

August 25, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Expense Allowances effective **October 2006
Monthly Summary Report Processing**

Attached is an exhibit showing the new expense allowances which will be applicable in the processing of Monthly Summary Reports and Account Activity Statements by AIPSO beginning with the reports for **October, 2006**, which begins a new fiscal year for the Facility. These expense allowances were determined in accordance with Article XII of the Plan of Operation and Chapter 9 of Section 4 of the Rules of Operation of the Facility.

This exhibit indicates for each company or company group which has ceded to the North Carolina Reinsurance Facility the new ceding expense allowance for other than designated agent business. The ceding expense allowance for such business for carriers not listed in the enclosed exhibit will be furnished by this Office upon request. The ceding expense allowance for designated agent business will be 35% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) will be 12.8% of written premium. The claims expense allowance for designated agent business will be 15.8% of written premium plus 50% of outside legal expenses paid. Note that no loss adjustment expenses, allocated or unallocated, are to be included with losses reported to the Facility.

The information in this circular letter should be brought to the attention of your Company's personnel who are responsible for reconciling the monthly Account Activity Statements with the monthly premium and loss reports submitted to the North Carolina Reinsurance Facility.

Questions regarding this should be directed to Summer Williamson at (919) 645-3187 or email srw@ncrb.org.

Sincerely,

Edith T. Davis,

Director, Reinsurance Facility

ETD:lam
RF-06-11

**NORTH CAROLINA REINSURANCE FACILITY
EXPENSE ALLOWANCES - YEAR BEGINNING 10-01-06**

<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>	<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>
06327	ALLIANCE MUTUAL INS CO	a	09824	* LIBERTY MUTUAL INS CO	20.3
07031	* ALLSTATE INSURANCE CO	24.5	09825	* MARYLAND CASUALTY CO	23.1
07900	ALPHA PROPERTY & CASUALTY	a	09134	MERASTAR INSURANCE CO	a
07035	AMERICAN BANKERS INS OF FL	a	05293	* METROPOLITAN PROP & CAS	23.8
05939	AMERICAN GUARANTY INS CO	a	07524	* N C FARM BUREAU MUT INS	23.9
05663	AMERICAN INTERNATIONAL SOUTH	a	06124	* NATIONWIDE MUTUAL INS	a
07807	AMERICAN SOUTHERN INS CO	a	04332	* NEW HAMPSHIRE INS CO	17.1
08007	* AMERICAN STATES INS CO	22.1	06142	NGM INSURANCE COMPANY	27.0
08188	* AMERISURE MUTUAL INS CO	19.7	02112	* OHIO CASUALTY INS CO	a
03514	AMICA MUTUAL INS CO	18.5	10074	OMNI INSURANCE CO	a
09994	ATLANTIC CASUALTY INS CO	a	10511	PEAK PROP & CAS INSURANCE CORP	a
07093	* AUTO OWNERS INSURANCE CO	a	02085	* PEERLESS INSURANCE CO	a
11040	BUILDERS MUTUAL INS CO	a	06098	* PENNSYLVANIA NATIONAL MUT CAS	a
03583	* CENTRAL MUTUAL INS CO	27.1	07534	* PROGRESSIVE CAS INS CO	a
07838	* CINCINNATI INSURANCE CO	21.4	10545	PROGRESSIVE PREMIER INS CO OF IL	a
08944	COMPANION PROP & CAS INS	a	10546	PROGRESSIVE UNIVERSAL INS CO	a
27984	DISCOVERY INSURANCE CO	27.9	09102	QBE INS CO	27.4
05092	ELECTRIC INSURANCE CO	16.5	06569	REDLAND INSURANCE CO	22.0
06119	EMPLOYERS MUTUAL CAS CO	a	09833	ROYAL INDEMNITY COMPANY	a
05967	ENCOMPASS INDEMNITY CO	24.6	07960	* SAFECO INS CO OF AMER	22.2
09073	* ERIE INSURANCE COMPANY	26.0	07967	* SELECTIVE INS OF SOUTHEAST	a
07979	* FARMERS INSURANCE EXCHANGE	a	06127	* SENTRY INSURANCE A MUT CO	21.9
04287	* FEDERAL INSURANCE CO	a	07352	SOUTHERN GENERAL INS CO	a
09812	* FIREMAN'S FUND INS CO	a	07601	* SOUTHERN GUARANTY INS CO	a
04729	FIREMEN'S INS OF WASHINGTON DC	24.8	07494	SOUTHERN INSURANCE CO OF VA	26.2
07275	* FOREMOST INS CO	a	09834	* ST PAUL FIRE & MARINE INS CO	25.3
07159	GEICO INDEMNITY COMPANY	a	07633	STATE AUTO PROP & CAS INS	a
07307	* GOVERNMENT EMPLOYEES INS	22.4	07667	STATE FARM MUT AUTO INS	23.6
09813	GRAIN DEALERS MUTUAL INS	a	10394	STATE NATIONAL INS CO	24.0
07324	GUARANTY NATL (ORION AUTO)	a	02034	* TRAVELERS INDEMNITY	25.5
09818	* HANOVER INS CO	a	03542	* UNITED SERVICES AUTO ASSOC	10.8
07345	* HARLEYSVILLE MUTUAL INS CO	a	05163	UNITRIN AUTO & HOME INS CO	a
01238	* HARTFORD CASUALTY INS CO	a	05394	UNIVERSAL INS CO OF NC	a
07610	* HORACE MANN INS CO	23.3	05899	* UTICA MUTUAL INSURANCE CO	a
07611	* INTEGON GENERAL INS CORP	a	07751	VIRGINIA MUTUAL INS CO	a

NOTES: a: Allowance of 28.0% of written premiums

*: Includes all companies in a group

The claims expense allowance for all companies (excluding designated agent business) is 12.8% of written premiums.

The ceding expense allowance for designated agent business is 35.0% of written premium.

The claims expense allowance for designated agent business is 15.8% of written premiums plus 50% of outside legal expenses paid.

For a ceding expense allowance of companies not listed above, refer to the NCRF.