

1 HB729
2 136455-1
3 By Representatives Sessions, Barton, Fincher, Davis, Gaston,
4 Scott, Bracy, Buskey, Kennedy, Mitchell, Faust and McMillan
5 RFD: Insurance
6 First Read: 19-APR-12

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8 SYNOPSIS: The insurance plan known as the Alabama
9 Insurance Underwriting Association and its articles
10 of agreement, plan of operation, and rules and
11 procedures are set out in Section 27-1-24, Code of
12 Alabama 1975.

13 This bill would provide that the Coastal
14 Area of the state would consist of Zones 1, 2, 3,
15 and 4 as designated by the association. The bill
16 would provide for credit for voluntary insurance
17 writings in the Coastal Area on the basis of two
18 units, Unit One and Unit Two. Unit One would
19 consist of Coastal Area Zones 1, 2, and 3. Unit Two
20 would consist of Coastal Area Zone 4. Credit would
21 be calculated separately for each unit on the basis
22 of 100 percent for fire insurance policies, 75
23 percent for home owners and mobile home owners
24 policies, and 50 percent for commercial
25 multi-perils policies.

26
27 A BILL

1 TO BE ENTITLED

2 AN ACT

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4 To amend Section 27-1-24, Code of Alabama 1975,
5 relating to the Alabama Insurance Underwriting Association, to
6 define the term "Coastal Area," and to add a provision
7 relating to credits for voluntary insurance writings in the
8 Coastal Area.

9 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

10 Section 1. Section 27-1-24, Code of Alabama 1975, is
11 amended to read as follows:

12 "§27-1-24.

13 "(a) Every insurer authorized to write and engaged
14 in writing, on a direct basis, fire and extended coverage
15 insurance in Alabama shall be and remain a member of the
16 Alabama Insurance Underwriting Association, an unincorporated
17 nonprofit joint underwriting association organized in 1970 and
18 in continuous existence from 1970 through November 1, 2008.
19 Every such insurer shall be and remain a member of the
20 association so long as the association is in existence as a
21 condition of such insurer's authority to continue to transact
22 the business of insurance in Alabama. An insurer that ceases
23 to be a member of the association due to withdrawal from the
24 business of insurance in Alabama or its withdrawal from
25 writing fire and extended coverage insurance in Alabama
26 remains liable to the association as to contracts entered into
27 during the insurer's membership in the association to the same

1 extent and effect as if the insurer's membership in the
2 association had not been terminated.

3 "(b) An insurer that becomes authorized and is
4 engaged in writing insurance that requires the insurer to be a
5 member of the association after November 1, 2008, shall become
6 a member of the association on the November 1 following the
7 effective date of the insurer's authorization.

8 "(c) The plan of operation, articles of agreement,
9 and rules and procedures of the Alabama Insurance Underwriting
10 Association effective January 1, 2008, shall be adopted
11 pursuant to this section, and any revisions thereto shall be
12 approved pursuant to the method set forth in the plan of
13 operation, articles of agreement, or rules and procedures by
14 the board of directors and submitted to and approved by the
15 commissioner before the effective date thereof. A copy of the
16 approved plan of operation and articles of agreement, together
17 with a copy of any approved revisions thereto, will be
18 maintained for public inspection in the Department of
19 Insurance.

20 "(d) The Alabama Insurance Underwriting Association
21 shall have the general power and authority, in addition to the
22 powers and authority already provided through its plan of
23 operation, articles of agreement, and rules and procedures, to
24 maintain and carry over any unexpended surplus which may exist
25 to subsequent fiscal years. Monies shall not lapse or be
26 transferred to the General Fund or other state funds and shall
27 not be redistributed. Any interest earned or investment

1 earnings shall be deposited to the credit of the association.
2 Monies shall be used for the purpose of assisting the
3 association in defraying expenses, paying claims, paying
4 reinsurance costs, and performing all acts that relate to the
5 function and purpose of the association.

6 "(e) The Alabama Insurance Underwriting Association
7 shall have the general power and authority to issue bonds,
8 surplus notes or other debentures and solicit and accept
9 goods, loans, and grants.

10 ~~"(f) The Beach Area consists of the Gulf Front,
11 Beach and Seacoast areas of Baldwin and Mobile Counties as
12 designated by the Insurance Services Office, Inc. On and after
13 the effective date of the act amending this subsection, the
14 Coastal Area of the state consists of Zones 1, 2, 3, and 4 as
15 designated by the Alabama Insurance Underwriting Association.~~

16 "(g) (1) On and after the effective date of the act
17 adding this subsection, all members of the association shall
18 participate in the writings, expenses, profits, and losses of
19 the association in the proportion that the net direct premium
20 of the member written in Alabama during the preceding calendar
21 year bears to the aggregate net direct premiums written in
22 Alabama by all members of the association, as certified by the
23 association. Credit for voluntary writings in the Coastal Area
24 shall be calculated on the basis of two units, Unit One, which
25 shall consist of Zones 1, 2, and 3, and Unit Two, which shall
26 consist of Zone 4. Credit shall be calculated separately for
27 Unit One and Unit Two on the basis of 100 percent credit for

1 fire policies, 75 percent credit for homeowners and mobile
2 homeowners policies, and 50 percent credit for commercial
3 multi-perils policies. The total credit for each unit shall be
4 allowed separately for premiums in each unit. Premiums for
5 policies excluding wind and hail are not eligible for credit.
6 Farm premiums are not eligible for credit. Participation shall
7 be determined separately for each unit using credits as
8 calculated separately for each unit.

9 "(2) The assessment of a member insurer may be
10 ordered deferred in whole or in part upon application by the
11 insurer, if, in the opinion of the association, payment of the
12 assessment would render the insurer insolvent or in danger of
13 insolvency or would produce a hazard to its policy holders,
14 creditors, or the public. The deferral must be repaid to the
15 association by the impaired insurer with interest in a manner
16 prescribed by the association.

17 "(3) A member company that perceives an assessment
18 by the association to be unjust or illegal shall pay the
19 assessment or interest under protest in writing within 30 days
20 of the assessment. If determined by the association that the
21 assessment was collected unjustly or illegally, the
22 association shall refund the assessment. If the member fails
23 to pay an assessment within 30 days, the member is subject to
24 disciplinary actions prescribed by the association."

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

