



August 20, 2018

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Commercial Auto Policy - Manual Revisions

The Commissioner of Insurance has recently approved revisions to the North Carolina Reinsurance Facility Commercial Automobile Manual supporting HB 382. These changes are effective immediately.

1. Standard Practices Section, Rate Evasion, Fraud (GS 58-2-164) Pages 7 and 8. Formatting changes, clarification changes and additional wording inserted from HB 382.

For your reference, attached are copies of the manual pages being revised.

All changes noted above will be updated in the online Commercial Auto Manual, as soon as possible.

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

Any questions regarding these changes should be directed to Tom Burns at (919) 719-3033 or email [tfb@NCRB.org](mailto:tfb@NCRB.org).

Sincerely,

Thomas F. Burns

Director, Auto Operations

North Carolina Reinsurance Facility

TFB:lad

Attachments

RF-18-12

**STANDARD PRACTICES**

date of licensing for any operator licensed for less than two years.

- b. Identification of each of the specified vehicles to be insured to include the year, the make and model, the body type, and the vehicle identification number.
- c. The use of each vehicle to be insured, as required by the approved classification plan, and the place of principal garaging.
- d. A record of all accidents and convictions by the applicant and all operators as needed to establish the correct subclass, according to the North Carolina Safe Driver Insurance Plan.
- e. The correct gross weight and information regarding the use, including the radius of operation, of any commercial automobile.
- f. With respect to risks eligible for experience rating:
  - (1) The names of the prior carriers for the past four years;
  - (2) The earned premiums for the past four years; and
  - (3) Current valued loss runs for the past four years.
- g. Any other information necessary to develop the correct rating and premium for any type of risk eligible to be ceded.
- h. **A Statement of Eligibility for Cession of Higher Limits Form NCRF-30 (see Section 3 Exhibit F-1** in the Standard Practice Manual) when coverage limits above 100/300/50 are to be ceded to the Facility pursuant to paragraph C.2 of this Section and the coverage limits are required by rule, law, or regulation other than the Vehicle Financial Responsibility Act of 1957 (Article 13 Chapter 20, General Statutes of North Carolina). The insured must complete and sign a Form NCRF-30, and the signed form, or a copy thereof, must be retained in the ceding company's file. Absent a finding by the Facility of a lack of good faith by the ceding company, the ceding company shall be entitled to rely upon the insured's satisfactorily completed statement of eligibility for the cession of limits above 100/300/50. If, upon audit, the ceding company does not have a satisfactorily completed Form NCRF-30 in its file, the ceding company, in order to maintain cession of limits above 100/300/50 to the Facility or, in the event of a loss, in order to recover reimbursement from the Facility for losses in excess of 100/300/50, must prove, to the satisfaction of the Facility, that the higher limits were eligible to be ceded to the Facility as of the effective date of the initial cession of the insured's policy by the ceding company or as of the date notice of such cession was received by the Facility. A Form NCRF-30 is satisfactorily completed if the form is fully completed and the date the form was signed by the insured is prior to the later of (1) the date 45 days after the initial notice of ces-

sion of the insured's policy by the ceding company was received by the Facility or (2) the date of a loss.

The initial statement of eligibility by the insured shall remain in effect and may be relied upon by the ceding carrier for subsequent successive renewals of the policy until such time as the insured advises the ceding company that the insured is no longer required by the rules, laws, and regulations referenced in GS 58-37-35(b)(1)e. to maintain coverage limits in excess of 100/300/50 or until the ceding company becomes aware that the insured is no longer required by such rules, laws, or regulations to maintain coverage limits in excess of 100/300/50.

- i. **A Certification of Higher Coverage Limits Form NCRF-31 (See Section 3 Exhibit G-1 in the Standard Practice Manual)** when liability coverage limits above 100/300/50 or medical payments limits above \$2,000 are to be ceded to the Facility pursuant to paragraph C.3 of this Section. The insured must complete and sign a copy of Form NCRF-31 and the signed form, or a copy thereof, must be retained in the ceding company's file. Absent a finding by the Facility of a lack of good faith by the ceding company, the ceding company shall be entitled to rely upon the insured's satisfactorily completed certification for the cession of liability coverage limits above 100/300/50 and/or medical payments limits above \$2,000. If, upon audit, the ceding company does not have a satisfactorily completed Form NCRF-31 in its file, the ceding company, in order to maintain cession of such limits to the Facility or, in the event of a loss, in order to recover reimbursement from the Facility for losses in excess of 100/300/50 for the liability coverages and/or in excess of \$2,000 for medical payments, must prove, to the satisfaction of the Facility, that the higher limits were eligible to be ceded to the Facility as of the effective date of the initial cession of the insured's policy by the ceding company or as of the date notice of such cession was received by the Facility. A Form NCRF-31 is satisfactorily completed if the form is fully completed and the date the form was signed by the insured is prior to the later of (1) the date 45 days after the initial notice of cession of the insured's policy by the ceding company was received by the Facility or (2) the date of loss.

The initial certification by the insured shall remain in effect and may be relied upon by the ceding carrier for subsequent successive renewals of the policy until such time as the insured advises the ceding company that the higher limits are no longer needed in order to obtain or continue coverage under personal excess liability or personal "umbrella" insurance policies or until the ceding company becomes aware that the higher limits are no longer needed in order to obtain or continue coverage under personal excess liability or personal "umbrella" insurance policies.

STANDARD PRACTICES

Rate Evasion Fraud (GS 58-2-164)

i. Rate Evasion, Fraud – Reliable Proof – Other than Nonfleet Private Passenger Motor Vehicle Insurance

~~As provided in G.S. 58-2-164(c2), for the purpose of obtaining other than nonfleet private passenger motor vehicle insurance and to the extent relevant to a particular criterion, for eligible risk status and for the purpose of obtaining other than nonfleet private passenger motor vehicle insurance,~~ reliable proof of North Carolina residency or eligible risk status includes two or more of the following:

- (1) A utility bill in the name of the applicant showing a North Carolina address for the principal place of business of the applicant.
- (2) A receipt for real property taxes paid by the applicant to a North Carolina locality within the preceding 12-month period and showing the applicant's current North Carolina address.
- (3) A valid North Carolina vehicle registration is- sued to the applicant and showing the applicant's current North Carolina address.
- (4) A federal income tax return filed by the applicant for the most recent prior filing period showing the applicant's name and current North Carolina address.
- (5) A valid North Carolina driver's license of an owner of an applicant that is a corporation or an LLC, provided that the person holds at least twenty (20%) percent ownership interest in the applicant corporation or LLC.
- (6) If the principal place of business of a corporation or LLC is the primary residence of the sole owner, any of the documents identified in subdivisions (1) through (5) of this subsection, whether in the name of the corporation or LLC or in the name of the sole owner. For purposes of this subsection, "sole owner" shall mean an individual or a husband and wife.

For purposes of subdivisions (5) and (6) of

this subsection, on policies to be ceded to the North Carolina Reinsurance Facility, proof of ownership is established through the execution by the owner of the corporation or LLC of Certification of Ownership Form NCRF- 47 (see Exhibit H-1 in the Standard Practice Manual).

**NOTE: For a risk to be an eligible risk for the purpose of motor vehicle insurance other than nonfleet private passenger motor vehicle insurance, the requirements of G. S. 58-37-1(4) must be satisfied. A completed Form NCRF-47 alone does not satisfy those requirements.**

The following definitions apply to the above:

"Applicant" means one or more persons applying for the issuance or renewal of an auto insurance policy on which the person or persons will be a named insured.

"Principal place of business" means the single physical location from which the majority of the essential operations of the applicant's business are directed and controlled. The location of a consultant, service agent, or attorney of the applicant shall not be sufficient to establish an applicant's principal place of business.

3. Ceding at Renewal—The Plan of Operation requires each risk to have an underwriting review and the Facility to be notified of cession prior to the effective date of each renewal if cession is to be effective on that date. This requirement applies to every renewal to be ceded, whether or not the expiring policy was ceded.

THIS WILL INCLUDE AS A MINIMUM OBTAIN- ING CURRENT RECORDS OF CONVICTIONS FOR MOVING TRAFFIC VIOLATIONS EVERY YEAR FOR ALL OPERATORS OF THE VEHICLES INSURED UNDER EACH CEDED POLICY SUB- JECT TO RATING UNDER THE SAFE DRIVER INSURANCE PLAN

4. Agents' Responsibility—It shall be the responsibility of each agent to obtain from the applicant answers to all relevant questions on the application for insurance and to obtain from the applicant any other in- formation needed for correct premium determination.