



August 11, 2020

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Standard Practice Manual Revisions

At a meeting held July 22, 2020 the Board of Governors approved the following revisions to the North Carolina Reinsurance Facility Standard Practice Manual (material to be inserted is underlined and material to be deleted is struck through).

Section 4. Chapter 3, Page 3-2, (G) and Page 3-3 (I) revised wording. (Attachment 1)

Effective with the accounting month of October 2020, member companies will be required to submit a Recoupment Detail Records report each month on or before the 25th day of the first month following the close of each accounting month. Previously, the submission of this report was only required upon request by the Facility. This change in reporting is in accordance with the above revisions to Section 4, Chapter 3, Paragraph I, Page 3-3 of the NCRF Rules of Operations Manual.

Any questions regarding these revisions should be directed to Debbie Taylor (919) 582-1007 or email dat@ncrb.org.

Sincerely,

Terry F. Collins

Chief Operating Officer

North Carolina Reinsurance Facility

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Attachments

RF-20-11

STANDARD PRACTICE MANUAL
NORTH CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

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 25th 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 25th 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 25th 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.

G. Monthly Recoupment Summary Records

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

STANDARD PRACTICE MANUAL
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Section 4. Accounting and Statistical Requirements

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

~~Upon advance written request by the Facility, t~~The company will prepare and submit a file on or before the 25th 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.

~~Member companies will promptly submit a Recoupment Detail File for any accounting month~~

~~when requested by the Facility, but the penalty for late submission as provided above is applicable only if advance written request for the file was made by the Facility.~~

J. Designated Carrier Monthly Outside Legal Expenses Paid Detail Records

Each designated carrier will prepare and submit a file on or before the 25th 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 actual amount of premium refunded, excluding interest.