



December 6, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto Policy Program
Notice To Policyholders

Attached is a sample advisory Notice To Policyholders prepared by the Rate Bureau for the Personal Auto Policy revisions that are to become effective May 1, 2006. This sample Notice is being provided to assist member companies with their disclosure practices. The Rate Bureau has not and does not file sample notices on behalf of member companies. The sample Notice has not been filed with or approved by the Commissioner of Insurance and is provided only as a guide. Each company is responsible for its own assessments and notice. The Rate Bureau's general explanations of policy intent may not necessarily reflect every insurer's view and do not control any company's determination of coverage for a specific claim. The Rate Bureau does not intercede in coverage disputes arising from insurance policies.

The information in this sample Notice is listed in three broad categories: I) Broadenings; II) Reductions; and III) Other Changes. Within each category, the changes are listed in the order that the provisions appear in the policy forms.

G.S. § 58-36-45 provides in part that whenever an insurer changes the coverage in a policy, it shall give the policyholder notice of such coverage change at least 15 days in advance of the effective date and provide a copy of such notice to the agent. Further, case law in North Carolina has held that when an insurer renews a policy, the policyholder may assume that the renewal policy will be the same as the earlier policy unless reductions in coverage are clearly, conspicuously and unambiguously called to the policyholder's attention. *North River Insurance v. Young*, 117 N.C. App. 663, 453 S.E. 2d 205 (1995). The necessity and manner of notifying policyholders of coverage revisions is an individual company responsibility. In addition to notifying policyholders of policy changes, companies may want to consider the advisability of notifying policyholders that the Personal Auto Policy is a new contract rather than a

renewal of the prior contract. It is suggested that companies consult with their attorney as to the necessity, method, detail and language of their policyholder notification.

Please see to it that Circular is brought to the attention of all interested personnel within your company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

Attachment

A-05-6

NORTH CAROLINA
PERSONAL AUTO POLICY PROGRAM (JUNE, 2005 EDITION)
NOTICE TO POLICYHOLDERS

CAUTION: NO COVERAGE IS PROVIDED BY THIS NOTICE; NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISION OF YOUR POLICY. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON THE COVERAGES THAT YOU ARE PROVIDED. IF THERE IS A CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE POLICY SHALL PREVAIL.

Dear Policyholder,

The renewal policy you have received differs from your former policy. Some changes give you more coverage and some reduce coverage. There are other changes that do not affect the level of coverage provided in your former policy. They were made to help you better understand your policy. This Notice to Policyholders summarizes the main changes we made to your policy.

I. BROADENING OF COVERAGE

A. Part A – Liability Coverage

Supplementary Payments

We will now pay up to \$200 per day for loss of wages or salary as a result of attending a hearing or trial at our request. Your previous policy provided up to \$50 per day for loss of such earnings.

B. Part D – Coverage For Damage To Your Auto

1. Coverage will now apply to any electronic equipment or device that is “permanently installed” in your car by the vehicle’s manufacturer. In your previous policy, coverage was provided only for certain types of this electronic equipment.
2. We will now provide \$1,000 of coverage for any electronic equipment or device that is “permanently installed” in your car by other than the vehicle’s manufacturer. In your previous policy, some of this equipment was excluded from coverage.
3. If your car is a 1991 or later model pickup truck or van, your policy previously excluded coverage related to custom furnishings or equipment on these vehicles. It has been modified to now provide \$1,000 of coverage for such custom furnishings or equipment on these vehicles.

2. Limit of Liability

- a. The Limit of Liability for a trailer not owned by you has been increased to \$1,500 from \$500.

II. RESTRICTIONS OF COVERAGE

A. Part A – Liability Coverage

1. Supplementary Payments

A limit of \$200 now applies to expenses incurred by an “insured” for emergency first aid to others performed at the scene of an accident that involves any auto covered by your policy. Your previous policy did not contain a limit for such expenses.

B. Part D – Coverage For Damage To Your Auto

1. Your previous policy provided coverage for stereo equipment (including radios, stereos, CD players etc.) permanently installed in your car. The new policy continues to cover all of this equipment which has been permanently installed by the vehicle’s manufacturer. However, there is now a \$1,000 limit on this stereo equipment which is permanently installed by other than the vehicle’s manufacturer. Additional coverage can be purchased for an additional premium.
2. Coverage for custom furnishings or equipment in excess of \$1,000 has been eliminated. Your previous policy provided coverage for custom furnishings or equipment (except for 1991 and subsequent model year pickup trucks and vans). Additional coverage can be purchased for an additional premium.
3. Loss Payee
 - a. The Loss Payee provision has been modified to provide that, if Collision Coverage or Other than Collision Coverage is rescinded, the Loss Payee has no greater rights to recover for a loss than the named insured and spouse.

C. Part F – General Provisions

1. Fraud or Material Misrepresentation

- a. This provision has been modified so that coverage is not provided when a named insured makes a material misrepresentation in the

application for this policy of insurance, except that liability coverage up to the minimum limits required by the Financial Responsibility Law of North Carolina will apply. We have the right to recover such liability coverage payment from any insured who made the fraudulent statement, engaged in fraudulent conduct, or made a material misrepresentation. Your previous policy did not include this provision.

III OTHER CHANGES

A. Part A – Liability Coverage

1. Supplementary Payments

- a. This provision has been modified to more specifically state the amounts that will be paid “on behalf of an insured” and those that will be paid “to an insured.” Additional language has been added to this provision to state that the amount of any cost, wages, salary, or other expenses listed in the Supplementary Payments Provisions must be reported to us by the insured before we will make a payment.

B. Part D – Coverage For Damage To Your Auto

1. Insuring Agreement

- a. A definition of “permanently installed” has been added to your policy. “Permanently installed” means installed by bolts, brackets, or welding in a location in accordance with applicable laws and regulations for the installation of such equipment or device.

2. Exclusions

- a. The new language in Exclusion 10 specifies that the “speed monitoring equipment” exclusion applies to all such equipment, whether permanently installed or not, and that the exclusion applies to equipment designed to deter as well as detect radar, laser or other speed monitoring equipment.