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BULLETIN NO. 2015-05

TO: All Property Insurers in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: September 18, 2015

SUBJECT: Insurance Discount for Windstorm Damage Mitigation
Passage of Act 2015-313 (SB 254, 2015 Regular Session)

The Alabama Legislature recently adopted Ala. Act No. 2015-313 (SB 254, 2015 Regular Session) which modified Chapter 31D of the Insurance Code concerning discounts for windstorm damage mitigation required to be offered by insurers on eligible properties. In summary, the 2015 act does the following:

- Expands the eligible properties in Mobile and Baldwin Counties to now include commercial buildings, effective January 1, 2016.
- Expands eligible properties to include residential and commercial buildings in the remainder of the state, effective January 1, 2018.
- Expands the discounts to be offered to include residences and commercial buildings receiving IBHS certificates for High Wind & Hail mitigation. Eligible properties will only receive a discount based on either the Hurricane certificate or the High Wind & Hail certificate, but not both. The High Wind & Hail discounts are to be implemented by January 1, 2016 for Mobile and Baldwin Counties, and by January 1, 2018 for the remainder of the state.

The Department of Insurance issued Bulletin 2013-07 on September 20, 2013, establishing benchmark discounts for Hurricane mitigation on Fortified and retrofitted homes and that bulletin is still in force in its entirety. Although Act

2015-313 does not include mention of the Bronze, Silver, and Gold retrofit designations, the new act does not eliminate these discounts.

This Department will issue a new bulletin sometime in the fourth quarter of 2015 providing:

- New benchmark discounts applicable to wind coverage for residential policies in Mobile and Baldwin Counties that have received the IBHS High Wind & Hail certificates.
- New benchmark discounts applicable to wind coverage for commercial buildings in Mobile and Baldwin Counties receiving the Fortified Commercial certificates for either Hurricane or High Wind & Hail.
 - Benchmark Commercial discounts will apply to wind coverage for class rated buildings (regardless of occupancy). Some discount may be appropriate for wind coverage on specifically-rated buildings if the specific rate for the wind peril does not include credit for all of the wind mitigation features. Discounts for specifically-rated buildings will not be published by the Department and need not be filed by the insurer since they will be unique to each building.
 - Commercial risks located in residential-type buildings are eligible for the discounts.
 - Mitigation discounts may be included in an insurer's filed Schedule Rating Plan, and the resulting schedule credit may exceed the state's 25% maximum credit only as a result of application of the mitigation discount.

Insurers will be required to submit their mitigation discount filings, for residential and commercial properties within Mobile and Baldwin Counties, with the Alabama Department of Insurance within 120 days of the date of the yet to be issued bulletin, with a filing effective date no later than 60 days from the filing date. All other discounts are required to be implemented no later than January 1, 2018, for new and renewal business.

- If an insurer is adopting discounts equal to or larger than the Department's benchmark discounts, no actuarial support is required in the filing and the filed discounts will be considered approved as of the filing date.
- If discounts are filed that are less than the Department's benchmark discounts, full actuarial support must be included in the filing, and the filing is subject to Prior Approval.
- Though the Act sets a January 1, 2016, effective date for these new discounts for Mobile and Baldwin Counties, insurers will not be

considered in violation of the Act if their discount filings adhere to the above guidelines.

- If an insurer receives an IBHS certificate from a policyholder requiring application of a mitigation discount that has not yet been filed and approved by the Department, the insurer will endorse the policy with the new discount once the filing is approved, with the endorsement effective on the date the IBHS certificate was received by the insurer.
- The Department generally limits insurers to one personal lines rate filing annually, but this discount filing may be in addition to an insurer's regular annual rate filing.

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