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April 10, 2017

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL NO. 1720

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

and

Sparks of the Senate

COMMITTEE SUBSTITUTE

[property insurance - certain discounts and rate reductions - 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

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

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

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

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

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

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

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

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

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

1 be attributed to the construction standards set forth in subsection
2 B of this section. In addition, insurance companies may also offer
3 additional adjustments in deductible, other risk differentials, or a
4 combination thereof, collectively referred to as other adjustments.

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

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

6 D. Insurers that write policies that are subject to the premium
7 discount or rate reduction in this section and that are required to
8 submit rates and rating plans to the Commissioner pursuant to
9 Section 987 of Title 36 of the Oklahoma Statutes shall submit rating
10 plans certified by their actuary as actuarially justified providing
11 for the premium discounts or rate reductions described in this
12 section. A premium discount, rate reduction, or other adjustment
13 shall only apply to policies that provide wind or hail coverage and
14 to that portion of the premium for wind or hail coverage. A premium
15 discount, rate reduction, or other adjustment shall apply
16 exclusively to the wind and hail premium applicable to improved
17 insurable property. If an insurer already offers an actuarially
18 justified hail resistance discount, that hail-related discount shall
19 be deemed as having met the requirements of this act as it pertains
20 to hail-related discounts or rate reductions and no additional hail-
21 related discount or rate reduction shall be required. If an insurer
22 already offers an actuarially justified discount for IBHS FORTIFIED
23 Home standards, that discount shall be deemed as having met the
24 requirements of this act as it pertains to wind-related discounts or

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

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

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

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

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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.

11 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND INSURANCE
12 April 10, 2017 - DO PASS AS AMENDED
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