this title
5 shall be subject, where applicable, to State insurance pre-
6 mium taxes.

7 "SEC. 229. BORROWING FROM TREASURY.

8 “(a) AUTHORITY.—To the extent that the accumu-
9 lated assets, including any return on investments, in the
10 Residential Property Insurance Fund are insufficient to
11 pay claims and expenses, the Director shall issue, from
12 time to time, to the Secretary of the Treasury, notes and
13 other obligations to cover the insufficiency; except that the
14 amounts of such obligations outstanding at any one time
15 shall not exceed—

16 “(1) \$25,000,000,000 (or such greater amount
17 as may be approved by the President); and

18 “(2) such sums as the Congress may provide
19 acting upon the recommendation of the Director.

20 “(b) INTEREST RATE.—Obligations under subsection
21 (a) shall bear interest at a rate determined by the Sec-
22 retary of the Treasury, taking into consideration the cur-
23 rent average market yield on outstanding marketable obli-
24 gations of the United States of comparable maturities.

1 “(c) DEPOSITS.—Any amounts borrowed by the Di-
2 rector under this section shall be deposited in the Residen-
3 tial Property Insurance Fund.

4 “(d) REPAYMENT.—Any amounts borrowed under
5 this section shall be recouped, including interest on the
6 borrowed funds, in future chargeable rates for earthquake
7 coverage pursuant to the plan of operation. The Secretary
8 of the Treasury shall liberally grant extensions in repay-
9 ment schedules that the Director advises the Secretary are
10 necessary.

11 **“Subtitle C—National Earthquake**
12 **Excess Loss Reinsurance Program**

13 **“SEC. 241. REINSURANCE PROGRAM**

14 “(a) AVAILABILITY.—

15 “(1) INITIAL.—Upon the issuance of final regu-
16 lations establishing the plan of operation under sec-
17 tion 221, the Director shall make available, to any
18 private insurer participating in the Primary Insur-
19 ance Program under subtitle B or any private rein-
20 surer which reinsures any such private insurer, ex-
21 cess reinsurance coverage for direct and indirect
22 losses that are not eligible for insurance coverage
23 under subtitle B and arise from an earthquake.

24 “(2) EXPANDED.—Upon the expiration of the
25 2-year period beginning upon issuance of the regula-

1 tions referred to in paragraph (1), the Director shall
2 make available, to any private insurer or private re-
3 insurer, excess reinsurance coverage for direct and
4 indirect losses that are not eligible for insurance cov-
5 erage under subtitle B and arise from an earth-
6 quake. Any private insurer or reinsurer participating
7 in the Primary Insurance Program under subtitle B
8 shall purchase the excess reinsurance coverage under
9 this subtitle.

10 “(b) LIABILITY.—Excess reinsurance under this sub-
11 title shall be offered as follows:

12 “(1) INDUSTRY.—The Reinsurance Fund shall
13 be liable with respect to such reinsurance in the
14 event of an earthquake after, as determined by the
15 Director, the insurance industry has incurred losses
16 and loss adjustment expenses from the single event
17 that are covered under the lines set forth in section
18 242(a) and that exceed 8 percent of the industry
19 countrywide subject net written premium.

20 “(2) FEDERAL GOVERNMENT.—After the insur-
21 ance industry has sustained losses described in para-
22 graph (1), the Federal Government shall be liable to
23 an individual private insurer or private reinsurer for
24 95 percent of qualifying losses in excess of 8 percent

1 of the private insurer's or private reinsurer's coun-
2 trywide subject net written premium.

3 "(c) QUALIFYING LOSSES.—For the purposes of sub-
4 section (b), the term 'qualifying losses' means losses and
5 loss adjustment expenses incurred by a private insurer or
6 private reinsurer from an earthquake (including losses and
7 loss adjustment expenses from foreshocks and aftershocks
8 attributable to the same event and including separate
9 earthquakes occurring within a 12 month period encom-
10 passing the event described in subsection (b)(1) whose in-
11 curred losses and loss adjustment expenses exceed 2 per-
12 cent of the private insurer's or private reinsurer's country-
13 wide subject net written premium), reduced—

14 "(1) by any collectible reinsurance recoverable;
15 and

16 "(2) by a factor for uncollectible reinsurance re-
17 coverable determined as follows:

18 "(A) If the percentage of unrecoverable re-
19 insurance arising from the event to total rein-
20 surance (other than earthquake excess catas-
21 trophe reinsurance purchased from the Federal
22 Government) with respect to the event is over
23 0 percent but not over 5 percent, 0 percent of
24 unrecoverable reinsurance.

1 “(B) If the percentage of unrecoverable re-
2 insurance arising from the event to total rein-
3 surance (other than earthquake excess catas-
4 trophe reinsurance purchased from the Federal
5 Government) with respect to the event is over
6 5 percent but not over 15 percent, 33.33 per-
7 cent of unrecoverable reinsurance over 5 per-
8 cent but not over 15 percent.

9 “(C) If the percentage of unrecoverable re-
10 insurance arising from the event to total rein-
11 surance (other than earthquake excess catas-
12 trophe reinsurance purchased from the Federal
13 Government) with respect to the event is over
14 15 percent but not over 25 percent, the amount
15 determined under subparagraph (B) plus 66.66
16 percent of unrecoverable reinsurance over 15
17 percent but not over 25 percent.

18 “(D) If the percentage of unrecoverable re-
19 insurance arising from the event to total rein-
20 surance (other than earthquake excess catas-
21 trophe reinsurance purchased from the Federal
22 Government) with respect to the event is over
23 25 percent, the amount determined under sub-
24 paragraph (C) plus 100 percent of unrecover-
25 able reinsurance over 25 percent.

1 “(d) OTHER ELIGIBILITY.—

2 “(1) IN GENERAL.—Notwithstanding the re-
3 quirements of subsections (b) and (c), a private in-
4 surer or private reinsurer shall be eligible for excess
5 reinsurance coverage and reimbursement from the
6 Federal Government if the insurer or reinsurer has
7 incurred losses, prior to any reinsurance coverage,
8 from a single event that are included in the lines
9 covered in section 242(a) and that exceed 50 percent
10 of their countrywide subject direct written premium
11 or their countrywide subject net written premium,
12 whichever is greater.

13 “(2) LIABILITY.—After the private insurer or
14 private reinsurer has sustained losses described in
15 paragraph (1), the Federal Government shall be lia-
16 ble for 95 percent of qualifying losses, as defined in
17 subsection (c), in excess of 20 percent of the private
18 insurer’s or the private reinsurer’s countrywide sub-
19 ject net written premium.

20 “(3) LIMITATION ON LIABILITY.—The liability
21 of the Federal Government under this subsection
22 shall be limited to 200 percent of the private insur-
23 er’s countrywide subject direct net written premium
24 and 600 percent of the private reinsurer’s country-
25 wide subject assumed net written premium. In the

1 event a company is both a private insurer and a pri-
2 vate reinsurer, the liability limits shall be 200 per-
3 cent of their subject direct net written premium and
4 600 percent of their subject assumed net written
5 premium. Intracompany or intragroup reinsurance
6 arrangements or contracts shall not be considered as
7 reinsurance in the calculation of insurance and rein-
8 surance subject direct or subject assumed net writ-
9 ten premium under this subsection.

10 “(e) DEFINITIONS.—For purposes of this subtitle:

11 “(1) The term ‘subject assumed net written
12 premium’ means premiums received from other in-
13 surance companies for reinsurance less ceded rein-
14 surance, for all lines of coverage listed in section
15 242.

16 “(2) The term ‘subject direct net written pre-
17 mium’ means the aggregate amount of recorded
18 originated premiums, other than reinsurance, issued
19 during the year whether collected or not at the close
20 of the year (plus retrospective audit premium collec-
21 tions) after deducting all return premiums and ceded
22 reinsurance premiums, for all lines of coverage listed
23 in section 242.

24 “(3) The term ‘subject net written premium’
25 means direct and reinsurance premiums received by

1 private insurers and private reinsurers, less pre-
2 miums paid for ceded reinsurance, for all lines of
3 coverage listed in section 242.

4 “(4) The term ‘unrecoverable reinsurance’
5 means reinsurance proceeds due and payable in ac-
6 cordance with the terms of the reinsurance contract
7 which are not paid within 12 months of the due
8 date.

9 “SEC. 242. LINES OF INSURANCE.

10 “(a) COVERED LINES.—The Director shall provide
11 reinsurance coverage to private insurers for all of the fol-
12 lowing lines of insurance appearing in the National Asso-
13 ciation of Insurance Commissioners Fire and Casualty An-
14 nual Statement filed with the applicable State department
15 of insurance:

16 “(1) Fire.

17 “(2) Allied Lines.

18 “(3) Farmowner’s Multiple Peril.

19 “(4) Homeowner’s Multiple Peril.

20 “(5) Commercial Multiple Peril.

21 “(6) Ocean Marine.

22 “(7) Inland Marine.

23 “(8) Earthquake.

24 “(9) Workers Compensation.

25 “(10) Other Liability.

1 “(11) Aircraft (All Perils).

2 “(12) Glass.

3 “(13) Burglary and Theft.

4 “(14) Boiler and Machinery.

5 “(15) Reinsurance.

6 Reinsurance coverage must be purchased for all covered
7 lines of insurance and in all affected seismic rating zones
8 in earthquake-prone States with the rates for such cov-
9 erage set by the Director, pursuant to section 243.

10 “(b) OTHER LINES.—The Federal Government shall
11 provide reinsurance coverage to private reinsurers for all
12 of the lines of insurance referred to in subsection (a) as
13 well as other lines of insurance appearing in the National
14 Association of Insurance Commissioners Fire and Cas-
15 ualty Annual Statement, as determined by the Director
16 in the plan of operation and in consultation with the
17 Earthquake Insurance and Reinsurance Advisory Commit-
18 tee.

19 “SEC. 243. RATES.

20 “(a) ESTABLISHMENT.—The Director shall establish
21 the rates for the excess reinsurance coverage and adjust
22 the rates when necessary using generally accepted actuar-
23 ial principles. To the maximum extent practicable, such
24 rates shall be actuarial rates which produce a minimum
25 degree of cross-subsidization over an extended period of

1 time consistent with the infrequency of catastrophic earth-
2 quakes. In setting and adjusting the rates, the Director
3 shall provide that, over an extended period of time, ex-
4 pected expenditures from the Reinsurance Fund under
5 section 245(c) do not exceed expected receipts of the Rein-
6 surance Fund under section 245(b).

7 “(b) CONSIDERATIONS.—In setting or adjusting such
8 rates, the Director shall also provide for a minimum de-
9 gree of cross-subsidization among classes of reinsureds by
10 reasonably reflecting the differences in risk of and vulner-
11 ability to loss from earthquakes that would be subject to
12 payment from the Reinsurance Fund, by giving due con-
13 sideration to the following:

14 “(1) The premium volume of the reinsured by
15 line of insurance under section 242(a) by seismic
16 zone or State in which the risks insured or reinsured
17 by the reinsured are located.

18 “(2) The proportion of the total expected
19 amount of payments for qualifying losses and loss
20 adjustment expenses by line of insurance under sec-
21 tion 242(a) by seismic zone or State expected for
22 each reinsured.

23 “(c) LIMITATION.—Any rate classification system
24 used by the Director under this section shall be cost-effec-
25 tive and shall not impose costs for the initial establishment

1 or the subsequent administration of the rating plan that
2 are disproportionate to the size of the premiums.

3 “(d) QUARTELY PAYMENT.—Premiums paid to the
4 Reinsurance Fund for reinsurance coverage under this
5 subtitle shall be paid on a quarterly basis and shall be
6 accumulated in the Reinsurance Fund, to be managed
7 pursuant to section 245.

8 **“SEC. 244. REINSURANCE CONTRACTS.**

9 “(a) TERMS.—The reinsurance contracts issued by
10 the Federal Government pursuant to this subtitle shall
11 contain terms and conditions similar to those generally
12 used in private catastrophic reinsurance contracts.

13 “(b) JUDICIAL REVIEW.—Judicial review of a deci-
14 sion of the Director regarding payment of claims shall be
15 made available pursuant to section 221(d).

16 “(c) OBLIGATIONS.—All reinsurance contracts issued
17 under this subtitle shall constitute obligations, in accord-
18 ance with the terms of such reinsurance, of the United
19 States. The full faith and credit of the United States is
20 pledged for the full payment and performance of such obli-
21 gations.

22 “(d) SINGLE ENTITIES.—Any private insurance and
23 reinsurance companies under the same ownership or man-
24 agement, as determined under the plan of operation, shall
25 be considered a single entity for purposes of this subtitle.

1 "SEC. 245. REINSURANCE FUND.

2 "(a) ESTABLISHMENT.—There is established in the
3 Treasury of the United States the Reinsurance Fund for
4 the purposes of carrying out the excess loss reinsurance
5 program under this subtitle.

6 "(b) CREDITS OF FUND.—The Reinsurance Fund
7 shall be credited with—

8 "(1) any reinsurance premiums received by the
9 Director under the excess loss reinsurance program;

10 "(2) any amounts borrowed under section 246;
11 and

12 "(3) any amounts earned under subsection (d).

13 "(c) USE OF FUND.—The Reinsurance Fund shall be
14 available to the Director for—

15 "(1) payments for qualifying losses and loss ad-
16 justment expenses under the excess loss reinsurance
17 program under this subtitle;

18 "(2) administrative expenses of carrying out the
19 program; and

20 "(3) interest payments on amounts borrowed
21 from the Treasury under section 246, if any.

22 "(d) INVESTMENT.—The Director shall request the
23 Secretary of the Treasury to invest any amounts in the
24 Reinsurance Fund in obligations issued or guaranteed by
25 the United States, as the Director considers appropriate.

1 “(e) STATUS OF FUNDS.—Any reinsurance premiums
2 collected for deposit in the Reinsurance Fund shall be ex-
3 empt from all taxation now or hereafter imposed by the
4 United States, by any territory, dependency or possession
5 thereof, or by any State, county, municipality, or local tax-
6 ing authority, except that the insurance policies issued by
7 or in conjunction with the Federal Government pursuant
8 to this title shall be subject, where applicable, to State
9 insurance premium taxes.

10 **“SEC. 246. BORROWING FROM TREASURY.**

11 “(a) AUTHORITY.—To the extent that the accumu-
12 lated assets, including any return on investments, in the
13 Reinsurance Fund are insufficient to pay claims and ex-
14 penses, the Director shall issue, from time to time, to the
15 Secretary of the Treasury, notes and other obligations to
16 cover the insufficiency; except that the amounts of such
17 obligations outstanding at any one time shall to exceed—

18 “(1) \$25,000,000,000 (or such greater amount
19 as may be approved by the President); and

20 “(2) such sums as the Congress may provide
21 acting upon the recommendation of the Director.

22 “(b) INTEREST RATE.—Obligations under subsection
23 (a) shall bear interest at a rate determined by the Sec-
24 retary of the Treasury, taking into consideration the cur-

1 rent average market yield on outstanding marketable obli-
2 gations of the United States of comparable maturities.

3 “(c) DEPOSITS.—Any amounts borrowed by the Di-
4 rector under this section shall be deposited in the Reinsur-
5 ance Fund.

6 “(d) REPAYMENT.—Any amounts borrowed pursuant
7 to this section shall be recouped, including interest on the
8 borrowed funds, in future rates for excess reinsurance cov-
9 erage pursuant to the plan of operation. The Secretary
10 of the Treasury shall liberally grant extensions in repay-
11 ment schedules that the Director advises the Secretary are
12 necessary.”.

O

THE PROJECT

THE EARTHQUAKE PROJECT

The Earthquake Project is a consortium of trade associations and independent companies within the property/casualty insurance industry.

Its Steering Committee membership comprises the Alliance of American Insurers; the American Insurance Association; the National Association of Independent Insurers; the National Association of Mutual Insurance Companies; the Reinsurance Association of America; the Independent Insurance Agents of America; American International Group; Allstate; Cigna and the State Farm Insurance Companies. Individual dues paying companies number over 350.

GOALS OF THE EARTHQUAKE PROJECT

The Earthquake Project has two principal goals:

- To make earthquake insurance available and affordable to the average American homeowner.
- To forge a partnership between the federal government and the private insurance industry that can protect the nation from severe damage to the fabric of our economy in the event of a truly catastrophic earthquake devastating one of our great cities.

LIKELIHOOD OF A TRULY CATASTROPHIC EARTHQUAKE

The entire scientific community, including the United States Geological Survey, is unanimous in warning that a truly catastrophic earthquake (one registering 8 or greater on the Richter scale) is certain to strike somewhere in the United States in the next 20-30 years.

THE LOMA PRIETA EARTHQUAKE OF OCT. 17, 1989

The Loma Prieta earthquake measured 7.1 on the Richter scale. A quake measuring 8.0 would release 35 times more destructive energy than Loma Prieta.

THE GEOGRAPHY OF EARTHQUAKES

Catastrophic earthquakes are not limited to California. They can and do strike elsewhere in the United States.

The most severe series of earthquakes in the recorded history of this country occurred during the winter of 1811-12 in the vicinity of New Madrid, Missouri. Scientists reckon the three quakes of that winter measured 8.4, 8.5, and 8.7 on the Richter scale. The shock waves were felt as far away as Boston where they caused church bells to ring. The course of the Mississippi River was temporarily changed and its flow reversed; a large lake was created which remains to this day.

In addition to those in California, major fault systems are located in the following areas:

- The Puget Sound area affecting parts of Oregon and the state of Washington from Portland through Seattle and north.
- The Wasatch area in Utah near Salt Lake City.
- The New Madrid, Missouri fault which affects, besides Missouri, the states of Illinois, Indiana, Arkansas, Kentucky, Mississippi, and Tennessee.
- A fault in the vicinity of Charleston, S.C. which in 1886 loosed an earthquake estimated to have measured 7.0 on the Richter scale and was felt over an area believed to be 2 million square miles.
- The St. Lawrence fault north and east of New York City which affects the states of New York, Vermont, Massachusetts, and New Hampshire.

According to the United States Geological Survey, 39 states are at risk for "moderate to severe" earthquake damage and only portions of two states -- Texas and Florida -- are estimated to be free from the risk of any earthquake activity whatsoever.

EARTHQUAKE INSURANCE HELD BY HOMEOWNERS

It is estimated that fewer than 5 percent of all homeowners nationwide have earthquake insurance. In California, insurance companies are required by law to offer earthquake insurance to policyholders taking out homeowner insurance. And yet, no more than 20 percent of California homeowners held earthquake insurance prior to the Loma Prieta quake.

INSURED LOSSES

The insurance industry has commissioned a number of studies to try and estimate the insured losses that would occur if a truly catastrophic earthquake were to devastate a major urban area.

These studies indicate that insured losses would be from \$50 to \$60 billion. (Uninsured losses could equal or surpass this figure.) The reserves of the property/casualty industry now in place to fund ALL covered perils is approximately \$115 billion. A great earthquake would wipe out one-half of the industry's reserves.

INDIRECT DAMAGE TO THE ECONOMY

A catastrophic quake would inflict both direct and indirect damage to the basic fabric of the American economy.

The direct damage would be fairly obvious, disruption of the supply of goods and services, lost wages, care of the homeless, injured, etc.; loss of value to stocks and bonds underlying business destroyed by the quake.

The indirect damage would be less obvious but equally or even more severe.

When insurance companies began to liquidate their reserve portfolios to pay for earthquake losses they would first turn to the Municipal Bond Market since the majority of reserves held by the property/casualty industry are in the form of securities traded on the stock market.

Economists say that the unloading of some \$30 billion or so worth of paper on the Municipal Bond Market at one time would have two immediate effects:

- First, the industry would never get 100 cents on the dollar and would have to liquidate additional bonds to try and make up for the shortfall.
- Second, such a move could severely strain the municipal bond market and potentially close that market altogether. In the worst case scenario this would mean the city just devastated by the quake would have nowhere to go to raise money. Neither, for that matter, would any other city, county, state in America, all of which rely on the municipal bond market as a source of funds.

Next, the industry would have to go to the stock market with perhaps another \$30 to \$40 billion worth of paper to try and raise the money it needs to pay claims.

The stock market is sufficiently robust that it would not be destroyed by such a sale of stock. Nevertheless it would suffer a not inconsiderable dislocation by such a move.

Once this liquidation had been completed and the claims associated with the earthquake had been paid the surviving insurance industry would be too anemic to write new insurance.

Both state laws and fiscal prudence require a certain ratio between the amount of new insurance a company writes and the money it has in reserve. This ratio is usually between 2-1 and 3-1 at the outside limit.

This means that for every \$2 or \$3 a company writes in new business it must have \$1 in reserve.

Currently the industry has \$115 billion in reserves and is able to satisfy most requests for insurance. Following a catastrophic quake it might be left with as little as \$25-\$35 billion in reserves.

This means that no new insurance could be written for a period of years and holders of existing policies might be liable for non-renewal on a wholesale basis.

Thus, we would see an America where people buying new cars, new homes or starting new businesses would be unable to obtain insurance.

It should be borne in mind that three-quarters of the insurance held in this country is mandated by a third party such as lending institution or a government.

In such a situation would the banks want to begin assuming the risks for the mortgages they write; would state governments want to assume the risks for automobiles driven without insurance; would states wish to suspend temporarily the tort liability systems in their courts or would government wish to get into the business of writing insurance?

THE NEED TO PREPARE

Clearly there are economic implications to a catastrophic earthquake that have not been contemplated yet -- implications present in today's modern society with its closely woven network of economic interdependence that were not in existence in 1906 when San Francisco was devastated by an earthquake.

These implications are so vast in their size and complexity that no one entity short of the federal government can adequately deal with them.

The Earthquake Project believes that it is better to prepare for these eventualities before they happen rather than after. Accordingly, a legislative concept has been developed by The Project which would address many of these concerns.

This concept would provide for nearly universal earthquake insurance coverage for homeowners and create a federally-backed financial reserve to mitigate the impact to the national economy of a major quake. Legislation embracing this concept was introduced in April 1989.

Economic Scene

Peter Passell

Who Will Pay For the Big One?

THE earthquake that slammed through the San Francisco Bay area in October 1989 killed 62 people and destroyed \$5 billion worth of property. The next time the earth's giant tectonic plates slip a few yards, both people and property may be at far greater risk.

By Government estimates, a quake hitting the wrong place at the wrong time of day could kill up to 95,000 and leave a \$100 billion cleanup bill. Los Angeles and San Francisco are prime targets, of course. But the peril is hardly confined to California: the Federal Emergency Management Agency believes that Seattle, Salt Lake City, Memphis and Charleston, S.C., are also at "major" risk.

If the Big One hits — make that "when" it hits — who will pay? Even in California, relatively few property owners are covered by earthquake insurance. But Robert E. Litan, an economist at the Brookings Institution, estimates that damage from quake-related fires and injuries could still result in up to \$50 billion in insurance claims. Honoring these claims, he argues, could severely deplete insurers' reserves, driving some into bankruptcy and turning others into risk-taking zombies.

Mr. Litan's preferred fix, described in the latest edition of *The Brookings Review*: mandatory Federal earthquake insurance, with premiums set to cover actuarial risks.

Just one California property owner in four carries earthquake insurance; nationwide, the figure is below one in 20. If such insurance is available and most people choose not to buy it, why should the Government insist?

One reason, Mr. Litan suggests, is that the private market overprices the product. Only those at



greatest risk currently buy coverage, and insurers are apparently unwilling or unable to attract lower-risk customers with lower premiums.

Another reason is that owners have insufficient incentives to pay for insurance because the Federal Government stands ready to reimburse them for a portion of their losses. American taxpayers, Mr. Litan reckons, shelled out \$17 each for disaster relief in last year's San Francisco quake.

Uncle Sam could play hardball, giving legal notice that in the future the Treasury would help only those who help themselves. But the threat would probably not be credible: Americans are no more likely to deny relief to uninsured victims of an earthquake than they are to deny medical care to injured motorcyclists who did not wear helmets.

A third and perhaps most compelling reason is that casualty insurers are poorly geared to bear the earthquake risks already on their books. A not unlikely \$50 billion hit, Mr. Litan calculates, would drain the industry of about 40 percent of total reserves. Some insurers would go bankrupt; others would be forced to raise rates sharply to meet

regulatory requirements.

The process might be manageable in theory but would certainly be problematic in practice. Mr. Litan, a longtime analyst of the savings and loan debacle, worries that earthquake losses would be injurious to the casualty insurers' financial health much the way the interest rate squeeze of the early 1980's started savings and loan associations down the path to collective ruin.

When faced with the alternative of double-digit premium increases, he believes, vote-conscious regulators might allow insurance companies to operate with low (or negative) net worths. And on insurers were deep in a financial hole, they would have powerful incentives to generate premium revenues by taking ever greater chances.

Mr. Litan favors legislation that would effectively require anyone who wanted a home mortgage to buy Federal earthquake coverage. The bill sponsored by Representative Al Swift, a Washington Democrat, and David Dreier, a California Republican, would set premiums according to actual risk. Buildings designed or modified to minimize quake damage would get a break on rates.

The average premium in California for a non-deductible policy, Mr. Litan believes, would run between \$104 and \$194. In Memphis and Charleston the same coverage would run from \$15 to \$28.

Federal earthquake insurance would still leave private insurers with enormous exposure to quake-related claims for fire, disability and death losses. The Swift-Dreier bill would cover the gap with Federal reinsurance, giving private insurers years to spread the costs across their premium base.

Federal involvement is no panacea. If Washington's record in insuring farm crops is a precedent, setting premiums at actuarially sound levels would prove very difficult. But one way or another, Mr. Litan argues, Washington is going to bear a lot of the cost of the Big One. Any step that forces property owners to protect themselves is probably step in the right direction.

HJR

33

HOUSE COMMITTEE REPORT

(7)

Date Referred: March 27, 1991

FURTHER REFERRALS:

Date of Committee Action: 4-9-91

The LABOR AND COMMERCE Committee considered:

HJR 33

HOUSE JOINT RESOLUTION NO. 33

INTERNATIONL CONVENTION ON SEAFARER STDS

Relating to the "International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978."

RECOMMENDATIONS:

be replaced with _____ [] the same title

[] have attached amendments(s) [] a new title

do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[] fiscal note(s) _____

zero fiscal note House Labor + Commerce Comm [] zero fiscal note(s) _____

SIGNING <u>DO PASS</u>	DP	<u>OTHER RECOMMENDATIONS</u>	DNP	NR	AM
<i>[Signature]</i>		<i>[Signature]</i>		✓	
<i>x David Donley</i>	✓	<i>[Signature]</i>		✓	
<i>[Signature]</i>	x				
<i>[Signature]</i>	x				
<i>[Signature]</i>	x				
<i>[Signature]</i>	-				

[Signature]
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO : HJR 33

Revision Date: 4-9-91

Department Affected: _____

Title: Int'l Convention of Seafarer Stds.

BRU: _____

Component: _____

Sponsor: Rep. C. Davis

Requestor: House Labor + Commerce Comm.

COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS.CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rep. David Finkelstein

Phone: 465-4954

D'vision: House Labor and Commerce Committee

Date: 4-9-91

Approved by Commissioner: _____

Agency: _____

Date: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, .

ALASKA STATE LEGISLATURE

ELECTIVE DISTRICT 1

HYDER
KETCHIKAN
KUPREANOF
MEYERS CHUCK
PETERSBURG
SAXMAN
WRANGELL



HOME

P.O. BOX 5723
KETCHIKAN, AK 99901
PHONE 225-6304

DURING SESSION

P.O. BOX V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3424

Representative Cheri L. Davis

SPONSOR STATEMENT HJR 33

In 1978 countries from around the world met at the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. The purpose of this convention was to address the international standards for training and certification of seafarers. Seventy-seven nations have ratified these standards, the United States, however has not.

This resolution calls attention to the need for the United States to resume its leadership role in promoting tough international training and certification standards for personnel aboard merchant vessels. While the convention did not set manning levels with regards to the number of crew members required on a vessel it did set standards for training, practical experience, and the guidelines for officer license exams.

Ratification of the treaty would place the United States in a stronger position in attempting to require foreign vessels entering our territorial waters to adhere to minimum personnel standards by giving the U.S. Coast Guard port state control over foreign flag vessels.

Thank you for scheduling this resolution so promptly.

Q & A
on
JOINT RESOLUTION relative to the
**INTERNATIONAL CONVENTION ON STANDARDS OF TRAINING,
CERTIFICATION AND WATCHKEEPING FOR SEAFARERS, 1978.**

Q. What is the International Convention? What is its purpose?

A. The name of the convention is the "International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978.

The purpose of the convention is to have minimum international standards for training and certification of seafarers. This includes the Master (Captain) all deck and engineering officers, the radio officer, and other unlicensed crew members. This would improve safety of life and property at sea, and the protection of the marine environment.

Q. What are crew standards, and why do crew standards need to be improved?

A. The standards include basic principles to be observed in keeping a navigational watch. Mandatory minimum requirements for certification of the Master and all deck, engineering, and radio officers. This includes required training courses, theoretical knowledge and practical experience.

About 90 percent of all marine accidents are caused by human failure. Standards of training and certification is just one step in reducing accidents caused by human failure.

Q. Why has it taken the U.S. so long to ratify the convention? Why does it need to be ratified?

A. In the past, interests representing offshore drilling and supply vessels were opposed to ratification of the convention. They feared that they could not meet the standards of the convention, but this opposition now has been dropped.

Ratification would give the U.S. Coast Guard port state control, as per the convention, over foreign flag vessels in U.S. waters. Also refer to the 2nd question above.

Q. What are manning/crew standards?

A. The convention does not set manning levels with regards to the number of crew members required on a vessel. It does however set standards for training, practical experience, and the syllabus for officer license examination. The convention also includes recommendations on training of all seafarers in personal survival techniques: i.e., uses of life-saving appliances, types of emergencies, etc.

Q. Are there any negatives, politically or otherwise, associated with this resolution?

A. No negatives, should be all positives. Will improve safety and protection of the environment. Admiral Bill Kime, Commandant of the U.S. Coast Guard also fully supports ratification of this convention.

**BACKGROUND INFORMATION
INTERNATIONAL CONVENTION ON STANDARDS OF TRAINING, CERTIFICATION
AND WATCHKEEPING FOR SEAFARERS**

The purpose of the convention is to have minimum international standards for training and certification of seafarers. This includes the Master (Captain), all deck and engineering officers, the radio officer, and other unlicensed crew members. This would improve safety of life and property at sea and the protection of the marine environment.

These international standards include basic principles to be observed in keeping a navigational watch with mandatory minimum requirements for certification of the Master and all deck, engine and radio officers. This includes required training courses, theoretical knowledge and practical experience. Ninety percent of all Marine accidents are caused by human failure and standards of training and certification is just one step in reducing these accidents.

The convention has been ratified by 78 countries since it was established in 1978. The U.S. has been reluctant to ratify because interests representing offshore drilling and supply vessels were opposed to it. They feared that they could not meet the standards. This opposition has now been dropped. Admiral Bill Kime, Commandant of the U.S. Coast Guard, fully supports the ratification of this convention.

Contracting States

	<u>Date of signature or deposit of instrument</u>	<u>Date of entry into force</u>
Algeria (accession)	28 October 1988	28 January 1989
Argentina (accession)	6 October 1982	28 April 1984
Australia (ratification) <u>1/</u>	7 November 1983	28 April 1984
Bahamas (accession)	7 June 1983	28 April 1984
Bangladesh (accession)	6 November 1981	28 April 1984
Belgium (ratification)	14 September 1982	28 April 1984
Benin (accession)	1 November 1985	1 February 1986
Bolivia (accession)	11 April 1988	11 July 1988
Brazil (accession)	17 January 1984	28 April 1984
Brunei Darussalam (accession)	13 October 1986	23 January 1987
Bulgaria (accession)	31 March 1982	28 April 1984
Cameroon (accession)	6 June 1989	6 September 1989
Canada (accession) <u>1/</u>	6 November 1987	6 February 1988
Cape Verde (accession)	18 September 1989	18 December 1989
Chile (accession) <u>1/</u>	9 June 1987	9 September 1987
China (approval)	8 June 1981	28 April 1984
Colombia (accession)	27 July 1981	28 April 1984
Côte d'Ivoire (accession)	5 October 1987	5 January 1988
Cuba (accession)	5 December 1989	5 March 1990
Cyprus (accession)	28 March 1985	28 June 1985
Czechoslovakia (accession)	6 May 1981	28 April 1984
Democratic People's Republic of Korea (accession)	1 May 1985	1 August 1985
Denmark (ratification) <u>1/</u>	20 January 1981	28 April 1984
Ecuador (accession)	17 May 1988	17 August 1988

	<u>Date of signature or deposit of instrument</u>	<u>Date of entry into force</u>
Egypt (accession)	22 September 1980	28 April 1984
Ethiopia (accession)	18 July 1985	18 October 1985
Finland (ratification)	27 January 1984	28 April 1984
France (approval)	11 July 1980	28 April 1984
Gabon (accession)	21 January 1982	28 April 1984
German Democratic Republic (ratification)	5 November 1979	28 April 1984
Germany, Federal Republic of (ratification) ^{1/}	28 May 1982	28 April 1984
Ghana (accession)	26 January 1989	26 April 1989
Greece (ratification)	22 March 1983	28 April 1984
Haiti (accession)	6 April 1989	6 July 1989
Honduras (accession)	24 September 1985	24 December 1985
Hungary (accession)	15 October 1985	15 January 1986
India (accession)	16 November 1984	16 February 1985
Indonesia (accession)	27 January 1987	27 April 1987
Ireland (ratification)	11 September 1984	11 December 1984
Israel (accession)	16 January 1986	16 April 1986
Italy (accession)	26 August 1987	26 November 1987
Jamaica (accession)	19 February 1987	19 May 1987
Japan (accession)	27 May 1982	28 April 1984
Kiribati (accession)	5 August 1987	5 November 1987
Liberia (ratification)	28 October 1980	28 April 1984
Libyan Arab Jamahiriya (accession)	10 August 1983	28 April 1984
Maldives (accession)	22 January 1987	22 April 1987
Marshall Islands (accession)	25 April 1989	25 July 1989
Mexico (accession)	2 February 1982	28 April 1984

	<u>Date of signature or deposit of instrument</u>	<u>Date of entry into force</u>
Mozambique (accession)	15 November 1985	15 February 1986
Myanmar (accession)	4 May 1988	4 August 1988
Netherlands (accession) <u>2/</u>	26 July 1985	26 October 1985
New Zealand (accession) <u>3/</u>	30 July 1986	30 October 1986
Nigeria (accession)	13 November 1984	13 February 1985
Norway (ratification)	18 January 1982	28 April 1984
Pakistan (accession)	10 April 1985	10 July 1985
Peru (accession)	16 July 1982	28 April 1984
Philippines (accession)	22 February 1984	22 May 1984
Poland (ratification)	27 April 1983	28 April 1984
Portugal (accession)	30 October 1985	30 January 1986
Republic of Korea (accession)	4 April 1985	4 July 1985
Seychelles (accession)	22 August 1988	22 November 1988
Singapore (accession)	1 May 1988	1 August 1988
South Africa (accession)	27 July 1983	28 April 1984
Spain (accession)	21 October 1980	28 April 1984
Sri Lanka (accession)	22 January 1987	22 April 1987
Sweden (ratification)	8 January 1981	28 April 1984
Switzerland (ratification)	15 December 1987	15 March 1988
Togo (accession)	19 July 1989	19 October 1989
Trinidad and Tobago (accession)	3 February 1989	3 May 1989
Tuvalu (accession)	22 August 1985	22 November 1985
USSR (signature)	9 October 1979	28 April 1984
United Arab Emirates (accession)	15 December 1983	28 April 1984
United Kingdom (ratification) <u>1/4/</u>	28 November 1980	28 April 1984

	<u>Date of signature or deposit of instrument</u>	<u>Date of entry into force</u>
United Republic of Tanzania (accession)	27 October 1982	28 April 1984
Venezuela (accession)	13 October 1987	13 January 1988
Yugoslavia (approval)	5 November 1984	5 February 1985

Number of Contracting States: 77
(the combined merchant fleets of which
constitute approximately 75% of the gross
tonnage of the world's merchant fleet)

-
- 1/ For the text of a reservation or declaration, see section III.
- 2/ Accession by the Netherlands was declared to be effective also in respect of the Netherlands Antilles and, with effect from 1 January 1986, in respect of Aruba.
- 3/ Accession by New Zealand was declared to apply also to the Cook Islands and Niue but not to extend to Tokelau.
- 4/ Ratification by the United Kingdom was declared to be effective also in respect of:
- Hong Kong - as from 3 November 1984
Isle of Man - as from 1 July 1985
Bermuda - as from 1 January 1989

TRIBUTE TO AL FONTANA

HON. MATTHEW J. RINALDO

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 13, 1991

Mr. RINALDO. Mr. Speaker, last Friday evening, Mr. Al Fontana, of Clark, NJ, was honored by the Union County, NJ, AFL-CIO. I had the privilege of being a guest speaker at the testimonial dinner. I would like to share with my colleagues my tribute to this outstanding labor leader.

SPEECH BY HON. MATTHEW J. RINALDO

I want to congratulate Al Fontana for his leadership of the Union County AFL-CIO and for his exceptional contributions to the labor movement and to working people of this county and State.

Anyone who can negotiate contracts, serve as a shop steward, keep on top of state and federal labor legislation, get elected as a business agent, and do all the other things that Al Fontana has accomplished is an exceptional person.

Just look at what he's done:

He's served as regional director of the Distillery Workers International; Vice President of the State AFL-CIO; Chairman of COPE; President of the Union County AFL-CIO; United Way Board; Catholic Community Services; New Jersey Panel of Arbitrators; business agent for his local union, and former special assistant to the New Jersey Commissioner of Labor.

Al also was vice president of the United Way and active with the Union County Legal Aid Society, the Heart Fund, March of Dimes, Cancer Fund and a half dozen other charities. He's been active with veterans.

While we're properly cheering for our terrific servicemen and women who did such a great job in the Persian Gulf, let's not forget what veterans like Al Fontana did for our country in World War II.

Al earned five battle stars and a Bronze Star—a real record of courage and heroism.

It's a great tribute to his wonderful wife, Jerry, and their two sons, Glenn and Eugene, that the Fontana family has encouraged Al all these years. They have a husband and a father they can truly be proud of—a person who has participated in a myriad of activities but has always found enough time for his wife and family.

Despite his political contacts and friendship with virtually every VIP in New Jersey, Al's remained accessible and down to earth. He's been my friend for years, and I'm proud to be associated with someone with a heart who really believes in helping his fellow workers.

Al Fontana, and other labor leaders, like many of you in this room; Chaddie Marciano, and his father before him have made the American labor movement the most successful and innovative in the world.

More than any other group, organized labor has been responsible for giving Americans the highest standard of living in the world.

Al, you have established a distinguished record of service to the working men and women of Union County. You can be proud of what you have accomplished over the last half century and you deserve to be congratulated on a great career that has helped so many workers and their families to share in the American dream.

Warmest wishes to you and your beautiful wife, Jerry, for the best of everything in the years ahead.

AMERICA MUST PROTECT ITS WATERS FROM THE THREAT OF IMPROPERLY TRAINED AND CERTIFIED MARINERS

HON. NITA M. LOWEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 13, 1991

Mr. Speaker, I first introduced a resolution expressing the support of the House for the International Convention on Standards of Training, Certification, and Watchkeeping for Seafarers, the STCW, and calling upon the Senate to expeditiously give its advice and consent to ratification of that Convention.

Mr. Speaker, I first introduce this resolution last October in order to call attention to the need for the United States to resume its leadership role in promoting tough international training and certification standards for personnel aboard merchant vessels, particularly oil tankers. In light of our increasing reliance on imported oil shipped here aboard foreign-flagged vessels, the United States cannot afford to take it on faith that other nations adequately train and certify their oil tanker personnel. With thousands of foreign-flagged oil tankers entering our waters every year, it is vital that the United States participate in efforts to maintain minimum qualifications for mariners responsible for assuring safe passage of these vessels.

Why should the United States ratify the STCW?

Full participation in the treaty would place the United States in a stronger position in attempting to require foreign vessels entering our territorial waters to adhere to tough minimum personnel standards.

United States participation in the Convention would help ensure the entry of American vessels into countries participating in the treaty. Some countries, including Spain and Hong Kong, have threatened to refuse entry to American ships on the grounds that the United States is not a party to the STCW.

By ratifying the treaty, the United States will improve its standing to require other countries to report on their adherence to the STCW.

The International Maritime Organization (IMO) is expected to begin proceedings for renegotiating the STCW, which could have profound ramifications for America's merchant shipping industry and the marine environment. Experience with other treaties indicates that the United States negotiating position can be significantly weakened when it has signed but not ratified the treaty under consideration.

Existing Coast Guard regulations governing vessel crew qualifications already meet or exceed the STCW. The United States only stands to gain from participating in efforts to ensure international adherence to these standards.

The recently-passed Oil Pollution Act contains many important measures, including requirements for double hulls and improved vessel communications equipment, to diminish the chances of an oil disaster. But the world's finest equipment cannot prevent inadequately trained or certified personnel from making mistakes that lead to environmental tragedies.

With America more dependent on foreign oil than ever, it is time for the Senate to act on this treaty so that the United States can more

effectively guard its waters from the risk of poorly trained mariners guiding foreign-flagged vessels.

Ratifying the STCW would strengthen the excellent work of the Congress on comprehensive oil spill legislation and send a clear signal to the world that America is serious about protecting its coastal environment. I urge my colleagues to join as cosponsors of my resolution, which will help us achieve these extremely important goals.

INTRODUCTION OF NATIONAL FIREFIGHTERS DAY

HON. CURT WELDON

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 13, 1991

Mr. WELDON. Mr. Speaker, I rise today to introduce an important measure to honor America's domestic defenders, the American firefighter. The bill will set aside October 9, 1991, as National Firefighters Day.

Three million men and women work in more than 32,000 fire departments across the nation to safeguard the American public from the ravages of fire. Frequently they do it for no other reason than public service, as fully 65 percent of them are volunteers.

These men and women place their lives on the line every day to improve public safety, and that does not always mean putting out fires. These men and women are also the first responders to natural disasters, airplane crashes, and medical emergencies.

Unfortunately, firefighting is an extremely risky profession. Each year, more than 120 of these brave men and women fall in the line of duty. Earlier this month, a major blaze in Philadelphia claimed the lives of three such brave individuals. While there remain unanswered questions about the cause of this tragedy, there can be no doubt that every firefighter deserves the acclaim and respect of Congress.

October 8 will mark the 120th anniversary of the Great Chicago Fire of 1871. It is appropriate to take time on that day to recognize the irreplaceable services performed by firefighters.

Mr. Speaker, the fire service does so much for this Nation and asks so little. I urge my colleagues to join us in honoring these real American Heroes.

BIRTHDAY TRIBUTE TO REV. J. WENDELL MAPSON, SR.—THE WORK HE'S DONE SPEAKS FOR HIM

HON. DONALD M. PAYNE

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 13, 1991

Mr. PAYNE of New Jersey. Mr. Speaker, it is indeed a pleasure to wish a man who has contributed so unrelentlessly and unselfishly to God, his community, and his fellow man, a happy birthday. I had that opportunity this past weekend. For many, birthdays come and go—years passing by—not allowing these individuals to stand back and take inventory of the contributions they have made to the world.

ARCO Marine, Inc.
300 Oceansgate
Long Beach, California 90802-4341
Telephone 213 590 4584
TWX 910 341 8829
Telex 182148
Cable BRIDGE LONG BEACH

Capt. Oliver F. Williams
Senior Advisor
Maritime Affairs



April 8, 1991

Chairman
House Labor and Commerce Committee
State of Alaska

Reference: HJR 33

Dear Chairman:

ARCO Marine, Inc. (AMI) is a U.S. flag shipping company that operates ten crude oil tankers of approximately one and a half million deadweight tons. We appreciate the opportunity to express our support for House Joint Resolution 33, relating to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978.

The purpose of the convention is to have minimum international standards for training and certification of Seafarers. This would improve safety of life and property at sea, and the protection of the marine environment.

Approximately 90 percent of all marine accidents are caused by human failure, and this convention on standards of training and certification is just one step in reducing accidents caused by human failure. Ratification of the convention would give the U.S. Coast Guard port state control as per the convention, over foreign flag vessels in U.S. waters.

Please advise if we can assist you to ensure passage of HJR 33.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Oliver F. Williams'. The signature is fluid and cursive, with a long horizontal line extending to the right.

Oliver F. Williams

OFW/leb

HJR

48

HOUSE COMMITTEE REPORT

(7)

Date Referred: May 9, 1991

FURTHER REFERRALS:

Resources

Date of Committee Action: 5-11-91

The LABOR AND COMMERCE Committee considered:

HJR 48

HOUSE JOINT RESOLUTION NO. 48

PAN-AMERICAN ENERGY ALLIANCE

Relating to a Pan-American energy alliance.

RECOMMENDATIONS:

be replaced with _____ the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

fiscal impact _____

zero fiscal note _____

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

zero fiscal note(s) H/T+T Committee

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

[Signature]
 CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HJR48

Revision Date: May 8, 1991
 Title: Relating to a Pan-American energy alliance.
 Sponsor: Rep. Mark Boyer
 Requestor: _____

Department Affected: _____
 BRU: _____
 Component: _____

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0					
TRAVEL	0					
CONTRACTUAL	0					
SUPPLIES	0					
EQUIPMENT	0					
LAND & STRUCTURES	0					
GRANTS, CLAIMS	0					
MISCELLANEOUS	0					
TOTAL OPERATING	0					

CAPITAL	0					
---------	---	--	--	--	--	--

REVENUE	0					
---------	---	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0					
FEDERAL FUNDS	0					
OTHER	0					
TOTAL	0					

POSITIONS:

FULL-TIME	0					
PART-TIME	0					
TEMPORARY	0					

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: David Ramseur, HIT&T Committee Phone: 465-4930

Division: _____ Date: 5/8/91

Approved by Commissioner: *Tim Boyer*
 Agency: _____ Date: 5/8/91

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Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE-CHAIRMAN
HOUSE FINANCE COMMITTEE



House of Representatives

MEMORANDUM

FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

DATE: May 8, 1991

TO: Representative David Finkelstein, Chairman
House Labor and Commerce Committee

FROM: Representative Mark Boyer

RE: Scheduling of HJR 48 - Pan American Energy Alliance

I would like to request that you schedule HJR 48, relating to the Pan American Energy Alliance, for a hearing at your earliest convenience. The resolution would request that nations of the Western Hemisphere develop reciprocal energy security measures. The South/West Energy Council has adopted a similar resolution. Alaska is a member of the Energy Council. HJR 48 passed out of the House International Trade and Tourism Committee on Wednesday, May 8, with a majority of the committee voting do pass.

The resolution notes that fluctuations in oil prices and supply patterns demonstrate that the United States' access to this resource is vulnerable to concerted political action by governments in the Middle East.

In 1987, the United States reliance on imported oil increased to forty-one percent, the highest percentage in seven years. With our demand for oil increasing at a rate of two percent per year, our reliance on imported oil will increase because our domestic exploration and production capability has been seriously eroded.

HJR 48 urges Congress and the President of the United States to engage in formal deliberations with the governments of Canada, Mexico, and Venezuela, as well as other interested American cities, to develop a Pan American Energy Alliance. The South/West Energy Council has adopted a similar Energy Alliance resolution and is working to develop these measures in the Western Hemisphere. HJR 48 also urges Governor Hickel and his administration to participate in these efforts.

I've attached a copy of the resolution and additional back-up. If you have any questions, please contact my office and speak with Alexis Miller at 465-3467.

FAIRBANKS 20B

South/West Energy Council

290 E. Carpenter Freeway, Suite 114
Irving, Texas 75062

(Prepared
1987)

POSITION PAPER
ON
A PAN AMERICAN ENERGY ALLIANCE

The South/West Energy Council is the organization of state legislators representing the energy-producing states of America. Drawing on the knowledge gained through years of hands-on experience, the Council provides a forum for state legislators to develop public policy responses to national energy and environmental issues. The purpose of the Council is to promote a national energy policy that encourages domestic energy production and ensures long-term energy security for the nation.

Today the United States is undisputably dependent on foreign oil to keep our lights on, our cars rolling and, indeed, our economy functioning. However, with a thoughtful energy policy, this nation can be dependent without being vulnerable.

Unfortunately today the U.S. is both...dependent and vulnerable.

The specific proposal the South/West Energy Council raises to this point would be but one part of a national energy policy. It is a proposal for a Pan American Energy Alliance.

This proposal is a grass roots policy effort. It is born of the producing states' realization that the boom and bust oil cycle is devastating to stable economies and state government.

The recent energy price bust, which saw oil prices drop from 32 dollars a barrel to 10 dollars over a four-month period has meant fiscal crises and the highest unemployment rates in the nation for producing states. Even sizable drilling incentives offered by state governments couldn't budge the rig count which dove with the price.

Investors had no faith in the price of oil. Only now, after seven months of \$18-20 oil are we seeing signs of activity in the oil patch. The lesson learned was that of the tremendous importance of world market stability to investment in domestic exploration and production.

Obviously, states can not legislate world oil market conditions, but they can influence federal policy. They can push for policies that will mean a stable economic environment for energy development.

Consequently, the South/West Energy Council proposes a Pan American Energy Alliance as the basis for this stability. We want to discuss an agreement among the primary producing nations of the western hemisphere, to assure a secure supply of oil in times of crisis. The benefit of such an Alliance would be to bring a measure of economic stability to the world's oil market, and consequently to national economies around the world, by neutralizing threats of an embargo.

It would provide for our national defense by assuring a secure supply of oil from within our own sphere of influence. The tie between national security and energy was recognized by the Reagan Administration in its energy security report issued last spring. Military activity in the Persian Gulf has been the federal response.

Further, an Alliance would encourage trade among the democratic neighbors of the western hemisphere, improving Pan American relations, and the Latin American national debt situation.

Certainly though, this proposal is not a panacea. It would be but one part of a successful energy policy. National energy policy must be based on a productive domestic oil and gas industry, continuous strides in conservation and the development of alternative sources of energy to complement a Pan American Energy Alliance.

We are not suggesting that the U.S. exclusively trade within this hemisphere; when it comes to energy, this country is not in a position to kick sand in anyone's face. But we can redirect our attention to our neighbors, who are energy trade partners of long-standing.

A Pan American Energy Alliance might be structured as a multilateral treaty or even a number of bilateral agreements. Existing organizations like the Organization of American States (OAS) could be used as forums to reach such accords.

There are a number of parties who might be included. Obviously the hemisphere's major producers come to mind: Canada, the U.S., Mexico and Venezuela. Additionally, all producing nations could be approached: Columbia, Peru, Trinidad and Tobago, Ecuador and others.

Finally, it may be politically attractive to include all nations of the western hemisphere, recognizing the great dependence that smaller, non-producing nations have on oil imports. Along these lines, Mexico and Venezuela have just renewed the San Jose Accord which commits them to supplying certain amounts of crude to Caribbean nations.

In order to knowledgably consider the feasibility of the Pan American Energy Alliance proposal it is necessary to review the world oil situation. It's a small world when we talk about energy and oil must be considered in a global context.

By far, the greatest world reserves are located in the Middle East. This is readily apparent in Figure 1, which shows reserves as well as production to-date.

The nation with the greatest conventional reserves is Saudi Arabia with 167 billion barrels. Interestingly, the second greatest reserves are in the western hemisphere.

Not surprisingly, the U.S. has one of the highest cumulative production levels in the world. A Congressional Research Service study published earlier this year predicts the U.S. will begin a production decline before 1990, adding pressure to import.

FIGURE 1

World Crude Oil Reserves and Cumulative Production

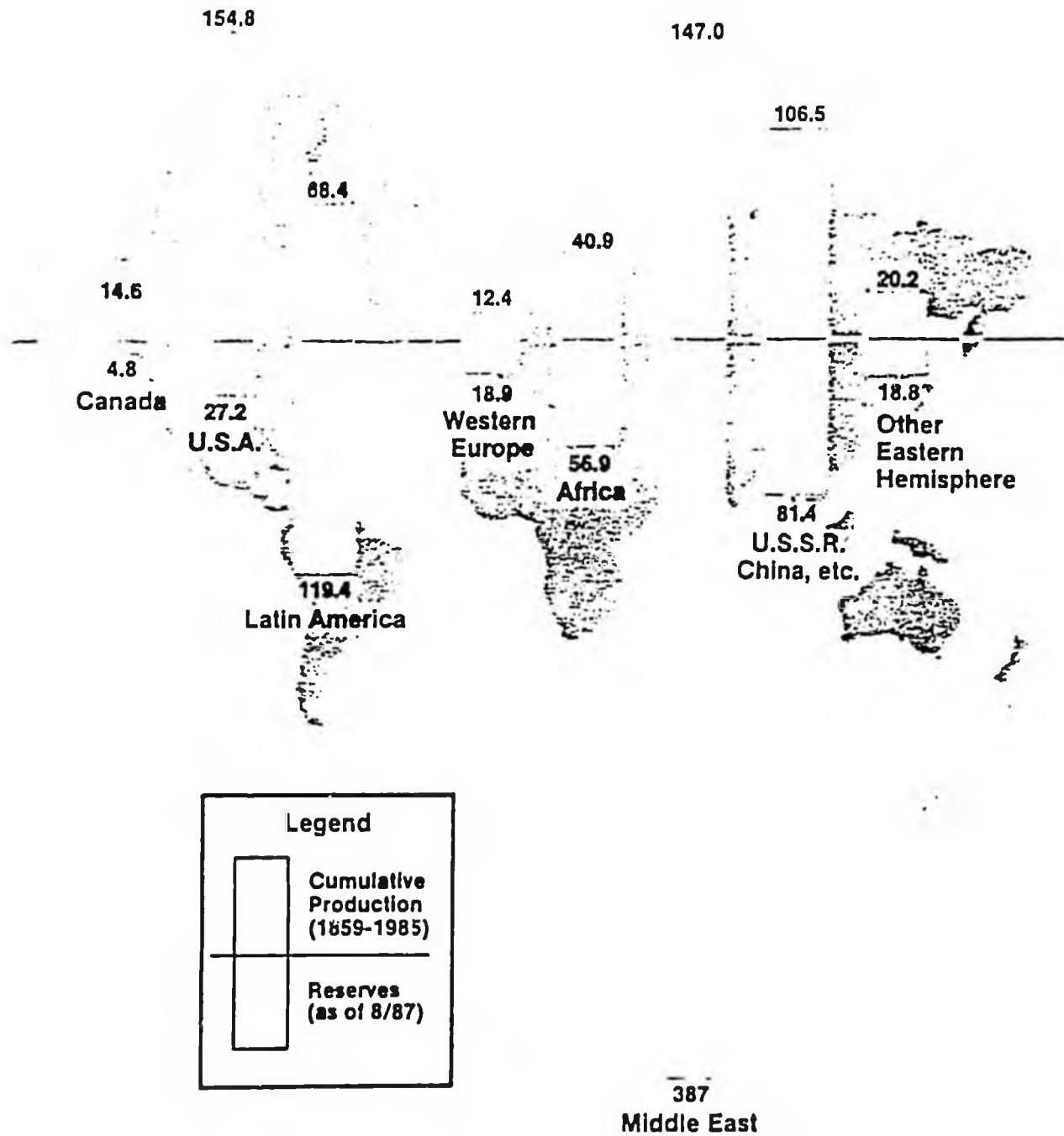


Figure 2 highlights the four greatest reserves in the western hemisphere. Here Mexico and Venezuela are neck-and-neck with 54 and 55 billion barrels apiece. However, these proven reserve figures do not include Venezuela's so-called "black ace in the hole", the Orinoco Belt, with its heavy crude reserves estimated to be as high as 267 billion barrels. The U.S. has the third largest reserves in the western hemisphere with 27 billion barrels and Canada has 4.8 billion barrels in reserves.

Looking more closely at the U.S. situation, current U.S. consumption is, very roughly, four and one-half billion barrels a year. Figure 3 illustrates domestic production, import, consumption and reserve levels in 1987.

An examination of the current U.S. import situation reveals that in 1987 almost 40 percent of the crude oil consumed in the U.S. (38.9 percent) will be imported. This is up from 31 percent only two years ago.

In fact, at the time of the 1973 Arab oil embargo, the U.S. imported about 31 percent of our demand. To appreciate the sensitive nature of the market, it should be noted that in 1973 only 8 percent of our oil supply was throttled off by the Arab Embargo. And yet it caused substantial disruption in this nation.

Almost exactly half (49.5 percent) of U.S. imports come today from OPEC nations. Saudi Arabia alone supplies more than 15 percent of our imports.

Counted in the OPEC total is 11 percent from Venezuela. But it should be noted here that in 1973, Venezuela, although a founding member of OPEC, stood by the U.S. In fact, it was Canada and Venezuela that kept the U.S. rolling during the embargo.

Over 40 percent of our imported oil comes from the western hemisphere. Figure 4 illustrates the top ten petroleum import sources and also notes Kuwait's imports to the U.S.