

November 21, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Residual Market Rate Filing

As previously announced, a September 1, 2006 filing was submitted to the North Carolina Commissioner of Insurance that proposed revised workers compensation insurance residual market rates, rating values and miscellaneous values.

The filing proposed an average rate level change of 9.7% from rates effective April 1, 2006. As a result of a change discussed with the Department of Insurance in one of the component calculations, the filed rate level change would have become 8.5%. As a result of negotiations with the North Carolina Commissioner of Insurance, a Settlement Agreement and Consent Order was signed and entered which approves a rate level change of 7.6% relative to the rates currently in effect. By industry group, the approved changes are: Manufacturing, 8.3% increase; Contracting, 5.0% increase; Office and Clerical, 9.6% increase; Goods and Services, 8.0% increase; and Miscellaneous, 9.4% 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.

An increase in the expense constant from \$210 to \$250 was included in the filing. The filing proposed no change in the \$850 maximum minimum premium.

The enclosed exhibits set forth the rates, rating values and miscellaneous values that have been approved for the workers compensation insurance residual market effective April 1, 2007.

The approved residual market rates and rating values are available as a Microsoft Excel spreadsheet and an Adobe Acrobat PDF file on our web site at www.ncrb.org.

Sincerely,

Sue M. Taylor

Director of Workers Compensation

SMT:dg

C-06-28