

1 HB513  
2 167659-1  
3 By Representatives Davis, McMillan, Faust, Shiver, Gaston,  
4 Pringle, Sessions, Wilcox, Williams (JW), Jackson, Buskey,  
5 Baker, Clarke, Drummond and Bracy  
6 RFD: Insurance  
7 First Read: 21-APR-15

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8 SYNOPSIS: Under existing law, the Board of Directors  
9 of the Alabama Insurance Underwriting Association  
10 is selected pursuant to the plan of operation of  
11 the association, membership in the association is  
12 required for all insurers authorized and writing  
13 fire and extended coverage insurance in this state,  
14 newly authorized insurers become members of the  
15 association on November 1 next following the  
16 effective date of authorization, and certain  
17 coverage territories are specifically defined.

18 This bill would provide further for the  
19 selection of the Board of Directors of the Alabama  
20 Insurance Underwriting Association.

21 This bill would require membership in the  
22 association for all insurers authorized in this  
23 state for fire and extended coverage insurance.

24 This bill would provide for newly authorized  
25 insurers to become members of the association on  
26 January 1 next following the effective date of  
27 authorization.

1                   This bill would also require coverage  
2                   territories to be specified in the plan of  
3                   operation.

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5                   A BILL  
6                   TO BE ENTITLED  
7                   AN ACT

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9                   To amend Section 27-1-24, Code of Alabama 1975,  
10                  relating to the Alabama Insurance Underwriting Association; to  
11                  provide for the selection of the members of the Board of  
12                  Directors of the Alabama Insurance Underwriting Association;  
13                  to require all insurers authorized for fire and extended  
14                  coverage insurance to be members of the association; to  
15                  require newly authorized insurers to become members of the  
16                  association on January 1 next following the effective date of  
17                  authorization; and to require coverage territories to be  
18                  specified in the plan of operation.

19                  BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

20                  Section 1. Section 27-1-24 of the Code of Alabama  
21                  1975, is amended to read as follows:

22                  "§27-1-24.

23                  "(a) Every insurer authorized to write ~~and engaged~~  
24                  ~~in writing, on a direct basis,~~ fire and extended coverage  
25                  insurance in Alabama shall be and remain a member of the  
26                  Alabama Insurance Underwriting Association, an unincorporated  
27                  nonprofit joint underwriting association ~~organized in 1970 and~~

1 ~~in continuous existence from 1970 through November 1, 2008.~~

2 Every such insurer shall be and remain a member of the  
3 association so long as the association is in existence as a  
4 condition of such insurer's authority to continue to transact  
5 the business of insurance in Alabama. An insurer that ceases  
6 to be a member of the association due to withdrawal from the  
7 business of insurance in Alabama or ~~its~~ the withdrawal from  
8 ~~writing~~ its authority to write fire and extended coverage  
9 insurance in Alabama remains liable to the association as to  
10 contracts entered into during the insurer's membership in the  
11 association to the same extent and effect as if the insurer's  
12 membership in the association had not been terminated.

13 "(b) An insurer that becomes authorized ~~and is~~  
14 ~~engaged in writing~~ to write insurance that requires the  
15 insurer to be a member of the association after November 1,  
16 2008, shall become a member of the association on the November  
17 1 following the effective date of the insurer's authorization.

18 "(c) The plan of operation, articles of agreement,  
19 and rules and procedures of the Alabama Insurance Underwriting  
20 Association ~~effective January 1, 2008,~~ shall be adopted  
21 pursuant to this section, and any revisions thereto shall be  
22 approved pursuant to the method set forth in the plan of  
23 operation, articles of agreement, or rules and procedures by  
24 the board of directors and submitted to and approved by the  
25 commissioner before the effective date thereof. A copy of the  
26 approved plan of operation and articles of agreement, together  
27 with a copy of any approved revisions thereto, will be

1 maintained for public inspection in the Department of  
2 Insurance.

3 "(d) The Alabama Insurance Underwriting Association  
4 shall have the general power and authority, in addition to the  
5 powers and authority already provided through its plan of  
6 operation, articles of agreement, and rules and procedures, to  
7 maintain and carry over any unexpended surplus which may exist  
8 to subsequent fiscal years. Monies shall not lapse or be  
9 transferred to the General Fund or other state funds and  
10 retained surplus shall not be ~~redistributed~~ distributed to  
11 member insurers. Any interest earned or investment earnings  
12 shall be deposited to the credit of the association. Monies  
13 shall be used for the purpose of assisting the association in  
14 defraying expenses, paying claims, paying reinsurance costs,  
15 and performing all acts that relate to the function and  
16 purpose of the association.

17 "(e) The Alabama Insurance Underwriting Association  
18 shall have the general power and authority to issue bonds,  
19 surplus notes or other debentures and solicit and accept  
20 goods, loans, and grants.

21 ~~"(f) The Beach Area consists of the gulf front,  
22 beach, and seacoast areas of Baldwin and Mobile Counties as  
23 designated by the Insurance Services Office, Inc~~ The plan of  
24 operation shall specify the coverage territories.

25 "(g) (1) The Board of Directors of the Alabama  
26 Insurance Underwriting Association shall consist of the

1 Director of Risk Management of the state and all of the  
2 following members:

3 "a. Two member insurers, representing the insurance  
4 companies or insurance company groups with the largest average  
5 market share of voluntary wind coverage written in Baldwin and  
6 Mobile Counties over the three calendar years immediately  
7 preceding the effective date of the act adding this  
8 subdivision. Of the initial members, the company or group with  
9 the largest market share shall serve an initial term of two  
10 years and the company or group with the second largest market  
11 share shall serve an initial term of three years. Subsequent  
12 members shall be determined by the average market share of  
13 voluntary wind coverage written in Baldwin and Mobile Counties  
14 during the three calendar years immediately preceding the  
15 expiration of the term.

16 "b. Four member insurers selected by the  
17 Commissioner of Insurance. Of the initial selections, two  
18 members shall serve initial terms of one year, one member  
19 shall serve an initial term of two years, and one member shall  
20 serve an initial term of three years. At least one of the six  
21 insurers selected pursuant to paragraph a. and this paragraph  
22 shall be an insurer domiciled in Alabama.

23 "c. Two insurance producers selected by the  
24 Commissioner of Insurance. Each producer appointee shall have  
25 at least 10 years of experience in selling property and  
26 casualty insurance, neither producer appointee shall be the  
27 employee or exclusive agent of any insurer, and at least one

1 producer appointee shall be a resident of Mobile or Baldwin  
2 County. One of the initial producer appointees shall serve an  
3 initial term of one year and one of the initial producer  
4 appointees shall serve an initial term of two years.

5 "d. Four business leaders with knowledge of coastal  
6 homeowners insurance selected by the Commissioner of  
7 Insurance. Each business leader appointee shall have at least  
8 10 years of experience in the management of a business, none  
9 of the business leader appointees shall be affiliated with any  
10 member insurer, and at least three of the business leader  
11 appointees shall be a resident of Mobile or Baldwin County. Of  
12 the initial business leader appointees, one shall serve an  
13 initial term of one year, one shall serve an initial term of  
14 two years, and two shall serve initial terms of three years.

15 "(2) The terms of the board of directors serving  
16 immediately before the effective date of the act adding this  
17 subdivision shall end on October 31 next following the  
18 effective date of the act adding this subdivision, and the  
19 terms of the directors selected pursuant to this subsection  
20 shall begin on November 1 next following the effective date of  
21 the act adding this subdivision. All terms of directors after  
22 the initial terms shall be for three years.

23 "(3) A director may be reappointed after the  
24 expiration of his or her term, without limitation.

25 "(4) The six member insurers selected as described  
26 in paragraphs a. and b. of subdivision (1) shall designate a  
27 representative knowledgeable in the matters of the association

1 and shall authorize that representative to act and vote on  
2 behalf of the member insurers.

3 "(5) A vacancy in the position of director shall be  
4 filled in the same manner as the original appointment for the  
5 unexpired term.

6 "(6) In making appointments pursuant to paragraphs  
7 c. and d. of subdivision (1), the commissioner shall consider  
8 the racial, gender, geographical, urban/rural, and economic  
9 diversity of the state."

10 Section 2. This act shall become effective on the  
11 first day of the third month following its passage and  
12 approval by the Governor, or its otherwise becoming law.