

## BULLETIN 04-01

To: All Property & Casualty Insurance Companies Writing Crop Hail Insurance in South Dakota

FROM: Gary Steuck, Director of Insurance

DATE: February 29, 2004

RE: Marketing of Crop Hail Insurance in South Dakota

**SCOPE AND APPLICABILITY:** Bulletin 04-01 replaces all previous crop hail insurance Bulletins issued by the South Dakota Division of Insurance. This Bulletin pertains to all insurance companies seeking to market crop hail insurance in South Dakota. Crop hail insurance includes policies providing crop hail coverage, companion hail, and supplemental crop products not subsidized or reinsured by the Federal Crop Insurance Corporation.

**FILING DEADLINE:** All form and rate filings must be postmarked no later than February 15<sup>th</sup>. If February 15<sup>th</sup> falls on a Saturday, Sunday or legal holiday, we shall consider the filing made within this deadline if it is mailed on the next business day.

**FORM FILING:** Once a form has been approved by the Division, they do not have to be filed again unless changes are being made to the form. If changes are being made, or new forms or products are being filed, the following must be adhered to.

1. Companies proposing to use NCIS forms, please provide a list of the NCIS forms you will be using.
2. Companies filing independent forms must provide an explanation of how and where the policy differs from NCIS's form and what impact it makes on the coverage and rates. Be sure that all the changes made in NCIS's South Dakota amendatory endorsement have been changed in your independent forms, i.e. the appraisal provision, cancellation provision, etc..
3. Companies proposing to use a modified NCIS form must provide the same information as required above.
4. All Non-NCIS forms must include an NCIS South Dakota Policy Form Comparison Analysis (SDACT) number. These are provided by NCIS for a fee. An address and contact person for NCIS will be provided later in this Bulletin.

Any policy form factors used must be developed no earlier than the currently in-force NCIS Final Average Loss Cost. Insurers are required to refresh their policy form factors at least every two years, in conjunction with NCIS's filed and approved FALC.

**RATE FILING:** Rates and loss cost multipliers are required to be filed on an annual basis using the filing forms prepared by NCIS. All companies adopting NCIS Loss Costs must adhere to the NCIS Loss Cost filed and approved for the crop year. No deviations or modifications will be accepted.

ALL rating filings must include:

1. The company's proposed rates must be filed.
2. The company's pure loss experience and expenses for the most recent five-years.
3. The company's proposed loss cost multiplier, including the development and the actuarial support for the multiplier.
4. A copy of the proposed rates for Non-NCIS products must include the statistical and actuarial documentation as appropriate to support the request or an actuarial report prepared by NCIS. These are provided by NCIS for a fee. An address and contact person for NCIS will be provided later in this Bulletin.

**OPTIONAL THREE TIER LOSS COST RATING:** An insurer may file three separate loss cost multipliers. One multiplier for high, medium and low loss costs ranges. The loss cost for the medium range will be the basis for the other two ranges. The medium loss cost multiplier is based on a company's expected loss ratio (ELR). From your medium loss cost multiplier, you may add up to 10% to determine the high range loss cost multiplier and deduct up to 10% to develop the low range loss cost multiplier. This procedure is required of all companies filing a three tier loss cost multipliers. The loss cost ranges are as follows:

Low range of FALCs = \$3.42 or less

Medium range of FALCs = \$3.43 to \$6.82

High range of FALCs = \$6.83 or greater

PLEASE ADVISE OR PROVIDE IN YOUR COVER LETTER OR EXPLANATORY MEMORANDUM:

1. Provide an explanation of your rounding rule.
2. Advise if these rates are identical to other companies and if so, which companies.

3. Advise if your company has adopted the newly approved FALC's from NCIS and attach the appropriate NCIS adoption forms.
4. Advise whether the rates contain any caps, cups, discounts, special deviations or surcharges.
5. Advise if the filing contains a dividend plan.
6. Advise if the form factors have been refreshed in coordination with NCIS.

DIVIDEND PLANS are permitted in South Dakota, however, they may not be paid or quoted "upfront" in the form of a premium discount or dividend guarantee. These plans must comply with all South Dakota laws applicable to dividend plans.

COMPANION HAIL PRODUCTS are intended to provide optional and supplemental coverage to the underlying MPCFI policy. These products can not be marketed as "stand alone" policies.

**NCIS CONTACT:**

Theresa M. Stom  
Director, Actuarial Applications & Filings  
National Crop Insurance Services  
7201 W. 129<sup>th</sup> St., Ste. 200  
Overland Park, KS 66213  
913-685-2767  
Fax: 913-685-2080

**DIVISION OF INSURANCE CONTACT:**

Vicki V. Rivenes  
Property/Casualty Rates/Forms Analyst  
S.D. Division of Insurance  
445 East Capitol Ave.  
Pierre, SD 57501  
605-773-3563  
Fax: 605-773-5369

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