

HB 1918 -- Missouri Catastrophe Fund

Sponsor: Brandom

This bill creates the Missouri Catastrophe Fund to help pay for covered residential property damage insurance claims after a catastrophe involving an earthquake. In its main provisions, the bill:

(1) Requires the Director of the Department of Insurance, Financial Institutions, and Professional Registration to establish the premium rate as determined by an actuarial formula developed by an independent consultant. The premiums will be paid by insurers, bond revenues, and appropriated state funds. The insurer's premiums will be calculated based on the amount of insurance coverage it provides;

(2) Allows an insurer covered under the fund to be reimbursed based on a percentage of its losses in excess of the insurer's retention, plus 10% of that amount to cover loss adjustment expenses. Insurers may elect to be reimbursed at 45%, 75%, or 90%, which can be adjusted under certain circumstances. Reimbursement amounts will not be reduced because of reinsurance payable to the insurer; however, the total amount received cannot exceed 100% of the insurer's losses from covered events. Any excess must be returned to the fund, unless agreed to otherwise;

(3) Allows the department director to issue bonds if moneys in the fund are insufficient to reimburse at the agreed to levels. If the actuarially indicated premiums are insufficient to fund revenue bonds to pay the reimbursement contracts, the department director will levy an emergency assessment to each property and casualty insurer in the state;

(4) Allows the General Assembly to appropriate from 10% to 35% of the investment income of the fund from the prior fiscal year in a fiscal year when no outstanding obligations are incurred for the purpose of funding programs intended to improve catastrophe preparedness;

(5) Establishes the Missouri Catastrophe Fund Advisory Council to provide the department director with information and advice regarding the fund and to develop prevention and mitigation standards that prevent or reduce damage from natural or manmade-covered losses; and

(6) Requires the department director, upon the establishment of a similar federal or multistate program, to recommend to the General Assembly whether to coordinate with the program, terminate Missouri's fund, or take other appropriate action.