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October 15, 2001

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: New and Revised Commercial
Auto Coverage Forms

The North Carolina Commissioner of Insurance has approved for use on an optional basis by the member companies of the North Carolina Rate Bureau and the North Carolina Reinsurance Facility the Insurance Services Office (ISO) commercial auto coverage forms (business auto, truckers, motor carrier and garage policies and endorsements for use in connection therewith).

ISO has filed and received approval of numerous new and revised forms and endorsements. The forms, which are listed on the attached memorandum (please note there are three amendments to the original revisions), have now been approved for use on an optional basis by the member companies of the North Carolina Rate Bureau and the North Carolina Reinsurance Facility. Those forms which afford coverages not subject to the jurisdiction of the Rate Bureau or coverages not eligible for cession to the Reinsurance Facility are filed for informational purposes only.

The revised forms become effective in accordance with the following Rule of Application:

These changes are applicable to all policies effective on or after December 1, 2001.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Enclosures

A-01-4

2001 Commercial Auto Multistate Forms Amendment

About This Filing

We are making further revisions to the Premium Audit Condition of the various Commercial Auto Coverage Forms, to add reference to "retrospective premiums" in order to comply with a National Association of Insurance Commissioners (NAIC) requirement on premium billing.

Amended Forms

We are amending the following forms:

- ◆ CA 00 01 10 01 - Business Auto Coverage Form
- ◆ CA 00 05 10 01 - Garage Coverage Form
- ◆ CA 00 10 10 01 - Business Auto Physical Damage Coverage Form
- ◆ CA 00 12 10 01 - Truckers Coverage Form
- ◆ CA 00 20 10 01 - Motor Carrier Coverage Form

We have used a format of underlining additions and inserting a revision bar in the left margin to indicate changes. Previous revisions to these forms contained in the original submission, amendment #1 and amendment #2 have been incorporated.

Attached to this filing are copies of the affected page containing the Premium Audit Condition for each of Commercial Auto Coverage Forms.

Background

In CA-2000-OFR00 Amendment #2, we submitted a revision to the Premium Audit Condition in response to the NAIC's "Statement of Statutory Accounting Principles #6. The guideline states that if the due date for audit premiums or retrospective premiums is not addressed by policy provisions or contract provisions, any uncollected audit premium will be considered a nonadmitted on an insurer's income statement.

The various Commercial Auto coverage forms do not currently specifically address the due date of audit premiums.

Explanation of Changes

We are revising our forms to establish that the due date for audit premiums is the date shown as the due date on the bill.

Specifically, paragraph a. of the Premium Audit Condition in the various Commercial Auto Coverage Forms will be revised as follows:

Premium Audit

- a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this policy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. The due date for the final premium is the date shown as the due date on the bill. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.

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COMMERCIAL AUTO
FORMS FILING CA-2000-OFR00 (AMENDMENT NO. 2)

2001 Commercial Auto Multistate Forms Amendment

About This Filing

We are revising the Premium Audit Condition of the various Commercial Auto Coverage Forms, in order to comply with a National Association of Insurance Commissioners (NAIC) requirement on premium billing.

Amended Forms

We are amending the following forms:

- ◆ CA 00 01 10 01 - Business Auto Coverage Form
- ◆ CA 00 05 10 01 - Garage Coverage Form
- ◆ CA 00 10 10 01 - Business Auto Physical Damage Coverage Form
- ◆ CA 00 12 10 01 - Truckers Coverage Form
- ◆ CA 00 20 10 01 - Motor Carrier Coverage Form

We have used a format of underlining additions and inserting a revision bar in the left margin to indicate changes. Previous revisions to these forms contained in the original submission and amendment # 1 have been incorporated.

Attached to this filing are copies of the affected page containing the Premium Audit Condition for each of Commercial Auto Coverage Forms.

Background

The NAIC has issued an accounting guideline "SSAP #6" which is included in the NAIC "Statement of Statutory Accounting Principles." The effective date of the statement is January 1, 2001. The statement establishes accounting principles for direct and group billed uncollected premiums, bills receivable for premiums, and amounts due from agents and brokers. The guideline states that if the due date for audit premiums or retrospective premiums is not addressed by policy provisions or contract provisions, any uncollected audit premium will be considered nonadmitted on an insurer's income statement.

incorporated. Concurrent with the implementation of the new editions, we will supersede the prior editions.

Related Filing(s)

Multistate rules filing CA-2000-ORU00 will be implemented with an effective date that coincides with the effective date of this filing.

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2001 Commercial Auto Multistate Forms Amendment

About This Filing

This amendment is being made to:

- Provide an explanatory memorandum for the introduction of Auto Loan/Lease Gap Coverage, which was inadvertently deleted from the original submission;
- Expand the applicability of the "all perils" deductible to both Dealers Physical Damage Coverages and Garagekeepers Coverage; and
- Delete the reference on the various Commercial Auto Declarations which stipulates that Towing and Labor coverage is not available in California.

Amended Forms

We are amending the following forms:

- ◆ CA 00 05 10 01 - Garage Coverage Form
- ◆ CA DS 03 10 01 - Business Auto Declarations
- ◆ CA DS 07 10 01 - Garage Coverage Form - Auto Dealers' Supplementary Schedule
- ◆ CA DS 08 10 01 - Garage Coverage Form - Non-Dealers' And Trailer Dealers' Supplementary Schedule
- ◆ CA DS 09 10 01 - Garage Declarations
- ◆ CA DS 14 10 01 - Truckers Declarations
- ◆ CA DS 15 10 01 - Business Auto Physical Damage Declarations
- ◆ CA DS 21 10 01 - Motor Carrier Declarations

Important Note

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes contained in CA-2000-OFR00 (Amendment). Previous revisions to these forms have been

necessarily reflect every insurer's view or control any insurer's determination of coverage for a specific claim. ISO does not intercede in coverage disputes arising from insurance policies. If there is any conflict between a form and any other part of the attached material, the provisions of the form apply.

- ◆ CA 00 08 07 97 - Garage Coverage Form - Non Dealers' And Trailer Dealers' Supplementary Schedule
- ◆ CA 00 09 07 97 - Garage Declarations
- ◆ CA 00 11 07 97 - Business Auto Physical Damage Coverage Form Declarations
- ◆ CA 00 13 07 97 - Truckers Coverage Form Declarations
- ◆ CA 00 14 07 97 - Truckers Declarations
- ◆ CA 00 15 07 97 - Business Auto Physical Damage Declarations
- ◆ CA 00 19 07 97 - Motor Carrier Coverage Form Declarations
- ◆ CA 00 21 07 97 - Motor Carrier Declarations
- ◆ CA 00 22 02 99 - Changes In Commercial Auto Coverage Forms
- ◆ CA DS 02 07 97 - Business Auto Coverage Form Declarations
- ◆ CA DS 06 07 97 - Garage Coverage Form Declarations
- ◆ CA DS 11 07 97 - Business Auto Physical Damage Coverage Form Declarations
- ◆ CA DS 13 07 97 - Truckers Coverage Form Declarations
- ◆ CA DS 19 07 97 - Motor Carrier Coverage Form Declarations

Related Filing(s)

Multistate rules filing CA-2000-ORU00 will be implemented with an effective date that coincides with the effective date of this filing.

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- ◆ CA 99 48 12 93 - Pollution Liability - Broadened Coverage For Covered Autos - Business Auto, Motor Carrier And Truckers Coverage Forms (Not being submitted in VT)
- ◆ CA 99 55 12 93 - Pollution Liability - Broadened Coverage For Covered Autos - Garage Coverage Form (Not being submitted in VT)
- ◆ CA 99 59 02 99 - Garagekeepers Coverage - Customers' Sound Receiving Equipment
- ◆ CA 99 60 12 93 - Audio, Visual And Data Electronic Equipment Coverage

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the above-referenced editions to the 10 01 editions. Concurrent with the implementation of the 10 01 editions, we will supersede the prior editions.

Exception: The edition date of endorsement CA 23 17 will carry a 09 00 edition date. Concurrent with the implementation of the 09 00 edition, we will supersede the 07 97 edition.

New Forms

We are introducing:

- ◆ CA 20 70 10 01 - Coverage For Certain Operations In Connection With Railroads
- ◆ CA 20 71 10 01 - Auto Loan/Lease Gap Coverage (Not being submitted in Washington)
- ◆ CA 25 36 10 01 - Garage Coverage Form - Other Than Covered Autos Exposure - Total Pollution Exclusion With A Building Heating Equipment Exception And A Hostile Fire Exception (Not being submitted in ME and VT)
- ◆ CA 99 90 10 01 - Optional Limits - Loss Of Use Expenses

Withdrawn Forms

We are withdrawing:

- ◆ CA 00 02 07 97 - Business Auto Coverage Form Declarations
- ◆ CA 00 03 07 97 - Business Auto Declarations
- ◆ CA 00 06 07 97 - Garage Coverage Form Declarations
- ◆ CA 00 07 07 97 - Garage Coverage Form - Auto Dealer's Supplementary Schedule

- ◆ CA DS 14 07 97 - Truckers Declarations
- ◆ CA DS 15 07 97 - Business Auto Physical Damage Declarations
- ◆ CA DS 21 07 97 - Motor Carrier Declarations
- ◆ CA 02 40 07 97 - Suspension Of Insurance (Not being submitted in PA and MI)
- ◆ CA 20 01 02 99 - Lessor - Additional Insured And Loss Payee (Not being submitted in Kansas)
- ◆ CA 20 12 12 93 - Leasing or Rental Concerns - Rent-It Here/Leave It There Autos
- ◆ CA 20 13 12 93 - Leasing or Rental Concerns - Schedule Of Limits For Owned Autos
- ◆ CA 20 15 07 97 - Mobile Equipment
- ◆ CA 20 16 12 93 - Mobile Homes Contents Coverage
- ◆ CA 20 33 02 99 - Autos Leased, Hired, Rented Or Borrowed With Drivers - Physical Damage Coverage
- ◆ CA 20 54 02 99 - Employee Hired Autos
- ◆ CA 20 55 02 99 - Fellow Employee Coverage
- ◆ CA 23 04 12 93 - Rolling Stores
- ◆ CA 23 17 07 97 - Truckers - Uniform Intermodal Interchange Endorsement Form UIIE - 1 (Not being submitted in WA)
- ◆ CA 23 20 07 97 - Truckers Endorsement
- ◆ CA 23 24 02 99 - Agricultural Produce Trailers - Seasonal
- ◆ CA 25 08 07 97 - Personal Injury Liability Coverage - Garages
- ◆ CA 25 10 12 93 - Fire Legal Liability Coverage - Garages
- ◆ CA 25 14 07 97 - Broadened Coverage - Garages
- ◆ CA 25 16 07 95 - Garage Coverage Form - Other Than Covered Autos Exposure - Total Pollution Exclusion (Not being submitted in ME and VT)
- ◆ CA 99 10 07 97 - Drive Other Car Coverage - Broadened Coverage For Named Individuals
- ◆ CA 99 17 07 97 - Individual Named Insured
- ◆ CA 99 28 02 99 - Stated Amount Insurance
- ◆ CA 99 30 12 93 - Tapes, Records And Discs Coverage
- ◆ CA 99 37 02 99 - Garagekeepers Coverage

2001 Commercial Auto Multistate Forms Revision

About This Filing

This filing is being made in order to make several revisions to the Commercial Automobile coverage forms and multistate endorsements. These revisions include updates to many of the forms and clarifications of existing coverages. We are also introducing several new endorsements and withdrawing several declarations and schedules.

The filing consists of a Table of Contents and two sections: I) Policy Changes and II) Attachment of Forms.

Section I consists of individual changes that may affect one or several coverage forms and endorsements. Please refer to the Table of Contents for the page number of each individual change.

Section II contains a full copy of each individual coverage form and endorsement.

Revised Forms

We are revising the following forms:

- ◆ CA 00 01 07 97 - Business Auto Coverage Form
- ◆ CA 00 05 07 97 - Garage Coverage Form
- ◆ CA 00 10 07 97 - Business Auto Physical Damage Coverage Form
- ◆ CA 00 12 07 97 - Truckers Coverage Form
- ◆ CA 00 20 07 97 - Motor Carrier Coverage Form
- ◆ CA DS 03 07 97 - Business Auto Declarations
- ◆ CA DS 07 07 97 - Garage Coverage Form - Auto Dealers' Supplementary Schedule
- ◆ CA DS 08 07 97 - Garage Coverage Form - Non Dealers' and Trailer Dealers' Supplementary Schedule
- ◆ CA DS 09 07 97 - Garage Declarations

However, when we initially made the changes in amendment #2, we did not make explicit reference to "retrospective premiums". Upon subsequent review, we believe it is appropriate to make reference to these type of premiums in the Premium Audit condition in response to the guideline.

Explanation of Changes

We are revising the Premium Audit Condition in the various coverage forms to add reference to "retrospective premiums" as follows:

Premium Audit

- a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this policy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. The due date for the final premium or retrospective premium is the date shown as the due date on the bill. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.

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