



EARL R. POMEROY
COMMISSIONER OF INSURANCE

STATE OF NORTH DAKOTA
STATE CAPITOL
BISMARCK, NORTH DAKOTA 58505
701 - 224 - 2440

BULLETIN 88-2

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

FROM: Earl R. Pomeroy, Commissioner of Insurance

DATE: January 5, 1988

SUBJECT: Marketing of Crop Hail Insurance in North Dakota in 1988

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 1988 must file policy forms and rates in accordance with the provisions of this Bulletin. All filings must be postmarked by March 1, 1988. **NOTE: The 1988 filing deadline is earlier than the filing deadline previously required for crop hail insurance in North Dakota.**

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 filed by the Crop Hail Insurance Actuarial Association (CHIAA).
2. Companies seeking approval of rates which are lower than the CHIAA rates must demonstrate that the reductions are derived from application of a cash discount and reductions in the administrative expense component of the CHIAA filing. No deviations off of CHIAA rates will be approved for projected loss ratios which are lower than CHIAA'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 not be allowed on policy changes after July 1, 1988.

3. Rate filings must include the following:
 - a. The company's pure loss experience and Expense Exhibits for the years 1985, 1986, and 1987. (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, 1988.
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 CHIAA 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 CHIAA form and what impact that makes on coverage and rate.

Companies proposing to use a deviated or modified CHIAA 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. Companies Hail Endorsement

Endorsement 1988-CHIAA 653 is intended to be used to

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provide optional and supplemental coverages to the underlying MPCIC 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 Bulletin is substantially similar to the regulatory procedures for crop hail insurance used by the North Dakota Insurance Department in 1987. Contact the North Dakota Insurance Department if you have any questions regarding this Bulletin.

Remember: The filing deadline is March 1, 1988.

LM/jmb

Exhibit I

CROP HAIL RATE FILING
 PROPOSED EXPENSE EXHIBIT
 1988

Expense Breakdown Based Upon Full CHIAA Rate Scale	%	Expense Breakdown Reflective of Company's Deviation	%
CHIAA Loss Cost	58.5	CHIAA Loss Cost	58.5
Commissions		Commissions	
Loss Adjustment Expense		Loss Adjustment Expense	
General Administration		General Administration	
Reinsurance or Reserve		Reinsurance or Reserve	
Profit		Profit	
TOTAL	100.0	TOTAL	1

Requested Crop and Companion Hail Deviation for this year _____

TOTAL _____

Requested Cash Discount is _____.*

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

Company _____

Representative _____

Date _____

Exhibit II

LOSS EXPERIENCE AND EXPENSE EXHIBITS
FOR PRIOR YEARS

Category	1985		1986		1987	
	\$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						
<hr/>						
TOTAL % (Categories A through G):						

Company _____

Representative _____

Date _____