

Whereas, in order to increase insurance capacity, it is essential to the functioning of a State program that revenues received be exempt from federal taxation; Now, therefore,

1 The General Assembly of North Carolina enacts:

2 Section 1. The Department of Insurance and the North Carolina Insurance
3 Underwriting Association shall study the feasibility of and develop a proposal for a
4 reserve fund to operate exclusively for the purpose of paying catastrophic losses incurred
5 by wind risks insured under policies issued by the Association and for protecting and
6 advancing the State's interest in maintaining insurance capacity in the State. The
7 Department and the Association shall consult with the Internal Revenue Service for the
8 purpose of making the fund exempt from federal taxation and may consider other options,
9 including the purchase of reinsurance, in connection with establishment of the fund. The
10 Department and the Association shall report to the Legislative Research Commission's
11 Study Committee on Insurance and Insurance-Related Issues on any findings and
12 recommendations on or before October 1, 1996, and shall report to the President Pro
13 Tempore of the Senate and the Speaker of the House of Representatives on the proposal
14 on or before March 1, 1997.

15 Sec. 2. This act is effective upon ratification.