

Clarity Bill – revised

*Slightly altered version of 2011 Alabama Legislative Session SB2*

*(Primary HHII change printed in blue; not approved by HHII consensus in green )*

*(Needs final polishing to be made by Legislative Reference Service)*

*(Suggested additions by Bob Hunter 20111029: earned premium; incurred losses; number of homes insured, (as well as number of policies). In addition to breaking these down by peril, they should be broken down by cause of loss, which he says gives “even greater detail than peril -- for example not just ‘fire’ but how the fire was caused.”)*

SYNOPSIS:

This bill would create the Property Insurance Clarity Act.

This bill would require insurance companies transacting business in the state to provide policy and premium information to the Department of Insurance.

This bill would require the department to provide on the department website aggregate number of policies written, the direct earned premiums, and the direct incurred losses representing the total of every insurance company doing business in Alabama, separately for perils, by Alabama zip codes, and separately for homeowners and commercial property insurance policies.

This bill would also require the department to post on the department website a comprehensive description of the actuarial model used by the department for homeowner's and commercial properties risk and other related data.

This bill would further require that these data shall guide the Department of Insurance when requiring equitable premiums throughout the state.

A BILL

TO BE ENTITLED

An Act Creating the Property Insurance Clarity Act

. . . to require insurance companies transacting business in the state to provide policy and premium information to the Department of Insurance; require the department to provide on the department website aggregate number of policies written, the direct earned premiums, and the direct incurred losses representing the total of every insurance company doing business in Alabama, separately for perils, by Alabama zip codes, and separately for homeowners and commercial property insurance policies; to require the department to post on the department website a comprehensive description of the actuarial model used by the department for homeowner's and commercial properties risk and other related data; to require that these data shall guide the Department of Insurance when requiring equitable premiums throughout the state; and to provide penalties for insurance company noncompliance.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA

Section 1.

This act shall be known and may be cited as the Property Insurance Clarity Act.

Section 2.

(a) Each insurance company (transacting) (or admitted to transact)\* business in the State of Alabama shall annually submit to the Alabama Department of Insurance, on or before October 1, 2012 separately for homeowners and commercial property insurance policies, the total amount of direct incurred losses by peril, the number of policies written, and the direct earned premiums for the prior calendar year. Aggregated totals shall be arranged by zip code. These data shall guide the Department of Insurance in protection of consumers by requiring all insurance companies to develop premium rates that are well justified, fair to all, and equitable throughout the state. (This last sentence in red brings what was expressed in Section 5 into

this part of the bill. It eliminates Section 5.)

(\*Regarding the wording “Each insurance company transacting business in the State of Alabama” vs the proposed, “Each insurance company admitted to transact business in the State of Alabama:” The HHII intent in the past has been that all companies, whether admitted or non-admitted submit the Claity Bill data.)

(b) Based upon all submitted company reports, and other information submitted to or otherwise gathered by the department, the department shall compile and maintain a statewide database and shall post on the department website separately for homeowners and commercial property insurance policies, and separately by peril the aggregate amount of direct incurred losses, the number of policies written, and the direct earned premiums, by zip code, by calendar year, on or before January 15 each year. The aggregate information compiled for the statewide database, and posted on the department website shall be updated annually.

(Alternative wording for b: **Based on the aggregate of company reports and such other information as may be available, the Department of Insurance shall compile and maintain a statewide database, separately for commercial and homeowners property insurance policies. On or before January 15 each year, the Department shall post on its public website for each of the previous twenty (20) years a commercial and a homeowners insurance chart showing by zip code and by each peril listed in the following Section 2 (c) the aggregate number of policies written, aggregate direct earned premiums, and aggregate direct incurred losses.**)

(c). The posted information shall include:

(1) Fire.

(2) Non-catastrophe, **non-tornado** wind/hail. (Should “catastrophe” be defined?) (Re-word to say “wind and hail damage, excluding damage from named storms and tornadoes.”)

(3) Catastrophe, **non-tornado** wind/hail. (Re-word to say more simply, “Named storm.”)

(4) Tornado.

(5) Wind-driven water.

(6) Water.

(7) Theft.

(8) Liability.

(9) Flood (even though federal)

(10) Crop (even though federal)

(Why are 9 and 10 necessary? Another comment: muddies the water. Perhaps they’re not useful.)

### Section 3.

The department shall also post on the department website a general description of the rate-making methodology that the department allows insurance companies to use in establishing their homeowner’s and commercial property rates.

### Section 4.

In the first year, each insurance company transacting business in this state shall provide the information required by this act, commencing with January 1, 1990. Based upon the submitted information, the department shall compile aggregate totals, pursuant to Section 2 by year, commencing with 1990 and post those aggregate totals, by county and zip code, on the department website.

### New Section 5.

These data shall guide the Department of Insurance in **protection of the consumers by requiring all insurance companies (to develop premium rates that are well justified, fair to all, and equitable throughout the state .) or (charge equitable premiums throughout the state.)** (Does this need to be fleshed out any more.) (For example, if the data indicates companies charge too much – not just don’t charge fairly around

the state, but also charge too much – should the data be used to square the models to the historical data in that case?)

#### Section 6.

(a) The commissioner and employees of the department shall incur no liability (why not?) and no cause of action of any nature shall lie against the commissioner or any employee of the department for any action taken pursuant to this act.

(b) Upon written request of an insurance company, the Department of Insurance may waive, or extend for up to an additional 90 days the October 1 reporting requirement imposed by this act. The request shall demonstrate a reasonable cause for waiving or extending the deadline.

(c) Any insurance company granted a 90-day extension that fails to comply on or before the 90th day shall be fined two thousand five hundred dollars (\$2,500) per day, by the department until the date of compliance. Any funds collected pursuant to this subsection shall be deposited into the State General Fund.

(d) Any insurance company failing to comply for more than 30 days after extension shall immediately be suspended from selling new policies of insurance of any kind in this state until such time as the insurance company is in compliance.

#### Section 7.

This act shall become effective on the first day of the third month following its passage and approval by the Governor, or its otherwise becoming law.