

September 5, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance  
2006 Loss Costs Filing

On September 1, 2006 a filing was submitted to the North Carolina Commissioner of Insurance proposing workers compensation insurance prospective advisory loss costs, rating values and miscellaneous values to become effective April 1, 2007, applicable to new and renewal policies.

The filing proposes an average change of 12.4% from the loss costs approved effective April 1, 2006. By industry group, the changes are: Manufacturing, 13.1% increase; Contracting, 9.6% increase; Office & Clerical, 14.4% increase; Goods & Services, 12.7% increase; and Miscellaneous, 14.2% 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.

There is an average pure premium level decrease of 5.9% proposed for classifications that contemplate exposure under the United States Longshore and Harbor Workers' Compensation Act ("F" classifications).

The prospective loss costs are based on historical data that have been developed and trended to their ultimate values and, except for loss adjustment expenses that are specifically authorized to be included in the loss costs by statute, include no provisions for expenses, dividends, profit or contingencies.

Subsequent to the approval of the loss costs reference filing, a copy of the approved filing will be provided to each of our member companies.

Sincerely,

Sue Taylor

Director of Workers Compensation

ST:dg

C-06-19