



October 27, 2014

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Standard Practice Manual Revisions

At meetings held June 11, July 23, and October 16, 2014 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):

Claim Reserve Clarification

Section 4, Chapter 3, Paragraph E and Section 5, Paragraph A have been amended to clarify the recording of claim reserves and the reporting of losses outstanding detail transaction records to the Facility (Attachments 1 and 2).

Class Code Clarifications

Section 3, page 3-4 and Exhibit B-1, and Section 4, Exhibits B-2, C-1 and K-1 have been amended to clarify that the Class 1 Private Passenger coding should include motorcycles written on private passenger policies, and that Class 3 Other Than Private Passenger (also referred to as All Other Risks) coding should be used only for business written on commercial policies when reporting cession or accounting transaction data to the Facility (Attachments 3-7).

Recoupment Line Codes

Section 4, Exhibits C-1 and D-1 have been amended to provide updated examples of the recoupment line code format for reporting to the Facility (Attachments 8 and 9).

Section 4, Exhibit V-2 has been updated to reflect the most current Clean Risk Recoupment line code information (Attachment 10).

Financial Statement Presentations

Section 4, Chapter 10, Paragraph F has been updated to describe the accounting treatment of Other-Than-Temporarily- Impaired investments (Attachment 11).

Section 4, Exhibits R-1 Statement of Income, S-1 Balance Sheet, T-1 Members Participation Report (MP-1), and U-1 Summary of Members Participation Report (MP-4) have been updated with various editorial changes to match the Facility's financial statements (Attachments 12-15).

Late Data Penalty Clarification

Section 3, page 3-13 has been amended to clarify the amount of time a company has to respond to a request for experience rating data before incurring late data penalties (Attachment 16).

Please see to it that the above is brought to the attention of all interested personnel in your company responsible for programming, policy issuance or completing and submitting session notices and the monthly accounting reports.

Questions regarding this should be directed to Valerie Pearson at (919) 582-1008 or email vap@ncrb.org .

Sincerely,

Edith T. Davis

Chief Operating Officer

Reinsurance Facility

ETD:lad
RF-14-7

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).

F. Monthly Summary Records

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 K. 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 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:

- Company Name and Number
- Accounting Month and Year

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 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

STANDARD PRACTICE MANUAL
NORTH CAROLINA REINSURANCE FACILITY

Section 3. General Rules

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 a and b 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. ***Trans. 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. •

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.
CESSION MONTH	2	33-34	Insert a two position cession month. Transaction Code 3 only.
CESSION DAY	2	35-36	Insert a two position cession day. Transaction Code 3 only.
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 <u>(Includes PPNF Motorcycles)</u> 2- Higher limits required by law 3- Other than Private Passenger <u>(Commercial)</u> 4- Combination of Codes 1 and 3 5- Higher limits for personal "umbrella" or excess liability

Section 4. Accounting and Statistical Requirements

NCRF ACCOUNTING TRANSACTION DETAIL RECORD

FIELD	# CHAR	POSITION	COMMENTS
ACCIDENT DAY	2	35–36	<p>ACCOUNTS 016 & 033 ONLY</p> <p>Insert a two-position accident day.</p>
DESIGNATED CODE	1	46	<p>ACCOUNTS 010, 011 & 016 ONLY</p> <p>Insert a one position numerical Designated code as follows:</p> <p>1–O/T Designated Business 2–Designated Business</p>
CLASS CODE	1	47	<p>Insert a one position numerical class code as follows:</p> <p>1–Private Passenger- <u>(Includes PPNF Motorcycles)</u> 3–Other Than Private Passenger <u>(Commercial)</u></p>
COVERAGE CODE	1	48	<p>Insert a one position numerical coverage code as follows:</p> <p>ACCOUNTS 010 & 011 ONLY</p> <p>1– Bodily Injury (includes Med, UM & UIM) 3– Property Damage</p> <p>ACCOUNTS 016 & 033 ONLY</p> <p>1– BI 2– Medical Payments 3– Property Damage 4– Out of State No-Fault 5– UM BI 6– UM PD 7– UIM</p>
PAYMENT	1	50	<p>Insert a one position numerical payment code as follows:</p> <p>ACCOUNT 016 ONLY</p> <p>3–Paid Loss Partial 4– Paid Loss Final 5– Salvage 6–Subrogation 7–Payment after Closing</p>
AMOUNT	13	51–63	<p>Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions.</p> <p>Signed Numerics Examples:</p> <p>\$12.31 would be entered as 000000000123A. -\$12.31 would be entered as 000000000123J.</p> <p>ASCII Format Examples:</p> <p>\$12.31 would be entered as 0000000001231. -\$12.31 would be entered as -000000001231.</p>

STANDARD PRACTICE MANUAL
NORTH CAROLINA REINSURANCE
FACILITY

Section 4. Accounting and Statistical Requirements

NCRF RECOUPMENT SUMMARY RECORD

FIELD	# CHAR	POSITION	COMMENTS
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(<u>Includes PPNF Motorcycles</u>) 3-Other Than Private Passenger(<u>Commercial</u>)
AMOUNT	13	51-63	Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions. Signed Numerics Examples: \$12.31 would be entered as 000000000123A. -\$12.31 would be entered as 000000000123J. ASCII Format Examples: \$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. Blank fill low order positions. Example: Line code 3a(9) will be keyed as 3A9b Line code 3a (11) will be keyed as 3A11

- NOTES: 1) Report alpha characters with upper case letters only.
2) b = blank

NORTH CAROLINA REINSURANCE FACILITY

Attachment 7

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 CARRIE	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 <u>(Includes PPNF Motorcycles)</u> 2=NOT SUBJECT TO RATE REG 3=ALL OTHER RISKS <u>(Commercial)</u> 4=COMBINATION OF 1 AND 3 5=NEEDED FOR UMBRELLA/EXCESS	1=PPNF <u>(Includes PPNF Motorcycles)</u> 3=O/T PPNF <u>(Commercial)</u>	1=PPNF <u>(Includes PPNF Motorcycles)</u> 3=O/T PPNF <u>(Commercial)</u>	1=PPNF <u>(Includes PPNF Motorcycles)</u> 3=O/T PPNF <u>(Commercial)</u>
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

February 2011 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

NCRF RECOUPMENT SUMMARY RECORD

FIELD	# CHAR	POSITION	COMMENTS
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 3-Other Than Private Passenger
AMOUNT	13	51-63	Insert signed numerics or ASCII format in dollars and cents format. Zero fill high order positions. Signed Numerics Examples: \$12.31 would be entered as 000000000123A. -\$12.31 would be entered as 000000000123J. ASCII Format Examples: \$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. Blank fill low order positions. Example: <u>Line CR11 will be entered as CR11.</u> Line code 3a(9) will be keyed as 3A9b Line code 3a(11) will be keyed as 3A11

- NOTES: 1) Report alpha characters with upper case letters only.
2) b = blank

STANDARD PRACTICE MANUAL NORTH
CAROLINA REINSURANCE FACILITY

Section 4. Accounting and Statistical Requirements

NCRF MONTHLY RECOUPMENT DETAIL RECORD

FIELD	# CHAR	POSITION	COMMENTS
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. Blank fill any unused low order positions. Example: Line code CR11 would be entered as CR11. Line code 3.a. (8) would be entered as 3A8b where “b” Example: Line code 4.a. (14) would be entered as 4A14.
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. Example: 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. Example: 38.05 would be entered as bbbbb38.05 where “b” represents a blank. Example: -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 NUMBERFORMAT.

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%*
<u>Clean Risk Recoupment</u>	<u>CR12</u>	<u>4/1/14-9/30/14</u>	<u>All PPNF</u>	<u>4.67%*</u>
<u>Clean Risk Recoupment</u>	<u>CR13</u>	<u>10/1/14-9/30/15</u>	<u>All PPNF</u>	<u>4.86%*</u>

Ⓔ These surcharges closed in prior years.

† This surcharge closed 7/31/05

* Excluding agent compensation or commission.

Material to be inserted in underlined
Material to be deleted is ~~struckthrough~~

STANDARD PRACTICE MANUAL
NORTH CAROLINA REINSURANCE FACILITY
Section 4. Accounting and Statistical Requirements

SECTION 4

Chapter 10

FACILITY OFFICE PROCEDURE

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. 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.

STANDARD PRACTICE MANUAL
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.	Description	Current Quarter	Fiscal Year-to-Date	Inception to Date
Underwriting Income				
1	Premiums Written	\$XXXXXX	\$XXXX	\$XXXXXX
2	Unearned Premium (Prior)	XXXXXX	XX	XXXXXX
3	Unearned Premium (Current) Earned	XXXXXX	XXXX	XXXXXX
4	but Unbilled Premium (Prior)	XXXXXX	XX	
5	Earned but Unbilled Premium (Current)	XXXXXX	XXXX	XXXXXX
6	Premiums Earned	\$XXXXXX	XX	\$XXXXXX
7	Clean Risk Subsidy	XXXXXX	XXXX	XXXXXX
	Total Underwriting Income	<u>\$XXXXXX</u>	<u>XX</u>	<u>\$XXXXXX</u>
Underwriting Deductions				
8	Losses Incurred	\$XXXXXX	\$XXXX	\$XXXXXX
9	Change in Premium Deficiency Reserve	XXXXXX	XX	XXXXXX
10	Claims Expense Allowance	XXXX	XXXX	XXXXXX
11	Ceding Expense Allowance	XXXXXX	XX	XXXXXX
12	Premiums Escrowed	XXXXXX	XXXX	\$XXXXXX
	Total Deductions	<u>\$XXXXXX</u>	<u>XX</u>	<u>\$XXXXXX</u>
	Net Underwriting Gain (Loss)	<u>\$XXXXXX</u>	<u>XXXX</u>	<u>\$XXXXXX</u>
Miscellaneous Income and Expense				
123	Membership Fees	\$XXXXXX	\$XXXXXX	\$XXXXXX
134	Assessments	XXXXXX	XXXXXX	XXXXXX
15	Investment Impairments	XXXXXX	XXXXXX	XXXXXX
164	Interest Earned/Investment Income	XXXXXX	XXXXXX	XXXXXX
157	Other Income	XXXXXX	XXXXXX	XXXXXX
168	Miscellaneous Charges	XXXXXX	XXXXXX	XXXXXX
179	Other Expenses Incurred	XXXXXX	XXXX	XXXXXX
	Total Misc. Income & Expense	<u>\$XXXXXX</u>	<u>XX</u>	<u>\$XXXXXX</u>
	Net Operating Gain (Loss)	<u>\$XXXXXX</u>	<u>\$XXXX</u>	<u>\$XXXXXX</u>
Members' Equity Account				
4820	Members' Equity-Beginning of Period	\$XXXXXX	\$XXXXXX	\$XXXXXX
4921	Net Operating Loss Distributed to Member Companies	XXXXXX	XXXXXX	XXXXXX
2022	Net Operating Gain (Loss)	XXXXXX	XXXXXX	XXXXXX
2423	Loss Recoupment/Allocation	XXXXXX	XXXXXX	XXXXXX
2224	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

NORTH CAROLINA REINSURANCE FACILITY

FORM BS

BALANCE SHEET

As of _____

Line No.

Assets

1	Cash Unrestricted	\$XXXXXXXX
2	Cash Restricted (Including Escrow)	XXXXXXXX
3	Investments	XXXXXXXX
4	Accrued Interest Receivable	XXXXXXXX
5	Accounts Receivable-Member Company Balances	XXXXXXXX
6	Miscellaneous Charges Receivable (Net)	XXXXXXXX
7	Membership Fees Receivable	XXXXXXXX
8	Assessments Receivable	XXXXXXXX
9	Computer Equipment (Net)	XXXXXXXX
10	Other Assets	XXXXXXXX
	Total Assets	<u>XXXXXXXX</u>

Liabilities to Member Companies

11	Miscellaneous Accounts Payable – Rounding	\$XXXXXXXX
12	Reserve for - Unearned Premium	XXXXXXXX
13	Earned but Unbilled Premium Reserve	XXXXXXXX
14	Premium Deficiency Reserve	XXXXXXXX
15	Reserve for - Outstanding Losses – Case	XXXXXXXX
16	Reserve for - Outstanding Losses – IBNR	XXXXXXXX
17	Advanced Premium Liability	XXXXXXXX
18	Deferred Revenue – Recoupment	XXXXXXXX
<u>19</u>	<u>Provison for Premium Refunds</u>	<u>XXXXXXXX</u>
<u>1920</u>	Accounts Payable – Member Company Balance	XXXXXXXX
<u>2021</u>	Accounts Payable – Miscellaneous	XXXXXXXX
	Total Liabilities	\$XXXXXXXX
<u>2122</u>	Participating Members' Equity	XXXXXXXX
	Total Liabilities and Members' Equity	<u>XXXXXXXX</u>

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

R

BI

PD

TOTAL*

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

~~PREMIUM DEFICIENCY RESERVE (PRIOR)~~
~~PREMIUM DEFICIENCY RESERVE (CURRENT)~~

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 PREMIUM (MEMO ENTRY ONLY)~~

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

R BI PD TOTAL*

ADVANCE PREMIUMS WRITTEN (PR)
ADVANCE PREMIUMS WRITTEN (CURR)
ADVANCE CEDING EXPENSE (PRIOR)
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
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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
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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 3. General Rules**

risks with an estimated basic limits annual manual premium of at least \$5,200, member companies shall:

(1) If complete experience rating data are available at the time of policy issuance, calculate the correct experience modification and apply it in establishing the policy premium.

(2) If complete experience rating data are not available at the time of policy issuance:

(a) Apply a tentative experience modification of 1.50.

Exception: In cases where the experience modification applicable to the preceding term of the policy is higher than 1.50, such higher experience modification must be applied as the tentative experience modification for the current term.

(b) Endorse the policy (i) noting application of the tentative experience modification and (ii) to provide for subsequent application of any experience modification determined in accordance with the NCRF Automobile Liability Experience Rating Plan;

(c) Determine the names of companies which insured the risk during the immediately preceding four years and the numbers and effective dates of their policies;

(d) If all of the required previous experience rating data are not available, notify the Reinsurance Facility that a risk eligible for experience rating has not provided the necessary information to rate;

(e) Provide the Reinsurance Facility with the information received and request the Facility office to call for and supply the required experience rating data and/or the experience modification; and

(f) Apply the experience modification and adjust the policy premium accordingly.

(3) Provide complete experience rating data related to a ceded risk upon written request by the Facility. This data must be submitted directly to the Facility by the due date specified in the request, which will not ~~to~~ be less than 30 days from the date of request. If the data is not received complete and in good order by the due date specified in the written request, a penalty of \$100.00 per day will be assessed to the company for each day the data is late until the data is received complete and in good order. The Facility initially shall bill the company for the penalty upon receiving the requested data complete and in good order, or within 30 days from the due date of the report, and periodically thereafter as appropriate. Each penalty billing will appear on the member company's Monthly Account Activity Statement and is due and payable in accordance with that statement's due date and is subject to Late Payment Fees in accordance with Section 4, Chapter 8, Paragraph E of this Manual.

d. 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: