

NORTH CAROLINA REINSURANCE FACILITY

POST OFFICE BOX 176010
RALEIGH, NORTH CAROLINA 27619-6010

JOHN W. WATKINS
General Manager

5401 SIX FORKS ROAD
RALEIGH, NORTH CAROLINA 27609-4435

TELEPHONE (919) 783-9790
FACSIMILE (919) 783-0355

ROBERT M. GREER
Audit Manager

F. TIMOTHY LUCAS
Automobile Manager

ROBERT M. NEWTON
Claims Manager

DAVID E. SINK, JR.
Accounting Manager

September 28, 1999

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Expense Allowances
Monthly Summary Report Processing

On the reverse side hereof 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, 1999, 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 27.9% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) will be 13.6% of written premium. The claims expense allowance for designated agent business will be 7.5% of losses paid plus 100% 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 people who are responsible for reconciling the monthly Account Activity Statements with the monthly premium and loss reports submitted to the North Carolina Reinsurance Facility.

Very truly yours,

John W. Watkins
General Manager

JWW:lg

RF-99-6

NORTH CAROLINA REINSURANCE FACILITY

EXPENSE ALLOWANCES - YEAR BEGINNING 10-1-99

| | |
|---------------------------------|----------------------------------|
| 06327 Alliance Mutual 20.0 | 06053 Lumbermens Mut. Cas. a |
| 07031 *Allstate 20.2 | 09825 *Maryland Casualty a |
| 07035 American Bankers of Fl. a | 09134 Merastar a |
| 02107 *American Casualty 18.5 | 05293 *Metro Prop & Cas 23.3 |
| 06236 American Hardware 27.0 | 08188 *Michigan Mut. a |
| 05621 American Manufacturers a | 06253 Montgomery Mut. a |
| 06075 American Motorists a | 08005 Mutual Service Cas a |
| 05116 American Protection a | 06142 National Grange a |
| 07807 American Southern a | 06124 *Nationwide Mutual 24.3 |
| 08007 American States a | 04332 *New Hampshire 16.4 |
| 03514 Amica Mutual 20.6 | 07524 *N.C. Farm Bureau 21.7 |
| 09994 Atlantic Casualty a | 02112 *Ohio Casualty a |
| 06431 *Atlantic Mutual a | 10074 Omni a |
| 07093 Auto Owners 24.2 | 10511 Peak Prop & Cas. a |
| 02696 Berkley Ins. Co. a | 02085 *Peerless a |
| 02128 *Bituminous Casualty 25.6 | 06098 *Penn. National 27.1 |
| 03583 *Central Mutual 25.8 | 07534 *Progressive Casualty a |
| 07838 *Cincinnati a | 01875 Prudential P & C 21.9 |
| 05842 Clarendon National 25.5 | 06883 Regency Insurance Co. 24.9 |
| 07673 Colonial Penn 9.6 | 02232 *Reliance 24.8 |
| 05674 Colorado Casualty a | 09833 *Royal Indemnity a |
| 01382 *Commercial Union 26.2 | 07960 *Safeco a |

| | |
|---------------------------------------|---|
| 08944 Companion P & C a | 09834 *St. Paul F. & M. a |
| 27984 Discovery 26.5 | 07967 *Selective Ins. Co of SE a |
| 05092 Electric Insurance 17.3 | 06127 Sentry Ins. A Mut. Co. a |
| 06120 Employers Ins.of Wausau 26.3 | 06146 Shelby a |
| 06119 Employers Mut. Cas. a | 04478 *South Carolina a |
| 09073 *Erie Insurance 25.4 | 07601 *Southern Guaranty 25.9 |
| 04287 *Federal a | 07494 Southern Heritage a |
| 05676 Federated Mutual a | 03566 *State Automobile Mut. a |
| 09812 *Fireman's Fund a | 07633 State Auto Prop. & Cas. a |
| 07159 GEICO Ind. 24.4 | 04763 *State Capital 24.8 |
| 09814 *General Accident a | 07667 State Farm Mut. Auto. 25.2 |
| 09714 Generali-US Branch a | 02034 *Travelers Indemnity 25.7 |
| 07307 *Government Employees 20.8 | 08076 Union a |
| 09813 Grain Dealers a | 09840 *U.S. Fid. & Guar. a |
| 09816 *Great American 26.0 | 09809 *U.S. Fire a |
| 07324 *Guaranty National 26.5 | 05394 Universal Ins. a |
| 09818 *Hanover a | 07728 Universal Underwriters a |
| 07345 *Harleysville Mutual 26.6 | 03542 *United Ser. Auto. Assoc. 12.3 |
| 01238 *Hartford Casualty a | 05899 *Utica Mutual a |
| 07610 *Horace Mann 18.2 | 07402 *Vesta a |
| 06003 Indiana Lumbersmens a | 07751 Virginia Mutual a |
| 09823 *Ins. Co. of N. Amer. a | 07630 *Wausau Underwriters a |
| 07611 *Integon General 25.3 | 09041 *Wilshire a |
| 07865 Jefferson Ins. of NY 27.2 | 07606 Windsor a |
| 02854 Lancer 26.7 | 07072 Worldwide 24.5 |
| 09824 *Liberty Mutual 20.3 | 02038 *Zurich a |

Notes: a -Allowance of 27.9% of written premiums.

* -Includes all companies in group.

For ceding expense allowance for companies or company groups not listed above, refer to NCRF.

The ceding expense allowance for designated agent business is 27.9% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) is 13.6% of written premiums.

The claims expense allowance for designated agent business is 7.5% of losses paid plus 100% of outside legal expenses paid.