

**2006 Amended Resolution in Support of a Comprehensive  
Legislative Solution To The Problems Presented by  
Natural Catastrophic Exposures  
For the Benefit of All Americans  
May 30, 2006**

WHEREAS, the National Association of Insurance Commissioners, by Resolution passed in 1995 and reaffirmed in December 2005, recognized the importance of developing additional insurance capacity to insure the viability of coverage for catastrophic natural perils by endorsing the concept of a national disaster plan; and

WHEREAS, the National Association of Insurance Commissioners has recognized the implementation of a national natural disaster plan in response to catastrophic natural disasters by continuing the charge of the Catastrophe Insurance Working Group of the Property and Casualty Insurance ( C ) Committee, and consistent with guiding principles previously established and endorsed by the NAIC, and

WHEREAS, the United States continues to experience growth and development in catastrophe-prone areas, particularly along America's coasts and near known earthquake faults; and

WHEREAS, meteorologists predict more frequent and more powerful hurricanes in the future, and geoscientists are discovering the existence of dangerous "blind" thrust faults in populated regions; and

WHEREAS, the growing threat of extreme losses caused by natural disasters is causing a shortage in private homeowners insurance coverage and a serious increase in insurance premiums in areas exposed to natural catastrophes; and

WHEREAS, the lack of private insurance coverage and higher insurance premiums deprive Americans of adequate protection for their most valued and prized possession – their homes; and

WHEREAS, the lack of catastrophic insurance coverage in many federally guaranteed residential mortgages represents a potential systemic risk to the financial system;

WHEREAS, the lack of adequate and sufficient insurance protection places greater pressure on both the state and federal governments to assist the victims of natural catastrophes; and

WHEREAS, in the intervening years no comprehensive national natural disaster plan has yet been implemented and if nothing is done, society as a whole, and the taxpayer in particular, faces potentially much larger burdens for future disaster relief and payments under federal mortgage loan guaranty programs;

NOW THEREFORE IT IS RESOLVED, in order to better protect America's homes in an economical and efficient manner and to reduce the demands for financial assistance from the state and federal governments that depend on general revenue sources for extreme losses caused by natural catastrophes, the National Association of Insurance Commissioners (NAIC) hereby urges Congress to create a Federal Natural Catastrophe Preparedness Commission to hold in-depth

hearings. The hearings should consider the feasibility of adopting measures that, among other things, would:

- (1) Create strong incentives for states to adopt internationally recognized, risk-based building codes that will save lives and reduce potential losses for new homes and buildings;
- (2) Create incentives for affordable and effective catastrophe loss mitigation efforts, including retro-fitting of existing properties, to make existing housing stock stronger and safer. Consideration should be given for the federal government to work with state insurance regulatory leaders, consumers and other related or interested industries including, but not limited to; mortgage lenders, contractors, real estate developers, taxing authorities and federal, state and local emergency or catastrophe relief programs;
- (3) Encourage states – *but not mandate them* - to establish privately funded, tax-exempt entities, called “catastrophe funds,” through which private insurance companies can have money set aside for covered losses, tax-free and before a natural disaster occurs;
- (4) Allow individual insurance companies the ability to accumulate reserves on a tax-deferred basis to respond to natural disasters;
- (5) Allow the state catastrophe funds *to purchase* high levels of protection from the federal government for *extreme events*, with the price for such protection being actuarially sound and reflective of the difference of risk among the participating state funds;
- (6) Create a fraf0.000.,arn91 Tf0ud{cod8treme events)T]T0 nts 1 T4CID 10 atic7e77,.other r7 Twt4;.151IC

catastrophes for their homes while reducing the demands on governmental resources to assist victims after an event occurs.