

1 HB728
2 141002-1
3 By Representatives McMillan, Sessions, Gaston, Fincher, Davis,
4 Bracy, Faust, Mitchell and Barton
5 RFD: Insurance
6 First Read: 19-APR-12

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8 SYNOPSIS: Under existing law, a personal property
9 insurer is not required to provide to an insured
10 the premium detail for catastrophe wind coverage,
11 non-catastrophe wind coverage, and non-wind
12 coverage on each homeowner and dwelling insurance
13 policy.

14 This bill would make such requirement.

15
16 A BILL
17 TO BE ENTITLED
18 AN ACT

19
20 Relating to insurance; to require a personal
21 property insurer to provide to an insured the premium detail
22 for catastrophe wind coverage, non-catastrophe wind coverage,
23 and non-wind coverage on each homeowners and dwelling
24 insurance policy.

25 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

26 Section 1. As used in this act, the following words
27 shall have the following meanings:

1 (1) CATASTROPHE WIND COVERAGE. Coverage for which
2 rates are developed utilizing property storm computer models.

3 (2) EARNED PREMIUMS. Amount computed and reported
4 for the calendar year separately for non-wind coverage,
5 non-catastrophe wind coverage, and catastrophe wind coverage.

6 (3) INCURRED LOSSES. The paid losses and change in
7 case loss reserves, before application of reinsurance, for the
8 calendar year, reported separately for all non-wind causes of
9 loss combined, non-catastrophe wind losses, and catastrophe
10 wind losses. A catastrophe is a weather event so identified by
11 ISO or the NAIC.

12 (4) NON-CATASTROPHE WIND COVERAGE. Wind coverage for
13 which computer models are not utilized in developing rates.

14 (5) NON-WIND COVERAGE. All other coverages in the
15 property policy not included in subdivisions (1) and (4).

16 (6) POLICY COUNTS. The number of policies written
17 during the calendar year. One policy with full coverage will
18 be counted three times: Once for non-wind coverage; once for
19 non-catastrophe wind coverage; and once for catastrophe wind
20 coverage.

21 (7) TOTAL INSURED VALUE. The sum of the property
22 coverage limits for buildings on the premises.

23 Section 2. Any admitted personal property and
24 personal auto insurer writing in the state shall do all of the
25 following:

26 (1) A personal property insurer shall provide new
27 and renewal insureds with premium detail separately and

1 combined on the policy declarations page for catastrophe wind
2 coverage, non-catastrophe wind coverage, and non-wind coverage
3 on each homeowners and dwelling insurance policy. All proposed
4 rates filed with 2014 effective dates shall be submitted to
5 the Department of Insurance and displayed in the insurer's
6 rate manual providing property rates separately in this
7 manner.

8 (2) A personal property insurer shall annually
9 provide the Department of Insurance with policy counts, total
10 insured values, earned premiums, and incurred losses
11 separately for catastrophe wind coverage, non-catastrophe wind
12 coverage, and non-wind coverage, and separately for
13 owner-occupied homes versus tenants or condominiums, by county
14 and Zip Code, beginning with 2012 data.

15 (3) A personal property and personal auto insurer
16 that utilizes an insured's credit history in determining the
17 insured's policy premium shall annually inform an insured of
18 the option to request that his or her policy be re-rated using
19 updated credit information, if it has been at least 12 months
20 since the insured's prior credit information was obtained.

21 (4) A personal property insurer that utilizes an
22 insured's credit history in determining the insured's policy
23 premium, credit rating factors utilized in the premium
24 calculation shall be filed separately for non-wind coverages,
25 non-catastrophe wind coverage, and catastrophe wind coverage,
26 and those rating factors shall properly reflect the

1 predictability of future losses for those three coverages from
2 the insured's credit history.

3 Section 3. (a) (1) All personal property rate filings
4 submitted to the Department of Insurance on or after January
5 1, 2014, shall provide property rates separately for non-wind
6 coverages and either combined or separately for
7 non-catastrophe wind coverage and catastrophe wind coverage.
8 The approved rates shall be displayed in the insurer's rate
9 manual in like manner for these coverages.

10 (2) Beginning with policies effective January 1,
11 2014, all personal property insurers shall provide on each
12 homeowners and dwelling insurance policy declarations page,
13 for both new and renewal policies, separate premiums for
14 catastrophe wind coverage, non-catastrophe wind coverage, and
15 non-wind coverage, as well as a total premium for the policy.

16 (b) All personal property insurers shall annually
17 provide the Department of Insurance with calendar year policy
18 counts, total insured values, earned premiums, and incurred
19 losses separately for catastrophe wind coverage,
20 non-catastrophe wind coverage, and non-wind coverage, and,
21 separately, owner-occupied homes versus tenants or
22 condominiums, by county and Zip Code, beginning with 2012 data
23 to be reported no later than May 1, 2013, and annually
24 thereafter. The department shall aggregate this data for all
25 insurers combined and publish the results annually on its
26 website. Data for individual insurers shall remain

1 confidential and shall not be available to non-department
2 personnel.

3 (c) (1) Beginning with policies effective January 1,
4 2013, accompanying every new and renewal personal property and
5 personal auto policy for which the premium was determined
6 utilizing in part the insured's credit history, the insurer
7 shall disclose to the insured the option to, and the procedure
8 by which the insured may, request that his or her policy be
9 re-rated using updated credit information if it has been at
10 least 12 months since the insured's prior credit information
11 was obtained by the insurer. The form of this disclosure to
12 the insured shall be readily evident to and readable by the
13 insured.

14 (2) All requests for re-rating shall be performed if
15 the new credit information shall result in a lower premium for
16 the insured. For an insured requesting that updated credit
17 information be used in rating his or her policy, with the
18 result being a higher policy premium, the insurer shall state
19 in the rate manual whether the insurer will uniformly, for all
20 such insureds, impose the premium increases immediately or
21 forego the premium increases for a specific stated period of
22 time.

23 (d) All personal property rate filings submitted to
24 the department on or after January 1, 2014, that utilize an
25 insured's credit history in calculating the insured's policy
26 premium shall provide credit rating factors separately for
27 non-wind coverages and either combined or separately for

1 non-catastrophe wind coverage and catastrophe wind coverage,
2 accompanied by statistical support of those rating factors.
3 The approved factors shall be displayed in the insurer's rate
4 manual in like manner for these coverages.

5 Section 4. This act shall become effective on the
6 first day of the third month following its passage and
7 approval by the Governor, or its otherwise becoming law.