

HOUSE BILL REPORT

HJM 4027

As Reported by House Committee On:
Select Committee on Community Security

Brief Description: Petitioning the federal government for assistance for the property and casualty insurance market.

Sponsors: Representatives Hurst, Jackley, Morris, Schmidt, Simpson, O'Brien, Barlean, Hatfield, Santos, Cooper, Buck, Schual-Berke, Haigh, Lisk, Campbell, Ballasiotes, Kenney, Morell, Pflug, Chase and Linville.

Brief History:

Committee Activity:

Select Committee on Community Security: 2/6/02, 2/7/02 [DP].

Brief Summary of Bill

- Requests Congress to pass, and the President to sign, legislation that allows for a transitional period for the private insurance industry to build the capacity to absorb any future losses while also preserving state insurance regulation and consumer protections.

HOUSE COMMITTEE ON SELECT COMMITTEE ON COMMUNITY SECURITY

Majority Report: Do pass. Signed by 14 members: Representatives Hurst, Chair; Simpson, Vice Chair; Lisk, Ranking Minority Member; Ballasiotes, Barlean, Benson, Buck, Campbell, Haigh, Jackley, Kessler, Morris, O'Brien and Schual-Berke.

Staff: Ilene Miller (786-7310).

Background:

Reinsurance is a type of insurance for insurance companies. It permits primary insurers to cede losses to another insurer and spread the risk so that no single entity is hit with a financial burden beyond its ability to pay. Reinsurance serves to limit insurer liability, to stabilize businesses during turbulent market swings, and to protect against catastrophe.

The terrorist attacks of September 11, 2001, resulted in the most expensive insured event in history. Reinsurance is expected to cover a large portion of the overall costs. Some

critical reinsurance markets have responded to the terrorist attacks by excluding any future terrorist attacks from their policies issued to primary insurance companies. As a result, some primary insurance companies have limited their exposure to catastrophic losses by either terminating insurance coverage or by limiting their coverage for acts of terrorism.

Congress is currently considering legislation that would create a temporary federal program to share public and private compensation for insured losses from acts of terrorism. This legislation would protect consumers by assuring availability of appropriate insurance coverage.

Summary of Bill:

The Legislature requests that the federal government immediately enact legislation that allows a transitional period for the private insurance industry to build their ability to absorb any future losses from acts of terrorism while also preserving both state insurance regulation and consumer protections. The Legislature also requests that the President immediately sign this legislation into law.

Appropriation: None.

Fiscal Note: Not Requested.

Testimony For: If there were another terrorist attack, primary insurance companies would not be covered for such an event. Businesses are vulnerable, and our economy will be significantly affected if businesses are not covered for future terrorist attacks.

Testimony Against: None.

Testified: Representative Hurst, prime sponsor; Carrie Tellefson, Office of the Insurance Commissioner; and Mel Sorensen, National Association of Independent Insurers.