HLS 07RS-2356 ORIGINAL

Regular Session, 2007

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HOUSE CONCURRENT RESOLUTION NO. 175

BY REPRESENTATIVE HUTTER

INSURANCE/PROPERTY: Requests the House Committee on Insurance to investigate the feasibility of establishing a regional catastrophe fund that would allow states along the Gulf Coast to pool property insurance risks and other resources as a method of reducing insurance premiums

A CONCURRENT RESOLUTION

To urge and request the House Committee on Insurance to investigate the feasibility of
establishing a regional catastrophe fund that would allow states along the Gulf Coast
to pool property insurance risks and other resources to reduce insurance premiums
throughout the Gulf Coast region.
WHEREAS, the Gulf Coast region is exposed to significant hurricane activity, which
has resulted in a catastrophic impact on the economic, human, and physical environment of
Louisiana, Mississippi, and Texas; and
WHEREAS, the cost of property insurance in a post-storm environment has
drastically increased as a result of private insurers transferring money from their capital base
or surplus to reserve accounts to satisfy the voluminous number of catastrophe loss claims
that arose from the worst hurricane season in recorded history; and
WHEREAS, many insurers are seeking massive premium increases to replenish their
capital base as a result of these unprecedented losses; and
WHEREAS, the catastrophe losses associated with the 2005 hurricanes caused many
reinsurers to reevaluate their reinsurance business and raise the cost of reinsurance for
property coverages in the storm-vulnerable regions of the country; and

1	WHEREAS, private insurers shift the increased cost of reinsurance along to their
2	policyholders, which results in higher primary property insurance premiums throughout the
3	Gulf Coast; and
4	WHEREAS, the pooling of risks through a regional catastrophe fund would make
5	the overall risk more stable, which would increase the attractiveness of that risk to the
6	reinsurance market, thereby reducing the cost of reinsurance; and
7	WHEREAS, the states along the Gulf Coast are susceptible to intense hurricanes and
8	have limited options of appropriately dealing with the increases in property insurance
9	premiums after a devastating storm; and
10	WHEREAS, it is necessary to intervene and prevent post-catastrophe market failures
11	that result in significant increases in property insurance premiums; and
12	WHEREAS, a multistate catastrophe fund would allow states to reduce the
13	uncertainty associated with catastrophe losses, which would enable them to plan for the
14	future more effectively; and
15	WHEREAS, this nontraditional alliance with other Gulf Coast states would take
16	advantage of the geographic and economic benefits of pooling resources, which would allow
17	these states to establish a cooperative catastrophic risk management plan; and
18	WHEREAS, a regional catastrophe fund would also allow states along the Gulf Coast
19	to refocus attention on pre-event planning and mitigation instead of a strict reliance on
20	disaster response and recovery; and
21	WHEREAS, a regional catastrophe fund compact would provide a multistate
22	catastrophe funding mechanism to contribute to the cost of recovery and rebuilding after a
23	catastrophe; and
24	WHEREAS, a regional catastrophe fund would allow states to pool their risks and
25	resources in a tax-advantaged fund to help ensure the availability, accessibility, and
26	affordability of insurance throughout the Gulf Coast.
27	THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby
28	urge and request the House Committee on Insurance to meet and investigate the feasibility
29	of establishing a regional catastrophe fund to pool property insurance risks and other state
30	resources to reduce insurance premiums throughout the Gulf Coast region and to report its

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1 findings to the House of Representatives prior to the convening of the 2008 Regular Session

2 of the Legislature.

DIGEST

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Hutter HCR No. 175

Requests the House Committee on Insurance to investigate the feasibility of establishing a regional catastrophe fund to pool property insurance risks and other state resources to reduce insurance premiums throughout the Gulf Coast region. Requests a report of its findings prior to the 2008 R.S.