

NORTH CAROLINA REINSURANCE FACILITY

POST OFFICE BOX 176010
RALEIGH, NORTH CAROLINA 27619-6010

5401 SIX FORKS ROAD
RALEIGH, NORTH CAROLINA 27609-4435

TELEPHONE (919) 783-9790
FACSIMILE (919) 783-0355

ROBERT M. GREER
Audit Manager

F. TIMOTHY LUCAS
Automobile Manager

ROBERT M. NEWTON
Claims Manager

DAVID E. SINK, JR.
Accounting Manager

JOHN W. WATKINS
General Manager

August 3, 2000

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Increase in Financial Responsibility Limits for Certain Commercial Vehicles

As a result of the enactment of House Bill 303 in 1999 and House Bill 1499 and Senate Bill 1335 in 2000, the North Carolina General Assembly amended the Vehicle Financial Responsibility Act of 1957 to require a minimum single liability coverage limit of \$750,000 for certain commercial vehicles.

As amended by Senate Bill 1335, G.S. 20-309(a1) provides as follows (effective for new and renewal policies written to become effective on and after September 1, 2000):

(a1) An owner of a commercial motor vehicle, as defined in G.S. 20-4.01(3d), shall have financial responsibility for the operation of the motor vehicle in an amount equal to that required for for-hire carriers transporting non-hazardous property in interstate or foreign commerce in 49 C.F.R. §387.9.

The financial responsibility limit currently required by 49 C.F.R. § 387.9 for for-hire carriers transporting non-hazardous property in interstate or foreign commerce is \$750,000.

G.S. 20-4.01(3d) includes the following definition of a commercial vehicle:

(3d) Commercial Motor Vehicle. - Any of the following motor vehicles that are designed or used to transport passengers or property:

a. A Class A motor vehicle that has a combined GVWR of at least 26,001 pounds and includes as part of the combination a towed unit that has a GVWR of at least 10,001 pounds.

b. A Class B motor vehicle.

c. A Class C motor vehicle that meets either of the following descriptions:

1. Is designed to transport 16 or more passengers, including the driver.
2. Is transporting hazardous materials and is required to be placarded in accordance with 49 C.F.R. Part 172, Subpart F.

G.S. 20-4.01(2b) includes the following definition of a Class B motor vehicle:

(2b) Class B Motor Vehicle. - Any of the following:

- a. A single motor vehicle that has a GVWR of at least 26,001 pounds.
- b. A combination of motor vehicles that includes as part of the combination a towing unit that has a GVWR of at least 26,001 pounds and a towed unit that has a GVWR of less than 10,001 pounds.

It is apparent from these definitions that, in addition to the described Class C vehicles, the Class A and Class B vehicles which are subject to the new financial responsibility limits are those vehicles with a GVWR of at least 26,001 pounds (whether as a single unit or as a combination of vehicles which includes a towed unit).

House Bill 303 originally became effective December 1, 1999. While numerous questions were raised concerning the financial responsibility limits for commercial vehicles affected by that legislation, the Reinsurance Facility began accepting, as of December 1, 1999, cession of the \$750,000 single liability coverage limit on vehicles added to the list of those eligible for cession at the higher limits required by House Bill 303. House Bill 1499 amended the effective date of House Bill 303 from December 1, 1999 to September 1, 2000. This amendment was enacted into law August 2, 2000. Therefore, for policies written between August 2, 2000 and September 1, 2000 to become effective during that period, the \$750,000 single liability coverage limit on those vehicles added to the list of those eligible for cession at the higher limits required by House Bill 303 will not be eligible for cession to the Reinsurance Facility.

For new and renewal policies written to become effective on or after September 1, 2000, the Reinsurance Facility will accept cession of the \$750,000 single liability coverage limit required by Senate Bill 1335. As to coverage limits which may be ceded to the Reinsurance Facility, the law on the subject appears in G.S. 58-37-35(b), a copy of which appears on Pages 1-3 and 1-4 in the Facility's Standard Practice Manual (Manual). The related Plan of Operation provision is in Section 2 of Article IX appearing on Page 2-5 in the Manual. The rules adopted by the Board of Governors pursuant to the law and Plan of Operation provisions are in Section D of Chapter 3 appearing on Pages 3-1 and 3-1 in the Manual.

With respect to cession of uninsured motorists (UM) and combined uninsured/underinsured motorists (UM/UIM) coverages, the Facility will accept cession of limits up to \$1,000,000 for risks subject to the Vehicle

Financial Responsibility Act of 1957, including risks subject to the provisions of Senate Bill 1335.

However, it remains the Facility's position, based on current Facility rules and the provisions of G.S. 20-279.32, that commercial risks that are not subject to the North Carolina Vehicle Financial Responsibility Act of 1957 and that are eligible for cession to the Reinsurance Facility solely because other laws or regulations require certain financial responsible limits, such as, for example, certificated trucker risks, are not entitled to UM/UIM coverages in the Reinsurance Facility and are only entitled to UM coverages at limits of \$30,000/60,000/25,000 in the Reinsurance Facility.

We urge you to make sure that this circular letter is brought to the attention of personnel in your Company responsible for the preparation of policies on commercial risks ceded to the Facility.

Very truly yours,

John W. Watkins

General Manager

JWW:lm

RF-00-9