

August 21, 2013

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto Policy Revisions

By Circular Letter to All Member Companies dated August 13, 2013, the Rate Bureau notified member companies of revisions to the Personal Auto Policy and Personal Auto Manual as a result of a revision to the General Statutes which increased the weight requirement for private passenger automobiles from 10,000 lbs. to 14,000 lbs. In addition to the revisions to the base policy and manual, please find attached revised endorsements which also track these revisions.

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

NC 03 22 01 14 Named Non-Owner Coverage
NC 03 30 01 14 Coverage for Rented Vehicles

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-13-3

NAMED NON-OWNER COVERAGE

I. DEFINITIONS

The Definitions Section is amended as follows:

The definition of **your covered auto** is replaced by the following:

Your covered auto means any of the following types of vehicles on the date you become the owner:

- a. a private passenger auto or station wagon type; or
- b. a pickup truck or van that:
 - (1) has a Gross Vehicle Weight as specified by the manufacturer of less than 40,000 ~~14,000~~ pounds; and
 - (2) is not used for the delivery or transportation of goods and materials unless such use is:
 - (a) incidental to your **business** of installing, maintaining or repairing furnishings or equipment; or
 - (b) for farming or ranching.

This provision applies only if you:

- a. acquire the vehicle during the policy period; and
- b. ask us to insure it within 30 days after you become the owner.

This insurance does not apply if other insurance applies with respect to **newly acquired autos**.

II. LIABILITY COVERAGE

Part A is amended as follows:

- A. The definition of **insured** is replaced by the following:

Insured means:

1. You for the maintenance or use of any auto or **trailer**.
2. For **your covered auto**, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
3. For any auto or **trailer** other than **your covered auto**, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part. This provision applies only if the person or organization does not own or hire the auto or **trailer**.

- B. The Exclusions Section is amended as follows:

1. Exclusions A.6. and A.7. are replaced by the following:

Maintaining or using any vehicle in the **business** of that **insured**. This exclusion does not apply to a vehicle you are operating or **occupying**.

2. Exclusion B.1. is replaced by the following:
Any vehicle, other than **your covered auto**, which is owned by you.
3. Exclusion B.2. is replaced by the following:
Any vehicle, other than **your covered auto**, which is owned by any **family member**. However, this exclusion does not apply to your maintenance or use of any vehicle which is owned by a **family member**.

- C. If the Declarations indicates an "each accident" limit of liability for Single Limit Liability Coverage, the Limit of Liability provision is replaced by the following:

LIMIT OF LIABILITY

The limit of liability shown in the Declarations for this coverage is our maximum limit of liability for all damages resulting from any one auto accident. This is the most we will pay regardless of the number of:

1. **Insureds**;
2. Claims made;
3. Vehicles or premiums shown in the Declarations; or
4. Vehicles involved in the auto accident.

- D. The Out of State Coverage provision is replaced by the following:

OUT OF STATE COVERAGE

If an auto accident to which this policy applies occurs in any state or province other than where you reside, we will interpret your policy for that accident as follows:

If the state or province has:

1. A financial responsibility or similar law specifying limits of liability for **bodily injury** or **property damage** higher than the limit shown in the Declarations, your policy will provide the higher specified limit.

2. A compulsory insurance or similar law requiring a nonresident to maintain insurance whenever the nonresident uses a vehicle in that state or province, your policy will provide at least the required minimum amounts and types of coverage.

No one will be entitled to duplicate payments for the same elements of loss.

III. MEDICAL PAYMENTS COVERAGE

Part B is amended as follows:

- A. The definition of **insured** is replaced by the following:

Insured means:

1. You:
 - a. while **occupying**; or
 - b. as a pedestrian when struck by:
 - a motor vehicle designed for use mainly on public roads or a trailer of any type.
2. Any other person while **occupying your covered auto**.

- B. The Exclusions Section is amended as follows:

1. Exclusion 4. is replaced by the following:

Sustained while **occupying**, or when struck by, any vehicle (other than **your covered auto**) which is owned by you.
2. Exclusions 3., 8. and 9. are replaced by the following:

Sustained while **occupying** any vehicle used in the **business** of that **insured**. This exclusion does not apply to a vehicle you are operating or **occupying**.

IV. UNINSURED MOTORISTS COVERAGE

Part C1 is amended as follows:

- A. The definition of **insured** is replaced by the following:

Insured means:

1. You.
2. Any other person **occupying your covered auto**.
3. Any person for damages that person is entitled to recover because of **bodily injury** to which this coverage applies sustained by a person described in 1. or 2. above.

- B. The first paragraph of the definition of **uninsured motor vehicle** is replaced by the following:

Uninsured motor vehicle means a land motor vehicle or trailer of any type:

1. To which neither:
 - a. a liability bond or policy; nor
 - b. cash or securities on file with the North Carolina Commissioner of Motor Vehicles;

applies at the time of the accident.
2. To which a liability bond or policy applies at the time of the accident provided its limit for liability is less than the minimum limit specified by the financial responsibility law of North Carolina.
3. Which, with respect to damages for **bodily injury** only, is a hit-and-run vehicle whose operator or owner cannot be identified and which hits:
 - a. you;
 - b. a vehicle which you are **occupying**; or
 - c. **your covered auto**.
4. To which a liability bond or policy applies at the time of the accident but the bonding or insuring company:
 - a. denies coverage; or
 - b. is or becomes insolvent.

V. COMBINED UNINSURED / UNDERINSURED MOTORISTS COVERAGE

Part C2 is amended as follows:

- A. The definition of **insured** is replaced by the following:

Insured means:

1. You.
2. Any other person **occupying your covered auto**.
3. Any person for damages that person is entitled to recover because of **bodily injury** to which this coverage applies sustained by a person described in 1. or 2. above.

- B. The first paragraph of the definition of **uninsured motor vehicle** is replaced by the following:

Uninsured motor vehicle means a land motor vehicle or trailer of any type:

1. To which neither:
 - a. a liability bond or policy; nor
 - b. cash or securities on file with the North Carolina Commissioner of Motor Vehicles;applies at the time of the accident.
2. To which a liability bond or policy applies at the time of the accident; provided its limit for liability is less than the minimum limit specified by the financial responsibility law of North Carolina.

3. Which, with respect to damages for **bodily injury** only, is a hit-and-run vehicle whose operator or owner cannot be identified and which hits:
 - a. you;
 - b. a vehicle which you are **occupying**; or
 - c. **your covered auto**.
4. To which a liability bond or policy applies at the time of the accident but the bonding or insuring company
 - a. denies coverage; or
 - b. is or becomes insolvent.

COVERAGE FOR RENTED VEHICLES

This coverage is subject to all provisions of the policy except as changed below:

I. Additional Definitions Applicable to This Coverage

Rented Vehicle means a vehicle of the following types which is rented on a daily basis by a **renter** for less than 22 consecutive days:

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 ~~40,000~~ **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.

Renter means:

1. you; or
2. a **family member**;
who rents a **rented vehicle**.

II. Coverage For Rented Vehicles

A. Insuring Agreement

We will pay the amount a **renter** is legally obligated to pay for:

1. any damage or loss to the **rented vehicle** including its equipment; and
2. actual loss of use and other reasonable costs or expenses resulting from the damage or loss.

Loss does not include any reduction in the value of the property after it has been repaired, as compared to its value before it was damaged.

The amount we pay is subject to a deductible of \$250.

The damage or loss must occur while the **rented vehicle** is:

1. being driven by; or
2. not being driven by, but is in the custody of;
a person authorized to drive the **rented vehicle** under the rental contract.

B. Exclusions

We will not pay for:

1. Damage or loss intentionally caused by a **renter** or a person authorized to drive the **rented vehicle** under the rental contract.
2. Loss due to or as a consequence of:
 - a. radioactive contamination;
 - b. war (declared or undeclared);
 - c. civil war;
 - d. insurrection; or
 - e. rebellion or revolution.
3. Loss to any **rented vehicle** due to forfeiture ordered by the courts or destruction or confiscation by governmental or civil authorities because the **rented vehicle** was used in an illegal activity.

C. Limit of Liability

Our limit of liability for damage or loss to a **rented vehicle** will be the lesser of the:

1. Actual cash value of the vehicle; or
2. Amount necessary to repair or replace the vehicle.

This amount does not include any reduction in the value of the property after it has been repaired, as compared to its value before it was damaged.

An adjustment for depreciation and physical condition will be made in determining actual cash value at the time of loss.

D. Other Sources of Recovery

Any insurance we provide with respect to a **rented vehicle** shall be excess over any other collectible source of recovery including, but not limited to:

1. Any coverage provided by the owner of the **rented vehicle**;
2. Any applicable physical damage insurance under this or any other policy; or
3. Any other source of recovery applicable to the loss.

E. Additional Duties For Coverage For Rented Vehicles

A person seeking Coverage For Rented Vehicles must also:

1. Take reasonable steps after loss to protect the **rented vehicle** from further loss. We will pay reasonable expenses incurred to do this.
 2. Promptly notify the police if the **rented vehicle** is stolen.
 3. Take reasonable steps to enable us to inspect and appraise the **rented vehicle** before its repair and disposal.
-