

**NORTH CAROLINA DEPARTMENT OF INSURANCE  
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 to surplus, net written premiums to surplus, reinsurance adequacy, and investment quality and diversification for use in determining whether an exemption from the statutory quarterly statement filing requirements may be granted. Exemptions, when granted, are only effective for one calendar year.

If an exemption from filing quarterly statements is sought, annually by March 1 provide the following information as of the most recent year ended December 31 for the Department’s consideration of the Company’s exemption request.

**1. Company Name**

**2. Contact Person’s Name, Telephone Number, and Email Address**

**3. 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.**

**4. 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.**

**5. Reinsurance Adequacy**

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

- 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, premiums ceded under each arrangement, and 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 policyholders’ surplus from catastrophic loss; and
- Summary of any changes that have occurred during the past year.

**Note: Initially, the Department, without completing a detailed review of the Company’s reinsurance program, may allow an exemption from the 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.**

## **6. Investment Quality and Diversification**

- a) 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.

- b) 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 quarterly statements.**

### **Changes in the Company's Financial Situation that Require Interim Reporting to the Department**

If the Company is granted an exemption from filing the quarterly statements, the Company must monitor its financial situation throughout the year 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 the most recent year ended December 31, 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. If the Company's ultimate net retention changes by more than 20% of the 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 so the Department can evaluate the impact of the catastrophe on the Company's financial position.

The criteria developed by the Department for exemption from the statutory quarterly statement filing requirements may be amended in the discretion of the Department.

All requests for exemptions from the statutory quarterly statement filing requirements must be submitted to:

(Via US Postal Service)  
North Carolina Department of Insurance  
Financial Analysis Section  
1203 Mail Service Center  
Raleigh, NC 27699-1203

(Via Carrier Other Than US Postal Service)  
North Carolina Department of Insurance  
Financial Analysis Section  
3200 Beechleaf Court  
Raleigh, NC 27604

Failure to use the appropriate address may result in a delay of the receipt of your filing.

For questions or concerns, please contact [FinancialAnalysisSubmissions@ncdoi.gov](mailto:FinancialAnalysisSubmissions@ncdoi.gov).