

December 18, 2025

**CIRCULAR LETTER TO ALL MEMBER COMPANIES**

Re: Informational Notice Regarding the Definition of “Clean Risk”  
Under N.C.G.S. § 58-37-35(l) Following Recent Law Changes

**Summary**

- Recent legislation expanded the surcharge period for certain convictions with four (4) or more SDIP points from three policy years to five policy years for convictions occurring on or after July 1, 2025.
- The statutory definition of “clean risk” in N.C.G.S. § 58-37-35(l) has not changed, despite the law changes noted above.
- Summarized, N.C.G.S. §58-37-35(l) defines a “clean risk” as an owner of a nonfleet private passenger motor vehicle if the owner, principal operator, and each licensed operator in the owner’s household have two years’ driving experience as licensed drivers AND none of the persons has been assigned any SDIP points during the THREE years immediately preceding the date of application or the preparation of a renewal.
- Member companies must ensure systems and processes comply with both the expanded SDIP surcharge period and the unchanged “clean risk” definition.

**Background**

By Circular Letter to all member companies RF-25-18, dated July 9, 2025, the North Carolina Reinsurance Facility communicated details regarding the revisions to **Rule 5. SDIP** of the Personal Auto Manual necessitated by recent legislation (S.L. 2023-133, S.L. 2024-29, and S.L. 2025-45). For convictions for which four or more points are assigned under the SDIP (other than convictions for speeding in excess of the posted speed limit) occurring on or after July 1, 2025, that legislation expanded the surcharge period from **THREE policy years to FIVE policy years**. (Note that these revisions were announced for the voluntary market by the North Carolina Rate Bureau via Circular Letter to All Member Companies A-25-4 dated July 9, 2025.)

**Definition of “Clean Risk”**

Under N.C.G.S. §58-37-35(l), a “clean risk” is defined as:

“...any owner of a nonfleet private passenger motor vehicle as defined in G.S. 58-40-10, if the owner, principal operator, and each licensed operator in the owner's household have two years' driving experience as licensed drivers and if none of the persons has been assigned any Safe Driver Incentive Plan points under Article 36 of this Chapter during the **three-year period** immediately preceding either (i) the date of application for a motor vehicle insurance policy or (ii) the date of preparation of a renewal of a motor vehicle insurance policy.”

At the time of this Circular Letter publication, there are no enacted or pending legislative changes to the “clean risk” definition contained in N.C.G.S. §58-37-35(l). Consequently, note that **the statutory definition of “clean risk” has not changed**, notwithstanding the other recent law changes outlined above.

### **Company Responsibilities**

- Review and implement SDIP revisions in the Personal Auto Manual announced in RF-25-18.
- Update processes for premium determination, SDIP point assignment, and data reporting to comply with the new legislation, revised SDIP rules, and the existing “clean risk” definition.
- Monitor potential future legislative changes that may affect the surcharge period or the “clean risk” definition.

### **Distribution**

Please ensure this circular is shared with appropriate personnel within your organization.

Questions may be directed to Andy Montano at (919) 582-1021 or [afm@ncrb.org](mailto:afm@ncrb.org).

Sincerely,

Andy Montano

Automobile Manager

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RF-25-28