

NORTH CAROLINA RATE BUREAU

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March 12, 1996

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Residual Market Rate Filing

As previously announced, a December 1, 1995 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, as amended, proposes an average decrease of 14.92% in the overall premium level of the workers compensation insurance residual market in North Carolina. By industry group, the changes are: Manufacturing, 14.49% decrease; Contracting, 10.84% decrease; Office and Clerical, 10.50% decrease; Goods and Services, 21.56% decrease; and Miscellaneous, 12.79% decrease. 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, as amended, also proposes an overall premium level increase of 12.2% for the residual market rates applicable to the classifications which contemplate exposure under the United States Longshore and Harbor Workers Compensation Act ("F" classifications).

The Commissioner of Insurance has approved the amended residual market rate filing. Revised rates, rating values and miscellaneous values will become effective in accordance with the following rule of application:

Revised residual market rates shall become effective as of April 1, 1996 and shall be applied to all residual market policies as of the first normal anniversary rating date which is on or after April 1, 1996, but shall not otherwise be available to outstanding policies. No policy may be canceled and rewritten to take advantage of or to avoid the application of this rule.

The April 1, 1996 residual market rates reflect an average decrease of 3.49% from current manual rates; however, the rate change results in the overall premium level decrease of 14.92% when combined with

- the elimination of the separate 14% assigned risk surcharge,
- a change in the expense constant from \$160 to \$210,
- a change in the minimum premium formula and
- an increase in the maximum minimum premium from \$800 to \$850.

Refer to the Miscellaneous Values pages for other factors and changes that have been approved.

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, 1996.

A diskette which contains loss costs/residual market rates and rating values, by class code, is available from the Rate Bureau. The diskettes are IBM -PC compatible, high-density 3.5" diskettes with the data in Lotus 1-2-3 worksheet format. Data on the diskette can be easily loaded into most PC spreadsheet applications (e.g. Lotus 1-2-3, Excel, Quattro Pro) and database managers (e.g. FoxPro, Access, dBase, Paradox). If you want a copy of the diskette, please make your request in writing and include a check in the amount of \$20, payable to the North Carolina Rate Bureau.

Reprint North Carolina rate pages will be distributed in the usual manner.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

JGH:lm

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