

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 56th Legislature (2017)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 1720

By: Moore and McBride

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8 COMMITTEE SUBSTITUTE

9 An Act relating to property insurance; instructing
10 insurance companies to provide certain discounts and
11 rate reductions; specifying availability of discounts
12 and rate reductions; specifying requirements to
13 obtain discounts and rate reductions; requiring
14 certain property owners to keep certain
15 documentation; authorizing Insurance Commissioner to
16 audit certain documents; instructing insurance
17 companies to submit certain rating plans; specifying
18 terms of discounts and rate reductions; authorizing
19 insurance company to offer additional discounts and
20 rate reductions; defining terms; specifying start
21 date of certain discounts and rate reductions;
22 instructing the Insurance Department to promulgate
23 rules; providing for codification; and providing an
24 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:

1 A. Commencing on January 1, 2018, insurance companies shall
2 provide a premium discount or insurance rate reduction in an amount
3 and manner as established in subsection D of this section and
4 pursuant to Section 3 of this act. In addition, insurance companies
5 may also offer additional adjustments in deductible, other credit
6 rate differentials, or a combination thereof, collectively referred
7 to as adjustments. These adjustments shall be available under the
8 terms specified in this section to any owner who builds or locates a
9 new insurable property in the State of Oklahoma to resist loss due
10 to tornado or other catastrophic windstorm events.

11 B. To obtain the adjustment provided in this section, an
12 insurable property located in this state shall be certified as
13 constructed in accordance with Appendix Y of the 2015 Oklahoma
14 Uniform Building Code, as amended, including all tornado mitigation
15 construction requirements, or the FORTIFIED Home High Wind and Hail
16 Standards as may from time to time be adopted by the Institute for
17 Business and Home Safety or successor entity. An insurable property
18 shall be certified as conforming to the applicable building code
19 only after an inspection of the insurable property has been
20 satisfactorily completed by a certified or licensed building
21 inspector and certified to be conforming to the applicable building
22 code including all high wind and hail mitigation construction
23 requirements. An insurable property shall be certified as
24 conforming to the FORTIFIED Home High Wind and Hail Standards only

1 after evaluation and certification by an evaluator certified
2 pursuant to the FORTIFIED Home High Wind and Hail Standards.

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

14 D. Insurers required to submit rates and rating plans to the
15 Commissioner shall submit an actuarially justified rating plan for
16 any person who builds an insurable property to comply with the sets
17 of requirements of subsection B of this section. An insurer is not
18 required to provide the same amount of adjustment for a building
19 code insurable property as the insurer would to an insurable
20 property conforming to the FORTIFIED Home High Wind and Hail
21 Standards. An adjustment shall only apply to policies that provide
22 wind or hail coverage and may apply to that portion of the premium
23 for wind or hail coverage or to the total premium if the insurer
24 does not separate out its premium for wind or hail coverage in its

1 rate filing. The adjustment shall apply exclusively to the premium
2 designated for the improved insurable property. In addition to the
3 requirements of this section, an insurer may voluntarily offer any
4 other mitigation adjustment that the insurer deems appropriate.

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

8 A. Commencing on January 1, 2018, insurance companies shall
9 provide a premium discount or insurance rate reduction in an amount
10 and manner as established in subsection D of this section and
11 pursuant to Section 3 of this act. In addition, insurance companies
12 may also offer additional adjustments in deductible, other credit
13 rate differentials, or a combination thereof, collectively referred
14 to as adjustments. These adjustments shall be available under the
15 terms specified in this section to any owner who retrofits his or
16 her insurable property located in the State of Oklahoma to resist
17 loss due to tornado or other catastrophic windstorm events.

18 B. To obtain the adjustment provided in this section, an
19 insurable property shall be retrofitted to the FORTIFIED Home High
20 Wind and Hail Standards, as may from time to time be adopted by the
21 Institute for Business and Home Safety, a successor entity, other
22 mitigation program, other construction technique or other
23 standardized code which may be submitted by each insurer and
24 approved by the Commissioner. Wind-Zone-3-HUD-code-manufactured

1 homes installed on a permanent foundation and retrofitted as defined
2 in the FORTIFIED Home High Wind and Hail Standards, as may from time
3 to time be adopted by the Institute for Business and Home Safety,
4 shall be eligible for the adjustment provided in this section. An
5 insurable property shall be certified as conforming to FORTIFIED
6 Home High Wind and Hail Standards only after evaluation and
7 certification by an evaluator certified pursuant to the FORTIFIED
8 Home High Wind and Hail Standards. Certification of conformity of
9 an insurable property with Appendix Y of the Oklahoma Uniform
10 Building Code, other construction technique or other standardized
11 code shall be made only by a certified or licensed building
12 inspector.

13 C. An owner of insurable property claiming an adjustment
14 pursuant to this section shall maintain sufficient certification
15 records and construction records including, but not limited to, a
16 certification of compliance with the mitigation program,
17 construction technique, or standardized building code, as
18 applicable, or FORTIFIED Home High Wind and Hail Standards as
19 provided in subsection B of this section, receipts from contractors,
20 receipts for materials, and records from local building officials.
21 The records shall be subject to audit by the Insurance Commissioner,
22 or his or her representatives, and copies of any such records shall
23 be presented to the insurer or potential insurer of a property owner
24 before the adjustment becomes effective for the insurable property.

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

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

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10 COMMITTEE REPORT BY: COMMITTEE ON INSURANCE, dated 03/01/2017 - DO
11 PASS, As Amended.

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