The National Conference of Insurance Legislators (NCOIL) Subcommittee on Natural Disaster Insurance Legislation met at the Boston Park Plaza Hotel & Towers in Boston, Massachusetts, on Thursday, July 20, 2006, at 9:15 a.m.

Sen. Steven Geller of Florida, chair of the Subcommittee, presided.

Other members of the Subcommittee present were:

Sen. Joe Crisco, CT  Rep. Donald Flanders, NH
Rep. Donald Brown, FL  Assem. Ivan Lafayette, NY
Rep. Pat Patterson, FL  Sen. William J. Larkin, Jr., NY
Rep. Dennis Ross, FL  Sen. Dean Skelos, NY
Sen. Bill Brady, IL  Rep. Larry Taylor, TX
Sen. Ruth Teichman, KS  Del. Harvey Morgan, VA

Other legislators present were:

Rep. Sandra Adams, FL  Sen. Duane Mutch, ND
Rep. Franklin Sands, FL  Rep. Frank Wald, ND
Sen. William Haines, IL  Rep. Craig Eiland, TX
Rep. Terry Parke, IL  Sen. Ann Cummings, VT
Sen. Pam Redfield, NE  Rep. Mark Young, VT
Rep. Dan Foley, NM  Sen. Dan Kapanke, WI
Sen. Carroll Leavell, NM  Del. Kenneth Tucker, WV
Assem. Nancy Calhoun, NY

Also in attendance were:

Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director
Mike Humphreys, NCOIL Director of Legislative Affairs & Education, Life, Health, and Workers’ Compensation Insurance
MINUTES
The Subcommittee voted unanimously to approve the minutes of its February 23, 2006, meeting in Weston, Florida.

PENDING FEDERAL LEGISLATION
Scott Gilliam of Cincinnati Insurance Companies reported that several natural disaster insurance bills had been introduced in Congress, but had not moved forward. He said two of these initiatives would establish federal reinsurance mechanisms, and another would amend IRS tax code to allow for creation of tax-deferred catastrophe reserves. Mr. Gilliam commented that the bills were unlikely to see mark-ups in the near future.

JOINT NCOIL-NAIC MEGA-CATASTROPHE PLAN
Sen. Geller overviewed recent NCOIL-National Association of Insurance Commissioners (NAIC) activity regarding development of a national mega-catastrophe system. Among other things, he said that following the Spring Meeting, the Subcommittee had authorized him to negotiate, on behalf of the group, with Florida Insurance Commissioner Kevin McCarty, who chairs the NAIC Catastrophe Insurance Working Group. He said the proposal before the Subcommittee was the product of their deliberations.

Sen. Geller said the draft supported, among other things, a multi-layered system that would assign primary responsibility to consumers and the private market, followed by optional state/regional catastrophe funds and a federal reinsurance mechanism.

The Subcommittee and interested parties discussed issues related to reinsurance capacity.

Sen. Geller said that the NAIC Catastrophe Insurance Working Group had adopted the proposal and referred it to the NAIC Property-Casualty Insurance Committee. He said he would suggest that the NCOIL Subcommittee likewise adopt the proposal and send it to the NCOIL Property-Casualty Insurance Committee. However, rather than consider the issue at the Committee meeting the next day, Sen. Geller suggested, legislators should negotiate with the NAIC and interested parties prior to the November NCOIL conference.

Rep. Golick moved that the Subcommittee adopt the mega-catastrophe plan and negotiate with the NAIC, as indicated by Sen. Geller. The motion was seconded.

Rep. Keiser said he opposed the motion on procedural grounds. He said, in part, that the purpose of the Subcommittee was to address issues such as the draft catastrophe plan and that moving it to the full Committee negated the Subcommittee’s reason for being. Sen. Larkin agreed.

Sen. Geller expressed sympathy with Rep. Keiser’s concerns but said that he believed the Subcommittee should show support for the proposal by adopting it in a similar fashion as did the NAIC. He said he worried that failure to act might unnecessarily delay consideration of the draft. He also said that everyone on the Subcommittee was on the Property-Casualty Insurance Committee.
Reps. Brown and Golick said they agreed with Rep. Keiser on procedural grounds but said they felt it was important to show NCOIL movement on the proposal. Rep. Brown requested that legislators have ample time to consider the issue at the next conference. Rep. Golick said it was his understanding that Subcommittee members would take the lead in negotiating with the NAIC.


RESOLUTION REGARDING BUILDING CODES
Sen. Geller said he was sponsoring a proposed Resolution in Support of the Adoption of Stronger Building Codes and Building Requirements. He said the resolution, among other things, would support the adoption of statewide construction codes and related inspection and enforcement measures; codes that are flexible, affordable, and do not inhibit competition; and the incorporation by all levels of government of appropriate disaster mitigation and emergency preparedness. He said the resolution would encourage local and state governments to use experts to help with public preparedness.

In response to questions from Rep. Parke, Sen. Geller said the resolution would advocate for statewide building codes that are appropriate to an area’s catastrophe risk. He said that many people do not appreciate the relationship between building codes and insurance rates.

Sen. Hudgens expressed concern regarding, among other things, the costs involved with mandating building standards throughout a state, and he questioned the need for such comprehensive requirements. Sen. Geller responded that the intention was to establish minimum standards throughout a state. More hazardous areas, he said, should have stricter codes.

Following further discussion, the Subcommittee adopted the resolution via unanimous voice vote and referred it to the Property-Casualty Insurance Committee for consideration the following day.

ADJOURNMENT
There being no further business, the meeting adjourned at 10:00 a.m.