



March 12, 2013

CIRCULAR LETTER TO ALL ASSIGNED CARRIERS

Re: Workers Compensation Insurance

Clarification – Effective Date of Assigned Risk Renewal and Reinstated Policies

Recently questions have been presented to the Bureau regarding how assigned risk carriers are to handle lapses in coverage for renewals and reinstated policies. The indications are that there is confusion about the applicability for North Carolina of NCCI Basic Manual Rule 4-A-4-a-4 - Effective Date of Policy. The rule is shown below:

**(4) Effective Date of Policy**

**(Additional Rules: VA) (Exceptions: AK)**

***Policies must be issued, renewed, or reinstated without a lapse in coverage when premium, including an interim premium audit or installment payment, is received or contains a legible U.S. postmark prior to the policy effective date or cancellation date.***

***Refer to the following table for information regarding reinstatement provisions for cancelled and renewal policies:***

<b><i>If . . .</i></b>	<b><i>Then . . .</i></b>
<b><i>An item correcting a deficiency that resulted in cancellation is received on or within 60 days after the effective date of cancellation</i></b>	<p><b><i>The carrier will reinstate insurance with a lapse in coverage, issue a short-term policy, or take other underwriting action consistent with NCCI <u>Basic Manual</u> Rules, one time only during the original policy period. The lapse of coverage must clearly be stated on the reinstatement notice. A copy of the reinstatement notice must be sent to the Plan Administrator.</i></b></p> <p><b><i>In those instances where a proof of mailing cannot be clearly determined, timely receipt of the deficiency by the assigned carrier will be presumed if received within (5) five days of the expiration date of the policy. Receipt at the assigned carrier's designated lockbox is considered receipt by the assigned carrier.</i></b></p> <p><b><i>No lapse occurs if such item(s) are U.S. postmarked prior to the effective date of cancellation.</i></b></p>

<b><i>If . . .</i></b>	<b><i>Then . . .</i></b>
<b><i>An item correcting a deficiency that resulted in cancellation is received more than sixty (60) days from the effective date of cancellation</i></b>	<b><i>If coverage is still required under the Plan, the employer must submit a new application to the Plan Administrator.</i></b>
<b><i>An item correcting a deficiency that resulted in cancellation is received on, within, or after sixty (60) days after the effective date of cancellation and the insured had received a previous policy reinstatement during the policy term</i></b>	<b><i>If coverage is still required under the Plan, the employer must submit a new application to the Plan Administrator.</i></b>
<b><i>Payment for a renewal policy is received on or within sixty (60) days after the renewal effective date</i></b>	<b><i>The policy will be issued with a revised new or different effective date (a “gap”) in coverage. The determination of the revised effective date will be in accordance with <a href="#">Rule 4-A-3-d</a>—Application Submission Table 1 and 2.</i></b>
<b><i>A finance company requests cancellation for non-payment of premium, and subsequently a request for reinstatement is received within sixty (60) days of the date of cancellation</i></b>	<b><i>A one-time reinstatement is allowed. However, the assigned carrier is not obligated to reinstate.</i></b>

***The carrier may impose additional requirements, if necessary, to effect the reinstatement.***

***Effective/reinstatement dates for lapses in coverage will be determined in the same manner as described in [Rule 4-A-3-d](#).***

Please note that Rule 4-A above does not apply in North Carolina. This is noted by the “Exception” to Rule 4-A for North Carolina shown in the NCCI Basic Manual. The “Exception” states the following:

***Rule 4-A does not apply. Refer to the North Carolina Workers Compensation Insurance Plan.***

The North Carolina rules regarding the policy effective date are addressed in Section III, Items 4 and 6 of the North Carolina Workers Compensation Insurance Plan (NCWCIP). The rules are as follows:

***4. Effective Date of Policy***

***Subject to Paragraph 6 below, policies must be issued, renewed or reinstated without a lapse in coverage when premium is received or U.S. postmarked prior to the policy effective date or cancellation date.***

***6. Reapplication and Reassignment to the Plan***

***Any assigned carrier unwilling to renew an employer assigned to it shall notify the employer, agent and the Plan Administrator at least forty-five (45) days in advance of expiration, giving a reason or reasons acceptable to the Administrator. Reassignment will require the submission of a properly completed application.***

The Bureau’s interpretation of Section III, Item 4 of the NCWCIP is that if the assigned carrier fails to receive the renewal premium or if the renewal premium is received by the assigned carrier with a postmark date after the intended effective date of the proposed renewal or cancellation date, the employer will be required to submit a properly completed application to the Bureau for reassignment.

There are no provisions in the NCWCIP that allow an assigned carrier to issue an assigned risk policy with an effective date that results in a lapse (a “gap”) in the effective date of coverage.

If you have any questions, please contact our Information Center at 919-582-1056 or [wcinfo@ncrb.org](mailto:wcinfo@ncrb.org).

Sincerely,

Sue Taylor

Director of Insurance Operations

ST:dms

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