

November 7, 2007

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Forms NCRF-30 and NCRF-31

Forms NCRF-30 and NCRF-31 and the Standard Practice Manual rules that address the use of those forms have been revised. Copies of the revised forms and rules are attached. In addition, copies of the revised forms, as well as the entire Standard Practice Manual, are available on the Reinsurance Facility's website (www.ncrb.org/ncrf). Revised manual pages will be distributed in the normal manner. The following is additional information regarding these revised forms and manual rules.

Form NCRF-30

The changes to Form NCRF-30 include:

- Revision of the form to more clearly reflect the basis for an insured's request for coverage limits in excess of 100/300/50, including additional certifications by the insured as to the purpose of the request for the higher limits and of the assurance that the insured will promptly notify the company if and when the insured ceases being required under the rule, law or regulation identified in the form to purchase the coverage limits requested.
- Changes to the signature block, including elimination of the requirement that the insured's signature be witnessed by the agent.
- Elimination of the requirement that the form be obtained at each renewal.

There is no change to the requirement that the completed form, or a copy thereof, must be retained in the ceding company's file.

Note that, prior to these revisions, Form NCRF-30 has been required to be obtained at each renewal. In order to avoid this requirement prospectively with respect to any particular insured, a company must have a satisfactorily completed copy of the revised Form NCRF-30 in its file.

Form NCRF-31

The changes to Form NCRF-31 include:

- Changes to the signature block, including elimination of the requirement that the insured's signature be witnessed by the agent.

There is no change to the requirement that the completed form, or a copy thereof, must be retained in the ceding company's file.

Standard Practice Manual rules

The Standard Practice Manual rules that require the use of Form NCRF-30 and Form NCRF-31 (Standard Practice Manual, Section 3. General Rules, Rule O. Minimum Underwriting Requirements, section 2. Application Requirements, subsections h. and i.) have been revised to reflect the changes to the forms and to make clearer the circumstances under which member companies can rely upon the forms for the cession of limits greater than 100/300/50 and the procedures that apply when member companies are not able to rely upon the forms for the cession of limits greater than 100/300/50.

The Standard Practice Manual rules have never required that Form NCRF-31 be obtained at each renewal of a policy. Therefore, if a company has in the past obtained a satisfactorily completed Form NCRF-31 and if that company in the exercise of reasonable good faith has no reason to be aware that the insured is not eligible for limits greater than 100/300/50, then the company may continue to rely on the satisfactorily completed Form NCRF-31 that it already has in its file. In those situations prospectively where the rules require that a Form NCRF-31 be obtained, the company shall use the revised Form NCRF-31 with cessions effective on and after April 1, 2008 and may use the revised form with cessions effective prior to that date if it so desires.

Please note that the changes to Form NCRF-30 and Form NCRF-31 and the accompanying Standard Practice Manual rules do not affect any other underwriting or application requirements. Member companies continue to be required to underwrite all risks ceded to the Reinsurance Facility in accordance with the rules in the Standard Practice Manual.

Effective Date

The revised Forms NCRF-30 and NCRF-31 and Standard Practice Manual rules are effective and required for use with cessions effective on and after April 1, 2008 (in situations where use of the forms is appropriate).

In addition, the revised Forms NCRF-30 and NCRF-31 are effective and available for use immediately, if a company so desires. If a company chooses to use one or both of the revised forms with cessions effective prior to April 1, 2008, the revised Standard Practice Manual rule applicable to the revised form will be effective for that use of the revised form(s).

Please see to it that the above is brought to the attention of all interested personnel in your company responsible for programming, or policy issuance.

Sincerely,

Edith T. Davis

Director, Reinsurance Facility

RF-07-9

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

Standard Practice Manual, Section 3. General Rules, Rule O. Minimum Underwriting Requirements, section 2. Application Requirements

h. A Statement of Eligibility for Cession of Higher Limits Form NCRF-30 (see Exhibit H) 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, ~~the agent must witness the insured's signature on this form and the signed form, or a copy thereof, must be retained in the ceding company's files. The form must be completed for each initial cession, and at least annually thereafter in connection with renewal cessions.~~ Absent a finding by the Facility of a lack of good faith by the ceding company, the ceding company shall be entitled to rely upon the insured's satisfactorily completed statement of eligibility for the cession of limits above 100/300/50. If, upon audit, the ceding company does not have a satisfactorily completed Form NCRF-30 in its file, the ceding company, in order to maintain cession of limits above 100/300/50 to the Facility or, in the event of a loss, in order to recover reimbursement from the Facility for losses in excess of 100/300/50, must prove, to the satisfaction of the Facility, that the higher limits were eligible to be ceded to the Facility as of the effective date of the initial cession of the insured's policy by the ceding company or as of the date notice of such cession was received by the Facility. A Form NCRF-30 is satisfactorily completed if the form is fully completed and the date the form was signed by the insured is prior to the later of (1) the date 45 days after the initial notice of 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.

i. A Certification of Higher Coverage Limits Form NCRF-31 (see ~~See~~ Exhibit I) 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 ~~and agent~~ must complete and sign a copy of Form NCRF-31 and the certification, and a signed form, or a copy of the certification thereof, must be retained in the ceding company's file. ~~The initial certification remains in effect for subsequent renewals of the policy as long as the insured remains eligible for higher coverage limits.~~ 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 a 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.