



June 20, 2007

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 19, 2007 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 rates for "clean risks" ceded to the Reinsurance Facility and the rates for uninsured and combined uninsured/underinsured motorists coverages ceded to the Reinsurance Facility are not affected by this filing. Those rates were established effective November 15, 2006 and continue in effect without change.

The Facility's filing includes average rate level changes of -9.3% for bodily injury, 2.4% for property damage, and -3.3% for medical payments coverages, averaging -4.6% over rates presently in effect. The filing also includes a rate level change of -5.2% for the motorcycle liability coverages. The revised rates are to be implemented effective October 1, 2007, in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after October 1, 2007. No policy effective prior to October 1, 2007 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, 2007.

The enclosed exhibit sets forth the revised rates for ceded risks other than "clean risks" effective October 1, 2007. 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-07-4

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	\$177	\$204	\$239	\$278	\$190	\$192	\$196	\$20	\$27	\$32	\$47	\$68
13	264	304	356	414	227	229	234	30	40	48	70	101
14	247	284	333	388	219	221	226	28	37	45	66	95
15	282	324	381	443	219	221	226	32	43	51	75	108
16	242	278	327	380	228	230	235	27	36	43	63	91
17	287	330	387	451	235	237	242	32	43	51	75	108
18	229	263	309	360	206	208	212	26	35	42	61	88
24	201	231	271	316	174	176	179	22	29	35	51	74
25	278	320	375	436	224	226	231	31	41	50	73	105
26	341	392	460	535	192	194	198	38	51	61	89	128
31	252	290	340	396	201	203	207	28	37	45	66	95
32	207	238	279	325	185	187	191	23	31	37	54	78
33	250	288	338	393	172	174	177	28	37	45	66	95
40	315	362	425	495	231	233	238	35	47	56	82	118
41	249	286	336	391	218	220	225	28	37	45	66	95
43	244	281	329	383	182	184	187	27	36	43	63	91
47	262	301	354	411	179	181	184	29	39	46	68	98
51	201	231	271	316	216	218	222	22	29	35	51	74
52	282	324	381	443	240	242	247	32	43	51	75	108

Memorandum - North Carolina Personal Auto Manual
Matter underlined is new; matter in brackets [] is deleted.

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 16% of the applicable private passenger rate.
2. Such vehicles with engine size of 500 to 1249 cubic centimeters shall be rated at 26% of the applicable private passenger rate.
3. Such vehicles with engine size of 1250 to 1499 cubic centimeters shall be rated at 36% of the applicable private passenger rate.
4. Such vehicles with engine size of 1500 or more cubic centimeters shall be rated at 47% of the applicable private passenger rate.

THE MOTORCYCLE RELATIVITIES REMAIN UNCHANGED