

# NORTH CAROLINA REINSURANCE FACILITY

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July 27, 2001

## 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 July 27, 2001 filed with the Commissioner of Insurance rate level increases for bodily injury and property damage liability and medical payments insurance for nonfleet private passenger automobiles 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 Facility's filing includes average rate level changes of -5.3% for bodily injury, +17.5% for property damage, and -12.3% for medical payments coverages, averaging +2.9% over rates presently in effect. The revised rates are to be implemented effective October 1, 2001, in accordance with the following Rule of Application:

These changes are applicable to all policies effective on or after October 1, 2001. No policy effective prior to October 1, 2001 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, 2001.

The enclosed exhibit which sets forth the revised rates is for your advance information to enable you to make preparations to implement the revised rates effective October 1, 2001. 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.

Sincerely,

F. Timothy Lucas  
Personal Lines Manager

FTL:dp  
Enclosure  
RF-01-4