

1 SB390
2 167659-1
3 By Senators Hightower, Figures, Albritton, Glover and Pittman
4 RFD: Banking and Insurance
5 First Read: 16-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.