relocating buildings out of harm's way or elevating above estimated flood elevations, and insurance such as an adjustment of premium rates.

Insurance for Pre-FIRM Properties

The National Flood Insurance Act of 1968, as amended, authorizes us to offer flood insurance at less than full-risk premiums for older structures in return for a community's enforcement of flood plain management requirements. Congress recognized that in authorizing the flood insurance program there would be a trade-off: federally-backed flood insurance would be available for structures at a high flood risk built without the benefit of detailed flood risk information. In return, the local government would adopt and enforce flood mitigation standards that make future construction resistant to future flood loss. To make such efforts effective, we have worked with more than 19,000 communities and their state governments to develop the kind of detailed flood risk information needed for flood mitigation efforts.

Properties built *before* the publication of the Flood Insurance Rate Map (FIRM) have been eligible for less than full risk premiums. (For this proposed rule, we call buildings constructed before the effective date of the FIRM ''pre-FIRM'' buildings.) Our actuarial studies show that the owners of repetitively flooded buildings insured under the NFIP do not pay premiums that truly reflect the risk. What that means is that property owners who have collected claims payments have been paying and continue to pay less than full-risk premiums.

Insurance Component of the Repetitive Loss Strategy

This proposed rule would apply full-risk premiums for flood insurance coverage to the ''target repetitive loss buildings'' whose owners declined an offer of mitigation funding authorized by FEMA. Under this proposal, if the owner of a target repetitive flood loss building declines such an offer of mitigation funding to relocate, elevate, or flood-proof the structure, then that owner would upon the next policy renewal have to pay full-risk premiums for flood insurance coverage under the NFIP. To allow us to consistently track and to minimize the burden on companies writing flood insurance under the Write Your Own program, we plan for companies to begin referring on May 1, 2000, all renewals for coverage of target repetitive loss buildings and new policy applications for such buildings to the NFIP Servicing Facility. In this way, we can centralize the processing and data collection needed to implement this strategy.

National Environmental Policy Act

Pursuant to section 102 (2) (C) of the National Environmental Policy Act of 1969, 42 U.S.C. 4371 *et seq.*, and the implementing regulations of the Council on Environmental Quality, 40 CFR parts 1500–150, FEMA is conducting an environmental assessment of this proposed rule. This assessment will be available for inspection through the Rules Docket Clerk, Federal Emergency Management Agency, room 840, 500 C St. SW., Washington, DC 20472.

Executive Order 12866, Regulatory Planning and Review

This proposed rule is not a significant regulatory action within the meaning of sec. 2(f) of E.O. 12866 of September 30, 1993, 58 FR 51735, and has not been reviewed by the Office of Management and Budget. Nevertheless, this proposed rule adheres to the regulatory principles set forth in E.O. 12866.

Paperwork Reduction Act

This proposed rule does not contain a collection of information and is therefore not subject to the provisions of the Paperwork Reduction Act.

Executive Order 12612, Federalism

This proposed rule involves no policies that have federalism implications under Executive Order 12612, Federalism, dated October 26, 1987.

Executive Order 12778, Civil Justice Reform

This proposed rule meets the applicable standards of section 2(b)(2) of Executive Order 12778.

List of Subjects in 44 CFR Part 61

Claims, Flood insurance.

Accordingly, we propose to amend 44 CFR part 61 as follows:

PART 61—INSURANCE COVERAGE AND RATES

1. The authority citation for Part 61 continues to read as follows:

Authority: 42 U.S.C. 4001 *et seq.*; Reorganization Plan No. 3 of 1978; 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O. 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR, 1979 Comp., p. 376.

2. In § 61.8, paragraphs (b) and (c) are redesignated as paragraphs (c) and (d), respectively, and a new paragraph (b) is added, reading as follows:

§ 61.8 Applicability of risk premium rates.

* * * * *

(b) Any target repetitive loss building whose owner has declined an offer of mitigation assistance authorized under any FEMA mitigation program. (A target repetitive loss building is one that has had within a ten-year period two or more losses, each resulting in at least a $1,000 claim payment. In addition, the building has suffered four or more insured flood losses or two insured flood losses cumulatively greater than the building's value.)

* * * * *

Dated: July 27, 1999.

Jo Ann Howard,

Administrator, Federal Insurance Administration.

[FR Doc. 99–20171 Filed 8–4–99; 8:45 am]

BILLING CODE 6718–03–P

FEDERAL EMERGENCY MANAGEMENT AGENCY

44 CFR Part 62

RIN 3067–AC95

National Flood Insurance Program (NFIP); Assistance to Private Sector Property Insurers

AGENCY: Federal Emergency Management Agency (FEMA).

ACTION: Proposed rule.

SUMMARY: We (the Federal Insurance Administration of FEMA) are proposing changes to the Financial Control Plan (Appendix B of 44 CFR Part 62) that sets standards for evaluating the performance of private insurance companies participating in the Write Your Own program. These changes are to streamline and simplify the regulations of the National Flood Insurance Program. This proposal is part of an agency-wide initiative by the Federal Emergency Management Agency to simplify regulations for easier use by our customers. The proposed changes would also be consistent with the approach we adopted several years ago to streamline the arrangement for the WYO program and to place operational details in a technical operations manual rather than in the agreement itself between the Government and WYO companies.

DATES: Please send your comments on the proposal on or before September 7, 1999.

ADDRESSES: Please send your comments to the Rules Docket Clerk, Office of the General Counsel, Federal Emergency Management Agency, 500 C Street SW., room 840, Washington, DC 20472, (facsimile) 202–646–4536, or (email) *rules@fema.gov.*

FOR FURTHER INFORMATION CONTACT: Edward L. Connor, Federal Emergency Management Agency, Federal Insurance Administration, 500 C Street SW., Washington, DC 20472, 202–646–3429, (facsimile) 202–646–3445, (email) *Edward.Connor@fema.gov.*

SUPPLEMENTARY INFORMATION: FEMA is streamlining and simplifying the materials used by the customers of each of its programs. As part of that initiative, we (the Federal Insurance Administration) believe that we can serve our customers and partners better by producing and revising the guidance documents and regulations of the National Flood Insurance Program so that they are easier to read and easier to use. The effort involves rendering any new rule—proposed and final—in plain language and eliminating sections or parts of our regulations that fit better in guidance documents and technical manuals, which we reference in the regulations.

This proposed rule would streamline the Financial Control Plan that private insurance companies must follow as part of their financial assistance arrangement under the Write Your Own component of the National Flood Insurance Program. The proposed streamlining involves eliminating operational details from the text of the Financial Control Plan. This would allow the Government and its industry partners the flexibility to make operational adjustments and corrections more efficiently and more quickly while retaining the broad framework necessary for sound financial controls.

National Environmental Policy Act

This proposed rule is categorically excluded from the requirements of 44 CFR part 10, Environmental Consideration. We have not prepared an environmental assessment.

Executive Order 12866, Regulatory Planning and Review

This proposed rule is not a significant regulatory action within the meaning of § 2(f) of E.O. 12866 of September 30, 1993, 58 FR 51735, and the Office of Management and Budget has not reviewed it. Nevertheless, this proposed rule adheres to the regulatory principles set forth in E.O. 12866.

Paperwork Reduction Act

This proposed rule does not contain a collection of information and is therefore not subject to the provisions of the Paperwork Reduction Act.

Executive Order 12612, Federalism

This proposed rule involves no policies that have federalism implications under Executive Order 12612, Federalism, dated October 26, 1987.

Executive Order 12778, Civil Justice Reform

This proposed rule meets the applicable standards of section 2(b)(2) of Executive Order 12778.

List of Subjects in 44 CFR Part 62

Claims, Flood insurance.

Accordingly, we propose to amend 44 CFR Part 62 as follows:

PART 62—SALE OF INSURANCE AND ADJUSTMENT OF CLAIMS

1. The authority citation for part 62 continues to read as follows:

Authority: 42 U.S.C. 4001 *et seq.*; Reorganization Plan No. 3 of 1978, 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O. 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR, 1979 Comp., p. 376.

2. We amend § 62.23(j) by redesignating paragraphs (j)(2) through (j)(6) as paragraphs (j)(3) through (j)(7), and by revising paragraph (j)(1) and adding new paragraph (j)(2) to read as follows:

§ 62.23 WYO Companies authorized.

* * * * *

(j) * * *

(1) Have a biennial audit of the flood insurance financial statements conducted by an independent Certified Public Accountant (CPA) firm at the Company's expense to ensure that the financial data reported to us accurately represents the flood insurance activities of the Company. The CPA firm must conduct its audits in accordance with the generally accepted auditing standards (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (commonly known as ''yellow book'' requirements). The Company must file with us (the Federal Insurance Administration) a report of the CPA firm's detailed biennial audit, and, after our review of the audit report, we will convey our determination to the Standards Committee.

(2) Participate in a WYO Company/FIA Operation review. We will conduct a review of the WYO Company's flood insurance claims, underwriting, customer service, marketing, and litigation activities at least once every three (3) years. As part of these reviews, we will reconcile specific files with a listing of transactions submitted by the Company under the Transaction Record Reporting and Processing (TRPP) Plan (Part 5). We will file a report of the Operation Review with the Standards Committee.

* * * * *

3. We revise Appendix B to Part 62—National Flood Insurance Program to read as follows:

Appendix B to Part 62—National Flood Insurance Program

A Plan To Maintain Financial Control for Business Written Under the Write Your Own Program

(a) *In general.* Under the Write Your Own (WYO) Program, we (the Federal Insurance Administration (FIA), Federal Emergency Management Agency (FEMA)) may enter into an arrangement with individual private sector insurance companies licensed to engage in the business of property insurance. The arrangement allows these companies—using their customary business practices—to offer flood insurance coverage to eligible property owners. To assist companies in marketing flood insurance coverage, the Federal Government will be a guarantor of flood insurance coverage for WYO policies issued under the WYO Arrangement. To account for and ensure appropriate spending of any taxpayer funds, the WYO companies and we will implement this Financial Control Plan (Plan). Only the Administrator may approve any departures from the requirements of this Plan.

(b) *Financial Control Plan.* 1. The WYO Companies are subject to audit, examination, and regulatory controls of the various States. Additionally, the operating department of an insurance company is customarily subject to examinations and audits performed by the company's internal audit or quality control departments, or both, and independent Certified Public Accountant (CPA) firms. This Plan will use to the extent possible the findings of these examinations and audits as they pertain to business written under the WYO Program

2. This Plan contains several checks and balances that can, if properly implemented by the WYO Company, significantly reduce the need for extensive on-site reviews of the Company's files by us or our designee. Furthermore, we believe that this process is consistent with customary reinsurance practices and avoids duplication of examinations performed under the auspices of individual State Insurance Departments, NAIC Zone examinations, and independent CPA firms.

(c) *Standards Committee established.* 1. We establish in this Plan a Standards Committee for the WYO Program to oversee the performance of WYO companies under this Plan and to recommend appropriate remedial actions to the Administrator. The Standards Committee will review and recommend to the Administrator remedies for any adverse action arising from the implementation of the Financial Control Plan. Adverse actions include, but are not limited to, not renewing a particular company's WYO Arrangement.

2. The Administrator appoints the members of the Standards Committee, which consists of five (5) members from FIA, one (1) member from FEMA's Office of Financial Management, and one (1) member from each

of the six (6) designated WYO Companies, pools, or other entities.

3. A WYO company must—

A. Have a biennial audit of the flood insurance financial statements conducted by a CPA firm at the Company's expense to ensure that the financial data reported to us accurately represents the flood insurance activities of the Company. The CPA firm must conduct its audits in accordance with generally accepted auditing standards (GAAS) and the Government Auditing Standards issued by the Comptroller General of the United States (commonly known as ''yellow book'' requirements). The Company must file with us a report of the CPA firm's detailed biennial audit, and, after our review of the audit report, we will convey our determination to the Standards Committee.

B. Participate in a WYO Company/FIA Operation review. We will conduct a review of the WYO Company's flood insurance claims, underwriting, customer service, marketing, and litigation activities at least once every three (3) years. As part of these reviews, we will reconcile specific files with a listing of transactions submitted by the Company under the Transaction Record Reporting and Processing Plan (Part 5). We will file a report of the Operation Review with the Standards Committee (Part 7).

C. Meet the recording and reporting requirements of the WYO Transaction Record Reporting and Processing (TRRP) Plan and the WYO Accounting Procedures Manual. The National Flood Insurance Program's (NFIP) Bureau and Statistical Agent will analyze the transactions reported under the TRRP Plan and submit a monthly report to the WYO company and to us. The analysis will cover the timeliness of the WYO submissions, the disposition of transactions that do not pass systems edits, and the reconciliation of the totals generated from transaction reports with those submitted on the WYO Company's reports. (Parts 2 and 6).

D. Cooperate with FEMA's Office of Financial Management on Letter of Credit matters.

E. Cooperate with us in the implementation of a claims reinspection program (Part 3).

F. Cooperate with us in the verification of risk rating information.

G. Cooperate with FEMA's Office of Inspector General on matters pertaining to fraud.

(d) This Plan references a separate document, ''The Write Your Own Program Financial Control Plan Requirements and Procedures,'' that contains the following parts and is applicable to the Financial Control Plan:

1. Part 1—Financial Audits, Audits for Cause, and State Insurance Department Audits;

2. Part 2—Transaction Record Reporting and Processing Plan Reconciliation Procedures;

3. Part 3—Claims Reinspection Program;

4. Part 4—Report Certifications and Signature Authorization;

5. Part 5—Transaction Record Reporting and Processing Plan;

6. Part 6—Write Your Own (WYO) Accounting Procedures Manual; and

7. Part 7—Operation Review Procedures.

(e) We will distribute copies of the ''The Write Your Own Program Financial Control Plan Requirements and Procedures'' to companies participating in the Write Your Own Program by October 1st of the Arrangement year. Interested members of the public may obtain a copy by contacting the FEMA Distribution Center, P.O. Box 2012, Jessup, MD 20794.

* * * * *

(Catalog of Federal Domestic Assistance No. 83.100, ''Flood Insurance'')

Dated: July 9, 1999.

Jo Ann Howard,

Administrator, Federal Insurance Administration.

[FR Doc. 99–19764 Filed 8–4–99; 8:45 am]

BILLING CODE 6718–03–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Chapter I

[CC Docket No. 99–249; FCC 99–168]

Low-Volume Long-Distance Users

AGENCY: Federal Communications Commission.

ACTION: Notice of inquiry.

SUMMARY: This document seeks comment on the impact of certain flat-rated charges on single-line residential and business customers who make few, or no, interstate long-distance calls. The inquiry focuses on flat-rated charges attributable to universal service and access charge reform, but recognizes that other pro-competitive reforms also have resulted directly or indirectly in charges on consumers' bills.

DATES: Interested parties may file comments no later than September 20, 1999, and reply comments no later than October 20, 1999.

ADDRESSES: Submit written comments or replies to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, SW, Counter TWA 325, Washington, DC 20554. For detailed filing instructions, including electronic filing, see **SUPPLEMENTARY INFORMATION.**

The entire file is available for inspection and copying weekdays from 9:00 a.m. to 4:30 p.m. in the Commission's Reference Center, 445 Twelfth Street SW, Washington, DC 20554. Copies may be purchased from the Commission's duplicating contractor, ITS Inc., 1231 Twentieth St., NW, Washington, DC 20036, (202) 857–3800.

FOR FURTHER INFORMATION CONTACT: Neil Fried, Common Carrier Bureau, Competitive Pricing Division, (202) 418–1530; TTY: (202) 418–0484.

SUPPLEMENTARY INFORMATION:

Background

In May 1997 the Commission adopted for price cap local exchange carriers (price cap LECs) a new common line rate structure to align cost recovery with the manner in which costs are incurred. That structure, when fully implemented, will recover all interstate-allocated common line costs through flat subscriber line charges (SLCs) assessed on end users, and flat presubscribed interexchange carrier charges (PICCs) assessed on interexchange carriers (IXCs).

Discussion

The Commission recognized when it changed the common line rate structure in 1997 that it was reducing, and gradually eliminating, support flows that had previously run from high-volume to low-volume end users. For two reasons, however, the Commission did not anticipate that these changes would have immediate, significant effects on the telephone bills of those low-volume users. First, the Commission initially set the primary residential and single-line business PICCs at levels approximately equal to a universal service charge that the Commission eliminated when it adopted the PICC. Second, IXCs had not previously imposed flat charges on end users to recover that universal service charge. In any case, the Commission believed that, even if IXCs did pass on the modest initial PICCs as flat charges, most consumers would enjoy benefits in the form of lower long-distance rates, and that those benefits would outweigh the burden of a small, flat monthly charge. That belief has proven correct for some consumers, in that long-distance rates overall have continued to decline.

Some customers of long-distance service, however, are now paying additional flat charges that IXCs claim recover some of the costs that the customers were previously paying in per-minute charges under the old access charge regime. A number of factors the Commission did not anticipate have affected consumers who make few interstate long-distance calls.

First, AT&T, MCI, and Sprint each charge their residential customers with a single presubscribed line a flat, averaged, monthly PICC pass-through charge of $1.51, $1.07, and 85 cents, respectively. The Commission has not prohibited IXCs from using such charges to recover their PICC costs. The Commission did, however, take steps