106TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { 106–2

AVIATION WAR RISK INSURANCE PROGRAM EXTENSION

FEBRUARY 2, 1999.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SHUSTER, from the Committee on Transportation and Infrastructure, submitted the following

REPORT

[To accompany H.R. 98]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 98) to amend chapter 443 and title 49, United States Code, to extend the aviation war risk insurance program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Commercial insurance companies will usually not insure commercial airline flights to high-risk areas such as countries at war or on the verge of war. In many cases, these flights are required to further the foreign policy or national security of the United States. For example, in Operation Desert Shield and Desert Storm, commercial airlines were needed to ferry troops and equipment to the Middle East.

To ensure that flights to high-risk areas can operate when needed, Chapter 443 of Title 49 of the U.S. Code authorizes the Secretary of Transportation to provide insurance and reinsurance to commercial airlines against any risk.

The war risk insurance program was first authorized in 1951. Insurance was provided under this program in the early 1970s in the aftermath of attacks by Palestinian terrorists, during the final days of the Vietnam war, the Gulf War, and Bosnia. Since 1975, war risk insurance has been activated over 5,000 times.

The program has been reauthorized 12 times and is now schedule to expire on March 31 of this year. In the past, reauthorization of the war risk program has been relatively routine and was often accomplished without any changes or even the need for holding a hearing.

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Last year, the Committee approved legislation (H.R. 4058, H. Rept. 105–632 and H.R. 4057, H. Rept. 105–639 at page 45) modifying the program to ensure prompt payment to the airlines in the event of a claim and reauthorizing the program through December 31, 2003. These bills passed the House on July 20, 1998 and August 4, 1998 respectively. However, neither was enacted. Instead, for reasons unrelated to the merits of the war risk program, the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999 (P.L. 105–277, See H. Rept. 105–825, at 608) reauthorized the program until only March 31, 1999. This Act did include the provision in the House passed bills ensuring prompt payment.

Expiration of the war risk insurance program at the end of March could prove harmful to national security. Airlines will be reluctant to provide their aircraft in the event of war or other military action without the backing of the war risk insurance program. Therefore, the reported bill would reauthorize the program until December 31, 2003. This was the period specified in the original House-passed bills.

Section-by-Section Summary

Section 1. Extension of Insurance Program

This language simply reauthorizes the war risk insurance program through December 31, 2003.

Hearings and Legislative History

H.R. 98 was introduced on January 6, 1999. The Committee has not held hearings on the reported legislation.

Committee Consideration

On January 7, 1999, the Committee met in open session, discharged the Subcommittee on Aviation, and ordered the bill reported, without an amendment, by voice vote with a quorum present. There were no recorded votes taken during Committee consideration of H.R. 98.

Record Votes

Clause 3(b) of Rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each record vote on a motion to report and on any amendment offered to the measure or matter, and the names of those members voting for and against. There were no recorded votes taken in connection with ordering H.R. 98 reported. A motion by Mr. Duncan to order H.R. 98 favorably reported to the House, without amendment, was agreed to by voice vote, a quorum being present.

Committee Oversight Findings

With respect to the requirements of clause 3(c)(i) of Rule XIII of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in this report.

COST OF THE LEGISLATION

Clause 3(d)(2) of Rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

COMPLIANCE WITH HOUSE RULE XIII

1. With respect to the requirement of clause 3(c)(2) of Rule XIII of the Rules of the House of Representatives, and section 308(a) of the Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office below.

2. With respect to the requirement of clause 3(c)(4) of Rule XIII of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform and Oversight on the subject of H.R. 98.

3. With respect to the requirement of clause 3(c)(3) of Rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 98 from the Director of the Congressional Budget Office.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, January 21, 1999.

Hon. BUD SHUSTER,
Chairman, Committee on Transportation and Infrastructure, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 98, a bill to amend chapter 443 of Title 49, United States Code, to extend the aviation war risk insurance program.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Victoria V. Heid.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 98—A bill to amend chapter 443 of Title 49, United States Code, to extend the aviation war risk insurance program

H.R. 98 would extend the authorization for the Federal Aviation Administration's (FAA's) aviation insurance program through December 31, 2003. Under current law, the program will end on March 31, 1999. Enacting H.R. 98 could increase federal spending, but because claims under the aviation insurance program are very rare, CBO estimates that extending the program would probably have no significant impact on the federal budget over the next five years. Because the bill could affect direct spending, pay-as-you-go procedures would apply. H.R. 98 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would have no impact on the budgets of state, local, or tribal governments.

The aviation insurance program insures aircraft operations that are deemed essential to the foreign policy interests of the United States when commercial insurance is unavailable on reasonable terms. The program is financed through the Aviation Insurance Revolving Fund, which is supported by premiums paid for coverage (for "premium insurance"), one-time binder fees paid by the airlines (for "nonpremium insurance"), and interest on investments from the revolving fund in U.S. Treasury securities. According to the FAA, from 1959 through September 1998, the balance in the fund has grown to $71 million and the fund has paid out a total of only $151,000 in claims. New receipts from airlines total less than $100,000 a year.

Nonpremium insurance, which has accounted for about 99 percent of all aviation insurance in the recent past, is for U.S. airlines that are providing contract services for federal agencies that have indemnification agreements with the Department of Transportation (DOT). Currently, only the Department of Defense (DoD) and the State Department have such agreements with DOT. In the event of a loss, DoD and the State Department would reimburse the FAA for the insurance claims it would have to pay the airlines. Since 1975, approximately 5,400 flights have been covered by the program.

Premium insurance is provided to U.S. or foreign airlines for regularly scheduled commercial or charter service. Airlines pay a premium to FAA for the coverage, similar to a commercial insurance policy. Both types of insurance policies cover hull loss and liability.

Enacting H.R. 98 could cause an increase in federal spending if new claims would result. Moreover, such new spending could be very large, particularly if a claim exceeded the balance of the trust fund and the FAA had to seek a supplemental appropriation. But historical experience suggests that claims under this program are very rare; therefore, extending the aviation insurance program would probably have no significant impact on the federal budget over the next five years.

The CBO staff contact for this estimate is Victoria V. Heid. The estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

Applicability to the Legislative Branch

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

Federal Mandates Statement

The Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

Constitutional Authority Statement

Pursuant to clause 3(d)(i) of rule XIII of the Rules of the House of Representatives, committee reports on a bill or joint resolution of a public character shall include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under article I, section 8 of the Constitution.

Advisory Committee Statement

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

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 44130 OF TITLE 49, UNITED STATES CODE

§ 44310. Ending effective date

The authority of the Secretary of Transportation to provide insurance and reinsurance under this chapter is not effective after ⟦March 31, 1999⟧ *December 31, 2003.*