

First Extraordinary Session, 2005

HOUSE CONCURRENT RESOLUTION NO. 43

BY REPRESENTATIVES BOWLER AND KATZ

A CONCURRENT RESOLUTION

To memorialize the United States Congress to enact comprehensive natural disaster insurance legislation affecting financial capacity that will address, encourage, and support insurance company reserving for future catastrophes by making such reserves deductible for federal income tax purposes.

WHEREAS, the loss of life and property from severe natural disasters, as evidenced by recent Hurricanes Katrina, Rita, and Wilma, represents a major national problem; and

WHEREAS, severe natural disasters, including but not limited to damages caused by windstorm and earthquake, can strike any state or several states at any time, with the potential of threatening large segments of the population of the United States; and

WHEREAS, severe natural disasters can cause losses in the tens of billions of dollars or more, threatening the solvency of insurers and the viability of insurance markets on a local, regional, and national level; and

WHEREAS, individual state responses are appropriate but limited in protecting against disasters, as state and private insurers lack the resources to cover catastrophic disasters; and

WHEREAS, the existing federal disaster programs rely a great degree on the congressional appropriation of disaster relief dollars on an ad hoc basis and at great and unnecessary cost to taxpayers; and

WHEREAS, states have documented that problems in the current insurance market are rooted in and exacerbated by federal tax policy which discourages reserving for future catastrophes; and

WHEREAS, federal tax laws and accounting principles do not permit deduction of reserves for future natural disaster losses and discourages insurers from accumulating assets to pay for future catastrophic losses; and

WHEREAS, some non-United States insurers are able to deduct reserves for future catastrophe losses free of tax, giving those insurers a competitive advantage over United States insurers by enabling them to attract insurance and reinsurance business that would otherwise be written by United States insurers; and

WHEREAS, the 1997 Coopers & Lybrand report entitled *Analysis of Pre-Event Tax-Deductible Catastrophe Reserves* underscored the following projections if congress were to enact legislation to encourage the use of pre-event tax deductible catastrophe reserves: that the property and casualty industry would build substantial catastrophe reserve funds; that overall industry assets would increase substantially; that the number of insolvencies taking place after a catastrophic disaster would significantly decrease, and that the magnitude of insolvencies taking place after a catastrophic disaster would significantly decrease; and

WHEREAS, the same Coopers & Lybrand report also underscored the further projections if congress were to enact legislation to encourage the use of pre-event tax deductible catastrophe reserves: that United States reinsurers would become more competitive in the global reinsurance marketplace; that United States insurers would likely cede monies to United States reinsurers rather than to foreign reinsurers; that federal tax receipts could dramatically increase due to increased tax revenue from underwriting profits associated with retained United States premium, investment income earned on that same premium, and profits from additional foreign premiums that would come onshore as United States reinsurers seek to diversify their catastrophic losses; and that the number of policyholders who lose insurance after a major event could decrease.

THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby memorialize the United States Congress to enact comprehensive natural disaster insurance legislation affecting financial capacity that will address, encourage, and support insurance company reserving for future catastrophes by making such reserves deductible for federal income tax purposes.

BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the presiding officers of the Senate and the House of Representatives of the Congress of the United States of America and to each member of the Louisiana congressional delegation.

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

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PRESIDENT OF THE SENATE