



May 30, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto Policy Revisions

The Commissioner of Insurance has approved numerous changes to the North Carolina Personal Automobile Policy Program which were filed on behalf of member companies of the North Carolina Rate Bureau.

Enclosed are copies of the revised policy forms as well as an explanatory memorandum which sets forth and explains the changes. It is anticipated that copies of these forms in Microsoft Word format will be available for download from the Rate Bureau's website by June 6, 2008.

The following new policy forms have been approved by the Commissioner.

NC 00 11 05 08 Amendatory Endorsement
NC 00 12 05 08 Amendatory Endorsement (Physical Damage Only)
NC 03 27 05 08 Joint Ownership Endorsement
NC 03 28 05 08 Business Named Insured Endorsement

The following Endorsements have been revised for use in North Carolina.

NC 01 90 05 06 Notice of Cancellation
NC 03 23 06 05 Miscellaneous Type Vehicle Endorsement

The provisions of NC 00 10 10 07 Amendatory Endorsement, which became effective February 1, 2008, will no longer be necessary as the provisions of this endorsement have been incorporated into the new Amendatory Endorsements NC 00 11 05 08 and NC 00 12 05 08.

In addition to the policy form revisions, also enclosed are revised Personal Auto Manual revisions designed to track revisions in the policy forms.

These changes are to become effective in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written on or after December 1, 2008.

The North Carolina Personal Auto Policy Program contains copyrighted material of Insurance Services Office used with their permission under a limited copyright license granted by Insurance Services Office to the North Carolina Rate Bureau. Under the terms of the limited copyright license, the Rate Bureau has copyrighted the materials included in the Personal Auto Policy Program, including the manual and all forms, and member companies are advised that when they reprint, copy, or otherwise use any materials included in this program the following notice must appear on the materials: "Copyright, North Carolina Rate Bureau, 2008." This program may be used only by members of the North Carolina Rate Bureau and may be used only in North Carolina.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachments

A-08-4

PERSONAL AUTOMOBILE POLICY REVISIONS

Amendatory Endorsement

1. Part A - Liability Coverage

The Liability Exclusion 2 is being amended to clarify that the exclusion applies to jointly owned automobiles.

2. Part C1 – Uninsured Motorists Coverage

- A. In Part C1, the third paragraph of Limit of Liability has been amended to reflect the interpretation of the applicable North Carolina statute by the North Carolina Court of Appeals. In 1999, the statute providing for an offset to uninsured or underinsured motorists coverage for workers' compensation benefits paid to the insured, N.C.G.S. § 20-279.21(e), was amended. As a result, the UM limit of liability language in the personal auto policy was amended in 2000. Subsequently, the amended statutory language has been interpreted by the Court of Appeals (see Austin v. Midgette, 159 N.C. App. 416, 583 S.E.2d 405 (2003) and Walker v. Penn National Security Insurance Company, 168 N.C. App. 555, 608 S.E.2d 107 (2005)) in a manner different in some respects from the interpretation incorporated in the policy language. The difference is that the current policy language applies the deduction for workers' compensation benefits to the UM limit of liability and the statute, as interpreted by the Court of Appeals, applies that deduction to the insured's total damages. In some fact situations, this difference can result in a different payment owed under the UM coverage. The changes to the third paragraph of Limit of Liability are intended to make the determination of a UM payment under the policy language match the determination of such payment under the Court's interpretation of the statute.
- B. In Part C1, the provisions dealing with arbitration of Uninsured Motorist claims are being amended to provide (1) that an insured may not demand arbitration if the insured has filed a lawsuit against the company to settle a dispute as to entitlement to damages from the owner or driver of an uninsured motor vehicle or as to the amount of such damages, (2) that any arbitration action against a company must begin within the same time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the uninsured motor vehicle for the damages arising out of the accident and (3) that the starting point for this time period is the date on which the cause of action accrues against the owner or operator of the uninsured motor vehicle in the state where the accident occurred.

The first change is to prevent the situation where a company incurs significant defense costs defending a lawsuit by its insured, and then the insured subsequently demands arbitration and the company incurs significant additional costs defending the arbitration action. Given the significant costs involved, it is appropriate to require insureds to make an election of remedies and choose either a lawsuit or an arbitration action.

The second and third changes are to address the Supreme Court case of Register v. White, 358 N.C. 691, 599 S.E.2d 549 (2004) relating to when the time for demanding arbitration begins to run. In that case, the court found that the current policy language incorporates by reference the applicable limitations period, and thus is not ambiguous as to the *duration* of the applicable “time limit,” but is ambiguous as to when that “time limit” *begins to run*” The revised language continues to incorporate the applicable limitations period and now spells out that the available time for demanding arbitration is the same as the statute of limitations in the state where the accident occurred for filing a lawsuit against the owner or operator of the uninsured motor vehicle. The revised language then provides that the available time begins to run at the time the insured acquires a contractual right to demand arbitration (i.e., when the cause of action accrues against the owner or operator of the uninsured motor vehicle). This recognizes that the cause of action may accrue later than the date of an accident. For example, a death claim in North Carolina accrues at the date of death and not at the date of accident.

3. Part C2 - COMBINED UNINSURED/UNDERINSURED MOTORISTS COVERAGE

- A. In Part C2, the fourth and fifth paragraphs of Limit of Liability have been amended to reflect the interpretation of the applicable North Carolina statute by the North Carolina Court of Appeals. In 1999, the statute providing for an offset to uninsured or underinsured motorists coverage for workers’ compensation benefits paid to the insured, N.C.G.S. § 20-279.21(e), was amended. As a result, the UM/UIM limit of liability language in the personal auto policy was amended in 2000. Subsequently, the amended statutory language has been interpreted by the Court of Appeals (See Austin v. Midgette, 159 N.C. App. 416, 583 S.E.2d 405 (2003) and Walker v. Penn National Security Insurance Company, 168 N.C. App. 555, 608 S.E.2d 107 (2005)) in a manner different in some respects from the interpretation incorporated in the policy language. The difference is that the current policy language applies the deduction for workers’ compensation benefits to the UM/UIM limit of liability and the statute, as interpreted by the Court of Appeals, applies that deduction to the insured’s total damages. In some fact situations, this difference can result in a different payment owed under the UM/UIM coverage. The changes to the fourth and fifth paragraphs of Limit of Liability are intended to make the determination of a UM/UIM payment

under the policy language match the determination of such payment under the Court's interpretation of the statute.

- B. In Part C2, the provisions dealing with arbitration of Uninsured or Underinsured Motorist claims have been amended to provide (1) that an insured may not demand arbitration if the insured has filed a lawsuit against the company to settle a dispute as to entitlement to damages from the owner or driver of an uninsured or underinsured motor vehicle or as to the amount of such damages, and (2) that any arbitration action against a company must begin within the same time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the uninsured motor vehicle or underinsured motor vehicle for the damages arising out of the accident and (3) the starting point for this time period. For a claim involving an uninsured motor vehicle, that starting point is the date on which the cause of action accrues against the owner or operator of the uninsured motor vehicle in the state where the accident occurred. For a claim involving an underinsured motor vehicle, that starting point is the later of the following:
- a. The date the company advances payment to the insured in an amount equal to a tentative settlement between an insured and the owner or operator of the underinsured motor vehicle; or
 - b. The date any liability bonds or policies applicable to the bodily injury of the insured have been exhausted by payments of judgments or settlements.

The first change is proposed to prevent the situation where a company incurs significant defense costs defending a lawsuit by its insured, and then the insured subsequently demands arbitration and the company incurs significant additional costs defending the arbitration action. Given the significant costs involved, it is appropriate to require insureds to make an election of remedies and choose either a lawsuit or an arbitration action.

The second and third changes are to address the Supreme Court case of Register v. White, 358 N.C. 691, 599 S.E.2d 549 (2004) relating to when the time for demanding arbitration begins to run. In that case, the court found that the current policy language incorporates by reference the applicable limitations period, and thus is not ambiguous as to the *duration* of the applicable "time limit," but is ambiguous as to when that "time limit" *begins to run*. The revised language continues to incorporate the applicable limitation period and now spells out that the available time for demanding arbitration is the same as the statute of limitations in the state where the accident occurred for filing a lawsuit against the owner or operator of the uninsured motor vehicle or underinsured motor vehicle. The revised language then provides that, in a case involving an uninsured motor vehicle, the available time begins to run at the time the insured acquires a contractual

right to demand arbitration (i.e., when the cause of action accrues against the owner or operator of the uninsured motor vehicle). The revised language further provides that, in a case involving an underinsured motor vehicle, the available time begins to run at the later of (a) the date the company advances payment to the insured in an amount equal to a tentative settlement between the insured and the owner or operator of the underinsured motor vehicle or (b) the date any applicable liability bonds or policies have been exhausted by payments of judgments or settlements. These alternative starting points for the available time period recognize the possible points at which a claim for underinsured motorists coverage can arise and address the court's concern that an insured's right to demand arbitration should not expire before the contractual right to underinsured motorist coverage arises.

4. PART D - COVERAGE FOR DAMAGE TO YOUR AUTO

The exception to Exclusion 9 is being eliminated. With the last revision of the Personal Auto Policy, the Loss Payee provision was amended to provide that the Loss Payee will have no greater rights than the insured. To be consistent with this change, it is necessary to eliminate the exception in Exclusion 9 related to the interests of the Loss Payee.

5. PART F – GENERAL PROVISIONS

The Cancellation provisions currently state that the insurer “will cancel the Liability, Medical Payments and Uninsured Motorists or Combined Uninsured/Underinsured Motorists Coverages only for the following reasons” and then list essentially verbatim the reasons set forth in the North Carolina General Statutes for which an insurer may terminate those insurance coverages. When the statutes are amended by the Legislature to include new reasons for which an insurer may terminate those coverages, there is inevitably a significant time lag before appropriate policy language tracking that new statutory provision can be promulgated and approved for use in North Carolina. This situation occurred following the 2007 Session of the North Carolina Legislature when House Bill 729 was enacted and included a new reason that insurers may cancel those coverages (that reason being that the named insured is no longer an eligible risk under G.S. 58-37-1). That portion of the new law was effective upon becoming law on August 23, 2007. However, because of the timing of that new law and the significant time required to promulgate and obtain approval of revised policy language and to allow insurers reasonable time to program the revisions into their policy forms, the policy did not include that reason for cancellation until February 1, 2008.

In order to make such statutory reasons for cancellation available to insurers on a more timely basis, a new reason for which insurers may cancel the Liability, Medical Payments and Uninsured Motorists or Combined Uninsured/Underinsured Motorists Coverages is being added to the Cancellation

provisions. That reason is “Any other reason permitted by the North Carolina General Statutes.” The Other Termination Provisions are also being amended to reflect that the insurer will comply with the statutory change and that the policy is deemed amended to include the new statutory reason for termination of those coverages.

These changes operate simply to allow insurers to utilize all of the reasons for termination that the North Carolina Legislature has determined are appropriate.

Endorsements

1. Miscellaneous Type Vehicles

Currently Endorsement NC 03 23 06 05 - Miscellaneous Type Vehicle Endorsement is attached to a Personal Auto Policy to insure (1) motorcycles, golfcarts and other similar type vehicles and snowmobiles not used for commercial purposes, (2) private passenger autos owned jointly by two or more individuals other than husband and wife; and (3) private passenger autos not owned by a natural person and not rated as part of a fleet. This endorsement currently, among other changes, removes Liability Coverage and Coverage For Damage To Your Auto for non-owned autos. This is fine for motorcycles, golf carts and similar type vehicles since the insured typically also owns a car for which that vehicles’ insurance provides non-owned auto coverage. However, insureds who jointly own a vehicle with a non-spouse, or who own a small corporation with their personal vehicles insured in the name of the business have no means to restore non-owned auto coverage for the first named insured or the primary business owner.

In that regard, the Miscellaneous Type Vehicle Endorsement (NC 03 23) has been revised to provide coverage only to motorcycles, golfcarts and other similar type vehicles and snowmobiles not used for commercial purposes.

A new endorsement (NC 03 27 05 08 – Joint Ownership Endorsement) has been created to provide coverage for vehicles that are owned by two or more individuals that are not husband and wife. This Endorsement provides the same coverage that the Miscellaneous Type Vehicle Endorsement provided except that it has been expanded to cover non-owned autos.

Another new endorsement (NC 03 28 05 08 - Business Named Insured Endorsement) has been created to provide coverage to autos not owned by a

natural person and not rated as part of a fleet. This new Endorsement provides the same coverage that the Miscellaneous Type Vehicle Endorsement previously provided except that this Endorsement allows a person to be named as a “designee” to provide that person and resident family members Liability Coverage and Coverage For Damage To Your Auto for the use of non-owned autos. A person must meet all of the requirements specified in the corresponding new manual rule to qualify as a “designee.”

2. Notice of Cancellation

The NC 01 90 - Notice of Cancellation or Refusal to Renew (North Carolina) has been revised to reflect the current mailing address of the Department of Insurance.

Amendatory Endorsement

This endorsement is a part of your policy. Except for the changes it makes, all other terms of the policy remain the same and apply to this endorsement.

1. Part A - LIABILITY COVERAGE

Part A is amended as follows:

Exclusion 2. is deleted and replaced by the following:

We do not provide Liability Coverage for any **insured**:

- 2. For **property damage** to property:
 - a. owned in whole or in part by that **insured**; or
 - b. being transported by that **insured**;

2. Part C1 - UNINSURED MOTORISTS COVERAGE

Part C1 is amended as follows:

- A. The third paragraph of **Limit of Liability** is deleted and replaced by the following:

The limits of bodily injury liability shown in the [Schedule or] Declarations for each person and each accident for this coverage shall be reduced by all sums:

- 1. Paid because of the **bodily injury** by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A; and
- 2. Paid or payable because of the **bodily injury** under any disability benefits law or any similar law.

The most we will pay for **bodily injury** damages to an **insured** under this coverage is the lesser of:

- 1. the limit of bodily injury liability shown in the [Schedule or] Declarations for each person for this coverage reduced by all sums described in items 1. and 2. of the preceding paragraph; or

- 2. the damages sustained by the **insured** for **bodily injury** reduced by:

- a. all sums described in items 1. and 2. in the preceding paragraph; and
- b. all sums paid or payable because of the **bodily injury** under any workers' compensation law. However, this reduction does not apply to the extent that an employer's lien is required to be paid under North Carolina's workers' compensation law.

The limit of property damage liability under this coverage shall be reduced by all sums paid because of the **property damage** by or on behalf of persons or organizations who may be legally responsible. This includes all sums payable under Part A.

- B. The first paragraph of **Arbitration** is deleted and replaced by the following:

If:

- 1. We and an **insured** do not agree:
 - a. Whether that **insured** is legally entitled to recover compensatory damages from the owner or driver of an **uninsured motor vehicle**; or
 - b. As to the amount of such damages;

and

- 2. That **insured** has not filed a lawsuit against us to settle the dispute;

then the **insured** may demand to settle the dispute by arbitration.

C. Item 5. of **Arbitration** is deleted and replaced by the following:

- 5. Any arbitration action against us must begin within the same time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the **uninsured motor vehicle** for the damages arising out of the accident. The starting point for this time period is the date on which the cause of action accrues against the owner or operator of the **uninsured motor vehicle** in the state where the accident occurred.

3. **Part C2 - COMBINED UNINSURED/UNDER-INSURED MOTORISTS COVERAGE**

Part C2 is amended as follows:

A. The fourth and fifth paragraphs of **Limit of Liability** are deleted and replaced by the following:

The limits of bodily injury liability shown in the [Schedule or] Declarations for each person and each accident for this coverage shall be reduced by all sums:

- 1. Paid because of the **bodily injury** by or on behalf of persons or organizations who may be legally responsible. This includes all sums paid under Part A; and
- 2. Paid or payable because of the **bodily injury** under any disability benefits law or any similar law.

The most we will pay for **bodily injury** damages to an **insured** under this coverage is the lesser of:

- 1. the limit of bodily injury liability shown in the [Schedule or] Declarations for each person for this coverage reduced by all sums described in items 1. and 2. of the preceding paragraph; or

2. the damages sustained by the **insured** for **bodily injury** reduced by:

- a. all sums described in items 1. and 2. in the preceding paragraph; and
- b. all sums paid or payable because of the **bodily injury** under any workers' compensation law. However, this reduction does not apply to the extent that an employer's lien is required to be paid under North Carolina's workers' compensation law.

B. The first paragraph of **Arbitration** is deleted and replaced by the following:

If:

- 1. We and an **insured** do not agree:
 - a. Whether that **insured** is legally entitled to recover compensatory damages from the owner or driver of an **uninsured motor vehicle** or **underinsured motor vehicle**; or
 - b. As to the amount of such damages;

and

- 2. That **insured** has not filed a lawsuit against us to settle the dispute;

then the **insured** may demand to settle the dispute by arbitration.

C. Item 5. of **Arbitration** is deleted and replaced by the following:

- 5. Any arbitration action against us must begin within the same time limit required by the laws of the state where the accident occurred for filing a lawsuit against the owner or operator of the **uninsured motor vehicle** or **underinsured motor vehicle** for the damages arising out of the accident. If the action is between an **insured** and

the owner or operator of an **uninsured motor vehicle**, then the starting point for this time limit is the date on which the cause of action accrues against the owner or operator of the **uninsured motor vehicle** in the state where the accident occurred. If the action is between an **insured** and the owner or operator of an **underinsured motor vehicle**, then the starting point for this time limit is the later of the following:

- a. The date we advance payment to the **insured** in an amount equal to a tentative settlement between the **insured** and the owner or operator of the **underinsured motor vehicle**; or
- b. The date any applicable liability bonds or policies have been exhausted by payments of judgments or settlements.

4. PART D - COVERAGE FOR DAMAGE TO YOUR AUTO

Part D is amended as follows:

Exclusion 9 is changed by deleting the following:

This exclusion does not apply to the interests of Loss Payees in **your covered auto**.

5. Part F – GENERAL PROVISIONS

Part F is amended as follows:

Termination – Cancellation, Non-renewal, Automatic Termination, Other Termination Provisions is amended by adding the following to paragraph 4 of the **Cancellation Provision**:

- g. The named insured is no longer an eligible risk under G.S. 58-37-1.
- h. Any other reason permitted by the North Carolina General Statutes.

Other Termination Provisions is deleted and replaced by the following:

1. If the law in effect in North Carolina at the time this policy is issued, renewed or continued:
 - a. requires a longer notice period;
 - b. requires a special form of or procedure for giving notice;
 - c. modifies any of the stated termination reasons; or;
 - d. adds any additional termination reasons;

we will comply with those requirements and this policy shall be deemed amended to include any such change in the law.

2. Proof of mailing of any notice shall be sufficient proof of notice.
3. If the named insured or a premium finance company cancels this policy, the premium owed or premium refund due will be calculated according to the short rate provisions contained in our manuals. If we cancel this policy, any premium owed or premium refund will be calculated on a pro-rata basis. However, making or offering to make the refund is not a condition of cancellation.
4. The effective date of cancellation stated in the notice shall become the end of the policy period.

Amendatory Endorsement

This endorsement is a part of your policy. Except for the changes it makes, all other terms of the policy remain the same and apply to this endorsement.

4. PART D - COVERAGE FOR DAMAGE TO YOUR AUTO

Part D is amended as follows:

Exclusion 9 is changed by deleting the following:

This exclusion does not apply to the interests of Loss Payees in **your covered auto**.

4. The effective date of cancellation stated in the notice shall become the end of the policy period.

5. Part F – GENERAL PROVISIONS

Other Termination Provisions is deleted and replaced by the following:

1. If the law in effect in North Carolina at the time this policy is issued, renewed or continued:
 - a. requires a longer notice period;
 - b. requires a special form of or procedure for giving notice;
 - c. modifies any of the stated termination reasons; or;
 - d. adds any additional termination reasons;

we will comply with those requirements and this policy shall be deemed amended to include any such change in the law.
2. Proof of mailing of any notice shall be sufficient proof of notice.
3. If the named insured or a premium finance company cancels this policy, the premium owed or premium refund due will be calculated according to the short rate provisions contained in our manuals. If we cancel this policy, any premium owed or premium refund will be calculated on a pro-rata basis. However, making or offering to make the refund is not a condition of cancellation.

Joint Ownership Endorsement

I. LIABILITY COVERAGE

Part A is amended as follows:

The definition of **insured** is replaced by the following:

Insured as used in this Part means:

1. You or any **family member** while all named insureds reside in the same household, for the ownership, maintenance or use of any auto or **trailer**.
2. Any person using **your covered auto**.
3. For **your covered auto**, any person or organization, but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.
4. For any auto or **trailer**, other than **your covered auto**, any person or organization, but only with respect to legal responsibility for acts or omissions of an

insured described in 1. above for whom coverage is afforded under this Part. This provision applies only if the person or organization does not own or hire the auto or **trailer**.

II. COVERAGE FOR DAMAGE TO YOUR AUTO

The first paragraph of the Insuring Agreement of Part D is replaced by the following:

We will pay for direct and accidental loss to:

1. **your covered auto**; or
2. any **non-owned auto** while all named insureds reside in the same household

including their equipment. Direct and accidental loss does not include any reduction in the value of any vehicle after it has been repaired, as compared to its value before it was damaged.

Business Named Insured Endorsement

<u>Designee</u>	<u>Title</u>

This endorsement is a part of the policy. Except for the changes this endorsement makes, all other provisions of the policy remain the same and apply to this endorsement.

I. DEFINITIONS

The Definitions Section is amended as follows:

A. The reference to “you” and “your” is changed to read:

Throughout this policy, “you” and “your” refer to:

1. the “named insured” shown in the Declarations; and
2. a **designee** if one is shown in the [Schedule or] Declarations.

B. The following is added:

Designee means:

1. the person whose name is shown as a designee in the [Schedule or] Declarations; and
2. the spouse of the person described in 1. above if a resident of the same household.

C. **Family member** is changed to Read:

Family member means a person related to a **designee** by blood, marriage or adoption who is a resident of the household of that **designee**. This includes a ward or foster child.

II. LIABILITY COVERAGE

Part A is amended as follows:

The definition of **insured** is replaced by the following:

Insured as used in this part means:

1. You for the ownership, maintenance, or use of **your covered auto**.
2. A **designee** for the use of any auto or **trailer**.

3. Any person using **your covered auto**.

4. For **your covered auto**, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.

5. For any auto or **trailer**, other than **your covered auto**, any person or organization but only with respect to legal responsibility for acts or omissions of the **designee** for whom coverage is afforded under this Part. This provision applies only if the person or organization does not own or hire the auto or **trailer**.

III. COVERAGE FOR DAMAGE TO YOUR AUTO

Part D is amended as follows:

The definition of **non-owned auto** is replaced by the following:

Non-owned auto means:

1. Any private passenger auto, station wagon type, pickup truck, van or **trailer** not owned by or furnished or available for the regular use of you or any **family member** while in the custody of or being operated by a **designee** or any **family member**.
2. Any auto or **trailer** you do not own while used as a temporary substitute for **your covered auto** which is out of normal use because of its:
 - a. breakdown;
 - b. repair;
 - c. servicing;
 - d. loss; or
 - e. destruction.

NOTICE OF CANCELLATION OR REFUSAL TO RENEW (NORTH CAROLINA)

of _____

(Kind of Policy)

Policy Number	Issued through agency or office at:	Cancellation or Termination will take effect at (date) (Hour Standard Time)	Date of Notice
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THIS NOTICE MAILED TO:

Paragraph applicable is marked [x]

[] CANCELLATION OF EXISTING POLICY

You are hereby notified in accordance with the terms and conditions of the above numbered policy and in accordance with law, that your insurance will cease at and from the hour and date indicated above. If premium has been paid, premium adjustment will be made as soon as practicable.

[] NON-RENEWAL OF PRESENT POLICY

You are hereby notified, in accordance with law, that the above numbered policy will expire effective at and from the hour and date indicated above and the policy will not be renewed.

THIS ACTION HAS BEEN TAKEN FOR THE FOLLOWING SPECIFIC REASON OR REASONS:

CONTINUOUS FINANCIAL RESPONSIBILITY (LIABILITY INSURANCE) REQUIRED - Nothing in the following advisory language affects or modifies the notice of cancellation or the notice of nonrenewal above. YOU ARE CAUTIONED THAT UNDER NORTH CAROLINA LAW YOU MUST MAINTAIN FINANCIAL RESPONSIBILITY (LIABILITY INSURANCE) CONTINUOUSLY THROUGHOUT YOUR MOTOR VEHICLE'S REGISTRATION PERIOD. OPERATION OF A MOTOR VEHICLE WITHOUT MAINTAINING SUCH FINANCIAL RESPONSIBILITY IS A CLASS 1 MISDEMEANOR, AND THE PENALTIES FOR SUCH OPERATION INCLUDE LOSS OF YOUR VEHICLE'S LICENSE PLATE FOR THIRTY (30) DAYS, IMPRISONMENT OF UP TO 120 DAYS AND A FINE IN THE DISCRETION OF THE COURT.

If your liability coverage is being cancelled, you SHOULD contact your present agent or any other licensed agent to secure replacement insurance in order to maintain continuous financial responsibility.

INFORMATION REGARDING YOUR RIGHT TO A REVIEW

You are hereby advised that North Carolina law provides that you have the right to make a written request to the Commissioner of Insurance, within 10 days after you receive this notice, that the Commissioner review the action of the insurer. Your right to a review applies under the law only to the cancellation of or refusal to renew AUTOMOBILE LIABILITY, MEDICAL PAYMENTS AND UNINSURED MOTORISTS OR COMBINED UNINSURED/UNDERINSURED MOTORISTS INSURANCE coverages, NOT to the cancellation of or refusal to renew any other coverages, including collision or comprehensive coverages. Your request for a review by the Commissioner should be addressed to: Commissioner of Insurance, North Carolina Department of Insurance, P. O. Box 26387, 1201 Mail Service Center, Raleigh, North Carolina 27611-27699-1201. You should clearly state the reasons for your request AND enclose a copy of this notice. If you deny the truth or accuracy of any reason or fact stated in this notice, you should state in your written request that you deny it and identify the particular reason or fact that you deny.

Company Name: _____

Address: _____

By: _____

(Authorized Signature)

Material ~~struck through~~ is deleted; material underlined is new

**MISCELLANEOUS TYPE VEHICLE ENDORSEMENT
SCHEDULE**

Description and Type of Vehicle	Passenger Hazard Excluded	
1.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.	Yes <input type="checkbox"/>	No <input type="checkbox"/>
3.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Coverages	Limit of Liability	Premium		
		Auto 1	Auto 2	Auto 3
Liability	Bodily Injury \$ _____ Each Person \$ _____ Each Accident Property Damage \$ _____ Each Accident	\$ _____	\$ _____	\$ _____
Medical Payments	\$ _____ Each Person	\$ _____	\$ _____	\$ _____
Uninsured Motorists	Bodily Injury \$ _____ Each Person \$ _____ Each Accident Property Damage \$ _____ Each Accident	\$ _____	\$ _____	\$ _____
Combined Uninsured and Underinsured Motorists	Bodily Injury \$ _____ Each Person \$ _____ Each Accident Property Damage \$ _____ Each Accident	\$ _____	\$ _____	\$ _____
Damage to your Auto Collision Loss Other Than Collision Loss	\$ _____ Less \$ _____ Ded. \$ _____ Less \$ _____ Ded.	\$ _____	\$ _____	\$ _____

With respect to the **miscellaneous type vehicles** and coverages described in the [Schedule or] ~~in the~~ Declarations, the provisions of the policy apply unless modified by this endorsement.

I. DEFINITIONS

The Definitions Section is amended as follows:

- A. For the purpose of the coverage provided by this endorsement **miscellaneous type vehicles** means+
 - 1. Aa motorcycle, golfcart or other similar type vehicle and a snowmobile.
 - ~~2. A private passenger auto owned jointly by two or more individuals other than husband and wife.~~
 - ~~3. A private passenger auto not owned by a natural person and not rated as part of a fleet.~~

B. The definition of **your covered auto** is replaced by the following:

Your covered auto means:

1. Any **miscellaneous type vehicle** shown in the [Schedule or] ~~in the~~ Declarations.
2. A **newly acquired auto**
3. Any **trailer** you own that is designed to be pulled by any miscellaneous type vehicle shown in the [Schedule or] Declarations.
4. Any **miscellaneous type vehicle** of the same type shown in the [Schedule or] Declarations that ~~or auto~~ you do not own while used as a temporary substitute for a ~~any other~~ vehicle described in 1. or 2 of this definition which is out of normal use because of its:
 - a. breakdown;
 - b. repair;
 - c. servicing;
 - d. loss; or
 - e. destruction.

C. The first paragraph of the definition of **newly acquired auto** is replaced by the following:

Newly acquired auto means any miscellaneous type vehicle of the same type shown in the [Schedule or] Declarations that ~~any of the following types of vehicles~~ you become the owner of during the policy period.

- ~~a. a private passenger auto or station wagon type;~~
- ~~b. a pickup or van that:~~
 - ~~(1) has a Gross Vehicle Weight as specified by the manufacturer of less than 10,000 lbs.; and~~
 - ~~(2) is not used for the delivery or transportation of goods and materials unless such use is:~~
 - ~~(a) incidental to your **business** of installing, maintaining or repairing furnishings or equipment; or~~
 - ~~(b) for farming or ranching.~~
- ~~e. any miscellaneous type vehicle of the same type shown in the Schedule or in the Declarations.~~

II. LIABILITY COVERAGE

Part A is amended as follows:

A. The definition of **insured** is replaced by the following:

Insured means:

1. You or any **family member** for the ownership, maintenance or use of **your covered auto**.
2. Any person using **your covered auto**.
3. For **your covered auto**, any person or organization but only with respect to legal responsibility for acts or omissions of a person for whom coverage is afforded under this Part.

B. The Exclusions Section is amended as follows:

The following exclusion applies under Part A to any vehicle for which the [Schedule or] Declarations indicates that the passenger hazard is excluded:

We do not provide Liability Coverage for any **insured** for **bodily injury** to any person while **occupying** the described **miscellaneous type vehicle**.

III. MEDICAL PAYMENTS COVERAGE

Part B, Medical Payments Coverage, is amended as follows:

If **your covered auto** is a motorcycle and the [Schedule or] Declarations of this policy indicate Medical Payments Coverage is in effect for it, Part B, Exclusion 11. does not apply.

IV. COVERAGE FOR DAMAGE TO YOUR AUTO

The Insuring Agreement of Part D is replaced by the following:

We will pay for direct and accidental loss to **your covered auto** including its equipment. Direct and accidental loss does not include any reduction in the value of any vehicle after it has been repaired, as compared to its value before it was damaged. ~~Our payment will be reduced by any deductible shown in the Declarations or Schedule. However,~~ We will pay for loss to **your covered auto** caused by:

1. Other than collision only if the [Schedule or] Declarations indicate that that **Other than Collision** coverage is provided for that vehicle.

2. Collision only if the [Schedule or] Declarations indicate ~~the~~that Collision coverage is provided for that vehicle.

Our payment will be reduced by any deductible shown in the [Schedule or] Declarations.

PERSONAL AUTO MANUAL REVISIONS

Miscellaneous Type Vehicles

A new endorsement (NC 03 28 05 08 - Business Named Insured Endorsement) has been created to provide coverage to autos not owned by a natural person and not rated as part of a fleet. This new Endorsement provides the same coverage that the Miscellaneous Type Vehicle Endorsement previously provided except that this Endorsement allows a person to be named as a “designee” to provide that person and resident family members Liability Coverage and Coverage For Damage To Your Auto for the use of non-owned autos. Paragraph 2.E. of the Personal Auto Manual has been amended to provide certain qualifications for a person to meet to qualify as a “designee”. A “designee” must meet all of the requirements specified in the revised manual rule. To qualify as a “designee” a person must (1) be a principal of the named insured’s business; (2) have custody or control of the vehicle shown in the Schedule or Declarations; (3) not be a named insured on another Personal Auto Policy; and (4) not be a family member of either a “designee” or another person who is a named insured on another Personal Auto Policy.

Rule 2. - Personal Auto Policy - Eligibility

The exception in Rule 2. - Eligibility in the Personal Auto Manual has been revised to eliminate the requirement that corporately owned non-fleet private passenger motor vehicles insured on a commercial policy must be combined with at least one commercial risk. With this revision a corporately owned non-fleet private passenger motor vehicle may be insured on a commercial policy even if there are no commercial risks. The corporately owned private passenger motor vehicles must still be rated out of the Personal Auto Manual and must still be coded as non-fleet private passenger for statistical data purposes.

Material ~~struck through~~ is deleted; material underlined is new

2. PERSONAL AUTO POLICY – ELIGIBILITY

- A. A Personal Auto Policy shall be used to afford coverage to private passenger autos and motor vehicles considered as private passenger autos in Rule 1., if:
1. They are written on a specified auto basis, and
 2. They are owned by an individual or by a husband and wife who are residents in the same household.
- B. A Personal Auto Policy shall be used to afford coverage to private passenger autos that are owned jointly by two or more individuals other than husband and wife, if:
1. They are written on a specified auto basis, and
 2. Coverage is limited in accordance with the ~~applicable~~ Joint Ownership Endorsement.
- C. A Personal Auto Policy shall be used to afford coverage to motorcycles, golfcarts or other similar type vehicles and snowmobiles not used for commercial purposes, if:
1. They are written on a specified vehicle basis, and
 2. Coverage is limited in accordance with the ~~applicable~~ Miscellaneous Type Vehicle Endorsement.
- D. A Personal Auto Policy shall be used to afford coverage to a named individual who does not own an auto. The applicable endorsement must be attached.
- E. A Personal Auto Policy ~~may shall~~ be used to afford coverage to private passenger autos not owned by a natural person and not rated as part of a fleet ~~if: The applicable endorsement must be attached.~~
1. they are written on a specified auto basis, and
 2. coverage is limited in accordance with the Business Named Insured Endorsement.

The Business Named Insured Endorsement allows a person to be named as a “designee” to provide that person and resident family members Liability Coverage and Coverage for Damage To our Auto for the use of non-owned autos. Only persons who meet all of the requirements below should be listed as a “designee.” These are persons who:

1. are principals of the named insured's business;
2. have custody or control of a vehicle shown in the Declarations;
3. are not named insureds on another Personal Auto Policy; and
4. are not family members of either another “designee” or another person who is a named insured on another Personal Auto Policy since non-owned coverage is already provided.

- F. A Personal Auto Policy may be used to afford coverage to five or more four-wheel private passenger autos owned by an individual or owned jointly by two or more individuals resident in the same household if the autos are not used for business use, other than farming or ranching.

Exceptions

Exposures in A., B. ~~or C.~~ ~~or E.~~ above may be written under a commercial auto policy when combined with a commercial risk.

Exposures in E. ~~or F.~~ above may be written under a commercial auto policy.

Note

Non-fleet private passenger motor vehicles must be rated out of the Personal Auto Manual and must be coded as non-fleet private passenger for statistical reporting purposes whether written on a personal auto policy or a commercial auto policy.