

1 HB331
2 164294-1
3 By Representative Scott
4 RFD: Ways and Means Education
5 First Read: 19-MAR-15

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8 SYNOPSIS: Under existing law, a program of gap
9 coverage and gap plus coverage offered through the
10 State Insurance Fund allows a K-12 public school
11 building that has been rendered a total loss as a
12 result of a covered peril to be reconstructed with
13 materials superior to its original construction and
14 in an increased size if appropriate based upon
15 current construction standards and occupancy.

16 This bill would provide, within reasonable
17 limitations and using gap coverage and gap plus
18 coverage, proceeds sufficient to allow public
19 school buildings under the jurisdiction of the
20 Department of Postsecondary Education to have the
21 same coverage as K-12 public school buildings.

22
23 A BILL

24 TO BE ENTITLED

25 AN ACT

To amend Section 41-15-4, as amended by Act 2014-261, Code of Alabama 1975, relating to the State Insurance Fund, to require the risk manager, with the approval of the Finance Director, to develop a program of gap coverage and gap plus coverage to provide, within reasonable limitations, proceeds sufficient to allow a public school building under the jurisdiction of the Department of Postsecondary Education that has been rendered a total loss as a result of a covered peril to be reconstructed with materials superior to its original construction and in an increased size if appropriate based upon current construction standards and occupancy.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 41-15-4, as amended by Act 2014-261, Code of Alabama 1975, is amended to read as follows:

"§41-15-4.

"(a) All covered property, unless otherwise provided in this section, shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Replacement cost coverage may be provided with an amount of insurance as agreed upon by the proper insuring authority and the risk manager based upon a written statement of values. Replacement cost shall be the cost to repair or replace property with comparable materials of like kind and quality by generally accepted construction methods or technology to serve the same function as the lost

1 or damaged property. No payment for a loss shall exceed the
2 limit of the policy.

3 "(b) The officer or person having charge by law of
4 insuring any public building, contents, machinery, and
5 equipment shall annually certify to the Department of Finance
6 the description and the value of all buildings, contents,
7 machinery, and equipment under the supervision or control of
8 the officer or person on forms prescribed by the department
9 for the purpose of showing the character of the risk and
10 determining the rate of premium. No coverage shall be issued
11 unless such certificate is on file in the office of the
12 Department of Finance or the director has waived, in writing,
13 the filing of the same.

14 "(c) Buildings, contents, machinery, and equipment
15 owned by any county, city, or school district and used for
16 school purposes, or under control of a board of education, or
17 owned or under the control of the Department of Postsecondary
18 Education may be insured under this chapter. The risk manager,
19 upon review and approval by the Finance Director, shall
20 develop a program of coverage under the State Insurance Fund
21 which provides, within reasonable limitations, for the use of
22 gap coverage and gap plus coverage, to provide proceeds
23 sufficient to allow a school building that has suffered an 80
24 percent or greater loss as a result of a covered peril to be
25 reconstructed with materials superior to its original
26 construction and in an increased size, if appropriate, based
27 upon current construction standards and occupancy. The risk

1 manager shall draft rules, guidelines, limitations, and
2 coverage endorsements under which this program shall operate,
3 and shall determine actuarially sound premiums to assess
4 covered entities.

5 "Additional premiums required for gap and gap plus
6 coverage for participating systems shall be paid annually from
7 the Public School Fund to the Department of Finance, Division
8 of Risk Management. Distribution of the remaining Public
9 School funds shall be pursuant to Section 16-13-234.

10 "Gap coverage and gap plus coverage shall be
11 mandatory for K-12 systems and public two-year institutions of
12 postsecondary education with buildings that qualify under the
13 terms of this program.

14 "(1) For the purposes of this subsection, gap
15 coverage is coverage that allows for improved construction
16 type from an ISO of 1, 2, or 3 to an ISO of 4; allows for
17 additional square footage in preapproved incremental amounts;
18 and requires that building damages must exceed 80 percent or
19 greater of the insured school building value as determined by
20 State Insurance Fund adjusters, engineers, and other experts.
21 For purposes of this subsection, the following construction
22 ISO designations apply:

23 "a. An ISO of 1 is a frame.

24 "b. An ISO of 2 is masonry and wood roof supports or
25 trusses, or both.

26 "c. An ISO of 3 is pre-engineered metal.

"d. An ISO of 4 is a steel frame and roof supports with a masonry exterior.

"e. An ISO of 5 is a protected steel frame with a masonry exterior.

"f. An ISO of 6 is a reinforced concrete.

"(2) For the purposes of this subsection, gap plus coverage is coverage that allows the insured to select amounts of insurance for normally uncovered expenses including, but not limited to, a new preparation site if the building is not rebuilt on the same foundation, underground wiring, plumbing, paving, and other expenses. Gap plus coverage requires that building damages must exceed 80 percent of the insured school building value as determined by State Insurance Fund adjusters, engineers, and other experts. Gap plus coverage also requires that the maximum amount of coverage allowed for gap plus is 10 percent of the insured value of the destroyed building.

"(d) The Department of Finance may cause to be surveyed, annually, if practicable, all public property coming within the provisions of this chapter, and the officer or person in charge of the public property shall receive a copy of such report. A survey shall be an examination of property for physical discrepancies, construction characteristics, usage, or occupancy.

"(e) Notwithstanding any law to the contrary, the Department of Finance in adjusting a loss, at its option, may assume title, ownership, and possession of any insured item,

1 including building materials, fixtures, furniture, machinery,
2 and equipment, for which insured value has been paid, and may
3 arrange for the salvage and sale thereof in whatever manner is
4 deemed most advantageous to the State Insurance Fund, to which
5 all sale proceeds shall be deposited. Alternatively, the
6 Department of Finance may deduct the salvage value of the
7 insured item from the payment to the owner of insurance
8 proceeds arising from the loss of the insured item."

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