

NORTH CAROLINA REINSURANCE FACILITY

POST OFFICE BOX 176010
RALEIGH, NORTH CAROLINA 27619-6010

5401 SIX FORKS ROAD
RALEIGH, NORTH CAROLINA 27609-4435

TELEPHONE (919) 783-9790
FACSIMILE (919) 783-0355

RAYMOND F. EVANS, JR. CPCU
General Manager

ROBERT M. GREER
Audit Manager

F. TIMOTHY LUCAS
Automobile Manager

ROBERT M. NEWTON
Claims Manager

DAVID E. SINK, JR.
Accounting Manager

MINUTES OF THE SPECIAL MEETING OF THE NORTH CAROLINA REINSURANCE FACILITY HELD AT 5401 SIX FORKS ROAD, RALEIGH, NORTH CAROLINA AUGUST 23, 2001

MEMBERS PRESENT

Allstate Indemnity Company
Allstate Insurance Company
American Spirit Insurance Company
American Professionals Insurance Company
Automobile Insurance Company of Hartford
Charter Oak Fire Insurance Company
Eagle American Insurance Company
Farmington Casualty Company
First Liberty Insurance Corporation
Great America Assurance Company
Great American Alliance Company
Great American Insurance Company of NY
Great American Insurance Company
Highlands Insurance Company
Integon Specialty Insurance Company
Integon Indemnity Corporation
Integon General Insurance Corporation
Integon Casualty Insurance Company
Integon Preferred Insurance Company
Integon National Insurance Company
Liberty Mutual Insurance Company
Liberty Mutual Fire Insurance Company
Liberty Insurance Corporation
LM Insurance Corporation
National Continental Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property & Casualty Insurance Co.
Nationwide Affinity Insurance Company
Nationwide Mutual Fire Insurance Company
New South Insurance Company
NN Insurance Company
Northbrook Indemnity Company
Northwestern National Insurance Company
Northwestern National Casualty Company
Penn National Security Insurance Company
Pennsylvania National Mutual Casualty Ins Co
Phoenix Insurance Company
Progressive American Insurance Company

REPRESENTED BY

Mr. A. Ivey
Mr. A. Ivey
Ms. R. Hunter
Ms. S. Taylor
Mr. B. Seagle
Mr. B. Seagle
Ms. R. Hunter
Mr. B. Seagle
Ms. J. Bryan
Ms. R. Hunter
Ms. R. Hunter
Ms. R. Hunter
Ms. R. Hunter
Ms. S. Taylor
Mr. A. Lyon
Mr. A. Lyon
Mr. A. Lyon
Mr. A. Lyon
Mr. A. Lyon
Mr. A. Lyon
Ms. J. Bryan
Ms. J. Bryan
Ms. J. Bryan
Ms. J. Bryan
Mr. K. Steele
Mr. T. Brewer
Mr. T. Brewer
Mr. T. Brewer
Mr. T. Brewer
Mr. A. Lyon
Ms. S. Taylor
Mr. A. Ivey
Ms. S. Taylor
Ms. S. Taylor
Mr. C. Uckele
Mr. C. Uckele
Mr. B. Seagle
Mr. K. Steele

Progressive Southeastern Insurance Company	Mr. K. Steele
Progressive Northern Insurance Company	Mr. K. Steele
Progressive Northwestern Insurance Company	Mr. K. Steele
Progressive Casualty Insurance Company	Mr. K. Steele
Progressive Preferred Insurance Company	Mr. K. Steele
Seven Hills Insurance Company	Ms. R. Hunter
Standard Fire Insurance Company	Mr. B. Seagle
State Automobile Mutual Insurance Company	Mr. W. Florence
State Capital Insurance Company	Ms. S. Taylor
State Automobile National Insurance Company	Mr. W. Florence
State Farm Mutual Automobile Insurance Co	Mr. M. Taylor
State Automobile Property & Casualty Ins Co	Mr. W. Florence
Travco Insurance Company	Mr. B. Seagle
Travelers Casualty & Surety Co of Illinois	Mr. B. Seagle
Travelers Home & Marine Insurance Company	Mr. B. Seagle
Travelers Indemnity Company of Connecticut	Mr. B. Seagle
Travelers Casualty & Surety Co of America	Mr. B. Seagle
Travelers Indemnity Company	Mr. B. Seagle
Travelers Casualty Company of Connecticut	Mr. B. Seagle
Travelers Casualty & Surety Company	Mr. B. Seagle
Travelers Commercial Insurance Company	Mr. B. Seagle
Travelers Property Casualty Insurance Company	Mr. B. Seagle
Travelers Indemnity Company of Missouri	Mr. B. Seagle
Travelers Indemnity Company of America	Mr. B. Seagle
Travelers Indemnity Company of Illinois	Mr. B. Seagle
Travelers Personal Security Insurance Company	Mr. B. Seagle
United Financial Casualty Company	Mr. K. Steele
Universal Insurance Company	Mr. G. Spray
Worldwide Insurance Company	Ms. R. Hunter

230 other member companies were represented by proxy.

OTHERS PRESENT

REPRESENTED BY

Young, Moore & Henderson	Mr. M. Spivey
	Mr. M. Strickland
North Carolina Department of Insurance	Mr. C. Swindell
Able Auto Insurance Agency	Mr. J. Butler
Public Member of the Board of Governors	Mr. S. Whitley
Staff	Ms. E. Davis
	Mr. R. Evans
	Mr. R. Greer
	Mr. T. Lucas

The meeting convened as scheduled, Mr. Brewer of Nationwide Mutual Insurance Company, Chairman of the Board of Governors, presiding. Mr. Brewer reminded those present of the Reinsurance Facility's Antitrust Compliance Policy and Conflict of Interest Statement.

1. Plan of Operation Amendments

Mr. Brewer called attention to proposed amendments to Article IX of the Facility's Plan of Operation, distributed by Circular Letter to All Member Companies RF-01-6 dated August 1, 2001, which provide for increases in the amounts of liability insurance that may be ceded to the Facility in connection with obtaining excess or umbrella coverage by motor vehicle owners.

It was pointed out (1) that the Board of Governors had recommended adoption of the proposed amendments in order to comply with changes in the law resulting from passage of House Bill 357 by the North Carolina General Assembly; (2) that the changes in the law were presently scheduled to become effective October 1, 2001 as provided by House Bill 357; and (3) that it was anticipated that further legislation now pending would be passed in the near future to provide for the changes to become effective on January 1, 2002 rather than on October 1, 2001.

A motion was made and seconded to adopt the proposed amendments to Article IX of the Facility's Plan of Operation to become effective October 1, 2001 or such other date as may be required by subsequent legislation and to file the amendments with the Commissioner of Insurance for approval.

Following discussion, the motion was passed unanimously.

There was additional discussion, during which (1) several members expressed concern that these changes would lead to additional exposure and increased losses in the Reinsurance Facility; and (2) questions were raised concerning procedures relating to cession of the higher limits. Mr. Evans stated that the advisory committees of the Reinsurance Facility and the North Carolina Rate Bureau had expressed similar concerns and that these had been communicated to representatives of the Department of Insurance. Mr. Evans stated further that it is the Facility's position that proper certification of an insured's eligibility for the higher limits, in accordance with procedures set forth in the Facility's Standard Practice Manual, is sufficient to establish the eligibility for cession of the higher limits to the Facility.

2. Adjournment

There being no further business the meeting was adjourned.

Sincerely,

Raymond F. Evans, Jr., CPCU

General Manager

RFE:lm
RF-01-10
9/4/01