



MINUTES OF THE ANNUAL MEETING OF THE NORTH CAROLINA RATE BUREAU HELD AT THE  
GRANDOVER RESORT AND CONFERENCE CENTER, ONE THOUSAND CLUB ROAD,  
GREENSBORO, NORTH CAROLINA, OCTOBER 27, 2009

MEMBERS PRESENT

Accident Fund Insurance Company of America  
 United Wisconsin Insurance Company  
 AIG Casualty Company  
 21st Century Casualty Company  
 21st Century Insurance Company  
 AIG Advantage Insurance Company  
 AIG Centennial Insurance Company  
 AIG Premier Insurance Company  
 AIU Insurance Company  
 American General Property Insurance Company  
 American Home Assurance Company  
 American International South Insurance Company  
 Commerce & Industry Insurance Company  
 Granite State Insurance Company  
 Insurance Company of the State of Pennsylvania  
 National Union Fire Insurance Company  
 New Hampshire Insurance Company  
 Yosemite Insurance Company  
 Alliance Mutual Insurance Company  
 Allstate Insurance Company  
 Allstate Indemnity Company  
 Allstate Property & Casualty Insurance Company  
 Encompass Indemnity Company  
 First Colonial Insurance Company  
 Northbrook Indemnity Company  
 Amica Mutual Insurance Company  
 Atlantic Casualty Insurance Company  
 Coastal Casualty Insurance Company  
 Cincinnati Insurance Company  
 Cincinnati Casualty Company  
 Cincinnati Indemnity Company  
 Companion Property & Casualty Insurance Company  
 Companion Commercial Insurance Company  
 Erie Insurance Company  
 Erie Insurance Exchange  
 First Nonprofit Insurance Company  
 GEICO General Insurance Company  
 American Centennial Insurance Company  
 Central States Indemnity Company of Omaha  
 Commercial Casualty Insurance Company  
 Continental Indemnity Company

REPRESENTED BY

Dana Pierce  
 Ira Feuerlicht  
 Carrie Bay  
 Bill Breedlove  
 Robert Blystone  
 Thomas Goodale  
 Mark Caughron  
 Jim Gron  
 Rex Boylston  
 Ronnie Chamberlain  
 Bob White  
 Kirk La  
 Eric Stafford

MEMBERS PRESENT

REPRESENTED BY

Cornhusker Casualty Company	
Fairfield Insurance Company	
GEICO Casualty Company	
GEICO Indemnity Company	
General Reinsurance Corporation	
General Star National Insurance Company	
Genesis Insurance Company	
Government Employees Insurance Company	
National Indemnity Company	
National Liability & Fire Insurance Company	
National Reinsurance Corporation	
United States Liability Insurance Company	
Hartford Casualty Insurance Company	Rajiv Iyer
Hartford Accident & Indemnity 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	
Horace Mann Insurance Company	W Reid McClintock
Horace Mann Property & Casualty Insurance Company	
Teachers Insurance Company	
Integon Casualty Insurance Company	Art Lyon
GMAC Insurance Company Online Inc	
Integon General Insurance Corporation	
Integon Indemnity Corporation	
Integon National Insurance Company	
Integon Preferred Insurance Company	
Integon Specialty Insurance Company	
MIC General Insurance Corporation	
MIC Property & Casualty Insurance Corporation	
Motors Insurance Corporation	
National General Assurance Company	
National General Insurance Company	
New South Insurance Company	
Kemper Independence Insurance Company	Kimberly Burns
Alpha Property & Casualty Insurance Company	Donna Emery
Merastar Insurance Company	
Response Insurance Company	
Response Worldwide Insurance Company	
United Casualty Insurance Company of America	
Unitrin Auto & Home Insurance Company	
Unitrin Safeguard Insurance Company	
Key Risk Insurance Company	David Horn
Acadia Insurance Company	
Admiral Indemnity Company	
Berkley Insurance Company	
Berkley Regional Insurance Company	
Carolina Casualty Insurance Company	
Continental Western Insurance Company	
Firemens Insurance Company of Washington District of Columbia	

MEMBERS PRESENT

Great Divide Insurance Company  
Midwest Employers Casualty Company  
Riverport Insurance Company  
StarNet Insurance Company  
Tri-State Insurance Company of Minnesota  
Union Insurance Company  
Union Standard Insurance Company  
Liberty Mutual Fire Insurance Company  
American Economy Insurance Company  
American Fire & Casualty Company  
American States Insurance Company  
American States Preferred Insurance Company  
Bridgefield Casualty 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 Insurance Company  
Liberty Mutual Mid-Atlantic Insurance Company  
LM General Insurance Company  
LM Insurance Corporation  
LM Personal Insurance Company  
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  
Nationwide Mutual Insurance Company  
Allied Property & Casualty Insurance Company  
AMCO Insurance Company  
Atlantic Insurance Company  
Depositors Insurance Company  
Farmland Mutual Insurance Company  
National Casualty Company  
Nationwide Affinity Insurance Company  
Nationwide Agribusiness Insurance Company  
Nationwide Insurance Company of America  
Nationwide Mutual Fire Insurance Company  
Nationwide Property & Casualty Insurance Company  
Scottsdale Indemnity Company  
Titan Indemnity Company  
Victoria Fire & Casualty Company

REPRESENTED BY

Jeffrey Woodcock

Amy Powell  
Isaac Adams

MEMBERS PRESENT

North Carolina Farm Bureau Mutual Insurance Company  
Farm Bureau Insurance Company of North Carolina  
Penn National Security Company  
Pennsylvania National Mutual Casualty Insurance Company  
Progressive Casualty Insurance Company  
National Continental Insurance Company  
Progressive Advanced Insurance Company  
Progressive American 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  
State Farm Mutual Automobile Insurance Company  
State Farm Fire & Casualty Company  
State Farm General Insurance Company  
Stonewood Insurance Company  
The Members Insurance Company  
Travelers Indemnity Company  
Athena Assurance Company  
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 Medical Liability 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 of Connecticut  
Travelers Casualty Insurance Company of America  
Travelers Commercial Casualty Company  
Travelers Commercial Insurance Company  
Travelers Home & Marine Insurance 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

REPRESENTED BY

Roger Batdorff  
  
Pat Lovell  
Alan Stowe  
Kevin McGee  
  
Alan Bentley  
  
Tee Stephenson  
Mike Cole  
Randy Krauss  
Jonathan Konrad

MEMBERS PRESENT

Travelers Property Casualty Insurance Company  
United States Fidelity & Guaranty Company  
Universal Insurance Company  
Zurich American Insurance Company  
American Guarantee & Liability Insurance Company  
American Zurich Insurance Company  
Assurance Company of America  
Centre Insurance Company  
Colonial American Casualty & Surety Company  
Empire Fire & Marine Insurance Company  
Farmers Insurance Exchange  
Fidelity & Deposit Company of Maryland  
Foremost Insurance Company  
Foremost Property & Casualty Insurance Company  
Foremost Signature Insurance Company  
Maryland Casualty Company  
Mid Century Insurance Company  
Northern Insurance Company of New York  
Truck Insurance Exchange  
Universal Underwriters Insurance Company

REPRESENTED BY

Gregory Spray  
Ted Dale  
John McElroy

OTHERS PRESENT

Independent Insurance Agents of NC  
Insurance Services Office  
Milliman USA  
NCRF Board of Governors Public Member  
Young, Moore and Henderson  
  
Staff

REPRESENTED BY

Rick Pegram  
Pat Woods  
David Appel  
David Walker  
Mickey Spivey  
Bill Trott  
Edith Davis  
Ray Evans  
Vicki Godbold  
Fred Hoerl  
Tim Lucas  
Lois Murphey  
Mike Newton  
David Sink  
Sue Taylor

172 other companies voted 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 Compliance Policy and Guidelines and Conflict of Interest Statement.

Mr. Evans announced that there was a quorum.

1. Annual Report

Mr. Evans reviewed and commented on the 2009 Annual Report, a copy of which is attached hereto. The Annual Report was approved by the members.

## 2. Staff Recap of 2009

Mr. Sink discussed specifics of the financial and budgeting segments of the Rate Bureau. Mrs. Taylor discussed the highlights of the year for Insurance Operations.

## 3. Governing Committee Election

It was reported that Mr. Wilson of State Automobile Mutual Insurance Company, who had previously been appointed Chairman of the Nominating Committee by the Chairman of the Governing Committee, could not be at the meeting to report the recommendations and had asked Mr. Evans to report those recommendations. Mr. Evans reported that the Nominating Committee (comprised of Allstate Insurance Company, State Farm Mutual Automobile Insurance Company, State Automobile Insurance Company and Erie Insurance Exchange) recommended the following slate of companies for election to the Governing Committee: Allstate Insurance Company and Hartford Insurance Company for the two stock positions and State Farm Mutual Automobile Insurance Company and North Carolina Farm Bureau Mutual Insurance Company for the two non-stock positions. The floor was then 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.

## 4. Comments from the Chairman

Mr. Bentley thanked members of the Governing Committee and made comments to the members present as he completed the first year of his term. Mr. Bentley gave special thanks to Staff, Counsel, Mr. Lyon and Mr. Batdorff.

## 5. Adjournment

There was no further business and the meeting was adjourned.

Respectfully submitted,

Raymond F. Evans, Jr. CPCU

General Manager

RFE:lm

G-10-2

4/20/10



NCRB

**NORTH CAROLINA RATE BUREAU**  
2009 Annual Report



# Core Values

## **Commitment**

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

## **Integrity**

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

## **Respect**

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

## **Talents**

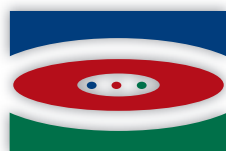
Continually strive to improve the Organizations through the use of every associate's talents and creativity.

## **Ownership**

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

## **Consistency**

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





# North Carolina Rate Bureau

## Table of Contents

Message from the Chairman .....	2
Governing Committee .....	2
General Manager's Report .....	3
The North Carolina Rate Bureau .....	4
Balance Sheet & Income Statement .....	12
Management Staff .....	13

## General Organizational Information

NCRB Main Phone Number .....	919-783-9790
Website Address .....	www.ncrb.org
Street Address .....	5401 Six Forks Road Raleigh, NC 27609

## Management Contacts

### NCRB Staff

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

**Sue Taylor** ..... Director, Insurance Operations  
919-582-1050 ..... smt@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

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

### Organizational Shared Resources Staff

**Shelley Chandler** ..... Director, Information Services  
919-582-1057 ..... src@ncrb.org

**David Sink** ..... Director, Finance  
919-582-1012 ..... des@ncrb.org

**Vicki Godbold** ..... Director, Human Resources & Administrative Services  
919-645-3170 ..... vcg@ncrb.org

## 2009 Annual Meeting

The annual meeting for member companies of the North Carolina Rate Bureau will be held October 27, 2009, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

## About NCRB

The North Carolina Rate Bureau was created by the General Assembly of North Carolina in 1977, with the statutory mandate to establish and administer classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions for Private Passenger Nonfleet Automobile, Residential Property and Workers Compensation Insurance. Every insurance carrier that is authorized to write these lines of coverage in the State of North Carolina is required to be a member of the Bureau.

The mission of the Rate Bureau is to fulfill its statutory mandate with extraordinary service to its members.

## Message From The Chairman

Saying my first year as Chair of the North Carolina Rate Bureau Governing Committee was an interesting one would be an understatement! Over the past 12 months, the insurance industry faced many pivotal issues which required much conversation, thought, and hard work by the Governing Committee, Rate Bureau staff, and our counsel, Young, Moore and Henderson. Overall, I feel the results were beneficial to the citizens of our state and our industry.

The year started with meetings of the Joint Select Study Committee on the Potential Impact of Major Hurricanes on the North Carolina Insurance Industry. Ray, along with staff and counsel, represented the Rate Bureau in an extremely professional manner before this committee by providing, at the committee's request, valuable information and direction. The culmination of the study committee was the recent passage of House Bill 1305, which makes changes to the North Carolina Insurance Underwriting Association (previously known as the Beach Plan) and requires the Rate Bureau to review coastal territories, create mitigation factors and establish rates for storm deductibles. Although work still remains to be done by the Rate Bureau to implement the changes detailed in this bill, overall I believe the changes are positive for the industry.

Also, after lengthy discussions with the Department of Insurance, the settlement of the 2008 and 2009 Private Passenger Auto rate filings occurred in July. This settlement was different from those that have occurred in previous years in that the refunds to insureds take place over a sixteen month period. Special thanks go to the representatives from the industry and again to staff and counsel for their assistance in working out the many details of this settlement.

We welcomed a new Commissioner of Insurance, Wayne Goodwin, this year and look forward to continuing to work with him and the other members of the Department of Insurance.

In closing, I would like to thank all the members of the Governing Committee and the members of the various line committees for their tireless efforts this year. The productive meetings and discussions could not have taken place without you and the preparations of the Bureau staff, counsel and experts who have provided continual support. Your cooperation and willingness to serve our industry is greatly appreciated.

Sincerely,

**Alan Bentley**  
Chairman NCRB Governing Committee

2

## Governing Committee

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

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

<b>Members</b>	<b>Representative</b>
Allstate Insurance Co	Bob Blystone
American Home Assurance Co	Ira Feuerlicht
Cincinnati Insurance Co	Jim Gron
Erie Insurance Exchange	Ronnie Chamberlain
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Co	Brian Levy
Nationwide Mutual Insurance Co	Amy Powell
Progressive Casualty Insurance Co	Kevin McGee
State Automobile Mutual Insurance Co	Larry Wilson
State Farm Mutual Automobile Ins Co	Alan Bentley*
Travelers Indemnity Co	Ken Surian
United Services Automobile Association	Eric Vaith
<b>Non-voting Members</b>	
Public Member	Max Offerman
Public Member	John Wei
*chair	

**Ray Evans**  
General Manager



## General Manager's Report

With the Legislature in session and a brand new administration and regulator in place, the Rate Bureau was challenged this past year by many, many, MANY requests to participate in the insurance environment of North Carolina. We have bounced, for lack of a better word, from the "coastal issue," including being defendants in virtually every court in the State, to settling three years of private passenger auto filings, from comparative auto liability to uninsured and underinsured motorists coverage changes. And that's just to name a few!

Adapting to change comes with the territory, and we expect it. But each year's budget includes the resources required to do the work we anticipate doing. When unexpected work pops up, we not only have to use internal resources allocated elsewhere but, in many cases, we need additional expert help from outside the organization. To stay within budget, we have to find ways to absorb these additional costs (no small feat, I can assure you).

The result, plain and simple, is that staff does more work.

The magnitude of this year's deviations from plans was especially dramatic: the Rate Bureau made almost two dozen significant filings with perhaps a dozen more in the pipeline for the remainder of the year. Or, put

another way, about 100% more work came through than anticipated at the beginning of this year.

A great illustration of the massive amount of "behind the scenes" work we do crossed my desk just today. It was a simple circular letter, only five paragraphs long, announcing Workers Compensation large deductible program filings. Although important as a "how to" for member carriers, it could be seen as a routine part of normal forms and filing activity. What isn't visible is that what began 18 months ago as a simple attempt to clarify a process has consumed literally hundreds of hours of work from the WC Committee, counsel, and staff.

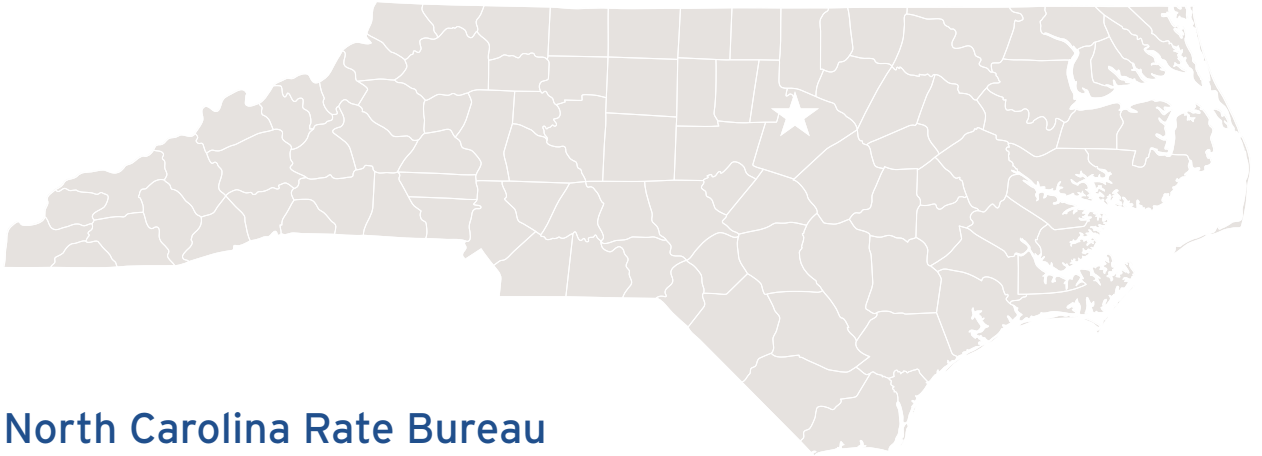
This is not to complain; it's our job and we are thankful there is plenty to do. What it really leads me to is to say I am proud and humbled, really, by the great work of our associates, our partners and member company representatives. All have proved themselves ready, willing and able, mostly on short notice and often unexpected and unplanned, to respond in a professional, timely and "right" way.

Thank you.

A handwritten signature in black ink that reads "Ray Evans". The signature is written in a cursive, flowing style.



**Sue Taylor**  
Director, Insurance Operations



4

## North Carolina Rate Bureau Fast Facts

- There are 694 insurance companies in the State of North Carolina that are members of the North Carolina Rate Bureau. Over the past year, 19 companies have joined the Bureau and 3 companies have withdrawn or merged
- The Bureau employs 71 associates – 32 in the Personal Lines and Workers Compensation departments and 39 in the support departments of IT, Human Resources and Finance
- In the first 8 months of 2009, 38 NCRB committee meetings took place with member companies and staff in attendance
- In the past year, Workers Compensation handled 103 disputes
- In the past year, 106 Safe Driver Insurance Plan inquiries were received for review
- The Bureau promulgates an average of 50,000 workers compensation experience modifications annually
- The Bureau's Information Center averages 5,300 inquiries per month
- Twenty-two percent of the Bureau workforce has been employed 20 years or more, with two associates having more than 40 years of service
- The Bureau processes 163,000 workers compensation policies each year

# Strategic Focus

Strategic planning is a management tool that assists organizations in fulfilling their missions. In early 2009, the Bureau staff met to discuss and determine organization-wide objectives for 2009 and beyond that would assist in the mission to provide extraordinary service to members. Discussions were held on challenges facing the industry over the next twelve to eighteen months and methods to meet those challenges and support the organization-wide objectives.

Bureau Staff is committed to:

- Ensure excellence in managing day-to-day tasks
- Be flexible and agile enough to respond effectively to changes in business landscape
- Work to improve skills, tools and processes to create a sound foundation for the future

## Personal Lines

### Homeowners

The year began with a homeowners rate filing made with the Department of Insurance on December 8, 2008. The Bureau, the Department and the Commissioner of Insurance subsequently entered into a Consent Order on December 19, 2008, revising the rates on a statewide basis by +4.1%. This change included increases in the beach and coastal areas, ranging from +6.5% to +29.8%. The Bureau also filed amendments to the homeowners territory definitions on the coast that became effective May 1, 2009.

of Insurance and the Wake County Superior Court, and an appeal was filed with the North Carolina Court of Appeals. Following hearings in the Department and in the Superior Court, the petitions filed with the Department and Wake County Superior Court were dismissed. The coastal group also appealed the dismissal of their petitions by the Wake County Superior Court. The appeals remain pending in the North Carolina Court of Appeals as of the writing of this report.

The coastal group, in an alternative plea, has also requested that the Commissioner of Insurance call a new hearing on the 2008 homeowners filing and issue an order changing the rates approved in the December 19, 2008 consent order on a prospective basis. The Department of Insurance and the Rate Bureau have presented their objections to such a hearing, and the matter remains pending with the Commissioner of Insurance as of the writing of this report.

Property Committee Members	Representative
Allstate Insurance Company	Shantelle Thomas
Amica Insurance Company	Tom Goodale
Erie Insurance Exchange	Ronnie Chamberlain
NC Farm Bureau Mutual Ins Co	Bob Tart
Nationwide Mutual Insurance Co	Kathy Southern
Penn National Insurance Co	Chuck Uckele
State Farm Fire & Casualty Co	Bob Messier*
Travelers Indemnity Co	Randy Krauss
United Services Automobile Association	Eric Vaith
Unitrin Auto and Home Insurance Co	Kimberley Burns
*chair	

Property Forms Subcommittee Members	Representative
Allstate Insurance Company	Bob Lorch
American Bankers Ins Co of Florida	Dina Olsen
American Modern Home Ins Co	Mike Koscielony
Foremost Ins Co	Dave Kelly
Nationwide Mutual Ins Co	Daniel Meister*
NC Farm Bureau Mutual Ins Co	Bob Tart
Unitrin Auto and Home Ins Co	Susan Fiorentino
*chair	

Shortly after the approval of the homeowners rate filing, a group consisting of mainly counties and municipalities in the 20 coastal counties filed actions in various courts against the Bureau, the Department and the Commissioner of Insurance alleging that their interests in the rate process had not been adequately represented and seeking to have the consent order of December 19, 2008, vacated. Petitions were filed with the Department

On February 20, 2009, the Bureau filed revisions to the Homeowners Policy Program deductible factors. However, after considerable discussion by the Governing Committee, the decision was made to withdraw the filing from consideration.

## Automobile

After hearings on the Bureau's 2008 auto filing, the Commissioner of Insurance disapproved the filed 13% overall increase and approved instead a 16.1% overall decrease in rates. The Bureau appealed the Commissioner's disapproval of the filed rates and implemented a 9.4% increase in overall rates to become effective on all nonfleet private passenger automobile policies effective on and after January 1, 2009.

On February 1, 2009, the Bureau filed revisions to the private passenger auto rate levels that resulted in an overall statewide change of +1.4% above the rates implemented over the Commissioner of Insurance's disapproval of the 2008 auto filing. On July 16, 2009, the Bureau, the Department and the Commissioner of Insurance entered into a Consent Order settling the 2008 rate filing case and the 2009 rate filing. With respect to the 2008 filing, the settlement agreement resulted in overall rates that were 0.5% lower than the rates in effect prior to January 1, 2009. The settlement agreement requires member companies to refund premium to those policyholders that were charged above the -0.5% settled overall rate level on policies that had effective dates between January 1, 2009, and October 31, 2009. These premiums are to be refunded in two distinct time periods over the next 16 months.

6



With respect to the February 1, 2009, auto filing, the settlement also approved a rate level equal to the overall rate level approved in the settlement of the 2008 auto filing to be implemented on policies becoming effective on and after November 1, 2009. In addition to the approved rate level, revisions were also made to the classification plan, inexperienced operator surcharge and increased limits factors.

The Bureau filed revisions to the Personal Auto Policy on May 12, 2009, with the introduction of Amendatory Endorsement NC 00 13 10 09 which amends the arbitration provisions of the Uninsured and Combined Uninsured/Underinsured Motorist Coverages to become effective January 1, 2009. After the announcement of this revision to the member companies, the Legislature enacted Senate Bill 660, which provides a method for handling diminished value for property damage liability claims. This revision has been incorporated into Amendatory Endorsement NC 00 13 01 10 and will become effective January 1, 2010.

<b>Automobile Committee</b>	
<b>Members</b>	<b>Representative</b>
Allstate Insurance Company	Steve Armstrong*
GEICO Indemnity Company	Anthony Zuvich
Hartford Fire Insurance Company	John Krause
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Brian Levy
Nationwide Mutual Insurance Co	Isaac Adams
NC Farm Bureau Mutual Ins Co	Roger Batdorff
Progressive Casualty Insurance Co	Kevin McGee
State Farm Mutual Automobile Ins Co	Steve Harr
Travelers Indemnity Company	Jonathan Konrad
United Services Automobile Assoc	Lisa Sukow
Unitrin Auto and Home Insurance Co	Kimberley Burns
*chair	

<b>Personal Auto Policy Subcommittee</b>	
<b>Members</b>	<b>Representative</b>
Allstate Insurance Company	Jeffrey Schultz*
Nationwide Mutual Insurance Co	Daniel Meister
State Farm Mutual Automobile Ins Co	Kevin Nicklas
*chair	

## Legislation



The North Carolina Legislature met this year in a “full” session. House Bill 1305 was enacted, bringing sweeping changes to property insurance in the coastal areas.

As a result of this bill, the Bureau is required to:

- Establish a schedule of credits for policyholders based on the presence of storm mitigation and construction features and on the condition of buildings
- Introduce a “Named Storm” deductible endorsement that provides at least a 1% deductible for wind and hail losses
- Review, monitor and revise (where appropriate) the coastal territories

Another bill that was enacted is Senate Bill 749 which revises the Uninsured and Combined Uninsured/Underinsured Motorist Coverage requirements. The thrust of this bill was to permit policyholders to purchase UM and UM/UIM coverages at limits lower than their primary liability limits, but not lower than the minimum financial responsibility limits.

### Property Rating Subcommittee

Members	Representative
Allstate Insurance Company	Shantelle Thomas*
American Bankers Ins Co of Florida	Dina Olsen
American Modern Home Ins Company	Sally Kressin
Foremost Insurance Company	Dave Kelly
Horace Mann Insurance Company	Reid McClintock
Nationwide Mutual Insurance Co	Sara Behrend
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
State Farm Fire & Casualty Company	Kathy Popejoy
Travelers Indemnity Company	Randy Krauss
United Services Automobile Assoc	Christopher Swetonic

\*chair

Senate Bill 660 was enacted to become effective January 1, 2010, to provide a method for handling diminished value for property damage liability claims.

7

## Safe Driver Insurance Plan

The Bureau continues to provide a mechanism for private passenger auto policyholders that have been charged “points” as a result of at-fault accidents to appeal those points to the Bureau. If a driver feels that he/she is not responsible for the accident in question, the driver has a right to appeal the assignment of those “points” to the Bureau. The Bureau reviews the accident and determines whether the company appropriately charged the “points.” Below is a summary of the results of the appeal hearings:

	2009	2008	2007
• In Favor of Insured	11	9	14
• In Favor of Company	7	12	8

### Subcommittee on Operations and Underwriting

Members	Representative
Allstate Insurance Company	Stacey Bailey
Government Employees Insurance Co	Laura Reilly
Integon Indemnity Corporation	Art Lyon*
Liberty Mutual Insurance Company	Margie Williams
Nationwide Mutual Insurance Co	Isaac Adams
NC Farm Bureau Mutual Insurance Co	Roger Batdorff
Progressive Casualty Insurance Co	Kevin McGee
State Farm Mutual Automobile Ins Co	Suzie Noel
Travelers Indemnity Company	Annette Whitaker
United Services Automobile Assoc	Mark Davis
Unitrin Auto and Home Ins Co	Donna Emery

\*chair

# Workers Compensation

## Assigned Risk

The Bureau is the Plan Administrator for the North Carolina Workers Compensation Insurance Plan for workers compensation otherwise known as the Assigned Risk Plan.

North Carolina's Assigned Risk Market continues to decline in premium volume through 2009. Through July, the number of policies is below last year by 26.7%, and the total premium volume is below last year by 30.9%. This decline is consistent with declines countrywide. In North Carolina, 66% of the Assigned Risk policies are under \$1,000 in premium.

Four servicing carriers continue to service assigned risk business under agreements entered into effective January 1, 2008. The servicing carriers are:

- Companion Property and Casualty Insurance Company
- Key Risk Insurance Company
- LM Insurance Corporation
- Travelers Indemnity Company

Effective January 1, 2009, ACE American Insurance became a direct assignment carrier in North Carolina. The North Carolina direct assignment carriers are:

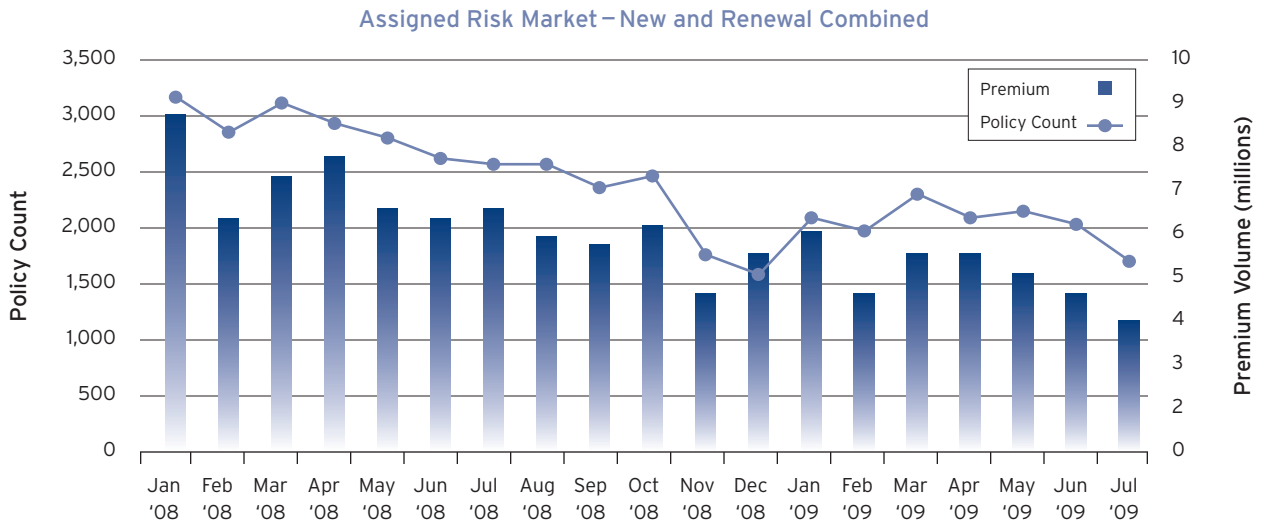
- ACE American Insurance
- American Interstate Insurance Company
- American Zurich Insurance Company
- Cincinnati Insurance Company
- Continental Casualty Company
- Granite State Insurance Company
- Hartford Underwriters Insurance Company

ManageAR is a system designed to allow agents to submit both the assigned risk application and the deposit premium to the Bureau electronically. The Bureau continues to educate agents on the ease of use and benefits of the system and is taking an individualized approach to marketing the system to the agents in North Carolina. Utilization of the ManageAR System has increased from 46% at July 31, 2008, to 59% at July 31, 2009.

A significant enhancement to the assigned risk process was introduced with the development of Notice of Assignment. Notice of Assignment (NOA) is a tool that complements the assigned risk process by allowing servicing and direct carriers to receive assignment packages electronically. As part of the NOA product, carriers that receive their assignment packages electronically will also receive the deposit premium via an electronic funds transfer.

8

Workers Compensation Committee	
Members	Representative
American Home Assurance Co	Ira Feuerlicht
Builders Mutual Insurance Co	Jerry Visintine
Companion Property & Casualty Co	Rex Boylston
Harleysville Mutual Ins Co	William Scisciani
Hartford Accident & Indemnity Co	Michael Apanowitch
Key Risk Insurance Company	John Godfrey*
Liberty Mutual Insurance Company	Cheryl B. Watts
Maryland Casualty Company	Paul Ziegler
NC Farm Bureau Mutual Ins Co	Roger N. Batdorff
PA National Mutual Casualty Ins Co	Alan Stowe
Travelers Indemnity Company	Jeffrey W. Schmidt
*chair	





## Workers Compensation Filings

In 2008, the Bureau sent out a Request For Proposal (RFP) regarding actuarial services needed for preparing and testifying on the annual workers compensation loss cost and residual market rate filings. After reviewing many quality responses, and with the assistance of the committees, the Bureau ultimately selected the National Council on Compensation Insurance (NCCI) to provide these services. In addition, the Bureau elected to use Milliman, Inc. to provide actuarial assistance in the preparation of the filings and to perform an independent review of the filings.

The Bureau continues to review changes proposed by the National Council on Compensation Insurance for their applicability to North Carolina. This year significant changes, mostly for clarification, were made to the Retrospective Rating Plan Manual used countrywide. In addition, use of the 4-hazard group system was eliminated in favor of the 7-hazard group system, which was first introduced in 2006. Additional filings were made and approved by the Department of Insurance related to other manuals, many of which have been adopted not just in North Carolina but also Countrywide. These incremental changes allow flexibility and evolution with regard to the manuals used in Workers Compensation.

In addition to manual changes, the Rate Bureau and the Department of Insurance worked together to establish new guidelines to permit companies to file Large Deductible Program Filings directly with the Department of Insurance. The new procedures clarify how these programs are reviewed in North Carolina and allow these carrier-specific programs to be negotiated and used with large risks.

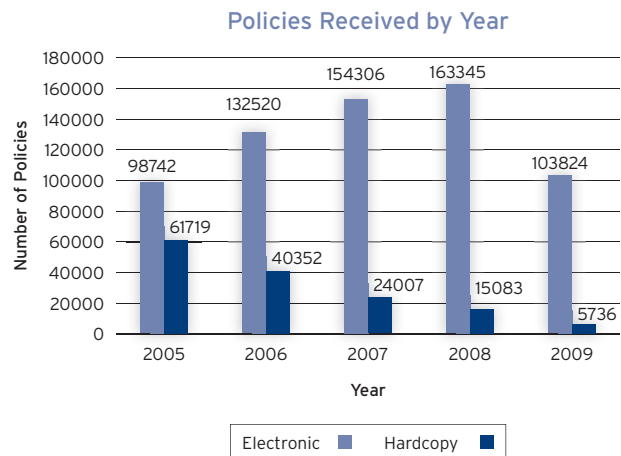
The Workers Compensation Forms Subcommittee has been instrumental in recommending approval of numerous forms or form revisions to the Workers Compensation Committee. Since its inception, this Subcommittee has reviewed and provided valuable expertise in areas such as Foreign Coverage and Cancellation Forms. With regard to forms filings, the Rate Bureau has published a document on “Frequently Asked Questions—Workers Compensation Filings” on the Website.

Workers Compensation Forms Subcommittee Members	Representative
Key Risk Insurance Company	John Elwonger
Liberty Mutual Insurance Company	Dave Hall
Travelers Indemnity Company	Cody Giroux
Companion Property & Casualty Co	Sandra Barrett* Susan Canton Rex Boylston
Maryland Casualty Company	Susan Gordon
*chair	

## Data Operations

### Electronic Reporting of Workers Compensation Data

Over the last several years, the Bureau has encouraged member companies to report workers compensation unit statistical and policy data to the Bureau electronically. Effective October 1, 2009, the Bureau discontinued the acceptance of new and renewal policy data in hardcopy format from member companies. As of July 1, 2010, all policy data (policies, cancellations/reinstatements, endorsements, etc.) are required to be submitted electronically.



## Industry Data Collection

The Industry Data Collection (IDC) system is used for data calls related to Private Passenger Auto, Homeowners and Dwelling insurance. Additionally, members of the Bureau are required to report annual statement information to the Bureau through the IDC system. IDC underwent a major rewrite in 2008. The data collected from IDC is edited and reviewed by Bureau staff prior to use in various rate filings.

The information collected includes the following:

- Property & Casualty Annual Statements
- Insurance Expense Exhibits
- Automobile Expense Experience
- Automobile Installment Premium Charges
- Homeowners Expense Experience
- Dwelling Expense Experience

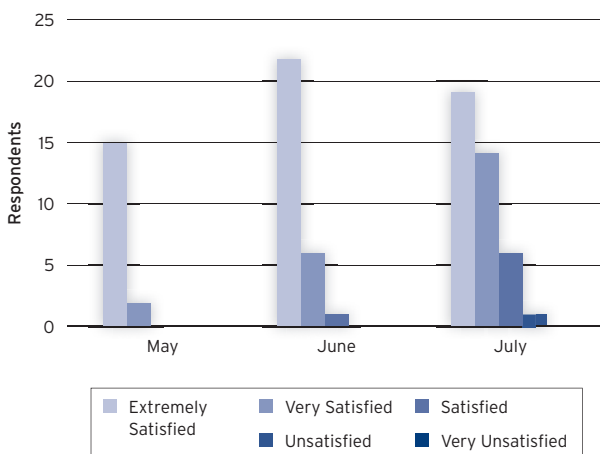
## Shared Services

### Information Services

The Information Services group is responsible for Communications/Customer Service, Process Documentation, Process Improvements and Systems Availability.

The group works to provide quality customer service. The Information Center handles approximately 5,300 calls and emails per month from external sources and the service desk handles an additional 250 calls and emails from internal associates. To ensure that contacts with the Bureau meet the needs of those seeking the Bureau's assistance, a monthly random satisfaction sampling is done. Feedback received from the surveys is acted upon to continually improve services.

Information Center Customer Survey Results



The department is working to document the Organization's processes so that evaluations can be made on quality and cost to help identify opportunities for improvements. Once opportunities for improvement are identified, a team of associates works to design,

implement and improve systems that help streamline workflow, improve quality and increase value to those seeking assistance.

As technology continues to become an increasingly important component of business, the systems area works to ensure that systems are available and secure. Investments in this area will help position the Bureau to respond more readily to requests and increase capacity for future growth.

### Human Resources

Human Resources (HR) is the strategic and coherent approach to the management of our Organization's most valued assets—the people. HR responsibilities include effectively administering HR policies, programs and practices.

On-site training this year consisted of nine wellness classes through a partnership with WakeMed Hospital, six Microsoft Office classes, and five professional development classes.

Various wellness activities that have occurred include:

- WeightWatchers at Work
- Tobacco-free campus
- Participation in the Step-By-Step Program of walking 10,000 steps a day
- Wellness screenings held on site
- Certification training through the American Red Cross on First Aid, CPR and AED usage

Human Resources strives to provide opportunities for each associate's personal and professional growth which, in turn, enables the best possible service to member companies.

## Finance

The Finance Department consistently strives to keep the expenses of the Bureau within the approved budget and is cognizant that the costs associated with the services provided to the insurance industry are primarily borne by the companies the Bureau serves. Additionally, the Finance Department is conscious that the expenses incurred are fairly allocated to the carriers writing the respective lines of insurance under the Bureau's jurisdiction. Workers compensation, automobile and property expenses that are specific to the aforementioned lines are recorded appropriately as they are incurred. Other expenses are allocated to the major lines using a fair and methodical approach based on the activity associated with the particular expenses. All expenses are captured and maintained until the final expenses for each year are reapportioned based on the actual written premiums for that respective year.

The allocation process has been somewhat complicated by the recent growth in the shared departments that serve not only the Rate Bureau but also the Reinsurance Facility and Insurance Guaranty Association. IT projects, HR programs and financial services are but a few areas where the allocation of the related expenses becomes somewhat complex—but Staff continues to analyze these shared expenses to assure a fair and reasonable distribution to the appropriate organization. The table below shows a summary of the direct and allocated expenses for the prior two years and the first half of 2009. It is projected that the expenses of the Rate Bureau will be once again under budget for the current year.

Administrative Expenses	2007	2008	Thru June 2009
Insurance Operations (Direct)	\$ 8,502,900	\$ 9,535,012	\$ 4,841,129
Shared Services (Allocated)	3,192,352	3,335,157	1,613,689
<b>Total Expenses</b>	<b>\$ 11,695,252</b>	<b>\$ 12,870,169</b>	<b>\$ 6,454,818</b>
<b>Total Budget</b>	<b>\$ 11,583,287</b>	<b>\$ 13,104,407</b>	<b>\$ 6,759,213</b>

## Summary

The North Carolina Rate Bureau serves the insurance industry in the State of North Carolina by providing services and programs for automobile, property and workers compensation insurance. The focus has been on ensuring excellence in managing day-to-day tasks; demonstrating flexibility in responding to changes in the business landscape; and working to continually improve skills, tools and processes. Recognition for the successes achieved in 2009 is extended to committee members, counsel, experts and the numerous associates of the Bureau that support the North Carolina insurance industry.



# North Carolina Rate Bureau

## Balance Sheet

Year Ending

August 31, 2009      August 31, 2008

### Assets

Cash & Investments - Unrestricted	\$1,164,099	\$420,372
Cash & Investments - Restricted	596,556	688,991
Assessments Receivable	29,777	210,495
Accounts Receivable	146,550	227,700
Other Assets	5,689	27,376
<b>Total Assets</b>	<b>\$1,942,671</b>	<b>\$1,574,934</b>

### Liabilities & Fund Equity

Refund to Carriers Payable	\$50,098	\$50,098
Retiree Insurance Payable - Restricted	571,832	575,501
Other Benefits Payable - Restricted	24,724	113,489
Other Liabilities	(12,894)	(7,068)
<b>Total Liabilities</b>	<b>\$633,760</b>	<b>\$732,021</b>

Fund Equity	1,308,911	842,913
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$1,942,671</b>	<b>\$1,574,934</b>

## Income Statement

Year Ending

August 31, 2009      August 31, 2008

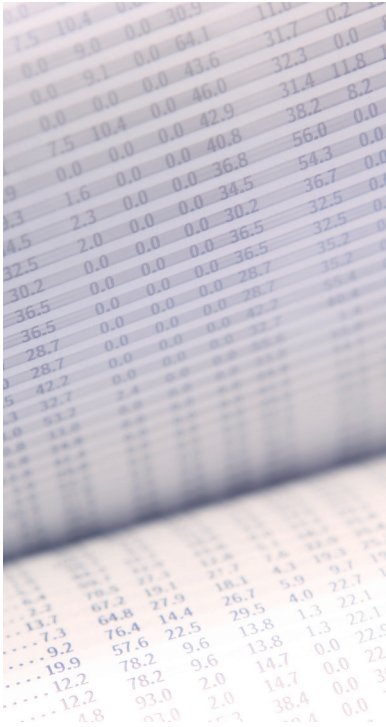
### Income

Assessments Income	\$12,014,117	\$10,026,113
Membership Fees Income	732,000	713,750
Late Data Reporting Charges	104,900	93,000
Policy Keying Charges	533,400	745,150
Delinquent USR Charges	501,800	432,300
Other Income	5,699	13,393
<b>Total Income</b>	<b>\$13,891,916</b>	<b>\$12,023,706</b>

### Expenses

Legal, Consulting & Other Outside Services	\$7,156,697	\$7,132,521
Salaries & Administration Expenses	2,794,868	2,870,826
Other Operating Expenses	2,452,678	2,688,523
<b>Total Expenses</b>	<b>\$12,404,243</b>	<b>\$12,691,870</b>

<b>Net Income / (Loss)</b>	<b>\$1,487,673</b>	<b>\$(668,164)</b>
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## NCRB Management Staff



**Karen Byrd**  
Supervisor,  
WC Assigned Risk



**Delisa Fairley**  
Manager,  
Insurance Data Operations



**Wayne Hinton**  
Manager, Automobile



**Betty Hurst**  
Manager,  
Workers Compensation



**Tim Lucas**  
Manager, Personal Lines



**Lynne Mays**  
Supervisor,  
WC Data Quality



**Rebecca Williams**  
Manager, Data Analysis

13

## Organization Shared Resources



**Shelley Chandler**  
Director,  
Information Services



**Vicki Godbold**  
Director,  
Human Resources and  
Administrative Services



**David Sink**  
Director, Finance

## 30+ Year Associates



Front row (from left to right): Faye Helms, Mabel Short, Donna Guin, Lois Murphey  
Back row (from left to right): Tim Lucas, Debbie Spence, David Sink



North Carolina Rate Bureau

5401 Six Forks Road Raleigh, NC 27609

[www.ncrb.org](http://www.ncrb.org)

