

## HHII MEETING WITH AL DOI FEB 25, 2013

Summary of questions asked and responses given at meeting, with follow up answers from Charles Angell email 3/8/2013.

Present were Charles Angell, deputy Commissioner, Reyn Norman, General Counsel and Mark Fowler, Legislative liaison. AC and Leon Leggett, Earl Janssen, Sara Harris, Johnny Chaney, Dan Hanson and Michelle Kurtz.

1. Why are non-admitted companies not required to comply with the Clarity Law?
  - Licensed = authorized. Non-admitted do not obtain licenses. They do not submit rate manuals. The brokers are licensed. Only 3% of the AL market are non-admitted, but on the coast non-admitted companies make up 20% of the market. Non-admitteds do have to submit yearly financials.
2. The intent of the Clarity Bill was that the losses were to be broken down by fire / all wind and hail / all other perils going back to 2007. What would it take to correct this?
  - According to AL code 27-2-17 the DOI cannot extend, modify or conflict with a law. It is up to HHII if they want to submit amendments. HHII called Senator Pitman and he stated that it was the intent to go back to 2007 and break out the perils.
3. When the data is published on the web in November 2013 can there be a list of the companies that did comply and a list of those that did not comply?
  - The DOI will publish both lists: companies that did report data, and companies that did not report data (and whether they were granted a waiver or not).
4. Can you send HHII the data call from Hurricanes Ivan and Katrina?
  - So far I have not been able to get my hands on a final data call for Katrina or Ivan claims, though I do have an interim data call on Katrina. I have an inquiry into the NAIC to see what's available, though I know their data will only be statewide and not by county. I will get back to you on that.
5. Will you critique the multi-state coastal band re-insurance concept?
  - Aon Benfeld did a presentation to the South eastern zone states that examined the possibility of the wind pools of each state being able to purchase better priced re-insurance as a block, but the savings was only 14%. (thou the HHII is to collect the entire wind premium, not just the wind pools)
  - it is not a good idea to work regionally because contiguous states would be affected by the same storm. Often AL, MS and LA are affected by the same storm.
  - No state wants to be paired w. TX or FL
  - pairing non-contiguous states won't work – look what happened with Hurricane Irene and Sandy.
6. Do you know how much wind premium is collected in the coastal band?
  - No idea.
7. Does direct incurred losses include litigation expenses?
  - Yes.

8. Does direct incurred losses include re-insurance?
  - No.

9. Can you tell us what financial accounts go into direct incurred losses, besides #7 & 8?
- Direct incurred losses for the calendar year 1/1/20xx through 12/31/20xx includes:
    - (a) All losses and legal defense expense attributable to a specific claim paid during the calendar year
    - (b) All new individual claim and legal defense expense case reserves set up in the calendar year
    - (c) Any increase or decrease during the calendar year for any individual claim case reserves for losses or legal defense expense case reserves that were in existence at 12/31 of the prior year
    - (d) Some financial reports may also include bulk IBNR (Incurred But Not Reported) Reserves for losses and legal defense expense. These reserves are intended to cover any yet-unknown increases or decreases in subsequent years in the case reserves that are established at the end of the calendar year, or any claims that occurred in the calendar year but did get entered into the claims report before 12/31 of that year.
    - (e) A portion of some large claims or catastrophe claims may be ceded to a reinsurer by a carrier. Those ceded losses to reinsurers are not included in "direct incurred losses". When losses ceded to the reinsurers are deducted from the "direct incurred losses", that result is then labeled "net incurred losses", meaning "after reinsurance".