

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

CONFERENCE COMMITTEE
SUBSTITUTE
FOR ENGROSSED
HOUSE BILL NO. 1720

By: Moore, McBride and Roberts
(Dustin) of the House

and

Sparks of the Senate

CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to property insurance; directing insurance companies to provide certain discounts and rate reductions; specifying availability of discounts and rate reductions; specifying requirements to obtain discounts and rate reductions; requiring certain property owners to keep certain documentation; authorizing Insurance Commissioner to audit certain documents; instructing insurance companies to submit certain rating plans; specifying terms of discounts and rate reductions; providing certain existing discounts deemed to have met certain requirements; requiring certain discounts to certain premiums; authorizing request for additional information; authorizing insurance company to offer additional mitigation adjustments; defining term; specifying start date of certain discounts and rate reductions; instructing the Insurance Department to promulgate rules; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 961 of Title 36, unless there is
3 created a duplication in numbering, reads as follows:

4 A. Commencing on April 1, 2018, insurance companies shall
5 provide a premium discount or insurance rate reduction in an amount
6 and manner as established in subsection D of this section and
7 pursuant to Section 3 of this act only when the company determines
8 that the premium discount or rate reduction is actuarially justified
9 and there is sufficient and credible evidence of cost savings, which
10 can be attributed to the construction standards set forth in
11 subsection B of this section. A premium discount or rate reduction
12 shall be available under the terms specified in this section to any
13 owner who builds or locates a new insurable property in the State of
14 Oklahoma to resist loss due to tornado or other catastrophic
15 windstorm events. Insurance companies shall be required to offer
16 such a premium discount or rate reduction only when the insurer
17 determines they are actuarially justified and there is sufficient
18 and credible evidence of cost savings, which can be attributed to
19 the construction standards set forth in subsection B of this
20 section. In addition, insurance companies may also offer additional
21 adjustments in deductible, other risk differentials, or a
22 combination thereof, collectively referred to as other adjustments.

23 B. To obtain the premium discount, rate reduction, or other
24 adjustment provided in this section, an insurable property located

1 in this state shall be certified as constructed in accordance with
2 Appendix Y of the 2015 Oklahoma Uniform Building Code, as amended,
3 including all tornado mitigation construction requirements, as long
4 as its standards are equal to or greater than the FORTIFIED Home
5 High Wind and Hail Standards as certified by the Institute for
6 Business and Home Safety, or the FORTIFIED Home High Wind and Hail
7 Standards as may from time to time be adopted by the Institute for
8 Business and Home Safety or successor entity. An insurable property
9 shall be certified as conforming to the applicable building code
10 only after an inspection of the insurable property has been
11 satisfactorily completed by a certified or licensed building
12 inspector and certified to be conforming to the applicable building
13 code including all high wind and hail mitigation construction
14 requirements. An insurable property shall be certified as
15 conforming to the FORTIFIED Home High Wind and Hail Standards only
16 after evaluation and certification by an evaluator certified
17 pursuant to the FORTIFIED Home High Wind and Hail Standards.

18 C. An owner of insurable property claiming a premium discount,
19 rate reduction, or other adjustment pursuant to this section shall
20 maintain sufficient certification records and construction records
21 including, but not limited to, a certification of compliance with
22 the applicable building code or the FORTIFIED Home High Wind and
23 Hail Standards provided in subsection B of this section, receipts
24 from contractors, receipts for materials and records from local

1 building officials. The records shall be subject to audit by the
2 Insurance Commissioner, or his or her representatives, and copies of
3 any such records shall be presented to the insurer or potential
4 insurer of a property owner before the premium discount, rate
5 reduction, or other adjustment becomes effective for the insurable
6 property.

7 D. Insurers that write policies that are subject to the premium
8 discount or rate reduction in this section and that are required to
9 submit rates and rating plans to the Commissioner pursuant to
10 Section 987 of Title 36 of the Oklahoma Statutes shall submit a
11 rating plan certified by their actuary as actuarially justified
12 providing for the premium discount or rate reduction described in
13 this section. An insurer is not required to provide the same amount
14 of premium discount, rate reduction, or other adjustment for a
15 building code insurable property as the insurer would to an
16 insurable property conforming to the FORTIFIED Home High Wind and
17 Hail Standards. A premium discount, rate reduction, or other
18 adjustment shall only apply to policies that provide wind or hail
19 coverage and to that portion of the premium for wind or hail
20 coverage. A premium discount, rate reduction, or other adjustment
21 shall apply exclusively to the wind and hail premium applicable to
22 improved insurable property. If an insurer already offers an
23 actuarially justified hail resistance discount, that hail-related
24 discount shall be deemed as having met the requirements of this act

1 as it pertains to hail-related discounts or rate reductions and no
2 additional hail-related discount or rate reduction shall be
3 required. If an insurer already offers an actuarially justified
4 discount for IBHS FORTIFIED Home standards, that discount shall be
5 deemed as having met the requirements of this act as it pertains to
6 wind-related discounts or rate reductions and no additional wind-
7 related discount or rate reduction shall be required. Insurers
8 shall apply any applicable premium discount, rate reduction or other
9 adjustment to the wind and hail premium at the policy renewal that
10 follows the submission of the certification to the insurer. At the
11 time of a policy renewal for which a premium discount, rate
12 reduction, or other adjustment has previously been made, the insurer
13 may request documentation or recertification that the fortified
14 standards as described in subsection C of this section continue to
15 be met. In addition to the requirements of this section, an insurer
16 may voluntarily offer any other mitigation adjustment that the
17 insurer deems appropriate.

18 SECTION 2. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 962 of Title 36, unless there is
20 created a duplication in numbering, reads as follows:

21 A. Commencing on April 1, 2018, insurance companies shall
22 provide a premium discount or insurance rate reduction in an amount
23 and manner as established in subsection D of this section and
24 pursuant to Section 3 of this act only when the company determines

1 that the premium discount or rate reduction is actuarially justified
2 and there is sufficient and credible evidence of cost savings, which
3 can be attributed to the construction standards set forth in
4 subsection B of this section. A premium discount or rate reduction
5 shall be available under the terms specified in this section to any
6 owner who retrofits his or her insurable property located in the
7 State of Oklahoma to resist loss due to tornado or other
8 catastrophic windstorm events. Insurance companies shall be
9 required to offer a premium discount or rate reduction only when the
10 insurer has deemed the adjustments to be actuarially justified and
11 there is sufficient and credible evidence of cost savings, which can
12 be attributed to the construction standards set forth in subsection
13 B of this section. In addition, insurance companies may also offer
14 additional adjustments in deductible, other risk differentials, or a
15 combination thereof, collectively referred to as other adjustments.

16 B. To obtain the premium discount, rate reduction, or other
17 adjustment provided in this section, an insurable property shall be
18 retrofitted to the FORTIFIED Home High Wind and Hail Standards, as
19 may from time to time be adopted by the Institute for Business and
20 Home Safety. Wind-Zone-3-HUD-code-manufactured homes installed on a
21 permanent foundation and retrofitted as defined in the FORTIFIED
22 Home High Wind and Hail Standards, as may from time to time be
23 adopted by the Institute for Business and Home Safety, shall be
24 eligible for the premium discount or rate reduction provided in this

1 section. An insurable property shall be certified as conforming to
2 FORTIFIED Home High Wind and Hail Standards only after evaluation
3 and certification by an evaluator certified pursuant to the
4 FORTIFIED Home High Wind and Hail Standards.

5 C. An owner of insurable property claiming a premium discount,
6 rate reduction, or other adjustment pursuant to this section shall
7 maintain sufficient certification records and construction records
8 including, but not limited to, a certification of compliance with
9 the FORTIFIED Home High Wind and Hail Standards as provided in
10 subsection B of this section, receipts from contractors, and
11 receipts for materials. The records shall be subject to audit by
12 the Insurance Commissioner, or his or her representatives, and
13 copies of any such records shall be presented to the insurer or
14 potential insurer of a property owner before the premium discount,
15 rate reduction, or other adjustment becomes effective for the
16 insurable property.

17 D. Insurers that write policies that are subject to the premium
18 discount or rate reduction in this section and that are required to
19 submit rates and rating plans to the Commissioner pursuant to
20 Section 987 of Title 36 of the Oklahoma Statutes shall submit rating
21 plans certified by their actuary as actuarially justified providing
22 for the premium discounts or rate reductions described in this
23 section. A premium discount, rate reduction, or other adjustment
24 shall only apply to policies that provide wind or hail coverage and

1 to that portion of the premium for wind or hail coverage. A premium
2 discount, rate reduction, or other adjustment shall apply
3 exclusively to the wind and hail premium applicable to improved
4 insurable property. If an insurer already offers an actuarially
5 justified hail resistance discount, that hail-related discount shall
6 be deemed as having met the requirements of this act as it pertains
7 to hail-related discounts or rate reductions and no additional hail-
8 related discount or rate reduction shall be required. If an insurer
9 already offers an actuarially justified discount for IBHS FORTIFIED
10 Home standards, that discount shall be deemed as having met the
11 requirements of this act as it pertains to wind-related discounts or
12 rate reductions and no additional wind-related discount or rate
13 reduction shall be required. Insurers shall apply the premium
14 discount, rate reduction, or other adjustment to the wind premium at
15 the policy renewal that follows the submission of the certification
16 to the insurer. At the time of a policy renewal for which a premium
17 discount, rate reduction, or other adjustment has previously been
18 made, the insurer may request documentation or recertification that
19 the fortified standards as described in subsection C of this section
20 continue to be met. In addition to the requirements of this
21 section, an insurer may voluntarily offer any other mitigation
22 adjustment that the insurer deems appropriate.

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1 SECTION 3. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 963 of Title 36, unless there is
3 created a duplication in numbering, reads as follows:

4 For the purposes of this act, the term "insurable property"
5 includes single-family residential property. Insurable property
6 also includes modular homes satisfying the codes, standards or
7 techniques as provided in Section 1 or 2 of this act. Manufactured
8 homes or mobile homes are excluded, except as expressly provided in
9 subsection B of Section 2 of this act.

10 SECTION 4. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 964 of Title 36, unless there is
12 created a duplication in numbering, reads as follows:

13 This act shall only apply to new insurance policies written, or
14 existing policies renewed, on or after April 1, 2018.

15 SECTION 5. NEW LAW A new section of law to be codified
16 in the Oklahoma Statutes as Section 965 of Title 36, unless there is
17 created a duplication in numbering, reads as follows:

18 The Insurance Commissioner shall promulgate such rules as are
19 necessary to implement and administer this act; however, the
20 Commissioner shall not suggest, set or otherwise impose any standard
21 discount amount, target or benchmark under this act.

22 SECTION 6. This act shall become effective November 1, 2017.

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