

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

May 19, 2000

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Private Passenger Automobile Insurance Rates - Other Than "Clean Risks"

By Circular Letter to All Member Companies A-00-3 dated March 15, 2000, the North Carolina Rate Bureau announced revised classification and subclassification plans rating factors and revised bodily injury increased limits factors to be implemented effective September 1, 2000. In addition to applying to voluntary business and "clean risks" business ceded to the Reinsurance Facility, the revised rating and increased limits factors also apply to ceded risks other than "clean risks" as defined in G.S. 58-37-35(1).

These revised classification and subclassification plans rating factors are being implemented so as to cause no overall rate level effect. This requires that the bodily injury and property damage liability and medical payments insurance base rates be adjusted to offset any change in overall collected premiums that would otherwise result. The enclosed exhibit sets forth revised base rates for other than "clean risks" business ceded to the Reinsurance Facility which were filed May 17, 2000 and which are to be implemented effective September 1, 2000 in accordance with the following Rule of Application:

These changes are applicable to all policies effective on or after September 1, 2000. No policy effective prior to September 1, 2000 shall be endorsed or canceled 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 September 1, 2000.

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 these changes.

Very truly yours,

John W. Watkins

General Manager

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Enclosures

RF-00-7