

BULLETIN NO. PC 2000-01

TO: All Property & Casualty Insurers licensed to write Homeowners and Dwelling Fire Insurance in the State of Oklahoma
FROM: The Oklahoma Insurance Commissioner
RE: Public Protection Classifications
DATE: August 14, 2000

PURPOSE OF THIS BULLETIN

This Bulletin provides guidelines regarding insurer use of public protection classifications in writing homeowners and dwelling fire insurance in Oklahoma.

WHAT ARE PUBLIC PROTECTION CLASSIFICATIONS?

Public protection classifications (PPC), developed and maintained by Insurance Services Office, Inc. (ISO) in accordance with their Fire Suppression Rating Schedule, reflect a municipality's level of public fire protection service and are used by most insurers to help establish appropriate fire insurance premiums.

The Oklahoma Department of Insurance (Department) recognizes that PPCs are a vital and integral part of property insurer rating systems, and that the public protection classification system provides important incentives for communities and fire districts to enhance and maintain their local fire suppression capabilities.

WHY IS THE USE OF THE CORRECT PPCS BY INSURERS IMPORTANT?

The incorrect assignment of a PPC by an insurer can result in a policy being misrated and can have a substantial impact on the premiums paid by Oklahoma consumers.

The Department has received inquiries that some insurers are assigning incorrect PPCs when writing homeowners and dwelling fire insurance policies in Oklahoma, and some policyholders in Oklahoma have experienced large increases in premiums resulting from insurer corrections to PPCs misassigned at policy inception.

WHAT ARE THE NEW GUIDELINES FOR USING PPCS?

The Department believes that insurers who incorrectly assign PPCs at policy inception must take steps to mitigate any large premiums increases that may result from PPC corrections.

Accordingly, the Department directs all insurers writing homeowners or dwelling fire policies in Oklahoma to notify the Department, within 90 days of the date of this Bulletin, as to what action they will take to mitigate large premium increases resulting from corrections to a PPC incorrectly assigned at policy inception.

MUST EVERY INSURER MAKE AN INDIVIDUAL FILING IN RESPONSE TO THIS BULLETIN?

No. The Department recognizes that each insurer's rating system and circumstances may be different, and therefore will allow each insurer the flexibility to determine how it proposes to respond to the guidelines established in this Bulletin.

Additionally, the Department has been advised that ISO will be filing a modification to their homeowners and dwelling

property manuals in response to this Bulletin, on behalf of participating insurers that have authorized them to do so, that will annually limit the size of premium increases solely attributable to a correction of a protection class incorrectly assigned, by an insurer or agent, at policy inception.

An ISO participating insurer, that has authorized ISO to make such a filing on their behalf and decides to use the ISO revision as filed upon approval by the Department, does not need to make ANY response to this Bulletin. The ISO filing will be considered a sufficient response for those insurers.

An insurer that does not participate with ISO, or has not granted ISO filing authorization, or an ISO participating insurer that decides to not use the ISO revision as filed, must make an appropriate response to this Bulletin and/or the ISO filing.

Any questions should be directed to the Property and Casualty Division, P. O. Box 53408, Oklahoma City, Oklahoma 73152-3408, 405-521-3681.