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LAWMAKERS PURSUE JOINT MEGA-CAT PLAN, SCHEDULE FURTHER NCOIL-NAIC DELIBERATIONS

Boston, Massachusetts, July 24, 2006—State lawmakers at this weekend’s National Conference of Insurance Legislators (NCOIL) Summer Meeting here recognized the need for national mega-catastrophe preparedness when they voted to further discuss details of a draft NCOIL-National Association of Insurance Commissioners (NAIC) natural disaster proposal.

The plan, which is a joint effort of NCOIL Subcommittee on Natural Disaster Insurance Legislation Chair Sen. Steven Geller (FL) and NAIC Property-Casualty Insurance Committee Chair Commissioner Kevin McCarty (FL), would establish a multi-layered system that would rest primary responsibility with consumers and the private insurance industry.

The proposal would call for a newly created Federal Natural Disaster Catastrophe Commission to evaluate whether public-sector involvement would be called for and, if so, what triggers might be appropriate. Optional state or regional catastrophe funds and a federal reinsurance program would follow should the Commission see a need for public participation.

According to Sen. Geller, NCOIL’s decision to pursue the mega-catastrophe discussion is a critical step in the right direction—and one that is important for states across the country. “Florida is the canary in the coal mine,” he said. “Our crisis-level problems regarding reinsurance capacity and affordability are spreading to communities along the eastern coast and beyond. Public policymakers must entirely reevaluate how this nation

prepares for and responds to major natural events. It's not a question of whether a megacatastrophe will strike. It's merely a question of when."

The proposed NCOIL-NAIC system also would allow for creation of tax-deferred catastrophe reserves and would strongly promote mitigation efforts including effective statewide building codes and land-use management. It responds to an earlier NAIC proposal that takes a similar multi-layered approach to disaster preparedness.

The Subcommittee on Natural Disaster Insurance Legislation considered the joint draft during its meeting on July 20, followed by Property-Casualty Insurance Committee discussion on July 21. After resolution of certain procedural issues related to review of the proposal, lawmakers voted that the Subcommittee should work with the NAIC in the coming months to refine details of the draft in time for consideration at the September NAIC Fall Meeting and the November NCOIL Annual Meeting.

Sen. Geller and Commissioner McCarty developed the proposal under the direction of NCOIL legislators and NAIC regulators, with any final plan contemplated as a joint work product. The negotiations build upon the long-standing efforts of NCOIL and the NAIC to promote a national catastrophe system.

The draft is currently being considered by the NAIC Catastrophe Insurance Working Group.

The July 20 through 23 NCOIL Summer Meeting took place at the Boston Park Plaza Hotel & Towers. The NCOIL Annual Meeting will be held at the Marriott Napa Valley Hotel & Spa in Napa Valley, California.

NCOIL is an organization of state legislators whose main public policy concern is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committee responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

For further details, please contact the NCOIL National Office at 518-687-0178.

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