



ALABAMA INSURANCE UNDERWRITING ASSOCIATION

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Robert W. Groves
Secretary/Manager

October 27, 2006

Fall Board of Directors Meeting
Perdido Beach Resort, Orange Beach, Alabama

BOARD MEMBER COMPANIES PRESENT:

Alfa Insurance Companies	Wyman Cabaniss
Allstate Insurance Company	Chris Eason
Auto-Owners Insurance Company	Drew Klasing
Baldwin Mutual Insurance Company	Tim Russell
Farmers Insurance Group of Companies	Not Present
Liberty Mutual Insurance Company	John Terlisner
Nationwide Insurance	Richard Thomas
St. Paul Travelers Insurance	Not Present
State Farm Insurance Company	Kim Robison

ALSO PRESENT:

Alabama Insurance Department	David Parsons, Deputy Insurance Commissioner
Alfa Insurance Companies	Beth Chancey, VP Property & Casualty Underwriting
Alfa Insurance Companies	Harold Oakes, VP Claims
Alfa Insurance Companies	Bob Plaster, Director Production & Technology

STAFF:

Bob Groves, Secretary/Manager
Ray Skinner, Assistant Manager - Claims

LEGAL COUNSEL:

Bert Nettles, Attorney

OTHER GUESTS:

Craig Vinson	Starke Agency
Willis Bradford	Fort Morgan Townhomes
Bill Sessions	Southern Insurance Agency
Kathy Turner	Morgantown

- I. Chairman Wyman Cabaniss called the meeting to order at 8:05 a.m.
- II AIUA Legal Counsel read the AIUA Anti-trust Admonition:

“We are all aware that the purpose of this board meeting is to conduct the affairs of this voluntary underwriting association for the benefit of Alabamians living in the beach areas of the state. Board members, nevertheless, are reminded of the provisions of the various federal anti-trust acts. Subjects such as boycotts, voluntary rates, market sharing and the like, are in violation of those laws and totally contrary to the purposes of this meeting and this association.”
- III. Mr. Cabaniss requested Mr. Groves call the roll. All members were present except Farmers Insurance Company and St Paul Travelers.
- IV. Recognition of Deputy Insurance Commissioner David Parsons
- V. Recognition of Guests/Visitors
- VI. Adoption of Minutes from April 21, 2006 Board Meeting. Motion to waive the reading of the minutes of the Spring 2006 meeting and adopt same. Motion seconded. The motion passed unanimously.
- VII. Adoption of Operational Reports
 - A. Treasurer’s Report - Tim Russell, Baldwin Mutual Insurance Co.
 1. Financial Statements and Budget Performance Reports were presented and adopted (Copies of the two reports are attached).
 2. Russell Thompson Butler & Houston, LLP audit presented. Motion to approve, seconded, approved unanimously.
 - B. Manager’s Report
 1. Budget –
Motion to approve budget, seconded, approved unanimously.
 2. Growth – as presented in handouts
Discussed space requirements – Tim Russell has space available and will meet with Bob Groves to plan.
 3. Technology – Looking at three options:
Build it
Buy it – this is the option that we are pursuing with SC Wind. A visit will be scheduled some time in December.
Borrow from a member company
 4. Legal – Bert Nettles discussed pending litigation with AMIC

5. Personnel - Discussed revised salary structure and job descriptions. Motion to accept revised salary structure, job descriptions and permission for Manager to hire an IT Assistant manager, seconded, approved unanimously.

VIII. Committee Reports:

A. Accounting and Fiscal Affairs Committee- Tim Russell, Chairperson (Baldwin Mutual)

1. Presented Financial Report – Motion to approve, seconded, approved unanimously.
2. Committee assigned the task of determining if AIUA could retain earnings to cover cost of reinsurance and explore other options for funding reinsurance expense.
3. Motion to affirm Treasurer's and Manager's authority to move assets (invest premiums) to Sterne-Agee Account, seconded, approved unanimously.

B. Advisory Committee – Bob Schurke, Chairperson (St. Paul Travelers)

1. No Report

C. Appeals Committee – Richard Thomas, Vice Chairperson (Nationwide)

1. Zurich appeal of participation percentage discussed. Appeals Committee recommended denial of Zurich's appeal. Motion made to accept Appeal Committee's recommendation, seconded, approved unanimously. Secretary/Manager to notify Zurich accordingly.
2. No other issues to report.

D. Liaison Committee – John Terlisner, Chairperson (Liberty Mutual)

1. The chairman reported that a new manager was hired.
2. No other issues to report.

E. Loss or Claims Committee – Wyman Cabaniss, Chairperson (Alfa)

1. Introduced Ray Skinner, Assistant Manager, Claims
2. Assistant Manager reported;
Hurricane Disaster Plan is in place with Pilot Catastrophe
Training has taken place
Trial run has been done.
12 Katrina and 2 Ivan claims outstanding.
3. Motion to accept Claims Manager's report, seconded, approved
unanimously.
4. Read letter from Independent Claims Audit.
5. Motion to accept letter into the minutes, seconded, approved
unanimously
6. No other issues to report.

F. Meetings Committee - Drew Klasing, Chairperson (Auto Owners)

1. Motion to attempt to reserve the Grand hotel for the Spring 2007
meeting with the Perdido Beach Resort as the alternative,
seconded, approved unanimously
2. No other issues to report.

G. Nominating Committee – Bob Schurke, Chairperson (St. Paul Travelers)

1. Wyman Cabaniss (Alfa) reporting for Bob Schurke (St Paul
Travelers) Chair
2. No issues to report.

H. Reinsurance Committee - Drew Klasing, Chairperson (Auto Owners)

1. Reported that the current plan is \$70,000,000 in excess of \$50,000,000.
This was an attempt to reach our 100 year Probable Maximum Loss (PML). With AIUA's current growth, this amount is now less than the 100 year PML.
2. The committee is now actively working with multiple brokers for next year's contract.
3. The committee will consider many options including the 250 year PML.
4. Chair of this Committee had no other issues to report.

I. Voluntary Writings Committee - Richard Thomas (Nationwide) Chair

1. The committee is working with ISO to review current wind territories. The committee will report at the next meeting.
2. No other issues to report.

J. Underwriting Committee - Kim Robison, Chairperson (State Farm)

1. Motion to change the inspection fee to be determined and filed with the Department of Insurance (DOI) by the Manager, periodically, to reflect the cost of inspections, seconded, approved unanimously.
2. Motion to establish a procedure that will make policies effective 16 days after the application, pictures and inspection is submitted by the agent, Legal Counsel stated that the Board has the authority to make this change, policy language will be amended and filed with DOI, seconded, approved unanimously.
3. Motion to implement a procedure that will allow AIUA to grant 10 day binding authority to agents for use in facilitating residential mortgage loan closings, seconded, approved unanimously.
4. Issues in CBRA zones were discussed. Underwriting Committee will review the CBRA area further before making any recommendations. A recommendation will be made in the next 30 days.
5. Willis Bradford, representing Fort Morgan Town homes presented an appeal for coverage on properties such as the Fort Morgan Town homes.

6. Lloyds is writing in the CBRA zone
7. Katherine Taylor, representing Morgantown, made an appeal concerning CBRA zones. Stated that coverage was available, but limited and expensive.
8. Committee to review maximum AIUA limits for Commercial Property with respect to;
 - Amount per building value
 - Amount per fire division
 - Amount per geographic location
 - Amount per "named insured"A recommendation will be made in the next 30 days.
9. Committee to review proposed residential dwelling fire manual rules and rate adequacy. A recommendation will be made in the next 30 days.

IX. New Business:

- A. Wyman Cabaniss recommended that board members bring assistants to future meetings to ensure continuity. Deputy Commissioner David Parsons concurred.
- B. Bill Sessions requested that AIUA review the B & C flood zones while evaluating the CBRA issues.
- C. Deputy Commissioner David Parsons reported:
 - 1. DOI has sent a notice for all companies to report all outstanding Ivan and Katrina losses.
 - 2. Thanked the Board for addressing the expansion of coverages and other issues.
 - 3. Thanked Bob Plaster and Alfa.
 - 4. Encouraged Web based rating.
 - 5. Asked Bob Groves to meet with DOI Insurance Specialists to review the catastrophe plan.
 - 6. Captive law is being reviewed and it should relieve AIUA of some pressure to write certain property.
- D. Bert Nettles presented a resolution commending Bob Plaster. Motion to accept, seconded, approved unanimously.
- E. Mr. Cabaniss made the motion to adjourn. The motion received a second and the meeting was adjourned.

Approved By
Robert W. Groves
Secretary/Manager

October 27, 2006