



June 9, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Private Passenger Automobile  
Insurance Rates - North Carolina

On behalf of its member companies, the North Carolina Reinsurance Facility on June 2, 2006 filed with the Commissioner of Insurance rate level changes for bodily injury and property damage liability and medical payments insurance for nonfleet private passenger automobiles and bodily injury and property damage liability insurance for motorcycles ceded to the Reinsurance Facility. The filed rates apply only to ceded risks other than "clean risks" as defined in G.S. 58-37-35(1).

The Facility's filing includes average rate level changes of 13.7% for bodily injury, -11.1% for property damage, and 17.6% for medical payments coverages, averaging 2.9% over rates presently in effect. The filing also includes a rate level change of -4.1% for the motorcycle liability coverages. The revised rates are to be implemented effective October 1, 2006, in accordance with the following Rule of Application:

These changes are applicable to all policies effective on or after October 1, 2006. No policy effective prior to October 1, 2006 shall be endorsed or cancelled and rewritten to take advantage of or to avoid the application of these changes except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to October 1, 2006.

The enclosed exhibit sets forth the revised rates for ceded risks other than "clean risks" effective October 1, 2006. A reprinted Personal Auto Manual Rate Page will be distributed in the usual fashion, as soon as possible. In the meantime, notice of these changes should be sent to your Company's North Carolina agents to make them aware of the changes.

With respect to the rate differential for ceded business, your attention is directed to G.S. 58-37-25(b) which provides in part as follows:

Each insurer will provide the same type of service to ceded business that it provides for its voluntary market. Records provided to agents and brokers will include an indication that the business is ceded. When an insurer cedes a policy or renewal thereof to the Facility and the Facility premium for such policy is higher than the premium that the insurer would normally charge for such policy if retained by the insurer, the policyholder will be informed that (i) his policy is ceded, (ii) the coverages are written at the Facility rate, which rate differential must be specified, (iii) the reason or reasons for the cession to the Facility, (iv) the specific reason or reasons for the cession to the Facility will be provided upon the written request of the policyholder to the insurer, and (v) the policyholder may seek insurance through other insurers who may elect not to cede his policy.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dms

RF-06-6

Attachments

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

REVISED BASE RATES - CEDED LIABILITY

Terr.	BODILY INJURY				PROPERTY DAMAGE			MEDICAL PAYMENTS				
	LIMIT				LIMIT			LIMIT				
	30/60	50/100	100/300	250/500	\$25,000	\$50,000	\$100,000	\$500	\$750	\$1000	\$2000	\$5000
11	\$197	\$227	\$266	\$309	\$185	\$187	\$191	\$21	\$28	\$34	\$49	\$71
13	295	339	398	463	224	226	231	31	41	50	73	105
14	278	320	375	436	218	220	225	29	39	46	68	98
15	304	350	410	477	218	220	225	32	43	51	75	108
16	260	299	351	408	222	224	229	27	36	43	63	91
17	316	363	427	496	225	227	232	33	44	53	77	112
18	248	285	335	389	201	203	207	26	35	42	61	88
24	220	253	297	345	171	173	176	23	31	37	54	78
25	289	332	390	454	216	218	222	30	40	48	70	101
26	389	447	525	611	189	191	195	41	55	66	96	139
31	280	322	378	440	196	198	202	29	39	46	68	98
32	225	259	304	353	180	182	185	23	31	37	54	78
33	278	320	375	436	167	169	172	29	39	46	68	98
40	349	401	471	548	223	225	230	36	48	58	84	122
41	287	330	387	451	212	214	218	30	40	48	70	101
43	273	314	369	429	177	179	182	29	39	46	68	98
47	276	317	373	433	175	177	180	29	39	46	68	98
51	226	260	305	355	211	213	217	24	32	38	56	81
52	306	352	413	480	234	236	241	32	43	51	75	108

19. MISCELLANEOUS TYPES (Cont'd)

- B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes Liability Coverages Only.

With respect to other than "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable ceded private passenger bodily injury and property damage rates. For Uninsured Motorists Coverage and Combined Uninsured/Underinsured Motorists Coverage, charge the applicable private passenger premium shown in Rule 14. Medical Payments coverage for these vehicles is not eligible for cession to the North Carolina Reinsurance Facility.

LIABILITY COVERAGES ONLY

1. Such vehicles with engine size of 499 cubic centimeters or less shall be rated at [~~17%~~] 16% of the applicable private passenger rate.
2. Such vehicles with engine size of 500 to 1249 cubic centimeters shall be rated at [~~28%~~] 26% of the applicable private passenger rate.
3. Such vehicles with engine size of 1250 to 1499 cubic centimeters shall be rated at [~~38%~~] 36% of the applicable private passenger rate.
4. Such vehicles with engine size of 1500 or more cubic centimeters shall be rated at [~~50%~~] 47% of the applicable private passenger rate.