

July 22, 2004

CIRCULAR LETTER TO ALL MEMBER COMPANIES

IMPORTANT MATERIAL

IMMEDIATE ATTENTION
REQUIRED

Re: Resolution of 2001, 2002 and 2004
Private Passenger Automobile Rate Filing Cases

Refund Escrowed Premiums - 2001 Private
Passenger Automobile Rate Filing

Refund of Portion of Escrowed Premiums - 2002
Private Passenger Automobile Rate Filing

Revised Auto and Motorcycle Insurance Rates -
2004 Private Passenger Automobile Rate Filing

2001 Private Passenger Auto Rate Filing Case

The Commissioner of Insurance, following the issuance of the Supreme Court Opinion in the 2001 Private Passenger Auto Rate Filing Case, has issued an Order dated July 22, 2004 that requires member companies to refund to policyholders that portion of the premium collected on each policy which exceeds the premium which would have resulted on each policy using the rates ordered by the Commissioner of Insurance, with interest. Included in this circular and in the documents attached are specific instructions and procedures ordered by the Commissioner of Insurance which must be followed by member companies in processing the refund of premium and interest in connection with the 2001 rate filing case. By Circular Letter To All Member Companies dated July 6, 2004, the Bureau provided advance notice to the member companies of the potential for refunds in this case. The set of refund procedures attached to that circular was a copy of the procedures used in 2000 and **is not** the set of refund procedures to be used in this case.

A copy of the Commissioner's July 22, 2004 Order is attached to this circular as Attachment A. Exhibit 1 of that Order is a memorandum entitled Procedures on Refund of Premiums. The

procedures for refunds are set forth in that memorandum. Exhibit 2 of that Order includes the approved base rates resulting from the rate level changes ordered for 2001 filing. For those companies whose systems have been maintained to work from the differences between the rates as implemented and the rates as ordered, those differences, by coverage, may be calculated using the factors set forth in Attachment B to this circular letter. These factors, when applied to the appropriate base rate implemented by the Rate Bureau effective April 1, 2002, result in the actual amount by which the Rate Bureau's implemented base rate exceeds the base rate in the Order.

The policies affected by the 2001 auto rate filing case are those that became effective during the period April 1, 2002 through January 26, 2003.

Refunds are to be delivered or mailed to policyholders during the period October 1, 2004 through October 29, 2004.

With respect to "clean risk" business ceded to the North Carolina Reinsurance Facility to which the 2001 rate filing case applied, which business is required to be rated on the basis of Rate Bureau voluntary rates, the Reinsurance Facility has been maintaining the required escrow account, but it will be necessary for the ceding carriers to make arrangements to distribute the appropriate refunds to policyholders. The difference between the premium collected and the premium that would have been charged using the approved rates on "clean risks" business ceded to the Reinsurance Facility, along with any interest paid as part of the refunds on such business, will be reimbursed by the Reinsurance Facility to ceding companies. The Reinsurance Facility will provide additional information regarding reporting and reimbursement of refunds on such business by circular letter in the near future.

2002 Private Passenger Auto Rate Filing Case

The Rate Bureau and the Commissioner of Insurance have agreed to settle the outstanding 2002 private passenger automobile insurance rate filing case. The 2002 case was involved in litigation and member companies had been advised by the Rate Bureau to establish an escrow account because the Rate Bureau instructed member companies to implement rates higher than those approved by the Commissioner of Insurance. Enclosed herewith as Attachment C is a copy of the Settlement Agreement and Consent Order dated July 22, 2004 (hereinafter the "2002 Auto Settlement Agreement").

The terms of the 2002 Auto Settlement Agreement provide that member companies shall refund a portion of the escrowed premium to policyholders. Member companies shall refund to policyholders that portion of the premium collected on each policy which exceeds the premium which would have resulted on each policy using the rates approved in the 2002 Auto Settlement Agreement. Exhibit 1 of the 2002 Auto Settlement Agreement is a memorandum entitled Procedures on Refund of Premium. The procedures for refunds are set forth in that memorandum. Exhibit 2 of the 2002 Auto Settlement Agreement includes the approved base rates resulting from the settlement. For those companies whose systems have been maintained to work from the

differences between the rates as implemented and the rates as ordered, those differences, by coverage, may be calculated using the factors set forth in Attachment D to this circular letter. These factors, when applied to the appropriate base rate implemented by the Rate Bureau effective April 1, 2002, result in the actual amount by which the Rate Bureau's implemented base rate exceeds the approved base rate.

The policies affected by the 2002 filing are those that became effective during the period January 27, 2003 through June 30, 2003.

Refunds are to be delivered or mailed to policyholders during the period October 1, 2004 through November 29, 2004.

With respect to "clean risk" business ceded to the North Carolina Reinsurance Facility to which the 2002 rate filing case applied, which business is required to be rated on the basis of Rate Bureau voluntary rates, the Reinsurance Facility has been maintaining the required escrow account, but it will be necessary for the ceding carriers to make arrangements to distribute the appropriate refunds to policyholders. The difference between the premium collected and the premium that would have been charged using the approved rates on "clean risks" business ceded to the Reinsurance Facility, along with any interest paid as part of the refunds on such business, will be reimbursed by the Reinsurance Facility to ceding companies. The Reinsurance Facility will provide additional information regarding reporting and reimbursement of refunds on such business by circular letter in the near future.

2004 Private Passenger Auto Rate Filing Case

The Rate Bureau and the Commissioner of Insurance have agreed to settle the pending 2004 private passenger automobile insurance rate filing case. A copy of the Settlement Agreement and Consent Order dated July 22, 2004 for the 2004 case (hereinafter the "2004 Auto Settlement Agreement") is attached to this circular letter as Attachment E.

The terms of the 2004 Auto Settlement Agreement provide that there will be no changes to the current rates except to the extent that rates change as a result of the approval of the filed changes to the model year and symbol relativities (these relativities are simply updated to include rates for 2006 model year vehicles). These approved rates are to be implemented effective January 1, 2005 in accordance with the following rule of application:

This rate change is applicable to all policies effective on or after January 1, 2005. No policy effective prior to January 1, 2005 shall be endorsed or canceled and rewritten to take advantage of or to avoid the application of this rate change 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 January 1, 2005.

The rate changes due to changes in the model year and symbol relativities under the 2004 Auto Settlement Agreement will be distributed at a later date.

With respect to the refunds of escrowed premium required for the 2001 auto rate filing case and for the 2002 auto rate filing case, member companies are further advised as follows:

1. Member companies should review carefully the refund procedures applicable for each of those cases. The Bureau is advised that the Department of Insurance auditors may test the appropriateness of refund calculations during the course of any market conduct examination conducted in the company's office.
2. Member companies may issue a single check covering the refunds in both cases or may issue separate checks for each case (or policy). The information to be included with refund checks or drafts is identical in the two cases (see paragraph 12 of the Procedures on Refund of Premiums in both cases) specifically to provide companies this latitude.
3. Neither the premiums refunded, interest paid nor the expenses incurred in connection with issuing refunds are to be included as expenses in responses to the Annual Call for Automobile Expense Experience issued by the Rate Bureau. However, separate entries will be included on the Annual Call for Automobile Expense Experience to report the amount of premium refunded, interest paid and the expenses incurred in issuing refunds. Accordingly, companies should take appropriate steps to be able to separately identify these items.
4. While it is important that each company establish procedures that will ensure compliance with the respective orders and refund procedures in the 2001 auto rate filing case and the 2002 auto rate filing case, it should be emphasized that an individual company has the right to petition the Commissioner for relief from or adjustments to the ordered procedures if those procedures cause undue hardship or expense to the company or if the company can show that its circumstances result in the procedures being unlawful or otherwise inequitable.
5. The automobile insurance statistical agents for North Carolina (Insurance Service Office (ISO), Property Casualty Insurers Association of America (PCIAA), and National Independent Statistical Service (NISS)) will be made aware of the resolution of these cases, and any special instructions which might be needed with respect to the reporting of statistical data will be issued directly to the companies from ISO, PCIAA and NISS.
6. The Procedures on Refund of Premiums in the 2001 case makes reference to Department of Insurance [Bulletin 02-B-1](#) issued January 31, 2002 and the Procedures on Refund of Premiums in the 2002 case makes reference to Department of Insurance [Bulletin 02-B-11](#) issued December 13, 2002. To access copies of

these bulletins, you may click on the appropriate highlighted text above or visit the Department's website at www.ncdoi.com.

Please see to it that this circular letter is brought to the attention of all interested personnel in your Company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dp

A-04-7

Attachments

- Attachment A - 2001 Order for Refunds
- Attachment B - 2001 Calculation of Refund Factors
- Attachment C - 2002 Settlement Agreement and Consent Order
- Attachment D - 2002 Calculation of Refund Factors
- Attachment E - 2004 Settlement Agreement and Consent Order

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING)	
DATED MAY 1, 2001 BY THE)	BEFORE THE COMMISSIONER
NORTH CAROLINA RATE BUREAU)	OF INSURANCE
FOR REVISED AUTOMOBILE)	Docket No. 1043
INSURANCE RATES - PRIVATE)	
PASSENGER CARS AND)	
MOTORCYCLES)	

ORDER FOR REFUNDS

It appears to the Commissioner of Insurance ("Commissioner") that all legal issues and disputes concerning the above-captioned automobile rate filing dated May 1, 2001 ("the filing") have been fully adjudicated and resolved by the decision of the North Carolina Court of Appeals dated October 7, 2003 and by the decision of the North Carolina Supreme Court dated June 25, 2004.

NOW, THEREFORE IT IS ORDERED AS FOLLOWS:

1. Funds held in escrow on behalf of policyholders by the insurance company members of the North Carolina Rate Bureau ("Bureau") pursuant to N.C.G.S. §58-36-25 shall be refunded to the policyholders in a manner described hereinbelow. Refunds shall be mailed to policyholders during the period beginning October 1, 2004 and concluding October 29, 2004.
2. Pursuant to N.C.G.S. §58-36-25(b), the amount to be refunded shall be calculated such that the portion of the

premium collected by each member company of the Bureau on each policy under the rates implemented by the Bureau and its member companies pending judicial review of the Commissioner's Order dated December 14, 2001 relating to the 2001 filing which exceeds the premium which would have resulted on each policy from rates determined in accordance with the following rate level changes (from the manual rates in force at the time the 2001 filing was made) shall be refunded to policyholders, with interest, in accordance with the Procedures on Refund of Premium which are attached hereto as Exhibit 1 and incorporated herein by reference.

Cars

<u>LIABILITY</u>	
BODILY INJURY	-17.0%
PROPERTY DAMAGE	- 2.0%
MEDICAL PAYMENTS	-12.8%
UNINSURED MOTORIST	-22.9%
UNDERINSURED MOTORIST	-24.0%
LIABILITY TOTAL	-12.1%
 <u>PHYSICAL DAMAGE</u>	
COMPREHENSIVE	-15.7%
COLLISION	-13.3%
PHYSICAL DAMAGE TOTAL	-14.1%
GRAND TOTAL	-13.0%

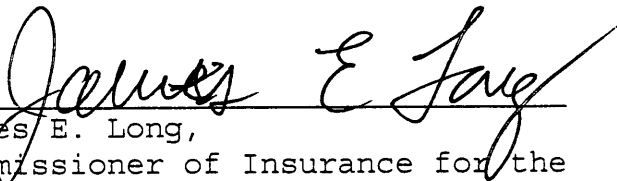
Motorcycle Liability -15.2%

3. The above described rate level changes are the authorized and approved rate level changes applicable to all new and renewal policies effective beginning April 01, 2002 through January 26, 2003. The base rates resulting from these

ordered rate level changes are set forth in Exhibit 2, which is attached hereto and incorporated herein by reference.

4. All amounts subject to the escrow requirement pending judicial review of the Bureau's appeal of the above-described Order and all interest and other gains and earnings thereon or attributable thereto shall be paid over and delivered to the member companies and, to the extent necessary, member companies shall utilize such funds for refunds to policyholders to the extent and in the manner required by the attached Procedures on Refund of Premium, Exhibit 1 hereto.
5. For all "clean risks" as defined in N.C.G.S. §58-37-35(1) on private passenger automobile insurance policies (cars and motorcycle liability) ceded to the North Carolina Reinsurance Facility ("Facility"), all amounts subject to escrow requirement pending judicial review of the Bureau's appeal of the above-described Order and all interest and other gains and earnings thereon or attributable thereto shall be paid over and delivered to the Facility and, to the extent necessary, the Facility shall reimburse ceding companies for refunds, including interest, made in the manner required by the attached Procedures on Refund of Premium.

This the 22nd day of July, 2004.


James E. Long,
Commissioner of Insurance for the
State of North Carolina

PROCEDURES ON REFUND OF PREMIUMS

1. Policies and coverages to which these procedures apply are non-fleet private passenger automobile (including motorcycle liability) policies and coverages subject to the jurisdiction of the Bureau and non-fleet private passenger automobile (including motorcycle liability) policies and coverages ceded to the North Carolina Reinsurance Facility ("Facility") that are "clean risks" as defined in N.C. Gen. Stat. §58-37-35(1) effective beginning April 01, 2002 through January 26, 2003 for new and renewal policies.

These procedures do not apply to motorcycle physical damage policies or coverages and do not apply to "consent to rate" policies issued or renewed pursuant to the provisions of N.C. Gen. Stat. §58-36-30(b) ("consent to rate") or to "other than clean risk" policies or coverages, as defined in N.C. Gen. Stat. §58-37-35(1), ceded to the Facility.

2. The amount of refund shall be calculated for each policy as set forth below and in accordance with Bulletin 02-B-1 issued on January 31, 2002 by the North Carolina Department of Insurance. The term "premiums" as used in this paragraph shall not include interest, installment payment charges or recoupment/allocation surcharges (including loss and clean risk surcharges).

(a) Portion of Premium to be Refunded

The premium to be refunded on each policy shall be the difference between the total premium per policy collected on each policy (after consideration of all deviations applicable to each policy and all unpaid premium specifically applicable to each policy) and the total premium per policy that would have been collected on each policy using the rates by coverage resulting from the Commissioner's Order dated December 14, 2001 with respect to the 2001 filing. Neither dividends nor unpaid premiums attributable to policies not subject to refund may be used to offset the refund amount.

(b) Amount of Refund

The amount of refund on a policy shall be the portion of premium to be refunded as determined above plus simple interest on such premium at the annual rate of 7.33% from the effective date of each policy through July 22, 2004.

3. In making the calculations required under these procedures, each company may apply the premium rounding rules it applies in the ordinary course of its business.

4. Notwithstanding any other provisions of these procedures, in no event shall a company be required to refund amounts calculated pursuant to Paragraph 2 above on any policy if the amount of such refund is \$5.00 or less (including interest). If a policyholder had multiple policies for which refunds are to be calculated, each policy shall be treated separately in determining if any refund is due on such policy.

5. Except as provided in Paragraph 7 below, refunds shall be paid by check(s) or draft(s) payable to the policyholder or policyholders. Each company shall have the option to accumulate all refunds due an individual policyholder into one check or draft or to issue separate checks or drafts for each policy on which a refund is due.

6. Refunds shall be mailed or delivered to the named policyholder or policyholders at the address shown on the policy record for which a refund is being made or at such other address the company in good faith determines and believes to be more current.

7. With respect to policyholders on whose behalf the premium was paid by a premium finance company, any refunds shall be mailed to such premium finance company under its agreement with the policyholder. Payment of such refunds to the premium finance company shall constitute full and complete payment by such insurance company for refunds due under these procedures.

8. If these procedures cause undue hardship or expense to an individual company or if an individual company can show that its circumstances result in these procedures being unlawful or otherwise inequitable, such company may petition the Commissioner for relief from or adjustments to these procedures.

9. To the extent a company reported escrowed premium as written premium on its Annual Statement, the premium portion of refunds hereunder shall be reported in that company's Annual Statement as negative written premium during the year such refunds are made. Premium taxes payable during the year such refunds are made shall be calculated based on net written premium after reduction for such negative written premium.

10. No refunds hereunder shall be delivered or mailed to policyholders prior to October 1, 2004. All refunds hereunder shall be delivered or mailed to policyholders prior to October 29, 2004.

11. Neither the premiums refunded, interest paid nor the expenses incurred in connection with issuing refunds pursuant to these procedures are to be included as expenses in responses to the Annual Call for Automobile Expense Experience issued by the Rate Bureau. However, separate entries shall be included on the Annual Call for Automobile Expense Experience to report the amount of premium refunded, interest paid and the expenses incurred in issuing refunds.

12. Companies shall include the following information with refund checks or drafts. Such information may be attached to or imprinted on refund checks or drafts.

On certain policies becoming effective during the period April 1, 2002 through June 30, 2003, the North Carolina Rate Bureau established rates higher than rates approved by Jim Long, Commissioner of Insurance. This refund represents the difference between the rates approved by Commissioner Long and those paid by you on those policies, plus interest. This refund is the result of the decisions of the Appellate Courts affirming the Order of Commissioner Long on the 2001 rate filing and the result of a settlement of

litigation between Commissioner Long and the Rate
Bureau on the 2002 rate filing.

North Carolina

Private Passenger Automobile Insurance - 2001

Summary of Ordered Statewide Rate Level Changes

<u>Coverage</u>	Earned Premiums at Present <u>Manual Rates</u> (000's)	Ordered Total Limits Rate Level <u>Change</u>
T/L Bodily Injury	670,351	-17.0%
T/L Property Damage	523,302	-2.0%
Medical Payments	94,396	-12.8%
T/L Uninsured Motorists	124,430	-22.9%
Underinsured Motorists	50,825	-24.0%
Voluntary Liability Subtotal	1,463,304	-12.1%
Comprehensive	424,403	-15.7%
Collision	817,822	-13.3%
Physical Damage Subtotal	1,242,225	-14.1%
Private Passenger Auto Total	2,705,529	-13.0%

North Carolina Private Passenger Automobile Insurance - 2001 Ordered Territory Base Class Rates - Liability

Territory Description	30/60 Bodily Injury			\$25,000 Property Damage			Medical Payments		
	Present	Ordered	% Change	Present	Ordered	% Change	Present	Ordered	% Change
11 Asheville	109	88	-19.3%	130	123	-5.4%	10	9	-10.0%
13 Durham	171	134	-21.6%	149	146	-2.0%	16	13	-18.8%
14 Greensboro	148	120	-18.9%	151	145	-4.0%	14	12	-14.3%
15 High Point	165	140	-15.2%	147	145	-1.4%	15	14	-6.7%
16 Raleigh	148	119	-19.6%	160	154	-3.8%	14	11	-21.4%
17 Wilmington	191	142	-25.7%	160	149	-6.9%	18	14	-22.2%
18 Winston-Salem	121	104	-14.0%	133	128	-3.8%	11	10	-9.1%
24 Remainder-West	123	107	-13.0%	121	120	-0.8%	11	10	-9.1%
25 Gaston County	153	126	-17.6%	149	140	-6.0%	14	12	-14.3%
26 Remainder-South	185	154	-16.8%	125	124	-0.8%	17	15	-11.8%
31 Small City-East	175	140	-20.0%	139	136	-2.2%	16	14	-12.5%
32 Small City-West	129	110	-14.7%	131	127	-3.1%	12	11	-8.3%
33 Remainder-East	157	130	-17.2%	114	113	-0.9%	15	13	-13.3%
40 Fayetteville	185	158	-14.6%	146	147	0.7%	17	15	-11.8%
41 Onslow County	162	141	-13.0%	132	140	6.1%	15	14	-6.7%
43 Craven County	139	127	-8.6%	109	113	3.7%	13	12	-7.7%
47 Wayne County	157	129	-17.8%	119	120	0.8%	15	12	-20.0%
51 Mecklenberg County - remainder	138	111	-19.6%	142	136	-4.2%	13	11	-15.4%
52 Charlotte	191	140	-26.7%	168	158	-6.0%	18	14	-22.2%

Notes:

Present and Ordered Base Rates: Bodily Injury and Property Damage - Exhibit 1, Section A, Pages 16 and 18, Columns (17) and (18).
 Medical Payments - Exhibit 1, Section A, Page 20, Columns (9) and (14).
 % Change = [Ordered Base Rate / Present Base Rate] - 1

North Carolina
Private Passenger Automobile Insurance - 2001
Ordered Statewide Rates - Uninsured Motorists

<u>Limits</u>	<u>Bodily Injury Coverage</u>				<u>Property Damage Coverage</u>			
	<u>Single Car Rates</u>		<u>% Change</u>	<u>Ordered Multi-Car</u>	<u>Single Car Rates</u>		<u>Ordered Multi-Car</u>	
	<u>Present</u>	<u>Ordered</u>			<u>Present</u>	<u>Ordered</u>		
30/60	\$19	\$15	-21.1%	\$35	25	2	2	5
50/100	21	16	-23.8%	38	50	3	3	7
100/200	23	17	-26.1%	40	100	4	4	9
100/300	24	18	-25.0%	42	250	6	6	14
300/300	26	19	-26.9%	45	500	8	8	19
250/500	27	20	-25.9%	47	750	10	10	24
500/500	30	22	-26.7%	52	1000	11	11	26
500/1000	31	23	-25.8%	54				
1000/1000	32	24	-25.0%	57				

Note:

See Exhibit 1, Section A, Page 23

North Carolina
Private Passenger Automobile Insurance - 2001
Combined Uninsured/Underinsured Motorists
Ordered Statewide Rates

<u>Limits</u>	<u>UM/UIM Bodily Injury Coverage</u>				<u>Property Damage Coverage</u>			
	<u>(2) Single Car Rates</u>		<u>(4) %</u>	<u>(5) Ordered Multi-Car</u>	<u>(6) Single Car Rates</u>		<u>(7) Ordered Multi-Car</u>	<u>(8)</u>
	<u>Present</u>	<u>Ordered</u>	<u>Change</u>	<u>Car</u>	<u>Limits</u>	<u>Present</u>	<u>Ordered</u>	<u>Car</u>
50/100	25	19	-24.0%	45	25	2	2	5
100/200	38	29	-23.7%	68	50	3	3	7
100/300	45	34	-24.4%	80	100	4	4	9
300/300	58	43	-25.9%	102	250	6	6	14
250/500	68	51	-25.0%	120	500	8	8	19
500/500	91	69	-24.2%	163	750	10	10	24
500/1000	103	79	-23.3%	186	1000	11	11	26
1000/1000	114	89	-21.9%	210				

Note:

See Exhibit 1, Section A, Page 25

North Carolina
Private Passenger Automobile Insurance - 2001
Ordered Territory Base Class Rates - Physical Damage

		Model Year 2002, Symbol 2					
<u>Territory Description</u>		<u>Full Coverage Comprehensive</u>			<u>\$100 Deductible Collision</u>		
		<u>Present</u>	<u>Ordered</u>	<u>% Change</u>	<u>Present</u>	<u>Ordered</u>	<u>% Change</u>
11	Asheville	48	38	-20.8%	205	179	-12.7%
13	Durham	72	58	-19.4%	223	198	-11.2%
14	Greensboro	61	47	-23.0%	219	192	-12.3%
15	High Point	55	42	-23.6%	217	190	-12.4%
16	Raleigh	62	50	-19.4%	216	194	-10.2%
17	Wilmington	54	45	-16.7%	218	187	-14.2%
18	Winston-Salem	53	45	-15.1%	200	176	-12.0%
24	Remainder-West	67	60	-10.4%	213	191	-10.3%
25	Gaston County	57	44	-22.8%	238	208	-12.6%
26	Remainder-South	84	74	-11.9%	222	200	-9.9%
31	Small City-East	69	59	-14.5%	202	182	-9.9%
32	Small City-West	61	51	-16.4%	206	181	-12.1%
33	Remainder-East	90	79	-12.2%	208	183	-12.0%
40	Fayetteville	70	55	-21.4%	229	208	-9.2%
41	Onslow County	67	59	-11.9%	215	241	12.1%
43	Craven County	54	50	-7.4%	176	168	-4.5%
47	Wayne County	65	57	-12.3%	196	183	-6.6%
51	Mecklenberg County - remainder	56	45	-19.6%	198	183	-7.6%
52	Charlotte	57	44	-22.8%	231	199	-13.9%

Notes:

Present and Ordered Base Rates - Exhibit 1, Section A, Pages 26 and 28, Columns (19) and (20).

% Change = [Ordered Base Rate / Present Base Rate] - 1

North Carolina Private Passenger Automobile Insurance - 2001

Ordered Increased Limits Factors

Bodily Injury

<u>Bodily Injury Limits</u>	<u>Increased Limits Factors @ \$30/60 Base</u>	
	<u>Current</u>	<u>Ordered</u>
30/60	1.00	1.00
50/100	1.12	1.12
100/100	1.18	1.18
100/200	1.23	1.23
100/300	1.28	1.28
300/300	1.31	1.31
250/500	1.38	1.38
500/1,000	1.57	1.57
1,000/1,000	1.63	1.63
1,000/2,000	1.73	1.73

Property Damage

<u>Property Damage Limits</u>	<u>Increased Limits Factors @ \$25,000 Base</u>	
	<u>Current</u>	<u>Ordered</u>
\$25,000	1.00	1.00
\$35,000	1.01	1.01
\$50,000	1.02	1.02
\$100,000	1.04	1.04
\$250,000	1.07	1.07
\$500,000	1.13	1.13
\$750,000	1.17	1.17
\$1,000,000	1.22	1.22

Note: These factors are UNCHANGED.

North Carolina

Private Passenger Automobile Insurance - 2001 Ordered Bodily Injury Increased Limits Factors

<u>Bodily Injury Limits</u>	<u>Increased Limits Factors @ \$25/50 Base</u>	
	<u>Current</u>	<u>Ordered</u>
\$25/50	1.00	1.00
\$30/60	1.04	1.04
\$50/100	1.16	1.16
\$100/100	1.23	1.23
\$100/200	1.28	1.28
\$100/300	1.33	1.33
\$300/300	1.36	1.36
\$250/500	1.44	1.44
\$500/1,000	1.63	1.63
\$1,000/1,000	1.69	1.69
\$1,000/2,000	1.80	1.80

<u>Property Damage Limits</u>	<u>Increased Limits Factors @ \$15,000 Base</u>	
	<u>Current</u>	<u>Ordered</u>
\$15,000	1.00	1.00
\$25,000	1.02	1.02
\$35,000	1.03	1.03
\$50,000	1.04	1.04
\$100,000	1.06	1.06
\$250,000	1.09	1.09
\$500,000	1.15	1.15
\$750,000	1.19	1.19
\$1,000,000	1.24	1.24

North Carolina

Private Passenger Automobile Insurance - 2001

Classification Experience Review

Ordered Use Surcharge Factors

<u>Liability</u>	<u>Current</u>	<u>Ordered</u>
Pleasure	0.00	0.00
Work < 10	0.05	0.05
Work > 10	0.05	0.05
Business	0.10	0.10
Farm	-0.20	-0.20
<u>Comprehensive</u>		
Pleasure	0.00	0.00
Work < 10	0.20	0.20
Work > 10	0.25	0.25
Business	0.30	0.30
Farm	-0.15	-0.15
<u>Collision</u>		
Pleasure	0.00	0.00
Work < 10	0.10	0.10
Work > 10	0.15	0.15
Business	0.15	0.15
Farm	-0.20	-0.20
<u>Multi-Car Discount</u>		
Liability	-0.30	-0.30
Comprehensive	-0.15	-0.15
Collision	-0.25	-0.25

Note: These factors are UNCHANGED.

North Carolina

Private Passenger Automobile Insurance - 2001

Classification Experience Review

Ordered Inexperienced Operators Surcharge Factors

<u>Liability</u>	<u>Current</u>	<u>Ordered</u>
No Inexperienced	0.00	0.00
Principal < 1	2.50	2.50
Occasional < 1	2.00	2.00
Principal < 2	1.60	1.60
Occasional < 2	1.10	1.10
Principal < 3	1.25	1.25
Occasional < 3	0.90	0.90
 <u>Comprehensive</u>		
No Inexperienced	0.00	0.00
Principal < 1	0.50	0.50
Occasional < 1	0.20	0.20
Principal < 2	0.50	0.50
Occasional < 2	0.20	0.20
Principal < 3	0.50	0.50
Occasional < 3	0.20	0.20
 <u>Collision</u>		
No Inexperienced	0.00	0.00
Principal < 1	2.50	2.50
Occasional < 1	2.00	2.00
Principal < 2	1.60	1.60
Occasional < 2	1.10	1.10
Principal < 3	1.25	1.25
Occasional < 3	0.90	0.90

Note: These factors are UNCHANGED.

North Carolina Private Passenger Automobile Insurance - 2001

Class Factors are UNCHANGED

ORDERED PRIMARY CLASSIFICATION RATING FACTORS

Coverage	Pleasure Use	Drive To or From Work				Business Use		Farm Use	
		Less Than 10 Miles		10 or More Miles		Current	Ordered	Current	Ordered
		Current	Ordered	Current	Ordered				
BI, PD and Med Pay	1.00	1.05	1.05	1.05	1.05	1.10	1.10	0.80	0.80
Collision	1.00	1.10	1.10	1.15	1.15	1.15	1.15	0.80	0.80
Comprehensive, Fire, Theft and CAC	1.00	1.20	1.20	1.25	1.25	1.30	1.30	0.85	0.85

ORDERED ADDITIVE SECONDARY CLASSIFICATION RATING FACTORS

NO INEXPERIENCED OPERATOR						
Policy Type	BI, PD and Med Pay		Collision		Comprehensive, Fire Theft and CAC	
	Current	Ordered	Current	Ordered	Current	Ordered
Single Car	0.00	0.00	0.00	0.00	0.00	0.00
Multi-Car	-0.30	-0.30	-0.25	-0.25	-0.15	-0.15

INEXPERIENCED OPERATOR						
	BI, PD and Med Pay		Collision		Comprehensive, Fire Theft and CAC	
	Current	Ordered	Current	Ordered	Current	Ordered
Single Car	Principal Operator Licensed For:					
	Less Than One Year		2.50	2.50	0.50	0.50
	Less Than Two Years		1.60	1.60	0.50	0.50
Single Car	Occasional Operator Licensed For:					
	Less Than One Year		2.00	2.00	0.20	0.20
	Less Than Two Years		1.10	1.10	0.20	0.20
Multi-Car	Principal Operator Licensed For:					
	Less Than One Year		2.20	2.25	0.35	0.35
	Less Than Two Years		1.30	1.35	0.35	0.35
Multi-Car	Occasional Operator Licensed For:					
	Less Than One Year		1.70	1.75	0.05	0.05
	Less Than Two Years		0.80	0.85	0.05	0.05
Multi-Car	Less Than Three Years					
	Less Than One Year		0.60	0.65	0.05	0.05
	Less Than Two Years		0.60	0.65	0.05	0.05

North Carolina
Private Passenger Automobile Insurance - 2001
Classification Experience Review
Ordered Safe Driver Insurance Plan Surcharge Factors

<u>Points</u>	<u>Current</u>	<u>Ordered</u>
0	0.00	0.00
1	0.25	0.25
2	0.45	0.45
3	0.65	0.65
4	0.90	0.90
5	1.20	1.20
6	1.50	1.50
7	1.80	1.80
8	2.20	2.20
9	2.60	2.60
10	3.00	3.00
11	3.50	3.50
12 or more	4.00	4.00
Not Eligible	0.10	0.10

Note: These factors are UNCHANGED.

North Carolina

Private Passenger Automobile Insurance - 2001

Physical Damage Coverages

Ordered Deductible Relativity Factors

Comprehensive

<u>Deductible Option</u>	<u>Current</u>	<u>Ordered</u>
Full Coverage	1.00	1.00
\$50 Deductible	0.95	0.95
\$100 Deductible	0.90	0.90
\$250 Deductible	0.75	0.75
\$500 Deductible	0.56	0.56
\$1000 Deductible	0.42	0.42

Collision

<u>Deductible Option</u>	<u>Current</u>	<u>Ordered</u>
\$50 Deductible	1.02	1.02
\$100 Deductible	1.00	1.00
\$200 Deductible	0.97	0.97
\$250 Deductible	0.95	0.95
\$500 Deductible	0.85	0.85
\$1000 Deductible	0.73	0.73

Note: These factors are UNCHANGED.

North Carolina
Private Passenger Automobile Insurance - 2001
 Physical Damage Coverages
 Ordered Comprehensive Symbol Relativities
 Base.- Symbol 2, Model Year 2002

Symbol	Model Year											
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1990 to 1993	1989 & Prior
1	0.76	0.72	0.68	0.65	0.61	0.58	0.54	0.50	0.46	0.42	0.39	0.15
2	1.05	1.00	0.95	0.90	0.85	0.80	0.75	0.69	0.64	0.59	0.54	0.17
3	1.19	1.13	1.07	1.02	0.96	0.90	0.85	0.78	0.72	0.67	0.61	0.24
4	1.31	1.25	1.19	1.13	1.06	1.00	0.94	0.86	0.80	0.74	0.68	0.29
5	1.48	1.41	1.34	1.27	1.20	1.13	1.06	0.97	0.90	0.83	0.76	0.34
6	1.67	1.59	1.51	1.43	1.35	1.27	1.19	1.10	1.02	0.94	0.86	0.44
7	1.83	1.74	1.65	1.57	1.48	1.39	1.31	1.20	1.11	1.03	0.94	0.54
8	1.98	1.89	1.80	1.70	1.61	1.51	1.42	1.30	1.21	1.12	1.02	0.64
10	2.14	2.04	1.94	1.84	1.73	1.63	1.53	1.41	1.31	1.20	1.10	0.81
11	2.32	2.21	2.10	1.99	1.88	1.77	1.66	1.52	1.41	1.30	1.19	0.98
12	2.53	2.41	2.29	2.17	2.05	1.93	1.81	1.66	1.54	1.42	1.30	1.15
13	2.72	2.59	2.46	2.33	2.20	2.07	1.94	1.79	1.66	1.53	1.40	1.35
14	2.94	2.80	2.66	2.52	2.38	2.24	2.10	1.93	1.79	1.65	1.51	1.59
15	3.23	3.08	2.93	2.77	2.62	2.46	2.31	2.13	1.97	1.82	1.66	1.92
16	3.56	3.39	3.22	3.05	2.88	2.71	2.54	2.34	2.17	2.00	1.83	2.33
17	3.93	3.74	3.55	3.37	3.18	2.99	2.81	2.58	2.39	2.21	2.02	2.80
18	4.29	4.09	3.89	3.68	3.48	3.27	3.07	2.82	2.62	2.41	2.21	3.34
19	4.68	4.46	4.24	4.01	3.79	3.57	3.35	3.08	2.85	2.63	2.41	3.99
20	5.19	4.94	4.69	4.45	4.20	3.95	3.71	3.41	3.16	2.91	2.67	4.73
21	5.76	5.49	5.22	4.94	4.67	4.39	4.12	3.79	3.51	3.24	2.96	6.55
22	6.50	6.19	5.88	5.57	5.26	4.95	4.64	4.27	3.96	3.65	3.34	
23	7.28	6.93	6.58	6.24	5.89	5.54	5.20	4.78	4.44	4.09	3.74	
24	8.43	8.03	7.63	7.23	6.83	6.42	6.02	5.54	5.14	4.74	4.34	
25	10.37	9.88	9.39	8.89	8.40	7.90	7.41	6.82	6.32	5.83	5.34	
26	12.74	12.13	11.52	10.92	10.31	9.70	9.10	8.37	7.76	7.16	6.55	

North Carolina
Private Passenger Automobile Insurance - 2001
 Physical Damage Coverages
 Ordered Collision Symbol Relativities
 Base - Symbol 2, Model Year 2002

Symbol	Model Year											1990 to 1993 & Prior
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	
1	0.92	0.88	0.84	0.79	0.75	0.70	0.63	0.58	0.53	0.48	0.43	0.21
2	1.05	1.00	0.95	0.90	0.85	0.79	0.72	0.66	0.60	0.54	0.49	0.25
3	1.22	1.16	1.10	1.04	0.99	0.92	0.84	0.77	0.70	0.63	0.57	0.31
4	1.32	1.26	1.20	1.13	1.07	1.00	0.91	0.83	0.76	0.68	0.62	0.35
5	1.41	1.34	1.27	1.21	1.14	1.06	0.96	0.88	0.80	0.72	0.66	0.41
6	1.48	1.41	1.34	1.27	1.20	1.11	1.02	0.93	0.85	0.76	0.69	0.45
7	1.54	1.47	1.40	1.32	1.25	1.16	1.06	0.97	0.88	0.79	0.72	0.49
8	1.61	1.53	1.45	1.38	1.30	1.21	1.10	1.01	0.92	0.83	0.75	0.59
10	1.71	1.63	1.55	1.47	1.39	1.29	1.17	1.08	0.98	0.88	0.80	0.68
11	1.80	1.71	1.62	1.54	1.45	1.35	1.23	1.13	1.03	0.92	0.84	0.74
12	1.85	1.76	1.67	1.58	1.50	1.39	1.27	1.16	1.06	0.95	0.86	0.82
13	1.92	1.83	1.74	1.65	1.56	1.45	1.32	1.21	1.10	0.99	0.90	0.88
14	2.05	1.95	1.85	1.76	1.66	1.54	1.40	1.29	1.17	1.05	0.96	0.98
15	2.15	2.05	1.95	1.85	1.74	1.62	1.48	1.35	1.23	1.11	1.00	1.06
16	2.24	2.13	2.02	1.92	1.81	1.68	1.53	1.41	1.28	1.15	1.04	1.17
17	2.32	2.21	2.10	1.99	1.88	1.75	1.59	1.46	1.33	1.19	1.08	1.24
18	2.45	2.33	2.21	2.10	1.98	1.84	1.68	1.54	1.40	1.26	1.14	1.35
19	2.55	2.43	2.31	2.19	2.07	1.92	1.75	1.60	1.46	1.31	1.19	1.43
20	2.64	2.51	2.38	2.26	2.13	1.98	1.81	1.66	1.51	1.36	1.23	1.51
21	2.74	2.61	2.48	2.35	2.22	2.06	1.88	1.72	1.57	1.41	1.28	1.72
22	2.89	2.75	2.61	2.48	2.34	2.17	1.98	1.82	1.65	1.49	1.35	
23	3.00	2.86	2.72	2.57	2.43	2.26	2.06	1.89	1.72	1.54	1.40	
24	3.14	2.99	2.84	2.69	2.54	2.36	2.15	1.97	1.79	1.61	1.47	
25	3.39	3.23	3.07	2.91	2.75	2.55	2.33	2.13	1.94	1.74	1.58	
26	3.68	3.50	3.33	3.15	2.98	2.77	2.52	2.31	2.10	1.89	1.72	

North Carolina
Motorcycle Insurance
Statewide Rate Change Summary - 2001

<u>Coverage</u>	<u>Year Ending 12/31/99 Manual Premium</u>	<u>Ordered Rate Change</u>
Liability	12,511,712	-15.2%

North Carolina
Motorcycle Insurance - 2001
Calculation of Liability Motorcycle Rates

Motorcycle Liability Coverage

	<u>Current % of Applicable Private Passenger Rate</u>	<u>Ordered % of Applicable Private Passenger Rate</u>
324cc or Less	23%	22%
324cc or More	43%	41%

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Order for Refunds was served on all counsel of record by hand delivery, this the 22nd day of July, 2004.

N.C. DEPARTMENT OF INSURANCE

By: 

Sherri L. Hubbard
Attorney for the
N.C. Department of Insurance
1201 Mail Service Center
430 North Salisbury Street
Raleigh, N.C. 27699-1201
(919) 715-8967

SERVED ON:

YOUNG MOORE AND HENDERSON P.A.
R. Michael Strickland, Esq.
Marvin M. Spivey, Esq.
William M. Trott, Esq.
Attorneys for the North Carolina Rate Bureau
3101 Glenwood Avenue
Raleigh, North Carolina 27622

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS 2001 FILING

<u>Terr Code</u>	Implemented \$30,000/60,000 <u>Bodily Injury</u>	Ordered \$30,000/60,000 <u>Bodily Injury</u>	<u>Factor</u>
11	\$102	\$88	0.863
13	159	134	0.843
14	142	120	0.845
15	166	140	0.843
16	140	119	0.850
17	169	142	0.840
18	122	104	0.852
24	126	107	0.849
25	149	126	0.846
26	183	154	0.842
31	166	140	0.843
32	130	110	0.846
33	154	130	0.844
40	188	158	0.840
41	168	141	0.839
43	150	127	0.847
47	153	129	0.843
51	131	111	0.847
52	166	140	0.843

<u>Terr Code</u>	Implemented \$25,000 <u>Property Damage</u>	Ordered \$25,000 <u>Property Damage</u>	<u>Factor</u>
11	\$146	\$123	0.842
13	175	146	0.834
14	173	145	0.838
15	173	145	0.838
16	184	154	0.837
17	177	149	0.842
18	152	128	0.842
24	142	120	0.845
25	167	140	0.838
26	147	124	0.844
31	162	136	0.840
32	151	127	0.841
33	134	113	0.843
40	175	147	0.840
41	167	140	0.838
43	134	113	0.843
47	143	120	0.839
51	162	136	0.840
52	189	158	0.836

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS 2001 FILING

<u>Terr</u> <u>Code</u>	<u>Implemented</u> \$500 <u>Medical Payments</u>	<u>Ordered</u> \$500 <u>Medical Payments</u>	<u>Factor</u>
11	\$10	\$9	0.900
13	16	13	0.813
14	14	12	0.857
15	16	14	0.875
16	14	11	0.786
17	17	14	0.824
18	12	10	0.833
24	12	10	0.833
25	15	12	0.800
26	18	15	0.833
31	16	14	0.875
32	13	11	0.846
33	15	13	0.867
40	19	15	0.789
41	17	14	0.824
43	15	12	0.800
47	15	12	0.800
51	13	11	0.846
52	16	14	0.875

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS 2001 FILING

	Impl 1-car <u>UMBI&PD</u>	Ordered 1-car <u>UMBI&PD</u>	<u>Factor</u>	Impl multi <u>UMBI&PD</u>	Ordered multi <u>UMBI&PD</u>	<u>Factor</u>
30/60/25	18	17	0.944	43	40	0.930

	Impl 1-car <u>UMBI</u>	Ordered 1-car <u>UMBI</u>	<u>Factor</u>	Impl multi <u>UMBI</u>	Ordered multi <u>UMBI</u>	<u>Factor</u>
30/60	16	15	0.938	38	35	0.921
50/100	17	16	0.941	40	38	0.950
100/200	19	17	0.895	45	40	0.889
100/300	20	18	0.900	47	42	0.894
300/300	21	19	0.905	50	45	0.900
250/500	22	20	0.909	52	47	0.904
500/500	24	22	0.917	57	52	0.912
500/1000	25	23	0.920	59	54	0.915
1000/1000	26	24	0.923	61	57	0.934

	Impl 1-car <u>UIMBI</u>	Ordered 1-car <u>UIMBI</u>	<u>Factor</u>	Impl multi <u>UIMBI</u>	Ordered multi <u>UIMBI</u>	<u>Factor</u>
50/100	3	3	1.000	7	7	1.000
100/200	14	12	0.857	33	28	0.848
100/300	19	16	0.842	45	38	0.844
300/300	28	24	0.857	66	57	0.864
250/500	36	31	0.861	85	73	0.859
500/500	55	47	0.855	130	111	0.854
500/1000	66	56	0.848	156	132	0.846
1000/1000	76	65	0.855	179	153	0.855

	Impl 1-car <u>UM/UIMBI</u>	Ordered 1-car <u>UM/UIMBI</u>	<u>Factor</u>	Impl multi <u>UM/UIMBI</u>	Ordered multi <u>UM/UIMBI</u>	<u>Factor</u>
50/100	20	19	0.950	47	45	0.957
100/200	33	29	0.879	78	68	0.872
100/300	39	34	0.872	92	80	0.870
300/300	49	43	0.878	116	102	0.879
250/500	58	51	0.879	137	120	0.876
500/500	79	69	0.873	187	163	0.872
500/1000	91	79	0.868	215	186	0.865
1000/1000	102	89	0.873	240	210	0.875

<u>Implemented Motorcycle Liability Change</u>	<u>Ordered Motorcycle Liability Change</u>	<u>Factor</u>
-4.9%	-15.2%	0.892

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS 2001 FILING

<u>Terr Code</u>	<u>Implemented FULL COVERAGE COMPREHENSIVE</u>	<u>Ordered FULL COVERAGE COMPREHENSIVE</u>	<u>Factor</u>
11	\$48	\$38	0.792
13	74	58	0.784
14	59	47	0.797
15	53	42	0.792
16	64	50	0.781
17	57	45	0.789
18	56	45	0.804
24	77	60	0.779
25	56	44	0.786
26	96	74	0.771
31	75	59	0.787
32	64	51	0.797
33	102	79	0.775
40	70	55	0.786
41	75	59	0.787
43	63	50	0.794
47	72	57	0.792
51	57	45	0.789
52	56	44	0.786

<u>Terr Code</u>	<u>Implemented \$100 DEDUCTIBLE COLLISION</u>	<u>Ordered \$100 DEDUCTIBLE COLLISION</u>	<u>Factor</u>
11	\$219	\$179	0.817
13	244	198	0.811
14	236	192	0.814
15	233	190	0.815
16	238	194	0.815
17	229	187	0.817
18	215	176	0.819
24	234	191	0.816
25	256	208	0.813
26	246	200	0.813
31	223	182	0.816
32	222	181	0.815
33	225	183	0.813
40	256	208	0.813
41	298	241	0.809
43	205	168	0.820
47	225	183	0.813
51	224	183	0.817
52	245	199	0.812

NORTH CAROLINA DEPARTMENT OF INSURANCE

RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING)	
DATED FEBRUARY 1, 2002)	BEFORE THE COMMISSIONER
BY THE NORTH CAROLINA)	OF INSURANCE
RATE BUREAU FOR REVISED)	
AUTOMOBILE INSURANCE RATES -)	
PRIVATE PASSENGER CARS AND)	
MOTORCYCLES)	Docket No. 1073
)	
)	

SETTLEMENT AGREEMENT AND CONSENT ORDER

It appears to the Commissioner of Insurance ("Commissioner") that the North Carolina Rate Bureau ("Bureau") and the North Carolina Department of Insurance ("Department") have, after consultation with their respective legal and actuarial advisors and subject to the approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the Bureau's filings for private passenger automobile insurance rates dated February 1, 2002 ("the 2002 filing"). The settlement calls for a refund to policyholders by the Bureau's member companies of a portion of the premium collected by such member companies pending judicial review of the Commissioner's order dated October 14, 2002 relating to the 2002 Filing.

It further appears to the Commissioner that the settlement of the above described filing is fair and reasonable, complies with the provisions of Chapter 58 of the North Carolina General Statutes, is in the best interest of the parties and the public in general, and should be approved.

NOW, THEREFORE, IT IS ORDERED as follows:

1. That portion of the premium collected by each member company of the Bureau on each policy under the rates implemented by the Bureau and its member companies pending judicial review of the Commissioner's order dated October 14, 2002 relating to the 2002 Filing which exceeds the premium which would have resulted on each policy from rates determined in accordance with the following rate level changes (from the manual rates in force as of April 1, 2002) shall be refunded to policyholders, with interest, in accordance with the Procedures on Refund of Premium which are attached hereto as Exhibit 1 and incorporated herein by reference.

Cars

<u>LIABILITY</u>	
BODILY INJURY	-7.9%
PROPERTY DAMAGE	-11.7%
MEDICAL PAYMENTS	-3.5%
UNINSURED MOTORIST	-17.1%
UNDERINSURED MOTORIST	-13.0%
LIABILITY TOTAL	-9.9%

<u>PHYSICAL DAMAGE</u>	
COMPREHENSIVE	-13.7%
COLLISION	-13.2%

PHYSICAL DAMAGE TOTAL	-13.4%
GRAND TOTAL	-11.6%
<u>MOTORCYCLE LIABILITY</u>	-6.6%

2. The above described rate level changes are hereby authorized and approved and shall be applicable to all new and renewal policies effective beginning January 27, 2003 through June 30, 2003. The approved base rates resulting from these approved rate level changes are set forth in Exhibit 2, which is attached hereto and incorporated herein by reference.

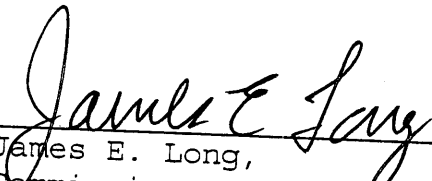
3. All amounts subject to escrow requirements pending judicial review of the Bureau's appeal of the above described orders and all interest and other gains and earnings thereon or attributable thereto shall be paid over and delivered to the member companies and, to the extent necessary, member companies shall utilize such funds for refunds to policyholders to the extent and in the manner required by the attached Procedures on Refund of Premium.

4. For all "clean risks" as defined in N.C. Gen. Stat. §58-37-35(1) on private passenger automobile insurance policies (cars and motorcycle liability) ceded to the North Carolina Reinsurance Facility ("Facility"), all amounts subject to escrow requirements pending judicial review of the Bureau's appeal of the above described order and all interest and other gains and earnings thereon or attributable thereto shall be paid over and

delivered to the Facility and, to the extent necessary, the Facility shall reimburse ceding companies for refunds, including interest, made in the manner required by the attached Procedures on Refund of Premium.

5. This Settlement Agreement and Consent Order shall not be construed to condone, validate, accept or agree to the Bureau's, the Department's or the Commissioner's theories, methodologies or calculations pertaining to the setting of insurance rates for private passenger cars and motorcycles.

This the 22nd day of July, 2004.



James E. Long,
Commissioner of Insurance for the
State of North Carolina

WE CONSENT:

NORTH CAROLINA RATE BUREAU

By: 

NORTH CAROLINA DEPARTMENT OF INSURANCE

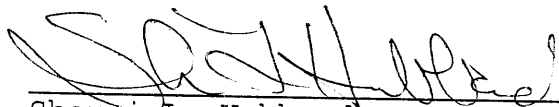
By: 

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Settlement Agreement and Consent Order was served on all counsel of record by hand delivery, this the 22nd day of July, 2004.

N.C. DEPARTMENT OF INSURANCE

By:



Sherri L. Hubbard
Attorney for the
N.C. Department of Insurance
1201 Mail Service Center
430 North Salisbury Street
Raleigh, N.C. 27699-1201
(919) 715-8967

SERVED ON:

YOUNG MOORE AND HENDERSON P.A.
R. Michael Strickland, Esq.
Marvin M. Spivey, Esq.
William M. Trott, Esq.
Attorneys for the North Carolina Rate Bureau
3101 Glenwood Avenue
Raleigh, North Carolina 27622

PROCEDURES ON REFUND OF PREMIUMS

1. Policies and coverages to which these procedures apply are non-fleet private passenger automobile (including motorcycle liability) policies and coverages subject to the jurisdiction of the Bureau and non-fleet private passenger automobile (including motorcycle liability) policies and coverages ceded to the North Carolina Reinsurance Facility ("Facility") that are "clean risks" as defined in N.C. Gen. Stat. §58-37-35(1) effective beginning January 27, 2003 through June 30, 2003 for new and renewal policies.

These procedures do not apply to motorcycle physical damage policies or coverages and do not apply to "consent to rate" policies issued or renewed pursuant to the provisions of N.C. Gen. Stat. §58-36-30(b) ("consent to rate") or to "other than clean risk" policies or coverages, as defined in N.C. Gen. Stat. §58-37-35(1), ceded to the Facility.

2. The amount of refund shall be calculated for each policy as set forth below and in accordance with Bulletin 02-B-11 issued on December 13, 2002 by the North Carolina Department of Insurance. The term "premiums" as used in this paragraph shall not include interest, installment payment charges or recoupment/allocation surcharges (including loss and clean risk surcharges).

(a) Portion of Premium to be Refunded

The premium to be refunded on each policy shall be the difference between the total premium per policy collected on each policy (after consideration of all deviations applicable to each policy and all unpaid premium specifically applicable to each policy) and the total premium per policy that would have been collected on each policy using the rates by coverage resulting from the Settlement Agreement and Consent Order to which these Procedures are attached. Neither dividends nor unpaid premiums attributable to policies not subject to refund may be used to offset the refund amount.

(b) Amount of Refund

The amount of refund on a policy shall be the portion of premium to be refunded as determined above plus simple interest on such premium at the annual rate of 7.13% from the effective date of each policy through July 22, 2004.

3. In making the calculations required under these procedures, each company may apply the premium rounding rules it applies in the ordinary course of its business.

4. Notwithstanding any other provisions of these procedures, in no event shall a company be required to refund amounts calculated pursuant to Paragraph 2 above on any policy if the amount of such refund is \$5.00 or less (including interest). If a policyholder had multiple policies for which refunds are to be calculated, each policy shall be treated separately in determining if any refund is due on such policy.

5. Except as provided in Paragraph 7 below, refunds shall be paid by check(s) or draft(s) payable to the policyholder or policyholders. Each company shall have the option to accumulate all refunds due an individual policyholder into one check or draft or to issue separate checks or drafts for each policy on which a refund is due.

6. Refunds shall be mailed or delivered to the named policyholder or policyholders at the address shown on the policy record for which a refund is being made or at such other address the company in good faith determines and believes to be more current.

7. With respect to policyholders on whose behalf the premium was paid by a premium finance company, any refunds shall be mailed to such premium finance company under its agreement with the policyholder. Payment of such refunds to the premium finance company shall constitute full and complete payment by such insurance company for refunds due under these procedures.

8. If these procedures cause undue hardship or expense to an individual company or if an individual company can show that its circumstances result in these procedures being unlawful or

otherwise inequitable, such company may petition the Commissioner for relief from or adjustments to these procedures.

9. To the extent a company reported escrowed premium as written premium on its Annual Statement, the premium portion of refunds hereunder shall be reported in that company's Annual Statement as negative written premium during the year such refunds are made. Premium taxes payable during the year such refunds are made shall be calculated based on net written premium after reduction for such negative written premium.

10. No refunds hereunder shall be delivered or mailed to policyholders prior to October 1, 2004. All refunds hereunder shall be delivered or mailed to policyholders prior to November 30, 2004.

11. Neither the premiums refunded, interest paid nor the expenses incurred in connection with issuing refunds pursuant to these procedures are to be included as expenses in responses to the Annual Call for Automobile Expense Experience issued by the Rate Bureau. However, separate entries shall be included on the Annual Call for Automobile Expense Experience to report the amount of premium refunded, interest paid and the expenses incurred in issuing refunds.

12. Companies shall include the following information with refund checks or drafts. Such information may be attached to or imprinted on refund checks or drafts.

On certain policies becoming effective during the period April 1, 2002 through June 30, 2003, the North Carolina Rate Bureau established rates higher than rates approved by Jim Long, Commissioner of Insurance. This refund represents the difference between the rates approved by Commissioner Long and those paid by you on those policies, plus interest. This refund is the result of the decisions of the Appellate Courts affirming the Order of Commissioner Long on the 2001

rate filing and the result of a settlement of litigation between Commissioner Long and the Rate Bureau on the 2002 rate filing.

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

SETTLEMENT BASE RATES - VOLUNTARY LIABILITY - 2002 RATE CASE

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
11	\$97	\$138	\$11
13	145	163	15
14	131	162	14
15	154	159	16
16	127	169	13
17	156	161	16
18	115	141	12
24	117	134	13
25	137	157	14
26	174	138	18
31	147	149	15
32	121	142	13
33	145	126	15
40	182	165	19
41	151	152	16
43	140	123	15
47	148	137	16
51	115	153	12
52	154	178	16

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

SETTLEMENT BASE RATES - PHYSICAL DAMAGE(A) - 2002 RATE CASE

<u>Terr Code</u>	<u>FULL COVERAGE COMPREHENSIVE</u>	<u>\$100 DEDUCTIBLE COLLISION</u>
11	\$42	\$210
13	63	226
14	55	231
15	49	219
16	53	221
17	52	210
18	49	204
24	68	225
25	48	240
26	84	231
31	62	208
32	58	211
33	88	213
40	66	250
41	72	309
43	62	199
47	64	219
51	48	215
52	48	235

(A) MODEL YEAR 2003, SYMBOL 2

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage ONLY

1. a. Basic Limits

Basic Limits of Uninsured Motorists Coverage are \$30,000/60,000 Bodily Injury and \$25,000 Property Damage. Property Damage Uninsured Motorists Coverage is subject to an exclusion of the first \$100 of damage.

Rate - Single Car Policy	\$ [18] <u>15</u>
Multi-Car Policy	\$ [43] <u>34</u>

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

1. b. Increased Limits

Increased limits of Uninsured Motorists coverage may be afforded. Property Damage limits may not exceed the Property Damage limit afforded by the policy.

Uninsured Motorists Coverage is available at the following limits with rates per policy shown:

	B.I. Limits		P.D. Limits	
	Single Car Policy	Multi-Car Policy	Single Car Policy	Multi-Car Policy
\$ 30/60	\$ [16] <u>13</u>	\$ [38] <u>29</u>	\$ 25	\$ 2
50/100	[17] <u>14</u>	[40] <u>32</u>	50	3
100/200	[19] <u>15</u>	[45] <u>34</u>	100	4
100/300	[20] <u>16</u>	[47] <u>36</u>	250	6
300/300	[21] <u>17</u>	[50] <u>39</u>	500	8
250/500	[22] <u>18</u>	[52] <u>41</u>	750	10
500/500	[24] <u>19</u>	[57] <u>43</u>	1,000	11
500/1,000	[25] <u>20</u>	[59] <u>46</u>		
1,000/1,000	[26] <u>21</u>	[61] <u>48</u>		

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES (Cont'd)

B. Combined Uninsured/Underinsured Motorists Coverage

1. b. Rates

Combined Uninsured/Underinsured Motorists coverage is available at the following limits with rates per policy shown:

	B.I. Limits		P.D. Limits		
	Single Car Policy	Multi-Car Policy	Single Car Policy	Multi-Car Policy	
\$ 50/100	\$ [20] <u>17</u>	\$ [47] <u>39</u>	\$ 25	\$ 2	\$ 5
100/200	[33] <u>27</u>	[78] <u>64</u>	50	3	7
100/300	[39] <u>32</u>	[92] <u>74</u>	100	4	9
300/300	[49] <u>41</u>	[116] <u>97</u>	250	6	14
250/500	[58] <u>50</u>	[137] <u>117</u>	500	8	19
500/500	[79] <u>68</u>	[187] <u>159</u>	750	10	24
500/1,000	[91] <u>78</u>	[215] <u>185</u>	1,000	11	26
1,000/1,000	[102] <u>88</u>	[240] <u>207</u>			

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS - 2002 FILING

Terr Code	Implemented \$30,000/60,000 <u>Bodily Injury</u>	Settled \$30,000/60,000 <u>Bodily Injury</u>	Adjustment <u>Factor</u>
11	\$113	\$97	0.858
13	172	145	0.843
14	155	131	0.845
15	182	154	0.846
16	149	127	0.852
17	186	156	0.839
18	135	115	0.852
24	138	117	0.848
25	162	137	0.846
26	207	174	0.841
31	175	147	0.840
32	143	121	0.846
33	171	145	0.848
40	216	182	0.843
41	179	151	0.844
43	165	140	0.848
47	175	148	0.846
51	136	115	0.846
52	182	154	0.846

Terr Code	Implemented \$25,000 <u>Property Damage</u>	Settled \$25,000 <u>Property Damage</u>	Adjustment <u>Factor</u>
11	\$170	\$138	0.812
13	202	163	0.807
14	201	162	0.806
15	196	159	0.811
16	209	169	0.809
17	200	161	0.805
18	174	141	0.810
24	165	134	0.812
25	194	157	0.809
26	170	138	0.812
31	184	149	0.810
32	176	142	0.807
33	154	126	0.818
40	204	165	0.809
41	189	152	0.804
43	151	123	0.815
47	168	137	0.815
51	189	153	0.810
52	221	178	0.805

NORTH CAROLINA
PRIVATE PASSENGER AUTOMOBILE INSURANCE
CALCULATION OF REFUND FACTORS - 2002 FILING

<u>Terr</u> <u>Code</u>	Implemented \$500 <u>Medical Payments</u>	Settled \$500 <u>Medical Payments</u>	Adjustment <u>Factor</u>
11	\$12	\$11	0.917
13	18	15	0.833
14	17	14	0.824
15	19	16	0.842
16	16	13	0.813
17	20	16	0.800
18	14	12	0.857
24	15	13	0.867
25	17	14	0.824
26	22	18	0.818
31	19	15	0.789
32	15	13	0.867
33	18	15	0.833
40	23	19	0.826
41	19	16	0.842
43	18	15	0.833
47	19	16	0.842
51	15	12	0.800
52	19	16	0.842

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS - 2002 FILING

	Implemented Single Car <u>UMBI&PD</u>	Settled Single Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>	Implemented Multi Car <u>UMBI&PD</u>	Settled Multi Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>
30/60/25	\$16	\$15	0.938	\$38	\$34	0.895

	Implemented Single Car <u>UMBI</u>	Settled Single Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>	Implemented Multi Car <u>UMBI&PD</u>	Settled Multi Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>
30/60	14	13	0.929	33	29	0.879
50/100	15	14	0.933	35	32	0.914
100/200	16	15	0.938	38	34	0.895
100/300	17	16	0.941	40	36	0.900
300/300	18	17	0.944	42	39	0.929
250/500	19	18	0.947	45	41	0.911
500/500	20	19	0.950	47	43	0.915
500/1000	21	20	0.952	50	46	0.920
1000/1000	22	21	0.955	52	48	0.923

	Implemented Single Car <u>UIMBI</u>	Settled Single Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>	Implemented Multi Car <u>UMBI&PD</u>	Settled Multi Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>
50/100	3	3	1.000	7	7	1.000
100/200	15	13	0.867	35	30	0.857
100/300	19	16	0.842	45	38	0.844
300/300	29	25	0.862	68	58	0.853
250/500	38	32	0.842	90	76	0.844
500/500	58	49	0.845	137	116	0.847
500/1000	69	59	0.855	163	138	0.847
1000/1000	79	67	0.848	186	158	0.849

	Implemented Single Car <u>UM/UIMBI</u>	Settled Single Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>	Implemented Multi Car <u>UMBI&PD</u>	Settled Multi Car <u>UMBI&PD</u>	Adjustment <u>Factor</u>
50/100	18	17	0.944	42	39	0.929
100/200	31	27	0.871	73	64	0.877
100/300	36	32	0.889	85	74	0.871
300/300	47	41	0.872	110	97	0.882
250/500	57	50	0.877	135	117	0.867
500/500	78	68	0.872	184	159	0.864
500/1000	90	78	0.867	213	185	0.869
1000/1000	101	88	0.871	238	207	0.870

	Implemented Motorcycle <u>Change</u>	Settled Motorcycle <u>Change</u>	Adjustment <u>Factor</u>
	3.5%	-6.6%	0.902

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

CALCULATION OF REFUND FACTORS - 2002 FILING

<u>Terr Code</u>	<u>Implemented FULL COVERAGE COMPREHENSIVE</u>	<u>Settled FULL COVERAGE COMPREHENSIVE</u>	<u>Adjustment Factor</u>
11	\$49	\$42	0.857
13	76	63	0.829
14	65	55	0.846
15	58	49	0.845
16	63	53	0.841
17	62	52	0.839
18	58	49	0.845
24	82	68	0.829
25	57	48	0.842
26	101	84	0.832
31	74	62	0.838
32	69	58	0.841
33	107	88	0.822
40	79	66	0.835
41	86	72	0.837
43	75	62	0.827
47	77	64	0.831
51	57	48	0.842
52	58	48	0.828

<u>Terr Code</u>	<u>Implemented \$100 DEDUCTIBLE COLLISION</u>	<u>Settled \$100 DEDUCTIBLE COLLISION</u>	<u>Adjustment Factor</u>
11	\$252	\$210	0.833
13	272	226	0.831
14	279	231	0.828
15	263	219	0.833
16	266	221	0.831
17	253	210	0.830
18	245	204	0.833
24	270	225	0.833
25	289	240	0.830
26	277	231	0.834
31	249	208	0.835
32	253	211	0.834
33	256	213	0.832
40	302	250	0.828
41	376	309	0.822
43	239	199	0.833
47	263	219	0.833
51	259	215	0.830
52	283	235	0.830

NORTH CAROLINA DEPARTMENT OF INSURANCE

RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING)	BEFORE THE COMMISSIONER
DATED FEBRUARY 2, 2004 BY THE)	OF INSURANCE
NORTH CAROLINA RATE BUREAU FOR)	
REVISED AUTOMOBILE INSURANCE)	
RATES - PRIVATE PASSENGER CARS)	Docket No. 1172
AND MOTORCYCLES)	

* * * * *

SETTLEMENT AGREEMENT AND CONSENT ORDER

* * * * *

It appearing to the Commissioner of Insurance ("Commissioner") that the North Carolina Rate Bureau ("Rate Bureau") and the North Carolina Department of Insurance ("Department") have, after consultation with their respective legal, actuarial and economic advisors and subject to approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the Rate Bureau's filing for the private passenger automobile insurance rates dated February 2, 2004 (the "2004 Filing"); and it appearing to the Commissioner that such settlement is fair and reasonable and should be approved;

NOW, THEREFORE, IT IS ORDERED AND AGREED as follows:

1. The 2004 Filing is approved subject to the modifications set forth in Paragraphs 2 and 3, below.
2. The current bodily injury increased limits factors remain unchanged.

3. The approved rate level change for each coverage and territory is 0.0% relative to the Rate Bureau manual rate levels currently in force except for any rate changes that may result from changes to model year and symbol relativities, which are approved herein. The approved rates shall be implemented in accordance with the following Rule of Application:

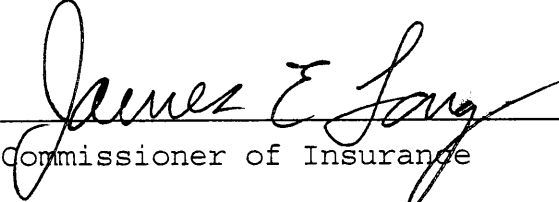
This rate change is applicable to all policies effective on or after January 1, 2005. No policy effective prior to January 1, 2005 shall be endorsed or canceled and rewritten to take advantage of or to avoid the application of this rate change except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to January 1, 2005.

4. Subject to the provisions of Paragraph 5 below, the rates for the coverages coming within the scope of this Settlement Agreement and Consent Order shall remain in force until October 1, 2005 and thereafter until revised as provided by law, and neither the Rate Bureau nor the Commissioner nor the Department shall undertake to effect a change in such rates having an effective date prior to October 1, 2005; provided, however, that nothing in this section shall prevent a change in such rates prior to October 1, 2005 if agreed to by the Rate Bureau and the Commissioner.
5. Notwithstanding any other provision of this Settlement Agreement and Consent Order, in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order which changes the statutory ratemaking methodology, rate level need or loss or expense exposure of insurers, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to effect a change in rates prior to October 1, 2005 for the sole purpose of

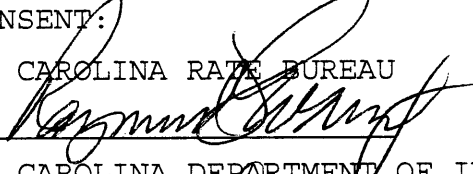

adjusting rates to reflect such change in methodology, loss or expense exposure. Further, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to adjust rate relativities, classifications and rules in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order making such adjustment appropriate.

6. This Settlement Agreement and Consent Order shall not be construed to condone, validate, accept or agree to the Bureau's, the Department's, or the Commissioner's theories, methodologies or calculations pertaining to the setting of insurance rates for private passenger cars and motorcycles.

This 22nd day of July, 2004.



Commissioner of Insurance

WE CONSENT:
NORTH CAROLINA RATE BUREAU
BY: 
NORTH CAROLINA DEPARTMENT OF INSURANCE
BY: 

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Settlement Agreement and Consent Order was served on all counsel of record by hand delivery, this the 22nd day of July, 2004.

N.C. DEPARTMENT OF INSURANCE

By:



Sherri L. Hubbard
Attorney for the
N.C. Department of Insurance
1201 Mail Service Center
430 North Salisbury Street
Raleigh, N.C. 27699-1201
(919) 715-8967

SERVED ON:

YOUNG MOORE AND HENDERSON P.A.
R. Michael Strickland, Esq.
Marvin M. Spivey, Esq.
William M. Trott, Esq.
Attorneys for the North Carolina Rate Bureau
3101 Glenwood Avenue
Raleigh, North Carolina 27622