



September 26, 2011

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Automobile Manual Revisions
Rule 9 - Changes

The Commissioner of Insurance has approved on behalf of all members companies of the North Carolina Reinsurance Facility, a revision to Rule 9 - Changes in the Personal Automobile Manual. This revision is designed to provide member companies flexibility when making changes to policies during the term of the policy.

The revisions to Rule 9 – Changes allows companies the option, when making changes to the policy, to use the rates in effect at the time the change is made or the rates in effect at the inception of the policy. However, company's election should be applied consistently and should not vary on a policy by policy basis. The current rule specifies the use of one of the two methods, depending on the type of change, with a couple of exceptions.

Attached is a copy of the revised Rule 9 - Changes.

This change becomes effective in accordance with the following Rule of Application:

This change becomes effective with respect to all new and renewal policies written to become effective on or after June 16, 2011.

Please see to it that this circular is brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

RF-11-10

Personal Auto Manual

Material underlined is new; material ~~struck through~~ is deleted

9. CHANGES

- ~~A. If an auto or form of coverage is added during the term of a policy and the additional insurance is written to expire concurrently with the original insurance, the premium for such additional insurance shall be computed pro rata, at the rates in effect at the time the addition is made.~~

~~If the policy has been written for less than one year on a short rate basis, the premium for the additional insurance shall be pro rata of the short rate charge for the policy period.~~

~~If an auto or a form of coverage that was cancelled from a policy at the request of the insured is reinstated within 30 days, the premium shall be the same as the amount that was returned at the time of cancellation.~~

~~PHYSICAL DAMAGE COVERAGES ONLY~~

- ~~B. If coverage is transferred during the policy term from one auto to another, the premium shall be computed pro rata on the basis of the rates and rules in effect at the inception of the policy or at the time the change is made.~~

~~LIABILITY COVERAGES ONLY~~

- ~~C. If coverage is transferred during the policy term from one auto to another, premium shall be computed pro rata on the basis of the rules and rates in effect at the inception of the policy.~~

- ~~D. If an auto is transferred from one rating territory to another or if an auto is temporarily transferred from one rating territory to another for a period of not less than 30 consecutive days, the premium for the balance of the policy period may be adjusted by endorsement at the time the change is made. The company shall charge on a pro rata basis the rate or rates for the territories in which the auto is garaged during the remainder of the policy period. The premium adjustment shall be made on the basis of the rates and rules in effect at the inception of the policy or at the time the change is made.~~

- ~~E. If the liability limits or deductible amounts are changed during the policy period, the premium adjustment for such change shall be made on the basis of the rates in effect at the inception date of the policy.~~

~~F. Premium Adjustment~~

- ~~1. As respects A, B, C and D above, if an outstanding policy is amended and results in a premium adjustment of \$2 or less, the amount:~~

~~a. may be waived, or~~

~~b. may be made subject to a minimum of \$2.~~

~~except that the actual return premium shall be returned at the request of the insured.~~

- ~~2. Minimum premium of \$2 applies if an insured requests the following during the policy period.~~

~~a. additional coverage,~~

~~b. an increase in the limits of liability,~~

~~c. a reduced deductible.~~

- ~~3. Companies need not refund a return premium of less than \$2 if the insured requests the following:~~

~~a. cancellation of coverage,~~

~~b. reduction in limits of liability,~~

~~c. increase in deductible,~~

~~except that the actual return premium shall be returned at the request of the insured.~~

- ~~4. If the limits of liability are increased because of a change in the limits prescribed under any financial responsibility law, the additional premium charge shall be the actual difference in premium charges. If \$2 or less, it may be charged or waived.~~

- ~~5. As respects A, B, C and D above, if an outstanding policy is amended and results in a premium adjustment~~

~~a. within 30 days prior to the expiration of a 6-month policy period, or~~

~~b. within 60 days prior to the expiration of a policy period longer than 6 months, companies need not charge or refund a premium, except that actual refunds shall be made at the request of the insured.~~

A. In the following circumstances the premium shall be computed using the rates and rules in effect at the inception of the policy or at the time the change is made:

1. If an auto or form of coverage is added during the term of a policy and the additional insurance is written to expire concurrently with the original insurance, the premium for such additional insurance shall be computed pro-rata;
2. If coverage is transferred during the policy term from one auto to another, the premium shall be computed pro rata; or
3. If the liability limits or deductible amounts are changed during the policy period.

If the policy has been written for less than one year on a short rate basis, the premium for the additional insurance shall be pro rata of the short rate charge for the policy period.

If an auto or a form of coverage that was cancelled from a policy at the request of the insured is reinstated within 30 days, the premium shall be the same as the amount that was returned at the time of cancellation.

B. If an auto is transferred from one rating territory to another or if an auto is temporarily transferred from one rating territory to another for a period of not less than 30 consecutive days, the premium for the balance of the policy period may be adjusted by endorsement at the time the change is made. The company shall charge on a pro rata basis the rate or rates for the territories in which the auto is garaged during the remainder of the policy period. The premium adjustment shall be made on the basis of the rates and rules in effect at the inception of the policy or at the time the change is made.

C. With respect to the above described election of using the rates in effect at the inception of the policy or at the time the change is made in determining adjustments to premiums, a company's election shall be applied consistently by the company and shall not be made on a policy by policy basis.

FD. Premium Adjustment

1. With respect to all of the above except A.3, if an outstanding policy is amended and results in a premium adjustment of \$2 or less, the amount:

- a. may be waived, or
- b. may be made subject to a minimum of \$2
except that the actual return premium shall be returned at the request of the insured.

2. Minimum premium of \$2 applies if an insured requests the following during the policy period:

- a. additional coverage,
- b. an increase in the limits of liability,
- c. a reduced deductible.

3. Companies need not refund a return premium of less than \$2 if the insured requests the following:

- a. cancellation of coverage,
- b. reduction in limits of liability,
- c. increase in deductible,
except that the actual return premium shall be returned at the request of the insured.

4. If the limits of liability are increased because of a change in the limits prescribed under any financial responsibility law, the additional premium charge shall be the actual difference in premium charges. If \$2 or less, it may be charged or waived.

5. With respect to all of the above except A.3, if an outstanding policy is amended and results in a premium adjustment
- a. within 30 days prior to the expiration of a 6-month policy period, or
 - b. within 60 days prior to the expiration of a policy period longer than 6 months,
companies need not charge or refund a premium, except that actual refunds shall be made at the request of the insured.