NORTH CAROLINA REINSURANCE FACILITY

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April 9, 1999

CIRCULAR LETTER TO ALL MEMBER COMPANIES

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IMPORTANT
MATERIAL
TO BE IMPLEMENTED
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Re: (1) Recoupments/Allocations
     (2) Closing
     (3) Amended Report Forms

During a meeting held April 7, 1999, the Board of Governors of this Facility (1) made decisions concerning the Facility's recoupment/ allocation surcharges for the year beginning July 1, 1999; and (2) adopted revisions in the Surcharge Detail Report form to provide for a new allocation and the closing of a previous allocation.

NON-FLEET PRIVATE PASSENGER AUTOMOBILE BUSINESS

@Clean Risks@ Allocation

For non-fleet private passenger automobile business, the Board of Governors voted that a "clean risks@ allocation surcharge of 1.07% (before inclusion of agent compensation) will be applicable in accordance with law to policies issued to become effective during the twelve months beginning July 1, 1999. This surcharge is to offset a portion of the premium income lost by the Facility because Aclean risks@ in the Facility are not charged the Facility base rates.

The "clean risks@ allocation surcharge will be applicable to the liability, medical payments, uninsured motorists and underinsured motorists coverage premiums for all non-fleet private passenger vehicles, including motorcycles, under all policies issued to become effective during the twelve months beginning July 1, 1999. This surcharge applies to policies ceded to the Facility as well as to policies retained voluntarily by member companies.

The "clean risks@ allocation surcharge is subject to the payment of agent compensation. The applicable rules and procedures in that regard and other requirements relating to recoupment and allocation are set forth on Pages 4-

13-1 through 4-13-4 of the NCRF Standard Practice Manual which we request that you review and carefully observe, especially in regard to surcharge adjustments for voluntary policies written at deviated rates. The allocation surcharge applied to premiums should be the indicated percentage adopted by the Board of Governors adjusted to include agent compensation or commission. Surcharge rates must be rounded to the nearest hundredth of a percentage point in order to assure that proper agent compensation will be provided. Where a carrier pays (or would pay) a 10% commission on non-fleet private passenger car business ceded to the Facility, the "clean risks@ allocation surcharge would be 1.19% (.0107) .90 = .0119).

For example, consider a policy for a single-vehicle risk as shown below with total liability, medical payments, uninsured motorists and underinsured motorists coverage premiums of $385.00 subject to the ^{A}clean risks@ allocation surcharge. This policy would have a surcharge of $4.58 ($385.00 x .0119).

Coverage	Premiums	Amounts to be Displayed on Policy Declarations or Billing Notice
Bodily Injury	$186.00	$188.29
Property Damage	144.00	146.29
Medical Payments	26.00	26.00
Uninsured Motorists	29.00	29.00

As another example, consider a policy for a two-vehicle risk as shown below with total liability, medical payments, uninsured motorists and underinsured motorists coverage premiums of $790.00 subject to the Aclean risks@ allocation surcharge. This policy would have a surcharge of $9.40 ($790.00 x .0119).

	Premiums		Amounts to be Displayed on Policy Declarations or Billing Notice	
Coverage	Vehicle 1	Vehicle 2	Vehicle 1	Vehicle 2
Bodily Injury	$193.00	$193.00	$195.35	$195.35
Property Damage	150.00	150.00	152.35	152.35
Medical Payments	26.00	26.00	26.00	26.00
Uninsured	52.00	Included	52.00	Included

Loss Allocation

For non-fleet private passenger automobile business, the Board of Governors voted to allocate no loss to non-fleet private passenger policies. <u>Accordingly, no loss allocation surcharge is to be applied to premiums for non-fleet private passenger vehicles under policies issued to become effective during the twelve months beginning July 1, 1999.</u>

OTHER THAN NON-FLEET PRIVATE PASSENGER AUTOMOBILE BUSINESS

For other than non-fleet private passenger automobile business, the Board voted to levy no assessment against member companies. <u>Accordingly, no recoupment surcharge is to be applied to premiums for other than non-fleet private passenger vehicles under policies issued to become effective during the twelve months beginning July 1, 1999.</u>

CLOSINGS AND SETTLEMENTS

The allocation which the Board voted to close is marked H on the attached exhibit that lists all of this Facility's recoupments and allocations, including those previously closed. As indicated on that exhibit, the allocation marked H will be closed as of February 28, 1999, and the closing figures will include all developments for that allocation reported through the February, 1999, accounting report cycle. Thus, accounting reports for February, 1999, and for any prior month received by April 15, 1999, will be included in the closing figures. Accounting reports received after April 15, 1999, will not be included in the closing figures.

AMENDED REPORT FORMS

The enclosed revised Surcharge Detail Report form must be used by member companies for any Surcharge Detail Reports requested by the Facility for the month of March, 1999 and for any subsequent months until the form is next amended.

Notice that as to the closed "clean risks@ allocations for non-fleet private passenger business, developments subsequent to those reported in the February, 1999, accounting report cycle are to be included in reports for subsequent accounting reports cycles. Developments on the closed Aclean risks@ allocations are to be included with the corresponding "clean risks@ allocations applicable to policies written to become effective during the twelve months beginning July 1, 1998.

These new forms and reporting requirements should be brought <u>immediately</u> to the attention of personnel responsible for completing and submitting the

monthly accounting reports.

<u>Please see to it that the above is brought to the attention of your agents and all interested personnel in your company.</u>

Very truly yours,

John W. Watkins

General Manager

JWW:lg

Enclosures

RF-99-2

<u>NCRF RECOUPMENTS AND ALLOCATIONS</u>

Loss Type	Applicable to Period	Policies Effective	Which Policies?	% Sur-charge
φ Prior Loss-Direct	10/1/77- 9/30/78	3/1/80- 2/28/81	All Facility #	18.6%
φ Prior Loss-Direct	10/1/78- 6/30/79	3/1/81- 9/30/81	All Facility #	16.4%
φ Prior Loss-Assmt.	10/1/78- 6/30/79	10/1/81- 2/28/82	All Pointed SDIP	13.3%*
φ Clean Risk Recoupment	---	3/1/80- 2/28/81	All Subj. to SDIP	1.1%
φ Clean Risk Recoupment	---	3/1/81- 9/30/81	All Subj. to SDIP	1.4%
φ Clean Risk Recoupment	---	10/1/81- 3/31/82	All Pointed SDIP	1.8%*
φ Clean Risk Recoupment	---	4/1/82- 3/31/83	All Pointed SDIP	4.0%*
φ Clean Risk Recoupment	---	4/1/83- 3/31/84	All Pointed SDIP	4.2%*
φ Clean Risk Recoupment	---	4/1/84- 3/31/85	All Pointed SDIP	4.3%*
φ Clean Risk Recoupment	---	4/1/85- 3/31/86	All Pointed SDIP	5.7%*
φ Clean Risk Recoupment	---	4/1/86- 3/31/87	All Pointed SDIP	8.1%*

φ   Clean   Risk   Recoupment   ---   4/1/87-   3/31/88   All   Pointed   SDIP   8.8%*

φ   Clean   Risk   Recoupment   ---   4/1/88-   6/30/88   All   Pointed   SDIP   10.8%*

φ   Clean   Risk   Allocation   ---   7/1/88-   6/30/89   All   PPNF   0.6%*

φ   Clean   Risk   Recoupment   ---   7/1/88-   6/30/89   All   Pointed   SDIP   8.6%*

φ   Clean   Risk   Allocation   ---   7/1/89-   6/30/90   All   PPNF   2.8%*

φ   Clean   Risk   Recoupment   ---   7/1/89-   6/30/90   As   Per   SDIP   14.6%*

φ   Clean   Risk   Allocation   ---   7/1/90-   6/30/91   All   PPNF   3.65%*

φ   Clean   Risk   Recoupment   ---   7/1/90-   6/30/91   As   Per   SDIP   12.60%*

φ   Clean   Risk   Allocation   ---   7/1/91-   6/30/92   All   PPNF   3.85%*

φ   Clean   Risk   Recoupment   ---   7/1/91-   6/30/92   As   Per   SDIP   8.60%*

φ   Clean   Risk   Allocation   ---   7/1/92-   6/30/93   All   PPNF   6.79%*

φ   Clean   Risk   Recoupment   ---   7/1/92-   6/30/93   As   Per   SDIP   10.23%*

φ   Clean   Risk   Allocation   ---   7/1/93-   6/30/94   All   PPNF   5.68%*

φ   Clean   Risk   Recoupment   ---   7/1/93-   6/30/94   As   Per   SDIP   5.00%*

φ   Clean   Risk   Allocation   ---   7/1/95-   6/30/96   All   PPNF   2.98%*

φ   Clean   Risk   Allocation   ---   7/1/96-   6/30/97   All   PPNF   3.71%*

H   Clean   Risk   Allocation   ---   7/1/97-   6/30/98   All   PPNF   4.11%*

Clean   Risk   Allocation   ---   7/1/98-   6/30/99   All   PPNF   3.63%*

Clean   Risk   Allocation   ---   7/1/99-   6/30/00   All   PPNF   1.07%*

φ   Qtrly.   Assessment   7/1/79-   9/30/79   4/1/80-   6/30/80   All   5.3%

φ   Qtrly.   Assessment   10/1/79-12/31/79   7/1/80-   9/30/80   All   5.3%

φ   Qtrly.   Assessment   1/1/80-   3/31/80   10/1/80-12/31/80   All   4.9%

φ   Qtrly.   Assessment   4/1/80-   6/30/80   1/1/81-   3/31/81   All   8.3%

φ   Qtrly.   Assessment   7/1/80-   9/30/80   4/1/81-   6/30/81   All   5.7%

φ   Qtrly.   Assessment   10/1/80-12/31/80   7/1/81-   9/30/81   All   0.4%

φ   Qtrly.   Assessment   1/1/81-   3/31/81   10/1/81-12/31/81   All   Pointed   SDIP   9.7%*

φ   Qtrly.   Assessment   4/1/81-   6/30/81   1/1/82-   3/31/82   All   Pointed   SDIP   9.7%*

φ   Qtrly.   Assessment**   7/1/81-   9/30/81   4/1/82-   3/31/83   All   Pointed   SDIP   5.5%*

φ   Loss   Assessment   10/1/81-   9/30/82   4/1/83-   3/31/84   All   Pointed   SDIP   12.6%*

φ   Loss   Assessment**   10/1/82-   9/30/83   4/1/84-   3/31/85   All   Pointed   SDIP   20.2%*

φ Loss Assessment** 10/1/83- 9/30/84 4/1/85- 3/31/86 All Pointed SDIP 18.6%*

φ Loss Assessment** 10/1/77- 9/30/84 4/1/85- 3/31/86 All Except PPNF 2.8%*

φ Loss Assessment** 10/1/84- 9/30/85 4/1/86- 3/31/87 All Pointed SDIP 26.9%*

φ Loss Assessment 10/1/84- 9/30/85 4/1/86- 3/31/87 All Except PPNF 5.6%*

φ Loss Assessment** 10/1/85- 9/30/86 4/1/87- 3/31/88 All Pointed SDIP 31.4%*

φ Loss Assessment** 10/1/85- 9/30/86 4/1/87- 3/31/88 All Except PPNF 1.8%*

φ Loss Assessment** 10/1/86- 9/30/87 4/1/88- 6/30/88 All Pointed SDIP 35.6%*

φ Loss Assessment** 10/1/86- 9/30/87 4/1/88- 6/30/88 All Except PPNF 1.3%*

φ Loss Allocation** 10/1/86-12/31/87 7/1/88- 6/30/89 All PPNF 1.9%*

φ Loss Assessment** 10/1/86-12/31/87 7/1/88- 6/30/89 All Pointed SDIP 25.5%*

φ Loss Assessment** 10/1/86-12/31/87 7/1/88- 6/30/89 All Except PPNF 1.5%*

φ Loss Allocation** 1/1/88-12/31/88 7/1/89- 6/30/90 All PPNF 1.8%*

φ Loss Assessment** 1/1/88-12/31/88 7/1/89- 6/30/90 As Per SDIP 9.4%*

φ Loss Allocation** 1/1/89-12/31/89 7/1/90- 6/30/91 All PPNF 0.19%*

φ Loss Assessment** 1/1/89-12/31/89 7/1/90- 6/30/91 As Per SDIP 0.67%*

Except certain policies produced by designated agents.

* Excluding agent compensation or commission.

** Includes shortfalls from prior recoupments.

φ These surcharges closed in prior years.

          H This surcharge closed 2/28/99.

Rev. April, 1999

clcm99\r\hist2

NORTH CAROLINA REINSURANCE FACILITY Date mm/dd/yy

SURCHARGE DETAIL REPORT Page xxxx

Company or Group_____ Code No.
_____

Month of _____ 19_____

3.a.(10) ᴬClean Risks@ Allocation Surcharges Written on PPNF Policies Effective 7/1/98 - 6/30/99 (3.63% φ)ᴴ

Policy Number	Eff Date	Surcharge Written φ	Optional Company Use
xxxxxxxxxxxxxxxxx	mm/yy		xxxxxx.xx
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx			
	Total	xxxxxx.xx *	

3.a.(11) ᴬClean Risks@ Allocation Surcharges Written on PPNF Policies Effective 7/1/99 - 6/30/00 (1.07% φ)

Policy Number	Eff Date	Surcharge Written φ	Optional Company Use
xxxxxxxxxxxxxxxxx	mm/yy		xxxxxx.xx
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx			
	Total	xxxxxx.xx *	

φ Excluding agent compensation or commission.

* Must equal total reported in corresponding line of Monthly Recoupment/Allocation Report.

ᴴ Include all runoff activity this month for all closed "clean risks" allocations.

Certified By Title Date Submitted