

1 SB335
2 136078-1
3 By Senator Smitherman
4 RFD: Banking and Insurance
5 First Read: 14-MAR-13

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8 SYNOPSIS: To repeal portions of Title 27 of the Code
9 of Alabama 1975.

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11 A BILL
12 TO BE ENTITLED
13 AN ACT
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15 Relating to the Alabama Insurance Code, to repeal
16 the following:

17 27-3-21 (a) The commissioner may, in his discretion,
18 suspend or revoke an insurer's certificate of authority if,
19 after a hearing thereon, he finds that the insurer has
20 willfully violated any material provision of this title other
21 than those for which suspension or revocation is mandatory or
22 has failed to pay applicable taxes with respect to a preceding
23 calendar year as required by this title. (b) The commissioner
24 shall, after a hearing thereon, suspend or revoke an insurer's
25 certificate of authority if he finds that the insurer: (1) Is
26 in unsound condition, or is in such condition or is using such
27 methods and practices in the conduct of its business as to

1 render its further transaction of insurance in this state
2 hazardous to its policyholders or to the public; (2) Has
3 refused to be examined or to produce its accounts, records,
4 and files for examination or if any of its officers or agents
5 have refused to perform any legal obligation relative thereto
6 or have refused to give information with respect to its
7 affairs when required by the commissioner; (3) Has failed to
8 pay any final judgment entered against it in this state within
9 30 days after the judgment became final, or within 30 days
10 after the time for taking an appeal has expired or within 30
11 days after dismissal of appeal before final termination,
12 whichever date is later; (4) With such frequency as to
13 indicate its general business practice in this state: a. Has,
14 without just cause, refused to pay proper claims arising under
15 coverages provided by its policies, whether the claim is in
16 favor of an insured or is in favor of a third person with
17 respect to liability of an insured to such third person; or
18 b. With like frequency and without just cause, compels
19 insureds or claimants in this state to accept less than the
20 amount due them or compels them to employ attorneys or to
21 bring an action against the insurer or such an insured to
22 secure full payment or settlement of such claims; provided,
23 that as a condition precedent to a revocation or suspension of
24 the insurer's certificate of authority under this subsection
25 there has been a prior determination that the insured has
26 engaged in an unfair method of competition or an unfair act or
27 practice in the business of insurance; or (5) Is affiliated

1 with and under the same general management or interlocking
2 directorate or ownership as another insurer which transacts
3 direct insurance in this state without having a certificate of
4 authority therefor, except as permitted as to surplus line
5 insurers under Chapter 10 of this title. (c) The commissioner
6 may, in his discretion and without advance notice on a hearing
7 thereon, immediately suspend the certificate of authority of
8 any insurer as to which proceedings for receivership,
9 conservatorship, rehabilitation, or other delinquency
10 proceedings have been commenced in any state by the insurance
11 supervisory official of such state.

12 27-3-22 (a) Suspension or revocation of an insurer's
13 certificate of authority shall be by the commissioner's order
14 given to the insurer as provided by Section 27-2-18. The
15 commissioner shall promptly also give notice of such
16 suspension or revocation to the insurer's agents in this state
17 of record in the commissioner's office. The insurer shall not
18 solicit or write any new coverages in this state during the
19 period of any such suspension or revocation. (b) In his
20 discretion, the commissioner may cause notice of any such
21 revocation to be published in one or more newspapers of
22 general circulation published in this state. (c) Upon
23 revocation or suspension of the certificate of authority of a
24 surety insurer, the commissioner shall so notify each officer
25 in this state authorized to approve official bonds by circular
26 letter stating the grounds of such suspension or revocation.

1 27-3-23 (a) Suspension of an insurer's certificate
2 of authority shall be for such period as is fixed by the
3 commissioner in the order of suspension, but not to exceed one
4 year from the date of suspension, unless the commissioner
5 shortens or rescinds such suspension or the order upon which
6 the suspension is based is modified, rescinded, or reversed.

7 (b) During the period of suspension the insurer shall file its
8 annual statement, pay fees, licenses and taxes as required
9 under this title as if the certificate had continued in full
10 force, and it may service its outstanding policies and adjust
11 losses thereunder. (c) Upon expiration of the suspension

12 period, if within such period the certificate of authority has
13 not otherwise terminated, the insurer's certificate of
14 authority shall automatically reinstate unless the
15 commissioner finds that the causes of the suspension have not
16 been removed or that the insurer is otherwise not in
17 compliance with the requirements of this title, of which the
18 commissioner shall give the insurer notice not less than 30
19 days in advance of the expiration of the suspension period. If
20 not so automatically reinstated, the certificate of authority
21 shall be deemed to have expired as of the end of the

22 suspension period or upon failure of the insurer to continue
23 the certificate during the suspension period, whichever event
24 first occurs. (d) Upon reinstatement of the insurer's
25 certificate of authority, the authority of its agents in this
26 state to represent the insurer shall likewise reinstate. The
27 commissioner shall promptly notify the insurer and its agents

1 in this state of record in the department of such
2 reinstatement.

3 27-3-24 (a) Each insurer applying for a certificate
4 of authority to transact business in this state shall file
5 with the commissioner an appointment of the commissioner and
6 his successors in office, on a form as furnished by the
7 commissioner, as its attorney upon whom may be served all
8 lawful process in any action or proceeding against it in this
9 state and therein shall agree that any such process served
10 upon such attorney shall be of the same force and validity as
11 if served on the insurer. The appointment shall be
12 irrevocable, shall bind the insurer and any successor in
13 interest or to the assets or liabilities of the insurer and
14 shall remain in effect as long as there is outstanding in this
15 state any obligation or liability of the insurer resulting
16 from its transactions therein. (b) At the time of such
17 appointment of the commissioner as its process agent, the
18 insurer shall file with the commissioner designation of the
19 name and address of the person to whom process against it
20 served upon the commissioner is to be forwarded. The insurer
21 may change such designation by a new filing.

22 27-3-25 (a) Service of process upon the commissioner
23 as process agent of the insurer under Section 27-3-24 shall be
24 made by the proper officer of Montgomery County by serving
25 copies in triplicate of the process upon the commissioner or
26 upon his assistant, deputy or other person in charge of his
27 office. Upon receiving such service, the commissioner shall

1 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

2 Section 1. Sections 27-3-21 to 27-3-25, Code of
3 Alabama 1975, are repealed.

4 Section 2. This act shall become effective
5 immediately following its passage and approval by the
6 Governor, or its otherwise becoming law.