

July 16, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

IMPORTANT MATERIAL

**IMMEDIATE ATTENTION
REQUIRED**

Re: Resolution of 2008 and 2009
Private Passenger Automobile Rate Filing Cases

Refund of Portion of Escrowed Premiums
2008 Private Passenger Automobile Rate Filing

Revised Automobile and Motorcycle Insurance
Rates - 2009 Private Passenger Automobile Rate
Filing

Following lengthy negotiations, the Rate Bureau and the Commissioner of Insurance have agreed to settle the outstanding 2008 and 2009 private passenger automobile rate filing cases. Enclosed as Attachment 1 is a copy of the 2008 Settlement Agreement and Consent Order ("2008 Settlement Agreement"), and enclosed as Attachment 2 is a copy of the 2009 Settlement Agreement and Consent Order ("2009 Settlement Agreement"), each dated July 15, 2009, signed in connection with the settlement.

2008 Private Passenger Automobile Rate Filing Case

The 2008 rate filing case was involved in litigation and member companies had been advised by the Rate Bureau to establish escrow accounts because the Rate Bureau instructed member companies to implement rates on January 1, 2009 higher than those ordered by the Commissioner of Insurance. The terms of the settlement provide that member companies shall refund to policyholders that portion of premium collected on each policy which exceeds the premium which would have resulted on each policy using the rates approved in the 2008 Settlement Agreement, with interest. Included in this circular and in the documents attached are specific instructions and procedures agreed to by the Rate Bureau and the Commissioner of Insurance which must be followed by member companies in processing the refund of premium and interest in connection with the 2008 rate filing case. Exhibit A of the 2008 Settlement Agreement includes the approved base rates resulting from the rate level changes agreed to as a result of settlement of the 2008 filing. Exhibit D of the 2008 Settlement Agreement is a memorandum entitled "Procedures on Refund of Premiums." The procedures for refunds are set forth in that memorandum.

The policies affected by the 2008 auto rate filing include policies with effective dates during the period January 1, 2009 through October 31, 2009.

No refunds shall be delivered or mailed to policyholders prior to May 1, 2010. For companies writing only six month policies, refunds shall be made during the period beginning May 1, 2010 and ending July 31, 2010. For companies writing both six month policies and twelve month policies, refunds on policies expiring prior to May 1, 2010 may be made during the period beginning May 1, 2010 and ending July 31, 2010. Refunds on all policies not refunded during the period beginning May 1, 2010 and ending July 31, 2010 shall be made

during the period beginning November 1, 2010 and ending January 31, 2011. All refunds hereunder shall be delivered or mailed to policyholders on or before January 31, 2011.

With respect to "clean risk" business ceded to the North Carolina Reinsurance Facility during the period for which the Rate Bureau's 2008 rate filing case applied, the Reinsurance Facility established rates equal to the Rate Bureau manual rates. For that business, the Reinsurance Facility has been maintaining the required premium escrow account. However, ceding carriers will need to make arrangements to distribute the appropriate refunds, with interest, to policyholders. The Reinsurance Facility will provide additional information regarding reporting and reimbursement of refunds on such business by circular letter in the near future.

With respect to the refunds of escrowed premium required for the 2008 auto rate filing case, member companies are further advised as follows:

1. The rates implemented January 1, 2009 by the Rate Bureau have not changed as a result of the 2008 Settlement Agreement. The implemented rate level was published in a [Circular Letter to All Member Companies dated September 29, 2008](#). Rate Bureau member companies shall continue to establish and maintain escrow accounts in which to maintain the portion of premium collected on policies subject to refund that exceeds the premium that would have been collected under the rates approved in the 2008 Settlement Agreement. Since the settled and approved rates are different from the rates originally ordered by the Commissioner, the amounts required to be escrowed are different. Any funds currently in escrow which exceed the refund amounts payable on policies subject to refund may be paid over and delivered to the member companies. The funds remaining in escrow and those placed in escrow between July 15, 2009 and October 31, 2009

shall be paid over and delivered to member companies at the times and in the manner provided in the 2008 Settlement Agreement.

2. Member companies should carefully review the refund procedures. The Bureau has been advised that the Department of Insurance auditors may test the appropriateness of refund calculations during the course of any market conduct examination conducted in the company's office. The Bureau has also been advised that refunds not paid by January 31, 2011 shall be considered delinquent and that the Department of Insurance may, as a penalty, assess interest from that date at a rate of 8%.
3. Neither the premiums refunded, interest paid, nor the expenses incurred in connection with issuing refunds are to be included as expenses in future rate filings by the Rate Bureau. Therefore, separate entries shall be included on the Annual Call for Automobile Expense Experience to report the amount of premium refunded, interest paid and the expenses incurred in issuing refunds. Companies should take appropriate steps to be able to separately identify these items.
4. While it is important that each company establish procedures that will ensure compliance with the order and refund procedures in the 2008 automobile rate filing case, it should be emphasized that an individual company has the right to petition the Commissioner for relief from or adjustments to the ordered procedures if those procedures cause undue hardship or expense to the individual company or if the company can show that its circumstances result in the procedures being unlawful or otherwise inequitable.

5. The automobile insurance statistical agents for North Carolina (Insurance Service Office (ISO), Insurance Statistical Service (ISS), and National Independent Statistical Service (NISS)) will be made aware of the resolution of these cases, and any special instructions which might be needed with respect to the reporting of statistical data will be issued directly to the companies from ISO, ISS and NISS.

2009 Private Passenger Auto Rate Filing Case

The 2009 Settlement Agreement sets forth the approved changes to various rates and rating factors as a result of the Rate Bureau's 2009 private passenger auto rate filing. These changes include revisions to the liability and physical damage base rates, increased limits factors, Safe Driver Incentive Plan surcharge factors, inexperienced operator surcharge factors and model year and symbol relativity factors. The approved rates and rating factors are set forth in the exhibits to Attachment 2 and are to be implemented effective November 1, 2009, in accordance with the following rule of application:

This rate change is applicable to all policies effective on or after November 1, 2009. No policy effective prior to November 1, 2009 shall be endorsed or canceled and rewritten to take advantage of or to avoid the application of this rate change except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to November 1, 2009.

Please see to it that this circular letter is brought to the attention of all interested personnel in your Company. If you have any questions, please contact the Rate Bureau's Information Center at 919-582-1056.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

A-09-6

Attachments

Attachment 1 - 2008 Settlement Agreement and Consent Order

Attachment 2 - 2009 Settlement Agreement and Consent Order

NORTH CAROLINA DEPARTMENT OF INSURANCE

RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING)	
DATED FEBRUARY 1, 2008)	BEFORE THE COMMISSIONER
BY THE NORTH CAROLINA)	OF INSURANCE
RATE BUREAU FOR REVISED)	
AUTOMOBILE INSURANCE RATES -)	
PRIVATE PASSENGER CARS AND)	
MOTORCYCLES)	Docket No. 1407
)	
)	

SETTLEMENT AGREEMENT AND CONSENT ORDER

It appears to the Commissioner of Insurance ("Commissioner") that the North Carolina Rate Bureau ("Bureau") and the North Carolina Department of Insurance ("Department") have, after consultation with their respective legal and actuarial advisors and subject to the approval by the Commissioner and to the conditions hereinafter set forth, entered into settlement of all matters and things in dispute in connection with the Bureau's filing for private passenger automobile insurance rates dated February 1, 2008 ("the 2008 Filing"). The settlement calls for a refund to policyholders by the Bureau's member companies of a portion of the premium collected by such member companies pending judicial review of the Commissioner's orders dated September 11, 2008 and October 17, 2008 relating to the 2008 Filing.

It further appears to the Commissioner that the settlement of the above described filing is fair and reasonable, complies with the provisions of Chapter 58 of the North Carolina General Statutes, is in the best interests of the parties and the public in general, and should be approved.

NOW, THEREFORE, IT IS ORDERED as follows:

1. The 2008 Filing is approved subject to the modifications set forth in Paragraphs 2, 3, 4 and 5 below.

2. The approved rate level change for each coverage shall be as follows:

PRIVATE PASSENGER CARS

Liability	
Bodily Injury	4.4%
Property Damage	3.0%
Medical Payments	5.8%
Uninsured Motorists	-5.3%
Underinsured Motorists	48.2%
Liability Total	4.9%
Physical Damage	
Comprehensive	-13.6%
Collision	-6.9%
Physical Damage Total	-9.1%
Grand Total	-0.5%

MOTORCYCLES

Liability	0.0%
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3. The rate level changes set forth in Paragraph 2 above are applicable to all policies becoming effective on January 1,

2009 through October 31, 2009. The approved base rates resulting from these approved rate level changes are set forth in Exhibit A, which is attached hereto and incorporated herein by reference.

4. The approved increased limits factors are set forth on the attached Exhibit B, which is attached hereto and incorporated herein by reference.

5. The approved motorcycle relativities are set forth on the attached Exhibit C, which is attached hereto and incorporated herein by reference.

6. That portion of the premium collected by each member company of the Bureau on each policy under the rates implemented by the Bureau and its member companies pending judicial review of the Commissioner's orders dated September 11, 2008 and October 17, 2008 relating to the 2008 Filing which exceeds the premium which would have resulted on each policy from rates determined in accordance with the above set forth rate level changes shall be refunded to policyholders, with interest, in accordance with the Procedures on Refund of Premium which are attached hereto as Exhibit D and incorporated herein by reference.

7. Rate Bureau member companies shall continue to establish and maintain escrow accounts in which to maintain the portion of premium collected on policies subject to refund that

exceeds the premium that would have been collected under the rates approved herein. Any funds currently in escrow which exceed the refund amounts payable on policies subject to refund may be paid over and delivered to the member companies. With respect to policies upon which refunds are to be made by a company during the period beginning May 1, 2010 and ending July 31, 2010, the funds remaining in escrow for those policies shall be paid over and delivered to the member companies on April 30, 2010 or such date thereafter as a member company may request. All funds remaining in escrow on October 31, 2010 shall be paid over and delivered to the member companies on that date or such date thereafter as a member company may request. Member companies shall utilize the escrow funds paid over and delivered to them on and after April 30, 2010 and on and after October 31, 2010 for refunds to policyholders to the extent and in the manner required by the attached Procedures on Refund of Premium. Escrow agents may rely upon instructions furnished by the member companies as to the amount of escrow funds to be released on or after the entry of this order and the amount of escrow funds to be released on or after April 30, 2010.

8. For all "clean risks" as defined in N.C. Gen. Stat. §58-37-35(1) on private passenger automobile insurance policies (cars and motorcycle liability) ceded to the North Carolina Reinsurance Facility ("Facility"), all amounts subject to escrow

requirements pending judicial review of the Bureau's appeal of the above described orders and all interest and other gains and earnings thereon or attributable thereto shall be paid over and delivered to the Facility at the times and in the manner set forth in paragraph 7 above for the release of escrow funds to the Bureau's member companies. To the extent necessary, the Facility shall reimburse ceding companies for refunds, including interest, made in the manner required by the attached Procedures on Refund of Premium.

9. This Settlement Agreement and Consent Order shall not be construed to condone, validate, accept or agree to the Bureau's, the Department's or the Commissioner's theories, methodologies or calculations pertaining to the setting of insurance rates for private passenger cars and motorcycles.

This the 15th day of July, 2009.

Wayne Goodwin
Wayne Goodwin,
Commissioner of Insurance for the
State of North Carolina

WE CONSENT:

NORTH CAROLINA RATE BUREAU

BY:

Raymond [Signature]

NORTH CAROLINA DEPARTMENT OF INSURANCE

BY:

Robert C. Mack

EXHIBIT A

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

APPROVED BASE RATES - VOLUNTARY LIABILITY

<u>Terr</u> <u>Code</u>	<u>\$30,000/60,000</u> <u>Bodily Injury</u>	<u>\$25,000</u> <u>Property Damage</u>	<u>\$500</u> <u>Medical Payments</u>
11	\$134	\$167	\$16
13	198	198	24
14	188	188	23
15	206	183	25
16	183	194	23
17	213	202	26
18	171	172	21
24	155	150	19
25	211	186	26
26	243	165	30
31	192	174	24
32	158	161	19
33	192	150	24
40	250	207	31
41	193	191	24
43	186	157	23
47	199	153	24
51	153	182	19
52	214	207	26

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

APPROVED PHYSICAL DAMAGE BASE RATES (A)

<u>Terr Code</u>	<u>FULL COVERAGE COMPREHENSIVE</u>	<u>\$100 DEDUCTIBLE COLLISION</u>
11	\$36	\$203
13	46	215
14	40	206
15	39	203
16	38	200
17	41	211
18	40	198
24	52	204
25	42	214
26	62	221
31	48	200
32	44	195
33	71	209
40	49	255
41	51	250
43	47	203
47	45	200
51	38	198
52	46	225

(A) MODEL YEAR 2009, SYMBOL 2

14. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage ONLY

1.

a. Rates

The per policy rates for Uninsured Motorists Coverage are as follows:

B.I. UM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 30/60	\$ [13] <u>14</u>	\$ [31] <u>33</u>
50/100	[14] <u>15</u>	[33] <u>35</u>
100/200	[16] <u>17</u>	[38] <u>40</u>
100/300	18	42
300/300	21	50
250/500	[23] <u>22</u>	[54] <u>52</u>
500/500	[24] <u>23</u>	[57] <u>54</u>
500/1,000	[26] <u>25</u>	[61] <u>59</u>
1,000/1,000	[28] <u>26</u>	[66] <u>61</u>

P.D. UM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	9
250,000	6	14
500,000	8	19
750,000	10	24
1,000,000	11	26

For limits other than those shown, charge the premium for the next higher limit.

* For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES (Cont'd)

B. Combined Uninsured/Underinsured Motorists Coverage

1. *
2. Rates

The per policy rates for Combined Uninsured/Underinsured Motorists Coverage are as follows:

	B.I. UM/UIM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 50/100	\$ [24] <u>25</u>	\$ [57] <u>59</u>
100/200	[52] <u>44</u>	[123] <u>104</u>
100/300	[68] <u>54</u>	[160] <u>127</u>
300/300	[98] <u>74</u>	[232] <u>175</u>
250/500	[118] <u>87</u>	[278] <u>205</u>
500/500	[169] <u>121</u>	[399] <u>285</u>
500/1,000	[191] <u>136</u>	[450] <u>321</u>
1,000/1,000	[219] <u>153</u>	[517] <u>361</u>

	P.D. UM/UIM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	9
250,000	6	14
500,000	8	19
750,000	10	24
1,000,000	11	26

For limits other than those shown, charge the premium for the next higher limit.

- * For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

18. INCREASED LIMITS

B. 30/60 Split Limit Bodily Injury Liability Increased Limits Table

Applicable to 30/60 Split Limit Bodily Injury Liability Rates Only:

Total Limits	Factor
\$ 30/60	1.00
50/100	[1.21] <u>1.18</u>
100/100	[1.37] <u>1.31</u>
100/200	[1.46] <u>1.39</u>
100/300	[1.48] <u>1.40</u>
300/300	[1.74] <u>1.62</u>
250/500	[1.79] <u>1.66</u>
500/1,000	[2.01] <u>1.85</u>
1,000/1,000	[2.14] <u>1.96</u>
1,000/2,000	[2.21] <u>2.02</u>

C. \$25,000 Property Damage Liability Increased Limits Table

Applicable to \$25,000 Property Damage Liability Rates Only:

Total Limits	Factor
\$ 25,000	[1.000] <u>1.000</u>
35,000	[1.003] <u>1.005</u>
50,000	[1.006] <u>1.010</u>
100,000	[1.018] <u>1.030</u>
250,000	[1.035] <u>1.059</u>
500,000	[1.068] <u>1.113</u>
750,000	[1.092] <u>1.153</u>
1,000,000	[1.121] <u>1.202</u>

(Remainder of rule is unchanged.)

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

19. MISCELLANEOUS TYPES (Cont'd)

- B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes.

Liability Coverages Only.

With respect to voluntary risks and "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable voluntary private passenger bodily injury, property damage, and medical payments rates. For Uninsured Motorists Coverage and Combined Uninsured/Underinsured Motorists Coverage, charge the applicable private passenger premium shown in Rule 14.

Engine Size Cubic Centimeters (cc)	Bodily Injury and Property Damage	Medical Payments*
0-499	[15%]16%	36%
500-1249	[24%]26%	36%
1250-1499	[33%]36%	36%
1500-up	[44%]47%	36%

*Note: Medical Payments coverage for these vehicles is not eligible for cession to the North Carolina Reinsurance Facility.

(Remainder of rule is unchanged.)

PROCEDURES ON REFUND OF PREMIUMS

1. Policies and coverages to which these procedures apply are non-fleet private passenger automobile and motorcycle liability policies and coverages subject to the jurisdiction of the Bureau and non-fleet private passenger automobile and motorcycle liability policies and coverages ceded to the North Carolina Reinsurance Facility ("Facility") that are "clean risks" as defined in N.C. Gen. Stat. §58-37-35(1) effective beginning January 1, 2009 through October 31, 2009 for new and renewal policies.

These procedures do not apply to "consent to rate" policies or coverages issued or renewed pursuant to the provisions of N.C. Gen. Stat. §58-36-30(b) ("consent to rate") or to "other than clean risk" policies or coverages, as defined in N.C. Gen. Stat. §58-37-35(1), ceded to the Facility.

2. The amount of refund shall be calculated for each policy as set forth below. The term "premiums" as used in this paragraph shall not include interest, installment payment charges or recoupment/allocation surcharges (including loss and clean risk surcharges).

(a) Portion of Premium to be Refunded

The premium to be refunded on each policy shall be the difference between the total premium per policy collected on each policy (after consideration of all deviations applicable to each policy and all unpaid and due premium specifically applicable to automobile insurance policies) and the total premium per policy that would have been collected on each policy using the rates by coverage set forth in the Settlement Agreement and Consent Order dated July 15, 2009 to which these Procedures are attached. Provided, however, that if a refund is due on a policy on which the premiums are financed through a premium finance company, no offset for unpaid premiums may be taken on such policy until amounts due by the policyholder to the premium finance company on the policy subject to refund are paid. It is the position of the Department of Insurance that dividends to policyholders on policies subject to refund may not be used to offset the refund amount and that unpaid premiums attributable to policies other than automobile insurance policies may not be used to offset the refund amount.

(b) Amount of Refund

The amount of refund on a policy shall be the portion of premium to be refunded as determined above plus simple interest at the rates described below on such premium from the effective date of each policy through April 30, 2010 on policies refunded during the May 1, 2010 through July 31, 2010 refund period and through October 31, 2010 on policies refunded during the November 1, 2010 through January 31, 2011 refund period. Interest shall accrue at the annual rate of 6.25% prior to July 16, 2009 (the period that premium was escrowed pending judicial review pursuant to G.S. 58-36-25(b)) and at the annual rate of 3.25% on and after July 16, 2009 (the period that premium is to be escrowed pursuant to agreement of the parties under the Settlement Agreement and Consent Order to which these Procedures are attached).

3. In making the calculations required under these procedures, each company may apply the premium rounding rules it applies in the ordinary course of its business.

4. Notwithstanding any other provision of these procedures, in no event shall a company be required to refund amounts calculated pursuant to Paragraph 2 above on any policy if the amount of such refund is \$5.00 or less (including interest). If a policyholder had multiple policies for which refunds are to be calculated, each policy shall be treated separately in determining if any refund is due on such policy.

5. Except as provided in Paragraph 7 below, refunds shall be paid by check(s) or draft(s) payable to the policyholder or policyholders. Each company shall have the option to accumulate all refunds due the policyholder into one check or draft or to issue separate checks or drafts for each policy on which a refund is due.

6. Refunds shall be mailed or delivered to the named policyholder or policyholders at the address shown on the policy record for which a refund is being made or at such other address the company in good faith determines and believes to be more current.

7. With respect to policyholders on whose behalf the premium was paid by a premium finance company, any refunds shall be mailed to such premium finance company under its agreement with the policyholder. Payment of such refunds to the premium

finance company shall constitute full and complete payment by such insurance company for refunds due under these procedures.

8. If these procedures cause undue hardship or expense to an individual company or if an individual company can show that its circumstances result in these procedures being unlawful or otherwise inequitable, such company may petition the Commissioner for relief from or adjustments to these procedures.

9. To the extent a company reported escrowed premium as written premium on its Annual Statement, the premium portion of refunds hereunder shall be reported in that company's Annual Statement(s) as negative written premium during the year such refunds are made. Premium taxes payable during the year such refunds are made shall be calculated based on net written premium after reduction for such negative written premium.

10. No refunds hereunder shall be delivered or mailed to policyholders prior to May 1, 2010. For companies writing only six month policies, refunds shall be made during the period beginning May 1, 2010 and ending July 31, 2010. For companies writing both six month policies and twelve month policies, refunds on policies expiring prior to May 1, 2010 may be made during the period beginning May 1, 2010 and ending July 31, 2010. Refunds on all policies not refunded during the period beginning May 1, 2010 and ending July 31, 2010 shall be made during the period beginning November 1, 2010 and ending January 31, 2011. All refunds hereunder shall be delivered or mailed to policyholders on or before January 31, 2011. The Rate Bureau is advised by the Department of Insurance that refunds not paid by January 31, 2011 shall be considered delinquent and that the Department of Insurance may, as a penalty, assess interest from that date at a rate of 8%.

11. Neither the premiums refunded, interest paid nor the expenses incurred in connection with issuing refunds pursuant to these procedures are to be included as expenses in future rate filings by the Rate Bureau. Therefore, separate entries shall be included on the Annual Call for Automobile Expense Experience to report the amount of premium refunded, interest paid and the expenses incurred in issuing refunds.

12. Companies shall include the following information with refund checks or drafts. Such information may be attached to or imprinted on refund checks or drafts.

On certain policies becoming effective during the period January 1, 2009 through October 31, 2009, the North Carolina Rate Bureau established rates higher than rates approved by the North Carolina Commissioner of Insurance. This refund represents the difference between the rates approved by Settlement Agreement and Consent Order dated July 15, 2009 and those you paid on your auto insurance policy, plus interest. The refund is the result of a settlement negotiated by your North Carolina Insurance Commissioner, Wayne Goodwin, and the Rate Bureau.

NORTH CAROLINA DEPARTMENT OF INSURANCE

RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING)	BEFORE THE COMMISSIONER
DATED JANUARY 30, 2009 BY THE)	OF INSURANCE
NORTH CAROLINA RATE BUREAU FOR)	
REVISED AUTOMOBILE INSURANCE)	
RATES - PRIVATE PASSENGER CARS)	Docket No. 1448
AND MOTORCYCLES)	

* * * * *

SETTLEMENT AGREEMENT AND CONSENT ORDER

* * * * *

It appearing to the Commissioner of Insurance ("Commissioner") that the North Carolina Rate Bureau ("Rate Bureau") and the North Carolina Department of Insurance ("Department") have, after consultation with their respective legal, actuarial and economic advisors and subject to approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the Rate Bureau's filing for private passenger automobile insurance rates dated January 30, 2009 (the "2009 Filing"); and it appearing to the Commissioner that such settlement is fair and reasonable and should be approved;

NOW, THEREFORE, IT IS ORDERED AND AGREED as follows:

1. The 2009 Filing is approved subject to the modifications set forth in Paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 below.
2. The approved rate level changes for each coverage, relative to the approved manual rate levels resulting from the

settlement of the Rate Bureau's 2008 private passenger automobile insurance rate filing, are as follows:

PRIVATE PASSENGER CARS

Liability	
Bodily Injury	0.0%
Property Damage	0.0%
Medical Payments	-0.1%
Uninsured Motorists	0.0%
Underinsured Motorists	0.0%
Liability Total	0.0%
Physical Damage	
Comprehensive	0.0%
Collision	0.0%
Physical Damage Total	0.0%
Grand Total	0.0%

MOTORCYCLES

Liability	0.0%
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The base rates approved as a result of these approved changes are set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference.

3. The approved increased limits factors are set forth on the attached Exhibit B, which is attached hereto and incorporated herein by reference.

4. The approved model year and symbol relativities for Comprehensive and Collision coverages are set forth on the

attached Exhibit C, which is attached hereto and incorporated herein by reference.

5. The current deductible relativities for Comprehensive and Collision coverages remain unchanged.

6. The approved factors for the inexperienced operator surcharges are set forth on the attached Exhibit D, which is attached hereto and incorporated herein by reference.

7. The approved factors for the Safe Driver Insurance Plan surcharges are set forth on the attached Exhibit E, which is attached hereto and incorporated herein by reference.

8. The approved motorcycle relativities are set forth on the attached Exhibit F, which is attached hereto and incorporated herein by reference.

9. The approved changes shall be implemented in accordance with the following Rule of Application:

This rate change is applicable to all policies effective on or after November 1, 2009. No policy effective prior to November 1, 2009 shall be endorsed or canceled and rewritten to take advantage of or to avoid the application of this rate change except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to November 1, 2009.

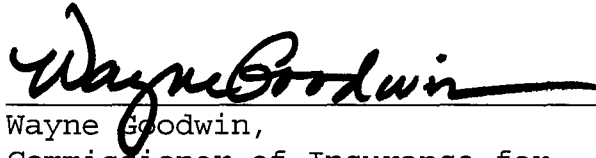
10. Subject to the provisions of Paragraph 11 below, the rates for the coverages coming within the scope of this Settlement Agreement and Consent Order shall remain in force until October 1, 2011 and thereafter until revised as provided by law, and neither

the Rate Bureau nor the Commissioner nor the Department shall undertake to effect a change in such rates having an effective date prior to October 1, 2011; provided, however, that nothing in this section shall prevent a change in such rates prior to October 1, 2011 if agreed to by the Rate Bureau and the Commissioner.

11. Notwithstanding any other provision of this Settlement Agreement and Consent Order, in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order which changes premium taxes, regulatory fees, the statutory ratemaking methodology, rate level need or loss or expense exposure of insurers, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to effect a change in rates prior to October 1, 2011 for the sole purpose of adjusting rates to reflect such change in taxes, fees, methodology, rate level need, or loss or expense exposure. Further, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to adjust rate relativities, classifications and rules in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order making such adjustment appropriate.

12. This Settlement Agreement and Consent Order shall not be construed to condone, validate, accept or agree to the Bureau's, the Department's, or the Commissioner's theories, methodologies or calculations pertaining to the setting of insurance rates for private passenger cars and motorcycles.

This 15th day of July, 2009.

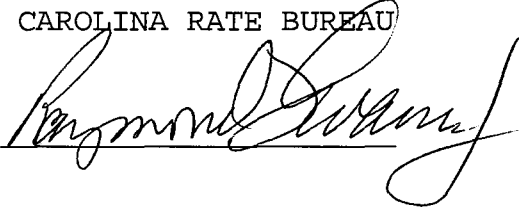


Wayne Goodwin,
Commissioner of Insurance for
The State of North Carolina

WE CONSENT:

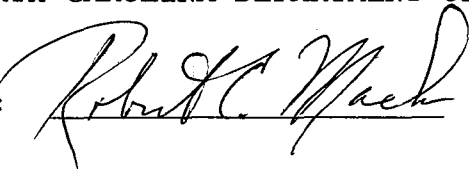
NORTH CAROLINA RATE BUREAU

BY:



NORTH CAROLINA DEPARTMENT OF INSURANCE

BY:



NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

APPROVED BASE RATES - LIABILITY

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
11	\$132	\$166	\$16
13	193	193	24
14	188	189	23
15	205	183	25
16	182	195	23
17	207	200	26
18	169	174	21
24	157	151	19
25	220	186	27
26	240	164	30
31	188	175	23
32	161	162	20
33	188	147	23
40	243	205	30
41	188	189	23
43	178	155	22
47	206	157	26
51	167	189	21
52	221	209	27

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

APPROVED PHYSICAL DAMAGE BASE RATES (A)

<u>Terr Code</u>	<u>FULL COVERAGE COMPREHENSIVE</u>	<u>\$100 DEDUCTIBLE COLLISION</u>
11	\$59	\$340
13	82	354
14	71	352
15	69	333
16	69	333
17	69	345
18	71	331
24	94	341
25	77	365
26	111	371
31	92	331
32	79	325
33	131	346
40	86	421
41	91	429
43	84	336
47	87	338
51	71	340
52	83	378

(A) MODEL YEAR 2010, SYMBOL 8

Memorandum - North Carolina Personal Auto Manual
Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage ONLY

1.

a. Rates

The per policy rates for Uninsured Motorists Coverage are as follows:

	B.I. UM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$,30/60	\$ 14	\$ 33
50/100	15	35
100/200	17	40
100/300	18	42
300/300	21	50
250/500	22	52
500/500	23	54
500/1,000	25	59
1,000/1,000	26	61

	P.D. UM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	9
250,000	6	14
500,000	8	19
750,000	10	24
1,000,000	11	26

For limits other than those shown, charge the premium for the next higher limit.

* For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES (Cont'd)

B. Combined Uninsured/Underinsured Motorists Coverage

- 1.
2. Rates

The per policy rates for Combined Uninsured/Underinsured Motorists Coverage are as follows:

	B.I. UM/UIM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 50/100	\$ 25	\$ 59
100/200	44	104
100/300	54	127
300/300	74	175
250/500	87	205
500/500	121	285
500/1,000	136	321
1,000/1,000	153	361

	P.D. UM/UIM Coverage	
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	9
250,000	6	14
500,000	8	19
750,000	10	24
1,000,000	11	26

For limits other than those shown, charge the premium for the next higher limit.

* For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

18. INCREASED LIMITS

B. 30/60 Split Limit Bodily Injury Liability Increased Limits Table

Applicable to 30/60 Split Limit Bodily Injury Liability Rates Only:

Total Limits	Factor
\$ 30/60	1.00
50/100	1.18
100/100	1.31
100/200	1.39
100/300	1.40
300/300	1.62
250/500	1.66
500/1,000	1.85
1,000/1,000	1.96
1,000/2,000	2.02

C. \$25,000 Property Damage Liability Increased Limits Table

Applicable to \$25,000 Property Damage Liability Rates Only:

Total Limits	Factor
\$ 25,000	1.000
35,000	1.005
50,000	1.010
100,000	1.030
250,000	1.059
500,000	1.113
750,000	1.153
1,000,000	1.202

(Remainder of rule is unchanged.)

NORTH CAROLINA
 REVISED SYMBOL RELATIVITIES - PHYSICAL DAMAGE COVERAGES
 COMPREHENSIVE

		Model Year											
Symbol	2012	2011	Symbol	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001-1990
1	0.33	0.32											
2	0.43	0.42											
3	0.54	0.53	1	0.38	0.37	0.35	0.34	0.33	0.31	0.30	0.28	0.27	0.25
4	0.62	0.61	2	0.53	0.51	0.49	0.47	0.46	0.43	0.41	0.39	0.38	0.34
5	0.69	0.68	3	0.60	0.58	0.56	0.53	0.52	0.49	0.47	0.44	0.43	0.39
6	0.77	0.75	4	0.66	0.64	0.61	0.59	0.57	0.54	0.51	0.49	0.47	0.43
7	0.85	0.83	5	0.75	0.73	0.70	0.67	0.65	0.62	0.59	0.56	0.53	0.49
8	0.91	0.90	6	0.84	0.81	0.78	0.75	0.72	0.69	0.66	0.62	0.60	0.55
10	0.99	0.97	7	0.92	0.89	0.86	0.82	0.79	0.75	0.72	0.68	0.65	0.60
11	1.05	1.03	8	1.00	0.97	0.93	0.89	0.86	0.82	0.78	0.74	0.71	0.65
12	1.10	1.08	10	1.08	1.05	1.00	0.96	0.93	0.89	0.84	0.80	0.77	0.70
13	1.14	1.12	11	1.17	1.13	1.09	1.04	1.01	0.96	0.91	0.87	0.83	0.76
14	1.20	1.17	12	1.28	1.24	1.19	1.14	1.10	1.05	1.00	0.95	0.91	0.83
15	1.25	1.23	13	1.37	1.33	1.27	1.22	1.18	1.12	1.07	1.01	0.97	0.89
16	1.30	1.28	14	1.48	1.44	1.38	1.32	1.27	1.21	1.15	1.10	1.05	0.96
17	1.35	1.33	15	1.63	1.58	1.52	1.45	1.40	1.34	1.27	1.21	1.16	1.06
18	1.41	1.38	16	1.79	1.74	1.66	1.59	1.54	1.47	1.40	1.32	1.27	1.16
19	1.45	1.42	17	1.98	1.92	1.84	1.76	1.70	1.62	1.54	1.47	1.41	1.29
20	1.49	1.46	18	2.16	2.10	2.01	1.92	1.86	1.77	1.68	1.60	1.53	1.40
21	1.54	1.51	19	2.36	2.29	2.19	2.10	2.03	1.94	1.84	1.75	1.68	1.53
22	1.59	1.56	20	2.61	2.53	2.43	2.32	2.24	2.14	2.04	1.93	1.85	1.70
23	1.64	1.61	21	2.90	2.81	2.70	2.58	2.49	2.38	2.26	2.15	2.06	1.89
24	1.68	1.65	22	3.28	3.18	3.05	2.92	2.82	2.69	2.56	2.43	2.33	2.13
25	1.73	1.70	23	3.67	3.56	3.41	3.27	3.16	3.01	2.86	2.72	2.61	2.39
26	1.79	1.75	24	4.25	4.12	3.95	3.78	3.66	3.49	3.32	3.15	3.02	2.76
27	1.84	1.80	25	5.23	5.07	4.86	4.65	4.50	4.29	4.08	3.87	3.71	3.40
28	1.90	1.86	26	6.42	6.23	5.97	5.71	5.52	5.26	5.01	4.75	4.56	4.17
29	1.96	1.93											
30	2.02	1.98											
31	2.08	2.04											
32	2.14	2.10											
33	2.21	2.16											
34	2.26	2.21											
35	2.31	2.27											
36	2.37	2.33											
37	2.46	2.41											
38	2.55	2.50											
39	2.64	2.59											
40	2.72	2.67											
41	2.81	2.76											
42	2.90	2.84											
43	2.98	2.93											
44	3.07	3.01											
45	3.15	3.09											
46	3.26	3.19											
47	3.36	3.30											
48	3.47	3.40											
49	3.57	3.50											
50	3.66	3.59											
51	3.77	3.70											
52	3.87	3.80											
53	3.97	3.89											
54	4.13	4.05											
55	4.33	4.24											
56	4.56	4.47											
57	4.81	4.72											
58	5.19	5.09											
59	5.75	5.64											
60	6.37	6.25											
61	6.96	6.83											
62	7.51	7.36											
63	8.06	7.91											
64	8.61	8.45											
65	9.17	8.99											
66	10.00	9.81											
67	11.10	10.89											
68	12.20	11.97											
69	13.30	13.05											
70	14.41	14.13											
71	15.51	15.21											
72	16.61	16.29											
73	17.71	17.38											
74	18.82	18.46											
75	19.92	19.54											

1989
 Symbol & Prior

1	0.09
2	0.11
3	0.15
4	0.18
5	0.21
6	0.28
7	0.34
8	0.40
10	0.51
11	0.62
12	0.72
13	0.85
14	1.00
15	1.21
16	1.47
17	1.76
18	2.10
19	2.51
20	2.98
21	4.12

NORTH CAROLINA
 REVISED SYMBOL RELATIVITIES - PHYSICAL DAMAGE COVERAGES
 COLLISION

Model Year													
Symbol	2012	2011	Symbol	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001-1990
1	0.49	0.47											
2	0.65	0.63											
3	0.71	0.68	1	0.58	0.54	0.50	0.47	0.44	0.41	0.38	0.35	0.33	0.27
4	0.83	0.80	2	0.65	0.60	0.57	0.53	0.49	0.46	0.43	0.40	0.37	0.31
5	0.91	0.88	3	0.76	0.71	0.66	0.62	0.57	0.53	0.50	0.46	0.43	0.36
6	0.95	0.92	4	0.82	0.76	0.71	0.66	0.62	0.57	0.54	0.50	0.47	0.39
7	1.00	0.96	5	0.88	0.82	0.77	0.71	0.66	0.62	0.58	0.54	0.50	0.41
8	1.04	1.01	6	0.92	0.86	0.80	0.75	0.69	0.64	0.61	0.56	0.52	0.43
10	1.08	1.04	7	0.96	0.89	0.84	0.78	0.72	0.67	0.63	0.59	0.55	0.45
11	1.11	1.07	8	1.00	0.93	0.87	0.81	0.75	0.70	0.66	0.61	0.57	0.47
12	1.15	1.11	10	1.07	1.00	0.93	0.87	0.80	0.75	0.71	0.65	0.61	0.50
13	1.19	1.14	11	1.12	1.04	0.97	0.91	0.84	0.78	0.74	0.68	0.64	0.53
14	1.22	1.18	12	1.15	1.07	1.00	0.93	0.86	0.81	0.76	0.70	0.66	0.54
15	1.24	1.20	13	1.20	1.12	1.04	0.97	0.90	0.84	0.79	0.73	0.68	0.56
16	1.25	1.21	14	1.27	1.18	1.10	1.03	0.95	0.89	0.84	0.77	0.72	0.60
17	1.28	1.23	15	1.34	1.25	1.17	1.09	1.01	0.94	0.88	0.82	0.76	0.63
18	1.31	1.26	16	1.39	1.29	1.21	1.13	1.04	0.97	0.92	0.85	0.79	0.65
19	1.33	1.28	17	1.44	1.34	1.25	1.17	1.08	1.01	0.95	0.88	0.82	0.68
20	1.37	1.32	18	1.52	1.41	1.32	1.23	1.14	1.06	1.00	0.93	0.87	0.71
21	1.40	1.35	19	1.59	1.48	1.38	1.29	1.19	1.11	1.05	0.97	0.91	0.75
22	1.42	1.37	20	1.64	1.53	1.43	1.33	1.23	1.15	1.08	1.00	0.93	0.77
23	1.44	1.39	21	1.71	1.59	1.49	1.39	1.28	1.20	1.13	1.04	0.97	0.80
24	1.48	1.42	22	1.80	1.67	1.57	1.46	1.35	1.26	1.19	1.10	1.03	0.85
25	1.49	1.43	23	1.87	1.74	1.63	1.51	1.40	1.31	1.23	1.14	1.07	0.88
26	1.51	1.46	24	1.95	1.81	1.70	1.58	1.46	1.37	1.29	1.19	1.11	0.92
27	1.53	1.48	25	2.11	1.96	1.84	1.71	1.58	1.48	1.39	1.29	1.20	0.99
28	1.54	1.49	26	2.29	2.13	1.99	1.85	1.72	1.60	1.51	1.40	1.31	1.08
29	1.57	1.51											
30	1.58	1.52											
31	1.60	1.54											
32	1.63	1.57											
33	1.65	1.59											
34	1.68	1.62											
35	1.70	1.64											
36	1.72	1.66											
37	1.75	1.69											
38	1.78	1.71											
39	1.79	1.72											
40	1.81	1.74				1	0.13						
41	1.83	1.77				2	0.16						
42	1.85	1.79				3	0.20						
43	1.88	1.81				4	0.22						
44	1.89	1.82				5	0.26						
45	1.92	1.85				6	0.28						
46	1.94	1.87				7	0.31						
47	1.96	1.89				8	0.37						
48	1.99	1.92				10	0.43						
49	2.01	1.94				11	0.47						
50	2.03	1.96				12	0.52						
51	2.05	1.98				13	0.56						
52	2.06	1.99				14	0.62						
53	2.09	2.01				15	0.67						
54	2.11	2.03				16	0.74						
55	2.14	2.07				17	0.78						
56	2.18	2.10				18	0.85						
57	2.22	2.14				19	0.90						
58	2.29	2.20				20	0.96						
59	2.38	2.29				21	1.09						
60	2.48	2.39											
61	2.55	2.46											
62	2.61	2.51											
63	2.65	2.56											
64	2.71	2.61											
65	2.76	2.66											
66	2.84	2.74											
67	2.95	2.85											
68	3.06	2.95											
69	3.17	3.06											
70	3.29	3.17											
71	3.40	3.27											
72	3.51	3.38											
73	3.62	3.49											
74	3.73	3.60											
75	3.84	3.70											

1989
 Symbol & Prior

Matter underlined is new; matter in brackets [] is deleted.

INEXPERIENCED OPERATOR				
Single or Multi-Car Risks		BI, PD and Med. Pay.	Collision	Comprehensive Fire, Theft & CAC
Single Car	Principal Operator Licensed For:			
	Less Than One Year	Factor [+3.50] <u>+3.25</u>	Factor [+3.40] <u>+3.10</u>	Factor [+0.70] <u>+0.50</u>
	Less Than Two Years	Factor +1.75	Factor +1.90	Factor [+0.55] <u>+0.50</u>
	Less Than Three Years	Factor [+1.30] <u>+1.35</u>	Factor +1.65	Factor [+0.55] <u>+0.50</u>
	Occasional Operator Licensed For:			
	Less Than One Year	Factor +1.90	Factor [+2.10] <u>+1.95</u>	Factor +0.25
Less Than Two Years	Factor [+0.90] <u>+0.80</u>	Factor [+1.10] <u>+1.00</u>	Factor [+0.10] <u>0.00</u>	
Less Than Three Years	Factor [+0.60] <u>+0.40</u>	Factor [+0.85] <u>+0.65</u>	Factor 0.00	
Multi-Car	Principal Operator Licensed For:			
	Less Than One Year	Factor [+3.15] <u>+2.90</u>	Factor [+3.10] <u>+2.80</u>	Factor [+0.60] <u>+0.40</u>
	Less Than Two Years	Factor +1.40	Factor +1.60	Factor [+0.45] <u>+0.40</u>
	Less Than Three Years	Factor [+0.95] <u>+1.00</u>	Factor +1.35	Factor [+0.45] <u>+0.40</u>
	Occasional Operator Licensed For:			
	Less Than One Year	Factor +1.55	Factor [+1.80] <u>+1.65</u>	Factor +0.15
Less Than Two Years	Factor [+0.55] <u>+0.45</u>	Factor [+0.80] <u>+0.70</u>	Factor [0.00] <u>-0.10</u>	
Less Than Three Years	Factor [+0.25] <u>+0.05</u>	Factor [+0.55] <u>+0.35</u>	Factor -0.10	

Matter underlined is new; matter in brackets [] is deleted.

**PERSONAL AUTO MANUAL
NORTH CAROLINA
PRIMARY CLASSIFICATION RATING FACTORS
(CONT'D)**

SAFE DRIVER INSURANCE PLAN FACTORS AND CODES			
Use the following rating factors to determine the Driving Record Surcharge Premium as explained in the Safe Driver Insurance Plan Rule.			
Use the statistical code indicated for the Driving Record Sub-Classification.			
Number of Driving Record Points	Driving Record Sub-Classification	Statistical Code	SDIP Rating Factor
0	0	00	0.00
1	1	01	[0.25] <u>0.30</u>
2	2	02	0.45
3	3	03	0.60
4	4	04	0.80
5	5	05	[1.05] <u>1.10</u>
6	6	06	[1.30] <u>1.35</u>
7	7	07	[1.60] <u>1.65</u>
8	8	08	[1.90] <u>1.95</u>
9	9	09	2.25
10	10	10	2.60
11	11	11	3.00
12 or more	12	12	3.40
Vehicles Not Eligible for SDIP – Add the following rating factor to the otherwise applicable Combined Rating Factor. Use the statistical code shown below.			
Not Eligible	NE	95	+0.10

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

19. MISCELLANEOUS TYPES (Cont'd)

- B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes.

Liability Coverages Only.

With respect to voluntary risks and "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable voluntary private passenger bodily injury, property damage, and medical payments rates. For Uninsured Motorists Coverage and Combined Uninsured/Underinsured Motorists Coverage, charge the applicable private passenger premium shown in Rule 14.

Engine Size Cubic Centimeters (cc)	Bodily Injury and Property Damage	Medical Payments*
0-499	16%	36%
500-1249	26%	36%
1250-1499	36%	36%
1500-up	47%	36%

*Note: Medical Payments coverage for these vehicles is not eligible for cession to the North Carolina Reinsurance Facility.

(Remainder of rule is unchanged.)