NORTH CAROLINA DEPARTMENT OF INSURANCE

2020 COUNTY FARM MUTUAL REQUEST FOR EXEMPTION FROM FILING QUARTERLY STATEMENTS

The North Carolina Department of Insurance (“Department”) has developed criteria relating to gross written premiums and net written premiums to surplus; reinsurance adequacy; and investment quality and diversification for use in determining whether an exemption from the 2020 statutory quarterly statement filing requirements may be granted.

Please provide the following information as of December 31, 2019, by March 1, 2020, in order that the Department may further consider the Company’s exemption request.

# Company Name

1. **Contact Person’s Name, Telephone Number, and Email Address (if applicable)**

# Gross Written Premium to Surplus Ratio

Ratio is calculated as follows: (Page 8 Part 1B Line 35 Cols 1 + 2 + 3) divided by (Page 3 Line 37)

*Note: A county farm mutual with a ratio greater than .75/1 must file quarterly statements during 2020.*

# Net Written Premium to Surplus Ratio

Ratio is calculated as follows: (Page 8 Part 1B Line 35 Col 6) divided by (Page 3 Line 37)

Note: A county farm mutual with a ratio greater than .33/1 must file quarterly statements during 2020.

1. **Reinsurance Adequacy:**

Provide a written summary of the Company’s reinsurance program. This summary must include, at a minimum, information which addresses:

* The financial stability of the Company’s reinsurers;
* The reinsurance program structure (types of reinsurance arrangements such as quota share, excess of loss, catastrophe), the coverage provided, and premiums ceded under each arrangement, retention levels (including per occurrence, in the aggregate, and the Company’s ultimate retention);
* Appropriateness of the reinsurance program relative to the lines of business written;
* Adequacy of the reinsurance program’s protection of the Company’s policyholder’s surplus from catastrophic loss; and
* Summary of any changes that have occurred during 2019.

*NOTE: Initially, the Department, without completing a detail review of the Company’s reinsurance program, may allow an exemption from the 2020 quarterly statement filings. However, a review of this program will be completed as part of the Department’s financial review of the Company. If concerns with the reinsurance program arise during this review, the Company may then be required to file quarterly statements for the remainder of the year or until such concerns are addressed.*

1. **Investment Quality and Diversification:**
2. An attestation by the Company’s President to the following:

“The Company maintains properly qualified and diversified invested assets (not including real estate and private placement securities) that are at least equal to three times the Company’s policyholder-related liabilities.”

1. The Company’s calculation of high quality and properly diversified invested assets and policyholder-related liabilities, demonstrating these assets are at least three times the policyholder-related liabilities.

*(Policyholder-related liabilities include the following lines on Page 3 of the Annual Statement: 1, 2, 3, 9, 10, 11.2, 12, 13, 15, 16, 18 and applicable write-ins.)*

NOTE: A Company that does not maintain properly qualified and diversified invested assets, which are at least equal to three times the policyholder-related liabilities must file the 2020 statutory quarterly statements.

**Changes in the Company’s Financial Situation that Require Interim Reporting to the Department During 2020**

If the Company is granted an exemption from filing the 2020 quarterly financial statements, the Company must monitor its financial situation throughout 2020 to determine if any of the following situations occur:

* **Increase in Gross Premiums Written**

If the Company’s annualized gross premiums written increase to an amount that is 25% more than the gross premiums written as of December 31, 2019, the Company must notify the Department of these increased writings and file quarterly statements for the remainder of the year.

* **Changes in the Company’s Reinsurance Program**

The Company must report to the Department all changes in the Company’s reinsurance program. The Department will review these changes to determine if the Company must file quarterly statements for the remainder of the year.

NOTE: If the Company’s ultimate net retention changes by more than twenty percent of prior-year’s surplus, then the Company must file quarterly statements for the remainder of the year.

* Catastrophic Events in Counties Where Company Writes Business

If, due to a catastrophic event, any of the counties in which the Company writes business are declared a federal disaster area and eligible for federal funding, the Company may be required to begin filing quarterly statements in order that the Department can evaluate the impact of this catastrophe on the Company’s financial position.

The criteria developed by the Department for the quarterly statement exemptions may be amended as the Department determines which information is most useful in evaluating requests for quarterly statement exemptions.

All requests for exemptions from the 2020 quarterly statutory financial statement filing requirements must be submitted to the attention of Tammy Turner, Assistant Chief Financial Analyst at:

North Carolina Department of Insurance

Financial Analysis and Receivership Division

Financial Analysis Section

1203 Mail Service Center

Raleigh, NC 27699-1203

If you have any questions regarding quarterly statement exemptions, please contact Tammy Turner at (919) 807-6177 or by email at tammy.turner@ncdoi.gov.