Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE

STATE OF NORTH DAKOTA

BULLETIN 94-4

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

FROM: Glenn Pomeroy, Commissioner of Insurance

DATE: December 6, 1994

SUBJECT: Marketing of Crop Hail Insurance in North Dakota 1995

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 1995 season. Crop hail insurance includes policies providing crop hail coverage, companion hail coverages and supplemental crop products not reinsured by the Federal Crop Insurance Corporation.

FILING DEADLINE

All form and rate filings intended for use in the 1995 season must be postmarked by March 1, 1995.

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:** Each insurer is being asked to refile the rates for any previously approved independent crop hail or companion hail policy form. (This request does not include independent supplemental MPCI products.) This filing is expected to include supporting documentation.

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 feels it necessary to require 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 receive the offer of the 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 cranbe and canola.

COMPANION HAIL PRODUCTS

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. 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

Since the Insurance Department occasionally receives complaints about the use of dividends in the marketing of crop hail insurance, we would like to 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.

COMPLIANCE REPORT

Those companies who actively wrote crop hail insurance including MPCI in 1994 are required to complete and return to the Insurance Department the attached "Compliance Report for 1994 Crop Season" as a prerequisite to making the 1995 filing. **NOTE: The deadline for this report is February 1, 1995.** A copy of the 1994 Compliance Report Form is included with this bulletin. The second page of the compliance report form requires each insurer to list their premium volume by county. These premium amounts

should include all premium written from all Crop Hail and Companion Hail policies. The total premium for all counties should match the premium entry in column four of page one of the compliance report.

Remember: The rate/form filing deadline is March 1, 1995.

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, 1995, this bulletin supersedes the following Department bulletins:

Bulletin 93-6

CROP INSURANCE FORM AND RATE FILING

Adoption of Advisory Organization Loss Costs

Date: _____

1. Insurer Name: _____
   Address: _____
   _____
   _____
   _____
   _____

2. Insurer NAIC #: _____

3. Line of Insurance: _____

4. Advisory Organization: _____

5. Advisory Organization Reference Filing #: _____

6. The above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files to be deemed to have independently submitted as its own filing the loss costs in the captioned Reference Filing.

   The insurer's rates will be the combination of the loss costs and the loss cost multipliers.

7. A. Rate Change due to Advisory Organization's revised Loss Costs: _____ %

   B. Rate Change due to Insurer's revised Loss Cost Multiplier: _____ %

   C. Total Rate Change: _____ %
   = (1 + A) * (1 + B) -1

   D. Effective date of Rate Change: _____

8. RETALIATORY FEE:
   Form $_____ Rate/Rule $_____

   State of Domicile: _____

9. FORM FILING REQUIREMENTS:
   _____1. Description of form(s).
   _____2. List of forms (Company, title, number, edition date).
   _____3. Explanation of coverages that are broadened, reduced or limited.
   _____4. Copy of forms (if not a reference filing).

10. MANUAL/RULE FILING REQUIREMENTS:
   _____1. List of new rules.
   _____2. List of rules being replaced.
   _____3. Explanation of rule change.
   _____4. Copy of Manual/Rule.

Insurer Name: _____ Date: _____
NAIC Number: _____

CROP INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION LOSS COSTS
SUMMARY OF SUPPORTING INFORMATION FORM

CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. DEVELOPMENT OF EXPENSE RATIO

Attach 5 year insurer expense history and any other additional supporting information. This filing will not be considered unless the completed Expense history form is attached.

	PROPOSED PROVISIONS
A. Total Production Expense:	_____ %
B. General Expense:	_____ %
C. Loss Adjustment Expense:	_____ %
D. Taxes, Licenses & Fees:	_____ %
E. Underwriting Profit & Contingencies:	_____ %
F. Other (Explain):	_____ %
G. TOTAL :	_____ %

2. EXPECTED LOSS RATIO:

A. For Medium Range FALCs: (ELR = 100% - #1G) (Must not be more than 70%)	_____ %
B. For Low Range FALCs: (ELR = #2A - 5%)	_____ %
C. For High Range FALCs: (ELR = #2A + 5%)	_____ %

3. COMPANY FORMULA LOSS COST MULTIPLIER:

A. For Medium Range FALCs: (FLCM = 1.00 / #2A) (Must not be less than 1.429)	_____
B. For Low Range FALCs: (FLCM = 1.00 / #2B)	_____
C. For High Range FALCs: (FLCM = 1.00 / #2C)	_____

Provide detailed explanation and support for any difference between historical and proposed expense provisions.

_____
_____
_____

4. CASH DISCOUNT: _____ %

NORTH DAKOTA EXPENSE HISTORY FOR PRIOR FIVE YEARS

Insurer Name: _____ NAIC Number: _____

YEAR:											5 Year Historical Average Percent of Premium
	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	
Crop Hail Premiums *		100		100		100		100		100	
A) Actual Losses **											
B) Production Expense											
C) General Expense											
D) Loss Adjustment Expense											
E) Taxes, Licenses & Fees											
F) Other Expense (Explain)											
G) Profit(Loss) & Contingencies											
H) Total: A through G											
I) Cash Discount											

Person responsible for Filing: _____

Phone #: _____ Date: _____

* Includes premium from Crop Hail and Companion Hail-type policies

** Does not include any Loss Adjustment Expense

COUNTRY WIDE EXPENSE HISTORY FOR PRIOR FIVE YEARS

Insurer Name:_____ NAIC Number:_____

YEAR:										
	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem
Crop Hail Premiums *		100		100		100		100		100
A) Actual Losses **										
B) Production Expense										
C) General Expense										
D) Loss Adjustment Expense										
E) Taxes, Licenses & Fees										
F) Other Expense (Explain)										
G) Profit(Loss) & Contingencies										
H) Total: A through G										

Person responsible for Filing: _____

Phone #:_____ Date:_____

* Includes premium from Crop Hail and Companion Hail-type policies

** Does not include any Loss Adjustment Expense

COMPLIANCE REPORT FOR 1994 CROP SEASON

Insurer Name: _____ NAIC Number: _____

LCM for Mid-Range FALCs: _____ Cash Discount: _____

POLICY	MPCI (1)		COMPANION HAIL (2)		CROP HAIL (3)		TOTAL CROP HAIL (4) = (2) + (3)	
	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem	$ Amount	% of Prem
Premium		100		100		100		100
Losses *								
Production Expense								
General Expense								
Loss Adjustment Expense								
Taxes, Licenses & Fees								
Other (Explain)								
Profit (Loss) & Contingencies								

Person responsible for completion of form: _____

Phone #: _____ Date: _____

REPORTING DEADLINE IS FEBRUARY 1, 1995

* Does not include any Loss Adjustment Expense

1994 PREMIUM DISTRIBUTION BY COUNTY

COUNTY NUMBER	COUNTY NAME	PREMIUM	COUNTY NUMBER	COUNTY NAME	PREMIUM
1	Adams		55	Mc Lean	
3	Barnes		57	Mercer	
5	Benson		59	Morton	
7	Billings		61	Mountrail	
9	Bottineau		63	Nelson	
11	Bowman		65	Oliver	
13	Burke		67	Pembina	
15	Burleigh		69	Pierce	
17	Cass		71	Ramsey	
19	Cavalier		73	Ransom	
21	Dickey		75	Renville	
23	Divide		77	Richland	
25	Dunn		79	Rolette	
27	Eddy		81	Sargent	
29	Emmons		83	Sheridan	
31	Foster		85	Sioux	
33	Golden Valley		87	Slope	
35	Grand Forks		89	Stark	
37	Grant		91	Steele	
39	Griggs		93	Stutsman	
41	Hettinger		95	Towner	
43	Kidder		97	Traill	
45	La Moure		99	Walsh	
47	Logan		101	Ward	
49	Mc Henry		103	Wells	
51	Mc Intosh		105	Williams	
53	Mc Kenzie		TOTAL (ALL COUNTIES *)		

* Total should match premium entry in column 4 of page 1.