Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

BULLETIN 96-3

TO: All Property and Casualty Insurance Companies Writing Crop Hail Insurance in North Dakota

FROM: Glenn Pomeroy, Commissioner of Insurance

DATE: December 4, 1996

SUBJECT: Marketing of Crop Hail Insurance in North Dakota 1997

SCOPE AND APPLICABILITY

This bulletin pertains to all insurance companies seeking to market policies for the coverage of crop hail insurance in the State of North Dakota for the 1997 season. Crop hail insurance includes policies providing crop hail coverage, companion hail coverages and supplemental crop products not subsidized by the Federal Crop Insurance Corporation.

FILING DEADLINE

All form and rate filings intended for use in the 1997 season must be postmarked by February 15, 1997.

FILING PROCEDURES

The North Dakota Insurance Department will review crop hail policy form and rate filings according to the criteria set forth in this bulletin. Except as otherwise provided herein, forms and loss costs for crop hail insurance shall be as filed by the National Crop Insurance Services (NCIS).

Form Filing

Forms once filed by a company need not be refiled on an annual basis. Companies who are filing new forms, form changes, and new product forms must adhere to the following steps:

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

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

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

Rate Filing

Due to the unique and volatile characteristics of this line of insurance, rates are required to be filed on an annual basis using the filing forms prepared by the Department. **NOTE**: Exception - Independent supplemental MPCI products filed prior to the date of this bulletin need not refile rates on an annual basis.

Each company must adhere to the NCIS loss cost. No deviations or modifications of the NCIS loss cost will be accepted.

To insure consistency, the Department requires that each company use the same rounding scheme in the ratemaking process. Therefore, we will require each company to round their rates in the following manner:

Base rates less than $4.00	Round to nearest $.25
Base rates in the $4.00 - $16.00 range	Round to nearest $.50
Base rates greater than $16.00	Round to nearest $1.00
Final Rates	Round to nearest $.10

Rate filings must include the following:

1. The company's pure loss experience and expenses for the previous five years. (Refer to North Dakota and Countrywide Expense History NDPC 200 (10/94) Pages 3 and 4.)

2. The company's proposed loss cost multiplier, including the development and support for the multiplier, for the designated marketing year. (Refer to NDPC 200 (10/94), Page 2).

   NOTE: Each insurer will be required to file three separate loss cost multipliers. One multiplier for each of the high, medium, and low loss cost ranges. The loss cost multiplier arrived at for the medium loss cost range will be the basis for development of the multiplier for the other two ranges. The medium loss cost multiplier is based on a companies expected loss ratio (ELR) limited to a maximum of 70% (30% expense factor for LCM of 1.429). From your developed ELR (medium range) subtract 5% to arrive at the ELR for your low range loss cost multiplier. From the ELR (medium range) add 5% to arrive at the ELR for the high range. This procedure is required of all companies. Refer to revised NDPC 200 (10/94) Page 2 for proper form and formulas.

   The loss cost ranges are as follows:

Low range of FALCs	=	$3.42 or less
Medium range of FALCs	=	$3.43 to $6.82
High range of FALCs	=	$6.83 or greater

3. A cover letter or filing memorandum detailing the companies rationale for its request.

4. A copy of the proposed rates for new products (not NCIS based products) must include a filing memorandum with statistical and actuarial documentation as appropriate to support the request or an actuarial report prepared by NCIS describing the appropriate relativity to current NCIS based products.

DISCOUNTS

Cash Discounts

The Insurance Department will recognize cash discounts offered for receipt of premium before July 1 or for payment in full with application for new policies written after July 1, provided the discount does not exceed 5%.

The cash discount will be allowed on policy changes after July 1, if the original policy was paid on a cash discount basis and payment is received with the change.

The purchaser of a crop hail insurance policy is entitled to a cash discount in the event the company provides one, 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 a cash discount in the event the purchaser declines to pay the premium by July 1.

If the purchaser has been properly informed, waives the cash discount, and does not make full payment at the time of application, the agent can take advantage of the cash discount by submitting full payment with the application to the company. The agent and the purchaser would, however, be in violation of the rebate statute if the agent were to subsequently pass on a cash discount to the purchaser in an agency billing.

OTHER DISCOUNTS

The Department does not recognize discounts based upon total limits of liability of the policyholder or premium volume, MPCI package, claims free history, or tie-ins with other lines of insurance such as farmowners, autos, etc.

MANDATORY EXCESS OVER 10% LOSS

The NCIS manual restricts Mustard seed, rapeseed, Timothy grown for seed, and wild rice crops to basic Class E rates and a mandatory excess over 10% loss clause. The qualities of these crops which make them more susceptible to hail damage are felt to be significant enough to render use of alternative deductibles at low rates actuarially unsound. Therefore, no change was implemented for this season. These crops include crambe and canola.

COMPANION HAIL PRODUCTS

Endorsement 1997-NCIS 653 (replaces 1988-CHIAA 653) is intended to be used in conjunction with the crop hail policy form to provide optional and supplemental coverage 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. This prohibition extends to other non-standard companion hail type policies as well.

MARKETING

The company can market its contracts prior to the new season rates being approved by the Department, if they provide the purchaser with appropriate disclosures indicating the rates that will be applied to the contract will be those approved for that season, not the prior season and provide a procedure by which the purchaser can cancel the contract without penalty AFTER notification of the approved rate.

CONTINUOUS POLICY

Some companies market contracts which are termed "Continuous Policies". The policies generally provide automatic coverage at last year's levels to new crops early in the season but require confirmation by a certain date in order to continue the contract. The Department has approved continuous policy contracts. Since a continuous policy provides for an automatic renewal of the contract, please be advised that this may preclude or eliminate the company's ability to nonrenew the contract using standard procedures.

DIVIDENDS

Please reference N.D. Admin. Code § 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.

SUPPLEMENTAL STATISTICAL INFORMATION

A form titled "Supplemental Statistical Information" (NDPC 210 (11/95)) collects information about MPCI products and MPCI supplemental separately from the crop hail/companion hail

information. The reverse side of this form does collect data on crop hail/companion hail based on premium volume by county. The Department requests that this be completed and submitted along with the filing.

FILING DEADLINES

All crop hail and companion hail rate filings for use in 1997 are due February 15, 1997 (postmarked).

All new product (policy and form) filings, as well as revisions to existing products intended for use in 1997, are due February 15, 1997 (postmarked).

FILING FEE

North Dakota does not require a filing fee for form and rate filings. However, if a company is domiciled in a state that requires filing fees of North Dakota companies, we do retaliate by requiring those companies to pay the same fee when filing in North Dakota.

PREVIOUS BULLETINS

Effective January 1, 1997, this bulletin supersedes the following Department bulletins:

Bulletin 95-5

GP/njb
Enclosures