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APPROVED  
JUL 31 1976

87/31/76

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: August 3

July 30, 1976

Posted  
8/2/76

Archives  
8/2/76

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

H.R. 13308 - Aviation War Risk  
Insurance Extension

Attached for your consideration is H.R. 11308, sponsored by Representative Jones, The enrolled bill would extend for one year, until May 7, 1977, the authority of the Department of Transportation to issue aviation war risk insurance.

The aviation war risk insurance program provides insurance against war risks for U.S. civilian aircraft in international operations. Such insurance is provided when adequate coverage cannot be obtained commercially on reasonable terms and conditions.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, NSC, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 11308 at Tab B.





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 28 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13308 - Aviation War Risk  
Insurance Extension  
Sponsor - Rep. Jones (D) Alabama

Last Day for Action

August 3, 1976 - Tuesday

Purpose

To extend the aviation war risk insurance program for one year.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Department of Defense	Approval

Discussion

H.R. 13308 would extend for one year, until May 7, 1977, the authority of the Department of Transportation (DOT) to issue aviation war risk insurance. The current authority expired on May 7, 1976.

The aviation war risk insurance program provides insurance against war risks for U.S. civilian aircraft in international operations. Such insurance is provided when adequate coverage cannot be obtained commercially on reasonable terms and conditions.

Two types of insurance are issued. First, DOT insures aircraft which are under contract to a Federal agency for a particular mission. No premiums are charged for this insurance. Second, DOT can insure aircraft on commercial flights when the operations



involved are deemed by the Secretary of Transportation to be necessary to the air commerce of the U.S. and insurance is not available on reasonable terms and conditions. Premiums are charged for this second type of insurance, and are deposited in a revolving fund in the Treasury.

As required by Public Law 94-90, DOT transmitted a study of the aviation war risk insurance program, along with a legislative proposal, to the Congress on April 27, 1976. The legislative proposal would have extended the program for five years and expanded it in some respects. In its attached views letter, DOT recommends approval of the enrolled bill, "so the program can be reinstated while consideration is given to its expansion."

*James M. Frey*  
Assistant Director for  
Legislative Reference

Enclosures



THE DEPUTY SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

JUL 23 1976

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

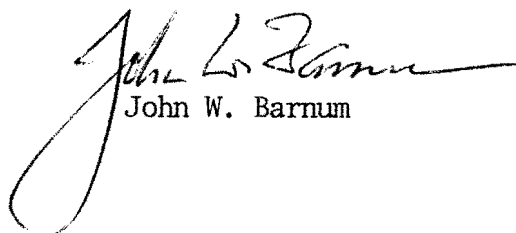
You have asked for our views on H. R. 13308, an enrolled bill

"To amend the Federal Aviation Act of 1958 to extend  
the authority of the Secretary of Transportation with  
respect to War Risk Insurance."

The purpose of the bill is to renew the authority of the Secretary of Transportation to provide war risk insurance to air carriers under provisions of title XIII of the Federal Aviation Act of 1958, as amended. The authority for the program had expired on May 7, 1976. This enrolled bill will renew the authority of the Secretary under title XIII until May 7, 1977.

The Department of Transportation has initiated a legislative proposal on war risk insurance which was transmitted to the Congress on April 27, 1976. This proposal would have extended the program for five years and expanded our authority in certain respects. The Congress has advised that this proposal will be given prompt attention. As we believe the war risk program is a useful one, the Department of Transportation supports its continuation. Accordingly, we recommend that the President sign the enrolled bill so the program can be reinstated while consideration is given to its expansion.

Sincerely,

  
John W. Barnum

Enclosure





THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

APR 27 1976

IDENTICAL LETTER TO:

Honorable Carl Albert  
Speaker  
House of Representatives  
Washington, D. C. 20515

Honorable Nelson A. Rockefeller  
President of the Senate  
Washington, D.C. 20510

Dear Mr. President:

Enclosed for introduction and referral to the appropriate committee is a draft bill

"To extend and expand the authority of the Secretary of Transportation to provide insurance and reinsurance to air carriers under Title XIII of the Federal Aviation Act of 1958, as amended, and for other purposes."

The bill's purposes are to expand the present war risk insurance program to cover other types of risks and to extend through May 7, 1981, the Secretary of Transportation's authority to operate the program.

The present war risk insurance program (Title XIII of the Federal Aviation Act of 1958, 49 U.S.C. §1531, et seq.) empowers the Secretary of Transportation to provide war risk insurance to U. S. air carriers when the carriers cannot obtain war risk coverage on reasonable terms in the commercial insurance market. The insurance may cover eligible aircraft, cargoes, personal effects and baggage, persons and other interests against risks excluded from commercial "all-risks" policies by "free of capture and seizure" and analogous clauses. Premiums for war risk policies are set by the Department of Transportation. There is also a nonpremium program for air carriers under contract to Federal departments or agencies.

The war risk insurance program provides a means by which commercial air service important to the United States may be continued despite the unavailability of commercial war risk insurance on reasonable terms or conditions. The Secretary's authority to operate this significant program should be extended for another five years, as provided in this bill.

More than an extension of the present war risk insurance program is required, however, in order to deal adequately with situations in which insurance against risks other than "war risks" may be needed to permit continuance of needed air service. Traditional war risk insurance clauses typically did not include risks such as hijacking, terrorism, civil disturbances and similar problems when they occur outside the context of a war. When commercial insurance against such risks is unavailable, carriers may be forced to terminate air service needed for reasons of foreign policy. This bill gives the Secretary authority within the framework of Title XIII to provide insurance coverage for risks other than "war risks," thereby assuring that required air service can be continued.

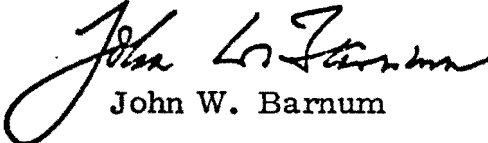
This authority is carefully limited. The Secretary may issue this insurance only for periods of time, initially not to exceed 60 days, when the President determines that the insurance is needed to maintain air service required for reasons of foreign policy. The Secretary's decision will be made after consultation with either the Secretary of State or the Secretary of Defense. As in the present war risk program, the Secretary of Transportation must determine that commercial insurance is unavailable on reasonable terms and conditions and the President must give his approval before insurance may be issued. These safeguards ensure that the "other risks" program will not be used except in the relatively infrequent cases of real need.

The Department of Transportation's report on expansion of the war risk insurance program, prepared pursuant to Public Law 94-90 of August 9, 1975, and Executive Order 11875, explains the rationale for the expansion of the program in greater detail.

It is the judgment of the Department of Transportation, based upon available information, that no significant environmental impact would result from the implementation of this legislation.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this bill to the Congress.

Sincerely,



John W. Barnum

Enclosures

A BILL

"To extend and expand the authority of the Secretary of Transportation to provide insurance and reinsurance to air carriers under Title XIII of the Federal Aviation Act of 1958, as amended, and for other purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title XIII of the Federal Aviation Act of 1958, as amended (49 U. S. C. §1531, et seq.), entitled "WAR RISK INSURANCE", is retitled "WAR RISK AND OTHER INSURANCE".

Section 2. Section 1302(a) of such Title (49 U. S. C. §1532(a)) is amended to read as follows:

"Power of Secretary

"Section 1302(a)(1) The Secretary, with the approval of the President, and after such consultation with interested agencies of the government as the President may require, may provide insurance and reinsurance against loss or damage arising out of war risks in the manner and to the extent provided in this title, whenever it is determined by the Secretary that such insurance adequate for the needs of the air commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States.





"(2) The Secretary, after consultation with the Secretary of State or the Secretary of Defense, as appropriate, and after consultation with other interested agencies of the government as the President may require, and with the approval of the President, may provide insurance and reinsurance against loss or damage arising out of any other risk in the manner provided in this title when the President has determined that such insurance is necessary to maintain air service required for reasons of foreign policy, and the Secretary has determined that such insurance cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States. Such insurance shall be issued for a period of time initially not to exceed 60 days.

"(3) Insurance shall not be issued under this title to cover war risks or other risks on persons or on property engaged or transported exclusively in air commerce within the several States of the United States or the District of Columbia.

"(4) For purposes of paragraph (2) of this subsection, 'air service' shall mean scheduled air service and routinely scheduled charter air service performed by air carriers certificated under §401 of this Act."

3

Section 3. Section 1303(b) of such title (49 U.S.C. §1533(b)) is amended by striking out the words "war risks" and inserting in lieu thereof the phrase "any of the risks for which insurance may be provided pursuant to section 1302".

Section 4. Section 1312 of such title (49 U.S.C. §1542) is amended by striking out "May 7, 1976." and inserting in lieu thereof "May 7, 1981.".

## SECTION-BY-SECTION ANALYSIS OF THE BILL

To extend and expand the authority of the Secretary of Transportation to provide insurance and reinsurance to air carriers under Title XIII of the Federal Aviation Act of 1958, as amended, and for other purposes.

Section 1. This bill amends Title XIII of Federal Aviation Act to expand the scope of the present war risk insurance program.

Because of this expansion, the title of Title XIII is altered to read "WAR RISK AND OTHER INSURANCE."

Section 2. This section amends section 1302(a) of Title XIII.

Paragraph (1) of subsection (a), except for minor changes in wording, is identical to the present section 1302(a). It continues the authority for the present war risk insurance program. Paragraph (2) of the subsection gives the Secretary additional authority to provide insurance and reinsurance with respect to risks other than war risks. As with the war risk program, this authority can be exercised only with the approval of the President and only in cases where the Secretary has determined that the air carriers cannot obtain such insurance on reasonable terms and conditions in the commercial insurance market. The Secretary's discretion to insure risks other than war risks is limited in two additional ways. The Secretary must consult with either the Secretary of Defense or the Secretary of State before making insurance available under the program, and the insurance may be issued only if the President has determined that it is needed to maintain

air service required for reasons of foreign policy. Foreign policy reasons may include national defense and humanitarian concerns. Such insurance may be issued initially for up to 60 days. Additional extensions of the time period for the insurance coverage may be provided as justified. The provisions in the present statute prohibiting issuance of war risk insurance to cover persons or property involved in wholly domestic air commerce is revised to include insurance of risks other than war risk and is made paragraph (3) of the subsection. A paragraph (4) has been added to define the term "air service". This definition is intended to limit the availability of the other risk coverage to the ordinary operations of U.S. scheduled and supplemental air carriers.

Section 3. Section 1303(b) of the Federal Aviation Act is amended so as to be consistent with the revision of section 1302(a). Section 1303(b) now speaks of insuring cargoes against risks of loss by "war risks"; the amendment instead speaks of insuring cargoes against risk of loss by "any of the risks for which insurance may be provided" under the expanded section 1302(a).

Section 4. This section extends through May 7, 1981, the authority of the Secretary to operate the expanded insurance program. Under present section 1312 of the Federal Aviation Act, this authority will expire May 7, 1976.

DEPARTMENT OF THE AIR FORCE  
WASHINGTON, D.C. 20330



OFFICE OF THE SECRETARY

23 JUL 1976

Dear Mr. Director:

Reference is made to your request to the Secretary of Defense for the views of the Department of Defense with respect to the enrolled enactment of H. R. 13308, 94th Congress, an Act "To amend the Federal Aviation Act of 1958 to extend the authority of the Secretary of Transportation with respect to war risk insurance." The Secretary of Defense has delegated to the Department of the Air Force the responsibility for expressing the views of the Department of Defense.

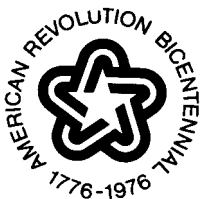
The Act would extend the present war risk insurance which expired on May 7, 1976. The Department of the Air Force, on behalf of the Department of Defense, recommends the approval and signature by the President of H. R. 13308.

This report has been coordinated within the Department of Defense in accordance with the procedures prescribed by the Secretary of Defense.

Sincerely,

*John Martin*  
ASSISTANT SECRETARY  
RESEARCH AND DEVELOPMENT

Honorable James T. Lynn  
Director  
Office of Management and Budget



## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 930am

FOR ACTION: Judy Hope  
 Max Friedersdorf cc (for information):  
 Ken Lazarus  
 NSC/S

Jack Marsh  
 Jim Cavanaugh  
 Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

H.R. 13308-Aviation War Risk Insurance Extension

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
 For the President

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

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FOR ACTION: Judy Hope  
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## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 7/29/76

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James M. Cannon  
 For the President

THE WHITE HOUSE

MEMORANDUM

WASHINGTON

LOG NO.:

July 29

Time: 930am

FOR ACTION: Judy Hope  
Max Friedersdorf  
Ken Lazarus  
NSC/S

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmultz

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

H.R. 13308-Aviation War Risk Insurance Extension

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

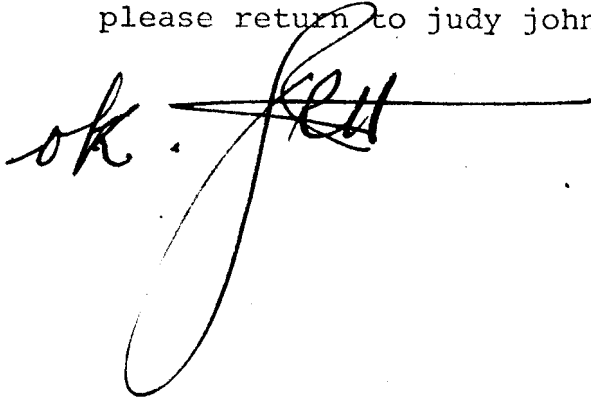
Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

ok. 

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James M. Cannon  
For the President



July 29

Time: 930am

FOR ACTION: Judy Hope  
Max Friedersdorf  
Ken Lazarus  
NSC/S

cc (for information):

Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

H.R. 13308-Aviation War Risk Insurance Extension

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cannon  
For the President

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JUL 28 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13308 - Aviation War Risk  
Insurance Extension  
Sponsor - Rep. Jones (D) Alabama

Last Day for Action

August 3, 1976 - Tuesday

Purpose

To extend the aviation war risk insurance program for one year.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Department of Defense	Approval

Discussion

H.R. 13308 would extend for one year, until May 7, 1977, the authority of the Department of Transportation (DOT) to issue aviation war risk insurance. The current authority expired on May 7, 1976.

The aviation war risk insurance program provides insurance against war risks for U.S. civilian aircraft in international operations. Such insurance is provided when adequate coverage cannot be obtained commercially on reasonable terms and conditions.

Two types of insurance are issued. First, DOT insures aircraft which are under contract to a Federal agency for a particular mission. No premiums are charged for this insurance. Second, DOT can insure aircraft on commercial flights when the operations

8/2

M. J. -

To add to the

file, pls.

K.T.

*Patie -*

MEMORANDUM

4340

NATIONAL SECURITY COUNCIL

July 29, 1976

MEMORANDUM FOR: JAMES M. CANNON  
FROM: Jeanne W. Davis *JWD*  
SUBJECT: S H. R. 13308

The NSC Staff concurs in H. R. 13308 - Aviation War Risk Insurance Extension.

## WAR RISK INSURANCE EXTENSION

MAY 12, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. JONES of Alabama, from the Committee on Public Works and Transportation, submitted the following

### REPORT

[To accompany H.R. 13308]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 13308) to amend the Federal Aviation Act of 1958 to extend the authority of the Secretary of Transportation with respect to war risk insurance, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PURPOSE OF THE BILL

The purpose of H.R. 13308, as reported, is to extend the authority of the Secretary of Transportation to issue aviation war risk insurance until May 7, 1977.

#### BACKGROUND AND NEED FOR THE LEGISLATION

Under the current aviation war risk insurance program, the Secretary of Transportation operates two policy programs, non-premium and premium. With respect to the premium program the Secretary is authorized, with the approval of the President, to provide war risk insurance for the protection of aircraft and of persons and property transported aboard them when commercial insurance cannot be obtained on reasonable terms and conditions from the commercial insurance market.

Under the non-premium program, a department or agency of the United States may, with the approval of the President, procure war risk insurance from the Secretary of Transportation. This insurance is provided without premiums to air carriers that have contracts with the Departments of Defense and State. The premium war risk insurance program is intended to provide coverage for American air carriers in addition to what is available commercially. The coverage of war risks is necessary because the ordinary aviation insurance policy

covers only the usual perils of fire, damage, and other risks, and excludes certain named "war risks" from coverage. Commercial policies usually include a clause, or clauses, excluding from coverage any claim for loss or damage occasioned by, among other things, war hostilities, insurrection or acts of foreign enemies.

Public Law 94-90 (approved August 9, 1975) extended the aviation war risk insurance program until May 7, 1976, and provided for an investigation and study by the President, in consultation with the Secretaries of Transportation, Defense and State, of the need to expand the program to provide coverage for losses and damage resulting from riots, civil disorders, hijacking, or other similar acts.

The Presidential study was received on March 22, 1976, and recommended that the present program be expanded to authorize the Secretary of Transportation, after appropriate consultation with the Secretaries of State and Defense and with the approval of the President in each case, to provide interim insurance for air carriers—in addition to that for war risks—when not available elsewhere and when required by reasons of foreign policy for the continuation of a particular air service.

This report was received too late for the Committee to hold necessary in-depth hearings into the need to expand the program prior to the May 7 expiration date. H.R. 13308, as reported, extends the present program until May 7, 1977, in order to allow sufficient time for study of the President's report and recommendations.

#### COST OF THE LEGISLATION

In accordance with rule XIII(7) of the rules of the House of Representatives, the following information is furnished.

No additional costs to the United States would be incurred in carrying out H.R. 13308, as reported, in the current fiscal year or in any of the 5 fiscal years following. On the contrary, it is anticipated that interest from investment of portions of the aviation war risk revolving fund in interest-bearing securities of the United States would continue to augment the fund.

#### COMPLIANCE WITH CLAUSE 2(L) OF RULE XI OF THE RULES OF HOUSE OF REPRESENTATIVES

(1) With reference to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, no separate hearings were held on the subject matter of this legislation by the Subcommittee on Investigations and Review.

(2) With respect to clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives the bill, as reported, does not provide new budget authority or increased tax expenditures. Accordingly, a statement pursuant to section 308(a) of the Congressional Budget Act is not required.

(3) With reference to clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee has not received an estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

(4) With reference to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has not received a report from the Committee on Government Operations pertaining to this subject matter.

(5) With reference to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, H.R. 13308, as reported, will not affect prices and costs since it does not authorize additional funds. Therefore, H.R. 13308, as reported, would not have an inflationary impact on the national economy.

#### VOTE

The Committee ordered the bill reported by voice vote.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

#### SECTION 1312 OF THE FEDERAL AVIATION ACT OF 1958

##### TERMINATION OF TITLE

SEC. 1312. The authority of the Secretary to provide insurance and reinsurance under this title shall expire at the termination of May 7, **[1976]** 1977.

○

H. R. 13308

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend the Federal Aviation Act of 1958 to extend the authority of the Secretary of Transportation with respect to war risk insurance.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1312 of the Federal Aviation Act of 1958 (49 U.S.C. 1542) is amended by striking out "May 7, 1976", and inserting in lieu thereof "May 7, 1977".*

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*