

**IMPORTANT MATERIAL  
TO BE IMPLEMENTED**

February 12, 2018

CIRCULAR LETTER TO ALL MEMBER COMPANIES

**Re: COMMERCIAL AUTO LOSS RECOUPMENT**

**APPLICABLE TO MEMBER COMPANIES THAT WILL REPORT THE NEW COMMERCIAL AUTO LOSS RECOUPMENT SURCHARGE. PLEASE CAREFULLY REVIEW THIS CIRCULAR.**

**1. FTP Account Request Forms and Testing Tips**

We have now received a majority of the FTP account request forms.

The next step is the FTP account testing phase. You should carefully study the FTP Instruction Guide's section on FTP Testing Tips, which provides detailed instructions about the testing process.

Note that if you are using an existing FTP account, this testing step is not required. Thanks to companies who have been very proactive and have already completed their testing on their new FTP accounts!

For those commercial auto member companies that also report private passenger auto recoupment, we would highly recommend that you reach out to your private passenger auto colleagues with any questions, as the process for reporting to the Facility is the same.

Since the commercial auto loss recoupment data reporting starts in the July accounting month, all FTP accounts must be scheduled for testing **no later than June 30, 2018** so that we are able to prepare for the production phase. Please contact FTP Support ([FTPsupport@ncrb.org](mailto:FTPsupport@ncrb.org)) to schedule your testing date.

**Testing is a coordinated effort between us and the member companies which can be a lengthy process, so the sooner you test, the better. Failure to meet this deadline may force us to select a testing date for you.**

**2. Surcharge Calculation and Display on Declaration Page**

We have received several questions regarding calculations for the recoupment surcharge and the display of the surcharge on the declarations page. Our goal is to allow member companies the flexibility to apply and report the recoupment surcharge in the least burdensome manner while ensuring that the correct surcharge is charged and reported. Stay tuned for updates on this topic in the next circular.

### **3. Frequently Asked Questions**

We have also attached a set of updated Frequently Asked Questions (FAQs) which we have answered over the past several months.

Questions regarding this circular should be directed to Shayla Kimbro at 919-719-3041 or email at: [slk@ncrb.org](mailto:slk@ncrb.org) or Bill Benton at 919-645-3187 or e-mail at: [web@ncrb.org](mailto:web@ncrb.org).

Sincerely,

Terry Collins

Chief Operating Officer

North Carolina Reinsurance Facility

Attachments

RF-18-2

# Commercial Auto Loss Recoupment Frequently Asked Questions

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## Definitions

### 1. What is the commercial auto loss recoupment surcharge?

***Answer:***

The commercial auto loss recoupment surcharge is the method of recovering the NC Reinsurance Facility operating losses. It applies to commercial auto liability (bodily injury and property damage), medical payments, uninsured motorist and underinsured motorist premiums.

### 2. What is ceded business and voluntary business?

***Answer:***

Ceded business is defined as policies providing auto liability (bodily injury and property damage), medical payments, uninsured motorist and underinsured motorist coverages for which the risk of loss is reinsured by the NC Reinsurance Facility in accordance with N.C.G.S. Chapter 58, Article 37.

Voluntary business is defined as North Carolina policies providing auto liability (bodily injury and property damage), medical payments, uninsured motorist and underinsured motorist coverages that are not ceded to the NC Reinsurance Facility.

## General

### 1. Why is a commercial auto loss recoupment surcharge necessary?

***Answer:***

The commercial auto loss recoupment surcharge is necessary to recoup losses sustained by the NC Reinsurance Facility on ceded commercial auto business.

### 2. When is the commercial auto loss recoupment surcharge effective?

***Answer:***

The commercial auto loss recoupment surcharge is to be implemented on all new and renewal commercial auto policies becoming effective on or after October 1, 2018 through September 30, 2019.

**3. How often is the commercial auto loss recoupment surcharge revised?**

***Answer:***

The commercial auto loss recoupment surcharge is reviewed at least annually for implementation or revision.

**4. Do I still need to collect and remit the commercial auto loss recoupment surcharge if I do not cede to the NC Reinsurance Facility?**

***Answer:***

Yes. Under N.C.G.S 58-37-40(e) and the NC Reinsurance Facility Standard Practice Manual, Section 4, Chapter 13, item C (11(d)), the surcharge is required to be applied to all liability policies, regardless of whether the policy is ceded to the Facility or voluntarily retained by the company.

The Standard Practice Manual, which includes copies of the governing statutes, can be found on our website <http://www.ncrb.org/ncrf/> under Quick Links. The full path to download the Standard Practice Manual is here:

<http://www.ncrb.org/Portals/5/ncrf/Standard Practice Manual/Standard Practice Manual.pdf>

**5. Can the commercial auto loss recoupment surcharge be passed on to the customer?**

***Answer:***

Yes. The surcharge is required to be a surcharge on all North Carolina commercial auto liability policies issued by the company, and the charges determined on the basis of the surcharges are to be combined with and displayed as part of the applicable premium charges. See N.C.G.S. 58-37-40(e) and (f) and the Standard Practice Manual Section 4, Chapter 13, item C (2).

The Standard Practice Manual can be found on our website: <http://www.ncrb.org/ncrf/> under Quick Links. The full path to download the Standard Practice Manual is here:

<http://www.ncrb.org/Portals/5/ncrf/Standard Practice Manual/Standard Practice Manual.pdf>

**6. On our declarations page and billing statements, are we to combine the surcharge with premium or can we separately display the premium and the surcharge?**

***Answer:***

See the response to #5 immediately above.

## Agent Commissions

1. **Are agent commissions paid on this commercial auto loss surcharge?**

**Answer:**

On the issue of agent compensation, we strongly recommend that you review the NC Reinsurance Facility Standard Practice Manual, Section 4, Chapter 13, item C (11) and discuss with your company's legal team.

The Standard Practice Manual can be found on our website <http://www.ncrb.org/ncrf/> under Quick Links.

The full path to download the Standard Practice Manual is here:

<http://www.ncrb.org/Portals/5/ncrf/Standard Practice Manual/Standard Practice Manual.pdf>

2. **We do not have agents at our company. Do we still need to factor in the 10% agent compensation in the commercial auto loss recoupment surcharge calculation?**

**Answer:**

See the response to #1 immediately above.

## Vehicle Types/Coverages

1. **What types of vehicles and coverages qualify for commercial auto loss recoupment surcharge?**

**Answer:**

The commercial auto loss recoupment surcharge applies to liability, medical payments, uninsured motorist and underinsured motorist premiums on all commercial auto policies for which the premiums are reported as North Carolina premium in the Annual Statement on statutory page 14, lines 19.3 and 19.4. Exceptions to this are:

- (A) Vehicles listed as exceptions in N.C.G.S. 58-37-1(6), and
- (B) Companies classified by the North Carolina Insurance Commissioner as an "Authorized Surplus Lines Writer" or a "Risk Retention Group".

## Accounting

1. **Will the account activity statement be a combined settlement invoice (i.e. contain both the private passenger and commercial data)?**

**Answer:**

Yes, the account activity statement will include all data reported to the Facility for the accounting month.

2. **Will it be necessary for us to exclude the private passenger types (rated from the NCRB Personal Auto Manual) from the calculation of the loss recoupment surcharge in order to properly apply the loss recoupment surcharge?**

***Answer:***

No. As noted in Circular Letters RF-17-12 and RF-17-16, the recoupment applies to commercial auto policies and to all vehicles insured on those policies. Any private passenger vehicles that are written on a commercial auto policy are to be included in the recoupment.

3. **Will all companies have to charge /display cents? Many CA writers round up or down to the nearest dollar.**

***Answer:***

No. See excerpt bolded in red from the Standard Practice Manual Section 4, Chapter 13, item 6(b):

“For other than non-fleet private passenger auto (commercial auto), the exact surcharge amount may be charged and billed in dollars and cents OR the surcharge amount may be rounded to the nearest dollar. A member company that chooses to round to the nearest dollar must be consistent in its application of this decision. The Facility recognizes that, if rounding to the nearest dollar is utilized, the whole dollar surcharge amount may be a slightly different percentage of the liability premium than the specific surcharge percentage.” The Standard Practice Manual can be found on our website <http://www.ncrb.org/ncrf/> under Quick Links.

The full path to download the Standard Practice Manual is here:

<http://www.ncrb.org/Portals/5/ncrf/Standard Practice Manual/Standard Practice Manual.pdf>

4. **Where are the monthly recoupment summary totals that are submitted in my company's monthly data displayed?**

***Answer:***

There are two places in EDGE where you could find the recoupment summary totals.

- In EDGE, under the Reports Tab, Accounting Transaction Reports, Balance By File Report. This will show you the summary amounts reported by specific line code whether it be Private Passenger or Commercial.
- The Recoupment Summary amounts carry directly from your company's Monthly Accounting Report. These amounts will be reflected on line F on the Monthly Account Activity Statement in which the NC Reinsurance Facility settles with each member company each month based on the data submitted.

5. **How do I remit the recoupment to the Facility?**

**Answer:**

NC Reinsurance Facility supports the ACH and lockbox for all payments and credits (if applicable). To set up the ACH, please contact Grace Chen at 919-582-1015 or email at [gqc@ncrb.org](mailto:gqc@ncrb.org).

For lockbox payment, the mailing address for the overnight mail carrier is:

North Carolina Reinsurance Facility  
Lockbox #601035  
1525 West W.T. Harris Boulevard - NC 0802  
Charlotte, NC 28262

Otherwise, please use the following mailing address:

North Carolina Reinsurance Facility  
PO Box 601035  
Charlotte, NC 28260-10350

## **Transmitting the Commercial Auto Loss Recoupment Surcharge Data**

1. **How do I send/transmit the commercial auto loss recoupment surcharge data?**

**Answer:**

The commercial auto loss recoupment surcharge data is to be submitted in an electronic file submitted via FTP (File Transfer Protocol).

2. **Will the data for the commercial auto loss recoupment be included with the private passenger auto data we currently submit each month? (i.e. just add one more line for the CA51 data in the text file)**

**Answer:**

Yes, the monthly accounting file will contain one extra line for the commercial auto loss recoupment, CA51. Note that only one recoupment detail file can be submitted each month. Therefore, this file must contain **both** the private passenger and commercial auto data.

3. **Where do I find instructions on FTP?**

**Answer:**

The FTP Instruction Guide can be found on our website <http://www.ncrb.org/ncrf/> under Quick Links. The full path to download the FTP Instruction Guide is here:

[http://www.ncrb.org/Portals/5/ncrf/FTP Instruction Guide/FTP Instruction Guide V 3 12 2-6-2018.doc](http://www.ncrb.org/Portals/5/ncrf/FTP%20Instruction%20Guide/FTP%20Instruction%20Guide%20V%203%2012%202-6-2018.doc)

4. **If one FTP account will support multiple companies with different NCRF company codes, do I need to send a test file for each of the companies or will one be sufficient?**

***Answer:***

If there is one FTP account, then one of each file type for one NCRF company code is sufficient.

5. **Who handles FTP commercial auto loss recoupment member company file testing questions or just general FTP support questions?**

***Answer:***

Please contact FTP Support via email at [FTPSupport@ncrb.org](mailto:FTPSupport@ncrb.org) or call 919-582-1056.