

September 5, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance
2006 Residual Market Rate Filing

On September 1, 2006 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, 2007.

The filing proposes an average increase of 9.8% in the overall premium level of the workers compensation insurance residual market in North Carolina. This change is comprised of a 12.4% increase in loss costs and a decrease of 2.3% in the loss cost multiplier.

By industry group, the changes are: Manufacturing, 10.5% increase; Contracting, 7.1% increase; Office & Clerical, 11.8% increase; Goods & Services, 10.1% increase; and Miscellaneous, 11.6% 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 a change in the \$210 expense constant to \$250. There is no change proposed for the \$850 maximum minimum premium.

There is an overall premium level decrease of 8.1% 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, 2007, applicable to policies as of the first normal anniversary rating date which is on or after April 1, 2007.

Sincerely,

Sue Taylor

Director of Workers Compensation

ST:dg

C-06-20