



ROBERT BENTLEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
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December 31, 2014

DEPUTY COMMISSIONER
CHARLES M. ANGELL

CHIEF OF STAFF
MARK FOWLER

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
EDWARD S. PAULK

GENERAL COUNSEL
REYN NORMAN

The Honorable Robert Bentley
Governor
Alabama State Capitol
Montgomery, Alabama 36130

Dear Governor Bentley:

Please accept this annual report of the Alabama Department of Insurance in compliance with Section 27-2-9, Code of Alabama 1975.

Sincerely,

Jim L. Ridling
Commissioner of Insurance

JLR/als

Revenues and Expenditures over the Last Three Years

Insurance Premium Tax Collections by Fund:

The numbers for each fiscal year below are subject to audit. The actual numbers may change due to refunds and other adjustments. None of these collections is retained for the operation of the Department of Insurance.

| Fund | FY2012 | FY2013 | FY2014 |
|----------------------|----------------------|----------------------|----------------------|
| General Fund | \$240,043,562 | \$257,728,524 | \$266,947,309 |
| Education Trust Fund | 30,993,296 | 30,993,296 | 30,993,296 |
| Mental Health Fund | 4,525,338 | 4,525,338 | 4,525,338 |
| Total | \$275,562,196 | \$293,247,158 | \$302,465,943 |

Other Revenues:

Separate and apart from the insurance premium tax, the Department of Insurance collects other fees, fines and assessments, a portion of which is retained to operate the agency.

| | FY2012 | FY2013 | FY2014 |
|--------------|---------------------|---------------------|---------------------|
| Fees | \$21,909,221 | \$22,804,398 | \$23,807,833 |
| Fines | 1,904,048 | 1,018,426 | 269,132 |
| Other | 1,786,469 | 3,749,861 | 1,142,608 |
| Total | \$25,599,738 | \$27,572,685 | \$25,219,573 |

Expenditures:

Expenses incurred in operating the agency include personnel costs, employee benefits, and rentals and leases. These expenses are primarily paid out of the Insurance Department Fund and the Special Examination Revolving Fund. According to Section 27-2-39, Code of Alabama 1975, the unencumbered and unexpended balance in the Insurance Department Fund in excess of 25% of the amount appropriated for that fiscal year is to be paid over to the State General Fund. Additionally, Appropriation Act 2012-569 required the agency to transfer \$1,800,000 to the State General Fund in fiscal year 2013, and Appropriation Act 2013-263 required the agency to transfer \$1,000,000 to the State General Fund in fiscal year 2014.

| | FY2012 | FY2013 | FY2014 |
|-----------------------|---------------------|---------------------|---------------------|
| Personnel costs | \$ 8,136,803 | \$ 7,690,565 | \$ 7,727,145 |
| Employee benefits | 2,726,536 | 2,647,973 | 2,871,426 |
| Rentals and leases | 1,513,814 | 1,503,007 | 1,481,098 |
| Other expenses | 3,245,424 | 3,034,549 | 2,624,374 |
| General Fund transfer | | 2,525,223 | 1,000,000 |
| Total | \$15,622,577 | \$17,401,317 | \$15,704,043 |

General Information

Insurance Company Overview

The Financial Examiners Division assists the Commissioner with the regulation of the solvency of insurance companies through the activities of surveillance, monitoring, analysis and examination, all performed in accordance with nationally recognized standards promulgated by the National Association of Insurance Commissioners (NAIC) and other regulatory and professional accounting agencies. Through these procedures, the division provides technical assistance and factual information as a basis for determining regulatory action, thus serving as the first line of defense between Alabama’s citizens and potentially troubled insurance companies. The division also performs the following functions:

- Examines financial condition of domestic insurance companies, health maintenance organizations and fraternal benefit societies according to statutory requirements.
- Files and review annual statements for licensed companies.
- Collects insurance premium tax and audits premium tax returns.
- Reviews and issues or rejects applications for license of new companies, to include insurers, HMOs, fraternal, motor clubs, premium finance companies, prepaid legal and dental service corporations.

The Market Conduct section assists the Commissioner in protecting the insurance consumer and ensuring that policyholders and claimants are treated fairly and equitably. The section conducts examinations in accordance with the guidelines established by the NAIC and other recognized agencies and institutions and prepares reports to the Commissioner disclosing factual findings and making recommendations for corrective action when necessary.

Company Count

| Company Type | 12/31/2014 Totals |
|--------------------------|----------------------|
| Adjuster Company | 41 |
| Title | 20 |
| Accredited Reinsurer | 3 |
| Accepted Reinsurer | 43 |
| Captive | 35 |
| Premium Finance Company | 66 |
| PrePaid Dental | 5 |
| PrePaid Legal | 2 |
| SCP/VPPW | 203 |
| Automobile Club | 31 |
| Fraternal | 11 |
| HMO | 5 |
| Reciprocal Exchange | 13 |
| Preneed | 235 |
| Risk Purchasing Group | 299 |
| Risk Retention Company | 84 |
| Health Care Service Plan | 2 |
| Certified Reinsurer | 2 |
| Property & Casualty | 853 |
| Life & Health | 441 |
| Totals | 2,394 |

Producer Licensing Overview

The Producer Licensing Division is responsible for licensing Insurance Producers, as well as Title Insurance Agents, Surplus Line Brokers, Independent Adjusters, Service Representatives, and Portable Electronics Insurance Vendors.

Licensee Count

| License type | 12/31/2014 Totals |
|----------------------------------|------------------------------|
| <u>Individuals:</u> | |
| Adjuster | 16,352 |
| Managing General Agent | 2 |
| Portable Electronic Ins - Large | 8 |
| Portable Electronic Ins - Small | 12 |
| Preneed Sales Agent | 1,308 |
| Producer | 116,827 |
| Reinsurance Intermediary | 4 |
| Service Representative | 43 |
| Surplus Line Broker | 1,658 |
| Title Insurance Agent | 820 |
| Temporary Title Agent | 0 |
| Temporary Casualty | 12 |
| Temporary Health | 1,123 |
| Temporary Property | 47 |
| Temporary Personal Lines | 3 |
| Temporary Life | 1,523 |
| Apprentice Adjuster | 5 |
| <u>Business Entities:</u> | |
| Adjuster | 162 |
| Managing General Agent | 32 |
| Portable Electronic Ins - Large | 14 |
| Portable Electronic Ins - Small | 8 |
| Producer | 8,713 |
| Reinsurance Intermediary | 12 |
| Surplus Line Broker | 546 |
| Title Insurance Agent | 418 |
| TOTALS | 149,652 |

Legislative Report

The Department of Insurance had success during the 2014 Regular Legislative Session.

Department of Insurance Bills:

Act 2014-216, SB-98 (Bussman) - Amendments to Preneed Law

Act 2014-219, SB 123 (Blackwell) - Suspension of AHIP

Act 2014-296, SB-101 (Bussman) - Fingerprinting Authority Amendments

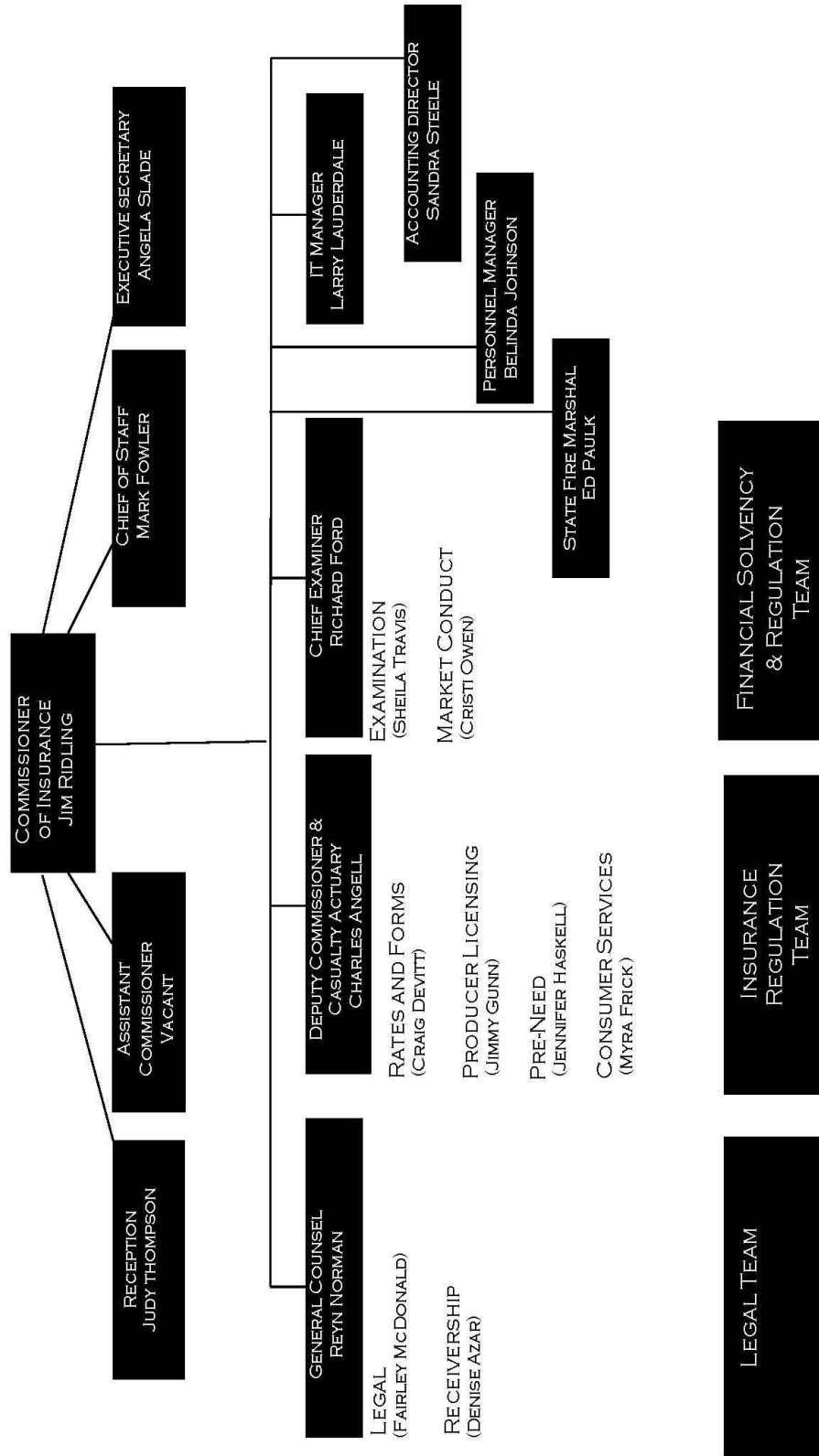
Act 2014-324, HB-111 (Hill, M) - Insurance Holding Company Act Revisions

Act 2014-377, SB-45 (Blackwell) - Insurance Department Accreditation Bill

Other Insurance Bills:

Act 2014-420, SB-254 (Hightower) - Credit against Premium Tax for Wind Coverage

ALDOI Organizational Chart



DECEMBER, 2014

