

HURRICANE CARLA: HER LEGACY, NATIONAL FLOOD INSURANCE

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Early in September of 1961, residents along the Texas Gulf Coast began batten- ing down for Hurricane Carla, one of the most destructive hurricanes to hit the area since the Great Storm of 1900. Thirty miles east of Houston, Texas, the city of Baytown and the surrounding southeast area, including the Brownwood Addition also prepared for the approaching storm ("Damage" 1). In the wake of Hurricane Carla, the Brownwood residents would not only be left with devastation but also with questions and controversy regarding hurricane insurance. National attention focused on these questions; however, the answer, National Flood Insurance, took ten years, to develop.

Hurricane Carla, born in the Caribbean, packed winds of 100 mph as she moved into the Gulf of Mexico on September 7, 1961. The eye of the storm measured twelve miles wide at this time, but gave no indication where Carla would come inland. However, weather forecasters knew it would be in the Gulf for several days ("Gulf-Bound" 1). On Saturday, September 9, Baytown's emergency precautions took final shape as a weather advisory placed Baytown and the surrounding area within the hurricane warning zone, indicating Carla was twenty-four hours or less from landfall (Marsh, "Baytown Gets Set" 1). By eight o'clock Sunday morning, some of the houses in Brownwood, a middle class suburban neighborhood located about four miles southwest of the Baytown city limits and surrounded by Scott, Crystal and Barnett Bays, already were flooded with a foot of water. Preceding the "eye of Carla," scheduled to strike sometime Monday afternoon, mailboxes and traffic signs dangled underwater, and many homes had water to the middle of the first floor (Marsh, "Flood Waters"). Then Carla hit land with her full fury, leaving very little untouched along the coastal areas of Texas and western Louisiana. As this storm moved further inland after making landfall on Monday, its wrath extended throughout the midwestern states. Although Baytown is approximately thirty miles from the Gulf proper, this industrial city of approximately 30,000 and one of the oldest petroleum-processing centers on the Gulf Coast did not escape Carla's devastating winds. Brownwood seemed to have taken the brunt of Carla's push inland. Towering tides replaced the normal stillness of the three bays. By Tuesday, September 12, water stood several feet deep in scores of Brownwood houses. Baytown Civil Defense Director, Bob Feinberg had declared Brownwood a disaster area on Monday afternoon, and the Baytown National Guard Unit patrolled the area (Hales, "Brownwood" 1).

The raging winds and water left indescribable damage. Some of the homes in Brownwood had been completely swept from their foundations while others remained as hulking shells of 2 x 4s. Ironically, other homes escaped total destruction ("Damage" 1). "The Pieces," an editorial in the *Baytown Sun*, best summed up the emotional and physical wreckage left by Carla:

The power of the storm was brought painfully home to Baytownians, scores of whom suffered irreparable losses . . . Hardest hit in the Baytown area was Brownwood subdivision where nearly all 500-odd homes were either totally or

partially destroyed . . . Unless you have seen the destruction at Brownwood, you cannot comprehend the awful extent of it. It is a disaster of no small magnitude. for nearly 500 families have been left homeless. All of the things they worked and saved for are gone or are ruined beyond further use . . . Words are inadequate to convey the full meaning of this disaster. The extent of some of the property damage might be described, but there is no way to describe the hurt, the disappointment and the frustration felt by the people affected (2).

The Thursday after Carla struck, homeowners returned to Brownwood, trying to salvage anything left by the hurricane. Many wondered whether help would come and from where. More than 300 families who once lived in Brownwood found themselves homeless, and officials estimated the damage in the subdivision at 3.5 million dollars ("Damage" 1). Fortunately these residents did have help almost immediately from the Red Cross and the federal government. Since presidential declaration of a major disaster area is necessary before most federal agencies commit their resources in disaster situations, Representative Albert Thomas of Houston began work immediately to have East Harris County declared a national disaster area (Moore 109). Texas Governor Price Daniel, after touring the area, said he could see ample evidence of wind damage. Because many of the residents had expressed fear of non-payment from their insurance because of rising water exceptions in their policies, Governor Daniel stated that he could see no reason why insurance claims should not be paid in this section since it was apparent that Brownwood suffered extremely high winds. The governor assured Baytown Mayor Al Clayton that the governor's office would do all it could to get insurance claims handled ("Daniel" 1).

Nevertheless, the Brownwood residents did have cause to worry. In 1961, a basic provision of the standard home insurance policy approved by the Texas State Board of Insurance listed hurricanes as one of the perils insured against. But it also provided that the insurance company should not be responsible for any hurricane damage or other damage not caused directly by winds. Because policy holders tended to see any damage precipitated a result of the hurricane as caused by the winds, the insurance companies quickly pointed to a series of court decisions clearly stating that damage from water blown inland which flooded homes was not covered unless blown into the home through an opening made by the wind. Storm victims needed little imagination to see the endless possibilities for argument raised by this provision (Moore 178). Homeowners still felt entitled to reimbursement up to the amount of their policy for damages suffered in the hurricane situation. The companies disagreed since policies exempted damage caused by water and Brownwood had flooded even before the actual storm had gone through. The insurance companies asserted that flood insurance was not available because of the exclusively high premiums it would require. The sale of the insurance, they argued, would be restricted to persons living in areas subject to frequent floods and the loss rates would be so high as to make it not feasible to carry such protection (Moore 187).

The Texas State Board of Insurance did do what they could to resolve the conflict. The board informed Governor Daniel that they had been assured by representatives and officials of insurance companies that the insurance companies were making every effort to settle fairly, reasonably, and promptly on all claims. Also the board had placed qualified personnel in the field to keep a check on the progress made in settlement claims because insured losses sustained as a result of the storm were expected to be the largest in the state's history ("Disaster Aid" 1).

In spite of the board's assurance, complaints against the insurance companies continued to pour in. The Brownwood people, in particular, expressed the most dissatisfaction with the handling of such damage claims ("House Probers" 1). According to his article in the *Baytown Sun*, Fred Hartman reported that more than 350 Brownwood residents held a meeting to voice their complaints. John S. (Bud) Blackburn, the temporary chairman of the group, revealed that he had at least a half-dozen affidavits in his possession confirming tornado winds. The affidavits stated that tornado winds had been sighted in Brownwood just as winds had been reported in Galveston, Channelview, and other Gulf Coast sections. The residents hoped for equitable handling of their insurance claims but prepared for a battle if necessary.

Also at this meeting, Blackburn told of the steps taken by Speaker James A. Thurman of the Texas House of Representatives that might lead to legislative investigation of any failure on the part of the storm sufferers to get equity. Blackburn expressed hope of obtaining follow up support from the governor's office to persuade insurance companies to make liberal settlements. Members of the group asked the news media in the southeastern part of Texas to focus on the plight of the more than four hundred homeowners in Brownwood and parts of the adjacent Lakewood subdivision whose homes were either totally destroyed or severely damaged (Hartman, "Brownwood Tornado" 1).

The Texas House of Representatives instructed the newly created Texas House General Investigating Committee to conduct a statewide inquiry into complaints against insurance companies ("Brownwood Asks" 1). On September 30, 1961, a hearing held in Houston received complaints and proposals of representatives from Harris County. James Thurman called the hearing after receiving complaints that insurance companies refused to pay claims concerning damage done by water or by wind-driven water. Concerned by the controversy, lawmakers recommended many proposals to give the public better protection against disasters like Hurricane Carla. Representative Robert (Bob) Eckhardt proposed changing the laws so that the insurance companies, not the policy holders, had the burden of proving what caused the damage. Under existing law, the policy holders had to show proof; and in cases where no home was left, it was impossible to show anything. Eckhardt displayed pictures of the Brownwood addition to prove his point. He also urged that the Texas State Board of Insurance require policies to be worded more clearly (Friedman, "Better Disaster Coverage").

J. C. Whitfield, another representative, offered a possible plan to require insurance companies to set up a "disaster reinsurance pool" in which part of the premiums collected could be deposited to pay policy holders at the time of disaster. He said that this program could be backed up by bond issues if the pool were exhausted by a disaster. According to Saul Friedman, Whitfield and other representatives suggested a study by the legislature of the possibility of making tax remissions to hard-hit areas ("Better Disaster Coverage"). Whitfield and other legislators recommended that homeowners collect their own evidence of damage claims and go to court if necessary. Of course the committee drew criticism. Woodrow Herring, operator of Herring Claim Adjusters, criticized the committee for holding hearings without having read the policies (Friedman, "Better Disaster Coverage").

It is not unusual after a natural disaster to have the support of local, state and federal lawmakers. In fact, nine years before Carla, federal guarantees for flood insurance were explored, sought and authorized in legislation, but never materialized. President Truman was among the first to acknowledge the need for flood insurance

when on May 5, 1952, in a special message to Congress, he requested a national flood insurance. Then four months later the H.H.F.A. (Housing and Home Finance Agency) held meetings from September 8th through September 21st. In these meetings, representatives of the insurance companies and lenders explored the feasibility of flood insurance. As often happens with many legislative policies, no one mentioned flood insurance again until January 4, 1956, when President Eisenhower presented his Economic Report to Congress. On 7 August of that same year, Congress passed Public Law 84-1016 known as The Federal Flood Insurance Act of 1956. This law directed the H.H.F.A. administrator to establish a system of indemnification of losses sustained in flood and tidal disaster, to reinsure private insurance coverage of such losses, and to assure a line of credit, where necessary, for the restoration and reconstruction of properties damaged or lost as a result of flood. The act provided for the establishment of a federal flood insurance program, a federal loan contract program covering flood losses, and a federal re-insurance. On September 28, 1956, the H.H.F.A. administrator suspended activity because Congress did not provide funds for starting operations (*Congress & The Nation* 488). Just six months before Hurricane Carla, on February 23, 1961, President Kennedy had requested all federal agencies concerned to provide data on flood hazards of flood disasters, but the House took no action on this bill. Senator Williams tried again with another bill on November 8, 1963, but the same identical fate befell this bill (*Congress & The Nation* 488).

Meanwhile Brownwood and her residents remained in the minds of many people. Baytown had annexed Brownwood into the city, and local authorities, along with the aid of the U.S. Army Corps of Engineers, continued doing a study of the feasibility of a levee around Scott, Crystal and Burnett Bays to provide hurricane protection to prevent a repeat of the devastation left by Carla. Other problems arose when residents also found that land subsidence was taking its toll. Subsidence made the need for some type of flood insurance even more evident (Shepherd). Bob Eckhardt, now a U.S. Representative, continued to try to get help for Brownwood residents.

Help came very slowly. Finally, in August of 1968, Senate Bill #3497 became Public Law 90-448 under the Home Ownership Housing Act, and under Title XIII of that act, National Flood Insurance became a reality. Title XIII gave the Secretary of HUD (Housing and Urban Development) the authority to set up a program of flood insurance as a joint federal/private venture and permitted the secretary to establish an all-federal program in the event that a joint program was not feasible. This bill provided that subsidized personal and property insurance would be made available for flood damage to homes for one to four family residences and to small business properties in flood-prone areas. It specified the availability of insurance only in states which "evidenced a positive interest" in flood insurance and adopted land use and control regulations before June 30, 1970, to prevent unwise use of flood-prone land.

In addition, a fifteen-member Flood Insurance Advisory Committee assisted the HUD secretary in determining the scope of the program, the premiums to be charged, and the operation of the program. In this bill the specifications for rates below actuarial cost (subsidized premiums) were as follows: \$17,500 for a one-family dwelling; \$5,000 for the contents of each unit; \$30,000 for a business structure; and \$5,000 for the contents of each business unit. The secretary was directed to encourage private insurers to form a pool to sell and service flood insurance and to share profits and liabilities. Insurance outstanding at any time was limited to \$2.5

billion. The secretary had authorization to make equalization payments to the insurers' pool to make up the difference between below cost premiums paid and the actuarial cost of the insurance. Title XIII also pledged the federal government to back-up private firms by paying any claims in excess of the financial capacity of the privately financed pool. The HUD secretary was directed, along with other federal agencies, to identify flood zones according to declining risk of disaster and, within five years after enactment, to establish a set of actuarial flood insurance premiums based on the flood-zone statistics.

Under this same bill, a National Flood Insurance Fund was created in the treasury and this bill also gave the HUD secretary borrowing authority of up to \$250 million. Existing authority for Congress to appropriate any amounts the president deemed necessary for flood control was rescinded. The bill specified that the fund would pay premium subsidies to the insurance pool and reinsure claims when the pool suffered excessive losses. It also authorized appropriations to reimburse the treasury for payment from the fund.

HUD also set up comprehensive criteria for state and local planning which included regulations of land use in flood prone areas (*Congress & The Nation Vol. II*). However, these measures did not become available until March, 1969, almost a year after the Home Ownership, Housing Act had been passed ("HUD Wades In" 31). According to Johnella Boynton, an estimated 300 families, who lived in areas of Baytown subject to tidal flooding, were qualified for the subsidized insurance after Baytown city officials voted to follow appropriate land use and control measures for flood insured areas. Finally word came to Baytown by Senator John Tower that National Flood Insurance would be available beginning February 27, 1970 ("Flood Insurance For Baytown" 1). Almost ten years had passed since that day Hurricane Carla made her Texas visit; and now, for the first time, actual flood insurance became a reality. Homeowners now had a way to pay for the furniture, carpets and draperies (Moore, "Conflicting Ideologies").

As long as there are hurricanes and homeowners, there are bound to be questions of just what is covered under insurance policies. Because of the massive damage inflicted by Hurricane Carla and the controversy regarding insurance coverage, legislative action resulted in the National Flood Insurance.

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