



November 6, 2003

CIRCULAR LETTER TO ALL MEMBER INSURERS

- Re: 1) **Assessment - Administrative Account**
2) **Assessments - Company Insolvencies**
3) **Refunds - Company Insolvencies**

During a meeting held on October 14, 2003, the Board of Directors of this Association reviewed the Association's obligations in connection with the outstanding insolvencies and voted to take the following actions:

Assessment - Administrative Account

The Board of Directors voted to make an assessment of \$600,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 2002 automobile, "all other" and workers compensation insurance premium writings as defined in Article 48, Chapter 58, General Statutes of North Carolina and was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Automobile*	\$309,261	\$4,477,518,823	.000069070
All Other*	224,852	3,255,437,595	.000069070
Workers Compensation*	65,887	953,921,802	.000069070

***These assessments are eligible for premium tax credits.**

The automobile, "all other" and workers compensation assessments are based upon the respective total 2002 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2002 North Carolina Annual Statements. The above assessment factors were determined by relating the assessment amount to the total premium base which includes the 2002 writings of all current members of this Association.

Assessment - Reliance Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$3,700,000 to provide funds to continue the Association's task of discharging its obligations arising from the insolvency of Reliance Insurance Company. The Company was declared insolvent and placed in liquidation effective October 3, 2001.

The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$3,700,000	\$ 953,921,802	.003878725

***These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the total 2002 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2002 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2002 writings of all current members of this Association.

Assessment - Fremont Indemnity Company Insolvency

The Board of Directors voted to make an assessment of \$1,700,000 to cover the Association's task of discharging its obligations arising from the insolvency of Fremont Indemnity Company. The company was declared insolvent and placed in liquidation on July 2, 2003. The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$1,700,000	\$953,921,802	.001782117

***These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the total 2002 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2002 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2002 writings of all current members of this Association.

Assessment - Legion Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$3,200,000 to provide funds to cover the Association's task of discharging its obligations arising from the insolvency of Legion Insurance Company. The Company was declared insolvent and placed in liquidation effective July 25, 2003.

The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$3,200,000	\$ 953,921,802	.003354573

***These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the total 2002 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2002 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2002 writings of all current members of this Association.

Assessment - Villanova Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$1,300,000 to provide funds necessary to continue the Association's task of discharging its obligations arising from the insolvency of Villanova Insurance Company. The Company was declared insolvent and placed in liquidation effective July 25, 2003.

The assessment as provided in Article 48, Chapter 58, General Statutes of North Carolina was developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Workers Compensation*	\$1,300,000	\$ 953,921,802	.001362795

***These assessments are eligible for premium tax credits.**

The workers compensation assessment is based upon the total 2002 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2002 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment

amount to the total premium base which includes the 2002 writings of all current members of this Association.

Refund - Ideal Mutual Insurance Company Insolvency

The Board of Directors voted to refund to member insurers \$250,000 from the automobile and "all other" assessments for the insolvency of Ideal Mutual Insurance Company made in February 1985, July 1985, May 1986 and November 1986. The refunds are distributed among current member insurers in proportion to the amount of assessments paid and were developed on the basis of the following:

Account	Refund	Assessments Paid	Refund Factor
Automobile**	\$62,500	\$1,196,925	.052217140
All Other**	187,500	3,577,095	.052416854

****These refunds are NOT subject to the premium tax credit provision.**

Refund - Integrity Insurance Company Insolvency

The Board of Directors voted to refund to member insurers \$90,000 from the automobile and "all other" assessments for the insolvency of Integrity Insurance Company made in March 1989 and November 1989. The refunds are distributed among current member insurers in proportion to the amount of assessments paid and were developed on the basis of the following:

Account	Refund	Assessments Paid	Refund Factor
Automobile**	\$4,500	\$33,528	.134216178
All Other**	85,500	627,516	.136251506

****These refunds are NOT subject to the premium tax credit provision.**

If a statement is attached hereto, it shows (1) your Company's premiums utilized in determining the assessments; (2) the assessment amounts for each of the accounts; (3) the amount of assessments previously paid by your Company; (4) the amount of your Company's refunds; and (5) the net amount due this Association from your Company or due your Company from this Association.

Prompt remittance will be appreciated. If your remittance includes total assessments billed to more than one company in a group, we would appreciate your identifying the companies for which assessments are being paid either on the remittance check or in an accompanying memorandum. If the statement reflects a net amount due your Company (credit) from the Association, a check for the amount due your Company is included.

If you have any questions about any of the contents of this letter, please direct them to the attention of David Sink at 919-783-9790 extension 1012.

Sincerely,

David E. Sink, Jr.

Director, Finance

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Enclosure

IGA-03-4