

NORTH CAROLINA RATE BUREAU

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March 15, 1996

CIRCULAR LETTER TO ALL MEMBER COMPANIES

(Home Offices Only)

Re: Workers Compensation Insurance

Loss Costs Filing

A loss costs reference filing has been filed with and approved by the North Carolina Commissioner of Insurance and, pursuant to North Carolina General Statute 58-36-100, a copy of the approved reference filing is enclosed.

The filing includes exhibits that display (i) the derivation of the final pure premium level change; (ii) a summary of the expense provisions that are included in the loss costs, (iii) the advisory loss costs and rating values, by class code; (iv) appendices that underlie the derivation of the overall pure premium level change and the distribution of that change by industry group and by class code; (v) the derivation of "F" classification loss costs; (vi) a summary of several fee schedule and benefit changes; and (vii) a comparison, by class code, of current implied loss costs to the approved loss costs. Appendix D recites statutory requirements for data to be included in NCRB rate filings. The extensive data that were submitted to the Department of Insurance as an adjunct to the loss costs reference filing, referenced as "11 NCAC 10.1111 responses", are not being reproduced for distribution. Similarly, the Bureau's pre-filed testimony that accompanied the filing are not being distributed.

The approved prospective loss costs are based on historical data that have been developed and trended to their ultimate values and, except for (i) loss adjustment expenses and (ii) taxes, licenses, fees and loss-based assessments which are specifically authorized to be included in the loss costs by statute, include no provisions for expenses, dividends, profit or contingencies.

Note: The Summary of Expense Provisions for Inclusion in Loss Costs (NCRB Reference Filing, Exhibit II) initially included a proposed provision of 0.30% for "Miscellaneous Tax." The approved loss costs reference filing does not include a component for "Miscellaneous Tax."

Pursuant to NC GS 58-36-100, the prospective loss costs reference filing does not develop or propose minimum premiums, minimum premium formulas, expense constants or premium discount plans. Any amendments to your current minimum premiums, minimum premium formula, expense constant or premium discount plan must be filed with and approved by the North Carolina Department of Insurance.

NCGS 58-36-100(a) does not require any insurer to refile rates previously implemented for up to two years after the July 28, 1995 effective date of the legislation and provides that:

Any member insurer of the Bureau may continue to use all rates and deviations filed and approved for its use until disapproved, or the insurer makes its own filing to change its rates...

Please note the advisory Miscellaneous Values contain Loss Elimination Ratios, by Hazard Group, for various deductible

amounts. Your Company should file with the Commissioner of Insurance the factor(s) to be applied to the approved Loss Elimination Ratios or you should file your Company specific table of deductible percentages. Similarly, the Retrospective Rating Plan Manual - State Special Rating Values contain Excess Loss Pure Premium Factors and Excess Loss and Allocated Expense Pure Premium Factors. Your Company should file with the Commissioner of Insurance the factor(s) to be applied to those pure premium factors or you should file your Company specific tables.

Also enclosed is a copy of our December 1, 1995 Circular Letter to All Member Companies (C-95-30) which includes NC GS 58-36-100 and North Carolina Department of Insurance forms which have been developed for use by insurers to file their rate changes.

Note: The Reference Filing Adoption Form should be completed to show the NCRB Reference Filing Number NCD0I - 116459 and the NCRB Effective Date April 1, 1996. Additionally, Item 7, "Provision for premium taxes, licenses, fees and loss based assessments," of the Summary Of Supporting Information Form - Calculation of Company Loss Costs Multiplier should be completed to include .0268 (NCRB Reference Filing, Exhibit II - 2.68% expressed in decimal form).

Duplicate copies of your rate change filing (with a \$20 filing fee and a postage-paid, self-addressed envelope) are to be submitted to:

Mr. Charles A. Swindell, Deputy Commissioner

Property and Casualty Division

North Carolina Department of Insurance

PO Box 26387, 430 North Salisbury Street

Raleigh, North Carolina 27611

A copy of each insurer's filing should also be sent to the North Carolina Rate Bureau.

Included is a diskette which contains a Lotus spreadsheet with the April 1, 1996 advisory loss cost and rating values for each class code. The diskette also contains the residual market rates and rating values. The diskette is formatted for IBM -PC compatible machines and is being provided to assist carriers in the mechanics of generating individual class code rates. One file has each class assigned to one of the following industry groups:

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|------------------------|---|
| 1. Manufacturing | 6. "F" Classifications |
| 2. Contracting | 7. Per Capita Classifications |
| 3. Office and Clerical | 8. "a" Rated Classifications |
| 4. Goods and Services | 9. Chemical & Dyestuff Plan Classifications |

Note: The industry group designations are for the purpose of identifying the group to which a class belongs on the diskette and are so designated only for the loss costs. The residual market data is in class code sequence.

If you want an additional copy of the approved reference filing and diskette for your internal use, or for other carriers in your group, please make your request in writing and include a check in the amount of \$75, payable to the North Carolina Rate Bureau. Additional copies of the diskette alone are available to company members for \$20 per diskette.

Very truly yours,

Jerry G. Hamrick

Workers Compensation Manager

JGH:lm

C-96-3