



**North Carolina
Insurance Underwriting Association**

Beach Plan

**North Carolina
Joint Underwriting Association**

FAIR Plan

September, 2000

-IMPORTANT INFORMATION – PLEASE RETAIN IN YOUR OFFICE-

To: All Producers

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1. COMMISSION CHANGES

Effective October 1, 2000, our Board has recommended and the NC Commissioner of Insurance has approved the following FAIR and Beach Plans commission changes for all policies, except Crime policies. The new commission schedule will be:

FAIR Plan – 15%
Beach Plan – 13%
Crime – remains at 10%

Please assist us by remitting premium payments on a net basis.

2. INTERNET ACCESS TO THE PLANS

You may now obtain information about the Plans on the Internet. Our Website address is www.NCJUA-NCIUA.org. Provided will be the *Manual of Rules and Procedures*, applications, claims information and general information about the Plans. Producer mailings will also be made available on our Website.

3. **MANUFACTURING RISKS- Windstorm & Hail Only Policies**

The NC Commissioner of Insurance has approved the NCIUA eliminating the 10,000 square foot requirement for Manufacturing Risk submissions for Windstorm and Hail Only coverage. *(The 10,000 square foot limit remains for Basic and Broad Form FAIR and Beach Plan applicants.)* The only change is to the procedure #1 under, Appropriate Classes of Manufacturing Risks, which has been amended to read:

1. Buildings that are 10,000 square feet, or under, in size. (Exception: for Windstorm and Hail Only submissions, no square foot restriction criteria apply.)

Contact your underwriter if you have any questions.

4. **APPLICATIONS APPROVED WITH CHANGES**

The Associations have developed a procedure whereby Producers and Policyholders will be clearly advised of approvals that differed from submitted applications.

This new procedure requires the Plans to advise Producers and Policyholders of coverage and/or limit changes marking notification letters (across the top front of the letter in bold type), that this is an **IMPORTANT NOTICE** and special attention should be given to its content. Additionally, our procedure is now to add a **(red)** “Application Approved with Changes” sticker on the first page of the Policyholder's Declaration, so that they are clearly notified that the policy, which has been issued, is different from the application they submitted.

The Association has started using the revised notification letters and red stickers.

5. **ACORD APPLICATIONS – Binder Section**

The Plans have received ACORD Applications where Producers have completed the Binder Section of the Application. No Producer has the authority to bind coverage on behalf of the Association. By completing the Binder Section, you may be creating a potential liability for your agency, in the event of any loss.

6. **ESSENTIAL CARRIER INFORMATION**

The Plans have started showing the name of the Essential Property carrier on Windstorm and Hail Only Policy Declarations. The name shown will be that of the Group or Parent Company, not the specific affiliate. This enhancement will be reflected on the first page of the Policy Declarations, and on applications for continuation (Expiration Notices).

You will also observe changes in the first question on the application for continuation. It is very important that we know the Essential Property Carrier as they adjust Hurricane (Wind) Catastrophe losses on Beach Plan Windstorm and Hail Only policies.

7. PREMIUM-FINANCED POLICIES

The Associations' Policy Declarations will now indicate if a policy is premium-financed. The wording "*Premium-Financed*" will print on the first page of the Declarations. The actual premium finance company name will automatically show on return premium checks. Please remember that a copy of the premium financing agreement signed by the applicant is needed in order for the Association to recognize a premium financing arrangement. This enhancement will help in making certain that premium finance companies receive return premiums they are due. The premium is returned via the Producers so that the unearned commission can be added with our check and sent to the Premium Finance Company.

8. HURRICANE FLOYD FLOOD-DAMAGED PROPERTY

The FAIR Plan, with the approval of the NC Commissioner of Insurance, has adopted criteria for considering insuring Hurricane Floyd Flood-Damaged Property. Listed below are the procedures for submitting applications for new or continued Hurricane Floyd flood-damaged property. Provided with this mailing is a copy of the required Flood-Damaged Properties Application for Special Underwriting Considerations Form, which must accompany all FEMA buy-out submissions and the Flood-Damaged Property endorsement, which advises that policy coverage ends once the applicable local government approves the property as eligible for the FEMA Buy-Out Program. If renovations are to occur, complete details and timeframes are to be provided (i.e., the same procedures apply as already provided by the Plans' *Rules and Procedures*).

FLOOD-DAMAGED PROPERTIES NEW APPLICATION PROCEDURES

Underwriting guidelines to apply to flood-damaged property submitted new to the FAIR Plan, as approved by the NCJUA Board of Directors and the NC Commissioner of Insurance.

1. Building must have flood damage resulting from Hurricane Floyd.
2. Property must be located in one of the counties designated by Commissioner Long: Beaufort, Bertie, Bladen, Brunswick, Carteret, Chowan, Columbus, Craven, Cumberland, Currituck, Dare, Duplin, Edgecombe, Franklin, Gates, Greene, Halifax, Hertford, Hyde, Johnston, Jones, Lenoir, Martin, Nash, New Hanover, Northampton, Onslow, Pamlico, Pender, Pitt, Robeson, Sampson, Washington, Wayne and Wilson.
3. Property should be unoccupied.

4. Property owner should be awaiting a FEMA Buy-out, a reconstruction loan or in the process of doing repairs.
5. Coverages available for the building only. No contents' coverage.
6. Coverage amount is based upon mortgage value, SBA value or tax value, whichever is greater, provided the coverage amount does not exceed the greater of ACV or replacement cost, unless FEMA requests an amount in excess of ACV or replacement cost.
7. All utilities should be turned off, unless in the process of doing repairs.
8. All windows, doors and other openings should be secured.
9. No other basic insurance is allowed on the property.
10. *No trespassing* signs should be posted on the property.
11. General conditions:
 - a. Provide coverage on the structure only on a DP-1 policy form.
 - b. Collect the entire premium at inception of policy.
 - c. The FAIR Plan will offer coverage to qualifying applicants during the twelve (12) month period, beginning May 19, 2000. The FAIR Plan Board of Directors will evaluate the need for continuing this special offer of coverage at the Board meeting in May, 2001.
 - d. In conjunction with the Underwriting guidelines for issuing coverage on flood-damaged properties, there is to be a manuscript endorsement that would cancel coverage at the time the FEMA Buy-Out is approved.

9. **REPLACEMENT COST COVERAGE**

The Replacement Cost coverage guidelines approved for the Plans to follow, requires that property over twenty (20) years old be in very good physical condition and with the building systems having been updated or qualified as functionally sound by a certified, licensed contractor, within the past twenty (20) years. Photographs of the property, including clear views of the front and rear roof slopes, are required. Since inception of the Replacement Cost guidelines, it has been difficult to manage obtaining invoices verifying completion of updates to utilities or receiving letters of certification from contractors. The Plans' staff will attempt to assess acceptability of the over 20-year old buildings' Replacement Cost requests by reviewing photographs and relying upon the application indications concerning updates. Requesting invoices or certification is expected to be the exception rather than the rule. Therefore, it is very important that your

agency provide good photographs and application details, in order to receive proper consideration when requesting Replacement Cost coverage on over 20-year old buildings.

10. **PRODUCER SEMINARS**

Thank you for the responses concerning location and seminar needs. The Association is designing a new seminar, which should be ready for presentation during the first quarter of 2001. More detail will follow in subsequent mailings.

11. **MANUAL OF RULES & PROCEDURES UPDATES**

With Internet access to the Plans being available to Producers by September 1, 2000, it is anticipated that all updates will be accessible from our Website. Should you not have Internet access, please let us know and we will mail updates to your office. You may purchase copies of the *Manual*. Please send your request with a check for \$5.00 to the attention of our Mail & Supply Department.

12. **COMMERCIAL RATE CHANGES**

The FAIR and Beach Plans will implement Commercial Rate Changes on new business effective 11-1-00. For Continuations and Interim Adjustment Notices (IAN's) on Three-Year policies, the Plans will honor already released quotes. (Our best information is that rating changes were put into effect for 12-4-00 and after Continuations and IAN's.) Upon request, we will rerate any Commercial Continuations or IAN's effective between 11-1-00 and 12-4-00. Producers should contact their underwriter if there are any questions. Revised rates, which include the new Loss Costs and Association's Expense Multipliers, are available at a cost of \$5.00 per Plan. You may request pages by contacting the Association's Mail and Supply Department.

Lee E. Dunn, Jr.,
Underwriting Manager

List Attachments:

1. *Flood-Damaged Properties Application for Special Underwriting Considerations*
2. *Endorsement – Flood-Damaged Properties*

Flood-Damaged Properties
Application for Special Underwriting Considerations

Flood-damaged properties normally do not meet the physical condition Underwriting standards followed by the Plan. For consideration of coverage for properties awaiting the Federal Emergency Management Administration (FEMA) Buyout Program, the following questions must be answered and returned with the Basic Application for Property Coverage, F-A-3 or equivalent ACORD forms: *(You must check one)*

1. Was the property, for which coverage is being submitted, damaged by Hurricane Floyd? Property location _____.

☐ Yes ☐ No
2. Is the property being submitted located within an area of the State of North Carolina being considered by FEMA for Hurricane Floyd Disaster Relief?

☐ Yes ☐ No
3. Have you made application to your local municipality or FEMA to be considered for the Hurricane Floyd Disaster Relief Buyout Program?

☐ Yes ☐ No
4. Have you taken necessary steps to prevent damage from neglect, occurring to your property (i.e., boarding-up windows and doors, securing roof openings, disconnecting utilities, etc.)?

☐ Yes ☐ No
5. Do you understand that once the local government approves the property for the FEMA Buyout Program, your policy with the NCJUA is null and void and with proper request for cancellation, the pro-rated premium will be returned to your producer or directly to you, should there not be a producer.?

☐ Yes ☐ No
6. Is the property unoccupied and has at least one (1) *no trespassing* sign been posted?

☐ Yes ☐ No

ANY MISREPRESENTATION OR ANY WILLFUL CONCEALMENT OF A MATERIAL FACT OR CIRCUMSTANCE HEREON MAY VOID THE POLICY AB INITIO, (Back to Inception). By signing this application I (we) certify that I (we) have an insurable interest in the property, and that all information contained herein is true and correct to the best of my (our) knowledge and belief.

Applicant

Date

Producer

Date

ENDORSEMENT
FLOOD-DAMAGED PROPERTIES
(Read this Endorsement carefully. It changes your Policy)

In consideration of modifying the Underwriting Guidelines for Flood-Damaged Properties by the North Carolina Joint Underwriting Association, the insured agrees that this policy is subject to the following special condition:

This policy will be null and void at such time that the local government approves this property as eligible for the Federal Emergency Management Administration Buyout Program. With proper request for cancellation, the pro-rated premium will be returned to the policyholder's producer or directly to the policyholder, should there not be a producer.

All other policy conditions remain the same.