



August 6, 2003

CIRCULAR LETTER TO ALL MEMBER INSURERS

Re: Assessments - Company Insolvencies

During a meeting held on July 9, 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 - Villanova Insurance Company Insolvency

The Board of Directors voted to make an assessment of \$3,000,000 to cover 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 in the state of North Carolina on November 1, 2002. 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*	\$3,000,000	\$953,921,802	.003144912

***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 - Reciprocal of America Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$4,000,000 to provide funds to cover the Association's task of discharging its obligations arising from the insolvency of Reciprocal of America Insurance Company. The Company was declared insolvent and placed in liquidation effective June 20, 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
All Other*	\$2,000,000	\$3,098,538,212	.000645466
Workers Compensation*	\$2,000,000	\$ 953,921,802	.002096608

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

The 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 - Home Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$6,000,000 to provide funds necessary to begin the Association's task of discharging its obligations arising from the insolvency of Home Insurance Company. The Company was declared insolvent and placed in liquidation effective June 13, 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
All Other*	\$3,000,000	\$3,098,538,212	.000968198
Workers Compensation*	\$3,000,000	\$ 953,921,802	.003144912

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

The 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.

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; and (3) the net amount due this Association from your Company. 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 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

DES:sm

Enclosure

IGA-03-02