

NORTH CAROLINA RATE BUREAU

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August 7, 1995

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: (1) Amended "Nonfleet" Motor Vehicle Definition
(2) Application of Multi-Car Discount

The purpose of this circular letter is to (1) bring to your attention a provision in Senate Bill 345, enacted during the 1995 Session of the North Carolina General Assembly, which changes the definition of "nonfleet" motor vehicle as set forth in G.S. 58-40-10(2); and (2) clarify the intent of the Exception to Rule 4.D. in the North Carolina Personal Auto Manual dealing with the application of a multi-car discount.

Effective October 1, 1995, G.S. 58-40-10(2) will provide as follows:

(2) "Nonfleet" motor vehicle means a motor vehicle not eligible for classification as a fleet vehicle for the reason that the motor vehicle is:

- a. One of four or fewer motor vehicles owned or hired under a long-term contract by a policy named insured; or
- b. One of five or more private passenger motor vehicles owned or hired under a long-term contract:
 1. By an individual who is a policy named insured;
 2. Jointly by two or more individuals who are policy named insureds and are residents in the same household; or
 3. Jointly by two or more individuals who are policy named insureds and are related by blood, marriage or adoption.

Senate Bill 345 expands the definition of "nonfleet" by adding new subsection b. The result is that the additional vehicles falling within the expanded definition (i.e., generally, one of five or more private passenger motor vehicles owned by certain individuals) will now be subject to the rules, rates, classifications and policy forms filed by the Rate Bureau.

As a result of recent questions with respect to application of the multi-car discount, the Rate Bureau's Automobile Committee agreed that the Rate Bureau should clarify the intent of the Exception under Rule 4.D. Although Rule 4.D. provides that in order to receive the applicable multi-car discount, two or more four-wheel private passenger autos must be insured in the same policy, the rule includes the following exception:

Exception

If a company's procedure does not permit insuring all vehicles in the same policy, the applicable Multi-Car Rating Factor shall apply only if the company insures two or more four-wheel private passenger autos owned by an individual or owned jointly by two or more individuals resident in the same household.

The above Exception is intended only to allow companies that do not issue multi-car policies or whose systems limitations necessitate writing one car (in a multi-car situation) on a separate policy to provide multi-car discounts. The Exception was not designed to accommodate situations where, for underwriting or other reasons, a company might voluntarily elect to split a particular multi-car policy and write one vehicle under a separate policy or to cede one vehicle to the North Carolina Reinsurance Facility.

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

Very truly yours,

John W. Watkins

General Manager

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