

**NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION**

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CIRCULAR LETTER TO ALL MEMBER INSURERS

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

During a meeting held on October 13, 1998, 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 \$200,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 1997 automobile, "all other" and workers' compensation insurance premium writings as defined in the Act and each company's share of this assessment is (\$200,000 / \$6,168,867,421 or .000032420) applied to its combined total 1997 automobile, "all other" and workers' compensation insurance premium writings.

Assessment - American Eagle Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$400,000 to provide necessary additional funds to continue the Association's task of discharging its obligations arising from the insolvency of American Eagle Insurance Company. By Order issued by the District Court of Travis County, Texas the Company was declared insolvent and placed in liquidation in North Carolina effective December 22, 1997.

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	\$400,000	\$2,002,973,561	.000199703

The "all other" assessment is based upon the total 1996 North Carolina net direct written premiums, less dividends, for all other lines of insurance (excluding

automobile and workers= compensation) to which Article 48 applies, as shown on Page 15 of the 1996 Annual Statements. Article 48 applies to all kinds of direct insurance except life; annuities; title; surety; accident and health; credit; mortgage guaranty; ocean marine; and multi-peril crop coverages reinsured by the Federal Crop Insurance Corporation. The above assessment factor was determined by relating the assessment amount to the corresponding total premium base which includes the 1996 writings of all current members of this Association.

#### 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 \$350,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$84,000 and the assessments paid were \$1,233,247. Each company's share of this refund is  $\frac{\$84,000}{\$1,233,247}$  or .068112876 applied to its automobile assessments paid. The "all other" assessments paid amount to \$3,816,138 and the "all other" refund is  $\frac{\$266,000}{\$3,816,138}$  or .069703978 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 \$100,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$63,000 and the assessments paid were \$3,422,003. Each company's share of this refund is  $\frac{\$63,000}{\$3,422,003}$  or .018410270 applied to its automobile assessments paid. The "all other" assessments paid amount to \$2,005,765 and the "all other" refund is  $\frac{\$37,000}{\$2,005,765}$  or .018446827 applied to its "all other" assessments 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 \$500,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$275,000 and the assessments paid were \$403,699. Each company's share of this refund is  $\frac{\$275,000}{\$403,699}$  or .681200597 applied to its automobile assessment paid. The "all other" assessments paid amount to \$333,409 and the "all other" refund is  $\frac{\$225,000}{\$333,409}$  or .674846809 applied to its "all other" assessment paid.

#### Refund - Mission National Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Mission National Insurance Company made in March 1988 the amount of \$300,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$45,000 and the assessments paid were \$80,540. Each company's share of this refund is  $\frac{\$45,000}{\$80,540}$  or .558728582 applied to its automobile assessments paid. The "all other" assessments paid amount to \$462,511 and the "all other" refund is  $\frac{\$255,000}{\$462,511}$  or .551338238 applied to its "all other" assessments paid.

Refund - Reserve Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Reserve Insurance Company made in November 1979 the amount of \$125,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$53,750 and the assessments paid were \$151,183. Each company's share of this refund is \$53,750 / \$151,183 or .355529391 applied to its automobile assessments paid. The "all other" assessments paid amount to \$197,926 and the "all other" refund is \$71,250 / \$197,926 or .359983024 applied to its "all other" assessments paid.

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 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-99-4