



Oklahoma INSURANCE Department
State of Oklahoma

BULLETIN NO. PC 2005-01

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

FROM: THE OKLAHOMA INSURANCE DEPARTMENT

**RE: HB 2470 INCREASING THE FINANCIAL RESPONSIBILITY LIMITS OF LIABILITY
ARISING OUT OF THE OWNERSHIP, MAINTENANCE OR USE OF A VEHICLE.**

DATE: January 14, 2005

PURPOSE OF THIS BULLETIN

The purpose of this bulletin is to remind insurers of a particular provision of Oklahoma's Motor Vehicle Code, as amended by House Bill 2470 and applicable case law. Bulletins PC 2004-05 and 2004-08 contain more details about the statutory changes and are available on the Oklahoma Insurance Department's web site. The following questions are the Department's comments for automotive liability insurance with respect to policies in which an insured acquires a non-replacement vehicle. This issue has come to the Department's attention and will be faced by insurers as the April 1, 2005 date for the increase in minimum liability limits approaches.

- 1. What is a "real life" example?**
An insured owns one insured vehicle and then purchases a second vehicle that the insured wants to add to an existing policy. The insured does not use his/her vehicle as a trade with the dealer. Instead, the insured opts to keep his/her original vehicle to sell at a later date.
- 2. What Oklahoma case law provides legal authority for the proposition that the addition of a non-replacement vehicle to an existing policy creates an entirely new policy?**
See *Beauchamp v. Southwestern Nat. Ins. Co.*, 1987 OK 111, 746 P.2d 673, and *Mid-Continent Group v. Henry*, 2003 OK CIV APP 46, 69 P.3d 1216. Both cases covered the addition of a vehicle to an existing personal automobile policy.
- 3. If an insured purchases a non-replacement vehicle and adds it to an existing policy, does this require the insured to have the option of purchasing or rejecting additional uninsured motorist coverage?**
Yes, this option for the insured is required.

4. **Does this addition of a non-replacement vehicle to an existing policy create an entirely new policy?**
Yes.
5. **Without reading the court cases, what is the reasoning behind the requirement for the completion of a new UM form?**
The new vehicle is a material change to the policy, offering separate and distinct coverage. This new vehicle also requires an additional premium for coverage.
6. **What about the addition of a non-replacement vehicle to an existing commercial vehicle liability policy? How does this affect Uninsured Motorist Coverage?**
An entirely new policy is not created by the addition of a new vehicle to an existing commercial policy. Title 36, Section 3636(H)(2) states that a new uninsured motorist form shall not be required for the addition, substitution or deletion of a vehicle from a commercial auto liability policy.
7. **What about the increase in minimum liability limits that occurs April 1, 2005, as described in Title 47, Section 7-204?**
If an automotive liability policy is written prior to April 1, 2005, it may contain the minimum limits of 10/20/10. If the insured acquires a non-replacement vehicle on or after April 1, 2005, then an entirely new policy is created. Since a new policy is created, then the new minimum liability limits are 25/50/25.
8. **In Question 7, what about any other vehicles written at 10/20/10 on the existing policy?**
Since a new policy is created, existing vehicles must be written at the new (higher) limits as of the date the non-replacement vehicle was added.
9. **Where is additional information about the minimum auto liability limit increase?**
More details about the increase in liability and uninsured motorist limits are in Bulletins PC-2004-05 and PC-2004-08.
10. **If I write an automotive policy prior to April 1, 2005, but it has an effective date on or after April 1, 2005, what minimum liability limits must the policy contain?**
It depends on the date the policy was effective, not the date the policy was issued. The effective date is when coverage commences, which is when the insurer has the obligation to indemnify losses sustained by the insured.

Questions applicable to this bulletin should be directed to kathiestepp@insurance.state.ok.us of the Property and Casualty Division, or robertnoll@insurance.state.ok.us of the Legal Division of the Oklahoma Insurance Department, 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, Board Position Letters, Board meeting dates, and other relevant material.