



April 11, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Settlement of Automobile Insurance Rate Case -
North Carolina

On February 1, 2006, the Rate Bureau filed with the Commissioner of Insurance rate level changes for non-fleet private passenger automobiles and motorcycles. Certain portions of the proposed rate level changes were subsequently amended in early March, 2006. The Rate Bureau's filing as amended set forth (1) average rate level changes for non-fleet private passenger automobiles of +15.7% for liability coverages and -5.0% for physical damage coverages, averaging +7.4% overall; and (2) average rate level changes for motorcycle liability coverages of +2.2%. In addition to revised private passenger automobile and motorcycle insurance rates, the Rate Bureau's filing included certain revised classification and sub-classification plans rating factors. Following review of the filing, the Commissioner of Insurance in March issued a Notice of Public Hearing, setting a hearing on the filing to begin on June 5, 2006.

Following lengthy negotiations, the Rate Bureau, the Department of Insurance and the Commissioner of Insurance have agreed to settle the 2006 private passenger auto insurance rate filing. Under the Settlement Agreement and Consent Order signed April 11, 2006, the approved rate level changes by coverage (from the approved rate levels becoming effective May 15, 2006) are as follows:

CARS

Liability

Bodily Injury	5.0%
Property Damage	0.0%
Medical Payments	21.0%
Uninsured Motorists	0.0%
Underinsured Motorists	15.0%
Liability Total	4.0%

Physical Damage	
Comprehensive	-15.8%
Collision	-11.0%
Total Physical Damage	-12.6%
Grand Total	-2.9%

MOTORCYCLES

Liability	0.0%
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In addition, none of the proposed changes to the bodily injury increased limits factors and Safe Driver Insurance Plan surcharge factors were approved, and therefore there will be no changes to those factors (from the factors becoming effective May 15, 2006). However, some of the other proposed changes to classification and subclassification plans rating factors were approved and others were amended, and therefore there will be changes to some of these factors. Revised classification and subclassification plans rating factors and revised based rates will be distributed by July 15, 2006.

All of these changes are effective in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies effective on or after November 15, 2006. No policy effective prior to November 15, 2006 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 November 15, 2006.

No portion of the premiums written using these new rates and rating factors will be required to be placed in escrow.

Please see to it that this information is brought to the attention of all interested personnel within your company.

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:ds

A-06-5