

August 24, 2007

**CIRCULAR LETTER TO ALL MEMBER COMPANIES**

**Re: Expense Allowances effective **October 2007**  
Monthly Summary Report Processing**

Attached is an exhibit showing the new expense allowances which will be applicable in the processing of Monthly Summary Reports and Account Activity Statements by AIPSO beginning with the reports for **October 2007**, which begins a new fiscal year for the Facility. These expense allowances were determined in accordance with Article XII of the Plan of Operation and Chapter 9 of Section 4 of the Rules of Operation of the Facility.

This exhibit indicates for each company or company group which has ceded to the North Carolina Reinsurance Facility the new ceding expense allowance for other than designated agent business. The ceding expense allowance for such business for carriers not listed in the enclosed exhibit will be furnished by this Office upon request. The ceding expense allowance for designated agent business will be 35% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) will be 12.3% of written premium. The claims expense allowance for designated agent business will be 15.3% of written premium plus 50% of outside legal expenses paid. Note that no loss adjustment expenses, allocated or unallocated, are to be included with losses reported to the Facility.

The information in this circular letter should be brought to the attention of your Company's personnel who are responsible for reconciling the monthly Account Activity Statements with the monthly premium and loss reports submitted to the North Carolina Reinsurance Facility.

Questions regarding this should be directed to Summer Williamson at (919) 645-3187 or email [srw@ncrb.org](mailto:srw@ncrb.org).

Sincerely,

Edith T. Davis,

Director, Reinsurance Facility

ETD:lam  
RF-07-7

**NORTH CAROLINA REINSURANCE FACILITY  
EXPENSE ALLOWANCES - YEAR BEGINNING 10-01-07**

<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>	<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>
02696	AGENT ALLIANCE INSURANCE CORP	a	09824	* LIBERTY MUTUAL INS CO	18.4
07751	ALFA ALLIANCE INS CORP	a	09825	* MARYLAND CASUALTY CO	22.4
06327	ALLIANCE MUTUAL INS CO	a	09134	MERASTAR INSURANCE CO	a
07031	* ALLSTATE INSURANCE CO	24.2	05293	* METROPOLITAN PROP & CAS	18.7
07900	ALPHA PROPERTY & CASUALTY	a	07524	* N C FARM BUREAU MUT INS	24.9
07035	AMERICAN BANKERS INS OF FL	a	06124	* NATIONWIDE MUTUAL INS	a
05939	AMERICAN GUARANTY INS CO	a	04332	* NEW HAMPSHIRE INS CO	18.8
05663	AMERICAN INTERNATIONAL SOUTH	a	06142	NGM INSURANCE COMPANY	a
07807	AMERICAN SOUTHERN INS CO	a	02112	* OHIO CASUALTY INS CO	a
08007	* AMERICAN STATES INS CO	21.9	10074	OMNI INSURANCE CO	a
08188	* AMERISURE MUTUAL INS CO	19.5	10511	PEAK PROP & CAS INSURANCE CORP	28.3
03514	AMICA MUTUAL INS CO	20.5	02085	* PEERLESS INSURANCE CO	a
09994	ATLANTIC CASUALTY INS CO	a	06098	* PENNSYLVANIA NATIONAL MUT CAS	a
07093	* AUTO OWNERS INSURANCE CO	25.6	07534	* PROGRESSIVE CAS INS CO	a
03583	* CENTRAL MUTUAL INS CO	27.6	10545	PROGRESSIVE PREMIER INS CO OF IL	a
07838	* CINCINNATI INSURANCE CO	26.6	10546	PROGRESSIVE UNIVERSAL INS CO	a
11360	COASTAL CASUALTY INSURANCE CO	a	09102	QBE INS CO	25.5
08944	COMPANION PROP & CAS INS	a	06569	REDLAND INSURANCE CO	21.7
27984	DISCOVERY INSURANCE CO	a	09833	* ROYAL INDEMNITY COMPANY	a
05092	ELECTRIC INSURANCE CO	16.4	07960	* SAFECO INS CO OF AMER	23.6
06119	EMPLOYERS MUTUAL CAS CO	a	07967	* SELECTIVE INS OF SOUTHEAST	a
05967	ENCOMPASS INDEMNITY CO	a	06127	* SENTRY INSURANCE A MUT CO	23.1
09073	* ERIE INSURANCE COMPANY	26.5	07352	SOUTHERN GENERAL INS CO	a
07979	* FARMERS INSURANCE EXCHANGE	a	07601	* SOUTHERN GUARANTY INS CO	26.8
04287	* FEDERAL INSURANCE CO	a	07494	SOUTHERN INSURANCE CO OF VA	25.9
09812	* FIREMAN'S FUND INS CO	a	07633	STATE AUTO PROP & CAS INS	a
04729	FIREMEN'S INS OF WASHINGTON DC	26.9	07667	STATE FARM MUT AUTO INS	23.8
07275	* FOREMOST INS CO	a	10394	STATE NATIONAL INS CO	a
07159	GEICO INDEMNITY COMPANY	a	11371	THE MEMBERS INSURANCE CO	a
07307	* GOVERNMENT EMPLOYEES INS	23.8	06460	TITAN INDEMNITY COMPANY	a
09813	GRAIN DEALERS MUTUAL INS	a	02034	* TRAVELERS INDEMNITY	a
09818	* HANOVER INS CO	a	03542	* UNITED SERVICES AUTO ASSOC	10.2
07345	* HARLEYSVILLE MUTUAL INS CO	a	05163	UNITRIN AUTO & HOME INS CO	27.5
01238	* HARTFORD CASUALTY INS CO	a	05394	UNIVERSAL INS CO OF NC	a
07610	* HORACE MANN INS CO	20.0	05899	* UTICA MUTUAL INSURANCE CO	a
07611	* INTEGON GENERAL INS CORP	a			

NOTES: a: Allowance of 28.7% of written premiums

\*: Includes all companies in a group

The claims expense allowance for all companies (excluding designated agent business) is 12.3% of written premiums.

The ceding expense allowance for designated agent business is 35.0% of written premium.

The claims expense allowance for designated agent business is 15.3% of written premiums plus 50% of outside legal expenses paid.

For a ceding expense allowance of companies not listed above, refer to the NCRF.