

1 HB331
2 164294-2
3 By Representative Scott
4 RFD: Ways and Means Education
5 First Read: 19-MAR-15

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ENROLLED, An Act,

To amend Section 41-15-4, as amended by Act 2014-261, Code of Alabama 1975, relating to the State Insurance Fund, to require the risk manager, with the approval of the Finance Director, to develop a program of gap coverage and gap plus coverage to provide, within reasonable limitations, proceeds sufficient to allow a public school building under the jurisdiction of the Department of Postsecondary Education that has been rendered a total loss as a result of a covered peril to be reconstructed with materials superior to its original construction and in an increased size if appropriate based upon current construction standards and occupancy.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 41-15-4, as amended by Act 2014-261, Code of Alabama 1975, is amended to read as follows:

"§41-15-4.

"(a) All covered property, unless otherwise provided in this section, shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Replacement cost coverage may be provided with an amount of insurance as agreed upon by the proper insuring authority and the risk manager based upon a written statement of values. Replacement cost shall be the

1 cost to repair or replace property with comparable materials
2 of like kind and quality by generally accepted construction
3 methods or technology to serve the same function as the lost
4 or damaged property. No payment for a loss shall exceed the
5 limit of the policy.

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

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

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

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

15 "Gap coverage and gap plus coverage shall be
16 mandatory for K-12 systems and public two-year institutions of
17 postsecondary education with buildings that qualify under the
18 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, at its option, may
8 assume title, ownership, and possession of any insured item,
9 including building materials, fixtures, furniture, machinery,
10 and equipment, for which insured value has been paid, and may
11 arrange for the salvage and sale thereof in whatever manner is
12 deemed most advantageous to the State Insurance Fund, to which
13 all sale proceeds shall be deposited. Alternatively, the
14 Department of Finance may deduct the salvage value of the
15 insured item from the payment to the owner of insurance
16 proceeds arising from the loss of the insured item."

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

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Speaker of the House of Representatives

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 09-APR-15.

Jeff Woodard
Clerk

Senate

19-MAY-15

Passed