



EARL R. POMEROY
COMMISSIONER OF INSURANCE

STATE OF NORTH DAKOTA
STATE CAPITOL
BISMARCK, NORTH DAKOTA 58505
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BULLETIN 86-6

TO: ALL PROPERTY & CASUALTY INSURANCE COMPANIES
WRITING CROP HAIL INSURANCE IN NORTH DAKOTA

FROM: Earl R. Pomeroy, Commissioner of Insurance

DATE: December 31, 1986

SUBJECT: Marketing of Crop Hail Insurance in North Dakota in 1987

All insurance companies seeking to market policies for the coverage of crop hail insurance within the state of North Dakota in 1987 must file policy forms and rates in accordance with the provisions of this bulletin. All filings must be postmarked by April 1, 1987.

The North Dakota Insurance Department will review the aforementioned crop hail policy form and rate filings according to the following criteria:

- 1) Except as otherwise provided herein, rates and forms for crop hail insurance shall be as filed by the Crop Hail Insurance Actuarial Association (CHIAA).
- 2) Deviations below the CHIAA rate levels, including cash discounts, will be allowed up to 20%, provided that the deviation is clearly supported by actuarial data and the company expense data.
- 3) Rate filings must include the following:
 - a) The company's pure loss experience for the years 1983, 1984, and 1985.
 - b) The company's expense exhibits for the years 1983, 1984, 1985, and the proposed expense exhibit for the current year.
 - (1) Expense exhibits are to include:
 - (a) Local agent commissions and contingent fees.
 - (b) General agent commissions and contingent fees.
 - (c) Loss adjustment and claims expense.
 - (d) Taxes.
 - (e) Reinsurance costs.

- (f) General administration costs.
 - (g) Profit.
 - (h) Other.
- c) A filing memorandum detailing your company's rationale for their request.
 - d) A copy of the proposed rates.
- 4) Rate deviations shall apply statewide.
 - 5) Cash discounts that are approved within the framework of this bulletin are applicable only to:
 - a) New policies written prior to July 1, 1987, will be allowed a full cash discount if premium is received by the insurance company by July 1, 1987.
 - b) New policies written after July 1, 1987, will be allowed a full cash discount if full premium is submitted with the application.
- A cash discount will not be allowed on policy changes after July 1, 1987.
- 6) The purchaser of a crop hail insurance policy is entitled to receive the offer of the cash discount in the event the policy provides therefore. Applications for crop hail insurance based upon filings providing the cash discount shall include notice to the purchaser of the terms and availability of the cash discount. The application shall require the signature of the purchaser specifically waiving his or her option to elect the cash discount in the event the purchaser declines to pay the premium by July 1, 1987.
 - 7) No premium modification discount will be allowed which is based on total limits of liability of the policyholder.
 - 8) Deviations from CHIAA policy forms must include a full explanation of the policies' differences, and the impact of these differences or changes on the coverage and rate.

Since the Insurance Department occasionally receives complaints about the use of dividends in the marketing of crop hail insurance, we would like to reference the Administrative Rules section 45-05-02-03 regarding the use of dividends in the marketing of crop hail insurance. The Department will strictly enforce these rules which prohibit the use of dividends in the marketing of crop hail insurance.

Contact the North Dakota Insurance Department should you have any questions with regard to this bulletin.