



**November 2, 2004**

**CIRCULAR LETTER TO ALL MEMBER INSURERS**

**Re: Assessments - Company Insolvencies**

During a meeting held on October 12, 2004, the Board of Directors of this Association reviewed the Association's obligations in connection with the outstanding insolvencies and voted to take the following actions:

**Assessment - Administrative Account**

The Board of Directors voted to make an assessment of \$750,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 2003 automobile, "all other" and workers compensation insurance premium writings as defined in the Act and was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Automobile*	\$377,215	\$4,639,629,222	.000081303
All Other*	\$288,320	\$3,546,252,721	.000081303
Workers Compensation*	\$84,465	\$1,038,885,665	.000081303

**\*These assessments are eligible for premium tax credits.**

The automobile, all other, and workers compensation assessments are based upon the respective total 2003 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2003 North Carolina Annual Statements. The above assessment factors were determined by relating the assessment amount to the total premium base which includes the 2003 writings of all current members of this Association.

**Assessment – Casualty Reciprocal Exchange Insolvency**

The Board of Directors voted to assess member insurers in the total amount of \$4,000,000 to provide funds necessary to begin the Association's task of discharging its obligations arising from the insolvency of Casualty Reciprocal Exchange. The Company was declared insolvent and placed in liquidation effective August 18, 2004.

The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$4,000,000	\$1,038,885,665	.003850279

**\*These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the respective total 2003 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2003 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2003 writings of all current members of this Association.

**Assessment – State Capital Insurance Company Insolvency**

The Board of Directors voted to assess member insurers in the total amount of \$500,000 to provide funds necessary to begin the Association's task of discharging its obligations arising from the insolvency of State Capital Insurance Company. The Company was declared insolvent and placed in liquidation effective June 21, 2004.

The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Automobile*	\$250,000	\$4,639,629,222	.000053884
All Other*	\$250,000	\$3,546,252,721	.000070497

**\*These assessments are eligible for premium tax credits.**

The automobile and all other assessments are based upon the respective total 2003 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2003 North Carolina Annual Statements. The above assessment factors were determined by relating the assessment amount to the total premium base which includes the 2003 writings of all current members of this Association.

**Assessment – Villanova Insurance Company Insolvency**

The Board of Directors voted to make an assessment of \$1,600,000 to provide funds necessary to continue the Association's task of discharging its obligations arising from the insolvency of Villanova Insurance Company. The company was declared insolvent and placed in liquidation in the state of North Carolina on November 1, 2002. The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$1,600,000	\$1,038,885,665	.001540112

**\*These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the total 2003 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2003 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2003 writings of all current members of this Association.

If a statement is attached hereto, it shows (1) your Company's premiums utilized in determining the assessments; (2) the assessment amounts for each of the accounts; and (3) the net amount due this Association from your Company. Prompt remittance will be appreciated. If your remittance includes total assessments 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.

**Please note that we have a new mailing address for your assessment remittances.**

Please make your check payable to the North Carolina Insurance Guaranty Association and remit to:

**Regular Mail:** North Carolina Insurance Guaranty Association  
P.O. Box 601046  
Charlotte, NC 28260-1046

**Overnight Mail:** Wachovia Bank  
Lockbox #601046  
1525 West Wt Harris Blvd – 2C2  
Charlotte, NC 28262

If you have any questions about any of the contents of this letter, please direct them to the attention of David Sink at 919-783-9790 extension 1012.

Sincerely,

David E. Sink, Jr.

Director, Finance & Administration

DES:lg

Enclosure

IGA-04-3