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National Council of Insurance Legislators (NCOIL)

Resolution in Support of Establishing Catastrophe Savings Accounts

**Sponsored by Rep. Matt Lehman (IN); Sen. Walter Michel (MS); Rep. Ellyn Hefner (OK); Rep. Carl Anderson (SC).*

**Adopted by the NCOIL Joint State-Federal Relations & International Insurance Issues Committee, and NCOIL Executive Committee on November 24, 2024.*

WHEREAS, the National Council of Insurance Legislators (NCOIL) fully supports the state-based system of regulation for property/casualty insurance coverage, and NCOIL supports states continuing serving their role as sources of innovation with respect to property risk mitigation and management; and

WHEREAS, recent events have demonstrated that no state is immune from natural disasters, whether floods, wildfire, wind (hurricanes, tornadoes, convective storms), earthquakes, winter storms or other events; and

WHEREAS, a natural disaster in one state can have far-reaching consequences there, and in other states and regions, making the need to address natural disasters a national concern; and

WHEREAS, NCOIL believes that a multi-pronged approach to address natural disaster risk is essential and that such an approach should leverage private-market options and personal responsibility against the need for public-sector exclusive involvement and believes further that the promotion of financial resiliency with respect to natural catastrophes benefits states, counties, local communities, consumers, policyholders and the federal government; and

WHEREAS, NCOIL has long asserted the importance of mitigation in helping to reduce insured and uninsured losses stemming from a natural disaster and has adopted several Resolutions and Model Acts in support thereof including a Model State Uniform Building Code; and

WHEREAS, NCOIL recognizes that several states have enacted to date legislation that supports the establishment of tax-advantaged “catastrophe savings accounts”, e.g. Alabama, Mississippi and Sount Carolina, and that those accounts are intended to assist consumers/policyholders in paying for expenses incurred or related to a major natural disaster, like deductibles for homeowners, flood or earthquake policies and covering various natural disasters and events; and

WHEREAS, catastrophe savings accounts function similarly to Health Savings Accounts (HSAs) which are tax-advantaged accounts that help defray the high cost of health insurance and HSAs have proven effective in that regard, with over thirty-five (35) million account owners in the United States; and

WHEREAS, NCOIL has previously gone on record specifically in support of the then-proposed federal bill, the Disaster Savings Account Act of 2013, by action of the Executive and Property-Casualty Insurance Committees on July 13, 2014, via a Resolution sponsored by Representative Matt Lehman of Indiana; and

WHEREAS, the use of homeowner catastrophe savings accounts would reduce what governments, federal or state, must pay following a natural disaster, to the potential benefit of both taxpayers and policyholders; and

WHEREAS, NOW, THEREFORE, BE IT RESOLVED, that NCOIL urges states to take action and pass legislation that would permit consumers to utilize tax-advantaged catastrophe savings accounts that fosters pre-event mitigation and post-event recovery by accumulating funds that can be used to supplement their insurance coverage and offset the costs of remediation and repair, and to otherwise protect their personal, family or household dwelling; and

WHEREAS, NOW, THEREFORE, BE IT FURTHER RESOLVED, that NCOIL urges adoption of federal legislation amending the Internal Revenue Code to support the establishment and use of such catastrophe savings accounts by authorizing a consumer to set aside funds on a tax-advantaged basis into such an account to make their homes more disaster-proof via a specified dollar amount or range per contribution per annum; and

WHEREAS, BE IT FINALLY RESOLVED THAT, a copy of this Resolution shall be sent to the Chairs of the Committees of insurance and tax/revenue jurisdiction in each Legislative Chamber in each state; and each State's Insurance Commissioner and Taxation/Revenue Commissioner or similar officer; other state legislators, regulators, and governors; to Congressional leadership; to the Internal Revenue Service (IRS); and to the Federal Emergency Management Agency (FEMA).