

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

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

10  
11 Relating to insurance discounts; to amend Sections  
12 27-31D-1, 27-31D-2, and 27-31D-3 of the Code of Alabama 1975,  
13 to allow owners of commercial property an insurance premium  
14 reduction for retrofitting their commercial property to  
15 strengthen the structures in order to help resist hurricane  
16 and other windstorm damages.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

20 "§27-31D-1.

21 "(a) Commencing on May 14, 2009, insurance companies  
22 shall provide a premium discount or insurance rate reduction  
23 in an amount and manner as established in subsection (d) and  
24 pursuant to Section 27-31D-3. In addition, insurance companies  
25 may also offer additional adjustments in deductible, other  
26 credit rate differentials, or a combination thereof,  
27 collectively referred to as adjustments. These adjustments

1 shall be available under the terms specified in this section  
2 to any owner who builds or locates a new insurable property,  
3 in ~~any county contiguous to the Gulf of Mexico and Mobile Bay~~  
4 the State of Alabama, to resist loss due to hurricane or other  
5 catastrophic windstorm events.

6 "(b) To obtain the adjustment provided in this  
7 section, an insurable property located in this state shall be  
8 certified as constructed in accordance with the 2006  
9 International Residential Code, as amended, including all  
10 hurricane mitigation construction requirements, or the  
11 Fortified For Safe Living Standards (FFSLS), as may from time  
12 to time be adopted by the Institute for Business and Home  
13 Safety or successor entity, or the Fortified Commercial  
14 Standard (FCS), as, from time to time, may be adopted by the  
15 Institute for Business and Home Safety or a successor entity.  
16 An insurable property shall be certified as conforming to the  
17 applicable building code only after an inspection of the  
18 insurable property has been satisfactorily completed by a  
19 certified or licensed building inspector and certified to be  
20 conforming to the applicable building code including all  
21 hurricane mitigation construction requirements. An insurable  
22 property shall be certified as conforming to FFSLS or FCS  
23 criteria only after inspection and certification by an FFSLS  
24 or FCS certified inspector.

25 "(c) An owner of insurable property claiming an  
26 adjustment pursuant to this section shall maintain sufficient  
27 certification records and construction records including, but

1 not limited to, a certification of compliance with the  
2 applicable building code or FFSLs or FCS criteria provided in  
3 subsection (b), receipts from contractors, receipts for  
4 materials, and records from local building officials. The  
5 records shall be subject to audit by the Commissioner of  
6 Insurance, or his or her representatives, and copies of any  
7 such records shall be presented to the insurer or potential  
8 insurer of a property owner before the adjustment becomes  
9 effective for the insurable property.

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

26 "§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 requirements as may from time to time  
17 be adopted by the Institute for Business and Home Safety or a  
18 successor entity, or other mitigation program, or other  
19 construction technique, or other standardized code which may  
20 be submitted by each insurer and approved by the commissioner.  
21 Zone three HUD code manufactured homes shall also be  
22 retrofitted as defined in the Fortified Existing Home  
23 requirements as may from time to time be adopted by the  
24 Institute for Business and Home Safety. An insurable property  
25 shall be certified as conforming to Fortified Commercial  
26 Standard or Fortified Existing Home requirements only after  
27 inspection and certification by an ~~FFSL~~ FCS or FEH certified

1 inspector. Certification of conformity of an insurable  
2 property with the other mitigation program, other construction  
3 technique, or other standardized code shall be made only by a  
4 certified or licensed building inspector.

5 "(c) An owner of insurable property claiming an  
6 adjustment pursuant to this section shall maintain sufficient  
7 certification records and construction records including, but  
8 not limited to, a certification of compliance with the  
9 mitigation program, construction technique, or standardized  
10 building code, as applicable, or ~~FFSLS~~ FCS or FEH as provided  
11 in subsection (b), receipts from contractors, receipts for  
12 materials, and records from local building officials. The  
13 records shall be subject to audit by the commissioner, or his  
14 or her representatives, and copies of any such records 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 "(d) Insurers required to submit rates and rating  
19 plans to the commissioner shall submit actuarially justified  
20 rating plans for any person who retrofits an insurable  
21 property to comply with the sets of alternatives provided in  
22 subsection (b). The adjustment shall only apply to policies  
23 that provide wind coverage and may apply to that portion of  
24 the premium for wind coverage or to the total premium if the  
25 insurer does not separate out its premium for wind coverage in  
26 its rate filing. The adjustment shall apply exclusively to the  
27 premium designated for the improved insurable property. In

1 addition to the requirements of this section, an insurer may  
2 voluntarily offer any other mitigation adjustment that the  
3 insurer deems appropriate.

4 "§27-31D-3.

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

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

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

23 (c) This act shall become operative on new business  
24 renewals at the time of renewal beginning on or after January  
25 1, 2018, for a commercial property in all other Alabama  
26 counties other than Baldwin and Mobile Counties.

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



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Senate

Read for the first time and referred to the Senate  
committee on Banking and Insurance..... 17-MAR-15

Read for the second time and placed on the calen-  
dar..... 02-APR-15

Read for the third time and passed as amended .... 14-APR-15

Yeas 33  
Nays 0

Patrick Harris  
Secretary