

AFFORDABLE HOMEOWNERS INSURANCE COMMISSION
Monday, August 29, 2011
5:30 P.M.

Minutes / Action Items

Attendees:

Michelle Kurtz	Carl Schneider
Representative Joe Faust	John Caylor
Commissioner Jim Ridling	Jerry Workman
Representative David Sessions	Tom Malone
Judge Tim Russell	Steve Simkins
Senator Ben Brooks	Joe Demos
Representative Steve McMillan	Sid Belcher
Aubury Fuller	Donald Price
Joe Ruffer	Wayne Parker
Commissioner Julie P. Magee	Gary Ellis
Elizabeth Huntley	Rux Bentley
Geoff Plott	Representative A.J. McCampbell
K. Carl Smith	

Opening Remarks – Upon convening the meeting, Judge Tim Russell asked Aubury Fuller to open the meeting with prayer. After the prayer and the Pledge of Allegiance, Judge Russell introduced Senator Ben Brooks as the Regional Chairman. Senator Brooks proceeded to thank everyone who helped in hosting the event, laid the ground rules for speaking opportunities and outlined the general format of the event. The format for the event was to be two 1-hour segments for public comment with a five-minute break between each segment. Individuals would be allotted two minutes to address the Commission, and representatives of an association or group would be allowed four minutes. At the completion of the two 1-hour segments, the Commission would enter into the final hour of the meeting to discuss the previous two hours of comments from the public. The final hour of the meeting remained open to the public.

Speakers:

- Alabama Bankers Association (ABA) – Ms. Karen Sullivan stated the insurance crisis is affecting lending. She said people cannot afford to maintain their homes with the high costs of maintenance. This directly leads to a higher number of foreclosures and further depresses any chance of recovery. ABA would like for the Commission to address the 300+% increase in premiums that many consumers are facing. Also acknowledged these rates have a substantial negative effect on citizens with fixed incomes.
- Ms. Carol Vaison – Vaison said she spoke with Governor Bentley about this crisis and is glad the Governor followed through on his promise of establishing the Commission. Specifically, she said her biggest problem is with high deductibles for wind insurance. Further, she said most people are basically self-insured if the policy holder pays a rate of 5%, which is the case for most people in Mobile and Baldwin counties. Vaison also does not understand why insurance rates are not decreasing, since property values are decreasing.
- Homeowners Hurricane Insurance Imitative (HHII) – Mr. Stan Virden said the residents of Mobile and Baldwin counties paid the state average for homeowner’s insurance until 2006. Today, many residents are paying six times the amount that they paid in 2006.

Viriden has studied the issue and has found no actuarial reasoning at the Department of Insurance for the rate increases. Viriden stated the actuarial models are “out of whack” and even that the model’s creator acknowledged so in a *Wall Street Journal* article. Mr. Viriden believes we need clarity, equity and availability from the industry. Also said HHII supports long-term solutions such as fortification, but problems need immediate attention today.

During a break between speakers, Senator Brooks pointed out to the audience that comment forms were available to submit to the Commission if anyone did not want to or was unable to speak to the Commission.

- Mr. Ernest Bullwinkle – Supports U.S. House Member Gene Taylor’s measure that would have allowed a wind and hail pool to be formed in conjunction with the flood and insurance pool. Bullwinkle cited that the bill made its way out of the House, but failed in the Senate. In closing, Mr. questioned what the insurance carriers were doing with the money.
- South Alabama Veterans Council – Stated there are 71,000 veterans in South Alabama counties and wind and hail coverage are their biggest concerns regarding homeowner’s insurance. The council also said potential first-time home buyers cannot afford a mortgage and the high costs of insurance, while those who already have a mortgage are now being dropped by their old providers and are going with companies that are generally unproven. The council acknowledged there is not a “silver bullet,” but hopes the Commission can “think outside the insurance box.”
- Ms. Smith – Her premiums went up 23% in one year. She suggested that all premiums be collected over the course of 12 months, not in a single lump sum. Smith also said some claims are not being paid out that will cover the cost of damages, cited her own situation where her roof was damaged and cost her \$11,400 while the claim paid to her was \$3,795.
- Eastern Shore Chamber – Carolyn Bender said it is wonderful news the northern and southern parts of the state are now working together. Ms. Bender also said this crisis is further suppressing economic development because many small business owners mortgage their homes for the capital needed to start a small businesses. Ms. Bender had three requests of the Commission: 1) come up with practical answers; 2) give the state the tools to encourage competition; 3) require clarity from the insurance industry.
- Jim Handy – Handy said homeowners should be able to opt out of coverage and that wind coverage is too narrowly defined. Handy also said the hard and fast rules (Hwy 98) need to be addressed.
- Mobile Chamber of State Governmental Affairs Committee – Ms. Gigi Armbrrecht said rate increases that are well above inflation pose a serious threat to many small business owners. She also said many cannot experience the dream of homeownership or entrepreneurship due to insurance costs that exceed the mortgage or cost of the business loan. She asked that insurance companies provide sound rationale for their pricing, encouraged more competition from companies and pushed for market-driven reforms that would ensure greater availability and affordability.

- Mr. Grimes – Grimes decided he was not going to be able to pay for his home anymore so he was going to ask the insurance company if he could rent from them.
- Baldwin County Association of Realtors – Stark Irvine said the association favors the transparency bill and thinks the Commission should not be comprised of members of the insurance industry. Irvine said the Governor should have asked other industries to nominate members who would then be chosen to serve on the Commission by the Governor.
- Mary McGuiness – Said for many people in Mobile, mitigation of the home is not an option due to living in historic districts. We must lower the cost of premiums and lower our deductibles and the transparency bill would help achieve those goals.
- Mobile Mortgage Bankers –There is an insanely high trickle-down effect on everyone. Fewer loans are being given to potential new buyers, which is keeping the market suppressed and affects everyone.
- Mr. Reynolds –If an insurance company is going to write policies in one part of the state then they should have to write them in the entire state. Reynolds also believes the Alabama premium tax should be abolished.
- United Concerned Citizens of Prichard – Severia Morris made a plea for lower insurance deductibles.
- Ms. Jones – Jones believes we should all drop our insurance providers and let them figure it out.
- Mr. Quillford – Quillford said he is on a fixed income and cannot afford any more rate increases.
- Mobile County Board of Realtors – Residential homeowners are not the only ones in trouble; commercial property owners and landlords are in trouble as well, as the increased costs are being passed on to tenants. The group suggested that Alabama use the state universities to do research on the issue; made a call for more insurance companies; urged the passage of the clarity bill; like Alabama Power, the insurance companies should be required to open their books before issuing a rate increase. Also believes the local building costs should be used when determining pricing, not the national average. The Mobile County Board of Realtors called for a rating model watchdog.
- South Alabama Regional Planning Commission – This commission restated this crisis has had an adverse effect on economic development.
- Darla Hayes – Hayes claimed that her insurance company raised her coverage when she got her roof replaced. Carriers should reward those who do not file any claims and should reward owners for improvements made to their homes. Carriers should also qualify flood zones by actual claims, not by zones.
- The Mobile Home Builders Association – The association expressed a concern for the increased costs associated with building safer homes, including supplies and education.

The association argued that new construction is built to withstand a lot, but insurance companies want homes built well enough so that there will be no claims.

- Louisa Toller – Toller emphasized a need for transparency within the insurance industry and wants everyone to quit stalling and get to work on transparency legislation.
- Linda King – King is now insured by a surplus line company after she was dropped by a major carrier. She has concerns that these surplus lines could skip-out following a catastrophic disaster because they are untested and are not required to follow all Alabama laws.
- Josephine Braden – Braden noted that increased costs have gone through the roof. Braden recently replaced the roof on her home and the roof cost less than the deductible. Braden also wants to have the opportunity to purchase the level of insurance she wants to buy, not the amount the companies order her to buy.
- Fairhope Mayor Tim Kant – Kant emphasized the need for immediate relief, not six more years of talking points. Kant suggested the need for a commission that regulates insurance carriers, suggesting that the Public Service Commission could take over those duties. Kant explained that the PSC requires power companies to open their books to the public when they seek a rate increase and suggested the same for insurance companies. Kant also suggested the need for a program for those on fixed incomes, pointed out that deductibles are too high, and called for the increased involvement of building officials in carrier zoning issues.
- Grace Chart – Chart's insurance premium skyrocketed to \$19,800 following a claim and suggested that rate increases be capped at a certain amount. She also suggested improved customer service.
- Ms. White – White posed questions relating to her roof claim, which netted her a \$157 claim check. She does not know where to go now that her roof is still damaged.
- Dave Philips – Phillips, a city employee, acknowledged that his insurance rate is \$6,000 a year and pleaded for help from the Commission.
- David Wright – Wright has a fixed income per month and is struggling to pay the ever-increasing costs of homeowner's insurance. Wright thanked the Commission for opening with prayer and acknowledged the need for moral turpitude.
- Walter Ballard – Ballard stated that the Insurance Department is not carrying out its mission by not doing a good job of protecting consumers or regulating carriers.
- Jeannette Bell – Bell says that her paychecks have not increased, yet the rate that her insurance increases is about to drive her out of the house. She cannot sell, cannot

foreclose and cannot afford the wind deductible. Homeowner's insurance is too much of a burden.

- Mark Powell – Powell wondered why there is no insurance discount for someone who pays for a quality job on their home.
- Mrs. Curry – Curry brought attention to the fact that the base rate for non-wind premiums has gone up and wants an answer.
- Joe Winians – Winians, a relator in South Baldwin County, notes that consumers have to buy more coverage than they need because they (insurance companies) are using the replacement cost coverage.
- Darlene Burkman – Burkman states that she has been fighting for three years as part of HHII, and they get no respect.

Summary of Comments:

- Functional under/un-insurance
- Lack of transparency in rate making (rate determinations)
- Seek other sources of wind insurance
- Wind deductibles are separate hurricane deductibles and should be addressed
- State is missing short-term solutions
- Lending issues exist and are contributing to the lack of? /depressed? economic recovery
- Building quality needs to be addressed
- Annual restrictions on individual rates
- Provide tax credits for those who write in coastal areas
- Establish rating commissions
- Ensure readability of insurance policies
- Require companies to write all of Alabama, or none
- Ask universities for assistance

Issues addressed by the Commission:

1. Recording of meetings
 - How to address public issues:
 - Department of Revenue's address was provided for letters to be sent by the public
 - Facebook page was announced
 - Court reporter was suggested
 - Suggested the Commission use Al.gov to have a website
2. Agenda Committee was established and will consist of: Michelle Kurtz, Aubury Fuller, Senator Ben Brooks, Steve Simkins, Wayne Parker
3. Regional Perspective:
 - Cost sharing
 - Coastal bonds

After no further business the meeting was adjourned at 7:45 PM.