

1 SB254
2 167625-4
3 By Senators Hightower, Glover, Albritton and Pittman
4 RFD: Banking and Insurance
5 First Read: 17-MAR-15

1 SB254

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4 ENROLLED, An Act,

5 Relating to insurance discounts; to amend Sections
6 27-31D-1, 27-31D-2, and 27-31D-3 of the Code of Alabama 1975,
7 to allow owners of commercial property an insurance premium
8 reduction for retrofitting their commercial property to
9 strengthen the structures in order to help resist hurricane
10 and other windstorm damages.

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

14 "§27-31D-1.

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

1 the State of Alabama, to resist loss due to hurricane or other
2 catastrophic windstorm events.

3 "(b) To obtain the adjustment provided in this
4 section, an insurable property located in this state shall be
5 certified as constructed in accordance with the 2006
6 International Residential Code, as amended, including all
7 hurricane mitigation construction requirements, or the
8 Fortified For Safe Living Standards (FFSLS), as may from time
9 to time be adopted by the Institute for Business and Home
10 Safety or successor entity, or the Fortified Commercial
11 Standard (FCS), as, from time to time, may be adopted by the
12 Institute for Business and Home Safety or a successor entity.

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

22 "(c) An owner of insurable property claiming an
23 adjustment pursuant to this section shall maintain sufficient
24 certification records and construction records including, but
25 not limited to, a certification of compliance with the

1 applicable building code or FFSLs or FCS criteria provided in
2 subsection (b), receipts from contractors, receipts for
3 materials, and records from local building officials. The
4 records shall be subject to audit by the Commissioner of
5 Insurance, or his or her representatives, and copies of any
6 such records shall be presented to the insurer or potential
7 insurer of a property owner before the adjustment becomes
8 effective for the insurable property.

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

25 "§27-31D-2.

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

13 "(b) To obtain the adjustment provided in this
14 section, an insurable property shall be retrofitted to ~~Level~~
15 ~~One, Level Two, or Level Three, all as defined in the~~
16 ~~Fortified Existing Homes~~ Home: Hurricane Standards (FHH), or
17 the Fortified Home: Highwind and Hail Standards (FHWH)
18 requirements as may from time to time be adopted by the
19 Institute for Business and Home Safety or a successor entity,
20 or other mitigation program, or other construction technique,
21 or other standardized code which may be submitted by each
22 insurer and approved by the commissioner. Zone three HUD code
23 manufactured homes shall also be retrofitted as defined in the
24 ~~Fortified Existing Home~~ Home-Hurricane: Manufactured/Modular
25 Home Guidelines (FHHM) requirements as may from time to time

1 be adopted by the Institute for Business and Home Safety. An
2 insurable property shall be certified as conforming to
3 Fortified Commercial Standard or Fortified Existing Home
4 requirements only after inspection and certification by an
5 ~~FFSLS~~ FCS or Fortified Home certified inspector. Certification
6 of conformity of an insurable property with the other
7 mitigation program, other construction technique, or other
8 standardized code shall be made only by a certified or
9 licensed building inspector.

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

23 "(d) Insurers required to submit rates and rating
24 plans to the commissioner shall submit actuarially justified
25 rating plans for any person who retrofits an insurable

1 property to comply with the sets of alternatives provided in
2 subsection (b). The adjustment shall only apply to policies
3 that provide wind coverage and may apply to that portion of
4 the 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-3.

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

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

23 (b) This act shall become operative on new business
24 and renewals at the time of renewal beginning on or after
25 January 1, 2018, for a single family residential property in

1 all other Alabama counties other than Baldwin and Mobile
2 Counties. Beginning January 1, 2018, no insurer shall be
3 required to issue new discounts for compliance with the 2006
4 International Residential Code, as amended.

5 (c) This act shall become operative on new business
6 renewals at the time of renewal beginning on or after January
7 1, 2018, for a commercial property in all other Alabama
8 counties other than Baldwin and Mobile Counties.

9 Section 3. This act shall become effective
10 immediately and implemented pursuant to the provisions of
11 Section 2.

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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