

SETTING THE STANDARD FOR INSURANCE REFORM LEAD THE WAY ALABAMA!

Definitions

1. What is insurance?
2. What is fair payment of claims?
- 3.
- 4.

Principles of reform

1. spread the risk
2. DOI will exist for the support and well being of the consumers of Alabama, not the industry
3. a truly democratic capitalism is the most sensitive and just way to organize a market
4. what makes capitalism good is the union of a service needed or wanted with profit motive – if you take one end of the equation away it falls apart. You get socialism on one end and robber baron-ism on the other.
5. All industries need to be under the anti-trust laws
6. All aggregate data needs to be public when it concerns the public welfare

Implications - What reform looks like – legislation

1. clarity – by zip code, aggregate data, back to 1990 on the DOI web site – number of policies sold, dollar amount of premiums taken in, dollar amount of claims paid out or pending, so citizens can compare and see if they deserve higher rates.
2. parity – one product, one price all over Alabama
3. just settlement of claims
4. proof from the ins company when denying a claim
5. bill of rights for consumers
6. there should not be any payment for data / catastrophe models should be public
7. discounts for mitigation
8. a regional and or a federal solution
9. the government serving as the reinsurance company
10. citizen representation on all insurance commissions and committees
11. a citizens' advocate in the DOI

DRAFT – PLEASE MAKE BETTER
WHAT FROM BEN BROOK'S BILLS SHOULD WE MAKE SURE IS INCLUDED?

EXCERPTS FROM THE MASS. HOMEOWNERS INSURANCE ACT OF 2010
FOR USE FOR ALABAMA's implications of principles of homeowners' insurance reform

The purpose of the Act is to promote the public welfare by regulating Property Casualty Rates to the end that they not be excessive, inadequate or unfairly discriminatory;

E. All Property Casualty Insurers shall provide the Division of Insurance with all information requested in a rate filing which shall include along with information already required : all income, profits, all expenses, investment income and any and all data on reinsurance purchased or to be purchased prior to conclusion of filing and include copies of contracts and payments.

TO ESTABLISH THE HISTORICAL DATA NEEDED TO EVALUATE THE SHORT TERM CAT. MODELS: Each insurer shall submit for commercial and homeowners

12. back to 1990 broken down by zip codes or counties
13. number of policies
14. dollar amount of premiums taken in
15. dollar amount of claims paid out

Then the DOI will publish the data in aggregate form on the web.

F. The Commissioner of Insurance shall have the authority to decrease rates if they are found to be excessive.

G. The Attorney General shall have the authority to call for a rate hearing for any Property Casualty Insurer or consumer in the event the Commissioner of Insurance should not disapprove a rate filing and the Attorney General feels the rate is excessive.

Any Alabama consumer that pays premiums shall have the authority to call for a rate hearing

Section 3. Hurricane Models;

5. All Property Casualty Insurers must provide sufficient information in rate filings to prove that data was used by models calculating hurricane losses. Said data shall be consistent with the most current accepted “Standards” used by the Commission on Hurricane Loss Projection Methodology. Said information shall include Model Identification and the following “Standards” applied to : General Standards, Meteorological Standards, Vulnerability Standards, Actuarial Standards, Statistical Standards, and Computer Standards.

TO UNDERSTAND THIS LOOK AT ATTACHED DOCUMENT called 2009 ROA. MASS USED THE PCOESS OF FL'S HURRICANE COMMISSION TO DRAFT ITS REFORM BILLS. FL required by law that the short term cat. Models be tailored to their specific state.

6. All Property Casualty Insurers must provide sufficient information in rate filings to justify the appropriateness of the amounts of reinsurance purchased or to be purchased prior to conclusion of filing.

7. All Property Casualty Insurers are restricted from passing any duplicate reinsurance costs in their rates for MPIUA exposure.
8. Rates shall be based on Hurricane Loss Models which are approved by the Commission on Hurricane Loss Projection Methodology only, without any modifications to said methodology except certain criteria unique to , such as transitioning storms. SEE 2009 ROA
9. All Insurers shall use approved models in determining its Probable Maximum Loss (PML). Model outputs shall correlate to our historic past of Hurricanes and tracks of Hurricanes.
10. “Blended Rates”, using outputs from multiple hurricane models are not allowed in rate filings since this practice is not allowed by the Commission on Hurricane Loss Projection Methodology. WE CAN'T SAY THIS BECAUSE WE DO NOT HAVE A LAW REQUIRING A SPECIFIC MODEL. RIGHT NOW WE DO “BLEND” OR AVERAGE THE MODELS. IT IS EXPENSIVE TO HAVE OUR OWN MODEL – supposedly BUT...
11. Property Casualty Insurers shall identify and qualify homes using the “Effective Age” of the home and not the actual age. This method shall better reflect the actual condition of the home and insurers risk.
12. In the Vulnerability Standard, the hurricane models shall be required to use “Average” home as the standard and not the “weakest home”. The Insurers shall be responsible to make sure home construction techniques and standards are used by Hurricane Modelers.

Section 4. Trade Secrets;

All Property Casualty Insurers shall identify any documents as “Trade Secrets” that are required to be submitted to the Division of Insurance, including certification by the insurer that the document meets the definition of a “Trade Secret” and that the insurer has taken specified measures consistent with this definition. SEE 2009 ROA

An Insurer shall be liable for Attorney fees and costs or be subject to a fine if a court determines that a document identified by an insurer as a “Trade Secret” is not a “trade Secret” and is a Public Record.

The Division of Insurance shall be required to make a preliminary determination that a document labeled as a “Trade Secret” is not, in fact, a “Trade Secret” and to make such information publicly available upon providing specific notice to the insurer and an opportunity to obtain an injunction or ruling from a court. Should the Division of Insurance fail to act, the Attorney General shall have authority to intervene in the public’s best interest and file any and all court requests regarding “Trade Secrets”.

The Division of Insurance (and other State agencies) can share “Trade Secret” documents with other state agencies for matters within the scope of their authority.

Section 5. Wind Deductibles in Coastal Territories

Wind Deductibles in Coastal Territories shall be triggered by Hurricane Wind only using the Saffir/Simpson Hurricane Scale. Sustained wind speed of 75 mph or greater is the only criteria for the definition of Hurricane. A hurricane percentage deductible, not to exceed 3 % of the replacement value of the property, shall apply to windstorm loss that occurs within a period of 12 hours before or 12 hours after the hurricane makes landfall anywhere in MA as declared by the National Weather Service.

No other wind event in Coastal territories shall trigger wind deductibles.

Section 6. Mitigation Credits

Mitigation Standards shall be established for coastal properties based on accurate risk of Hurricanes and considering building codes and past hurricane wind damage experience.

Actuarially Sound Mitigation Credits shall be established which will reduce premiums to coastal consumers when said mitigation actions are taken. Inspections of any mitigation actions taken shall be required and certified by a licensed inspector or licensed home builder.

Section 7. Homeowner Policy Changes

7. The Division of Insurance shall create on or before 3 months from this Act passing, a “Standard Homeowner Policy Information Sheet” which will be required for use in all Homeowner Policy renewals. This Information sheet shall be written in simple language which an average citizen can understand.

This shall include a description of coverage, price, definition of insurance terms, note any changes in policy, explain deductibles and triggers for deductibles, describe options available to decrease premium including mitigation actions, give a clear description of any changes to the policy coverage if options are taken, and give exclusions of policy.

This Homeowner Policy Information Sheet shall be sent out by the Insurer directly to the consumer 45 days prior to the renewal date. This shall allow the consumer proper time to shop around for the best coverage and price prior to the expiration of the present policy.

Section 8. Consumer Advocate Department

The Legislature shall create by Statute a “Consumer Advocate Department” within the Division of Insurance. This department shall operate solely for the benefit of the consumers and shall not be regulated by the Division of Insurance or the Governors Administration.

The Financial Services Committee along with consumer advocates from coastal territories shall form a committee to establish the “mission, purpose, and power of this newly created department. Funding for this department will be paid by the excess in homeowner insurance policy taxes money which the State has collected since 2004 due to the huge increases in Coastal property premiums.

Section 9. Homeowners Wind Damage Claim Data Collection

The Division of Insurance shall require detailed and accurate wind claim information data on all damage to homes in . This data shall detail damage to homes only. Catastrophic wind damage, if any, shall also be collected.

This data shall reflect the type of storm causing said damage and where in State damaged property is located.

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Water and flood damage shall be excluded.

This additional detailed information shall be part of the Division of Insurance Annual Report.

This action will give a better basis for Hurricane Modelers to evaluate the vulnerability of our homes due to Wind.