



# North Dakota Insurance Department

Jon Godfread, Commissioner

## BULLETIN 2021-5

TO: Companies Writing Crop Hail Insurance in North Dakota  
FROM: Jon Godfread, Commissioner  
DATE: November 22, 2021  
SUBJECT: Marketing of Crop Hail Insurance

### SCOPE AND APPLICABILITY

This bulletin pertains to all insurance companies seeking to write crop hail insurance in North Dakota. Crop hail insurance includes policies providing crop hail coverage and any supplemental crop products not subsidized by the Federal Crop Insurance Corporation.

### FILING DEADLINE

All new or revised crop hail and supplemental crop product rate filings for use in a calendar year must be submitted to the Department no later than January 15 of that year.

All new crop hail and supplemental crop policy and form filings, as well as revisions to existing products intended for use in a calendar year must be submitted to the Department no later than January 15 of that year.

The Department encourages companies to file in advance of the deadline if they are able. This will avoid potential delays.

### FILING PROCEDURES

The North Dakota Insurance Department will review crop form and rate filings according to the criteria set forth in this bulletin. Companies may file form and rate filings as one filing or may file them separately.

### Retaliatory Filing Fees

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, North Dakota does impose a retaliatory fee by requiring those companies pay the same fee when filing in North Dakota.

## Form Filing

Forms that are currently approved do not have to be filed again. 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 may file by reference by listing the appropriate forms on a memorandum that includes the form name, form number, and edition date.
2. Companies proposing to use independent policy forms must file a copy of each form along with a memorandum explaining the policy form.
3. 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.

## Rate Filing

In conjunction with NCIS biennial filing procedures, companies will be required to file updated rates in those years for which NCIS has filed revised loss costs. In calendar years for which NCIS has not filed revised loss costs, companies may opt to either file revised rates or continue using their previous year's approved rates.

Rates for Independent Supplemental Multiple Peril Crop Insurance (MPCI) Products – Independent supplemental MPCI/Federal Crop product rates filed prior to the date of this bulletin need not be refiled unless they are being revised. Companies wishing to file revised rates for these products may do so subject to the filing deadline.

Use of NCIS Final Average Loss Cost – NCIS Final Average Loss Cost (FALC) is recognized as the most reliable estimate of claim costs over time. Companies seeking to file deviations or modifications to NCIS FALC or to file independent rates must support any such requests with credible and actuarially sound data.

Rate filings based on NCIS FALC must include the following:

1. Crop Insurance Rate Filing Form NDPC200 cover page – Adoption of Advisory Organization Loss Costs. Only one cover page is necessary to summarize the overall filing impact.
2. The company's three-year pure loss experience and expenses. The use of the most recent years' experience is optional.

Use Crop Insurance Rate Filing Form NDPC200, page 4, Historical Expense Exhibit.

3. The company's proposed loss cost multiplier for each product or tier of loss costs, including the development and support for the multiplier. Separate multipliers may be filed based upon product (i.e., crop hail versus companion hail), marketing type (i.e., agent, direct marketing, internet marketing), or rating tiers (i.e., loss cost ranges, loss cost modification, production expense, fixed expenses).

Use Crop Insurance Rate Filing Form NDPC200, page 2, Development of Loss Cost Multiplier if the filing does not include fixed expense components. Use one page for each separate loss cost multiplier you are filing.

Use Crop Insurance Rate Filing Form NDPC200, page 3, Development of Loss Cost Multiplier with Fixed Expense Component if the filing includes a fixed expense component. Use one page for each separate loss cost multiplier you are filing.

4. Crop Insurance Rate Filing Form NDPC200, page 5, Summary of Loss Cost Multipliers. Use appropriate number of forms needed to summarize all loss cost multipliers.
5. A cover letter and actuarial memorandum detailing the rationale for your request.
6. A copy of the proposed rates.

Rate filings not based upon NCIS FALC must include the following:

1. Crop Insurance Rate Filing Form NDPC 200. Pages 1, 2 and 3 may not be appropriate for an independently filed rating program, but to the extent possible, please use them. Pages 4 and 5 must be submitted.
2. A cover letter and actuarial memorandum detailing the rationale for your request.
3. A copy of the proposed rates.

Production Plan Rates – Companies choosing to write Production Plans may adopt NCIS Production Plan factors or file their own independent factors. However, all independently filed Production Plan factors must be at 100 percent of the corresponding NCIS Production Plan factor, unless you can support a deviation.

Rounding Rules – Each company is required to file the rounding procedures that it uses in its ratemaking process.

## **DISCOUNTS PERMITTED**

### **Cash Discounts**

The Insurance Department recognizes cash discounts offered for premium payments received or postmarked by August 15 or for payment in full with application for new policies written after August 15, provided the discount does not exceed five percent.

The cash discount will be allowed on policy changes after the cut-off date 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 the purchaser's option to elect a cash discount in the event the purchaser declines to pay the premium by the cut-off date.

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 state rebating laws if the agent were to subsequently pass on a cash discount to the purchaser in an agency billing.

Companies intending to offer a cash discount must file it as part of their rate filing. Failure to comply with the approved filing would be considered a violation and could subject the insurer or insurance producer to an administrative fine pursuant to N.D.C.C. § 26.1-01-03.3.

## **Direct/Internet Marketing**

The Department will consider a request for a direct marketing or internet type expense reduction. The reduction must be filed and justified in the same manner as any other loss cost multiplier request.

## **DISCOUNTS NOT PERMITTED**

The following discounts are not permitted: total limit of liability, total premium volume, MPCl package, claims free history, and tie-ins with other lines of insurance (i.e., farm owners, autos, etc.).

## **COMPANION HAIL PRODUCTS**

Endorsement 2002-NCIS 653 is intended to be used in conjunction with the crop hail policy form to provide optional and supplemental coverage to the underlying MPCl 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 nonstandard companion hail type policies as well.

## **MARKETING IN ADVANCE OF RATE CHANGE FILING APPROVAL**

The company can market previously approved 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 this 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.

## **DIVIDENDS**

N.D. Admin. Code § 45-05-02-03 permits dividends under certain circumstances, but specifically prohibits the use of dividends in the marketing of crop hail insurance.

## **PREVIOUS BULLETINS**

Effective November 22, 2021, this bulletin supersedes the following Department bulletin:

Bulletin 2016-1