



MINUTES OF THE THIRTY-EIGHTH ANNUAL MEETING OF THE
NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER
ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA
OCTOBER 14, 2015

MEMBERS PRESENT

Allstate Insurance Group

Allstate Insurance Company
Allstate Indemnity Company
Allstate Northbrook Indemnity Company
Allstate Property & Casualty Insurance Company
Allstate Vehicle and Property Insurance Company
Encompass Indemnity Company
Esurance Insurance Company
First Colonial Insurance Company

American International Group

AIG Assurance Company
AIG Property Casualty Company
AIU Insurance Company
American Home Assurance Company
Commerce & Industry Insurance Company
Granite State Insurance Company
Insurance Company of the State of Pennsylvania
National Union Fire Insurance Company of Pittsburg, PA
New Hampshire Insurance Company

Amica Mutual Group

Amica Mutual Insurance Company

AmTrust NGH Group

Agent Alliance Insurance Company
AmTrust Insurance Company of Kansas, Inc.
First Nonprofit Insurance Company
Imperial Fire and Casualty Insurance Company
Integon Casualty Insurance Company
Integon General Insurance Corporation

REPRESENTED BY

Jennifer Jabben

Ira Feuerlicht

Wavel Howell

James Sherring

Art Lyon

Integon Indemnity Corporation
Integon National Insurance Company
Integon Preferred Insurance Company
MIC General Insurance Corporation
Milwaukee Casualty Insurance Company
National General Assurance Company
National General Insurance Online, Inc.
New South Insurance Company
Security National Insurance Company
Technology Insurance Company
Towers Insurance Company of New York
Wesco Insurance Company

Auto Owners Group

Auto Owners Insurance Company
Owners Insurance Company

Gene Haas
Drew Klasing

Berkshire Hathaway

Amguard insurance Company
Atlanta International Insurance Company
Berkshire Hathaway Direct Insurance Company
Berkshire Hathaway Homestate Insurance Company
Berkshire Hathaway Specialty Insurance Company
California Insurance Company
Central States Indemnity Company of Omaha
Commercial Casualty Insurance Company
Continental Indemnity Company
Eastguard Insurance Company
GEICO Advantage Insurance Company
GEICO Casualty Company
GEICO Choice Insurance Company
GEICO General Insurance Company
GEICO Indemnity Company
GEICO Secure Insurance Company
General Reinsurance Corporation
General Star National Insurance Company
Genesis Insurance Company
Government Employees Insurance Company
National Indemnity Company
National Liability & Fire Insurance Company
Norguard Insurance Company
Oak River Insurance Company
Old United Casualty Company
Pennsylvania Insurance Company
Princeton Insurance Company
Redwood Fire and Casualty Insurance Company

Elaine Sola

U.S. Underwriters Insurance Company United States Liability Insurance Company	
Brickstreet Insurance Group Brickstreet Mutual Insurance Company NorthStone Insurance Company PinnaclePoint Insurance Company SummitPoint Insurance Company	Bill Freeland Kelly Harman
Builders Group Builders Mutual Insurance Company Builders Premier Insurance Company	Jerry Visintine
Carolina Motor Club Group The Members Insurance Company Universal Insurance Company	Jim McCafferty
First Protective & Fidelity Fire Group First Protective Insurance Company	Dan Johnson Benjamin Treuil
Hartford Fire & Casualty Group Hartford Accident & Indemnity Company Hartford Casualty Insurance Company Hartford Fire Insurance Company Hartford Insurance Company of the Midwest Hartford Underwriters Insurance Company New England Insurance Company Property & Casualty Insurance Company of Hartford Sentinel Insurance Company, Ltd. Trumbull Insurance Company Twin City Fire Insurance Company	Andy Montano
Horace Mann Group Horace Mann Insurance Company Horace Mann Property & Casualty Insurance Company Teachers Insurance Company	Reid McClintock
Liberty Mutual Group American Economy Insurance Company American Fire & Casualty Company American States Insurance Company American States Preferred Insurance Company Colorado Casualty Insurance Company Employers Insurance Company of Wausau Excelsior Insurance Company First Liberty Insurance Corporation	Jason Tate

First National Insurance Company of America
General Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Underwriters, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Insurance Company
Liberty Mutual Mid-Atlantic Insurance Company
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
Midwestern Indemnity Company
Netherlands Insurance Company
Ohio Casualty Insurance Company
Ohio Security Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
SAFECO Insurance Company of America
SAFECO Insurance Company of Indiana
Wausau Business Insurance Company
West American Insurance Company

Nationwide Corporation

Allied Insurance Company of America
Allied Property & Casualty Insurance Company
AMCO Insurance Company
Crestbrook Insurance Company
Depositors Insurance Company
Farmland Mutual Insurance Company
Freedom Specialty Insurance Company
Harleysville Insurance Company
Harleysville Preferred Insurance Company
Harleysville Worcester Insurance Company
National Casualty Company
Nationwide Affinity Insurance Company of America
Nationwide Agribusiness Insurance Company
Nationwide General Insurance Company
Nationwide Insurance Company of America
Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property & Casualty Insurance Company
Scottsdale Indemnity Company
Titan Indemnity Company
Victoria Automobile Insurance Company
Victoria Fire & Casualty Company

Joe Buck
Terry Collins
Tom Souder

North Carolina Farm Bureau Insurance Group

Roger Batdorff

Farm Bureau Insurance Company of North Carolina
North Carolina Farm Bureau Mutual Insurance Company

Pennsylvania National Insurance Group
Penn National Security Company
Pennsylvania National Mutual Casualty Insurance Co

Pat Lovell
Lynette Prosser
James Sizemore

Progressive Group
American Strategic Insurance Company
National Continental Insurance Company
Progressive Advanced Insurance Company
Progressive American Insurance Company
Progressive Casualty Insurance Company
Progressive Direct Insurance Company
Progressive Max Insurance Company
Progressive Northern Insurance Company
Progressive Northwestern Insurance Company
Progressive Preferred Insurance Company
Progressive Premier Insurance Company of Illinois
Progressive Southeastern Insurance Company
Progressive Universal Insurance Company
United Financial Casualty Company

Kevin McGee

Sentry Insurance Group
Dairyland Insurance Company
Middlesex Insurance Company
Peak Property & Casualty Insurance Corporation
Sentry Casualty Company
Sentry Insurance A Mutual Company
Sentry Select Insurance Company

Peter Sampson

State Farm Illinois
State Farm Fire & Casualty Company
State Farm General Insurance Company
State Farm Mutual Automobile Insurance Company

Alan Bentley

Strickland Insurance Group
Atlantic Casualty Insurance Company
Little River Insurance Company

Mark Caughron

Travelers Group
Automobile Insurance Company of Hartford
Charter Oak Fire Insurance Company
Commercial Guaranty Insurance Company
Discover Property & Casualty Insurance Company
Farmington Casualty Company

Tom Torcia

Fidelity & Guaranty Insurance Company
Fidelity & Guaranty Insurance Underwriters, Inc.
Northland Casualty Company
Northland Insurance Company
Phoenix Insurance Company
Select Insurance Company
St. Paul Fire & Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
St. Paul Protective Insurance Company
Standard Fire Insurance Company
Travco Insurance Company
Travelers Casualty & Surety Company
Travelers Casualty & Surety Company of America
Travelers Casualty Company
Travelers Casualty Company of Connecticut
Travelers Casualty Insurance Company of America
Travelers Commercial Casualty Company
Travelers Commercial Insurance Company
Travelers Constitution State Insurance Company
Travelers Home & Marine Insurance Company
Travelers Indemnity Company
Travelers Indemnity Company of America
Travelers Indemnity Company of Connecticut
Travelers Personal Insurance Company
Travelers Personal Security Insurance Company
Travelers Property Casualty Company of America
Travelers Property Casualty Insurance Company
United States Fidelity & Guaranty Company

United Services Automobile Association Group
Garrison Property & Casualty Insurance Company
United Services Automobile Association
USAA Casualty Insurance Company
USAA General Indemnity Company

Dan Pickens

WR Berkley Corporation
Acadia Insurance Company
Admiral Indemnity Company
American Mining Insurance Company
Berkley Insurance Company
Berkley National Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Continental Western Insurance Company
Firemans Insurance Company of Washington

Scott Dahlager
John Godfrey
Tammy Rosati

Great Divide Insurance Company
Key Risk Insurance Company
Midwest Employers Casualty Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company

OTHERS PRESENT

Public Member – NCRB Governing Committee

Milliman

Young Moore and Henderson, P.A.

ISO

Staff

REPRESENTED BY

William Edgar

Paul Anderson
David Appel

Robert Paschal
Glenn Raynor
Mickey Spivey
Mike Strickland
Billy Trott

David Cummings
Pat Woods

Joanna Biliouris
Karen Byrd
Shelley Chandler
Edith Davis
Ray Evans
Delisa Fairley
Vicki Godbold
Betty Hurst
Frank Lonnett
Tim Lucas
Lois Murphey
David Sink
Rebecca Williams

Two-hundred and seven (207) other companies were represented by proxy.

The meeting convened as scheduled, Mr. Bentley of State Farm Mutual Automobile Insurance Company, Chairman of the Governing Committee, presiding.

Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

Ms. Biliouris announced that there was a quorum.

1. Annual Report

Mr. Evans recognized Mr. Wavel Howell of AIG and shared a recent Wall Street Journal article highlighting Mr. Howell and his choir during a performance for the Pope. Mr. Evans also congratulated Mr. Pat Woods of ISO on his upcoming retirement and thanked him for thirty years of service and support to the Bureau.

Mr. Evans reviewed and commented on the 2015 Annual Report, a copy of which is attached hereto.

2. Governing Committee Election

Mr. Feuerlicht reported that the Nominating Committee (comprised of American Home Assurance Company, Auto-Owners Insurance Company, State Farm Mutual Automobile Insurance Company, Nationwide Mutual Insurance Company and Builder's Mutual Insurance Company) recommended the following companies to continue to serve a second three-year term on the Governing Committee: Unitrin Auto and Home Insurance Company for the stock position and United Services Automobile Association for the non-stock position. He further reported that the Nominating Committee recommends the following as new companies to the Governing Committee: National General Insurance Company for the stock position and Liberty Mutual Insurance Company for the non-stock position. The floor was opened for additional nominations and there were none.

Following motions to close the nominations and to elect the recommended slate, the companies recommended by the Nominating Committee were elected to three-year positions on the Governing Committee. Mr. Bentley thanked Hartford Fire Insurance Company and North Carolina Farm Bureau Mutual Insurance Company for their service on the Governing Committee.

3. Comments from the Chairman

Mr. Bentley thanked members of the Governing Committee for their service to the industry as well as counsel and staff for their work throughout the year.

4. Adjournment

There was no further business and the meeting was adjourned.

Respectfully Submitted,



Joanna Biliouris

Chief Operating Officer
North Carolina Rate Bureau
11/3/15
G-15-5



NCRB

NORTH CAROLINA RATE BUREAU

2015 ANNUAL REPORT

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CORE VALUES

Commitment

Integrity

Respect

Talents

Ownership

Consistency

MANAGEMENT CONTACTS

NCRB STAFF

Ray Evans General Manager
919-783-9790 rfe@ncrb.org

Joanna Biliouris Chief Operating Officer, Insurance Operations
919-582-1050 jb@ncrb.org

Karen Byrd Manager, Assigned Risk & Operations Support
919-582-1075 khb@ncrb.org

Debbie Cox Supervisor, Information Center
919-719-3034 dlc@ncrb.org

Delisa Fairley Manager, Insurance Data Operations
919-582-1060 ddf@ncrb.org

Betty Hurst Manager, Workers Compensation
919-582-1070 bgh@ncrb.org

Tim Lucas Manager, Personal Lines
919-582-1021 ftl@ncrb.org

Lynne Mays Supervisor, Assigned Risk & Operations Support
919-582-1080 lwm@ncrb.org

Karen Ott Supervisor, Personal Lines
919-582-1025 klo@ncrb.org

Amy Tart Supervisor, Workers Compensation Compliance
919-645-3176 amt@ncrb.org

Rebecca Williams Manager, Data Analysis
919-582-1055 rrw@ncrb.org

SHARED RESOURCES STAFF

Shelley Chandler Chief Information Officer
919-582-1057 src@ncrb.org

Vicki Godbold Chief Administrative Officer
919-645-3170 vcg@ncrb.org

David Sink Chief Financial Officer
919-582-1012 des@ncrb.org

GENERAL ORGANIZATIONAL INFORMATION

NCRB Main Phone Number 919-783-9790

Website Address www.ncrb.org

Physical Address 2910 Sumner Blvd.
Raleigh, NC 27616

2015 ANNUAL MEETING

The annual meeting of member companies of the North Carolina Rate Bureau will be held October 14, 2015, at the Grandover Resort and Conference Center, Greensboro, North Carolina.



GENERAL MANAGER'S REPORT



Ray Evans
GENERAL MANAGER

In previous annual reports, I described our responsibilities as complying with statutes, advocating for adequate rates, being effective managers, communicating well, executing with complete integrity and treating our associates fairly. These responsibilities have not changed, and doing them well remains our goal. However, last year I added enterprise risk management, which becomes a more important tool in our planning process as operations of the Rate Bureau are increasingly complex. In the next few paragraphs, I will explore how the foundation we have put together has enabled us to navigate through unusual times.

Our statutory responsibility to advocate for adequate rates is each year's primary goal. This past year was generally successful as the Rate Bureau increased dwelling fire and extended coverage rates, implemented approved rate changes in the two mobile home programs and introduced a new wind only program. We also filed and had approved territory definition filings for homeowners, mobile home and private passenger auto, all actions that should have a positive impact. The auto territory filing was the first in many years and introduced rating using smaller and more appropriate zip code territories. However, for homeowners, while new territories were instituted, the Commissioner of Insurance ordered no overall rate increase following a lengthy hearing, and that matter is now on appeal to the Court of Appeals.

A lack of homeowners rate adequacy is a concern for numerous reasons. The most underpriced part of the state, the coastal counties, is now primarily insured by the Beach Plan, which is supposed to be the market of last resort. There has been a gradual erosion of rate adequacy throughout the state as a result of averaging only one rate change every three years. This results in more carriers utilizing consent to rate, which from press reports is not always well received by policyholders or regulators. We are part of a general underpricing of homeowners insurance country-wide, which by one source is estimated to be growing by 2.5 percentage points per year. This means that even if we are fully successful in our appeal, rates will be between 7.5 and 10 points more deficient by the passage of the time required by the lengthy appeals process.

While waiting for a Court of Appeals opinion, we are searching for possible changes in our promulgation process that might get us to a different conclusion with the regulatory authorities. To this end, we have groups working on the promulgation process as a whole and other groups working on components of the process to determine if we can do something differently to convince regulatory authorities of just how bad the situation is with respect to homeowners rate inadequacy.

This Legislative year beginning in February has also been a challenge, maybe not as great as the massive premium inadequacy in homeowners, but substantial nonetheless. During the session, by my count, there were 43 bills introduced impacting some area of our responsibilities. We do not lobby, but upon request, we provide information and answer questions. As of this writing, only a handful of bills have been ratified or appear to be heading towards ratification this year. These involve mopeds, accommodations for foster children, transportation networking companies and optional carrier enhancements, all of which require substantial Rate Bureau work.

The retirement this year of Sue Taylor left a large leadership hole in our operations. Sue's 10 years with us saw an explosion in using electronic applications, a professional workplace, a more customer-friendly environment, better trained and motivated associates and a host of new industry relationships. The torch has been passed to Joanna Biliouris, and I am certain, with the structure Sue has left, we will continue to be up to the challenges we face.

Much more has occurred during the past year that will be examined in the following report; however, by continuing to plan, sticking to fundamentals, understanding our responsibilities, having a great group of committed associates and leaning on the counsel and advice of the Governing Committee, the Rate Bureau will continue to perform its duties and meet its challenges in an effective, honest and professional manner.

Ray Evans
General Manager

MESSAGE FROM THE CHAIR OF THE GOVERNING COMMITTEE

The Rate Bureau has had another busy and productive year since our last annual meeting. The insurance industry continues to face important issues which required a lot of thought, discussion and hard work on the part of the Governing Committee; Rate Bureau staff; our counsel, Young Moore & Henderson and various Rate Bureau committees and subcommittees. More than 140 member representatives participate on these committees and subcommittees. The result of this hard work is beneficial to the citizens of North Carolina and our industry. I thank all of you for your time and dedication.

There have been many accomplishments in the past year. I'd like to call your attention to a few of the major ones.

First, the automobile territory filing was approved and will go into effect in October of this year. This is one of the most significant changes for the auto insurance industry in years. The new territories will benefit the citizens of North Carolina and assist the industry in matching price to risk.

Second, the homeowners territory filing was approved effective June 1 along with implementation of the Homeowner Wind Only Policy Program on June 1. As you know, the 2014 Homeowner rate filing is currently before the NC Court of Appeals. I'd like to give a special thanks to Rate Bureau counsel and staff for all their hard work on the filing, including all the work that's been done for the appeal.

Third, the Workers Compensation filing this year will reflect the impact from the 2011 Workers Compensation Reform Act and subsequent fee schedule adjustments.

With regard to legislation, two bills were introduced by the Legislature that impact the Rate Bureau. The first was a bill to require the use of a second hurricane model in developing rates for property insurance. The second was a bill which expanded the jurisdiction of the Rate Bureau by requiring development of a general liability policy for the acts and omissions of foster parents.

The Bureau has continued working to further the relationship with Commissioner of Insurance Wayne Goodwin and his staff. The efforts of Ray Evans, our General Manager, along with counsel and staff, to maintain an atmosphere of professionalism and open communications are greatly appreciated.

On a personal note, I have benefitted greatly from the support I have received from the members of the Governing Committee, Rate Bureau staff, counsel, consultants and all the committees and subcommittees who make the Bureau work. You have my heartfelt thanks. Your dedication and willingness to serve makes all the difference and is greatly appreciated.

Sincerely,
Alan Bentley
State Farm Mutual Automobile Insurance Company
Chair, NCRB Governing Committee



NORTH CAROLINA RATE BUREAU CONSTITUTIONAL COMMITTEE MEMBERS

GOVERNING COMMITTEE	
Members	Representative
Allstate Insurance Company	Brian Donlan
American Home Assurance Company	Ira Feuerlicht
Auto-Owners Insurance Company	Drew Klasing
Builders Mutual Insurance Company	Jerry Visintine
Hartford Fire Insurance Company	Andy Montano
Nationwide Mutual Insurance Company	Thomas Souder
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Alan Bentley
Travelers Indemnity Company	Tom Torcia
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Company	Ed Speich
Public Members	Justin Wolfe, William D. Edgar, Jr.

PROPERTY COMMITTEE	
Members	Representative
Allstate Insurance Company	Brian Donlan
Amica Insurance Company	James Sherring
Erie Insurance Exchange	Kristopher Marrion
Hartford Fire Insurance Company	Andy Montano
Members Insurance Company	Michael Cole
Nationwide Mutual Insurance Company	Kathy Southern
NC Farm Bureau Mutual Insurance Company	Bob Tart
PA National Mutual Casualty Insurance Company	Pat Lovell, Chuck Uckele
State Farm Fire and Casualty Company*	Bob Messier
Travelers Indemnity Company	Stephanie Zacchera
United Services Automobile Association	Michael Patterson
Unitrin Auto & Home Insurance Company	Ed Speich
Public Member	Justin Wolfe

AUTOMOBILE COMMITTEE	
Members	Representative
Allstate Insurance Company	Scott Donoho
Government Employees Insurance Company	Monica Grillo
Hartford Accident & Indemnity Company	Cliff Wess
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
Nationwide Mutual Insurance Company	Zachary Webber
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Kathy Popejoy
Travelers Indemnity Company	Glen Colby
United Services Automobile Association	Lisa Sukow
Unitrin Auto & Home Insurance Company	Ed Speich

WORKERS COMPENSATION COMMITTEE	
Members	Representative
American Home Assurance Company	Ira Feuerlicht
Amerisure Insurance Company	Brent Otto
Amguard Insurance Company	Elaine Sola
Builders Mutual Insurance Company	Jerry Visintine
Harleysville Mutual Insurance Company	John Zulueta
Hartford Accident & Indemnity Company	Melinda Thompson
Key Risk Insurance Company	John Godfrey
Liberty Mutual Insurance Company	Andrew Larson
NC Farm Bureau Mutual Insurance Company	Roger Batdorff
PA National Mutual Casualty Insurance Company	Lynette Prosser
Travelers Indemnity Company*	Jeffrey Schmidt
Zurich American Insurance Company	Richard Ferris

A special thanks to all who participated in committees, subcommittees and task force groups for the North Carolina Rate Bureau in 2015!

*Chair



INSURANCE OPERATIONS



Joanna Biliouris
CHIEF OPERATING
OFFICER,
INSURANCE OPERATIONS

As the newest member of the North Carolina Rate Bureau team, I have spent the last few months getting to know all of the associates as well as all the functions handled by the Bureau. I am in awe of the diversity of the work performed and the level of quality and accuracy attained by our staff.

This past year has been one of noteworthy accomplishments for Insurance Operations. The achievements outlined below encompass all lines of insurance and benefit our member companies, agents and industry partners.

- In total, the North Carolina Rate Bureau made 30 filings with the North Carolina Department of Insurance. The filings included rate changes for Mobile Homeowners and Workers Compensation changes to loss costs and assigned risk rates. Each line of business also had various form and rule changes.
- The Bureau developed, filed and implemented the Homeowner Wind Only Policy Program in North Carolina.
- The Policy Data Timeliness and Quality Program was fully implemented in January to include applicable fines.
- Information and expertise were provided to the General Assembly on numerous insurance-related bills, and we regularly updated the Bureau committees and subcommittees on these activities.
- The automobile territories changed effective October 1 of this year.
- The homeowners territories changed effective June 1 of this year.
- The Bureau's oversight was expanded to include development and implementation of a liability policy for foster parents.
- We are in the final stages of the rewrite of a state-specific North Carolina Workers Compensation Basic Manual for publication later this year.
- Experience modification worksheets will be available online to agents by the end of this year. This will improve availability of this information for agents and reduce calls to our Information Center by approximately 20%.

By all measures, 2015 was another action-packed year for the North Carolina Rate Bureau. These achievements are a result of the efforts of our talented and dedicated Bureau associates, committee members, counsel and consultants. As we look forward to 2016, our focus will be on succession planning for key roles and continued enhancement of processes and resources.

PERSONAL LINES



Tim Lucas
MANAGER,
PERSONAL LINES



Karen Ott
SUPERVISOR,
PERSONAL LINES

AUTOMOBILE

The Bureau is required to make an automobile rate filing each year by February 1. This year, the decision was made to file only a review of the data with the Department of Insurance (Department) and not request a revision to the currently approved rates.

The General Statutes require the Bureau to file with the Department a review of automobile insurance territories at least every 10 years. In 2013, the Bureau filed proposed revisions to the territory definitions with the Department. In January 2015, the Department approved the revisions with certain modifications effective October 1, 2015.

SAFE DRIVER INSURANCE PLAN

As required in the General Statutes, the Bureau continues to provide a mechanism for policyholders to appeal "points" that have been charged as a result of at-fault accidents. Below is a summary of the results of those appeals.

	2015	2014	2013
In Favor of Insured	2	2	1
In Favor of Company	1	4	3

PROPERTY

The Bureau made a homeowners rate level filing on January 3, 2014, requesting an increase in homeowners insurance rates of 25.6% as well as proposed changes to the wind and hail exclusion credits and territory definitions. The Commissioner of Insurance (Commissioner) called for a public hearing to begin in October 2014. Following the public hearing the Commissioner issued an Order with no change to the overall rate level and approving the proposed revisions to the territory definitions effective June 1, 2015. The Bureau made the decision to appeal the Commissioner's Order, and it remains pending before the Court of Appeals at the time of this report.

On December 31, 2014, the Bureau made two Mobile Homeowner rate filings. The filings requested changes in the overall rate level, revised amount of insurance relativities, revised territory definitions and revised wind and hail exclusion credits. In April, the Bureau and Department entered into a settlement agreement resulting in a decrease of -0.8% for MH(C) and an overall increase of +6.7% for MH(F). The settlement agreement also approved revised amount of insurance relativities, revised wind and hail exclusion credits and revised territory definitions. These revisions were effective October 1, 2015.

The Bureau received approval for the introduction of the Homeowner Wind Only Policy Program effective June 1, 2015.

LEGISLATION

During the 2015 General Assembly session, many bills were introduced affecting the Bureau. However, at the time of this publication, only three of these bills have been ratified. House Bill 148 removes mopeds from the jurisdiction of the Bureau and requires moped owners to purchase liability insurance. The bill does not allow moped liability insurance to be ceded to the Reinsurance Facility.

House Bill 288 provides that member companies may incorporate enhanced endorsements to their auto and homeowner policy programs. The company must file and receive approval of the endorsement from the Department. Statistical data for the enhanced endorsement must be maintained separately from the statistical data used by the Bureau in developing rates.

Senate Bill 423 expands the jurisdiction of the Rate Bureau by requiring the Bureau to develop a policy form providing liability insurance for the acts or omissions of foster parents. This bill also requires development of a named driver exclusion endorsement to exclude foster children from the foster parent's auto policy if the foster child has purchased an auto liability policy.

WORKERS COMPENSATION

In late August, the Bureau filed for a Workers Compensation loss cost decrease of -10.2%. In the assigned risk market, the Bureau filed a rate increase of +2.2%. Those filings are pending as of the preparation of this report.



Karen Byrd
MANAGER,
ASSIGNED RISK &
OPERATIONS SUPPORT



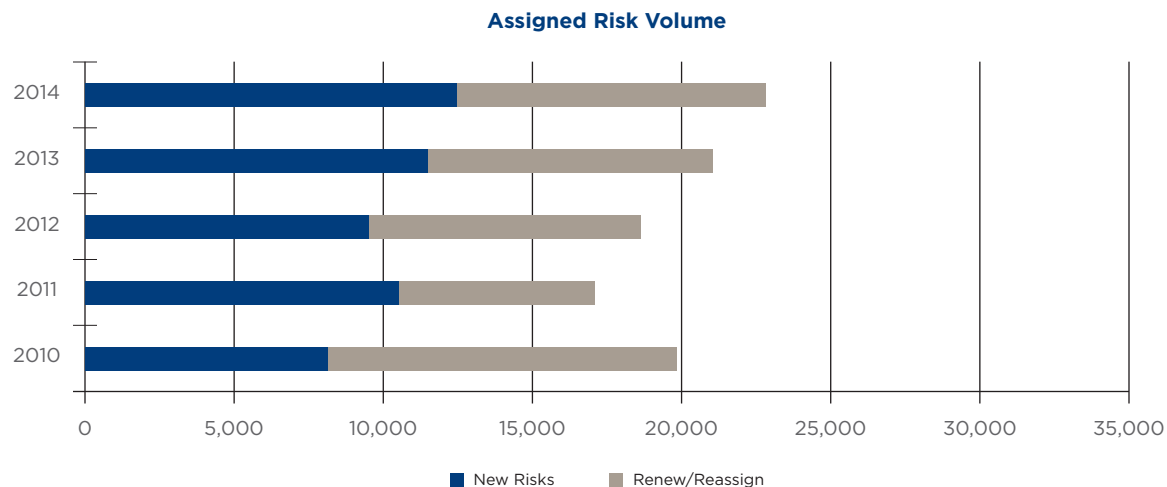
Lynne Mays
SUPERVISOR,
ASSIGNED RISK &
OPERATIONS SUPPORT

ASSIGNED RISK & OPERATIONS SUPPORT

The number of assigned risk policies in North Carolina continues to increase. Through June 2015, new and renewal risks increased 6.6%, and premium increased 9.4% from the same six-month period in 2014. New policies are up only 2.9% compared to renewal policy counts, which are up 11.1%. We continue to see an increased number of assignments with premium over \$100,000, up from 28 policies through the second quarter of 2014, to 36 policies through the second quarter of 2015.

Agent utilization of our online application system, ManageAR, continues to improve at a steady pace. Through mid-year 2015, 95% of all assigned risk applications are submitted to the Bureau electronically through this system. Of those electronic submissions, 71.9% are being paid with an electronic funds transfer payment, up 1.1% from the prior year.

As the Plan Administrator for the North Carolina Workers Compensation Insurance Plan (Plan), one of the duties of the Bureau is to select servicing carriers for a three-year contract period. A servicing carrier is an insurer, other than a direct assignment carrier, authorized to receive Plan assignments and provide coverage to eligible employers on behalf of those



participating companies subscribing to the Association Bylaws incorporated as part of the Plan in North Carolina. We are currently in the middle of a contract period, awarded from January 1, 2014, through December 31, 2016. The North Carolina servicing carriers are

- AmGuard Insurance Company
- Riverport Insurance Company
- Travelers Property and Casualty Companies of America

The Assigned Risk department also works with direct assignment carriers who have elected and been authorized by the Plan Administrator to receive direct assignments under Option 1 of Rule 4-A-4 of the Plan. The North Carolina direct assignment carriers for 2015 are

- ACE American Insurance Company
- American Interstate Insurance Company
- American Zurich Insurance Company
- Auto-Owners Insurance Company
- Cincinnati Insurance Company
- Continental Casualty Company
- Hartford Underwriters Insurance Company
- Liberty Mutual Fire Insurance Company

WORKERS COMPENSATION COMPLIANCE

The Compliance area continues to address ownership, class code, experience rating and data-related items. In the first six months of 2015, the Bureau reviewed over 30,000 data-related items and processed over 15,000 experience rating, ownership and class code work items.



Betty Hurst
MANAGER,
WORKERS COMPENSATION

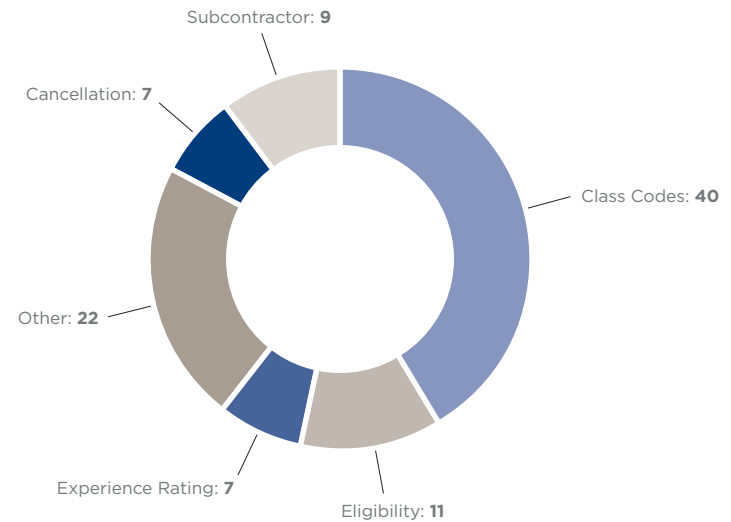


Amy Tart
SUPERVISOR,
WORKERS COMPENSATION
COMPLIANCE



Debbie Cox
SUPERVISOR,
INFORMATION CENTER

Breakdown of Workers Compensation Disputes 7/1/14 - 6/30/15



DISPUTES

The Bureau processed 96 workers compensation disputes and held three hearings in the most recent 12 months. Parties involved in workers compensation disputes may waive their right to a hearing and allow the Bureau to render a ruling based on information submitted by all parties involved. Most disputes submitted to the Bureau are resolved in this manner.

The chart above represents a breakdown by category of all disputes received by the Bureau over the past 12 months.

INFORMATION CENTER

The Information Center serves as the first point of contact for Bureau inquiries related to workers compensation and personal lines. In the first six months of 2015, the Information Center handled approximately 24,000 inquiries. Sixty-seven percent of these inquiries were phone calls, with the remainder being received via email. About five percent of all inquiries received by the Information Center are related to the other organizations.





Delisa Fairley
MANAGER,
INSURANCE DATA
OPERATIONS



Rebecca Williams
MANAGER,
DATA ANALYSIS

WORKERS COMPENSATION DATA COLLECTION

The Data Operations area is responsible for the collection, reporting and monitoring of workers compensation data. The following is a summary of the volume of data collected and processed by the Bureau:

- Over the past 12 months, the Bureau processed 507,768 workers compensation policy-related transactions. These transactions consist of new and renewal policies, cancellations, reinstatements and endorsements.
- The Bureau collects workers compensation unit statistical data, which is used for the promulgation of experience mods and workers compensation rate making. The Bureau processed 208,179 unit statistical reports and issued 38,615 experience mods.

WORKERS COMPENSATION POLICY DATA TIMELINESS AND QUALITY PROGRAM

In November 2014, the Bureau implemented the Policy Data Timeliness and Quality Program. Member companies writing workers compensation insurance submit policy information electronically to the Bureau, and the data is verified through a series of edits that ensure the quality of the data being reported. The verification process also detects errors in policy issuance (i.e., incorrectly applied experience mods, missing mandatory policy endorsements). If any of the data fails edits or is rejected, error reports are generated and shared with the applicable carrier.

The goal of this program is to improve the accuracy and timeliness of the data reported by member companies to the Bureau. The program assesses fines for data errors and rejected transactions related to new and renewal policies, cancellations and reinstatements. Fines are also assessed for the late submission of coverage-related information (policies, cancellations and reinstatements).

PERSONAL LINES DATA COLLECTION

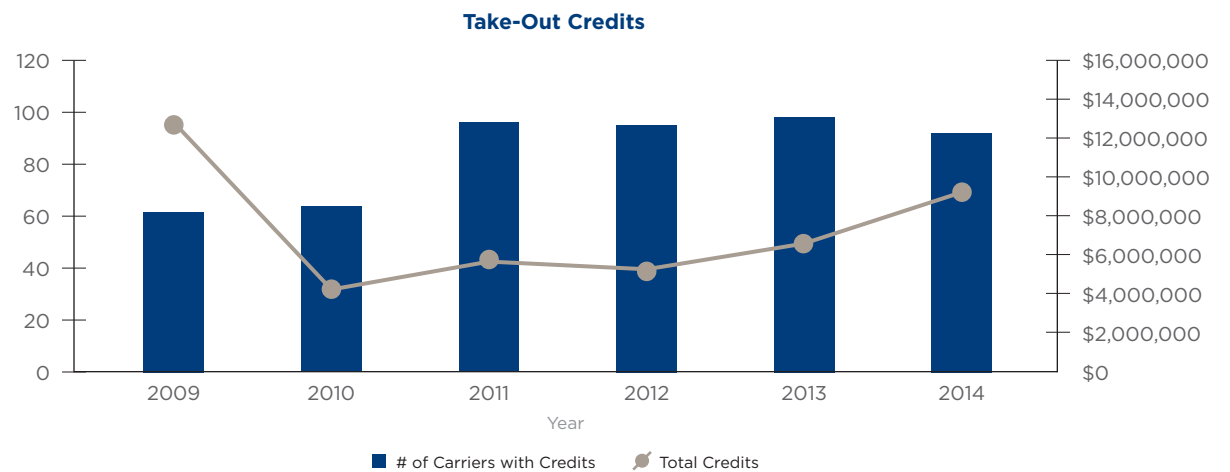
The Bureau collects six state special data calls for Personal Lines through the Industry Data Collection (IDC) web application. The Bureau processed responses from more than 800 companies

relative to these calls. Bureau staff monitors the validity and accuracy of the data collected via the IDC web application. The data collected is used for various purposes. One of the first uses of the data is for the NC Reinsurance Facility Ceding Expense Allowance process. The auto expense data was submitted by companies through the Automobile Expense Experience data call due on April 21, 2015.

The Bureau's review continues to be two-fold. The IDC web application performs hundreds of validation checks against the data. These validations are reviewed by our staff and further analyzed by our Data Analysis Manager. In addition, testing is performed for reasonableness against other available data sources internally.

TAKE-OUT CREDITS

The North Carolina Workers Compensation Assigned Risk Take-Out Credit program is intended to encourage carriers to depopulate the residual market. This is done by providing a "credit" to carriers for workers compensation premium moved from the assigned risk market to the voluntary market. These "credits" are applied to the carrier's voluntary premium and are used in calculating their pool participation base. The graph below is a summary of Take-Out Credit activity for the past five years.



SHARED SERVICES

INFORMATION SERVICES



Shelley Chandler
CHIEF INFORMATION OFFICER

The news is full of stories of major corporations being hacked and data being compromised or held for ransom. Companies are spending more time and resources on security, and we are no exception. In 2015, we focused a great deal of time and energy into ensuring that we are positioned to maintain, protect and keep secure all of the data entrusted to us by the insurance companies of North Carolina.

Keeping hardware and software up to date is critical to ensuring the most secure environment for the data we maintain. In 2014 and 2015, we rebuilt our entire server network to run on the newest operating system, which will ensure that we continue to receive security updates critical to the network's health. Also, we updated our 17 custom software applications to ensure they were compatible with the newer technologies, including the server operating system, database version and Internet Explorer browser. This was an enormous undertaking with an immovable deadline, and we are happy to report that we completed the project more than a month ahead of schedule.

In addition to technical upgrades, we also revised our security policies and tightened our security controls. We implemented security education for our associates to ensure they are well educated on how to keep our network and data secure and safe. We also implemented a Security Information and Event Management system to help us more proactively monitor the systems we support.

There were also a number of business-driven upgrades undertaken in 2015. We enhanced our ManagePolicy software to enable a fining program to improve data quality and timeliness. This fining program is intended to encourage the insurance carriers to correct errors in the data reported to us in a timely manner. We also started a project that will allow insurance carriers and agents to access Experience Rating worksheets through an online application.

In 2015, we worked with the Accounting/Finance department to move to a new software support vendor and helped facilitate improvements to that system to increase efficiency and security. All of these efforts are focused on foundational changes that should propel us into a more secure environment where the data for which we are responsible stays safe and secure. We continue to look into the future to best utilize new technologies that enable efficiencies while focusing on the importance of securing the large volumes of data that are entrusted to us.

HUMAN RESOURCES AND ADMINISTRATIVE SERVICES



Vicki Godbold
CHIEF ADMINISTRATIVE OFFICER

Our Human Resources is the strategic and comprehensive approach committed to our Organization's most valued assets—our people. Administrative Services provide a secure and comfortable work environment along with mail services and receptionist services.

Our Wellness Program consists of

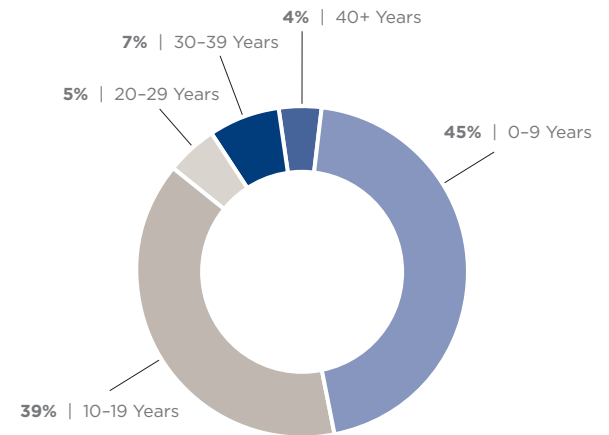
- WeightWatchers,
- a partnership with WakeMed Hospital,
- a partnership with the Performance Athletic Center,

- a partnership with the NC Prevention Partners,
- annual participation in the Wellness Council of America's (WELCOA) Step-By-Step program of walking 10k steps a day,
- flu shots provided for associates on-site and
- certification in First Aid, CPR and AED for a third of our workforce through the American Red Cross.

On-site training focus this year was on our Wellness Initiative and consisted of 12 fitness classes, 8 wellness seminars, 15 Wellness lunch-n-learns and associate desk visits to encourage stretch breaks by Performance Athletic Center staff.

Community Service involvement by our associates this year included The Wounded Warrior Project, the United Way and the NC Food Bank.

Rate Bureau Years of Service



Celebrating Service Milestones

- 3 associates, 5 years
- 2 associates, 10 years
- 2 associates, 15 years



FINANCE



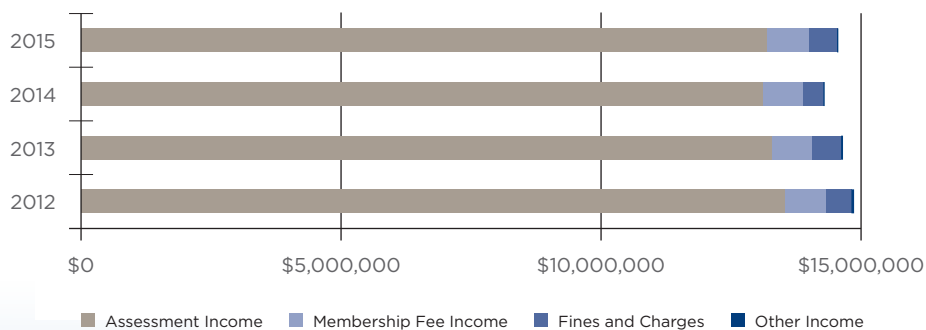
David Sink
CHIEF FINANCIAL OFFICER

The Bureau’s financial position is summarized in the exhibits on page 11 reflecting the comparative balance sheets and income statements for the last two years ending August 31. Our self-insured group medical insurance plan has seen improvement in our claims experience, resulting in an increase in our restricted trust account balance. With respect to restricted funds maintained for retiree group insurance premiums of the Bureau’s predecessor organizations, we have fulfilled those obligations and our responsibilities during the most recent report year.

With respect to the 2014 audit, Ernst & Young met with the Bureau’s Audit Committee, presented the audited financial statements and issued an unqualified opinion on the statements of cash receipts and disbursements noting there were no misstatements or internal control weaknesses identified and significant accounting policies had been consistently applied during the current year. To formalize the process and exercise due diligence in the engagement of independent auditors, staff distributed a Request for Proposal for our future audit needs. Johnson Lambert was selected to serve as the Bureau’s independent auditor beginning with the year ending December 31, 2015,

North Carolina Rate Bureau Sources of Income

Twelve Months Ending August 31



North Carolina Rate Bureau	Administrative Expenses		
	2013	2014	Thru June 2015
Insurance Operations (Direct)	\$ 10,060,927	\$ 10,343,348	\$ 5,315,288
Shared Services (Allocated)	3,977,984	3,984,633	2,152,098
Total Expenses	\$ 14,038,911	\$ 14,327,981	\$ 7,467,386
Total Budget	\$ 14,738,137	\$ 14,629,463	\$ 7,533,167

and prospectively. While Ernst & Young and the Bureau have had a great working relationship since the Bureau’s inception, they declined to submit a proposal, citing a change in client focus and marketing strategies.

Assessments to member companies represent 90% of the Bureau’s receipts as reflected in the chart that follows. In 2015, the Bureau implemented a data timeliness and quality fining program for workers compensation policy data submitted by member companies. The income received from this program has been less than initially projected as member companies have improved the quality and timeliness of their data reporting.

Member company assessments have been stable over recent years as our actual expenses have been under budget during those respective periods. However, current projections for 2015 indicate our expenses will likely exceed our budget due to increased costs related to the 2014 homeowners filing and hearing activity and items arising during the 2015 session of the North Carolina General Assembly that have significantly increased the need for assistance from counsel and outside consultants.

The total expenses of the Bureau are comprised of direct costs related to specific activities of the Bureau as well as the allocated expenses of the departments whose services are shared with the Reinsurance Facility and the Insurance Guaranty Association. Those direct expenses continue to represent approximately 70% of the total expenses of the Bureau, and the table above shows a summary of the direct and allocated expenses for the previous two years and the first half of 2015. As in the past, the 2013 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2015.



NORTH CAROLINA RATE BUREAU

BALANCE SHEET

Year Ending	August 31, 2015 <i>(Preliminary)</i>	August 31, 2014
Assets		
Cash & Investments (Unrestricted)	\$1,164,200	\$2,779,223
Cash & Investments (Restricted)	1,304,800	1,114,402
Assessments Receivable	15,000	10,399
Accounts Receivable	125,000	113,200
Other Assets	5,000	3,313
Total Assets	\$2,614,000	\$4,020,537
Liabilities & Fund Equity		
Refund to Carriers Payable	\$ -	\$ -
Retiree Insurance Payable - Restricted	550,800	551,572
Other Benefits Payable - Restricted	754,000	562,830
Other Liabilities	(17,400)	(17,520)
Total Liabilities	\$1,287,400	\$1,096,882
Fund Equity	1,326,600	2,923,655
Total Liabilities & Fund Equity	\$2,614,000	\$4,020,537

INCOME STATEMENT

Year Ending	August 31, 2015 <i>(Preliminary)</i>	August 31, 2014
Income		
Assessments Income	\$13,190,120	\$13,094,446
Membership Fees Income	777,000	780,500
Late Data Reporting Charges	4,000	14,200
Delinquent USR Charges	266,000	376,800
Policy Data Fines	346,000	-
Other Income	300	1,169
Total Income	\$14,583,420	\$14,267,115
Expenses (Net)		
Legal, Consulting & Other Outside Services	\$8,820,400	\$7,746,611
Salaries & Administration Expenses	3,516,000	3,170,817
Other Operating Expenses	3,100,000	2,865,425
Total Net Expenses	\$15,436,400	\$13,782,853
Net Income	\$(852,980)	\$484,262





NORTH CAROLINA **RATE BUREAU**

2910 Sumner Blvd. Raleigh, NC 27616 www.ncrb.org