



North Carolina Insurance Guaranty Association

February 16, 1996

CIRCULAR LETTER TO ALL MEMBER INSURERS

- Re: (1) Assessment - Company Insolvency
(2) Assessment - Administrative Account
(3) Refunds - Company Insolvencies**

During a meeting held on October 10, 1995, the Board of Directors of this Association reviewed the Association's obligations in connection with the outstanding insolvencies and voted to take the following actions:

Assessment - United Community Insurance Company Insolvency

The Board of Directors voted to assess member insurers in the total amount of \$1,000,000 to provide necessary additional funds to continue the Association's task of discharging its obligations arising from the insolvency of United Community Insurance Company. By Order issued by the Superior Court of Wake County, North Carolina the Company was declared insolvent and placed in liquidation in North Carolina effective May 31, 1995.

The assessments by account as provided in Article 48, Chapter 58, General Statutes of North Carolina were developed on the basis of the following:

Account	Assessment	Premium Base	Assessment Factor
Automobile	\$100,000	\$2,791,597,915	.000035821
All Other	\$900,000	\$1,837,741,749	.000489731

The automobile assessment is apportioned among member insurers on the basis of total net direct written automobile insurance premiums, less dividends, as shown on Page 14 of the 1994 North Carolina Annual Statements. The "all other" assessment is based upon the total 1994 North Carolina net direct written premiums, less dividends, for all other lines of insurance (excluding workers' compensation) to which Article 48 applies, as shown on Page 14 of the 1994 Annual Statements. Article 48 applies to all kinds of direct insurance except life; annuities; title; surety; accident and health; credit; mortgage guaranty; ocean marine; and multi-peril crop coverages reinsured by the Federal Crop Insurance Corporation. The above assessment factors were determined by relating each assessment amount to the corresponding total premium base which includes the 1994 writings of all current members of this Association.

Assessment - Administrative Account

The Board of Directors has voted further to make an additional assessment of \$60,000 to cover the administrative expenses not related to a specific insolvency. This assessment is distributed in proportion to the combined total 1994 automobile, "all other" and workers' compensation insurance premium writings as defined in the Act and each company's share of this assessment is $\$60,000 \div \$5,234,113,169$ or .000011463 applied to its combined total 1994 automobile, "all other" and workers' compensation insurance premium writings.

Refund - American Universal Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of American Universal Insurance Company made in March, 1992 the amount of \$1,000,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$200,000 and the assessments paid were \$399,989. Each company's share of this refund is $\$200,000 \div \$399,989$ or .500013750 applied to its automobile assessments paid. The "all other" assessments amount to \$1,597,040 and the "all other" refund is $\$800,000 \div \$1,597,040$ or .500926714 applied to its "all other" assessments paid.

Refund - Beacon Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the two assessments for the insolvency of Beacon Insurance Company made in August, 1987 and March, 1989 the amount of \$175,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$3,500 and the assessments paid were \$9,771. Each company's share of this refund is $\$3,500 \div \$9,771$ or .358202845 applied to its automobile assessments paid. The "all other" assessments amount to \$520,828 and the "all other" refund is $\$171,500 \div \$520,828$ or .329283371 applied to its "all other" assessments paid.

Refund - Excalibur Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the assessment for the insolvency of Excalibur Insurance Company made in January, 1985 the amount of \$320,000. The refund is to be distributed among member insurers in proportion to the amount of automobile assessments paid. The automobile refund amounts to \$320,000 and the assessments paid were \$484,737. Each company's share of this refund is $\$320,000 \div \$484,737$ or .660151793 applied to its automobile assessments paid.

Refund - Interstate Casualty Insurance Company Insolvency

The Board of Directors has voted to refund to member insurers from the three assessments for the insolvency of Interstate Casualty Insurance Company made in April, 1990, January, 1991 and March, 1992 the amount of \$4,500,000. The refund is to be distributed among member insurers in proportion to the amount of assessments paid. The automobile refund amounts to \$4,050,000 and the assessments paid were \$18,597,732. Each company's share of this refund is $\$4,050,000 \div \$18,597,732$ or .217768489 applied to its automobile assessments paid. The "all other" assessments amount to \$2,059,795 and the "all other" refund is $\$450,000 \div \$2,059,795$ or .218468342 applied to its "all other" assessments paid.

If a statement is attached hereto, it shows (1) your Company's premiums utilized in determining the assessments; (2) the assessment amount for each of

the accounts; (3) the amount of your Company's refunds; and (4) the net amount due this Association from your Company or due your Company from this Association.

Prompt remittance will be appreciated. If your remittance includes total assessments billed to more than one company in a group, we would appreciate your identifying the companies for which assessments are being paid either on the remittance check or in an accompanying memorandum. If the statement shows a net amount due your company from the Association, payment will be made to your Company by the Association within the next 30 days.

Very truly yours,

John W. Watkins

Managing Secretary

JWW:lg

[Enclosure](#)

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