



August 13, 2013

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto Policy Revisions

The Commissioner of Insurance has approved the attached revisions to the North Carolina Personal Auto Policy Program, including revisions to the Personal Auto manual which were filed on behalf of member companies of the North Carolina Rate Bureau. These changes were filed as a result of a revision to the General Statutes amending the jurisdiction of the Rate Bureau by increasing the weight requirement for private passenger automobiles from 10,000 lbs. to 14,000 lbs.

The following endorsements have been revised for use in North Carolina.

NC 00 12 01 14 Amendatory Endorsement  
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Endorsement NC 00 12 and NC 00 13 are mandatory endorsements and are required to be attached to the Personal Auto Policy. Endorsement NC 00 13 01 14 – Amendatory Endorsement is an endorsement that is attached to the NC 00 01 – Personal Auto Policy and Endorsement NC 00 12 01 14 – Amendatory Endorsement is an endorsement that is attached to the NC 00 02 – Personal Auto Policy. The NC 00 02 – Personal Auto Policy is a physical damage only policy.

These changes are to become effective in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written to become effective on or after January 1, 2014.

The North Carolina Personal Auto Policy Program contains copyrighted material of Insurance Services Office used with their permission under a limited copyright license granted by Insurance Services Office to the North Carolina Rate Bureau. Under the terms of the limited copyright license, the Rate Bureau has copyrighted the materials included in the Personal Auto Policy Program, including the manual and all forms, and member companies are advised that when they reprint, copy, or otherwise use any materials included in this program the following notice must appear on the materials: "Copyright, North Carolina Rate Bureau, 2014." This program may be used only by members of the North Carolina Rate Bureau and may be used only in North Carolina.

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

A-13-2

## Amendatory Endorsement

This endorsement is a part of your policy. Except for the changes it makes, all other terms of the policy remain the same and apply to this endorsement.

### 1. DEFINITIONS

The definition of "newly acquired auto" is amended as follows:

"Newly acquired auto" means any of the following types of vehicles you become the owner of during the policy period:

1. a private passenger auto or station wagon type; or
2. a pickup truck or van that:
  - a. has a Gross Vehicle Weight as specified by the manufacturer of less than 14,000 pounds; and
  - b. is not used for the delivery or transportation of goods and materials unless such use is:
    - (1) incidental to your business of installing, maintaining or repairing furnishings or equipment; or
    - (2) for farming or ranching.

Any coverage for a newly acquired auto is subject to the following:

1. If a newly acquired auto replaces a vehicle shown in the Declarations, it will have the same coverage as the vehicle it replaced except that coverage, if any, under Part D – Coverage For Damage To Your Auto applies only if you ask us to insure it within 30 days after you become the owner.
2. If a newly acquired auto is in addition to any shown in the Declarations, it will have the broadest coverage we now provide for any vehicle shown in the Declarations if you ask us to insure it within 30 days after you become the owner.

3. Coverage under this policy terminates for any newly acquired auto on the effective date and time of a policy (other than this policy) issued by us or any other company that describes such vehicle on its declarations page.

4. If you ask us to insure a newly acquired auto within the applicable specified time period described in 1. or 2. above, any coverage we provide for the newly acquired auto begins on the date you become the owner. If you ask us to insure a newly acquired auto after the applicable specified time period described above has elapsed, any coverage we provide for the newly acquired auto will begin at the time you request the coverage. You must pay us any added amount due for any coverage we provide for a newly acquired auto.

### 12. PART D - COVERAGE FOR DAMAGE TO YOUR AUTO

Part D is amended as follows:

A. Exclusion 9 is changed by deleting the following:

This exclusion does not apply to the interests of Loss Payees in **your covered auto**.

B. The following Exclusion 14 is added:

We will not pay for:

14. Loss to your **covered auto** or any **non-owned auto** while participating in any prearranged, organized, or spontaneous:

- a. racing contest, speed contest, demolition, stunt activity, or competitive driving event, or in practice or preparation for any such contest or use of this type; or
  - b. use of a vehicle at a facility designed for racing or high performance driving unless such use is for an activity other than high performance driving, high speed driving, and other than those activities listed in 14.a. above.
- 3. If the named insured or a premium finance company cancels this policy, the premium owed or premium refund due will be calculated according to the short rate provisions contained in our manuals. If we cancel this policy, any premium owed or premium refund will be calculated on a pro-rata basis. However, making or offering to make the refund is not a condition of cancellation.
  - 4. The effective date of cancellation stated in the notice shall become the end of the policy period.

### 23. PART F – GENERAL PROVISIONS

**Other Termination Provisions** is deleted and replaced by the following:

- 1. If the law in effect in North Carolina at the time this policy is issued, renewed or continued:
  - a. requires a longer notice period;
  - b. requires a special form of or procedure for giving notice;
  - c. modifies any of the stated termination reasons; or;
  - d. adds any additional termination reasons;

we will comply with those requirements and this policy shall be deemed amended to include any such change in the law.
- 2. Proof of mailing of any notice shall be sufficient proof of notice.

## Amendatory Endorsement

This endorsement is a part of your policy. Except for the changes it makes, all other terms of the policy remain the same and apply to this endorsement.

### 1. DEFINITIONS

The definition of "newly acquired auto" is amended as follows:

"Newly acquired auto" means any of the following types of vehicles you become the owner of during the policy period:

1. a private passenger auto or station wagon type; or
2. a pickup truck or van that:
  - a. has a Gross Vehicle Weight as specified by the manufacturer of less than 14,000 pounds; and
  - b. is not used for the delivery or transportation of goods and materials unless such use is:
    - (1) incidental to your business of installing, maintaining or repairing furnishings or equipment; or
    - (2) for farming or ranching.

Any coverage for a newly acquired auto is subject to the following:

1. If a newly acquired auto replaces a vehicle shown in the Declarations, it will have the same coverage as the vehicle it replaced except that coverage, if any, under Part D – Coverage For Damage To Your Auto applies only if you ask us to insure it within 30 days after you become the owner.
2. If a newly acquired auto is in addition to any shown in the Declarations, it will have the broadest coverage we now provide for any vehicle shown in the Declarations if you ask us to insure it within 30 days after you become the owner.

3. Coverage under this policy terminates for any newly acquired auto on the effective date and time of a policy (other than this policy) issued by us or any other company that describes such vehicle on its declarations page.

4. If you ask us to insure a newly acquired auto within the applicable specified time period described in 1. or 2. above, any coverage we provide for the newly acquired auto begins on the date you become the owner. If you ask us to insure a newly acquired auto after the applicable specified time period described above has elapsed, any coverage we provide for the newly acquired auto will begin at the time you request the coverage. You must pay us any added amount due for any coverage we provide for a newly acquired auto.

### 12. Part A - LIABILITY COVERAGE

A. Part A is amended as follows:

1. Exclusion A.2. is deleted and replaced by the following:

We do not provide Liability Coverage for any **insured**:

2. For **property damage** to property:
  - a. owned in whole or in part by that **insured**; or
  - b. being transported by that **insured**;

2. The following Exclusion B.3. is added:

We do not provide Liability Coverage for the ownership, maintenance or use of:

3. Any vehicle while participating in any prearranged, organized, or spontaneous:

- a. racing contest, speed contest, demolition, stunt activity, or competitive driving event, or in practice or preparation for any such contest or use of this type; or
- b. use of a vehicle at a facility designed for racing or high performance driving unless such use is for an activity other than high performance driving, high speed driving, and other than those activities listed in 3.a. above.

This exclusion applies only to the extent that the limit of liability of this policy exceeds the minimum limit required by the financial responsibility law of North Carolina.

- B. The following provision is added following the **Other Insurance** provision:

**Appraisal – Diminution in Value**

If there is no dispute between the claimant and us regarding the **insured's** liability for the property damage to the claimant's vehicle, but:

- a. the claimant and we fail to agree as to the difference in fair market value of the vehicle immediately before the accident and immediately after the accident; and
- b. the difference in the claimant's and our estimate of the diminution in fair market value is greater than two thousand dollars (\$2,000) or twenty-five percent (25%) of the fair market retail value of the vehicle prior to the accident as determined by the latest edition of the National Automobile Dealers Association Pricing Guide Book or other publications approved by the Commissioner of Insurance, whichever is less; then  
on the written demand of either the claimant or us, the dispute regarding

the amount of the diminution in value shall be determined by appraisal in accordance with G.S. 20-279.21(d1).

**23. Part B – MEDICAL PAYMENTS COVERAGE**

The following Exclusion 12. is added:

We do not provide Medical Payments Coverage for any **insured** for **bodily injury**:

12. Sustained while **occupying** any vehicle participating in any prearranged, organized, or spontaneous:
  - a. racing contest, speed contest, demolition, stunt activity, or competitive driving event, or in practice or preparation for any such contest or use of this type; or
  - b. use of a vehicle at a facility designed for racing or high performance driving unless such use is for an activity other than high performance driving, high speed driving, and other than those activities listed in 12.a. above.

**34. Part C1 - UNINSURED MOTORISTS COVERAGE**

A. Part C1 is amended as follows:

- A. The third paragraph of **Limit of Liability** is deleted and replaced by the following:

The limits of bodily injury liability shown in the [Schedule or] Declarations for each person and each accident for this coverage shall be reduced by all sums:

1. Paid because of the **bodily injury** by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A; and
2. Paid or payable because of the **bodily injury** under any disability benefits law or any similar law.

The most we will pay for **bodily injury** damages to an **insured** under this coverage is the lesser of:

1. the limit of bodily injury liability shown in the [Schedule or] Declarations for each person for this coverage reduced by all sums described in items 1. and 2. of the preceding paragraph; or
2. the damages sustained by the **insured for bodily injury** reduced by:
  - a. all sums described in items 1. and 2. in the preceding paragraph; and
  - b. all sums paid or payable because of the **bodily injury** under any workers' compensation law. However, this reduction does not apply to the extent that an employer's lien is required to be paid under North Carolina's workers' compensation law.

The limit of property damage liability under this coverage shall be reduced by all sums paid because of the **property damage** by or on behalf of persons or organizations who may be legally responsible. This includes all sums payable under Part A.

- B. The first paragraph of **Arbitration** is deleted and replaced by the following:

If we and an **insured** do not agree:

1. Whether that **insured** is legally entitled to recover compensatory damages from the owner or operator of an **uninsured motor vehicle**; or
2. As to the amount of such compensatory damages;

then the **insured** may demand to settle these disputed issues by arbitration. If an **insured** files a lawsuit against us or an owner or operator of an **uninsured motor vehicle** seeking damages that are the subject of the claim for Uninsured Motorists Coverage under this policy, the **insured** shall have the right to demand arbitration only if such lawsuit is filed within

the time limit required by the law of the state where the accident occurred for filing a lawsuit against the owner or operator of the **uninsured motor vehicle** for the damages arising out of the accident and only if the **insured** gives us a written demand for arbitration within (30) days after the filing of such lawsuit.

- C. Item 5. of **Arbitration** is deleted and the remaining paragraphs are renumbered appropriately.

**45. Part C2 - COMBINED UNINSURED/UNDER-INSURED MOTORISTS COVERAGE**

Part C2 is amended as follows:

- A. The fourth and fifth paragraphs of **Limit of Liability** are deleted and replaced by the following:

The limits of bodily injury liability shown in the [Schedule or] Declarations for each person and each accident for this coverage shall be reduced by all sums:

1. Paid because of the **bodily injury** by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A; and
2. Paid or payable because of the **bodily injury** under any disability benefits law or any similar law.

The most we will pay for **bodily injury** damages to an **insured** under this coverage is the lesser of:

1. the limit of bodily injury liability shown in the [Schedule or] Declarations for each person for this coverage reduced by all sums described in items 1. and 2. of the preceding paragraph; or
2. the damages sustained by the **insured for bodily injury** reduced by:



- a. all sums described in items 1. and 2. in the preceding paragraph; and
  - b. all sums paid or payable because of the **bodily injury** under any workers' compensation law. However, this reduction does not apply to the extent that an employer's lien is required to be paid under North Carolina's workers' compensation law.
- B. The first paragraph of **Arbitration** is deleted and replaced by the following:

If we and an **insured** do not agree:

- 1. Whether that **insured** is legally entitled to recover compensatory damages from the owner or operator of an **uninsured motor vehicle** or **underinsured motor vehicle**; or
- 2. As to the amount of such compensatory damages;

then the **insured** may demand to settle these disputed issues by arbitration.

For purposes of an:

- 1. Uninsured Motorists Coverage claim, if an **insured** files a lawsuit against us or an owner or operator of an **uninsured motor vehicle** seeking damages that are the subject of the claim for Uninsured Motorists Coverage under this policy, the **insured** shall have the right to demand arbitration only if such lawsuit is filed within the time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the **uninsured motor vehicle** for the damages arising out of the accident and only if the **insured** gives us a written demand for arbitration within thirty (30) days after the filing of such lawsuit.
- 2. Underinsured Motorists Coverage claim, if an **insured** files

a lawsuit against an owner or operator of an **underinsured motor vehicle** seeking damages that are the subject of the claim for Underinsured Motorists Coverage under this policy, the **insured** shall have the right to demand arbitration only if the **insured** gives us a written demand for arbitration within thirty (30) days after the later of:

- a. The date we advance payment to the **insured** in an amount equal to a tentative settlement between the **insured** and the owner or operator of the **underinsured motor vehicle**;
- b. The date any applicable liability bonds or policies have been exhausted by payments of judgments or settlements; or
- c. The date the **insured** files a lawsuit against an owner or operator of an **underinsured motor vehicle** seeking damages that are the subject of the claim for Underinsured Motorists Coverage under this policy, provided that such lawsuit is filed within the time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the **underinsured motor vehicle** for the damages arising out of the accident.

- C. Item 5. of **Arbitration** is deleted and the remaining paragraphs are renumbered appropriately.

## 56. PART D - COVERAGE FOR DAMAGE TO YOUR AUTO

Part D is amended as follows:

- A. Exclusion 9 is changed by deleting the following:

This exclusion does not apply to the interests of Loss Payees in **your covered auto**.



B. The following Exclusion 14 is added:

We will not pay for:

14. Loss to your **covered auto** or any **non-owned auto** while participating in any prearranged, organized, or spontaneous:
- a. racing contest, speed contest, demolition, stunt activity, or competitive driving event, or in practice or preparation for any such contest or use of this type; or
  - b. use of a vehicle at a facility designed for racing or high performance driving unless such use is for an activity other than high performance driving, high speed driving, and other than those activities listed in 14.a. above.

3. If the named **insured** or a premium finance company cancels this policy, the premium owed or premium refund due will be calculated according to the short rate provisions contained in our manuals. If we cancel this policy, any premium owed or premium refund will be calculated on a pro-rata basis. However, making or offering to make the refund is not a condition of cancellation.
4. The effective date of cancellation stated in the notice shall become the end of the policy period.

**67. Part F – GENERAL PROVISIONS**

Part F is amended as follows:

A. The following is added to paragraph 4 of the **Cancellation** provision:

- g. The named **insured** is no longer an eligible risk under G.S. 58-37-1.
- h. Any other reason permitted by the North Carolina General Statutes.

B. **Other Termination Provisions** is deleted and replaced by the following:

1. If the law in effect in North Carolina at the time this policy is issued, renewed or continued:
  - a. requires a longer notice period;
  - b. requires a special form of or procedure for giving notice;
  - c. modifies any of the stated termination reasons; or;
  - d. adds any additional termination reasons;

we will comply with those requirements and this policy shall be deemed amended to include any such change in the law.
2. Proof of mailing of any notice shall be sufficient proof of notice.

## PERSONAL AUTO MANUAL

### 1. DEFINITIONS

- A. 1. A private passenger auto is a four wheel motor vehicle, other than a truck type or van, owned or leased under contract for a continuous period of at least six months, and
- a. Not used as a public or livery conveyance for passengers.
  - b. Not rented to others.
2. A motor vehicle that is a pickup truck or van shall be considered a private passenger auto, if it:
- a. Is owned by an individual or by a husband and wife or individuals who are residents of the same household,
  - b. Has a Gross Vehicle Weight as specified by the manufacturer of less than 104,000 lbs.; and
  - c. Is not used for the delivery or transportation of goods or materials unless such use is:
    - (1) Incidental to the insured's business of installing, maintaining or repairing furnishings or equipment; or
    - (2) For farming or ranching.
- A pickup truck or van used in the business of the United States Government, by an employee of the Government, shall be considered a private passenger auto only if:
- a. It meets the conditions in a., b. and c. above; and
  - b. Coverage is limited in accordance with the federal employees using autos in government business endorsement.
3. A motor vehicle owned by a ~~farm~~-family farm co-partnership, or ~~farm~~-family farm corporation shall be considered a private passenger auto owned by an individual, if:
- a. It is principally garaged on a farm or ranch, and
  - b. It otherwise meets the definitions in Paragraphs 1. and 2. above.

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

## 5. SAFE DRIVER INSURANCE PLAN (SDIP)

The provisions of this Rule apply separately to premiums for Bodily Injury Liability, Property Damage Liability, Medical Payments, Fire, Theft, Combined Additional Coverage, Comprehensive and Collision Coverages.

### A. Eligibility

The Plan shall be applied in rating all eligible autos. An auto is eligible for rating under this Plan if it is owned by an individual or owned jointly by two or more individuals resident in the same household provided such auto is:

1. A four wheel auto of the private passenger or station wagon type, or
2. A motor vehicle that is a pickup truck or van, if it:
  - a. Has a Gross Vehicle Weight as specified by the manufacturer of less than ~~10~~4,000 lbs.; and
  - b. Is not used for the delivery or transportation of goods or materials unless such use is:
    - (1) Incidental to the insured's business of installing, maintaining or repairing furnishings or equipment; or
    - (2) For farming or ranching, or
3. A motorcycle, motorized scooter, auto glide or other similar motorized vehicle of the private passenger type.