

NORTH CAROLINA REINSURANCE FACILITY

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August 1, 2001

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revision of Commercial Automobile
Insurance Rates

On behalf of all member companies, the Reinsurance Facility filed with the Commissioner of Insurance revised (1) basic limits premium rates for liability insurance for commercial automobiles, garages, and private passenger types not eligible for rating under the North Carolina Personal Auto Manual; (2) bodily injury and property damage liability increased limits tables for such coverages rated under the Facility's Commercial Automobile Manual; (3) uninsured and underinsured motorists coverage rates; and (4) primary and secondary rating factors included in the commercial automobile classification plan. Enclosed is an exhibit which summarizes the basic and increased limits changes.

Also enclosed are exhibits which set forth the revised basic limits rates and increased limits tables to be implemented by member companies in accordance with the effective date rule set forth below. The exhibits which have been marked R-3, R-4, R-5, R-6, R-7, R-8, R-9, R-10, R-11, R-12, R-13, S-1 and S-2 are designed to replace the like-numbered pages included in the current North Carolina Reinsurance Facility Commercial Automobile Manual of Rules and Rates.

The revised rates and other changes will become effective November 1, 2001 in accordance with the following rule of application:

These changes are applicable to all policies effective on or after November 1, 2001. No policy effective prior to November 1, 2001 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 November 1, 2001.

Exception for Experience Rated Policies: These changes are applicable as of the experience rating date to all policies to which an experience rating modification which becomes effective on or after November 1, 2001 is to apply and may not be applied to

such policies prior to the experience rating date. As respect any policy to which an experience rating modification applies which becomes effective prior to November 1, 2001, these changes may not be applied until the first experience rating date on or after November 1, 2001.

Reprinted North Carolina Reinsurance Facility Commercial Automobile Manual of Rules and Rates pages will be distributed, in the usual fashion, as soon as possible. In the meantime, notice of the revised rates should be sent as soon as possible to your Company's North Carolina agents to make them aware of the new rates.

In connection with the implementation of the revised rates, your attention is directed to G. S. 58-37-35(1) which provides, in part, as follows:

"The classifications, rules, rates, rating plans, and policy forms used on motor vehicle insurance policies reinsured by the facility may be made by the facility or by a licensed or statutory rating organization or bureau on its behalf and shall be filed with the Commissioner." . . . "If the Commissioner finds, after a hearing, that a rate is either excessive, inadequate or unfairly discriminatory, he shall issue an order specifying in what respect it is deficient and stating when, within a reasonable period thereafter such rate shall be deemed no longer effective. Said order is subject to judicial review as set out in Article 2 of this Chapter. Pending judicial review of said order, the filed classification plan and the filed rates may be used, charged and collected in the same manner as set out in G. S. 58-40-45 of this Chapter. Said order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in the order."

Please see to it that this circular letter is brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Automobile Manager

FTL:dp

Enclosure
RF-01-5