

January 3, 2012

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: ASSIGNED RISK TAKE-OUT CREDIT PROGRAM – CALENDAR YEAR 2011

North Carolina's Workers Compensation Assigned Risk Take-Out Credit Program is designed to encourage insurers to depopulate the residual market. This is accomplished by providing a "credit" to carriers for workers compensation premium moved from the residual market to the voluntary market. These "credits" are applied to the carrier's voluntary premium used in calculating their Pool participation base.

To receive consideration for credits under the Take-Out Credit Program for calendar year 2011, you must notify the North Carolina Rate Bureau of your intent to participate in the program no later than **February 17, 2012**. Your intent to participate should be sent to the attention of Betty G. Hurst at bgh@ncrb.org and must include the following information:

- Carrier Name
- NCCI Carrier Code
- Take-Out Credit Contact Name
- Take-Out Credit Contact Mailing Address
- Take-Out Credit Contact E-mail Address
- Take-Out Credit Contact Phone Number and Fax Number

If you received a take-out credit for Calendar Year 2010, you are not required to enroll in the 2011 Take-Out Credit Program. You will automatically be re-enrolled for Calendar Year 2011 participation. However, you must notify NCRB if you are electing not to continue to participate. You must also notify NCRB if there are any changes in Take-Out Credit contact information.

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

1. NCRB will query our database for policies that may be eligible for Take-Out Credit for Calendar Year 2011.
2. During the week of **March 16, 2012**, a Take-Out Credit Report will be generated for each carrier that has notified NCRB of their intent to participate, or who participated in the Calendar Year 2010 Program. This report will show all policies that appear in our database as eligible for 2011 Take-Out Credit and all policies requiring adjustment for Take-Out Credit given for a prior year.
3. If you are in agreement with the Take-Out Credit Report and are not requesting changes, you must notify NCRB via email at bgh@ncrb.org no later than **April 10, 2012**.

4. If you believe corrections or additions are needed, you must e-mail these changes to NCRB at bgh@ncrb.org no later than **April 10, 2012**. Requests for corrections or additions received after this date will not be considered. All corrections or additions are to be reported using an Excel worksheet formatted to show the following information:
 - Policy number
 - Policy effective date
 - Insured's FEIN
 - Insured's name
 - Corrected or additional premium amount, as appropriate
5. NCRB will review all report revisions and contact you if there are any questions.
6. On **May 1, 2012**, NCRB will begin e-mailing final reports to all participating carriers showing the total of all credits that will be reported to NCCI for application to their Pool participation base for Calendar Year 2011.

For your convenience, a copy of the North Carolina Take-Out Credit Program rules is 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

ST:dms

Attachment

C-12-1

NORTH CAROLINA WORKERS COMPENSATION TAKE-OUT CREDIT PROGRAM

1. Each insurer participating in the Workers Compensation Insurance Plan which removes an employer insured through the Plan and places that insured in the voluntary market, 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 or 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 and placing that employer in the voluntary 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. 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 (Statutory Page 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 Statutory Page 14. Regardless of when an adjustment was made and/or reflected on Statutory Page 14, the adjustment will be allowed if related to the first, second or third year of voluntary coverage by the insurer.

4. 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.