SB254

167625-4

By Senators Hightower, Glover, Albritton and Pittman

RFD: Banking and Insurance

First Read: 17-MAR-15
ENROLLED, An Act,

Relating to insurance discounts; to amend Sections 27-31D-1, 27-31D-2, and 27-31D-3 of the Code of Alabama 1975, to allow owners of commercial property an insurance premium reduction for retrofitting their commercial property to strengthen the structures in order to help resist hurricane and other windstorm damages.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 27-31D-1, 27-31D-2, and 27-31D-3 of the Code of Alabama 1975, are amended to read as follows:

"§27-31D-1.

"(a) Commencing on May 14, 2009, insurance companies shall provide a premium discount or insurance rate reduction in an amount and manner as established in subsection (d) and pursuant to Section 27-31D-3. In addition, insurance companies may also offer additional adjustments in deductible, other credit rate differentials, or a combination thereof, collectively referred to as adjustments. These adjustments shall be available under the terms specified in this section to any owner who builds or locates a new insurable property, in any county contiguous to the Gulf of Mexico and Mobile Bay.
the State of Alabama, to resist loss due to hurricane or other
catastrophic windstorm events.

"(b) To obtain the adjustment provided in this
section, an insurable property located in this state shall be
certified as constructed in accordance with the 2006
International Residential Code, as amended, including all
hurricane mitigation construction requirements, or the
Fortified For Safe Living Standards (FFSLS), as may from time
to time be adopted by the Institute for Business and Home
Safety or successor entity, or the Fortified Commercial
Standard (FCS), as, from time to time, may be adopted by the
Institute for Business and Home Safety or a successor entity.
An insurable property shall be certified as conforming to the
applicable building code only after an inspection of the
insurable property has been satisfactorily completed by a
certified or licensed building inspector and certified to be
conforming to the applicable building code including all
hurricane or high wind and hail mitigation construction
requirements. An insurable property shall be certified as
conforming to FFSLS or FCS criteria only after inspection and
certification by an FFSLS or FCS certified inspector.

"(c) An owner of insurable property claiming an
adjustment pursuant to this section shall maintain sufficient
certification records and construction records including, but
not limited to, a certification of compliance with the
applicable building code or FFSLS or FCS criteria provided in subsection (b), receipts from contractors, receipts for materials, and records from local building officials. The records shall be subject to audit by the Commissioner of Insurance, or his or her representatives, and copies of any such records shall be presented to the insurer or potential insurer of a property owner before the adjustment becomes effective for the insurable property.

"(d) Insurers required to submit rates and rating plans to the commissioner shall submit an actuarially justified rating plan for any person who builds an insurable property to comply with the sets of requirements of subsection (b). An insurer is not required to provide the same amount of adjustment for a building code insurable property as the insurer would to an FFSLS or FCS insurable property. An adjustment shall only apply to policies that provide wind coverage and may apply to that portion of the premium for wind coverage or to the total premium if the insurer does not separate out its premium for wind coverage in its rate filing. The adjustment shall apply exclusively to the premium designated for the improved insurable property. In addition to the requirements of this section, an insurer may voluntarily offer any other mitigation adjustment that the insurer deems appropriate.

"§27-31D-2.
“(a) Commencing on May 14, 2009, insurance companies shall provide a premium discount or insurance rate reduction in an amount and manner as established in subsection (d) and pursuant to Section 27-31D-3. In addition, insurance companies may also offer additional adjustments in deductible, other credit rate differentials, or a combination thereof, collectively referred to as adjustments. These adjustments shall be available under the terms specified in this section to any owner who retrofits his or her insurable property, in any county contiguous to the Gulf of Mexico and Mobile Bay, located in the State of Alabama to resist loss due to hurricane or other catastrophic windstorm events.

“(b) To obtain the adjustment provided in this section, an insurable property shall be retrofitted to Level One, Level Two, or Level Three, all as defined in the Fortified Existing Homes Home: Hurricane Standards (FHH), or the Fortified Home: Highwind and Hail Standards (FHHW) requirements as may from time to time be adopted by the Institute for Business and Home Safety or a successor entity, or other mitigation program, or other construction technique, or other standardized code which may be submitted by each insurer and approved by the commissioner. Zone three HUD code manufactured homes shall also be retrofitted as defined in the Fortified Existing Home Home-Hurricane: Manufactured/Modular Home Guidelines (FHHM) requirements as may from time to time
be adopted by the Institute for Business and Home Safety. An
insurable property shall be certified as conforming to
Fortified Commercial Standard or Fortified Existing Home
requirements only after inspection and certification by an
FFSLs FCS or Fortified Home certified inspector. Certification
of conformity of an insurable property with the other
mitigation program, other construction technique, or other
standardized code shall be made only by a certified or
licensed building inspector.

"(c) An owner of insurable property claiming an
adjustment pursuant to this section shall maintain sufficient
certification records and construction records including, but
not limited to, a certification of compliance with the
mitigation program, construction technique, or standardized
building code, as applicable, or FFSLs FCS or Fortified Home
as provided in subsection (b), receipts from contractors,
receipts for materials, and records from local building
officials. The records shall be subject to audit by the
commissioner, or his or her representatives, and copies of any
such records shall be presented to the insurer or potential
insurer of a property owner before the adjustment becomes
effective for the insurable property.

"(d) Insurers required to submit rates and rating
plans to the commissioner shall submit actuarially justified
rating plans for any person who retrofits an insurable
property to comply with the sets of alternatives provided in subsection (b). The adjustment shall only apply to policies that provide wind coverage and may apply to that portion of the premium for wind coverage or to the total premium if the insurer does not separate out its premium for wind coverage in its rate filing. The adjustment shall apply exclusively to the premium designated for the improved insurable property. In addition to the requirements of this section, an insurer may voluntarily offer any other mitigation adjustment that the insurer deems appropriate.

"§27-31D-3.

"For the purposes of this chapter, the term insurable property includes single family residential property or commercial property. Insurable property also includes modular homes satisfying the codes, standards, or techniques as provided in Section 27-31D-1 or Section 27-31D-2. Manufactured homes or mobile homes are excluded, except as expressly provided in subsection (b) of Section 27-31D-2."

Section 2. (a) This act shall become operative on new business and renewals at the time of renewal beginning on or after January 1, 2016, for commercial property in Baldwin and Mobile Counties.

(b) This act shall become operative on new business and renewals at the time of renewal beginning on or after January 1, 2018, for a single family residential property in
all other Alabama counties other than Baldwin and Mobile Counties. Beginning January 1, 2018, no insurer shall be required to issue new discounts for compliance with the 2006 International Residential Code, as amended.

(c) This act shall become operative on new business renewals at the time of renewal beginning on or after January 1, 2018, for a commercial property in all other Alabama counties other than Baldwin and Mobile Counties.

Section 3. This act shall become effective immediately and implemented pursuant to the provisions of Section 2.
President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB254
Senate 14-APR-15
I hereby certify that the within Act originated in and passed the Senate, as amended.

Patrick Harris
Secretary

House of Representatives
Amended and passed 26-MAY-15

Senate concurred in House amendment 26-MAY-15

By: Senator Hightower