

November 1, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance
Residual Market Rate Filing

The North Carolina Rate Bureau submitted a workers compensation residual market rate filing to the North Carolina Commissioner of Insurance on September 1, 2006.

The filing proposed an average rate level change of 9.7% from rates effective April 1, 2006. As a result of a change discussed with the Department of Insurance in one of the component calculations, the filed rate level change would have become 8.5%. An increase in the expense constant from \$210 to \$250 was included in the filing.

As a result of negotiations with the North Carolina Commissioner of Insurance, a Settlement Agreement and Consent Order has been signed and entered which approves the filed change in the expense constant and approves a rate level change of 7.6% relative to the rates currently in effect. The rates will be adjusted by industry group and shall be effective April 1, 2007 for new and renewal policies. Exhibits reflecting this change will be available in the next few weeks on the NCRB website (www.ncrb.org).

We will provide a copy of the approved filing to the Home Office of each member insurance company or insurance company group in the manner previously requested by each company or group.

Sincerely,

Susan M. Taylor

Director, Workers Compensation

SMT:dg

C-06-23