

SB 518	Establishes the "Missouri Catastrophe Fund" to help protect property and casualty insurers against insolvencies caused by certain natural disasters
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Sponsor:	<i>Mayer</i>	<i>Co-Sponsor(s)</i>	
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Committee:	Small Business, Insurance & Industrial Relations		
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Current Bill Summary

SB 518 - This act establishes the Missouri Catastrophe Fund to help pay covered residential property damage insurance claims in the aftermath of a true catastrophe which affects Missouri homeowners and their property/casualty insurers. The fund, which will consist of premiums paid by insurers, bond revenues, and appropriated state funds, will provide a backstop for companies to insure against covered catastrophic losses to avoid the collapse of the property insurance market in the wake of a major natural disaster or other catastrophe in the state, as specified by the act (earthquakes and ice storms).

Premiums will be set by the Director of the Department of Insurance, Financial and Professional Regulation, who shall select an independent consultant to develop a formula for determining the actuarially indicated premium. The director will calculate premiums based upon the insured values under the insurer's covered policies, as reported annually to the director.

In exchange for the reimbursement premium paid to the fund by insurers, the director will enter into a contract with each insurer, promising to reimburse the insurer for a percentage of its losses in excess of the insurer's retention, plus 10% of that amount to cover loss adjustment expenses. The insurer will select the reimbursement percentage, at 45%, 75% or 90%, which may be adjusted under certain circumstances. Reimbursement amounts from the fund shall not be reduced by reinsurance paid or payable to the insurer, but the insurer's total recovery shall not exceed 100% of the insurer's losses from covered events, and any excess shall be returned to the fund, unless there is an agreement to the contrary.

The act further authorizes the director to issue bonds if moneys in the fund are insufficient to pay reimbursement at the levels agreed to in the reimbursement contracts, upon the occurrence of a covered event. The act provides that if the director determines that the amount of the actuarially indicated premiums are insufficient to fund revenue bonds to pay the reimbursement contracts, the director shall levy emergency assessments on each property and casualty insurer in the state.

The act also requires, in fiscal years in which there are no outstanding obligations of the fund, an annual appropriation of 10% to 35% of the fund's investment income for the purpose of providing funding for local governments, state agencies, public and private educational institutions, and nonprofit organizations to support programs intended to improve catastrophe preparedness, prevent and reduce potential losses from a covered loss, provide research into means to prevent and reduce such losses, educate or inform the public as to means to reduce losses from covered events, assist the

public in determining the appropriateness of particular upgrades to structures or in the financing of those upgrades, or protect local infrastructure from potential damage from a covered loss.

The "Missouri Catastrophe Fund Advisory Council" is established in the Department of Insurance, Financial and Professional Regulation to provide the director with information and advice in connection with the fund.

In anticipation of the creation of a federal or multi-state catastrophic insurance fund or reinsurance program, the act requires the director, following the creation of such fund or program, to make recommendations to the General Assembly as to how the fund can coordinate with the federal or multi-state program and for such other actions as the Treasurer determines are appropriate under the circumstances.

STEPHEN WITTE