



CARROLL FISHER  
INSURANCE COMMISSIONER  
State of Oklahoma

## BULLETIN NO. PC 2004-05

**TO:** ALL PROPERTY AND CASUALTY INSURERS LICENSED IN OKLAHOMA  
ATTENTION: STATE FILING DIVISION

**FROM:** CARROLL FISHER, INSURANCE COMMISSIONER

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

**DATE:** August 16, 2004

### PURPOSE OF THIS BULLETIN

On May 28, 2004, Governor Brad Henry signed into law House Bill 2470. As a result of HB 2470, Oklahoma's minimum compulsory automotive liability limits will increase from \$10,000 per person/\$20,000 per accident/\$10,000 for damaged property per accident (10/20/10) to 25/50/25. Insurance Commissioner Carroll Fisher's office has received several inquiries from insurers, producers and other Oklahoma consumers with questions about the bill. This bulletin will answer the most common questions.

#### 1. What is the effective date of the increase in the minimum limits?

The effective date is April 1, 2005 for new or renewal policies written on or after that date. Any new or renewal policy written prior to the date may have the previous minimum limits.

**Example:** The private passenger auto policy is effective March 15, 2005 and will not expire until August 15, 2005. The policy effective March 15<sup>th</sup> will be issued with limits of liability of 10/20/10 while the August 15, 2005 policy will be issued with 25/50/25.

**Example:** For those private passenger auto policies issued with limits of liability in excess of 25/50/25, there will be no effect because of the changes contained in HB 2470.

**2. Does the financial responsibility law apply to all motorized vehicles?**

No. Pursuant to Title 47, Section 7-302, proof of financial responsibility is required to respond to damages for liability arising out of the ownership, maintenance or use of a vehicle of a type subject to registration under the laws of Oklahoma.

**3. Does this increase in the financial responsibility law mandate a rate and/or manual rule filing be made with the State Board for Property and Casualty Rates and/or the Oklahoma Insurance Commissioner?**

The currently approved manual of many insurance companies already includes increased limits factors for the 25/50/25 limits of liability. Therefore, these companies do not need to make a filing for this option. These companies may wish to eliminate the option for the 10/20/10 limits or change their base rates to the 25/50/25 level in their next regularly scheduled rate filing.

The insurance companies who do not have increased limits factors for 25/50/25 in their currently approved manuals must file the new increased limits factor as with all new rating factors with the Property and Casualty Division of the Oklahoma Insurance Department.

**4. What happens with existing uninsured motorist coverage policies that are less than 25/50 for bodily injury?**

On the first renewal on or after April 1, 2005, the insurer shall increase the amount of uninsured coverage to 25/50 per occurrence and charge the corresponding premium to policyholders who have selected this coverage. Insurers shall inform policyholders of this change to the UM coverage, and the notice shall inform policyholders that they may either reject UM coverage or choose a higher amount.

**5. What happens with policyholders who have rejected uninsured motorist coverage prior to April 1, 2005?**

Those policyholders are not required to receive any type of notice.

**6. What happens with policyholders who have selected uninsured motorist coverage greater than or equal to 25/50 for a new or renewal policy prior to April 1, 2005?**

Those policyholders are not required to receive any type of notice.

**7. What happens to the uninsured motorist coverage form?**

For new or renewal acceptance or rejection of UM coverage prior to April 1, 2005, the old form will be used. For new or renewal acceptance or rejection of UM coverage on or after April 1, 2005, the new form added to Section 3636 of the Insurance Code will be used.

**8. Will the Oklahoma Insurance Department prepare a new template for the uninsured motorist acceptance/rejection form?**

No. The language for the new form is contained in 36 O.S. § 3636. The new form must be filed with the Property and Casualty Division of the Oklahoma Insurance Department for approval as with all policy forms and endorsements.

**9. What is the effective date of the coverage increase for rental cars and taxis?**

November 1, 2004.

**10. What are the statutes containing the changes?**

HB 2470 affects 36 O.S. § 3636, 47 O.S. §§ 7-204, 7-324, 8-101, 8-104, 425 and 70 O.S. § 1210.43. Oklahoma statutes are online at [www.oscn.net](http://www.oscn.net) under the heading "Legal Research."

**11. Can an insurance company use the liberalization clause to increase the limits of liability during the policy period?**

No. The liberalization clause is designed to minimize the need for an insurance company to issue endorsements or new policy forms to update coverages during a policy term. It states that if the insurer makes a contractual revision during the policy term, which broadens coverage without an additional premium requirement, the broader coverage will automatically apply to all outstanding policies. The liberalization clause is also referred to as Changes and generally can be found in the General Provisions portion of an auto policy.

An additional premium charge will undoubtedly be associated with an increase in the financial responsibility requirements from 10/20/10 to 25/50/25; therefore it does not meet this standard of the liberalization clause. Furthermore, HB 2470 does not require that the limits of liability be increased during the policy period.

**Questions applicable to those sections of HB2470 amending Title 47 – Oklahoma Motor Vehicle Code should be directed to Lonnie Jarman at [LJarman@dps.state.ok.us](mailto:LJarman@dps.state.ok.us) of the Financial Responsibility Division of the Oklahoma Department of Public Safety, P. O. Box 11100, Oklahoma City, OK 73136.**

**Questions applicable to those sections of HB 2470 amending Title 36 – Oklahoma Insurance Code should be directed to [kathiestepp@insurance.state.ok.us](mailto:kathiestepp@insurance.state.ok.us) of the Property and Casualty Division, or [robertnoll@insurance.state.ok.us](mailto: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](http://www.oid.state.ok.us)) for news and updates to Bulletins, Board Position Letters, Board meeting dates, and other relevant material.**