



September 2, 2003

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance
2003 Residual Market Rate Filing

On August 29, 2003 a filing was submitted to the North Carolina Commissioner of Insurance proposing residual market workers compensation insurance rates, rating values and miscellaneous values to become effective April 1, 2004.

The filing proposes an average increase of 19.5% in the overall premium level of the workers compensation insurance residual market in North Carolina. This change is comprised of an 8.2% increase in loss costs and a 10.4% increase in the loss cost multiplier.

By industry group, the changes are: Manufacturing, 19.6%; Contracting, 15.4% increase; Office & Clerical 21.3% increase; Goods & Services, 20.9% increase; and Miscellaneous 23.8% increase. Within each industry group the change will vary from the average by classification depending upon the volume and character of the particular classification experience.

The filing proposes no change in the \$210 expense constant or the \$850 maximum minimum premium.

There is an overall premium level increase of 36.0% proposed for the residual market rates for classifications which contemplate exposure under the United States Longshore and Harbor Workers' Compensation Act ("F" classifications).

Residual market rates and rating values were filed to become effective April 1, 2004, applicable to policies as of the first normal anniversary rating date which is on or after April 1, 2004.

Sincerely,

Raymond F. Evans, Jr., CPCU

General Manager

RFE:dg

C-03-5