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**BULLETIN NO. 2016-07**

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

**FROM:** Jim L. Ridling  
Commissioner of Insurance 

**DATE:** October 31, 2016

**RE:** Modification to Alabama Bulletins 2013-07, 2010-03 and 2009-07 – Premium discounts or rate reductions for one- or two-family dwellings, and introduction of new commercial and residential discounts

**EFFECTIVE:** Immediately

**RELATED:** Bulletin 2009-07 (September 18, 2009) – modified  
Bulletin 2010-03 (April 20, 2010) – modified  
Bulletin 2013-07 (September 20, 2013) – modified  
Bulletin 2015-08 (December 14, 2015) – cancelled  
Bulletin 2015-05 (September 18, 2015) – cancelled

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This Bulletin sets forth hurricane and other wind/hail mitigation premium discounts required by Ala. Code §§27-31D-1 *et seq.*, as amended in June, 2015. As such, it modifies Department of Insurance Bulletin 2009-07 (September 18, 2009), Bulletin 2010-03 (April 20, 2010), and Bulletin 2013-07 (September 20, 2013), and cancels Department Bulletin 2015-05 (September 18, 2015) and Bulletin 2015-08 (December 14, 2015).

1. ***Revised and Additional Hurricane and Other Wind/Hail Mitigation Discounts.***  
Based on updated hurricane and severe storm models, the Department is issuing revised and additional benchmark discounts to those originally provided in the referenced 2009, 2010, and 2013 bulletins, to those discounts stated in the following table. Several important issues to note in this table are:

- (a) There are separate benchmark discounts for residential and commercial structures for the Coastal, Central, and Northern Zones across the state.
- (b) The commercial discounts are to be applied to buildings that are class rated regardless of occupancy (that is, not to buildings that have a specific wind rate based on a survey of the building).
- (c) These benchmark discounts apply to both new and existing structures. There is an adjustment to the discounts for older roofs and for some commercial metal roofs.
- (d) Benchmark discounts are provided to be applied to hurricane and other wind/hail premium for eligible properties that receive either the IBHS Hurricane certificate or the IBHS High Wind & Hail certificate. Insurers that have not yet filed by-peril rates will need to adjust these discounts to be applicable to the policy premium, reflecting the percentage of premium attributable to hurricane and other wind/hail. Note that this adjustment should be different by zone.
- (e) As before, these discounts **are not to be subject to any "total maximum credits" rule** filed by an insurer. If an insured retrofits an existing structure or builds a new structure to the IBHS FORTIFIED® standards, the insured must receive the entire filed mitigation discount on the hurricane and other wind/hail premium.

2. ***Effective dates.***

- (a) Ala. Act No. 2015-313 of the insurance code expanded the properties eligible to receive discounts in **Mobile and Baldwin Counties**, effective January 1, 2016, to now include commercial buildings with an **IBHS Hurricane certificate**. (IBHS will not be issuing any High Wind & Hail certificates in Mobile and Baldwin Counties.)
- (b) Ala. Act No. 2015-313 expands eligible properties to include residential and commercial buildings in the **remainder of the state**, effective January 1, 2018, that have obtained an **IBHS High Wind & Hail certificate**. (IBHS will not be issuing any Hurricane certificates in most or all remainder of state counties.) An insurer may choose to adopt and offer discounts earlier in 2017.

3. ***Filing requirements.***

Each insurer is required to have filed and approved discounts, **specifically for each of the categories (e.g. Bronze, Silver, Gold, etc.) listed in the benchmark table below.**

- (a) If an insurer wishes to adopt discounts equal to or greater than the benchmark discounts in the table, they may do so in a SERFF filing with no other justification or actuarial support required, and the filing will be considered approved as of the filing date.

- (b) If an insurer elects to file discounts less than the benchmark discounts, the filing must include detailed actuarial justification for the proposed discounts, and the filing is subject to review and prior approval for personal property. Commercial filings are file & use, but will be reviewed by the Department and may be subject to retroactive changes if required.
- (c) Insurers are permitted to file additional construction component discounts (e.g., for opening protections, roof shape, etc.) that apply to a structure that has not received an IBHS Hurricane or High Wind & Hail certificate, or that apply in addition to the appropriate discount for the IBHS certificate.
- (d) All discount filings must include a revised rate manual displaying the new discounts.
- (e) Insurers are required to submit their mitigation discount filings via SERFF for residential and commercial properties **within Mobile and Baldwin Counties no later than March 1, 2017**, with a filing effective date for new and renewal business no later than June 1, 2017.
- (f) Any inforce policies that have already received an IBHS certificate as of the filing effective date should be endorsed to receive the discount effective the date the IBHS certificate was issued, or the inforce policy's effective date, whichever comes later.  
  

Example: Policy was effective starting 10/1/16, IBHS certificate is issued 11/1/16, and the discount rate filing is effective 3/1/17: the policy would be endorsed so that the discount is effective on 11/1/16. If the IBHS certificate had been issued on 8/1/16, the discount would only apply on the inforce policy as of 10/1/16, not on the prior expired policy.
- (g) Though the Act sets a January 1, 2016 effective date for these new commercial discounts for Mobile and Baldwin Counties, insurers will not be considered in violation of the Act if the application of their discount filings adhere to the above guidelines.
- (h) Insurers are required to submit their mitigation discount filings via SERFF for residential and commercial properties **in the remainder of state no later than October 1, 2017**, with a filing effective date for new and renewal business no later than January 1, 2018. Insurers are encouraged to submit their filings earlier.
- (i) 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.

## ALABAMA WIND MITIGATION BENCHMARK DISCOUNTS

These discounts are not to be subject to any “total maximum credits” rule.

### ZONES

COASTAL ZONE =	MOBILE, BALDWIN, WASHINGTON, ESCAMBIA, COVINGTON, GENEVA, HOUSTON,
CENTRAL ZONE =	SUMTER, MARENGO, PERRY, DALLAS, AUTAUGA, MONTGOMERY, BULLOCK, BARBOUR, CHOCTAW, WILCOX, LOWNDES, CLARKE, MONROE, CONECUH, BUTLER, CRENSHAW, PIKE, COFFEE, DALE, HENRY
NORTHERN ZONE =	ALL OTHER COUNTIES

### BENCHMARK DISCOUNTS APPLY FOR BOTH THE IBHS HURRICANE AND HIGH WIND/HAIL CERTIFICATES

	COMMERCIAL HURRICANE PREMIUM DISCOUNTS				
	2006+ IBC	Bronze	Silver	Gold	FFSL
NORTHERN ZONE	20%	35%	35%	40%	N/A
CENTRAL ZONE	20%	35%	40%	45%	N/A
COASTAL ZONE	20%	35%	45%	50%	N/A

#### ADJUSTMENTS:

- \* Metal Roof > 10 years old or metal roof with no sub-decking, or both:
- \* All non-metal Roofs > 5 years old:

**10 point reduction** from above discounts all zones.  
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	RESIDENTIAL HURRICANE PREMIUM DISCOUNTS				
	2006+ IRC	Bronze	Silver	Gold	FFSL
NORTHERN ZONE	20%	35%	35%	45%	N/A
CENTRAL ZONE	20%	35%	40%	45%	N/A
COASTAL ZONE	20%	35%	45%	55%	60%

#### ADJUSTMENTS:

- \* Metal Roof > 10 years old,  
All other roofs > 5 years old:

**10 point reduction** from above discounts all zones.

RESIDENTIAL & COMMERCIAL OTHER WIND & HAIL PREMIUM DISCOUNTS					
	<u>2006+ IRC</u>	<u>Bronze</u>	<u>Silver</u>	<u>Gold</u>	<u>FFSL</u>
<b>NORTHERN ZONE</b>	10%	20%	25%	30%	N/A
<b>CENTRAL ZONE</b>	10%	20%	25%	30%	N/A
<b>COASTAL ZONE</b>	10%	20%	25%	30%	35%

**ADJUSTMENTS:**

- \* Metal Roof > 10 years old,  
All other roofs > 5 years old:

**10 point reduction** from above discounts all zones.

**Questions concerning this bulletin may be directed to:**

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