GOVERNOR
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INSURANCE COMMISSIONER
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INSURANCE COMMISSIONER
State of Oklahoma

BULLETIN NO. PC 2016-05

TO: **ALL PROPERTY AND CASUALTY INSURERS LICENSED IN OKLAHOMA**
ALL RATING AND ADVISORY ORGANIZATIONS
ATTENTION: STATE FILING

FROM: **OKLAHOMA INSURANCE DEPARTMENT**

RE: **FIRE INSURANCE – COMPLIANCE WITH TITLE 36 O. S. § 4809**

(INSURER RESPONSE IS REQUIRED)

DATE: **June 21, 2016**

PURPOSE OF THIS BULLETIN

Title 18 O. S. § 592, provides the authority for persons to form a charitable corporation for the purpose of providing either a volunteer or full-time fire department for an unincorporated area. Section 593 further provides authority for the charitable corporation to establish a reasonable schedule of dues that are to be paid by owners of property, who are required to be members of the non-profit association supporting the rural fire department.

As to property located in a rural fire protection district, Title 36 O.S. § 4809 prohibits insurers or agents from giving underwriting credit for fire protection unless the applicant has paid the applicable fire protection association dues and provides the insurer and agent with evidence of such payment.

In 2006, the Department issued Bulletin No. PC 2006-04, which required insurers to include a § 4809 question on every application for fire insurance, substantially similar to the following:

> ***If the property is located in a rural fire protection district or in an area protected by a rural fire department, has applicant paid all fire protection association dues or subscription payments?***

It has again come to the Department's attention that many insurers and agents are not compliant with 36 O.S. § 4809. Applications for fire insurance have been submitted to, and accepted by, insurers without the § 4809 question and proof of payment.

We have been advised that compliance with § 4809 is inconsistent and it is our purpose, in this bulletin, to remind insurers and agents of their responsibilities and announce that the Department is beginning targeted market conduct examinations to address this issue.

STATUTORY CITATION – 36 O.S. § 4809

A. No property or casualty insurance company shall give any special or reduced rate for fire insurance on any risk because it is located in a rural fire protection district or in an area protected by a rural fire department in which the district or department is wholly or partially funded by dues or subscription payments paid by owners of property who are members of an association supporting the rural fire department to any person who fails or refuses to pay the appropriate dues or subscription payments for support of the district or department pursuant to the procedure outlined in subsection C of this section.

B. Property owners owning property in more than one fire district or fire department area relying on dues or subscriptions for partial or complete funding shall pay dues to a fire district or fire department in whose district or area they own property if they wish to receive special or reduced rates for property and casualty insurance.

C. It is unlawful for any insurance agent or company to knowingly write an initial policy of fire insurance coverage or to rewrite such a policy on any risk located in a rural fire protection district or in any area protected by a rural fire department at any special or reduced rate or with any rate credit based on location of the risk in the district or area without having first obtained from the insured or from the rural fire protection district or rural fire department evidence that current dues or subscription payments, if any, for the property to be insured have been paid. The evidence required by the insurer may be a receipt, canceled check, or other valid proof of payment.

D. If any agent is found by the Insurance Commissioner to have violated the provisions of this subsection, the agent shall be liable for an administrative penalty of Twenty-five Dollars ($25.00) for the first violation and Fifty Dollars ($50.00) for any subsequent violation.

ACTION REQUIRED.

All insurers are required to provide a written response detailing the steps taken to verify compliance with this bulletin. This response and, if necessary, the amendment of applications is required on or before **July 21, 2016**. Please direct the written response to Cuc Nguyen, Manager, Rate and Form Compliance Division, Oklahoma Insurance Department, 3625 NW 56th Street, Suite 100, Oklahoma City, OK 73112. The letter should reference Bulletin No. PC 2016-04 Fire Insurance – Compliance with Title 36 O.S. § 4809.

Insurers should expect market conduct regulatory action to determine compliance with 36 O.S. § 4809.

Questions applicable to this bulletin should be directed to Ms. Cuc Nguyen, Manager of the Rate and Form Compliance Division, cuc.nguyen@oid.ok.gov, or Ms. Sara Worten, Asst. General Counsel, Oklahoma Insurance Department at sara.worten@oid.ok.gov, 3625 NW 56th Street, Suite 100, Oklahoma City, OK 73112.