

1 SB235
2 189341-2
3 By Senators Glover and Pittman
4 RFD: Banking and Insurance
5 First Read: 25-JAN-18

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8 SYNOPSIS: Under existing law, an insurance customer
9 may receive a premium discount for meeting certain
10 construction standards designed to make a home
11 resistant to strong winds if the home is certified
12 as meeting the standards adopted by the Institute
13 for Business and Home Safety (IBHS) or other
14 building code requirements. Existing law also
15 requires the insurance customer to submit copies of
16 construction records to insurers to qualify for the
17 premium discount.

18 This bill would, for those properties
19 certified as meeting the IBHS standards, remove the
20 requirement for customers to submit copies of
21 construction records to insurers to qualify for
22 premium discounts and, for those IBHS certified
23 properties, require instead submission of evidence
24 of certification.

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26 A BILL
27 TO BE ENTITLED

1 AN ACT

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3 Relating to insurance; to amend Sections 27-31D-1
4 and 27-31D-2, Code of Alabama 1975; to remove the requirement
5 that insurance customers submit copies of construction records
6 to insurers to qualify for premium discounts for properties
7 certified as meeting certain fortified building standards and
8 to require instead for the submission of evidence of
9 construction certification.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

13 "§27-31D-1.

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

25 "(b) To obtain the adjustment provided in this
26 section, an insurable property located in this state shall be

1 certified as constructed in accordance with either of the
2 following:

3 "(1) The ~~the~~ 2006 International Residential Code, as
4 amended, including all hurricane mitigation construction
5 requirements, ~~or.~~

6 "(2) The ~~the~~ Fortified For Safe Living Standards
7 (FFSLS), as may from time to time be adopted by the Institute
8 for Business and Home Safety (IBHS), or a successor entity, or
9 the Fortified Commercial Standard (FCS), as, from time to
10 time, may be adopted by ~~the Institute for Business and Home~~
11 ~~Safety or a successor entity~~ IBHS.

12 "(c) An insurable property shall be certified as
13 conforming to the applicable building code only after an
14 inspection of the insurable property has been satisfactorily
15 completed by a certified or licensed building inspector and
16 certified to be conforming to the applicable building code
17 including all hurricane or high wind and hail mitigation
18 construction requirements.

19 "(d) An insurable property shall be certified as
20 conforming to FFSLS or FCS criteria only after inspection and
21 certification by an ~~FFSLS or FCS~~ IBHS certified inspector.

22 "~~(c)~~ (e) An owner of insurable property claiming an
23 adjustment pursuant to ~~this section~~ subsection (c) and
24 subdivision (1) of subsection (b) shall maintain ~~sufficient~~
25 certification records and construction records including, ~~but~~
26 ~~not limited to,~~ a certification of compliance with the
27 applicable building code ~~or FFSLS or FCS criteria~~ provided in

1 subdivision (1) of subsection (b), receipts from contractors,
2 receipts for materials, and records from local building
3 officials.

4 "(f) An owner of insurable property claiming an
5 adjustment pursuant to subsection (d) and subdivision (2) of
6 subsection (b) shall maintain the IBHS certification
7 documentation, which shall be considered proof of compliance
8 with the FFSLS or FCS requirements described in subsection (d)
9 and subdivision (2) of subsection (b).

10 "(g) The records required by this section shall be
11 subject to audit by the Commissioner of Insurance, or his or
12 her representatives, ~~and copies of any such records.~~

13 "(h) Evidence of IBHS certification as provided for
14 in subsection (d) and subdivision (2) of subsection (b) shall
15 be presented to the insurer or potential insurer of a property
16 owner before the adjustment becomes effective for the
17 insurable property.

18 "(i) The records required to be maintained by
19 subsection (e) shall be presented to the insurer or potential
20 insurer of a property owner before the adjustment becomes
21 effective for the insurable property.

22 ~~"(d)(j)~~ Insurers required to submit rates and rating
23 plans to the commissioner shall submit an actuarially
24 justified rating plan for any person who builds an insurable
25 property to comply with the sets of requirements of ~~subsection~~
26 ~~(b)~~ this section. An insurer is not required to provide the
27 same amount of adjustment for a building code insurable

1 property as the insurer would to an FFSLS or FCS insurable
2 property. An adjustment shall only apply to policies that
3 provide wind coverage and may apply to that portion of the
4 premium for wind coverage or to the total premium if the
5 insurer does not separate out its premium for wind coverage in
6 its rate filing. The adjustment shall apply exclusively to the
7 premium designated for the improved insurable property. In
8 addition to the requirements of this section, an insurer may
9 voluntarily offer any other mitigation adjustment that the
10 insurer deems appropriate.

11 "§27-31D-2.

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

23 "(b) To obtain the adjustment provided in this
24 section, an insurable property shall be retrofitted to any of
25 the following:

26 "(1) The ~~the~~ Fortified Home: Hurricane Standards
27 (FHH), or the Fortified Home: Highwind and Hail Standards

1 (FHWH) requirements as may from time to time be adopted by the
2 Institute for Business and Home Safety (IBHS), or a successor
3 entity,~~or other.~~

4 "(2) Another mitigation program, or other
5 construction technique, or other standardized code which may
6 be submitted by each insurer and approved by the commissioner.

7 "(3) Zone three HUD code manufactured homes shall
8 also be retrofitted as defined in the Fortified
9 Home-Hurricane: Manufactured/Modular Home Guidelines (FHHM)
10 requirements as may from time to time be adopted by the
11 ~~Institute for Business and Home Safety~~ IBHS.

12 "(c) An insurable property shall be certified as
13 conforming to Fortified Commercial Standard or Fortified Home
14 requirements only after inspection and certification by an ~~FCS~~
15 ~~or Fortified Home~~ IBHS certified inspector.

16 "(d) Certification of conformity of an insurable
17 property with the other mitigation program, other construction
18 technique, or other standardized code shall be made only by a
19 certified or licensed building inspector.

20 "~~(c)~~(e) An owner of insurable property claiming an
21 adjustment pursuant to ~~this section~~ subsection (d) and
22 subdivision (2) of subsection (b) shall maintain ~~sufficient~~
23 certification records and construction records including,~~but~~
24 ~~not limited to,~~ a certification of compliance with the
25 mitigation program, construction technique, or standardized
26 building code, as applicable, ~~or FCS or Fortified Home~~ as
27 provided in subdivision (2) of subsection (b), receipts from

1 contractors, receipts for materials, and records from local
2 building officials. The records shall be subject to audit by
3 the commissioner, or his or her representatives, and copies of
4 ~~any such~~ the records shall be presented to the insurer or
5 potential insurer of a property owner before the adjustment
6 becomes effective for the insurable property.

7 "(f) An owner of insurable property claiming an
8 adjustment pursuant to subsection (c) and subdivision (1) or
9 (3) of subsection (b) shall maintain the IBHS certification
10 documentation, which shall be considered proof of compliance
11 with the FCS or Fortified Home requirements described in
12 subsection (c) and subdivision (1) or (3) of subsection (b).
13 The certification shall be presented to the insurer or
14 potential insurer of a property owner before the adjustment
15 becomes effective for the insurable property.

16 ~~"(d)~~ (g) Insurers required to submit rates and rating
17 plans to the commissioner shall submit actuarially justified
18 rating plans for any person who retrofits an insurable
19 property to comply with the sets of alternatives provided in
20 subsection (b). The adjustment shall only apply to policies
21 that provide wind coverage and may apply to that portion of
22 the premium for wind coverage or to the total premium if the
23 insurer does not separate out its premium for wind coverage in
24 its rate filing. The adjustment shall apply exclusively to the
25 premium designated for the improved insurable property. In
26 addition to the requirements of this section, an insurer may

1 voluntarily offer any other mitigation adjustment that the
2 insurer deems appropriate."

3 Section 2. This act shall become effective
4 immediately following its passage and approval by the
5 Governor, or its otherwise becoming law.