

October 20, 2015

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Standard Practice Manual Revisions
MVR Requirements

At a meeting held October 15, 2015 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) effective immediately:

Section 3, Paragraph P. Underwriting Requirements, Items 1 and 3 have been amended to remove the term MVR and replace it with “records of convictions for moving traffic violations”, identical to the language used in N.C.G.S. 58-36-65(e) and the North Carolina Rate Bureau Personal Automobile Manual.

Section 6, Paragraph D. Verification of Rating and Recoupment Determination has been amended to clarify that with respect to policy files requested for audit, companies must provide a Motor Vehicle Report (MVR) for all operators of the vehicles insured under each ceded policy subject to rating under the Safe Driver Insurance Plan.

Questions regarding this should be directed to Bill Benton at (919) 645-3187 or email web@ncrb.org .

Sincerely,

Edith Davis

Chief Operating Officer

North Carolina Reinsurance Facility

ETD:dms

RF-15-11

STANDARD PRACTICE MANUAL
NORTH CAROLINA REINSURANCE FACILITY

Section 3. General Rules

Matter Underlined is New.

Matter deleted is ~~Struck through~~.

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.

(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 ~~MVR~~ 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.

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 ~~MVR's~~ 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.

STANDARD PRACTICE MANUAL
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Section 6. Auditing and Compliance

Matter Underlined is New.

Matter deleted is ~~Struck through~~.

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 ~~OP~~ 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.