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NATIONAL CONFERENCE OF INSURANCE LEGISLATORS

Resolution Regarding Catastrophic Natural Disaster Insurance Issues

*Amended and adopted by the NCOIL Property-Casualty Insurance Committee on February 24, 2006, and by the NCOIL Executive Committee on February 25, 2006.
Resolution originally adopted by the NCOIL Property-Casualty Insurance and Executive Committees on July 16, 2004.*

WHEREAS, the massive devastation wrought by Hurricanes Katrina, Rita, and Wilma in 2005 demonstrated the far-reaching consequences of catastrophic events and the need for a multi-pronged approach to disaster management; and

WHEREAS, a catastrophic natural disaster such as Hurricane Katrina can lead to economic devastation throughout the country, including in the many states in which the event did not occur; and

WHEREAS, scientists warn that an even more damaging, \$100 billion storm is inevitable and predict particularly active hurricane seasons in years to come; and

WHEREAS, other recent natural disasters—including wildfires in California and tornadoes and flooding throughout the Midwest—have caused millions of dollars in insured losses and the displacement of thousands of consumers; and

WHEREAS, natural hazards including volcanoes in the Pacific Northwest and Hawaii, and earthquakes in the West and along the Midwest's New Madrid fault line, continue to threaten insurance markets and consumers across the nation; and

WHEREAS, NCOIL has repeatedly encouraged congressional enactment of appropriate natural disaster insurance legislation, including consideration of a federal reinsurance program and allowance for tax-deferred catastrophe reserves for natural disaster exposures; and

WHEREAS, additional options must be considered before natural disaster risks can effectively be mitigated; and

WHEREAS, the National Association of Insurance Commissioners (NAIC) has proposed a national, multi-layered catastrophe program and is working toward developing comprehensive mega-catastrophe policy; and

WHEREAS, the NAIC proposal would rest primary responsibility on the private insurance market and consumers, followed by state/regional catastrophe funds and the federal government, and would incorporate proposals regarding federal reinsurance and tax-deferred reserves; and

WHEREAS, NCOIL has strong concerns with many details of the NAIC proposal, but does support the concept of a national mega-catastrophe program; and

WHEREAS, implementation of a national system will require the coordinated efforts of legislators, regulators, insurers, and other interested parties;

NOW, THEREFORE, BE IT RESOLVED that NCOIL, among other things,

- supports the preservation of state regulation over the business of insurance
- will work in concert with the NAIC to investigate options for a national, natural disaster insurance program
- supports a federal role in catastrophe legislation as expressed elsewhere in this resolution and welcomes further dialogue between Congress, state legislators, the NAIC, insurance companies, and all interested parties regarding what that appropriate role is for the federal government in ensuring that Americans are provided with the opportunity for adequate insurance protection for losses arising from catastrophic natural disasters
- welcomes further dialogue regarding the appropriateness of merging natural and man-made disaster risks in a single mega-catastrophe system
- will continue to work toward creation of tax-deferred catastrophe reserves

NOW, THEREFORE, BE IT FURTHER RESOLVED that NCOIL does not at this time endorse or reject any particular approach, but believes that an overall investigation of the issue is required and that legislators, regulators, insurers, and others must recognize the time sensitivity of these deliberations;

BE IT ALSO RESOLVED that NCOIL will distribute this resolution to appropriate State and congressional leadership following the 2006 NCOIL Spring Meeting.

