



February 4, 2004

CIRCULAR LETTER TO ALL MEMBER INSURERS

Re: Refund – Stock Reserve Account

Pursuant to amendments to Article 48, Chapter 58, General Statutes of North Carolina, this Association, on January 1, 1993, assumed responsibility for handling workers' compensation claims previously handled under the Stock Workers' Compensation Security Fund. Those Statutes also require that this Association maintain a fund balance equal to one and one-half times the contingent liabilities of the account.

At its annual meeting on October 14, 2003, the Board of Directors voted to approve an assessment of up to \$1.9 million in order to satisfy the aforementioned requirements. A review of the actual fund balance and contingent liabilities as of December 31, 2003 necessitates an assessment as set forth and developed below:

Assessment*	Assessment Base	Assessment Factor
\$905,000	\$697,803,250	.001296927

***This assessment is not subject to premium tax credits.**

The assessment is based upon the 2002 North Carolina net direct written workers' compensation insurance premiums, less dividends, for stock insurers as shown on Page 15 of the 2002 Annual Statements. The statement attached hereto shows (1) your Company's 2002 net direct workers' compensation insurance premium writings, and (2) the amount of your Company's assessment which was calculated by applying the assessment factor to the 2002 workers' compensation insurance premium writings.

Prompt remittance of this assessment will be appreciated. If your remittance includes an assessment billed to more than one company in a group, we would appreciate your identifying the companies for which assessments are being paid either on the remittance check or in an accompanying memorandum. If you have any questions regarding this assessment, please contact David Sink, Director of Finance & Administration, at 919-783-9790, extension 1012.

Sincerely,

David E. Sink, Jr.

Director, Finance & Administration

DES:sm

Enclosure

IGA-04-1