



**North Carolina
Insurance Underwriting Association**

Beach Plan

November 30, 2009

TO: All Member Companies

IMPORTANT: Please Submit to Executive Officer
Please Submit to Other Personnel Who Submits Voluntary Writings
Edition Date Of Notice – November 2009

**Procedures for Submission of Voluntary Premiums
Written in Areas Eligible for Insurance Through the
NORTH CAROLINA INSURANCE UNDERWRITING ASSOCIATION {NCIUA}**

The North Carolina Insurance Underwriting Association (Beach Plan) provides Residential and Commercial policies. The Association also provides Windstorm & Hail only policies. The policies offered by the Beach Plan are for “Essential Property Insurance” which means the Fire, Extended Coverage and Vandalism & Malicious Mischief components of property insurance policies. As of July 1, 2003 the Plan was authorized to offer a Homeowners policy for the principle residence in the eighteen (18) coastal counties. The Beach Plan does not provide motor vehicles and other non-essential property insurance.

Member Companies should report the residential premiums (Essential Property Insurance and Homeowners Insurance) and commercial premiums (Essential Property Insurance, and Property portions of Commercial Multi-Peril Insurance) they have written in the Beach Areas with or without the Windstorm & Hail Exclusion endorsement attached.

Member Companies should report the residential premiums (Essential Property Insurance and Homeowners Insurance) and commercial premiums (Essential Property Insurance, Farm Insurance, Farmowners Insurance and Property Commercial Multi-Peril Insurance) they have written in the Coastal Areas with or without the Windstorm Exclusion endorsement attached.

These premiums are reported to the Association on a quarterly bordereaux.

I. General Information

1. Beach Area

“Beach Area” is defined as “all of that area of the State south and east of the inland waterway from the South Carolina line to the Fort Macon (Beaufort Inlet); thence, south and east of Core, Pamlico, Roanoke and Currituck sounds to the Virginia line, being those portions of land generally known as the Outer Banks.”

“Beach Area” is defined by the North Carolina Rate Bureau and in ISO-PLSP (Residential) as Territory Codes 05 and 06 for Dwelling policies and Territory Code 07 and 08 for Homeowners policies, and in ISO-CSP (Commercial) as Territory Codes 105, 165, 275, 285, 485, 655, 675 and 715.

Member Companies shall receive credit for Essential Property Insurance (Fire, Extended Coverage and Vandalism & Malicious Mischief components of property Insurance Policies; Homeowners Insurance and Property Portion of Commercial Multi-Peril Policies) written voluntarily in the Beach Areas.

Liability, manufacturing and other non-essential property premiums are not eligible for voluntary writings.

Premiums must be divisible (or allocated) to be reported as voluntary writings (i.e. property portion of commercial multi-peril, BOPs).

To encourage each member company to write voluntarily in the Beach Areas, each company shall receive a premium credit based upon its achieved voluntary beach and coastal market share as follows:

A credit factor of 2 if its voluntary beach market share is 70% or more than its non-beach and non-coastal market share

A credit factor of 1.5 if voluntary beach market share is at least 35% of its non-beach and non-coastal market share

A credit factor of 1.00 if voluntary beach market share is less than 35% of its non-beach and non-coastal market share

Provided, no credit shall be given for such insurance voluntarily written in the beach areas where coverage for the peril of wind has been excluded.

2. Coastal Area

“Coastal Area” is defined as all of that area of the State of North Carolina comprising the following counties Beaufort, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell and Washington. “Coastal Area” does not include the portions of these counties that lie within the Beach area.

“Coastal Area” is defined by the North Carolina Rate Bureau and in ISO-PLSP (Residential) as Territory Codes 42 and 43 for Dwelling policies and Territory Codes 48, 49 and 52 for Homeowners policies and in ISO-CSP (Commercial) as Territory Codes 070, 100, 150, 160, 210, 250, 270, 280, 480, 520, 650, 670, 690, 700, 710, 720, 890 and 940.

Member Companies shall receive credit for Essential Property Insurance (Fire, Extended Coverage and Vandalism & Malicious Mischief components of property Insurance Policies and Farm Insurance; Farmowners Insurance, Homeowners Insurance and Property Portion of Commercial Multi-Peril Policies) written voluntarily in the Coastal Areas.

Liability, manufacturing and other non-essential property premiums are not eligible for voluntary writings.

Premiums must be divisible (or allocated) to be reported as voluntary writings (i.e. property portion of commercial multi-peril, BOPs).

To encourage each member company to write voluntarily in the Coastal Areas, each company shall receive a 1.00 credit factor for its voluntary writings in the Coastal Areas. However, no credit shall be given for such insurance voluntarily written in the coastal areas where coverage for the peril of wind has been excluded.

II. Bordereaux Submissions

1. Must Contain:

- A. Certification Sheet which includes (see form VBCERT-1 for Beach Area and form VBCERT-2 for Coastal Area)
 1. Company/Group Name
 2. NAIC Group and Company Code
 3. Report Year-Calendar Year for Bordereaux
 4. Report Period-Quarter for Bordereaux
 5. Subtotals-By Line of Insurance and By Full Coverage or Wrap-Around Policies
 6. Signature from a company representative, date, title, mailing address, telephone number and fax number.
 7. Statement certifying there are no return premiums processed, if applicable (see Section II, 3)
 8. Total number of Policies

B. Bordereaux are reported to the Association on CDs. The following are the specifications for the Bordereaux:

General:

1. Files are to be submitted on CDs.
2. All files are ASCII text Files.
3. Multiple files can exist on a CD.
4. The record length is 80 bytes with blank space compression. Each file name can occur once per series of CDs with the exception of the CD Identity File which must occur on each CD. The CD Identity File will be used to verify the NAIC code, Quarter, Year and CD Number while processing the CDs.

File Names:

IDENTITY.FLE

CD Identity File

(BEACH AREA)

RESSFULL.BCH
RESSWRAP.BCH
HOMEFULL.BCH
HOMEWRAF.BCH
CESSFULL.BCH
CESSWRAP.BCH
CMPLFULL.BCH
CMPLWRAP.BCH

Residential Essential Full Coverage
Residential Essential Wrap-Around
Homeowners Full Coverage
Homeowners Wrap-Around
Commercial Essential Full Coverage
Commercial Essential Wrap-Around
Commercial Multi-Peril Full Coverage
Commercial Multi-Peril Wrap-Around

(COASTAL AREA)

RESSFULL.CST
RESSWRAP.CST
HOMEFULL.CST
HOMEWRAF.CST
CESSFULL.CST
CESSWRAP.CST
CMPLFULL.CST
CMPLWRAP.CST
FARMFULL.CST
FARMWRAP.CST

Residential Essential Full Coverage
Residential Essential Wrap-Around
Homeowners Full Coverage
Homeowners Wrap-Around
Commercial Essential Full Coverage
Commercial Essential Wrap-Around
Commercial Multi-Peril Full Coverage
Commercial Multi-Peril Wrap-Around
Farmowners Full Coverage
Farmowners Wrap-Around

CD Identify File Layout:

<u>Position</u>	<u>Attribute</u>	<u>Field</u>	<u>Example</u>
1-7	Numeric	NAIC Code	“0000001”, “0109393”
8-37	Alpha	Member Co. Name	American Insurance
38-38	Numeric	Quarter	“1” for March 31 “2” for June 30 “3” for September 30 “4” for December 31
39-42	Numeric	Year	“1997”, “1998”
43-43	Numeric	Disk Number	“1”, “2”
44-80	Blank		

Note: There is one CD Identity File per CD. The CD Number identifies the sequence. Always start CD number sequences at “1” and increment by “1” for subsequent CDs.

Data File Layout:

<u>Position</u>	<u>Attribute</u>	<u>Field</u>	<u>Example</u>
1-7	Numeric	NAIC Code	“00000001”, “0109393”
8-8	Numeric	Quarter	“1” for March 31 “2” for June 30 “3” for September 30 “4” for December 31
9-12	Numeric	Year	“1997”, “1998”
13-32	Alpha	Policy Number	“HO 183838383”
33-42	Alpha	Transaction Type	“New Bus”, “Renewal” This field not edited by NCIUA. Members may use any description.
43-45	Numeric	County Code	“006”, “094”
46-48	Numeric	Territory Code	“042”, “043”, “480”
49-55	Numeric	Premiums	“0012345”, “0783838” (in dollars, no cents, must show “+” or “-” after the premium amount)
56-63	Alpha	Effective Date	“03/27/97”
64-80	Blank		

2. Premiums may be submitted on an individual company or a group basis. If a bordereau is submitted on a group basis, the individual companies whose premiums the bordereau contains must be listed on the Certification Sheet required with each bordereau.

Please Note: If percentages of participation in the Beach Plan are computed on an individual basis, voluntary writings must also be reported on an individual basis.

3. Companies are required to submit return premiums and cancellations for credit, as well as additional premiums. Should a company experience a quarter where no return premiums are shown on their bordereau, a statement certifying that no return premiums were processed must be submitted with bordereaux. Any bordereaux received in the office without any return premiums or a statement advising that none were processed, will automatically be returned to the company without being audited. This will count as one (1) audit in regards to Section III, 5F rules.
4. Only report the premium applicable to the current year for multi-year policies.
5. Residential and Commercial policies must be reported separately on the bordereaux.
6. Full Coverage Policies (written without the windstorm & hail exclusion) and Wrap-Around Policies (written with the windstorm & hail exclusion) must be reported separately on the bordereaux.

III. Audit Procedures

1. Any policy may be audited.
2. If a policy is selected for audit, all necessary information should be on the documentation sent in, (i.e. policy number, territory code, premium, inception and expiration dates, etc.). Be sure that the documentation sent in corresponds to the transaction recorded on the bordereau.
3. Every effort should be made to send in all policies at one time, and in the order shown on the audit request form(s).
4. Policies covering more than one (1) location must have the proper endorsement or schedule attached showing the premiums and territory codes if the policy is called for audit. If a policy has both eligible and ineligible policies on it, be sure to submit only the premiums for the eligible policies on the bordereaux.
5. Audit Process:
 - A. Policies suspected to be ineligible will be audited on a Specific Audit Request Form (see forms VBAUD-1B, VB AUD-2B, VB AUD-1C and VB AUD-2C).
 - B. All bordereaux will have an appropriate number of policies selected for a random audit. These policies will be listed on the Random Audit Request Form (see forms VB AUD-3B, VB AUD-4B, VB AUD-3C and VB AUD-4C). This will be based on the following criteria:
 1. If Company has any policies listed on the Specific Audit Request Form-10% of the total number of policies will be selected for Random Audit.

2. If Company does not have any policies listed on the Specific Audit Request Form- 5% of the total number of policies may be selected for Random Audited.
- C. After the policies have been audited, an Acceptable Ratio will be developed by giving companies a proportional credit based on the relativity of premiums selected on audit forms that were found to be eligible.
 - D. The Association will complete a Premium Summary Form (see forms VB SUM-1B and VB SUM-1C) and send it to the Member Company. The company should review this form when received, and advise the Association if any discrepancies are noted.
 - E. The Member Company has the option of accepting the results of the audit or appealing the results of the audit. If appealing the results of the audit, the Member Company must provide NCIUA with further documentation to support their request; or to review, rework and resubmit the bordereau, making sure the revisions extend beyond the errors noted by NCIUA (see Section IV-Time Schedule)(Also see GS 58-45-50 and Section VIII of the Plan of Operation).
 - F. An original bordereau, once audited, may only be resubmitted once.

IV. Time Schedule	<u>1st-3rd Quarters</u>	<u>4th Quarter</u>
1. Bordereaux submitted	60 days after close of Quarter	60 days after close of Quarter
2. Audit mailed to Company	10 days after bordereau received	5 days after bordereau received
3. Mail 30-day follow-up	30 days after audit mailed	No follow-up
4. Summary Sheet returned	10 days after policies received	5 days after policies received
5. Request for Re-Audit must be received	30 days after Summary mailed	15 days after Summary mailed
6. Send revised Audits	10 days after Re-Audit received	5 days after Re-Audit received
7. Must have policies received in our office	15 days after revised Audits sent	10 days after revised Audits sent
8. Revised Summary mailed	5 days after policies received	5 days after policies received

We are enclosing a copy of all forms used by the Association and will be happy to answer any questions you may have about these procedures. Please direct your questions to:

North Carolina Insurance Underwriting Association
Accounting Department
Attention: Voluntary Writings
PO Box 8009
Cary, NC 27512
(919) 821-1299
1-800-662-7048

Your cooperation in following these procedures is greatly appreciated.

Sincerely,

Alvin L. Ashworth, Jr., AIS, AIAF
Accounting Manager

Enclosures