

NORTH CAROLINA RATE BUREAU

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January 9, 2002

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Automobile and Motorcycle
Insurance Rates - North Carolina

On May 1, 2001, the Rate Bureau filed with the Commissioner of Insurance rate level changes for non-fleet private passenger automobiles and motorcycles. The Rate Bureau's filing set forth average rate level changes (1) for non-fleet private passenger automobiles of 8.9% for liability coverages and 12.6% for physical damage coverages, averaging 10.6%; and (2) for motorcycles of -4.9% for liability coverages and -0.6% for physical damage coverages, averaging -2.4%.

On September 25, 2001, the Department of Insurance convened a public hearing on the Rate Bureau's filing. Following 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 motorcycles liability coverage. Legislation (HB 726) enacted in 2001 and effective January 1, 2002 removed motorcycle physical damage insurance from the jurisdiction of the Rate Bureau, and therefore the Rate Bureau no longer will be providing rates for motorcycle physical damage insurance. Please refer to Circular Letter To All Member Companies dated November 6, 2001.

The revised rates implemented over the disapproval of the Commissioner are to be implemented in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies effective on or after April 1, 2002. No policy effective prior to April 1, 2002 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 April 1, 2002.

The enclosed exhibits set forth the new base rates, as well as the changes in rates from current levels, for liability and physical damage insurance coverages for non-fleet private passenger automobiles and liability insurance for motorcycles which the Governing Committee voted to implement over the Commissioner's disapproval. The exhibits also include changes in the increased limits factors as a result of the change in the minimum financial responsibility limits that became effective July 1, 1999 (the changes simply re-index the factors to the higher minimum limits).

The Bureau is advised as follows with respect to insurance ceded to the North Carolina Reinsurance Facility: Based on a filing previously approved by the Commissioner of Insurance, the changes in the increased limits factors described above also apply to insurance ceded to the Facility, effective April 1, 2002 in accordance with the same Rule of Application set forth above. Concurrent with the changes in the increased limits factors, the base rates for "other than clean risk" business ceded to the Facility are revised to be consistent with the revised increased limits factors. These new base rates for "other than clean risk" business ceded to the Facility are set forth in the enclosed exhibits.

Reprinted Personal Auto Manual pages will be distributed, in the usual fashion, as soon as possible. In the meantime, notice of the revised rates and rules should be sent as soon as possible to your Company's North Carolina agents to make them aware of the new rates and rules.

Following are the non-fleet private passenger automobile insurance and motorcycle statewide average rate changes over the rate levels in effect September 1, 2000 (1) as ordered by the Commissioner of Insurance; and (2) as adopted by the Governing Committee which are to be implemented by member companies:

<u>Coverages</u>	<u>Non-Fleet Private Passenger Automobile Insurance Rate Changes Ordered By the Commissioner</u>	<u>Non-Fleet Private Passenger Automobile Insurance Rate Changes Implemented By the Governing Committee</u>
Bodily Injury	-17.0%	-2.0%
Property Damage	-2.0	16.5
Medical Payments	-12.8	4.1
Uninsured Motorists	-22.9	-16.2
Underinsured Motorists	-24.0	-11.8
Total Liability	-12.1	3.5

<u>Coverages</u>	<u>Non-Fleet Private Passenger Automobile Insurance Rate Changes Ordered By the Commissioner</u>	<u>Non-Fleet Private Passenger Automobile Insurance Rate Changes Implemented By the Governing Committee</u>
Comprehensive Collision	-15.7 -13.3	7.5 6.5
Total Physical Damage	-14.1	6.8
Grand Totals	-13.0%	5.0%
Motorcycles: Liability	-15.2%	-4.9%

The implementation of such rates is authorized by G. S. 58-36-25(b), which provides as follows:

Whenever a Bureau rate is held to be unfairly discriminatory or excessive and no longer effective by order of the Commissioner issued under G.S. 58-36-20, the members of the Bureau, in accordance with rules and regulations established and adopted by the governing committee, shall have the option to continue to use such rate for the interim period pending judicial review of such order, provided each such member shall place in escrow account the purportedly unfairly discriminatory or excessive portion of the premium collected during such interim period. Upon a final determination by the Court, or upon a consent agreement or consent order between the Bureau and the Commissioner, the Commissioner shall order the escrowed funds to be distributed appropriately. If refunds are to be made to policyholders, the Commissioner shall order that the members of the Bureau refund the difference between the total premium per policy using the rate levels finally determined and the total premium per policy collected during the interim period pending judicial review, except that refund amounts that are five dollars (\$5.00) or less per policy shall not be required. The Court may also require that purportedly excess premiums resulting from an adjustment of premiums ordered pursuant to G.S. 58-36-20(b) be placed in such escrow account pending judicial review. If refunds made to policyholders are ordered under this subsection, the amounts refunded shall bear interest at the rate determined under this subsection. That rate, to be computed by the Bureau, shall be the average of the prime rates on the effective date of the filing and each anniversary of that date occurring prior to the date of the Commissioner's order requiring refunds, with the prime rate on each of the dates being the average of the prime rates of the four largest banking institutions domiciled in this State as of that date, plus three percent (3%).

As a result of the implementation of revised non-fleet private passenger automobile and motorcycle insurance rates over the disapproval of the Commissioner, in accordance with G. S. 58-36-25(b) quoted above, each individual company writing affected automobile or motorcycle insurance will

be responsible for the establishment of and accounting for an escrow account in which to maintain "the purportedly unfairly discriminatory or excessive portion of the premium collected . . ." (i. e. the difference between the -13.0% average reduction which has been ordered by the Commissioner and the +5.0% average increase for non-fleet private passenger automobile adopted by the Governing Committee and the difference between the -15.2% average reduction which has been ordered by the Commissioner for motorcycle liability insurance and the -4.9% average reduction adopted by the Governing Committee) pending judicial review.

In the event a refund becomes necessary, G.S. 58-36-25(b) quoted above provides that the Commissioner shall order escrowed funds to be distributed appropriately. Companies should consult legal counsel with respect to the mechanics of the escrow account.

As to "clean risk" business ceded to the North Carolina Reinsurance Facility which is required to be rated on the basis of Rate Bureau voluntary rates, the Bureau is advised that the Facility will establish and maintain the necessary escrow account, but it will be necessary for ceding carriers to make arrangements properly to identify in their record systems the business ceded to the Facility in such a way as to be prepared to refund "the purportedly unfairly discriminatory or excessive portion of the premium collected" so that appropriate refunds can be made if it should become necessary to do so after the case is concluded.

Also be advised that G. S. 58-36-45 provides as follows:

"Whenever an insurer changes the coverage other than at the request of the insured or changes the premium rate, it shall give the insured written notice of such coverage change or premium rate change at least 15 days in advance of the effective date of such change or changes with a copy of such notice to the agent. This section shall apply to all policies and coverages subject to the provisions of this Article. . . ."

In the past, some insurers have given notice of premium rate changes by providing to an insured and agent, at least 15 days in advance of the effective date, a renewal policy, renewal certificate, billing or endorsement showing revised rates, together with a written notice substantially as follows:

NOTICE OF RATE CHANGE - NORTH CAROLINA

The premium for this policy reflects changes in rates applicable to North Carolina placed into effect under the provisions of Article 36, Chapter 58 of the North Carolina General Statutes.

The form of this notice has varied at the option of the insurer (printed notice, stamp, stick-on label, etc.). Companies should consult legal counsel with respect to the appropriateness of their own procedures under this statute.

It is important that each company establish procedures that will insure continued compliance with the above cited escrow and fifteen-day advance notice requirements.

Please see to it that this circular letter is brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dmp

Enclosures

A-02-01

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

VOLUNTARY LIABILITY - BASE RATES

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
11	\$102	\$146	\$10
13	159	175	16
14	142	173	14
15	166	173	16
16	140	184	14
17	169	177	17
18	122	152	12
24	126	142	12
25	149	167	15
26	183	147	18
31	166	162	16
32	130	151	13
33	154	134	15
40	188	175	19
41	168	167	17
43	150	134	15
47	153	143	15
51	131	162	13
52	166	189	16

NORTH CAROLINA
PRIVATE PASSENGER AUTOMOBILE INSURANCE
PHYSICAL DAMAGE - BASE RATES (A)

<u>Terr Code</u>	<u>FULL COVERAGE COMPREHENSIVE</u>	<u>\$100 DEDUCTIBLE COLLISION</u>
11	\$48	\$219
13	74	244
14	59	236
15	53	233
16	64	238
17	57	229
18	56	215
24	77	234
25	56	256
26	96	246
31	75	223
32	64	222
33	102	225
40	70	256
41	75	298
43	63	205
47	72	225
51	57	224
52	56	245

(A) MODEL YEAR 2002, SYMBOL 2

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CEDED LIABILITY - BASE RATES

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
11	\$148	\$185	\$15
13	234	226	24
14	214	230	22
15	244	235	25
16	213	246	22
17	253	239	26
18	187	205	19
24	186	183	19
25	238	250	24
26	305	199	31
31	245	211	25
32	191	195	20
33	225	170	23
40	283	226	29
41	258	230	26
43	233	185	24
47	238	189	24
51	185	205	19
52	246	258	25

NORTH CAROLINA
 SYMBOL RELATIVITIES - PHYSICAL DAMAGE COVERAGES
 COMPREHENSIVE

Model Year

Symbol	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993-1990
1	0.76	0.72	0.68	0.65	0.61	0.58	0.54	0.50	0.46	0.42	0.39
2	1.05	1.00	0.95	0.90	0.85	0.80	0.75	0.69	0.64	0.59	0.54
3	1.19	1.13	1.07	1.02	0.96	0.90	0.85	0.78	0.72	0.67	0.61
4	1.31	1.25	1.19	1.13	1.06	1.00	0.94	0.86	0.80	0.74	0.68
5	1.48	1.41	1.34	1.27	1.20	1.13	1.06	0.97	0.90	0.83	0.76
6	1.67	1.59	1.51	1.43	1.35	1.27	1.19	1.10	1.02	0.94	0.86
7	1.83	1.74	1.65	1.57	1.48	1.39	1.31	1.20	1.11	1.03	0.94
8	1.98	1.89	1.80	1.70	1.61	1.51	1.42	1.30	1.21	1.12	1.02
10	2.14	2.04	1.94	1.84	1.73	1.63	1.53	1.41	1.31	1.20	1.10
11	2.32	2.21	2.10	1.99	1.88	1.77	1.66	1.52	1.41	1.30	1.19
12	2.53	2.41	2.29	2.17	2.05	1.93	1.81	1.66	1.54	1.42	1.30
13	2.72	2.59	2.46	2.33	2.20	2.07	1.94	1.79	1.66	1.53	1.40
14	2.94	2.80	2.66	2.52	2.38	2.24	2.10	1.93	1.79	1.65	1.51
15	3.23	3.08	2.93	2.77	2.62	2.46	2.31	2.13	1.97	1.82	1.66
16	3.56	3.39	3.22	3.05	2.88	2.71	2.54	2.34	2.17	2.00	1.83
17	3.93	3.74	3.55	3.37	3.18	2.99	2.81	2.58	2.39	2.21	2.02
18	4.29	4.09	3.89	3.68	3.48	3.27	3.07	2.82	2.62	2.41	2.21
19	4.68	4.46	4.24	4.01	3.79	3.57	3.35	3.08	2.85	2.63	2.41
20	5.19	4.94	4.69	4.45	4.20	3.95	3.71	3.41	3.16	2.91	2.67
21	5.76	5.49	5.22	4.94	4.67	4.39	4.12	3.79	3.51	3.24	2.96
22	6.50	6.19	5.88	5.57	5.26	4.95	4.64	4.27	3.96	3.65	3.34
23	7.28	6.93	6.58	6.24	5.89	5.54	5.20	4.78	4.44	4.09	3.74
24	8.43	8.03	7.63	7.23	6.83	6.42	6.02	5.54	5.14	4.74	4.34
25	10.37	9.88	9.39	8.89	8.40	7.90	7.41	6.82	6.32	5.83	5.34
26	12.74	12.13	11.52	10.92	10.31	9.70	9.10	8.37	7.76	7.16	6.55

Symbol 1989 & Prior

1	0.15
2	0.17
3	0.24
4	0.29
5	0.34
6	0.44
7	0.54
8	0.64
10	0.81
11	0.98
12	1.15
13	1.35
14	1.59
15	1.92
16	2.33
17	2.80
18	3.34
19	3.99
20	4.73
21	6.55

NORTH CAROLINA
 SYMBOL RELATIVITIES - PHYSICAL DAMAGE COVERAGES
 COLLISION

Model Year

Symbol	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993-1990
1	0.92	0.88	0.84	0.79	0.75	0.70	0.63	0.58	0.53	0.48	0.43
2	1.05	1.00	0.95	0.90	0.85	0.79	0.72	0.66	0.60	0.54	0.49
3	1.22	1.16	1.10	1.04	0.99	0.92	0.84	0.77	0.70	0.63	0.57
4	1.32	1.26	1.20	1.13	1.07	1.00	0.91	0.83	0.76	0.68	0.62
5	1.41	1.34	1.27	1.21	1.14	1.06	0.96	0.88	0.80	0.72	0.66
6	1.48	1.41	1.34	1.27	1.20	1.11	1.02	0.93	0.85	0.76	0.69
7	1.54	1.47	1.40	1.32	1.25	1.16	1.06	0.97	0.88	0.79	0.72
8	1.61	1.53	1.45	1.38	1.30	1.21	1.10	1.01	0.92	0.83	0.75
10	1.71	1.63	1.55	1.47	1.39	1.29	1.17	1.08	0.98	0.88	0.80
11	1.80	1.71	1.62	1.54	1.45	1.35	1.23	1.13	1.03	0.92	0.84
12	1.85	1.76	1.67	1.58	1.50	1.39	1.27	1.16	1.06	0.95	0.86
13	1.92	1.83	1.74	1.65	1.56	1.45	1.32	1.21	1.10	0.99	0.90
14	2.05	1.95	1.85	1.76	1.66	1.54	1.40	1.29	1.17	1.05	0.96
15	2.15	2.05	1.95	1.85	1.74	1.62	1.48	1.35	1.23	1.11	1.00
16	2.24	2.13	2.02	1.92	1.81	1.68	1.53	1.41	1.28	1.15	1.04
17	2.32	2.21	2.10	1.99	1.88	1.75	1.59	1.46	1.33	1.19	1.08
18	2.45	2.33	2.21	2.10	1.98	1.84	1.68	1.54	1.40	1.26	1.14
19	2.55	2.43	2.31	2.19	2.07	1.92	1.75	1.60	1.46	1.31	1.19
20	2.64	2.51	2.38	2.26	2.13	1.98	1.81	1.66	1.51	1.36	1.23
21	2.74	2.61	2.48	2.35	2.22	2.06	1.88	1.72	1.57	1.41	1.28
22	2.89	2.75	2.61	2.48	2.34	2.17	1.98	1.82	1.65	1.49	1.35
23	3.00	2.86	2.72	2.57	2.43	2.26	2.06	1.89	1.72	1.54	1.40
24	3.14	2.99	2.84	2.69	2.54	2.36	2.15	1.97	1.79	1.61	1.47
25	3.39	3.23	3.07	2.91	2.75	2.55	2.33	2.13	1.94	1.74	1.58
26	3.68	3.50	3.33	3.15	2.98	2.77	2.52	2.31	2.10	1.89	1.72

Symbol	1989 & Prior
1	0.21
2	0.25
3	0.31
4	0.35
5	0.41
6	0.45
7	0.49
8	0.59
10	0.68
11	0.74
12	0.82
13	0.88
14	0.98
15	1.06
16	1.17
17	1.24
18	1.35
19	1.43
20	1.51
21	1.72

14. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage ONLY

1. a. Basic Limits

Basic Limits of Uninsured Motorists Coverage are \$30,000/60,000 Bodily Injury and \$25,000 Property Damage. Property Damage Uninsured Motorists Coverage is subject to an exclusion of the first \$100 of damage.

Rate - Single Car Policy	\$[21]	<u>18</u>
Multi-Car Policy	\$[50]	<u>43</u>

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

1. b. Increased Limits

Increased limits of Uninsured Motorists coverage may be afforded. Property Damage limits may not exceed the Property Damage limit afforded by the policy.

Uninsured Motorists Coverage is available at the following limits with rates per policy shown:

	B.I. Limits		P.D. Limits		
	Single Car Policy	Multi-Car Policy	Single Car Policy	Multi-Car Policy	
\$ 30/60	\$ [19]	<u>16</u>	\$ [45]	<u>38</u>	\$ 25 \$ 2 \$ 5
50/100	[21]	<u>17</u>	[50]	<u>40</u>	50 3 7
100/200	[23]	<u>19</u>	[54]	<u>45</u>	100 4 9
100/300	[24]	<u>20</u>	[57]	<u>47</u>	250 6 14
300/300	[26]	<u>21</u>	[61]	<u>50</u>	500 8 19
250/500	[27]	<u>22</u>	[64]	<u>52</u>	750 10 24
500/500	[30]	<u>24</u>	[71]	<u>57</u>	1,000 11 26
500/1,000	[31]	<u>25</u>	[73]	<u>59</u>	
1,000/1,000	[32]	<u>26</u>	[76]	<u>61</u>	

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES (Cont'd)

B.1. Combined Uninsured/Underinsured Motorists Coverage

1. b. Rates

Combined Uninsured/Underinsured Motorists coverage is available at the following limits with rates per policy shown:

	B.I. Limits				P.D. Limits		
		Single Car Policy		Multi-Car Policy		Single Car Policy	Multi-Car Policy
\$ 50/100	\$ [25]	<u>20</u>	\$ [59]	<u>47</u>	\$ 25	\$ 2	\$ 5
100/200	[38]	<u>33</u>	[89]	<u>78</u>	50	3	7
100/300	[45]	<u>39</u>	[107]	<u>92</u>	100	4	9
300/300	[58]	<u>49</u>	[137]	<u>116</u>	250	6	14
250/500	[68]	<u>58</u>	[161]	<u>137</u>	500	8	19
500/500	[91]	<u>79</u>	[215]	<u>187</u>	750	10	24
500/1,000	[103]	<u>91</u>	[243]	<u>215</u>	1,000	11	26
1,000/1,000	[114]	<u>102</u>	[270]	<u>240</u>			

19. MISCELLANEOUS TYPES (Cont'd)

- B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes.

LIABILITY COVERAGES ONLY

1. Such vehicles with engine size of 324 cubic centimeters or less shall be rated at [23%] 21% of the applicable private passenger rate. (Class Code - Motorcycles 951000; Others 960000)
2. Such vehicles with engine size of 325 cubic centimeters or more shall be rated at [43%] 39% of the applicable private passenger rate. (Class Code - Motorcycles 952000; Others 961000)

Memorandum - North Carolina Personal Auto Manual
Matter underlined is new; matter in brackets [] is deleted.

18. INCREASED LIMITS

B. [25/50] 30/60 Split Limit Bodily Injury Liability Increased Limits Table

Applicable to [25/50] 30/60 Split Limit Bodily Injury Liability Rates Only:

Total Limits	Factor
\$ [25/50]	[1.00]
30/60	[1.04] <u>1.00</u>
50/100	[1.16] <u>1.12</u>
100/100	[1.23] <u>1.18</u>
100/200	[1.28] <u>1.23</u>
100/300	[1.33] <u>1.28</u>
300/300	[1.36] <u>1.31</u>
250/500	[1.44] <u>1.38</u>
500/1,000	[1.63] <u>1.57</u>
1,000/1,000	[1.69] <u>1.63</u>
1,000/2,000	[1.80] <u>1.73</u>

C. [\$15,000] \$25,000 Property Damage Liability Increased Limits Table

Applicable to [\$15,000] \$25,000 Property Damage Liability Rates Only:

Total Limits	Factor
\$ [15,000]	[1.00]
25,000	[1.02] <u>1.00</u>
35,000	[1.03] <u>1.01</u>
50,000	[1.04] <u>1.02</u>
100,000	[1.06] <u>1.04</u>
250,000	[1.09] <u>1.07</u>
500,000	[1.15] <u>1.13</u>
750,000	[1.19] <u>1.17</u>
1,000,000	[1.24] <u>1.22</u>

(Remainder of rule is unchanged.)