
AIUA



Changes at AIUA

Discussion Topics:

- What Didn't Change
 - Purpose of AIUA
 - Membership
 - Administration
 - Funding
 - Claims Handling
 - Rate Zones
- Rate Change History
- Growth
- What Did Change
 - AIUA Board Composition
 - Rules
 - Rates
 - Flood Requirements
 - Policy Types
 - AIUA Binder
- AIUA Wind Mitigation Discounts



Purpose of AIUA

- Provide essential property insurance in eligible coastal areas of Baldwin and Mobile counties to owners of insurable property who are unable to obtain coverage in the voluntary market.

Established in 1971 by order of Commissioner of Insurance regulation **482-1-052-.02**

482-1-052-.02 Purpose- A Plan known as the Alabama Insurance Underwriting Association is hereby established as a result of a demonstrated need to provide an equitable method whereby adequate fire and extended coverage insurance may be made available in the “Beach Area” of Alabama. The Plan shall provide for the establishment of a “Pool” of all licensed insurers writing fire and extended coverage insurance in Alabama, for the purpose of insuring those eligible risks not written on a voluntary basis. Recommendations of the various segments of the property insurance industry shall be taken into consideration in the promulgation of the plan. The Plan of Operation and the Articles of Agreement, along with any revisions thereto, shall be submitted to and approved by the Commissioner before the effective date thereof. A copy of the approved Plan of Operation and Articles of Agreement, together with any approved revisions thereto, will be maintained for public inspection in the Department of Insurance

Codified by Legislative Act 2008-392

- Act # 2008-392 signed by Governor Riley on May 16, 2008
 - “ENROLLED, An Act,
 - To codify the insurance plan known as the Alabama Insurance Underwriting Association along with its articles of agreement, plan of operation, and rules and procedures effective January 1, 2008...”
 - Effective November 1, 2008
 - Codifies A.I.U.A. Plan of Operation
 - Authorizes A.I.U.A. Board of Directors to retain surplus, borrow money, issue bonds

Who are Association Members?

- All licensed insurers writing P&C coverage insurance in Alabama
- Current Members
 - 495 Companies
 - 326 Exempt from participation
 - 301 write no P & C in AL
 - 169 Companies are subject to assessments ranging from .0001% up to 19.9460%
 - 66 Companies report voluntary written premium in eligible areas
 - 25 voluntarily write sufficient coastal property to be exempt from AIUA assessments

How is Association Administered?

- Board of Directors
 - Member companies elect 9
 - Commissioner of Insurance appoints 4*
- Board appoints a Manager
- Board/Manager determine Plan of Operation
 - Scope
 - Rules
 - Forms
 - Rates
- Commissioner of Insurance approves Plan of Operation
- Manager implements/administers Plan

How is Association Funded?

- Written Premiums
- Operating Budget developed annually by AIUA Manager
 - Board approves Operating Budget
 - NOTE: AIUA operating expense (excluding reinsurance) is approx. 20%.

How are Losses Paid?

- Earned Premiums
- Member Surplus/Retained Surplus
 - Approximately \$70M
- Liquidity as of May 2016: **\$105M**
- Assessments from Member companies (Catastrophe funding)
 - Assessment based on Participation Percentage as calculated by AIUA
- Reinsurance

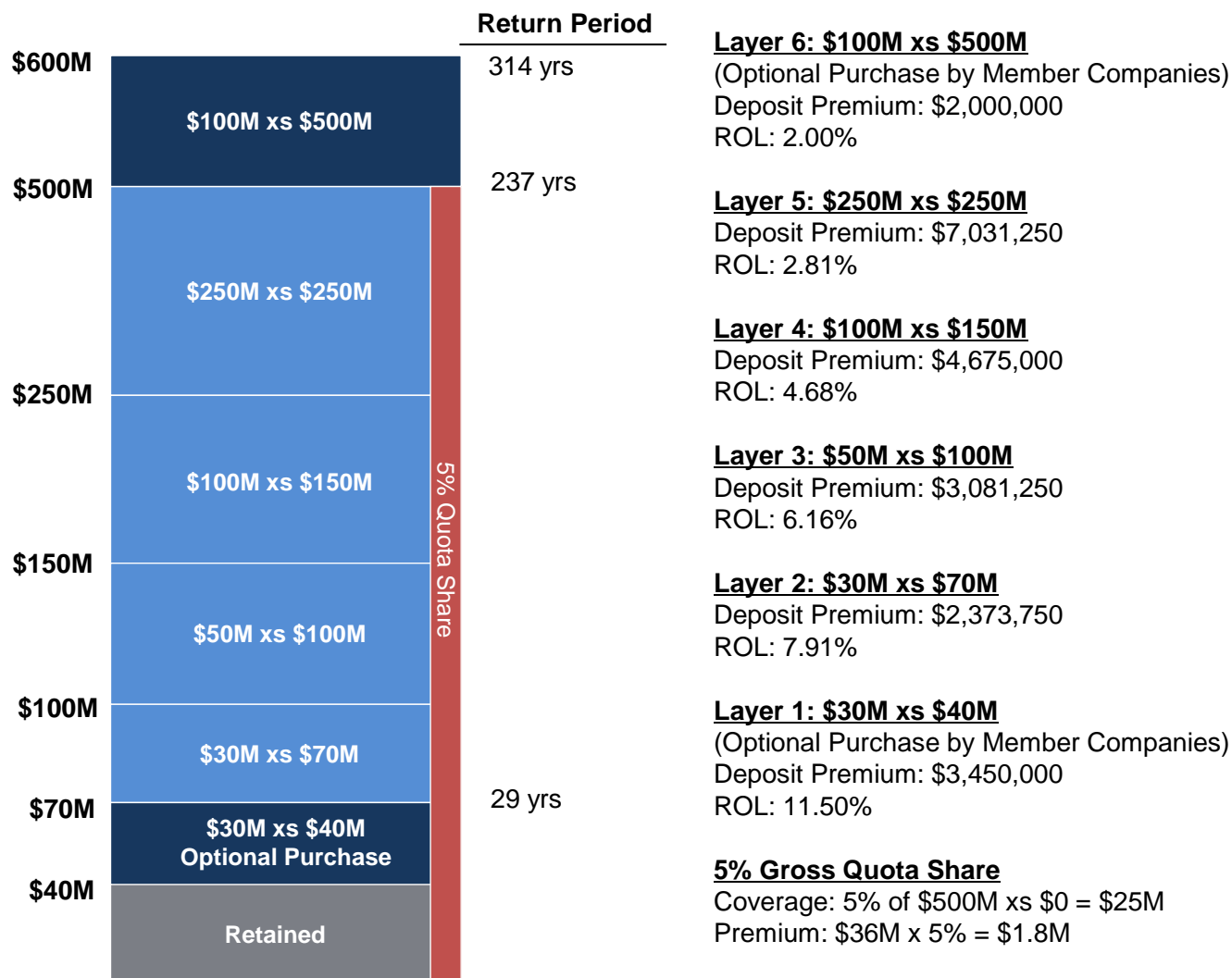
Assessments

- In the event of a CAT:
 - Review initial loss reserves
 - In conjunction with Reinsurance Broker, analyze Expected Loss
 - Recommend Initial Assessment
 - AIUA Board Approval
 - Assess Member Companies
 - Participation Percentage
 - Unlimited \$\$\$ Amount
 - Initial Assessment limited to \$2M per Company
 - 20 days to remit
 - Penalty for failure to remit
 - Never had any company unwilling or unable to remit

Assessments

NAIC	Company	2015 Participation Percentage	A.M.Best Rating
8	ALLSTATE INSURANCE GROUP	19.76089%	A+
3548	TRAVELERS INSURANCE GROUP	11.73081%	A++
111	LIBERTY MUTUAL INSURANCE GROUP	8.62741%	A
5	ALFA INSURANCE GROUP	7.04653%	A
280	AUTO-OWNERS GROUP	6.06203%	A++
20990	COUNTRY MUTUAL INSURANCE COMPANY	4.67399%	A+
200	USAA GROUP	4.11133%	A++
12	AMERICAN INTERNATIONAL GROUP	2.58087%	A
12114	NATIONAL SECURITY FIRE & CASUALTY CO.	2.38136%	B++
37877	NATIONWIDE PROPERTY & CASUALTY INS. CO.	2.35240%	A+
212	FARMERS INSURANCE GROUP OF COMPANIES	1.80839%	A
361	AMERICAN MODERN INSURANCE GROUP	1.74962%	A+
18058	PHILADELPHIA INDEMNITY INS. CO.	1.22394%	A++
27235	AUTO CLUB FAMILY INSURANCE COMPANY	1.18423%	A+
24988	SENTRY INSURANCE A MUTUAL CO.	1.16099%	A+
25127	STATE AUTO PROPERTY & CASUALTY INSURANCE CO.	1.13483%	A-
91	HARTFORD INSURANCE GROUP	1.11578%	A+
796	QBE THE AMERICAS	0.95684%	A
626	ACE USA GROUP	0.73269%	A++
303	GUIDEONE INSURANCE	0.67994%	A
41343	HDI-GERLING AMERICA INSURANCE CO	0.67646%	A
35300	ALLIANZ GLOBAL RISKS US INSURANCE COMPANY	0.63316%	A+
21482	FACTORY MUTUAL INSURANCE CO	0.60148%	A+
20982	COUNTRY CASUALTY INSURANCE COMPANY	0.59543%	A+
13935	FEDERATED MUTUAL INSURANCE CO.	0.54936%	A+
	These 25 Companies are responsible for 84.13% of all assessments	84.13076%	

2016 Reinsurance Structure



How Are Claims Handled?

- Written Agreements in place to ensure that sufficient number of claim adjusters will be available to handle a 100% “hit” to AIUA policyholders.
 - All Adjusters must be licensed in Alabama
 - All Adjusters must have a minimum of 2 years experience
 - All Adjusters must be FEMA “flood certified”
 - All Adjusters must be registered with AIUA
- Pilot Catastrophe Services
- Allied American Adjusters
- Fountain Group
- Coggin Claims Service
- Schafer-Wood & Associates
- Mid-America Catastrophe Services

Claims

- AIUA Claims Call Center
 - Pilot Catastrophe/CMS staffs AIUA Claim Call Center
 - Located in Hudson, OH
 - Back up office in Mobile, AL
 - 24/7 during and after CAT
 - 866-780-2482
 - Pilot takes first notice of loss (FNOL)
 - Verifies valid policy
 - Documents policyholder contact info
 - Assigns severity grade to loss based on insured's description of loss
 - Initial Loss Reserves Established
 - Reports Loss to AIUA electronically via Pilot Catalyst and e-mail notification

AIUA Rating Zones

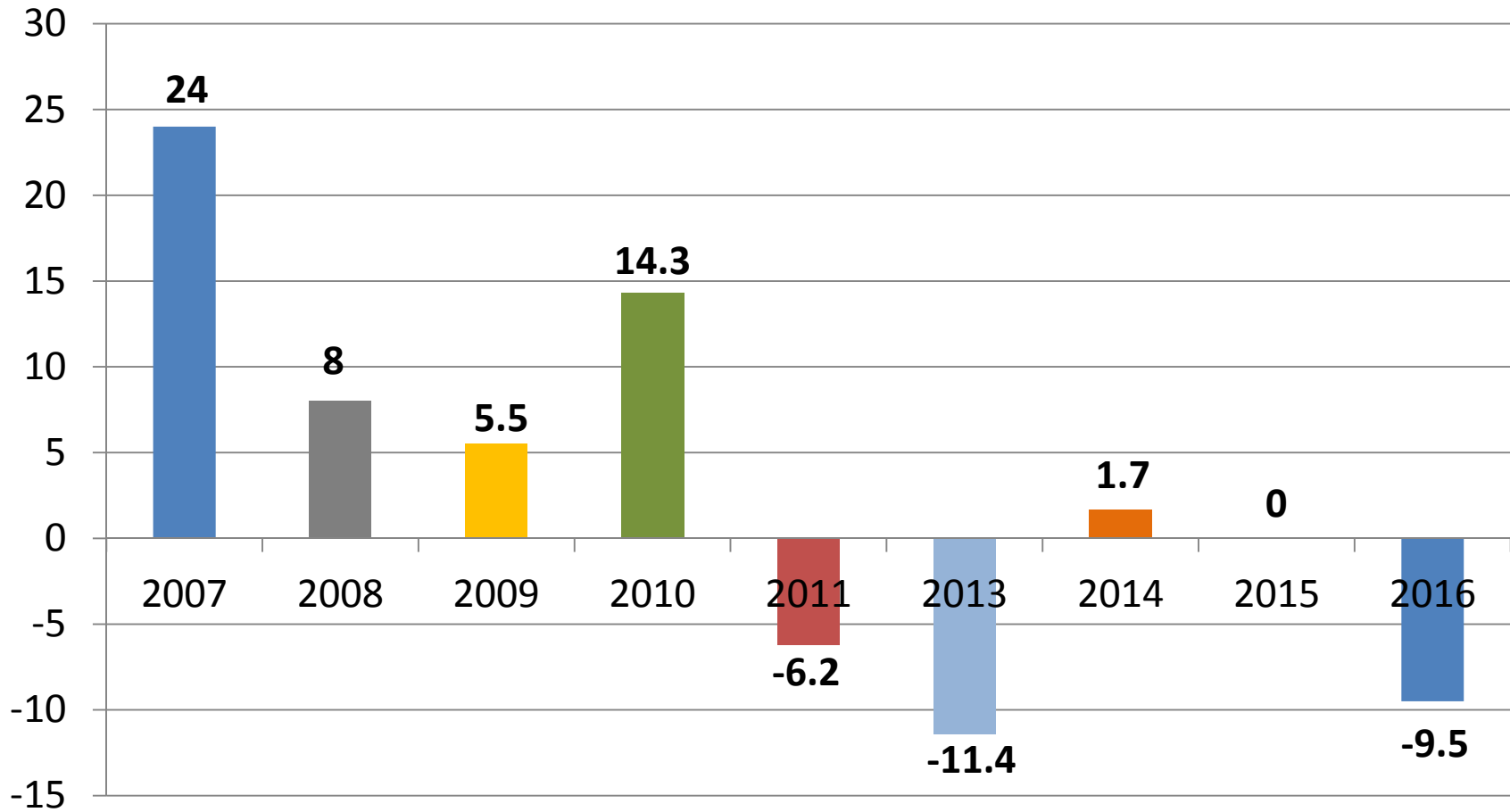
- Expected Loss is viewed in the same manner as viewed by AIUA reinsurers.
 - Expected Loss in Baldwin County is not the same as Expected Loss in Mobile County.
- Allocate reinsurance costs and operating costs to the policy level.
 - Aggregate costs into zone boundaries defined by distance to coastline.
 - Gulf Front
 - Dauphin Island, *Gulf Shores and *Orange Beach
 - *Areas South of the North Bank of the Inter-coastal Waterway
 - 0-1 Mile, >1<3 Miles, >3<10, >10< 20, and >20 for each county.

Growth Forecast 2015 - 2016

- Forecast - Straight-line average using past 8 months “City” level data projected to Oct 2016
 - PIF – 29,700
 - WP - \$38.5M
 - TIV - \$5.15B
- Operating Budget based on \$42M WP
- As of May 2016:
 - PIF – 29,414
 - WP - \$37.6M
 - TIV - \$5.09B

AIUA Rate Change History

(percent overall, all territories combined)



Changes at AIUA

- **Add 2 public sector representatives:**
 - 1 from Baldwin county, 1 from Mobile county
 - AIUA to define qualifications and recommend slate of candidates to DOI
 - Commissioner to select/appoint
 - To be accomplished via change in AIUA Plan of Operation
- **Replacement Cost Loss Settlement on Dwellings:**
 - New Business:
 - On wind-only policies, require concurrent coverage with all-other-perils policy. If AOP is RCV, the AIUA wind-only policy must be RCV. If AOP policy is ACV, the AIUA wind-only policy must be ACV.
 - AIUA will now require a copy of the AOP Carrier's DOI Outline of Coverage (in addition to the dec page). A properly completed "certificate of insurance" signed by the producer is an acceptable substitute for DOI Outline.

Changes at AIUA

- Renewal/Rewrite:
 - Eligible dwellings may be converted, at renewal, to RCV loss settlement at current limit of liability or 80% of estimated RCV, whichever is greater.
 - Policyholder will be encouraged to increase limits to 100% of estimated RCV –
 - If converted mid-term, coverage must be increased to at least 80% RCV
 - Within 3 renewal cycles, AIUA will review and adjust coverage limits to ensure that dwellings are properly insured to value -
- **RCV insuring agreement includes additional living expense and ordinance/law coverage (standard ISO language)**

Changes at AIUA

- **ACV Loss settlement on roof greater than 12yrs**, with possibility of Strengthen Alabama Homes grants to address shortfalls –
- **RCV available on seasonal/secondary** but rate to be surcharged using standard ISO seasonal/secondary rate modifier (currently 1.35)
- **AIUA & DOI want all dwellings that qualify for RCV to be insured for RCV.** AIUA to determine eligibility for RCV based on reasonable underwriting guidelines.
- **RCV not available on contents only**, condos, mobile homes, town homes or commercial

Changes at AIUA

- **Offer separate contents limits**, on ACV loss settlement basis, up to 50% of the dwelling limit not to exceed \$250K. Monitor take-up rate over time and possibly offer RCV at a future date.
 - Not required to purchase contents coverage, but if coverage is desired, minimum limit will be: ???

Changes at AIUA

- Approved a rate change:
 - For wind/hail/hurricane:
 - -5% in Gulf Front
 - -15% in all other zones
 - -11.4% Average Wind rate reduction
 - Fire rates
 - +22%
 - Mobile Home rates
 - +35%
- Adjust RCV factor to actuarial indicated factor (1.025)-

Changes at AIUA

- Continue to offer 1% and 2 % deductible.-
- Eliminate the 10% Cost-of-Capital/Surplus Buildup provision in AIUA actuarial rate indications. -
- Actuarially justified base rate. Rate indications are based on \$100M attachment.

- **Over 25,000 policyholders (86%) will have the opportunity to have broader coverage and premium decreases ranging from -1% to -47%**

Changes at AIUA

- **Flood Coverage must be at least equal to AIUA coverage limits**
- **AIUA to become "wind-only":**
 - Effective January 01, 2017
 - Grandfather existing policies with fire
- **AIUA Binder rules changed**

Policy Types

- 99.6% Residential
 - 69% Owner Occupied – Primary
 - 8% Owner Occupied – Seasonal/Secondary
 - 20% Tenant Non-Seasonal
 - 3% Tenant – Seasonal
- 89% of the Residential Property insured by AIUA is occupied by residents who live and work in Baldwin and Mobile counties

Policy Types

- 87.7% Actual Cash Value Loss Settlement Policies
 - DPW-01, DP-01 Basic Policy Forms
 - Dwelling must be insured 100% to Actual Cash Value
 - No Additional Living Expense Coverage
 - Bursting/ruptured Water-Pipe Coverage Excluded
 - Ordinance or Law Coverage Excluded (ex. building code upgrades)
 - ACV Contents
- 12.3% Replacement Cost Loss Settlement Policies
 - DPW-02, DP-02 Broad Policy Forms
 - Dwelling must be insured 100% to Replacement Cost Value
 - Additional Living Expense Coverage
 - Coverage for bursting or rupturing of water pipes
 - Coverage for Ordinance or Law
 - ACV Contents

Wind Mitigation Discounts

AIUA offers three wind mitigation discounts:

- Building Code Effectiveness Grading (BCEG)
 - No Action Required by Producer
- International Residential Code (IRC) 2006 or later
 - Documentation Required
- Institute for Business and Home Safety (IBHS)
Fortified Construction
 - Documentation Required

Questions and/or Comments

Does the option exist to move the implementation date for the coverage form changes (ACV to RCV) and the dwelling valuation (concurrent limit of liability) to January 1, 2017? *No, AIUA and DOI unwilling to move effective date. AIUA and DOI want to see as many people as possible converted to RCV before storm season. DOI asked, and AIUA agreed, that current policyholders would be allowed to convert mid-term if they wanted to do so.*

Are we creating an issue and additional work (if the insured wishes to stay with their current coverage form) by automatically moving to RCV without the insured's authorization? *No, AIUA rules determine coverage options, not insured/producer choice. If insured/producer feels AIUA has incorrectly applied rules, the producer can call that to AIUA's attention and AIUA will work with the producer to resolve.*

Questions and/or Comments

Will the determination of which existing ACV policies will be renewed in RCV be made only by AIUA? *Yes, AIUA rules determine coverage options.*

What will be the producer's role, if any? *Producer's role is to explain coverages to policyholder and provide underwriting info to AIUA.*

When a dwelling converts to RCV from ACV on renewal at the current limit of liability, what is the process to move the coverage limit to 100 % of estimated RCV within three renewal cycles? *Dwellings will be converted at their current limit if current limit is at least 80% of RCV. If not, limit will be increased to 80% of RCV at conversion. Limit will be moved to 100% RCV over next 3 renewal cycles, not all at once. Insured/producer can accelerate the pace if they desire. AIUA will encourage them to accelerate.*

Are we creating any co-insurance issues during this three year process? **No**

Questions and/or Comments

Are there any additional AIUA guideline changes relating the RCV coverage other than what is listed in the MOU? *AIUA will now be requiring a copy of the AOP carrier “outline of coverage” document in addition to the declaration page to ensure concurrent coverage for limits and loss settlement. The objective is to achieve concurrent coverage with AOP carrier.*

How is the age of the roof to be determined on new business? *YOC unless insured/producer provide documentation showing date roof replaced. AIUA collects this data with application and verifies through inspection process. Same process for renewals. AIUA will send a letter to insureds who are converted to RCV with an ACV roof endt inviting them to verify roof age/roof material/roof life expectancy.*

Once a roof is determined to be no longer eligible for RCV will AIUA be responsible for notifying the insured when the roof must be moved to ACV? *Yes*

Questions and/or Comments

How will the concurrent coverage requirement be enforced if the dwelling does not qualify for RCV but the AOP policy is on RCV? *AIUA will determine eligibility for RCV. There may be occasions when AIUA will not provide RCV.*

Can an agent request that all of their current ACV accounts, which qualify for RCV, be endorsed to the RCV form immediately? *No bulk requests...AIUA will require separate request for each policy. AIUA will work requests in the order in which they are received.*

AIUA will continue to write mobile homes, condominiums, commercial policies and contents only coverage going forward but only with the ACV form? *Yes*

Questions and/or Comments

Is AIUA still considered the “carrier of last resort”? *AIUA has been viewed as market of choice for several years now. AIUA is not trying to compete with private market. AIUA exists to provide coverages to people who don't have coverage from private market. AIUA exists to help private market, not replace it*

If no.....does the change away from that status require action from any legislative body or committee? *Nothing in the statute requires AIUA to be the market of last resort.*

Are there any changes in the AIUA established by the MOU that would require the action of any legislative body, board or commission? *MOU calls for DOI to issue regulation pertaining to recoupment.*

Questions and/or Comments

Will an AIUA producing agent be considered for the newly created AIUA Board of Director's seats? *Yes, one of our current public sector representatives is an independent agent producing business with AIUA. An AIUA committee is currently identifying a slate of candidates that will be submitted to DOI for selection. A qualified independent agent would be considered. No guarantee that an agent will be selected.*

Does the possibility exist of extending the deadline for June renewal information and request due to the delayed mailing of the renewals? *Yes, AIUA recognizes that June renewal offers were delayed. Delay was intentional in order to permit June policyholders to benefit from the rate/rule changes. AIUA will allow up to end of June for premium to be paid without coverage interruption and, depending on circumstance, additional time for any required underwriting documentation.*

What if, at time of loss, the adjuster determines that the roof was eligible for RCV coverage but the policy was issued with ACV roof loss settlement. Will the loss be adjusted on RCV? *AIUA will adhere to the contract for loss settlement whether or not it is advantageous or adverse to AIUA... it would cause too much confusion and create legal problems for AIUA to alter loss settlement terms based on roof age at time of loss....*