

TO: NORTH CAROLINA AGENTS

NON-FLEET PRIVATE PASSENGER AUTO CLEAN RISK AND LOSS ALLOCATIONS

The North Carolina Reinsurance Facility has established a “clean risk” allocation surcharge of 6.43% (before inclusion of agent compensation) that will be applicable to all Non-Fleet Private Passenger Automobile policies issued to become effective during the twelve months beginning April 1, 2005.

The “clean risk” allocation surcharge is applicable to all policies, including those ceded to the Facility, as well as those retained voluntarily by companies. The surcharge is also subject to the payment of agent compensation.

Also, the North Carolina Reinsurance Facility has established a “loss” allocation surcharge of 4.17%.

Enclosed is a bulletin issued by the North Carolina Reinsurance Facility that explains how the surcharge is to be applied.

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PLH/po

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