

GENERAL ASSEMBLY OF NORTH CAROLINA
1995 SESSION

CHAPTER 579
HOUSE BILL 1192

AN ACT TO DEVELOP A PROPOSAL FOR A RESERVE FUND TO PAY
CATASTROPHIC LOSSES AS RECOMMENDED BY THE LEGISLATIVE
RESEARCH COMMISSION'S COMMITTEE ON INSURANCE AND
INSURANCE-RELATED ISSUES.

Whereas, there is a compelling State interest in maintaining a viable and orderly private sector market for property insurance in the State; and

Whereas, mortgages require reliable property insurance, and the unavailability of reliable property insurance would therefore make most real estate transactions impossible; and

Whereas, the public health, safety, and welfare demand that structures damaged or destroyed in a catastrophe be repaired or reconstructed as soon as possible; and

Whereas, the inability of the private sector insurance and reinsurance markets to maintain sufficient capacity to enable residents of the beach area of the State to obtain property insurance coverage in the private sector endangers the economy of the State and endangers the public health, safety, and welfare; and

Whereas, many property insurers are unable or unwilling to maintain reserves, surplus, and reinsurance sufficient to enable the insurers to pay all claims in full in the event of a catastrophe and State action is necessary to protect the public from an insurer's unwillingness or inability to maintain sufficient reserves, surplus, and reinsurance; and

Whereas, in order to increase insurance capacity, it is essential to the functioning of a State program that revenues received be exempt from federal taxation; Now, therefore,

The General Assembly of North Carolina enacts:

Section 1. The Department of Insurance and the North Carolina Insurance Underwriting Association shall study the feasibility of and develop a proposal for a reserve fund to operate exclusively for the purpose of paying catastrophic losses incurred by wind risks insured under policies issued by the Association and for protecting and advancing the State's interest in maintaining insurance capacity in the State. The Department and the Association shall consult with the Internal Revenue Service for the purpose of making the fund exempt from federal taxation and may consider other options, including the purchase of reinsurance, in connection with establishment of the fund. The Department and the Association shall report to the

Legislative Research Commission's Study Committee on Insurance and Insurance-Related Issues on any findings and recommendations on or before October 1, 1996, and shall report to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on the proposal on or before March 1, 1997.

Sec. 2. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 20th day of June, 1996.

Dennis A. Wicker
President of the Senate

Harold J. Brubaker
Speaker of the House of Representatives