

PCI Hits Elements Of CAT Fund Proposal

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The Property Casualty Insurers Association of America today expressed strong reservations about an effort to create state and federal funds to backstop property insurers' natural catastrophe losses.

In a letter to the National Association of Insurance Commissioners, PCI senior Washington lobbyist Julie Gackenback said some portions of the program did not merit support while stating that "now is the time to examine a range of proposals."

The NAIC is currently considering a plan that would not only create such state and federal funds for mega-catastrophe risk but also mandate "all-perils" policies that would for the first time in nearly 40 years include flood risk.

The American Insurance Association has opposed the plan from the outset, but the PCI and the National Association of Mutual Insurance Commissioners have reacted more cautiously, with NAMIC coming out against it earlier this month.

Allstate has initiated a major public relations effort in the past several months to promulgate such a plan and is a major influence in PCI as its largest member. State Farm plays a similar role in NAMIC and last week its chief executive officer gave an endorsement of the concept at an industry forum in New York.

But no carrier has come out in favor of the all-perils policy, which would involve a significant reform of the National Flood Insurance Program.

"Certain risks have been determined to be uninsurable, such as flood, and are inappropriate for inclusion in a comprehensive policy," said PCI senior vice president Joseph Annotti.

As for the proposed state catastrophe funds, Mr. Annotti said his organization opposes mandatory state participation.

On the critical issue of a federal fund, PCI has formed a member task force to evaluate various proposals, including a federal facility, and has similar options under review, he said.