



**NORTH CAROLINA
INSURANCE UNDERWRITING ASSOCIATION**
BEACH PLAN
**NORTH CAROLINA
JOINT UNDERWRITING ASSOCIATION**
FAIR PLAN

October 18, 2012

To: North Carolina Joint Underwriting Association (FAIR Plan) Producers

From: Gina Schwitzgebel, CPCU, CIC, CRM, ARM, AIC, AMIM
General Manager

Alvin L. Ashworth Jr., AIS, AIAF
Director of Finance and Accounting

RE: FAIR Plan Direct Bill

Effective January 1, 2013, the North Carolina Joint Underwriting Association (FAIR Plan) will adopt billing procedures to become consistent with those of the North Carolina Insurance Underwriting Association (Coastal Property Insurance Pool). For producers, this means a conversion of policies from agency bill to direct bill.

Beginning with continuations effective January 1, 2013 and after, Producers will no longer receive an Interim Adjustment Notice (IAN) or Continuation Expiration Application 90 days prior to anniversary or policy expiration. Instead, Policyholders will receive an invoice for the annual policy premium. Consumers, whose policies meet the eligibility requirements, will have additional options of paying on a semi-annual basis (2-pay) or on a quarterly basis (4-pay). For new business effective January 1, 2013, Producers can select the direct bill payment option on the Dynamic Web or on the paper application subject to eligibility.

Since some clients want their billing to go directly to the mortgagee, the Association will send the Producers a listing of their policies for them to indicate which ones should be billed to the mortgagee. The first list of policies continuing in January and February will be sent to Producers next week. To ensure correct billing for the consumers, it is critical that Producers return these listings by the due date.

Please find attached a complete description of the conversion process. If you or your customers have any questions, please contact our Payment Plan Unit at (800) 662-7048 or (919) 821-1299 ext. 5358.

PO Box 8009 Cary, North Carolina, 27512
5520 Dillard Drive, Suite 180, Cary, North Carolina 27518
(919) 821-1299 (800) 662-7048 Fax (919) 829-1793



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NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION - NCJUA (FAIR PLAN)

**DIRECT BILL INSTALLMENT PAYMENT PLAN ANNOUNCEMENT
EFFECTIVE POLICY DATES OF JANUARY 1, 2013 AND AFTER**

The NCJUA (FAIR Plan) is converting from an agency bill to a direct bill program for policies effective January 1, 2013 or later. When continuation declarations are generated, the Policyholder will receive a bill with the options of full payment, semi-annual (2 pay), or quarterly (4 pay). For new business, the direct bill payment options can be specified when submitting an application on the Dynamic Web or can be noted on paper applications.

The transition from agency bill to direct bill will result in consistency in billing procedures between the North Carolina Joint Underwriting Association, NCJUA (FAIR Plan) and the North Carolina Insurance Underwriting Association, NCIUA (Coastal Property Insurance Pool).

Direct Billing Procedures

- ◆ Continuation Declarations will be automatically generated and mailed with a Billing Invoice directly to the Policyholder with annual pay as the default selection. (The Policyholder can change the payment option to semi-annual or quarterly.)
- ◆ The Continuation and Invoice will generate approximately forty-five (45) days prior to the current policy anniversary date.
- ◆ Continuation and new policies will be written on an annual basis beginning on January 1, 2013.
- ◆ For buildings with replacement cost coverage, automatic inflationary increases in building coverage will be processed. Therefore, the DP 32 70, Inflation Guard Endorsement will be added to each policy and the DP 32 11, the Automatic Increase in Insurance, will be deleted.
- ◆ Consistent with the NCIUA, Commission Compensation Statements will be generated and mailed to the Agency at the end of each business month with a summary of activity per policy.
- ◆ Producers will receive their first NCJUA Commission Compensation Statements in February 2013. This will cover the January 2013 transactions.
- ◆ Commission compensation checks will be directly deposited or mailed, depending on the selection on file with the Associations.
- ◆ Some consumers want their policies billed to their mortgage company. The Association will send a listing of policies to the Producer to indicate which policies should be billed to the Mortgage Company on record with the Association. If the Association is not notified by the Producer prior to the scheduled billing, the bill will be sent to the Consumer. The Consumer may indicate on their remittance that the policy should be billed to the mortgage company. However, since the Association cannot re-bill the current Continuation Invoice, the Consumer must pay the bill. The Association will schedule the policy for mortgagee billing at the next anniversary.
- ◆ For policies with multiple locations and mortgage companies, the Association does not have the ability to bill multiple payers; therefore, these bills will be sent to the consumer.

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Payment Plan Options

- ◆ 1 Pay (Annual), with 100% payment due upon policy effective date.
- ◆ 2 Pay (Semi-Annual) Installment Option, with initial 50% payment due upon policy inception, and the second 50% installment to be paid by the 180th day from policy inception.
- ◆ 4 Pay (Quarterly) Installment Option, with initial 25% payment due upon policy inception, and three (3) remaining installments to be paid by the 90th, 180th, and 270th day from policy inception.

Note: Installment dates above are final payment dates.

Payment of Premium Procedures on Continuation Applications

1 Pay (Annual)

- ◆ Initial continuation invoice advises premium is due by policy expiration date to avoid a notice of cancellation for non-payment of premium.
- ◆ The notice of cancellation will provide a minimum 15 days to make payment prior to cancellation for non-payment of premium.
- ◆ Premium payment must be received in the Association's Office prior to the cancellation effective date for a rescission to be issued without lapse in coverage.
- ◆ Premium payment received after the cancellation date, but within 60 days of policy anniversary, will be reinstated effective the date premium is received by the Association, and the policy will be short-tered to maintain the current policy expiration date.
- ◆ Premium payment received on the 60th day or after will be returned to the Producer.

Installment Options - 2 Pay (Semi-Annual) or 4 Pay (Quarterly)

- ◆ If any installment is still unpaid 15 days prior to the dates shown in the **Payment Plan Options**; a notice of cancellation for non-payment of premium will be sent effective the 90th, 180th, or 270th day, depending on the payment installment plan selected.
- ◆ Premium payment received by the Association within 30 days of the cancellation date will result in a policy reinstatement effective the date premium is received, the remaining policy balance will be invoiced, and the policy will be short-tered to maintain the current policy expiration.
- ◆ Premium payment received on the 30th day or after the date of cancellation will be returned to the Producing Agent.

Fee for Payment Installment Plans

- ◆ There is a \$3.00 installment fee for each installment.

Selection of Payment Installment Plans

- ◆ Payment Installment Plan options are only available at policy inception (new business) or when the policy continues (renews).
- ◆ Policy effective dates of January 1, 2013 or later will include a section on the remittance portion for the Policyholder to select if the Policyholder wants to participate in an Installment Plan.
- ◆ The remittance portion of the invoice must accompany the premium payment that is received by the NCJUA.

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- ◆ A payment plan must be selected prior to any payment being applied or processed through our Pay Online feature.
- ◆ If the Policyholder wishes to make a payment via our Pay Online credit card feature, they must contact the Payment Plan Unit at (800) 662-7048 or (919) 821-1299 (Extension 5358) before making the credit card transaction.
- ◆ Payment Installment Plans cannot be selected or changed during the policy period; only at expiration and prior to any application of premium payment by the Association can payment plans be changed.

THE NCJUA MUST BE ADVISED THAT THE POLICYHOLDER IS SELECTING A PAYMENT INSTALLMENT PLAN BEFORE ANY PREMIUM PAYMENT IS APPLIED TO THE POLICY.

Eligibility Rules for Installment Plans

- ◆ Applies only to a full-term annual policy; short term policies are not eligible for Payment Installment Plans.
- ◆ Total annual policy premium must be \$250.00 and greater.
- ◆ Mortgagee billed policies are not eligible for a Payment Installment Plan.
- ◆ Policies financed by a Premium Finance Company are not eligible for a Payment Installment Plan.
- ◆ If Policyholder has more than three prior cancellations for non-payment of premium, the policy is not eligible for a Payment Installment Plan

Endorsements to Policies Written with an Installment Plan

- ◆ If an additional premium is incurred due to an endorsement to a policy with an installment plan, the balance will be spread over the remaining installments which have not yet been invoiced.
- ◆ If a return premium is incurred by endorsement on a policy with an installment plan, the credit will be used to adjust future installments or current balance due.

Insufficient Funding

- ◆ A \$25 fee will be charged for any returned check, and a notice of cancellation for non-payment of premium will be sent.

Reinstatements cannot be processed if Hurricane Coverage Writing Restrictions have been implemented due to a Named Storm entering our published coordinates.

If you have any questions regarding this procedure, please call the Payment Plan Unit at (800) 662-7048 or (919) 821-1299 ext. 5358.