



March 3, 2004

Circular Letter to All Member Companies

Re: Endorsement NC 03 35 01 04 - Loss Settlement
Original Equipment Manufacturer Parts

The Commissioner of Insurance has approved an optional Endorsement NC 03 35 01 04 - Loss Settlement Original Equipment Manufacturer Parts. This endorsement has been approved for use by all member companies of the North Carolina Rate Bureau on an optional basis.

Please find attached a copy of Endorsement NC 03 35 01 04 - Loss Settlement - Original Equipment Manufacturer Parts as well as the rating rule which will be included in the Personal Auto Manual.

The Endorsement and rating rule become effective in accordance with the following Rule of Application:

This change becomes effective with respect to policies written on or after March 1, 2004.

Please see to it that this information is brought to the attention of all appropriate personnel in your company.

Very truly yours,

Wayne B. Hinton

Automobile Manager

WBH:dp

Enclosures

A-04-3

LOSS SETTLEMENT – ORIGINAL EQUIPMENT MANUFACTURER PARTS

In consideration of the premium charged, Part D- Coverage For Damage To Your Auto as it relates to coverage for (1) **your covered auto** other than a **trailer**, and (2) **newly acquired autos** is amended as follows:

The **Limit Of Liability** provision is replaced by the following:

LIMIT OF LIABILITY

Our limit of liability will be the lesser of the:

1. Actual cash value of the stolen or damaged property; or
2. Amount necessary to repair or replace the property.

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.

Subject to the above, our limit of liability for loss to personal effects is \$100.

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

The **Payment of Loss** provision is replaced by the following:

PAYMENT OF LOSS

We may pay for the loss in money, or repair or replace the damaged or stolen property. We may, at our expense, return any stolen property to:

- a) you; or
- b) the address shown in the policy.

If we return stolen property we will pay for any damage resulting from the theft. We may keep all or part of the property at an agreed or appraised value.

1. If a repair results in the replacement of exterior sheet metal and/or exterior plastic parts, we will use new parts produced by or for the damaged auto's original equipment manufacturer if such parts are available. If the original equipment manufacturer parts are not available, parts not produced by or for the original equipment manufacturer may be used. Such parts, if used, are required to be at least equivalent in terms of fit, quality, performance and warranty to the original equipment manufacturer parts they replace.
2. If a repair results in the replacement of any damaged parts other than exterior sheet metal and /or exterior plastic parts, we may require or specify the use of parts not produced by or for the original equipment manufacturer. These parts are required to be at least equivalent in terms of fit, quality, performance and warranty to the original equipment manufacturer parts they replace.

All other provisions of this policy apply.

NC 03 35
(Ed. 01-04)

PERSONAL AUTO MANUAL
NORTH CAROLINA

14. MISCELLANEOUS COVERAGES

Matter below is new.

J. Original Equipment Manufacturer (OEM) Parts Loss Settlement

1. Coverage

A loss settlement Original Equipment Manufacturer (OEM) Parts coverage option may be made available when physical damage coverage is afforded under a policy. The OEM parts loss settlement option is subject to the following:

- a. If a repair results in the replacement of exterior sheet metal and/or exterior plastic parts, OEM parts shall be used if such parts are available.

If OEM parts are not available, non-OEM parts may be used.

- b. If a repair results in the replacement of any damaged parts other than exterior sheet metal and/or exterior plastic parts, the insurer may require or specify the use of non-OEM parts.

2. Rating

Charge 5% of the otherwise applicable premium for Comprehensive and 5% of the otherwise applicable premium for Collision coverages.

3. Endorsement

Attach the Loss Settlement - Original Equipment Manufacturer Parts endorsement to the policy.