



July 28, 2005

CIRCULAR LETTER TO ALL MEMBER COMPANIES

**Re: Revised Ceding Expense Allowances for
Fiscal Year 2004-2005**

The Facility has determined that an error was made by the Facility in the calculation of the Ceding Expense Allowances furnished to AIPSO that are used to process Monthly Summary Reports and Account Activity Statements. The error affected those reports beginning in October, 2004. While not all allowances were affected, the Board of Governors has revised the approved expense allowances for those companies whose allowances were erroneously calculated. These revised expense allowances will be used prospectively beginning with the processing of the June 2005 Monthly Summary Reports and Account Activity Statements.

The attached exhibit reflects the REVISED expense allowances for each company or company group which has ceded to the North Carolina Reinsurance Facility 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 claims expense allowance for all companies (excluding designated agent business) remains unchanged at 12.0% of written premium through the September 2005 monthly processing. 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 representatives who are responsible for reconciling the monthly Account Activity Statements with the monthly premium and loss reports submitted to the North Carolina Reinsurance Facility.

Questions regarding this should be directed to Amy Tart at 919-645-3176 or amt@ncrb.org.

Sincerely,

Edith T. Davis

Director, Reinsurance Facility

<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>	<u>Code</u>	<u>Company Name</u>	<u>Ceding Expense Allowance</u>
05544	AMEX ASSURANCE CO	23.1	09824	* LIBERTY MUTUAL INS CO	24.1
06327	* ALLIANCE MUTUAL INS CO	18.8	01875	* LM PROPERTY & CASUALTY INS CO	27.8
07031	ALLSTATE INSURANCE CO	23.1	06053	LUMBERMEN'S MUTUAL CAS	a
07900	ALPHA PROPERTY & CASUALTY	a	09825	* MARYLAND CASUALTY CO	25.1
07035	AMERICAN BANKERS INS OF FL	a	09134	MERASTAR INSURANCE CO	25.9
02107	* AMERICAN CASUALTY CO	26.5	05293	* METROPOLITAN PROP & CAS	24.2
05939	AMERICAN GUARANTY INS CO	a	06142	NATIONAL GRANGE MUT INS	a
05621	AMERICAN MANUFACTURERS	16.1	06124	* NATIONWIDE MUTUAL INS	26.5
06075	AMERICAN MOTORISTS INS CO	17.5	04332	* NEW HAMPSHIRE INS CO	17.3
11052	AMERICAN PHYSICIANS INS CO	a	07524	* N C FARM BUREAU MUT INS	23.2
05116	AMERICAN PROTECTION INS CO	15.5	02112	* OHIO CASUALTY INS CO	a
07807	AMERICAN SOUTHERN INS CO	25.0	10074	OMNI INSURANCE CO	25.6
08007	* AMERICAN STATES INS CO	a	09814	* ONEBEACON AMERICA	a
08188	* AMERISURE MUTUAL INS CO	18.8	01382	* ONEBEACON INS CO	a
03514	AMICA MUTUAL INS CO	18.8	02085	* PEERLESS INSURANCE CO	a
09994	ATLANTIC CASUALTY INS CO	a	06098	* PENNSYLVANIA NAT MUT CAS	23.1
07093	* AUTO OWNERS INSURANCE CO	26.8	07534	* PROGRESSIVE CAS INS CO	25.7
02128	* BITUMINOUS CASUALTY CORP	24.6	09102	QBE INS CO	21.9
11040	BUILDERS MUTUAL INS CO	a	07072	RESPONSE WORLDWIDE INS CO	a
03583	* CENTRAL MUTUAL INS CO	26.9	09833	* ROYAL INDEMNITY COMPANY	a
07838	* CINCINNATI INSURANCE CO	27.5	07960	* SAFECO INS CO OF AMER	22.0
08944	COMPANION PROP & CAS INS	a	09834	* ST PAUL FIRE & MARINE INS CO	23.8
27984	DISCOVERY INSURANCE CO	28.3	07967	* SELECTIVE INS OF SOUTHEAST	a
05092	ELECTRIC INSURANCE CO	15.3	06127	* SENTRY INSURANCE A MUT CO	20.2
06119	EMPLOYERS MUTUAL CAS CO	27.9	06146	* SHELBY INSURANCE CO	a
09073	ERIE INSURANCE COMPANY	27.6	04478	* SOUTH CAROLINA INS CO	a
04287	* FEDERAL INSURANCE CO	a	07352	SOUTHERN GENERAL INS CO	a
05676	* FEDERATED MUTUAL INS CO	28.1	07601	* SOUTHERN GUARANTY INS CO	27.4
09812	* FIREMAN'S FUND INS CO	a	07494	* SOUTHERN INSURANCE CO OF VA	25.0
04729	FIREMEN'S INS OF WASHINGTON DC	23.5	03566	* STATE AUTOMOBILE MUTUAL	a
07275	FOREMOST INS CO	25.6	07633	* STATE AUTO PROP & CAS INS	27.5
07159	GEICO INDEMNITY COMPANY	a	07667	STATE FARM MUT AUTO INS	24.4
07307	* GOVERNMENT EMPLOYEES INS	18.4	10394	STATE NATIONAL INS CO	27.5
09813	GRAIN DEALERS MUTUAL INS	a	04797	TOKIO FIRE & MARINE INS	14.9
09816	* GREAT AMERICAN INS CO	22.1	02034	* TRAVELERS INDEMNITY	25.4
07324	* GUARANTY NATL (ORION AUTO)	a	07979	* TRUCK INS EXCHANGE	a
09818	* HANOVER INS CO	a	03542	* UNITED SERVICES AUTO ASSOC	11.6
07345	* HARLEYSVILLE MUTUAL INS CO	a	05163	UNITRIN AUTO & HOME INS CO	a
01238	* HARTFORD CASUALTY INS CO	a	05394	UNIVERSAL INS CO OF NC	a
07610	* HORACE MANN INS CO	21.7	05899	* UTICA MUTUAL INSURANCE CO	a
09869	INS CORPORATION OF HANNOVER	a	07751	VIRGINIA MUTUAL INS CO	a
07611	* INTEGON GENERAL INS CORP	26.2	09041	* WILSHIRE INSURANCE CO	27.0
09050	INTERSTATE INDEMNITY CO	a	07606	WINDSOR INSURANCE CO	a

NOTES: a: Allowance of 28.5% of written premiums
 *: Includes all companies in a group
 The claims expense allowance for all companies (excluding designated agent business) is 12.0% of written premiums.
 The ceding expense allowance for designated agent business is 35.8% of written premium.
 The claims expense allowance for designated agent business is 15.0% of written premiums plus 50% of outside legal expenses paid.
 For a ceding expense allowance of companies not listed above, refer to the NCRF.