



February 13, 2008

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: ASSIGNED RISK TAKE-OUT CREDIT PROGRAM – CALENDAR YEAR 2007

Dear Carriers:

North Carolina's Assigned Risk Take-Out Credit Program is designed to encourage insurers to depopulate the residual market. This is accomplished by providing a "credit" to insurers for premium moved from the residual market to the voluntary market. These "credits" are applied to the voluntary premium that is used as the basis for calculating the insurers Pool participation base.

To receive consideration for credits under the Take-Out Credit Program for calendar year 2007 you must notify the North Carolina Rate Bureau of your intent to participate in the program no later than **February 29, 2008**. Your intent to participate should be sent to the attention of Betty G. Hurst at bgh@ncrb.org.

Along with your notice of intent to participate please include the following information:

- Carrier Name
- NCCI Carrier Code
- Take Out Credit contact name
- Take Out Credit contact e-mail address
- Take Out Credit contact phone number and fax number
- Take Out Credit contact mailing address

Upon notification of your intent to participate the following events will occur:

1. We will query our database for policies that may be eligible for Take-Out Credit for calendar year 2007.
2. During the week of **March 31, 2008**, you will be provided with a Take-Out Credit Report showing all policies that appear in our database as eligible for Take-Out Credit for calendar year 2007.
3. You must review this report for accuracy. You may indicate any corrections or additions at the bottom of the report.
4. After your review you must email the report along with all corrections and additions to Betty G. Hurst at bgh@ncrb.org no later than **April 18, 2008**.
5. We will review all report revisions and contact you if we have any questions.
6. On **May 1, 2008** we will begin emailing final reports to all participating carriers showing the total of all credits that will be applied for calendar year 2007.

For your convenience a copy of the North Carolina Take Out Credit Program rules has been attached. If you have questions concerning the North Carolina Assigned Risk Take Out Credit Program please contact Betty G. Hurst at bgh@ncrb.org.

Sincerely,

Sue Taylor

Director, NCRB Insurance Operations

**NORTH CAROLINA WORKERS COMPENSATION INSURANCE PLAN
SUPPLEMENT**

1. Each insurer participating in the Plan which removes an employer insured through the Plan, shall be eligible for a take-out credit application against the premium used to calculate the insurer's Plan participation base.
2. An offer to take an employer out of the Plan must be made in writing to the named insured, stating the amount of the estimated annual premium, the amount of the down payment required and the amount of each installment (if available).
3. An insurer will not receive credit for any policy removed from the Plan within one (1) calendar year of that insurer of a member of that insurer's group writing the policy in the voluntary market. An insurer, other than the last voluntary insurer of record, may remove a policy without any restriction on the length of time the policy resided in the residual market. For the purposes of the program, these requirements apply to an insurer's group as well as the insurer.
4. The kind and amount of coverage to be offered such voluntary employers shall not be less than those afforded by the policy being replaced unless such kinds and amounts of coverage are refused by the employer.

Credits

1. A participant in the Plan, removing an employer from the residual market, shall be eligible for a take-out credit application to the insurer's premium used to calculate its Plan participation base in accordance with the following schedule:

All Policies

| | |
|-------------|-----|
| First Year | 1.0 |
| Second Year | 1.0 |
| Third Year | 1.0 |

2. There shall be no maximum limit on credits received under this program, provided, however, that the credits shall not reduce the insurer's participation base below zero.
3. Upon taking an employer out of the Plan, an insurer shall report such individual employer credit on a form and in a manner prescribed by the Plan Administrator.
4. An insurer will receive a credit against the premium used to calculate its Plan participation base for the amount of verifiable annual premium reflected in its financial statements (page fourteen [14]) for the respective calendar year. This reported premium shall be stated on the same financial basis as the premiums that are reported for use in determining each insurer's Plan participation base and shall be subject to subsequent adjustments and audits. Refer to the definition of "net premiums written" in Section I of the Plan for a description of premium used to calculate the Plan participation base.

As audit premiums, retro adjustments, etc., are developed, the insurer will receive a credit against its participation base for the amount of such premium adjustment in the calendar year in which such adjustment is reflected on page fourteen (14). Regardless of when an adjustment was made and/or reflected on page fourteen (14), the adjustment will be allowed if related to the first, second or third year of voluntary coverage by the insurer.

5. If the insurer keeps the employer out of the residual market for three (3) years, that insurer will receive credit for each of the three (3) years. If the insurer does not write the business for three (3) years, it will receive credit only for the period of time that it covered the employer in the voluntary market. In no instance shall an insurer receive credit for employers returned to the Plan within one (1) policy year.
6. A request for credit must be submitted annually during the three (3)-year time frame in order to qualify for the credit.