

June 14, 2017

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Motorcycle Relativities
Other Than "Clean Risks"

By Circular Letter To All Member Companies RF-17-2 dated March 31, 2017, the North Carolina Reinsurance Facility announced rate level changes for bodily injury and property damage liability and medical payments insurance for non-fleet private passenger automobiles Other Than "Clean Risks" ceded to the Reinsurance Facility. Included in that announcement were revisions to the motorcycle relativities.

On June 9, 2017, the North Carolina Rate Bureau and the North Carolina Commissioner of Insurance entered into a Settlement Agreement and Consent Order regarding the private passenger automobile rates filed by the Rate Bureau for voluntary business. The settlement included revisions to the motorcycle relativities filed by the Rate Bureau. Because the Reinsurance Facility's filing of rates for Other Than "Clean Risks" ceded to the Reinsurance Facility adopted the same motorcycle relativities that become effective for voluntary business, this settlement means it is necessary to modify the motorcycle relativities that were previously announced in the Circular Letter To All Member Companies RF-17-2 dated March 31, 2017.

In that regard, please find attached the revised motorcycle relativities for Other Than "Clean Risks" ceded to the Reinsurance Facility.

The revised motorcycle relativities will become effective October 1, 2017 in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after October 1, 2017. No policy effective prior to October 1, 2017 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 October 1, 2017.

Reprinted Personal Auto Manual pages will be distributed, in the usual fashion, as soon as possible. In the interim, notice of the revised motorcycle relativities should be sent as soon as possible to your agents to make them aware of the new rates and rules.

With respect to any rate differential for ceded business, 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 this circular is brought to the attention of all interested personnel in your company.

Sincerely,

Andy Montano

Automobile Manager

AM:ko

Attachment

RF-17-7

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 other than "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable ceded private passenger bodily injury and property damage rates. For Uninsured Motorists Coverage and Combined Uninsured/Underinsured Motorists Coverage, charge the applicable private passenger premium shown in Rule 14. Medical Payments coverage for these vehicles is not eligible for cession to the North Carolina Reinsurance Facility.

Engine Size Cubic Centimeters (cc)	Bodily Injury and Property Damage
0-499	[15%] <u>13%</u>
500-1249	[23%] <u>21%</u>
1250-1499	[33%] <u>30%</u>
1500-up	[42%] <u>39%</u>