

The basic rationale for the Property Insurance Clarity Bill

The Coastal Counties have always paid about the state average for their property insurance. The state average in 2008 was about \$850 a year. No one knows the average for Baldwin and Mobile counties, but reasonable estimates place it at \$2,000 to \$3,000 a year, two to four times the average.

It's assumed that the coastal counties are more expensive to repair than the rest of the state because of the dramatic pictures associated with hurricane news coverage. Without independently-collected, county-by-county data, though, the DOI cannot *objectively* determine if the coastal counties are, indeed, more costly to repair.

In fact, circumstantial evidence indicates the disparities in premiums charged the coastal counties are not justified.

-- Historically 500 tornadoes strike the rest of the state for every one hurricane that strikes the coast.

-- When a hurricane strikes -- like Hurricane Ivan in 2005 -- sixty-five of Alabama's sixty-seven counties were declared disaster counties. It was not just the coastal counties that suffered.

-- The Department of Insurance has established that companies charge the coastal counties more for *fire and theft* insurance, even though the state fire marshal said there are fewer fires in south Alabama than in the north. This has nothing to do with hurricanes. It indicates that the DOI allows insurance companies to play fast-and-loose with coastal premiums, whether wind or fire or whatever.

-- The Wall Street Journal reported in January 2011 that the practitioners of the new hurricane modeling done by entities contracted with the DOI and insurance companies admit it has been wrong.

The only way to establish *objectively, mathematically* that the coastal counties are indeed more expensive to repair than the rest of the state is for the Alabama regulatory body to collect the dollar amount of claims and premiums county-by-county (or zip-code-by-zip-code) and then compare the state's actual damage costs history county-by-county.

It's startling that the state regulatory body charged with protecting all Alabamians equally does not already have this data. How else can it *objectively* approve such extraordinary differences in the prices charged our widows and orphans.