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BULLETIN NO. 2014-02

TO: All insurers authorized to write property and casualty insurance

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: June 11, 2014

RE: Alabama Coastal Insurance Reform Act of 2014 – Ala. Code § 27-1-24.1
(2012) as amended by Ala. Act. No. 2014-420

EFFECTIVE: July 1, 2014

This Bulletin addresses amendments to Ala. Code § 27-1-24.1 (2012), which provides a premium tax credit incentive to licensed property and casualty insurers writing new property/casualty policies, specifically including wind and hail coverage, in certain zones of the Alabama counties contiguous to the Gulf of Mexico and Mobile Bay, where at the time of writing of the private policies, the property was insured by the Alabama Insurance Underwriting Association (AIUA). Section 27-1-24.1 was amended by Ala. Act No. 2014-420, **effective July 1, 2014**, and, as amended, is now known as the Alabama Coastal Insurance Reform Act of 2014. The amendment includes the following changes:

1. The amendment specifies the zones in which the credit is available to be B4, B5, M4, M5, or successor zones (20% credit), and Gulf Front, B1, B2, B3, M1, M2, M3, or successor zones (35% credit).
2. The amendment deletes the provision in § 27-1-24.1(g) that “[i]n order to qualify for the credits contemplated in this section, an insurance carrier shall provide the homeowner a premium payment that is at a minimum 12 percent less than the premium amount paid by the homeowner under the Alabama Wind Pool Plan [*i.e.*, the AIUA].”
3. **Under the amendment, the aggregate amount of all tax credits in any tax year that may be claimed by insurance carriers shall not exceed \$50,000.00.** The \$50,000.00 is not the total per company but the aggregate amount of the credit that may be taken by all insurers each year.

Effective July 1, 2014, insurers that have written homeowners policies which meet all the statutory criteria and want to utilize the credit allowed by § 27-1-24.1 must electronically submit the application for the credit. This can be done by using the “Coastal Credit Application” link in the “Companies” drop-down menu or in the “Online Services” “Quick Links” area of the Department’s web-site (www.aldoi.gov). This application will be available for use beginning July 1, 2014. Each application will be time/date stamped and once the application and documentation (explained in the attached worksheet) have been reviewed, the tax credits will be reserved in the order in which the applications are received and the tax credit certificates will be issued. Once the reserved credits reach \$50,000.00 for the tax year, no more credits will be reserved for that tax year.

Questions regarding this Bulletin may be directed to:

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JLR/JFM/bc

attachment: Tax credit worksheet

Coastal County Insurance Premium Tax Credit Worksheet

NAICCOMPANY NAME

- ❖ Credit incentive for licensed property & casualty insurers providing new full coverage policies which are effective on or after July 1st 2014, specifically including **wind and hail coverage**. Only on properties that as of the time of writing are or were insured for wind coverage through the Alabama Insurance Underwriting Association.
- ❖ The insured property must be within Zones M1, M2, M3, M4, M5, B1, B2, B3 B4, B5 or Gulf Front
- ❖ The credit is nonrefundable
- ❖ The amount paid for premiums for which the credit is claimed cannot be excluded from gross income for the taxable year.

Zone	Insurer's premiums for policies which meet all of the above criteria	Tax Rate	Ordinary taxes due	Zone credit reduction	Tax credit total
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M1, M2, M3, B1, B2, B3 or Gulf Front _____ x _____ % _____ x 35% = _____

M4, M5, B4, B5 _____ x _____ % _____ x 20% = _____

Total Coastal credit _____

***Documentation to accompany this worksheet must include a policy listing detailed by the policyholder's name, policy number, address, premium amount, and policy period. The AIUA must verify the policy listing by providing a stamp of approval prior to submission to the Insurance Department.

***Tax rate for property casualty insurers is 3.6% unless specifically reduced by the Alabama Insurance Office Facilities Credit or Alabama Real Property Investment Credit in accordance with AL code section 27-4A-3(3)