

NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION

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January 28, 1998

CIRCULAR LETTER TO ALL MEMBER INSURERS

Re: (1) Assessment - Administrative Account
(2) Refunds - Company Insolvencies

During a meeting held on October 7, 1997, the Board of Directors of this Association reviewed the Associations 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 \$300,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 1996 automobile, "all other" and workers' compensation insurance premium writings as defined in the Act and each company's share of this assessment is \$300,000 / \$5,846,992,108 or .000051308 applied to its combined total 1996 automobile, "all other" and workers' compensation insurance premium writings.

Refund - American Universal Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of American Universal Insurance Company made in March, 1992 the amount of \$575,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$115,000 and the assessments paid were \$398,309. Each company's share of this refund is \$115,000 / \$398,309 or .288720566 applied to its automobile assessment paid. The "all other" assessments paid amount to \$1,589,873 and the "all other" refund is \$460,000 / \$1,589,873 or .289331286 applied to its "all other" assessment paid.

Refund - Ideal Mutual Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the four assessments for the insolvency of Ideal Mutual Insurance Company made in

February, 1985, July, 1985, May, 1986 and November, 1986 the amount of \$250,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$60,000 and the assessments paid were \$1,233,247. Each company's share of this refund is \$60,000) \$1,233,247 or .048652054 applied to its automobile assessments paid. The "all other" assessments paid amount to \$3,816,138 and the "all other" refund is \$190,000) \$3,816,138 or .049788555 applied to its "all other" assessments paid.

Refund - Integrity Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the two assessments for the insolvency of Integrity Insurance Company made in March, 1989 and November, 1989 the amount of \$100,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$5,000 and the assessments paid were \$34,162. Each company's share of this refund is \$5,000) \$34,162 or .146361454 applied to its automobile assessments paid. The "all other" assessments paid amount to \$656,082 and the "all other" refund is \$95,000) \$656,082 or .144798973 applied to its "all other" assessments paid.

Refund - Interstate Casualty Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the three assessments for the insolvency of Interstate Casualty Insurance Company made in April, 1990, January, 1991 and March, 1992 the amount of \$1,700,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$1,530,000 and the assessments paid were \$18,517,740. Each company's share of this refund is \$1,530,000) \$18,517,740 or .082623473 applied to its automobile assessments paid. The "all other" paid assessments amount to \$2,052,180 and the "all other" refund is \$170,000) \$2,052,180 or .082838737 applied to its "all other" assessments paid.

Refund - Iowa National Mutual Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the two assessments for the insolvency of Iowa National Mutual Insurance Company made in October, 1985 and May, 1986 the amount of \$2,846,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$1,792,980 and the assessments paid were \$3,422,003. Each company's share of this refund is \$1,792,980) \$3,422,003 or .523956291 applied to its automobile assessments paid. The "all other" assessments paid amount to \$2,005,765 and the "all other" refund is \$1,053,020) \$2,005,765 or .524996697 applied to its "all other" assessments paid.

Refund - Midland Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Midland Insurance Company made in November, 1986 the amount of \$150,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$127,500 and the assessments paid were \$412,193. Each company's share of this refund is $\$127,500 \div \$412,193$ or .309321119 applied to its automobile assessment paid. The "all other" assessments paid amount to \$74,012 and the "all other" refund is $\$22,500 \div \$74,012$ or .304004756 applied to its "all other" assessment paid.

Refund - Mission Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Mission Insurance Company made in March, 1988 the amount of \$750,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$412,500 and the assessments paid were \$403,699. Each company's share of this refund is $\$412,500 \div \$403,699$ or 1.021800896 applied to its automobile assessment paid. The "all other" assessments paid amount to \$333,409 and the "all other" refund is $\$337,500 \div \$333,409$ or 1.012270215 applied to its "all other" assessment paid.

Refund - Premier Alliance Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Premier Alliance Insurance Company made in January, 1995 the amount of \$500,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. There are no automobile refunds since there were no automobile assessments paid. The "all other" assessments paid amount to \$994,913 and each Company's share of the "all other" refund is $\$500,000 \div \$994,913$ or .502556504 applied to its "all other" assessments paid.

If a statement is attached hereto, it shows (1) your Company's premiums utilized in determining the Administrative Account assessment; (2) the assessment amount for the Administrative Account; (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 shows a net amount due your Company from the Association, included with the statement you will find the Association's check for the amount due your Company by the Association.

Very truly yours,

John W. Watkins

Managing Secretary

JWW:lg

Enclosure

IGA-98-4