EARL R. POMEROY
COMMISSIONER OF INSURANCE
STATE OF NORTH DAKOTA
STATE CAPITOL
BISMARCK, NORTH DAKOTA 58505
701 - 224 - 2440

BULLETIN 89-3

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

FROM: Earl R. Pomeroy, Commissioner of Insurance

DATE: December 14, 1989

SUBJECT: Marketing of Crop Hail Insurance in North Dakota in 1990

All insurance companies seeking to market policies for the coverage of crop hail insurance - including policies providing crop hail coverage as a supplement to multiperil crop insurance - within the state of North Dakota in 1990 must file policy forms and rates in accordance with the provisions of this Bulletin. All filings must be postmarked by **March 1, 1990.**

The North Dakota Insurance Department will review 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 National Crop Insurance Services (NCIS).

2. Companies seeking approval of rates which are lower than the NCIS rates must demonstrate that the reductions are derived from application of a cash discount and reductions in the administrative expense component of the NCIS filing. No deviations off of NCIS rates will be approved for projected loss ratios which are lower than NCIS's. (The Department has concluded that deviations in excess of 20% cannot be substantiated and will not be approved).

   a. The Insurance Department will recognize cash discounts offered for receipt of premium before July 1st or for payment in full with application for new policies written after July 1st, provided the discount does not exceed 6%. (Companies desiring to offer larger cash discounts must substantiate amounts over 6% by demonstrating reductions in their administrative expenses).

      A cash discount will be allowed on policy <u>changes</u> after July 1, 1990, if the original policy was paid on a cash discount basis and payment is received with the change.

3. Rate filings must include the following:

   a. The company's pure loss experience and Expense Exhibits for the years 1987, 1988, and 1989. (Refer to Exhibit II).

   b. The company's proposed expense exhibit for the current year. (Refer to Exhibit I).

   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. The purchaser of a crop hail insurance policy is entitled to receive the offer of the cash discount in the event the company provides therefore. Applications for crop hail insurance based upon filings providing the cash discount shall include notice to 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, 1990.

6. No premium modification discount will be allowed which is based on total limits of liability of the policyholder.

7. Policy Form Filing:

   Companies proposing to use NCIS forms must file by reference, indicating by memorandum the list of forms they will use. (To include name, form number and edition date).

   Companies proposing to use independent policy forms must file a copy of each form along with a memorandum explaining how and where the policy differs from the NCIS form and what impact that makes on coverage and rate.

   Companies proposing to use a deviated or modified NCIS form must file a copy of the form along with a memorandum explaining the change, and how it affects the coverage and the rate.

8. Companion Hail Endorsement

Endorsement 1988-CHIAA 653 is intended to be used in conjunction with the crop hail policy form to provide optional and supplemental coverages to the underlying MPCI or FCIC policy. Since the marketing of this form as a stand alone policy is contrary to its intended usage, such marketing will not be permitted.

9. Compliance Report for 1989

Those companies actively writing crop insurance in 1989 are required to complete and return to the Insurance Department the attached "Compliance Report for 1989 Crop Season" as a prerequisite to making the 1990 filing. **Note: The deadline for this report is February 1, 1990.**

Remember: The filing deadline is March 1, 1990.

LM/njb

Exhibit I

CROP HAIL RATE FILING
PROPOSED EXPENSE EXHIBIT
1990

Expense Breakdown Based Upon Full NCIS Rate Scale	%	Expense Breakdown Reflective of Company's Deviation	%
NCIS Loss Cost	58.5	NCIS Loss Cost	58.5
Commissions		Commissions	
Loss Adjustment Expense		Loss Adjustment Expense	
Taxes		Taxes	
General Administration		General Administration	
Reinsurance or Reserve		Reinsurance or Reserve	
Profit		Profit	
TOTAL	100.0	TOTAL	
Requested Crop and Companion Hail Deviation for this year			
		TOTAL	100.0

Requested Cash Discount is _____.*

*Any excess over 6% must be offset in the above proposal.

Company _____

Representative _____

Date _____

FILING DEADLINE MARCH 1, 1990

Exhibit II

LOSS EXPERIENCE AND EXPENSE EXHIBITS
FOR PRIOR YEARS

	1987		1988		1989	
Category	$Amount	%	$Amount	%	$Amount	%
Crop Hail Premiums		100		100		100
A) Actual Losses						
B) Commissions						
C) Loss Adjusting Expenses						
D) Taxes						
E) General Administration						
F) Reinsurance or Reserve						
G) Profit						

TOTAL % (Categories A through G): ____ ____ ____

Company _____

Representative _____

Date _____

COMPLIANCE REPORT FOR 1989 CROP SEASON
NORTH DAKOTA STATISTICS ONLY (IN DOLLARS)

Company: _____

Deviation: _____ Cash Discount: _____

POLICY	MPCI	COMPANION HAIL	CROP HAIL
Premium	$	$	$
Losses			
Commissions			
Loss Adjustment Expense			
Taxes			
General Administration			
Reinsurance/ Reserve			
Profit (Loss)			

Representative: _____ Date: _____

REPORTING DEADLINE FEBRUARY 1, 1990