

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL 1720

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

6 and

7 Sparks of the Senate

8
9 COMMITTEE SUBSTITUTE

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

13
14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

18 A. Commencing on April 1, 2018, insurance companies shall
19 provide a premium discount or insurance rate reduction in an amount
20 and manner as established in subsection D of this section and
21 pursuant to Section 3 of this act only when the company determines
22 that the premium discount or rate reduction is actuarially justified
23 and there is sufficient and credible evidence of cost savings, which
24 can be attributed to the construction standards set forth in

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

13 B. To obtain the premium discount, rate reduction, or other
14 adjustment provided in this section, an insurable property located
15 in this state shall be certified as constructed in accordance with
16 Appendix Y of the 2015 Oklahoma Uniform Building Code, as amended,
17 including all tornado mitigation construction requirements, as long
18 as its standards are equal to or greater than the FORTIFIED Home
19 High Wind and Hail Standards as certified by the Institute for
20 Business and Home Safety, or the FORTIFIED Home High Wind and Hail
21 Standards as may from time to time be adopted by the Institute for
22 Business and Home Safety or successor entity. An insurable property
23 shall be certified as conforming to the applicable building code
24 only after an inspection of the insurable property has been

1 satisfactorily completed by a certified or licensed building
2 inspector and certified to be conforming to the applicable building
3 code including all high wind and hail mitigation construction
4 requirements. An insurable property shall be certified as
5 conforming to the FORTIFIED Home High Wind and Hail Standards only
6 after evaluation and certification by an evaluator certified
7 pursuant to the FORTIFIED Home High Wind and Hail Standards.

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

21 D. Insurers that write policies that are subject to the premium
22 discount or rate reduction in this section and that are required to
23 submit rates and rating plans to the Commissioner pursuant to
24 Section 987 of Title 36 of the Oklahoma Statutes shall submit a

1 rating plan certified by their actuary as actuarially justified
2 providing for the premium discount or rate reduction described in
3 this section. An insurer is not required to provide the same amount
4 of premium discount, rate reduction, or other adjustment for a
5 building code insurable property as the insurer would to an
6 insurable property conforming to the FORTIFIED Home High Wind and
7 Hail Standards. A premium discount, rate reduction, or other
8 adjustment shall only apply to policies that provide wind or hail
9 coverage and to that portion of the premium for wind or hail
10 coverage. A premium discount, rate reduction, or other adjustment
11 shall apply exclusively to the wind and hail premium applicable to
12 improved insurable property. If an insurer already offers an
13 actuarially justified hail resistance discount, that hail-related
14 discount shall be deemed as having met the requirements of this act
15 as it pertains to hail-related discounts or rate reductions and no
16 additional hail-related discount or rate reduction shall be
17 required. If an insurer already offers an actuarially justified
18 discount for IBHS FORTIFIED Home standards, that discount shall be
19 deemed as having met the requirements of this act as it pertains to
20 wind-related discounts or rate reductions and no additional wind-
21 related discount or rate reduction shall be required. Insurers
22 shall apply any applicable premium discount, rate reduction or other
23 adjustment to the wind and hail premium at the policy renewal that
24 follows the submission of the certification to the insurer. At the

1 time of a policy renewal for which a premium discount, rate
2 reduction, or other adjustment has previously been made, the insurer
3 may request documentation or recertification that the fortified
4 standards as described in subsection C of this section continue to
5 be met. In addition to the requirements of this section, an insurer
6 may voluntarily offer any other mitigation adjustment that the
7 insurer deems appropriate.

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

11 A. Commencing on April 1, 2018, insurance companies shall
12 provide a premium discount or insurance rate reduction in an amount
13 and manner as established in subsection D of this section and
14 pursuant to Section 3 of this act only when the company determines
15 that the premium discount or rate reduction is actuarially justified
16 and there is sufficient and credible evidence of cost savings, which
17 can be attributed to the construction standards set forth in
18 subsection B of this section. A premium discount or rate reduction
19 shall be available under the terms specified in this section to any
20 owner who retrofits his or her insurable property located in the
21 State of Oklahoma to resist loss due to tornado or other
22 catastrophic windstorm events. Insurance companies shall be
23 required to offer a premium discount or rate reduction only when the
24 insurer has deemed the adjustments to be actuarially justified and

1 there is sufficient and credible evidence of cost savings, which can
2 be attributed to the construction standards set forth in subsection
3 B of this section. In addition, insurance companies may also offer
4 additional adjustments in deductible, other risk differentials, or a
5 combination thereof, collectively referred to as other adjustments.

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

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

1 receipts for materials. The records shall be subject to audit by
2 the Insurance Commissioner, or his or her representatives, and
3 copies of any such records shall be presented to the insurer or
4 potential insurer of a property owner before the premium discount,
5 rate reduction, or other adjustment becomes effective for the
6 insurable 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 rating
11 plans certified by their actuary as actuarially justified providing
12 for the premium discounts or rate reductions described in this
13 section. A premium discount, rate reduction, or other adjustment
14 shall only apply to policies that provide wind or hail coverage and
15 to that portion of the premium for wind or hail coverage. A premium
16 discount, rate reduction, or other adjustment shall apply
17 exclusively to the wind and hail premium applicable to improved
18 insurable property. If an insurer already offers an actuarially
19 justified hail resistance discount, that hail-related discount shall
20 be deemed as having met the requirements of this act as it pertains
21 to hail-related discounts or rate reductions and no additional hail-
22 related discount or rate reduction shall be required. If an insurer
23 already offers an actuarially justified discount for IBHS FORTIFIED
24 Home standards, that discount shall be deemed as having met the

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

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

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

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

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

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

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

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

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