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REPORT TO THE CONGRESS

Examination Of Financial Statements Of The National Flood Insurance Program Fiscal Year 1973

B-114860

Federal Insurance Administration
Department of Housing and Urban Development

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

~~710773~~

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OCT. 11, 1974



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-114860

d To the Speaker of the House of Representatives
and the President pro tempore of the Senate

We have examined the financial statements of the National Flood Insurance Program, Federal Insurance Administration, Department of Housing and Urban Development, for the fiscal year ended June 30, 1973.

We made our examination pursuant to the Government Corporation Control Act (31 U.S.C. 841).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretaries of the Treasury and Housing and Urban Development; and the Administrator, Federal Insurance Administration.

James B. Stacks

Comptroller General
of the United States

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ABBREVIATIONS

FIA	Federal Insurance Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
NFIA	National Flood Insurers Association

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EXAMINATION OF FINANCIAL STATEMENTS
OF THE NATIONAL FLOOD INSURANCE
PROGRAM, FISCAL YEAR 1973
Federal Insurance Administration
Department of Housing and Urban
Development B-114860

D I G E S T

WHY THE EXAMINATION WAS MADE

The National Flood Insurance Act of 1968 subjected the National Flood Insurance Program to the Government Corporation Control Act. As a result, GAO is required to examine the program's financial statements annually.

The National Flood Insurance Program is a two-part operation.

1. The Federal Insurance Administration, a component of the Department of Housing and Urban Development,

--sets policy;

--establishes premium rates;

--designates areas eligible for insurance; and

--reinsures for a fee the insurers who sell flood insurance. (See chs. 1 and 2.)

2. The National Flood Insurers Association, a pool of 101 private insurance companies participating in the program under an agreement with the Secretary of Housing and Urban Development, conducts day-to-day insurance activities, such as selling

insurance, collecting premiums, and settling claims. (See ch. 3.)

GAO examined the program's financial statements in accordance with generally accepted auditing standards and included tests of the accounting records and other procedures considered necessary.

OPINION ON FINANCIAL STATEMENTS

National Flood Insurance Program
Federal Insurance Administration

In GAO's opinion, the accompanying financial statements (schs. 1 through 3) present fairly the financial position of the National Flood Insurance Program at June 30, 1973, and the results of its operations and the source and application of its funds (changes in its financial position) for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws. (See p. 13.)

National Flood Insurance
Association

In GAO's opinion the financial statements of the association (apps. II through IV), subject to the final determination

of the Federal income taxes referred to in note 3, appendix V (see p. 28), present fairly the association's financial position at June 30, 1973, and the results of its operations and changes in financial position for the fiscal year then ended, in conformity with accounting practices prescribed or permitted for insurance companies by State or regulatory authorities applied on a consistent basis, except for the restatements, with which GAO concurs, of certain prior-year balances described in notes 3, 4, and 5, appendix V. (See p. 28.)

In its report for fiscal year 1972 dated July 25, 1973, GAO said, in regard to the association's financial statements for fiscal year 1972, that, except for the omission of the estimated liability for Federal income taxes, the financial statements presented fairly the association's financial position on June 30, 1972, and the results of its operations and changes in financial position for the fiscal year then ended, in conform-

ity with accounting principles prescribed or permitted for insurance companies by State or regulatory authorities applied on a consistent basis.

In the financial statements for the fiscal year ended June 30, 1973, the association provided for Federal income taxes and for interest thereon retroactive to its inception; however, neither the tax nor the interest had been paid as of July 31, 1974. (See p. 13.)

RECOMMENDATIONS OR SUGGESTIONS

This report contains no recommendations or suggestions.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report provides the Congress with the results of GAO's examination of the financial statements of the National Flood Insurance Program and other information concerning the program's operation and financial condition.

CHAPTER 1

INTRODUCTION

The National Flood Insurance Program was established under authority of the National Flood Insurance Act of 1968 (42 U.S.C. 4011). The act included a provision subjecting the program to the Government Corporation Control Act and thus made mandatory an annual audit by the Comptroller General. The 1968 act authorized the Secretary of Housing and Urban Development to establish and carry out a national flood insurance program and to encourage and assist insurance companies and other insurers to join together in a pool to provide flood insurance coverage to property owners in flood-prone areas. The act extended the term "flood" to include inundation from mudslides caused by accumulation of water on or under the ground. The Flood Disaster Protection Act of 1973, dated December 31, 1973, Public Law 93-234, 93d Congress, further extended the term "flood" to include the collapse or subsidence of land along the shore of a lake or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels.

The Secretary delegated the program's administration to the Administrator, Federal Insurance Administration (FIA), a Department of Housing and Urban Development (HUD) component which also administers programs that provide crime insurance and reinsurance against abnormal loss resulting from riots and civil commotions.

The National Flood Insurance Program is a subsidized Government-sponsored program designed to enable owners of real or personal property, in areas designated by the Administrator, FIA, as eligible for flood insurance, to purchase such insurance. Premium rates are established on an actuarial basis and, insofar as practicable, at a level sufficient to cover the estimated full cost of the insurance and to enable the accumulation of reserves to pay anticipated losses. To encourage the purchase of flood insurance, the Administrator can establish lower than full-cost rates--chargeable rates. The difference between the chargeable rates and the full-cost actuarial rates provides the basis for subsidy by the Federal Government.

The Secretary entered into an agreement with the National Flood Insurers Association (NFIA) to provide insurance coverage on a limited risk-sharing basis. (See ch. 3.) The agreement describes NFIA as a voluntary,

nonprofit, unincorporated association. At June 30, 1973, NFIA consisted of 101 private insurers.

The 1968 act authorized the Secretary to borrow up to \$250 million from the U.S. Treasury on interest-bearing notes or other obligations to establish a National Flood Insurance Fund. The Flood Disaster Protection Act of 1973 increased the borrowing capacity of the Secretary to \$500 million without the President's approval and up to \$1 billion with the President's approval. The Secretary is directed to report to the House Committee on Banking and Currency and the Senate Committee on Banking, Housing and Urban Affairs at any time he requests the President's approval for increased borrowing capacity.

Credits to the fund, in addition to borrowings from the Treasury, consist of (1) reinsurance premiums, (2) advances from appropriations to maintain the fund in an operative condition adequate to meet its liabilities, (3) interest earned on investments of the fund, (4) NFIA transfers of the amount by which its operating balance for any accounting period exceeds 5 percent of policyholder premiums (to be held by the Administrator, FIA, for payment of losses, operating costs, and operating allowances NFIA may sustain in the future), and (5) any other receipts accruing from the insurance operations.

The fund is available for (1) premium equalization payments to insurers (based on the difference between the actuarially determined, full-cost premium rates and the chargeable premium rates established by the Administrator, FIA, to encourage the purchase of flood insurance), (2) payment of claims of insurers who purchased FIA reinsurance coverage to cover excess flood insurance losses, (3) financing of the flood insurance program, in whole or in part, if joint Government-industry operation becomes unfeasible, (4) repayment to the Treasury of borrowed amounts and interest, (5) payment of such administrative expenses as the Secretary may deem necessary to carry out the flood insurance program, and (6) payment of incurred losses, operating costs, and operating allowances to NFIA (not exceeding the balance of funds previously paid to the Administrator, FIA, to be held for this purpose).

The 1968 act authorized the Secretary to study and investigate flood-prone areas to obtain information on the adequacy of State and local measures for land management and use, flood control, flood zoning, and flood damage prevention. The act directed the Secretary to use the information to develop comprehensive criteria designed to encourage, if

necessary, the adoption of adequate State and local measures which, to the maximum extent feasible, would (1) lessen the exposure of property and facilities to flood losses, (2) improve the long-range land management and land use in flood-prone areas, and (3) inhibit the unplanned and economically unjustifiable future development of land in flood-prone areas.

The Flood Disaster Protection Act of 1973 requires that, not later than 6 months after its enactment on June 30, 1974, the Secretary identify and publish information on all flood plain areas including U.S. coastal areas which have special flood hazards. Each known flood-prone community not already participating in the National Flood Insurance Program must be notified by June 30, 1974, of its tentative identification as a community containing one or more areas having special flood hazards. After such notification, each of these communities is required to (1) promptly apply for participation in the National Flood Insurance Program or (2) satisfy the Secretary within 6 months that it is not seriously flood prone or that the flood hazard that had existed had been corrected.

The Secretary may grant a public hearing to any community for which conflicting data exists about the nature and extent of a flood hazard. If the Secretary decides not to hold a hearing, the community shall be given an opportunity to submit written and documentary evidence. The Secretary's decision about the existence or extent of a flood hazard area is final, if supported by substantial evidence in the record considered as a whole.

According to the Flood Disaster Protection Act of 1973, formally identified flood-prone communities which do not qualify for the National Flood Insurance Program within 1 year after notification by the Secretary or by July 1, 1975, whichever is later, will be ineligible for financial assistance under all Federal programs for acquisition or construction purposes. The act directs Federal instrumentalities responsible for supervising lending institutions to prohibit such institutions, on and after July 1, 1975, from making, increasing, extending, or renewing any loan secured by improved real estate or a mobile home in areas the Secretary identified as having special flood hazards, unless the community is participating in the flood insurance program.

The 1968 act authorized the appropriation of funds for administrative expenses necessary to carry out the National Flood Insurance Program, including costs incurred in studies and investigations to establish premium rates and for those

expenses necessary to determine the areas eligible for flood insurance.

The Housing and Urban Development Act of 1969 amended the 1968 act to provide for an emergency flood insurance program for a 2-year period ended December 31, 1971. During this time the Secretary was authorized to provide flood insurance coverage at the Government-subsidized chargeable rate without first determining actuarial premium rates for individual areas. In December 1971 the 1968 act was further amended to extend the emergency insurance program to December 31, 1973. In December 1973 the Flood Disaster Protection Act of 1973 extended the emergency program to December 31, 1975.

NFIA began to sell regular program flood insurance on June 25, 1969, after the Secretary had designated the first two communities eligible for flood insurance coverage. At June 30, 1973, 2,271 communities were eligible for flood insurance coverage, 534 under the regular program and 1,737 under the emergency program. During fiscal year 1973 the eligibility of 34 communities was suspended because of their failure to comply with the established criteria for land use and control measures, and the eligibility of 7 communities was reinstated. As of June 30, 1973, 46 eligible communities were in suspension.

The 1968 act limited to \$2.5 billion the amount of flood insurance that might be in force at any given time. Public Law 93-4, 93d Congress, dated February 2, 1973, increased the limit to \$4 billion. On June 5, 1973, Public Law 93-38, 93d Congress, increased to \$6 billion the amount of flood insurance that could be in force at any time. The Flood Disaster Protection Act of 1973 eliminated the \$6 billion ceiling and set no limit on the amount of flood insurance that could be in force any one time. In addition, June 30, 1977, was established as the expiration date of the National Flood Insurance Program.

At June 30, 1973, about \$4.6 billion of flood insurance was in force--\$2.5 billion under the emergency program and \$2.1 billion under the regular program.

CHAPTER 2

DESCRIPTION OF INSURANCE COVERAGE

GENERAL INFORMATION

The owner of real or personal property insured under the National Flood Insurance Program is indemnified for loss of, or damage to, his property resulting from naturally caused general floods or mudslides and for damage from selected sources other than natural causes, such as dam breakage. However, the insurance does not cover loss from water or mudslide damage resulting from causes on an owner's property or from conditions within his control.

Flood insurance policies are written for 1-year terms under both the regular and the emergency programs. When the Administrator, FIA, designates an area as eligible for flood insurance, NFIA designates an office of a member company as the servicing office for the eligible area. NFIA pays servicing offices on a sliding scale based on volume handled. In turn, FIA reimbursed NFIA at a rate of \$10 a policy before August 31, 1973, at which time the rate was reduced to \$8.75. According to NFIA records the average fee paid to a servicing office for processing a policy during fiscal year 1973 was \$9.11.

Before July 10, 1972, NFIA paid the agent securing the business a commission of 15 percent of the annual premium. Effective July 10, 1972, to stimulate the sale of flood insurance, the commission arrangement was revised to provide payment of \$10 or 15 percent of the annual premium, whichever is greater, for each policy written to the agent securing the business.

An insurance policy is effective as of the date of an application, if the application is submitted within 30 days after an area has been designated as eligible for insurance. Then a policy becomes effective 15 days after submission of an application for insurance. The full annual premium is payable at the time the application is made. The policy is renewable on the anniversary date on payment of the annual premium. Because flooding is seasonal, premium refunds upon cancellation of coverage are permitted only if the insured terminates his ownership interest in the covered property at the described policy location. A clause included in each policy specifies a deductible of \$200 for loss on a structure and \$200 for loss on the contents of a structure, or 2 percent of the amount of each loss, whichever is greater.

PREMIUMS

The Administrator, FIA, must establish actuarial rates for each community before it is eligible for flood insurance coverage under the regular program. He is authorized to carry out studies and investigations to obtain the information necessary to estimate these rates. These rates are to be based on accepted actuarial principles, taking into consideration the risk involved and including applicable operating costs and allowances and certain administrative expenses.

The Administrator, FIA, is also authorized to prescribe chargeable premium rates to make flood insurance available, where necessary, at reasonable rates so as to encourage the purchase of flood insurance.

The chargeable premium rates are based on the value of the insured property. During fiscal year 1973, the rates for structural coverage ranged from \$0.25 to \$0.35 per \$100 of insurance coverage for residential structures and from \$0.40 to \$0.60 per \$100 of insurance coverage for nonresidential structures. The chargeable premium rates for coverage of contents of residential structures ranged from \$0.35 to \$0.45 per \$100 of insurance coverage; the rate was \$0.75 per \$100 of insurance coverage for contents of nonresidential structures.

REGULAR PROGRAM

At June 30, 1973, insurance coverage under the regular program was available for all structures, including buildings that were (1) used for residential, business, agricultural, or religious purposes, (2) occupied by private nonprofit organizations, and (3) owned by State or local governments. Coverage was also available for the contents of these buildings.

The limits on insurance coverage available were \$35,000 for single-family residential structures, \$60,000 for all other structures, \$10,000 for the contents of each unit used for residential purposes, and \$10,000 contents coverage for each occupant of nonresidential structures.

In January 1974, as a result of changes made by the Flood Disaster Protection Act of 1973, the limits on available insurance coverage were raised. Except in Alaska, Hawaii, the Virgin Islands, and Guam, the limits for coverage were raised to \$70,000 for single-family residential structures and \$200,000 for all other structures. Insurance

coverage for the contents of each residential unit was increased to \$20,000 and to \$200,000 for contents coverage for each occupant of nonresidential structures.

For Alaska, Hawaii, the Virgin Islands, and Guam, the limits of insurance coverage were established as \$100,000 for single-family residential structures, an aggregate \$300,000 for residential structures containing more than one dwelling unit, and an aggregate \$200,000 for churches and other properties. Insurance coverage on contents was established as \$20,000 for each residential or dwelling unit and \$200,000 for churches and for each unit in other properties.

For structures which are insured under the regular program and which existed before an area became eligible for insurance, the annual premium is the lower of the actuarial or the chargeable rate for the first half of the available insurance coverage plus the actuarial rate for the remaining half. The actuarial rate is charged for all coverage on structures constructed in an area after it has been identified by the Secretary as having special flood or mudslide hazards.

Under the regular program, 109,985 policies with coverage amounting to \$2 billion were in force at June 30, 1973.

EMERGENCY PROGRAM

At June 30, 1973, insurance coverage under the emergency program was available for all structures, including buildings (1) used for residential, business, agricultural, or religious purposes, (2) occupied by private nonprofit organizations, and (3) owned by State or local governments. Coverage was also available for the contents of these buildings.

The limits on insurance coverage available for the foregoing structures were half of the coverage available under the regular program, or \$17,500 for single-family residential structures, \$30,000 for all other structures, and \$5,000 for the contents of each residential unit and \$5,000 coverage for contents for each occupant of non-residential structures.

Under the Flood Disaster Protection Act of 1973, insurance coverage available, except for Alaska, Hawaii, the Virgin Islands, and Guam, is half of the coverage available under the regular program, or \$35,000 for single-family residential structures, \$100,000 for all other structures,

\$10,000 for the contents of each residential unit, and \$100,000 coverage for contents for each occupant of non-residential structures.

For Alaska, Hawaii, the Virgin Islands, and Guam, the limits of insurance coverage are \$50,000 for single-family residential structures, an aggregate \$150,000 for residential structures containing more than one dwelling unit, and an aggregate \$100,000 for churches and other properties. Insurance coverage on contents is \$10,000 for each residential or dwelling unit and \$100,000 for churches and for each unit in other properties.

All premiums under the emergency program are at the chargeable premium rates, and 162,463 policies with coverage totaling \$2.6 billion were in force at June 30, 1973.

CHAPTER 3

AGREEMENT WITH NATIONAL FLOOD INSURERS ASSOCIATION

The 1968 act authorized the Secretary to encourage and assist insurance companies to join together in a pool to (1) provide flood insurance coverage, (2) participate financially in underwriting the risks assumed, and (3) adjust and pay claims for flood losses. Pursuant to this authorization, the Secretary entered into an agreement with NFIA, which described NFIA as a voluntary, nonprofit, unincorporated association of insurers. The agreement was effective for the accounting period June 6, 1969, through June 30, 1970, and is considered to have been renewed annually unless otherwise agreed to or terminated. The agreement was renewed through June 30, 1974. The more important terms of the agreement follow.

1. NFIA will exercise its best efforts to provide a continuous program of flood insurance, and changes in its membership shall not affect the continuity of the program.
2. Flood insurance in force at any one time shall not exceed \$6 billion face amount, and NFIA shall provide a minimum of \$40 million in risk capital subscribed to by its member companies at inception of the first accounting period. (Effective December 31, 1973, the Flood Disaster Protection Act of 1973, replaced the \$6 billion ceiling on insurance coverage, gave the Secretary unlimited flood insurance contract authority, and established June 30, 1977, as the expiration date of the National Flood Insurance Program).
3. NFIA shall arrange for the issuance of policies as well as for investigation, adjustment, and settlement of all claims presented under the policies.
4. NFIA shall purchase excess loss reinsurance coverage from the National Flood Insurance Program. Premium payments shall be made quarterly at a provisional rate of 6 percent of the policyholders' premiums applicable to the quarter. The total premiums paid at the provisional rate shall be adjusted at the conclusion of the accounting period to an amount computed by the application of agreed-upon inland and coastal rates to the policyholders' premiums emanating from insurance in force

in the inland and coastal areas. Claims for excess-loss reinsurance coverage shall be paid by the National Flood Insurance Program when the total of incurred losses and operating costs for any accounting period after deducting premium equalization payments exceeds 125 percent of policyholder premiums.

5. NFIA may retain as an operating allowance, for such uses as its constitution may permit, a part of operating profit earned in an accounting period in an amount not to exceed 5 percent of the policyholders' premiums applicable to the period. Operating profit in excess of 5 percent of the policyholders' premiums shall be paid to the Administrator, FIA, to be held in the Treasury of the United States for the payment of future NFIA losses, operating costs, and operating allowances. Pending payment to the Administrator, the funds shall be invested in obligations of or fully guaranteed by the United States. Any such funds remaining at the agreement's termination shall be paid into the National Flood Insurance Fund, after the payment of all obligations incurred for the most recent accounting period.
6. If in any accounting period NFIA does not earn an amount equal to 5 percent of policyholders' premiums applicable to that period, it is entitled to payment from the funds previously paid to the Administrator in an amount large enough to provide NFIA with an operating balance equal to 5 percent of policyholders' premiums applicable to that period, provided that the payment does not exceed the balance of the fund the Administrator then held.
7. The National Flood Insurance Program, using a formula set forth in the agreement to compute the amount, shall make periodic premium equalization payments to NFIA for the Government's share of paid flood insurance claims and for equalization of operating costs. (The foregoing contract provision is based on a requirement in the National Flood Insurance Act of 1968. The Flood Disaster Protection Act of 1973 rescinded the requirement for a formula computation and left the establishment of methods for determining the amounts and

periods of equalization payments to the Secretary. According to FIA, until the Secretary establishes a new method, the method set forth in the contract will be followed.)

CHAPTER 4

SCOPE OF EXAMINATION

Our examination of FIA's financial statements pertaining to the National Flood Insurance Program for the fiscal year ended June 30, 1973, was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

HUD's Office of Washington Operations and Special Projects, Office of Inspector General, examined the National Flood Insurance Program accounting records pertaining to outstanding program obligations at the close of fiscal year 1973. Because the examination work performed by the Office of Washington Operations and Special Projects did not include transactions other than those related to obligations, we were unable to reduce our tests of the program's overall accounting records.

NFIA activities are an integral part of the National Flood Insurance Program and are subject to GAO audit complying with the Government Corporation Control Act. NFIA engaged a firm of public accountants to audit its financial statements. Our audit included observations and tests of the firm's work.

CHAPTER 5

OPINION ON THE FINANCIAL STATEMENTS

NATIONAL FLOOD INSURANCE PROGRAM

HUD prepared the financial statements of the National Flood Insurance Program, presented as schedules 1 through 3.

In our opinion, these financial statements present fairly the financial position of the National Flood Insurance Program at June 30, 1973, and the results of its operations and the source and application of its funds (changes in its financial position) for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

NATIONAL FLOOD INSURERS ASSOCIATION

In our opinion, the financial statements of NFIA (apps. II through IV), subject to the final determination of the liability for Federal income taxes referred to in note 3, appendix V, present fairly the financial position of NFIA at June 30, 1973, and the results of its operations and changes in its financial position for the fiscal year then ended, in conformity with accounting practices prescribed or permitted for insurance companies by State or regulatory authorities applied on a consistent basis, except for the restatements, with which we concur, as described in notes 3, 4, and 5, appendix V.

We stated in our July 25, 1973, report, "Examination of Financial Statements of the National Flood Insurance Program, Fiscal Year 1972," that, except for the omission of the estimated liability for Federal income taxes, the financial statements presented fairly NFIA's financial position on June 30, 1972, and the results of its operations and changes in financial position for the fiscal year then ended, in conformity with accounting principles prescribed or permitted for insurance companies by State or regulatory authorities applied on a consistent basis.

In the financial statements for the fiscal year ended June 30, 1973, NFIA provided for Federal income taxes and interest thereon retroactive to its inception; however, neither the tax nor the interest had been paid as of July 31, 1974. NFIA's action on the Federal income taxes and the interest thereon required changes in the financial statements for the fiscal year ended June 30, 1972 (apps. II

and III), presented in this report for comparative purposes. An explanation of the changes is given in notes 3, 4, and 5 in the Notes to Financial Statements (app. V).

SCHEDULE 1

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL INSURANCE ADMINISTRATION

NATIONAL FLOOD INSURANCE PROGRAM

COMBINED BALANCE SHEET

June 30, 1973

ASSETS

	National Flood Insurance Fund	Appropriated Funds	Total
Cash and Fund Balances:			
On deposit with U.S. Treasury	\$ -	\$ 8,973,180	\$ 8,973,180
Accounts Receivable:			
Reinsurance premiums from NFIA	680,362	-	680,362
Trust deposit from NFIA (note 1)	<u>1,982,367</u>	<u>-</u>	<u>1,982,367</u>
	<u>\$ 2,662,729</u>	<u>\$ 8,973,180</u>	<u>\$ 11,635,909</u>

LIABILITIES

Accounts Payable:			
Studies and surveys -			
Government	\$ -	\$ 2,257,511	\$ 2,257,511
Studies and surveys - Other	-	168,505	168,505
Equalization payments due NFIA			
(note 2)	17,075,892	-	17,075,892
Accrued interest payable	261,155	-	261,155
Trust and deposit liabilities	<u>2,469,647</u>	<u>-</u>	<u>2,469,647</u>
	<u>19,806,694</u>	<u>2,426,016</u>	<u>22,232,710</u>

INVESTMENT OF THE U.S. GOVERNMENT

Notes payable to the U.S. Treasury	11,046,075	-	11,046,075
Congressional appropriations (net of \$911,695.89 returned to the U.S. Treasury)	-	24,016,804	24,016,804
Cumulative deficit (-)	<u>-28,190,040</u>	<u>-17,469,640</u>	<u>-45,659,680</u>
Investment of U.S. Government (impairment-)	<u>-17,143,965</u>	<u>6,547,164</u>	<u>-10,596,801</u>
	<u>\$ 2,662,729</u>	<u>\$ 8,973,180</u>	<u>\$ 11,635,909</u>

The notes on page 18 are an integral part of this statement.

SCHEDULE 2

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL INSURANCE ADMINISTRATION

NATIONAL FLOOD INSURANCE PROGRAM

COMBINED STATEMENT OF INCOME AND EXPENSE AND CUMULATIVE

DEFICIT FOR FISCAL YEAR ENDED JUNE 30, 1973

	National Flood Insurance <u>Fund</u>	Appro- priated <u>Funds</u>	<u>Total</u>
Income:			
Reinsurance premiums	\$ <u>1,660,690</u>	\$ <u>-</u>	\$ <u>1,660,690</u>
Total income	<u>1,660,690</u>	<u>-</u>	<u>1,660,690</u>
Expense:			
Interest expense	392,605	-	392,605
Premium equalization expense	22,478,771	-	22,478,771
Administrative expense	-	925,000	925,000
Studies and surveys expenses	<u>-</u>	<u>5,093,592</u>	<u>5,093,592</u>
Total expense	<u>22,871,376</u>	<u>6,018,592</u>	<u>28,889,968</u>
Net loss for the fiscal year	21,210,686	6,018,592	27,229,278
Deficit at June 30, 1972	<u>6,979,354</u>	<u>11,451,048</u>	<u>18,430,402</u>
Cumulative deficit at June 30, 1973	<u>\$28,190,040</u>	<u>\$17,469,640</u>	<u>\$45,659,680</u>

The notes on page 18 are an integral part of this statement.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 FEDERAL INSURANCE ADMINISTRATION
 NATIONAL FLOOD INSURANCE PROGRAM
 COMBINED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 (COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION)
 FOR FISCAL YEAR ENDED JUNE 30, 1973

	National Flood Insurance <u>Fund</u>	Appropriated <u>Funds</u>	<u>Total</u>
Source of Funds:			
Borrowing from U.S. Treasury	\$ 8,213,959	\$ -	\$ 8,213,959
Congressional appropriations		10,000,000	10,000,000
Reinsurance premiums	1,660,690	-	1,660,690
Decrease in working capital	<u>12,996,727</u>	<u>-</u>	<u>12,996,727</u>
Total source of funds	<u>\$22,871,376</u>	<u>\$10,000,000</u>	<u>\$32,871,376</u>
Application of Funds:			
Interest expense	\$ 392,605	\$ -	\$ 392,605
Premium equalization payments	22,478,771	-	22,478,771
Administrative expense	-	925,000	925,000
Studies and surveys expenses	-	5,093,592	5,093,592
Increase in working capital	<u>-</u>	<u>3,981,408</u>	<u>3,981,408</u>
Total application of funds	<u>\$22,871,376</u>	<u>\$10,000,000</u>	<u>\$32,871,376</u>

The notes on page 18 are an integral part of this statement.

NOTES TO COMBINED BALANCE SHEET

June 30, 1973

1. Effective as of July 1, 1971, the agreement between the Secretary and NFIA was amended to provide for the payment to the Administrator of that portion of NFIA's operating balance which in any accounting period exceeds 5 percent of the policyholder premiums. The agreement specifies that the amount paid is to be held in the Treasury of the United States for the payment of future losses, operating costs, and operating allowances as allowed by the Administrator. The Administrator and NFIA agreed that computation of the amount due to or from NFIA would be on the basis of a policy participation year. On this basis insurance premiums are considered income in the year that the policies become effective and losses and expenses related to the policies are deducted from the income, regardless of the year incurred or paid. The balance of \$1,982,367 shown in schedule 1 as an account receivable due from NFIA was computed on the basis of the following policy participation year data. The data includes provision for Federal income taxes for the respective years.

<u>Participation year ending June 30</u>	<u>Participation year operating balance or (loss)</u>	<u>5 percent of policyholder premiums^a</u>	<u>Amount due FIA or (due NFIA)^a</u>
1970	\$ 261,236.08	\$ 21,029.87	\$ 240,206.21
1971	1,841,459.90	137,306.34	1,704,153.56
1972	2,063,517.21	180,101.55	1,883,415.66
1973	(855,217.22)	398,124.78	(1,253,342.00)
1974	(95,113.57)	9,673.27	(104,786.84)
Total all years	<u>\$3,215,882.40</u>	746,235.81	2,469,646.59
 Less, Distribution of:			
Participation year 1970			
operating allowance to			
member companies and			
balance due to HUD in			
fiscal 1972			
		42,654.95	487,279.77
Participation year 1971			
operating allowance			
to member companies in			
fiscal 1973			
		<u>278,490.15</u>	
		<u>\$425,090.71</u>	<u>\$1,982,366.82</u>

^aThe contract provides that if in any accounting period NFIA incurs an operating loss or does not earn a profit equal to 5 percent of policyholder premiums, it is entitled to payment from the funds previously paid to the Administrator, FIA, in an amount (not to exceed the balance of such funds) sufficient to provide NFIA with an operating balance equal to 5 percent of policyholder premiums.

DRAFT

Because losses and expenses are not all incurred or paid by the end of a participation year, the operating balance for the participation year cannot be determined for at least 1 year thereafter. As a result, the figures shown in the foregoing table are preliminary amounts subject to adjustment by the results of activities occurring after June 30, 1973.

2. The agreement between the NFIA and the Secretary of HUD as it pertains to equalization operating costs has been interpreted to apply to incurred losses and related loss adjustment expenses through the fiscal year ended June 30, 1972. In fiscal year 1973, NFIA, with the acquiescence of FIA, redefined incurred losses to include "Incurred But Not Reported Losses" (IBNR) and related loss adjustment expenses. However, FIA stipulated that reimbursement would not be made until actual incurred amounts of losses are determined and paid, or are in the process of being paid.

The equalization payments due NFIA shown in schedule 1 in the amount of \$17,075,892 give effect to the FIA stipulation. The foregoing amount is \$15,778,000 less than the operating costs receivable of \$32,853,892 shown in the NFIA Balance Sheets (app. II). The difference of \$15,778,000 is the amount of IBNR and related loss adjustment expenses at June 30, 1973, allocated to FIA.

Computation of the incurred losses to include IBNR necessitated restatement of the balance for "Equalization of operating costs receivable and accrued" shown in the Statements of Income and Member Company Balances for the fiscal year 1972 (app. III), included in this report for comparative purposes. An explanation of the change in the previously reported June 30, 1972, balance is given in note 4 in the Notes to Financial Statements (app. V).

3. As of June 30, 1973, the National Flood Insurance Program was contingently liable for (1) its share of flood insurance losses (equalization losses) that the NFIA may pay on the insurance in force at June 30, 1973, in the event of a flood and (2) its share of the costs that may be incurred by the NFIA to settle the flood insurance loss claims in connection with the insurance in force at June 30, 1973. The amount of the contingent liability is not readily ascertainable since flood losses, if any, will be contingent upon the occurrence, extent, and severity of floods in the areas covered by flood insurance.

4. NFIA purchased excess loss reinsurance from the National Flood Insurance Program. As of June 30, 1973, the National Flood Insurance Program is contingently liable for excess losses that the NFIA may incur for the insurance in force at June 30, 1973. The amount of the contingent liability is not readily ascertainable since it is contingent upon the occurrence, extent, and severity of floods in

the areas covered by flood insurance. The method for computing the amount of excess loss is provided in the agreement between NFIA and the Secretary of HUD.

5. The United States of America, the Secretary of Housing and Urban Development, and the National Flood Insurers Association were defendants in a civil action instituted by the Commonwealth of Pennsylvania, et al. The action alleges that the defendants negligently failed to make known the availability of flood insurance to citizens of the Commonwealth of Pennsylvania, who as a result suffered uninsured losses as a consequence of the June 1972 and 1973 floods in Pennsylvania. It was alleged that the aggregate damages suffered by the plaintiffs was \$1 billion.

On July 1, 1974, in the United States District Court for the Middle District of Pennsylvania, the action instituted by the Commonwealth of Pennsylvania, et al. was dismissed.

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

To the Executive Committee of
National Flood Insurers Association:

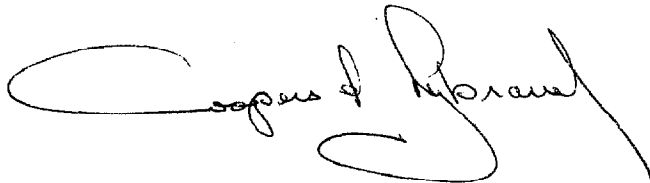
We have examined the balance sheet of NATIONAL FLOOD INSURERS ASSOCIATION as of June 30, 1973 and the related statements of income and member company balances and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements for the fiscal year ended June 30, 1972.

The Association maintains its accounts in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of New York. Such practices are at variance with generally accepted accounting principles as described in Note 2. The effects of such variances on the accompanying financial statements have not been determined.

In our opinion, subject to the final determination of the Association's liability for Federal income taxes referred to in Note 3 and subject to the outcome of the pending litigation referred to in Note 6, the aforementioned financial statements present fairly the financial position of National Flood Insurers Association at June 30, 1973 and 1972, and the results of its operations and changes

APPENDIX I

in financial position for the fiscal years then ended, in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of New York applied on a consistent basis, after the restatements, with which we concur, as described in Notes 3 and 4.

A handwritten signature in black ink, appearing to read "Joseph J. Brando". The signature is fluid and cursive, with a large initial "J" and "B".

1251 Avenue of the Americas
New York, New York
January 16, 1974 (except as to
Note 6, the date of which is
February 4, 1974).

NATIONAL FLOOD INSURERS ASSOCIATION
BALANCE SHEETS, June 30, 1973 and 1972

	<u>1973</u>	<u>1972</u>
ASSETS:		
Cash and temporary investments:		
Cash in bank and office:		
In office awaiting deposit	\$ 1,578.25	\$ 184,061.90
Demand deposits	1,118,635.57	529,035.11
Certificates of deposit	<u>1,700,000.00</u>	<u>1,600,000.00</u>
	<u>2,820,213.82</u>	<u>2,313,097.01</u>
Temporary investments (Note 2):		
Treasury bills	8,680,739.99	3,420,554.15
Bankers acceptances		1,406,291.59
Other		<u>1,653,210.29</u>
	<u>8,680,739.99</u>	<u>6,480,056.03</u>
Total cash and temporary investments	<u>11,500,953.81</u>	<u>8,793,153.04</u>
Other assets:		
Premium balances receivable	564,003.10	289,855.00
Accrued interest	22,116.91	30,016.23
Equalization operating costs receivable and accrued - due from Department of Housing and Urban Development (Note 4)	32,853,892.04	7,483,504.32
Miscellaneous		<u>553.71</u>
Total other assets	<u>33,440,012.05</u>	<u>7,803,929.26</u>
	<u>\$44,940,965.86</u>	<u>\$16,597,082.30</u>
LIABILITIES and MEMBER COMPANY BALANCES:		
Liabilities:		
Unpaid losses	\$24,539,900.00	\$ 6,914,058.00
Unpaid loss adjustment expenses	2,467,200.00	829,686.00
Unearned premiums	7,604,636.00	2,835,183.00
Federal income taxes payable (Note 3)	3,150,464.00	2,560,512.86
Operating balance due to Department of Housing and Urban Development (Note 5)	1,982,366.82	1,886,795.19
Accrued expenses:		
Service fees	1,252,161.00	174,389.00
Loss drafts payable	1,872,013.05	313,018.92
Reinsurance premiums	680,361.90	453,918.64
Other liabilities	217,536.15	104,111.20
Unallocated claim expenses	370,462.91	40,131.47
State premium taxes and board fees	<u>294,371.32</u>	<u>91,342.20</u>
Total liabilities	<u>44,431,473.15</u>	<u>16,203,146.48</u>
Member company balances:		
Admission fees	84,402.00	83,302.00
Operating allowance (Note 5)	<u>425,090.71</u>	<u>310,633.82</u>
Total member company balances	<u>509,492.71</u>	<u>393,935.82</u>
	<u>\$44,940,965.86</u>	<u>\$16,597,082.30</u>

See notes to financial statements.

APPENDIX III

STATEMENTS of INCOME and MEMBER COMPANY BALANCES
for the fiscal years ended June 30, 1973 and 1972

	<u>1973</u>	<u>1972</u>
Income:		
Gross premiums written	\$15,329,635.00	\$ 7,003,383.00
Less, Reinsurance premiums	<u>1,660,690.02</u>	<u>1,055,707.70</u>
Net premiums written	13,668,944.98	5,947,675.30
Increase in unearned premiums	<u>4,769,453.00</u>	<u>516,074.00</u>
Net premiums earned	8,899,491.98	5,431,601.30
Interest income	<u>549,978.73</u>	<u>291,403.71</u>
Total income	<u>9,449,470.71</u>	<u>5,723,005.01</u>
Expenses:		
Commissions	<u>3,126,604.25</u>	<u>1,095,360.50</u>
Equalization operating costs:		
Service fees	2,828,087.30	1,003,727.40
General expenses	664,177.19	393,453.36
Losses	32,632,990.54	9,434,564.40
Loss adjustment expenses	<u>3,321,359.02</u>	<u>1,136,532.63</u>
	39,446,614.05	11,968,277.79
Less, Equalization operating costs receivable and accrued - due from Department of Housing and Urban Development (Note 4)	<u>34,815,402.80</u>	<u>10,535,786.55</u>
	4,631,211.25	1,432,491.24
State premium taxes and board fees	<u>613,185.40</u>	<u>280,135.32</u>
Total net expenses	<u>8,371,000.90</u>	<u>2,807,987.06</u>
Income before taxes	1,078,469.81	2,915,017.95
Provision for Federal income taxes (Notes 3 and 4)	<u>589,951.14</u>	<u>1,428,041.77</u>
Net income (Notes 3 and 4)	<u>488,518.67</u>	<u>1,486,976.18</u>
Member company balances:		
Balance, as previously reported, beginning of year		2,456,060.64
Provision for prior year's Federal income taxes (Note 3)		<u>1,132,471.09</u>
Balance, as restated, beginning of year	393,935.82	1,323,589.55
Admission fees received	1,100.00	100.00
Distribution of operating allowance to member companies:		
Participation year 1970		(42,654.95)
Participation year 1971	(278,490.15)	
Distribution of operating balance due to Department of Housing and Urban Development participation year 1970		(487,279.77)
Transferred to operating balance due to Department of Housing and Urban Development (Note 5)	<u>(95,571.63)</u>	<u>(1,886,795.19)</u>
Balance, end of year	<u>\$ 509,492.71</u>	<u>\$ 393,935.82</u>

See notes to financial statements.

STATEMENTS of CHANGES in FINANCIAL POSITION
for the fiscal years ended June 30, 1973 and 1972

	<u>1973</u>	<u>1972</u>
Source of Funds:		
Net income	\$ 488,518.67	\$1,486,976.18
Items not requiring (providing) funds:		
Premium balances receivable	(274,148.10)	(75,075.00)
Accrued interest	7,899.32	(13,945.06)
Equalization operating costs receivable and accrued due from Department of Housing and Urban Development	(25,370,387.72)	(7,067,453.71)
Other	553.71	44,224.29
Unpaid losses and loss adjustment expenses	19,263,356.00	7,696,444.00
Unearned premiums	4,769,453.00	516,074.00
Federal income taxes	589,951.14	1,428,041.77
Operating balance due to Department of Housing and Urban Development	95,571.63	1,886,795.19
Accrued expenses	<u>3,509,994.90</u>	<u>146,042.14</u>
	3,080,762.55	6,048,123.80
Admission fees received	<u>1,100.00</u>	<u>100.00</u>
Total	<u>3,081,862.55</u>	<u>6,048,223.80</u>
Application of Funds:		
Increase (decrease) in temporary investments, net:		
Treasury bills	5,260,185.84	641,664.50
Bankers acceptances	(1,406,291.59)	1,113,891.59
Other	<u>(1,653,210.29)</u>	<u>1,653,210.29</u>
	2,200,683.96	3,408,766.38
Distribution of operating allowance to member companies	278,490.15	42,654.95
Distribution of operating balance due to Department of Housing and Urban Development		487,279.77
Transferred to operating balance due to Department of Housing and Urban Development	<u>95,571.63</u>	<u>1,886,795.19</u>
Total	<u>2,574,745.74</u>	<u>5,825,496.29</u>
Increase in cash	507,116.81	222,727.51
Cash balance, beginning of year	<u>2,313,097.01</u>	<u>2,090,369.50</u>
Cash balance, end of year	<u>\$ 2,820,213.82</u>	<u>\$2,313,097.01</u>

See notes to financial statements.

NOTES to FINANCIAL STATEMENTS

1. Organization:

National Flood Insurers Association (Association) is a voluntary, unincorporated association of independent insurance companies which began operations on June 6, 1969. The Association was formed to establish and administer a nationwide program of flood insurance pursuant to the National Flood Insurance Act of 1968.

Membership is open to all insurance companies having total assets of at least \$1,000,000 and qualified to engage in the business of flood insurance in any jurisdiction of the United States. Distribution of profits and losses is made in proportion to a member company's share of the total risk assumed by all members for any one participation year.

The Association operates through approximately 29 servicing carriers across the United States. It is the responsibility of the servicing carriers to promote the flood program, accept business, handle all claims, and submit reports to the Association. For these activities the servicing carriers are paid a service fee averaging \$10 per policy. In addition, servicing carriers are paid allowances to cover unallocated loss adjustment expenses and state premium taxes and board fees. Commissions paid to agents are absorbed by the Association.

The Association is a party to an agreement with the Secretary of Housing and Urban Development. The agreement provides, among other matters, for reinsurance on an excess of loss basis for business underwritten by the Association and places certain restrictions on the profits which inure to the benefit of the Association's member companies (see Note 5). This agreement may be terminated by either party upon written notice to the other on or before January 31 of any year, and termination, should it eventuate, becomes effective at the end of the Association's accounting period (June 30).

The Association has also entered into a service agreement with Insurance Services Office (ISO) whereby the latter performs the necessary administrative functions for the former, subject to the overall direction of the Association's Executive Committee. The services under this agreement are billed to the Association at ISO's cost. The agreement may be canceled by either party on sixty days' written notice, or at any time by mutual consent.

Continued

NOTES to FINANCIAL STATEMENTS, Continued

2. Accounting Policies:

The Association maintains its accounts and prepares its financial statements, except as to form, in conformity with statutory accounting practices prescribed or permitted by the Insurance Department of the State of New York. Such practices, to the extent that they apply to the Association's financial statements, conform with generally accepted accounting principles, except for the treatment afforded to acquisition costs as indicated below. The effect of this variance on the accompanying financial statements has not been determined.

The following is a summary of the significant accounting policies and practices employed by the Association:

Investments:

U. S. Treasury Bills and Bankers Acceptances are stated at amortized cost which approximates market. Realized gains or losses on sale or maturity of investments are determined on the basis of specific costs of investments and are credited or charged to income. Interest on investments is taken into income as it is earned.

Premiums and Acquisition Costs:

Premiums written are taken into income over the terms of the policies to which they relate. Accordingly, unearned premium reserves are established at each statement date for the portion of premiums written which applies to the unexpired terms of policies in force. Such reserves are calculated by the application of monthly pro-rata factors to premiums in force.

Pursuant to statutory accounting practices, however, acquisition costs such as commissions, service fees and state premium taxes and board fees, are charged to operations when they are incurred. To conform with generally accepted accounting principles such costs would be deferred and amortized over the terms of the policies to which they relate.

Losses and Loss Adjustment Expenses:

Losses incurred include provisions for reported losses and for incurred but not reported losses (IBNR). The IBNR provision is calculated on the basis of experience. Loss adjustment expenses are determined on the basis of the Association's member companies' costs. All reserves are based on estimates which are reviewed continually during the year, and any changes therein are reflected in operations currently.

Continued

APPENDIX V

NOTES TO FINANCIAL STATEMENTS, Continued

3. Federal Income Taxes:

The Association has applied for a tax exempt ruling at various dates since its inception. To date, such exemption has been denied by the Internal Revenue Service. Should the pending request for a ruling be denied, the Association intends to seek tax exempt status by legislative means through the office of Housing and Urban Development. However, pending resolution of this matter, the Association, at June 30, 1973, has made provision for Federal income taxes and interest thereon in its financial statements retroactively to inception. As a result, the net loss for 1972 has been decreased by \$268,650.02 and the member company balance at July 1, 1971 has been decreased by \$1,132,471.09 from amounts previously reported.

The provision for Federal income taxes in the Association's financial statements is calculated on total income before taxes and does not reflect any adjustment for income taxes which have been or may be paid by member companies on their share of reported operating allowances. (See Note 5.)

4. Restatement:

The agreement between the Association and the Secretary of Housing and Urban Development as it pertains to equalization operating costs had been interpreted to apply to incurred losses excluding Incurred But Not Reported losses (IBNR) and related loss adjustment expenses thereon through June 30, 1972. In 1973, the Association redefined incurred losses to include IBNR and related loss adjustment expenses. As a result, 1972 equalization operating costs increased by \$3,441,368, Federal income taxes increased by \$1,696,691.79 and net income increased by \$1,744,676.21 from amounts previously reported.

5. Operating Balance Due to Department of Housing and Urban Development:

Pursuant to the agreement between the Association and the Secretary of Housing and Urban Development (H.U.D.), restrictions are applicable to its disposition of net income (operating balance) resulting from its operations. Among others, such restrictions limit to 5% of each year's policyholders premiums the amounts of operating balances which may be retained and used as an operating allowance by the Association in accordance with the terms of its constitution. Amounts in excess of the aforementioned limitation are to be paid to H.U.D. and held in the Treasury of the United States for the payment of future equalization operating costs and operating allowances.

Continued

NOTES to FINANCIAL STATEMENTS, Continued

The operating balance due H.U.D., established in accordance with the above-mentioned agreement in effect at June 30, 1973, is analyzed as follows:

Participation year ending June 30:	<u>Operating Balance*</u>	<u>Less Operating Allowance*</u>	<u>Operating Balance Due H.U.D.</u>
1970	\$ 261,236.08	\$ 21,029.87	\$ 240,206.21
1971	1,841,459.90	137,306.34	1,704,153.56
1972	2,063,517.21	180,101.55	1,883,415.66
1973	(855,217.22)	398,124.78	(1,253,342.00)
1974	<u>(95,113.57)</u>	<u>9,673.27</u>	<u>(104,786.84)</u>
Total all years	<u>\$3,215,882.40</u>	746,235.81	2,469,646.59
Less, Distribution of:			
Participation year 1970 operating allowance to member companies and balance due to H.U.D. in fiscal 1972		42,654.95	487,279.77
Participation year 1971 operating allowance to member companies in fiscal 1973		<u>278,490.15</u>	
		<u>\$425,090.71</u>	<u>\$1,982,366.82</u>

*If for any accounting period the Association's operating balance is not sufficient to cover an operating allowance (equal to 5% of policyholders premiums), funds previously paid to or held in trust for H.U.D. shall be available therefor.

6. Litigation:

The Association and its member companies, the United States of America and the Secretary of Housing and Urban Development are defendants in a civil action. The action alleges that they negligently failed to make known the availability of flood insurance to citizens of the Commonwealth of Pennsylvania, who as a result suffered uninsured losses as a consequence of the June 1972 and 1973 floods in Pennsylvania.

Continued

APPENDIX V

NOTES to FINANCIAL STATEMENTS, Continued

It is alleged that the aggregate damages suffered by the plaintiffs is one billion dollars. In the opinion of Counsel, that while they have not had an opportunity to exhaustively consider all facts which may be relevant to the claims made, it is their initial judgement that there is some likelihood that the court will see fit to dismiss the complaint or portions thereof in a motion for dismissal because it fails to state a claim upon which relief can be granted against the Association and its member insurers. In any event, they are of the opinion that the action cannot properly be maintained as a class action and that, even if it were to be so maintained, the amount of damages sought is substantially greater than the amount of damages that would reasonably be assessed.

PRINCIPAL OFFICIALS OF
 THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 AND THE FEDERAL INSURANCE ADMINISTRATION
 RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
 DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HOUSING AND URBAN DEVELOPMENT:		
James T. Lynn	Feb. 1973	Present
George W. Romney	Jan. 1969	Jan. 1973
ADMINISTRATOR, FEDERAL INSURANCE ADMINISTRATION:		
George K. Bernstein	May 1969	Present

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