

NORTH CAROLINA REINSURANCE FACILITY

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September 18, 1998

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Expense Allowances
Monthly Summary Report Preparation

On the reverse side hereof is an exhibit showing the new expense allowances which will be applicable in the preparation of Monthly Summary Reports by ceding companies beginning with such reports for October, 1998. 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 26.5% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) will be 12.5% of written premium. The claims expense allowance for designated agent business will be 7.0% 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 submitting monthly premium and loss reports to the North Carolina Reinsurance Facility, and as indicated they should be instructed to utilize the new expense allowance percentages in the Monthly Summary Reports beginning with October, 1998, which begins a new fiscal year for the Facility.

If a special effort is made to include these changes in each company's October, 1998, Monthly Summary Report, the result will be a substantial reduction in correspondence and clerical effort required to correct errors. Thank you for your cooperation.

Very truly yours,

John W. Watkins

General Manager

JWW:lg

RF-98-6

NORTH CAROLINA REINSURANCE FACILITY

EXPENSE ALLOWANCES - YEAR BEGINNING 10-1-98

<u>Code</u>	<u>Company</u>	<u>Ceding Expense Allowance</u>	<u>Code</u>	<u>Company</u>	<u>Ceding Expense Allowance</u>
06327	Alliance Mutual	20.8	09134	Merastar	16.2
07031	*Allstate	21.8	05293	*Metropolitan Prop & Cas	22.3
07035	American Bankers of Fl.	a	08188	*Michigan Mut.	a
02107	*American Casualty	25.8	06253	Montgomery Mut.	a
05621	American Manufacturers	a	08005	Mutual Service Cas	a
06075	American Motorists	a	06142	National Grange	23.5
05116	American Protection	a	06124	*Nationwide Mutual	24.0
08007	*American States	26.3	04332	*New Hampshire	17.3
03514	Amica Mutual	20.1	07524	*N.C. Farm Bureau	20.2
09994	Atlantic Casualty	a	02112	*Ohio Casualty	25.8
06431	*Atlantic Mutual	a	10511	Peak Prop & Cas.	a
07093	Auto Owners	24.3	02085	*Peerless	26.1
02696	Berkley Ins. Co.	a	06098	*Penn. National	a
02128	*Bituminous Casualty	21.7	07534	*Progressive Casualty	a
03583	*Central Mutual	26.2	07072	Providian Auto & Home	a
07838	*Cincinnati	a	06883	Regency Insurance Co.	24.3
07673	Colonial Penn	9.7	02232	*Reliance	a
01382	*Commercial Union	25.9	09833	*Royal Indemnity	a

08944 Companion P & C	a	07960 *Safeco	25.7
27984 Discovery	22.3	09834 *St. Paul F. & M.	a
05092 Electric Insurance	15.3	07967 *Selective Ins. Co of SE	a
06120 Employers Ins.of Wausau	a	06127 Sentry Ins. A Mut. Co.	a
06119 Employers Mut. Cas.	a	04478 *South Carolina	a
09073 *Erie Insurance	23.7	07601 *Southern Guaranty	a
04287 *Federal	a	07494 Southern Heritage	a
05676 Federated Mutual	23.4	03566 *State Automobile Mut.	a
09812 *Fireman's Fund	a	07633 State Auto Prop. & Cas.	a
07159 GEICO Ind.	25.7	04763 *State Capital	24.9
09814 *General Accident	a	07667 State Farm Mut. Auto.	23.5
09714 Generali-US Branch	a	02034 *Travelers Indemnity	23.8
07307 *Government Employees	14.2	09066 *Unigard Indemnity	a
09813 Grain Dealers	a	08076 Union	a
09816 *Great American	26.1	09840 *U.S. Fid. & Guar.	20.8
07324 *Guaranty National	26.3	09809 *U.S. Fire	a
09818 *Hanover	a	05394 Universal Ins.	a
07345 *Harleysville Mutual	a	07728 Universal Underwriters	a
01238 *Hartford Casualty	a	03542 *United Ser. Auto. Assoc.	11.8
07610 *Horace Mann	18.6	05899 *Utica Mutual	a
06003 Indiana Lumbermens	a	07402 *Vesta	a
09823 *Ins. Co. of N. Amer.	a	07751 Virginia Mutual	a
07611 *Integon General	24.4	07630 *Wausau Underwriters	a
09824 *Liberty Mutual	17.5	09041 *Wilshire	a
06053 Lumbermens Mut. Cas.	a	07606 Windsor	a
09825 *Maryland Casualty	a	02038 *Zurich	24.7

Notes: a -Allowance of 26.5% 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 26.5% of written premiums.

The claims expense allowance for all companies (excluding designated agent business) is 12.5% of written premiums.

The claims expense allowance for designated agent business is 7.0% of losses paid plus 100% of outside legal expenses paid.