Chapter 14

Damages: Repair and Compensation

The President, in his charge to the Commission, requested advice on the “proper public role in helping cities repair the damage” suffered in the recent disorders.

Damage took many forms. In Detroit alone, 43 persons were killed, many of whom were heads of families. Over 600 persons were injured. Fire destroyed or badly damaged at least 100 single and two-family dwellings. Stores of all kinds were looted and burned. Hundreds of businesses lost revenue by complying with a curfew, and thousands of citizens lost wages because businesses were closed. As the riot came to an end, streets and sidewalks were strewn with rubble, and citizens were imperiled by the shells of burned-out buildings verging on collapse.

In most other disorders, the extent of damage was far less, but in almost all, a few persons suffered severe physical or financial injury.

Some losses, such as pain and suffering, cannot be repaired or compensated. Others are normally handled through private insurance. The Commission believes that legislation should be enacted to provide fuller assistance to communities and to help expand the private insurance mechanism for compensating individual losses.

AMENDING THE FEDERAL DISASTER ACT

The Federal Government has traditionally played a central role in responding to community needs that follow such disasters as hurricanes, tornados, floods, and earthquakes. Until 1950, this Federal response was accomplished through special legislation after each disaster. In 1950, Congress enacted the Federal Disaster Act to enable the President, in cases of “major disaster,” to invoke a broad range of emergency relief and repair measures without awaiting special legislation. This act with subsequent amendments has, however, been interpreted administratively to apply only to natural disasters and not to civil disorders.

The Commission recommends that Congress amend the Federal Disaster Act to permit assistance during and following major civil disorders. The hardships to a community can be as serious as those following natural catastrophes, and local government resources to meet these hardships are likely to be inadequate regardless of their cause.

Applying the Disaster Act to disorders would permit the Federal Government to provide—during the critical period while the disorder is still going on or just ending—food, medical, and hospital supplies, emergency equipment such as beds and tents and temporary shelters and housing. It would also permit the loan of equipment and manpower for clearing debris and repairing or temporarily replacing damaged public facilities.

In 1967, these necessities were largely provided through the prompt and laudable actions of local and state government agencies and of private organiz-
tions including churches and neighborhood groups.¹ Provision for additional help is desirable. Though some food and medical assistance can now be provided by the Federal Government outside the Disaster Act, adequate and comprehensive Federal assistance to supplement private and local response can be assured only by amending the statute.

Perhaps even more important than the provisions for immediate response are those that would aid long-term repair. In cases of natural disaster, the Disaster Act in its present form permits adjustments on many Federal loans where financial hardship has resulted to the borrower; gives priority status to grant or loan applications for public facilities, public housing and public works; provides grants and matching grants for the repair or reconstruction of key public facilities; permits low-interest loans by the Small Business Administration to businesses that have suffered serious economic damage; and extends to individuals and businesses tax deductions beyond those normally available for catastrophe losses.² The act should be amended to make all these kinds of relief available following major civil disorders.

⁴ COMPENSATING FOR INDIVIDUAL LOSSES—INSURANCE

In the aftermath of the summer's riots in 1967, insurance protection was an important source of security and reimbursement for innocent victims who suffered property damage.

We believe that a well-functioning private insurance mechanism is the proper method for paying individuals

¹ The kinds of planning recommended at a state and local level to meet human needs during the course of a disorder and the coordination of such planning with the planning of control forces are considered in the "Supplement on Control of Disorders," pp. 281–83.

² A few kinds of long-term assistance are already available under acts other than the Federal Disaster Act. The Small Business Administration can provide long-term loans up to the actual tangible loss suffered by business concerns. Loans of this kind were made by SBA in Detroit. The Department of Housing and Urban Development is authorized to insure mortgages of families in certain low- and moderate-income housing if it determines that the dwelling is situated in an area in which "rioting or other civil disorders" have occurred or are threatened and that certain other conditions are satisfied.
for losses suffered in disorders. Property insurance should be available at reasonable cost to residents and businessmen for property in reasonable condition, regardless of location. If insurance is so available, it will function more equitably and efficiently to pay riot losses than a program of direct Government payments to individuals.\textsuperscript{3}

The private insurance industry can market policies widely and collect premiums commensurate with the risks. It can develop and recommend loss-prevention techniques and assess and pay large numbers of claims on an individual basis. Standard property insurance contracts presently include damage from civil disorders in their coverage, just as they provide compensation for losses due to natural disasters such as fire and windstorm. They should continue to do so.

Early in our deliberations, however, we received many reports that property insurance was unavailable, or was available only at prohibitive cost, in inner cities. This did not appear to be simply a riot problem but a long-term, pervasive problem of center-city areas. Since a separate and expert group could best examine the problems of the high cost and unavailability of property insurance in center-city areas, the President, on the Commission's behalf, appointed a National Advisory Panel on Insurance in Riot-Affected Areas on August 10, 1967. The Panel's work is now complete.\textsuperscript{4}

The Panel found:

There is a serious lack of property insurance in the core areas of our Nation's cities. For a number of years, many urban residents and businessmen have been unable to purchase the insurance protection they need. Now, riots and the threat of riots are aggravating the problem to an intolerable degree. Immediate steps must be taken to make insurance available to responsible persons in all areas of our cities.

The Panel also found that:

The insurance problems created by riots cannot be solved simply by more rapid availability of property insurance in center-city areas. But the problem of providing adequate and reasonable insurance in the urban core cannot be solved merely by supplying financial assistance to protect insurance companies against catastrophic losses. It is clear that adequate insurance was un

\textsuperscript{3}Over a dozen states have statutes which impose varying degrees of liability on municipalities for private losses suffered during disorders. In addition to problems posed in litigating claims, it is questionable, given competing needs for the limited municipal financial resources, whether these statutes will or should be allowed to continue in force.


In order to assure the availability of property insurance in all areas, the Panel recommended a five-part program of mutually supporting actions to be undertaken immediately by all who have a responsibility for solving the problem:

We call upon the insurance industry to take the lead in establishing voluntary plans in all states to assure all property owners fair access to property insurance.

We look to the states to cooperate with the industry in establishing these plans and to supplement the plans, to whatever extent may be necessary, by organizing insurance pools and taking other steps to facilitate the insuring of urban core properties.

We urge that the Federal Government enact legislation creating a National Insurance Development Corporation (NIDC) to assist the insurance industry and the states in achieving the important goal of providing adequate insurance for urban centers. Through the NIDC, the state and Federal Governments can provide backup for the remote contingency of very large loss cases.

We recommend that the Federal Government enact tax deferral measures to increase the capacity of the insurance industry to absorb the financial costs of the program.

We suggest a series of other necessary steps to meet the special needs of the inner-city insurance market—for example, programs to train agents and brokers from the core areas, to assure the absence of discrimination in insurance company employment on racial or other grounds and to seek out better methods of preventing losses and of marketing insurance in low-income areas.

The fundamental thrust of our program is cooperative action. Thus, only those companies that participate in plans and pools at the local level and only those states that take action to implement the program will be eligible to receive the benefits provided by the National Insurance Development Corporation and by the Federal tax deferral measures. We firmly believe that all concerned must work together to meet the urban insurance crisis. Everyone must contribute; no one should escape responsibility.

The Commission endorses the proposals of the Panel and recommends they be put into effect by appropriate state and Federal measures.