

1 SB254
2 165695-1
3 By Senators Hightower, Glover, Albritton and Pittman
4 RFD: Banking and Insurance
5 First Read: 17-MAR-15

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8 SYNOPSIS: Currently, homeowners who live within
9 certain areas of this state are provided insurance
10 premium reductions for retrofitting their homes to
11 strengthen the structures in order to help resist
12 hurricane and other windstorm damages.

13 This bill would allow owners of commercial
14 property an insurance premium reduction for
15 retrofitting their commercial property to
16 strengthen the structures in order to help resist
17 hurricane and other windstorm damages.

18
19 A BILL

20 TO BE ENTITLED

21 AN ACT

22
23 Relating to insurance discounts; to amend Sections
24 27-31D-1, 27-31D-2, and 27-31D-3 of the Code of Alabama 1975,
25 to allow owners of commercial property an insurance premium
26 reduction for retrofitting their commercial property to

1 strengthen the structures in order to help resist hurricane
2 and other windstorm damages.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

6 "§27-31D-1.

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

19 "(b) To obtain the adjustment provided in this
20 section, an insurable property located in this state shall be
21 certified as constructed in accordance with the 2006
22 International Residential Code, as amended, including all
23 hurricane mitigation construction requirements, or the
24 Fortified For Safe Living Standards (FFSLS), as may from time
25 to time be adopted by the Institute for Business and Home
26 Safety or the Fortified Commercial Standard. An insurable
27 property shall be certified as conforming to the applicable

1 building code only after an inspection of the insurable
2 property has been satisfactorily completed by a certified or
3 licensed building inspector and certified to be conforming to
4 the applicable building code including all hurricane
5 mitigation construction requirements. An insurable property
6 shall be certified as conforming to FFSLs criteria only after
7 inspection and certification by an FFSLs certified inspector.

8 "(c) An owner of insurable property claiming an
9 adjustment pursuant to this section shall maintain sufficient
10 certification records and construction records including, but
11 not limited to, a certification of compliance with the
12 applicable building code or FFSLs criteria provided in
13 subsection (b) or the Fortified Commercial Standard, receipts
14 from contractors, receipts for materials, and records from
15 local building officials. The records shall be subject to
16 audit by the Commissioner of Insurance, or his or her
17 representatives, and copies of any such records shall be
18 presented to the insurer or potential insurer of a property
19 owner before the adjustment becomes effective for the
20 insurable property.

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

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

10 "§27-31D-2.

11 "(a) Commencing on May 14, 2009, insurance companies
12 shall provide a premium discount or insurance rate reduction
13 in an amount and manner as established in subsection (d) and
14 pursuant to Section 27-31D-3. In addition, insurance companies
15 may also offer additional adjustments in deductible, other
16 credit rate differentials, or a combination thereof,
17 collectively referred to as adjustments. These adjustments
18 shall be available under the terms specified in this section
19 to any owner who retrofits his or her insurable property, ~~in~~
20 ~~any county contiguous to the Gulf of Mexico and Mobile Bay,~~
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 ~~Level~~
25 ~~One, Level Two, or Level Three, all as defined in the~~
26 Fortified Commercial Standard, or the Fortified Existing Homes
27 requirements as may from time to time be adopted by the

1 Institute for Business and Home Safety, or other mitigation
2 program, or other construction technique, or other
3 standardized code which may be submitted by each insurer and
4 approved by the commissioner. Zone three HUD code manufactured
5 homes shall also be retrofitted as defined in the Fortified
6 Existing Home requirements as may from time to time be adopted
7 by the Institute for Business and Home Safety. An insurable
8 property shall be certified as conforming to Fortified
9 Commercial Standard or Fortified Existing Home requirements
10 only after inspection and certification by an FFSLS certified
11 inspector. Certification of conformity of an insurable
12 property with the other mitigation program, other construction
13 technique, or other standardized code shall be made only by a
14 certified or licensed building inspector.

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

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

14 "§27-31D-3.

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

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