

# Commercial Auto Loss Recoupment Frequently Asked Questions

## 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. Will the commercial auto loss recoupment surcharge be passed on to the customer?**

**Answer:** Yes. The surcharge is required 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>

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## 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”.

### **2. How will multi-state policies be handled?**

**Answer:** Due to the complexity of rating plans and policy issuance, agents will need to consult their insurers for guidance on this question.