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March 12, 1996

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Loss Costs Filing

As previously announced, on December 1, 1995 the Rate Bureau's initial workers compensation insurance loss costs filing was submitted to the North Carolina Commissioner of Insurance.

The filing, as amended, proposes an average decrease of 15.3% from the implied loss costs underlying current rates. By industry group, the changes are: Manufacturing, 14.9% decrease; Contracting, 11.2% decrease; Office and Clerical, 10.9% decrease; Goods and Services, 21.9% decrease; and Miscellaneous, 13.2% decrease. Within each industry group the change will vary from the average by classification depending upon the volume and character of the particular classification experience.

The filing, as amended, proposes an average pure premium level increase of 11.6% for classifications which contemplate exposure under the United States Longshore and Harbor Workers Compensation Act ("F" classifications).

The prospective loss costs, rating values and miscellaneous values contained in the amended filing have been approved by the Commissioner of Insurance for use with policies that have an anniversary rating date effective on or after April 1, 1996.

The prospective loss costs are based on historical data that have been developed and trended to their ultimate values and, except for (a) loss adjustment expenses and (b) taxes, licenses, fees and loss-based assessments which are specifically authorized to be included in the loss costs by statute, include no provisions for expenses, dividends, profit or contingencies.

NC GS 58-36-100(a) does not require any insurer to refile rates previously implemented for up to two years after the July 28, 1995 effective date of the legislation and provides that:

Any member insurer of the Bureau may continue to use all rates and deviations filed and approved for its use until disapproved, or the insurer makes its own filing to change its rates . . .

Pursuant to NC GS 58-36-100, the prospective loss costs reference filing does not develop or propose minimum premiums, minimum premium formulas, expense constants or premium discount plans. Any amendments to your current minimum premiums, minimum premium formula, expense constant or premium discount plan must be filed with and approved by the North Carolina Department of Insurance.

In the event an insurer desires to make a filing to change its rates, the Rate Bureau's Circular Letter to All Member Companies

(C-95-30) dated December 1, 1995 distributed (a) an excerpt from the North Carolina workers compensation insurance loss costs rating law and (b) North Carolina Department of Insurance forms for filing of an individual insurer loss costs multiplier and changes in (i) minimum premium formula, (ii) expense constant(s) and/or (iii) premium discount schedules.

Enclosed are exhibits which reflect the approved prospective loss costs and rating values.

A diskette which contains loss costs/residual market rates and rating values, by class code, is available from the Rate Bureau. The diskettes are IBM -PC compatible, high-density 3.5" diskettes with the data in Lotus 1-2-3 worksheet format. Data on the diskette can be easily loaded into most PC spreadsheet applications (e.g. Lotus 1-2-3, Excel, Quattro Pro) and database managers (e.g. FoxPro, Access, dBase, Paradox). If you want a copy of the diskette, please make your request in writing and include a check in the amount of \$20, payable to the North Carolina Rate Bureau.

Also enclosed are approved advisory Miscellaneous Values and Retrospective Rating Plan State Special Rating Values. Pursuant to NC GS 58-36-100(1), as a result of the Commissioner's approval of the miscellaneous and Retrospective Rating Plan values, (i) a carrier may elect to implement the values, in which event the carrier need not file anything with the Commissioner; (ii) a carrier may elect to implement the values with a different effective date, in which event the carrier must notify the Commissioner of its effective date before the effective date of the Bureau filing; (iii) a carrier may elect not to implement the values, in which event the carrier must notify the Commissioner before the effective date of the Bureau filing; or (iv) a carrier may elect to implement the values with modifications, in which event the carrier must file the modifications with the Commissioner for approval, and must specify the basis for the modifications and the carrier's proposed effective date if different from the effective date of the Bureau filing.

With regard to the Loss Elimination Ratios shown with the advisory Miscellaneous Values, a carrier should file with the Commissioner its factor(s) to be applied to the approved Loss Elimination Ratios or its own table of deductible percentages. Similarly, with regard to the Retrospective Rating Plan, each carrier should file its factor(s) to be applied to the Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors or file its own tables.

Note: The obligations of carriers with respect to use of the prospective loss costs and use of the advisory Miscellaneous Values and Retrospective Rating Plan State Special Rating Values are different. In order to use the approved prospective loss costs a carrier must make a filing with the Commissioner in accordance with NC GS 58-36-100. If a carrier wishes to continue using the current rates, no filing is necessary at this time. With respect to the advisory Miscellaneous Values and Retrospective Rating Plan State Special Rating Values, a carrier is required to implement those values effective April 1, 1996 unless it makes a filing with the Commissioner indicating that it elects to do otherwise.

Under separate cover we will distribute a complete copy of the approved loss costs rate filing to the Home Office of each member insurance company or insurance company group.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

JGH:lm

C-96-2