

1 HB362  
2 155128-4  
3 By Representative Scott  
4 RFD: Ways and Means Education  
5 First Read: 30-JAN-14

1  
2 ENROLLED, An Act,

3 To amend Section 41-15-4, Code of Alabama 1975,  
4 relating to the State Insurance Fund, to require the risk  
5 manager, with the approval of the Finance Director, to develop  
6 a program of gap coverage and gap plus coverage to provide,  
7 within reasonable limitations, proceeds sufficient to allow a  
8 K-12 public school building that has been rendered a total  
9 loss as a result of a covered peril to be reconstructed with  
10 materials superior to its original construction and in an  
11 increased size if appropriate based upon current construction  
12 standards and occupancy; to define gap coverage and gap plus  
13 coverage; to require the risk manager to draft rules,  
14 guidelines, limitations, and coverage endorsements for the  
15 program; and to require the risk manager to assess an  
16 actuarially sound premium.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. Section 41-15-4 of the Code of Alabama  
19 1975, is amended to read as follows:

20 "§41-15-4.

21 "(a) All covered property, unless otherwise provided  
22 in this section, shall be insured for no more than its  
23 replacement cost and shall be insured for no less than 80  
24 percent of its actual cash value. Replacement cost coverage  
25 may be provided with an amount of insurance as agreed upon by

1 the proper insuring authority and the risk manager based upon  
2 a written statement of values. Replacement cost shall be the  
3 cost to repair or replace property with comparable materials  
4 of like kind and quality by generally accepted construction  
5 methods or technology to serve the same function as the lost  
6 or damaged property. ~~Actual cash value shall be replacement~~  
7 ~~cost less depreciation.~~ No payment for a loss shall exceed the  
8 limit of the policy.

9 "(b) The officer or person having charge by law of  
10 insuring any public building, contents, machinery, and  
11 equipment shall annually certify to the Department of Finance  
12 the description and the value of all buildings, contents,  
13 machinery and equipment under his supervision or control on  
14 forms prescribed by the department for the purpose of showing  
15 the character of the risk and determining the rate of premium.  
16 No coverage shall be issued unless such certificate is on file  
17 in the office of the Department of Finance or the director has  
18 waived, in writing, the filing of the same.

19 "(c) Buildings, contents, machinery, and equipment  
20 owned by any county, city, or school district and used for  
21 school purposes or under control of a board of education may  
22 be insured under ~~the provisions of this chapter.~~ The risk  
23 manager, upon review and approval by the Finance Director,  
24 shall develop a program of coverage under the State Insurance  
25 Fund which provides, within reasonable limitations, for the

1 use of gap coverage and gap plus coverage, to provide proceeds  
2 sufficient to allow a school building that has suffered an 80  
3 percent or greater loss as a result of a covered peril to be  
4 reconstructed with materials superior to its original  
5 construction and in an increased size, if appropriate, based  
6 upon current construction standards and occupancy. The risk  
7 manager shall draft rules, guidelines, limitations, and  
8 coverage endorsements under which this program shall operate,  
9 and shall determine actuarially sound premiums to assess  
10 covered entities.

11 Additional premiums required for gap and gap plus  
12 coverage for participating systems shall be paid annually from  
13 the Public School Fund to the Department of Finance, Division  
14 of Risk Management. Distribution of the remaining Public  
15 School funds shall be pursuant to Section 16-13-234.

16 Gap coverage and gap plus coverage shall be  
17 mandatory for K-12 systems with buildings that qualify under  
18 the terms of this program.

19 "(1) For the purposes of this subsection, gap  
20 coverage is coverage that allows for improved construction  
21 type from an ISO of 1, 2, or 3 to an ISO of 4; allows for  
22 additional square footage in preapproved incremental amounts;  
23 and requires that building damages must exceed 80 percent or  
24 greater of the insured school building value as determined by  
25 State Insurance Fund adjusters, engineers, and other experts.

1 For purposes of this subsection, the following construction  
2 ISO designations apply:

3 "a. An ISO of 1 is a frame.

4 "b. An ISO of 2 is masonry and wood roof supports or  
5 trusses, or both.

6 "c. An ISO of 3 is pre-engineered metal.

7 "d. An ISO of 4 is a steel frame and roof supports  
8 with a masonry exterior.

9 "e. An ISO of 5 is a protected steel frame with a  
10 masonry exterior.

11 "f. An ISO of 6 is a reinforced concrete.

12 "(2) For the purposes of this subsection, gap plus  
13 coverage is coverage that allows the insured to select amounts  
14 of insurance for normally uncovered expenses including, but  
15 not limited to, a new preparation site if the building is not  
16 rebuilt on the same foundation, underground wiring, plumbing,  
17 paving, and other expenses. Gap plus coverage requires that  
18 building damages must exceed 80 percent of the insured school  
19 building value as determined by State Insurance Fund  
20 adjusters, engineers, and other experts. Gap plus coverage  
21 also requires that the maximum amount of coverage allowed for  
22 gap plus is 10 percent of the insured value of the destroyed  
23 building.

24 "(d) The Department of Finance may cause to be  
25 surveyed, annually, if practicable, all public property coming

1 within the provisions of this chapter, and the officer or  
2 person in charge of the public property shall receive a copy  
3 of such report. A survey shall be an examination of property  
4 for physical discrepancies, construction characteristics,  
5 usage, or occupancy.

6 "(e) Notwithstanding any law to the contrary, the  
7 Department of Finance in adjusting a loss ~~may~~, at its option,  
8 may assume title, ownership, and possession of any insured  
9 item, including building materials, fixtures, furniture,  
10 machinery, and equipment, for which insured value has been  
11 paid, and may arrange for the salvage and sale thereof in  
12 whatever manner is deemed most advantageous to the State  
13 Insurance Fund, to which all sale proceeds shall be deposited.  
14 Alternatively, the Department of Finance may deduct the  
15 salvage value of the insured item from the payment to the  
16 owner of insurance proceeds arising from the loss of the  
17 insured item."

18 Section 2. This act shall become effective on the  
19 first day of the third month following its passage and  
20 approval by the Governor, or its otherwise becoming law.

