



MINUTES OF THE THIRTY-SIXTH ANNUAL MEETING OF THE NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER, ONE
THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA, OCTOBER 16, 2013

MEMBERS PRESENT

Allstate Insurance Co.
 Allstate Indemnity Co.
 Allstate Property & Casualty Insurance Co.
 Allstate Vehicle and Property Insurance Co.
 Encompass Indemnity Co.
 Esurance Insurance Co.
 First Colonial Insurance Co.
 Northbrook Indemnity Co.
 American Home Assurance Co.
 AIU Insurance Co.
 Chartis Casualty Co.
 Chartis Property Casualty Co.
 Commerce & Industry Insurance Co.
 Granite State Insurance Co.
 Insurance Co. of the State of Pennsylvania
 National Union Fire Insurance Co. of Pittsburg Pennsylvania
 New Hampshire Insurance Co.
 Amica Mutual Insurance Co.
 Atlantic Casualty Insurance Co.
 Little River Insurance Co.
 Auto Owners Insurance Co.
 Owners Insurance Co.
 Builders Mutual Insurance Co.
 Builders Premier Insurance Co.
 Hartford Fire Insurance Co.
 Hartford Accident & Indemnity Co.
 Hartford Casualty Insurance Co.
 Hartford Insurance Co. of the Midwest
 Hartford Underwriters Insurance Co.
 New England Insurance Co.
 Property & Casualty Insurance Co. of Hartford
 Sentinel Insurance Co. Ltd
 Trumbull Insurance Co.
 Twin City Fire Insurance Co.
 Liberty Mutual Insurance Co.
 American Economy Insurance Co.
 American Fire & Casualty Co.
 American States Insurance Co.

REPRESENTED BY

Brian Donlan
 John Erickson
 Dexter Jones
 Kevin Steele

 Ira Feuerlicht
 Wavel Howell

 Jim Sherring
 Mark Caughron

 Drew Klasing

 Jerry Visintine

 Andy Montano
 Heather Souza

 Tom Driscoll
 Andrew Larson
 Cindy Sickler
 Jared Stuckey

Liberty Mutual Insurance Co. (Con't.)

American States Preferred Insurance Co.
Bridgefield Casualty Insurance Co.
Bridgefield Employers Insurance Co.
Colorado Casualty Insurance Co.
Employers Insurance Co. of Wausau
Excelsior Insurance Co.
First Liberty Insurance Corp.
First National Insurance Co. of America
General Insurance Co. of America
Liberty Insurance Corp.
Liberty Insurance Underwriters Inc
Liberty Mutual Fire Insurance Co.
Liberty Mutual Mid-Atlantic Insurance Co.
LM General Insurance Co.
LM Insurance Corp.
LM Property & Casualty Insurance Co.
Midwestern Indemnity Co.
Montgomery Mutual Insurance Co.
Netherlands Insurance Co.
Ohio Casualty Insurance Co.
Ohio Security Insurance Co.
Peerless Indemnity Insurance Co.
Peerless Insurance Co.
SAFECO Insurance Co. of America
SAFECO Insurance Co. of Indiana
Wausau Business Insurance Co.
Wausau Underwriters Insurance Co.
West American Insurance Co.

Integon Indemnity Corporation

Agent Alliance Insurance Co.
AmTrust Insurance Co. of Kansas, Inc.
Integon Casualty Insurance Co.
Integon General Insurance Corp.
Integon National Insurance Co.
Integon Preferred Insurance Co.
Maiden Reinsurance Co.
Maiden Specialty Insurance Co.
MIC General Insurance Corp.
Milwaukee Casualty Insurance Co.
National General Assurance Co.
National General Insurance Co.
New South Insurance Co.
Security National Insurance Co.
Technology Insurance Co.
Wesco Insurance Co.

Art Lyon

Nationwide Mutual Insurance Company

Allied Property & Casualty Insurance Company
AMCO Insurance Company
Depositors Insurance Company
Farmland Mutual Insurance Company
Freedom Specialty Insurance Company
Harleysville Insurance Company
Harleysville Preferred Insurance Company
Harleysville Worcester Insurance Company

Mark McGhiey
Kathy Southern

Nationwide Mutual Insurance Company (Con't.)

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 Property & Casualty Insurance Company	
Scottsdale Indemnity Company	
Titan Indemnity Company	
Victoria Automobile Insurance Company	
Victoria Fire & Casualty Company	
North Carolina Farm Bureau Mutual Insurance Co.	Roger Batdorff
Farm Bureau Insurance Co. of North Carolina	
Penn National Security Co.	John Buchenauer
Pennsylvania National Mutual Casualty Insurance Co.	Pat Lovell
Progressive Casualty Insurance Co.	Cheryl Smalley
National Continental Insurance Co.	
Progressive Advanced Insurance Co.	
Progressive American Insurance Co.	
Progressive Direct Insurance Co.	
Progressive Max Insurance Co.	
Progressive Northern Insurance Co.	
Progressive Northwestern Insurance Co.	
Progressive Preferred Insurance Co.	
Progressive Premier Insurance Co. of Illinois	
Progressive Southeastern Insurance Co.	
Progressive Universal Insurance Co.	
United Financial Casualty Co.	
Riverport Insurance Co.	Tammy Rosati
Acadia Insurance Co.	
Admiral Indemnity Co.	
American Mining Insurance Co., Inc.	
Berkley Insurance Co.	
Berkley National Insurance Co.	
Berkley Regional Insurance Co.	
Carolina Casualty Insurance Co.	
Continental Western Insurance Co.	
Firemens Insurance Co. of Washington District of Columbia	
Great Divide Insurance Co.	
Key Risk Insurance Co.	John Godfrey
Midwest Employers Casualty Co.	
StarNet Insurance Co.	
Tri-State Insurance Co. of Minnesota	
Union Insurance Co.	
Sentry Casualty Co.	Peter Sampson
Dairyland Insurance Co.	
Middlesex Insurance Co.	
Peak Property & Casualty Insurance Corp.	
Sentry Insurance A Mutual Co.	
Sentry Select Insurance Co.	
State Farm Mutual Automobile Insurance Co.	Alan Bentley
State Farm Fire & Casualty Co.	
State Farm General Insurance Co.	
Travelers Indemnity Co.	Chad Wilson
Automobile Insurance Co. of Hartford	
Charter Oak Fire Insurance Co.	
Travelers Indemnity Co. (Con't.)	
Commercial Guaranty Insurance Co.	
Discover Property & Casualty Insurance Co.	
Farmington Casualty Co.	
Fidelity & Guaranty Insurance Co.	
Fidelity & Guaranty Insurance Underwriters Inc	
Northland Casualty Co.	
Northland Insurance Co.	

Phoenix Insurance Co.	
Select Insurance Co.	
St Paul Fire & Marine Insurance Co.	
St Paul Guardian Insurance Co.	
St Paul Mercury Insurance Co.	
St Paul Protective Insurance Co.	
Standard Fire Insurance Co.	
Travco Insurance Co.	
Travelers Casualty & Surety Co.	
Travelers Casualty & Surety Co. of America	
Travelers Casualty Co.	
Travelers Casualty Co. of CT.	
Travelers Casualty Insurance Co. of America	
Travelers Commercial Casualty Co.	
Travelers Commercial Insurance Co.	
Travelers Constitution State Insurance Co.	
Travelers Home & Marine Insurance Co.	
Travelers Indemnity Co. of America	
Travelers Indemnity Co. of CT.	
Travelers Personal Insurance Co.	
Travelers Personal Security Insurance Co.	
Travelers Property Casualty Co. of America	
Travelers Property Casualty Insurance Co.	
United States Fidelity & Guaranty Co.	
United Services Automobile Association	Dan Pickens
Garrison Property & Casualty Insurance Co.	
USAA Casualty Insurance Co.	
USAA General Indemnity Co.	
United Wisconsin Insurance Co.	Dana Pierce
Accident Fund General Insurance Co.	
Accident Fund Insurance Co. of America	
Accident Fund National Insurance Co.	
Unitrin Auto & Home Insurance Co.	Jennifer Fredenberg
Alpha Property & Casualty Insurance Co.	Christy Jones
Kemper Independence Insurance Co.	Tom Tomlinson
Unitrin Auto & Home Insurance Co.	
Merastar Insurance Co.	
Response Insurance Co.	
Response Worldwide Insurance Co.	
United Casualty Insurance Co. of America	
Unitrin Direct Property & Casualty Co.	
Unitrin Safeguard Insurance Co.	
Universal Insurance Co.	Jim McCafferty
Zurich American Insurance Co.	Bill Tibbens
21st Century Advantage Insurance Co.	
21st Century Assurance Co.	
21st Century Casualty Co.	
21st Century Centennial Insurance Co.	
21st Century Insurance Co.	
Zurich American Insurance Co. (Con't.)	
21st Century North America Insurance Co.	
21st Century Premier Insurance Co.	
American Guarantee & Liability Insurance Co.	
American Zurich Insurance Co.	
Assurance Co. of America	
Centre Insurance Co.	
Colonial American Casualty & Surety Co.	
Empire Fire & Marine Insurance Co.	
Farmers Insurance Exchange	
Fidelity & Deposit Co. of Maryland	
Foremost Insurance Co. Grand Rapids MI	

Foremost Property & Casualty Insurance Co.
Foremost Signature Insurance Co.
Maryland Casualty Co.
Mid Century Insurance Co.
Northern Insurance Co. of New York
Truck Insurance Exchange
Universal Underwriters Insurance Co.
Zurich American Insurance Co. of Illinois

OTHERS PRESENT

Young Moore and Henderson, P.A.

ISO

Milliman, Inc.

JSA

Public Members – NCRB Governing Committee

Staff

REPRESENTED BY

Glenn Raynor
Mickey Spivey
Mike Strickland
Bill Trott
Rob Curry
Patrick Woods
David Appel
Greg Spray
William Edgar
Justin Wolfe
Shelley Chandler
Edith Davis
Ray Evans
Delisa Fairley
Vicki Godbold
Fred Hoerl
Betty Hurst
Tim Lucas
Lois Murphey
David Sink
Sue Taylor
Rebecca Williams

204 other companies were present by proxy.

The meeting convened as scheduled, Mr. Batdorff of North Carolina Farm Bureau Mutual 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. Taylor announced that there was a quorum.

1. Annual Report

Mr. Evans reviewed and commented on the 2013 Annual Report, a copy of which is attached hereto. The Annual Report was approved by the members.

2. Staff Recap of 2013

Mr. Evans commented on the strategic and operational goals of the Rate Bureau. Mr. Sink discussed specifics of the financial position of the Rate Bureau. Ms. Taylor reviewed the highlights of the year and the goals for 2014 for Insurance Operations.

3. Governing Committee Election

Mr. Klasing, representing Auto Owners Insurance Company, reported that the Nominating Committee (comprised of Auto Owners Insurance Company (Chair), Hartford Fire Insurance Company, Integon Indemnity Corporation, NC Farm Bureau Mutual Insurance Company and Nationwide Mutual Insurance Company) nominated the following companies to continue to serve a second three-year term on the Governing Committee: American Home Assurance Company for the stock position and Auto Owners Insurance Company for the non-stock position. He further reported that the Nominating Committee nominated the following as new companies to the Governing Committee: Allstate Insurance Company for the stock position and State Farm Mutual Automobile 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. Batdorff thanked Nationwide Mutual Insurance and Travelers Insurance Company for their service on the Governing Committee.

4. Comments from the Chairman

Mr. Batdorff thanked members of the Governing Committee and members serving on Rate Bureau committees for their service to the industry as well as counsel, consultants and staff for their work throughout the year.

5. Adjournment

There was no further business, and the meeting was adjourned.

Respectfully Submitted,

Sue Taylor

Director of Insurance Operations

ST:dms

5/7/14

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North Carolina Rate Bureau

Annual Report



2013

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CORE VALUES

Commitment

Integrity

Respect

Talents

Ownership

Consistency

Management Contacts

NCRB Staff

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

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

Karen Byrd Manager, Workers Compensation Underwriting Services
919-582-1075 khb@ncrb.org

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

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

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

Lynne Mays Supervisor, Workers Compensation Data Quality
919-582-1080 lwm@ncrb.org

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

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

Shared Resources Staff

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

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

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

General Organizational Information

NCRB Main Phone Number 919-783-9790

Website Address www.ncrb.org

Physical Address 2910 Sumner Blvd.
Raleigh, NC 27616

2013 Annual Meeting

The annual meeting of member companies of the North Carolina Rate Bureau will be held October 16, 2013, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

GENERAL MANAGER'S REPORT



Ray Evans
GENERAL MANAGER

Looking back on this past year, one thing similar to recent years is that we became involved in many issues and activities that we did not anticipate. Because the unexpected is becoming the routine, our core values and vision are extremely important in providing guidance and a foundation for decision making. Briefly, these are what guide us: do what we do with complete integrity, always comply with statutes, advocate for appropriate rates, be good stewards of members' money, communicate well using only facts and treat our associates fairly.

One good example of the unexpected is that we expected the misclassified employee (independent contractor/employee) and "employers that should have but don't have workers compensation insurance" issues to be resolved as we were party to two major "global" initiatives concerning them. Unfortunately, these have yet to be resolved; and a third issue, data sharing with state agencies, has been created in response.

Another issue we did not see coming was the discovery of an embezzlement scheme at another bureau. While not impacting us directly, and we do not suspect anything similar, it is a management opportunity to examine what went wrong, evaluate our procedures and oversight activity and consider changes that might make us less vulnerable. One change resulting from this review, creating an Audit Committee of the Governing Committee, has already been proposed and accepted.

In addition to the unexpected, the Rate Bureau has been able to achieve most of the goals for the year. The 2011 homeowners filing, with considerable help from a Governing Committee Negotiating Team, was settled, and while not perfect, did move us closer to the indicated rates. We made great strides in updating the fundamentals of the workers compensation program, including revising the statistical manual and revising the methodology for experience rating ("split point change"). And, we were able to recoup expenses on two programs that the Rate Bureau participated in developing by "selling" the programs to other rate bureaus, suggesting the work is viewed as valuable to our peers. Another goal we have had for a couple of years is executing agreements with all vendors and customers on the scope of work, service levels, pricing and, in general, memorializing the relationship. Sue Taylor has been working hard on this and is very close to concluding agreements with a major vendor and a government agency, which will be a significant milestone for the Rate Bureau.

Another expected source of activity this year was legislation. With the long session and big change in legislators, we were not disappointed. When requested, we were able to provide details and assistance in an unbiased and factual manner.

We were able to respond to the demands of this year because of the efforts of our associates and because the Governing Committee and the other committees and subcommittees were available to offer counsel and direction, many times on short notice.

Ray Evans
General Manager

MESSAGE FROM THE CHAIR OF THE GOVERNING COMMITTEE

As I reach the midpoint of my term as Chair of the Governing Committee, I look back at the year and reflect on all that has occurred that has affected the insurance industry. 2013 has been a busy year for the North Carolina Rate Bureau and the numerous committees of the Bureau.

First, the Homeowners Filing made in October 2012 and the settlement with the Department of Insurance in March 2013 necessitated numerous committee meetings and discussions with the Department of Insurance. Although the rate level, particularly on the coast, is still inadequate, the Rate Bureau continues to work towards the rate adequacy the industry requires.

The long session of the North Carolina General Assembly began in January of this year. Numerous insurance-related bills were on the agenda for the session, including bills in all of the Rate Bureau's lines of business—Private Passenger Automobile, Residential Property and Workers Compensation. Rate Bureau staff made presentations before the General Assembly committees and responded to questions and requests for information.

In Auto, several bills were proposed that would have made significant changes to the regulatory landscape in North Carolina. No legislation was passed that would impact the Rate Bureau's role with regard to Private Passenger Automobile Insurance.

In Property, for the first time ever, the Rate Bureau was required to file a report with the General Assembly. This report—"Study of the Current Geographic Territories Established by the North Carolina Rate Bureau"—was filed June 17, 2013. The Rate Bureau will continue to consider this report and potential implications with regard to any upcoming property insurance filings.

Workers Compensation also became a topic in the North Carolina General Assembly. Workers Compensation bills addressed privacy, insurance fraud and changes to the rules made by the North Carolina Industrial Commission.

I would like to extend my appreciation to each of the Bureau's committee members. These members of our industry spend many hours working on the important issues in North Carolina. I thank you for your efforts on behalf of the insurance industry in North Carolina. The Bureau's consultants also provide valuable services, and I appreciate the work they do on behalf of the Bureau.

Finally, thanks to Ray Evans, his staff and all the employees of the Rate Bureau for their contributions to the organization and insurance industry of North Carolina.

Sincerely,

Roger Batdorff, North Carolina Farm Bureau Mutual Insurance Company
Chair, NCRB Governing Committee

NORTH CAROLINA RATE BUREAU CONSTITUTIONAL COMMITTEE MEMBERS

Governing Committee	
Members	Representative
American Home Assurance Company	Ira Feuerlicht
Auto-Owners Insurance Company	Drew Klasing
Builders Mutual Insurance Company	Jerry Visintine
Hartford Fire Insurance Company	Andy Montano
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
Nationwide Mutual Insurance Company	Mark McGhiey
N.C. Farm Bureau Mutual Insurance Company*	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
Travelers Indemnity Company	Kristina Barronton
United Services Automobile Association	Dan Pickens
Unitrin Auto & Home Insurance Company	Jennifer Fredenberg
Public Members	Justin Wolfe
	William Edgar

Property Committee	
Members	Representative
Allstate Insurance Company	Brian Donlan
Amica Insurance Company	James Sherring
Erie Insurance Exchange	Kristopher Marrion
Hartford Fire Insurance Company	Andy Montano
Members Insurance Company	Michael Cole
Nationwide Mutual Insurance Company	Kathy Southern
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	Sylvia Kyle
United Services Automobile Association	Michael Patterson
Unitrin Auto & Home Insurance Company	Robert Sprague

Automobile Committee	
Members	Representative
Allstate Insurance Company	Christopher Stoll
Government Employees Insurance Company	Chris Dour
Hartford Accident & Indemnity Company	Cliff Wess
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Jared Stuckey
Nationwide Mutual Insurance Company	Zachary Webber
N.C. Farm Bureau Mutual Insurance Company	Roger Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Kathy Popejoy
Travelers Indemnity Company	Sylvia Kyle
United Services Automobile Association	Lisa Sukow
Unitrin Auto & Home Insurance Company	Robert Sprague

Workers Compensation Committee	
Members	Representative
American Home Assurance Company	Ira Feuerlicht
Amerisure Insurance Company	Brent Otto
Builders Mutual Insurance Company	Jerry Visintine
Companion Property & Casualty Company	Tom Walsh
Harleysville Mutual Insurance Company	John Zulueta
Hartford Accident & Indemnity Company	Melinda Thompson
Key Risk Insurance Company	John Godfrey
Liberty Mutual Insurance Company	Douglas Queenin
N.C. Farm Bureau Mutual Insurance Company	Roger Batdorff
PA National Mutual Casualty Insurance Company	Alan Stowe
Travelers Indemnity Company*	Jeffrey Schmidt
Zurich American Insurance Company	Richard Ferris

In addition to the Constitutional Committees, the following subcommittees and task force groups assisted the Bureau in 2013: Auto Territory Task Force, Property Forms Subcommittee, Property Rating Subcommittee, Property Territory Task Force, Workers Compensation Forms Subcommittee. Special thanks is extended to all who participated in committees, subcommittees and task force groups for the North Carolina Rate Bureau in 2013!

* Chair

INSURANCE OPERATIONS



The cover of the 2013 North Carolina Rate Bureau Annual Report depicts scenes from the mountains to the coast in the beautiful state of North Carolina. That is appropriate in that the Bureau works with member insurance companies, agents and insureds from the mountains to the coast. 2013 has been a very busy and exciting year for the Bureau, serving stakeholders of the Bureau from all over the State of North Carolina.

A summary of the highlights of 2013 includes:

- Settlement of the Homeowners Filing submitted October 2012
- Approval of the Homeowners 2011 Policy Program
- Provided, when requested, data to the General Assembly on numerous insurance-related bills and provided updates to the Rate Bureau committees and subcommittees
- Participated in the Property Symposium held at the University of North Carolina – Charlotte
- Began work on automobile territory revisions for filing by December 31, 2013

- Participated in meetings with the North Carolina Industrial Commission and the Government Data Analytics Center regarding workers compensation compliance and insurance fraud
- Conducted the bid process for the award of the workers compensation assigned risk servicing carrier contracts, to be effective January 1, 2014
- Enhanced the Insurance Data Collection system for carrier submission of annual statement and expense data
- Introduced an improved ManagePolicy/USR system to allow direct reporters of USR data to submit USR data and data corrections via a web application
- Completed rewrite of Spectrum system for workers compensation utilizing new technology
- Rewrote the North Carolina Workers Compensation Statistical Plan Manual and began the rewrite of a state-specific North Carolina Workers Compensation Basic Manual
- Provided demonstrations to other bureaus of North Carolina workers compensation development projects, resulting in reimbursement of a portion of development costs
- Continued to provide on-time delivery of services

By all measures, 2013 has been an extraordinary year for the North Carolina Rate Bureau. These achievements are a testament to the commitment of talented Bureau associates, committee members, counsel and consultants. The Bureau is positioned for continued success in 2014.

PERSONAL LINES

Automobile

On February 1, 2013, the Rate Bureau filed a Private Passenger Automobile rate level review with the Department of Insurance (DOI). The Rate Bureau is required to make a filing every year by February 1, and this year it was decided to file only a review of the data and not request a revision in the rates from the currently approved rates. The next rate filing or review will be made on or before February 1, 2014.

The North Carolina General Statutes require the Rate Bureau to file revisions to the automobile territory definitions at least every 10 years. The last filing was made in 2003. As a result, the Automobile Territory Task Force has been working toward a proposal that revises the definitions by introducing territory definitions based on zip code. This filing is required to be made by December 31, 2013.

Safe Driver Insurance Plan

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

	2013	2012	2011
In Favor of Insured	1	1	5
In Favor of Company	3	3	11

Automobile Legislation

During the 2013 session of the General Assembly, House Bill 240 was ratified on June 6, 2013. Included in the bill was an amendment to modify the jurisdiction of the Rate Bureau by increasing the weight limit in the definition of a private passenger automobile from 10,000 pounds to 14,000 pounds. This revision becomes effective with policies becoming effective on or after January 1, 2014.

Property

On October 1, 2012, the Rate Bureau submitted a rate filing proposing revised rate levels for the Homeowners Policy Program. The filing proposed an overall rate level change of +17.7%. In addition, the filing proposed a revision to the windstorm and hail exclusion credits. Following considerable discussion with the Commissioner and the DOI, a settlement was reached, and a Settlement Agreement and Consent Order was entered on March 5, 2013, implementing an overall rate level increase of +7.0% effective July 1, 2013.

The 2012 Annual Report documented a Dwelling Fire and Extended Coverage rate filing that was made on January 11, 2011, proposing an overall rate level change of -7.3% for fire and +36.1% for extended coverage. In addition, the filing proposed a revision to the windstorm and hail exclusion credits as well as revised territory definitions that tracked the territory definitions in the Homeowners Policy Program. The Commissioner held a public hearing that culminated in December 2011 with his order approving the filed fire decrease and disapproving the filed extended coverage increase. Following lengthy discussions, the Rate Bureau, the Commissioner and the DOI entered into a Settlement Agreement and Consent Order that approved the ordered/ filed fire decrease and implemented an overall increase in extended coverage rates of +11.4% effective April 1, 2013, and subsequent increases in each of the next two years of +8.3% and +3.4%.

During the 2012 session of the General Assembly, Senate Bill 836 was ratified. In part, this bill required the Rate Bureau to complete a study of the property territories in North Carolina and submit a report to the 2013 session of the General Assembly. A Territory Task Force was constituted that worked with Insurance Services Office and AIR Worldwide to develop a report. This report was submitted to the General Assembly on June 17, 2013.

The Rate Bureau filed the 2011 Homeowners Policy Program on January 24, 2013, and on June 1, 2013, received approval of the revised program. The effective date of the revisions was June 1, 2013, on an optional basis, but implementation is required no later than April 1, 2014.

Property Legislation

House Bill 240, ratified on June 6, 2013, included an amendment to modify the time period for submitting a proof of loss for insurance policies insuring real property and its contents when a state of disaster is proclaimed or declared for the State of North Carolina. This section of the bill became effective upon ratification. Necessary revisions to the Homeowners, Dwelling and Mobile Homeowners Policy Programs are being prepared as of the publication of this report.

WORKERS COMPENSATION

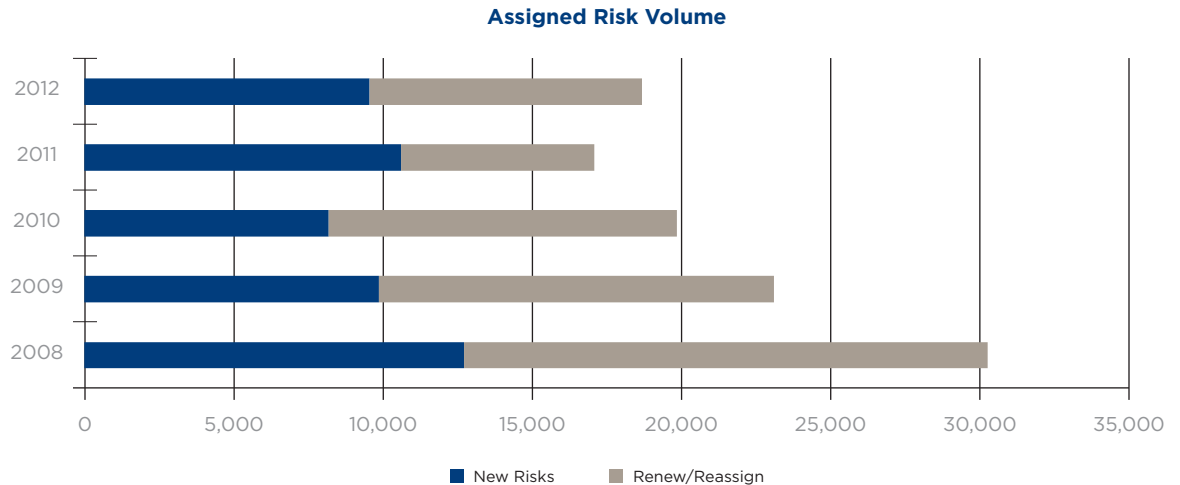
In August 2013, the Rate Bureau filed for a Workers Compensation loss cost increase of +0.3% in the voluntary market and a rate increase of +9.0% in the Assigned Risk market. Those filings are pending as of the preparation of this report.

Assigned Risk

Through the first six months of 2013, new and renewal risks in the assigned risk market have increased 11.7% over the prior year, and premium has increased 31.6%. Increased assignments have been noted in all premium-size categories but particularly in premiums over \$100,000.

Utilization of the electronic application system, ManageAR, by agents continues to increase. In the past 12 months, a gain of 3% has been realized, bringing utilization as of June 30, 2013, to 95%. The Bureau continues to offer one-on-one assistance for agents and their staffs in an effort to encourage submission of both the assigned risk application and the deposit premium electronically.

As the Plan Administrator for the North Carolina Workers Compensation Insurance Plan (Assigned Risk Plan), the Bureau is responsible for selecting servicing carriers. The current servicing carrier three-year contracts expire December 31, 2013. The process of selecting carriers to provide services for the next three years is well underway. The servicing carrier selection process will be completed fourth quarter 2013, with new contracts becoming effective for a three-year period beginning January 1, 2014.



The current assigned risk carriers are as follows:

Servicing Carriers

- Riverport Insurance Company
- Travelers Property Casualty Company of America

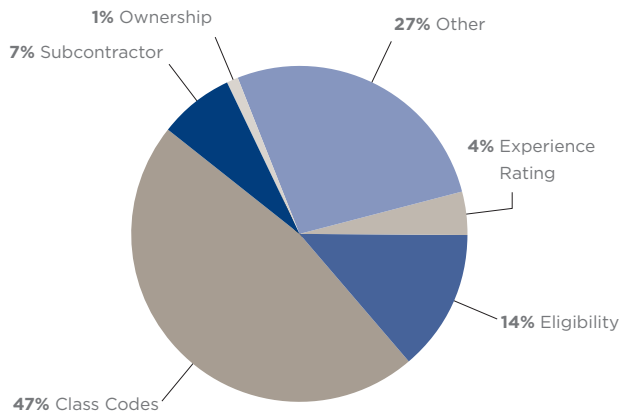
Direct Assignment Carriers

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

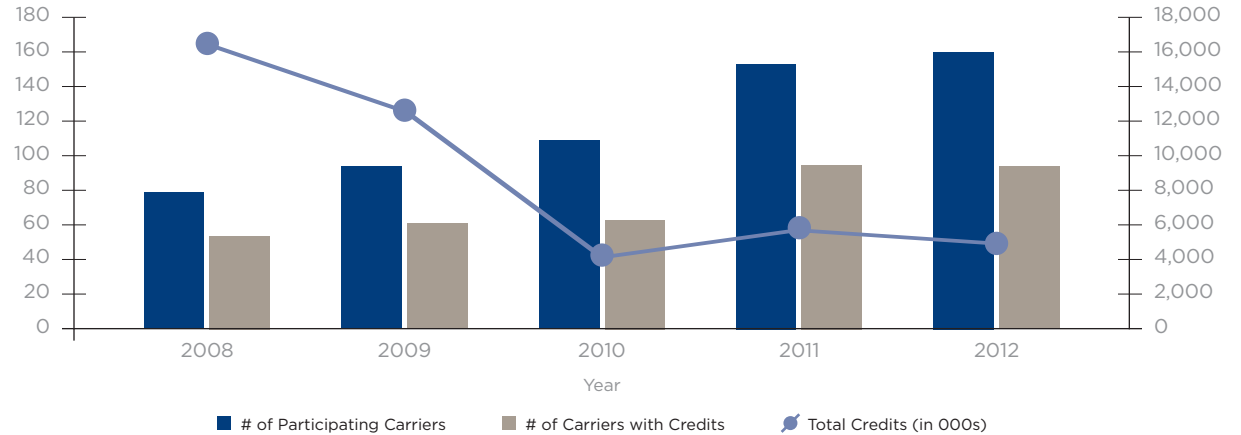
Classification and Ownership

The volume of class code inquiries responded to by the Classification and Ownership Unit increased by more than 30% over the prior year. In the past 12 months, this unit responded to 3,916 classification inquiries and processed 2,555 ownership items that resulted in 2,440 ownership rulings.

**Breakdown of Workers Compensation Disputes
7/1/12-6/30/13**



Take-Out Credits



Disputes

The number of workers compensation disputes received in the first six months of 2013 totaled 50. This number is slightly higher than the number received the first six months of 2012. As in the past couple of years, the majority of disputes continue to be attorney represented instead of being submitted by the agent or employer.

The chart to the left represents a breakdown by category of all workers compensation disputes received by the Bureau over the past 12 months.

Take-Out Credits

The North Carolina Workers Compensation Assigned Risk Take-Out Credit program is intended to encourage carriers to depopulate the residual market. This is done by providing a “credit” to carriers for workers compensation premium moved from the assigned risk market to the voluntary market. These “credits” are applied to the carrier’s voluntary premium and are used in calculating their assigned risk participation base.

The graph above is a summary of Take-Out Credit activity for the past five years.

North Carolina Manual Updates

The North Carolina Statistical Plan Manual for Workers Compensation has been completed. The updated manual contains more plain-language text and reflects reporting rules consistent with today’s electronic reporting environment. The updated manual has been reviewed by a number of carrier representatives, and once approved by the Commissioner, will be available for use.

Progress continues to be made by Bureau staff on the creation of the North Carolina state-specific Workers Compensation Basic Manual. This rewrite will convert language used in the NCCI Basic Manual to language more specific to North Carolina.

Data Operations

Data Operations consists of Data Quality and Industry Support. These two areas are responsible for the collection, reporting and monitoring of both Personal Lines and Workers Compensation data.

Over the past 12 months, the Bureau processed 563,119 workers compensation policy-related transactions. These transactions consist of new and renewal policies, cancellations, reinstatements and endorsements.

The Bureau is responsible for the collection of workers compensation unit statistical data used for the promulgation of experience mods and rate making. The Bureau processed 211,107 unit statistical reports and issued 43,983 experience modifications.

Bureau staff has increased their focus on workers compensation reporting errors that impact the employer's premium or coverage. An error follow-up process has been initiated, whereby carriers are notified when the experience mod reported on the policy does not match the experience mod promulgated by the Bureau and an endorsement is not received correcting the discrepancy within a 90-day period. Bureau staff has initiated contact with member companies on 3,744 such discrepancies. Additionally, the Bureau has begun monitoring overlapping coverage for employers, which has resulted in 9,140 follow ups.

For Personal Lines, Bureau staff continues to monitor closely the accuracy and validity of the data collected via the Insurance Data Collection (IDC) system. In 2012, a system enhancement introduced additional detail to the edit review process. The increased review resulted in clarifications and follow up with multiple carriers and improved the amount of detail provided to the Bureau.

System Development

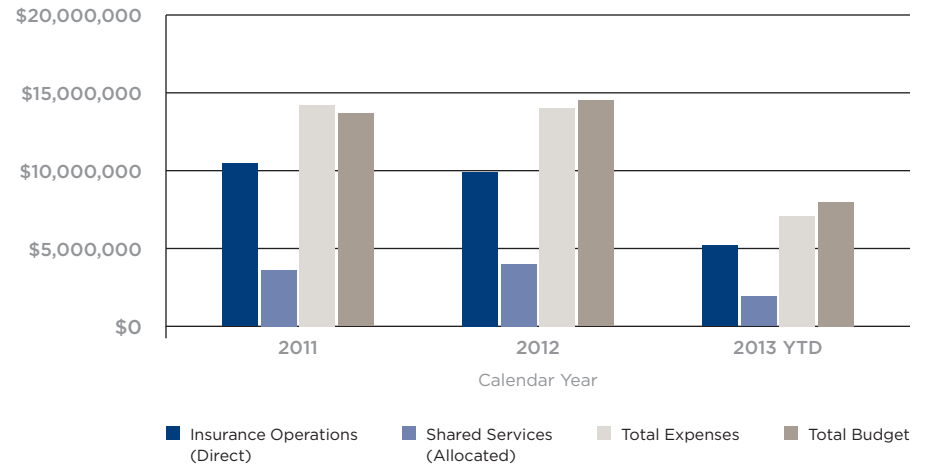
As a member of Compensation Data Exchange (CDX), the Bureau announced the sunset of the Policy Entry and Edit Package (PEEP) system effective December 31, 2014. Since 2010, the Bureau has offered the ManagePolicy system to member companies as an alternative to PEEP. In 2013, the Bureau combined the ManagePolicy web application and the ManageUSR web application into a single application. The combined application, known as ManagePolicy/USR, allows for easier navigation between policy and USR data. The ManageUSR portion of the system has been enhanced to allow direct reporters of USR data to the Bureau to submit USR data and data corrections via the ManagePolicy/USR web application. Additionally, the web application allows for creation of USR data from USRs contained within the Bureau database. In the first six months of 2013, 6,000 policy transactions have been submitted to ManagePolicy by 194 carriers.

SHARED SERVICES

Finance

The expenses of the North Carolina Rate Bureau are projected to be substantially under budget for Calendar Year 2013. Settlement of the homeowner filing that was pending at the beginning of the year and the review of the private passenger automobile that was made this year in lieu of a filing have contributed to the favorable variance in expenses compared to the

North Carolina Rate Bureau Administrative Expenses



budget. As a result of the financial position, the 3rd quarter 2013 Homeowner Assessment was reduced \$250,000 from the budgeted amount, and an additional adjustment may be warranted for the 4th quarter as well.

Assessment income decreased approximately two percent compared to the prior year despite a one percent increase in the 2013 budget from last year. This income decrease is primarily attributable to lower expenses during the report year and the aforementioned reduction in the assessable budget. Income from charges and fines for delinquent USRs increased about 11%, and late data reporting increased about \$2,300 from the report period a year ago. There has been an improvement in the Bureau's self-insured medical plan reserves as a result of higher premiums effective in 2013 and better claim experience.

The total expenses of the Rate Bureau include the direct costs incurred as well as the allocated costs of the departments whose expenses are shared with the Reinsurance Facility and the Insurance Guaranty Association. The chart above and the table below show a summary of the direct and allocated expenses for the previous two years and the first half

North Carolina Rate Bureau	Administrative Expenses		
	2011	2012	Thru June 2013
Insurance Operations (Direct)	\$ 10,445,138	\$ 9,923,988	\$ 5,157,232
Shared Services (Allocated)	3,679,881	4,040,119	1,940,223
Total Expenses	\$ 14,125,019	\$ 13,964,107	\$ 7,097,455
Total Budget	\$ 13,674,256	\$ 14,582,906	\$ 7,959,827

of 2013. The 2011 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2013.

Information Services

The Information Services (IS) Department is responsible for Customer Service, Process Documentation and Information Technology, including Software Development. Over the past year, IS has spent considerable time enhancing processes and systems already in place, enabling customers to interact with the Bureau more efficiently. With the Information Center handling more than 44,000 support calls and emails per year, along with the Service Desk fielding another 3500 calls and emails, the Department is committed to providing superior customer service to all customers. In the Information Center, the Customer Service Survey and Quality Audits have been revised as a means of optimizing the processes already in place. The goal is to remain focused on quality and continue to bring new ideas for improved process efficiencies.

The Process Documentation Services Team (PDST) remains committed in their efforts to create a process-driven environment. In response to the office move in 2012, the PDST has been focused on revamping documentation for the building facility processes to ensure the safety of associates and to reinforce the business continuity plan. The PDST has also played a key role in process improvement initiatives for the Information Center.

Information Technology (IT) remains focused on improving the security posture in an ever-increasing culture of cyber risk. An outside firm will be conducting a security assessment to assist with prioritizing next steps in the ongoing security strategy. Also, an internal security team was established to evaluate and improve security measures continually, including rewriting security policies and developing a security education and awareness program. Additionally, a

monitoring service for vulnerability management has been implemented as well as a device to evaluate and prevent Advanced Persistent Threats (APTs) that cannot be stopped by AntiVirus software or “next-generation” firewalls. Across both the IT Services and Software Development areas, upgrades to newer technologies help ensure long-term viability of a technology-rich environment. The goal is to pursue opportunities that help drive IT efficiencies. By positioning the staff to react swiftly and intelligently to potential vulnerabilities, the Bureau can mitigate any direct losses or exposure to the organizations while maintaining support to customers.

The Software Development area continues to support and maintain many custom web-based applications to enable streamlined business processing internally as well as for external customers. This team has recently undertaken an extensive effort to update technology used behind the scenes in these systems to ensure viability for the future. This initiative is expected to continue into 2014. Additionally, significant upgrades were made to the ManagePolicy/USR and IDC web applications.

Human Resources

Human Resources (HR) is the strategic and comprehensive approach to managing our Organization’s most valued assets—its people. HR responsibilities include administering HR policies, programs and practices, providing a safe work environment, professional development opportunities and work-life balance for associates. Administrative Services provides facility management of the building, mail services and receptionist responsibilities.

Training this year included 24 exercise classes held on site along with six wellness classes. Six professional development classes and two financial workshops were held for management and associates.

The Bureau has a strong wellness initiative that includes:

- WeightWatchers
- Partnership with WakeMed Hospital
- Partnership with the Performance Athletic Center
- Partnership with the NC Prevention Partners
- Annual participation in the Wellness Council of America’s (WELCOA) Step-By-Step program of walking 10,000 steps a day
- Flu shots provided for associates on-site
- Certification in First Aid, CPR and AED for a third of the workforce through the American Red Cross.

Community service involvement by Bureau associates this year included United Way and the NC Food Bank.

Associate service milestones this year include:

- 8 associates celebrating 5 years
- 8 associates celebrating 10 years
- 1 associate celebrating 15 years
- 1 associate celebrating 20 years
- 1 associate celebrating 35 years
- 1 associate celebrating 40 years

Years of Service

Years	# of Employees	% of Employees
0-9 Years	33	50%
10-19 Years	21	32%
20-29 Years	4	6%
30-39 Years	5	8%
40+ Years	3	4%
Total	66	100%

NCRB MANAGEMENT STAFF



Karen Byrd
MANAGER,
WC UNDERWRITING
SERVICES



Delisa Fairley
MANAGER, INSURANCE
DATA OPERATIONS



Betty Hurst
MANAGER, WORKERS
COMPENSATION



Tim Lucas
MANAGER,
PERSONAL LINES



Lynne Mays
SUPERVISOR,
WC DATA QUALITY



Karen Ott
SUPERVISOR,
PERSONAL LINES



Rebecca Williams
MANAGER,
DATA ANALYSIS

ORGANIZATION SHARED RESOURCES



Shelley Chandler
DIRECTOR,
INFORMATION SERVICES



Vicki Godbold
DIRECTOR,
HUMAN RESOURCES
AND ADMINISTRATIVE
SERVICES



David Sink
DIRECTOR,
FINANCE

NORTH CAROLINA RATE BUREAU

BALANCE SHEET

Year Ending	August 31, 2013 (Preliminary)	August 31, 2012
Assets		
Cash & Investments (Unrestricted)	\$2,050,200	\$2,507,356
Cash & Investments (Restricted)	884,600	581,354
Assessments Receivable	-	-
Accounts Receivable	41,250	66,050
Other Assets	8,000	3,370
Total Assets	\$2,984,050	\$3,158,130
Liabilities & Fund Equity		
Refund to Carriers Payable	-	\$50,098
Retiree Insurance Payable - Restricted	554,600	559,171
Other Benefits Payable - Restricted	330,000	22,182
Other Liabilities	(17,500)	(17,416)
Total Liabilities	\$867,100	\$614,035
Fund Equity	2,116,950	2,544,095
Total Liabilities & Fund Equity	\$2,984,050	\$3,158,130

INCOME STATEMENT

Year Ending	August 31, 2013 (Preliminary)	August 31, 2012
Income		
Assessments Income	\$13,283,100	\$13,520,940
Membership Fees Income	777,000	778,000
Late Data Reporting Charges	15,200	12,900
Delinquent USR Charges	525,350	474,000
Other Income	2,300	2,726
Total Income	\$14,602,950	\$14,788,566
Expenses (Net)		
Legal, Consulting & Other Outside Services	\$8,050,000	\$8,167,837
Salaries & Administration Expenses	3,120,000	3,171,737
Other Operating Expenses	2,940,000	2,893,871
Total Net Expenses	\$14,110,000	\$14,233,445
Net Income	\$492,950	\$555,121



North Carolina Rate Bureau

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