



July 1, 2008

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 30, 2008 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 10.4% for bodily injury, 12.4% for property damage, and 0.7% for medical payments coverages, averaging 10.8% over rates presently in effect. The filing also includes a rate level change of 2.2% for the motorcycle liability coverages. The revised rates are to be implemented effective October 1, 2008, in accordance with the following Rule of Application:

These changes are applicable to all policies becoming effective on or after October 1, 2008. No policy effective prior to October 1, 2008 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, 2008.

The enclosed exhibits set forth the revised rates for ceded risks other than "clean risks" effective October 1, 2008 and the revised relativities to be used in determining motorcycle rates

for such risks. 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-08-6

Attachments

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

REVISED BASE RATES - OTHER-THAN-CLEAN RISKS 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	\$192	\$221	\$259	\$301	\$218	\$220	\$225	\$19	\$25	\$30	\$44	\$64
13	282	324	381	443	252	255	260	28	37	45	66	95
14	268	308	362	421	241	243	248	27	36	43	63	91
15	305	351	412	479	237	239	244	31	41	50	73	105
16	273	314	369	429	256	259	264	28	37	45	66	95
17	308	354	416	484	270	273	278	31	41	50	73	105
18	260	299	351	408	230	232	237	26	35	42	61	88
24	224	258	302	352	193	195	199	23	31	37	54	78
25	329	378	444	517	255	258	263	33	44	53	77	112
26	364	419	491	571	215	217	221	37	49	59	87	125
31	275	316	371	432	227	229	234	28	37	45	66	95
32	230	265	311	361	208	210	214	23	31	37	54	78
33	273	314	369	429	195	197	201	28	37	45	66	95
40	361	415	487	567	268	271	276	36	48	58	84	122
41	269	309	363	422	255	258	263	27	36	43	63	91
43	263	302	355	413	206	208	212	27	36	43	63	91
47	299	344	404	469	200	202	206	30	40	48	70	101
51	219	252	296	344	241	243	248	22	29	35	51	74
52	317	365	428	498	272	275	280	32	43	51	75	108

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%] 15% of the applicable private passenger rate.
2. Such vehicles with engine size of 500 to 1249 cubic centimeters shall be rated at [26%] 24% of the applicable private passenger rate.
3. Such vehicles with engine size of 1250 to 1499 cubic centimeters shall be rated at [36%] 33% of the applicable private passenger rate.
4. Such vehicles with engine size of 1500 or more cubic centimeters shall be rated at [47%] 43% of the applicable private passenger rate.