



NORTH CAROLINA  
INSURANCE UNDERWRITING ASSOCIATION

BEACH PLAN

NORTH CAROLINA  
JOINT UNDERWRITING ASSOCIATION

FAIR PLAN

-----IMPORTANT INFORMATION – PLEASE RETAIN IN YOUR OFFICE-----

**Please make sure this Producer Mailing is circulated to your entire staff. See last page.**

January 2002

To: All Producers

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**Deductible Requirement – Beach Plan Dwelling Policies**

Beginning with March 1, 2002 new business and April 1, 2002 continuations, the North Carolina Insurance Underwriting Association has received approval from the North Carolina Commissioner of Insurance to implement the following Beach Plan Dwelling deductibles:

<u>Property Coverage A Limit</u>	<u>Deductible Tiers</u>	
	<u>All Other Perils</u>	<u>Wind</u>
<\$100,000	\$500	\$500
\$100,000 - \$249,999	\$500	\$1,000
≥ \$250,000	\$500	\$2,000

The indicated deductibles are based on a policyholder's coverage A dwelling limit. However, if only coverage C (personal property) is being provided, the Association will require similar deductible levels.

The Dwelling 89 Policy Program manual provides the deductible credits that will be utilized for the deductible levels. The deductible levels indicated apply to all policies qualifying under the Beach Plan Dwelling (including Windstorm and Hail Only policies) located within the Beach and Coastal areas. The following rating examples should assist you with understanding this deductible procedure.

### Tier Deductible Examples

**Fire Policy** \$200,000 coverage; \$500 all perils deductible; \$1000 wind/hail deductible. DP 1, Protection Class 5, Territory 5; Frame construction; Fire, Extended Coverage, V&MM.

Fire Base Premium \$252  
 \$500 all perils deductible credit x.95  
 Annual Premium \$239

Extended Coverage Base Premium \$1080  
 \$500 all other perils deductible wind/hail credit x.84  
 (for \$1000 deductible from chart shown below)  
 Annual Premium \$ 908

Vandalism & Malicious Mischief Base Premium \$ 34  
 \$500 all perils deductible credit x.95  
 Annual Premium \$ 32

**Windstorm and Hail Only Policy** \$300,000 building; \$50,000 personal property; Territory 06; \$2,000 wind/hail deductible.

Dwelling  
 Extended Coverage Base Premium \$1605  
 Windstorm or Hail deductible credit from chart below x.81  
 (use \$250 all other perils as Deductible amount)  
 NCIUA Dwelling Windstorm or Hail credit .80  
 Annual Premium \$1040

Personal Property  
 Extended Coverage Base Premium \$194  
 Windstorm or Hail deductible credit from chart below .90  
 (use \$250 all other perils as Deductible amount)  
 NCIUA Dwelling Windstorm or Hail credit .80  
 Annual Premium \$139

Charts from NC exception pages DP-E-1 and DP-E-3 Dwelling Policy Program 1989 Edition. Copyright, North Carolina Rate Bureau, 2002, Reproduced with their permission.

Coverages A, B, D, or E and Coverage Options for Buildings and Non-Building Structures

1. All Perils Deductible  
 Multiply the Base Premium for the Base Deductible by the appropriate factors:

Size		
Ded.	Code	Factors
\$100*	10	1.05
\$500	50	.95
\$1,000	82	.89
\$2,500	86	.81

\*Refer to the state rate pages for the minimum annual additional premium charge that applies per location. The deductible size is coded separately for Fire, E.C., Etc.

All Other Perils	Windstorm or Hail Deductible Amounts		
	\$1,000	\$2,000	\$5,000
Ded. Amount			
\$100	.95	.87	.83
\$250	.89	.81	.77
\$500	.84	.76	.72
\$1,000	-	.68	.64
\$2,500	-	-	.49

Coverage C and Other Personal Property Coverage Options (Only use when policy also covers Building or non-building structures)

All Other Perils	Windstorm or Hail
	Deductible Amounts \$1,000, \$2,000 or \$5,000
Ded. Amount	
\$100	.97
250	.90
500	.82
1,000	.68
2,500	.49

## **Commercial Property Windstorm and Hail Policy**

Effective March 1, 2002, the North Carolina Commissioner of Insurance has approved for the North Carolina Insurance Underwriting Association to implement a revised Commercial Property Windstorm and Hail policy, WHC003. The revised WHC003 coverage form will parallel the Commercial Standard Property policy, CP0099. The adopting of this revised Commercial Windstorm and Hail policy will allow the Association to quickly make revisions announced by ISO that apply to both the Commercial Standard Property policy and the Association's Commercial Windstorm and Hail policy. A copy of the revised Commercial Windstorm and Hail policy will be made available on the Association's website prior to March 1, 2002.

The following chart outlines the recent CP0099 revisions that will also be part of the reformatted and revised WHC003 policy.

<b><u>Item</u></b>	<b><u>Impact</u></b>
Debris Removal	Clarification – no coverage change
Newly Acquired or Constructed Property	Broadening of Coverage
Limited Liability Companies	Clarification – no coverage change
Property Off-Premises	Broadening of Coverage
Non-Owned Trailers	Broadening of Coverage
Causes of Loss: Exclusions	Clarification – no coverage change
Causes of Loss: Neglect Exclusion	Clarification – no coverage change
Deductible Clause	Clarification – no coverage change
Loss Payment Condition	Clarification – no coverage change
Vacancy Provision	Clarification – no coverage change

## **Mobile Home Supplemental Application, AP30**

The North Carolina Joint Underwriting Association and North Carolina Insurance Underwriting Association have received approval to implement a revised Mobile Home Supplemental Application AP30. The revision adds an item 2., which responds to requests for placing mobile homes on permanent foundations on the DP002, Broad Perils, including replacement cost policy form. The applicable statute is NCGS §105-273 (13). In essence, in order for a mobile home to qualify for the Broad Perils including replacement cost coverage the structure must be multi-sectional with a fully enclosed masonry foundation and on land owned by the applicant or insured. The qualifying properties must be considered as real property by the tax assessor's office for the local municipality in which the property is located. Please contact your underwriter if you should have any questions.

## **Underwriting Standards, Fire Losses**

The North Carolina Joint Underwriting Association has received approval from the North Carolina Commissioner of Insurance to modify the underwriting standards regarding fire losses. The changes are:

1. The prior wording regarding fire losses read, "where the building has been subject to more than two (2) fires, each loss amounting to at least \$500 or (1) percent of the insurance in force, whichever is greater, in any twelve month period; or more than three (3) such fires in any twenty-four month period, provided the cause of such fires was due to conditions which are the responsibility and within the control of the owner or named insured." The new wording will read as follows: "where the building has been subject to two (2) or more fires, each loss amounting to at least \$500 or (1) percent of the insurance in force, whichever is greater, in any twelve month period; or three (3) or more such fires in any twenty-four

month period, provided the cause of such fires was due to conditions which are the responsibility and within the control of the owner or named insured.”

2. Currently, the discussion of fire losses is under the underwriting standard, which states, “building in which two or more of the following conditions exist.” The Association believes that the standard regarding fire losses should be a major underwriting standard and is self supporting as a reason to reject coverage. It has been approved for the Association to consider the fire loss underwriting standard as a stand-alone underwriting standard.

### **Windstorm and Hail Certificate of Essential Property Insurance, WH0005**

Effective January 1, 2002 the North Carolina Insurance Underwriting Association has received approval to begin using a revised Certificate of Essential Property Insurance Form. The form has been updated to advise that if the essential property carrier requires completion of a Form F application, that Windstorm and Hail coverage is not available through the North Carolina Insurance Underwriting Association. The form has also been updated to provide clarification that while concurrency of deductibles are recommended, the Association reserves the right to require a different deductible than the essential property carrier. Another revision is that the wind driven rain coverage section has been updated to provide the separate information regarding residential and commercial policies. A copy of the revised WH0005 is provided with this mailing.

### **Primary Coverage**

The North Carolina Insurance Underwriting Association has received approval from North Carolina Commissioner of Insurance to amend the Plan of Operation to delete the requirement that excess insurance be provided by an admitted or non-admitted insurer. This amendment recognizes that the market place right now is tight and that it is not always possible for consumers to obtain excess insurance and this would allow the Plan to provide the primary insurance and the property owner would retain the excess exposure. It is still required that a licensed admitted carrier provide the essential property coverage. Until separate underwriting procedures have been finalized, any request for primary coverage without excess insurance being provided will be handled on a case by case basis by Association management.

### **Dwelling Windstorm and Hail – Coastal Rating Factor**

The North Carolina Insurance Underwriting Association has filed to the North Carolina Commissioner of Insurance to delete the .90 coastal rating modification factor. Currently, a .90 factor is applied on top of the .80 Beach area factor on all properties covered by a Dwelling Windstorm and Hail policy form. This filing would delete the .90 factor therefore making applicable only the .80 factor to both the Beach and Coastal areas. With approval, an effective date of May 1, 2002 will apply.

### **Wind or Hail-Driven Rain Coverage – Building, Dwelling Form WHD201**

The North Carolina Insurance Underwriting Association has received approval from the North Carolina Commissioner of Insurance to implement a revised wind or hail-driven rain coverage endorsement. The endorsement revisions are: (1) the form specifically advised that a licensed-admitted insurer must be writing the essential property insurance, (2) at the time of a wind or hail driven rain loss there must be open peril essential property insurance coverage in effect and (3) the form has been amended to specifically advise that wind or hail driven rain coverage applies only to the building coverage.

## **Windstorm and Hail Policy Replacement Cost Endorsement, WH3262 – Dwelling Property**

A point of clarification had been added to the Dwelling Windstorm or Hail Replacement Cost form, WH3262, advising that the essential property insurer must be a licensed-admitted insurer. This is not a change in requirements, only an inclusion to this endorsement offering clarification of our normal requirements.

### **Direct Bill – Beach Plan Only**

As relayed to you by prior producer mailing, the North Carolina Insurance Underwriting Association is developing a direct bill payment program that will be applicable to all Beach Plan policies. The Association is in the process of selecting a software vendor who will interface the direct bill processes with our current automation. Once the interfacing has been completed, the direct bill process will be tested. It is our expectation to activate the direct bill program to producers during the summer of 2002.

### **Privacy Policy Statement**

As required by federal and state law, the North Carolina Joint Underwriting Association and the North Carolina Insurance Underwriting Association have implemented the inclusion of a privacy statement that will be added to all new business, continued policies, and interim adjustment billing notices. The statement will be printed on all policy declarations written on or after January 1, 2002.

### **Commercial Farm Property**

The North Carolina Joint Underwriting Association has filed to the North Carolina Commissioner of Insurance to adopt the loss cost farm provisions as outlined in the Commercial Lines Manual, farm section with usage of the NCJUA Group I and Group II loss cost expense multipliers. Currently, the Association is using the Simplified Farm Program rules and rating. The expected effective date to implement this change will be May 1, 2002.

### **NCJUA/NCIUA Website**

Please utilize the Associations' website for obtaining information about the Plans including the changes that are occurring at the Association. The "What's New" section is being updated to advise when new or changed provisions are to be implemented. The Association has also included onto the website many of the property policy forms provided by the Plans. It is recommended that the "What's New" section of our website be browsed at least once a week. Hard copy Producer Mailings normally are released at quarterly or semi-annual timeframes. However, our website is an economical and quick way to provide important information to producers.

### **Office Hours/Telephone Calls**

The Associations' normal operating hours are 8:00 am to 4:15 pm. The normal office lunch hour is between 12:15 and 1:00 p.m. The Underwriting Department has customer service representatives available between 8:00 am and 10:00 am to handle general customer service items. Full telephone service resumes at 10:15 a.m. Due to the large volume of calls received by the Association, the taking of messages and returning of calls is a normal occurrence. We ask for your patience and whenever possible utilize the website to assist you with any procedural questions. Please remember, for rating, the Association utilizes the rates as provided by the ISO via the Commercial Lines Manual for commercial property. We do not quote and have limited resources for providing rating assistance. The North Carolina Rate Bureau also does not have the resources for providing individual rate quotes for dwellings. Both the Dwelling 89 Manual and Commercial Lines Manual can be ordered from ISO by calling 1(800)888-4476.

**Producer Certification**

The Associations have received approval to implement a Producer Certification Program which will be effective January 1, 2003. Agencies will be required to meet the certification guidelines in order to qualify for full commission as of the January 1, 2003 date. The Plans are developing the administering of the certification seminars with the Independent Insurance Agents Association of North Carolina, and large volume Direct Writers. The certification seminar will also be made available for any training vendor to file with the North Carolina Department of Insurance for approval to conduct the training program. Detailed information will be released shortly.

**The Association's Office is Moving**

The anticipated move-in date to our new office which will be located on Dillard Road, Cary, NC is late-March 2002. You will be receiving full details by separate communication.

**2002 Holiday Schedule – remainder of year**

Good Friday	Friday	March 29, 2002
Memorial Day	Monday	May 27, 2002
Independence Day	Thursday	July 4, 2002
Labor Day	Monday	September 2, 2002
Thanksgiving Day	Thursday	November 28, 2002
Day After Thanksgiving	Friday	November 29, 2002
Christmas Eve	Tuesday	December 24, 2002
Christmas Day	Wednesday	December 25, 2002

\*We may also close early the day before a holiday.

**A New Look**

You will note that we have put a reminder on the header of this newsletter which can be used to be sure that all of the people in the agencies who handle FAIR and Beach Plan business have an opportunity to see the newsletter. Many times we put out a procedural change and information form changes, but we find that not everyone knows about them in the agencies. Please note that we will continue to attach this to each mailing so that it will be a reminder to share the information with all the personnel in your office who deal with our Associations. For your convenience below is a routing section for personnel within your office to sign off that they have read this mailing.

Route to: \_\_\_\_\_

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If there are any questions concerning any of the items discussed within this producer mailing please contact your Underwriter.

Sincerely,

Lee E. Dunn, Jr.  
Underwriting Manager