

AFFORDABLE HOMEOWNERS INSURANCE COMMISSION

March 26, 2012

10:00 A.M. – 3:15 P.M.

Attendees:

Judge Tim Russell (Chair)	Gary Ellis
Senator Ben Brooks	Geoff Plott
Representative Steve McMillan	Michelle Kurtz
Representative Joe Faust	Carl Schneider
Representative David Sessions	Donald Price
Commissioner Julie Magee	Jerry Workman
Commissioner Jim Ridling	Joe Demos
Tom Malone	John Caylor
Rux Bentley	Ben Woodruff

Opening Remarks:

Chairman Judge Tim Russell greeted the members of the Affordable Homeowners Insurance Commission (AHIC) and guests. Following an opening prayer, the commission members recited the Pledge of Allegiance.

Chairman Judge Russell proceeded to thank the commission members for their commitment and their time. He explained he and Representative Faust recently had the opportunity to speak with Governor Bentley. The Governor asked quite a few questions about the commission's work and expressed excitement about its progress. The Governor appreciates everyone's involvement and sacrifices of the commission members. Judge Russell noted that there has been recent press interest in the commission's work.

Following Judge Russell's opening remarks, Dr. Veal addressed the members for an update on the progress which has been made to date. Dr. Veal stated we have reached a stage that we can now execute a plan we began, which was to get information from the commission members that reflects the commission's agenda.

Dr. Veal reminded the members that at the very first meeting, the question was asked what are the important issues as seen by each commission member with respect to four general categories.

The four general categories are: Market Based Issues, Education Issues, Regulatory/Statutory Issues and Financial Issues. The commission members were asked to provide input on these general categories and the response from the members allowed the commission to move forward to the next level. After the information was collected from the members, the commission broke out into two different groups or teams. The two teams assembled their collective ideas and discussed issues which were important to them. Dr. Veal explained this process allowed him to get a reflection of the entire commission's point of view and establish common interests. For example, in reference to Market Based Issues, a common interest was attention to building codes and how it is important for several reasons, including attracting other insurers to the state.

Dr. Veal said his group from Auburn took all the data generated from the commission's response and identified five core issues in each general category. Dr. Veal said today, the commission will add issues to these categories with the goal of identifying a portfolio of recommendations to present to the Governor.

Commissioner Magee asked Dr. Veal about the structure of the two teams and if members who were absent when the teams were assigned, would now be added to either team. Dr. Veal explained the two teams' spokespersons will present their team's findings and everyone present will have an opportunity to discuss the teams' findings.

Chairman Russell asked if the legislators on the commission will be available after lunch to answer questions and give a legislative update. Additionally, questions which were previously electronically submitted by commission members will be answered during that time.

The commission members were given a handout of the issues and points compiled by the two teams. In regard to Market Based Issues, Ben Woodruff, the spokesperson for Team 1 explained his team addressed the exploration of the feasibility of a statewide mitigation program and its possible funding sources. The group discussed structures and stronger building codes with the notion that stronger buildings result in fewer losses thereby lowering the premium costs. The team also looked at possibility of a pre-tax catastrophe account for deductibles. They addressed reinsurance and the feasibility of a state or multi-state cat fund.

Team One addressed Education Issues and suggested a consumer education program and the creation of an insurance advocate in the DOI. Regulatory Issues included enforcement of Uniform Building Code standards and licensing of sub-contractors. They also discussed feasibility of collecting data on a county by county basis and the feasibility of a regional multi-state compact. With respect to Financial Issues, they discussed "captive insurance" companies and their role in the state. Group discussion followed Team One's presentation.

Team Two spokesperson, Carl Schneider explained that his group attempted to find the true problems from a private sector standpoint as well as an industry perspective and began by looking at legislation which may be proposed and legislation which has been passed. The number one way to reduce losses is by better building. While Alabama has a state wide building code, there is no enforcement. Mr. Schneider stated of 67 Alabama counties, only 8 have county building code departments. There is a need to attract more insurance companies to Alabama. Compared to other states, Alabama has much fewer insurers. He discussed ways to attract more insurers to the state. The more the competition, the lower the rates will become.

Commission member Don Price added that when it becomes time to do feasibility studies, the state has many talented university doctorate candidates and graduate students who may be available to perform this work for the commission.

When discussing Education Based Issues, Mr. Schneider stated the building standards are becoming stronger along the coast, but the rest of the state has fallen behind. His team addressed the ways by which information regarding building standards can be communicated to the consumers and the industry. At the present time, there is no one entity a consumer can go to for information. An Insurance Institute can work with the DOI to facilitate protection of consumers and pass along vital information such as how does one rate an insurance company and how does a consumer know what to purchase from whom?

There was discussion regarding the Clarity Bill and what it means. Mr. Schneider explained the clarity bill, as proposed is actually an insurance data bill. He suggests this may confuse consumers. Additionally, Mr. Schneider said fraud is a big issue facing the consumers. Fraud is committed when misrepresentation occurs by the agent who misleads the consumer. Team Two, said Mr. Schneider, spent considerable time on discussing ways to fund these issues and identified possible funding sources. There was discussion on insurance deductibles and how they vary from carrier to carrier. Additionally, there

was group discussion on models and the importance of having correct models to be certain proper credit is given.

At the conclusion of Team Two's presentation, Dr. Veal led the commission in discussing the issues and summarizing the two team's presentations. Additions were made to the main categories by the entire commission. Dr. Veal said some of the issues can be combined into one single issue and recognized that other issues can be applied to more than one single general category. He will email his summary of the issues to the commission members.

The commission broke for lunch.

The commission resumed its meeting at 1:15 p.m. with a question and answer session led by Chairman Russell. There was discussion on the Commission's impact on the legislative process and emphasis that the commission needs to send specific recommendations to the Governor's office soon. The commission agreed that it needs to remain focused on its task of finding ways to lower insurance premiums, lower wind deductibles and give Alabama citizens more insurance choices by enticing more insurers to the state.

The commission decided to have a simple majority up or down vote on proposed insurance legislation. The commission agreed it had sufficient education and knowledge of pending bills to make a sound judgment whether or not to recommend passage of legislation.

By majority vote, the commission recommended SB 227 which proposes tax benefits for homeowners who establish a Catastrophic Savings Account.

The commission also recommended the proposal requiring insurers to offer premium discounts to homeowners statewide, who build compliant with code.

The commission recommended the proposal allowing "captive" insurance companies to market auto coverage throughout the state and be able to obtain funding from investors and/or other insurers.

By a strong majority, the commission recommended \$100 Million from the Restore Act is set aside for the Strengthen Alabama Homes Program.

The commission agreed to discuss other legislation at the next meeting.

The next meeting of the AHIC will have its next meeting on April 11. The time of the meeting will be communicated with the members by email.

Chairman Russell adjourned the meeting.