

REPORT OF STATUTORY SUBCOMMITTEE OF THE ALABAMA
AFFORDABLE HOMEOWNER'S INSURANCE COMMISSION

From Chairman-Senator Ben Brooks

JUNE 25, 2012

The Statutory Subcommittee met on two dates to review potential recommendations to the full AHIC. These meetings occurred on June 7, 2012 and June 21, 2012 in Spanish Fort, Alabama. The Chairman was Senator Ben Brooks and the Vice-Chairman was Representative Steve McMillan. The recommendations of the subcommittee are as follows:

1. Recommend re-introduction and passage of SB4 from 2009 Special Session. This bill would prohibit a percentage wind deductible for property damage unless the damage arose from a hurricane or from a named tropical storm event. The version recommended would have a "buy-back" provision.
Unanimous recommendation.
2. Recommend re-introduction and passage of SB197 from 2010 Regular Session, or passage of a similar version. The subcommittee discussed the significant growth and challenges faced by the AIUA. This bill would restructure the "write-out" process of the wind-pool to a modified "zone by zone" approach. One unit would include zones 1-3 of the pool and the second unit would include zone 4 of the pool. The subcommittee recommended that this bill, or some version of it, be considered due to the rapid growth of the pool's insured value exposure versus its ability to pay claims in the event of a catastrophe.
Unanimous recommendation.

3. Recommend re-introduction and passage of SB199 from 2010 Regular Session. This bill would require disclosure of the cost per thousand of each coverage (i.e., fire, wind, etc.) on the declaration page in the annual policy renewal package.
Unanimous recommendation.
4. Recommend re-introduction and passage of SB7 from the 2011 Regular Session. This bill would require each insurance carrier to give written notice of the availability of discounts (as made available under the 2009 Act) for mitigation/upgrading of existing homes to be more storm and wind resistant.
Unanimous recommendation.
5. Recommend the formation of a Multi-State Insurance Alternatives Advisory Committee. The Committee members would be selected by the AHIC and 75% of the membership would not be employed by the insurance industry.
Unanimous recommendation.
6. Recommend the AHIC request that the Alabama United States Congressional Delegation call for a summit to organize insurance representatives and consumer advocates to study and form solutions for the multi-state problem of rising homeowner's insurance/reinsurance costs and limited availability of homeowner's insurance. The discussion on this item was particularly focused on the reinsurance issue.
Unanimous recommendation.
7. Recommend legislation creating additional incentives for private carriers to remove policyholders from the AIUA wind pool.
Unanimous recommendation.

8. Recommend establishment of an Insurance Research Institute to serve as a non-profit consumer advocate research group to research issues which affect or potentially affect the insurance industry and consumers.
Unanimous recommendation.
9. Recommend legislation to restructure the Alabama Insurance Commission (making it similar to the structure of the Alabama Real Estate Commission). The new structure would have representatives appointed by the Governor from each of Alabama's Congressional Districts and those representatives would hire the Director of the Department.
Unanimous recommendation.
10. Recommend amendments to the existing homeowner's captive insurance statutes. These changes would be offered to increase the possibility of the formation of a captive. The amendments would authorize the captive to sell automobile coverage, would allow a captive to operate statewide, would allow the captive to participate in the state guaranty association and would allow a captive to be formed by an insurance agency.
Unanimous recommendation.
11. Recommend legislation to allow for the creation of alternative insurance market products, including but not limited to a higher deductible policy with lower premiums where a catastrophic backstop fund would be available for consumers who elect the higher deductible policy.
Unanimous recommendation.
12. Recommend that the AHIC call upon the Governor to create by Executive Order a task force which would evaluate how

municipal, county, and state building codes might impact construction costs and insurance affordability, and then make recommendations.

Unanimous recommendation.

13. Recommend that the full commission explore options to allow for the sale of policies which only cover the amount of debt on the insured home.

Unanimous recommendation.

14. Recommend that legislation be offered to mandate a public hearing by the Alabama Insurance Commissioner when the homeowner's premium rate increase in any affected jurisdiction equals 10% or greater. The public hearing would be held within the affected geographic area.

Unanimous recommendation.

*Attending the first subcommittee meeting on June 7, 2012 were subcommittee members: Senator Ben Brooks, Rep. Steve McMillan, Rep. David Sessions, Rep. Joe Faust, Michelle Kurtz.

*Attending the second subcommittee meeting on June 21, 2012 were subcommittee members: Senator Ben Brooks, Rep. Steve McMillan, Rep. David Sessions (Rep. Sessions left early), Rep. Joe Faust, Michelle Kurtz, and Rux Bentley. AHIC Commission members Chairman Tim Russell and Don Price also attended the June 21, 2012 meeting, along with non-AHIC member, Sen. Trip Pittman.