STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL 1720

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

and

Sparks of the Senate

COMMITTEE SUBSTITUTE

An Act relating to property insurance - certain discounts and rate reductions - submit certain rating plans - effective date.

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

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

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

B. To obtain the premium discount, rate reduction, or other adjustment provided in this section, an insurable property located in this state shall be certified as constructed in accordance with Appendix Y of the 2015 Oklahoma Uniform Building Code, as amended, including all tornado mitigation construction requirements, as long as its standards are equal to or greater than the FORTIFIED Home High Wind and Hail Standards as certified by the Institute for Business and Home Safety, or the FORTIFIED Home High Wind and Hail Standards as may from time to time be adopted by the Institute for Business and Home Safety or successor entity. An insurable property shall be certified as conforming to the applicable building code only after an inspection of the insurable property has been satisfactorily completed by a certified or licensed building inspector and certified to be conforming to the applicable building code including all high wind and hail mitigation construction requirements. An insurable property shall be certified as conforming to the FORTIFIED Home High Wind and Hail Standards only after evaluation and certification by an evaluator certified pursuant to the FORTIFIED Home High Wind and Hail Standards.

C. An owner of insurable property claiming a premium discount, rate reduction, or other adjustment pursuant to this section shall maintain sufficient certification records and construction records including, but not limited to, a certification of compliance with the applicable building code or the FORTIFIED Home High Wind and Hail Standards provided in subsection B of this section, receipts from contractors, receipts for materials and records from local building officials. The records shall be subject to audit by the Insurance Commissioner, or his or her representatives, and copies of any such records shall be presented to the insurer or potential insurer of a property owner before the premium discount, rate reduction, or other adjustment becomes effective for the insurable property.

D. Insurers that write policies that are subject to the premium discount or rate reduction in this section and that are required to submit rates and rating plans to the Commissioner pursuant to Section 987 of Title 36 of the Oklahoma Statutes shall submit a rating plan certified by their actuary as actuarially justified providing for the premium discount or rate reduction described in this section. An insurer is not required to provide the same amount of premium discount, rate reduction, or other adjustment for a building code insurable property as the insurer would to an insurable property conforming to the FORTIFIED Home High Wind and Hail Standards. A premium discount, rate reduction, or other adjustment shall only apply to policies that provide wind or hail coverage and to that portion of the premium for wind or hail coverage. A premium discount, rate reduction, or other adjustment shall apply exclusively to the wind and hail premium applicable to improved insurable property. If an insurer already offers an actuarially justified hail resistance discount, that hail-related discount shall be deemed as having met the requirements of this act as it pertains to hail-related discounts or rate reductions and no additional hail-related discount or rate reduction shall be required. If an insurer already offers an actuarially justified discount for IBHS FORTIFIED Home standards, that discount shall be deemed as having met the requirements of this act as it pertains to wind-related discounts or rate reductions and no additional wind-related discount or rate reduction shall be required. Insurers shall apply any applicable premium discount, rate reduction or other adjustment to the wind and hail premium at the policy renewal that follows the submission of the certification to the insurer. At the time of a policy renewal for which a premium discount, rate reduction, or other adjustment has previously been made, the insurer may request documentation or recertification that the fortified standards as described in subsection C of this section continue to be met. In addition to the requirements of this section, an insurer may voluntarily offer any other mitigation adjustment that the insurer deems appropriate.

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

A. Commencing on April 1, 2018, insurance companies shall provide a premium discount or insurance rate reduction in an amount and manner as established in subsection D of this section and pursuant to Section 3 of this act only when the company determines that the premium discount or rate reduction is actuarially justified and there is sufficient and credible evidence of cost savings, which can be attributed to the construction standards set forth in subsection B of this section. A premium discount or rate reduction shall be available under the terms specified in this section to any owner who retrofits his or her insurable property located in the State of Oklahoma to resist loss due to tornado or other catastrophic windstorm events. Insurance companies shall be required to offer a premium discount or rate reduction only when the insurer has deemed the adjustments to be actuarially justified and there is sufficient and credible evidence of cost savings, which can be attributed to the construction standards set forth in subsection B of this section. In addition, insurance companies may also offer additional adjustments in deductible, other risk differentials, or a combination thereof, collectively referred to as other adjustments.

B. To obtain the premium discount, rate reduction, or other adjustment provided in this section, an insurable property shall be retrofitted to the FORTIFIED Home High Wind and Hail Standards, as may from time to time be adopted by the Institute for Business and Home Safety. Wind-Zone-3-HUD-code-manufactured homes installed on a permanent foundation and retrofitted as defined in the FORTIFIED Home High Wind and Hail Standards, as may from time to time be adopted by the Institute for Business and Home Safety, shall be eligible for the premium discount or rate reduction provided in this section. An insurable property shall be certified as conforming to FORTIFIED Home High Wind and Hail Standards only after evaluation and certification by an evaluator certified pursuant to the FORTIFIED Home High Wind and Hail Standards.

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

D. Insurers that write policies that are subject to the premium discount or rate reduction in this section and that are required to submit rates and rating plans to the Commissioner pursuant to Section 987 of Title 36 of the Oklahoma Statutes shall submit rating plans certified by their actuary as actuarially justified providing for the premium discounts or rate reductions described in this section. A premium discount, rate reduction, or other adjustment shall only apply to policies that provide wind or hail coverage and to that portion of the premium for wind or hail coverage. A premium discount, rate reduction, or other adjustment shall apply exclusively to the wind and hail premium applicable to improved insurable property. If an insurer already offers an actuarially justified hail resistance discount, that hail-related discount shall be deemed as having met the requirements of this act as it pertains to hail-related discounts or rate reductions and no additional hail-related discount or rate reduction shall be required. If an insurer already offers an actuarially justified discount for IBHS FORTIFIED Home standards, that discount shall be deemed as having met the requirements of this act as it pertains to wind-related discounts or rate reductions and no additional wind-related discount or rate reduction shall be required. Insurers shall apply the premium discount, rate reduction, or other adjustment to the wind premium at the policy renewal that follows the submission of the certification to the insurer. At the time of a policy renewal for which a premium discount, rate reduction, or other adjustment has previously been made, the insurer may request documentation or recertification that the fortified standards as described in subsection C of this section continue to be met. In addition to the requirements of this section, an insurer may voluntarily offer any other mitigation adjustment that the insurer deems appropriate.

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

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

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

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

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

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

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

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