

May 4, 2011

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Private Passenger Automobile
Insurance Rates - North Carolina

On behalf of its member companies, the North Carolina Reinsurance Facility on March 11, 2011 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. The filed rates apply only to ceded risks other than "clean risks" as defined in G.S. 58-37-35(1). The rates for "clean risks" ceded to the Reinsurance Facility and the rates for uninsured and combined uninsured/underinsured motorists coverages ceded to the Reinsurance Facility are not affected by this filing.

The Facility's filing includes average rate level changes of +4.0% for bodily injury, +3.5% for property damage, and +22.1% for medical payments coverages, averaging +4.5% over rates presently in effect. The filing also includes a rate level change of +1.6% for the motorcycle liability coverages. The revised rates are to be implemented effective October 1, 2011, in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after October 1, 2011. No policy effective prior to October 1, 2011 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, 2011.

The enclosed exhibits set forth the revised rates for ceded risks other than "clean risks" effective October 1, 2011 and the revised relativities to be used in determining motorcycle rates for such risks. A reprinted Personal Auto Manual rate page will be distributed

in the usual fashion, as soon as possible. In the meantime, notice of these changes should be sent to your Company's North Carolina agents to make them aware of the changes.

With respect to the 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.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dms

RF-11-5

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	\$181	\$214	\$253	\$300	\$181	\$183	\$186	\$23	\$31	\$37	\$54	\$78
13	275	325	385	457	211	213	217	32	43	51	75	108
14	272	321	381	452	207	209	213	34	45	54	80	115
15	293	346	410	486	203	205	209	38	51	61	89	128
16	253	299	354	420	218	220	225	33	44	53	77	112
17	274	323	384	455	211	213	217	34	45	54	80	115
18	241	284	337	400	192	194	198	29	39	46	68	98
24	225	266	315	374	170	172	175	26	35	42	61	88
25	315	372	441	523	203	205	209	32	43	51	75	108
26	321	379	449	533	187	189	193	36	48	58	84	122
31	251	296	351	417	194	196	200	33	44	53	77	112
32	234	276	328	388	180	182	185	27	36	43	63	91
33	255	301	357	423	165	167	170	30	40	48	70	101
40	311	367	435	516	244	246	251	41	55	66	96	139
41	259	306	363	430	227	229	234	33	44	53	77	112
43	241	284	337	400	180	182	185	30	40	48	70	101
47	281	332	393	466	173	175	178	31	41	50	73	105
51	231	273	323	383	211	213	217	28	37	45	66	95
52	315	372	441	523	229	231	236	42	56	67	98	142

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 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	18%
500-1249	[28%]27%
1250-1499	[39%]38%
1500-up	[50%]49%