



December 21, 2004

CIRCULAR LETTER TO ALL MEMBER COMPANIES

**IMPORTANT MATERIAL
TO BE IMPLEMENTED**

Re: Policies Subject to “Clean Risks” and Loss Recoupment

On October 20, 2004 the Facility published circular letter RF-04-13 regarding the application of “Clean Risk” recoupment to private passenger type vehicle(s), not part of a fleet, when placed on a commercial automobile policy and rated from the personal automobile manual. This circular was withdrawn on October 21, 2004 by Circular RF-04-14 pending further clarification.

The issue was referred to committee where it was noted first that the statutes do not address this issue, and the committee recognized that member companies handle this matter differently. The committee also noted that, presumably, “clean risk” recoupment surcharges and loss recoupment surcharges should be applied in the same manner. On December 20, 2004 the Board of Governors approved the recommendation of the committee that for the sake of uniformity and ease of implementation, **“clean risk” recoupment surcharges and loss recoupment surcharges applicable to non-fleet private passenger motor vehicles be applied to those vehicles insured on Personal Auto Policies and not to those insured on Commercial Auto Policies.** Correspondingly, any recoupment surcharges applicable to commercial automobile business should be applied to non-fleet private passenger motor vehicles insured on those Commercial Auto Policies. **This instruction becomes effective on policies becoming effective on and after July 1, 2005 in order to provide companies adequate time to modify their programming as necessary.**

The “clean risks” and loss recoupment surcharges are applicable to the liability, medical payments, uninsured motorists and underinsured motorists coverage premiums for all non-fleet private passenger vehicles, including motorcycles. The surcharges apply to policies ceded to the Facility as well as to policies retained voluntarily by member companies.

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

Questions regarding this circular should be directed to Jannet Barnes 919-582-1022 or jbb@ncrb.org.

Sincerely,

Edith T. Davis

Director, Reinsurance Facility