

## **AFFORDABLE HOMEOWNERS INSURANCE COMMISSION**

Monday, October 17, 2011

6:00 P.M.

### Minutes / Action Items

#### Attendees

John Caylor

Commissioner Julie P. Magee

Ragan Ingram

Senator Ben Brooks

Geoff Plott

Sid Belcher

Michelle Kurtz

Don Price

Joe Demos

Jerry Workman

Elizabeth Huntley

Carl Schneider

Gary Ellis

Aubury Fuller

Wayne Parker

Representative Joe Faust

Representative David Sessions

Joe Ruffer

Steve Simkins

Representative Steve McMillan

#### Public Comment

John Caylor called the meeting to order and issued opening remarks. After opening remarks, prayer, and the reciting of the Pledge of Allegiance, Caylor recognized the Mayor of Decatur, Don Stanford, for a few brief comments. The Commission Chair, Judge Tim Russell, was not in attendance due to a family member's death. After Mayor Stanford made his remarks, Commissioner Magee, who served as Chairman, thanked the citizens of Decatur for coming out to share their concerns and thoughts with the Commission and gave the general rules for how audience members are chosen to address the Commission. After recognizing local dignitaries, Magee turned the meeting back over to Caylor. Caylor thanked the Decatur Chamber of Commerce, the legislative delegation, and four individuals who were instrumental in hosting the event.

Terry Scruggs was the first audience member to address the Commission. Scruggs asked if the Commission is looking at problems associated with commercial insurance or just homeowners insurance. Scruggs wanted to know if citizens would have a vote on any potential increase to their homeowner's insurance policy and how much the increase might be. Scruggs also commented that he believes the free market would correct itself and the state doesn't need to socialize the insurance markets.

Scruggs stated that he believes the purpose of the Commission is to find a way to get taxpayers to support commercial real estate owners in Baldwin and Mobile counties and again asked if the citizens would have an opportunity to vote on any such increase. Senator Brooks said the Commission's goal is not to increase anyone's insurance costs; the goal is to lower insurance costs for everyone. Scruggs said all the citizens really know about the issue is what the local media report and asked for clarification from the Commission. Mr. Caylor said the Commission is there to listen to the concerns of the audience and then will address what has been heard during the working meeting portion of the forum. Caylor gave an example learned from the forum in Guntersville. The Commission had not previously heard concerns about the lack of availability of fire hydrants in rural areas. Scruggs said he appreciates the Commission trying to lower insurance premiums, but does not know if it's going to be successful and asked if the Commission is looking to other states to see what they are doing. The Commission cited Florida and the Carolinas as examples of states that have taken positive steps to lower costs.

Pat Lambert said she has been traveling around North Alabama to help those who have been affected by the tornados of April 27<sup>th</sup>. She said some people still have not received their insurance checks due to inaccurate data. Ragan Ingram said the Department of Insurance has forms available that can be faxed or mailed to help the citizens. Those forms were made available at the forum.

Lambert also had questions about what could be done if FEMA did not honor its 18-month commitment to citizens who are currently living in trailers provided to them. Senator Brooks said the coast had similar issues after the last hurricane, and he would share the lessons learned with Lambert and Senator Orr. Brooks also asked for a point of privilege to recognize Lambert for all of her hard work, specifically with saving the PACT program. Commissioner Magee also said she would get some information from the Tornado Recovery Task Force to Lambert.

Earl Jansen spoke on behalf of the Hurricane Homeowners Insurance Initiative (HHII). He said HHII doesn't want to raise the rates of any other Alabamians to subsidize the insurance rates in South Alabama.

Ed Reid said he understands that Baldwin and Mobile counties' premiums will stay the same while everyone else's rates will be increased. His company recently told him that he will have a 1% deductible based on the cost of his home if he files a single claim; he will have a deductible that is 1.5% of his home if he files a second claim; and he will have a deductible that is 2.5% of his home if he files a third claim.

Reid said the newspapers make it seem as if the Affordable Homeowners Insurance Commission (AHIC) is going to lower premiums for South Alabama and raise everyone else's.

Joe Demos said the last two or three administrations have had commissions focused on the coastal area, but Governor Bentley created a statewide commission to make sure everyone is covered.

Jimmy Hester said his deductible was increased without adequate notification from the insurance provider. When he asked about the rate increase, the company said that proper notification was provided. Hester said there was notification, but it was in such small print that it was difficult for him to see and assumes that it would be difficult for other seniors to see as well.

George Bullock asked Commissioner Magee if she had a chance to look into the issue of why his insurance rate rises while the price of his home is in decline. Magee said that she is looking into the matter. Bullock had a question about the effects of the tornados of April 27<sup>th</sup> on insurance rates in North Alabama. Ragan Ingram said the tornados have been modeled as a 1 in 250 years' storm. That means there is a 1% chance for 250 years that type of storm would occur. When insurance companies file rates with the DOI, a 20-year average of experience is placed in the insurance rate formula and the percentage those storms represents will be in the formula for 20 years. The end result is rates will not go up as much as someone might anticipate because the storm is categorized as a 1 in 250 years' type of storm and not a more prevalent type of storm. Ingram told Bullock that Aion provided the data model.

Bob McMillan said he understands there are a lot of complicated issues facing insurance companies, but he is unhappy that premiums and deductibles are increased without discussion. McMillan's deductible increased from \$1,000 to \$3,300 without making a claim. Further, he does not feel like he has been rewarded for not making frivolous claims, and there should be some kind of mechanism in place to mitigate such large rate increases. McMillan said he had some damage to a rental property, and the insurance agent has disputed every claim submitted. The insurance agent is essentially costing him lost revenue by denying his claim and preventing him from repairing his property.

Keith Kelly is a realtor from Anniston and a volunteer with the state realtors association. Kelly said he and other realtors are being flooded by reports that citizens cannot get new coverage after they have been canceled by their previous company. Kelly said potential new homebuyers are getting quotes and the rates change before they have been able to close on the home. This practice is affecting realtors' ability to sell homes. Kelly also said the amount of time it takes to settle a claim varies from company to company and is a problem, and a lot of homes are sitting on the market because people cannot afford insurance. Finally, Kelly asked about the practice of bundling policies together.

Steve Simkins asked Mr. Kelly to provide documentation identifying examples of individuals who have been denied coverage simply because their previous provider canceled the insurance policy.

Lawrence Wilson said he is going to have his homeowners policy canceled. Wilson said he has been a homeowner for eight years and has never filed a claim. ALFA told him he would be able to keep his policy if he bundled his homeowners and automobile insurance. Kelly said his girlfriend has a policy with ALFA and originally they told her that any other type of policy (she has multiple life insurance policies with ALFA) would satisfy the bundling requirement. However, that is no longer the case. Wilson requested that AHIC address the issue of bundling policies together.

Sam Ellison said that his daughter faced a situation similar to Wilson. Ellison's daughter has her policy with ALFA, but is facing cancellation if she does not bundle her policies together. Ellison asked the Commission what their position is on requiring customers to bundle policies together.

Jeanine Fowler said nearly a third of her house payment is for insurance. She also said that she lives near Perdido Bay, but does not live on the water. After shopping around for homeowners insurance, she found coverage priced from \$2,700 to \$6,000. She had to select the \$2,700 policy since that is all her family can afford. Fowler said she recently lost her job, and her husband is in the U.S. Navy and stationed abroad. In comparison, Fowler has a friend that lives on Perdido Bay in Florida and pays \$1,400 for her homeowners insurance.

Earl Jansen asked the Commission to introduce themselves to the audience.

Ed Reid then spoke again and said the realtor was correct. People are being denied coverage simply for having their previous policies canceled by their former insurance providers.

Christina Rowe asked how the authorization process works when insurance companies submit a request for a rate increase.

Ragan Ingram said that once a request is submitted, they are studied actuarially and then it is determined if the increase is appropriate for the given area. Ingram also said the state is divided into different segments, and the size of those segments depends on the size of the insurance company and the book of business that the insurance company has. Insurance companies can only submit one rate change per year.

### Working Session

#### *Legislation Subcommittee*

Senator Brooks passed out legislative packets that identified measures that have been introduced since 2005. Seven of the measures passed while other measures have yet to receive enough support. Senator Brooks said he will discuss the bills when the Commission deems it appropriate. It was discussed as to whether the legislation should be discussed during the education portion of AHIC's meetings, or if the measures should be addressed during the solutions portion. The Commission indicated that identifying what has been done up to this time would be educational for the members who have not been involved in drafting the legislation. Reviewing the measure might also allow the Commission the opportunity to identify issues that need to be addressed by an expert.

Don Price said that identifying what legislation has already been passed and discussion of those measures would help the Interstate Subcommittee because some of the intricacies of the laws are not necessarily apparent.

#### *Agenda Subcommittee*

Geoff Plott said that he would like a list from each member identifying a concern, a possible solution, and a possible expert who can address the Commission.

Steve Simkins said the Commission needs to identify the possible presenters in a quick manner. Holidays are quickly approaching and may prevent some people from participating.

Michelle Kurtz asked the Chair to draft a letter that can be submitted as a formal request to potential presenters.

Kurtz also asked that a direct connection between problems and solutions be identified and she would like the discussion of those problems and solutions included in the minutes. Kurtz feels this would ensure that AHIC “isn’t just a rubber stamp commission.”

Wayne Parker said the members have been listening to what the problems are and will try to make the best decision. He also said he could not envision AHIC being a rubber stamp since there are multiple points of view and different geographical areas represented on the Commission.

Plott asked if there were any further questions about the presented agenda.

Joe Ruffer said he thinks some of the items could be combined together. Senator Brooks asked the Chairs of the Agenda Subcommittee if the Commission should make amendments or simply adopt the agenda as it was presented. Kurtz said the process portion should be adopted in order to allow members the ability to submit topics for education and possible presenters to the Commission. Plott said those suggestions can be submitted by email to the Agenda Subcommittee.

Ingram made the observation that there is a lot of knowledge currently housed in the Commission, and we can move forward in a relatively quick manner once the process begins.

Demos asked if the next meeting should begin with “Insurance 101” and then move into the legislative portion of the meeting. Senator Brooks said the Commission needs to be cognizant that a special session could be called at any time, and the Commission should have a packet of bills ready to be introduced. Brooks also said the Legislative Subcommittee is prepared to begin at the request of the Commission. Elizabeth Huntley said she believes a legislative learning session is a great idea. It does not make sense to waste time if an issue has already been addressed.

Representative McMillan asked if the Commission should consider the next meeting date. Caylor said he would defer to Judge Russell on setting the next meeting date.

#### *The Interstate Subcommittee*

Price said the Interstate Subcommittee is focusing on what other states are doing and would incorporate items identified by other members in the list of issues covered during their next meeting.

#### *Other Items*

Gary Ellis said he has been in contact with the University of Alabama’s Insurance School to see if the Commission is any closer to receiving a graduate/Ph.D. student to assist the Commission. The University should contact Ellis with the information very soon.

Kurtz asked the Commission to try to find a location with access to WiFi for the next meeting.

After no further business, Regional Chairman John Caylor adjourned the meeting at 8:30 p.m.