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BULLETIN 2009-07

TO: All admitted insurers authorized to write property and casualty insurance in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: September 18, 2009

RE: Implementation of Alabama Act 2009-500 [Ala. Code §§ 27-31D-1 et seq. (2009)] – premium discounts or rate reductions for fortified one- or two-family dwellings

This bulletin discusses implementation of Alabama Act 2009-500, now codified as Ala. Code §§ 27-31D-1 et seq. (2009), which requires that Alabama-admitted insurance companies provide a premium discount or insurance rate reduction to persons who build, rebuild, or retrofit certain residential properties in accordance with specified standards to better resist hurricanes and other catastrophic windstorm events.

1. *Effective dates.* The Act became effective on May 14, 2009, the date of its signing by the Governor of Alabama. The premium discounts or rate reductions called for in the Act apply to new insurance policies written or existing policies renewed on and after **May 1, 2010**.

2. *Applicability.* The Act applies to all insurance companies admitted in Alabama authorized to write property and casualty insurance in the State and to the Alabama Insurance Underwriting Association.

3. *Geographic scope.* The premium discounts or rate reductions must be offered for eligible properties located in Mobile County, Alabama, and in Baldwin County, Alabama. Insurance companies are strongly encouraged to make such discounts or reductions available on eligible properties in other areas of Alabama.

4. *Eligible properties.* A property is eligible for the Act's premium discounts or rate reductions if it is insured against damage or loss due to windstorm events and is:

(a) A one- or two-family detached dwelling (including a modular home as defined in 24 C.F.R. § 3282.12, but excluding a manufactured home) that:

(1) Has been designed and constructed in conformity with, and has been certified as meeting, the requirements of the *Fortified . . . for safer living*® standards promulgated by the Institute for Business & Home Safety®; or

(2) Has been designed and constructed in conformity with, and has been certified as meeting, the requirements of the 2006 International Residential Code® for One- and Two-Family Dwellings promulgated by the International Code Council®, including the design criteria applicable to construction in hurricane-prone regions; or

(3) If an existing structure, has been retrofitted in conformity with, and has been certified as meeting, either the Level 1, Level 2, or Level 3 hurricane mitigation measures in the Fortified: Existing Homes program promulgated by the Institute for Business & Home Safety®; or

(4) If an existing structure, has been retrofitted in conformity with, and has been certified as meeting, the requirements of any other standardized code submitted by an insurance company and approved by the Commissioner.

(b) A manufactured home (i) designed and manufactured to comply with Federal manufactured home construction and safety standards applicable to homes located within Wind Zone III of the Basic Wind Zone Map published by the United States Department of Housing and Urban Development (24 C.F.R. § 3280.305), and (ii) certified as meeting the requirements of the Fortified: Existing Homes program promulgated by the Institute for Business & Home Safety®.

5. *Eligible property ownership.* The premium discount or rate reduction must be offered to the owner of an eligible property whether or not the property itself is owner-occupied.

6. *Excluded properties.* The Act does not require a premium discount or rate reduction for condominiums, apartment buildings, or commercial properties not meeting the definition of an eligible property, or for renter or tenant policies.

7. *Filing requirements.* To ensure efficient and timely implementation, the Department of Insurance requires the following:

(a) Subject to (b) below, each insurance company affected by the Act must file an actuarially-justified rating plan recognizing the required premium discounts or rate reductions with the Department by **January 1, 2010**, to allow an adequate opportunity for review and approval in time for use by May 1, 2010.

(b) The Department has developed benchmark discounts that will appear under the Supporting Documentation tab/Actuarial Support Exhibits section for both homeowners and dwelling fire in SERFF™. If an insurance company elects to file discounts or reductions equal to or exceeding the Department's benchmarks, the company is not required to file actuarial justification for the discounts.

(c) Failure of an insurance company to file a rating plan for purposes of the Act by January 1, 2010, will cause the Department to take appropriate action under the Insurance Code.

8. *Notice requirements.* Each insurance company with an approved rate filing must notify all insureds in Mobile and Baldwin Counties in writing at their next policy renewals occurring on or after May 1, 2010, about the availability of the discounts or rate reductions; describe in general terms the nature of improvements and documentation required to qualify for new construction or retrofit discounts or reductions; and advise where detailed information on the construction and retrofit standards may be obtained.

9. *Notice – declaration page.* When applicable, an insured's policy declaration page must show the applicable discount or reduction in the form of dollars or a percentage.

10. *Mid-term premium adjustment.* If a property becomes eligible for a discount or reduction during the coverage term, the discount or reduction must be applied for the remainder of the coverage term.

11. Information concerning the Institute for Business & Home Safety's *Fortified . . . for safer living*® new construction standards and Fortified: Existing Homes retrofit program may be obtained by contacting IBHS through its Internet site – www.disastersafety.org. At the date of this bulletin, the IBHS is still in the process of developing the technical requirements for the retrofit program. The 2006 International Residential Code® for One- and Two-Family Dwellings may be purchased from the International Code Council® through its website – www.iccsafe.org.

JLR/JFM/bc