

**CHECKING SLIP—IMPORTANT**  
**NORTH CAROLINA REINSURANCE FACILITY**  
**ACCOUNTING AND STATISTICAL REQUIREMENTS MANUAL**  
**March 2025 Distribution**

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**Explanation of Revisions**

The NCRF Board of Governors approved amendments to the NCRF Standard Practice Manual on February 26, 2025, effective March 1, 2025.

Section 3, General Rules, Pages 3-1 through 3-15, to update grammar and statutory language.

Section 3, General Rules, Exhibit A-1 & B-2, to include new limits and limit codes carriers can select submit to EDGE.

Section 4, Chapter 8, Page 8-2, to include format changes.

Section 4, Chapter 10, Page 10-1, to revise wording per CFO.

Effective Dates (a), to update dates.

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**New Pages to Be Inserted**

Section 3, General Rules, Page 3-1, Page 3-2 & Pages 3-5 through Pages 3-16

Section 3, General Rules, Exhibit A-1 & Exhibit B-2

Section 4, Chapter 8, Page 8-2

Section 4, Chapter 10, Page 10-1

Effective Dates (a)

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**Superseded Pages to Be Removed**

Section 3, General Rules, Page 3-1, Page 3-2 & Pages 3-5 through Pages 3-16

Section 3, General Rules, Exhibit A-1 & Exhibit B-2

Section 4, Chapter 8, Page 8-2

Section 4, Chapter 10, Page 10-1

Effective Dates (a)

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**SECTION 1**  
**ARTICLE 37, CHAPTER 58,**  
**GENERAL STATUTES OF NORTH CAROLINA**



The North Carolina Motor Vehicle Reinsurance Facility was created by legislation enacted in 1973, and those statutes, as currently constituted and amended, are contained in

NORTH CAROLINA GENERAL STATUTES  
CHAPTER 58, ARTICLE 37  
and include N.C.G.S. 58-37-1, et seq.

The North Carolina Motor Vehicle Reinsurance Facility is commonly referred to now as the North Carolina Reinsurance Facility.



**SECTION 2**  
**PLAN OF OPERATION**





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**Section 2**  
**PLAN OF OPERATION**

**ARTICLE 1**  
**MEMBERSHIP OBLIGATIONS, GENERAL**

**(1) Name, Creation, Membership**

There is created pursuant to Article 37 of Chapter 58 of the General Statutes of North Carolina a non-profit unincorporated legal entity to be known as the North Carolina Reinsurance Facility (hereinafter referred to as the "Facility") consisting of all insurers licensed to write and engaged in writing within this State motor vehicle insurance or any component thereof. Every such insurer, as a prerequisite to further engaging in writing such insurance in this State, shall be a member of the Facility and shall be bound by the provisions of said Article 37, and the Plan of Operation (hereinafter referred to as the "Plan") and the Rules of Operation promulgated by the Board of Governors (hereinafter referred to as the "Board") pursuant thereto. No company may withdraw from membership in the Facility unless it ceases to write motor vehicle insurance in this State or ceases to be licensed to write such insurance.

**(2) Obligations After Termination Of Membership**

Any company whose membership in the Facility has been terminated by withdrawal shall, nevertheless, continue to be bound by the provisions of said Article 37, and the Plan and the Rules of Operation promulgated by the Board pursuant thereto.

**(3) Insolvency**

Any unsatisfied net liability to the Facility of any insolvent member shall be assumed by and apportioned among the remaining members in the Facility in the same manner in which assessments are apportioned by the Facility. The Facility shall have all rights allowed by law in behalf of the remaining members against the estate or funds of such insolvent member for sums due the Facility.

**(4) Merger, Consolidation, Reinsurance**

When a member has been merged or consolidated into another insurer, or another insurer has reinsured a member's entire motor vehicle insurance business in North Carolina, such member and its successors in interest and the other insurers with which it has been merged or consolidated shall remain liable for such member's obligations hereunder.

**(5) No Direct Liability**

No judgment against the Facility shall create any direct liability in the individual members.

**ARTICLE II**  
**DEFINITIONS**

"Cede" or "Cession" means the act of transferring the risk of loss from an individual member to all members through the operation of the Facility.

"Commissioner" means the Commissioner of Insurance of North Carolina.

"Eligible risk," for the purpose of motor vehicle insurance other than nonfleet private passenger motor vehicle insurance, means:

- a. A person who is a resident of this State who owns a motor vehicle registered or principally garaged in this State;
- b. A person who has a valid driver's license in this State;
- c. A person who is required to file proof of financial responsibility under Article 9A or 13 of Chapter 20 of the General Statutes in order to register his or her motor vehicle or to obtain a driver's license in this State;

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- d. A nonresident of this State who owns a motor vehicle registered and principally garaged in this State; or
- e. The State and its agencies and cities, counties, towns and municipal corporations in this State and their agencies.

However, no person shall be deemed an eligible risk if timely payment of premium is not tendered or if there is a valid unsatisfied judgment of record against such person for recovery of amounts due for motor vehicle insurance premiums and such person has not been discharged from paying said judgment, or if such person does not furnish the information necessary to effect insurance.

“Eligible risk,” for the purpose of nonfleet private passenger motor vehicle insurance, means:

- a. A resident of this State who owns a motor vehicle registered or principally garaged in this State;
- b. A resident of this State and who has a valid driver’s license issued by this State;
- c. A person who is required to file proof of financial responsibility under Article 9A or 13 of Chapter 20 of the General Statutes in order to register his or her vehicle or to obtain a driver’s license in this State;
- d. A nonresident of this State who owns a motor vehicle registered and principally garaged in this State;
- e. A nonresident of the State who is one of the following:
  - 1. A member of the United States Armed Forces stationed in this State, or deployed outside this State from a home base in this State, who intends to return to his or her home state;
  - 2. The spouse of a nonresident member of the United States Armed Forces stationed in this State, or deployed outside this State from a home base in this State, who intends to return to his or her home state;
  - 3. An out-of-state student who intends to return to his or her home state upon completion of his or her time as a student enrolled in school in this State; or
- f. The State and its agencies and cities, counties, towns, and municipal corporations in this State and their agencies.

However, no person shall be deemed an eligible risk (a) if timely payment of premium is not tendered, (b) if there is a valid unsatisfied judgment of record against the person which the person has not been discharged from paying, for recovery of amounts due for (i) motor vehicle insurance premiums or (ii) payments recoverable under a policy because the issuance of the policy was induced by a knowing and material misrepresentation of facts relating to the insured’s status as an eligible risk, or (c) if the person does not furnish the information necessary to effect insurance.

“Motor Vehicle” means every self-propelled vehicle that is designed for use upon a highway, including trailers and semitrailers designed for use with such vehicles (except traction engines, road rollers, farm tractors, tractor cranes, power shovels, and well drillers). “Motor vehicle” also means a motorcycle, as defined in G.S. 20-4.01(27)h, and a moped, as defined in G.S. 20-4.01(27)i. “Motor Vehicle” does not mean an electric assisted bicycle, as defined in G.S. 20-4.01(7a).

“Motor Vehicle Insurance” means direct insurance against liability arising out of the ownership, operation, maintenance or use of a motor vehicle for bodily injury including death and property damage and includes medical payments and uninsured and underinsured motorists coverages. With respect to motor carriers who are subject to the financial responsibility requirements established under the Federal Motor Carrier Act of 1980, the term “motor vehicle insurance” includes coverage with respect to environmental restoration. As used in this subsection the term, “environmental restoration” means restitution for the loss, damage, or destruction of natural resources arising out of the accidental discharge, dispersal, release, or escape into or upon the land, atmosphere, water course, or body of water of any commodity transported by a motor carrier. Environmental restoration includes the cost of removal and the cost of necessary measures taken to minimize or mitigate damage to human health, the natural environment, fish, shellfish, and wildlife.

“Person” means every natural person, firm, partnership, association, trust, limited liability company, firm, corporation, government or governmental agency.

“Principally garaged” means the vehicle is garaged for six or more months of the current or preceding year on property in this State which is owned, leased, or otherwise lawfully occupied by the owner of the vehicle.”

**ARTICLE III  
OFFICES, MEETINGS**

**(1) Offices**

The offices of the Facility shall be located in Raleigh, North Carolina or at such other location in North Carolina as may from time to time be determined by the Board.

**(2) Regular Meetings**

There shall be an annual meeting of the Facility in Raleigh, North Carolina in October (unless the Board shall designate some other date and place).

**(3) Special Meetings**

Special meetings of the Facility may be called at any time by the Chair of the Board, and special meetings shall be called by the Chair upon the written request of the Commissioner or of five voting members of the Board.

**(4) Mode of Meetings**

A meeting of the Facility may be held in person or by remote means (including telephone or other electronic communication) which allow all meeting participants to communicate in real time. The Facility shall implement reasonable measures to verify the credentials of all participants. A member participating by remote means will be counted in determining whether a quorum is present.

**(5) Notice of Meetings**

Notice of all annual and special meetings of the Facility shall be given or caused to be given by the Chairman in writing mailed to or by facsimile or electronic mail directed to each member at its latest address appearing upon the records of the Facility. Except where otherwise provided in this Plan, if notice is mailed, it shall be placed in the mail not less than 10 days prior to the date of the meeting. If notice is given by facsimile or electronic mail it shall be given not less than 5 days prior to the meeting. At least 20 days notice of the annual meeting of the Board of Governors shall be given to all Board members.

Notices shall specify the place and/or mode, date, and time of the meeting, and the means of remote participation, if any, by which members and proxy holders may be deemed to be present and vote at such meeting.

A quorum at any annual or special meeting of the Facility shall consist of 51% of the members, which members may be represented at the meeting in person, remotely, or by proxy.

**(6) Powers**

The matters to be considered at any special meeting of the Facility shall be only those matters set forth in the notice of such meeting. At annual meetings members may consider and act upon all matters properly brought before them, whether or not contained in the notice thereof.

**(7) Voting Rights**

Each member of the Facility shall be entitled to one vote at all meetings of the Facility. Except where otherwise provided in this Plan, action may be taken at any such meeting only upon a majority vote of the members voting provided such vote represents not less than 70% of the total North Carolina net direct motor vehicle insurance premiums written during the latest reported calendar year by all members voting in person, remotely, or by proxy.

**(8) Proxies**

Members may be represented at any meeting by proxy. Members may record their vote by mail on written propositions and such votes shall have the same standing as if cast by such member in person, remotely, or by proxy.

**(9) Minutes of Meeting**

Minutes of all meetings of the Facility and of the Board shall be available upon request.

**ARTICLE IV  
BOARD OF GOVERNORS**

**(1) Membership of Board**

The Board of Governors shall consist of twelve Board members having one vote each from the classifications hereinafter enumerated plus two nonvoting public members who are not employed by or affiliated with any insurance company or the Department of Insurance plus the Commissioner who shall serve ex officio without vote. The two nonvoting public members shall be appointed by the Governor to serve at the Governor's pleasure. Each member serving on the Board shall be represented by a senior officer. Not more than one member in a group under the same ownership or management shall be represented on the Board at the same time.

Five Board members shall be selected by the members, one each from the following groups: The American Insurance Association (or its successors), the Property Casualty Insurers Association of American (or its successors), stock insurers not affiliated with those trade associations, nonstock insurers not affiliated with those trade associations, and the industry at large regardless of trade affiliation. The at-large insurer shall be selected by the insurer company members of the Board. The Commissioner shall appoint two Board members who are Facility insurance company members domiciled in this State. The Commissioner shall appoint one member of the Board who shall be selected from two nominees submitted by the Alliance of Insurance Agents of North Carolina. The Commissioner shall appoint four Board members of the Board who shall be insurance producers with property and casualty lines of authority licensed in North Carolina and actively engaged in writing motor vehicle insurance in this State. The term of office of the Board members shall be three years. All Board members shall serve until their successors are selected and qualified and the Commissioner may fill any vacancy on the Board from any of the aforementioned classifications until such vacancies are filled in accordance with the provisions of this Plan.

**(2) Selection of Board Members**

The names of the Board members selected as described above shall be announced at an appropriate annual or special meeting of the Facility.

Selection of the at-large insurer Board member and the Board members representing the trade associations shall be made in accordance with the procedures of each such selecting group. Nominations and voting for Board members representing unaffiliated members may be in person or remotely by a representative of the unaffiliated member or by proxy. Each unaffiliated member shall be entitled to one vote at all such Board member selection meetings. The votes of a majority of the members voting within the particular group (stock or non-stock members) shall select its respective Board member. No unaffiliated member which is a part of a group under the same ownership or management shall by reason thereof be deprived of the right to vote unless such owner or manager is a member of one of the trade associations named herein.

**(3) Election of Chair**

The Board shall annually (or at such other times as may be necessary) elect from its membership a Chair and shall meet as often as the Chair shall require or at the request of four Board members. The Chair shall retain the right to vote on all issues. The same member may not serve as Chair for more than two consecutive years; provided, however, that a member may continue to serve as Chair until a successor Chair is elected and qualified.

**(4) Functions of the Board**

The Board shall have full power and administrative responsibility for the operation of the Facility.

**(5) Reimbursement of Board Member Expenses**

Board members shall receive reimbursement from the Facility for their actual and necessary expenses incurred on Facility business, en route to perform Facility business, and while returning from Facility business plus a per diem allowance of \$25.00 which may be waived. The Board may make provision for reimbursement for actual and necessary expenses incurred by others on Facility business.

**(6) Board Meetings**

Seven members of the Board entitled to vote shall constitute a quorum. **All meetings of the Board shall be**



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**held in North Carolina, or at some other place as may be designated by the Chair.** Meetings of the Board may be held in person or by remote means (including telephone or other electronic communication) which allow all meeting participants to communicate in real time. The Facility shall implement reasonable measures to verify the credentials of all participants in Board meetings. The Board may provide for proxy voting at meetings of the Board.

**(7) Mail or Electronic Mail Votes**

Except as otherwise provided in this Plan of Operation, the Chair of the Board or the Facility general manager appointed by the Board shall have authority to submit any matter to the Board for action by a mail or electronic mail vote. The submission to the Board shall specify the final date for voting, which date shall be not less than ten days following the mailing or transmission thereof to all members of the Board. Except as provided below, any motion, recommendation or proposal which receives a favorable mail or electronic mail vote within the allotted time from eight or more of the members of the Board eligible to vote shall be deemed to be adopted to the same extent and with the same effect as if it had been approved and adopted at a duly constituted meeting of the Board of Governors. Notwithstanding the foregoing, a motion, recommendation or proposal will not be deemed to have been adopted as a result of a mail or electronic mail vote if the Facility office receives on or before the final date fixed for voting written or verbal requests from two or more members of the Board that the matter be considered at a meeting of the Board.

**ARTICLE V  
COMMITTEES**

**(1) Establishment of Advisory Committees**

The Board shall establish the following advisory committees of the Facility:

- a. Claims Committee
- b. Audit Committee
- c. Rating Committee
- d. Compliance Committee

**(2) Miscellaneous Committees**

The Board may establish such other committees of the Facility as it deems necessary.

**(3) Committee Meetings**

Meetings of committees of the Facility may be held in person or by remote means (including telephone or other electronic communication) which allow all meeting participants to communicate in real time. The Facility shall implement reasonable measures to verify the credentials of all participants of such meetings.

**ARTICLE VI  
STATISTICAL DATA**

Each member shall furnish or cause to be furnished such statistics in connection with insurance subject to the Facility as may be required by the Facility, and each member agrees to permit its statistical agent to release any such data as may be requested by the Facility. Such statistics shall be furnished at such times and in such form and detail as may be required by the Facility.

**ARTICLE VII  
ANNUAL REPORT**

**(1) Operations of the Facility**

There shall be furnished to each member an annual report of the operations of the Facility in such form and detail as may be determined by the Board.

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**(2) Financial Statement for the Facility**

The annual report shall include a financial statement of the Facility audited by an independent auditor approved by the Legislative Services Commission of the North Carolina General Assembly.

**ARTICLE VIII  
INDEMNIFICATION**

**(1) Qualification for Indemnification**

Any person or member made or threatened to be made a party to any action, suit or proceeding, because such person or member served on the Board or on a committee of the Facility or was an officer or employee of the Facility, shall be indemnified by the Facility against all judgments, fines, amounts paid in settlement, reasonable costs and expenses including attorney's fees and any other liabilities that may be incurred as a result of such action, suit or proceeding, or threatened action, suit or proceeding, except in relation to matters as to which such person or member shall be adjudged in such action, suit or proceeding to be liable by reason of breach of duty involving gross negligence, bad faith, dishonesty, willful misfeasance or reckless disregard of the responsibilities in the performance of such person's or member's duties or obligations to the Facility and, with respect to any criminal actions or proceedings, except when such person or member had reasonable cause to believe that the conduct was unlawful. Such indemnification shall be provided whether or not such person or member is a member or is holding office or is employed at the time of such action, suit or proceeding and whether or not any such liability is incurred prior to the adoption of this Plan. Such indemnification shall not be exclusive of other rights such person or member may have and shall extend to the successors, heirs, executors or administrators of such person or member. In the event of settlement or other termination of a matter before final adjudication indemnification shall be provided only if the Board is advised by independent counsel that the person or member to be indemnified did not in counsel's opinion commit such a breach of duty.

**(2) Entitlement for Indemnification**

In each instance in which a question of indemnification arises, entitlement thereto, pursuant to the conditions set forth in the first paragraph of this Article VIII, shall be determined by the Board which shall also determine the time and manner of payment of such indemnification; provided, however, that a person or member who or which has been wholly successful, on the merits or otherwise, in the defense of a civil or criminal action, suit or proceeding of the character described in the first paragraph of this Article VIII shall be entitled to indemnification as authorized in such paragraph. Nothing herein shall be deemed to bind a person or member who or which the Board has determined not to be entitled to indemnification, or to preclude such person or member from asserting the right to such indemnification by legal proceedings. Such indemnification as is herein provided shall be apportioned among all members, including any named in any such action, suit or proceeding, pursuant to this Plan.

**ARTICLE IX  
THE FACILITY**

**(1) Cession of Risks**

Cessions of eligible risks shall be made in accordance with this Plan of Operation, the rules and regulations of the Board of Governors adopted and promulgated pursuant hereto and any amendments thereto.

**(2) Coverage and Limits Eligible for Cession**

The following coverages of motor vehicle insurance and in at least the following amounts of insurance shall be eligible for cession to the Facility:

- a. Bodily Injury Liability: \$30,000 each person, \$60,000 each accident;
- b. Property Damage Liability: \$25,000 each accident;
- c. Medical Payments: \$1,000 each person, except that this coverage shall not be available for motorcycles or mopeds;

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- d. Uninsured Motorists: \$30,000 each person,  
\$60,000 each accident for bodily injury;  
\$25,000 each accident for property damage (\$100.00 deductible)
- e. Any other motor vehicle insurance or financial responsibility limits for such insurance in the amounts required by any federal law or federal agency regulation; by any law of this State; or by any rule duly adopted under Chapter 150B of the General Statutes or by the North Carolina Utilities Commission.

**(3) Additional Ceding Privileges**

Additional ceding privileges for motor vehicle insurance shall be provided by the Board up to the following:

- a. Bodily Injury Liability: \$100,000 each person, \$300,000 each accident;
- b. Property Damage Liability: \$50,000 each accident;
- c. Single Limit Bodily Injury and Property Damage liability: A limit per accident equal to the total of the minimum per accident Bodily Injury and Property Damage Liability limits required under the North Carolina Vehicle Financial Responsibility Act of 1953 as it is in effect on the date of cession to the Facility;
- d. Medical Payments: \$2,000 each person, except that this coverage shall not be available for motorcycles or mopeds;
- e. Uninsured Motorists: \$1,000,000 each person and \$1,000,000 each accident for bodily injury and \$50,000 each accident for property damage (\$100.00 deductible).
- f. Combined Uninsured and Underinsured Motorists:  
\$1,000,000 each person and \$1,000,000 each accident for bodily injury and \$50,000 each accident for property damage (\$100.00 deductible).

**(4) Excess Limits**

For persons who must maintain liability coverage limits above those available under Section (3) of this Article IX in order to obtain or continue coverage under personal excess liability or personal "umbrella" insurance policies, additional ceding privileges for motor vehicle insurance shall be provided by the Board of Governors up to the following:

- a. Bodily Injury Liability: \$250,000 each person, \$500,000 each accident;
- b. Property Damage Liability: \$100,000 each accident;
- c. Medical Payments: \$5,000 each person, except that this coverage shall not be available for motorcycles or mopeds.

**(5) Notification of Facility**

In order to cede an eligible risk effective when the binder or policy first becomes effective, and in order to cede as of the renewal effective date a first renewal of such policy in effect at the effective date of this Plan, the member must within 30 days of the binder or policy or renewal effective date notify the Facility. The Facility shall accept eligible risks at other times on receipt of the required notice, but such acceptance shall not be retroactive. The Facility shall accept renewal business involving eligible risks after the member on underwriting review elects to again cede the business.

**(6) Definition of "Accident"**

As used in this Article the term "accident" shall mean "occurrence" where the coverage is written on such basis.

**(7) Establishment and Filing**

The Board of Governors shall establish and file with the Commissioner the classifications, rules, rates, rating plans and policy forms to be used on motor vehicle insurance policies reinsured or written by the Facility.

The Board shall adopt and file with the Commissioner for approval or modification proposed revisions in the classification and rating plans for other than non-fleet private passenger motor vehicle insurance ceded to the Facility.

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The Board may authorize any licensed or statutory statistical organization or bureau to establish and file any such classifications, rules, rates and rating plans on behalf of the Facility.

**ARTICLE X**

**CESSIONS**

Subject to the limits of coverage and any limitations on cessions which are provided in this Plan and are not in conflict with the provisions of Article 37 of Chapter 58 of the General Statutes, a member shall cede 100% of any eligible risks ceded.

**ARTICLE XI**

**ASSESSMENTS, PARTICIPATION RATIOS, RECOUPMENT**

**(1) Facility Losses, Expenses and Gains**

Facility losses, expenses, and gains shall be determined on the basis of generally accepted insurance accounting principles as incorporated in the NAIC Model Financial Statement Blank which the Commissioner furnishes casualty insurers pursuant to the provisions of G.S. 58-2-165 and shall include all investment income from the premiums on business reinsured by the Facility.

**(2) Preliminary Assessment**

The Board shall, prior to commencement of operations of the Facility, levy a preliminary assessment on all members for necessary initial expenses. Such initial assessment may be a uniform flat charge payable by each member, or it may be on a uniform percentage basis (or bases) or any combination of the foregoing. Thereafter, each member shall be assessed an annual minimum fee of \$100.

**(3) Assessment, Distribution and Recoupment**

The Board periodically shall:

- a. Assess members if necessary to defray losses and expenses;
- b. Distribute any gains first to defray losses incurred since September 1, 1977, and then by credit or reduction of recoupment surcharges to policies subject to recoupment surcharges; and
- c. Recoup losses sustained by the Facility since September 1, 1977, by assessment of member companies or by way of a surcharge on motor vehicle policies issued by member companies or through the Facility.

**(4) Recoupment of Assessment**

Every member shall, following payment of any assessment, commence recoupment of that assessment by way of a surcharge on motor vehicle insurance policies issued by the member or through the Facility. Such surcharge shall be a percentage of premium adopted by the Board and the charges determined on the basis of the surcharge shall be combined with and displayed as a part of the applicable premium charges. Recoupment of losses sustained by the Facility with respect to nonfleet private passenger motor vehicles may be made only by surcharging nonfleet private passenger motor vehicle insurance policies. If the amount collected during the period of surcharge exceeds assessments paid by the member, the member shall pay over the excess to the Facility on a date specified by the Board. If the amount collected during the period of surcharge is less than the assessments paid by the member, the Facility shall pay the difference to the member.

Except as provided in Section (5) of this Article XI, the recoupment of losses shall not be considered as the collection or imposition of rates or premiums for any purposes.

**(5) Insurance Producer Compensation**

The Board of Governors shall adopt and implement a plan for compensation of insurance producers or members when recoupment surcharges are imposed on motor vehicle insurance policies written to become effective on or after October 1, 1981. Recoupment surcharges applied to such policies shall include an amount necessary to recover the amount of such compensation to insurance producers.

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**(6) Clean Risk Surcharge**

The Board shall periodically determine the difference between the actual rates to be charged and the actuarially sound and self-supporting rates for "clean risks" as defined in G.S. 58-37-35(I). Such difference may be recouped through surcharges in the manner provided for in Sections 4 and 5 of this Article XI.

**(7) Subsequent Assessments**

[Applicable with respect to business effective prior to January 1, 1980.]

Subsequent assessments to pay for Facility losses and expenses shall be levied as frequently as the Board deems necessary. Such assessments shall be allocated among the members in accordance with the following:

- a. Each member's allocated share of the private passenger non-fleet motor vehicle insurance experience on ceded risks shall be that proportion of such experience that its respective "total private passenger liability net direct written car years", as defined in the Rules of Operation, bear to the respective total of such net direct written car years of all members in North Carolina.
- b. Each member's allocated share of the all other motor vehicle insurance experience on ceded risks shall be that proportion of such experience that its respective "total all other automobile liability premiums", as defined in the Rules of Operation, bear to the respective total of such premiums of all members in North Carolina.
- c. All costs, charges, expenses, and liabilities in excess of the assessments provided in Paragraph (2) and all income, property and other assets, which the Board determines not to be properly chargeable to the profit or loss of ceded business shall be shared by the members in the respective proportions that each member's "direct written automobile insurance premiums" in North Carolina for the most recent calendar year bear to the total of such premiums for all members. "Direct written automobile insurance premiums" means such reported premiums as defined in the Rules of Operation.

**(8) Subsequent Assessments**

[Applicable with respect to business effective on and after January 1, 1980.]

All Facility costs, expenses, income, losses and gains shall be allocated among the members in accordance with the following:

- a. Each member's proportionate share of the private passenger non-fleet motor vehicle costs, expenses, income, losses and gains shall be determined as the average of (i) the ratio of its total North Carolina private passenger liability net direct written car years to the total such net direct written car years of all members and (ii) the ratio of its total North Carolina ceded private passenger liability net direct written car years to the total such ceded net direct written car years of all members.
- b. Each member's proportionate share of the all other motor vehicle costs, expenses, income, losses and gains shall be determined as the average of (i) the ratio of its total North Carolina all other motor vehicle insurance net direct written premiums to the total such net direct written premiums of all members and (ii) the ratio of its total North Carolina ceded all other motor vehicle insurance net direct written premiums to the total such ceded net direct written premiums of all members.

**(9) Determining Participation Ratios**

For purposes of determining participation ratios, private passenger liability net direct written car years and all other motor vehicle insurance premiums ceded to the Facility by a member as designated agency business pursuant to Article XIII shall not be included.

**(10) Allowances—Risk Distribution System**

Allowances for existing debits and credits in the present risk distribution system may be made as provided in the Rules of Operation.

**ARTICLE XII**  
**ALLOWANCES TO MEMBERS**

**(1) Underwriting Expenses**

Each member ceding risks shall, subject to the limits of coverage and the limitations on cessions provided in this Plan, receive a credit against its premiums written account on ceded business for underwriting expenses in connection with ceded business. Such credit for each member shall consist of the total of the following percentage allowances applied to premiums written on ceded business:

a. For commissions, brokerage, other acquisition expenses, taxes, licenses, fees, and general expenses, a ceding expense allowance determined for each member as the lesser of: (i) such member's ratio, for the most recent calendar year, of its North Carolina motor vehicle insurance commissions, brokerage, other acquisition expenses, taxes, licenses, fees and general expenses to its total North Carolina motor vehicle insurance written premiums, or (ii) the average combined ratio of such expenses for all insurers adjusted to reflect the anticipated difference, if any, between the average combined ratio otherwise applicable and the provisions for such expenses underlying Facility rates.

b. For unallocated claim adjustment expenses, a claims expense allowance equal to the ratio, for the most recent calendar year, of total North Carolina motor vehicle insurance unallocated claim adjustment expenses to the total North Carolina motor vehicle insurance written premiums for all insurers, adjusted to reflect the anticipated difference, if any, between such ratio and the provisions for unallocated loss adjustment expenses underlying Facility rates.

For purposes of determining the above ratios, the calendar year experience shall be adjusted to offset the effect of deviations filed and approved under the provisions of G.S. 58-36-30.

**(2) Losses and Allocated Claim Adjustment Expenses**

Each member ceding risks shall, with respect to losses incurred in connection therewith, subject to the limits of coverages and the limitations on cessions provided in this Plan, receive a credit against its premiums written on ceded business for losses and allocated claim adjustment expenses actually paid less recoveries received in each month.

**(3) Definition of "Allocated Claim Adjustment Expenses"**

For the purposes of this Article XII, "allocated claim adjustment expenses" means those expenses which can be directly allocated to a particular claim, as allowed and defined by the Board in the Rules of Operation. The Board may, however, decide after due consideration that the allowance for allocated claim adjustment expense shall be handled on the same basis as unallocated claim adjustment expense.

**(4) Frequency of Reports**

Each member shall report on a monthly basis separately for "private passenger non-fleet" and "all other" Facility business its respective premiums written and allowable credits with respect thereto.

**(5) Summary Reports**

The Facility shall, quarterly or less frequently as determined by the Board, issue summaries to all members reflecting each member's cumulative balances on Facility business, providing reimbursement for those members with allowable credits in excess of written premiums, and shall submit a statement to those members with premiums written which are in excess of allowable credits. A member so billed for premiums written shall remit such excess within 20 days after receiving such statement, subject to interest charges at a legal interest rate per month or fractional part thereof for late payment as provided in the Rules of Operation.

**(6) Allowable Credits**

A member which in any month reports allowable credits substantially in excess of premiums written for "private passenger non-fleet" business or "all other" business shall be entitled to request reimbursement for such excess. Unless the Board determines otherwise, the Facility shall reimburse the member for such excess within 30 days after approving such request.

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**(7) Audit Review**

Facility business written by members shall be subject to review and audit by the Audit Committee and/or the Compliance Committee, as appropriate, in a manner and time prescribed by the Board, and each member by subscription to this Plan specifically authorizes the Committee to audit that part of the member's business which is written subject to this Plan.

**(8) Claim Review**

The Claims Committee shall subject to review by the Board establish and supervise procedures for the review of claim practices by members. Each member is required to adjust losses for ceded business fairly and efficiently in the same manner as voluntary business losses and to effect settlement where settlement is appropriate.

**(9) Rules and Credits**

The Board shall make provision for and promulgate rules for determining allowable credits to be applicable to newly admitted members and other members for whom the allowances developed under paragraphs (1) and (2) above are determined to be inappropriate. On a case by case basis the Board, on its own motion or upon request, may also make reasonable exceptions for any member with respect to which it is determined or demonstrated that serious inequities result from the application of this Article or the rules promulgated pursuant thereto.

**ARTICLE XIII  
DESIGNATED AGENTS, FACILITY AGENTS**

**(1) Appointment of Agents**

The Board of Governors shall contract with one or more members, as designated carriers, to appoint and contract with such licensed insurance producers with property and casualty lines of authority as have met the standards and security requirement specified in G.S. 58-37-35(g)(6) as determined by the Commissioner, in accordance with the following rules:

- a. Such appointment shall be made within twenty days after receipt of the Commissioner's determination and certification that such insurance producer has met the standards and security requirement.
- b. Except as provided in Rules c. and d. of this Section, such designated agent shall agree that all eligible motor vehicle insurance risks applying for coverage at limits which may be ceded to the Facility produced (i) by such designated agent or by the agency with which such designated agent is associated or (ii) by any other agency with which such designated agent is associated or which is affiliated with the agency with which such designated agent is associated, shall be written by the designated carrier; provided, however, that such designated agent may petition the Board of Governors for a partial exemption from the foregoing requirements of this subsection with respect to an agency in a separate geographical location. Such designated agent shall agree further that no eligible motor vehicle insurance risks applying for coverage at limits which may be ceded to the Facility shall be accepted under any form of brokerage arrangement by the designated agent, by the agency with which the designated agent is associated, or by any agency affiliated with the agency with which such designated agent is associated, for submission to the designated carrier.
- c. Designated agents appointed before September 1, 1987 may place liability insurance policies with a voluntary carrier if and only if all policies written by the voluntary carrier are either (i) retained by the voluntary carrier or (i) ceded to the Facility using Facility rates. Designated agents who place business with a voluntary carrier must provide the Facility a list of policies written by their voluntary carrier. Such list shall be on a form approved by the Facility and shall be furnished at least annually and otherwise as requested by the Facility.
- d. If such designated agent is or becomes a licensed agent of a member exempted by the Board of Governors under Article XIV of this Plan of Operation and if such designated agent is or becomes

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authorized by such exempt member to solicit and accept premiums for motor vehicle insurance for any category of business for which such member is not exempt, such designated agent shall not submit to the designated carrier any motor vehicle insurance risks in any category of business with respect to which the agent is so authorized by the exempt member.

- e. Any designated agent who is disabled or retiring or the estate of any deceased designated agent may transfer the designation and the book of business to some other licensed insurance producer with property and casualty lines of authority meeting the requirements of law and under rules established by the Facility, and a transfer from a designated agent appointed before September 1, 1987, shall entitle the transferee designated agent to place liability insurance policies with a voluntary carrier. Such transfer shall immediately terminate the authority of such designated agent or his estate to operate as a designated agent.

**(2) Designated Carrier Eligibility**

To be eligible to become a designated carrier, a member must:

- a. Be licensed in North Carolina to write and actively writing voluntary motor vehicle insurance as defined in G.S. 58-37-1(7) in sufficient volume in North Carolina to assure that it will have a significant financial interest in the adoption and use of reasonable underwriting guidelines.
- b. Satisfy the Board that it has and will maintain underwriting procedures and criteria assuring that business produced by designated agents will be appropriately classified and rated, pursuant to G.S. 58-37-35(g)(6).
- c. Satisfy the Board that it has and will maintain the ability to provide policy writing, claims service, accounting and reporting functions adequate (i) to serve the business produced by designated agents and (ii) to comply with the Facility's Plan and Rules of Operation.
- d. (i) Have a Best's Policyholders' Rating Classification of at least B+, and have passed at least eight of the National Association of Insurance Commissioners' Insurance Regulatory Information System (IRIS) tests for the last year for which test results are generally available; or (ii) otherwise satisfy the Board that its financial condition is and will be adequate to serve as a designated carrier.

Any member may apply to become a designated carrier by submitting a written application to the Board of Governors. The Board may direct the applicant member to provide information demonstrating eligibility under the requirements described above. Any applicant member meeting these requirements shall be appointed as a designated carrier upon majority vote of the Board of Governors.

**(3) License as Facility Agent**

If no member is willing to contract with any such insurance producer on terms acceptable to the Board of Governors, the Board shall authorize such insurance producer, as a Facility agent, to write directly on behalf of the Facility, and, to assist the Facility in accomplishing this objective, the Board may contract with one or more servicing carriers or organizations.

**(4) Development of Procedures**

The Board of Governors shall develop reasonable procedures to assure that all business produced by designated agents or Facility insurance producers and ceded to the Facility shall be rated using Facility rates.

**(5) Contract Terms**

Any contract entered into pursuant to the Article shall contain terms agreeable to all parties, shall provide for cancellation by any party for reasonable cause, may be limited in duration for a fixed period or may contain renewal provisions, and shall be subject to such reasonable terms and conditions, not inconsistent with this Plan of Operation, as may be established by the Board of Governors.

**(6) Rules and Conditions**

The following rules and conditions shall govern all policies of motor vehicle liability insurance issued by a Facility insurance producer pursuant to the provisions of this Article:

- a. Such policies shall be issued in the name of the Facility if written by the Facility or in the name of the servicing carrier on behalf of the Facility if written by a contractual servicing carrier.



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- b. Such policies shall be standard policies as prescribed by the Board of Governors and shall contain appropriate language to reflect liability there under of the Facility.
- c. Such policies shall be written for motor vehicle liability insurance only and shall not afford coverage in excess of the limitations established in Article IX of this Plan of Operation.

**(7) Books of Account**

Servicing carriers for Facility insurance producers shall be required to maintain records, procedures and reports as specified by the Board of Governors in the Accounting and Statistical portion of the Rules of Operation of the Facility. The books of account of servicing carriers shall be audited as directed by the Board of Governors.

**(8) Commissions**

The commission paid on the insurance coverages provided in this Article shall be the commission on insurance coverages written through the North Carolina Automobile Insurance Plan on May 1, 1973. The same commission shall apply uniformly statewide.

**ARTICLE XIV**

**EXEMPTIONS FROM STATUTORY REQUIREMENTS**

The Board may, upon proper petition, exempt a member and its agents from the requirements of Article 37, Chapter 58, General Statutes of North Carolina insofar as new business is concerned. The Board may upon proper petition further exempt a member and its agents from the requirements of such Articles regarding selling and servicing a particular category of business, if the member is not qualified to service the business.

**ARTICLE XV**

**HEARINGS, REVIEW**

For the purpose of ensuring that any person aggrieved by a decision of the Facility who is entitled to hearing before the Facility Board of Governors ("Board") receive a full and complete opportunity to present all information the person aggrieved deems necessary for consideration by the Board, the following procedures shall be observed in regard to any hearing provided for before the Board:

**(1) Formal Hearing Request**

Any person aggrieved with respect to the operation of the Facility may request a formal hearing and ruling by the Board on any alleged failure to comply with the Plan or any alleged improper act or ruling in the administration of the Facility. The request for hearing must be made within 15 days after the date of the alleged violation or improper act or ruling. The hearing shall be held within 15 days after the receipt of the request, provided that, upon agreement of the parties, the hearing may be held at a later date and may be held at a regularly scheduled Board meeting. The hearing shall be held by any panel of the Board appointed by the Chair consisting of not less than three Board members entitled to vote. A written statement setting forth those facts and arguments that the person aggrieved desires the Board to consider shall be provided at least three (3) business days in advance of the hearing. The Facility staff may present to the Board a written statement setting forth any information it deems relevant to the Board's consideration of the matter not later than the commencement of the hearing. When the hearing is to be held at a regularly scheduled Board meeting, the presentation by the person aggrieved shall be limited to thirty (30) minutes, provided that the person aggrieved may at the time of requesting a hearing advise the Facility that thirty (30) minutes is insufficient for the person aggrieved to make a proper presentation to the Board, in which event the Facility Board shall set the hearing at a time and in a manner to allow the person aggrieved such time as that person deems necessary for a full and complete hearing. The Board may, in its sole discretion, decide the matter based upon the information presented, refer the matter to a Facility committee for a recommendation to be made to the Board, continue the hearing to a later date, and/or request or allow additional information to be presented at a later date. The ruling of a majority of the panel shall be deemed to be the formal ruling of the Board unless the full Board on its own motion shall modify or rescind the panel's action, and the ruling of the Board shall be issued in writing.

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**(2) Appeal of Board Ruling**

Any formal Board ruling may be appealed to the Commissioner by filing notice of appeal with the Facility and Commissioner within 30 days after the date of the ruling's issuance. The Commissioner shall, after a hearing held on not less than 30 days written notice to the appellant and to the Board, (i) issue an order approving the ruling or (ii) after setting out findings and conclusions as to how the ruling is not in accordance with the Plan of Operation, the Standard Practice Manual, or other provisions of Article 37 of Chapter 58 of the General Statutes of North Carolina, direct the Board to reconsider the ruling. If the Commissioner directs the Board to reconsider the ruling and the Board fails to take action in accordance with the Plan of Operation, the Standard Practice Manual, or other provisions of Article 37 of Chapter 58 of the General Statutes of North Carolina, the Commissioner may issue an order modifying the action of the Board to the extent necessary to comply with the Plan of Operation, the Standard Practice Manual, or other provisions of Article 37 of Chapter 58 of the General Statutes of North Carolina.

**(3) Public Hearing Request**

Any aggrieved person, any member or the Facility may request a public hearing and ruling by the Commissioner on the provisions of the Plan, rules, regulations or policy forms approved by the Commissioner. The request for a hearing shall specify the matters to be considered. The hearing shall be held within 30 days after receipt of the request. The Commissioner shall give public notice of the hearing and the matters to be considered not less than 15 days in advance of the hearing date.

**(4) Timeliness of Ruling**

In any hearing held pursuant to G.S. 58-37-65 by the Board or the Commissioner, the Board or the Commissioner as the case may be, shall issue a ruling or order within 30 days after the close of the hearing.

**(5) Judicial Review**

All rulings or orders of the Commissioner under G.S. 58-37-65 are subject to judicial review as provided in Section 58-2-75, of the General Statutes of North Carolina.

**ARTICLE  
XVI AMENDMENTS**

Any and all provisions of this Plan and any previous amendments shall be subject to amendment, alteration, repeal or re-enactment at any annual meeting of the Facility or at any special meeting called for the purpose. Not less than fifteen days' written notice of any such meeting shall be given, or caused to be given, by the Chair of the Board, in which notice the action proposed to be taken shall be fully set forth.



**SECTION 3**  
**GENERAL RULES**



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**Section 3**

**GENERAL RULES**

**A. Purpose of Rules of Operation**

The Rules of Operation (Sections 3 through 6 of this Manual) are intended to provide guidelines to insurers and agents for processing of policies ceded to the Facility to insure understanding and consistency of cession practices among all companies writing motor vehicle liability insurance within the state of North Carolina. In addition, the Rules of Operation:

1. Establish the necessary procedural, accounting, statistical claims and auditing instructions required to administer the North Carolina Reinsurance Facility.
2. Provide specifications and definitions as required by the Plan of Operation.

**B. Effective Date**

The North Carolina Reinsurance Facility shall become effective on October 9, 1973, as ordered by the Commissioner of Insurance.

**C. Eligibility**

Insurance shall be available to any applicant who completes an application and who is an Eligible Risk as defined in Article II of the Plan of Operation. All motor vehicles as defined under Article 1 of Chapter 20 of the General Statutes of North Carolina shall be eligible for insurance. Any policy that must be written by an insurer under the aforementioned conditions is eligible for cession.

A risk is ineligible for cession to the Facility:

1. If timely payment of premium is not tendered, or
2. If a valid unsatisfied judgment of record exists against such risk for recovery of premium amounts due.

**Note:** A risk shall be considered eligible in the absence of information in the company's file indicating an outstanding unsatisfied judgment. Additionally, subsequent knowledge of the existence of such judgment shall not invalidate the cession, but if the judgment remains outstanding, the company shall not be permitted

to cede the risk at the time of renewal.

**D. Extent of Coverage**

Policies issued to risks ceded to the Facility shall have the contract terms established by the Board of Governors and filed with the Commissioner of Insurance. Such contract terms will be disseminated by or on behalf of the Facility.

The ceding privileges are as follows:

1. +For eligible risks (except as provided in Subparagraph 2. below) motor vehicle insurance coverage up to the following limits shall be eligible for cession to the Facility:❖
  - a. Bodily Injury Liability:  
\$100,000 Each Person; \$300,000 Each Accident
  - b. Property Damage Liability:  
\$50,000 Each Accident
  - c. Medical Payments:  
\$2,000 Each Person, except that this coverage shall not be available for motorcycles.
  - d. Uninsured Motorists:  
\$1,000,000 Each Person and \$1,000,000 Each Accident for Bodily Injury, \$50,000 for Property Damage (\$100 Deductible).
  - e. Combined Uninsured And Underinsured Motorists:  
\$1,000,000 Each Person and \$1,000,000 Each Accident for Bodily Injury and, for Uninsured Motorists, \$50,000 Each Accident for Property Damage (\$100 deductible).



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**Section 3. General Rules**

2. If an eligible risk is subject to motor vehicle insurance or financial responsibility limits required by:

- a. Any federal law or federal agency regulation;
- b. Any law of the State of North Carolina;
- c. Any rule duly adopted under Chapter 150B, General Statutes of North Carolina; or
- d. Any rule duly adopted by the North Carolina Utilities Commission

Motor vehicle insurance coverages up to the limits required by such law or rule shall be eligible for cession to the Facility.

3. For persons who must maintain liability coverage limits above those available under Subparagraph D.1 of this Section in order to obtain or continue coverage under personal excess liability or personal "umbrella" insurance policies, motor vehicle insurance coverage up to the following limits shall be eligible for cession to the Facility:

- a. Bodily Injury Liability:  
\$250,000 Each Person; \$500,000 Each Accident
- b. Property Damage Liability:  
\$100,000 Each Accident
- c. Medical Payments:  
\$5,000 Each Person, except that this coverage shall not be available for motorcycles.
- d. Combined Uninsured And Underinsured Motorists:  
\$1,000,000 Each Person and \$1,000,000 Each Accident for Bodily Injury and, for Uninsured Motorists, \$100,000 Each Accident for Property Damage (\$100 deductible).

**Note: Vehicle(s) on a policy ceded to the Facility must have identical coverages and limits.**

**E. Notice of Cession**

+In order to cede a risk to the North Carolina Reinsurance Facility a Notice of Cession must be submitted. Companies may elect to use any one or a combination of the following methods:

1. Telecommunication via File Transfer Protocol (FTP)

2. Data entry via online access to the Facility information system, EDGE

See following pages for instructions for methods 1 and 2.

The Notice of Cession is a multi-purpose record used to report: ❖

**New Policies**

A new policy may be ceded as of the effective date if proper notification is received by the Facility not more than 30 days after the policy or binder effective date.

**Renewal**

Policies that come up for their normal expiration may be ceded if proper notification is received by the Facility not later than the expiration date of the current policy term. In such cases, the cession will become effective as of the effective date of renewal, but in no event shall such cession be retroactive.

+**Note:** Cession notices may be submitted not more than 90 days prior to the effective date of the policy for either new or renewal business. ❖

**Mid—Term Cessions**

The Facility shall accept in-force eligible risks for cession at times other than on the effective date of an original policy or binder or at renewal of an existing policy upon receipt of the required notice, but in no event shall such cession be retroactive.

**Flat Cancellations**

Where a new policy or a renewal policy which has been ceded to the Facility is not taken and no premium has been entered, the cancellation is to be reported by submitting another Notice of Cession (Transaction Code 4 - Policy or Renewal Not Taken). If premium has been entered, the flat cancellation is to be reported only through the Monthly Detail Premium Report. See Paragraph G.

### **Section 3. General Rules**

#### **General**

When the insured changes an automobile under a ceded policy, or when policy coverages or limits are changed, the policy remains ceded (subject to the limitations of coverages and limits that may be ceded) without notification to the Facility of the change. Any change in premium must be reported through the Monthly Detail Premium Records.

The addition of a newly acquired car to a ceded policy requires no cession notice to the Facility. The additional car becomes a part of the ceded policy. Any change in premium will be reported in the Monthly Detail Premium Records.

Changes on a ceded policy which result in a change in premium but no change of coverage are not to be reported to the Facility on Notice of Cession at the time of change.

Examples of the changes would be:

- Change of address
- Change of classification
- Cancellations

Any change in premium will be reported in the Monthly Detail Premium Records.

Except as provided under New Policies and in the note under Renewal, the received date at the Facility of the Notice of Cession shall be used as the cession date of the business unless the ceding insurer has requested a future effective date. Notice of Cession can only be filed by a member company. To qualify as an acceptable cession, the Notice of Cession must be fully completed as prescribed in the "Instructions for Creating Notice of Cession Records" section.

If a Notice of Cession submitted to the Facility through an FTP cession file cannot be processed, it will appear on the company Error List accessible online in the EDGE system. An error code and description will advise the company of the error detected. When a cession is entered online through EDGE, the system will not allow the cession to be submitted until all errors have been corrected. The system will prompt the company to correct any errors detected.

If a company cedes a policy covering more than one motor vehicle, the entire policy must be ceded subject to the limitations of coverages and limits that may be ceded.

If a company issues two or more separate policies to the same named insured, some policies may be ceded and others retained as regular business.

On policies that are canceled and reinstated with no lapse in coverage, the cession will be considered as continuing in force without interruption. On policies that are canceled and reinstated with a lapse in coverage, the cession will be reinstated as of the reinstatement date of coverage subject to no more than 30 days between the cancellation and reinstatement date. Information regarding these transactions will be included in the Monthly Detail Premium Record(s).

#### **Records Specifications**

The Notice of Cession should be an electronic record either uploaded by the member company to the NCRF via FTP file or created online in EDGE.

1. FTP submission: Refer to the NCRF FTP Instruction Guide available on our website for file specifications regarding cession records submitted via FTP. Cession records reported in electronic format via FTP, will receive confirmation that the file was received in the form of an email which confirms receipt of the file and provides the date received and the number of records contained in the file. Cessions records received this way will be processed overnight and an acknowledgment report detailing the records received and processed will be available online in EDGE the next day. The Cession Acknowledgement Summary is confirmation that the cession was received and can be presented to the Facility by a company as proof to verify ceded coverage for any policy in question.
2. Online cession entry: The EDGE system has a data entry feature which allows companies to enter cession information and once submitted, cedes the policy in real-time. An acknowledgment report is available online for cessions reported via this method and is confirmation that the cession was received and can be presented to the Facility by a company as proof to verify ceded coverage for any policy in question.

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**Instructions for Creating Notice of Cession Records**

The following instructions apply to the individual items contained in this record:

1. **Carrier Type**—Enter code to reflect type of relationship.
  - a. Regular
  - b. Designated
2. **Company Code**—The company code is prefilled in the EDGE online data entry screen based on the login id of the user.
3. **Company Name**—The company name is prefilled in the EDGE online data entry screen based on the login id of the user.❖
4. **Policy Number**—Enter the complete policy number. This number must be the same number that is used to identify the transaction of the monthly detail reports as outlined in the Accounting and Statistical Section. Do not enter a binder number.
5. **Name of Insured**—Enter the last name first, followed by the first name, and middle initial. For partnerships, corporations, etc., enter the full name.
6. **Effective Date**—Enter the effective date of the binder, policy or renewal representing the policy period of cession. (See instruction H. regarding Mid-Term Cessions.)
7. **Expiration Date**—Enter the expiration date of the policy period. A notice of cession for a policy period of more than one year will not be accepted, except that where the policy effective date is on the 29th, 30th or 31st day of a month (26th through 29th of February), and the policy expiration date is on the first day of the following month of the following year a notice of cession for such policy term will be accepted. Annual notices of cession are required for three-year policies if coverage for the entire policy period is to be ceded to the Facility.
8. **Effective Date of Cession**—This date need **not** be entered for Trans. Codes 1, 2, and 4 since the date of cession can be determined by the Facility in accordance with established rules relating to type of transaction, i.e., binder, new policy, etc.

For Trans. Codes 1 and 2 that are not received by the Facility in time to be full term

ceded, the EDGE system will change the Trans. Code to a 3 and the effective date of cession to the receipt date. Cessions made mid-term by the system will be listed on the Cession Acknowledgement Summary report under "Accepted Cessions Changed to Mid-term."

For Trans. Code 3, the company may establish the cession date provided such date is not earlier than the date of receipt of the Notice of Cession by the Facility.

9. **Class Code**—Enter the code to reflect the classification of the risk, such as:
  - 1 - Private Passenger Non-Fleet (includes motorcycles written on Private Passenger policies).
  - 2 - Vehicles subject to motor vehicle insurance or financial responsibility limits required by any federal law or federal agency regulation; by any law of the State of North Carolina; or by any rule duly adopted under Chapter 150B of the General Statutes or by the North Carolina Utilities Commission.
  - 3 - All Other Risks (Commercial)
  - 4 - Combination of Codes 1 and 3 above. For example, both private passenger and commercial vehicles may be covered by the ceded policy.
  - 5 - Persons who must maintain liability coverage limits above those available under Subparagraph D.1 of this Section in order to obtain or continue coverage under personal excess liability or personal "umbrella" insurance policies.
10. **Transaction Code** — Enter the one-digit transaction code applicable to the risk ceded.

Codes are as follows:

  - 1- Binder or new policy.
  - 2- Renewal policy.
  - 3 - Mid-term cession.
  - 4 - Policy or renewal not taken. (If a cancellation transaction will be submitted through the Monthly Detail Premium Record, no Notice of Cession record is needed to reflect such termination.

11. **Coverages and Limits**—Enter the limits for each coverage eligible for cession. Entry of the limits amount will indicate the coverage ceded. If two or more cars are insured under one policy the same liability coverages and limits must be carried on all cars.

**Notices of Cession – Electronic Transmission via File Transfer Protocol (FTP)**

The Facility is prepared to accept data transmitted via FTP. Please refer to the NCRF FTP Instruction Guide available on our website for more information.

- Exhibit A shows the coding instructions for policy limits.

If the transmittal file cannot be processed, the Facility will promptly email the member company with details of the errors causing the failure. Member companies will need to correct the errors and retransmit the file on the same day to retain the same receipt date.

The Facility will provide the ceding company with an email acknowledgement of the receipt of the file and the record count the same day the file is transmitted. The cessions will be validated overnight and an acknowledgement report with the details of the cessions received will be available online in the EDGE system the next day. It is confirmation that the cession notices were received and can be presented to the Facility by a company as proof to verify ceded coverage for any policy in question.

**F. Corrections to the Notice of Cession**

1. Purpose

After a policy has been ceded and notice of cession has been processed and accepted into the master file, an error may be detected by the Facility, or the company which requires a correction to the cession record. All corrections to the cession record will need to be made online in the EDGE system. See Section 4 for procedures to correct Notices of Cession which have not been accepted into the master file.

2. How to make a correction to a Notice of Cession
  - a. A member company user must first have a valid password and user ID issued by the NCRF to access the EDGE system through the Web Application portal on the NCRF website.
  - b. Once logged in to EDGE, the appropriate record can be accessed under the Cessions tab.
  - c. The data fields which can be modified will appear on the screen below the original cession information submitted. Enter the new information in these data fields and click submit. The user will either receive a message that the change was successfully processed or an error message advising that the requested change failed. If the change failed, the user will be advised why it failed and can re-enter the new information correctly.
3. When to make a correction to a Notice of Cession
  - a. Any error in policy number, effective date, expiration date, carrier type, class code, or company code must be corrected. Substantive corrections, such as spelling and reissuing under a new policy number, or retroactive changing policy effective or expiration date, must be explained by accompanying documentation, and adequate data retained in company files for audit verification.
  - b. Any significant error in other data on the Notice of Cession should be corrected unless that data will be corrected in the course of other transactions. The following comments apply:
    - (1) Name of Insured - This is reference information, and does not need to be filed.

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Class Code - It is recognized as normal for an addition, deletion, or change of vehicle to involve a change from one class code to another. The appropriate premium entry as defined in Section 4 will convey that information, and no correction to the cession record is required. However, if the original class code filed on the cession was in error, a correction would need to be made to the cession record.

Example: A cession is submitted with a class code 3 (All Other) and it should have been coded as a class code 2 (Subject to Higher Limits). This class code change would need to be made to the cession record in order for it to be accurately reflected in the Facility's records which are tracked by classification.

- (2) Transaction Code-A correction to the Notice of Cession should be submitted only when the error is material. For example, if the original Notice of Cession were received by the Facility before the policy effective date, cession is effective on the effective date of policy whether new business or renewal, and there is no need to change. Likewise, Notice of Cession received by the Facility more than 30 days after the effective date of policy will have the same mid-term cession date whether new or renewal, and no change is needed. But if an item coded "new business" was in fact "renewal", and was received between the effective date and the thirtieth day, there is an error condition which must be corrected.
- (3) Coverages and limits - Changes are subject to the limitations in Paragraph D., but need not be reported. Premium changes, however, must be reported as provided in Section 4.

## G. Termination of Cession

### 1. Expiration

Cession of a risk automatically terminates on the expiration date of the policy period covered by the Notice of Cession, unless the policy has been terminated at an earlier date.

Please note that the Plan of Operation requires the risk to have underwriting review and the Facility to be again notified of cession prior to the renewal effective date if cession of the risk is to be continued. This requirement applies to each subsequent renewal.

### 2. Flat Cancellation

When a company cedes a risk for a renewal term and the policyholder does not pay any renewal premium, the company must notify the Facility of termination of cession (See Paragraph E.). This shall be done in one of two ways depending on the accounting practices of the company.

- a. If the company has submitted a cession record only for the ceded policy then the company must notify the Facility of termination of cession by canceling the cession via online data entry in EDGE or through a transaction Code 4 cession sent in an FTP cession file. Such notice must be submitted to the Facility by not more than 90 days after the renewal effective date.

Flat cancellations made after 90 days from the effective date of cession will be suspended pending review by NCRF and will be processed separately.

- b. If the company does record the renewal quotation as written premium and cancels such amount when the renewal is not taken, the termination of cession will be accomplished either through the Monthly Accounting Detail Premium Report or through cancellation premium created directly online in EDGE, and the Notice of Cession record should not be cancelled online in EDGE on such not-taken renewals.

### 3. Termination of Insurance

G.S. 58-37-50 covers reasons for termination of insurance. This subsection reads as follows:

No member may terminate insurance to the extent that cession of a particular type of coverage and limits is available under the provisions of this Article except for the following reasons:

- a. Non-payment of premium when due to the Insurer or Producing Agent.

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- b. The named insured has become a non-resident of this State and would not otherwise be entitled to insurance on submission of new application under this Article.
- c. A member company has terminated an agency contract for reasons other than the quality of the agents' insureds or the agent has terminated the contract and such agent represented the company in taking the original application for insurance.
- d. When the insurance contract has been canceled pursuant to a Power of Attorney given a company licensed pursuant to the provisions of G.S. 58-35-5.
- e. The named insured, at the time of renewal, fails to meet the requirements contained in the corporate charter, articles of incorporation, and/or bylaws of the insurer, when the insurer is a company organized for the sole purpose of providing members of an organization with insurance policies in North Carolina.
- f. The named insured is no longer an eligible risk under G.S. 58-37-1.

In accordance with the instructions in the initial part of this rule, it should be apparent that when insurance terminates the cession is likewise terminated. If the termination of insurance results in an accounting transaction for the purpose of canceling written premium, the Facility will be notified of the termination of cession through the Monthly Detail Premium Records. If the termination occurs at the end of the policy period, cession automatically terminates.

★G.S. 58-2-164 provides:

If an applicant provides false or misleading information material to the applicant's or any named insured's status as an eligible risk and that fraudulent information makes the applicant or any named insured appear to be an eligible risk when that person is in fact not an eligible risk, the insurer may do any or all of the following:

- (1) Refuse to issue, amend, or endorse a policy.
- (2) Cancel or refuse to renew a policy that has been issued
- (3) Deny coverage for any claim by the applicant for auto liability,

comprehensive, or collision coverage. This subdivision does not apply to bodily injury or property damage claims of innocent third parties to the extent of any minimum financial responsibility requirement of State or federal law.

Any motor vehicle liability policy may provide that the insured shall reimburse the insurer for any payment made under a policy of insurance if the issuance of the policy was induced by a knowing and material misrepresentation of facts relating to the insured's status as an eligible risk. For purposes of this subsection, a payment made shall include any sums paid for satisfaction, in whole or in part, of any judgment against the insured or for a reasonable settlement of a claim against the insured for bodily injury or property damage. A payment made shall further include any costs or attorneys' fees incurred by the insurer in the adjustment, investigation, or defense of a claim.❖

**4. Business Retained as Voluntary**

In order to "uncede" a policy in term, and the risk is to be retained by the company for the remainder of the policy term as voluntary business, a member company submits an online request for the withdrawal of a cession by entering a 'withdrawal date' for the appropriate record in the EDGE system. The date entered will be validated by the system and successful submission of the cession withdrawal request will be confirmed by the system. The member company will receive a message confirming successful withdrawal of the cession. (It will also be shown on the Online Cession Activity Report for the date of the submission). This request for withdrawal must be received by the Facility not later than thirty days after the proposed cession withdrawal date in order to preserve that date. For any such withdrawal request received more than thirty days after the proposed withdrawal date indicated by the Company, the earliest eligible date of withdrawal will be 30 days prior to the date the request is entered into the EDGE system. EDGE will display the earliest withdrawal date that may be used. Any subsequent date up to the policy expiration date may also be used.

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## H. Reinstatement of Cession

### 1. Purpose

When a flat canceled policy has been reinstated or a Transaction Code 4 cession was submitted in error.

### 2. How to Reinstate a Cession

- a. A member company user must first have a valid password and user ID issued by the NCRF to access the EDGE system through the secure Web Application Portal.
- b. Once logged in to EDGE, the appropriate record can be accessed under the Cessions tab and selected for reinstatement.

**Note: Only cessions cancelled with a Transaction Code 4 cession or canceled online should be reinstated online. Policies canceled through premium entries should be reinstated through premium entries.**

## I. Rules And Rates; Policy Forms

All policies issued on risks ceded to the Facility shall be in accordance with the policy forms and endorsements and with the rules, rates, and rating plans established by the Board of Governors or by a licensed or statutory rating bureau or organization authorized by the Board of Governors, and filed with the Commissioner of Insurance. Such forms, rules, rates and rating plans will be disseminated by or on behalf of the Facility.

## J. Commissions

Commissions paid to Producers on business ceded to the North Carolina Reinsurance Facility are subject to minimums as provided in G.S. 58-37-30. These minimums are defined as not less than the commission on insurance coverage written through the North Carolina Automobile Insurance Plan on May 1, 1973 which is as follows:

1. For long-haul trucking applicants and public passenger carrying vehicles other than school buses, 5% of the policy premium for commission to a licensed producer designated by the insured.
2. For other applicants, 10% of the policy premium for commission to a licensed producer designated by the insured.

3. On any applicant rated and domiciled outside of this State, the licensed producer may be paid only that portion of the producer's commission specified above which is permissible under the laws of the state in which the applicant is rated and domiciled.

The same commission must apply uniformly statewide. Commissions paid on business submitted to designated carriers are contained in Paragraph L. of this Section.

## K. Right of Appeal

Any person aggrieved with respect to the operation of the Facility may request a formal hearing and ruling by the Board on any alleged failure to comply with the Plan or any alleged improper act or ruling in the administration of the Facility. Procedures establishing hearings, appeals, etc., are found in Article XV, "Hearings, Review" of the Plan of Operation.

## L. Designated Agents And Carriers

### 1. Designated Agents

The Board of Governors will contract with one or more members as designated carriers to appoint and contract with qualified designated agents in accordance with Article XIII of the Plan of Operation subject to the following:

- a. Such appointment shall be made within 20 days after receipt of the Commissioner's determination and certification, satisfactory to the Board of Governors, that an agent has met the standards and security requirement specified in G.S. 58-37-35(g)(6).
- b. Separate individual agents who are part of a single agency entity will be assigned to the designated carrier.
- c. Except as provided in d., e and f. of this Subparagraph, each designated agent shall agree that all eligible motor vehicle insurance risks applying for coverage at limits which may be ceded to the Facility produced (a) by such designated agent or by the agency with which such agent is associated or (b) by any other agency with which such designated agent is associated or which is affiliated with the agency with which such designated agent is associated, shall be written by the designated carrier, provided, however, that such designated

agent may petition the Board of Governors for a partial exemption from the foregoing requirements of this Subsection with respect to an agency in a separate geographical location. Each designated agent shall agree further that no eligible motor vehicle insurance risks applying for coverage at limits which may be ceded to the Facility shall be accepted under any form of brokerage arrangement by the designated agent, by the agency with which the designated agent is associated, or by any agency affiliated with the agency with which such designated agent is associated, for submission to the designated carrier.

- d. Designated agents appointed before September 1, 1987 may place liability insurance policies with a voluntary carrier if and only if all policies written by the voluntary carrier are either (i) retained by the voluntary carrier or (ii) ceded to the Facility using Facility rates. Designated agents who place business with a voluntary carrier must provide the Facility a list of policies written by their voluntary carrier. Such list shall be on a form approved by the Facility and shall be furnished at least annually and otherwise as requested by the Facility.

Any designated agent who is disabled or retiring or the estate of any deceased designated agent may transfer the designation and the book of business to some other licensed fire and casualty agent meeting the requirements of law and under rules established by the Facility, and a transfer from a designated agent appointed before September 1, 1987, shall entitle the transferee designated agent to place liability insurance policies with a voluntary carrier. Such transfer shall immediately terminate the authority of such designated agent or his estate to operate as a designated agent.

- e. If a designated agent is or becomes a licensed agent of a member exempted by the Board of Governors under Article XIV of the Plan of Operation and if such designated agent is or becomes authorized by such exempt member to solicit and accept premiums for motor vehicle insurance for any category of business for which such member is not exempt, such designated agent shall not

submit to the designated carrier any motor vehicle insurance risks in any category of business with respect to which the agent is so authorized by the exempt member.

- f. If contrary to the provisions of this Subsection a designated agent or the agency with which a designated agent is associated obtains and places with a voluntary carrier motor vehicle liability insurance eligible for cession to the Facility, the designated agent status shall be withdrawn by the Facility.

**2. Designated Carriers**

The Board of Governors may designate member companies as "designated carriers" to whom designated agents may be appointed pursuant to G.S. 58-37-35(g)(6). To be eligible to become a designated carrier, a member company must:

- a. Be licensed in North Carolina to write and actively writing voluntary motor vehicle insurance as defined in G.S. 58-37-1(7) in sufficient volume in North Carolina to assure that it will have a significant financial interest in the adoption and use of reasonable underwriting guidelines.
- b. Satisfy the Board that it has and will maintain underwriting procedures and criteria assuring that business produced by designated agents will be appropriately classified and rated pursuant to G.S. 58-37-35(g)(6).
- c. Satisfy the Board that it has and will maintain the ability to provide policywriting, claims service, accounting and reporting functions adequate (a) to serve the business produced by designated agents and (b) to comply with the Facility's Plan and Rules of Operation.
- d. (a) Have a Best's Policyholders' Rating Classification of at least B+, and have passed at least eight of the National Association of Insurance Commissioners' Insurance Regulatory Information System (IRIS) tests for the last year for which test results are generally available; or (b) otherwise satisfy the Board that its financial condition is and will be



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adequate to serve as a designated carrier.

Any member company may apply to become a designated carrier by submitting a written application to the Board of Governors. The Board may direct the applicant to provide information demonstrating eligibility under the requirements described above. Any applicant meeting these requirements shall be appointed as a designated carrier upon majority vote of the Board of Governors. All designated carriers shall enter into a contract with the Facility on such reasonable terms and conditions as may be established by the Board. Any designated carrier appointed by the Facility may, within a reasonable time after such appointment, request that the Facility notify existing designated agents of its appointment. Upon receipt of any such request, the Facility shall promptly send written notice of the designated carriers appointment to all existing designated agents.

The designated carrier shall cede to the Facility, using Facility rates, all eligible business submitted to it by the designated agent.

Each designated carrier shall be credited with uniform ceding and claims expense allowances for business written by designated agents even though the carrier's allowance for other business ceded to the Facility may be lower. These allowances shall be established by the Board of Governors. The designated carrier shall establish and enforce service standards in regard to premium billings, collections, submission of applications, etc. These standards shall be comparable to those applied to the designated carrier's voluntary agents.

3. Commissions

Commissions paid to designated agents by designated carriers shall not be less than the following:

- a. For long haul trucking applicants and public passenger carrying vehicles other than school buses, 5% of the policy premium.
- b. For other applicants, 10% of the policy premium.

**M. Participation Ratios—Assessments—Recoupment**

1. Participation ratios for Facility business are established separately for the following categories:
  - a. Private passenger non-fleet automobiles, and
  - b. All other.

For private passenger non-fleet automobiles ceded business, participation ratios for each company are determined as the average of (i) the ratio of the company's net direct written car years to the total such written car years for all companies and (ii) the ratio of the company's ceded net direct written car years to the total such ceded written car years for all companies.

For all other automobile ceded business, participation ratios for each company are determined as the average of (i) the ratio of the company's all other net direct written automobile liability premiums to the total such written premiums for all companies and (ii) the ratio of its ceded all other net direct written automobile liability premiums to the total such ceded written premiums for all companies.

2. The following definitions are used for establishing participation ratios:
  - a. The term "net direct" shall refer to direct writings, after deducting returns for cancellations, but without adding reinsurance assumed or deducting reinsurance ceded.
  - b. Private passenger non-fleet net direct written car years are the automobile bodily injury liability car years written by the company in the state for the calendar year ending December 31 of the specific policy year's experience being distributed.
    - (1). For 2006 and prior policy years: All such car years are included, regardless of the type of private passenger non-fleet automobile liability policy under which they were written, except those classified and coded as designated carrier business.

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- (2). For 2007 and subsequent policy years: All such car years are included, regardless of the type of personal automobile liability policy under which they were written, except those classified and coded as designated carrier business.
- c. All other net direct written automobile liability premiums are the automobile liability premiums included on page 15 of the company's annual statement that were written by the company in the state for the calendar year ending December 31 of the specific policy year's experience being distributed.

Such all other net direct written automobile liability premiums shall:

- (1) Include
- (a) Gross direct premiums, including policy and membership fees, minus return premiums and premiums of policies not taken;
  - (b) Premiums for other than private passenger excess of loss policies, except for those companies that write no basic limits automobile liability insurance; and
- (2) Exclude
- (a) All private passenger non-fleet net direct written automobile premiums; and
  - (b) Designated carrier business premiums.

The ratio(s) used for distribution will be based on the most current figures available as tentative participation ratios until the given calendar year figures are available. At that point in time, retroactive adjustment will be made to the earlier reports of distribution so that a given policy year distribution eventually will be made on the basis of writings in the corresponding calendar year.

For example, tentative participation ratios for 1988 and 1989 would be as follows:

<b>Calendar Year</b>	<b>Policy Year</b>
1987	1987
	1988
	1989

In this example, 1987 is a true figure, while 1988 and 1989 remain as tentative figures.

3. For purposes of establishing a basis for allocation of all Facility losses, expenses and gains, each company licensed to write motor vehicle insurance or any component thereof shall report statistical information required by the General Rules to the North Carolina Reinsurance Facility, or permit its statistical agencies, designated by the company, to report the statistical information to the North Carolina Reinsurance Facility.
4. Facility operating expenses and miscellaneous income are assigned to the policy year corresponding to the calendar year in which they are incurred or earned. Total Facility miscellaneous expenses and income are allocated as to private passenger non-fleet and all other in the same proportions as the total of ceded written premiums and recoupment surcharges written for each class bear to the total of ceded written premiums and recoupment surcharges written for both classes. For purposes of this allocation between classes, the term "ceded written premiums" includes premiums on designated carrier business. After allocation between classes, the operating expenses and miscellaneous income for each class are apportioned among the companies as follows.

For each year prior to 1980, each company's share of the private passenger operating expenses and miscellaneous income is based on the ratio of its private passenger liability net direct written premiums, excluding premiums on designated carrier business, to the total such net direct written premiums of all companies, excluding premiums on designated carrier business.

For 1980 and each subsequent year, private passenger operating expenses and miscellaneous income are shared on the same basis as the underwriting accounts for that class as described in Subparagraph 1. above.

All other operating expenses and miscellaneous income for all years are shared on the same basis as the underwriting accounts for that class as described in Subparagraph 1. above.

5. Groups of companies under the same ownership and/or management may elect to be treated either separately or as a single company under these provisions.

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6. Assessments and recoupment surcharges are provided for in the Plan of Operation and are implemented as from time to time directed by the Board of Governors of the Facility.

**N. Identification of Ceded Policies**

Each insurer ceding business to the Facility must be able to identify business so ceded and be able to report premiums and losses as required in Section 4. Facility business written by members shall be subject to review and audit by the Audit Committee or the Compliance Committee, as appropriate, in a manner and time prescribed by the Board of Governors.

**O. Service Standards**

1. Each insurer shall provide the same type of service to ceded business that it provides for its voluntary market.
2. Records provided to agents and brokers shall include an indication that the business is ceded.
3. When an insurer cedes a policy or renewal thereof to the Facility and the Facility premium for such policy is higher than the premium that the insurer would normally charge for such policy if retained by the insurer, the policyholder shall be informed:
  - a. that his policy is ceded,
  - b. that the coverages are written at the Facility rate, which rate differential must be specified,
  - c. of the reason or reasons for the cession to the Facility,
  - d. that the specific reason or reasons for the cession to the Facility will be provided upon the written request of the policyholder to the insurer, and
  - e. that he may seek insurance through other insurers who may elect not to cede his policy.

If such policyholder obtains motor vehicle liability insurance through another insurer which elects not to cede his policy to the Facility and the policyholder cancels his ceded policy within 45 days of the effective date of such ceded policy, the earned premium for such ceded policy shall be calculated on the pro rata basis, except that the pro rata calculation shall not apply to a cancellation by any insurance premium finance company as

provided in Section 58-35-85, General Statutes of North Carolina.

4. Upon the written request of any eligible risk who has been notified pursuant to Subparagraph 3. above that his motor vehicle insurance policy has been ceded to the Facility, the insurer ceding the insurance policy must provide in writing to that eligible risk the specific reason or reasons for the decision to cede that policy to the Facility. Proof of mailing of the written reason or reasons is sufficient proof of compliance with this obligation.

**Note:** G.S. 58-37-25 provides: "With regard to any notice of cession or any written or oral communications specifying the reason or reasons for cession, there will be no liability on the part of, and no cause of action of any nature will arise against: (1) any insurer or its authorized representatives, agents, or employees, or (2) any licensed insurance producer or persons who furnish to the insurer information as to the reason or reasons for the cession, for any communications or statements made by them, unless the communications or statements are shown to have been made in bad faith with malice in fact."

**P. Minimum Underwriting Requirements**

1. **Standards**—Each member company is responsible to meet the following minimum underwriting standards for all business ceded to the Facility. Each member ceding risks is responsible to determine that all business ceded to the Facility is correctly classified and rated to develop the correct and proper premium. Classification and rating practices and procedures of each member company shall correspond with those followed for non-Facility business, subject to the following:
  - a. As to private passenger cars ceded to the Facility, member companies shall:
    - (1) Obtain the identification, date of birth, driver license number, and state of issue (including date of original licensing for persons licensed less than two years) of the applicant, of all operators resident in the applicant's household, and of any non-residents shown as regular operators.

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- (2) Determine the use and place of principal garaging of each vehicle to be insured.
- (3) Obtain within 60 days of the cession effective date, for each initial cession, and at least annually thereafter, a current record of convictions for moving traffic violations for the applicant and each operator whose driving record would affect the sub-class for every vehicle subject to rating under the North Carolina Safe Driver Insurance Plan.
- (4) Correctly classify and rate each vehicle in accordance with the approved North Carolina Personal Auto Manual.
- (5) Correctly determine and charge any applicable recoupment surcharges.
- b. As to other than private passenger cars ceded to the Facility, member companies shall develop sufficient identification, territory, use and other information correctly to classify and price, in accordance with the approved North Carolina Reinsurance Facility Commercial Automobile Manual, the insurance afforded.
- c. Member companies shall make all underwriting records of business ceded to the Facility available for audit by the Audit Committee or its designate. Member companies shall not:
  - (1) Cede any risk to the Facility except as provided by the rules outlined in Articles IX and X in the Plan of Operation.
  - (2) Refuse to insure any eligible risk for cedable coverages unless an exemption has been approved for that company by the Board of Governors.
- 2. **Application Requirements**—Each member company shall provide agents with motor vehicle insurance application forms to obtain from applicants sufficient information properly to classify and rate each exposure. This shall include at least the following:
  - a. The name, address, date of birth, operator's license number, and state of issue for the applicant, each operator residing in the applicant's household, and ceded to the Facility as of the effective any non-residents who are regular operators, as well as the original 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 sub-class 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. Any other information necessary to develop the correct rating and premium for any type of risk eligible to be ceded.
  - g. **A Statement of Eligibility for Cession of Higher Limits Form NCRF-30 (see Exhibit F-1)** When coverage limits above 100/300/50 are to be ceded to the Facility pursuant to Subparagraph D.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 date of the initial cession of the insured's policy by the ceding company or as of the

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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 cession 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 G.S. 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.

h. **A Certification of Higher Coverage Limits Form NCRF-31 (see Exhibit G-1)**

When liability coverage limits above 100/300/50 or medical payments limits above \$2,000 are to be ceded to the Facility pursuant to Subparagraph D.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.

i. **Rate Evasion, Fraud – Reliable Proof – Nonfleet Private Passenger Motor Vehicle Insurance** As provided in G.S. 58-2-164(c1), for the purpose of obtaining nonfleet private passenger motor vehicle insurance and to the extent relevant to a particular criterion for eligible risk status, reliable proof of North Carolina residency or eligible risk status includes one or more of the following:

- (1) A utility bill in the name of the applicant showing the applicant's current North Carolina address, including, but not limited to, a utility bill accessed electronically by the applicant.
- (2) A receipt for personal property taxes paid by the applicant within the preceding 12-month period and showing the applicant's current North Carolina address, including, but not limited to, proof of personal property taxes paid accessed electronically by the applicant.

- (3) 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 North Carolina address, including, but not limited to proof of real property taxes paid accessed electronically by the applicant.
- (4) A valid unexpired North Carolina driver's license issued to the applicant and showing the applicant's current North Carolina address;
- (5) A valid North Carolina vehicle registration issued to the applicant and showing the applicant's current North Carolina address;
- (6) A valid military ID;
- (7) A valid student ID of the applicant for a North Carolina school or university;
- (8) 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; or
- (9) A homeowners or renter's declarations page showing the applicant's current North Carolina address.

**NOTE: For a risk to be an eligible risk for the purpose of nonfleet private passenger motor vehicle insurance, the requirements of G.S. 58-37-1(4a) must be satisfied.**

- j. **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, 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, including, but not limited to, a utility bill accessed electronically by 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 issued 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 percent (20%) 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.**

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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, OBTAINING CURRENT RECORDS OF CONVICTIONS FOR MOVING TRAFFIC VIOLATIONS EVERY YEAR FOR ALL OPERATORS OF THE VEHICLES INSURED UNDER EACH CEDED POLICY SUBJECT 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 information needed for correct premium determination.

**SECTION 3**

**EXHIBITS**

<b>EXHIBITS</b>	<b>TITLE</b>
LIMIT CODES FOR CESSION NOTICES .....	A-1
CESSIONS FILE LAYOUT FOR FTP TRANSMISSION .....	B-1
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CERTIFICATION OF HIGHER COVERAGE LIMITS .....	G-1
CERTIFICATION OF OWNERSHIP OF CORPORATION OR LLC .....	H-1





**LIMIT CODES FOR CESSION NOTICES**

CODE	BODILY INJURY LIMIT OF LIABILITY	
	PER CLAIM	PER ACCIDENT
5	30,000	60,000
6	50,000	100,000
7	100,000	200,000
8	100,000	300,000
D	250,000	500,000

**COMBINED SINGLE LIMIT POLICIES (CSL)**

E	750,000
F	1,000,000
G	1,500,000
H	5,000,000
1	All other (including CSL & split limit)

CODE	MEDICAL PAYMENT LIMIT PER PERSON
1	500
2	750
3	1,000
4	2,000
7	All Other #
9	Policies without medical payments $\theta$

**UNINSURED OR COMBINED  
UNINSURED/ UNDERINSURED  
MOTORISTS COVERAGE  
UMPD LIMIT OF LIABILITY**

4	25,000*
5	50,000
1	All Other #
9	Policies with neither UM nor combined UM/UIM

CODE	PROPERTY DAMAGE LIMIT OF LIABILITY
	PER ACCIDENT
4	25,000*
5	50,000
6	100,000
C	COMBINED SINGLE LIMIT
1	All Other #

**UNINSURED MOTORISTS COVERAGE  
B.I. LIMIT OF LIABILITY**

5	30,000*	60,000*
6	50,000	100,000
7	100,000	200,000
8	100,000	300,000
1	All Other #	
9	Policies without UM or with combined UM/UIM	

**COMBINED UNINSURED/ UNDERINSURED  
MOTORISTS COVERAGES  
B.I Limit of Liability**

6	50,000	100,000
7	100,000	200,000
8	100,000	300,000
D	250,000	500,000
E	300,000	300,000
F	500,000	500,000
G	1,000,000	1,000,000
1	All Other #	
9	Policies without combined UM/UIM	

# Not to exceed maximum limit(s) which may be ceded as provided in Paragraph D. of this Section.

$\theta$  Not available for motorcycles.

\* These limits no longer meet the NC financial responsibility laws for new business or renewals as of 7-1-2025



### CESSIONS FILE LAYOUT FOR FTP TRANSMISSION

Cessions Record			
FIELD	#CHAR	POSITION	COMMENTS
ID	1	1	Insert C
STATE CODE	2	5-6	32 - North Carolina RF
COMPANY CODE	5	9-13	Insert a five position numerical reporting code. For those companies presently utilizing four digit codes, insert 0 in position 9.
EFF. YEAR	2	19-20	Insert the last two positions of the effective year.
EFF. MONTH	2	21-22	Insert a two position effective month.
EFF. DAY	2	23-24	Insert a two position effective day.
EXP. YEAR	2	25-26	Insert the last two positions of the expiration year.
EXP. MONTH	2	27-28	Insert a two position expiration month.
EXP. DAY	2	29-30	Insert a two position expiration day.
CESSION YEAR	2	31-32	Insert the last two positions of the cession year.
			<b>Transaction Code 3 only.</b>
CESSION MONTH	2	33-34	Insert a two position cession month.
			<b>Transaction Code 3 only.</b>
CESSION DAY	2	35-36	Insert a two position cession day.
			<b>Transaction Code 3 only.</b>
DESIGNATED CODE	1	37	Insert a one position numerical designated code as follows: 1- O/T Designated Business 2- Designated Business
CLASS CODE	1	38	Insert a one position numerical class code as follows: 1- ★Private Passenger (Includes PPNF Motorcycles)❖ 2- Higher limits required by law 3- ★Other than Private Passenger (Commercial)❖ 4- Combination of Codes 1 and 3

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**Section 3. General Rules**

FIELD	#CHAR	POSITION	COMMENTS
			5- Higher limits for personal "umbrella" or excess liability
LIMITS CODE:			Insert a one position alphanumeric code as follows:
BI	1	39	Valid Codes 1, 5-8, D-H
PD	1	40	Valid Codes 4-6, 9, C
MED	1	41	Valid Codes 1-4, 7, 9
UM BI	1	42	Valid Codes 1, 5-9
UIM BI	1	43	Valid Codes 1, 6-9, D-G
UM PD	1	44	Valid Codes 1, 4, 5, 9
TRANS CODE	1	45	Insert a one position numerical transaction as follows: 1- Binder or New Policy 2- Renewal Policy 3- Mid-Term Cession 4- Policy or Renewal Not Taken
POLICY NUMBER	16	46-61	Insert up to a 16 position Policy Number, left justified.
INSURED'S NAME	16	62-77	Insert up to a 16 position Insured's Name, left justified.

**RECORD LAYOUT  
NORTH CAROLINA REINSURANCE FACILITY  
REPORTING OF CESSION NOTICES**

(VIA: FTP TRANSMISSION TELECOMMUNICATION)

ID	STATE	COMPANY CODE	EFFECTIVE DATE			EXPIRATION DATE			CESSION DATE			C D E A S S C O C I E T Y	B I D E N T I F I C A T I O N	P R I O R I T Y
			YY	MM	DD	YY	MM	DD	YY	MM	DD			
	5	10	1	5	2	0	2	5	3	0	3	5		4

M E D I C A L C O D E	T R A N S A C T I O N	P O L I C Y N U M B E R						I N S U R E D's N A M E					
	4	5	0	5	5	6	0	6	5	7	0	7	5



**CESSIONS FILE LAYOUT FOR FTP TRANSMISSION**

**Trailer Record**

<b>FIELD</b>	<b>#CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
ID	1	1	Insert 8
STATE CODE	2	5-6	Insert 32
COMPANY CODE	5	9-13	Insert a five position code
FIXED LABEL	5	14-18	Insert "TOTAL"
RECORD COUNT	10	19-28	Insert number of cessions reported





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Section 3. General Rules

CESSIONS FILE LAYOUT OF FTP TRANSMISSION -TRAILER RECORD

ID				STATE				COMPANY CODE				TOTAL				RECORD COUNT (NUMBER OF CESSIONS TRANSMITTED)																
				5				10				15				20				25				30				35				40

			45				50				55				60				65				70				75			80
--	--	--	----	--	--	--	----	--	--	--	----	--	--	--	----	--	--	--	----	--	--	--	----	--	--	--	----	--	--	----



**NORTH CAROLINA REINSURANCE FACILITY STATEMENT OF ELIGIBILITY  
FOR CESSION OF HIGHER COVERAGE LIMITS — COMMERCIAL AUTOMOBILE**

The statutes creating the North Carolina Reinsurance Facility authorize the Facility to accept bodily injury and property damage liability limits up to 100/300/50. The Facility is further authorized to:

“accept motor vehicle insurance or financial responsibility limits in the amounts required by any federal law or federal agency regulation; by any law of this state; or by any rule duly adopted under Chapter 150B or by the North Carolina Utilities Commission.”

A North Carolina policy, otherwise eligible for cession to the Facility, with coverage limits above 100/300/50 may be issued and the coverage limits above 100/300/50 remain eligible for cession to the Facility provided such higher coverage limits are required by any federal law or federal agency regulation, by any law of this state, or by any rule duly adopted under Chapter 150B of the General Statutes or by the North Carolina Utilities Commission.

INSURED'S NAME \_\_\_\_\_  
(Please print)

INSURED'S ADDRESS \_\_\_\_\_

COVERAGE LIMITS REQUESTED \_\_\_\_\_

Coverage limits above 100/300/50 are requested in order to comply with the requirements of:  
(check applicable box)

- a. ☐ Federal Motor Carrier Safety Administration
- b. ☐ Other Federal Law or Regulation \_\_\_\_\_ (identify)
- c. ☐ Rule Adopted by the North Carolina Utilities Commission \_\_\_\_\_ (identify)
- d. ☐ Rule Adopted under Chapter 150B \_\_\_\_\_ (identify)
- e. ☐ Other North Carolina Law \_\_\_\_\_ (identify)

**I CERTIFY THAT:**

- (1) I am required under the rule, law or regulation identified above to purchase bodily injury and property damage liability limits in the amounts requested above.
- (2) I am not requesting the higher limits set forth above for the purpose of satisfying a contractual requirement or a requirement other than the rule, law or regulation identified above; and
- (3) I will promptly notify my insurer if and when I cease being required under the rule, law or regulation identified above to purchase the coverage limits requested.

Certified by:

Insured's Name \_\_\_\_\_  
(Please print)

By:

Print Name \_\_\_\_\_ Signature \_\_\_\_\_

Title \_\_\_\_\_ Date \_\_\_\_\_

NOTE: The insured must complete and sign a copy of Form NCRF-30, and the signed form, or a copy thereof, must be retained in the ceding company's file.



**CERTIFICATION OF HIGHER COVERAGE LIMITS**

The undersigned hereby certifies that he/she must maintain motor vehicle insurance in the amounts of \_\_\_\_\_ per person/\_\_\_\_\_ per accident Bodily Injury Liability, \_\_\_\_\_ Property Damage Liability, \_\_\_\_\_ Medical Payments in order to obtain or continue coverage under a personal excess liability or personal "umbrella" insurance policy.

Certified by:

\_\_\_\_\_  
Named Insured (print)

\_\_\_\_\_  
Named Insured (signature)

\_\_\_\_\_  
Policy Number

\_\_\_\_\_  
Date

NCRF-31 (10/07)



## CERTIFICATION OF OWNERSHIP OF CORPORATION OR LLC

North Carolina General Statute ("N.C.G.S.") § 58-2-164(c2) lists certain documents as "reliable proof," as that term is used in N.C.G.S. § 58-2-164, of North Carolina residency or eligible risk status 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.

N.C.G.S. § 58-2-164(c2)(5) provides that one such item of "reliable proof" is "[t]he 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 percent (20%) ownership interest in the applicant corporation or LLC."

N.C.G.S. § 58-2-164(c2)(6) provides with respect to "reliable proof" that "[i]f 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."

N.C.G.S. § 58-2-164(c2) further provides that, for purposes of subdivisions (c2)(5) and (c2)(6) described above, proof of ownership is established through execution by the owner of the corporation or LLC of this form.

NAME OF CORPORATION OR LLC: \_\_\_\_\_  
(Please print)

ADDRESS OF CORPORATION OR LLC: \_\_\_\_\_  
\_\_\_\_\_

- a. ☐ I hereby represent that I hold at least a 20% ownership interest in the corporation or LLC listed above, and that I presently hold a valid North Carolina driver's license.
- b. ☐ I hereby represent that I am the sole owner of the corporation or LLC listed above, that the principal place of business of that corporation or LLC is the address shown above, and that the address shown above is the address of my primary residence. (Where the "sole owner" is husband and wife, either spouse may execute this form.)

I HEREBY CERTIFY THAT THE STATEMENTS SET FORTH ON THIS FORM ARE TRUE AND ACCURATE, AND I UNDERSTAND THAT ANY INTENTIONAL MISSTATEMENT ON THIS FORM MAY RESULT IN CRIMINAL PROSECUTION PURSUANT TO N.C.G.S. § 58-2-164(b) AND/OR N.C.G.S. § 58-2-164(b1).

\_\_\_\_\_  
Owner's name (Print)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

NOTE: This signed form, or a copy thereof, must be retained by the ceding company. This obligation does not alter the document retention requirements of G.S. 58-2-164(c).





**SECTION 4**  
**ACCOUNTING AND STATISTICAL REQUIREMENTS**



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**Section 4. Accounting and Statistical Requirements**

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**Section 4. Accounting and Statistical Requirements**

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**Section 4. Accounting and Statistical Requirements**

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**SECTION 4**

**Chapter 1**

**GENERAL DESCRIPTION OF ACCOUNTING AND STATISTICAL RESPONSIBILITIES**

**A. Ceding Company**

Most of the ceding company's internal procedures and responsibilities with respect to their insureds, agents, statistical agents and regulatory authorities should not differ for ceded as opposed to retained business. However, ceded business should be separately identified as such on the company's books due to the different rate level in effect for such business. Additional company responsibilities relating specifically to ceded business are outlined below.

1. Prepare and promptly file all required accounting and statistical reports and expense data.
2. Correct and promptly return any transactions questioned by the Facility.
3. Disburse funds when requested by the Facility.
4. Bill, collect and report surcharges from insureds for recoupment as directed by the Facility.
5. Maintain current contact information including email addresses where notification of file receipt, acknowledgements, billing statements, circulars etc. are to be sent. The Facility does not send paper mailings but does send advisory email notices. All reports, statements, circulars, etc., are available either on the Facility website or (for authorized users) online in the EDGE system.

**B. Reinsurance Facility**

1. Data Processing
2. Receive and process cession notices from the ceding companies via FTP transmission or online data entry in to the EDGE system.

Receive and balance accounting reports from ceding companies.

Perform certain validity tests on the data received from the ceding companies and take all steps to insure that such data are corrected as necessary.

Establish a masterfile of policy records containing cessions, premiums and losses.

Create and maintain summary controls.

Prepare claims review, underwriting review, and any other performance review or audit reports as necessary.

3. Receive and disburse funds in settlement of balances, penalties, etc. with ceding companies.
4. Bill and collect membership fees and assessments when due from participating members.
5. Calculate the required Ceding Expense Allowance and Claims Expense Allowance.
6. Invest funds available on business effective on or after October 1, 1977.
7. Maintain all necessary controls, books, ledgers, data sets and budgets required, and perform all related administration.
8. Calculate and file rate revisions on Facility business.

**C. AIPSO**

1. Calculate premiums unearned, IBNR, Anticipated Salvage and Subrogation Recoverables, Claim Counts, Earned but Unbilled Premium, Premium Deficiency Reserve, and any other data required for reports.
2. Prepare consolidated reports for participating members, Board of Governors and regulatory authorities.
3. Allocate participation experience and report shares to participating members.
4. Print and distribute Facility Manuals.

**Note:** Although AIPSO will produce the above, any questions should be directed to the Facility.

**D. Participating Members**

1. Record on their books their share of participation experience as assumed reinsurance.
2. Remit membership fees and assessments when due.
3. Record and recover surcharges as authorized by the Facility.

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**Section 4. Accounting and Statistical Requirements**

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**SECTION 4**

**Chapter 1**

**Section 4. Accounting and Statistical Requirements**

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**SECTION 4**

**Chapter 2**

**COMPANY ACCOUNTING DETAIL RECORDS**

The accounting records of the company must be established in such a manner as to identify business reinsured with the Facility or subject to recoupment surcharges.

**A. Written Premium Records**

Each company will have available, at the detail premium transaction level, a record to support the written premium entries submitted to the Facility in the required reports for new business, renewals, endorsements (return or additional), audits, cancellations and reinstatements.

**B. Surcharge Records**

Each company will have available, at the detail transaction level, a record to support the recoupment surcharge entries. Each company will have the ability to produce a detail transaction listing to support surcharges reported to the Facility in accordance with paragraph I. of Chapter 3.

**C. Contingent Liability on Escrow Funds**

Each company will have available, at the detail premium transaction level, a record of policies involved in each Facility escrow account.

**D. Loss Records**

Each company will have available, at the detail claim transaction level, a record to support the loss experience entries submitted to the Facility in the required reports. Such record details will be inclusive of:

Losses paid or loss drafts issued (depending on the method of claim handling by the company).

Salvage and Subrogation receipts and, if any, the reasonable and supportable external collection expense deducted from the recovery. External collection expense shall be limited to expenses incurred for payment of outside services.

Case basis loss reserves (excluding expense).

**E. Designated Carrier Outside Legal Expense Records**

Each designated carrier will have available, at the detail expense transaction level, a record to support the outside legal expense payments made in connection with settlement of claims on designated business as submitted to the Facility in the required reports. Such record details shall include expense drafts issued and itemized statements for outside legal services rendered.

**F. Retention of Records**

It is to be understood that the retention and destruction of records by the company will follow normal company practices to satisfy state, federal or NAIC examinations or audits.



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**Chapter 2**

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**SECTION 4**

**Chapter 3**

**COMPANY ACCOUNTING LEDGERS AND REPORTS**

**A. Accounting Ledgers**

Each company shall record transactions on their books as direct business of the company and then make a Reinsurance Ceded entry to the Facility. The company shall be responsible for all Premium Taxes and Board and Bureau assessments. Detail records shall be kept available to support all cessions to the Facility.

**B. Accounting Reports**

Each company is responsible for timely submission of accounting reports as described in this section. If a company has no data to report for the accounting month, a NIL Report must be created in the EDGE system. Refer to EDGE Online help for instructions on completing this report online. Do not transmit an empty file.

Unless otherwise indicated, all reports must be transmitted via File Transfer Protocol (FTP) and are due on the 25<sup>th</sup> day of the first month following the close of the reporting period. See Chapter 8 for billing procedure for accounting reports not received by the due date. The specifications for FTP transmissions are located in the NCRF FTP Instruction Guide available on our website and file layouts are contained at the end of this section as exhibits.

All components of a month's total business must be submitted at one time. For example, for the month of December, the premiums written, the recoupment surcharges written, the losses paid, the losses outstanding and the Monthly Summary Records are to be submitted together. Additional records may be reported in a supplemental file, but a regular monthly accounting file must be submitted by the due date to be considered complete.

If a company needs to report additional accounting transactions outside of its regular report, supplemental files can be submitted via FTP or created online through the Supplemental feature of the EDGE system. Transactions created online will appear on the Online Accounting Transaction Report (Exhibit Y).

**C. Monthly Detail Premium Records**

The company will prepare and submit a file containing detail premium records on or before the 25<sup>th</sup> day of the first month following the close of each accounting month. For example, the October premium written records must be received by the Facility on or before November 25.

1. Premium transactions must be reported by

- a. detail transactions in the Accounting File Layout for FTP Transmission - Detail Records (Exhibit B), and
- b. one summary transaction in the Accounting File Layout for FTP Transmission - Summary Record (Exhibit A) and this amount must balance to the total of the detail transactions.

**These transactions must be reported utilizing account code 011.**

2. The premium transactions must include only the actual amount of premiums, excluding Recoupment.
3. The detail transaction for a given policy and term may be reported individually by vehicle or may be combined into a single detail transaction for each coverage code.
4. Each detail premium transaction
  - a. must be coded with the current accounting year and month;
  - b. must be coded with a transaction year and month that is within the policy term (i.e., policy effective year/month through policy expiration year/month);
  - c. transaction year and month must be the date the transaction takes effect on the policy (i.e., transaction year and month on an endorsement would be the year/month the endorsement took effect on the policy).

**If the premium transaction detail fails to match the original cession information (i.e. exact policy number, effective and expiration dates, etc.), it will be considered an error and appear on your company's Error List available online in the EDGE system.**

Refer to Exhibit B for the specifications and record layout for reporting premiums written.

The total detail of premiums written for designated and other than designated business should balance to the amounts reported on the monthly Summary Record(s) (Exhibit A).

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**D. Monthly Detail of Losses Paid, Salvage/Subrogation Record(s)**

The company will prepare and submit a file containing detail losses paid records on or before the 25<sup>th</sup> day of the first month following the close of each accounting month. For example, the October losses paid records must be received by the Facility on or before November 25.

1. Losses Paid, Salvage/Subrogation transactions must be reported by
  - a. detail transactions in the Accounting File Layout for FTP Transmission - Detail Records (Exhibit B), and
  - b. one summary transaction in the Accounting File Layout for FTP Transmission - Summary Record (Exhibit A) and this amount must balance to the total of the detail transactions.

**These transactions must be reported utilizing account code 016.**

2. The losses paid transactions must include only the actual amount of loss payments, excluding loss adjustment expenses.
3. Each detail loss transaction
  - a. must be coded with the current accounting year and month;
  - b. must be coded with an accident year, month and day that are within the policy term (i.e., policy effective year/month/day through policy expiration year/month/day).

**If the losses paid detail fails to match the original cession information (i.e. exact policy number, effective date, etc.), it will be considered an error and appear on your company's Error List available online in the EDGE system.**

Refer to Exhibit B for the specifications and record layout for reporting of the Losses Paid.

The total detail of losses paid, salvage/subrogation for designated and other than designated business should balance to the amounts reported on the monthly Summary Record(s) (Exhibit A).

**E. Quarterly Detail of Losses Outstanding**

The company will prepare as of the end of each quarter and file on or before the 25<sup>th</sup> day of the first month following the close of the quarter, detail records of losses outstanding in the quarter

ending month that includes reserving for each coverage based upon potential dollar value of the claim. For example, losses outstanding as of December 31 must be received by the Facility on or before January 25. Losses outstanding must be reported by gross of anticipated salvage and subrogation recoverables. (The Facility will calculate the anticipated salvage and subrogation recoverable amounts quarterly). No loss adjustment expense will be included in the Losses Outstanding Records.

Refer to Exhibit B for the specifications and record layout for reporting losses outstanding.

The total detail for Quarterly Losses Outstanding must balance to the amount reported on the Monthly Summary Record (Exhibit A).

If an error is made on an accepted losses outstanding record, it should not be reversed and re-entered. Never report a negative amount on accepted losses outstanding records. Report the correct losses outstanding record in the next quarter end, if the loss is still outstanding.

**F. Monthly Summary Records**

The company will prepare and submit a file containing summary records on or before the 25<sup>th</sup> day of the first month following the close of each accounting month containing the following information:

4. Company Name and Number
5. Accounting Month and Year
6. Premiums Written
  - Designated Carrier
  - Other than Designated Carrier
7. Designated Carrier Outside Legal Expenses (Refer to Paragraph J. for reporting requirements)
8. Losses Paid (Net as to Salvage/Subrogation/ Other Recovery)
9. Losses Outstanding (only at end of quarter) (gross of anticipated salvage and subrogation recoverables)
10. Premiums Refunded for Disapproved Rates
11. Interest paid on "Premiums Refunded" (7 above)

Refer to Exhibit A for the specifications and record layout.

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**G. ★Monthly Recoupment Summary Records❖**

The company will prepare and submit a file on or before the 25<sup>th</sup> day of the first month following the close of each accounting month, recoupment records containing the following information:

Company Name and Number

Accounting Month and Year

Recoupment from Facility and non-Facility insureds for the Facility deficits (separately for Clean Risk and each deficit period)

Refer to Exhibit C for the specifications and record layout for reporting recoupment data.

**H. FTP Specifications**

File specifications and layouts can be found in the “FTP Instruction Guide” available on our website.

**I. ★Monthly Recoupment Detail Records--Penalty For Late Submission**

The company will prepare and submit a file on or before the 25<sup>th</sup> day of the first month following the close of each accounting month, Recoupment Detail Records containing a transaction detail listing of recoupment written during the month. The listing will agree with and support the recoupment written to be reported in the Monthly Recoupment File for the month. The Recoupment Detail File must be submitted directly to the Facility via File Transfer Protocol (FTP).❖

For each separate category of recoupment, the company will include in the Recoupment Detail File a listing in policy number order of recoupment written transactions. Each transaction will include policy number, policy effective month and year, and recoupment amount. The company must be able to identify and retrieve the policy file for each transaction listed, and additional space is provided in the recoupment detail record for the inclusion by the company of any optional additional information, such as insured's name, which the company might need for that purpose.

If the Recoupment Detail File is not received complete and in good order by the due date as specified above, a penalty of \$100 per day will be assessed to the company for each day the file is late until the file is received complete and in good order. The Facility initially shall bill the company for the penalty upon receiving the Recoupment Detail File complete and in good order, or within 30 days from the due date of the file, and periodically thereafter as appropriate. These charges will appear on the company's Monthly Account Activity Statement. Payment of each

penalty billing is due and payable on the statement due date, and is subject to Late Payment Fees in accordance with Chapter 8., Paragraph E. of this Section.

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**J. Designated Carrier Monthly Outside Legal Expenses Paid Detail Records**

Each designated carrier will prepare and submit a file on or before the 25<sup>th</sup> day of the first month following the close of each accounting month, a Monthly Outside Legal Expenses Paid Detail Record containing the following information:

1. Company Name and Number
2. Accounting Month and Year
3. A detail listing, in policy number order, of outside legal expenses paid in connection with settlement of claims on designated business.

Refer to Exhibit E for the specifications and record layout for reporting Outside Legal Expenses Paid. The total detail of Outside Legal Expenses Paid should balance to the amount reported on the Monthly Summary Records (Exhibit A).

**K. Refund Premiums and Interest Options**

When premiums implemented over the Commissioner's disapproval on policies ceded to the Facility are required to be refunded to policyholders, the Board of Governors will advise member companies of the amounts to be refunded, the interest to be paid on such refunds and the procedures to be employed for such refunds. Member companies may begin processing and reporting refunds upon directions to be issued by the Board of Governors by circular letter to the member companies. The following procedures will apply for reporting such premium refunds and interest payments:

**Premiums Refunded for Disapproved Rates**

1. Premiums refunded must be reported by:
  - a. detail transactions in the Accounting Transaction Detail Records, and
  - b. one summary transaction in the Monthly Summary Record. This amount must balance to the total of the detail transactions.

**These transactions must be reported utilizing account code 010.**

2. The premiums refunded transactions must be reported as credit amounts. Include only the

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actual amount of premium refunded, excluding interest.

3. The detail transactions for a given policy and term may be reported individually or may be combined into a single detail transaction.
4. Each detail premiums refunded transaction:
  - a. must be coded with the current accounting year and month.
  - b. must be coded as an Endorsement (Transaction Code 2).
  - c. must be coded with a transaction year and month which is within the policy term (i.e., policy effective year/month through policy expiration year/month) of the original premium transactions submitted to the Facility (for example: cession effective date). If the policy was canceled prior to expiration, the transaction year and month of the premiums refunded transaction must not be later than the cancellation year/month.
  - d. unless otherwise specified above, must match identically the coding of all corresponding fields in the original premiums written transactions submitted to the Facility.

**If the premiums refunded detail fails to match the original premium transactions, it will be considered an error and appear on your company's Error List.**

5. The total premiums refunded will be identified separately on the Monthly Account Activity Statement and included in the total Amount Due. These premiums will be excluded from calculation of the ceding and claims expense allowances.

**Interest Paid on Premiums Refunded**

1. Interest paid must be reported in the Monthly Summary Record by a summary transaction only. This transaction should reflect the total of all interest payments for the accounting month and must be reported as a positive amount.

**This transaction must be reported utilizing account code 014.**

2. Interest payments are to be reported in the Monthly Summary Record only.

**Please do not report detail transactions for interest payments.**

3. Interest paid will be identified separately on the Monthly Account Activity Statement and included in the Net Settlement Amount.

**Please refer to Exhibits A and B at the end of this Section for specifications for reporting all Summary and Detail transactions.**

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**STATISTICAL REQUIREMENTS**

Each member company will maintain detailed statistical information on this business recorded as direct, and will report the statistical information to its statistical agent in the manner prescribed by the statistical plan of its statistical agent.

The statistical agents will then provide the data to the Facility and AIPSO, using mutually agreed upon formats, in order that the prevailing rate levels may be monitored, and data used for distributing the Facility results may be revised on a timely basis.

★Each member company shall furnish statistics in connection with insurance subject to the Facility as may be required by the Facility. Such statistics shall be furnished at such time and in such form and detail as may be required, including responses to data calls that the Facility may issue from time to time.

If a member company's submission of requested data (a "Data Call Response") is not received by the specified due date, as determined by Facility staff, a **Penalty for Late Submission of Requested Data** of \$100 per day will be assessed to the company for each day the Data Call Response is late.

If a Data Call Response received by Facility staff is not complete, not accurate, or not in good order, as determined by Facility staff, Facility staff will so notify the member company. The company will thereafter have a single seven (7) day grace period within which to submit a Data Call Response that is complete, accurate, and in good order, and a **Penalty for Late Submission of Requested Data** of \$100 per day will be assessed to the company beginning the day following expiration of the grace period and will continue until receipt by the Facility of a Data Call Response that is determined by Facility staff to be complete, accurate, and in good order. The grace period will begin no sooner than the day following the specified due date.❖

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**SECTION 4**

**Chapter 5**

**EXPENSE REIMBURSEMENT ON CEDED BUSINESS**

Each member shall, subject to the provisions of the Plan of Operation, receive a credit against its premium written account for expenses in connection with its ceded business.

Expense reimbursement shall be calculated for: (a) Ceding Expense Allowance and (b) Claims Expense Allowance, each of which are developed separately for Designated Carrier and Other Than Designated Carrier Business. The Facility will calculate these amounts based upon the data submitted by each company. See Chapter 9 of this Section for development of these allowances.

Ceding Expense Allowances shall include the reimbursement of expenses for commissions, brokerage, other acquisition expenses, taxes, licenses, fees and general expenses.

Claims Expense Allowances shall include the reimbursement of both allocated and unallocated expense incurred.



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### **SECTION 4**

#### **Chapter 6 RECEIPT, PROCESSING AND RECORDING**

This chapter gives an overview of the processing of NCRF data

##### **A. Cession Notice Processing**

Carriers have the option of filing electronic cession notices by File Transfer Protocol (FTP) transmission or data entry via online access to the Facility information system, EDGE. Refer to the FTP Instruction Guide for FTP transmission instructions. Cessions reported by FTP must be transmitted to the Facility. All other cession notices must be entered directly into the Facility online information system, EDGE. All cession notice corrections must be performed online in the EDGE system.

Refer to Section 3 for the criteria used to determine cession effective date and for notification procedure where cession is reported to the Facility and is assumed as of the receipt date (midterm). For cessions reported to the Facility via FTP, if the cession is assumed as of the date of receipt, it will be listed under the "Accepted Cessions Changed to Mid-term" section of the Cession Acknowledgement Summary available online in the EDGE system. This is to inform the ceding company of mid-term cession dates. It is important that companies verify the existence of coverage before any loss is reported to the Facility.

##### **B. Accounting Detail Processing**

A member company's monthly accounting report will not be considered received complete and in good order for processing in the current cycle unless it meets all criteria in accordance with this subsection and unless all prior accounting reports due from the company have met these criteria.

Monthly reports of premiums and paid losses and quarterly reports of case basis loss reserves along with a summary record(s) are reported to the Facility in accordance with the specifications described in Chapter 3 of this Section.

All detail reports submitted are automatically balanced to the totals on the corresponding Monthly Summary Record on a daily basis. After completion of the balancing operations, Balancing Reports are produced indicating which carriers are in balance and which are not.

###### **1. In Balance Report**

If the company's detail transactions balance to the Monthly Summary Record, the Balancing

Report--In Balance Report (Exhibit G) will be produced. An email notice is generated to the company, advising of the Accepted - In Balance file status.

###### **2. Out of Balance--Accepted**

If the company's detail transactions do not balance to the Monthly Summary Record but the out of balance for any line is \$500 or less, and 5% or less of the amount reported on the Monthly Summary Record, the Facility adjusts the summary record to the detail transactions. The Facility also produces the Balancing Report--Out of Balance--Accepted Report (Exhibit H). An email notice is generated to the company, advising of the Accepted - Out of Balance file status, with the differences shown so that the company may adjust its records accordingly.

###### **3. Out of Balance--Rejected**

If the company's detail transactions do not balance to the Monthly Summary Record and the out of balance condition exceeds \$500 or 5% of the amount reported, an email notice is generated to the company advising that the file has failed this condition and will not be processed. The company will need to resubmit a corrected file.

If a corrected file is not received by the established cut-off date for the reporting month, the company's accounting submission will be considered a Late Accounting Report in accordance with Chapter 8, Paragraph B. of this Section.

##### **C. Validation and Masterfile Maintenance**

Immediately following the balancing operations described above, the transactions submitted by the carriers enter validation processing, in which each individual transaction is edited to insure that it is coded and filed correctly and it corresponds correctly to other transactions already on file for the given policy. The eventual product to this processing is the masterfile of valid transactions and the pending file of invalid transactions.

The masterfile is divided into two groups:

Online - includes transactions for the latest three policy years, and older policies with either open reserves,

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transactions which have occurred within the last twelve months or have transactions questioned on the Error List; and is validated daily.

Offline - includes transactions for the remaining nine open policy years that proceed the years on the online masterfile. These transactions are not available for online access by the member companies. These transactions may be automatically retrieved into the Online Masterfile if a related transaction is submitted for validation.

Invalid transactions are available online under the Errors tab of the EDGE system so that companies may correct or resubmit transactions which have failed validation tests. A detailed description of validation test, error listings and correction procedures is presented in Chapter 7 of this Section. However, a brief description of the important validity conditions is presented:

All cession notices submitted must contain valid effective and expiration dates. For each policy or renewal not taken (TRS Code = 4) there must be a corresponding initial cession notice with the same indicative information. For each policy term, there must be only one initial cession notice for each new policy, renewal or mid-term cession. However, duplicate cessions with the same policy number and effective month and year, regardless of the expiration month and year, are considered to be duplicate and will not be accepted into the masterfile. These duplicate entries, which appear on the questionable listings, subsequently must be either corrected or deleted online through the EDGE system.

For each premium transaction, there must be a corresponding valid initial cession notice with the same state code, company code, policy number, effective month and year, expiration month and year and DES code. In addition, for every endorsement, cancellation and audit premium, there must be a valid initial premium with the same indicative information.

For every paid loss and outstanding loss transaction, there must be a valid initial cession notice with the same state code, company code, policy number and effective month and year and there must also be corresponding valid initial premium showing the same indicative information.

For a given class code on a loss entry, there must be a valid premium showing the same class code. For example, if a class code 3 indicates a commercial loss, there must be a valid class 3 commercial premium.

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In addition to the above, for every salvage/subrogation recovery, there must be a corresponding valid initial loss payment.

For every loss transaction, the accident date must be within the policy term, must not be before the cession date and must not be after the cancellation date. The accounting date of the initial loss transaction for a given claim must be within 4 years of the accident date.

**D. Control and Financial Processing**

Following the validation steps described previously, Control Reports, used solely for internal purposes, are produced both monthly and quarterly for this category of data. The monthly controls are used as an additional balance check, in order to monitor system performance. They are produced for premiums written and losses paid, and will consist of the entire processing month's submission of accounting data, regardless of whether the individual transactions have passed the validity tests.

Quarterly controls, which are similar to the monthly controls with the addition of losses outstanding, are used as a first step in the production of quarterly reports.

The quarterly controls are again checked against totals of data known to have been submitted.

The Premium Computations Report is used to determine all derived premium amounts, such as premium unearned and premiums earned. The IBNR Report is used to determine losses incurred.

The next step is the production of Preliminary Audit Reports, which summarizes all carriers' ceded experience, including all calculated accounts such as premiums earned and losses incurred. An example of this report is shown as Exhibit I.

Assuming all steps have been performed correctly, the next step is to distribute each of the accounts shown on the Audit Reports (which represent Facility-wide totals) to each member company according to their participation ratios. This procedure is described more fully in Chapter 12.

These policies are summarized monthly, using control reports similar to those described above. Based on this monthly summarization, Account Activity statements are produced. These statements, which are described more fully in Chapter 8, are used for the purpose of cash transactions, but only on the basis of each carrier's **ceded** experience. This procedure does not account for assumed experience.

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**SECTION 4**

**Chapter 7**

**COMPANY CORRECTIONS TO REPORTS FILED**

This chapter outlines the procedure to follow to correct data submitted to the North Carolina Reinsurance Facility.

**A. Errors Detected by the Ceding Company**

**1. Notices of Cession**

If a Notice of Cession is filed with the Facility that is in error, and it is necessary to change that entry, then, a correction must be made to the cession online, through the EDGE system. (Refer to Section 3, Paragraph F).

If a Notice of Cession is filed with the Facility in error, and no premium entry has been or will be reported, it is necessary to file another Notice of Cession showing the same information as on the original filing except that the transaction code should be Code 4 (policy or renewal not taken). No other entry is necessary. This is the procedure if submitting cessions through FTP. Cessions may also be cancelled flat online, through the EDGE system. (Refer to Section 3, Subparagraph G.2. If a premium entry has been or will be reported, a cancellation (premium Transaction Code 3) entry must be reported in the Monthly Detail Premium Records. These procedures do not apply for withdrawal of ceded business to be retained as voluntary (refer to Section 3, Subparagraph G.4. and to Paragraph E. of this Chapter).

**2. Monthly Detail Premium Records**

If it is necessary to change any coding information shown on individual items submitted in this report, it will be necessary to back out the original entry with a detail item showing the original information and reverse sign premium amounts. It is then necessary to submit another detail item showing the corrected information, with its appropriate action. When changing coding only, the premium amounts, on both correction items, must be the same.

If it is necessary to correct the premium amounts reported on a detail submission, then submit two detail entries, one to reverse the original entry and one to report the correct amount.

**3. Monthly Detail Losses Paid, Subrogation/ Salvage Records**

If it is necessary to change any coding shown on individual items submitted in this report, it will be necessary to back out the original entry with a detail item showing the original

information using reverse sign loss amount. It is then necessary to submit another detail item showing the corrected information with its appropriate loss amount sign. Both entry amounts used in the correction routine should equal.

If it is necessary to correct only a loss amount reported on a detail submission, then submit two detail entries, one to reverse the original transaction and one to report the correct amount. For any late reported paid loss transaction as defined in Paragraph I. of this Chapter, it is necessary to submit a detail entry to reverse the original transaction.

**4. Quarterly Detail of Losses Outstanding Records**

Corrections can only be made to Losses Outstanding Records that reject on the Error List. If an error is made on an accepted Losses Outstanding Record, it should not be reversed and re-entered. Report the correct Losses Outstanding Record in the next quarter end, if the loss is still outstanding.

**5. Monthly Summary Records**

If the Monthly Summary Records (as outlined in Chapter 3, Paragraph F. of this Section) are discovered to be in error, the Facility must be notified immediately followed by a corrected resubmission of the entire accounting report. It is imperative that this report be submitted accurately.

**B. Errors Detected by the Facility**

If a Notice of Cession submitted online through the EDGE system cannot be processed, an alert message will appear on the screen, advising of the correction needed. The policy will not be ceded until the correction has been made and a message indicating successful submission is received. When a Notice of Cession submitted through FTP cannot be processed, it will reject to the Error List. An error code and explanation will be given for this cession in the online Error List in the EDGE system. Corrections can be made in this application.

The EDGE system performs various balancing and validation functions, as described more fully in Chapter 6, on the detail record submissions from the ceding member companies. As a result, ceding companies will have online access to the

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following reports to assist them in correcting any questionable items:

Error List

Policy Records With Questionable Transactions

Warning List      Cessions Without Premiums -  
Warning Listing

Charge List      Cessions Without Premiums -  
Charge Listing (Monthly)

**Note:** The above reports are in real-time for corrections made online. Corrections made through accounting entries submitted through FTP will be available the next day.

1. Error List - Policy Records With Questionable Transactions" (Exhibit J)

A policy record is established by a cession notice in the Facility masterfile on the basis of state, company code, policy number, effective month and year, expiration month and year and carrier type code. All subsequent cessions, premium and loss transactions are matched to the masterfile on this basis.

a. Notification of Errors to Company

If any cession, premium or loss transaction fails any of the validity tests, the transactions are not accepted into the Facility masterfile but go onto the company's pending invalid file. This pending invalid file, entitled "Policy Records With Questionable Transactions", Error List, is then available online in the EDGE system. The error symbols in this application inform the company of all errors detected. Corrections to these errors are to be made online in the EDGE system under the Errors tab or by accounting entry.

The List of Error Records shows policy records with questionable cession, premium or loss transactions, in policy number order. They can also be sorted by chargeable items or number of months on the list.

Each transaction is shown as it was originally submitted by the company, with the following differences:

- (1) It shows the dates in MO/DY/YR format for cessions, accident dates and receipt dates at the Facility. It shows the dates in MO/YR format for all other dates on premium and loss transactions.

- (2) An "\*" to the left of a policy number on a line indicates a change of one or more fields of that transaction, either through a correction made to a previous questionable listing or through an internal change to a field. The Facility will drop any special characters or embedded blanks, in the policy or claim numbers.

Example:

Column:	13	14	15	16	17	18	19	20...28
Reported Policy Number:	A	1	2	/	3	%	4	
Internally Changed Policy No.:	A	1	2	3	4			

Abbreviations used on the Error List are:

CESS:	Cession Month, Day and Year
TRANS:	Transaction Month and Year
ACCD:	Accident Month, Day and Year
ACCT:	Accounting Month and Year
*ACNT CODE:	Account Code
*DES:	Designated Carrier Type Code
*TRS/PAY:	Transaction Code/Payment Code
*CLS:	Classification Code
P/L ERRORS:	Premium/Loss Errors
*COV/TYPE:	Coverage Code/Cession Type
PREMIUMS:	BI includes Bodily Injury, Medical Payments, Underinsured Motorists and Uninsured Motorist premium amounts.
LOSSES:	PD equals Property Damage amount. Paid Loss and Outstanding Loss Amounts

**Note:** See Exhibit K for the meaning of each of the above fields marked with "\*".

Each policy record appears on the Error List in the following order:

Policy Number  
Effective Year and Month  
Expiration Year and Month  
Designated Code  
Transaction Date (Cession Date,  
Transaction Date, Accident Date)

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Along with displaying each questionable transaction, the Error List also shows the masterfile information for the policy period being questioned.

The masterfile entries corresponding with each questionable transaction are intended to assist companies in making corrections. Any item shown which does not contain an error symbol and is displayed in black is valid and already accepted into the masterfile. Corrections to any valid session can be made; however, there are only limited corrections which can be made to accepted premiums and losses. For accepted premium entries, the transaction date or transaction code may be edited. For accepted loss entries, the accident date or pay code may be edited. Any other corrections would have to be made through accounting entries in subsequent accounting records for premiums and losses. Refer to Subparagraph 2. below for procedures on making corrections to the masterfile.

A questionable transaction will be identified by displaying in red and an error symbol and description below the policy details.

Other symbols appear on the Error List in order to assist the companies in identifying specific errors. Symbols shown to the extreme left of a policy number are shown for information purposes only. The following is a list of these information symbols:

SYMBOL \* Previous change to item by company or internal change by the Facility as described above.

SYMBOL = The symbol identifies transactions which are complete offsets of each other. **No corrections should be made to these trans-actions since they are offsetting entries and have no transactional effect.**

The following is a symbol on the List of Error Records:

SYMBOL C This symbol under the Chargeable column identifies all questionable transactions which are subject to the

Penalty for Uncorrected Questionable Transactions in accordance with subsection J. of this Chapter.

Transactions are checked for valid codes, and dates in relationship to other transactions.

The following is an alphabetical listing of symbols which denote error conditions. (NOTE: Exhibit L lists a summary explanation of these error symbols.)

**SYMBOL \***

An asterisk indicates a Data Integrity Error. Symbol \* means that for Sessions:

- (1) an original session was received more than 90 days in advance; or
- (2) a trans code 4 session is received on a policy with related premium transactions; or
- (3) a trans code 4 session is received on a policy that has already been cancelled; or
- (4) a trans code 4 session is received on a policy with duplicate original sessions; or
- (5) a trans code 4 session is received on a policy whose original session is in error.

**SYMBOL: A**

This symbol for trans code 4 sessions means that there is no corresponding valid original session notice in the masterfile or does not match on one or more of the following fields:

Company Code

Policy Number

Effective Date

Expiration Date

Class Code

Designated Carrier Type Code

Symbol A means that for premiums and losses there is no corresponding valid original session notice in the masterfile or does not match on one or more of the following fields:

Company Code

Policy Number

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Effective Date

(a) is not within the policy term,

Expiration Date

(b) is prior to the cession date, or

Designated Carrier Type Code

(c) is after the cancellation date

SYMBOL: B CODE, TRS/PAY, COV

SYMBOL: E

This symbol means that for premium transactions:

For cession notices, this symbol indicates that the Facility already has an in force notice of cession on record with the same policy number and effective month and year, expiration month and year and DES code.

(1) there is no corresponding valid initial premium; or

(2) coverage code is incorrect; or

(3) class code is incorrect

In the case of premium reinstatements, Transaction Code 4, this symbol indicates that this is a duplicate reinstatement and the reinstatement date (transaction date) of this transaction does not agree with the reinstatement of the premium shown in the masterfile. For each reinstatement, all transactions must show the same transaction date.

This symbol means that for loss transactions:

(1) there is no corresponding valid initial premium; or

(2) the class code does not match the initial premium

This symbol may also mean that as of the reinstatement date (transaction date) of this transaction, this policy has not been canceled.

SYMBOL: C

SYMBOL: F

This symbol means that for this salvage/subrogation recovery there is no corresponding valid initial loss payment in the masterfile or does not match on one or more of the following fields:

This company is not appointed as a designated carrier and, therefore, all cessions should be coded as DES code 1.

Company Code

Policy Number

Claim Number

Accident Date

Coverage Code

Class Code

SYMBOL: H

SYMBOL: D

Policy term is in error. This symbol appears in cases where the policy effective date on the cession notice is equal to or greater than the expiration date.

This symbol means that the policy is not in force at the time of this transaction. For premiums and losses, one of the following explanations will apply:

SYMBOL I

(1) The cession notice in the masterfile has already been canceled by a cession notice, transaction code 4,

This symbol means that for cessions, premiums or losses, there is invalid or missing data.

(2) For endorsement, cancellation, or reinstatement transactions, the transaction date is not within the policy term,

SYMBOL J

(3) For endorsement transactions, the transaction date is after the cancellation date,

This symbol means that for premiums, the accounting date cannot be more than three months prior to the policy effective date. For losses, the accounting date cannot be prior to the policy effective date.

(4) For premium cancellation transactions, all cancellation transactions do not show the same transaction date,

SYMBOL: L

(5) For losses, the accident date:

Receipt date of this Cession Notice is after the expiration date of the policy.

SYMBOL: M

Initial premium amounts (TRS=1), initial reinstatement amount (TRS=4) or initial

#### Section 4. Accounting and Statistical Requirements

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loss amount is credit and there is no corresponding debit amount.

SYMBOL: N

Initial premium cancellation amount (TRS=3) or initial salvage/subrogation recovery amount is debit and there is no corresponding credit amount.

SYMBOL: R

This symbol means that for this reinstatement premium, the transaction date is not within one month of the cancellation date.

SYMBOL: T

Accounting Date is prior to the accident.

SYMBOL: V

Policy term for cession notice is greater than one year.

SYMBOL: W

Accounting date is more than four years subsequent to the accident date and no earlier reported loss transaction has an accounting date within four years of the accident date.

b. Procedure for Correcting Questionable Transactions Online.

A member company user must first have a valid password and user id issued by the Facility, to access the EDGE system through the secure portal on our website.

Once logged into EDGE, the Error List can be accessed through the ERRORS tab. You may search on ALL ERRORS, CESSION ERRORS or PREMIUM/LOSS ERRORS. Searches can be performed on all error symbols or individual error symbols. Once the search criteria has been entered, click search and the system will display the List of Error Records. Click on the error code of a selected entry and the correction screen with the policy details will open. This is where the corrections will be made.

The entries that are accepted in the masterfile are displayed in black and the entries being questioned are displayed in red. There will be an error code and description shown below the policy details for the highlighted entry. Click the edit button beside the entry to be corrected and the details of this transaction will appear below the error code description. Then choose the activity to be performed.

It defaults to Correction, since this is the most common activity.

Select the activity to be performed:

- (1) Correction - Used to make corrections to the selected transaction in the grid below the activity section.

In order to maintain totals in balance with the corresponding Monthly Summary Records, corrections to the following fields may not be made:

Receipt Date  
DES Code  
Accounting Month and Year  
Premium and Loss Dollar  
Amounts

- (2) Create Offset - the system will create an offsetting entry for a selected questionable transaction. This action cannot be performed on accepted transactions.

- (3) Create Offset and Correction - the system will create an offsetting entry for the selected questionable transaction and allow a new entry with a corrective dollar amount to be created in the grid below it. This action cannot be performed on accepted transactions.

★The creation of an offset or offset and correction will be part of a Supplemental Accounting File for the current reporting month for a member company. These transactions will also appear on the Online Accounting Transaction Report (Exhibit Y).❖

DES Code corrections must only be made through offsetting entries in the Monthly Detail Accounting Records. **Exception** - If a cession notice is questioned with an incorrect carrier type DES code, it is permissible to correct the code of the cession directly on the correction screen. Exhibit M gives a list of each of the fields which may be changed.

Premium and loss dollar amount corrections must only be made under the create Offset and Correction function online or through the Monthly Detail Accounting Records.

Corrections online are in real-time and the results of these corrections can be viewed immediately.

Any cession notice which is questioned may be deleted from the Error List.



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Premium and paid loss transactions may not be deleted. A questionable outstanding loss which is eligible for cession to the Facility must be corrected in order to be accepted into the masterfile. A questionable outstanding loss which is not eligible for cession to the Facility will be deleted by the EDGE system on month number 2.

To delete a questionable cession notice, click on the Edit button beside the cession and then click the Delete button at the bottom of the screen.

As an alternative to making corrections directly on the correction screen, companies may send offsetting entries in later accounting reports. It is then necessary to send a new transaction showing the correct information. An offsetting entry must have the exact coding as the original entry (with the exception of accounting date) and the amount fields must be of opposite signs. The transaction code of the offsetting entry must match the transaction code of the original entry. If the transaction codes or any other fields do not match (excluding accounting date and receipt date fields) the two entries will not be offset and will appear on the Error List. The procedure then is to identify those fields which do not match and to post a correction to that field which will match it to the offsetting item. For example, a premium may appear on the Error List with Transaction Code 1, questioned with error Symbol "A" meaning no corresponding cession notice. If it is then determined that this premium should be removed through an offsetting entry, the offset must be reported under Transaction Code 1. If the offset is reported under Transaction Code 3, both items will then appear on the Error List. To remove them from the Error List, the Transaction Code 3 must be changed to 1 by posting the correction on the correction screen.

An individual offsetting entry may be submitted for every transaction which is to be offset from the listing. However, if two or more entries with the same indicative information are to be removed, it is permissible to send one offsetting entry showing a summary total of the two or more dollar amounts.

The cut-off date for making corrections to be included with the monthly close-out,

before the Account Activities are generated, will be the 25<sup>th</sup> day of each month, unless the 25<sup>th</sup> day falls on a weekend or published holiday. Then the cut-off will be the next business day. A circular letter is published near the end of each year, advising of the due dates for the next year's accounting months and will be posted on the Facility website. These dates will also be displayed on the Home Page in the EDGE system.

#### 2. Procedures for Correcting Entries on Masterfile

If any entry is being questioned because of incorrect cession notice information shown in the masterfile, it will then be necessary to correct the masterfile. This can be accomplished by modifying the cession online. Accordingly, some of the entries which appear on the Error List may be the result a modification.

If a cession appears on the Error List as a duplicate cession (error Symbol E) and the entry should replace the cession which is already in the masterfile, do not delete the cession. Perform a modification of the cession in the masterfile to correct the fields in error, which should make it identical to the questioned cession. The system will then accept the cession with the most coverage into the masterfile and make the cession with the least coverage show as the duplicate. It can then be deleted online.

If a cession notice in the masterfile shows incorrect policy number, effective or expiration month and year, or carrier type DES code information, and there is a premium or loss entry, the cession must be corrected in a different manner. An example of this type of correction is the changing of the policy term from one year to six months. The policy in the masterfile contains a cession notice and a premium entry, both for a one year term. To correct this to a six month term:

- a. Correct the cession by modifying the one year policy term to the six month policy term. This is done through the cession tab in the EDGE system.
- b. At the same time, submit in the Monthly Accounting Records, individual offsetting entries for the one year policy term.
- c. Also submit the appropriate premium for the six month policy term.

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Although there are premium transactions in the masterfile, the modification will change the corresponding cession notice. Until the offsetting premium entries are received by the Facility, any premium entries which were in the masterfile will be forced out of the masterfile and will appear on the Error List with error Symbol D. If the offsetting entries do not match on all the necessary fields, they will also appear on the Error List with error Symbol D. The corrections to the proper fields to allow the entries to offset may be made on the correction screen.

### Policy Term Change - Example

Submission or Accounting Date	ACNT CODE	EFF	EXP	CESS/TRS DATE	TRS CODE	PREM
01/02/06		01/01/06	01/01/07	01/01/06	1	
01/06	011	01/06	01/07	01/06	1	\$120

If the above 12 month policy should have been written for 6 month term from 01/01/06 to 07/01/06, do the following:

1. From the Edge Home Page, click on the Cessions tab. Under View Cession, enter the search criteria to find the cessions to be modified. When the list of cessions comes up on the screen, select the cession to be modified. Then click the modify button and change the expiration date to 07/01/06 and click submit.
2. Offsetting premium transaction for the annual period and a new premium transaction for the 6 month term.

Accounting Date	ACNT CODE	EFF	EXP	TRS DATE	TRS CODE	PREM
03/06	011	01/06	01/07	01/06	1	\$120CR
03/06	011	01/06	07/06	01/06	1	\$60

### C. Errors Detected through Audit

Other errors detected through the audit or other functions of the Facility will be reported to the carrier with appropriate instructions for prompt correction.

### D. Examples of Various Corrections Which May be Necessary

1. Change of Cancellation Date--If a policy has been canceled by a premium Transaction Code 3, and it is later determined that the cancellation date was reported incorrectly and should be changed to a new date, submit an exact offsetting entry for the first cancellation.

At the same time, submit a new cancellation entry showing the correct cancellation date.

EXAMPLE :	ACNT CODE	EFF	EXP	CESS/TRS DATE	TRS CODE	PREM
		10/13/06	10/13/07	10/13/06	1	
	011	10/06	10/07	10/06	1	\$100
	011	10/06	10/07	2/07	3	\$66cr

The above policy is canceled as of 02/07. If the cancellation date should have been 12/06, submit the following transactions:

ACNT CODE	EFF	EXP	CESS/TRS DATE	TRS CODE	PREM
011	10/06	10/07	02/07	3	\$66
011	10/06	10/07	12/06	3	\$83cr

If the policy appears on the Error List, the cancellation date may be changed by clicking the edit feature beside the entry to be corrected and making the cancellation date change in the Premium Details section.

2. Reinstatement or Cession Without a Lapse in Coverage--If a policy is ceded, and before any premium is reported it is canceled online or by a Transaction Code 4 cession, the policy may be reinstated by reinstating the cession through the Cession tab in the EDGE system. Cessions cancelled online or through a Transaction Code 4 cession must be reinstated online. Cessions cancelled through premium entries must be reinstated through premium entries.

### E. Premium Accounting for Withdrawal of Ceded Business to be Retained as Voluntary

In order to "uncede" a policy, a member must notify the Facility via an online withdrawal request, as explained in Section 3, Subparagraph G.4.

The company must enter the appropriate premiums or premium adjustments in a Monthly Detail Premium report so that only the pro rata premium earned for the period from cession effective date through the cession withdrawal date will be reflected in the Facility masterfile.

The methods used to accomplish the premium adjustments will depend upon whether or not the company has reported the premium.

1. Initial Premium Previously Reported
  - a. Reverse each premium entry reported for the original cession period, utilizing the same transaction codes as utilized on the original entries, and report a new initial premium (Premium Transaction Code 1) for the revised cession period, or

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b. Report credit endorsement premium (Transaction Code 2) to withdraw the appropriate amount of unearned premium.

**2. Initial Premium Not Reported**

The company should report an initial premium entry with the premium amount reflecting the revised cession period.

**F. Late Reporting of Written Premium for Individual Cessions**

Proper participation will be distorted by the failure of a writing company to punctually report written premium for policies for which a Notice of Cession has been submitted. Most written premium entries will be contained in the Monthly Detail Premium records for the same month (effective date of cession) on the Notice of Cession. The remainder of the premium entries should be contained in the Monthly Detail records for the month following the date of cession shown on the Notice of Cession. In no event should a premium entry fail to be reported (or the Notice of Cession fail to be revoked) within five (5) consecutive Monthly Detail Premium reports beginning with the report for the effective month of cession shown on the Notice of Cession, provided that the annual rates for the year shown on the Notice of Cession are officially available at the date the notice was submitted.

**For instance:** A policy written is effective 2/5/2006 and is ceded 2/5/2006. The premium should be reported in the February 2006 Monthly Detail Premium report due in the Facility 3/25. The last Monthly Detail Premium report that this premium can be included would be the month of June which is due in the Facility office by July 25.

In the event the written premium is not reported in the Monthly Detail Premium reports for the five consecutive months beginning with the effective month of cession, a \$10.00 per risk monthly charge will be applied thereafter until the premium is reported.

Each Monthly Detail Premium report will be processed against the masterfile to determine Notices of Cession for which premium reporting has not occurred. A detail listing (Cessions Without Premiums - Warning Listing, Exhibit N-1) of those items for which premiums have not been reported will be available online.

The items included in this list will be 60 days delinquent. In other words two monthly premium reports will be validated to the masterfile before a company receives its notification. (The monthly

report which coincides with the effective month and year of cession and the month immediately following.)

The company will have three monthly accounting reports to insure that the premium is reported. Premium must be reported by the fifth month.

For Example: Policy written effective  
2/5/2006 - ceded effective  
2/5/2006

**Monthly Report**

First Month Premium Report	2/2006	- Due in Facility office 3/25
Second Month Premium Report	3/2006	- Due in Facility office 4/25 - after checking against the masterfile - company can access the Warning List online approximately 4/26
Third Month Premium Report	4/2006	- Due in Facility office 5/25
Fourth Month Premium Report	5/2006	- Due in Facility office 6/25
Fifth Month Premium Report	6/2006	- Due in Facility Office 7/25

If the delinquent item is not in by the 6/2006 month report, it will go to the Charge List.

If the written premium is not included in the fifth Monthly Detail Premium report beginning with the effective month of cession shown on the Notice of Cession, or is included and the report is not received complete and in good order by the 25<sup>th</sup> day of the first month following the close of the accounting month, a Cessions Without Premiums - Charge Listing (Exhibit S) will be available online in the EDGE system. There will be a \$10.00 charge levied for each item listed and the total charge amount will be shown. The \$10.00 charge will be assessed monthly until the premium is reported.

Because the EDGE system is in real-time and the Charge List can change on a daily basis, a PDF copy of the Charge List will be retained as of the monthly cut-off date. It can be viewed online under the Reports tab. The charge will appear on the Account Activity for that reporting month.

The Facility Manager is responsible for identifying and reporting to the Chair of the appropriate Facility Committee trends of late premium reporting from a writing company so that further action may be undertaken as is necessary.

Member companies must take one of the following actions as appropriate to clear each cession appearing on the Cessions Without Premium - Warning Listing or Charge Listing:

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1. File a Transaction Code 4 Cession Notice through an FTP Cession File, if the policy was not taken, or was canceled flat, or was canceled prior to cession date, or was not an eligible risk. A cession may also be cancelled through the online Cessions tab.
2. Make a correction to the cession online through the Cession tab, in accordance with procedures described earlier in this Chapter and in Section 3, Paragraph F. if the premium was properly reported but the Cession Notice reflects incorrect information.
3. Correct the premium entry in accordance with procedures described earlier in this Section if the Cession Notice is correct, but the premium entry reflects incorrect information.
4. Report initial premium if due.

**Revised or Supplemental Monthly Premium. Loss and Recoupment Reports** will be accepted by the Facility in accordance with the due date for the month being reported. In other words, if a company wishes to forward a revised or supplemental report for the month of February, it must be received in the Facility by March 25. If the revised or supplemental report is received after March 25, it will be rejected by the Facility to be resubmitted as a March or subsequent month report.

#### **G. Premium is Reported but No Original Notice of Cession was Received by the Facility**

If such a situation occurs the ceding company may appeal, as provided under the Plan of Operation, Article XV--Hearings, Review, to cede the risk as of the premium report date. Such appeal must be submitted by the Chief Financial Officer of the company and must be documented as to the reasons why the company feels such late cession should be accepted as of the date of receipt of the premium report.

To encourage timely and accurate reporting of data, the ceding company will be assessed a penalty for any risk accepted for cession under this Paragraph. The penalty will be equal to \$10.00 for each cession notice accepted under the appeal, subject to a minimum penalty of \$25,000.00 per appeal. If the total number of policies included in the appeal is not known at the time the appeal is allowed, the penalty will be estimated by the Facility and adjusted as appropriate as additional information becomes available regarding the actual number of policies.

The penalty will be billed to the company as soon as possible after a final ruling is made for acceptance of the risk under the appeal. Any additional billings or refunds for adjustments

relating to the number of policies included will be issued periodically by the Facility. Balances due the Facility with respect to the initial billing or any subsequent billings under this rule will be subject to late payment fees as provided for in Chapter 8. Paragraph E of this Section.

#### **H. Reporting of Ineligible Losses**

Proper participation may be distorted by the reporting of losses paid on policies which have not been assumed by the Facility. To encourage the companies to report properly and to correct the transactions reported in error the following procedure applies:

1. An ineligible loss is defined as;
  - a. A questionable paid loss transaction which has not been corrected within seven accounting months beginning with the original accounting month in which it was reported.
2. After reporting to the Facility, loss transaction errors detected by the ceding company must be corrected as outlined in Paragraph A.
3. Questionable loss transactions detected by the Facility are listed, together with other types of errors, on the Policy Records with Questionable Transactions Report (Error List).

Any losses questioned on the Error List are available online in the EDGE system, the day after the accounting records are received.

Example:

1. A payment recorded during the accounting month of March, if questionable, is listed on the Questionable Transactions Reports (Error List) and is available online in the EDGE system.

Listed errors which need correction of amounts must be corrected on current accounting reports. In this case to back out the original entry, the carrier needs to report a detail item showing the original information using reverse sign loss amount. If necessary, in addition, a transaction with the correct information must be filed.

All other errors are to be corrected by making changes on the EDGE system through the Errors tab or through reversing entries filed in the subsequent months as described above.

2. A questionable loss payment transaction of the types identified in Item 1 above recorded in March, may be corrected on line in the EDGE system, the day after the accounting records are received, or may be corrected

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through a reversing entry included in one of the monthly reports for April through September.

3. The above questionable loss payment transaction recorded in March, if changed through a reversing entry included in the monthly reports from April through September, must be received by the Facility on or before October 25, in order for the correction to be applied by the end of October.
4. Ineligible losses are not reimbursed to the company.

On the seventh month, the Facility will offset any ineligible losses that have not been corrected by the company. These losses will be shown online in the EDGE system on the Facility Offset Report, available through the Reports tab.

The offset loss amounts will be shown on the Account Activity for the current reporting month, under E. Losses Paid - Offset by System.

5. In order to receive credit for a questionable loss and to correct member company internal accounting records, refer to the correction procedure outlined in Paragraph A.

##### **I. Late Loss Reporting**

In order to be eligible for cession, a loss must be initially reported to the Facility within two years of the date the ceding company first received notification of the loss. For a given loss, a transaction in either of the following categories is defined as late reported and will not be eligible for cession:

1. Any paid or outstanding loss transaction representing the initial reporting of the loss, on which the accounting date is more than two years after the date the ceding company first received notification of the loss.
2. Any paid or outstanding loss transaction on which the accounting date is subsequent to the accounting date of a late initial loss transaction as defined in Subparagraph 1.

Any such paid or outstanding loss transaction will be listed on the Report of Policy Records with Questionable Transactions (Error List).

Any loss for which the accounting date of initial reporting to the Facility is more than four years subsequent to the accident date will be presumed to be late reported and will be treated as such unless the ceding company provides acceptable documentation to show that the loss was in fact timely reported.

Such documentation must be submitted to the Facility Manager, who shall be responsible for deciding whether or not the loss was timely reported. If, in the judgment of the Facility Manager, the documentation is adequate to show that the loss was actually reported by the company within two years of the date the company first received notification of the loss, the loss will be treated as timely reported and will be accepted as eligible for cession provided it meets all other eligibility criteria.

Late losses that are not corrected within seven accounting months, beginning with the original accounting month, will be subject to offset as described in Paragraph H. of this chapter. If the documentation requesting acceptance of the loss is received before the cut-off date of the seventh accounting month data, the loss will be marked for review in the EDGE system and will not be offset at that time.

##### **J. Penalty for Uncorrected Questionable Transactions**

To encourage timely and accurate reporting of data and prompt correction of questionable transactions, each member company will be subject to a penalty for any questionable transaction which appears on its report of Policy Records with Questionable Transactions (Error List) for seven months or more. The report tracks the number of months a questionable transaction has appeared on the Error List, on the right hand side of the report.

The penalty for each such questionable transaction will be equal to the sum of \$1.00 plus one percent of the absolute dollar amount of the transaction, if any. The penalty will be assessed monthly until the questionable transaction is corrected by the company.

Each transaction on the report of Policy Records with Questionable Transactions which is subject to the penalty will be identified with indicator "c" to the right of the transaction. At the end of the report, the total number of transactions subject to the penalty and the total absolute value of the dollar amounts of all the transactions subject to the penalty will be shown, and the system will generate a penalty amount based upon those totals.

Because the EDGE system is in real-time and the Error List can change on a daily basis, a PDF copy will be stored of the Error List as of the monthly cut-off date. It will be available online under the Reports tab. The penalty will appear on the Account Activity for that reporting month.

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A log of penalties assessed to member companies will be kept by the Facility office. The Facility Director is responsible for identifying and reporting to the Chair of the appropriate Facility Committee trends of uncorrected questionable transactions from a member company so that further action may be undertaken as necessary.

#### **K. Questionable Cession and Premium Transactions and/or Charge List Cessions Offset After Five Years**

Once a questionable transaction has appeared on the Error List consecutively for five years (60 months), or a cession has appeared on the Charge List for five years, the transaction will be automatically offset on the 61st month by the Facility. Companies may monitor when an offset will occur by referencing the "consecutive month" indicator appearing on the Error List. Companies are encouraged to take appropriate action to correct the transaction before it is offset.

After transactions have been offset on the 61st consecutive month, the Facility will create the company a "Facility Offset Report" (Exhibit X), which lists the offset transactions. If an offset questionable transaction contained valid Facility data, then the company must report the transaction again with the correct information.

Monthly, the Facility will create a summarized version of the "Facility Offset Report" for all companies. The Facility will monitor the offsets and, at its discretion, question a company, or request that the company re-submit the transaction with the correct information.

#### **L. Test Data Service**

The Facility will provide to any member company upon request a test data service to help the company ensure that the data it submits for Reinsurance Facility business complies with all applicable edit and validation criteria.

The test data service is not intended for use on a routine basis, but only as necessary in connection with exceptional situations such as, for example, new system installation, system modifications, large volume error correction or premium refund submission.

The member company must contact FTP Support in order to request the service and establish coordination for the duration of the test. For full instructions, please refer to the FTP Testing Process section of the FTP Instruction Guide, available on our website.

#### **M. General**

Any matters concerning exceptions or clarifications to the rules outlined in this Chapter should be submitted to the Facility in writing, for consideration of exceptions or rule changes.

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**SECTION 4**

**Chapter 8**

**ASSESSMENTS AND SETTLEMENT OF BALANCES**

**A. Facility      Sharing      Concepts--Writing  
Company and Participating Member**

Monthly the Facility will bill the companies for the net balance due on all policies and transactions. The net balance due will be determined as follows:

1. Balance Forward
  - A. Previous Balance
  - B. Less payments Sent/ReceivedSection Total (A+B)
2. Activity
  - C. Premiums Written
  - D. Allowances
  - E. Losses Paid
  - F. Recoupment
  - G. Premiums Refunded for Disapproved Rates
  - H. Interest Paid on Premiums RefundedSection Total (C-D-E+F+G-H)
3. ★Late Accounting Report Billing and Adjustments
  - I. Late Accounting Report Billing❖
  - J. AdjustmentsSection Total (I+J)
4. Penalties and Fees
  - K. Late Premium Charge
  - L. Late Payment Fee
  - M. Uncorrected Questionable Transactions
  - N. Membership Fee
5. Section Total (K+L+M+N)
6. Amount Due (1+2+3+4)

★Exhibit P illustrates the Monthly Account Activity Statement.❖

The current balance due for Recoupment on Line F of the Monthly Account Activity Statement will be determined as follows:

1. For each loss recoupment and for each clean risk recoupment, the current balance due is equal to surcharges written during the current

month, as reported in the current Monthly Recoupment Summary Report.

2. For each loss assessment recoupment, the current balance due is calculated based on changes in cumulative totals of surcharges written reported in Monthly Summary Recoupment Reports from inception of the recoupment through the current month, taking into account cumulative assessments, as follows:

$$D_n = E_n - E_{n-1} \quad (I)$$

$$\text{If } S_n > A_n, E_n = S_n - A_n \quad (II)$$

$$\text{If } S_n \leq A_n, E_n = 0 \quad (III)$$

Where:

$D_n$  = current balance due

$E_n$  = excess of surcharges written over assessments as of current month

$E_{n-1}$  = excess of surcharges written over assessments as of preceding month

$S_n$  = cumulative surcharges written as of current month

$A_n$  = cumulative assessments as of current month

$n$  = number of months from inception of the recoupment

**Note:** Those companies not ceding to the Facility will be billed for surcharges and membership fees only.

Payments are due 20 days from billing date, and if due member company the Facility will send payment via check or EFT settlement within 20 days.

**B. Late Accounting Reports**

A member company's monthly accounting report will not be considered received complete and in good order unless it meets all criteria for processing in accordance with Chapter 6., Paragraph B. and unless all prior monthly accounting reports due from the company have met those criteria.

If a ceding member company's monthly accounting report is not received complete and in



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**Section 4. Accounting and Statistical Requirements**

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good order by the date due, the Manager shall immediately bill the company for an amount equal to the difference between (a) the average monthly total written premium for business ceded to the Facility as shown on the latest three monthly accounting reports submitted by the company and (b) the corresponding average monthly ceding and claims expense allowances. These charges will appear on the company's Monthly Account Activity Statement. The company shall within 20 days of the date of such billing remit to the Facility the amount shown on such billing.

Upon generation, in accordance with the Facility's normal processing procedures, of that member company's monthly Account Activity Statement which includes the entries reported in the company's late monthly accounting report, the Manager shall adjust the net balance due the Facility (or due the member company) by the amount of any such remittance less any late payment fees incurred in accordance with Paragraph E. of this Chapter.

**C. Assessments**

The Board of Governors may assess member companies to defray losses and expenses.

The formula (as defined in Chapter 12) used for distribution of participation will also be utilized for any necessary assessments of the participating members. Any such assessment from the participating members is due and payable to the Facility within 20 days of the date of the assessment notice.

**D. Interim Settlement to Writing Company**

A writing company which in any month reports allowable credits in excess of the premiums written shall be entitled to request reimbursement of such excess. The Facility Manager shall then review the writing company's receivable/payable balance and if the balance due the writing company at that point falls within the range of \$25,000 to \$200,000 the Facility Manager is authorized to approve payment. Such payments are to be made within 30 days of approval. Amounts in excess of \$200,000 shall be immediately referred to the Board of Governors for its approval.

**E. Late Payment Fees**

\*All payments from member companies for assessments, and all amounts due on Account Activity Statements as described or referred to in this Chapter, all payments for late cession appeal penalties as described in Chapter 7, Paragraph G

and all payments of Penalties for Late Surcharge Detail Reports as described in Chapter 3, Paragraph J., and all payments of Penalties for Late Submission of Requested Data are due and payable within 20 days of the date of the billing. For any payment which has not been made by the due date, a late payment fee will be charged to the company. The criterion for determining overdue payments of billings will be the receipt date of the payment. All payments with receipt dates within 20 calendar days of the date of the billing will be considered to be on time. Member companies submitting payments with receipt dates subsequent to the twentieth day following the date of the billing will be charged a late payment fee of 1.5% per month on the unpaid balance. A minimum late payment fee of \$50.00 will apply with respect to any overdue payment under a specific billing. ♦

The procedure for follow-up of member companies with overdue payments will be:

1. A follow-up letter will be sent to the company on or about the twenty-seventh calendar day following the date of the billing relative to all payments which have not been received as of that date.
2. A second follow-up letter will be sent to the company on the fifteenth calendar day after the first follow-up letter. This letter is to be sent to the company contact as noted in the files. A copy of that letter is to be sent to the Chief Executive Officer of the company. If the outstanding billing is in excess of \$10,000, contact would be made with the Chief Financial Officer which is to be accomplished by telephone, and is to be confirmed by letter with a copy to the Chief Executive Officer. Copies of such letters are to be directed to the Chair of the Board of Governors.

Subsequent billings of a given type will include any unpaid amounts due under prior billings of that type and any unpaid late payment fees arising from billings of that type.

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**Section 4. Accounting and Statistical Requirements**

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**SECTION 4**

**Chapter 9**

**EXPENSE ALLOWANCE DEVELOPMENT**

The basis of developing the "ceding expense" and the "claims expense" allowances is the annual Call for Expense Experience submitted to the North Carolina Rate Bureau. The Facility will prepare an exhibit from this Call showing each member company's, as well as the composite of all companies' ratios of expenses to the combined bodily injury, property damage, medical payments, uninsured motorists and underinsured motorists premiums written. For purposes of determining these ratios, the calendar year experience shall be adjusted to offset the effect of rate deviations for non-fleet private passenger automobiles filed with and approved by the North Carolina Commissioner of Insurance.

The exhibit will be for the most recent calendar year and will be forwarded to member companies prior to November 1 of each year. Each company's expense allowance percentages will apply to the full and complete upcoming Facility fiscal year.

**Ceding Expense Allowance - Other than Designated Carrier Business:**

The percentage to be used will be the lesser of (1) each member company's ratio to written premium or (2) the composite of all member companies' ratios to written premium, adjusted to reflect the anticipated difference, if any, between the composite otherwise applicable and the provisions for such expenses underlying Facility rates.

New companies which have no applicable North Carolina expense experience shall be assigned the

maximum allowance until such expense experience develops.

**Claims Expense Allowance - Other than Designated Carrier Business:**

The percentage to be used will be the composite of all member companies' ratios of claim adjustment expenses, allocated and unallocated combined, to written premium, adjusted to reflect the anticipated difference, if any, between the composite and the provision for such expenses underlying Facility rates.

Expense Allowances (ceding and claims) for designated carrier business will be established by the Board of Governors.

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**Chapter 10**

**FACILITY OFFICE PROCEDURE**

**A. Facility Accounting Books, Controls and Ledgers**

**1. Accounting Ledgers**

Facility accounting books, controls and records shall be maintained in the Facility office. Normal ledgers for consolidation of the various writing company reports shall be established along the same lines as those routinely used by an insurance carrier. Retained accounting reports submitted by the writing companies and reports prepared from such accounting reports shall serve as the support for entries into the Facility books.

All books of original entry shall be made available only to personnel authorized by the Facility Manager. All such ledgers and journals shall be kept under the direct supervision of the Facility accountant.

The Facility shall produce special-purpose financial statements, approved for use by and within the authority of the Board of Governors. The special-purpose financial statements shall agree with the members' participation reports and may vary from financial statements prepared using accounting principals generally accepted in the United States (GAAP). The significant variances between the accounting practices of the Facility and GAAP include:

- a. Claims Expense and Ceding Expense Allowances shall be recorded as expenses as and when the corresponding written premiums are reported to the Facility. No amounts are deferred and amortized over the effective period of the related insurance policies.
- b. Surcharges Written – Clean Risk Recoupment (aka Clean Risk Subsidy) shall be recorded as income as and when reported to the Facility. No amounts are deferred and amortized over the effective period of the insurance policies.
- c. Surcharges Written – Loss Recoupments (aka Loss Recoupment/Allocation) shall be recorded directly to members' equity.
- d. Fixed asset purchases shall be recorded as expenses when purchased.
- e. Long term investments shall be reported

at amortized cost as of the reporting date. The Facility considers all long-term bond purchases to be deemed held-to-maturity and no unrealized gains and losses shall be reported in the special-purpose financial statements.

- f. Adjustments or correcting entries to member companies reported written premiums, losses paid or recoupments shall be recorded as reported to the Facility.
- g. Additional disclosures for short-duration insurance contracts are not intended to be and shall not be included with the financial statements.
- h. \*Leases shall be expensed when incurred. No right-of-use lease asset or lease payment liability shall be recognized. ❖
- i. Accounting and disclosures for credit losses on financial assets reported at amortized cost and available for sale debt securities, are not intended to be and shall not be included with the financial statements.

**2. Chart of Accounts**

The Facility office will maintain accounts as follows:

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<b>Financial Statement</b>	<b><u>Line Number</u></b>	<b><u>Account Number and Name</u></b>
	<b>Income:</b>	
IS-10	3001	Assessments
IS-9	3002	Membership Fees
IS-12	3004	Miscellaneous
IS-11	3005	Interest
IS-1	3006	Premiums Written
IS-13	3007	Late Premium Charges
IS-12	3008	Cession Key Entry Charges
IS-13	3009	Penalties for Uncorrected Questionable Transactions
IS-11	3010	Realized Gains and Losses on Investments
IS-13	3011	Late Payment Fees
IS-13	3012	Penalties for Late Surcharge Detail Report
★		❖
IS-5	3100	Surcharges Written - Clean Risk Recoupment
IS-18	3101-3120	Surcharges Written - Loss Recoupments
IS-5	3200-3299	Surcharges Written - Clean Risk Recoupment
IS-18	3300-3399	Surcharges Written - Loss Recoupments
	<b>Assets:</b>	
BS-1	4001	Bank - Checking Account
BS-1	4002	Savings Account
BS-3	4003	Investments
BS-8	4004	Assessments Receivable
BS-7	4005	Membership Fees Receivable
BS-10	4007	Travel Advance
BS-5	4008	Accounts Receivable
BS-4	4009	Accrued Interest Receivable
IS-14	4010	Salary Advance
BS-6	4011	Late Premium Charges Receivable
BS-6	4012	Allowance for Doubtful Charges
BS-2	4014	Savings Account - Insolvency
BS-6	4015	Late Payment Fees Receivable
BS-6	4016	Penalties for Uncorrected Questionable Transactions Receivable
BS-5	4017	Key Entry Charges Receivable
BS-2	4018-4024	Escrow Accounts
BS-5	4025	Interim Settlements
BS-6	4026	Penalties for Late Surcharge Detail Report Receivable
★		❖
BS-9	4100	Computer Equipment
BS-9	4101	Computer Equipment Accumulated Depreciation

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<b>Financial Statement</b>	<b><u>Line Number</u></b>	<b><u>Account Number and Name</u></b>
	<b>Liabilities:</b>	
BS-17	5001	Employee Withholding FICA
BS-17	5002	Employee Withholding North Carolina Income Tax
BS-17	5003	Employee Withholding Federal Income Tax
BS-17	5004	Employee Withholding Group Insurance
BS-17	5005	Employee Withholding Savings Plan
BS-17	5006	Employer Savings Plan Contributions Payable
BS-16	5008	Accounts Payable
BS-17	5009	Loans Payable
BS-13	5011	Loss Reserves - Case
BS-14	5012	Loss Reserves - IBNR
BS-12	5013	Unearned Premium Reserves
BS-17	5018	Legal Fees Payable
BS-16	5019	Losses Not Reimbursed
BS-16	5020	Prepaid Accounts
BS-15	5099-5120	Deferred Revenue - Recoupment
BS-18)		
IS-19)	6001	Member Company Equity
BS-11	6002	Miscellaneous Receivable/Payable-- Rounding
	<b>Expenses:</b>	
IS-14	100	Salaries
	101	Regular
	102	Overtime
	103	Part Time
	104	Administration
IS-14	200	Payroll Taxes
	201	FICA
	202	State Unemployment
	203	Federal Unemployment
IS-14	300	Rent
	301	Space
	302	Alterations
IS-14	400	Travel
	401	Audit Staff
	402	Special
	403	Claim Staff
IS-14	500	Data Processing
	501	Machine Rental
	502	Depreciation - Computer
IS-14	600	Postage
	601	Meter
	602	Stamps
	603	Postage Due
	604	Box Rent
IS-14	700	Printing and Office Supplies
	701	Office Supplies
	702	Mimeograph

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<b>Expenses:</b>		
	703	Dictaphone
	704	Photocopy
	705	Printing
	706	Punch Cards
	707	Manuals and Forms
IS-14	800	Furniture and Equipment
	801	New Purchases
	802	Postage Meter
	803	Service Contracts
	804	Repairs
	805	Lettering
	806	Rental
IS-14	900	Telephones and Telegraphs
	901	Telephone Equipment
	902	Tolls
	903	Telegrams
IS-14	1000	Employee Relations
	1001	Group Insurance
	1002	Employee Education
	1003	Credit Reports
	1004	Medical Examinations
	1005	Retirement Plan
	1006	Supper Money
	1007	Employee Savings Plan
IS-14	1100	Express & Freight
	1101	Regular
IS-14	1200	Luncheons
	1201	Special
	1202	Board of Governors
	1203	Subcommittees
IS-14	1300	Legal Expense
	1301	Retainer
	1302	Legal Fees
	1304	Hearing Transcripts
IS-14	1400	Subscriptions
	1401	Subscriptions
IS-14	1500	Advertising
	1501	Telephone Directory
	1502	Legal Notices
	1503	Other Advertising
IS-14	1600	Insurance
	1601	Fidelity
	1602	Multi-Peril
	1603	Compensation
	1604	Automobile
	1605	Bonds
	1606	Umbrella
IS-14	1700	Outside Services
	1701	Audit
	1702	Payroll
	1703	Manpower
	1704	Data Processing
	1705	Mail Delivery
	1706	Public Relations
	1707	Advisory Services

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<b>Expenses:</b>		
	1708	Investment Expense
IS-14	1800	Taxes
	1801	Personal Property
	1802	Intangibles
	1803	Sales & Use
IS-14	1900	Interest Expense
	1901	Interest
	2000	Other Expenses
IS-6	2001	Losses Paid
IS-7	2002	Claims Expense Allowance
IS-8	2003	Ceding Expense Allowance
IS-14	2004	Rounding
IS-14	2005	Company Reimbursement - Designated Agent in Default

3. Example Entries--Some of the information included on the Monthly Summary Reports (Exhibit B) from the writing companies does not require ledger posting. The following provides examples of entries to be made from such reports:

a. Premiums Written

Debit: Accounts Receivable/Payable Writing Company	\$XXX,XXX.XX	
Credit: Premiums Written		\$XXX,XXX.XX

b. Losses Paid

Debit: Losses Paid	\$XXX,XXX.XX	
Credit: Accounts Receivable/Payable Writing Company		\$XXX,XXX.XX

c. Ceding Expense Allowance

Debit: Ceding Expense Allowance	\$XXX,XXX.XX	
Credit: Accounts Receivable/Payable Writing Company		\$XXX,XXX.XX

d. Claims Expense Allowance

Debit: Claims Expense Allowance	\$XXX,XXX.XX	
Credit: Accounts Receivable/Payable Writing Company		\$XXX,XXX.XX



**Section 4. Accounting and Statistical Requirements**

personnel authorized by the Manager(subject

The fiscal year for the North Carolina Reinsurance Facility books, reports and statistics will be from October 1, through September 30. This is necessary to allow time to assign back to all participating members their share of all Facility experience by December 15 of each calendar year. Thus, the report distribution to participating members will allow time for the participating members to include the various experience elements (i.e., written premium, earned premium, in-force premium, claims paid, claim reserves, salvage/subrogation recoveries, various Facility expenses, etc.) into their respective Annual Statements.

**C. Facility Bank**

Bank accounts shall be established for handling the affairs of the Facility.

**1. Opening The Bank Account**

**Selection of Bank**--The Facility Manager will recommend a bank for the Facility's checking account. The selection should consider the financial strength of the bank, its conveniences to the Facility office, facilities to handle all types of bank account transactions, loan policies, etc.

The financial statement and the loan policy of the bank being considered as the Facility's bank shall be submitted to the Board of Governors for final approval.

**Obtaining Proper Documents**--The Facility Manager shall obtain the necessary forms to open the account, such as bank resolutions, encoding information, signature cards, etc.

**Purchase of Checks**--The Facility Manager will obtain from the bank the transit and bank number (to encode checks). Checks are to be purchased by the Facility.

**Bank Statements**--With respect to the Facility's checking account, the Facility Manager shall establish with the bank that the frequency with which the bank statements are to be submitted to the Facility is to be monthly.

**Other Bank Accounts**--The Facility Manager shall establish and maintain such other bank accounts (savings, escrow or investment accounts) as are specifically authorized by the Board of Governors.

**2. Operating Procedures**

**Deposit Content**--The Facility shall deposit in its checking account all receipts including

**Final Closing of the Checking Account**--or quarterly, receipts from assessments levied on the participating members, receipts from the sale of investments, borrowed monies (See Subparagraph 4. below for details dealing with the line of credit procedure), receipts from interest earnings from investments described earlier in this Section, receipts from liquidated escrow deposits, etc.

**Minimum Facility Balance**--Sufficient funds are to be maintained in the Facility's checking account to cover all outstanding checks and estimated operating expenses for at least one month. Bank service charges (if any) shall be properly expensed for participating sharing.

**Bank Reconciliation**--Checking account reconciliations are to be prepared monthly with copies available to the appropriate committee for review as required. Such reconciliation shall be done by persons other than those authorized to disburse funds.

**Disbursements**--Disbursements from the account will include, but not to be limited to, Facility funds advanced to writing companies, payment of net balances to participating members, payment of necessary and approved Facility operating expenses, payment for investments, and escrow deposits.

**Investment of Funds on Hand**--The bank balances shall be reviewed weekly and all available funds in excess of outstanding checks and operating needs for at least one month shall be placed in investments as directed by the Investment Committee until needed for payment expenses, settlement of member company balances, or escrow deposit.

**3. Security Procedures**

**Checks**--Blank checks shall be kept under lock and key with access only by personnel authorized by the Facility Manager or Assistant Manager. Blank checks shall be put under lock and key at the close of business each day.

Pre-numbered checks shall be accounted for through the use of a check register. As checks are disbursed the register shall be posted accordingly so that an inventory of remaining checks is constantly available.

Under no circumstances shall the individual preparing a check sign it or have access to a facsimile stamp. Any such stamp shall be kept under lock and key with access only by

**Section 4. Accounting and Statistical Requirements**

personnel authorized by the Manager (subject to the provision noted). In all cases, facsimile stamps shall be put under lock and key at the close of business each day.

**Check Signers**--The Board of Governors has the responsibility to authorize or rescind the authorization of check signers. Authorization of check signers shall be made through a letter of authority directed to the bank, signed by the Chair of the Board of Governors.

Manually issued checks shall be signed by two individuals of the Facility authorized by the Board of Governors.

Facsimile signature will be that of the Facility Manager.

Any and all persons having control of the Facility bank accounts shall be bonded in an amount appropriate for the responsibility, such amount to be determined by the Board of Governors.

4. ★Line of Credit- The Board of Governors may instruct the Facility Manager to establish an appropriate line of credit at the Facility bank to obtain funds necessary for immediate operation, transfer to a writing company or funding escrow accounts. ❖

The Accounting and Statistical Committee will annually (or more frequently) review the Facility's Line of Credit to determine if the stated amounts are adequate for current needs.

5. Bank Account Closing

**Approval**--Any decision to close a Facility bank account will require the approval of the Board of Governors.

**Preliminary Procedure**--After approval has been secured, a letter of intent to close a bank account is to be submitted to the bank by the Facility Manager to notify the bank of the Facility's intention to close out the account at a future date. The Facility Manager should request an appointment to discuss the necessary arrangements. The bank is to be informed that a checking account to be closed will remain open only as long as required to clear outstanding checks or for one year, whichever occurs first, and that final notice to close the account will be sent by the Board of Governors at the appropriate time. A copy of the letter of intent to close a bank account shall be submitted to the Board of Governors.

**Final Closing of the Checking Account**--

Provisions must be made for handling outstanding checks that may subsequently be presented to the bank for payment after the bank account has been closed. The Board of Governors will give final notice that the bank account has been closed, and withdraw the authorization of all check signers.

**Destruction of Unused Checks**--The Facility Manager shall make arrangements with a bonded paper dealer to destroy all unused checks. Notification of what checks were destroyed shall be available to the appropriate committee.

**D. Division of Responsibilities**

Certain personnel and related salary, payroll taxes and employee benefits expense along with space rental, equipment, supplies and other operating expenses are common to the North Carolina Rate Bureau, the North Carolina Insurance Guaranty Association and the North Carolina Reinsurance Facility. An appropriate allocation of these expense items will be made to the Facility.

**E. Escrow and Other Restricted Accounts**

The Facility Manager is responsible for establishing and maintaining escrow accounts or funds and other necessary restricted cash accounts as directed by the Board of Governors.

**F. Investments**

All Facility investments, including investments of escrowed funds, shall be made under the direction of the Facility Investment Committee and in accordance with guidelines established by the Investment Committee with the approval of the Board of Governors.

All investment documents in the Facility's custody shall be appropriately secured as directed by the Investment Committee.

★At least annually, the Facility will assess all investment securities for other-than-temporary impairment purposes. When the fair value of a security is less than its amortized cost at the balance sheet date of the reporting period for which impairment is assessed, the security will be considered impaired and the impairment will be designated as either "temporary" or "other-than-temporary." In determining whether the impairment is other than temporary, the Facility will use a two-step evaluation process. First, determine whether the Facility or its investment portfolio manager has made a decision to sell the impaired security.

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**Section 4. Accounting and Statistical Requirements**

Second, determine whether it is more likely than not that the Facility will be required to sell the security prior to recovering its unrealized loss. If it is determined that the answer to either question is “yes,” then the security will be considered other-than-temporarily impaired. Such other-than-temporary impairments will be recognized as a component of net investment income.❖

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**Section 4. Accounting and Statistical Requirements**

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**SECTION 4**

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RESERVED FOR FUTURE USE**

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**Section 4. Accounting and Statistical Requirements**

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**Section 4. Accounting and Statistical Requirements**

**SECTION 4**

**Chapter 12**

**REINSURANCE FACILITY REPORTING OF OPERATIONS AND MEMBERS PARTICIPATION**

**A. Quarterly and Fiscal Year-To-Date Reports for Board of Governors and Member Companies**

Reports are to be received monthly from each of the writing companies by the 25<sup>th</sup> day of the first month following the close of the reporting period. Upon receipt, entry of the member's balance on the Monthly Summary Report, and verification of the detail supplied to the account controls, the Facility will consolidate results for the month. These will be accumulated with prior controls and at the end of each quarter, a current quarter and fiscal year-to-date reporting of the results of operations will be prepared and provided to the Facility Manager for distribution to the Board of Governors. These reports are available to the member companies upon request. Exhibits R and S illustrate report contents.

Consolidated results shall be prepared and made available to the Board of Governors no later than 80 days following the end of each calendar year.

**B. Members Participation Reports**

In order that member companies may prepare for their records, a Members Participation Report (Exhibit T) is to be prepared quarterly and the member's share of all elements is to be displayed, calculated at the appropriate participation ratio. The reports will display experience by class group, coverage, and policy year. The reports are to be prepared and released to members by the 15th day of the third month following the end of the quarter being reported.

Based on monthly reports received from writing companies, the following reports will be prepared and distributed to the participating members.

**1. Each Fiscal Quarter**

**a. Individual Company Participation--Current Quarter**

Private Passenger and Other than Private Passenger, each separately, by policy year.

Private Passenger and Other than Private Passenger, each separately, all policy years combined.

All classes combined, all policy years combined.

**b. Total NCRF--Current Quarter, Fiscal Year-To-Date and Inception-To-Date**

Private Passenger and Other than Private

Passenger, each separately, by policy year.

Private Passenger and Other than Private Passenger, each separately, all policy years combined.

All classes combined, all policy years combined.

**c. Summary of Members Quarterly Participation Reports (EXHIBIT Z)**

Two separate reports furnish each participating member with a combined summary of NCRF experience and its appropriate share of experience for both Private Passenger and Other than Private Passenger automobiles. These reports show a consolidation of key information shown on the individual reports for each policy year.

**2. Fiscal Year End (Quarter Ending September 30)**

**a. Reports in the same detail as set forth above, including individual company participation for the total fiscal year and inception-to-date.**

**b. A report which provides the claim counts and salvage and subrogation data as required for Schedule P. Refer to Exhibit BB for the format of this report.**

These reports will furnish participating members with total NCRF statistics and their appropriate share of experience relating to premiums written, premiums earned, losses incurred, etc. The reports will also show net underwriting results plus or minus the net miscellaneous income and expense, and net operating results.

The distribution of miscellaneous income and expense will be to the policy year corresponding to the calendar year in which they were earned or incurred.

Beginning with the quarter ending March 31, 2001, any "advance premium" report by a ceding company is excluded from premiums written on the Member's Participation Report. The excluded amount is reflected as a separate line item for informational purposes only. The amount will be included with premiums written on the Member's Participation

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**Section 4. Accounting and Statistical Requirements**

Report once the given policy(ies) become effective in the subsequent quarter.

**C. Basis of Facility Experience--Distribution to Participating Members**

The ratio used for distribution will be based on the most current figures available as tentative participation ratios until the given calendar year figures are available. At that point in time, retroactive adjustment will be made to the earlier reports of distribution so that all current policy year distribution will be made on the basis of current calendar year voluntary writings. In other words, ultimately, 1989 policy Facility experience sharing will be done on the basis of 1989 calendar year writings. In this logic, then, Facility experience sharing will be directly related to the identical year's penetration in the State of North Carolina.

Corrections and adjustments to a given calendar year's base data will be accepted for a period of two and one half years from the close of the calendar year. For example, companies may submit corrections to calendar year 1989 base data until June 30, 1992.

**1. Experience Reporting for Inclusion in the Various Member's Annual Statements**

At the end of each fiscal year profit or loss for each class of business shall be determined separately for each policy year in accordance with accounting procedures approved by the Board of Governors. A policy year shall include all policies written to be effective during a calendar year. Profit shall be credited or distributed to each member and each loss shall be charged against each member in accordance with each member's appropriate participation ratio as set forth:

**a. Policy Year Experience Participation--Policy Years Prior to 1980**

Each member's participation ratios for a policy year shall be the ratio of the member's North Carolina premiums or exposure units on direct automobile business for the calendar year to the comparable statewide totals for all members.

Private passenger non-fleet ratio--based upon bodily injury liability car years.

All other liability ratio--based upon total automobile liability premiums reduced by total private passenger non-fleet premiums.

Formula:

a = Total number of net direct PPNF Liability car years insured by a specific member, and

aa = Number of net direct PPNF Liability car years insured by a specific member, for which the producer of record is a designated agent, and

b = Total number of net direct PPNF Liability car years insured by all members, and

bb = Number of net direct PPNF Liability car years insured by all members, for which the producer of record is a designated agent, and

c = Final participation ratio carried to seven decimal places

$$\frac{a - aa}{b - bb} = c$$

**b. Policy Year Experience Participation--Policy Years 1980 and Subsequent**

Percentages are calculated for each insurer's utilization of the Facility and penetration in the market. Participation ratios are determined by applying 50% to each percentage and totaling these amounts.

Formula:

c = Participation ratio based upon total PPNF Liability car years (refer to a. above)

d = Total ceded written PPNF Liability car years for a specific company excluding designated carrier business

e = Total of (d) for all companies

f = Participation ratio based upon ceded car years

$$f = \frac{d}{e}$$

g = Final participation ratio carried to seven decimal places

$$(.50)(c) + (.50)(f) = g$$

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**Note:** The formulas to determine the all other ratios are identical to those in a. and b. of this Subparagraph except for these variables:

a = Total All Other than PPNF Liability Premiums for a specific member.

aa = Total All Other than PPNF Liability Premiums for a specific member, for which the producer of record is a designated agent.

b = Total of a for all members.

bb = Total of aa for all members.

d = Total of all other liability ceded written premiums for a specific member excluding designated carrier business.

e = Total of all other liability ceded written premiums for all members excluding designated carrier business.

The Facility, using the allocation percentage determined for each company using each of the ratios calculated in a. and b. of this Subparagraph, for a given policy year, will report to each participating member its share of premiums written, earned and unearned and losses paid, outstanding and incurred, as well as all other necessary policy year related items for inclusion in that company's annual statement.

c. Apportionment of Facility Operating Expenses and Miscellaneous Income

All Facility expenses and income other than the underwriting accounts will be apportioned among the companies:

(1) Expenses and income will be assigned to the policy year corresponding to the calendar year in which they are incurred or earned. For example, the Facility administrative expenses incurred in the fourth quarter of 1988 will be assigned to policy year 1988, the Facility interest income earned during the first quarter of 1989 will be assigned to policy year 1989.

(2) Expenses and income will be allocated to "Private Passenger" and "All Other" categories. This allocation

will be based on the total of "ceded written automobile insurance premiums" and recoupment surcharges written for all companies combined for North Carolina.

Premium and recoupment surcharge data used for the allocation will be determined from the Monthly Summary Reports and Monthly Recoupment Reports submitted to the Facility. Expenses and income will be allocated to "Private Passenger" in the ratio of the total of ceded private passenger premiums and private passenger recoupment surcharges to the total of all ceded premiums and all recoupment surcharges. The remaining portion, after allocation to "Private Passenger" will be allocated to "All Other".

(3) Expenses and income will be apportioned among the companies utilizing the ratio calculated in b. above.

d. Apportionment of Facility Recoupment

NCRF Loss Recoupment and NCRF Clean Risk Recoupment reported as described in Chapter 13. and verified as described in Chapter 6. are apportioned among assuming companies as follows:

- AIPSO summarizes the reported and verified recoupment amounts for each fiscal quarter by:
- Type of recoupment (NCRF Loss or NCRF Clean Risk)
- Fiscal period (For Fiscal Year 1989, etc.)
- The sum of recoupment for a given type and fiscal period is apportioned among assuming companies in the same measure as companies participate in the Facility operating results prior to the recoupment for each class, policy year, and coverage group. Clean risk recoupment is apportioned in the same measure as private passenger written premiums of the current policy year.
- The results of this participation are displayed on the Member's Participation Reports as shown on Exhibit Y. The Clean Risk



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**Section 4. Accounting and Statistical Requirements**

Recoupment is shown below the Earned Premiums and the Loss Recoupment is shown below the Net Results of Operation Prior to Recoupment.

The Loss Recoupment is shown separately for ledger balances as of the end of the fiscal period and the balances after the end of the fiscal period.

2. Assessment Procedure Not Subject to Recoupment

Distribution ratios based on the most current year's participation figures will be utilized for assessments.

Once the amount of needed assessment due is determined, each member shall participate in the sharing of needed assessments due in the same measure as they participate in the Facility profit or loss for each class of business written in North Carolina for the most recent year.

3. Assessment Procedure Subject to Recoupment

Assessments subject to recoupment shall be based on the current available market penetration portion of the participation formula for each company; provided, however, that (i) neither written car years nor written premiums for designated agent business shall be excluded, and (ii) the minimum assessment shall be \$10.00 per member company. Any company which is not a member of the Facility at the time of the initial assessment but which later becomes a member prior to the expiration of the related surcharge application period must also pay the minimum assessment upon becoming a member.

4. Equities in This Method of Sharing

There are some apparent equities in this method of sharing that must be given prime consideration.

**Weighting Consideration is Provided**

Direct weighting consideration is given to the actual unit work volume related to the two classes of business involved so that necessary assessments due are shared by each member in the same ratio as they participate in the Facility profit or loss.

5. Formula for Distribution

When steps in the preceding Subparagraph C.1.b. are repeated for both classification groups, two participation ratios will have been developed for each carrier, namely:

PPNF--Liability  
All Other--Liability

The two factors will then be converted into a single factor by weighting them with the statewide penetration of the same two categories. These weighting factors will be obtained by issuing a special call to all carriers writing automobile insurance in North Carolina. When these data are processed, the penetration ratios (Subparagraph C.1.b.) for each classification group can be determined by subtracting the premiums representing designated agents business.

Each statewide figure can then be divided by the total auto premium amount for the entire state. The two constant factors obtained from this division will then be multiplied by the penetration ratios for each carrier to arrive at the single factor for each specific member.

- In other words, if the constants are:

$$t_1 = \text{PPNF Liability} \frac{\text{total PPNF liability premium}}{\text{total auto liability premium}}$$
$$t_2 = \text{All Other Liability} \frac{\text{total All Other liability premium}}{\text{total auto liability premium}}$$

- And the participation ratios for a given company are:

$$x_1 = \text{PPNF Liability} \quad x_2 = \text{All Other Liability}$$

- The final single factor will be:

$$\text{Single Factor} = (t_1 * x_1) + (t_2 * x_2)$$

**D. Runoff Procedures**

At the time a company has officially decided to withdraw from writing private passenger non-fleet and/or all other automobile liability insurance in the State of North Carolina, the company shall immediately notify in writing the Manager of the Facility of this intention. The notification shall include all pertinent information including information on time period over which the withdrawal will take place.

A review is to be made of the company's participation ratios based upon the latest available data. The company is to be continued on the membership in a runoff status through the policy year in which the withdrawal occurs.

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For purposes of developing tentative participation ratios for a runoff company to apply to the policy year(s) for which the corresponding calendar year data are not available, the company is to be requested to furnish the necessary data for each such calendar year in such detail as prescribed in this Chapter. To the extent possible the Manager shall verify such data with all resources available to him, i.e., check with company's data as reported on transmittals or processed in their systems.

When verified to the satisfaction of the Facility Manager, tentative participation ratios based on these data are to be used for that company until the data for the corresponding calendar year(s) are available from the Statistical Agency records.

A company in the runoff status will continue to share in the results of the Facility until the final determination of the experience of the policy year in which the withdrawal occurred.

The tentative participation ratios will be used in Participation Reports and the calculation of the company's share of Assessments for Recoupment Surcharges.

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**Section 4. Accounting and Statistical Requirements**

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SECTION 4

Chapter 13

PARTICIPATING MEMBERS' RESPONSIBILITIES

**A. North Carolina Reinsurance Facility Reports-  
-Reports of Profit and Loss Experience**

Quarterly, the North Carolina Reinsurance Facility will prepare accounting reports to the participating members of the Facility. These reports are due for release to the member companies by the 15th day of the third month following the end of each calendar quarter.

The reports will contain all necessary entries by line of business for premiums, losses, income, expenses and will include unearned premiums and loss reserve information for the quarter and year-to-date calculated for each participating member company by policy year and accident year.

After receiving the calendar quarter Facility Experience Report, each participating member company will make entries on its records as **assumed business**.

Each policy year will be held open on the Facility's and member companies' records until a final distribution has been accomplished. This will take place following the expiration of the time period required for development of loss data as established by the NAIC. After that period, the experience for the affected policy year will be closed out. If at such time there is still claim activity with respect to a given policy year, such experience will be merged with the experience of the succeeding policy year for distribution purposes.

The close out of the earliest policy year(s) shall be an annual procedure accomplished after the fiscal year end.

As reflected in Chapter 12, a Facility Balance Sheet and Statement of Income will be sent to member companies along with the quarterly Members Participation Report.

**B. Monthly Account Activity**

In addition to these reports, members' Monthly Account Activity Statement will be received. See Chapter 8 for a complete explanation.

**C. Surcharges**

Record and recover surcharges as required by authorization and direction of the Board of Governors.

Writing companies shall bill, collect, record and report surcharges in order to recover the Facility

operating losses in accordance with this Chapter. The following definitions apply:

**NCRF Clean Risk Recoupment** is recovery of the Facility's revenue loss arising from changes in the rating procedures for the Facility clean risks as mandated by law. The law provides for this establishment of a classification in the Facility and requires that clean risks must be rated on the same basis as voluntary risks. As a result, "clean risk" drivers in the Facility cannot be charged the higher Facility rates.

As to policies written to become effective prior to October 1, 1981, this clean risk subsidy is recouped by surcharges on premiums for all vehicles eligible for rating under the North Carolina Safe Driver Insurance Plan, whether or not ceded to the Facility.

As to policies written to become effective during the period October 1, 1981 through June 30, 1988, the surcharge applies only to premiums for such vehicles which are insured under a policy covering any vehicle to which one or more "points" are assigned in the rating thereof under that Plan.

As to policies written to become effective during the period July 1, 1988 through June 30, 1995, a portion of the clean risk subsidy is recovered by recoupment surcharges applied to premiums for all vehicles which are insured under any policy covering any vehicle to which one or more points are assigned in the rating thereof under the North Carolina Safe Driver Insurance Plan, and the remainder of the clean risk subsidy is recovered by allocation surcharges applied according to G.S. 58-37-75 to all "non-fleet private passenger" policies. Provided, however, that on and after the effective date of the revised subclassification plan to be filed by the North Carolina Rate Bureau with the Commissioner of Insurance pursuant to G.S. 58-36-65, assessments to recover losses sustained by the Facility on non-fleet private passenger motor vehicle insurance shall be recouped by surcharging policies as and to the extent provided in said revised subclassification plan.

As to policies written to become effective on or after July 1, 1995, the clean risk subsidy is recovered entirely by recoupment surcharges applied to all "non-fleet private passenger" policies.

**Section 4. Accounting and Statistical Requirements**

**NCRF Loss Recoupment/Allocation** is recovery of the Facility operating losses sustained after September 30, 1977, and resulting from reasons other than the clean risk subsidy.

As to policies effective prior to October 1, 1981, these amounts are recouped by surcharging risks reinsured in the Facility or by surcharging all North Carolina motor vehicle liability insurance policies.

As to policies effective on or after October 1, 1981, assessments to cover "all other" operating losses are recouped by surcharging premiums for "all other" type risks as from time to time directed by the Board of Governors.

As to policies effective during the period October 1, 1981 through June 30, 1988, assessments to cover "non-fleet private passenger" operating losses are recouped by application of a surcharge to premiums in the same manner as for the clean risk recoupment.

As to policies written to become effective during the period July 1, 1988 through June 30, 1995, a portion of the "non-fleet private passenger" operating loss is recovered by recoupment surcharges applied according to G.S. 58-37-40(f) to premiums for all vehicles which are insured under any policy covering any vehicle to which one or more points are assigned in the rating thereof under the North Carolina Safe Driver Insurance Plan, and the remainder of the "non-fleet private passenger" operating loss is recovered by allocation surcharges applied according to G.S. 58-37-75 to all "non-fleet private passenger" policies. Provided, however, that on and after the effective date of the revised subclassification plan to be filed by the North Carolina Rate Bureau with the Commissioner of Insurance pursuant to G.S. 58-36-65, assessments to recover losses sustained by the Facility on "non-fleet private passenger" motor vehicle insurance shall be recouped by surcharging policies as and to the extent provided in said revised subclassification plan.

As to policies written to become effective on or after July 1, 1995, the "non-fleet private passenger" loss is recovered entirely by recoupment surcharges applied to all "non-fleet private passenger" policies.

Exhibit V is a list of the NCRF recoupments/allocations. The following are the guidelines applicable to the billing, collection, and recording of recoupment surcharges:

"The following are the guidelines applicable to the billing, collection, and recording of recoupment surcharges:

1. Surcharges apply on policies written to become effective during the time period announced by the Facility circulars. As to policies issued for a period of more than one year, the surcharge in effect at each anniversary of the policy effective date shall apply for the term, not to exceed one year, beginning on that date.
2. By statute, the surcharges are not considered or treated as written premiums but on policies and billing statements the surcharges shall be combined with and displayed as a part of the applicable premium charges.
  - a. For non-fleet private passenger auto:
    - Under a single-vehicle policy the total amount of the applicable recoupment surcharges is to be divided equally and combined with the bodily injury and property damage liability premiums only.
    - Under a multi-vehicle policy the total amount of the applicable recoupment surcharges is to be divided equally among all vehicles and the amount assigned to each vehicle is to be divided equally and combined with the bodily injury and property damage liability premiums only for each vehicle.
  - b. For other than non-fleet private passenger auto (commercial auto):
    - ★a member company may choose to apply the surcharge at a vehicle level or at the policy level.❖
3. Since surcharges are not considered or treated as premiums
  - there are no escrow considerations;
  - there are no premium tax considerations;
  - there are no ceding or claim expense allowances on the surcharge amounts.
4. Surcharges are applicable only to liability coverages including bodily injury liability, property damage liability, medical payments, uninsured motorists, and underinsured motorists coverage premiums.

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5. Recoupment surcharges for:
- Non-fleet private passenger auto are to be applied to all vehicles insured on non-fleet private passenger auto policies.
  - Other than non-fleet private passenger auto (commercial auto) are to be applied to all vehicles insured on commercial auto policies regardless of vehicle type.
6. With respect to the charging and billing of the surcharge amount:
- a. For non-fleet private passenger auto must be the exact surcharge amount charged and billed in dollars and cents. Rounding is not permitted.
  - b. ★For other than non-fleet private passenger auto (commercial auto), the exact surcharge amount may be charged and billed in dollars and cents **OR** the surcharge amount may be rounded to the nearest dollar. The Facility recognizes that, if rounding to the nearest dollar is utilized, the whole dollar surcharge amount may be a slightly different percentage of the liability premium than the specific surcharge percentage.❖
7. Detail records of surcharges are maintained at the company level. When required under Chapter 3, Paragraph J., member companies must submit a detail transaction listing to support surcharges reported to the Facility.
8. Policies may be canceled for non-payment of surcharge.
9. If a surcharged policy is canceled, there is an appropriate (pro rata, short rate or total) refund of the surcharges to the insured. Similarly, the surcharge(s) is adjusted in relation to additional or return premiums on transactions occurring after policy issuance.
10. On non-fleet private passenger car business to which any deviation from Personal Auto Manual rates applies, the surcharge percentages otherwise applicable shall be adjusted so that the deviating company recovers the same dollar amount as would have been recovered had the surcharge percentages established by the Board of Governors been applied to the premium at the manual rates. This is only applicable to non-fleet private passenger auto recoupment.
11. The applicable general statutes require the Board of Governors to adopt and implement a plan for compensation of agents when recoupment surcharges are imposed. The guidelines for such compensation as adopted and implemented by the Board of Governors are as follows:
- a. Compensation shall be paid by members of the North Carolina Reinsurance Facility to agents for the services performed by such agents in relation to the collection of recoupment surcharges applicable to policies subject to such recoupment surcharges.
  - b. The compensation amount required to be paid to agents by each member of the North Carolina Reinsurance Facility shall be equal to an amount determined by multiplying (i) the percentage rate of agent compensation by (ii) the amount of the recoupment surcharge including the agent compensation.
  - c. The percentage rate of agent compensation that is to be included in the recoupment surcharge and applied to policies as described above is
    - 10% for non-fleet private passenger auto
    - 10% for other than non-fleet private passenger auto (commercial auto)
- The recoupment surcharge amount added to each policy premium subject thereto shall include the amount necessary for the member company to recover the compensation required to be paid to the agent (as described above) in addition to the amount determined by applying to such premium the percentage determined by the Board of Governors.

**For example, if the determined recoupment surcharge is 11.7%:**

Recoupment surcharge percentage: **11.7% OR .117**

Agent commission: **10% OR .10**

Recoupment surcharge percentage, including agent commission,  
to be applied to liability premium: **.117 / (1-.10) = .130 OR 13.0%**

The amount of the recoupment surcharge shall be determined by multiplying the recoupment surcharge percentage (after inclusion of the 10% agent commission) by the policy premium subject thereto. Following the

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example above where the  
recoupment surcharge percentage  
including agent commission is  
13.0%:

**An example of calculating the recoupment surcharge amount  
including agent commission if policy premium = \$180.**

Recoupment surcharge percentage:	<b>13.0%</b>
Policy premium:	<b>\$180</b>
Recoupment surcharge amount:	<b>13.0% X \$180 = \$23.40</b>

- d. For each recoupment the surcharge percentage applied to each policy premium subject thereto shall be the same regardless of whether the policy is ceded to the Facility or voluntarily retained by the member company. If for any reason a member company should elect to pay on recoupment amounts a higher percentage rate of agent compensation than the 10% set forth above, the recoupment amounts included in the policy premium and reported monthly to the Facility as recoupments written must be the same as would be reported if the percentage rate of compensation was 10%.

For example, if the recoupment surcharge amount determined in accordance with the 10% rate set forth above is \$23.40, and the company elects for any reason to pay the agent compensation or commission on the recoupment at the rate of 15%, then the amount included in the policy premium would nonetheless be \$23.40 and the amount reported to the Facility as recoupment written net of agent compensation or commission must be .90 x \$23.40 or \$21.06, not .85 x \$23.40 or \$19.89.

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**Section 4. Accounting and Statistical Requirements**

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**Section 4**

**Chapter 14**  
**EXHIBITS**

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**NCRF ACCOUNTING TRANSACTION SUMMARY RECORD**

<b><u>FIELD</u></b>	<b><u># CHAR</u></b>	<b><u>POSITION</u></b>	<b><u>COMMENTS</u></b>
ID	1	1	Insert S
ACCOUNT CODE	3	2–4	<p>Insert a three position account code for the following accounts <b>ONLY</b>:</p> <p>010 - Premiums Refunded for Disapproved Rates</p> <p>011 - Premiums Written</p> <p>014 - Interest Paid on Premiums Refunded</p> <p>016 - Paid Losses</p> <p>023 - Outside Legal Expenses</p> <p>033 - Outstanding Losses</p> <p><b>DO NOT REPORT ANY ACCOUNTS OTHER THAN THOSE SPECIFIED ABOVE.</b></p>
STATE CODE	2	5–6	Insert 32
COMPANY CODE	5	9–13	Insert a five position numerical reporting code. For those companies presently utilizing four digit codes, insert 0 in position 9.
ACCT. YEAR	2	15–16	Insert the last two positions of the accounting year.
ACCT. MONTH	2	17–18	Insert a two position accounting month.
DESIGNATED CODE	1	46	<p><b>ACCOUNTS 010, 011 &amp; 016 ONLY</b></p> <p>Insert a one position numerical designated code as follows:</p> <p>1 - O/T Designated Business</p> <p>2 - Designated Business</p> <p><b>ACCOUNT 023 ONLY</b></p> <p>Insert 2</p> <p><b>FOR ALL OTHER ACCOUNTS LEAVE THIS FIELD BLANK</b></p>
AMOUNT	13	51–63	<p>Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions.</p> <p><b>Signed Numerics Examples:</b></p> <p>\$12.31 would be entered as 000000000123A.</p> <p>-\$12.31 would be entered as 000000000123J.</p> <p><b>ASCII Format Examples:</b></p> <p>\$12.31 would be entered as 0000000001231.</p> <p>-\$12.31 would be entered as -0000000001231.</p>

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## RECORD LAYOUT

### NCRF MONTHLY SUMMARY RECORD

ID		ACCTG CODE		STATE		COMPANY CODE		ACCTG		YY		MM														DESCODE									
				5				10		15				20				25				30				35				40				45	

AMOUNT																															
DOLLARS										CTS																					
5	0					5	5			6	0				6	5				7	0				7	5				8	0

[illegible]

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**NCRF ACCOUNTING TRANSACTION DETAIL RECORD**

<b>FIELD</b>	<b># CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
ID	1	1	Insert D
ACCOUNT CODE	3	2–4	<p>Insert a three-position account code for the following accounts <b>ONLY</b>:</p> <p>010 - Premiums Refunded For Disapproved Rates</p> <p>011 - Premiums Written</p> <p>016 - Losses Paid</p> <p>033 - Loss Reserves</p> <p><b>DO NOT REPORT ANY ACCOUNTS OTHER THAN THOSE SPECIFIED ABOVE.</b></p>
STATE CODE	2	5–6	32 - North Carolina RF
COMPANY CODE	5	9–13	Insert a five position numerical reporting code. For those companies presently utilizing four digit codes, insert 0 in position 9.
ACCOUNTING YEAR	2	15–16	Insert the last two positions of the accounting year.
ACCOUNTING MONTH	2	17–18	<p>Insert a two-position accounting month.</p> <p><b>ACCOUNT 033 (LOSS RESERVE) REPORTED ONLY ON:</b></p> <p>03 – March</p> <p>06 – June</p> <p>09 – September</p> <p>12 – December</p>
EFFECTIVE YEAR	2	19–20	Insert the last two positions of the year of the effective year.
EFFECTIVE MONTH	2	21–22	Insert a two-position effective month.
EXPIRATION YEAR	2	23–24	<p><b>ACCOUNTS 010 &amp; 011 ONLY</b></p> <p>Insert the last two positions of the expiration year.</p>
EXPIRATION MONTH	2	25–26	<p><b>ACCOUNTS 010 &amp; 011 ONLY</b></p> <p>Insert a two-position expiration month.</p>
TRANSACTION YEAR*	2	27–28	<p><b>ACCOUNTS 010 &amp; 011 ONLY</b></p> <p>Insert the last two positions of the transaction year.</p>
TRANSACTION MONTH*	2	29–30	<p><b>ACCOUNTS 010 &amp; 011 ONLY</b></p> <p>Insert a two-position transaction month.</p>
ACCIDENT YEAR	2	31–32	<p><b>ACCOUNTS 016 &amp; 033 ONLY</b></p> <p>Insert the last two positions of the accident year.</p>
ACCIDENT MONTH	2	33–34	<p><b>ACCOUNTS 016 &amp; 033 ONLY</b></p> <p>Insert a two-position accident month.</p>

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**NCRF ACCOUNTING TRANSACTION DETAIL RECORD**

<b>FIELD</b>	<b># CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
ACCIDENT DAY	2	35–36	<b>ACCOUNTS 016 &amp; 033 ONLY</b> Insert a two-position accident day.
DESIGNATED CODE	1	46	<b>ACCOUNTS 010, 011 &amp; 016 ONLY</b> Insert a one position numerical Designated code as follows: 1–O/T Designated Business 2–Designated Business
CLASS CODE	1	47	Insert a one position numerical class code as follows: ★1–Private Passenger (Includes PPNF Motorcycles)❖ ★3–Other Than Private Passenger (Commercial)❖
COVERAGE CODE	1	48	Insert a one position numerical coverage code as follows: <b>ACCOUNTS 010 &amp; 011 ONLY</b> 1– Bodily Injury (includes Med, UM & UIM) 3– Property Damage <b>ACCOUNTS 016 &amp; 033 ONLY</b> 1– BI 2– Medical Payments 3– Property Damage 4– Out of State No-Fault 5– UM BI 6– UM PD 7– UIM
PAYMENT	1	50	Insert a one position numerical payment code as follows: <b>ACCOUNT 016 ONLY</b> 3–Paid Loss Partial 4– Paid Loss Final 5– Salvage 6–Subrogation 7–Payment after Closing
AMOUNT	13	51–63	Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions. <b>Signed Numerics Examples:</b> \$12.31 would be entered as 000000000123A. -\$12.31 would be entered as 000000000123J. <b>ASCII Format Examples:</b> \$12.31 would be entered as 0000000001231. -\$12.31 would be entered as -000000001231.

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**NCRF ACCOUNTING TRANSACTION DETAIL RECORD**

<b>FIELD</b>	<b># CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
			Insert a one-position numerical transaction code as follows:
TRANSACTION CODE	1	81	<b>ACCOUNT 011</b> 1–Policy new and renewal 2– Endorsements 3–Cancellations 4–Reinstatements 5–All Other  <b>ACCOUNT 010</b> Only applies to Transaction Code 2 – Endorsements.
POLICY NUMBER	16	83-98	Insert up to a 16-position policy number, left justified.
CLAIM NUMBER	16	101–116	Insert up to a 16-position claim number, left justified.

\*See Section 4, Chapter 3 for definition

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**NCRF RECOUPMENT SUMMARY RECORD**

<b>FIELD</b>	<b># CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
ID	1	1	Insert R
STATE CODE	2	5–6	Insert 32
COMPANY CODE	5	9–13	Insert a five position numerical reporting code. For those companies presently utilizing four digit codes, insert 0 in position 9.
ACCT. YEAR	2	15–16	Insert the last two positions of the accounting year.
ACCT. MONTH	2	17–18	Insert a two position accounting month.
CLASS CODE	1	47	Insert a one position numerical class code as follows: ★1–Private Passenger (Includes PPNF Motorcycles)❖ ★3–Other Than Private Passenger (Commercial)❖
AMOUNT	13	51–63	Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions.  <b>Signed Numerics Examples:</b> \$12.31 would be entered as 000000000123A. -\$12.31 would be entered as 000000000123J.  <b>ASCII Format Examples:</b> \$12.31 would be entered as 0000000001231. -\$12.31 would be entered as -000000001231.
LINE CODE	4	93–96	Insert the four digit line code for the corresponding line of the surcharge detail report.  ★Example: Line CR11 will be entered as CR11. ❖

NOTES: 1) Report alpha characters with upper case letters only.  
2) b = blank



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RECORD LAYOUT

NCRF MONTHLY RECOUPMENT SUMMARY REPORT

I D					S T A T E					COMPANY CODE	ACCTG																											
						YY	MM																															
				5					1	0			1	5			2	0			2	5			3	0			3	5			4	0			4	5

C L A S S  C O D E	AMOUNT																											
	DOLLARS										CTS																	
			5				5			6			6			7			7			8						
			0				5			0			5			0			5			0						

										LINE																														
										CODE																														
		8						9				9				1					1					1					1									
		5						0				5				0					0					0					5					2				

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

**NCRF MONTHLY RECOUPMENT DETAIL RECORD**

<b>FIELD</b>	<b># CHAR</b>	<b>POSITION</b>	<b>COMMENTS</b>
COMPANY CODE	5	1–5	Insert five-digit company code.
ACCT. YEAR	2	7–8	Insert last two positions of the accounting year.
ACCT. MONTH	2	9–10	Insert a two-position accounting month.
LINE CODE	4	12–15	Insert the four-digit line code.  ★ <b>Example:</b> Line code CR11 would be entered as CR11.❖
EFF. YEAR	2	17–18	Insert last two positions of the policy effective year.
EFF. MONTH	2	19–20	Insert a two-position policy effective month.
POLICY NUMBER	16	22–37	Insert a 16-position policy number, left justified; blank fill any unused low order positions.  <b>Example:</b> PA09745682 would be entered as PA09745682bbbbbb where “b” represents a blank.
AMOUNT	10	39–48	Insert surcharge amount in dollars and cents format, separated by a decimal point character. Right justified; blank fill high order positions. Insert a minus sign immediately before first digit of a negative amount. Do not insert a plus sign for positive amounts.  <b>Example:</b> 38.05 would be entered as bbbbbb38.05 where “b” represents a blank.  <b>Example:</b> -172.00 would be entered as bbb-172.00 where “b” represents a blank.
OPTIONAL	29	50–78	Available for optional use by member companies. Any alphanumeric data.

RECORDS ARE FIXED LENGTH ASCII FORMAT, EACH RECORD TERMINATED BY CR-LF. ALL UNUSED POSITIONS SHOULD BE FILLED WITH BLANKS (ASCII CHARACTER x20). ENTER ALPHA CHARACTERS IN UPPER CASE LETTERS ONLY. POLICY NUMBER FORMAT MUST MATCH CESSION NOTICE POLICY NUMBER FORMAT.

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

RECORD LAYOUT  
NORTH CAROLINA REINSURANCE FACILITY  
RECOUPMENT DETAIL RECORD

COMPANY CODE	ACCTG		LINE CODE	EFF		POLICY NUMBER
	YY	MM		YY	MM	
5		10	15	20		25
						30
						35

AMOUNT	OPTIONAL																							
40		45		50		55		60		65		70		75		80								

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

**NCRF MONTHLY OUTSIDE LEGAL EXPENSES PAID  
(FOR DESIGNATED CARRIERS ONLY)  
DETAIL RECORD**

FIELD	# CHAR	POSITION	COMMENTS
ID	1	1	Insert D
ACCOUNT CODE	3	2–4	Insert 023
STATE CODE	2	5–6	Insert 32
COMPANY CODE	5	9–13	Insert a five position numerical reporting code. For those companies presently utilizing four digit codes, insert 0 in position 9.
ACCT. YEAR	2	15–16	Insert the last two positions of the accounting year.
ACCT. MONTH	2	17–18	Insert a two-position accounting month.
ACCD. YEAR	2	31–32	Insert the last two positions of the accident year.
ACCD. MONTH	2	33–34	Insert a two-position accident month.
ACCD. DAY	2	35–36	Insert a two-position accident day.
EXPENSE PAID YEAR	2	37–38	Insert the last two positions of the year of the expense paid.
EXPENSE PAID MONTH	2	39–40	Insert a two position of the month of the expense paid.
EXPENSE PAID DAY	2	41–42	Insert a two position of the day of the expense paid.
DESIGNATED CODE	1	46	Insert 2
AMOUNT	13	51–63	Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions.
			<b>Signed Numerics Examples:</b>
			\$12.31 would be entered as 000000000123A.
			-\$12.31 would be entered as 000000000123J.
			<b>ASCII Format Examples:</b>
			\$12.31 would be entered as 0000000001231.
			-\$12.31 would be entered as -0000000001231.
POLICY NUMBER	16	83–98	Insert up to a 16-position policy number, left justified.
CLAIM NUMBER	16	101–116	Insert up to a 16 position claim number, left justified.

## Section 4. Accounting and Statistical Requirements

ID	ACCTG CODE				STATE		COMPANY CODE				ACCTG												ACCIDENT				EXPENSES PAID					DES CODE										
											YY	MM																	YY	MM			DD	YY	MM	DD						
				5				1	0			1	5			2	0					2	5				30				3	5				40					45	

	AMOUNT										C E N T S																
	DOLLARS																										
	5	0				5	5			6	0		6	5				7	0			7	5			8	0

POLICY NUMBER											CLAIM NUMBER																					
8	5			9	0			9	5			1	0			1	0			1	1			1	1			1	2			0

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

**CESSION ACKNOWLEDGEMENT SUMMARY**

NORTH CAROLINA REINSURANCE FACILITY CESSION ACKNOWLEDGEMENT SUMMARY		REPORT ID: RPT.O.1B RUN DATE: 05/06/XXXX PAGE 1 of 1
COMPANY CODE:	12345	
COMPANY NAME:	ADBSVXCR	
TRANS RECEIPT DATE:	05/06/06	
<b>FTP</b>		
	FILES RECEIVED	3
	FILES ACCEPTED	2
	FILES REJECTED	1
	CESSIONS RECEIVED	100
+	CESSIONS ACCEPTED	98
+	CESSIONS SUSPENDED	2
+	ACCEPTED CESSIONS CHANGED TO MIDTERM	10
+	ONLINE CESSIONS CREATED	68
Cessions cancelled online can be viewed in the Cession Activity Report		

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

**BALANCING REPORT BY FILE-IN-BALANCE**

NORTH CAROLINA REINSURANCE FACILITY BALANCING REPORT BY FILE IN-BALANCE			REPORTED ID: RPT.O.03 RUN DATE: 01/20/XXXX PAGE: 1 OF 1
COMPANY CODE: 23456 COMPANY NAME: ASCEFRT RECEIPT DATE: 01/11/05 ACCOUNTING DATE: 12/04 FILE: 32A234560209_032009112000 SOURCE: FTP TYPE: REGULAR			
ACCOUNT	SUMMARY	DETAIL	DIFFERENCE
PREMIUMS WRITTEN			
O/T DESIGNATED BUSINESS	12,862,259.81	12,862,259.81	
DESIGNATED BUSINESS	26,796.00	26,796.00	
TOTALS	12,889,055.81	12,889,055.81	
PREMIUM REFUND			
O/T DISIGNATED BUSINESS	0.00	0.00	
DESIGNATED BUSINESS	0.00	0.00	
TOTALS	0.00	0.00	
INTEREST REFUNDED	0.00	0.00	
RECOUPMENTS			
3A15	8,981.00	N/A	
3A16	911,374.51	N/A	
TOTALS	920,355.51	N/A	
LOSSES PAID			
O/T DESIGNATED BUSINESS	12,473,398.61	12,473,398.61	
DESIGNATED BUSINESS	20,355.29	20,355.29	
TOTALS	12,493,753.90	12,493,753.90	
DESIGNATED LEGAL EXPENSES	1,500.00	1,500.00	
LOSSES OUTSTANDING	88,416,664.04	88,416,664.04	



STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
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Section 4. Accounting and Statistical Requirements

**BALANCING REPORT BY FILE-OUT-OF-BLANCE ACCEPTED**

NORTH CAROLINA REINSURANCE FACILITY BALANCING REPORT BY FILE OUT-OF-BALANCE-ACCEPTED			REPORTED ID: RPT.O.03 RUN DATE: 01/20/XXXX PAGE: 1 OF 1
COMPANY CODE: 23456 COMPANY NAME: ASCEFRT RECEIPT DATE: 01/11/11 ACCOUNTING DATE: 12/10 FILE: 32A234560209_032009100000 SOURCE: FTP TYPE: REGULAR			
ACCOUNT	SUMMARY	DETAIL	DIFFERENCE
PREMIUMS WRITTEN			
O/T DESIGNATED BUSINESS	12,862,241.81	12,862,400.00	158.19
DESIGNATED BUSINESS	26,776.00	26,796.00	20.00
TOTALS	12,889,187.81	12,889,196.00	8.19
PREMIUM REFUND			
O/T DISIGNATED BUSINESS	0.00	0.00	
DESIGNATED BUSINESS	0.00	0.00	
TOTALS	0.00	0.00	
INTEREST REFUNDED	0.00	0.00	
RECOUPMENTS			
3A15	8,981.00	N/A	
3A16	911,374.51	N/A	
TOTALS	920,355.51	N/A	
LOSSES PAID			
O/T DESIGNATED BUSINESS	12,473,398.61	12,473,398.61	
DESIGNATED BUSINESS	20,355.29	20,355.29	
TOTALS	12,493,753.90	12,493,753.90	
DESIGNATED LEGAL EXPENSES	1,500.00	1,500.00	
LOSSES OUTSTANDING	88,416,664.04	88,416,664.04	

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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**NORTH CAROLINA REINSURANCE FACILITY**

**PRELIMINARY AUDIT REPORT**

**AIPSO**

**PA-1**

**QUARTER ENDING**

**DATE:**

**POLICY YEAR**

**PAGE:**

**CLASSIFICATION**

**99999 XYZ INSURANCE CO.  
POLICY EFFECTIVE 10/1/77 AND SUBSEQUENT**

**ACCOUNTS**

**LIABILITY**

**\*R\***

**BI**

**PD**

**TOTAL\***

PREMIUMS WRITTEN

PREMIUMS WRITTEN (ADVANCE)

UNEARNED PREMIUMS (PRIOR)

UNEARNED PREMIUMS (CURR)

PREMIUMS EARNED

CEDING EXPENSE ALLOWANCE

CLEAN RISK SUBSIDY

LOSSES PAID TOTAL

LOSSES O/S TOTAL (PRIOR)

LOSSES O/S TOTAL (CURR)

LOSS INCURRED TOTAL

CLAIMS EXP ALLOWANCE TOTAL

NET UNDERWRITING RESULTS

MISCELLANEOUS EXPENSES

INVESTMENT EXPENSE

ALL OTHER MISC INCOME

NET MISC EXPENSE OR INCOME

NET RESULTS OF OPERATIONS

(PRIOR TO RECOUPMENT)

NET RESULTS OF OPERATIONS

(AFTER RECOUPMENT)

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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# POLICY RECORDS WITH QUESTIONABLE TRANSACTIONS

## NORTH CAROLINA REINSURANCE FACILITY

### ERROR LIST – CURRENT

#### POLICY RECORDS WITH QUESTIONABLE TRANSACTIONS

REPORT ID: EDG.RPT.O.27

RUN DATE: 11/13/2010

PAGE 1 OF 2

COMPANY CODE: 12345

COMPANY NAME: ANY INSURANCE COMPANY

REPORTING MONTH: NOV 2010

Error Code	Policy Number	Effective Date	Expiration Date	DES	Original Receipt Date	Acct Mo/Yr	Acct Code	Cess/Trs/ Accd Mo/Dy/Yr	Trs/ Pay	Cls	Withdraw Mo/Dy/Yr	Cov/ Type	Insured's Name/ Claim Number	Amount	# of Mos	Chargeable
E	ZZ00007246559	08/25/10	08/25/11	1	07/13/10			08/25/10	2	2		C	AN INSURED		3	
E	ZZ00007246559	08/25/10	08/25/11	1	09/02/10			09/02/10	3	2		C	AN INSURED		3	
E	ZZ00007246559	08/25/10	08/25/11	1	09/21/10			09/21/10	3	2		C	AN INSURED		3	
	ZZ00007246559	08/ /10	08/ /11	1	09/16/10	08/10	011	08/ /10	1	3		1		366.00		
	ZZ00007246559	08/ /10	08/ /11	1	09/16/10	08/10	011	08/ /10	1	3		3		179.00		
A	ZZ702882	07/ /02	01/ /03	1	01/03/07	11/06	010	07/ /02	2	1		1		-7.00	48	C
A	ZZ702882	07/ /02	01/ /03	1	01/03/07	11/06	010	07/ /02	2	1		3		-6.00	48	C
A	ZZ702882	07/ /02	01/ /03	1	11/14/08	10/08	011	11/ /02	2	1		1		-7.00	23	C
A	ZZ702882	07/ /02	01/ /03	1	11/14/08	10/08	011	11/ /02	2	1		3		-6.00	23	C

EXHIBIT J-1

February 2011 Distribution

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4 Accounting and Statistical Requirements

**NORTH CAROLINA REINSURANCE FACILITY**  
**ERROR LIST – CURRENT**  
**POLICY RECORDS WITH QUESTIONABLE TRANSACTIONS**

REPORT ID: EDG.RPT.O.27

RUN DATE: 11/13/2010

PAGE 2 OF 2

DESIGNATED CODE	CLASS CODE	CESSIONS COUNT	PREMIUM COUNT	AMOUNT	LOSSES COUNT	AMOUNT	LOSSES OUTSTANDING COUNT	AMOUNT
1	1	2	4	-26.00	0	0.00	0	0.00
1	3	0	0	0.00	0	0.00	0	0.00
2	1	0	0	0.00	0	0.00	0	0.00
2	3	0	0	0.00	0	0.00	0	0.00
<b>TOTAL</b>		<b>2</b>	<b>4</b>	<b>-26.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

Note: Class code not applicable for Cession Count

**SUMMARY OF CHARGEABLE ITEMS**

KOR	NUMBER OF TRANSACTIONS	ABSOLUTE DOLLAR VALUE
CESSIONS	0	0.00
PREMIUMS	4	26.00
<b>TOTAL</b>	<b>4</b>	<b>26.00</b>

**CHARGE FOR UNCORRECTED TRANSACTIONS**

KOR	CHARGE AMOUNT
4 Transactions at \$1.00 per Transaction:	\$4.00
1.00 Percent Charge on Total Absolute Value:	\$0.26
<b>TOTAL</b>	<b>\$4.26</b>

# NORTH CAROLINA REINSURANCE FACILITY

## OVERVIEW OF CODING

FIELD	CESSIONS	PREMIUMS WRITTEN ACCOUNT CODE: 011	LOSSES PAID ACCOUNT CODE: 016	LOSSES OUTSTANDING ACCOUNT CODE: 033
ID	C	D	D	D
STATE CODE	32	32	32	32
CESSION DATE	YY/MM/DD			
EFF DATE	YY/MM/DD	YY/MM	YY/MM	YY/MM
EXP DATE	YY/MM/DD	YY/MM		
TRANS DATE		YY/MM		
ACCTG DATE		YY/MM	YY/MM	YY/MM
ACCDT DATE			YY/MM/DD	YY/MM/DD
TYPE OF CARRIER	1=REGULAR 2=DESIGNATED	1=REGULAR 2=DESIGNATED		
COMPANY	5 DIGITS	5 DIGITS	5 DIGITS	5 DIGITS
POLICY NO.	AT LEAST 3 ALPHANUMERICS	AT LEAST 3 ALPHANUMERICS	AT LEAST 3 ALPHANUMERICS	AT LEAST 3 ALPHANUMERICS
CLASS	1=PPNF (Includes PPNF Motorcycles) 2=NOT SUBJECT TO RATE REG 3=ALL OTHER RISKS (Commercial) 4=COMBINATION OF 1 AND 3 5=NEEDED FOR UMBRELLA/EXCESS	1=PPNF (Includes PPNF Motorcycles) 3=O/T PPNF (Commercial)	1=PPNF (Includes PPNF Motorcycles) 3=O/T PPNF (Commercial)	1=PPNF (Includes PPNF Motorcycles) 3=O/T PPNF (Commercial)
TRANSACTION CODE	1=BINDER OR NEW POLICY 2=SUBSEQUENT RENEWALS 3=MIDTERM CESSION 4=POLICY OR RENEWAL NOT TAKEN	1=POLICY NEW AND RENEWAL 2=ENDORSEMENT 3=CANCELLATION 4=REINSTATEMENT 5=ALL OTHER		
CESSION TYPE	C-CESSION 7-MODIFICATION 8-WITHDRAWAL 9-REINSTATEMENT			
COVERAGE CODE		1=BI or (BI+MED+UM,UIM) 3=PD	1=BI 2=MED 3=PD 4=OUT OF STATE NO-FAULT 5=UM/UMBI 6=UM PD 7=UIM	1=BI 2=MED 3=PD 4=OUT OF STATE NO-FAULT 5=UM/UMBI 6=UM PD 7=UIM
PAYMENT CODE			3=PAID LOSS-PARTIAL 4=PAID LOSS-FINAL 5=SALVAGE 6=SUBROGATION 7=PAYMENT AFTER CLOSING	
CLAIM NO.			AT LEAST 3 ALPHANUMERICS	AT LEAST 3 ALPHANUMERICS

EXHIBIT K-1

December 2014 Distribution

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements





STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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**QUESTIONABLE TRANSACTION – ERROR LIST (SUMMARY OF ERROR CODES)**

\*–Data Integrity Error

A – no match to cession

B – no match to premium

C – no match to loss

D – policy not in force at time of transaction

E – policy is already in force at time of transaction

F – company not a designated carrier

H – effective or expiration date is in error

I – invalid data/missing data

J – accounting date more than 3 months before effective date

L – cession received after policy expiration date

M – credit does not match to debit

N – debit does not match to credit

R – reinstatement more than one month after cancellation

T – accounting date prior to accident date

V – policy term more than one year

W – late reported loss

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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**FIELDS WHICH MAY BE CORRECTED ON THE ERROR LIST**

**Cession**

Policy Number  
Carrier Type DES Code  
Class Code  
Transaction Code  
Policy effective Mo/Dy/Yr\*  
Policy expiration Mo/Dy/Yr  
Insured's Name  
Limit Codes

**Premium**

Policy Number  
Class Code  
Transaction Code  
Policy effective Mo/Yr\*  
Policy expiration Mo/Yr  
Transaction effective Mo/Yr  
Coverage Code

**Loss**

Policy Number  
Claim Number  
Payment Code  
Class Code  
Coverage Code  
Policy effective Mo/Yr\*  
Accident Mo/Dy/Yr

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NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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**CESSIONS WITHOUT PREMIUMS – WARNING LISTING**

**NORTH CAROLINA REINSURANCE FACILITY  
WARNING LIST – CURRENT  
CESSIONS WITHOUT PREMIUMS – WARNING LISTING**

REPORT ID: EDG.RPT.O.34

RUN DATE: 11/13/2010

PAGE 1 OF 1

**Company Code: 12345**  
**Company Name: Any Insurance Company**

POLICY NUMBER	EFF MO/DY/YR	EXP MO/DY/YR	DES	ORIGINAL RECPT MO/DY/YR	CESS MO/DY/YR	TRS	CLS	TYPE	WITHDRAWAL MO/DY/YR	INSURED'S NAME	PREM OFFSET
ZZ300793709	09/19/10	09/19/11	1	10/07/10	09/19/10	1	3	C		AN INSURED	
ZZA30079469	09/20/10	09/20/11	1	10/07/10	09/20/10	1	2	C		B A CUSTOMER	
ZZ700065509	09/21/10	09/21/11	1	10/02/10	09/21/10	1	3	C		BUSINESS ACCOUNT	
ZZ700065709	09/29/10	09/29/11	1	10/02/10	09/29/10	1	3	C		ANY RISK	



CESSIONS WITHOUT PREMIUMS – CHARGE LISTING

NORTH CAROLINA REINSURANCE FACILITY CHARGE LIST BY REPORTING MONTH CESSIONS WITHOUT PREMIUMS – CHARGE LISTING									REPORT ID: EDG.RPT.O.34 RUN DATE: 02/21/XXXX PAGE 1 OF 3
COMPANY CODE: 01234 COMPANY NAME: ABC INS COMPANY REPORTING MONTH: JAN 2010									
POLICY NUMBER	EFF MO/DY/YR	EXP MO/DY/YR	DES	RECPT MO/DY/YR	CESS MO/DY/YR	TRS	CLS	INSURED'S NAME	PREM OFFSET
22ZZZNA0077	08/11/02	08/11/03	1	06/28/02	08/11/02	2	3	DAWSON JIMMIE	Y
22ZZZNA0078	08/14/02	08/14/03	1	08/20/02	08/14/02	2	3	LOGON COMMUNITY	
22ZZZNA0079	09/12/02	09/12/03	1	10/04/02	09/12/02	2	3	RAYS MANSON	
Number of cessions on Charge List									3
X Factor									\$10
Total Charge									\$30





## MONTHLY ACCOUNT ACTIVITY STATEMENT

### NORTH CAROLINA REINSURANCE FACILITY MONTHLY ACCOUNT ACTIVITY STATEMENT

REPORT ID: EDG.RPT.O.XX

RUN DATE: MM/DD/YYYY

PAGE: X OF XX

Monthly Account Activity Statement for (COMPANY CODE) COMPANY NAME

Amount Due: XXXXXX

Payment Due Date:

MM/DD/YY

Billing Date:

MM/DD/YY

Billing ID: XXXXXX

Reporting Month/Year:

MM/YY

Statement Closing Date

MM/DD/YY

Statement									
1. Balance Forward						XXXXXX			
A.	Previous Balance				XXXXX				
B.	Less Payments Sent/Received				XXXXX				
Section Total (A+B)					XXXXXX				
2. Activity						XXXXXX			
C.	Premiums Written				XXXXX				
	Current Month	Prior Months***	Company FTP*	Company Upload*	Company Online*	NCRF Entries*	Offset by System	Total	
	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
D.	Allowances				XXXXX				
	Ceding Expense Allowance							XXXXX	
	Claims Expense Allowance							XXXXX	
E.	Losses Paid				XXXXX				
	Current Month	Prior Months***	Company FTP*	Company Upload*	Company Online*	NCRF Entries*	Offset by System	Total	
	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
F.	Recoupment				XXXXX				
	Current Month	Prior Months***	Company FTP*	Company Upload*	Company Online*	NCRF Entries*	Offset by System	Total	
	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
G.	Premiums Refunded for Disapproved Rates				XXXXX		XXXXX	XXXXX	XXXXX
	Current Month	Prior Months***	Company FTP*	Company Upload*	Company Online*	NCRF Entries*	Offset by System	Total	
	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
H.	Interest Paid on Premiums Refunded								
	Current Month	Prior Months***	Company FTP*	Company Upload*	Company Online*	NCRF Entries*	Offset by System	Total	
	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
Section Total (C-D-E+F+G-H)					XXXXXX				

# **NORTH CAROLINA REINSURANCE FACILITY MONTHLY ACCOUNT ACTIVITY STATEMENT**

REPORT ID: EDG.RPT.O.XX  
RUN DATE: MM/DD/YYYY  
PAGE: X OF XX

Monthly Account Activity Statement for (COMPANY CODE) COMPANY NAME

Amount Due: XXXXXX

Payment Due Date: MM/DD/YY

Billing Date: MM/DD/YY

Billing ID: XXXXXX

Reporting Month/Year: MM/YY

Statement Closing Date MM/DD/YY

Statement

## **3. Late Accounting Report Billing and Adjustments**

XXXXXX

I. Late Accounting Report Billing (No Accounting Report Processed)\*\*

XXXXX

3 Months Average Premium

XXXXX

Less 3 Mnths Average Ceding Allowance

XXXXX

Less 3 Months Average Claims Allowance

XXXXX

Current Late Accounting Report Billing

XXXXX

Credit for Prior Late Accounting Report Billing(s)

XXXXX

XXXXX

J. Adjustments

Adjustment Description

XXXXX

Adjustment Description

XXXXX

**Section Total (I+J)**

XXXXXX

## **4. Penalties and Fees**

XXXXXX

K. Late Premium Charge

XXXXX

L. Late Payment Fee

XXXXX

M. Uncorrected Questionable Transactions

XXXXX

N. Membership Fee

XXXXX

**Section Total (K+L+M+N)**

XXXXXX

## **5. Amount Due**

XXXXXX

**Total (1+2+3+4)**

XXXXXX

\*Supplementary to regular account report

\*\*Estimates billed for accounting data not received or not in good order by the Reporting due date

\*\*\*Sum of all prior month activity

NCRF: North Carolina Reinsurance Facility

### **Remittance Address:**

North Carolina Reinsurance Facility  
PO Box 601035  
Charlotte, NC 28260-1035

### **Remittances send by overnight mail carrier:**

North Carolina Reinsurance Facility  
Lockbox #601035  
1525 West W.T. Harris Boulevard - NC 0802  
Charlotte, NC 28262

**Note: Please be sure to reference NCRF code with payment.**

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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**RESERVED FOR FUTURE USE**

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

**NORTH CAROLINA REINSURANCE FACILITY**  
**STATEMENT OF INCOME—ALL POLICY YEARS COMBINED**

**FORM IS**

Fiscal Year Commencing October 1, \_\_\_\_\_

Quarter Ending \_\_\_\_\_

Line No.		Current Quarter	Fiscal Year-to-Date	Inception to Date
<b>Underwriting Income</b>				
1	Premiums Written	\$XXXXXX	\$XXXXXX	\$XXXXXX
2	Unearned Premium (Prior)	XXXXXX	XXXXXX	XXXXXX
3	Unearned Premium (Current)	XXXXXX	XXXXXX	XXXXXX
4	Earned but Unbilled Premium (Prior)	XXXXXX	XXXXXX	
5	Earned but Unbilled Premium (Current)	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
6	Premiums Earned	\$XXXXXX	\$XXXXXX	\$XXXXXX
7	Clean Risk Subsidy	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	Total Underwriting Income	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>
<b>Underwriting Deductions</b>				
8	Losses Incurred	\$XXXXXX	\$XXXXXX	\$XXXXXX
9	Change in Premium Deficiency Reserve	XXXXXX	XXXXXX	XXXXXX
10	Claims Expense Allowance	XXXXXX	XXXXXX	XXXXXX
11	Ceding Expense Allowance	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
12	Premiums Escrowed	XXXXXX	XXXXXX	XXXXXX
	Total Deductions	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>
	Net Underwriting Gain (Loss)	<u>\$ XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>
<b>Miscellaneous Income and Expense</b>				
13	Membership Fees	\$XXXXXX	\$XXXXXX	\$XXXXXX
14	Assessments	XXXXXX	XXXXXX	XXXXXX
15	Investment Impairments	XXXXXX	XXXXXX	XXXXXX
16	Investment Income	XXXXXX	XXXXXX	XXXXXX
17	Other Income	XXXXXX	XXXXXX	XXXXXX
18	Miscellaneous Charges	XXXXXX	XXXXXX	XXXXXX
19	Other Expenses Incurred	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	Total Misc. Income & Expense	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>
	Net Operating Gain (Loss)	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$ XXXXXX</u>
<b>Members' Equity Account</b>				
20	Members' Equity-Beginning of Period	\$XXXXXX	\$XXXXXX	\$XXXXXX
21	Net Operating Loss Distributed to Member Companies	XXXXXX	XXXXXX	XXXXXX
22	Net Operating Gain (Loss)	XXXXXX	XXXXXX	XXXXXX
23	Loss Recoupment/Allocation	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
24	Members' Equity-End of Period	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>	<u>\$XXXXXX</u>

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NORTH CAROLINA REINSURANCE FACILITY

FORM BS

BALANCE SHEET

As of \_\_\_\_\_

Line No.

Assets

1	Cash Unrestricted	\$XXXXXXX
2	Cash Restricted (Including Escrow)	XXXXXXX
3	Investments	XXXXXXX
4	Accrued Interest Receivable	XXXXXXX
5	Accounts Receivable-Member Company Balances	XXXXXXX
6	Miscellaneous Charges Receivable (Net)	XXXXXXX
7	Membership Fees Receivable	XXXXXXX
8	Assessments Receivable	XXXXXXX
9	Computer Equipment (Net)	XXXXXXX
10	Other Assets	<u>XXXXXXX</u>
	Total Assets	<u>\$XXXXXXX</u>

Liabilities to Member Companies

11	Miscellaneous Accounts Payable – Rounding	\$XXXXXXX
12	Reserve Unearned Premium	XXXXXXX
13	Earned but Unbilled Premium Reserve	XXXXXXX
14	Premium Deficiency Reserve	XXXXXXX
15	Reserve Outstanding Losses – Case	XXXXXXX
16	Reserve Outstanding Losses – IBNR	XXXXXXX
17	Advanced Premium Liability	XXXXXXX
18	Deferred Revenue – Recoupment	XXXXXXX
19	Provision for Premium Refunds	XXXXXXX
20	Accounts Payable – Member Company Balance	XXXXXXX
21	Accounts Payable – Miscellaneous	<u>XXXXXXX</u>
	Total Liabilities	<u>\$XXXXXXX</u>
22	Participating Members' Equity	<u>XXXXXXX</u>
	Total Liabilities and Members' Equity	<u>\$XXXXXXX</u>



STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NORTH CAROLINA REINSURANCE FACILITY  
MEMBER'S PARTICIPATION REPORT – (MP-1)

AIPSO

MP-1

QUARTER ENDING  
POLICY YEAR  
CLASSIFICATION

MEMBERS PARTICIPATION REPORT  
99999 XYZ INSURANCE CO.

DATE:  
PAGE:

ACCOUNTS		LIABILITY		TOTAL*
	*R*	BI	PD	
PREMIUMS WRITTEN				
UNEARNED PREMIUMS (PRIOR)				
UNEARNED PREMIUMS (CURR)				
EARNED BUT UNBILLED PREMIUM (PRIOR)				
EARNED BUT UNBILLED PREMIUM (CURRENT)				
PREMIUMS EARNED				
CEDING EXPENSE ALLOWANCE				
CLEAN RISK SUBSIDY				
LOSSES PAID TOTAL				
LOSSES O/S TOTAL (PRIOR)				
LOSSES O/S TOTAL (CURR)				
LOSSES O/S IBNR TOTAL (PRIOR)				
LOSSES O/S IBNR TOTAL (CURR)				
LOSS INCURRED TOTAL				
CLAIMS EXP ALLOWANCE TOTAL				
NET UNDERWRITING RESULTS				
MISCELLANEOUS EXPENSES				
INVESTMENT INCOME				
ALL OTHER MISC INCOME				
NET MISC EXPENSE OR INCOME				
NET RESULTS OF OPERATIONS (PRIOR TO RECOUPMENT)				
LOSS RECOUPMENT/ALLOCATION				
NET RESULTS OF OPERATIONS (AFTER RECOUPMENT)				
ANTICIPATED SALV (PRIOR)				
ANTICIPATED SALV (CURR)				
ADVANCE PREMIUMS WRITTEN (PR)				
ADVANCE PREMIUMS WRITTEN (CURR)				
ADVANCE CEDING EXPENSE (PRIOR)				

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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ADVANCE CEDING EXPENSE (CURR)  
ADVANCE CLAIMS EXPENSE (PRIOR)  
ADVANCE CLAIMS EXPENSE (CURR)  
INVESTMENT IMPAIRMENTS

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NORTH CAROLINA REINSURANCE FACILITY

REPORT: MP-4

SUMMARY OF MEMBER'S PARTICIPATION REPORT – (MP-4)

AIPSO

QUARTER ENDING

POLICIES EFFECTIVE 10/1/77 AND SUBSEQUENT

ALL CLASSIFICATIONS COMBINED

ALL CARRIERS COMBINED

LEDGER TRANSACTIONS	1993	1994	1995	1996	1997	1998	1999	2000	2001
---------------------	------	------	------	------	------	------	------	------	------

PREMIUMS WRITTEN

CEDING EXPENSE ALLOWANCE

CLEAN RISK SUBSIDY

LOSSES PAID TOTAL

CLAIMS EXP ALLOWANCE TOTAL

MISCELLANEOUS EXPENSE

INVESTMENT INCOME

ALL OTHER MISC INCOME

BALANCE RECEIVABLE/PAYABLE

(PRIOR TO RECOUPMENT)

LOSS RECOUPMENT

BALANCE RECEIVABLE/PAYABLE

	2002	2003	2004
--	------	------	------

PREMIUMS WRITTEN

CEDING EXPENSE ALLOWANCE

CLEAN RISK SUBSIDY

LOSSES PAID TOTAL

CLAIMS EXP ALLOWANCE TOTAL

MISCELLANEOUS EXPENSE

INVESTMENT INCOME

ALL OTHER MISC INCOME

BALANCE RECEIVABLE/PAYABLE

(PRIOR TO RECOUPMENT)

LOSS RECOUPMENT

BALANCE RECEIVABLE/PAYABLE

NON-LEDGER TRANSACTIONS

INVESTMENT IMPAIRMENTS

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

**Section 4. Accounting and Statistical Requirements**

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STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NCRF RECOUPMENTS AND ALLOCATIONS				
Type	Line Code	Applicable to Policies Effective	Which Policies?	% Surcharge
Clean Risk Recoupment		3/1/80-2/28/81	All Subj. to SDIP	1.1%
Clean Risk Recoupment		3/1/81-9/30/81	All Subj. to SDIP	1.4%
Clean Risk Recoupment		10/1/81-3/31/82	All Pointed SDIP	1.8%*
Clean Risk Recoupment		4/1/82-3/31/83	All Pointed SDIP	4.0%*
Clean Risk Recoupment		4/1/83-3/31/84	All Pointed SDIP	4.2%*
Clean Risk Recoupment		4/1/84-3/31/85	All Pointed SDIP	4.3%*
Clean Risk Recoupment		4/1/85-3/31/86	All Pointed SDIP	5.7%*
Clean Risk Recoupment		4/1/86-3/31/87	All Pointed SDIP	8.1%*
Clean Risk Recoupment		4/1/87-3/31/88	All Pointed SDIP	8.8%*
Clean Risk Recoupment		4/1/88-6/30/88	All Pointed SDIP	10.8%*
Clean Risk Allocation		7/1/88-6/30/89	All PPNF	0.6%*
Clean Risk Recoupment		7/1/88-6/30/89	All Pointed SDIP	8.6%*
Clean Risk Allocation		7/1/89-6/30/90	All PPNF	2.8%*
Clean Risk Recoupment		7/1/89-6/30/90	As Per SDIP	14.6%*
Clean Risk Allocation		7/1/90-6/30/91	All PPNF	3.65%*
Clean Risk Recoupment		7/1/90-6/30/91	As Per SDIP	12.60%*
Clean Risk Allocation		7/1/91-6/30/92	All PPNF	3.85%*
Clean Risk Recoupment		7/1/91-6/30/92	As Per SDIP	8.60%*
Clean Risk Allocation		7/1/92-6/30/93	All PPNF	6.79%*
Clean Risk Recoupment		7/1/92-6/30/93	As Per SDIP	10.23%*
Clean Risk Allocation		7/1/93-6/30/94	All PPNF	5.68%*
Clean Risk Recoupment		7/1/93-6/30/94	As Per SDIP	5.00%*
Clean Risk Allocation		7/1/95-6/30/96	All PPNF	2.98%*
Clean Risk Allocation		7/1/96-6/30/97	All PPNF	3.71%*
Clean Risk Allocation		7/1/97-6/30/98	All PPNF	4.11%*
Clean Risk Allocation		7/1/98-6/30/99	All PPNF	3.63%*
Clean Risk Allocation		7/1/99-6/30/00	All PPNF	1.07%*
Clean Risk Recoupment		7/1/00-6/30/01	All PPNF	5.15%*
Clean Risk Recoupment		7/1/01-6/30/02	All PPNF	7.22%*
Clean Risk Recoupment		7/1/02-6/30/03	All PPNF	6.79%*
Clean Risk Recoupment	3A15	7/1/03-6/30/04	All PPNF	5.05%*
Clean Risk Recoupment	3A16	7/1/04-3/31/05	All PPNF	5.35%*
Clean Risk Recoupment	CR01	4/1/05-09/30/05	All PPNF	6.43%*
Clean Risk Recoupment	CR02	10/1/05-9/30/06	All PPNF	9.71%*
Clean Risk Recoupment	CR03	10/1/06-9/30/07	All PPNF	8.82%*
Clean Risk Recoupment	CR04	10/1/07-9/30/08	All PPNF	2.48%*

#### Section 4. Accounting and Statistical Requirements

Clean Risk Recoupment	CR05	10/1/08-10/31/09	All PPNF	4.24%*
Clean Risk Recoupment	CR06	11/1/09-9/30/10	All PPNF	6.41%*
Clean Risk Recoupment	CR07	10/1/10-9/30/11	All PPNF	4.33%*
Clean Risk Recoupment	CR08	10/1/11-9/30/12	All PPNF	3.87%*
Clean Risk Recoupment	CR09	10/1/12-3/31/13	All PPNF	3.87%*
Clean Risk Recoupment	CR10	4/1/13-9/30/13	All PPNF	2.25%*
Clean Risk Recoupment	CR11	10/1/13-3/31/14	All PPNF	2.25%*
Clean Risk Recoupment	CR12	4/1/14-9/30/14	All PPNF	4.67%*
Clean Risk Recoupment	CR13	10/1/14-9/30/15	All PPNF	4.86%*
Clean Risk Recoupment	CR14	10/1/15-9/30/16	All PPNF	4.06%*
Clean Risk Recoupment	CL01	10/1/16-3/31/17	All PPNF	4.94%*
Clean Risk Recoupment	CL02	4/1/17-9/30/17	All PPNF	4.94%*
Clean Risk Recoupment	CL03	10/1/17-3/31/18	All PPNF	5.25%*
Clean Risk Recoupment	CL04	4/1/18-9/30/18	All PPNF	5.25%*
Clean Risk Recoupment	CL05	10/1/18-3/31/19	All PPNF	6.82%*
<sup>00</sup> Clean Risk Recoupment	CL06	4/1/19-9/30/19	All PPNF	6.82%*
<sup>00</sup> Clean Risk Recoupment	CL07	10/1/19-9/30/20	All PPNF	3.84%*
<sup>00</sup> Clean Risk Recoupment	CL08	10/1/20-9/30/21	All PPNF	5.12%*
<sup>00</sup> Clean Risk Recoupment	CL09	10/1/21-9/30/22	All PPNF	6.66%*
<sup>00</sup> Clean Risk Recoupment	CL10	10/1/22- 3/31/23	All PPNF	7.64%*
<sup>00</sup> Clean Risk Recoupment	CL11	4/1/23 – 9/30/23	All PPNF	7.64%*
ß Clean Risk Recoupment	CL12	10/1/23 – 3/31/24	All PPNF	11.11%*
ß Clean Risk Recoupment	CL13	4/1/24 – 11/30/24	All PPNF	9.36%*
ß Clean Risk Recoupment	CL14	12/1/24 – 9/30/25	All PPNF	12.97%*

<sup>00</sup> Closing with most recent circular

ß This Clean Risk and Loss Recoupment are to be reported under the same line code.

\* Excluding agent compensation

The boxed items are open line codes

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NCRF RECOUPMENTS AND ALLOCATIONS

Type	Line Code	Applicable to Policies Effective	Which Policies?	% Surcharge
Prior Loss-Direct		3/1/80- 2/28/81	All Facility#	18.6%
Prior Loss-Direct		3/1/81- 9/30/81	All Facility#	16.4%
Prior Loss-Assessment		10/1/81- 2/28/82	All Pointed SDIP	13.3%*
# Qtrly. Assessment		4/1/80- 6/30/80	All	5.3%
# Qtrly. Assessment		7/1/80- 9/30/80	All	5.3%
# Qtrly. Assessment		10/1/80-12/31/80	All	4.9%
# Qtrly. Assessment		1/1/81- 3/31/81	All	8.3%
# Qtrly. Assessment		4/1/81- 6/30/81	All	5.7%
# Qtrly. Assessment		7/1/81- 9/30/81	All	0.4%
# Qtrly. Assessment		10/1/81-12/31/81	All Pointed SDIP	9.7%*
# Qtrly. Assessment		1/1/82- 3/31/82	All Pointed SDIP	9.7%*
# Qtrly. Assessment		4/1/82- 3/31/83	All Pointed SDIP	5.5%*
Loss Assessment**		4/1/83- 3/31/84	All Pointed SDIP	12.6%*
Loss Assessment**		4/1/84- 3/31/85	All Pointed SDIP	20.2%*
Loss Assessment**		4/1/85- 3/31/86	All Pointed SDIP	18.6%*
Loss Assessment**		4/1/85- 3/31/86	All Except PPNF	2.8%*
Loss Assessment**		4/1/86- 3/31/87	All Pointed SDIP	26.9%*
Loss Assessment		4/1/86- 3/31/87	All Except PPNF	5.6%*
Loss Assessment**		4/1/87- 3/31/88	All Pointed SDIP	31.4%*
Loss Assessment**		4/1/87- 3/31/88	All Except PPNF	1.8%*
Loss Assessment**		4/1/88- 6/30/88	All Pointed SDIP	35.6%*
Loss Assessment**		4/1/88- 6/30/88	All Except PPNF	1.3%*
Loss Allocation**		7/1/88- 6/30/89	All PPNF	1.9%*
Loss Assessment**		7/1/88- 6/30/89	All Pointed SDIP	25.5%*
Loss Assessment**		7/1/88- 6/30/89	All Except PPNF	1.5%*
Loss Allocation**		7/1/89- 6/30/90	All PPNF	1.8%*
Loss Assessment**		7/1/89- 6/30/90	As Per SDIP	9.4%*
Loss Allocation**		7/1/90- 6/30/91	All PPNF	0.19%*
Loss Assessment**		7/1/90- 6/30/91	As Per SDIP	0.67%*
Loss Recoupment	PP01	4/1/05-3/31/06	All PPNF	4.17%*
Loss Recoupment	CL01	10/1/16-3/31/17	All PPNF	3.32%*
Loss Recoupment	CL02	4/1/17-9/30/17	All PPNF	5.00%*
Loss Recoupment	CL03	10/1/17-3/31/18	All PPNF	5.06%*
Loss Recoupment	CL04	4/1/18-9/30/18	All PPNF	6.67%*



#### Section 4. Accounting and Statistical Requirements

Loss Recoupment	CL05	10/1/18-3/31/19	All PPNF	3.06%*
Loss Recoupment	CL06	4/1/19-9/30/19	All PPNF	1.55%*
Loss Recoupment	CA51	10/1/18-9/30/19	All Except PPNF	7.07%*
Loss Recoupment	CL07	10/1/19-9/30/20	All PPNF	0.28%*
Loss Recoupment	CA52	10/1/19-9/30/20	All Except PPNF	7.07%*
<sup>00</sup> Loss Recoupment	CL08	10/1/20-9/30/21	All PPNF	1.77%*
<sup>00</sup> Loss Recoupment	CA53	10/1/20-9/30/21	All Except PPNF	4.56%*
<sup>00</sup> Loss Recoupment	CL09	10/1/21-9/30/22	All PPNF	0.16%*
<sup>00</sup> Loss Recoupment	CA54	10/1/21-3/31/22	All Except PPNF	1.81%*
<sup>00</sup> Loss Recoupment	CA55	4/1/22-9/30/22	All Except PPNF	4.66%*
<sup>00</sup> Loss Recoupment	CL10	10/1/22- 3/31/23	All PPNF	1.14%*
<sup>00</sup> Loss Recoupment	CA56	10/1/22-9/30/23	All Except PPNF	1.17%*
<sup>00</sup> Loss Recoupment	CL11	4/1/23 – 9/30/23	All PPNF	4.51%*
Loss Recoupment	CA57	10/1/23 – 3/31/24	All Except PPNF	2.16%*
ß Loss Recoupment	CL12	10/1/23 – 3/31/24	All PPNF	2.66%*
Loss Recoupment	CA58	4/1/24 – 9/30/24	All Except PPNF	3.74%*
ß Loss Recoupment	CL13	4/1/24 – 11/30/24	All PPNF	0.47%*
Loss Recoupment	CA59	10/1/24 – 9/30/25	All Except PPNF	2.51%*
ß Loss Recoupment	CL14	12/1/24 – 9/30/25	All PPNF	0%*

# 1980 – 1981: except certain policies produced by designated agents.

<sup>00</sup> Closing with most recent circular

ß This Clean Risk and Loss Recoupment are to be reported under the same line code.

\* Excluding agent compensation

The boxed items are open line codes

STANDARD PRACTICE MANUAL  
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NORTH CAROLINA REINSURANCE FACILITY  
ANNUAL CLAIM COUNT AND SALVAGE AND SUBROGATION REPORT

FISCAL YEAR ENDING MM/DD/YY

COMPANY CODE & NAME

Fiscal Year to Date  
Private Passenger

Accident Year	Claims Reported	Claims Outstanding	Claims Closed with Loss Payment	Claims Closed without Loss Payment	Gross Losses Paid	Salvage and Subrogation
Prior	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
•	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
•	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
•	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
•	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
19XX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
Total	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX



# FACILITY OFFSET REPORT

## NORTH CAROLINA REINSURANCE FACILITY FACILITY OFFSET REPORT

REPORT ID: EDG.RPT.O.26

RUN DATE: 06/10/XXXX

PAGE 1 OF 5

COMPANY CODE: 01234  
COMPANY NAME: ANY INS COMPANY  
REPORTING MO/YR:: 01/10

ACCOUNTING MO/YR:

POLICY NUMBER	EFF MO/DY/YR	EXP MO/DY/YR	REPORTING MM/YY	ACCOUNTING MM/YY	DES	RECPT MM/DD/YY	ACCT CODE	CESS/TRS/ACCD MO/DY/YR	TRS PAY	CLS	COV	NAME OF INSURED	AMOUNT
22ZAFNA0077	12/11/97	12/11/98			1	01/12/98		12/11/97	2	3		DAWSON JIMMIE	
22ZAFNA0078	12/11/97	12/11/98			1	01/12/98		12/11/97	2	3		LOGON COMMUNITY	
22ZAFNA0079	12/11/97	12/11/98			1	01/12/98		12/11/97	2	3		RAYSON MANSON	
176326922	05/ /98	05/ /99			1	01/12/98	011	12/ /97	1	3	1		6.00
176326922	05/ /98	05/ /99			1	01/12/98	011	12/ /97	1	3	1		-6.00
176326923	05/ /98	05/ /99			1	01/12/98	011	12/ /97	1	3	3		497.35
176326924	05/ /98	05/ /99			1	01/12/98	011	12/ /97	2	3	1		74.10
176326925	05/ /98	05/ /99			1	01/12/98	011	12/ /97	2	3	3		39.90
A12387668	03/ /02	/ /			1	06/05/02	016	05/15/02	3	3	1	2357385111	25756.48
A12387669	03/ /02	/ /			1	06/05/02	016	05/15/02	4	1	1	2357385112	52698.00
A12387670	03/ /02	/ /			1	06/05/02	016	05/15/02	6	1	3	2357385113	45987.00
A12387671	03/ /02	/ /			1	37412	016	37391	6	1	6	2357385114	125487.00

PREMIUM OFFSET AFTER 60 MONTHS 611.35  
LOSS OFFSET AFTER 7 MONTHS 249,928.48  
ERROR LIST CESSIONS DELETED AFTER 60 MONTHS 2  
CHARGE LIST CESSIONS DELETED AFTER 60 MONTHS 1

\*-The cession which has been offset from the charge list

EXHIBIT X-1

February 2011 Distribution



**NORTH CAROLINA REINSURANCE FACILITY  
 ONLINE ACCOUNTING TRANSACTION REPORT**

COMPANY CODE: XXXXX  
 COMPANY NAME: XXXX  
 PROCESSED DATE: MM/DD/YY  
 ACCOUNTING MO/YR: MM/YY  
 POLICY NUMBER: XXXXXXXXX  
 SOURCE: XXXXXXXX XXXXXXXX

**- PREMIUMS WRITTEN**

**XX**

**XX.XX**

Des Code	Accounting Month/Year	Account Code	Policy Number	Effective Date	Expiration Date	Trs/Accd Date	Cls	Trs/Pay Code	Cov	Claim Number	Receipt Date	Amount
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX

**+ LOSSES PAID**

**XX**

**XX.XX**

**+ RECOUPMENT**

**XX**

**XX.XX**

**+PREMIUM REFUNDED**

**XX**

**XX.XX**

**+ INTEREST REFUNDED**

**XX**

**XX.XX**

**- LOSS RESERVES\***

**XX**

**XX.XX**

Des Code	Accounting Month/Year	Account Code	Policy Number	Effective Date	Expiration Date	Trs/Accd Date	Cls	Trs/Pay Code	Cov	Claim Number	Receipt Date	Amount
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX
X	XX/XX	XXX	XXXXXXXXXX	XX/XX	XX/XX	XX/XX/XX	X	X	X	XXXXXXXXXX	XX/XX/XX	XX.XX

**TOTAL TRANSACTION COUNT XX**

\*Not included in Account Activity Settlement



**SECTION 5**  
**CLAIMS**





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**Section 5**

**CLAIMS**

**A. General Responsibilities**

Each member is responsible to properly and promptly dispose of all claims in accordance with the terms of the contracts of insurance subject to the limits of Liability provided thereby. Claim adjustment practices and procedures of each member company shall correspond with those followed for Non-Facility business, subject to the following:

1. Member companies shall:
  - a. Adopt and implement reasonable standards for the prompt investigation of claims arising out of insurance policies.
  - b. Affirm or deny coverage of claims within a reasonable period of time.
  - c. Attempt in good faith to effectuate prompt, fair and equitable settlements of claims in which Liability has become reasonably clear.
  - d. Acknowledge and act with reasonable promptness upon communications regarding claims arising out of insurance policies.
  - e. Promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.
  - f. ★Establish adequate claim reserves for each coverage based upon potential dollar value of the claim.❖
2. Member companies shall not:
  - a. Misrepresent pertinent facts or insurance policy provisions relating to coverage at issue.
  - b. Refuse to pay claims without conducting reasonable investigation based upon all available information.
  - c. Fail to promptly settle claims, where Liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage.

**B. Claim Reserves**

Each member company shall maintain claim reserving procedures for claims arising out of Facility ceded business commensurate with their procedures for claims arising out of Non-Facility business.

**C. Excess Judgments or Other Legal Actions Against Member Companies**

1. Member companies shall immediately report to the Facility (1) any tort liability judgment rendered against any insured under a policy ceded to the Facility, where the amount of the judgment is in excess of the limits of coverage provided, (2) any other legal action brought against a member company arising out of its handling of a claim under a policy ceded to the Facility.
2. Following the report(s) as required by paragraph C.1. above, any member company may petition the Board of Governors, or their designate, for reimbursement of sums which the petitioner has or may become legally obligated to pay in the event of an excess judgment against the insured or a judgment or potential judgment against the petitioner. The Governing Board shall consider the petition, and may at any time prior to judgment against the petitioner or thereafter authorize the Facility to contribute any part of sums required to satisfy the excess judgment against the insured or the judgment or potential judgment against the petitioner, unless it is the determination of the Board of Governors that the petitioner was guilty of gross or willful or wanton mishandling, in which event the petition shall be denied.

**D. Agents' Draft Authority**

The granting of claim draft authority to agents shall be at the option of each member company commensurate with authority the member company may grant for claims arising out of Non-Facility business.

**E. Fidelity Losses**

Fidelity losses arising out of claims handling shall be the sole responsibility of the member company.

**F. Quality Audit**

Member companies shall conduct internal Claim Department quality audit of a reasonably

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NORTH CAROLINA REINSURANCE FACILITY

**Section 5. Claims**

representative number of claim files on Facility ceded business, commensurate with their procedures for audit of claims on Non-Facility business, in order to verify compliance with established procedures and standards. With sufficient frequency to reflect reasonable continuity of their quality controls, member companies shall prepare internal reports summarizing the efforts and conclusions of their Claim Department quality audit. Reports may, at the option of each member company, consolidate comments relative to both Facility and Non-Facility claim adjustment, or cover Facility claim adjustment only. Report format shall be at the discretion of each member company, or as may be required from time to time by the Board of Governors, or their designate.

**G. Complaints**

Member companies shall establish complaint handling procedures, and maintain complete records of all complaints received on claims arising out of Facility ceded business, or, at the option of each member company, on all complaints received arising out of all **automobile** claims related to both Facility and Non-Facility business. Member companies shall maintain records reflecting the number of complaints received annually.

For purposes of this Section, the term "complaint" shall mean any written communication initiated by the complainant primarily expressing a grievance.

**H. Records**

1. Member companies shall maintain, and upon reasonable notice, make available for review by the Board of Governors, their designate or the Facility:
  - a. Individual claim files to support all loss experience transactions relative to Facility ceded business.
  - b. A Claim Department organizational and workflow chart comprehensively describing operations within their claim function, including claim file reporting procedures, and lines and levels of authority.
  - c. A procedural outline of their Claim Department quality audit program, including internal summary reports of audits as required by Paragraph F. herein.
  - d. All complaint records as required by Paragraph G. herein.

**Section 5. Claims**

2. Member companies' retention and destruction of claim records shall follow those statutory requirements as set out for insurance companies at the State and Federal level, as well as in conformance with those required for NAIC zone examinations. Claim Department records not subject to the foregoing yet required by Paragraph H. of this Section shall be retained for three calendar years following their creation.

**I. Facility Quality Control**

1. The Facility shall periodically, quarterly where possible but in no event less than annually, develop claim and loss statistics (the most appropriate statistics for development to be determined) on a member company and total Facility basis sufficient to reflect the claim function performance of each member company in relation to that of the total Facility.
2. The Facility shall maintain a claim staff qualified to analyze the claim function performance of each company to an extent adequate to comprehensively determine the basis for any significant deviation from total Facility performance. The Facility Claim Staff shall initially be one Facility staff representative with appropriate clerical support. The Board of Governors may, from time to time as the need arises, consider Facility requests for staff additions. Analysis of any member companies' claim function performance shall initially be based upon statistics developed by the Facility as required by Subparagraph 1. above; further analysis deemed necessary by the Facility shall be based upon information provided by any member company in response to specific inquiries of the Facility. Should the aforementioned statistics and information be considered inadequate to substantiate the basis for significant deviation of any member companies' performance from that of the total Facility, the Board of Governors, or their designate, may require further detailed audit, the nature and conduct of which to be at the discretion of the Board of Governors, or their designate, so long as the audit is confined to areas of performance directly related to Facility ceded business.

**J. Claim Quality Control Committee**

The Facility Claim Staff shall operate with functional guidance from a Claim Quality Control Committee (CQCC) to be authorized, established and directed by the Board of Governors. The

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NORTH CAROLINA REINSURANCE FACILITY

**Section 5. Claims**

CQCC shall consist of individual claim department staff representatives of seven member companies. Individual representatives shall be drawn from member companies' North Carolina based offices, or from offices directly concerned with the handling of claims arising out of Facility ceded business. The CQCC may, at the discretion of the Board of Governors, function as their "designate" as referred to in Paragraphs C., F., H. and I. of this Section; and furthermore the CQCC may supplement the efforts of the Facility Claims Staff from time to time particularly with respect to the performance of any "further detailed audit" as referred to in Subparagraph I.2. of this Section.

Subject to the above, the CQCC shall be composed of claim staff representatives of seven member companies. Participating companies shall be appointed by the Claim Committee from a roster of volunteer or designated companies recommended by the Facility.

Each participating member company shall designate one individual and one alternate claim staff representative, both of whom shall possess claim management (managing or supervising North Carolina Automobile Liability and/or Physical Damage claims and personnel adjusting such claims) skills.

During any calendar year, no individual member company shall be required to actively participate in Committee activities for more than ten work days.

Member companies serving on the CQCC may be requested to serve as a group or individually or in any combination thereof. Service shall be as requested by the Board of Governors, the Claim Committee or the Facility.

Reasonable travel expenses (transportation, meals, lodging, etc.) incurred by CQCC participants during the course of Committee activities should be reimbursed by the Facility.

**K. Arbitration Requirement**

In the event of dispute between two or more member companies where coverage under policies issued by all such companies has been ceded to the Facility, such dispute shall be resolved by binding arbitration under the Rules of the Nationwide Inter-Company Arbitration Agreement or Conference of Mutual Casualty Companies, Inc. Arbitration Agreement or the Special Arbitration Agreement.

The companies involved should attempt in good faith to effectuate prompt and equitable settlement of claims and payment of claims should not be delayed pending arbitration of the dispute. Any payments made pursuant to this requirement shall not prejudice either party in arbitration.

Arbitration shall proceed without undue delay. In case of dispute over selection or designation of the method of arbitration the North Carolina Reinsurance Facility shall select the arbitration forum.

**L. Additional Provisions**

Should it be determined that adopted procedures or standards, or the performance of any member company is significantly at variance with the provisions herein, or as otherwise considered incommensurate with reasonable insurance industry standards, the Board of Governors may, from time to time, establish additional Rules of Operation, including provision to limit settlement authority of any member company on claims arising out of Facility ceded business. Areas of performance considered substandard shall be reported to the Board of Governors for such action as they may deem appropriate.



## **SECTION 6**

### **AUDITING**





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**EXHIBITS**

EXHIBIT A(1)- Company Report of Audit of Designated Agent Appointed Prior to September 1, 1987

EXHIBIT A(2)- Company Report of Audit of Designated Agent Appointed on or After September 1, 1987

EXHIBIT B(1)- Statement of Designated Agent Appointed Prior to September 1, 1987

EXHIBIT B(2)- Statement of Designated Agent Appointed on or after September 1, 1987

EXHIBIT C- Facility Premium Classification; Recoupment Determination (letter)



**Section 6**

**AUDITING**

**A. Member Responsibilities**

Each member is responsible to ensure that its own internal control and spot-check procedure is sufficient to detect any irregularity in handling business which is either ceded to the Facility or with respect to which recoupment surcharges are applicable. These controls include, but are not restricted to, the following items:

1. That all cessions, premiums and claims are accurately and promptly reported to the Facility;
2. That all reports, whether on a regular basis or by special call, are filed accurately and promptly;
3. That all agents are fully complying with the Plan of Operation and the Rules of Operation;
4. That ceded policies are properly rated and ceded claims properly handled;
5. That recoupment surcharges for all policies subject to recoupment are properly determined and promptly reported to the Facility.

If any internal irregularities are noted they should be immediately corrected. Similarly if, in the course of doing business, irregularities on the part of the Facility or other members are detected, these irregularities should be immediately reported to the Compliance Committee. Each member and agent is subject to audit by the Compliance Committee or its designate to ensure compliance with Facility procedures.

**B. Facility Procedures**

**1. Internal Procedures**

The Facility Manager shall maintain records of all member's errors or violations of the Plan of Operation or the Rules of Operation. If these errors or violations are serious or voluminous for a particular member a report shall be made to the Compliance Committee. The Facility Manager will obtain any other available information requested by the Compliance Committee. In addition to the specific requests by the Compliance Committee, the statistical information presented to other committees shall also be presented to the Compliance Committee.

**2. Staffing**

The Facility shall maintain an adequate audit staff qualified to analyze the preceding information and to act as a Facility quality control representative. The Facility audit staff shall initially be one Facility staff representative with appropriate clerical support.

Supervision of the audit staff will be the responsibility of the Facility Manager. An audit staff representative will report their activities and the results of their analyses at each Compliance Committee meeting. The audit staff, as need arises and at the discretion of the Compliance Committee, may be required to conduct field audits at members' offices.

**3. Audits**

The Facility will be subject to continued quality control reviews by the Audit Staff. An audit of the annual financial statements of the Facility will be conducted each year by an independent auditor recommended by the Audit Committee and approved by both the Board of Governors and the Legislative Services Commission of the North Carolina General Assembly.

At the conclusion of this audit, the audit report and certified financial statements will be presented to the Audit Committee. Copies of the financial statements will be made available to members upon request.

**C. Review of Business Subject to the Facility**

That portion of an agent's business reinsured with the Facility or subject to recoupment surcharge shall be subject to audit to determine that procedures established by the Plan of Operation and the Rules of Operation have been complied with, and that policies that have been reinsured are receiving the same service as those which are not reinsured.

The following Subparagraphs 1. and 2. deal separately with the designated and all other agents as they relate to this review function.

**1. Designated Agents**

- a. The company appointing a designated agent shall have primary responsibility to audit such an agent. A representative sample of each agent's automobile liability accounts shall be reviewed at the agent's place of business to determine that the

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**Section 6. Auditing and Compliance**

provisions of Article 37, Chapter 58 General Statutes of North Carolina and Paragraph K. of Section 3 of the Rules of Operation are being complied with. A report of the results of this audit including names, mailing addresses and policy numbers of the accounts reviewed shall be made to the Facility for use of the Compliance Committee no later than June 1 of each year. This report shall follow the format of Exhibit A(1) or Exhibit A(2) as appropriate.

- b. Each year the Facility shall send a questionnaire to each designated agent requesting information concerning the agent's operation, to be returned by the agent to the Facility prior to June 1. The format of this questionnaire will be as shown in Exhibit B(1) or Exhibit B(2) as appropriate. The agent shall be notified that failure to return the questionnaire will be grounds for reporting him to the Board of Governors.
- c. Periodically the Facility shall request from the Insurance Department a listing of all fire and casualty licenses held by each designated agent. This listing is to show the name of the company and the date issued. The Facility shall request the company to advise if the agent is placing motor vehicle liability insurance with them. This report shall be omitted if the company is the designated company or is not licensed to write motor vehicle insurance in the State of North Carolina.
- d. The Facility shall review audit reports of the designated agents as submitted by the members. If any discrepancy is noted, the agent or member shall be requested to offer an explanation. If a satisfactory explanation is not received, the details of the discrepancy shall be referred to the Compliance Committee for appropriate action.
- e. The Facility shall review the completed questionnaires (Exhibit B(1) or B(2)) returned by the agents, comparing the information contained therein with the license listing from the Insurance Department and the information furnished by the members as required by Subparagraph 1.a. above. If differences are noted which indicate probable violations of the Plan of Operation or the Rules of Operation, further audit of the

agent shall be made as directed by the Compliance Committee.

- f. Letters of inquiry or questionnaires concerning quality of service and compliance with the Facility law and Plan of Operation may be sent to policyholders at the direction of the Compliance Committee. Any such inquiries will be handled either by the public accounting firm referred to in Subparagraph B.3. above, by some other independent firm, or by the Facility staff.

**2. All Other Agents**

Any review made of ceded business or business subject to recoupment surcharge produced by these agents will be performed either by the public accounting firm referred to in Subparagraph B.3. or by the Facility audit staff. This audit will be performed at the direction of the Facility when information is received requiring further investigation.

This information could include the following:

- a. Incorrect use of direct ceding authority by general agencies;
- b. Incorrect completion of applications;
- c. Incorrect rating or classification;
- d. Incorrect claim handling;
- e. Incorrect recoupment determination.

**3. Violations**

Any violation shall be reported with supporting information to the Board of Governors for appropriate action.

**D. Verification of Rating and Recoupment Determination**

★It is imperative that all ceded business be correctly classified and rated to insure that the Facility receives the proper premium for the risk as specified in Paragraph P. of Section 3. It is also imperative that all business subject to recoupment be correctly classified and rated to insure that the Facility receives the proper recoupment surcharges for each risk.❖

Each company licensed to write motor vehicle insurance or any component thereof shall permit its statistical agencies to report quarterly to the Facility its non-fleet private passenger exposures and premiums for (1) designated carrier business, (2) other ceded business and (3) retained business. This information will be summarized and

analyzed by the Facility prior to its submission to the Compliance Committee.❖

If this analysis discloses any unusual patterns or trends the members will be required to explain the cause. This may include a requirement for submission of a detailed analysis, by classification, for designated carrier business, for other ceded business, and for non-ceded business subject to recoupment surcharge.

Any information contained in any file reviewed by the Facility that indicates a possibility of incorrect rating or incorrect recoupment surcharges will be referred to the member for explanation (see Exhibit C). The member shall respond within 30 days. The Facility will maintain a file, by member, of all such letters and the related replies. If a reply is not received or is not responsive, the entire file will be made available to the Compliance Committee. The Compliance Committee will consider referral of the case to the Board of Governors.

★The Facility may review at any time a member's policy files for business reinsured with the Facility or subject to recoupment surcharge. This review may take place either in the member's office or at the Facility Office. If the review takes place in other than the member's office, an exact copy of all information contained in the policy file will be accepted in lieu of the original file. Companies must provide for each policy file requested for review a current (within one year) Motor Vehicle Report (MVR) for all operators of the vehicles insured under each ceded policy subject to rating under the Safe Driver Insurance Plan.❖

#### **E. Claim Fidelity**

##### **1. Statistical Reviews**

The Facility will review and examine statistical reports and comparisons in order to detect any adverse trends which shall be thoroughly investigated. The Claim Staff, Claim Quality Control Committee, the Audit Staff and both the Audit Committee and Compliance Committee shall coordinate the efforts and exchange information. If these reviews indicate any irregularities, appropriate action will be taken.

##### **2. Member Confirmation Activity**

Member companies shall obtain claimant confirmation on a reasonably representative number of claim payments on Facility ceded business. The extent of this confirmation activity will be reported to the Facility upon written request. These reports, at the option of the members, may include all confirmation activity or only that related to Facility business.

##### **3. Facility Confirmation Activity**

The Facility may confirm with the payee of claim payments made on ceded business. Accident occurrence may be confirmed with the insured. Any such inquiries by mail will be handled by either the public accounting firm referred to in Paragraph B.3. above or by some other independent firm.

#### **F. Information Verification**

All information submitted by members according to all Facility requirements is subject to verification by the Audit Committee or its designate.



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**Section 6. Auditing and Compliance**

**COMPANY REPORT OF AUDIT OF DESIGNATED AGENT APPPOINTED PRIOR TO  
SEPTEMBER 1, 1987 †**

NAME OF COMPANY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME OF DESIGNATED AGENT \_\_\_\_\_

NAME AND ADDRESS OF AGENCY: \_\_\_\_\_

A. Did the review of a representative sample of the agent's automobile liability accounts show any indication of the following:

1. Business eligible for cession (excluding business exempted by the Board of Governors of the North Carolina Reinsurance Facility pursuant to the provisions of G.S. 58-37-55) being accepted under any form of brokerage arrangement (i) by the designated agent or by the agency with which the designated agent is associated or (ii) by any other agency with which the designated agent is associated or which is affiliated with the agency with which the designated agent is associated, for submission to the designated company? \_\_\_\_\_

2. Placement with any market under any form of brokerage arrangement of any business eligible for cession (excluding business exempted by the Board of Governors of the North Carolina Reinsurance Facility pursuant to the provisions of G.S. 58-37-55) produced (i) by the designated agent or by the agency with which such designated agent is associated or (ii) by any other agency with which the designated agent is associated or which is affiliated with the agency with which the designated agent is associated? \_\_\_\_\_

3. Any indication that the agent has violated the terms of his agency contract or the provisions of the North Carolina Reinsurance Facility Law or Plan of Operation? \_\_\_\_\_

B. Total volume of motor vehicle liability premium written by the designated agent and placed with the designated company during the preceding calendar year: \_\_\_\_\_

C. Attach list of names, mailing addresses and policy numbers of accounts reviewed.

Remarks: (If any question in Section A is answered Yes, give a resume supporting this answer.)

\_\_\_\_\_  
Name of Person Conducting this Audit

\_\_\_\_\_  
Address

† This form applies also to any designated agent who received a transfer of designation pursuant to G.S. 58-37-35(g)(6) from a designated agent appointed before September 1, 1987.



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**Section 6. Auditing and Compliance**

**COMPANY REPORT OF AUDIT OF DESIGNATED AGENT APPOINTED ON OR AFTER  
SEPTEMBER 1, 1987**

NAME OF COMPANY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME OF DESIGNATED AGENT \_\_\_\_\_

NAME AND ADDRESS OF AGENCY: \_\_\_\_\_

- A. Did the review of a representative sample of the agent's automobile liability accounts show any indication of the following:
1. Business eligible for cession (excluding business exempted by the Board of Governors of the North Carolina Reinsurance Facility pursuant to the provisions of G.S. 58-37-55) being accepted under any form of brokerage arrangement (i) by the designated agent or by the agency with which the designated agent is associated or (ii) by any other agency with which the designated agent is associated or which is affiliated with the agency with which the designated agent is associated, for submission to the designated company?  
\_\_\_\_\_
  2. Placement with any market other than the designated company of any business eligible for cession (excluding business exempted by the Board of Governors of the North Carolina Reinsurance Facility pursuant to the provisions of G.S. 58-37-55) produced (i) by the designated agent or by the agency with which such designated agent is associated or (ii) by any other agency with which the designated agent is associated or which is affiliated with the agency with which the designated agent is associated? \_\_\_\_\_
  3. Any indication that the agent has violated the terms of his agency contract or the provisions of the North Carolina Reinsurance Facility Law or Plan of Operation? \_\_\_\_\_
- B. Total volume of motor vehicle liability premium written by the designated agent during the preceding calendar year: \_\_\_\_\_
- C. Attach list of names, mailing addresses and policy numbers of accounts reviewed.

Remarks: (If any question in Section A is answered Yes, give a resume supporting this answer.)

\_\_\_\_\_  
Name of Person Conducting this Audit

\_\_\_\_\_  
Address

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**Section 6. Auditing and Compliance**

**STATEMENT OF DESIGNATED AGENT APPOINTED PRIOR TO SEPTEMBER 1, 1987†**

NAME OF COMPANY: \_\_\_\_\_ DATE: \_\_\_\_\_

NAME OF DESIGNATED AGENT \_\_\_\_\_

NAME AND ADDRESS OF AGENCY: \_\_\_\_\_

NAME OF DESIGNATED CARRIER: \_\_\_\_\_

1. No eligible motor vehicle liability insurance business (excluding business exempted by the Board of Governors pursuant to the provisions of G.S. 58-37-55) produced (i) by me or by the agency with which I am associated or (ii) by any other agency with which I am associated or which is affiliated with the agency with which I am associated, has been placed with any market under any form of brokerage arrangement.
2. No eligible motor vehicle liability insurance business (excluding business exempted by the Board of Governors pursuant to the provisions of G.S. 58-37-55) has been accepted under any form of brokerage arrangement by (i) by me or the agency with which I am associated or (ii) by any other agency with which I am associated or which is affiliated with the agency with which I am associated for submission to the designated company.
3. The following is a list of **all** other companies with which I am licensed (fire and casualty only) and the types of insurance I am authorized by each company to write:

**Name of Company**

**Type of Insurance**

The following is a list of **all** other fire and casualty agents employed by and/or associated with the above named agency:

**Name of Agent**

**Agent's Address**

5. Total motor vehicle liability premiums written during the preceding calendar year:
  - a. Placed with the designated company: \_\_\_\_\_
  - b. Placed with voluntary companies: \_\_\_\_\_

† This form applies also to any designated agent who received a transfer of designation pursuant to G.S. 58-37-35(g)(6) from a designated agent appointed before September 1, 1987.

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**Section 6. Auditing and Compliance**

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For each voluntary company, attach a listing in the following format of all policies affording motor vehicle liability insurance placed with the company:

Company Name: \_\_\_\_\_

Motor Vehicle Liability Premiums Written: \_\_\_\_\_

Number of Policies Written: \_\_\_\_\_

<b>Policy Number</b>	<b>Name of Insured (Last, First, Middle Initial)</b>	<b>Effective Date Mo/Day/Yr</b>	<b>Expiration Date Mo/Day/Yr</b>
----------------------	--	---	--

I certify that the above information is true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature

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**Section 6. Auditing and Compliance**

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**STATEMENT OF DESIGNATED AGENT APPOINTED ON OR AFTER SEPTEMBER 1, 1987**

NAME OF DESIGNATED AGENT \_\_\_\_\_ DATE: \_\_\_\_\_

NAME AND ADDRESS OF AGENCY: \_\_\_\_\_

NAME OF DESIGNATED CARRIER: \_\_\_\_\_

1. Motor vehicle liability premium volume last calendaryear: \_\_\_\_\_
2. All eligible motor vehicle liability insurance business (excluding business exempted by the Board of Governors pursuant to the provisions of G.S. 58-37-55) produced (i) by me or by the agency with which I am associated or (ii) by any other agency with which I am associated or which is affiliated with the agency with which I am associated, has been placed with the designated company.
3. No eligible motor vehicle liability insurance business (excluding business exempted by the Board of Governors pursuant to the provisions of G.S. 58-37-55) has been accepted under any form of brokerage arrangement (i) by me or by the agency with which I am associated or (ii) by any other agency with which I am associated or which is affiliated with the agency with which I am associated for submission to the designated company.
4. The following is a list of **all** other companies with which I am licensed (fire and casualty only) and the types of insurance I am authorized by each company to write:

**Name of Company**

**Type of Insurance**

5. The following is a list of **all** other fire and casualty agents employed by and/or associated with the above named agency:

**Name of Agent**

**Agent's Address**

I certify that the above information is true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature

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**Section 6. Auditing and Compliance**

Name and  
Address  
of Company

Your Claim # \_\_\_\_\_

Your Policy # \_\_\_\_\_

Gentlemen:

Re: Facility Premium Classification; Recoupment Determination

During the course of review of the above file(s) the following information was discovered:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

This information would indicate that the above policy may be misclassified or that the recoupment surcharge was not properly determined.

An explanation is required within thirty days under the Rules of Operation. If the classification is not correct, your explanation should include your current investigation plans for this risk as well as the scope of the investigation when the risk was originally underwritten.

Very truly yours,

\_\_\_\_\_  
Signature

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## EFFECTIVE DATES

### Section 1—Article 37, Chapter 58, General Statutes of North Carolina (the NCRF Law)

1 ..... January 1, 2024

### Section 2—Plan of Operation

II ..... January 1, 2008  
II ..... August 10, 2011  
III ..... October 20, 1999  
IV ..... October 15, 2015  
V ..... January 1, 2006  
IX ..... January 1, 2002  
XI ..... May 5, 2006  
XII ..... January 1, 2006  
XIII ..... January 1, 2006  
XV ..... October 19, 2016

### Section 3—General Rules

Part D ..... November 26, 2010  
Part E ..... October 16, 2014  
Part F ..... November 26, 2010  
Part G ..... October 19, 2016  
Part H ..... November 26, 2010  
Part I ..... September 17, 2003  
Part L ..... October 24, 2007  
Part I ..... September 17, 2003  
Part N ..... November 26, 2010  
Part O ..... October 24, 2007  
Part P ..... April 1, 2020  
Exhibit A ..... November 26, 2010  
Exhibit B ..... October 16, 2014  
Exhibit C ..... November 26, 2010  
Exhibit D ..... November 26, 2010  
Exhibit E ..... November 26, 2010  
Exhibit F ..... November 26, 2010  
Exhibit G ..... June 26, 2002  
Exhibit H ..... June 28, 2018

### Section 4—Accounting and Statistical Requirements

Chapter 1 ..... November 26, 2010  
Chapter 2 ..... November 26, 2010  
Chapter 3 ..... October 1, 2020  
Chapter 4 ..... March 6, 2023  
Chapter 5 ..... November 26, 2010  
Chapter 6 ..... November 26, 2010  
Chapter 7 ..... August 10, 2011  
Chapter 8 ..... March 6, 2023  
Chapter 9 ..... June 26, 2002  
Chapter 10 ..... March 6, 2023  
Chapter 12 ..... November 26, 2010  
Chapter 13 ..... February 21, 2018  
Exhibit A ..... June 5, 2013  
Exhibit B ..... July 25, 2018  
Exhibit C ..... October 16, 2014



Exhibit D.....	October 16, 2014
Exhibit E.....	October 16, 2014
Exhibit F.....	November 26, 2010
Exhibit G.....	November 26, 2010
Exhibit H.....	November 26, 2010
Exhibit I.....	November 26, 2010
Exhibit J.....	November 26, 2010
Exhibit K.....	October 16, 2014
Exhibit L.....	November 26, 2010
Exhibit M.....	November 26, 2010
Exhibit N.....	November 26, 2010
Exhibit O.....	November 26, 2010
Exhibit P.....	August 10, 2011
Exhibit Q.....	November 26, 2010
Exhibit R.....	October 16, 2014
Exhibit S.....	October 16, 2014
Exhibit T.....	October 16, 2014
Exhibit U.....	October 16, 2014
Exhibit V.....	October 1, 2023
Exhibit W.....	November 26, 2010
Exhibit X.....	August 10, 2011
Exhibit Y.....	August 10, 2011

## Section 5—Claims

Part A.....	October 16, 2014
Part I.....	April 5, 2006
Part J.....	February 1, 2006

## Section 6—Auditing and Compliance

Part A.....	January 1, 2006
Part B.....	January 1, 2006
Part C.....	January 1, 2006
Part D.....	October 15, 2015
Part E.....	January 1, 2006

