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State of North Dakota
DEPARTMENT OF INSURANCE

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BULLETIN 91-5

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

FROM: Earl R. Pomeroy, Commissioner of Insurance

DATE: December 3, 1991

SUBJECT: Marketing of Crop Hail Insurance in North Dakota in 1992

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 1992 must file policy forms and rates in accordance with the provisions of this Bulletin. All filings must be postmarked by **March 1, 1992.**

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 percent cannot be substantiated and will not be approved).

   a. 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 6 percent. (Companies

desiring to offer larger cash discounts must substantiate amounts over 6 percent by demonstrating reductions in their administrative expenses.)

A cash discount will be allowed on policy <u>changes</u> after July 1, 1992, 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 1989, 1990, and 1991. (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.

   e. Rates for new products (not NCIS based) must include a filing memorandum with statistical and actuarial documentation as appropriate to support the request.

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. <u>Applications</u> for crop hail insurance based upon filings providing the cash discount shall include <u>notice</u> 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, 1992.

   If the purchaser has been properly informed, waives the cash discount, and does not make full payment at the time of the 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 the cash discount to the purchaser in an agency billing after July 1.

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 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.

9. Early 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 that 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 correct rate.

10. Compliance Report for 1991

Those companies actively writing crop insurance in 1991 are required to complete and return to the Insurance Department the attached "Compliance Report for 1991 Crop Season" as a prerequisite to making the 1992 filing. **Note: The deadline for this report is February 1, 1992.**

Remember: The rate filing deadline is March 1, 1992.

Exhibit I

CROP HAIL RATE FILING
PROPOSED EXPENSE EXHIBIT
1992

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		
Requested Crop and Companion Hail Deviation for This Year			
Excess Cash Discount (If Applicable)			
		TOTAL	100.0

Requested Cash Discount is _____.*

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

Company _____

Representative _____

Date _____

FILING DEADLINE IS MARCH 1, 1992

Exhibit II

LOSS EXPERIENCE AND EXPENSE EXHIBITS FOR PRIOR YEARS

Category	1989		1990		1991	
	$ 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 1991 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 IS FEBRUARY 1, 1992