

**NORTH CAROLINA RATE BUREAU**

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December 1, 1995

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Residual Market Rate Filing

On December 1, 1995 a filing was submitted to the North Carolina Commissioner of Insurance proposing residual market workers compensation insurance rates, rating values and miscellaneous values to become effective April 1, 1996, applicable to new and renewal policies.

The filing proposes an average decrease of 10.87% in the overall premium level of the workers compensation insurance residual market in North Carolina. By industry group, the changes are: Manufacturing, 10.42% decrease; Contracting, 6.59% decrease; Office & Clerical, 6.24% decrease; Goods & Services, 17.82% decrease; and Miscellaneous, 8.64% decrease. Within each industry group the change will vary from the average by classification depending upon the volume and character of the particular classification experience.

On average, the April 1, 1996 residual market rates reflect an increase of 1.12% over the current manual rates; however, the rate change combined with (i) the elimination of the separate 14% assigned risk surcharge, (ii) a change in the expense constant from \$160 to \$210 and (iii) a change in the minimum premiums (a minimum premium multiplier of 165 plus the expense constant and an increase in the maximum minimum premium to \$850) results in an overall premium level decrease of 10.87%.

There is an overall premium level increase of 16.2% proposed for the residual market rates for classifications which contemplate exposure under the United States Longshore and Harbor Workers' Compensation Act ("F" classifications).

Residual market rates and rating values were filed to become effective April 1, 1996 to be applicable to all policies as of the first normal anniversary rating date which is on or after April 1, 1996. Residual market rates and rating values will be distributed as soon as possible. Direct assignment carriers and servicing carriers who desire to proceed with the issuance of policies that have an anniversary rating date on or after April 1, 1996 must attach the Pending Rate Change Endorsement (WC 00 04 04) and each such policy must be subsequently endorsed to apply the revised rates.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

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C-95-29