



OKLAHOMA INSURANCE DEPARTMENT
STATE OF OKLAHOMA

AMENDED BULLETIN NO. PC 2004-02

**TO: ALL PROPERTY AND CASUALTY INSURERS LICENSED IN OKLAHOMA
ATTENTION: STATE FILING DIVISION**
FROM: THE OKLAHOMA INSURANCE DEPARTMENT
RE: ARBITRATION CLAUSES
DATE: April 9, 2004 (Original date of issuance) January 21, 2005 (Amendment) December 14, 2006 (Amendment)

PURPOSE OF THIS BULLETIN

The purpose of this bulletin is to establish uniform standards for arbitration clauses contained in the forms reviewed and approved by the Oklahoma Insurance Department's Property and Casualty Division. Consistent with the Department's mission of protecting and serving the insurance buying public of Oklahoma, the Department has concerns about Oklahoma consumers entering into insurance contracts containing binding arbitration provisions. At the same time, allowing parties the freedom to choose a dispute resolution method that best fits their needs is something the Department does not wish to hinder. The purpose of these suggested guidelines is to accomplish the goal of providing a balanced solution for all persons associated with an insurance contract.

SUGGESTED ARBITRATION GUIDELINES

The following arbitration clauses are standards suggested for usage in submitted policy forms:

1. Clauses similar to what is enumerated in Title 36, Section 3636(B) of the Oklahoma Statutes. The statute allows UM coverage to include an arbitration provision. Either party may trigger the arbitration clause contained within an approved form. However, if agreement by arbitration is not reached within three months from the date of the demand, the insured retains the right to sue the tortfeasor.
2. Except as noted in #1, Oklahoma statutes do not prevent a binding arbitration clause in which both parties mutually consent to participate. However, an Oklahoma policyholder has more options by having the outcome nonbinding; a party who believes that an error produced the outcome retains the right to appeal to district court. Oklahoma's Uniform Arbitration Act at Title 12, Sections 1874 and 1875 contain examples of grounds for appeal.

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3. Binding arbitration clauses between two insurers will be allowed. Examples of this are disputes involving property insurers and boiler and machinery insurers. The reason is that both parties are sophisticated persons who are at all times and in all stages of a dispute represented by counsel.

As this is an emerging issue with the Department, insurers should pay close attention to updates to these guidelines.

Any questions should be directed by e-mail to Robert Noll, Assistant General Counsel, robertnoll@insurance.state.ok.us or the Oklahoma Insurance Department, Legal Division, P.O. Box 53408, Oklahoma City, OK 73152-3408.

The Oklahoma Insurance Department encourages readers of this bulletin to periodically check the Department's web site www.oid.state.ok.us/ for news and updates to Bulletins and other relevant material.