

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control 482 Department or Agency Department of Insurance*

Rule No. Rule 482-1-125-09

Rule Title: Standards for Prompt, Fair and Equitable Settlements Applicable to Fire and Extended Coverage Type Policies with Replacement Costs.

New Amend Repeal Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? N/A*

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? N/A*

Is there another, less restrictive method of regulation available that could adequately protect the public? N/A*

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? N/A*

Is the increase in costs, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A*

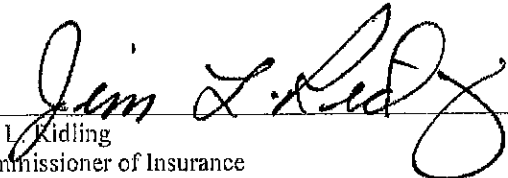
Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? N/A*

Does the proposed rule have an economic impact? N/A*

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Sections 27-2-17 and 27-7-43, Code of Alabama 1975, and that it complies with all applicable filing requirements of the Alabama Insurance Code.*

Signature of certifying officer 
Jim L. Kidling
Commissioner of Insurance

Date: June 17, 2014

*Note: *The Alabama Department of Insurance is exempt from the Alabama Administrative Procedures Act pursuant to Section 41-22-2(e), Code of Alabama 1975.*

Alabama Department of Insurance

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Department of Insurance

RULE NO. & TITLE: Rule 482-1-125-.09: Standards for Prompt, Fair and Equitable Settlements Applicable to Fire and Extended Coverage Type Policies with Replacement Costs.

INTENDED ACTION: Amend rule.

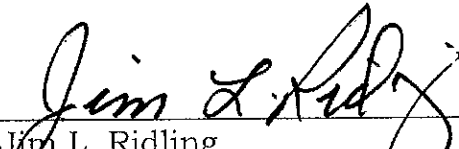
SUBSTANCE OF PROPOSED ACTION: The Commissioner of Insurance is proposing to amend the rule to define actual cash value to be replacement cost of the property at the time of loss less depreciation.

TIME, PLACE, MANNER OF PRESENTING VIEWS: Interested persons may submit data, views, or arguments in writing at any time prior to the date stated below to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 10:00 AM, August 6, 2014.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

August 6, 2014

CONTACT PERSON AT AGENCY: Reyn Norman
General Counsel



Jim L. Ridling
Commissioner of Insurance

1 482-1-125-.09 Standards for Prompt, Fair and Equitable
2 Settlements Applicable to Fire and Extended Coverage Type
3 Policies with Replacement Costs.

4 (1) When the policy provides for the adjustment and
5 settlement of first party losses based on replacement cost,
6 and a loss requires repair or replacement of an item or part,
7 any consequential physical damage necessarily or reasonably
8 incurred in making such repair or replacement not otherwise
9 excluded by the policy shall be included in the loss. The
10 insured shall not have to pay for betterment nor any other
11 cost except for the applicable deductible, except as provided
12 by the policy.

13 (2) When the insurance policy provides for the
14 adjustment and settlement of losses on an actual cash value
15 basis on residential fire and extended coverage, the insurer
16 shall determine actual cash value ~~according to one of the~~
17 ~~following:~~

18 ~~(a) Replacement~~ as replacement cost of property at time of
19 loss less depreciation. Upon the insured's request, the
20 insurer shall provide a copy of the claim file worksheets
21 detailing any and all deductions for depreciation.

1. ~~1. Upon the insured's request, the insurer shall provide~~
2 ~~a copy of the claim file worksheets detailing any and all~~
3 ~~deductions for depreciation.~~

4 ~~(b) Market value.~~

5 ~~(c) As otherwise provided in the policy.~~

6 (3) In cases in which the insured's interest is limited
7 because the property has nominal or no economic value, or a
8 value disproportionate to replacement cost less depreciation,
9 the determination of actual cash value as set forth in
10 Paragraph (2) is not required. In such cases, the insurer
11 shall provide, upon the insured's request, a written
12 explanation of the basis for limiting the amount of
13 recovery along with the amount payable under the policy.

14 **Author:** Commissioner of Insurance

15 **Statutory Authority:** Code of Alabama 1975, §§ 27-2-17, 27-1-
16 17, 27-1-19, 27-12-21,
17 27-12-24, 27-14-8, 27-14-11 and 27-14-9

18 **History:** New: May 27, 2003, Effective June 9, 2003; Revised
19 _____, 2014, Effective _____, 2014