

NORTH CAROLINA REINSURANCE FACILITY

5401 Six Forks Road • Raleigh NC • 27609

(919) 783-9790 • www.ncrb.org

MINUTES OF THE THIRTIETH ANNUAL MEETING OF THE NORTH CAROLINA
REINSURANCE FACILITY HELD AT THE GRANDOVER RESORT & CONFERENCE
CENTER, ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA,
OCTOBER 22, 2003

MEMBERS PRESENT

Alliance Mutual Insurance Company
Alpha Property & Casualty Insurance Company
Allstate Insurance Company
 Allstate Indemnity Company
 Northbrook Indemnity Company
Atlantic Casualty Insurance Company

Builders Mutual Insurance Company
Government Employees Insurance Company
 GEICO General Insurance Company
 GEICO Indemnity Company
Harleysville Mutual Insurance Company
 Harleysville Preferred Insurance Company
Hartford Fire Insurance Company
 Hartford Accident & Indemnity Company
 Hartford Casualty Insurance Company
 Hartford Insurance Company of Midwest
 Hartford Underwriters Insurance Company
 Property & Casualty Insurance Company of Hartford
 Sentinel Insurance Company, Ltd.
 Trumbull Insurance Company
 Twin City Fire Insurance Company
Horace Mann Insurance Company
 Horace Mann Property & Casualty Insurance Company
 Teachers Insurance Company
Integon Indemnity Corporation
 GMAC Direct Insurance Company
 GMAC Insurance Company Online, Inc.
 Integon Casualty Insurance Company
 Integon General Insurance Corporation
 Integon National Insurance Company
 Integon Preferred Insurance Company
 Integon Specialty Insurance Company
 New South Insurance Company
Liberty Mutual Insurance Company
 First Liberty Insurance Corporation
 Liberty Insurance Corporation
 Liberty Mutual Fire Insurance Company

REPRESENTED BY

Ms. Gina Tuttle
Mr. J. Tanaka
Mr. A. Ivey

Ms. G. Cuddington
Mr. R. Yarbrough
Ms. C. German
Ms. A. Bowen
Mr. T. McNicholas
Mr. J. Thomas
Mr. R. Johnson
Mr. D. Pickard
Mr. T. Martensen

Mr. D. Closter

Mr. A. Lyon

Mr. B. Jones

LM Insurance Corporation	
Nationwide Mutual Insurance Company	Mr. D. Gettles
Nationwide Affinity Insurance Company	Mr. M. Groseclose
Nationwide Mutual Fire Insurance Company	Mr. B. Kistner
Nationwide Property & Casualty Insurance Company	
North Carolina Farm Bureau Mutual Insurance Company	Mr. R. Batdorff
Farm Bureau Insurance of North Carolina, Inc.	
Pennsylvania National Mutual Casualty Insurance Company	Ms. P. Lovell
Penn National Security Insurance Company	
Progressive Casualty Insurance Company	Ms. S. McKay
National Continental Insurance Company	Mr. J. Rett
Progressive American Insurance Company	Mr. A. Rose
Progressive Northern Insurance Company	
Progressive Northwestern Insurance Company	
Progressive Preferred Insurance Company	
Progressive Southeastern Insurance Company	
United Financial Casualty Company	
Royal Insurance Company of America	Mr. V. Willis
American & Foreign Insurance Company	
AXIS Reinsurance Company	
Connecticut Indemnity Company	
Fire & Casualty Insurance Company of Connecticut	
Globe Indemnity Company	
Grocers Insurance Company	
Peak Property & Casualty Insurance Corporation	
Royal Indemnity Company	
Safeguard Insurance Company	
Sea Insurance Company of America	
Security Insurance Company of Hartford	
St. Paul Fire & Marine Insurance Company	Mr. T. Rosie
Athena Assurance Company	
Discover Property & Casualty Insurance Company	
Fidelity & Guaranty Insurance Underwriters	
Fidelity & Guaranty Insurance Company	
St. Paul Medical Liability Insurance Company	
St. Paul Mercury Insurance Company	
St. Paul Protective Insurance Company	
US Fidelity & Guaranty Company	
State Automobile Mutual Insurance Company	Mr. W. Florence
State Automobile National Insurance Company	
State Automobile Property & Casualty Insurance Company	
State Farm Mutual Automobile Insurance Company	Ms. C. Lowe
	Mr. D. Stoller
	Mr. B. Seagle
Travelers Indemnity Company	
Automobile Insurance Company of Hartford	
Charter Oak Fire Insurance Company	
Farmington Casualty Company	
Phoenix Insurance Company	
Standard Fire Insurance Company	
Travco Insurance Company	
Travelers Casualty & Surety Company of America	
Travelers Casualty & Surety Company of Illinois	

Travelers Casualty Company of Connecticut	
Travelers Casualty & Surety Company	
Travelers Commercial Casualty Company	
Travelers Commercial Insurance Company	
Travelers Home & Marine Insurance Company	
Travelers Indemnity Company of America	
Travelers Indemnity Company of Connecticut	
Travelers Indemnity Company of Illinois	
Travelers Personal Security Insurance Company	
Travelers Property Casualty Insurance Company	
Universal Insurance Company	Mr. G. Spray
Utica Mutual Insurance Company	Mr. F. Graham
Graphic Arts Mutual Insurance Company	
Republic-Franklin Insurance Company	
Zurich America Insurance Company	Mr. J. Wells
American Guarantee & Liability Insurance Company	
American Zurich Insurance Company	

177 other member companies were represented by proxy.

AGENT MEMBERS PRESENT

Mr. J. Butler
 Mr. D. Walker
 Mr. S. Smith
 Mr. J. Wooten, III

OTHERS PRESENT

AIPSO
 Evergreen Investment Management Company
 Jackson, Sumner & Associates
 Insurance Services Office
 Young, Moore & Henderson

 Staff

Mr. T. Assad
 Mr. R. Applebach
 Ms. K. Ricketts
 Mr. P. Woods
 Mr. M. Spivey
 Mr. M. Strickland
 Mr. J. Auman
 Ms. J. Barnes
 Ms. E. Davis
 Mr. R. Evans
 Ms. V. Godbold
 Ms. L. Gould
 Mr. B. Greer
 Mr. W. Hinton
 Ms. K. Hopkins
 Mr. T. Lucas
 Ms. L. Murphey
 Mr. M. Newton
 Mr. D. Sink

The meeting convened as scheduled, Mr. Lyon of Integon Indemnity Corporation, Chairman of the Board of Governors, presiding.

Reference was made to the Reinsurance Facility's Antitrust Compliance Policy and Conflicts of Interest Statement, copies of which were distributed prior to the meeting.

Mr. Evans announced that a quorum was present or represented by proxy.

1. The Annual Report

Copies of the Thirtieth Annual Report covering the fiscal year ended September 30, 2003 were distributed. Mr. Evans referred to the Report, a copy of which is attached hereto and forms a part of the record.

2. Chairman's Comments

Mr. Lyon expressed, on behalf of the Board of Governors, appreciation to the Staff, members of the various committees and Counsel for their efforts during the preceding year.

3. Adjournment

There being no further business the meeting was adjourned.

Respectfully submitted,

Robert M. Greer

Director of Operations

RMG:lm

Enclosure

RF-03-16

11/25/03



FACILITY HISTORY

The North Carolina Reinsurance Facility became operational on October 9, 1973 as the result of legislation that was enacted that year. The Facility replaced an automobile assigned risk plan, which had been in operation since 1947.

In 1958, the first year of compulsory automobile liability insurance in North Carolina, 9% of the non-fleet private passenger automobiles were insured through the Assigned Risk Plan, up from only 3% the previous year. The Plan's market share grew steadily to the point that 29% of the non-fleet private passenger automobiles were insured through the Plan during the year ended June 30, 1973. As of December 31, 2002 the Facility's market share is approximately 25%.

The Reinsurance Facility is a mechanism for pooling of auto liability insurance risks that cannot obtain coverage by ordinary methods. The member companies share premiums, losses, and expenses in proportion to their respective North Carolina automobile liability insurance writings. Under the North Carolina law, licensed and writing carriers and agents must accept and insure any eligible applicant for coverages and limits that may be ceded to the Facility. The Facility accepts cession of bodily injury and property damage liability, medical payments, uninsured and combined uninsured/underinsured motorists coverages. Automobile physical damage coverages are not eligible for cession. Any eligible risk, which a company elects not to retain for its own account, may be ceded to the Facility. There is currently no cession limitation on the number of risks an insurance company may cede to the Facility.

As a measure of size, North Carolina is the second largest in terms of private passenger auto liability premiums of all state residual market mechanisms.

State	2001 PPNF Liability Premiums*
New York	655,055,000
North Carolina	532,909,000
Massachusetts	276,538,000
New Jersey	176,950,000

* Source: AIPSO FACTS 2002/2003



GOVERNANCE

Responsibility for management is vested in a fifteen-member Board of Governors. There are twelve voting members; seven member insurance companies; five agents appointed by the Insurance Commissioner; two nonvoting public members appointed by the Governor; and the Insurance Commissioner who is a member of the Board ex-officio without vote. Eight meetings of the Board were held during the year, including four telephone conferences.

BOARD OF GOVERNORS

During the year covered by this Report the following seven member companies served as members of the Board of Governors.

Member	Representative
Allstate Insurance Company	Art Ivey
Great American Insurance Company	Roni Hunter
Integon Indemnity Corporation*	Art Lyon
Liberty Mutual Insurance Company	Robert Jones
Nationwide Mutual Insurance Company	Dave Gettles
Royal Insurance Company of America	Gary Sanginario
Universal Insurance Company	Greg Spray

The following five agents served as members of the Board of Governors during the year covered by this Report.

Auto Insurance Agents of North Carolina, Inc.	Jeffrey W. Butler Able Auto Insurance Agency
Independent Insurance Agents of North Carolina, Inc.	J. David Walker BB&T Insurance Services
Independent Insurance Agents of North Carolina, Inc.	Steven D. Smith Bagwell & Bagwell, Inc.
Appointed by the Commissioner of Insurance	W. Hutson Wester, II Wester Realty & Insurance Agency, Inc.
Appointed by the Commissioner of Insurance	John E. Wooten Green & Wooten Insurance

Ex-Officio Member

James E. Long
Commissioner of Insurance

Public Members

Frederick M. Tate – Elizabethtown, NC
Steve J. Whitley - North Wilkesboro, NC

***Chairman**



STANDING ADVISORY COMMITTEES

The Plan of Operation establishes a number of advisory committees. These committees oversee the activities of the Facility and formulate recommendations for presentation to the Board of Governors. The Claims Quality Control Committee was reactivated in fiscal year 2002-2003 after a number of years of inactivity.

These standing committees and the company chairing them are:

COMMITTEE	CHAIR COMPANY
Market	Travelers Indemnity Company
Claims	State Farm Mutual Automobile Insurance Company
Claims Quality Control Committee	State Farm Mutual Automobile Insurance Company
Audit	Liberty Mutual Insurance Company
Accounting & Statistical *	Eagle Insurance Company
Rating0	Liberty Mutual Insurance Company
Investment	Nationwide Mutual Insurance Company
Legal Committee	Liberty Mutual Insurance Company

*This is a joint AIPSO/NCRF committee.

MEMBERSHIP

All companies licensed to write and writing automobile liability insurance in the State are required to become members of the Reinsurance Facility. As of September 30, 2003, there were 481 member companies. New members during the year were:

<p><i>Admiral Insurance Company</i> <i>American Standard Insurance Company of WI</i> <i>Intrepid Insurance Company</i> <i>Regal Insurance Company</i></p>	<p><i>American Family Mutual Insurance Company</i> <i>Chubb Indemnity Company</i> <i>Markel American Insurance Company</i> <i>State National Insurance Company</i> <i>United National Casualty Insurance Company</i></p>
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The following companies withdrew from membership or were merged with another member company during the year:

<p><i>Design Professionals Insurance Company</i> <i>Fremont Indemnity Company</i> <i>Northwestern National Casualty Ins Company</i></p>	<p><i>Employee Benefits Insurance Company</i> <i>International Insurance Company</i> <i>Southern Heritage Insurance Company</i></p>
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FACILITY OPERATIONS

The North Carolina Reinsurance Facility is located in leased offices at 5401 Six Forks Road, Raleigh, North Carolina. At the end of this report period, there are fourteen full-time associates. Responsibility for day-to-day Facility operations is by this management staff some of which also perform duties for the North Carolina Rate Bureau and the North Carolina Insurance Guaranty Association:

MANAGEMENT STAFF

Raymond F. Evans, Jr.
General Manager
E-Mail - rfe@ncrb.org

Robert M. Greer
Director of Operations
E-Mail - rmg@ncrb.org

Jannet B. Barnes
Compliance Manager
E-Mail - jbb@ncrb.org

Edith T. Davis
Operations Manager
E-Mail - etd@ncrb.org

F. Timothy Lucas
Automobile Manager
E-Mail - ftl@ncrb.org

Robert M. Newton
Claims Manager
E-Mail - rmn@ncrb.org

David E. Sink
Director of Finance & Operations
E-Mail - des@ncrb.org

OPERATIONS

The Staff of the NCRF is charged with annually overseeing over \$600 million in reinsurance premiums, over two and a half million cession transactions, over twenty-two million accounting transactions, approximately \$150 million of Recoupment surcharges, over \$500 million in loss reimbursements to members, and maintaining over \$400 million in reserves for losses. This is all done effectively with a budget of approximately \$3 million or less than ½ percent of premium.

In response to recent legislative changes, this has been a year of review and update for issues such as privacy, data security and compliance. Additional enhancements have been made to our systems to enable staff to better assist and monitor Facility members. Revision of outdated processes has continued, and additional paper forms were replaced by a website application which allows members to submit data via our website. All processes and procedures are under review. Other improvements include a change in the allocation of Miscellaneous Expense and Income to more accurately reflect the source of the income.

The Facility staff conducted numerous training sessions throughout the year with member companies to facilitate Facility reporting and error correction.



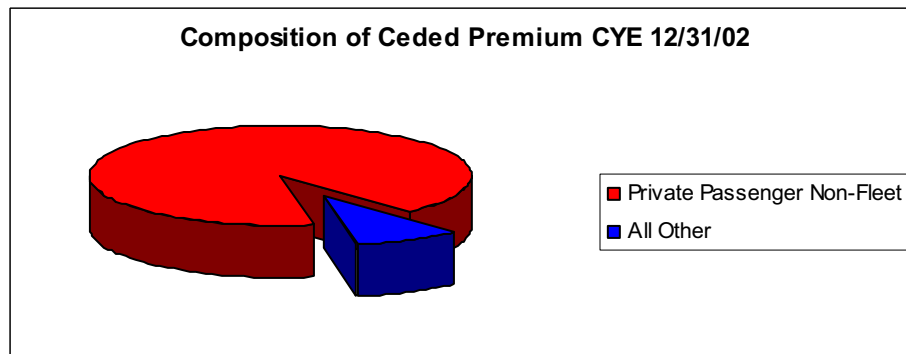
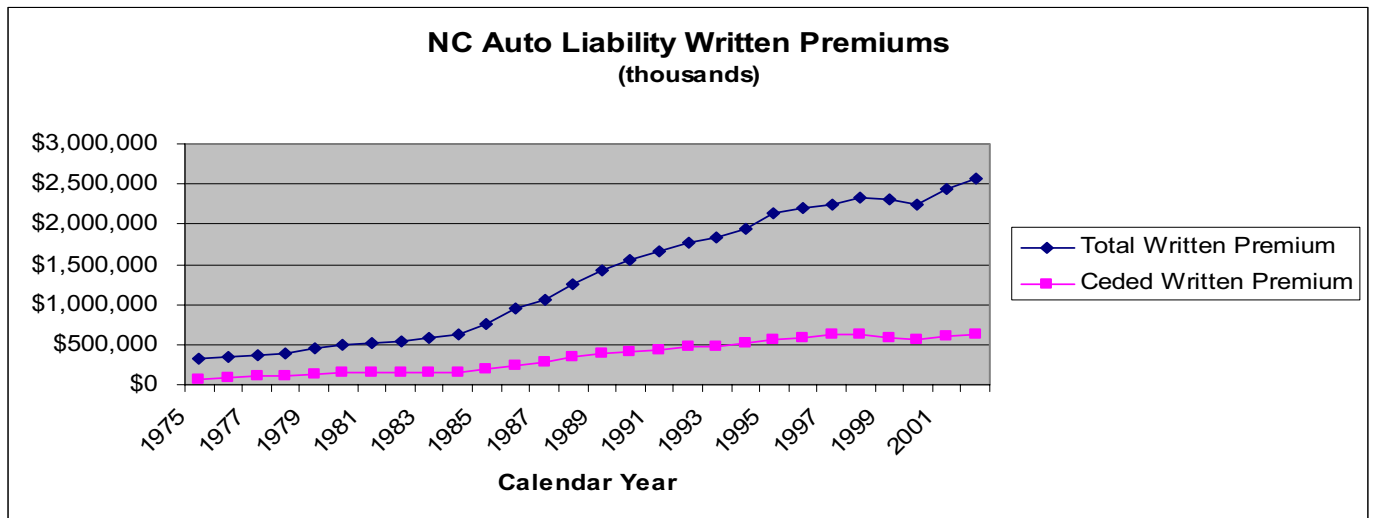
OPERATING RESULTS

Each ceding company must submit to the Facility a monthly detailed report of premiums and paid losses for policies ceded to the Facility, a Monthly Recoupment Report summarizing Facility surcharges on both ceded and non-ceded policies, and a Monthly Summary Report from which the company receives credit for its predetermined expense allowances to cover acquisition, underwriting and claim adjustment expenses. Each ceding company also submits a quarterly report of losses on ceded policies that have been reported but have not yet been settled. These detail reports are also entered into the computer masterfile.

After the monthly accounting reports are received from the ceding companies and balanced, there is a monthly cash settlement with the ceding companies. Companies whose written premiums and recoupment surcharges due the Facility exceeded the total of their paid losses plus expense allowances and other credits must pay the balances to the Facility. Companies whose written premiums and recoupment surcharges due the Facility were less than the total of their paid losses and other credits collect the deficit from the Facility.

PREMIUMS

During this report period the NCRF was the second largest residual market mechanism in the United States. Almost one quarter of automobile liability premiums written in North Carolina were in the Facility. The Facility's share of the market increased slightly in calendar year 2002 over 2001. Currently, the premiums consist of approximately 90% Private Passenger Non-Fleet business and 10% All Other business.



RECOUPMENT SURCHARGE

One of the key components of the NCRF that differentiates it from other residual markets is “clean risks.” By statute, any ceded risk with no Safe Driver Insurance Plan points and no inexperienced operators in the household qualifies for the voluntary rate.

Unfortunately there is a difference between the voluntary rate and the ceded “clean risk’ actuarially sound rate. This difference is recouped through surcharges to all drivers in North Carolina.

During a meeting held on April 2, 2003, the Board of Governors voted (1) with respect to private passenger non-fleet vehicles to implement a “clean risks” recoupment surcharge of 5.05% (before agent compensation) and no loss recoupment surcharge, and (2) with respect to other than private passenger non-fleet risks, that no loss recoupment surcharge be applied to policies written to become effective during the twelve months beginning July 1, 2003.

A summary of all “clean risks” recoupments since the inception of the “clean risks” recoupment through July 2003 is located in the Appendix.

CLEAN RISK RECOUPMENT SURCHARGE ACTIVITY BY RECOUPMENT PERIOD

(Thousands of Dollars)

Surcharge Period	Surcharge Percentage	Surcharge Written
7/1/03 to 6/30/04	5.05%	\$12,233 *
7/1/02 to 6/30/03	6.79%	\$158,811
7/1/01 to 6/30/02	7.22%	\$154,088
7/1/00 to 6/30/01	5.15%	\$107,587
7/1/99 to 6/30/00	1.07%	\$23,070

* Through 7/31/03

FINANCIAL RESULTS

Facility financial reports are prepared and distributed quarterly to member companies. The Facility operates on a fiscal year from October 1 to September 30. Results from the most recent period are detailed in the following Income Statement and Balance Sheet. Comparative Statements of Income for the last five years are located in the Appendix.



NORTH CAROLINA REINSURANCE FACILITY
Statement of Income - All Policy Years Combined
Fiscal Year Commencing October 1, 2002
Quarter Ending June 30, 2003

	<u>Current Quarter</u>	<u>Fiscal Year-to-Date</u>
Underwriting Income		
Premiums Written	\$175,851,927.86	\$516,727,053.31
Unearned Premiums (Prior)	207,807,743.00	190,605,628.00
Unearned Premiums (Current)	(210,332,289.00)	(210,332,289.00)
Earned but Unbilled Premium (Prior)	(77,683.00)	(102,964.00)
Earned but Unbilled Premium (Current)	94,890.00	94,890.00
	<hr/>	<hr/>
Premiums Earned	\$173,344,588.86	\$496,992,318.31
Clean Risk Subsidy	39,588,833.52	117,844,307.76
	<hr/>	<hr/>
Total Underwriting Income	\$212,933,422.38	\$614,836,626.07
Underwriting Deductions		
Losses Incurred	\$160,774,955.34	\$423,803,406.73
Change in Premium Deficiency Reserve	0.00	0.00
Claims Expense Allowance	24,591,149.11	72,047,433.86
Ceding Expense Allowance	46,415,918.19	136,584,724.58
	<hr/>	<hr/>
Total Deductions	(\$231,782,022.64)	(\$632,435,565.17)
Net Underwriting Gain (Loss)	(\$18,848,600.26)	(\$17,598,939.10)
Miscellaneous Income & Expenses		
Membership Fees	\$0.00	\$48,600.00
Interest Earned	9,295,602.87	29,582,039.31
Other Income	26,948.32	63,840.93
Miscellaneous Charges	112,268.99	350,520.07
Other Expenses Incurred	(527,838.95)	(1,888,765.53)
	<hr/>	<hr/>
Total Miscellaneous Income & Expenses	\$8,906,981.23	\$28,156,234.78
Net Operating Gain (Loss)	(\$9,941,619.03)	\$10,557,295.68

MEMBERS' EQUITY ACCOUNT

Members' Equity - Beginning of Period	\$49,112,211.12	\$28,613,296.41
Net Operating Loss Distributed to Member Companies	0.00	0.00
Net Operating Gain (Loss)	(9,941,619.03)	10,557,295.68
Loss Recoupment/Allocation	0.00	0.00
	<hr/>	<hr/>
Members' Equity - End of Period	\$39,170,592.09	\$39,170,592.09



NORTH CAROLINA REINSURANCE FACILITY

BALANCE SHEET

June 30, 2003

ASSETS

Cash Unrestricted	\$2,426,199.65
Cash Restricted (Including Escrow)	69,442,009.29
Investments	584,885,388.83
Accrued Interest Receivable	7,558,532.78
Accounts Receivable - Member Company Balances	30,895,107.94
Miscellaneous Charges Receivable (Net)	40,531.72
Membership Fees Receivable	100.00
Assessments Receivable	145,246.70
Computer Equipment (Net)	0.00
Other Assets	0.00
Total Assets	\$695,393,116.91

LIABILITIES TO MEMBER COMPANIES

Miscellaneous Accounts Payable - Rounding	\$0.00
Reserve - Unearned Premiums	210,332,289.00
Earned But Unbilled Premium Reserve	(94,890.00)
Premium Deficiency Reserve	0.00
Reserve - Outstanding Losses - Case	334,009,523.18
Reserve - Outstanding Losses - IBNR	82,419,147.00
Advanced Premium Liability	59,277.00
Deferred Revenue - Recoupment	0.00
Accounts Payable - Member Company Balances	29,497,164.82
Accounts Payable - Miscellaneous	13.82
Total Liabilities	\$656,222,524.82
Participating Members' Equity	39,170,592.09
Total Liabilities and Members' Equity	\$695,393,116.91



INVESTMENTS

The Facility's formal investment program was implemented in 1978 in response to needs created when the Facility law was changed materially in 1977. Allstate Insurance Company, Nationwide Mutual Insurance Company (Chairman) and Royal Insurance Company of America constituted the Investment Committee at the close of the period covered by this Report. That Committee continued during the year overseeing the Facility's investment program managed by Evergreen Investments, an institutional investment division of Wachovia Bank. A separate report is provided by the Investment Committee. The following chart summarizes investment activity for the past five years.

INVESTMENT ACTIVITY BY FISCAL PERIOD

Fiscal Period	Total Investment Income	Ending Investment Balance	Total Return on Investment
* FYE 9/30/03	40,493,032	667,872,111	3.99%
FYE 9/30/02	34,942,510	616,342,242	8.19%
FYE 9/30/01	43,224,647	579,014,754	12.45%
FYE 9/30/00	40,858,163	684,346,275	6.21%
FYE 9/30/99	44,852,356	757,220,250	1.24%

* Unaudited

PROCESSING

As part of the Facility staff, the Operations department is responsible for cession transactions, accounting transactions and reports, and error correction issues. If a company wants to cede a policy to the Facility it must file a cession notice identifying the case individually by name, policy number, effective and expiration dates. Cession notices are submitted in the form of individual pieces of paper, printed lists, magnetic tape or by telecommunication. The resulting cession notice data are then entered into a computerized masterfile.

AIPSO, as the central processor, processed over 2.5 million cession transactions and approximately twenty-two million accounting transactions last year. In addition to maintaining the computerized masterfile which includes all Facility transactions, AIPSO is responsible for producing or furnishing data for the production of most of the Facility's accounting and statistical reports, furnishing lists of apparent reporting errors as well as other types of reports utilized in the Facility's audit activities, furnishing claim reports used in the Facility's claim quality control work, and printing and distributing the Facility's Standard Practice Manual and its Commercial Automobile Manual of Rules and Rates.

CESSION VOLUME

The next chart shows the number of cession notices processed by the Facility monthly during the fiscal years ended September 30, 2003, and 2002. The following charts show the number of processed cession notices by class and transaction code for the same period of time.



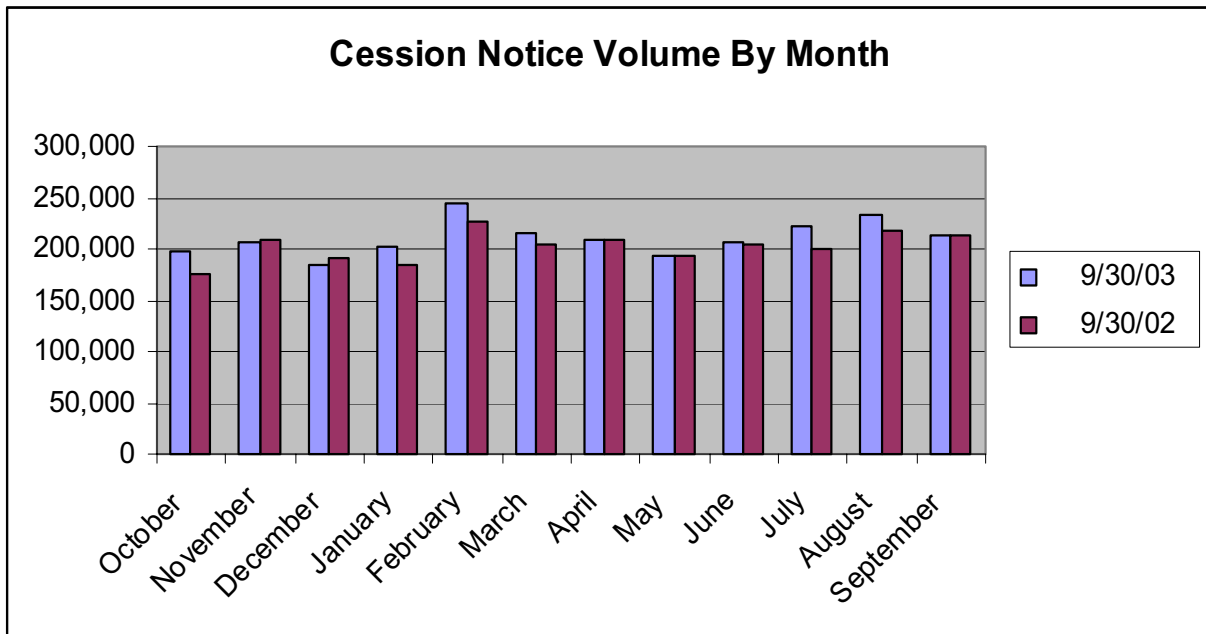
CESSION NOTICES* PROCESSED MONTHLY

<u>Month</u>	<u>Fiscal Year Ended 9/30/03</u>	<u>Fiscal Year Ended 9/30/02</u>
October	198,802	175,492
November	205,896	208,019
December	183,621	192,178
January	202,069	184,508
February	244,896	226,368
March	214,969	205,335
April	208,189	208,505
May	194,274	194,238
June	206,930	205,315
July	223,237	200,854
August	232,902	218,267
September	<u>212,623</u>	<u>214,219</u>
Total	<u>2,528,408</u>	<u>2,433,298</u>

Percentage Change Over Prior Year

3.9%

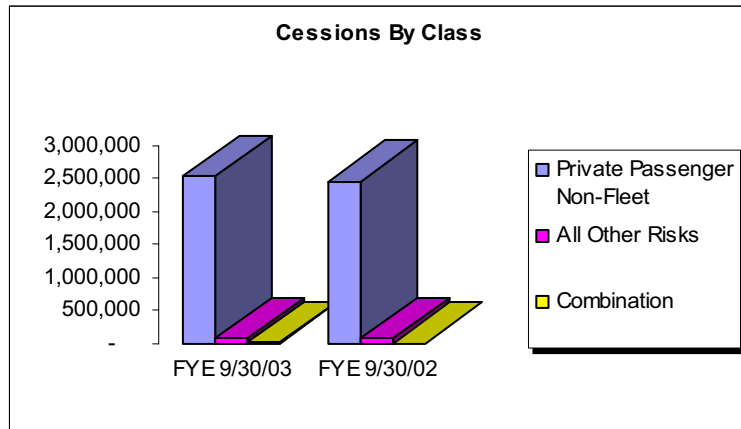
* Excluding Transaction Code 4 -- Policy or Renewal Not Taken.



NORTH CAROLINA REINSURANCE FACILITY

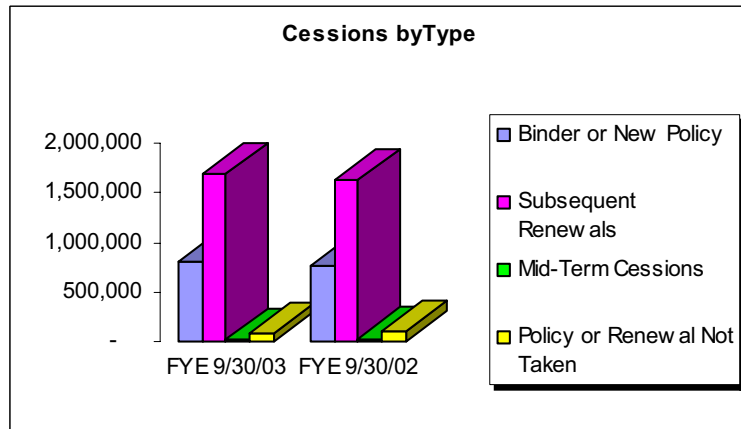
Cessions By Class

	FYE 9/30/03	FYE 9/30/02
Private Passenger Non-Fleet	2,528,650	2,456,597
All Other Risks	78,674	75,573
Combination	13,233	4,878
Total	2,620,557	2,537,048



Cessions By Type

	FYE 9/30/03	FYE 9/30/02
Binder or New Policy	803,320	766,883
Subsequent Renewals	1,695,011	1,630,251
Mid-Term Cessions	30,077	36,164
Policy or Renewal Not Taken	92,149	102,755
Total	2,620,557	2,536,053



COMPLIANCE ACTIVITY

The Facility Staff continued its audit activities, under the general direction of the Audit Committee, in the following principal areas:

- (1) Reports on the activities of designated agents required by Section 6 of the Standard Practice Manual were carefully reviewed. Any problem areas noted were followed up with member companies to insure that corrective action was taken.
- (2) Continued emphasis was placed on checking the accuracy of Recoupment surcharge totals reported by member companies and verifying that Recoupment surcharges on both ceded and non-ceded policies were properly applied.
- (3) In connection with the annual audit of the Facility financial statements by independent auditors, the Staff provided assistance wherever possible, including review of documentation and evaluation of controls at member companies.
- (4) Audits were conducted of each designated carrier's claims and processing activities in connection with designated business.
- (5) A sample review of ceded policy files and claim files was conducted to assure that transactions reported to the Facility were supported by proper documentation and that the Facility Rules of Operation were being followed.
- (6) In connection with the rating of "all other" risks ceded to the Facility, which qualified for experience rating, the Staff provided assistance in obtaining the necessary experience rating data and in the calculation of experience modifications. Staff conducted several training sessions for member company personnel at the Facility Office and at member company office.
- (7) To decrease the processing time of requests from member companies for the Facility to compute experience modification for commercial risks the staff recommended to the Board of Governors that a \$100.00 per day fine be implemented. This was approved by the Board and implemented with a July 15, 2003 effective date.
- (8) A special survey of the 118 public school systems of North Carolina was conducted. The purpose of the survey was to determine the Facility's liability since the North Carolina Utilities Commission designated the authority to individual school boards to set the limits of liability for contracted transportation providers.
- (9) A review of the Social Service classification in the NCRF Commercial Automobile Manual was reviewed and it was determined that this was a classification that was not available in the voluntary market. Based on the information provided and the recommendation of staff, the Board of Governors voted to eliminate this classification. The North Carolina Rate Bureau will make the filing with the Department of Insurance on behalf of the NC Reinsurance Facility.

The Staff continues to review monthly reports and correspondence on a day-to-day basis for any indication for non-compliance with the Rules of Operation. Any discrepancies are noted and followed up with member companies to insure that corrective action is taken.



CLAIMS ACTIVITY

During the fiscal year ended September 30, 2003 the Claims Staff, with general guidance from the Claims Committee, reviewed 979 claim files involving 2,184 claim features ceded to the Facility from 53 ceding member companies. Each of the files reviewed was evaluated as provided in the NCRF Claim Quality Review Program as to promptness of contact, application of coverage, promptness and adequacy of investigation, verification of damages, recognition of recovery potential, adequacy of reporting to file, adequacy of supervision, correctness of analysis and evaluation, and negotiation and settlement performance. Analysis of these audit activities indicated that ceding member companies were generally in compliance with established claim adjustment practices and procedures in handling claims on ceded risks as required by the Rules of Operation of the Facility. Any areas of claim performance considered sub-standard were brought to the attention of the ceding company. No intentional deviation from the Rules of Operation was noted.

In addition to quality of claim work, each claim file was reviewed to ascertain that loss transactions reported to the Facility were eligible for cession, accurate and supported by proper documentation. Correction of any dollar accounting errors were required to be made immediately, and any systematic deviations or questionable trends noted as a result of these audits were brought to the carriers' attention for remedial action and to the attention of the appropriate Facility Advisory Committee for review.

Special claim audits were conducted in the following areas: (1) bodily injury and property damage claims in excess of minimum limits, (2) claim and policy file review to verify eligibility of bodily injury and property damage losses reported with accident dates within the first 30 days of the policy term, (3) claim file review to determine if claim adjustment expense payments were miscoded as loss payments or included in claim payments, (4) claim file review to determine if proper effort was being made concerning salvage and subrogation recovery and credit therefore to the Facility, (5) statistical analysis of pending claims versus pending suits on ceded business from all ceding member companies, (6) review and analysis of monthly losses paid reports and quarterly losses outstanding reports from all ceding member companies, and (7) policy and claim file review to verify claims reported under uninsured motorist property damage did not have collision coverage available. Any problem areas or discrepancies noted as a result of these audits were brought also to the carriers' attention for corrective action.

In addition to the above claim audits, the Facility Staff was directed by the Board of Governors to conduct audits of each designated carrier's claims and processing activities in connection with designated agent business. The companies audited were Integon General Insurance Corporation and Atlantic Casualty Insurance Company. The audits were conducted in March 2003. Analysis of these audits indicated that claims handling by the designated carriers was generally satisfactory and in compliance with established claim adjustment standards. No intentional or systematic deviation from established claim adjustment practices and procedures or from the Rules of Operation was noted.

Information and assistance was provided, whenever requested during the year, to member company personnel in connection with Facility claim matters and accounting procedures respecting claims.

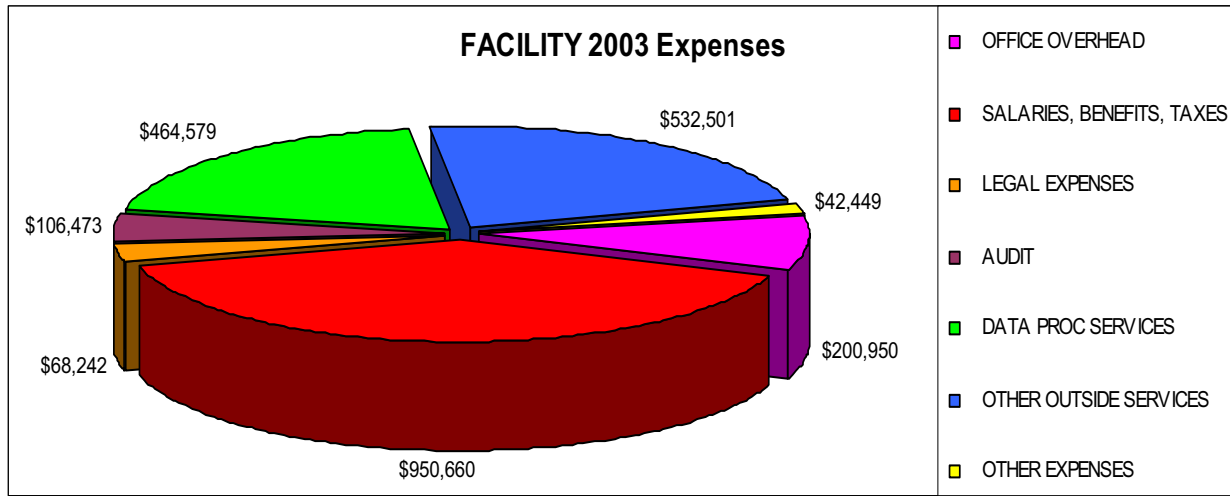


OPERATING EXPENSES

The following is a comparison of operating expenses for the last two fiscal years:

NC REINSURANCE FACILITY

	2003 EXPENSES	2002 EXPENSES
EXPENSES		
SALARIES & ADMINISTRATION	\$701,621	\$621,478
PAYROLL TAXES	44,018	47,385
RENT and ALTERATIONS	63,970	72,338
SOFTWARE & SYSTEMS	18,695	1,250
POSTAGE	11,375	12,128
PRINTING & SUPPLIES	12,821	13,239
FURNITURE & EQUIPMENT	99,100	28,049
TELEPHONE	13,682	14,343
EMPLOYEE BENEFITS	205,021	184,639
LEGAL EXPENSES	68,242	46,387
AUDIT	106,473	102,564
DATA PROCESSING SERVICES	445,884	307,410
OTHER OUTSIDE SERVICES	532,501	507,417
OTHER EXPENSES	42,449	40,159
OPERATING EXPENSES	\$2,365,854	\$1,998,787



RATES, FORMS AND RULES CHANGES

RATE REVISIONS

1) 2001 Private Passenger Automobile Insurance Rate Filing

On May 1, 2001, the Rate Bureau filed with the Commissioner of Insurance revised rates for private passenger automobiles and motorcycles. The filing proposed an overall rate level increase of 10.7% for private passenger automobiles and a decrease of 2.4% for motorcycles. The Rate Bureau's filing included liability insurance rates applicable to "clean risks" ceded to the Reinsurance Facility, as defined in G. S. 58-37-35(1), liability insurance rates applicable to motorcycles ceded to the Reinsurance Facility and uninsured/underinsured motorist coverage rates for use in connection with the non-fleet private passenger automobiles and motorcycles ceded to the Reinsurance Facility. It was proposed to become effective October 1, 2001.

On June 13, 2001, the Commissioner of Insurance issued a Notice of Public Hearing in connection with this filing and scheduled a public hearing to convene on September 9, 2001.

For various reasons, the public hearing was postponed and convened on September 25, 2001. Following the conclusion of the public hearing on October 31, 2001, the Commissioner of Insurance on December 12, 2001, entered an Order disapproving the Rate Bureau's filed rates and ordering overall rate level changes of -13.0% for non-fleet private passenger automobiles and -15.9% for motorcycles effective April 1, 2002.

During a meeting held on January 3, 2002, the Governing Committee of the Rate Bureau voted (1) to appeal to the North Carolina Court of Appeals those provisions included in the Commissioner's Order dealing with the disapproval of non-fleet private passenger automobile and motorcycle insurance rates filed by the Rate Bureau; (2) to proceed with implementation of rate level changes that result in an overall rate level change of +5.0% for non-fleet private passenger automobiles; and (3) to implement a rate level change of -4.9% for motorcycle liability coverage.

On June 10, 2003, oral arguments were made before the North Carolina Court of Appeals. The matter remained pending before the Court of Appeals at the close of the period covered by this Report.

2) 2002 Private Passenger Automobile Rate Filing

On February 1, 2002, the Rate Bureau filed with the Commissioner of Insurance revised rates for private passenger automobiles and motorcycles. The filing proposed an overall rate level increase of 5.9% for private passenger automobile liability and physical damage and an increase of 3.5% for motorcycles. The Rate Bureau's filing included liability insurance rates applicable to "clean risks" ceded to the Reinsurance Facility, as defined in G. S. 58-37-35(1), liability insurance rates applicable to motorcycles ceded to the Reinsurance Facility and uninsured/underinsured motorist coverage rates for use in connection with non-fleet private passenger automobiles and motorcycles ceded to the Reinsurance Facility. The filing also proposed changes in the uninsured and uninsured/underinsured motorist rates, increased limits factors and classification and sub-classification factors. It was proposed to become effective October 1, 2001.

On March 14, 2002, the Commissioner of Insurance issued a Notice of Public Hearing in connection with this filing and the public hearing convened on July 15, 2002. The Public Hearing ended on August 28, 2002.



On October 29, 2002 the Governing Committee of the Rate Bureau voted (1) to appeal to the North Carolina Court of Appeals those provisions included in the Commissioner's Order dealing with the disapproval of non-fleet private passenger automobile and motorcycle insurance rates filed by the Rate Bureau; (2) to proceed with implementation of rate level changes that result in an overall rate level change of +5.9% for non-fleet private passenger automobiles; and (3) that the implemented rates become effective January 27, 2003.

The matter remained pending before the Court of Appeals at the close of the period covered by this Report.

3) 2003 Private Passenger Automobile Insurance Rate Filing for "Other Than Clean Risks"

On July 11, 2003, the Reinsurance Facility filed with the Commissioner of Insurance base rate changes for bodily injury and property damage liability and medical payments insurance for non-fleet private passenger automobiles ceded to the Reinsurance Facility. The filed rates applied only to risks other than "clean risks" as defined in G.S. 58-37-35(1). These rate level changes resulted in an overall average rate level increase of -7.0%. These changes will become effective with respect to policies effective on or after October 1, 2003.

FILING ACTIVITIES

The following automobile insurance filings submitted by the Reinsurance Facility were approved or deemed approved by the Commissioner of Insurance during the year ended September 30, 2003:

<u>Filing Date</u>	<u>Subject</u>
December 17, 2002	Editorial Amendments to the Commercial Automobile Manual
December 17, 2002	Removal of Eligibility of Auto Service Classifications from Garage Policy Program - Rules
January 13, 2003	Commercial Auto Forms and Rules Filing (Terrorism Act)
March 27, 2003	Revised Commercial Auto Policy Language



OTHER FACILITY ACTIVITY

Changes and other activity during the report period:

FACILITY MANUAL AMENDMENTS

Section 3 of the North Carolina Reinsurance Facility Standard Practice Manual was amended to modify the Form NCRF-30 to coincide with Federal regulation language changes. Section 4 of the Manual was amended to include or amend language to clarify the monthly detail reporting procedures and acceptable transaction dates; and (2) to reflect the implementation of a new "clean risks" recoupment surcharge effective July 1, 2003.

Sections 3 and 4 were amended (1) to reflect a change to provide for a more appropriate allocation of miscellaneous income and expense between Non-Fleet Private Passenger and All Other business in the Members Participation report; and (2) to provide for a penalty to be billed for late requested Experience Rating Data. Section 6 was amended to change the due date for audits of the Designated Carriers and Agents.

COMPANY EXEMPTIONS

Under the provisions of G.S. 58-37-55, the Board of Governors may exempt a company from selling and servicing a particular category of business if the company is not qualified to service the business. During the period covered by this Report there were no new requests for exemption.

Since inception of the Facility, the Board has approved five exemption requests. The two approved exemptions, which remained in effect on September 30, 2003, were for American Reinsurance Company to write only excess insurance and for Midwest Mutual Insurance Company to insure only motorcycles and certain types of four-wheel all terrain vehicles.

APPEALS

G.S. 58-37-65 and Article XV of the Plan of Operation provide for appeals to the Board of Governors by an affected insured, agent or company member of the Facility on any alleged improper ruling of the Facility.

At the close of last fiscal year, an appeal by Atlantic Casualty Insurance Company remained pending at the request of the company due to an unresolved bodily injury claim. Following the settlement of that final claim, Atlantic Casualty resumed its petition seeking reimbursement of payments in excess of the ceded policy limits and for payments associated with defending or paying bad faith claims arising out of the handling of claims involving a ceded policy.

The Claims Committee met on September 26, 2002 to review the file and develop a report of their findings. The Board met on a number of occasions to consider the details of this case. This matter was concluded September 17, 2003 with the Company.



On April 2, 2003, the Board denied a request by the Raleigh-Durham Airport Authority to adopt procedures under which the Authority could be insured as an additional insured on policies ceded to the Facility covering taxicabs operating out of the Raleigh-Durham Airport. An appeal of the Board's decision to the Commissioner of Insurance was submitted and then subsequently withdrawn by the Authority.

LEGISLATION

The North Carolina General Assembly met in 2003 and enacted legislation that affected automobile insurance coverages subject to the Rate Bureau's jurisdiction as follows:

- | | |
|---------|---|
| HB 1023 | Amended the underinsured motorist coverage provisions to provide for "stacking" between auto liability policies. It also amended the definition of underinsured motor vehicle. This change becomes effective January 1, 2004. |
| HB 358 | Amended the threshold for charging "points" for at-fault accidents. The two "point" threshold changed from \$1,500 to \$1,800 and the three "point" threshold changed from \$2,500 to \$3,000. |

DESIGNATED AGENT PROGRAM

The annual volume of business in the designated agent program has fallen to approximately \$2.6 million, as market availability is generally not a problem. There were 22 designated agents and three designated carriers at the beginning of the fiscal year. No agent applications for designated carrier assignment were received from the Department of Insurance during the year. One agent was eliminated from the program during the year through termination of appointment by the agent. . There were 21 designated agents assigned to two designated carriers as of September 30, 2003. There were no agent applications pending assignment on that date.

One of the designated carriers, Unisun Insurance Company, completed withdrawal from the program this year. All agents assigned to Unisun were reassigned to one of the two remaining carriers.

With respect to the Facility's annual review of designated business, the Board of Governors directed that the Task force on NCRF Expense Allowances review the designated carriers' expense indications for ceding and claims expense allowances for designated business. The Board reviewed the procedures and findings of the audits of designated carriers. The Task Force on NCRF Expense Allowances met on September 15 and 22, 2003.

The Board of Governors, upon the recommendations of the Task Force on NCRF Expense Allowances, established designated carrier expense allowances for the fiscal year beginning October 1, 2003. The Board of Governors accepted the Report of Audit of Designated Carriers prepared by Facility Staff and reviewed the eligibility status of each designated carrier. The Board determined that Atlantic Casualty Insurance Company and Integon General Insurance Corporation were eligible to be appointed to serve as designated carriers for the Facility.



Subsequently, the Facility executed new contracts with two companies to serve as designated carriers to become effective October 1, 2003.

CONCLUSION

We have completed another year of change, both on the outside and the inside during this, our thirtieth anniversary year. This organization has matured over the years, and we just had a facelift. Our facilities have been completely remodeled and workstations modified to ensure that our staff has a safe, efficient and pleasant environment in which to work.

Some of our processes have changed to improve the way we perform our duties to both take advantage of available technology and simplify the efforts required from the member companies who interact with us. Remember, the Facility started with punch cards and magnetic tapes before anyone could even fantasize about the internet. The staff here has not only survived but blossomed in response to the changes and made significant contributions in shaping the way we do business in the future. The HR department has made great strides in updating our policies and benefits. Our Compliance efforts have increased so dramatically we have had to add additional auditors; and many Facility staff members are participating in the CPCU program sponsored and hosted by this office.

The NCRF is grateful for the increased participation and enthusiasm we have received from our committees and Board members, who have supported and guided our efforts towards increasing our transparency, governance and oversight. As one of the largest reinsurers of Private Passenger Auto Liability in the world, we take these responsibilities very seriously and will continue to strive toward excellence through training and communication.

It's been a good year, and thank you to all who contributed to it.

Respectfully Submitted,

Raymond F. Evans, Jr., CPCU

General Manager

RFE:etd

Enclosures



APPENDIX



**NORTH CAROLINA AUTOMOBILE LIABILITY INSURANCE
WRITTEN PREMIUMS BY CALENDAR YEAR**

(Thousands of Dollars)

(1) Calendar <u>Year</u>	(2) Total N.C. Direct <u>Written Premium</u>	(3) NCRF Ceded <u>Written Premium</u>	(4) <u>(3)÷(2)</u>
1975	\$320,161	\$ 74,053	.231
1976	340,110	89,147	.262
1977	362,035	99,642	.275
1978	398,550	118,227	.297
1979	443,581	133,645	.301
1980	488,983	141,754	.290
1981	515,649	140,465	.272
1982	544,376	150,129	.276
1983	593,253	152,077	.256
1984	634,560	155,434	.245
1985	758,232	186,310	.246
1986	951,085	239,900	.252
1987	1,067,169	287,809	.270
1988	1,258,719	341,431	.271
1989	1,421,243	386,390	.272
1990	1,547,832	414,208	.268
1991	1,671,347	438,631	.262
1992	1,771,361	466,693	.263
1993	1,843,534	473,768	.257
1994	1,944,289	510,487	.263
1995	2,144,433	557,126	.260
1996	2,200,938	577,528	.262
1997	2,253,254	616,497	.274
1998	2,329,153	619,752	.266
1999	2,313,278	584,055	.252
2000	2,249,850	570,561*	.254
2001	2,431,964	594,902	.245
2002	2,571,791	634,106	.247

*Excludes premium refunds totaling \$54.3 million.



NCRF RECOUPMENTS AND ALLOCATIONS

<u>Type</u>	<u>Applicable to Policies Effective</u>	<u>Which Policies?</u>	<u>Percent Surcharge</u>	<u>Recovered Thru 7/31/03 (Thousands)</u>
Φ Clean Risk Recoupment	3/1/80- 2/28/81	All Subj. to SDIP	1.1%	4,549
φ Clean Risk Recoupment	3/1/81- 9/30/81	All Subj. to SDIP	1.4%	3,147
φ Clean Risk Recoupment	10/1/81- 3/31/82	All Pointed SDIP	1.8% *	1,511
φ Clean Risk Recoupment	4/1/82- 3/31/83	All Pointed SDIP	4.0% *	6,558
φ Clean Risk Recoupment	4/1/83- 3/31/84	All Pointed SDIP	4.2% *	6,975
φ Clean Risk Recoupment	4/1/84- 3/31/85	All Pointed SDIP	4.3% *	7,151
φ Clean Risk Recoupment	4/1/85- 3/31/86	All Pointed SDIP	5.7% *	10,643
φ Clean Risk Recoupment	4/1/86- 3/31/87	All Pointed SDIP	8.1% *	16,495
φ Clean Risk Recoupment	4/1/87- 3/31/88	All Pointed SDIP	8.8% *	22,028
φ Clean Risk Recoupment	4/1/88- 6/30/88	All Pointed SDIP	10.8% *	7,697
φ Clean Risk Allocation	7/1/88- 6/30/89	All PPNF	0.6% *	6,505
φ Clean Risk Recoupment	7/1/88- 6/30/89	All Pointed SDIP	8.6% *	27,573
φ Clean Risk Allocation	7/1/89- 6/30/90	All PPNF	2.8% *	32,242
φ Clean Risk Recoupment	7/1/89- 6/30/90	As Per SDIP	14.6% *	46,012
φ Clean Risk Allocation	7/1/90- 6/30/91	All PPNF	3.65% *	46,518
φ Clean Risk Recoupment	7/1/90- 6/30/91	As Per SDIP	12.60% *	43,509
φ Clean Risk Allocation	7/1/91- 6/30/92	All PPNF	3.85% *	53,835
φ Clean Risk Recoupment	7/1/91- 6/30/92	As Per SDIP	8.60% *	32,076
φ Clean Risk Allocation	7/1/92- 6/30/93	All PPNF	6.79% *	103,103
φ Clean Risk Recoupment	7/1/92- 6/30/93	As Per SDIP	10.23% *	38,778
φ Clean Risk Allocation	7/1/93- 6/30/94	All PPNF	5.68% *	88,755
φ Clean Risk Recoupment	7/1/93- 6/30/94	As Per SDIP	5.00% *	20,302
φ Clean Risk Allocation	7/1/95- 6/30/96	All PPNF	2.98% *	57,818
φ Clean Risk Allocation	7/1/96- 6/30/97	All PPNF	3.71% *	73,055
φ Clean Risk Allocation	7/1/97- 6/30/98	All PPNF	4.11% *	83,142
φ Clean Risk Recoupment	7/1/98- 6/30/99	All PPNF	3.63% *	74,728
φ Clean Risk Recoupment	7/1/99- 6/30/00	All PPNF	1.07% *	23,070
φ Clean Risk Recoupment	7/1/00- 6/30/01	All PPNF	5.15% *	107,588
† Clean Risk Recoupment	7/1/01- 6/30/02	All PPNF	7.22% *	154,088
Clean Risk Recoupment	7/1/02- 6/30/03	All PPNF	6.79% *	158,811
Clean Risk Recoupment	7/1/03- 6/30/04	All PPNF	5.05% *	12,233

φ These surcharges closed in prior years.

* Excluding agent compensation or commission.

† This surcharge closed February 28, 2003.

October 12, 2003



NORTH CAROLINA REINSURANCE FACILITY
Statement of Income - All Policy Years Combined
Fiscal Year Commencing October 1, 2002
Quarter Ending June 30, 2003

	<u>Inception to Date</u>
Underwriting Income	
Premiums Written	\$10,134,874,920.33
Unearned Premiums (Prior)	0.00
Unearned Premiums (Current)	(210,332,289.00)
Earned but Unbilled Premium (Prior)	0.00
Earned but Unbilled Premium (Current)	<u>94,890.00</u>
Premiums Earned	\$9,924,637,521.33
Clean Risk Subsidy	<u>1,359,716,232.16</u>
Total Underwriting Income	<u>\$11,284,353,753.49</u>
Underwriting Deductions	
Losses Incurred	\$8,887,999,466.67
Change in Premium Deficiency Reserve	0.00
Claims Expense Allowance	1,162,031,154.91
Ceding Expense Allowance	<u>2,504,240,017.37</u>
Total Deductions	<u>(\$12,554,270,638.95)</u>
Net Underwriting Gain (Loss)	<u>(\$1,269,916,885.46)</u>
Miscellaneous Income & Expenses	
Membership Fees	\$993,500.00
Interest Earned	766,113,821.26
Other Income	3,687,480.51
Miscellaneous Charges	8,058,291.32
Other Expenses Incurred	<u>(82,924,381.86)</u>
Total Miscellaneous Income & Expenses	<u>\$695,928,711.23</u>
Net Operating Gain (Loss)	<u>(\$573,988,174.23)</u>

MEMBERS' EQUITY ACCOUNT

Members' Equity - Beginning of Period	\$0.00
Net Operating Loss Distributed to Member Companies	77,699,060.55
Net Operating Gain (Loss)	(573,988,174.23)
Loss Recoupment/Allocation	<u>535,459,705.77</u>
Members' Equity - End of Period	<u>\$39,170,592.09</u>



NORTH CAROLINA REINSURANCE FACILITY

Comparative Statements of Income - All Policy Years Combined
Quarter Ending June 30

	Quarter Ending June 30, 2003	Quarter Ending June 30, 2002	Quarter Ending June 30, 2001	Quarter Ending June 30, 2000	Quarter Ending June 30, 1999
Underwriting Income					
Premiums Written	\$175,851,927.86	\$149,019,477.51	\$144,102,998.76	\$140,898,145.28	\$147,339,553.59
Unearned Premiums (Prior)	207,807,743.00	188,782,770.00	176,450,701.00	172,386,715.00	185,725,457.00
Unearned Premiums (Current)	(210,332,289.00)	(181,402,421.00)	(173,211,824.00)	(171,510,186.00)	(178,007,151.00)
Earned but Unbilled Premium (Prior)	(77,683.00)	(72,182.00)	(134,580.00)	0.00	0.00
Earned but Unbilled Premium (Current)	94,890.00	89,184.00	119,615.00	0.00	0.00
Premiums Earned	\$173,344,588.86	\$156,416,828.51	\$147,326,010.76	\$141,774,674.28	\$155,057,859.59
Clean Risk Subsidy	39,588,833.52	38,204,935.72	26,322,312.77	7,315,876.40	16,593,898.80
Total Underwriting Income	\$212,933,422.38	\$194,621,764.23	\$173,648,323.53	\$149,090,550.68	\$171,651,758.39
Underwriting Deductions					
Losses Incurred	\$160,774,955.34	\$119,331,144.83	\$135,639,142.26	\$104,483,961.16	\$128,928,985.58
Change in Premium Deficiency Reserve	0.00	0.00	0.00	0.00	0.00
Claims Expense Allowance	24,591,149.11	18,953,940.86	19,933,437.46	19,175,062.59	18,463,930.06
Ceding Expense Allowance	46,415,918.19	38,182,049.20	37,695,051.73	34,775,467.38	35,577,877.83
Total Deductions	(\$231,782,022.64)	(\$176,467,134.89)	(\$193,267,631.45)	(\$158,434,491.13)	(\$182,970,793.46)
Net Underwriting Gain (Loss)	(\$18,848,600.26)	\$18,154,629.34	(\$19,619,307.92)	(\$9,343,940.45)	(\$11,319,035.07)
Miscellaneous Income & Expenses					
Membership Fees	\$0.00	\$200.00	\$700.00	\$100.00	\$200.00
Interest Earned	9,295,602.87	10,156,044.10	11,821,310.32	9,963,603.99	11,141,932.46
Other Income	26,948.32	89,755.34	84,772.27	111,709.77	76,274.18
Miscellaneous Charges	112,268.99	163,743.70	204,521.29	170,098.95	86,378.92
Other Expenses Incurred	(527,838.95)	(447,728.22)	(696,854.20)	(548,258.35)	(442,397.65)
Total Miscellaneous Income & Expenses	\$8,906,981.23	\$9,962,014.92	\$11,414,449.68	\$9,697,254.36	\$10,862,387.91
Net Operating Gain (Loss)	(\$9,941,619.03)	\$28,116,644.26	(\$8,204,858.24)	\$353,313.91	(\$456,647.16)



NORTH CAROLINA REINSURANCE FACILITY

Comparative Statements of Income - All Policy Years Combined
Fiscal Year-to-Date Through June 30

	Fiscal YTD Through June 30, 2003	Fiscal YTD Through June 30, 2002	Fiscal YTD Through June 30, 2001	Fiscal YTD Through June 30, 2000	Fiscal YTD Through June 30, 1999
Underwriting Income					
Premiums Written	\$516,727,053.31	\$461,777,485.01	\$383,918,177.43	\$417,326,076.68	\$456,128,288.59
Unearned Premiums (Prior)	190,605,628.00	177,315,375.00	176,102,003.00	174,739,956.00	182,891,582.00
Unearned Premiums (Current)	(210,332,289.00)	(181,402,421.00)	(173,211,824.00)	(171,510,186.00)	(178,007,151.00)
Earned but Unbilled Premium (Prior)	(102,964.00)	(93,260.00)	0.00	0.00	0.00
Earned but Unbilled Premium (Current)	94,890.00	89,184.00	119,615.00	0.00	0.00
Premiums Earned	\$496,992,318.31	\$457,686,363.01	\$386,927,971.43	\$420,555,846.68	\$461,012,719.59
Clean Risk Subsidy	117,844,307.76	115,341,363.68	79,844,497.27	19,054,684.94	53,809,386.99
Total Underwriting Income	\$614,836,626.07	\$573,027,726.69	\$466,772,468.70	\$439,610,531.62	\$514,822,106.58
Underwriting Deductions					
Losses Incurred	\$423,803,406.73	\$383,468,003.98	\$395,735,109.54	\$354,398,675.05	\$357,319,643.83
Change in Premium Deficiency Reserve	0.00	0.00	0.00	0.00	0.00
Claims Expense Allowance	72,047,433.86	58,423,749.40	59,640,677.15	56,780,413.03	57,100,037.21
Ceding Expense Allowance	136,584,724.58	117,626,462.09	112,973,738.13	103,153,400.10	110,042,246.86
Total Deductions	(\$632,435,565.17)	(\$559,518,215.47)	(\$568,349,524.82)	(\$514,332,488.18)	(\$524,461,927.90)
Net Underwriting Gain (Loss)	(\$17,598,939.10)	\$13,509,511.22	(\$101,577,056.12)	(\$74,721,956.56)	(\$9,639,821.32)
Miscellaneous Income & Expenses					
Membership Fees	\$48,600.00	\$47,900.00	\$46,900.00	\$44,700.00	\$43,000.00
Interest Earned	29,582,039.31	27,146,821.91	33,905,851.74	30,471,819.20	35,426,798.93
Other Income	63,840.93	359,800.16	216,591.19	393,081.23	268,360.44
Miscellaneous Charges	350,520.07	514,908.95	708,993.22	404,515.71	272,663.65
Other Expenses Incurred	(1,888,765.53)	(1,641,671.12)	(23,229,003.90)	(1,516,993.54)	(1,474,518.15)
Total Miscellaneous Income & Expenses	\$28,156,234.78	\$26,427,759.90	\$11,649,332.25	\$29,797,122.60	\$34,536,304.87
Net Operating Gain (Loss)	\$10,557,295.68	\$39,937,271.12	(\$89,927,723.87)	(\$44,924,833.96)	\$24,896,483.55

