

July 20, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

IMPORTANT MATERIAL

**IMMEDIATE ATTENTION
REQUIRED**

**Re: Revised Private Passenger Automobile
Insurance Rates – North Carolina**

On behalf of its member companies, the North Carolina Reinsurance Facility has filed a number of changes to insurance rates and rating factors for private passenger automobile insurance ceded to the Facility. All of these changes are effective November 1, 2009.

Rates for Other Than “Clean Risks”

By filing made on July 1, 2009 and amended on July 17, 2009, the Facility has filed with the Commissioner of Insurance rate level changes for bodily injury and property damage liability and medical payments insurance for nonfleet private passenger automobiles and bodily injury and property damage liability insurance for motorcycles ceded to the Reinsurance Facility. These filed rates apply only to ceded risks other than “clean risks” as defined in G.S. 58-37-35(1). The Facility’s filing includes average rate level changes of -4.5% for bodily injury, -5.7% for property damage, and +0.6% for medical payments coverages, averaging -4.8% over rates presently in effect. The filing also includes a rate level change of +6.1% for the motorcycle liability coverages.

Rates for “Clean Risks”

On July 17, 2009, the Reinsurance Facility filed with the Department of Insurance revisions to the private passenger auto liability rates applicable to ceded “clean risks” to become effective concurrently with the private passenger auto rate revisions announced by the North Carolina Rate Bureau in its Circular Letter To All Member Companies A-09-6 dated July 16, 2009. (Included in that circular and in the documents attached to it 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. The Reinsurance Facility will provide additional information regarding reporting and reimbursement of refunds on such ceded business by circular letter in the near future.)

UM and UM/UIM Rates

On July 17, 2009, the Reinsurance Facility filed with the Department of Insurance revised Uninsured Motorist and combined Uninsured/Underinsured Motorist coverage rates for all non-fleet private passenger risks ceded to the Facility.

Revised Increased Limits Factors and Various Classification Plan Factors

On July 17, 2009, the Reinsurance Facility filed with the Department of Insurance revised increased limits factors for all non-fleet private passenger risks ceded to the Facility, revised factors for Inexperienced Operator surcharges for all non-fleet private passenger risks ceded to the Facility and revised factors for Safe Driver Insurance Plan surcharges for all non-fleet private passenger risks ceded to the Facility.

In connection with all of these changes, please find attached the following:

- (1) Revised base rates for “clean risks” ceded to the Facility (cars and motorcycles)**
- (2) Revised base rates for risks other than “clean risks” ceded to the Facility (cars and motorcycles)**
- (3) Revised uninsured and combined uninsured/underinsured motorists coverage rates for all non-fleet private passenger risks ceded to the Facility**
- (4) Revised increased limits factors for all non-fleet private passenger risks ceded to the Facility**
- (5) Revised factors for Inexperienced Operator surcharges for all non-fleet private passenger risks ceded to the Facility**
- (6) Revised factors for Safe Driver Insurance Plan surcharges for all non-fleet private passenger risks ceded to the Facility.**

The attached revisions become effective in accordance with the following Rule of Application.

These changes are applicable to all new and renewal policies becoming effective on or after November 1, 2009. No policy effective prior to November 1, 2009 shall be endorsed or cancelled and rewritten to take advantage of or to avoid the application of these changes 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.

With respect to business ceded to the Reinsurance Facility, your attention is directed to G.S. 58-37-25(b) which provides in part as follows:

Each insurer will provide the same type of service to ceded business that it provides for its voluntary market. Records provided to agents and brokers will include an indication that the business is ceded. When an insurer cedes a policy or renewal thereof to the Facility and the Facility premium for such policy is higher than the premium that the insurer would normally charge for such policy if retained by the insurer, the policyholder will be informed that (i)

his policy is ceded, (ii) the coverages are written at the Facility rate, which rate differential must be specified, (iii) the reason or reasons for the cession to the Facility, (iv) the specific reason or reasons for the cession to the Facility will be provided upon the written request of the policyholder to the insurer, and (v) the policyholder may seek insurance through other insurers who may elect not to cede his policy.

Please see to it that these changes are brought to the attention of all interested personnel in your company. If you have any questions, please contact our Information Center at 919-582-1056.

The following is a list of attachments:

- A-1 Ceded Liability Manual Rate Page (applicable to ceded risks other than “clean risks”)
- A-2 Voluntary Liability Manual Rate Page (applicable to ceded “clean risks”)
- A-3 Revised Ceded Liability Base Rates
- A-4 Revised Voluntary Liability Base Rates (applicable to ceded “clean risks”)
- A-5 Revised Uninsured Motorist Rates
- A-6 Revised Combined Uninsured/Underinsured Motorist Rates
- A-7 Revised Increased Limits Factors
- A-8 Revised Motorcycle Liability Relativities (applicable to ceded “clean risks”)
- A-9 Revised Motorcycle Liability Relativities (applicable to ceded risks other than “clean risks”)
- A-10 Revised Inexperienced Operator Surcharge Factors
- A-11 Revised Safe Driver Insurance Plan Surcharge Factors

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dms

RF-09-7

Attachments

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

REVISED BASE RATES - OTHER-THAN-CLEAN RISKS CEDED LIABILITY

Terr.	BODILY INJURY				PROPERTY DAMAGE			MEDICAL PAYMENTS				
	LIMIT				LIMIT			LIMIT				
	30/60	50/100	100/300	250/500	\$25,000	\$50,000	\$100,000	\$500	\$750	\$1000	\$2000	\$5000
11	\$179	\$211	\$251	\$297	\$204	\$206	\$210	\$20	\$27	\$32	\$47	\$68
13	256	302	358	425	232	234	239	28	37	45	66	95
14	251	296	351	417	228	230	235	27	36	43	63	91
15	280	330	392	465	222	224	229	31	41	50	73	105
16	252	297	353	418	241	243	248	28	37	45	66	95
17	277	327	388	460	249	251	256	30	40	48	70	101
18	236	278	330	392	216	218	222	26	35	42	61	88
24	215	254	301	357	183	185	188	24	32	38	56	81
25	315	372	441	523	237	239	244	34	45	54	80	115
26	331	391	463	549	202	204	208	36	48	58	84	122
31	251	296	351	417	214	216	220	27	36	43	63	91
32	220	260	308	365	196	198	202	24	32	38	56	81
33	249	294	349	413	181	183	186	27	36	43	63	91
40	325	384	455	540	249	251	256	36	48	58	84	122
41	245	289	343	407	237	239	244	27	36	43	63	91
43	234	276	328	388	191	193	197	26	35	42	61	88
47	285	336	399	473	192	194	198	31	41	50	73	105
51	224	264	314	372	234	236	241	25	33	40	59	85
52	300	354	420	498	256	259	264	33	44	53	77	112

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

REVISED BASE RATES - VOLUNTARY LIABILITY

Terr.	BODILY INJURY				PROPERTY DAMAGE			MEDICAL PAYMENTS				
	LIMIT				LIMIT			LIMIT				
	30/60	50/100	100/300	300/300	\$25,000	\$50,000	\$100,000	\$500	\$750	\$1000	\$2000	\$5000
11	\$132	\$156	\$185	\$214	\$166	\$168	\$171	\$16	\$21	\$26	\$37	\$54
13	193	228	270	313	193	195	199	24	32	38	56	81
14	188	222	263	305	189	191	195	23	31	37	54	78
15	205	242	287	332	183	185	188	25	33	40	59	85
16	182	215	255	295	195	197	201	23	31	37	54	78
17	207	244	290	335	200	202	206	26	35	42	61	88
18	169	199	237	274	174	176	179	21	28	34	49	71
24	157	185	220	254	151	153	156	19	25	30	44	64
25	220	260	308	356	186	188	192	27	36	43	63	91
26	240	283	336	389	164	166	169	30	40	48	70	101
31	188	222	263	305	175	177	180	23	31	37	54	78
32	161	190	225	261	162	164	167	20	27	32	47	68
33	188	222	263	305	147	148	151	23	31	37	54	78
40	243	287	340	394	205	207	211	30	40	48	70	101
41	188	222	263	305	189	191	195	23	31	37	54	78
43	178	210	249	288	155	157	160	22	29	35	51	74
47	206	243	288	334	157	159	162	26	35	42	61	88
51	167	197	234	271	189	191	195	21	28	34	49	71
52	221	261	309	358	209	211	215	27	36	43	63	91

Note: These base rates apply to "clean risks" ceded to the NC Reinsurance Facility.

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

PROPOSED BASE RATES - CEDED OTHER-THAN-CLEAN RISK 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	\$179	\$204	\$20
13	256	232	28
14	251	228	27
15	280	222	31
16	252	241	28
17	277	249	30
18	236	216	26
24	215	183	24
25	315	237	34
26	331	202	36
31	251	214	27
32	220	196	24
33	249	181	27
40	325	249	36
41	245	237	27
43	234	191	26
47	285	192	31
51	224	234	25
52	300	256	33

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

APPROVED BASE RATES - CEDED CLEAN RISK 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

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	\$ [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			Multi-Vehicle*	
	Single Vehicle*				
	Policy			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			Multi-Vehicle*	
	Single Vehicle*				
	Policy			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] 1.000
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.)

NORTH CAROLINA
MOTORCYCLE INSURANCE

CALCULATION OF RATE RELATIVITIES
CEDED OTHER THAN CLEAN RISK LIABILITY

Private Passenger
Liability

COVERAGE	TOTAL LIMITS PREMIUM WEIGHT	FILED CHANGE
Bodily Injury	\$163,729	-4.5%
Property Damage	124,312	-5.7%
(1) Liability Total	288,041	-5.0%

Motorcycles	FILED CHANGE
(2) Liability	6.1%
(3) Motorcycle Liability factor = [(1.0 + (2)) / (1.0 + (1))]	1.117

Liability
Relativities

	(4) Present	(5) (3) x (4) Revised
Engine Size (cc)		
0-499	15%	17%
500-1249	24%	27%
1250-1499	33%	37%
1500-up	43%	48%

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