



Arkansas Insurance Department

LEGAL DIVISION

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DIRECTIVE 3 -2002

TO: ALL LICENSED PROPERTY AND CASUALTY INSURERS; SURPLUS LINES INSURERS; ADVISORY ORGANIZATIONS; TRADE ASSOCIATIONS; NAIC AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: FIRE PROTECTION IN RATING

Traditionally, insurance companies have utilized fire department protection classifications in the development of their property rates. The Department is aware that the departure from this rating methodology by a major writer has raised concerns within the state's fire department community that the change will have detrimental effects on their ability to collect membership fees and promote improvements of their departments.

It is the position of this Department that fire protection is, and should remain, an integral component in the development of property rates and the Department hereby determines fire protection classification to be an "other relevant factor" to which insurers must give due consideration under Ark. Code Ann. Section 23-67-209's Rating Criteria. Therefore, every insurance company writing property insurance in Arkansas is hereby directed to include within their property rating structure some element of a fire protection classification that considers and utilizes the preparedness and effectiveness of public fire prevention and defense efforts of the primary responding fire department for the structure to be insured. This would be the appropriate governmental, improvement district, or volunteer organization providing such services according to State law.

If you have questions concerning this bulletin, please contact Ms. Becky Harrington, Senior Rate and Form Analyst, Property and Casualty Division at 501-371-2800 or becky.harrington@mail.state.ar.us or Mr. William R. Lacy, Director, Property and Casualty Division, at 501-371-2800 or bill.lacy@mail.state.ar.us.

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