



# **Annual Report**

## **Alabama Department of Insurance 2015**

**Robert Bentley**  
Governor

**Jim L. Ridling**  
Commissioner





**ROBERT BENTLEY**  
GOVERNOR

**JIM L. RIDLING**  
COMMISSIONER

**STATE OF ALABAMA**  
**DEPARTMENT OF INSURANCE**  
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December 31, 2015

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 Five 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.

<b>Fund</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
General Fund	\$240,043,562	\$257,728,524	\$266,947,309	\$274,765,777
Education Trust Fund	30,993,296	30,993,296	30,993,296	30,993,296
Mental Health Fund	4,525,338	4,525,338	4,525,338	4,525,338
<b>Total</b>	<b>\$275,562,196</b>	<b>\$293,247,158</b>	<b>\$302,465,943</b>	<b>\$310,284,411</b>

**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.

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Fees	\$21,909,221	\$22,804,398	\$23,807,833	\$25,068,292
Fines	1,904,048	1,018,426	269,132	256,915
Other	1,786,469	3,749,861	1,142,608	527,266
<b>Total</b>	<b>\$25,599,738</b>	<b>\$27,572,685</b>	<b>\$25,219,573</b>	<b>\$25,852,473</b>

**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.

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>
Personnel costs	\$ 8,136,803	\$ 7,690,565	\$ 7,727,145	\$ 7,869,102
Employee benefits	2,726,536	2,647,973	2,871,426	2,945,327
Rentals and leases	1,513,814	1,503,007	1,481,098	1,635,920
Other expenses	3,245,424	3,034,549	2,624,374	2,652,168
General Fund transfer		2,525,223	1,000,000	428,174
<b>Total</b>	<b>\$15,622,577</b>	<b>\$17,401,317</b>	<b>\$15,704,043</b>	<b>\$15,530,691</b>

## 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 by Calendar Year

Company Type	12/31/2015 Totals	12/31/2014 Totals
Adjuster Company	41	41
Title	22	20
Accredited Reinsurer	3	3
Accepted Reinsurer	42	43
Captive	44	35
Premium Finance Company	70	66
PrePaid Dental	5	5
PrePaid Legal	2	2
SCP\VPPW	210	203
Automobile Club	30	31
Fraternal	11	11
HMO	7	5
Reciprocal Exchange	12	13
Preneed	242	235
Risk Purchasing Group	295	299
Risk Retention Company	84	84
Health Care Service Plan	2	2
Certified Reinsurer	4	2
Property & Casualty	855	853
Life & Health	434	441
<b>Totals</b>	<b>2,415</b>	<b>2,394</b>

**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 by Calendar Year**

<b>License type</b>	<b>12/31/2015 Totals</b>	<b>12/31/2014 Totals</b>
<b><u>Individuals:</u></b>		
Adjuster	16,456	16,352
Managing General Agent	2	2
Portable Electronic Ins - Large	11	8
Portable Electronic Ins - Small	14	12
Preneed Sales Agent	921	1,308
Producer	121,489	116,827
Reinsurance Intermediary	7	4
Service Representative	26	43
Surplus Line Broker	1,750	1,658
Title Insurance Agent	754	820
Temporary Title Agent	0	0
Temporary Casualty	22	12
Temporary Health	936	1,123
Temporary Property	49	47
Temporary Personal Lines	4	3
Temporary Life	1,368	1,523
Apprentice Adjuster	5	5
<b><u>Business Entities:</u></b>		
Adjuster	175	162
Managing General Agent	34	32
Portable Electronic Ins - Large	15	14
Portable Electronic Ins - Small	10	8
Producer	8,442	8,713
Reinsurance Intermediary	13	12
Surplus Line Broker	587	546
Title Insurance Agent	398	418
<b>TOTALS</b>	<b>153,488</b>	<b>149,652</b>

## **Legislative Report**

The Department of Insurance had success during the 2015 Regular Legislative Session.

### **Department of Insurance Bills:**

Act 2015-195, HB-92 (Hill, M) - Insurance Department Licensing Fees

Act 2015-227, SB-147 (Blackwell) - Confidentiality of Examination Report Workpapers

### **Other Insurance Bills:**

Act 2015-407, HB-35 (Hill, M) - Bail Bond Surety Insurers, Unearned Premium Reserve

Act 2015-155, HB-91 (Hill, M) - Rental Vehicle Insurance, Employee Exemption from License

Act 2015-313, SB-254 (Hightower) - Insurance Premium Reductions, Commercial Property Retrofit

Act 2015-482, SB-292 (Blackwell) - Electronic Delivery of P&C Insurance

Act 2015-483, SB-296 (Bussman) - Insurance Policy for Dental Services, Prohibits Setting Fees not covered by Policy

Act 2015-468, HB-401 (Hill, M) - Life Insurance Policies to pay Interest on Money Due

Act 2015-481, SB-270 (Blackwell) - Insurance Policy for Vision Care, Prohibits Setting Fees not covered by Policy

Act 2015-494, SB-220 (Hightower) - Creates Property Insurance & Energy Reduction Act

### **Bills Involving State Administration:**

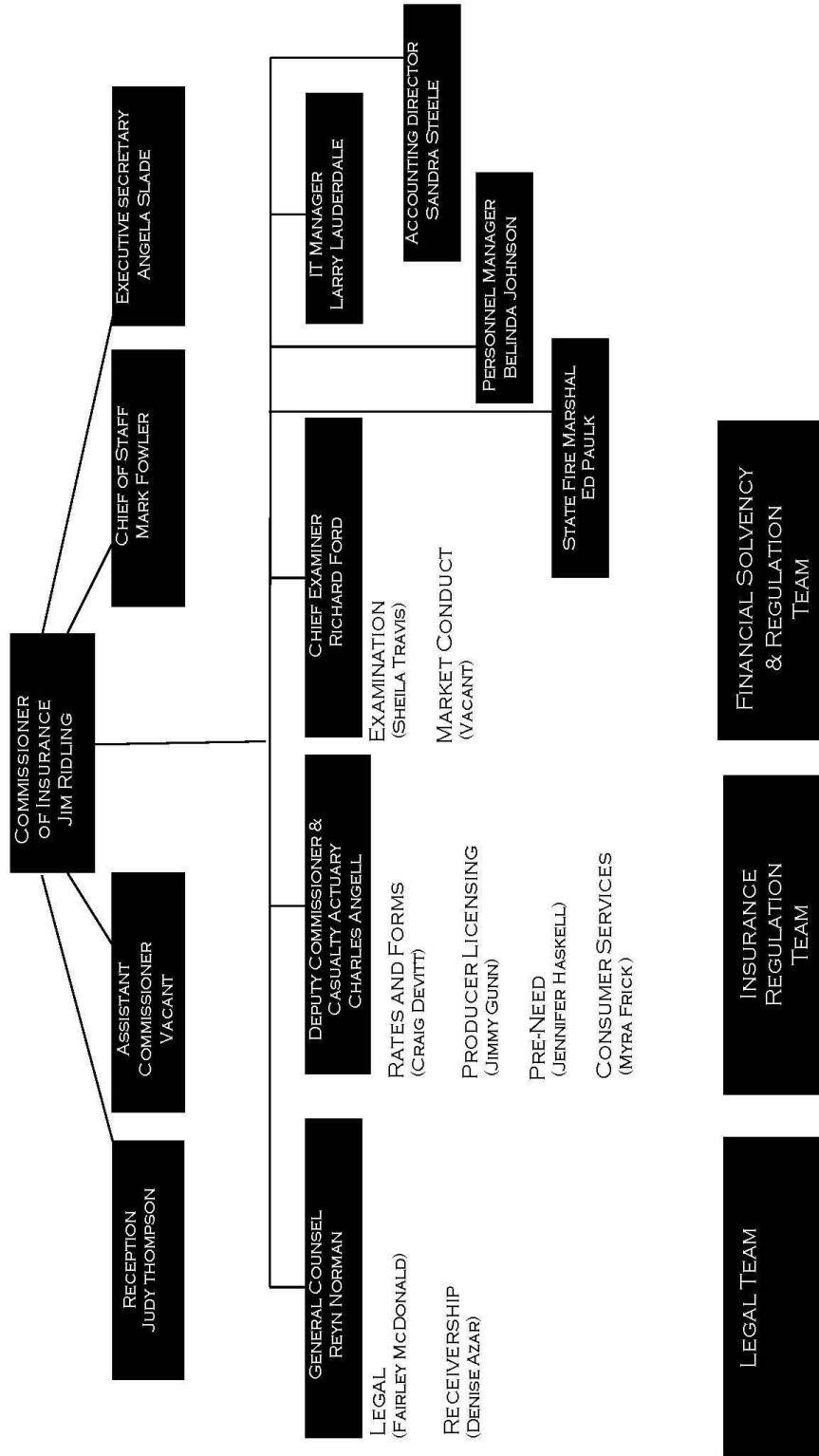
Act 2015-309, SB-186 (Albritton) - Cabinet Members, Personnel Board to Recommend Salaries

Act 2015-441, SB-216 (Dial) - State Agencies Authority to Change Fees According to CPI

Act 2015-478, SSB-212 (Melson) - State Agencies Allowed up to 2 Additional Exempt Employees



# ALDOI Organizational Chart



DECEMBER, 2015

