



**NORTH CAROLINA
INSURANCE UNDERWRITING ASSOCIATION**

BEACH PLAN

**NORTH CAROLINA
JOINT UNDERWRITING ASSOCIATION**

FAIR PLAN

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

February 2001

To: All Producers

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Beach Plan Minimum Deductibles

Effective March 1, 2001, the North Carolina Commissioner of Insurance has approved for the Beach Plan to implement minimum deductible requirements for commercial and dwelling properties. The minimum allowed deductibles are \$500 on dwelling properties and \$1,000 on commercial properties. The Plans reserve the right to require higher deductibles at the appropriate rate credits where conditions warrant for commercial or dwelling properties.

Commercial Loss Cost Changes

Insurance Services Office (ISO) received approval from the Commissioner of Insurance to implement revised loss costs and a transition rule effective May 1, 2001. The automation necessary for handling the loss cost transition rule could cause up to a thirty (30) day delay in the release of May Commercial Expirations and Interim Adjustment Notices. NCGS58-45-45(a) and NCGS58-46-55 state that “the Associations shall be in accordance with the most recent manual rates or adjusted loss costs and forms that are legally in effect in the State”. The loss cost expense multipliers which are separately filed by the Plans have not changed. For information concerning the ISO loss costs revisions and transition rule you should refer to ISO circular LI-CF-2000-299.

Dwelling Premium Recap Form, AP-19, Discontinued

The Dwelling Premium Recap Form, AP-19, was being released by the Association when there was a premium balance due. This form was developed and implemented prior to the availability of widespread use of automation and dwelling rating software. At the September 2000 Managers Advisory Council Meeting, the attending council members affirmed to the Association that the AP-19 form was rarely used by producers. The

Board of Directors supported the decision of staff and the Manager Advisory Council to discontinue this form. Therefore the Commissioner of Insurance has approved the Associations' filing to discontinue use of the AP-19 form.

Manual of Rules and Procedures – Updates

The Plan is loading corrections and updates to the Manual of Rules and Procedures onto our website, www.NCJUA-NCIUA.org. You are encouraged to periodically review the website for updated information. To receive printed copies of any revised manual pages, you may contact the Associations' Mail and Supply Department.

Primary Coverage Minimum Policy Premium

Effective March 1, 2001, the Commissioner of Insurance has approved the implementation of a \$500.00 per location minimum premium applicable to all commercial primary windstorm and hail policies. These are windstorm and hail policies being used primarily for a deductible buy back.

Replacement Cost Coverage Application, AP-42

Effective March 1, 2001, the Commissioner of Insurance has approved for the FAIR and Beach Plans to implement use of a revised AP-42, Replacement Cost Coverage Application. The revision being made to this application is to include the misrepresentation/concealment clause. The misrepresentation, fraud and concealment statement is already a part of the basic applications for coverage used by the Associations and is a standard part of the ACORD applications, both of which are accepted for underwriting review by the Plans.

3 Year Policies-Interim Adjustment Postcard Notice Discontinued

Effective March 1, 2001, the Commissioner of Insurance has approved for the FAIR and Beach Plans to amend the Three Year Policy procedures. The Association will no longer release an Interim Adjustment Notice postcard directly to the policyholder. Unlike the Expiration Notice, the Interim Adjustment Postcard is primarily a notice advising policyholders to contact their insurance agent in order to satisfy the upcoming annual premium due. The following problems were arising from the release of the Interim Adjustment Postcard to the policyholder:

- *Premiums were being submitted directly to the Associations rather than through the Producer who needed to handle commission and obtain a signature on the Interim Adjustment Notice.
- *Telephone calls were coming directly to the Associations rather than being directed to the producer.
- *The postcard, which was being released 85 days prior to the anniversary, was being received by the policyholder before the producer could process the Interim Adjustment Notice and billing through their systems.

During the most recent Manager's Advisory Council Meeting, it was determined that this billing process would be better accomplished by Producers handling the notification to Policyholders based on their normal timeframes. The 3 year policy processing procedure allows a 15 day notice of cancellation to be sent to both the producer and policyholder if premiums and the interim adjustment notice are not received in the Plans office by the anniversary date.

Web Site Updates

Producers are asked to periodically check the FAIR and Beach Plans website address, www.NCJUA-NCIUA.org, for general and updated information about the Plans. The Associations are updating, where possible, policy jackets, forms and applications to include the website address. This will allow everyone the availability to quickly obtain the most current information about the Associations.

Windstorm and Hail Policy Form Concurrency

A point of clarification is that Windstorm and Hail coverage written through the Plans must be written on the same type of policy form as the essential property carrier. That is, if the essential property carrier is providing the essential perils under a Commercial Policy Form, the Association will also provide windstorm and hail on a Commercial Windstorm and Hail Policy Form; if a residential policy form is being issued by the essential property carrier, the Association will provide a Dwelling Windstorm and Hail Policy Form.

On the Horizon

Following is a list of items which are being worked on by the Associations. These items may either have already been submitted to the Commissioner of Insurance with a decision pending or are in various stages of review and development at the Association. The items are:

1. Producer Certification Seminars are being developed. More information will follow during the second quarter of 2001.
2. Primary insurance rules and forms for dwelling risks are being developed by the North Carolina Rate Bureau. The anticipated implementation is by the end of the second quarter 2001.
3. The Plan is developing procedures and form to implement dwelling windstorm and hail Specified Additional Amount of Insurance applicable to Coverage A. This will parallel the Homeowners Form HO3220. More information to follow during the second quarter of 2001.
4. The Plans have filed to the Commissioner of Insurance for approval to allow consumers the option of purchasing wind driven rain coverage. The filing is currently under review and producers will be updated on this item once additional information is available.
5. The Board of Directors of the Beach Plan has directed staff to develop procedures and automation allowing the Plan to Direct Bill and change our expiration procedures to respond as renewals rather than the current continuation (reapplication) process. The expected implementation for these enhancements is May 1, 2002.
6. Hurricane season is right around the corner. Now is the time to become familiar with Association procedures, to review your customers files for accuracy of coverage and forms and to make sure that Windstorm and Hail Policies written through the Plan have the correct essential property carrier information. Also make sure that the Associations Hurricane Coverage Writing Restriction Procedures are fully understood. You should refer to the Associations' Manual of Rules and Procedures for complete details.

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