



information

2008 **North Carolina Rate Bureau** ANNUAL REPORT

core values

commitment

Faithfully and diligently fulfill the obligations of our Organizations as set forth in the statutes.

integrity

Perform each task as efficiently as possible with absolute honesty and integrity.

respect

Treat your fellow associates and those you serve on behalf of the Organizations with dignity and respect.

talents

Continually strive to improve the Organizations through the use of every associate's talents and creativity.

ownership

Encourage participation and a sense of ownership from the members of our Organizations.

consistency

Demonstrate fairness and consistency among all associates and encourage personal development.



North Carolina Rate Bureau

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general organizational information

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annual meeting information

The annual meeting for member companies of the North Carolina Rate Bureau will be held October 28, 2008, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

message from the chairman

The Rate Bureau has had a very busy year, which has caused the time to fly by since our last annual meeting. I will defer to Ray's comments for the details of the Rate Bureau's accomplishments, but two major events did occur this year that exemplify the team effort that all of the Rate Bureau employees and others involved with the Rate Bureau put forth on a daily basis.

The first was the Personal Auto rate hearing, which convened in July after months of preparation. Testimony was given by Ray and his staff, representatives from various companies, and our expert consultants. They all represented the Rate Bureau in a knowledgeable and professional manner. Young, Moore and Henderson served as legal counsel in this hearing and as always did an excellent job in presenting our case. Efforts to resolve this case were made prior, during, and since the hearing, but as of this writing, no resolution has been achieved.

Earlier in the year, an appointed legislative committee convened to look into various aspects of our auto insurance system here in North Carolina. Again, the Rate Bureau, our attorneys, and industry members were called on to provide information and direction. The delicate balance of our non-lobbying position was maintained while passing on beneficial information to the committee. No changes resulted from the committee's deliberations, but an excellent foundation for potential future changes was created.

The outline of these events provided above serves as an example but does not come close to conveying the amount of time and effort that was necessary to fulfill these tasks and many others this year. I thank all who participated to help serve our industry.

Next year, for the first time in 24 years, North Carolina will have a new Commissioner of Insurance. I would like to thank Commissioner Long for his dedicated service to the citizens of North Carolina. Even though the industry and the Commissioner have not always agreed on issues, his door has always been open to discuss and work towards resolutions. We wish him the best in his retirement and look forward to working with his replacement.

Finally, I would like to thank all the members of the Governing Committee and the participants of the various line committees that support the organization. The cooperation and willingness to serve our industry is greatly appreciated.



Chairperson
North Carolina Rate Bureau Governing Committee

governing committee

The Constitution of the Rate Bureau provides that there are fourteen members of the Governing Committee. Of the members, six shall be non-stock members of the Rate Bureau, six shall be stock members, and two shall be non-voting members appointed by the Governor.

Members of the Governing Committee are elected at the annual meeting. The term is for three years, although members can be elected for a second consecutive term. Terms are staggered so that two stock and two non-stock members are elected each year.

member representative

Allstate Insurance Company	Bob Blystone
American Home Assurance Co.	Ira Feuerlicht
Cincinnati Insurance Co.	Jim Gron
Erie Insurance Exchange	Ronnie Chamberlain
Hartford Fire Insurance Co.	Rajiv Iyer
Nationwide Mutual Insurance Co.	Amy Powell
NC Farm Bureau Mutual Insurance Co.	Roger Batdorff*
Progressive Casualty Insurance Co.	Kate Terry
State Automobile Mutual Insurance Co.	Larry Wilson
State Farm Mutual Automobile Insurance Co.	Alan Bentley
Travelers Indemnity Company	Ken Surian
United Services Automobile Association	Eric Vaith

non-voting member

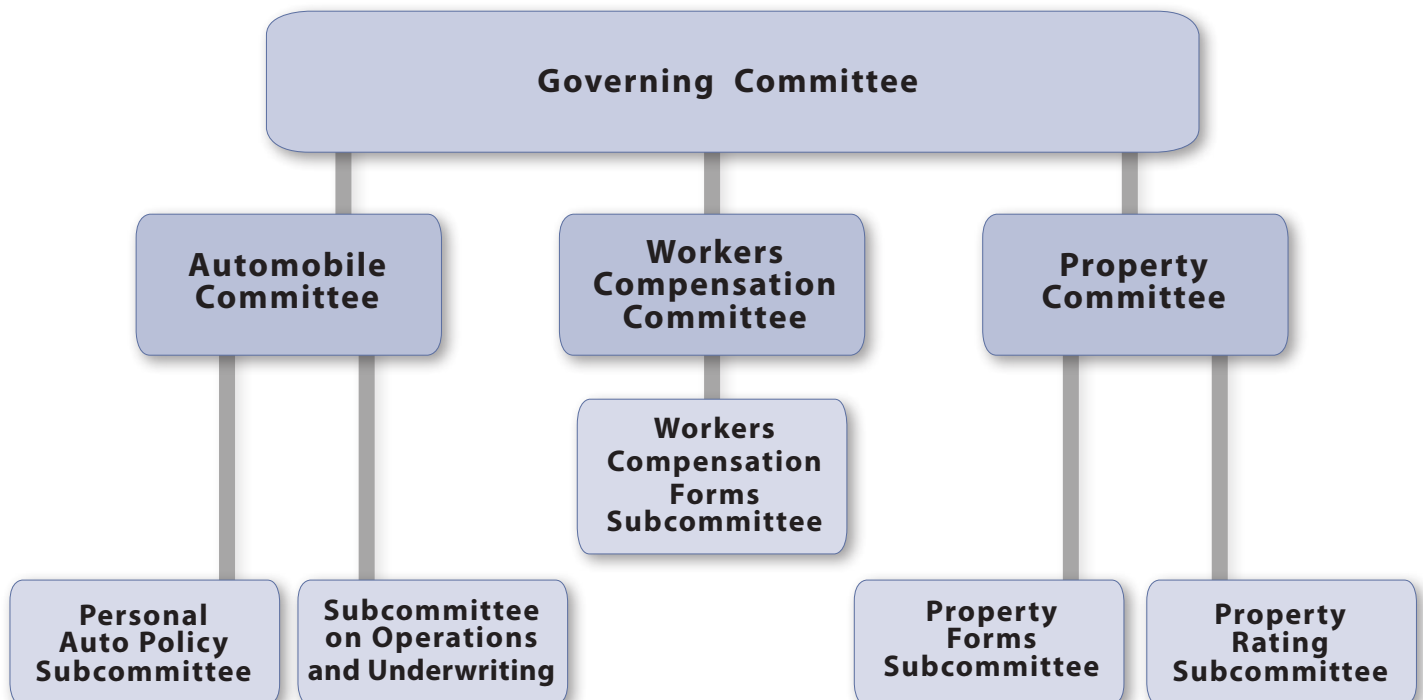
Public Member	Max Offerman
Public Member.	John Wei

*Chair

Rate Bureau committees

The Bureau committees play an integral role in the Bureau's fulfilling its statutory requirements. In general, each line committee has authority for these matters:

- The making and the filing with the Commissioner of Insurance classifications, rules, rates, rating plans, policy forms, and policy provisions;
- The development and adoption of statistical plans and procedures for the collection of loss and expense experience;
- The collection, compilation, and analysis of such statistical and other data relating to the line of insurance as are deemed necessary or desirable;
- The administration of such rating systems as may become effective pursuant to law;
- The furnishing upon request of pertinent information relating to classifications, rules, rates, rating plans, policy forms, and policy provisions to Members affected thereby;
- The coordination and cooperation with rating organizations, advisory organizations, insurers, and other insurance organizations in the development, application, or implementation of classifications, rules, rates, rating plans, policy forms, and policy provisions; and
- The taking of any other action deemed necessary or appropriate for the efficient and effective administration and regulation of the line of insurance by the Bureau.



Automobile Committee

member **representative**

Allstate Insurance Co. Steven D. Armstrong*
GEICO Indemnity Company Anthony Zuvich
Hartford Fire Insurance Co. John Krause
Integon Indemnity Corporation Art Lyon
Liberty Mutual Insurance Co. Anne McLeod
Lumbermens Mutual Casualty Co. Kimberly Burns
Nationwide Mutual Ins. Co. Issac Adams
NC Farm Bureau Mutual Insurance Co. Roger N. Batdorff
Progressive Casualty Insurance Co. Kate Terry
State Farm Mutual Automobile Insurance Co. Steve Harr
Travelers Indemnity Company Ken Surian
United Services Automobile Association Lisa Sukow
*chair

Personal Auto Policy Subcommittee

member **representative**

Allstate Insurance Company Jeff Schultz*
Nationwide Mutual Ins. Co. Dan Meister
State Farm Mutual Automobile Ins Co. Kevin J. Nicklas
*chair

Property Committee

member **representative**

Allstate Insurance Co. Shantelle Thomas
Amica Insurance Tom Goodale
The Erie Insurance Group Ronnie Chamberlain
Kemper National Insurance Companies Kimberley Burns
NC Farm Bureau Mutual Ins. Co. Bob Tart
Nationwide Mutual Ins. Co. Kathy Southern
Penn National Insurance Companies Chuck Uckele
State Farm Fire & Casualty Co. Bob Messier*
Travelers Indemnity Company Randy Krauss
United Services Automobile Association. Eric Vaith
*chair

Property Forms Subcommittee

member **representative**

Allstate Insurance Company Bob Lorch
American Bankers Insurance Co. of Florida Dina Olsen
Foremost Insurance Co. David J. Kelly
Kemper Auto and Home Susan Fiorentino
American Modern Home Insurance Co. Mike Koscielony
NC Farm Bureau Mutual Ins. Co. Bob Tart
Nationwide Mutual Ins Co. Daniel Meister*
*chair

Property Rating Subcommittee

member **representative**

Allstate Insurance Co. Shantelle Thomas *
American Bankers Insurance Co. of Florida Dina Olsen
American Modern Insurance Group Sally Kressin
Foremost Insurance Company David J. Kelly
NC Farm Bureau Mutual Insurance Co. Roger N. Batdorff
Nationwide Mutual Ins. Co. Sara Behrend
State Farm Fire & Casualty Co. Kathy Popejoy
Travelers Indemnity Company Randy Krauss
United Services Automobile Assoc. Christopher C. Swetonic
*chair

Subcommittee on Operations

and Underwriting

member **representative**

Allstate Insurance Company Stacey Bailey
Government Employees Insurance Co. Laura Reilly
Integon Indemnity Corporation Art Lyon*
Kemper Auto and Home Donna Emery
Liberty Mutual Insurance Co. Margie Williams
NC Farm Bureau Mutual Insurance Co. Roger Batdorff
Progressive Casualty Insurance Co. Kate Terry
State Farm Mutual Automobile Insurance Co. Suzie Noel
Travelers Indemnity Company Annette Whitaker
United Services Automobile Association Mark Davis
*chair

Workers Compensation Committee

member **representative**

American Home Assurance Co. Ira Feuerlicht
Builders Mutual Insurance Co. Jerry Visintine
Companion Property & Casualty Co. Rex Boylston
Harleysville Mutual Insurance Co. Dane Pickard
Hartford Accident & Indemnity Co. Giggly Martindale
Key Risk Insurance Co. John Godfrey
Liberty Mutual Insurance Co. Cheryl B. Watts
Maryland Casualty Co. Paul Ziegler
NC Farm Bureau Mutual Insurance Co. Roger N. Batdorff
PA National Mutual Casualty Insurance Co. Alan Stowe
Travelers Indemnity Company Jeffrey W. Schmidt*
*chair

Workers Compensation Forms

Subcommittee

member **representative**

Key Risk Insurance Company John Elwonger
Liberty Mutual Insurance Company Tim Trafecanty
Travelers Indemnity Company Kent Volz
Companion Property & Casualty Company Sandra Barrett*
and Rex Boylston
Maryland Casualty Company Susan Gordon
*chair

Raymond F. Evans, Jr., CPCU
General Manager

Ray Evans



general manager's report

The past year has been extremely active for the Rate Bureau. As we will detail in the following pages, activity this past year included rate filings, rate hearings, Legislative Committee hearings, to the first change in mobile homeowner rates in several decades, establishing a co-location, to name a few. The important point in recounting what we did is that we have met the challenges the year brought us.

With this high level of activity, the core values of the Organizations we talk about so much have served us well. Whatever the task, for both the usual and the unusual, the Rate Bureau has acted professionally, has stuck to the facts, has been impartial in presentations, and has responded to every request. This action has required the dedication and diligence of not only Rate Bureau associates but also members of our Committees, counsel, and a host of experts and vendors. As we focused on whatever we faced and, after we tackled and concluded it, we went over our actions, reviewed our responses, and re-checked our data so that where there was any difficulty or delay, we changed a process or developed an idea that would make the next occurrence easier to address. In short, we did what we had to do, we had a lot of help doing it, we learned from it, and we prepared ourselves for the future.

The theme of this report is information. Collecting, storing, managing, and analyzing data, while not new, are now refined skills of the Rate Bureau. Over the past few years, strategies to upgrade IT operations and infrastructure, adding more sophisticated and skilled associates when there has been turnover, changing our organizational structure, and enabling and training our managers to manage more effectively have all been critical. The transition to an information, knowledge-based organization has not been easy in terms of time, effort, or cost, but it is now serving us well. Thank you to the Governing Committee that has been supporting and encouraging this work over the past few years.

The next year will also be different from the past 24 as there will be a new Insurance Commissioner. While we have not always seen eye to eye, Jim Long has been an imposing and important part of the insurance business in North Carolina. I can't imagine the Commissioner retiring, but whatever his future plans, I hope you join me in wishing him well.

We do not see any letup in activity, and, in fact, we can see more work in the coming year. I know, with your continuing support, our folks will again be up to the challenge.

Ray Evans



Sue Taylor

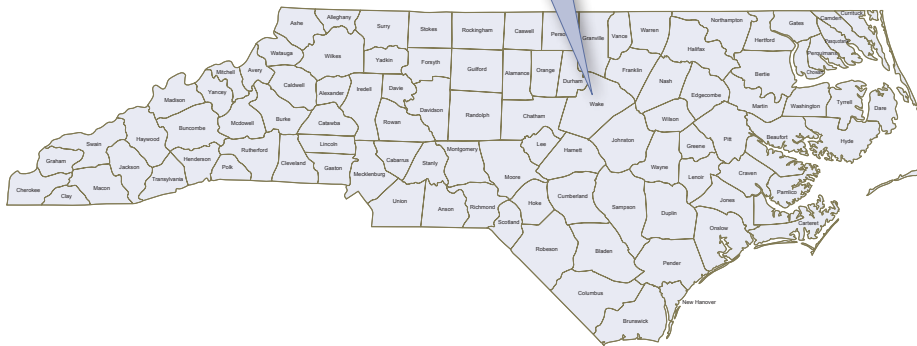
Director,
Insurance Operations

Sue Taylor

the North Carolina Rate Bureau at a glance

Offices of the North Carolina Rate Bureau
are located at:

5401 Six Forks Road, Raleigh, NC 27609



We serve the NC insurance industry by providing services and programs for automobile, property, and workers compensation insurance.

Number of Bureau Associates: 71

Rate / Loss Cost Filings in 2008:

- Automobile — February 2008
- Mobile Home — (C) May 2008
- Mobile Home — (F) May 2008
- Workers Compensation Voluntary — August 2008
- Workers Compensation Assigned Risk — August 2008

Member Companies

August 2007

August 2008

Total Companies	671	678
Automobile Insurance members	617	620
Residential Property members	584	586
Workers Compensation members	481	486

information 2008

Today, information is available with just a few mouse clicks and key strokes! The Information Age has evolved, and the North Carolina Rate Bureau is evolving with the Information Age. In the 1960s and 1970s, the Bureau maintained information by creating "subject files" on everything from Affidavits to Wrap-Ups. Instead of computer access, there was card access, with pertinent policy information maintained in drawers of index card files. Over time, more and more information is maintained electronically. For example, the Bureau Website hosts information so member companies, agents, and other industry representatives can access information.

2008 has been a busy year for the Bureau, and information has played a key part in the work this year. Information has been shared with legislators regarding programs currently in place; information has been shared with the Department of Insurance on filings being made; and information has been shared with member companies and interested parties in the state. The information highway has been very active. The goal is to provide information where needed to inform and educate.

To keep up with the volumes of information that are received by the Bureau and the volumes of information that the Bureau transmits elsewhere, it has been necessary to develop and enhance systems to handle this information. System developments and improvements that the Bureau saw this year include:

- A complete update to the Website that provides a more user-friendly interface utilizing dynamic menus to support the delivery of information.
- Introduction of the new Industry Data Collection (IDC) system to collect Annual Statement, Expense Experience, and Installment Payment Data.
- Delivery of a compliance/noncompliance tool for workers compensation assigned risk that allow agents and carriers access to information on policies meeting the requirements for assignment.
- Addition of call-tracking software to tabulate types of calls received and quality and timeliness of handling.

personal lines information

In automobile, the year started with the Auto Committee amending the Inexperienced Operator Manual Rule to provide companies other options for determining the driving experience of risks moving to North Carolina. This revision became effective February 1, 2008. Revisions were filed to the Personal Auto Policy which were approved to be effective December 1, 2008.

On February 1, 2008, a Private Passenger Auto Rate Filing was made requesting an increase of 13.0% for automobiles and 0.7% for motorcycle liability. The Commissioner called for a Public Hearing that began on June 30, 2008, and concluded on July 29, 2008. The Commissioner has disapproved the filed increase and instead ordered a 16.1% decrease. The Rate Bureau Governing Committee has voted to appeal the Commissioner's order and to implement an increase of 9.4% for automobiles and 0% for motorcycle liability.

In the property area, the year began by implementing the 2002 Dwelling Policy Program. The revision became effective June 1, 2008. This change was followed by two Mobile Homeowner rate filings, the first rate filings in Mobile Homeowner insurance since 1983. After negotiating a settlement with the Department of Insurance, increases of 3.8% and 2.1% for MH(C) and MH(F), respectively, are to become effective December 1, 2008.

The General Assembly met during 2008 for the traditional "short session." House Bill 738 was passed making Uninsured and Underinsured Motorist Coverages mandatory effective January 1, 2009. The Bureau has adopted appropriate revisions to the Personal Auto Manual as a result of this legislation.

The Bureau continues to provide a mechanism through which automobile policyholders can appeal Safe Driver Insurance Plan (SDIP) "points" assigned as a result of an accident. If an insured feels the assigned "points" are not warranted, a request can be made to the Bureau for a hearing. The most recent results show that of the 20 hearings conducted this year, 8 have resulted in the removal of points.

Safe Driver Insurance Plan

	2008	2007	2006
Hearing Outcome:			
In Favor of Insured	8	14	11
In Favor of Company	12	8	10

workers compensation information

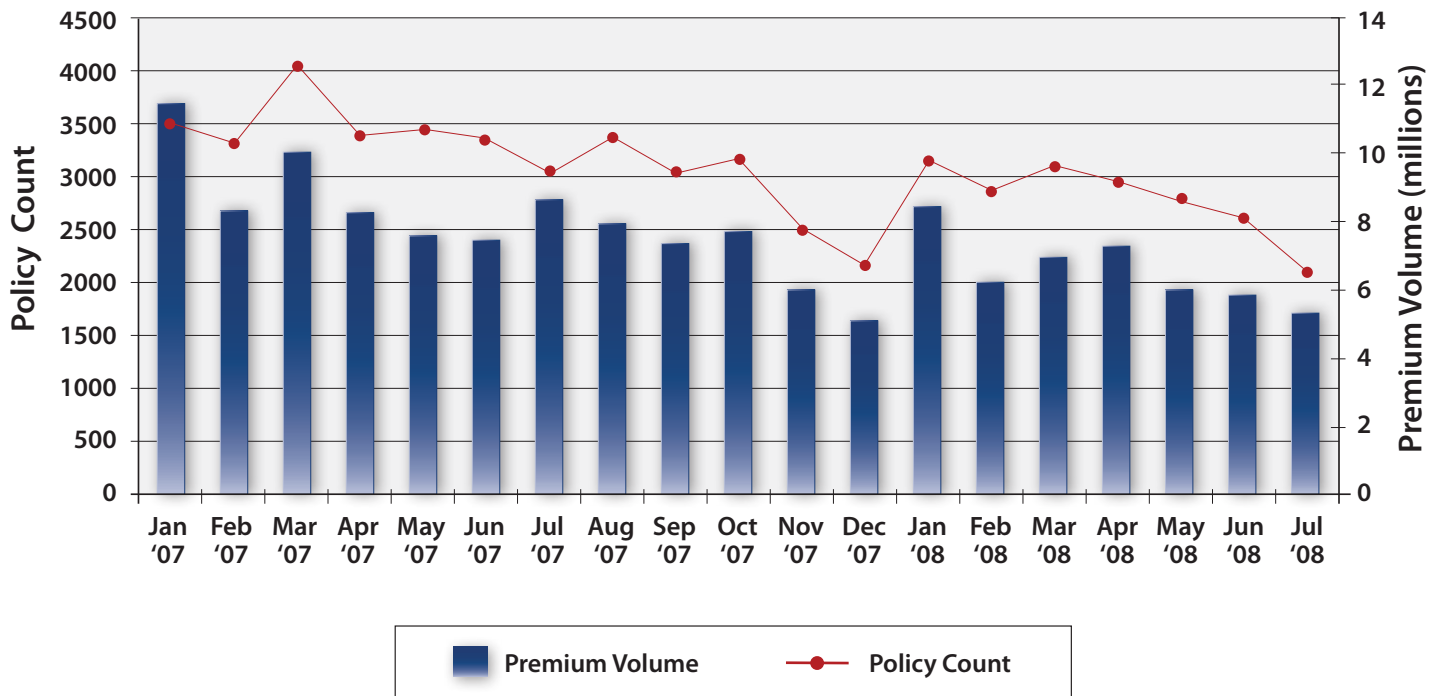
The North Carolina Workers Compensation Assigned Risk Market has seen a decline in both policies and premium from last year. Through July, the number of policies is below last year by 17%, and the total premium volume is below last year by 24%. This decline is consistent with declines countrywide. In North Carolina, 65% of the Assigned Risk policies continue to be under \$1000 in premium.

New three-year servicing carrier agreements were entered into January 1, 2008. The four servicing carriers are Companion Property and Casualty Insurance Company, Key Risk Insurance Company, LM Insurance Corporation, and Travelers Indemnity Company. The six direct assignment carriers are American Interstate Insurance Company, American Zurich Insurance Company, Cincinnati Insurance Company, Continental Casualty Company, Granite State Insurance Company, and Hartford Underwriters Insurance Company.

Electronic information from carriers has significantly increased over the last five years. Most policy information is received electronically, and carriers must pay a keying charge for policy information that is not received electronically. Of the 107,044 policies received from January 2008 to July 2008, 97,819 or 91.4% were received electronically.

In recent years, more carriers are submitting unit statistical reports directly to the Bureau. Presently, there are nineteen carriers submitting unit statistical reports directly to the Bureau, (amounting to 13% of the data). That number will continue to grow as many carriers are in varying stages of testing to become direct reporting carriers.

Assigned Risk Market — New and Renewal Combined





ManageAR, the electronic application submission method utilized by agents, is in the third year of usage. Usage continues to grow, with fifty-two percent of the applications being submitted electronically. Continued enhancements are being made to the system to improve ease of use for the agents. The most recent enhancement provides information regarding applicants that may not be in compliance with the Workers Compensation Insurance Plan.

One threat which continues to be crucial to business is terrorism. Since January, the North Carolina Rate Bureau has issued four circulars in response to changes in terrorism risk resulting from legislation enacted in December 2007.

Another way the North Carolina Rate Bureau attempts to keep up with the Information Age is through regular review and adoption of changes to the class-rating plan. The Bureau reviews changes proposed by the National Council on Compensation Insurance for their applicability to North Carolina where appropriate. Filings are made to adopt revisions to the Basic Manual, Experience Rating Plan Manual, and Statistical Plan Manual in North Carolina.

The Bureau has in place a process for companies and policyholders to submit workers compensation disputes to the Bureau. Information is collected, reviewed, and a hearing can take place with both parties and representatives from the Bureau present. Results of 12 months of workers compensation disputes show the following breakdown by type of dispute:

quality assurance

A Quality Assurance Department was recently created by the Bureau to provide the Organization with objective internal audit assessments that can be used as a tool to improve operations. Quality Assurance assists management in identifying and analyzing areas where potential risks exist and assists in the creation of solutions to accept, reduce, or eliminate those risks.

Another role of Quality Assurance is to participate in audits which identify areas of proficiency and/or areas where improvement is needed. During the past year, the following audits have taken place for the Bureau:

- Travel Expenses
- Accounts Payable
- Dispute Resolution for Workers Compensation
- Safe Driver Insurance Plan
- Assigned Risk Application Processing

These audits are designed to assist management by providing information that will support the achievement of effective and efficient operations through process redesign.

workers compensation dispute breakdown

Class Codes	51	36.4%
Disputed Audit	61	43.6%
Non-Compliance	7	5.0%
Experience Mod	8	5.7%
Miscellaneous	13	9.3%
Total	140	

business continuity/ disaster recovery

Business continuity and disaster recovery continue to take priority in our daily operations. The disaster recovery plan provides a comprehensive list of procedures and supporting materials necessary to recover IT systems and processes and aims to restore computing capability to critical business processes within five business days. Ancillary systems would then be restored based on priority. Several servers are hosted offsite at a co-location to help reduce the recovery time of core systems. In addition, a secondary Website is hosted at the co-location to allow us to communicate important information to our customers quickly regarding status of operations and changes in business processes during a disaster.

bureau associates

Every accomplishment discussed in this report is possible because of the associates in the support departments. Support is received from Information Technology in the development and improvement of systems to streamline the information flow. The Information Center supports

the Bureau in providing extraordinary customer service to member companies, agents, and the general public. The Finance Department ensures that bills are paid and that there are funds on hand to do that. The Quality Assurance Department makes sure that the organization does the right thing, while Human Resources and Administrative Services assist with hiring and making sure that the facilities are safe for all associates. Finally, every one of the associates that comprise the Insurance Operations area of the Bureau works hard to make sure that filings are made, that member companies are communicated with, that Assigned Risk policies are assigned promptly and accurately, that requests are answered promptly, and that experience modification factors are issued in a timely manner. All of these individuals are dedicated and hard working and help the North Carolina Rate Bureau achieve its core values.

looking ahead

2008 has been a year of great progress for the Bureau. The Information Age continues to move forward, and the Bureau strives to keep up with the ever-changing environment. Information technology is being used to convert, store, protect, process, transmit, and retrieve information. It is the Bureau's goal to provide timely and useful information to individuals and organizations that rely on the services offered.



North Carolina Rate Bureau

balance sheet

assets	august 31, 2008	august 31, 2007
Cash & Investments - Unrestricted	\$420,372	\$889,700
Cash & Investments - Restricted	688,991	675,412
Assessments Receivable	210,495	343,591
Accounts Receivable	227,700	313,800
Other Assets	27,376	47,217
total assets	\$1,574,934	\$2,269,720
liabilities & fund equity		
Refund to Carriers Payable	\$50,098	\$50,098
Retiree Insurance Payable - Restricted	575,501	567,264
Other Benefits Payable - Restricted	113,489	108,148
Other Liabilities	(7,068)	(2,155)
total liabilities	\$732,021	\$723,355
fund equity	842,913	1,546,365
total liabilities & fund equity	\$1,574,934	\$2,269,720

income statement

income	august 31, 2008	august 31, 2007
Assessments Income	\$10,026,113	\$12,310,910
Membership Fees Income	713,750	705,250
Late Data Reporting Charges	93,000	253,700
Policy Keying Charges	745,150	1,346,800
Delinquent USR Charges	432,300	257,000
Other Income	13,393	35,745
total income	\$12,023,706	\$14,909,405
expenses		
Legal, Consulting & Other Outside Services	\$7,132,521	\$6,623,461
Salaries & Administration Expenses	2,870,826	2,657,482
Other Operating Expenses	2,688,523	5,289,087
total expenses	\$12,691,870	\$14,570,030
net income / (loss)	\$ (668,164)	\$339,375

NCRB Management Staff



Delisa Fairley
*Manager,
Insurance Data Operations*



Betty Hurst
*Manager,
Workers Compensation*



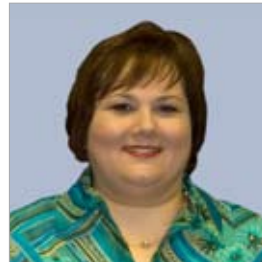
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Rebecca McCarrier
Manager, Data Analysis



Wayne Hinton
Manager, Automobile



Karen Byrd
*Supervisor,
WC Assigned Risk*



Lynne Mays
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WC Data Quality*

Organizational Shared Resources



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David Sink
Director, Finance



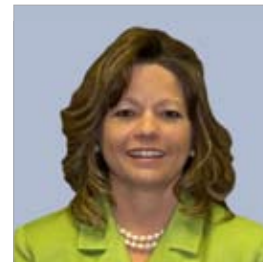
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Tammy Choboy
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Amy Tart
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