



MINUTES OF THE THIRTY-NINTH ANNUAL MEETING OF THE
NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER
ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA
OCTOBER 12, 2016

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 Bankers Insurance Company of Florida

American Family Insurance Group

Permanent General Assurance Corporation of Ohio

Amica Mutual Group

Amica Mutual Insurance Company

AmTrust NGH Group

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

REPRESENTED BY

Fernando Hernandez
Jennifer Jabben

Mabel Morrison

Sondra Cavanaugh

James Sherring

Art Lyon

Security National Insurance Company
Sequoia Insurance Company
Technology Insurance Company
Wesco Insurance Company

Auto Owners Group

Gene Haas

Auto Owners Insurance Company
Owners Insurance Company

Berkshire Hathaway

Elaine Sola

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
Radnor Specialty Insurance Company
Redwood Fire and Casualty Insurance Company
U.S. Underwriters Insurance Company
United States Liability Insurance Company

Builders Group

Jerry Visintine

Builders Mutual Insurance Company
Builders Premier Insurance Company

Carolina Motor Club Group

Jim McCafferty

The Members Insurance Company
Universal Insurance Company

Carolina Mutual Insurance, Inc.

John Curcio

Hartford Fire & Casualty Group

Andy Montano

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

Kemper Corporation Group

Ed Speich

Alpha Property & Casualty Insurance Company
Kemper Independence Insurance Company
Merastar Insurance Company
Response Insurance Company
Response Worldwide Insurance Company
United Casualty Insurance Company of America
Unitrin Auto & Home Insurance Company
Unitrin Direct Property & Casualty Company
Unitrin Safeguard Insurance Company

Liberty Mutual Group

Emily Drew
Neil Johnson
Michele Lapinski

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
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
Montgomery Mutual Insurance 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
Wausau Underwriters Insurance Company
West American Insurance Company

Lititz Mutual Group

Lititz Mutual Insurance Company

Mark Crutcher

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

Joel Buck
Terry Collins
Tom Souder

North Carolina Farm Bureau Insurance Group

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

Roger Batdorff

Pennsylvania National Insurance Group

Penn National Security Company
Pennsylvania National Mutual Casualty Insurance Co

Lynette Prosser

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

Kevin McGee

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

Sentry Insurance Group

Peter Sampson

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

State Farm Illinois

Alan Bentley

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

Stonewood Falls Lake Group

Greg Spray

Travelers Group

Molly Dunn

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

United Wisconsin Insurance Company

Dana Pierce

WR Berkley Corporation

Doug Ryan

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
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

REPRESENTED BY

Milliman

Paul Anderson

Young Moore and Henderson, P.A.

Robert Paschal
Glenn Raynor
Mickey Spivey
Mike Strickland
Billy Trott

ISO

David Cummings

Rob Curry

Staff

Joanna Biliouris
Karen Byrd
Edith Davis
Linda Davis
Ray Evans
Vicki Godbold
Betty Hurst
Keri Johnson
Frank Lonnett
Laura Lee Longest
Tim Lucas
Karen Ott
David Sink
Rebecca Williams

Two-hundred and three (203) 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 reviewed and commented on the 2016 Annual Report, a copy of which is attached hereto.

2. Governing Committee Election

Ms. Biliouris, on behalf of the Chair of the Nominating Committee, reported that the Nominating Committee (comprised of American Home Assurance Company, National General Insurance Company, State Farm Mutual Automobile Insurance Company and United Services Automobile Association) recommended the following companies to continue to serve a second three-year term on the Governing Committee: Allstate Insurance Company for the stock position and State Farm Mutual Automobile Insurance Company for the non-stock position. She further reported that the Nominating Committee recommends the following as new companies to the Governing Committee: Hartford Fire Insurance Company for the stock position and North Carolina Farm Bureau 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 Auto Owners Insurance Company and American Home Assurance 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

G-16-5

10/27/16



2016 ANNUAL REPORT

NCRB

NORTH CAROLINA RATE BUREAU



RATE BUREAU

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GENERAL ORGANIZATIONAL INFORMATION

NCRB Main Phone Number 919-783-9790
 Website Address www.ncrb.org
 Physical Address 2910 Sumner Blvd.
 Raleigh, NC 27616

2016 ANNUAL MEETING

The annual meeting of member companies of the North Carolina Rate Bureau will be held October 12, 2016, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

CORE VALUES

Commitment

Integrity

Respect

Talents

Ownership

Consistency

MANAGEMENT CONTACTS

NCRB Staff

- Ray Evans General Manager
 919-783-9790 rfe@ncrb.org
- Joanna Biliouris Insurance Operations Chief Operating Officer
 919-582-1050 jlb@ncrb.org
- Karen Byrd Workers Compensation Operations Senior Manager
 919-582-1075 khb@ncrb.org
- Debbie Cox Workers Compensation Customer &
 Assigned Risk Services Supervisor
 919-719-3034 dlc@ncrb.org
- Betty Hurst Workers Compensation Regulatory Manager
 919-582-1070 bgh@ncrb.org
- Natalie Linares Training and Development Manager
 919-582-1058 ntl@ncrb.org
- Tim Lucas Personal Lines Manager
 919-582-1021 ftl@ncrb.org
- Lynne Mays Workers Compensation Data &
 Underwriting Operations Supervisor
 919-582-1080 lwm@ncrb.org
- Karen Ott Personal Lines Supervisor
 919-582-1025 klo@ncrb.org
- Jessica Taylor Data Services & Systems Support Supervisor
 919-582-1052 jst@ncrb.org
- Rebecca Williams Actuary
 919-582-1055 rrw@ncrb.org

Shared Resources Staff

- Shelley Chandler Chief Information Officer
 919-582-1057 src@ncrb.org
- Vicki Godbold Chief Human Resources Officer
 919-645-3170 vcg@ncrb.org
- David Sink Chief Financial Officer
 919-582-1012 des@ncrb.org

GENERAL MANAGER'S REPORT



Ray Evans
GENERAL MANAGER

One of the primary focuses of Rate Bureau activity is to achieve appropriate rate levels in the lines of insurance for which it is responsible. The data indicate that the line most underpriced is homeowners insurance. The Rate Bureau's 2014 homeowners rate filing showed an indicated need of over 40%. In December 2014, the Commissioner disapproved any statewide rate increase and actually reduced rates on the beach and coast. The Rate Bureau appealed and the Court of Appeals did not publish its opinion until August 2016. That opinion upheld the Commissioner's order in its entirety—giving wide deference to the Commissioner's findings and conclusions. To say this was disappointing is the understatement of the year. The Governing Committee instructed counsel to ask the

Supreme Court of North Carolina to review the Court of Appeals opinion on the underwriting profit, focusing on constitutional grounds. The Governing Committee also instructed staff to undertake the preparation of a new homeowners filing as soon as data are available. Staff and counsel are working to address the Commissioner's objections to the homeowners filing and are gearing up to comply with changes mandated by recently enacted HB 287.

There has not been a filing for overall rate level changes for private passenger auto in six years. While we have not yet seen the latest North Carolina data, countrywide trends, including more miles driven, more distracted driving, and consistent and growing losses in the Reinsurance Facility data, suggest that the required February 1, 2017 filing may indicate a need for changes to auto rates in North Carolina.

The bright spot for rates within the Rate Bureau's responsibility is workers compensation. The September 1 filing for workers compensation loss costs was for a substantial decrease and was the third consecutive loss cost filing for a decrease. This year, the September 1 filing showed that assigned risk rates could also be reduced. The effective date of those filings is April 1, 2017.

While the property insurance experience shows that rates continue to be inadequate, and it appears that rates may have to increase for private passenger auto, these are primarily issues with the base rates. Over the past several years, the Rate Bureau has put a great deal of effort into and has been successful in updating manuals, rules, relativities, territories, and other parts of rating plans so that the future filings can have a more concentrated focus on the adequacy of base rates.

The other focus of the past year has been continuing an effort begun several years ago in organizing our work effort for more effective and customer-friendly operations. As a result, the Rate Bureau is evolving into five clusters of operations: rate promulgation and filing for personal lines, rate promulgation and filing for workers compensation, data collection activity, regulatory activity, and the WC assigned risk program. We believe that this new organization will enable us to provide more effective service to the companies.

The past year has been busy, challenging, and disappointing, as noted above, with the unexpected being the norm. This short note does not cover much of our work, and many more of the highlights are included in the following pages. Once again, though, our associates, with help and counsel from a host of folks, have been up to the tasks assigned us, and the Rate Bureau continues to be effective, responsive, ethical and able to fulfill our statutory obligations. And, when it comes to adequate rates, a Chinese proverb, "Pearls are not found on the seashore; you have to dive for them," seems to have meaning for us, and we are to continue diving next year.

As always, thanks to all who read this report, for your help and encouragement.

MESSAGE FROM THE CHAIR OF THE GOVERNING COMMITTEE

The Rate Bureau has had another productive year since our last annual meeting. Our industry continues to face important issues which require a lot of deliberation, discussion, and hard work on the part of the Governing Committee; Rate Bureau staff; our counsel, Young Moore and Henderson; and various Rate Bureau committees and subcommittees. The results of this hard work help North Carolina remain a viable market for consumers and the industry alike.

As I stated, it's been a busy year. The Bureau filed a revision to automobile liability and physical damage base rates as a result of changes in the territory relativities and physical damage deductibles, filed a Foster Care Liability Policy Program, revised the Homeowners and Dwelling protection-construction relativities, integrated a second catastrophe model into our property ratemaking methodology, and appeared before numerous legislative committees to help increase their members' acumen of insurance. While this list is impressive, it doesn't come close to capturing all the Bureau does on a daily basis to benefit North Carolina citizens and our industry.

During the past two years as Chair of the Governing Committee, I have benefitted from the support I have received from the members of the Governing Committee, Rate Bureau staff, Rate Bureau counsel, and all the committees and subcommittees that enable the Rate Bureau to do its work. I would especially like to thank Ray Evans, our General Manager, for his leadership and dedication.

In closing I would like to say I am continually impressed by your dedication and willingness to serve the good folks of North Carolina and our industry. For that, you have my heartfelt thanks.

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	Jennifer Jabben
American Home Assurance Company	Ira Feuerlicht
Auto-Owners Insurance Company	Drew Klasing/Gene Haas
Builders Mutual Insurance Company	Jerry Visintine
National General Insurance Company	Art Lyon
Liberty Mutual Insurance Company	Jason Tate Michele Lapinski
Nationwide Mutual Insurance Company	Thomas Souder
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Alan Bentley
Travelers Indemnity Company	Tom Torcia Stefanie Zacchera
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Company	Ed Speich
Public Members	Justin Wolfe William D. Edgar, Jr.

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	Jason Tate Michele Lapinski
Nationwide Mutual Insurance Company	Nick Hartmann
N.C. Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Steve Harr
Travelers Indemnity Company	Glen Colby
United Services Automobile Association	Lisa Sukow
Unitrin Auto & Home Insurance Company	Ed Speich

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	Terry Collins
N.C. Farm Bureau Mutual Insurance Company	Bob Tart
Penn National Mutual Casualty Insurance Company	Pat Lovell Chuck Uckele
State Farm Fire and Casualty Company*	Bob Messier
Travelers Indemnity Company	Stefanie Zacchera Helen Simonett
United Services Automobile Association	Michael Patterson
Unitrin Auto & Home Insurance Company	Ed Speich
Public Member	Justin Wolfe

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
Hartford Accident & Indemnity Company	Melinda Thompson
Key Risk Insurance Company	Doug Ryan
Liberty Mutual Insurance Company	Fillip Saraiva
N.C. 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
Unitrin Auto & Home Insurance Company	Ed Speich

A special thanks to all who participated in committees, subcommittees, and task force groups for the North Carolina Rate Bureau in 2016!

*Chair

INSURANCE OPERATIONS



Joanna Biliouris
INSURANCE OPERATIONS
CHIEF OPERATING OFFICER

The Insurance Operations Team has been focused on advancing our structure to support effective operations. Some of these enhancements include implementation of a formal training program, creation of a Regulatory Manager role to stay abreast of regulatory activity, and improvement of resources and tools available to member companies and agents. These new roles, programs, and initiatives will enable us to be more proactive in meeting the needs of the organization and our members.

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 48 rate, rule and form filings with the North Carolina Department of Insurance since our last report. The filings included revisions to automobile liability and physical damage base rates, Dwelling Relativities changes, and Workers Compensation adjustments to loss costs and assigned risk rates.
- The Bureau developed and filed the Foster Care Liability Program in North Carolina.
- Information and expertise were provided to the General Assembly on several insurance-related bills, and we regularly updated the Bureau committees and subcommittees on these activities.
- Reports detailing Workers Compensation data reporting fines were made available online to carriers in early 2016.
- The North Carolina Basic Manual for Workers Compensation and Employer's Liability was published on April 1, 2016. This was a multi-year project involving input from our members and staff.
- Experience modification worksheets were made available to agents online, reducing calls to our Information Center by approximately 11%.
- On the horizon, business requirements are being finalized for enhancements to our ManageAR system, allowing for the electronic submission of supplemental forms.
- Development is underway for a new web application that will provide the capability for electronic submission of Ownership Forms (ERM 14).

By all measures, 2016 was a productive year for the 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 2017, our focus will include succession planning for key roles and continued enhancement of processes and resources.

PERSONAL LINES



Tim Lucas
PERSONAL LINES MANAGER

AUTOMOBILE

The Bureau is required to make a filing with respect to automobile insurance rates each year by February 1. This year, the Bureau filed a review of the data with the Commissioner of Insurance and did not request a revision to the currently approved rates. The Bureau did, however, file a revision to auto liability and physical damage base rates as a result of changes in the territory relativities, physical damage deductibles, and updating the physical damage base model year. These changes were all revenue neutral and become effective October 1, 2016.

As required by Senate Bill 423, which was enacted during the 2015 session of the General Assembly, the Bureau filed and received approval for a named driver exclusion to exclude foster children from their foster parent's Personal Auto Policy if the foster child has purchased an automobile liability policy.



Karen Ott
PERSONAL LINES SUPERVISOR

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.

	2016	2015	2014
In Favor of Insured	4	2	2
In Favor of Company	2	1	4

PROPERTY

As previously reported in the 2015 Annual Report, the Bureau made a Homeowners rate level filing on January 3, 2014, requesting an increase in homeowners insurance rates 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 that began on October 20, 2014, and 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. The Bureau appealed the Commissioner's Order to the Court of Appeals, and oral arguments were heard on November 5, 2015. On August 2, 2016, the Court of Appeals issued a unanimous opinion affirming the Commissioner's Order on all issues that were appealed. The Governing Committee subsequently voted to file for an appeal and a Petition for Discretionary Review with the Supreme Court. This item remained pending with the Supreme Court at the time of this publication.

The Bureau filed revised Dwelling protection/construction relativities, policy form relativities, and deductible factors with the Commissioner in December 2015. The Commissioner subsequently approved the filing and the revisions, which are revenue neutral and will become effective January 1, 2017.

In May 2016, the Bureau filed with the Commissioner revised relativities in Homeowners protection-construction, amount of insurance, and age of construction relativities, and filed new relativities for year of construction. These changes are revenue neutral and are proposed to become effective eight (8) months following approval. At the time of the writing of this report, this filing remains pending before the Commissioner.

FOSTER CARE LIABILITY

As required in Senate Bill 423 enacted during the 2015 session of the General Assembly, the Bureau filed a Foster Care Liability Policy Program with the Commissioner in May 2016. The program was approved by the Commissioner on July 26, 2016, and became effective immediately.

LEGISLATION

During the 2015 session of the General Assembly, a bill was passed to increase the costs of MVRs and salvage title certificates, to require a sales tax on automobile repair labor, and also to modify the Safe Driver Insurance Plan to increase the accident thresholds to take into account the increased loss amounts due to the application of the sales tax. As a result of this bill, the Bureau filed an increase in the automobile base rates to offset these increased costs. This rate revision was approved and became effective March 1, 2016.

In the 2016 short session of the General Assembly, House Bill 287 was passed and, among other things, requires the Rate Bureau, if it uses a catastrophe model in property ratemaking, to use more than one model and to include certain statistical data in any property filing where a catastrophe model is used. This bill also increased the accident thresholds in the Safe Driver Insurance Plan in the Personal Auto Policy Program and revised the consent to rate procedures that companies must follow on residential property policies. The portion of the bill related to the use of catastrophe models becomes effective with filings made on or after October 1, 2017. The portion of the bill related to the accident thresholds becomes effective with accidents that occur on or after October 1, 2017, and the portion related to the consent to rate procedures becomes effective with policies issued, renewed, or amended on or after October 1, 2017.

During the 2015 session of the General Assembly, House Bill 148 was passed to remove moped liability and physical damage insurance from the jurisdiction of the Bureau effective July 1, 2016. However, during the 2016 session, House Bill 959 was passed keeping mopeds under Rate Bureau jurisdiction for liability coverage only. This became effective July 1, 2016.

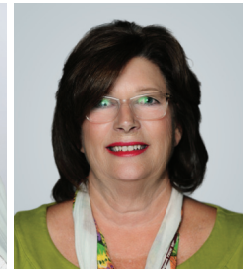
WORKERS COMPENSATION



Karen Byrd
WORKERS COMPENSATION
OPERATIONS SENIOR
MANAGER



Lynne Mays
WORKERS COMPENSATION
DATA & UNDERWRITING
OPERATIONS SUPERVISOR



Debbie Cox
WORKERS COMPENSATION
CUSTOMER & ASSIGNED
RISK SERVICES SUPERVISOR

The Bureau has oversight of several integral workers compensation responsibilities within North Carolina. These include

- Assigned Risk Plan Administration
- Ownership Review and Ruling
- Classification Determination
- Experience Modification Rating
- Dispute Resolution

The Bureau is responsible for collecting policy data and for loss cost and assigned risk rate promulgation. The Bureau's 2015 lost cost filing for a decrease of 10.2% was approved and became effective April 1, 2016. The Bureau's 2015 assigned risk rate filing resulted in a 1.9% increase, also effective April 1, 2016.

ASSIGNED RISK SERVICES

Submission of assigned risk applications peaked at the end of the first quarter in 2016. In March alone, the Bureau received over 1,400 applications for assignment. On average, the Bureau receives 1,100 applications per month.

Between 7/1/2015 and 6/30/16, the assigned risk area received

- 13,712 new applications, with 13,152 (96%) submitted electronically via the ManageAR system, and 75% of those paying with Electronic Funds Transfer payment method.
- 23,908 total new and renewal policies.
- \$75,338,349 total estimated annual premium for new and renewal policies.
- \$3,151 average premium size for new and renewal policies.

As 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 authorized to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the bylaws of the National Workers Compensation Reinsurance Association NFP, incorporated as part of the Plan in North Carolina.

For 2016, the North Carolina servicing carriers are AmGuard Insurance Company, Riverport Insurance Company, and Travelers Property and Casualty Companies of America.

The Bureau also works with carriers who have elected and been authorized by the Plan Administrator to receive direct assignments under Option 1 of Rule 4-A-A of the North Carolina Basic Manual (Plan).

The North Carolina direct assignment carriers are: ACE American Insurance Company, American Interstate Insurance Company, American Zurich Insurance Company, Auto-Owners Insurance Company, Builders Premier Insurance Company, Cincinnati Insurance Company, Continental Casualty Company, Hartford Underwriters Insurance Company, and Liberty Mutual Fire Insurance Company.

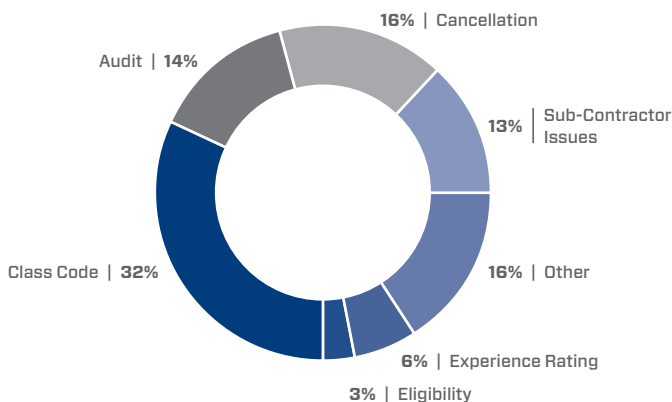
WORKERS COMPENSATION OPERATIONS

Policyholders are required to report ownership changes to their carrier within 90 days of the change. These changes can affect their experience rating modification. Members of the Operations Team review and process these ownership documents, make rulings, and adjust experience modification ratings, if warranted. Additionally, they handle classification determinations for North Carolina employers and answer inquiries regarding experience modification ratings.

The Bureau handles workers compensation disputes through a formal hearing process or by staff-rendered rulings based on information submitted by affected parties. Disputes result primarily from discrepancies involving classification codes, policy cancellations, and audit findings. The Information Center serves as the first point of contact for Bureau customers. This group supports all three organizations and handles over 10,000 inquiries per quarter.

Workers Compensation Disputes By Category

7/1/15-6/30/16



IMPROVED TECHNOLOGIES



Amy Tart
BUSINESS PROJECT
COORDINATOR

In an effort to improve efficiencies and the overall customer experience, the Bureau's staff collaborated on multiple projects in 2016 that will allow users to submit data to and obtain information from the Bureau more timely and efficiently. The following online products are the focus of these efforts:

ManageOwnership

This new web application to be rolled out in early 2017 will serve as a platform for the electronic submission of ownership change data. In addition to the deployment of this system, a new, state-specific ownership form has been developed for use in North Carolina.

ManageAR

Enhancements in early 2017 will allow agents to complete and submit supplemental applications electronically with the Assigned Risk application. These include Trucker Supplemental Application, PEO/Labor Contractor Supplemental Application, and PEO/Client Supplemental Application.

Experience Rating Worksheets

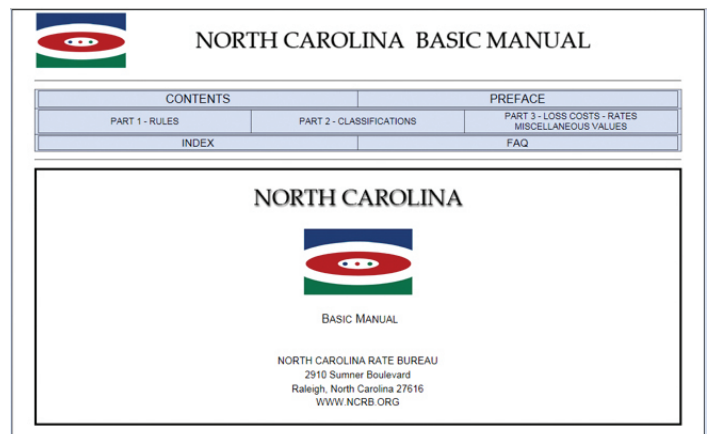
The Bureau simplified the process of obtaining Experience Rating Worksheets by allowing carriers and agents to download these directly from our website.

North Carolina Basic Manual

The North Carolina Basic Manual for Workers Compensation and Employers Liability became effective on April 1, 2016.

Advantages to having a state-specific manual include

- Easy online access by our customers, free of charge, for finding all rules, class codes, and other information applicable to North Carolina policies.
- Streamlined Classification section providing approved class codes in alphabetical order and by industry.
- Improved navigation including added User Guide references alongside applicable manual rules.
- Enhanced flexibility for updating manual content in a timelier manner.



REGULATORY ACTIVITY



Betty Hurst
REGULATORY MANAGER

With a changing and diverse workplace environment in North Carolina, it is imperative that the Bureau stay abreast of the latest industry trends and regulatory activity. Below are highlights of recent workers compensation industry activity:

TRIPRA—The Terrorism Risk Insurance Program Reauthorization Act of 2015 extends the federal backstop program through December 31, 2020. North Carolina participated in providing data for the Federal Insurance Office (FIO) Data Call. FIO is required under

Section 111, Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), to collect data annually. The Bureau also participated in the National Association of Insurance Commissioners Data Call related to Terrorism Risk Insurance Coverage.

Drug Formulary—On April 1, 2016, in accordance with a North Carolina General Assembly directive, the North Carolina Industrial Commission released a study on the implementation of a drug formulary in North Carolina. This study was based on a data analysis performed by the Workers' Compensation Research Institute of pharmacy data for State workers' compensation claims for calendar years 2012 through 2014. The study is titled "Report of the Findings and Recommendations of the North Carolina Industrial Commission Regarding the Implementation of a Drug Formulary in Workers' Compensation Claims."

Change in Definition of Employee (House Bill 765)—House Bill 765 was signed into law on October 22, 2015, and amends the definition of "Employee" in the Workers Compensation Act G.S.97-2(2). The amended definition allows, under certain conditions, executive officers, directors, or committee members that perform voluntary services for nonprofit corporations to be excluded from the definition of employee, thereby allowing them not be counted when determining the number of persons regularly employed pursuant to G.S. 97-2(1).



Natalie Linares
TRAINING AND DEVELOPMENT MANAGER

TRAINING AND DEVELOPMENT

The Bureau added the Training and Development Manager role to focus on developing and delivering new dedicated training programs designed to provide educational opportunities to refresh and broaden associates' skills and core competencies. Our training initiatives ensure that we maintain a highly competent staff, consistently delivering high-quality service to members.

This year, training is focused on integrating technology to increase training efficiency and support. The Bureau created on-demand screencasts that are used both internally and externally. Our online Basic Manual provides walk-through screencasts within the FAQ section to provide timely customer support to Bureau members.

DATA OPERATIONS



Rebecca Williams
ACTUARY



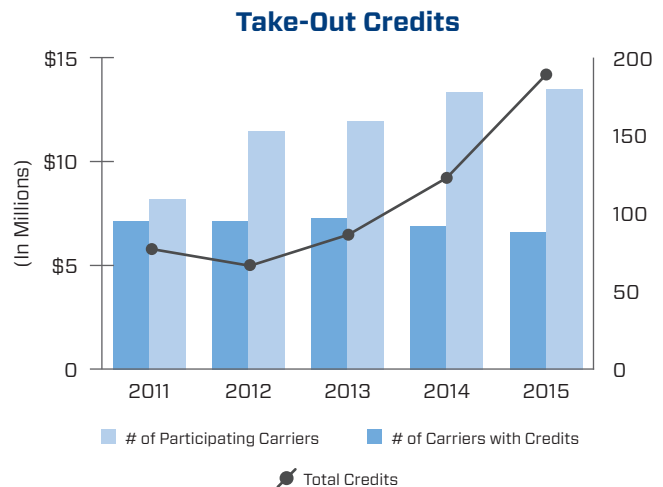
Jessica Taylor
DATA SERVICES & SYSTEMS SUPPORT SUPERVISOR

The Bureau is responsible for maintaining accurate data for all North Carolina Workers Compensation policies. The Data Operations teams facilitate the collection, reporting, and monitoring of workers compensation policy data and unit statistical reports. The following is a summary of the volume of data collected and processed by the Bureau:

- Over the past 12 months, the Bureau processed 542,198 workers compensation policy-related transactions.
- The Bureau collects workers compensation unit statistical data that is used for the promulgation of experience modification factors and ratemaking. The Bureau processed 213,330 unit statistical reports and issued 36,312 experience modification factors.

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 accomplished by providing a "credit" to carriers for workers compensation premiums 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 its Plan participation base. The Take-Out Credit Program for calendar year 2015 totaled \$14,128,213 in credits involving 88 carriers.



SHARED SERVICES

HUMAN RESOURCES AND FACILITY SERVICES



Vicki Godbold

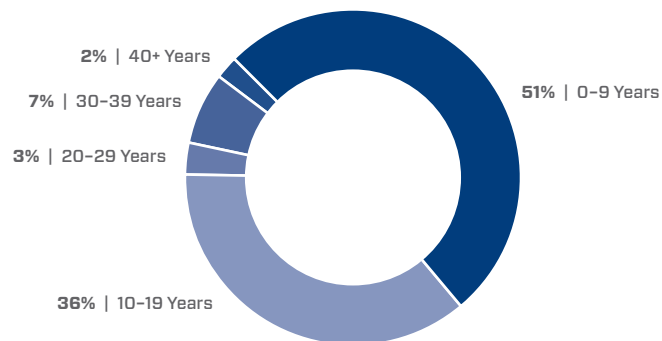
CHIEF HUMAN RESOURCES OFFICER

"If we live truly, we shall truly live."

– Ralph Waldo Emerson

Our Human Resources is the strategic and comprehensive approach committed to our Organization's most valued assets—our people. Facility Services provide a secure and comfortable work environment along with mail services and receptionist services. One large initiative in Human Resources the past year has been implementing Performance Evaluations based on each associate's job responsibilities. This is effective for 2016. In Facility Services, we upgraded our security through new software and two indoor cameras earlier this year.

Rate Bureau Years of Service



Our Wellness Program consists of

- WeightWatchers at work,
- a partnership with WakeMed Hospital,
- a partnership with the Performance Athletic Center (EXOS),
- 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 this year consisted of on-site fitness classes, wellness seminars, and wellness lunch-n-learns by EXOS staff. Classes on personal shopping savings were also offered.

Community Service involvement by our associates this year included the SPCA, the United Way, and the NC Food Bank.

INFORMATION SERVICES



Shelley Chandler

CHIEF INFORMATION OFFICER

As organizations become more dependent on data and systems to increase efficiency and effectiveness, Information Technology continues to grow in breadth and depth to help organizations streamline operations while expanding security principles of core data and systems. The Bureau, like all companies, continues to increase focus on strengthening the external perimeter to the data while ensuring that all assets are safe within. After many years of working on security from multiple angles, in 2016, we turned some of our attention to one of our most valuable assets, our associates. The need

to educate internal users on how to keep our organizations safe has marked a pivotal point in our security efforts. As a result, the Bureau updated our security policies to emphasize smart use and protection of our electronic assets. In addition, we implemented a suite of interactive training modules and awareness materials to educate associates on their responsibilities to protect company data and to adhere to best practices. Highlights from this year's security education and awareness training program include reduced malware infections, reduced successful phishing attacks, increased reporting of incidents by associates, and an overall improved security posture. We also educated users on how to use encrypted email when transmitting sensitive data to recipients outside our organization.

Additional security improvements in 2016 focused around another top priority of improving our patch management program. Significant effort has gone into patching and updating all off-the-shelf software in our inventory. The rise of widespread malicious code targeting known vulnerabilities on unpatched software and systems has driven the urgency of our efforts on patch management.

Information Technology has also drawn attention to our external customers through changes that are making our applications more efficient and practical. One example of this initiative was opening up our Experience Rating Worksheet application to allow the agent of record to access the information without contacting Bureau associates. We are committed in our efforts to improve all of our custom applications that are specific to supporting the operations of the Bureau.

It is our obligation to evaluate the future and develop a strategy to best utilize new technologies that promote efficiencies while focusing on the importance of securing the large volumes of data that are entrusted to us.

FINANCE



David Sink
CHIEF FINANCIAL OFFICER

The exhibits on page 10 summarize the Rate Bureau's financial position and reflect the comparative balance sheets and income statements for the last two years ending August 31. During the past year, the restricted funds decreased slightly as our self-insured group medical insurance plan saw claim payments exceed the premiums

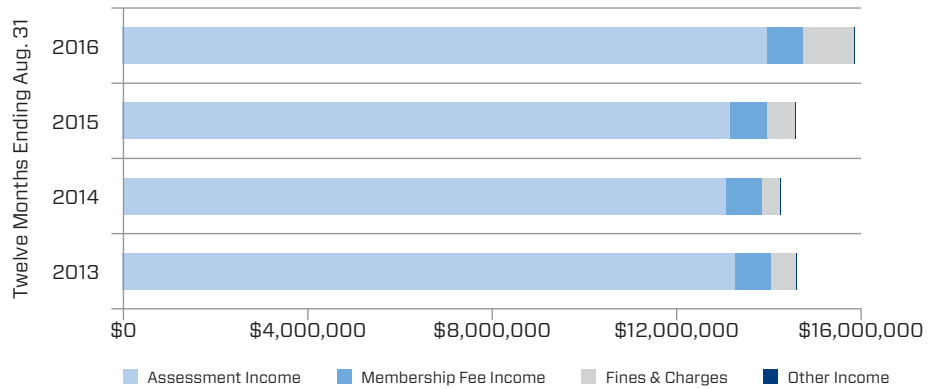
reserved for the first time in a couple of years. Funds for retiree group insurance premiums of the Bureau's predecessor organizations remain on the balance sheet as of this report, though all those obligations have now been fulfilled.

The firm of Johnson Lambert was selected to serve as the Rate Bureau's independent auditor beginning with the year ending December 31, 2015. The inaugural audit by the firm went well, and they presented their report to the Audit Committee in March 2016. Johnson Lambert issued an unqualified opinion on the statements of cash receipts and disbursements, noting there were no misstatements or internal control weaknesses identified during the audit, and that the significant accounting policies had been consistently applied during the current year.

The sources of income to the Bureau have been fairly consistent over the past few years, although the most recent financials include a full year of fines and charges that were implemented in 2015. Assessments to member companies represented 88% of the Rate Bureau's receipts during the most recent report year as reflected in the chart that follows. The annual membership fees and various fines and charges were approximately 5% and 7% of the Rate Bureau's income, respectively.

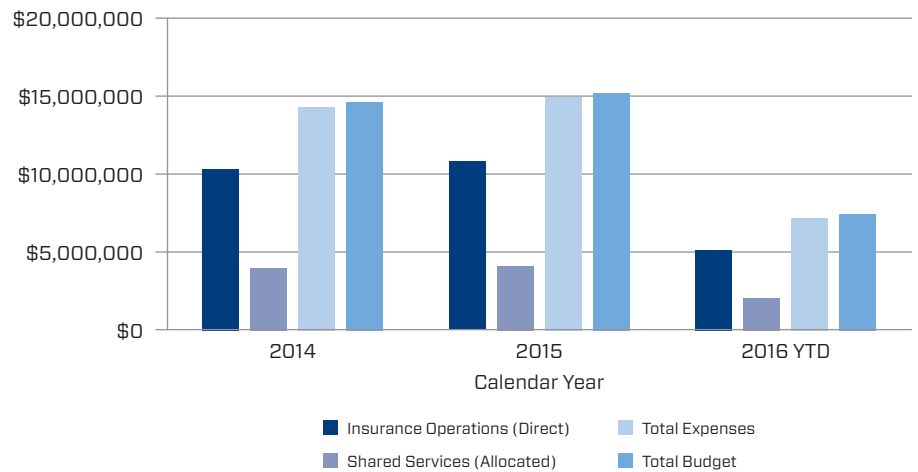
While the Rate Bureau finished 2015 under budget, it should be noted the Governing Committee approved a mid-year upward budget revision of \$800,000, primarily related to unexpected activity requiring Counsel and other outside consultants. At the time of this report, the administrative expenses of the Rate Bureau are projected to be within the approved budget for 2016.

North Carolina Rate Bureau Sources of Income



The total expenses of the Rate Bureau are comprised of the 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 just over 70% of the total expenses of the Bureau, and the table and chart below show a summary of the direct and allocated expenses for the previous two years and the first half of 2016. As in the past, the 2014 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2016.

North Carolina Rate Bureau Administrative Expenses



Administrative Expenses	2014	2015	Thru June 2016
Insurance Operations (Direct)	\$ 10,343,348	\$ 10,829,013	\$ 5,141,213
Shared Services (Allocated)	3,984,633	4,110,427	2,057,422
Total Expenses	\$ 14,327,981	\$ 14,939,440	\$ 7,198,635
Total Budget	\$ 14,629,463	\$ 15,201,166	\$ 7,462,033

NORTH CAROLINA RATE BUREAU

Balance Sheet

Year Ending	August 31, 2016 (Preliminary)	August 31, 2015
Assets		
Cash & Investments (Unrestricted)	\$ 1,858,200	\$ 1,330,862
Cash & Investments (Restricted)	1,194,800	1,315,354
Assessments Receivable	30,000	17,732
Accounts Receivable	176,500	134,200
Other Assets	-	-
Total Assets	\$ 3,259,500	\$ 2,798,148
Liabilities & Fund Equity		
Refund to Carriers Payable	\$ -	\$ -
Retiree Insurance Payable - Restricted	559,800	553,898
Other Benefits Payable - Restricted	635,000	761,456
Other Liabilities	(17,416)	(17,416)
Total Liabilities	\$ 1,177,384	\$ 1,297,938
Fund Equity	2,082,116	1,500,210
Total Liabilities & Fund Equity	\$ 3,259,500	\$ 2,798,148

Income Statement

Year Ending	August 31, 2016 (Preliminary)	August 31, 2015
Income		
Assessment Income	\$ 13,941,000	\$ 13,190,119
Membership Fees Income	777,800	776,750
Late Data Reporting Charges	23,200	4,000
Delinquent USR Charges	293,000	266,100
Policy Data Fines	814,000	349,525
Other Income	700	281
Total Income	\$ 15,849,700	\$ 14,586,775
Expenses (Net)		
Legal, Consulting & Other Outside Services	\$ 7,840,000	\$ 8,580,047
Salaries & Administration Expenses	3,750,000	3,513,860
Other Operating Expenses	3,250,000	3,027,078
Total Net Expenses	\$ 14,840,000	\$ 15,120,985
Net Income	\$ 1,009,700	\$ (534,210)

NCRB

NORTH CAROLINA **RATE BUREAU**

2910 SUMNER BLVD. RALEIGH, NC 27616 WWW.NCRB.ORG

