



NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION

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November 12, 2002

CIRCULAR LETTER TO ALL MEMBER INSURERS

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

During a meeting held on October 15, 2002, 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 \$500,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 2001 automobile, "all other" and workers compensation insurance premium writings as defined in the Act and was developed on the basis of the following:

| Account | Assessment | Premium Base | Assessment Factor |
|----------------------|------------|-----------------|-------------------|
| Automobile | \$269,450 | \$4,138,908,441 | .000065102 |
| All Other | 174,971 | 2,687,659,278 | .000065102 |
| Workers Compensation | 55,579 | 853,727,192 | .000065102 |

The automobile, "all other", and workers compensation assessments are based upon the respective total 2001 net direct written insurance premiums, less dividends, as shown on Page 15 of the 2001 North Carolina Annual Statements. The above assessment factors were determined by relating the assessment amount to the total premium base which includes the 2001 writings of all current members of this Association.

Assessment - Reliance Ins Company Insolvency (Workers Compensation)

The Board of Directors voted to assess member insurers in the total amount of \$17,000,000 to provide necessary additional funds to continue the Association's task of discharging its workers compensation 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 | \$17,000,000 | \$853,727,192 | .019912684 |

The workers compensation assessment is based upon the total 2001 workers compensation net direct written insurance premiums, less dividends, as shown on Page 15 of the 2001 North Carolina Annual Statements. The above assessment factor was determined by relating the assessment amount to the total premium base which includes the 2001 writings of all current members of this Association.

Refund - Ideal Mutual Insurance Company Insolvency

The Board of Directors has voted to refund \$450,000 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 refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile and "all other" refunds were developed on the basis of the following:

| Account | Refund | Assessments Paid | Refund Factor |
|------------|-----------|------------------|---------------|
| Automobile | \$110,165 | \$1,201,669 | .091676660 |
| All Other | 339,835 | 3,706,867 | .091677149 |

Refund - Reliance Ins Company Insolvency ("All Other" Account)

The Board of Directors has voted to refund \$4,000,000 to member insurers from the "all other" assessment for the insolvency of Reliance Insurance Company made in November 2001. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The "all other" refunds were developed on the basis of the following:

| Account | Refund | Assessments Paid | Refund Factor |
|-----------|-------------|------------------|---------------|
| All Other | \$4,000,000 | \$9,945,480 | .402192755 |

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 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,

Raymond F. Evans, Jr., CPCU

Managing Secretary

RFE:lm

Enclosure

IGA-02-7