

FINDINGS

Finding #1

Georgia coastal residents and businesses who are in good faith entitled to purchase property insurance coverage are facing increased difficulty in procuring property insurance coverage through the admitted insurance market because of the potential for losses and damage from natural catastrophes in coastal areas, high reinsurance costs, and pressure from insurance companies' stockholders, financial rating agencies, and regulatory agencies.

Finding #2

The Georgia Underwriting Association (GUA) was created to maintain the Fair Access to Insurance Requirements Plan. The initial purpose of the GUA was to provide essential property insurance coverage to Georgia urban markets which became unavailable due to urban riots and urban blight. The GUA has provided and continues to provide outstanding service to Georgia citizens.

Finding #3

Many Georgia coastal residences and businesses are being forced to utilize the non-admitted insurance markets or the GUA to secure all or a portion of their habitational or commercial property insurance coverages solely due to the geographical location of their property. Many expect this trend will increase due to predictions of more frequent weather related storms in the Atlantic Basin during the next 10 to 20 years.

Finding #4 The GUA is a statutory partnership of admitted insurers in which all expenses, losses or profits are shared in proportion to each member insurer's premiums for voluntarily written habitational or commercial property insurance in Georgia.

Finding #5 The GUA partnership arrangement has worked extremely well for its original purposes; however, the arrangement does not encourage voluntary writing of habitational or commercial property insurance in geographic areas with widespread risk for incurring losses and damage from natural catastrophes.

Finding #6 The GUA statutory partnership, in its present form, penalizes insurers that voluntarily provide habitational or commercial property insurance markets in the six (6) Georgia coastal counties. The GUA's proportionate sharing is based upon the statewide market share of admitted insurers of their habitational or commercial property insurance written without specific recognition of an admitted insurer's voluntary insurance writings for habitational or commercial property risks in natural catastrophe prone areas or the additional increase in exposure due to the aforementioned voluntary insurance writings.

Finding #7 The statutory partnership of GUA is proportionate, but is not equitable to all admitted insurers, especially those penalized due to the public service they provide by voluntarily writing wind coverage

for Georgia habitational or commercial property risks in catastrophe prone areas. Furthermore, the partnership as statutorily structured does not, nor was it designed to, properly prefund all or a portion of losses and expenses associated with property loss and damage arising from a significant natural catastrophe event in any of the six (6) Georgia coastal counties.

RESOLUTIONS

Resolution #1 Due to the fact that Georgia coastal residents and businesses are facing increasing difficulties in securing available and affordable property insurance, I find it necessary to protect the health, property and welfare of the citizens of this state, to mandate an agreement for the purposes of providing coastal habitational and commercial property insurance to those individuals or entities that cannot obtain property insurance coverage in the admitted insurance market on terms comparable with those found in the remainder of the state solely due to geographical location and attendant potential exposure to risks of wind or water loss or damage.

Resolution #2 The agreement shall provide both incentives and sanctions to encourage voluntary writing by admitted insurers of habitational and commercial property insurance in the Georgia coastal territories.

Resolution #3 The agreement shall provide for the formation of a new coastal reinsurance plan for losses and damage to habitational and commercial property caused by natural catastrophes in the Georgia

coastal territories.

Resolution #4 The coastal reinsurance plan shall be referred to as the Georgia Coastal Insurance Corporation (GCIC).

Resolution #5 The GCIC shall provide that the exposure to losses and damage from natural catastrophes to habitational and commercial property insurance in the Georgia coastal counties shall be shared equitably by the admitted insurance industry giving due consideration to voluntary writings of habitational and commercial property insurance by admitted insurers in such counties.

Resolution #6 The GUA and/or the GCIC shall provide for compilation of detailed marketshare reports of habitational and commercial property insurance to be maintained by the GUA.

Resolution #7 The marketshare reports shall include the amount of premiums and number of insurance policies issued by each admitted insurer for habitational and commercial property risks for each territory as designated by Insurance Services Office, Inc. (ISO) in the Georgia coastal counties for each designated line of insurance. The marketshare report shall also include the amount of premiums and number of policies issued statewide by admitted insurers for habitational and commercial property risks.

Resolution #8 GCIC's losses and expenses shall be equitably funded by those admitted insurers with coastal habitational and commercial property insurance marketshare percentage by coastal territory less than their

statewide habitational and commercial property insurance marketshare. For the purposes of determining marketshare, habitational and commercial property insurance policies that exclude losses or damage from wind shall not be included.

Resolution #9

GCIC participation for equitable distribution of loss or damage arising from wind shall be determined by the formula contained in Exhibit A. This formula will determine each active participant's initial primary liability arising from a single event when the factor derived from this formula is multiplied by \$____,000,000 (estimate). Active participants shall be those admitted insurers having marketshare of habitational and commercial property insurance in any Georgia coastal territory lower than the insurer's statewide marketshare. Active participation does not relieve an insurer's obligations to the GUA.

Resolution #10

The GUA on behalf of the GCIC shall make available a list of all habitational and commercial property insurance policies in force, including policyholder's name, address, location of the risk, rating information, loss history and policy type. The list shall be available to each admitted insurer for the exclusive purpose of encouraging the issuance of habitational and commercial property insurance policies to be written on a voluntary basis.

Resolution #11

The GCIC agreement shall provide for maintenance of a surplus account. The surplus account shall consist of, but not limited to,

realized profit, assessments, proceeds from buyouts, capital contributions and investment income of the GCIC.

Resolution #12 The GCIC shall annually assess each admitted insurer with habitational and commercial property insurance marketshare in any Georgia coastal territory that is less than its statewide habitational and commercial property insurance marketshare. Proceeds from the assessments will be placed into and invested in the GCIC surplus account and shall not to be used in the day to day operations of GCIC or the GUA.

Resolution #13 Annual assessments by GCIC will be calculated as provided for in Exhibit B.

Resolution #14 The funds in the surplus account of the GCIC shall not be utilized except for pre-determined contingencies established by the Board of Directors of the GCIC and approved by the Georgia Insurance Commissioner on an annual basis arising from a natural catastrophe events occurring in one or more of the six (6) Georgia coastal counties. Utilization of the funds in the surplus account of the GCIC shall require the approval of the Georgia Commissioner of Insurance. Such approval shall not be withheld if the use of the funds are for a predetermined contingency.

Resolution #15 The GCIC may waive the annual assessment of an admitted insurer who commits to the voluntary writing of a specified number of habitational and commercial property insurance policies in the

deficient coastal territories or reinsuring of a specified number of habitational and commercial property insurance policies issued by the GUA. The amount of the waived assessment shall be multiplied by 3 if the insurer does not fulfill the commitment. If the GUA cedes risk to an active participant, the GUA shall receive a ceding commission that is not less than its expense ratio.

Resolution #16 GCIC shall be governed by a Board of Directors that shall be comprised of the members of the Board of Directors of the Georgia Underwriting Association in accordance with Articles of Association and Plan of Operations prepared by the Board of Directors of GCIC and accepted by the Georgia Commissioner of Insurance.

Resolution #17 The Georgia Underwriting Association shall assume liability for losses and damage to habitational and commercial property in the deficient coastal territories in excess of \$25,000,000 (estimate) arising from a single natural catastrophe event or such other amount as recommended by the Board of Directors and approved by the Commissioner.

Resolution #18 The Georgia Underwriting Association may issue bonds and borrow money pursuant to the extent permitted by law for any portion of a loss that exceeds a one (1) in ____year occurrence as determined annually by the Board of Directors.

Resolution #19 The GUA shall annually remit a reinsurance premium to the GCIC.

The basis for the premium shall be the estimated amount of premium collected in the prior fiscal year as the result of the catastrophe load included in the rates. The premium shall be paid in the form of a capital contribution to the GCIC by the GUA.

Resolution #20

The GCIC shall include a “buyout” option that permits active participants to transfer their liability to the GUA by paying a buy-out amount to the GUA. A buy-out shall not reduce an active participant’s proportional obligations to the GUA. Buy-outs are an annual option and are in addition to the assessment for active participants. Proceeds from the buy-out shall be placed into the surplus account of the GCIC. The buy-out shall be calculated by multiplying the insurer’s aggregate participation x .3 x GCIC premium for the previous fiscal year. Partial buyouts shall not be permitted.

Resolution #21

Any monies collected by the GCIC in excess of the GCIC’s maximum probable loss based on the predetermined contingency may be segregated for the ultimate formation of a natural catastrophe fund to reduce the reliance on reinsurance in the voluntary market.

Resolution #22

Upon a determination by the Georgia Commissioner of Insurance that the conditions giving rise to the establishment of the GCIC no longer exist, after the termination of all outstanding liabilities of the GCIC, the funds in the surplus account of the GCIC shall be

transferred to a successor organization of GCIC, if any, or used for public good for the improvements in the Georgia coastal infrastructure, emergency response or natural catastrophe loss mitigation. If the successor organization does not exist, any monies (if any) derived from any premium tax abatements or rebates shall be returned to the state.

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EXHIBIT B

ACTIVE PARTICIPANT ANNUAL ASSESSMENT

Annual assessment shall be determined by the difference between an insurer's statewide market share and coastal marketshare for each coastal territory by line or subline of insurance. If an insurer's coastal marketshare (by coastal territory, line or subline) exceeds its statewide marketshare, no assessment is due from such insurer. The GCIP assessment is determined by (the active participation percentages for each line or subline and each territory determined in Exhibit A) X (the corresponding premium by line or subline and territory in the GCIC) X (.3).

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