

1 HB321
2 174083-2
3 By Representatives Faust, Shiver, Sessions, Gaston, Baker,
4 McMillan, Bracy, Buskey, Pringle, Williams (JW), Wilcox,
5 Davis, Clarke, Drummond and Jackson
6 RFD: Insurance
7 First Read: 25-FEB-16

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8 SYNOPSIS: Under existing law, all insurers authorized
9 and writing property insurance in the State of
10 Alabama are required to be members of the Alabama
11 Insurance Underwriting Association, which was
12 established to provide a method whereby essential
13 property insurance coverage would be provided in
14 any county contiguous to the Gulf of Mexico and
15 Mobile Bay.

16 This bill would create the Alabama Coastal
17 Insurance Authority for the purpose of providing
18 affordable windstorm insurance for owners of
19 insurable property in any county contiguous to the
20 Gulf of Mexico and Mobile Bay.

21 This bill would provide for the selection of
22 the board of directors of the authority.

23 This bill would provide for the adoption of
24 the plan of operation of the authority, including
25 the process for post-loss assessments of
26 policyholders and assessable insurers.

1 This bill would authorize the sale of bonds
2 and would require assessable insurers to purchase
3 any bonds remaining unsold after 60 days based on
4 the percentage of participation of each insurer.

5 This bill would authorize the Commissioner
6 of Insurance to require the authority to submit
7 quarterly and annual financial statements and to be
8 subject to rate and form filing requirements.

9 This bill would exempt the authority from
10 paying insurance premium taxes and other license
11 and privilege taxes.

12 This bill would authorize the authority to
13 assess policyholders in the event of excess losses;
14 to record property liens to secure payments; and to
15 negotiate with local tax assessors, tax collectors,
16 or revenue commissioners for the collection of
17 assessments.

18 This bill would authorize assessable
19 insurers to recoup authority assessments from their
20 policyholders.

21 This bill would require the authority to use
22 licensed insurance producers.

23 This bill would exempt bonds, properties,
24 and income of the authority from taxation .

25 This bill would declare the debt assumed and
26 created by the authority and all bonds issued by
27 the authority to be solely and exclusively

1 obligations of the authority and not debts of the
2 state.

3 This bill would authorize the Commissioner
4 of Insurance to discontinue the Alabama Insurance
5 Underwriting Association to permit an orderly
6 transition for policyholders from the association
7 to the authority.

8
9 A BILL
10 TO BE ENTITLED
11 AN ACT

12
13 To add Chapter 22B to Title 27, Code of Alabama
14 1975, to create the Alabama Coastal Insurance Authority for
15 the purpose of providing affordable windstorm insurance for
16 owners of insurable property in any county contiguous to the
17 Gulf of Mexico and Mobile Bay; to provide for the selection of
18 the board of directors of the authority; to provide for the
19 adoption of the plan of operation of the authority, including
20 the process for post-loss assessments of policyholders and
21 assessable insurers; to authorize the sale of bonds and
22 require assessable insurers to purchase any bonds remaining
23 unsold after 60 days based on the percentage participation of
24 each insurer; to authorize the Commissioner of Insurance to
25 require the authority to submit quarterly and annual financial
26 statements and to be subject to rate and form filing
27 requirements; to require the authority to provide for reduced

1 premium rates through post-loss financing programs; to exempt
2 the authority from paying insurance premium taxes and other
3 license and privilege taxes; to authorize the authority to
4 assess policyholders in the event of excess losses; to record
5 property liens to secure payments; to authorize the authority
6 to negotiate with local tax assessors, tax collectors, or
7 revenue commissioners for the collection of assessments; to
8 authorize assessable insurers to recoup authority assessments
9 from their policyholders; to require the authority to use
10 licensed insurance producers; to exempt bonds, properties, and
11 income of the authority from taxation; to declare the debt
12 assumed and created by the authority and all bonds issued by
13 the authority to be solely and exclusively obligations of the
14 authority and not debts of the state; to authorize the
15 discontinuation of the Alabama Insurance Underwriting
16 Association to permit an orderly transition for policyholders
17 from the association to the authority; and to repeal Section
18 27-1-24, Code of Alabama 1975, providing for the creation of
19 the association.

20 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

21 Section 1. Chapter 22B is added to Title 27 of the
22 Code of Alabama 1975, to read as follows:

23 §27-22B-1.

24 This chapter shall be known and may be cited as the
25 Alabama Coastal Insurance Authority Act.

26 §27-22B-2.

1 For the purposes of this chapter, the following
2 terms shall have the following meanings:

3 (1) AFFORDABLE WINDSTORM INSURANCE. Windstorm
4 insurance for property located in any county contiguous to the
5 Gulf of Mexico and Mobile Bay, the premium for which is equal
6 to or less than the same policy issued by the authority.

7 (2) ASSESSABLE INSURER. Any insurer authorized to
8 write property insurance in this state.

9 (3) AUTHORITY. The Alabama Coastal Insurance
10 Authority.

11 (4) COMMISSIONER. The Alabama Commissioner of
12 Insurance.

13 (5) DEPARTMENT. The Alabama Department of Insurance.

14 (6) FINANCING DOCUMENTS. Any agreement or
15 agreements, instrument or instruments, or other document or
16 documents now existing or hereafter created evidencing any
17 bonds or other indebtedness of the authority or pursuant to
18 which any bonds or other indebtedness has been or may be
19 issued and pursuant to which any rights, revenues, or other
20 assets of the authority are pledged or sold to secure the
21 repayment of the bonds or indebtedness, together with the
22 payment of interest on the bonds or the indebtedness, or the
23 payment of any other obligation or financial product of the
24 authority related to the bonds or indebtedness.

25 (7) PERCENTAGE OF PARTICIPATION. The percentage
26 determined by dividing the net direct premiums of the
27 assessable insurer for property insurance written in this

1 state in the previous calendar year by the aggregate net
2 direct premium for property insurance written in this state by
3 all assessable insurers in the previous year. The percentage
4 of participation may be modified as provided in the plan of
5 operation.

6 (8) RATE REDUCTION AMOUNT. An amount to be
7 determined annually by the authority for each policy as
8 provided in the plan of operation.

9 §27-22B-3.

10 (a) It is the intent of the Legislature by the
11 enactment of this chapter to authorize the creation of the
12 authority.

13 (b) The public purpose of this chapter is to ensure
14 that there is an orderly market for windstorm insurance for
15 residents and businesses of any county contiguous to the Gulf
16 of Mexico and Mobile Bay.

17 (c) The Legislature finds that private insurers are
18 unwilling or unable to provide affordable windstorm insurance
19 coverage in any county contiguous to the Gulf of Mexico and
20 Mobile Bay to the extent sought and needed. The absence of
21 affordable windstorm insurance threatens the public health,
22 safety, and welfare and likewise threatens the economic health
23 of the state. The state therefore has a compelling public
24 interest and a public purpose to assist in assuring that
25 property in any county contiguous to the Gulf of Mexico and
26 Mobile Bay is insured against windstorms and insured at
27 affordable rates so as to facilitate the remediation,

1 reconstruction, and replacement of damaged or destroyed
2 property in order to reduce or avoid the negative effects
3 otherwise resulting to the public health, safety, and welfare,
4 to the economy of the state, and to the revenues of the state
5 and local governments which are needed to provide for the
6 public welfare. It is necessary, therefore, to provide
7 affordable windstorm insurance to applicants who are in good
8 faith entitled to procure affordable windstorm insurance
9 through the voluntary market in any county contiguous to the
10 Gulf of Mexico and Mobile Bay but are unable to do so. The
11 Legislature intends, therefore, that affordable windstorm
12 insurance be provided in any county contiguous to the Gulf of
13 Mexico and Mobile Bay and that it continue to be provided, as
14 long as necessary, through the authority, a government entity
15 that is an integral part of the state, and that is not a
16 private insurance company. To that end, the authority shall
17 strive to increase the availability of affordable property
18 insurance in any county contiguous to the Gulf of Mexico and
19 Mobile Bay, while achieving efficiencies and economies, and
20 while providing service to policyholders, applicants, and
21 agents which is no less than the quality generally provided in
22 the voluntary market, for the achievement of the foregoing
23 public purposes. Because it is essential for this governmental
24 entity to have the maximum financial resources to pay claims
25 following a catastrophic hurricane or windstorm, it is the
26 intent of the Legislature that the authority continue to be an
27 integral part of the state and that the income of the

1 authority be exempt from federal income taxation and that
2 interest on the debt obligations issued by the authority be
3 exempt from federal income taxation.

4 (d) The authority shall provide affordable windstorm
5 insurance for residential and commercial property in any
6 county contiguous to the Gulf of Mexico and Mobile Bay, for
7 applicants who are entitled, but, in good faith, are unable to
8 procure affordable windstorm insurance through the voluntary
9 market.

10 (e) The Legislature finds that the revenues of the
11 authority are revenues that are necessary to meet the
12 requirements set forth in documents authorizing the issuance
13 of bonds under this chapter.

14 (f) The income of the authority may not inure to the
15 benefit of any private person.

16 (g) This chapter shall be liberally construed in
17 order to effect the purposes of the chapter.

18 §27-22B-4.

19 (a) The Alabama Coastal Insurance Authority is
20 created as a separate and independent entity of the state. The
21 authority may incorporate. All assets in the possession of the
22 authority shall belong to the authority. There shall be no
23 distribution of income or assets other than for the benefit of
24 the authority, which shall have the right to invest and
25 reinvest those assets.

26 (b) Any insurer authorized to write property
27 insurance on the effective date of this chapter shall become

1 an assessable insurer on the effective date of this chapter.
2 Any insurer authorized to write property insurance after the
3 effective date of this chapter shall become an assessable
4 insurer on the first day of January immediately following
5 authorization.

6 (c) Any debt obligations issued by the authority,
7 their transfer, and the income therefrom, including any profit
8 made on the sale thereof, shall at all times be free from
9 taxation of every kind by the state and any political
10 subdivision or instrumentality of the state.

11 (d) Upon a determination by the department that the
12 conditions giving rise to the establishment and activation of
13 the authority no longer exist, the authority is dissolved.
14 Upon dissolution, the assets of the authority shall be applied
15 first to pay all debts, liabilities, and obligations of the
16 authority, including the establishment of reasonable reserves
17 for any contingent liabilities or obligations, and all
18 remaining assets of the authority shall become property of the
19 state and shall be deposited in the State General Fund. No
20 dissolution shall take effect as long as the authority has
21 bonds or other financial obligations outstanding unless
22 adequate provision has been made for the payment of the bonds
23 or other financial obligations pursuant to the documents
24 authorizing the issuance of the bonds or other financial
25 obligations.

26 (e) Any provision of law to the contrary
27 notwithstanding:

1 (1) The pledge or sale of the lien upon, and the
2 security interest in, any rights, revenues, or other assets of
3 the authority created or purported to be created pursuant to
4 any financing documents to secure any bonds or other
5 indebtedness of the authority shall be and remain valid and
6 enforceable, notwithstanding the commencement of and during
7 the continuation of, and after, any rehabilitation,
8 insolvency, liquidation, bankruptcy, receivership,
9 conservatorship, reorganization, or similar proceeding against
10 the authority under the laws of this state.

11 (2) A proceeding described in subdivision (1) does
12 not relieve the authority of its obligation, or otherwise
13 affect its ability to perform its obligation, to continue to
14 collect, or levy and collect, assessments or any other rights,
15 revenues, or other assets of the authority pledged pursuant to
16 any financing documents.

17 (3) Each pledge or sale of, lien upon, and security
18 interest in, including the priority of the pledge, lien, or
19 security interest, any such assessments, policyholder
20 surcharges or other surcharges, or other rights, revenues, or
21 other assets which are collected, or levied and collected,
22 after the commencement of and during the pendency of, or
23 after, any proceeding described in subdivision (1) shall
24 continue unaffected by the proceeding.

25 (4) Any pledge or sale of assessments, revenues,
26 contract rights, or other rights or assets of the authority
27 shall constitute a lien and security interest, or sale, as the

1 case may be, that is immediately effective and attaches to the
2 assessments, revenues, or contract rights or other rights or
3 assets, whether or not imposed or collected at the time the
4 pledge or sale is made. Any pledge or sale is effective,
5 valid, binding, and enforceable against the authority or other
6 entity making the pledge or sale, and valid and binding
7 against and superior to any competing claims or obligations
8 owed to any other person or entity, including policyholders in
9 this state, asserting rights in any assessments, revenues, or
10 contract rights or other rights or assets to the extent set
11 forth in and in accordance with the terms of the pledge or
12 sale contained in the applicable financing documents, whether
13 or not any person or entity has notice of the pledge or sale
14 and without the need for any physical delivery, recordation,
15 filing, or other action.

16 (5) As long as the authority has any bonds
17 outstanding, the authority may not file a voluntary petition
18 under Chapter 9 of the federal Bankruptcy Code or
19 corresponding chapter or sections as may be in effect, from
20 time to time, and a public department or any organization,
21 entity, or other person may not authorize the authority to be
22 or become a debtor under Chapter 9 of the federal Bankruptcy
23 Code or corresponding chapter or sections as may be in effect,
24 from time to time, during any such period.

25 (f) The authority is not subject to the procurement
26 provisions applicable to state agencies. The policies and
27 decisions of the authority including, but not limited to,

1 decisions relating to incurring debt, levying of assessments,
2 the issuance and sale of bonds, claims decisions under
3 authority policies, hiring and firing of employees, and all
4 services relating to the operation of the authority are not
5 subject to the provisions applicable to state agencies. The
6 authority is generally subject to the Alabama Open Meetings
7 Act and the Alabama Open Records Act; however, the following
8 records of the authority are confidential and exempt from the
9 Alabama Open Records Act:

10 (1) Underwriting files, except that a policyholder
11 or an applicant shall have access to his or her own
12 underwriting files. Confidential and exempt underwriting file
13 records may also be released to other governmental agencies
14 upon written request and demonstration of need; those records
15 held by the receiving agency remain confidential and exempt as
16 provided in this subdivision.

17 (2) Claims files, until termination of all
18 litigation and settlement of all claims arising out of the
19 same incident, although portions of the claims files may
20 remain exempt, as otherwise provided by law. Confidential and
21 exempt claims file records may be released to other
22 governmental agencies upon written request and demonstration
23 of need; those records held by the receiving agency remain
24 confidential and exempt as provided in this subdivision.

25 (3) Records obtained or generated by an internal
26 auditor pursuant to a routine audit, until the audit is
27 completed, or if the audit is conducted as part of an

1 investigation, until the investigation is closed or ceases to
2 be active. An investigation is considered active while the
3 investigation is being conducted with a reasonable, good faith
4 belief that the investigation could lead to the filing of
5 administrative, civil, or criminal proceedings.

6 (4) Matters reasonably encompassed in privileged
7 attorney-client communications.

8 (5) Proprietary information licensed to the
9 authority under contract if the contract provides for the
10 confidentiality of the proprietary information.

11 (6) All information relating to the medical
12 condition or medical status of an authority employee which is
13 not relevant to the capacity of the employee to perform his or
14 her duties, except as otherwise provided in this subdivision.
15 Exempt information includes, but is not limited to,
16 information relating to workers' compensation, insurance
17 benefits, and retirement or disability benefits.

18 (7) Information relating to negotiations for
19 financing, reinsurance, depopulation, or contractual services,
20 until the conclusion of the negotiations.

21 (8) Minutes of closed meetings regarding
22 underwriting files, and minutes of closed meetings regarding
23 an open claims file until termination of all litigation and
24 settlement of all claims with regard to that claim, except
25 that information otherwise confidential or exempt by law shall
26 be redacted.

1 (g) The authority may not be required to obtain or
2 hold a license or certificate of authority issued by the
3 commissioner or any other department. The authority may not be
4 required to participate as a member of the Alabama Insurance
5 Guaranty Association.

6 (h) There is no liability on the part of, and no
7 cause of action of any nature shall arise against, any
8 assessable insurer or its agents or employees, the authority
9 or its agents or employees, members of the board of directors
10 or their respective designees at a board meeting, authority
11 committee members, or the department or its representatives,
12 for any action taken by them in the performance of their
13 duties or responsibilities under this subsection. This
14 immunity does not apply to any of the following:

15 (1) Any of the foregoing persons or entities for any
16 willful tort.

17 (2) The authority or its producing agents for breach
18 of any contract or agreement pertaining to insurance coverage.

19 (3) The authority with respect to the issuance or
20 payment of debt.

21 (4) Any assessable insurer with respect to any
22 action to enforce the obligations of the assessable insurer to
23 the authority under this subsection.

24 (5) The authority in any pending or future action
25 for breach of contract or for benefits under a policy issued
26 by the authority.

1 (i) The authority is a political subdivision of the
2 state and exempt from corporate income tax. The premiums,
3 assessments, investment income, and other revenue of the
4 authority are funds received for providing windstorm insurance
5 coverage as required by this chapter, paying claims for
6 policies issued by the authority, securing and repaying debt
7 obligations issued by the authority, and conducting all other
8 activities of the authority, and may not be considered taxes,
9 fees, licenses, or charges for services imposed by the
10 Legislature on individuals, businesses, or agencies outside
11 state government. Bonds and other debt obligations issued by
12 or on behalf of the authority are not to be considered state
13 bonds and are not an obligation of the state. It is the intent
14 of the Legislature that the tax exemptions provided in this
15 subsection shall augment the financial resources of the
16 authority to better enable the authority to fulfill its public
17 purpose. Any debt obligations issued by the authority, their
18 transfer, and the income therefrom, including any profit made
19 on the sale thereof, shall at all times be free from taxation
20 of every kind by the state and any political subdivision or
21 local unit or other instrumentality of the state.

22 §27-22B-5.

23 (a) The Board of Directors of the Alabama Coastal
24 Insurance Authority shall consist of the State Director of
25 Risk Management, or his or her designee, and 12 members
26 appointed by and serving at the pleasure of the commissioner
27 as follows:

1 (1) Two members recommended by the two assessable
2 insurers or insurance company groups with the largest average
3 market share of property insurance written in this state over
4 the last three calendar years.

5 (2) Four members representing other assessable
6 insurers as selected by the commissioner.

7 (3) Two insurance producers as selected by the
8 commissioner. Each producer shall have at least 10 years of
9 experience in selling property and casualty insurance and
10 neither producer shall be the employee or exclusive agent of
11 any insurer. At least one of the producers shall be a resident
12 of a county contiguous to the Gulf of Mexico and Mobile Bay.

13 (4) Four business leaders with knowledge of coastal
14 homeowners insurance as selected by the commissioner. Each
15 business leader appointee shall have no less than 10 years of
16 experience in the management of a business and no business
17 leader appointee shall be affiliated with any assessable
18 insurer. At least three of the business leader appointees
19 shall be residents of a county contiguous to the Gulf of
20 Mexico and Mobile Bay.

21 (b) At least one of the six members representing
22 assessable insurers selected pursuant to subdivisions (1) and
23 (2) shall be representative of an Alabama-domiciled insurer.

24 (c) The terms of office of the initial board members
25 shall begin on the effective date of this chapter. The
26 commissioner may stagger the terms of the initial board
27 members from one to three years so that the terms of

1 approximately one-third of the members of the board expire
2 each year. Thereafter, board members shall serve terms of
3 three years. A board member may be reappointed after the
4 expiration of his or her term without limitation.

5 (d) The membership of the board of directors shall
6 be inclusive and reflect the racial, gender, geographic,
7 urban/rural, and economic diversity of the state.

8 (e) The board shall select and hire the chief
9 executive officer of the authority, subject to the approval of
10 the commissioner.

11 §27-22B-6.

12 (a) The authority shall operate pursuant to a plan
13 of operation approved by order of the commissioner. The plan
14 of operation is subject to continuous review by the
15 commissioner. The commissioner, by order, may withdraw
16 approval of all or part of a plan of operation if the
17 commissioner determines that conditions have changed since
18 approval was granted and that the purposes of the plan require
19 changes in the plan. The plan of operation of the authority
20 shall be adopted pursuant to this section, and any revision to
21 the plan of operation shall be approved by the board of
22 directors pursuant to the method provided in the plan of
23 operation and submitted to and approved by the commissioner
24 before the effective date of the revision. A copy of the
25 approved plan of operation, together with a copy of any
26 approved revision to the plan, shall be maintained for public

1 inspection, during normal business hours, at the offices of
2 the Department of Insurance.

3 (b) The plan of operation shall include the process
4 and procedures whereby a post-loss assessment shall be
5 implemented to recover losses in excess of reserves. The first
6 level of assessments shall be to policyholders up to an amount
7 equal to the rate reduction amount. The second level of
8 assessments shall be to assessable insurers.

9 (c) If any of the bonds issued by the authority
10 remain unsold 60 days after issuance, the commissioner shall
11 require all assessable insurers to purchase the bonds, which
12 purchased bonds shall be treated as admitted assets of the
13 insurers. Each insurer shall be required to purchase that
14 percentage of the unsold portion of the bond issue that equals
15 the current percentage of participation of the insurer as
16 defined in this chapter. The insurer may not be required to
17 purchase the bonds to the extent that the commissioner
18 determines that the purchase would endanger or impair the
19 solvency of the insurer, in which case all other insurers
20 shall be required to purchase their appropriate share of the
21 share of the bonds of that insurer. The bonds shall be in a
22 form approved by the commissioner. With approval of the
23 commissioner, the authority may issue bonds or incur other
24 indebtedness to retire or consolidate bonds as appropriate.

25 (d) The commissioner may require the authority to
26 submit quarterly and annual financial statements and be
27 subject to financial examinations. The authority shall pay

1 rate and form filing fees and shall pay the expenses of
2 examination as provided in Section 27-2-25, but shall
3 otherwise be exempt from the fees and taxes collected by the
4 department.

5 (e) The authority shall submit all forms and rates
6 to the commissioner for approval. The authority shall develop
7 plans designed to reduce the wind insurance premium by
8 implementing post-loss financing programs.

9 (f) The authority may assess its policyholders in
10 the event of excess losses up to the rate reduction amount as
11 defined in the plan of operation.

12 (g) The authority may secure payment of policyholder
13 assessments through the office of the county tax assessor, tax
14 collector, or revenue commissioner when necessary. The
15 assessment shall take priority over any liens on the property
16 other than a recorded mortgage and ad valorem taxes. The
17 authority may negotiate a reasonable fee to be retained by the
18 tax assessor, tax collector, or revenue commissioner for
19 providing the collection service.

20 (h) Assessable insurers may recoup authority
21 assessments from their policyholders in the manner defined in
22 the plan of operation.

23 §27-22B-7.

24 (a) The authority shall have the general power and
25 authority to maintain and carry over any unexpended surplus
26 which may exist to subsequent fiscal years. Monies may not
27 lapse or be transferred to the State General Fund or other

1 state funds. Any interest earned or investment earnings shall
2 be deposited to the credit of the authority. Monies shall be
3 used for the purpose of assisting the authority in defraying
4 expenses, paying claims, paying reinsurance costs, and
5 performing all acts that relate to the function and purpose of
6 the authority.

7 (b) The authority shall have all of the following
8 powers:

9 (1) To have succession by its corporate name until
10 it is dissolved.

11 (2) To adopt a plan of operation for the regulation
12 of its affairs and the conduct of its business.

13 (3) To adopt and use an official seal and alter the
14 same at pleasure.

15 (4) To maintain a principal office in a county
16 contiguous to the Gulf of Mexico and Mobile Bay, and such
17 other offices at such places within the state as the authority
18 may designate.

19 (5) To sue and be sued and to prosecute and defend
20 civil actions in any court having jurisdiction of the subject
21 matter and of the parties.

22 (6) To acquire by purchase, gift, condemnation, or
23 any other lawful means any real, personal, or mixed property
24 necessary or convenient in connection with the purpose for
25 which the authority is formed and to hold title to that
26 property, together with all rights incidental to its estate in
27 that property.

1 (7) To issue policies of essential property
2 insurance on insurable property in any county contiguous to
3 the Gulf of Mexico and Mobile Bay in accordance with a plan of
4 operation approved by the commissioner.

5 (8) To purchase reinsurance for all or part of the
6 risks of the authority.

7 (9) To levy and collect assessments from assessable
8 insurers.

9 (10) To establish underwriting criteria consistent
10 with the purposes of this chapter and as approved by the
11 commissioner.

12 (11) To make and enter into contracts, leases, and
13 agreements with any person necessary for or incidental to the
14 execution of the powers of the authority under this chapter,
15 including contracts and agreements for professional services
16 deemed necessary for such purpose by the authority.

17 (12) To appoint and employ managers, employees,
18 agents, fiscal advisors, and attorneys as the business of the
19 authority may require for efficient accomplishment of the
20 purpose of this chapter.

21 (13) To borrow money for its corporate purposes and,
22 in evidence of that borrowing, to sell and issue bonds of the
23 authority and to refund any of those bonds by the issuance of
24 refunding bonds, the bonds to be payable as to both principal
25 and interest solely from the revenues of the authority and
26 proceeds from the sale of the bonds as provided in this
27 chapter and, as security for payment of the principal of and

1 the interest on its bonds, to pledge the revenues and
2 anticipated revenues of the authority as provided in this
3 chapter. No bonds issued under this chapter shall constitute a
4 debt or liability of the state or any political subdivision
5 thereof other than the authority or a pledge of the faith and
6 credit of the state or of any political subdivision thereof,
7 but the bonds shall be payable solely from the revenues and
8 anticipated revenues pledged or available for that payment as
9 authorized in this chapter. All bonds shall contain on the
10 face thereof a statement to the effect that the authority is
11 obligated to pay the principal thereof and interest thereon
12 only from its revenues and the proceeds from the sale of the
13 bonds, that neither the state nor any political subdivision
14 thereof other than the authority is obligated to pay the
15 principal or interest, and that neither the faith and credit
16 nor the taxing power of the state or of any political
17 subdivision of the state is pledged to the payment of the
18 principal or interest.

19 (14) To anticipate by the issuance of its bonds, as
20 limited in this chapter, the receipt of the revenues from its
21 facilities and, as security for the payment of the principal
22 of and interest on its bonds, to enter into any lawful
23 covenant and to pledge the revenues from its facilities.

24 (15) The authority may pledge the proceeds of
25 assessments, other insurance and reinsurance recoverables,
26 policyholder surcharges and other surcharges, and other funds
27 available to the authority as the source of revenue for and to

1 secure bonds, or other indebtedness, or lines of credit or
2 other financing mechanisms issued or created, or to retire any
3 other debt incurred as a result of deficits or events giving
4 rise to deficits, or in any other way that the authority
5 determines shall efficiently recover such deficits.

6 (16) The authority may borrow funds by issuing bonds
7 or by incurring other indebtedness, and shall have other
8 powers reasonably necessary to effectuate the requirements of
9 this subsection including, but not limited to, the power to
10 issue bonds and incur other indebtedness in order to refinance
11 outstanding bonds or other indebtedness. The authority may
12 seek judicial validation of its bonds or other indebtedness.
13 The authority may issue bonds or incur other indebtedness, or
14 have bonds issued on its behalf by a unit of local government,
15 upon a determination by the authority, subject to approval by
16 the department, that the action would enable it to efficiently
17 meet the financial obligations of the authority and that the
18 financings are reasonably necessary to effectuate the purpose
19 of the authority. The authority may take all actions needed to
20 facilitate tax free status for the bonds or indebtedness,
21 including formation of trusts or other affiliated entities.
22 The authority may pledge assessments, other reinsurance
23 recoverables, policyholder surcharges and other surcharges,
24 and other funds available to the authority as security for
25 bonds or other indebtedness. It is the intent of the
26 Legislature that no action be taken whose purpose is to impair
27 any bond indenture or financing agreement or any revenue

1 source committed by contract to such bond or other
2 indebtedness.

3 (17) To invest as provided in this chapter the
4 proceeds from the sale of its bonds pending need therefor.

5 (18) To incur other forms of indebtedness including,
6 but not limited to, loans, lines of credit, letters of credit,
7 or surplus notes.

8 (19) To establish a fiscal year.

9 (20) To do all other acts and things necessary or
10 convenient to carry out the powers granted in this chapter.

11 §27-22B-8.

12 The authority shall accept application for policies
13 only through insurance producers licensed for property
14 insurance in accordance with Chapter 7, except the authority
15 is not required to appoint the producers as otherwise required
16 in Section 27-7-30.

17 §27-22B-9.

18 (a) It is the intent of the Legislature that the
19 authority be and act as a nonprofit entity. The authority is
20 granted the authority to take those steps necessary to obtain
21 federal tax exempt status.

22 (b) Any provision of law to the contrary
23 notwithstanding, the property of the authority and the income
24 therefrom and all contracts and agreements including, but not
25 limited to, insurance policies, made by the authority and
26 income therefrom shall be forever exempt from the payment of
27 any and all taxation in the State of Alabama of every kind by

1 the state and any political subdivision or other
2 instrumentality of the state including, but not limited to,
3 municipal license fees and business privilege or license taxes
4 heretofore or hereafter levied by the state or any county or
5 municipality of the state.

6 (c) The bonds of the authority and the income
7 therefrom shall be forever exempt from any and all taxation in
8 the State of Alabama.

9 (d) Any of the bonds may be used by the holder
10 thereof as security for the deposit of any funds belonging to
11 the state or to any instrumentality or agency of the state in
12 any instance where security for such deposits may be required
13 by law.

14 (e) Unless otherwise directed by a court having
15 jurisdiction thereof or by the document that is the source of
16 authority, a trustee, executor, administrator, guardian, or
17 one acting in any other fiduciary capacity, in addition to any
18 other investment powers conferred by law and with the exercise
19 of reasonable business prudence, may invest trust funds in any
20 of the bonds.

21 §27-22B-10.

22 All debts assumed or created by the authority and
23 all bonds issued by the authority shall be solely and
24 exclusively obligations of the authority and are not
25 obligations or debts of the State of Alabama. All contracts
26 and agreements including, but not limited to, insurance
27 policies, made by the authority pursuant to this chapter shall

1 be solely and exclusively obligations of the authority and are
2 not obligations of the State of Alabama.

3 §27-22B-11.

4 The governing body of any unit of local government,
5 any residents of which are insured by the authority, may issue
6 bonds from time to time to fund an assistance program, in
7 conjunction with the authority, for the purpose of defraying
8 deficits of the authority. In order to avoid needless and
9 indiscriminate proliferation, duplication, and fragmentation
10 of these assistance programs, any unit of local government,
11 any residents of which are insured by the authority, may
12 provide for the payment of losses, regardless of whether or
13 not the losses occurred within or outside of the territorial
14 jurisdiction of the local government. Any unit of local
15 government may enter into contracts with the authority and
16 with any other entity created pursuant to this section as are
17 necessary to carry out this section. Any bonds issued under
18 this section shall be payable from and secured by monies
19 received by the authority from assessments and assigned and
20 pledged to or on behalf of the unit of local government for
21 the benefit of the holders of the bonds. The funds, credit,
22 property, and taxing power of the state or of the unit of
23 local government may not be pledged for the payment of the
24 bonds.

25 §27-22B-12.

26 The commissioner may promulgate reasonable
27 regulations as are necessary or proper to carry out this

1 chapter in accordance with Chapter 2. The commissioner, by
2 regulation, may provide for the discontinuation of operation
3 of the Alabama Insurance Underwriting Association and the
4 implementation of operations of the authority created by this
5 chapter.

6 Section 2. All laws or parts of laws which conflict
7 with this act are repealed and specifically, Section 27-1-24,
8 Code of Alabama 1975, establishing the Alabama Insurance
9 Underwriting Association, is repealed effective December 31,
10 2018.

11 Section 3. This act shall become effective on the
12 first day of the third month following its passage and
13 approval by the Governor, or its otherwise becoming law.