

ACT NO. 2012-510

1 HB166  
2 141213-6  
3 By Representatives McMillan, Faust, Baker, Buskey, Kennedy,  
4 Gaston, Davis, Fincher, Sessions and Barton  
5 RFD: Insurance  
6 First Read: 07-FEB-12



1  
2 ENROLLED, An Act,

3 To provide for the Alabama Homeowners Bill of Rights  
4 Act; to require insurance carriers to provide to homeowner  
5 policyholders an outline of policy coverage and a standard  
6 checklist of policy contents at issuance, within 30 days after  
7 issuance of the policy under separate cover, or included in  
8 the policy when issued or mailed; to provide specific rights  
9 of policyholders regarding pricing, advertising, financial  
10 assurances, readable policies, balanced regulation by the  
11 Department of Insurance, inquiring about the licensing status  
12 of insurance personnel, cancellation rights, timely claim  
13 payment, the receiving of copies of certain reports relating  
14 to claim estimates, filing complaints, fair treatment, and  
15 rejection of settlement offers; to specify that violations of  
16 this act shall be punishable as a violation of the Unfair  
17 Trade Practices Act; and in connection therewith would have as  
18 its purpose or effect the requirement of a new or increased  
19 expenditure of local funds within the meaning of Amendment 621  
20 of the Constitution of Alabama of 1901, now appearing as  
21 Section 111.05 of the Official Recompilation of the  
22 Constitution of Alabama of 1901, as amended.

23 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

24 Section 1. Purpose, Intent, Name of Act.

1 (a) The purpose of this act is to set forth the  
2 rights Alabama homeowners have with respect to their insurance  
3 policies and with insurance companies.

4 (b) It is the intent of this act to improve  
5 homeowners understanding of their policies and to better  
6 enable a policyholder to understand their coverages.

7 (c) This act shall be known and may be cited as the  
8 "Alabama Homeowners Bill of Rights Act."

9 Section 2. (a) This act shall apply to all insurance  
10 companies authorized under a certificate of authority for  
11 property insurance and writing homeowners and other personal  
12 lines residential property insurance policies in the State of  
13 Alabama.

14 (b) For purposes of this act, the term "personal  
15 lines residential property insurance" shall include  
16 condominium insurance, dwelling fire policies that provide  
17 dwelling or contents coverage, renters/tenants insurance, and  
18 mobile home or manufactured home insurance. Creditor placed  
19 property insurance and condominium association or homeowner  
20 association property insurance is excluded from this act.

21 Section 3. Policyholders Bill of Rights.

22 The following shall serve as the minimum standards  
23 to be followed by the Alabama Department of Insurance in  
24 exercising the department's powers and duties in regulating  
25 insurance companies pursuant to Title 27, Chapter 12, Code of

1 Alabama 1975. The Department of Insurance and insurance  
 2 companies shall post this list or an electronic link of this  
 3 list on their respective websites. These standards include the  
 4 following:

5 (1) Policyholders shall have the right to  
 6 competitive pricing practices of insurers as prescribed by  
 7 applicable federal or state insurance law and regulation.

8 (2) Policyholders shall have the right to insurance  
 9 advertising and sales approaches that provide representative  
 10 information on the policy in accordance with Title 27, Chapter  
 11 12, Code of Alabama 1975.

12 (3) Policyholders shall have the right to assurance  
 13 that the insurance market in general and their insurance  
 14 company in particular are financially stable as provided in  
 15 Section 27-12-7, Code of Alabama 1975.

16 (4) Policyholders shall have the right to receive  
 17 service from licensed producers in accordance with Title 27,  
 18 Chapter 7, Code of Alabama 1975, and to request the license  
 19 status of an insurance company or producer.

20 (5) Policyholders shall have the right to a policy  
 21 as prescribed in Title 27, Chapter 14, Code of Alabama 1975,  
 22 to receive a complete policy, and to request a duplicate or  
 23 replacement policy, if needed.

24 (6) Policyholders shall have the right to receive in  
 25 writing from their insurance company the reason for any

1 cancellation of coverage and a minimum number of days' notice  
 2 of cancellation of coverage, subject to applicable federal or  
 3 state insurance law and regulation.

4 (7) Policyholders shall have the right to cancel  
 5 their policy and receive a refund of any unearned premium. If  
 6 a policy was funded by a premium finance company, the unearned  
 7 premium will be returned to the premium finance company to pay  
 8 toward the policyholder's financing loan.

9 (8) Policyholders shall have the right to a written  
 10 notification, at renewal, describing changes in their  
 11 insurance contract language that are applicable to the renewal  
 12 period.

13 (9) Policyholders shall have the right, in the event  
 14 of a claim, to reject any settlement amount offered by the  
 15 insurance company.

16 (10) Policyholders shall have the right to select  
 17 their licensed contractor or vendor to repair, replace, or  
 18 rebuild damaged property covered by the insurance policy.

19 (11) Policyholders shall have the right to file a  
 20 written complaint against any insurance company with the  
 21 Department of Insurance and to have that complaint reviewed by  
 22 the Department of Insurance.

23 (12) Policyholders shall have the right to file a  
 24 written complaint against any insurance producer with the

1 Department of Insurance and to have that complaint reviewed by  
2 the Department of Insurance.

3 Section 4. Outline of Coverage and Comprehensive  
4 Policy Checklist.

5 (a) No homeowners personal lines residential  
6 property coverage insurance policy shall be delivered or  
7 issued for delivery in this state unless an appropriate  
8 outline of coverage and comprehensive policy checklist have  
9 been delivered to the policyholder prior to issuance, within  
10 30 days after issuance of the policy under separate cover, or  
11 included in the policy when issued or mailed. The  
12 comprehensive policy checklist shall contain a list of  
13 provisions and elements, whether or not they are included in  
14 the policy being issued, in a format that allows the insurer  
15 to indicate what is and what is not included in the policy  
16 being issued. The outline of coverage and comprehensive  
17 checklist shall provide information on the policy and may, but  
18 is not required to, include coverage by endorsement.

19 (b) To be in compliance with this section, an  
20 insurer may use an approved outline of coverage and  
21 comprehensive policy checklist, to be promulgated by the  
22 Alabama Department of Insurance. If a company wishes to create  
23 and use its own outline of coverage and comprehensive policy  
24 checklist, it must be approved by the Alabama Department of  
25 Insurance and include, at a minimum, the following:

1           (1) A brief description of the type of coverage  
2 provided in the policy, amount of coverage, and whether the  
3 coverage is replacement cost or actual cash value.

4           (2) A summary statement of the principal exclusions  
5 and limitations or reductions contained in the policy and any  
6 other limitations or reductions.

7           (3) A summary of any additional coverages provided  
8 through any rider or endorsement that accompanies the policy,  
9 amount of that coverage, and whether the coverage is  
10 replacement cost or actual cash value.

11           (c) In addition, an insurer must include the  
12 following language on the outline of coverage and  
13 comprehensive policy checklist:

14           "The following is an outline of coverage and  
15 comprehensive policy checklist of your insurance policy and is  
16 for informational purposes only. Alabama law prohibits this  
17 checklist from changing any provisions of the insurance  
18 contract which is the subject of this checklist. Any  
19 endorsement regarding changes in types of coverage,  
20 exclusions, limitations, reductions, deductibles, coinsurance,  
21 renewal provisions, cancellation provisions, surcharges, or  
22 credits is not included in this checklist, unless otherwise  
23 indicated. This checklist does not operate to expand coverage  
24 beyond the coverage provided in the policy. If there is a

1 contradiction between this checklist and the policy, the terms  
2 of this policy govern.

3 "Policyholders should read their policy thoroughly.  
4 Policyholders should review their insurance policy annually  
5 with their insurance producer to ensure they are adequately  
6 covered."

7 (d) Also, as part of the outline of coverage and  
8 comprehensive policy checklist, an insurance company shall  
9 include a section of the document which contains a checklist  
10 of provisions, coverage, and exclusions offered within a  
11 policy, whether or not they have been included, or accepted,  
12 as part of the policy being issued, or considered. The  
13 comprehensive policy checklist shall include, at a minimum,  
14 the following:

15 (1) Property coverage for the principal premises  
16 shown in the declarations.

17 (2) Property coverage for other structures on the  
18 residence premises.

19 (3) Whether the principal premises and other  
20 structures are insured against the following perils:

- 21 a. Fire.
- 22 b. Lightning.
- 23 c. Explosion.
- 24 d. Wind and hail.
- 25 e. Flood.



1 f. Earthquake.

2 g. Collapse.

3 h. Mold.

4 i. Theft.

5 (4) Personal property and contents coverage and the  
6 amount of or percentage of coverage.

7 (5) Whether personal property and contents are  
8 insured against the following perils:

9 a. Fire.

10 b. Lightning.

11 c. Explosion.

12 d. Wind and hail.

13 e. Flood.

14 f. Earthquake.

15 g. Collapse.

16 h. Mold.

17 i. Theft.

18 (6) Whether the policy provides the following  
19 additional coverage:

20 a. Debris removal.

21 b. Loss assessment.

22 c. Additional living expenses.

23 d. Personal liability coverage.

24 e. Medical payments coverage.

25 f. Named windstorm deductible.

1 g. Building and ordinance or law coverage.

2 Section 5. Cause of Action.

3 Any violation of this act or any provision therein  
4 shall be enforceable only by the Department of Insurance as  
5 provided herein. Nothing in this act shall be used to provide  
6 a basis for a private cause of action. This act does not  
7 operate to expand coverage beyond the coverage provided by the  
8 policy.

9 Section 6. Violations and Penalties.

10 The failure of an insurance company writing  
11 homeowners personal lines residential property coverage  
12 insurance policies in this state to comply with the material  
13 provisions of this act shall be a violation of the Unfair  
14 Trade Practices Act as set forth in Section 27-12-1 et seq. of  
15 the Alabama Insurance Code, Code of Alabama 1975. Violation of  
16 the Unfair Trade Practices Act may subject the insurance  
17 company to the suspension or revocation of the Insurer's  
18 Certificate of Authority or the imposition of an  
19 administrative fine, or both.

20 Section 7. If any section or portion of a section of  
21 this act or the application thereof is held by a court to be  
22 invalid, such invalidity shall not affect any other provision  
23 of that section or application of the act which can be given  
24 effect without the invalid provision or application, and to

1 this end the provisions of the act are declared to be  
2 severable.

3 Section 8. Although this bill would have as its  
4 purpose or effect the requirement of a new or increased  
5 expenditure of local funds, the bill is excluded from further  
6 requirements and application under Amendment 621, now  
7 appearing as Section 111.05 of the Official ReCompilation of  
8 the Constitution of Alabama of 1901, as amended, because the  
9 bill defines a new crime or amends the definition of an  
10 existing crime.

11 Section 9. This act shall become effective for  
12 policies of new business with an effective date on or after  
13 July 1, 2013, following its passage and approval by the  
14 Governor, or its otherwise becoming law. This act shall become  
15 effective for existing policies at the time of renewal with a  
16 renewal date on or after July 1, 2013, following its passage  
17 and approval by the Governor, or its otherwise becoming law.

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Speaker of the House of Representatives

*Kay Ivey*

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President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in  
and was passed by the House 03-MAY-12, as amended.

Greg Pappas  
Clerk

\_\_\_\_\_

Senate

16-MAY-12

Passed

APPROVED *May 22, 2012*  
TIME *8:35 am*  
*Robert Bentley*  
GOVERNOR

Alabama Secretary Of State

Act Num....: 2012-510  
Bill Num...: H-166

Recv'd 05/22/12 04:00pmSLF

*McMillan*  
 SPONSORS  
*Frank Baker*  
*Lawrence*  
*Wendy*  
*Walter*  
*Ann*  
*Walter*  
*Walter*  
*Walter*

DATE: 5-8 2012  
 RD 1 RFD *FAV*

This Bill was referred to the Standing Committee of the Senate on FAV and was acted upon by such Committee in session and is by order of the Committee returned therefrom with a favorable report w/amend(s) \_\_\_ w/sub \_\_\_ by a vote of years 13 nays 6 abstain 0 this 19 day of May 2012  
*Greg Pappas* Chairperson

DATE: 5-9 2012  
 RF FAV RD 2 CAL

DATE: 20\_\_\_  
 RE-REFERRED RE-COMMITTED  
 Committee

I hereby certify that the Resolution as required in Section C of Act No. 81-889 was adopted and is attached to the Bill, HB 166  
 YEARS 30 NAYS 0 APRIL  
 PATRICK HARRIS, Secretary

I HEREBY CERTIFY THAT THE RESOLUTION AS REQUIRED IN SECTION C OF ACT NO. 81-889 WAS ADOPTED AND IS ATTACHED TO THE BILL, H.B. 166  
 YEARS 26 NAYS 2  
 GREG PAPPAS, Clerk

I HEREBY CERTIFY THAT THE NOTICE & PROOF IS ATTACHED TO THE BILL, H.B. AS REQUIRED IN THE GENERAL ACTS OF ALABAMA, 1975 ACT NO. 919.  
 GREG PAPPAS, Clerk

CONFERENCE COMMITTEE  
 House Conferees

**SENATE ACTION**  
(Continued)

DATE:	5-0-14	RD 3 at 1
PASSED	<input checked="" type="checkbox"/>	PASSED AS AMENDED
YEAS	30	NAYS 0
And was ordered returned forthwith to the H		
PATRICK HA		
Sec		

DATE: \_\_\_\_\_

INDEFINITELY POSTPONED    YEAS    NAYS

DATE: \_\_\_\_\_

RECONSIDERED    YEAS    NAYS

**CONFERENCE COMMITTEE**

Senate Conferees \_\_\_\_\_

\_\_\_\_\_

This bill having been referred to the Commi  
Rules pursuant to Senate Rule 23 is reported  
Senate for assignment to the Committee on:

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_, Chair

Date: \_\_\_\_\_

Referred

Committee: \_\_\_\_\_