



# NCRB

2020 Annual Report  
North Carolina Rate Bureau



# NC 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

## 2020 Annual Meeting

The annual meeting of member companies of the North Carolina Rate Bureau will be held virtually on October 13, 2020.

### CORE VALUES

*Commitment*  
*Integrity*  
*Respect*  
*Talents*  
*Ownership*  
*Consistency*

## Management Contacts

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# General Manager's Report



**Ray Evans**  
General Manager

When we prepared our plans for 2020, including the projects we would undertake, the budgets we would adhere to, the training we would provide and the goals we would achieve, little did we know that barely three months into the year, everything would flip upside down. For years we have had a disaster recovery/business continuity plan that is routinely updated and revised, but never did we include the possibility that a global pandemic could keep us from working at the office. During the first few days of March, when such

an event appeared to be a possibility, we began planning in earnest. By March 8th, we were reviewing our processes and inventorying and buying equipment to work remotely, and on March 13th, we decided that working from home was the future. With a huge effort from our technology folks and the cooperation of our associates, by March 17th, we had morphed from working 100% at the office to working nearly 100% from home.

Many months have passed since we made this change, and we continue to successfully execute our responsibilities in a work-from-home environment. In fact, because of the number of associates that are in susceptible classes, those that have children in school and our many committee and board members who are not traveling, we do not anticipate much activity in the office until January 2021. However, preparations have been made to repopulate the office when the time comes. We are prepared with PPE, entry testing, social distancing protocols and plexiglass partitions in the lobby, meeting rooms and other common spaces, so that whenever we decide to reopen, we can do it safely. We will not rush, as the safety of our associates is most important.

There are four key reasons for the Rate Bureau being able to work remotely:

- We have great associates, managers and supervisors. We also have a very talented, engaged, energetic and focused senior staff.
- We worked for years to acquire a sophisticated electronic environment for our operations and, by using a VPN connection, we can work from home in a virtual work station setting that looks just like the one we were using in the office, including all of the same security protections.
- We have also worked continuously to install and keep current a process environment with training and education for all of our associates.
- And, we are regularly communicating with associates at a number of different levels. For now, gone are the times that we could pull someone aside for an ad hoc meeting. Meeting agendas, details and emails, especially those that involve outside attendees, have tightened and become more precise so that participants are better

informed. Chairs of these meetings, who are doing a wonderful job for us by the way, are also adhering to announced meeting times, hopefully reducing "Zoom fatigue." Together, all of this has resulted in better attendance, more constructive conversation and more productive meetings. As an interesting factoid, we now average 27,000 meeting minutes on Zoom each week.

This adds up to the Rate Bureau successfully executing our responsibilities as detailed in NCGS 58-36. These include promulgating and filing on behalf of all insurance carriers in North Carolina, rates, rules, forms and manuals for private passenger auto, residential property and workers compensation; collecting data; administering the WC Assigned Risk Program and a host of ancillary and supporting activities. The scope and magnitude of this activity is detailed in the following pages.

Measuring success requires comparing results to the goals and objectives for the year. For 2020, the Rate Bureau's goals and objectives included

- A laundry list of changes to PPA, HO, Dwelling and WC programs, to be filed by the end of 2020.
- Filing a comprehensive rate change for the mobile home programs.
- Refining the penalty program for late or erroneous data reporting.
- Continuing to work with industry groups, especially those devoted to workers compensation. As an example, Joanna is chair of CDX, part of the universal WC reporting effort.
- As part of the effort for a "real-time" electronic workers compensation program for reporting all data, implementing a program called Manage Data.
- And, as the year developed, continuing to maintain great customer service for WC Assigned Risk stakeholders.

Summarizing progress towards these efforts can be summed up simply by saying we are on target for all as you will see in the following report.

This has been a different year, and I believe much of how the Rate Bureau worked in previous years will not be the same as how we will work in 2021. Although I have lost the author, I read many years ago that, "There are too many people praying for mountains of difficulty to be removed, when what they really need is courage to climb them." We still need the prayers, but our folks have demonstrated that collectively we have the courage, skills and experience to continue to excel at what we do.

In addition to the challenges I have included, behind the scenes there are a host of committees, consultants and experts working hard to help our associates successfully fulfill our responsibilities. Thank you.

And lastly, a special thank you to Nationwide, chair of the Governing Committee, who has been a huge help throughout this time with their counsel, experience and encouragement.

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

# Message from The Chair of the Governing Committee

We celebrate the continued success of the North Carolina Rate Bureau in 2020. Thank you to the dedicated staff of the Rate Bureau; our legal counsel, Young Moore & Henderson; the people who serve on the Governing Committee and the many people who lead and serve on the Rate Bureau Committees and Subcommittees. Thank you to Tom Souder, who served as chair of the Governing Committee for most of the 2020 term.

There are many accomplishments to be proud of in 2020, many of them unprecedented. The COVID-19 pandemic required all Rate Bureau staff to move to a work-from-home environment in a short time. The Rate Bureau moved all correspondence to electronic communications and achieved a fully paperless environment. Committee meetings were conducted virtually, including the first ever virtual Annual Meeting.

Four workers compensation filings were approved related to COVID-19 and included establishment of new statistical reporting codes for COVID-19 claims, new rules allowing payroll to furloughed employees to be excluded from premium calculations, reassignment of payroll to a clerical teleworking class code for employees working from home and allowing COVID-19 claims to be excluded from experience rating.

Other workers compensation accomplishments include a 9.3% decrease in voluntary loss costs and a 7.6% decrease in assigned risk rates approved effective April 1, 2020. The Rate Bureau implemented the Manage Data web application in April 2020 to allow for real-time reporting of policy and unit statistical reports for workers compensation data reporters. Enhancements to the application are already underway to expand available features. Bureau staff are working on enhancements to our fining system for workers compensation data reporting, which will streamline invoicing and tracking of data reporting fines.

The Rate Bureau continued to make progress on the rate adequacy of property products. Rate increases were approved for Homeowners, 4.0% increase effective May 1, 2020; Mobile Home, 6.6% increase for MH(F) and 4.3% increase for MH(C) effective June 1, 2020 and Dwelling, 4.0% increase effective July 1, 2020, including updating forms for the Dwelling Program. Future rate reviews for Homeowners, Dwelling, and Mobile Home are underway and expected to be complete in late 2020 and early 2021.

The Private Passenger Automobile filing in February 2020 was an informational filing only as the 2019 Private Passenger filing settlement agreement included a provision that no rate change would be filed in 2020.

The Rate Bureau also secured approval of an innovative Flood program in February 2020. This was a multi-year effort by the Flood Subcommittee, counsel and consultants, which resulted in a comprehensive program with sophisticated rating for this peril. The Bureau developed a flood training program, including videos outlining the forms and rating structure. Bureau staff is available to share information with any interested carriers.

These accomplishments, under unusual circumstances, help North Carolina remain a viable insurance market and a leader in managing the flood peril. Thank you for the opportunity to serve as chair of the Governing Committee, and I look forward to continued success in 2021!

**Christine Hague**

Nationwide Mutual Insurance Company

Chair of the North Carolina Rate Bureau Governing Committee

# North Carolina Rate Bureau Constitutional Committee Members

## Governing Committee

Members	Representative
American Home Assurance Co	Ira Feuerlicht
Builders Mutual Insurance Co	Chris Wetzel
Erie Insurance Exchange	Jon Bloom
Hartford Fire Insurance Co	Eric Mize
Liberty Mutual Insurance Co	Mark Ford
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
National General Insurance Co	Art Lyon
Nationwide Mutual Insurance Co*	Christine Hague
Progressive Casualty Insurance Co	Kevin W. McGee
The Members Insurance Co	Jim McCafferty
The Travelers Indemnity Co	Robert J. Aaron
United Services Automobile Association	Dave Case
Public Members	John K. Wei William D. Edgar, Jr.

## Automobile Committee

Members	Representative
Allstate Insurance Co	Gary Weirzbicki
Government Employees Insurance Co	Monica Grillo
Hartford Fire Insurance Co	John Bergan
Liberty Mutual Insurance Co	Mark Ford
National General Insurance Co	Art Lyon
Nationwide Mutual Insurance Co	Christine Hague
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
Progressive Casualty Insurance Co	Kevin W. McGee
State Farm Mutual Automobile Insurance Co*	Steve Harr
The Travelers Indemnity Co	Lois Cappellano
United Services Automobile Association	Linda Jacob
Unitrin Auto & Home Insurance Co	Robert Zarter

## Property Committee

Members	Representative
Allstate Insurance Co	Matthew Berry
Amica Mutual Insurance Co	James E. Sherring
Erie Insurance Co	Darrin Birtciel
Hartford Fire Insurance Co	Eric Mize
Nationwide Mutual Insurance Co	Nick Sizemore
NC Farm Bureau Mutual Insurance Co	Holly Reston
Pennsylvania National Mutual Casualty Insurance Co	Justin Hays
State Farm Mutual Automobile Insurance Co*	Bob Messier
The Members Insurance Co	Jason Ivers
The Travelers Indemnity Co	Lois Cappellano
United Services Automobile Association	Albert Soto
Unitrin Auto & Home Insurance Co	Robert Zarter

## Workers Compensation Committee

Members	Representative
Accident Fund Insurance Co	Allen Hope
American Home Assurance Co*	Ira Feuerlicht
Amerisure Insurance Co	Allen Long
Amguard Insurance Co	Marisue Newman
Builders Mutual Insurance Co	Chris Wetzel
Hartford Fire Insurance Co	Michele Turner
Key Risk Insurance Co	Doug Ryan
Liberty Mutual Insurance Co	Christopher Matt
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
Penn National Security Co	Lynette M. Prosser
The Travelers Indemnity Co	Joe Stratton
Zurich American Insurance Co	Jim Kaynish

A special thanks to all who participated in committees, subcommittees and task force groups for the North Carolina Rate Bureau in 2020.

\*Chair

# Insurance Operations



**Joanna Biliouris**  
Insurance Operations  
Chief Operating Officer



**Amy Tart**  
Business Project Coordinator



**Rebecca Williams**  
Actuary

Since our last report, a lot has changed at our organization and across the country. We were met with unprecedented challenges from the COVID-19 pandemic, stay-at-home orders and social injustices that deeply impacted our associates, the insurance industry and our communities. I am proud of the Rate Bureau leadership and associates as we met those challenges with resilience, carefulness and support. We maintained all of our operations in a remote capacity and continue to meet our obligations and goals.

The workers compensation industry was particularly impacted by COVID-19 as employers struggled in a weakening economy. The Bureau revised several rules to support North Carolina businesses and filed rule changes to 1) remove payroll to furloughed employees from premium calculations, 2) allow for the shift of payroll for employees working from home to a clerical-telecommuting class code with a lower rate and 3) remove COVID-19 claims from experience rating.

With focus on growth in our technology offerings and improved ease of doing business with member companies, we launched our new Manage Data tool in April. This web application combines functionality of two existing applications into an intuitive user-friendly dashboard. Manage Data provides our members with a real-time solution for submitting workers compensation data, supported by features that allow timely and accurate data submission. Enhancements to this application are already planned for later this year and into 2021 to continue refining this product.

As we strive to achieve rate adequacy in all of our lines of insurance, the Bureau filed and received approval for rate increases in our homeowners, dwelling and mobile home programs. A private passenger automobile rate change was not filed in 2020 as a provision of our settlement agreement in the 2019 filing. The Bureau has made 21 filings

related to workers compensation rates, rules and forms, which included decreases to voluntary loss costs and assigned risk rates. Since our last report, the North Carolina Rate Bureau (Bureau) has made a total of 35 rate, rule and form filings with the North Carolina Department of Insurance (Department).

In February of this year, the Bureau received approval of our private flood program filing. This was a multi-year endeavor resulting in a sophisticated flood product which provides equal or greater coverage than that offered under the federal program and utilizes sound actuarial rates. Bureau staff continues to provide education and training about our flood program to industry partners in an effort to expand use in North Carolina.

Looking ahead, we are focused on several strategic initiatives to further improve our members' experience with the Bureau. Plans are already underway to enhance our website by offering a training and education section, to update our ManageAR application to improve ease of use and to make annual filings in all lines of business to move closer to rate adequacy.

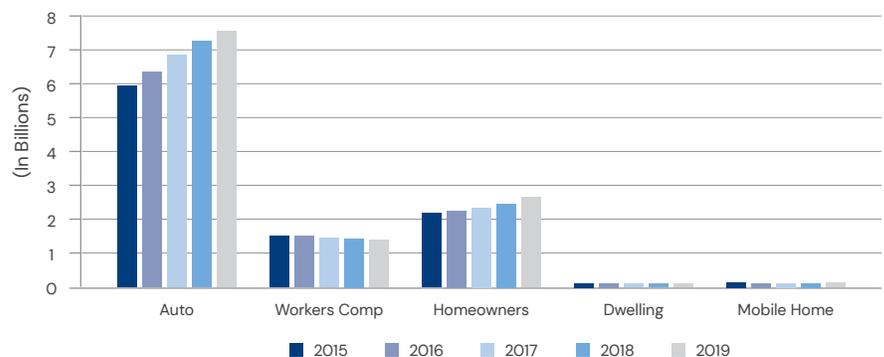
In closing, 2020 has been a year of crisis for many. Our associates have been amazing during our transition to working from home and adjusting to new ways of providing service remotely. These changes expedited our vision of creating a paperless work environment. In a matter of weeks, we eliminated our reliance on and greatly reduced the use of paper in our processes, while ensuring the same level of quality and efficiency. I am in awe of how our organization transformed so significantly in such a short period of time without missing a beat. That is a true testament to our dedicated staff, committee members and partners of the Rate Bureau. I am extremely proud of our team for their efforts over these last few months.

# Membership

Total Rate Bureau Membership as of 6/30/2020: 792

Line of Business	# of Members	Total Written Premium
Automobile	675	\$7,538,005,707
Property	670	\$2,639,594,884
Workers Compensation	554	\$1,396,158,831

Total Market Premium



# Personal Lines

## Automobile



**Andy Montano**  
Personal Lines Director

The Rate Bureau is required to make a Private Passenger Automobile filing each year by February 1st. This year, the Rate Bureau filed an information only filing as the 2019 rate filing settlement agreement had a provision for no rate change in 2020. In 2019, our filing was settled for an overall 1.6% rate level increase (+11.3% liability coverages and -9.1% on physical damage coverages) that became effective on October 1, 2019.

The Automobile Committee approved changes to Extended Non-Owned Coverage for Named Individual Endorsement NC O3

O6 and corresponding changes to the Personal Automobile Manual. The revised Endorsement NC O3 O6 removes the exception to the exclusion for livery and conveyance, which clarifies that this coverage is not available under the endorsement. In addition, the Personal Automobile Manual was amended to include the correct reference to Rule 4.F.1. These changes are effective October 1, 2020.

The Automobile Committee is also evaluating changes to the Automobile Program that include Delivery Services, Peer to Peer Vehicle Sharing, Trust Endorsement and eligibility rule changes. Details of these proposed changes are

**On-demand Delivery Services:** The use of vehicles to provide delivery and courier services are rapidly gaining popularity. Examples of such services include UberEats, Instacart, GrubHub and Postmates. On-demand delivery services potentially create new exposures that may not be contemplated at the inception of the auto policy, particularly for risks that are not yet appropriately classified and rated. The Bureau added exclusion language to the Automobile Policy addressing all delivery services, along with an endorsement to buy back coverage.

**Peer to Peer Vehicle Sharing:** Unlike traditional rental car companies, which generally maintain a fleet of vehicles, personal vehicle sharing programs do not typically own a fleet of vehicles but instead facilitate the sharing of privately owned private passenger motor vehicles for noncommercial use by individuals enrolled in the program. In general, car or personal vehicle sharing is a variation of car rental service that is used for short periods of time, ranging for example from one hour to a few days. The Bureau added exclusions for peer to peer vehicle sharing to all parts of the Automobile Policy.

**Trust Endorsement and Eligibility Rule:** The Trust Endorsement may be utilized to accommodate various situations involving vehicles held in Trust, including situations in which the Trust is the only Named Insured listed on the declarations page.

**Cohabitation, Financially Interdependent Relationships—Eligibility Rule:** The Bureau updated the eligibility rules to state explicitly that private passenger automobiles owned by cohabitational partners who are residents in the same household may be insured on a personal automobile policy.

## Property

### Homeowners

On December 20, 2018, the Rate Bureau filed with the Department of Insurance (Department) a proposed average Homeowner rate level change of 17.4%. The proposed filing included rate changes varying by form and territory, revised windstorm or hail exclusion credits, revised wind mitigation credits and revisions to the base amount of insurance and base deductibles. The Commissioner of Insurance (Commissioner) issued a Notice of Hearing for this filing.

Before the hearing started, the Bureau and the Department negotiated a settlement agreement, and on September 26, 2019, the Commissioner signed a Settlement Agreement and Consent Order approving an overall statewide average rate level increase of 4.0% for all Homeowner forms and revised base rates, windstorm or hail exclusion credits, wind mitigation credits and wind-only rates consistent with that 4.0% increase. These changes became effective for all new and renewal policies on May 1, 2020.

### Dwelling

On August 14, 2019, the Bureau filed with the Department proposed rate increases for Dwelling Fire and Extended Coverage insurance subject to the Bureau's jurisdiction. The filing proposed 1) a statewide average rate level increase of 19.2%, 2) rate levels varying by territory within the state according to the loss experience within each territory, 3) revised windstorm or hail exclusion credits and 4) revised wind mitigation credits.

The Bureau and the Department negotiated a settlement, and on December 4, 2019, the Commissioner signed a Settlement Agreement and Consent Order approving an overall statewide average increase of 4.0% for all dwelling forms and revised base rates, windstorm or hail exclusion credits and wind mitigation credits consistent with that 4.0% increase.

The Commissioner also approved Dwelling Policy Program changes for use in North Carolina. Some of the changes included updates to the deductible provision, strengthened language on collapse coverages and the addition of water backup as an optional endorsement, to name a few.

These changes became applicable to all new and renewal policies effective on and after July 1, 2020.

### Mobile Home

On February 13, 2019, the Bureau filed with the Department proposed rate increases and program changes for the two Mobile Home insurance programs subject to the Bureau's jurisdiction, both MH(C) and MH(F). The filings proposed 1) a statewide average rate level increase of 19.0% for MH(C) and 19.9% for MH(F), 2) new territory definitions, to match the definitions used for homeowners and dwelling insurance, 3) rate levels varying by territory within the state according to the loss experience within each territory, 4) revised windstorm or hail exclusion credits and 5) changes to various relativities.

The Bureau and the Department negotiated settlements for both filings, and on December 19, 2019, the Commissioner signed a Settlement Agreement and Consent Order for each filing, approving an overall statewide average increase of 4.3% for MH(C) and 6.6% for MH(F), the revised territory definitions and revised base rates consistent with

those overall rate increases. The proposed relativity changes were not approved. The effective date of the approved changes was June 1, 2020.

## Flood

This Bureau’s private flood program was approved by the Commissioner on February 28, 2020, with minor changes to the filed minimum premium and inland flood loss cost multiplier. The Bureau developed several training videos to help educate member companies on the new program. Following are some facts about the flood program, outlining how it is different from the National Flood Insurance Program (NFIP), along with steps to begin implementation by carriers.

Historically, the NFIP has been the primary insurer of residential flood risks in North Carolina. In the last several years, advancements in flood risk modeling and geospatial data provide better tools for the private market, allowing the industry to offer sophisticated residential flood insurance products as an alternative to the NFIP.

The Bureau’s private flood insurance program is intended to provide a long-term, quality flood insurance solution for the state of North Carolina that is accepted by lenders and offers residential flood insurance coverage equal to or greater than the current NFIP policy. It is designed as a stand-alone policy program, and coverage is not eligible to be written as an endorsement to a current residential property insurance policy. The program developed by the Bureau is optional for member companies that wish to offer a private flood insurance policy. However, a company choosing to offer private flood insurance in North Carolina for residential real property with not more than four housing units must use the Bureau’s program.

The Bureau policy has several enhancements when compared to the policy offered in the federal program, as well as optional endorsements to customize coverage. A high-level comparison of some notable coverage differences is provided in the following chart:

Flood risk can vary significantly from property to property. The flood risk of adjacent properties may be very different depending on the local geography and hydrography. Because of these risk-by-risk variances, the Rate Bureau developed a 30-meter-by-30-meter grid across the entire state of North Carolina, creating unique rates for more than 140 million locations across the state. After a property address is mapped (geocoded) to determine its latitude and longitude, rates are calculated specifically to the property location.

## Member Company Implementation of Private Flood Program

There are around 140,000 flood policies in North Carolina; less than 10% of residential households have flood insurance. Some estimate that the private flood market in the United States has potential to be a \$20 billion market.

The Bureau’s flood program will require companies to consider how they handle rating implementation. Unlike a traditional manual, because of the volume of data required, rates may be obtained in one of two ways.

**Option 1:** Member companies can determine Average Annual Loss (AAL) and/or rates via the North Carolina rating flood tool (an API tool). This solution offers speed to market for a nominal fee and has been implemented through the Bureau’s vendor Milliman.

**Option 2:** Member carriers can obtain from the Bureau the entire set of data (140 million location records) required to map properties to the base grid location and to obtain the base AAL. This requires more development and infrastructure for implementation by the member company.

Companies must sign a usage agreement based on the option selected. Any member company interested in learning more about the Flood program may contact the Bureau.

## NFIP vs. NCRB Forms

The following notable differences exist between NFIP and NCRB:

Program Detail	NFIP	NCRB
Coverage A: Dwelling Limits	\$250,000 Maximum	No Limit
Coverage C: Personal Property Limits	\$100,000 Maximum	No Limit
Coverage D: Additional Living Expenses	Not Covered	Optional
Deductibles	Separate deductibles by coverage type	Single Deductible per Policy
Replacement Cost	Single Family Dwellings Only Detached Garage & Personal Property not covered	1–4 family dwellings, with 1 detached garage Optional Endorsements for Personal Property and Other Structures
Basement/Below Ground Areas—Dwelling	Covered	Covered
Basement/Below Ground Areas—Contents	Not Covered (exception for certain appliances)	Optional
Detached Garages/Structures	Up to 1 (Within Coverage A Limit)	1 detached garage (Within Coverage A Limit) —Optional (ex. 10% in additional to Coverage A for all structures, or scheduled structures)
Increased Cost of Compliance	\$30,000 Maximum	\$30,000 minimum, with higher limits available
Ordinance of Law	Not Covered	Optional

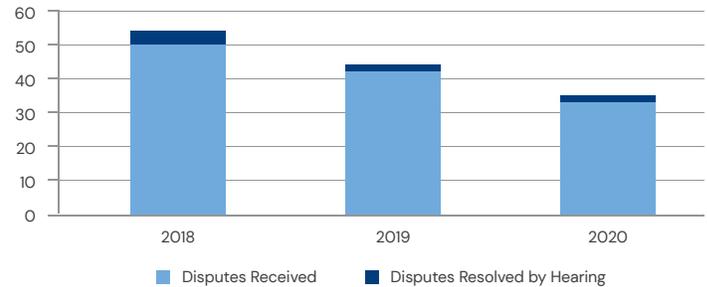
## Safe Driver Insurance Plan

As required in the North Carolina General Statutes, the Bureau provides a mechanism for policyholders to appeal “points” that have been charged as a result of at-fault accidents. The Bureau receives an average of 40 disputes per year, most of which are resolved without a hearing.

### Outcome of Disputes with Hearings

	2018	2019	2020
In Favor of Insured	1	1	1
In Favor of Company	3	1	1

### SDIP Disputes Summary by Year



# Workers Compensation



**Jarred Chappell**  
Workers Compensation  
Operations Director



**Latimia Roberson-Hill**  
Information Center  
Supervisor



**Lynne Mays**  
Assigned Risk & Underwriting  
Operations Supervisor



**Natalie Linares**  
Data Services Manager

## Operations

The Workers Compensation Operations department has responsibilities pertaining to the maintenance and equity of a thriving workers compensation market in the State of North Carolina. Within the department, we are divided into three operational areas:

- Assigned Risk and Underwriting Services
- Data Services
- Information Center

Since our last report, the department has implemented several exciting improvements and achieved notable milestones, all while seamlessly adapting to a remote work environment during the COVID-19 pandemic.

- **Manage Data**—In April, we launched a new data reporting platform for member companies to submit their policy and USR data electronically, giving them increased functionality and more consistency with other data collection organizations.
- **Manage AR Enhancements**—The primary system for receiving assigned risk applications underwent further enhancements this year in an effort to make the system more user friendly and to reduce the number of applications requiring additional information, saving time for our staff and agents.
- **Global Fining**—After a review of our data fining procedures for late or incorrect data, our Data Services and Finance teams are developing

a fining system to streamline the process, increase clarity for member companies and improve communication between all parties. This new system will be launched in 2021.

- **Paperless Environment**—As of March 2020, the Rate Bureau moved to 100% remote work for all staff due to the COVID-19 pandemic, accelerating plans already in place to eliminate all paper mailings for fine invoices, ownership letters and various other notifications.

## Assigned Risk and Underwriting Services

The North Carolina Workers Compensation Insurance Plan (Plan) sets forth the rules for the residual market in North Carolina, and the Bureau is the administrator for the Plan.

In most years, the Assigned Risk and Underwriting Services team is tasked with the analysis and assignment process for about 13,000 applications annually. The volume of applications dropped slightly in 2020 amid the onset of the COVID-19 pandemic, reducing the average number of applications to 1,000 per month.

Thanks to improvements in our assigned risk premium payment process in 2019, agents now pay assigned carriers directly. This has drastically decreased the amount of premium going through the Bureau and contributed to a significant reduction in applications pending for payment. Over the last year, only 17 assigned risk policies were paid via check, with the remainder being paid electronically directly to the assigned carrier.

## Assigned Risk Application Statistics

Year	Month	Total Applications	Declined	Approved
2020	June	935	189	767
	May	936	169	846
	April	830	160	759
	March	1,065	177	957
	February	1,046	169	959
	January	1,134	192	1,029
2019	December	843	172	747
	November	839	151	747
	October	1,150	175	1,055
	September	1,029	161	939
	August	1,121	176	1,014
	July	1,100	177	1,024

The Bureau works with three servicing carriers and eight direct assignment carriers to place applicants requesting coverage in the residual market. In 2019, the Bureau completed the bid process for servicing carriers and awarded contracts for the next three-year term starting January 1, 2020.

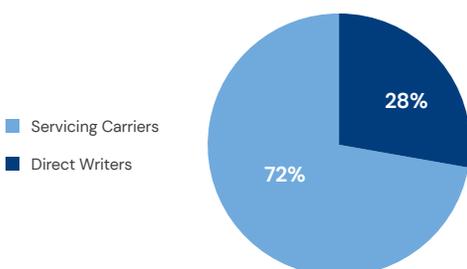
A servicing carrier is an insurer authorized to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the bylaws of the National Workers Compensation Reinsurance Association NFP, incorporated as an option in the Plan in North Carolina. The current servicing carriers are

- Amguard Insurance Company
- LM Insurance Corporation
- Travelers Property & Casualty Company

The Rate Bureau also works with carriers authorized to receive assignments directly under Option 1 of Rule 4-A-4 of the Plan. The current direct assignment carriers are

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

NC Assigned Risk Premium Quota Share Effective 7/1/2020



The Assigned Risk and Underwriting Services team is also responsible for researching and issuing rulings on ownership changes and class code questions in North Carolina, both residual market and voluntary. Our team reviews daily work items to ensure that data is reported accurately for the development of experience modification calculations and rates. Overall, this team handles an average of 7,505 work items each month.

Efficiency has been a primary goal of this group for 2019-2020, and several of the projects that we launched this year have that in mind. Enhancements to Manage AR and Spectrum (our core operating system) were made to reduce the number of manual work items handled and to improve work flows.

## 2019-2020 Assigned Risk and Underwriting Statistics

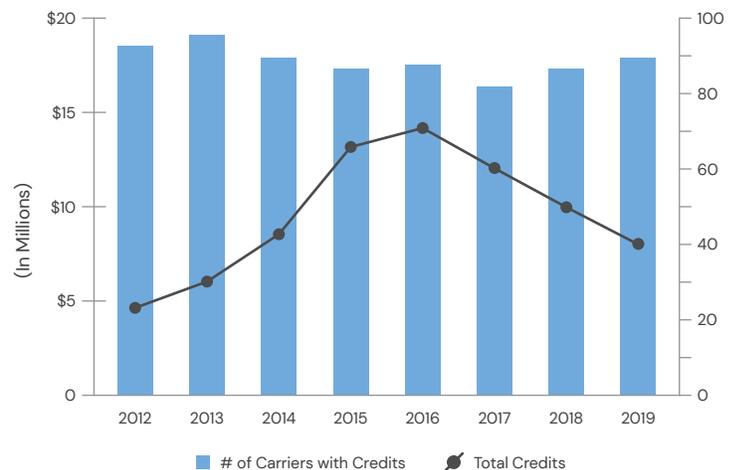
New Applications	12,026
Applications Submitted Electronically	99.9%
Average Premium Size	\$2,721
Ownership Changes Processed	6,321
Work Items Completed Annually	90,065
Total Assigned Risk Premium	\$72,088,292

## Data Services

The Data Services team members are our technical experts that oversee the daily collection and management of Policy Data and Unit Statistical Reports (USR). Throughout the 2019-2020 year, the team collected information on 754,318 policy transactions and 240,660 unit statistical transactions.

Data Services is the primary point of contact to support our member companies with data reporting needs. In order to maintain the integrity of our data, this team works closely with our member companies to ensure ease and accuracy of reporting. Over the past two years, Data Services has been working diligently on development of a new reporting platform for member companies to submit data to the Bureau. That new platform, Manage Data, was released in April of 2020 for member company use, and feedback has been overwhelmingly positive. The team has already initiated further improvements to Manage Data based on feedback received from users.

Take-Out Credits



The Take-Out Credit program is an important aspect of our assigned risk plan that the Data Services team administers. In 2019, credits totaled \$8.6 million among 91 carriers.

Members of the Data Services team serve as our subject matter experts for Spectrum as well as many of our web applications. They work closely with our IT department and external software developers to provide user acceptance testing resources for new releases and ongoing improvements.

### 2019–2020 Data Services Statistics

Policy Transactions Processed	754,318
USR Transactions Processed	240,660
Annual Take Out Credits	\$8,599,125
Experience Modifications Generated	33,910

## Information Center

The Information Center is the primary point of contact for the Bureau as well as for NCRF and NCIGA. This team handles over 1,900 inquiries per month from carriers, agents and employers through phone or email. In 2020, the Information Center was forced to change their operations drastically amid the COVID-19 pandemic. The staff quickly transitioned to operating in a completely remote environment while maintaining a high level of efficiency and service levels.

Support Ticket Volume by Top 5 Categories



Monitoring the volume of inquiries by category is a critical function of the Information Center. By tracking and learning from this data, we are able to improve the overall experience for our customers with better educational opportunities, more web-based tools, enhancements to our web applications and improved services.

### 2019–2020 Information Center Statistics

Call Tickets Generated	10,596
Email Tickets Generated	12,890
Top Category	Workers Compensation Support

## Workers Compensation Regulatory Activity



**Natasha Sumter**  
Regulatory Manager

**COVID-19**—The Bureau has been closely monitoring the development and spread of COVID-19, along with the rest of the industry. Working collaboratively with the National Council on Compensation Insurance (NCCI), the Workers Compensation Committee and the Department, the Bureau filed and received approval for filings applicable to North Carolina as noted below.

- The Part of Body section of the Injury Description Table has been expanded to track claims and impact in Indemnity Reporting Coronavirus with the addition of a new Cause of Injury Code of 83 for Pandemic and New Nature of Injury Code 83 for COVID-19. (NCRB Circular C-20-7)
- COVID-19 has been classified as an extraordinary loss event (ELE), requiring the establishment of Catastrophe Number 12 to identify all claims associated with COVID-19 as its diagnosis. (NCRB Circular C-20-7)
- NCCI Item B-1441 allows payments to paid furloughed employees to be excluded from premium calculations for all policies in effect on or after March 1, 2020, until December 31, 2020, or as amended to an earlier or later date as circumstances warrant in consultation with state regulatory authorities. (NCRB Circular C-20-17)
- Employees whose duties were previously assigned to a higher-rated governing classification that does not include clerical operations, who are now working in a stay-at-home environment and performing duties consistent with clerical operations, may be reassigned to Classification Code 8871—Clerical Telecommuter Employees from March 30, 2020—the day the North Carolina stay-at-home order was issued—until 45 days after the order is lifted. (NCRB Circular C-20-17)
- NCCI Item Filing E-1407 revises rules related to excluding claims attributable to the COVID-19 pandemic from experience rating calculations and reporting these claims as an extraordinary loss event. This filing will be applicable to experience rate modifications with rating effective dates on or after August 16, 2020. (NCRB Circular C-20-21)

**COVID-19 National Updates**—According to a study released by NCCI on June 4, 2020, six states (Alaska, Illinois, Minnesota, Utah, Wisconsin and Wyoming) have passed legislation establishing presumption of compensability for COVID-19 for certain workers. Twelve states, including North Carolina, have proposed similar legislation addressing the same topic. Some bills were introduced to be effective retroactively. In addition to the legislative activity, eight states have issued executive orders or adopted emergency rules regarding presumption of compensability for COVID-19. California has issued an executive order creating a rebuttable presumption applicable to any employee diagnosed with COVID-19 within 14 days after the employee performed labor or services at the employee’s place of employment at the employer’s direction. At the time this report was prepared, no legislative or regulatory changes had been made in North Carolina regarding the compensability of COVID-19 claims.

**Employee Classification Section**—Misclassification of employees continues to be a problem throughout the country. In an effort to curtail this activity in North Carolina, the Employee Classification Section of the North Carolina Industrial Commission (NCIC) was established in December 2017 and became a permanent function of the NCIC. The

Employee Classification Section was created to investigate the intentional misclassification of employees as independent contractors in an effort to avoid tax liabilities and evade the requirement for workers compensation coverage. NCGS 143-764(a) (5), which established the Employee Classification Section, requires that a report be made to the Governor and the Joint Legislative Commission on Governmental Operations by October 1st each year. This report is to include the number of identified misclassifications and the amount of back taxes, wages, benefits and penalties assessed and collected. In Fiscal Year 2018-19, the Employee Classification Section's work with the Compliance and Fraud Investigation Section of the NCIC identified businesses engaged in employee misclassification resulting in \$8,630,661 in penalty assessments.

**Fraud and Compliance**—Ongoing efforts since inception by the NCIC to decrease fraud and noncompliance within North Carolina's workers compensation industry have been evidenced by millions of dollars in penalties collected from companies that failed to carry adequate workers compensation insurance and thousands of criminal charges issued. In the 2019 Annual Report issued by the NCIC, the Commission reported that, for Fiscal Year 2018-19, 8,661 cases were processed, including 623 misdemeanor charges and one felony charge for failure to maintain workers compensation insurance.

**Workplace Accidents at an All-Time Low**—According to a study released by the state Department of Labor in November 2019, non-fatal workplace injury and illness rates in North Carolina are at an unprecedented low. The overall rate for 2018 was 2.4 cases per 100 full-time workers. This has been on a steady decline since 2001, when the rate was 4.8. The national rate at the time of this release was 2.8. The 2018 injury and illness rate for construction increased from 1.8 in 2017 to 2.5 in 2018, still below the national rate of 3.0, and the rate for manufacturing was 2.8, below the national rate of 3.4.

**Opioid Usage Declining**—According to a study released by NCCI in June 2020, opioid usage in medical treatment has declined across all industries from 2012 to 2017. Opioid usage in the contracting industry is down over 49% over that period, though the contracting industry remains the industry with the highest opioid usage. The number of opioids per claim in the contracting industry group is more than double the average for all other industry groups. This industry group also accounts for more workplace injuries and more severe workplace injuries.

The North Carolina Workers Compensation Opioid Task Force was established in February 2017 by the NCIC at the direction of the North Carolina General Assembly. The NCIC adopted *Rules for the Utilization of Opioids, Related Prescriptions, and Pain Management in Workers' Compensation Claims*. While most of these Rules became effective on May 1, 2018, rules requiring health care providers to check the Controlled Substances Reporting System went into effect November 1, 2018. In continued efforts to combat the opioid epidemic, the Commission will monitor for effectiveness and amend the rules as needed going forward.

**Decrease in Medical Costs**—According to a study released by the Workers Compensation Research Institute (WCRI) in May 2020, medical payments per workers compensation claim in North Carolina have decreased almost 4% annually from 2013 to 2018. This decrease is largely attributable to medical fee schedule changes during this period. For 2014 claims, North Carolina's average medical payments for claims with more than seven days of lost time was similar to the median amount for 18 other states. A similar calculation for 2018 claims shows that North Carolina's average is 26% lower than the median amount for those same 18 states.

**Workers Compensation Disputes**—Each year the Bureau reviews disputes submitted by carriers and insureds related to workers compensation manual rules, experience rating plan and the administration of the Workers Compensation Insurance Plan. This past year, the Bureau received 77 disputes with only 1 requiring a formal hearing. The top three reasons for disputes during the past 12 months were class codes, cancellations and subcontractor classification.

Additional information on items of interest related to workers compensation can be found in the "Recent News" section of the Bureau's website at [www.ncrb.org](http://www.ncrb.org).

## Training and Development



**Allison Smart**  
Training & Development  
Manager

The Bureau values training and development and continues to emphasize its importance to reach our goals and objectives. The 2020 focus was structured around creating meaningful training to our external customers and cross-training initiatives for our highly skilled staff, all while maintaining our goal of being customer service focused.

In terms of our external customers, the training department focused on educational efforts for our new Manage Data reporting system and a new private flood program. These efforts included navigational videos and process documentation for the end user. We also continued publication of our quarterly newsletters to keep agents informed of any changes.

Internal development continues to be a focus as we have executed multiple cross-training initiatives to increase subject area knowledge while also creating stability to our production team to ensure timely processing of work. In addition, we introduced new auditing procedures to ensure that work is completed to the highest level of quality. Despite limitations imposed by COVID-19, the Insurance Operations Summer Internship Program continued, with two local college students completing a 9-week learning opportunity virtually. The interns gain useful knowledge and professional skills while also providing a fresh perspective on our internal processes and procedures.

# Shared Services

## Information Services



**Shelley Chandler**  
Chief Information Officer

Information Services is dedicated to leveraging technology to enhance our business processes and to fulfill the needs of our customers. In late 2019, we strategically planned a portfolio of projects for 2020, allotting resources from our Software Development and Infrastructure groups. In early 2020, some of these projects were quickly scaled back, as we, along with the rest of the world, reacted to the COVID-19 virus. In just three days, we were able to equip the majority of our staff with necessities

to work from home. Plans were laid out such that all re-structuring related to remote work was implemented as an investment towards our infrastructure and disaster recovery instead of reacting to a short-term event. As this situation has evolved, we are investing in solutions that will provide flexibility for associates to work remotely as well as in the office, making us less dependent on a physical workspace.

In conjunction with the pandemic, 2020 has been full of surprises, including unplanned events associated with a vendor breach, a Microsoft audit, replacement of our virtual meeting solution and several other unexpected technical situations. Despite having to shift focus, many of our projects continued on schedule.

From the front lines of Security, we maintain that the best defense against security risks continues to be employee training. We provide regular training assessments and routine phishing simulations to teach employees how to defend against common and emerging threats, as well as how to protect the data with which they are entrusted. In 2020, we also implemented the gold standard end point protection platform recognized for its ability to find and remediate threats quickly. This additional mechanism of defense is one more layer used in reinforcing our strategy. We continue to strengthen and isolate our systems by upgrading perimeter security and limiting system permissions only to those users that require access to perform their job duties.

Project work also contributes to our goal of promoting efficiency throughout our organization and for our customers. The Software Development group works diligently to create software products that are used internally and by our external customers. In 2020, some of the NCRB systems released by this group included implementation of Manage Data and Tableau reporting, improvements to ManageAR, electronic delivery of assessments and continued support of the Spectrum system. There are several projects already undergoing analysis in 2020 with expected implementation in 2021, including additional improvements for Manage Data.

We look forward to the challenges that lie ahead as we continue providing solutions to the organization that increase efficiency and help to meet our members' needs through technology.

## Human Resources and Facility Services



**Vicki Godbold**  
Chief Human Resources Officer

*"Life is about accepting the challenges along the way, choosing to keep moving forward, and savoring the journey."*  
—Roy T. Bennett

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. This past year we have adapted to a new way of business with remote work and implementing federal regulation changes.

The Bureau has been preparing for return to work at the office by purchasing sneeze guards, Personal Protection Equipment, sanitizers, disinfectant, etc., to offer a safe environment with the current pandemic.

We added four new associates. In June, the Bureau began our third year of our internship program with two interns working remotely in Insurance Operations.

Our Wellness Program consists of

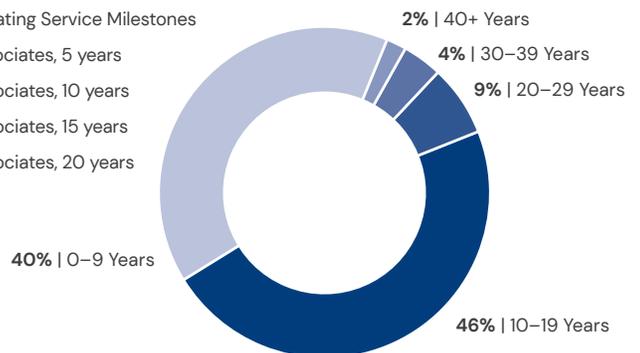
- a partnership with WakeMed Hospital,
- a partnership with YogaBlyss,
- a partnership with the NC Prevention Partners,
- a partnership with Solace Bodywork for on-site massages,
- flu shots provided for associates on-site,
- annual participation in the Wellness Council of America's (WELCOA) Step-By-Step program of walking 10k steps a day, 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 weekly on-site yoga classes and off-site training for management staff. Community Service involvement by our associates this year included the United Way and various charities of the associate's choice.

### Rate Bureau Years of Service

Celebrating Service Milestones

- 7 associates, 5 years
- 2 associates, 10 years
- 2 associates, 15 years
- 2 associates, 20 years



## Finance



**Edith Davis**  
Chief Financial Officer

This has been a transformative year as a result of the COVID-19 pandemic. All operations and services continued, but many processes were reengineered to be performed remotely, while maintaining the integrity of internal controls.

Most of our accounts payable and accounts receivable processes were innovated, resulting in faster and more efficient interfaces with

our vendors and member companies alike. Hard copy assessment billings were transitioned to automated email delivery in under 90 days, thanks to the responsiveness of our Information Technology department, who pivoted to these new initiatives while simultaneously setting up and maintaining our remote work capabilities. This new electronic delivery benefits our member companies, as many of their associates have been working remotely as well, and improved our cash flow as payments are now remitted much more quickly.

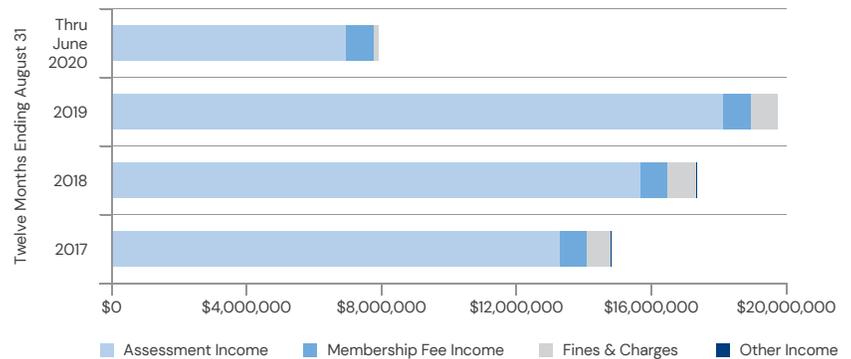
Check issuance can now be performed remotely and at multiple locations and has been nearly eliminated as we implemented both ACH payments and receipts with the vast majority of our vendors and a significant number of member companies.

The exhibits on page 14 summarize the Bureau's financial position and reflect the comparative balance sheets and income statements for the last two calendar years ending December 31 and actual figures for the calendar year-to-date through June 30, 2020 (the latest quarter ended at the time of this report). Cash and Investments were improved at June 30, 2020, by the acceleration of assessment receipts as previously mentioned. Claims activity and proceeds from reinsurance recoveries in our self-insured group medical insurance plan during the past year remain stable, and as of June 30, 2020, this account reflects yet another modest increase over the same period last year. Funds for retiree group insurance premiums of the Bureau's predecessor organizations continue to remain on the balance sheet as of this report, though all those obligations have now been fulfilled as previously reported.

The Bureau's assessment income increased in 2018 and 2019 due to budget amendments in each year to cover expenses related to property programs initiated in 2018. The amount for 2019 included work associated with a hearing called by the Department of Insurance related to the Homeowners rate filing filed in December 2018 that was ultimately settled in October 2019. A budget amendment was initially approved for \$3.5 million in late 2019, but upon settlement of the 2018 Homeowners rate filing, the hearing was cancelled, and the amount was reduced to \$2.3 million included in the 4th quarter 2019 assessment.

Assessments to member companies represented 92% of the Rate Bureau's receipts during 2019 as reflected in the chart that follows. The annual membership fees billed in the first quarter and various fines and charges billed throughout the year were each approximately 4% of the Rate Bureau's annual income. Income from fines and charges increased significantly in 2018, but trended lower in 2019, and dropped significantly during the first half of 2020.

**North Carolina Rate Bureau Sources of Income**

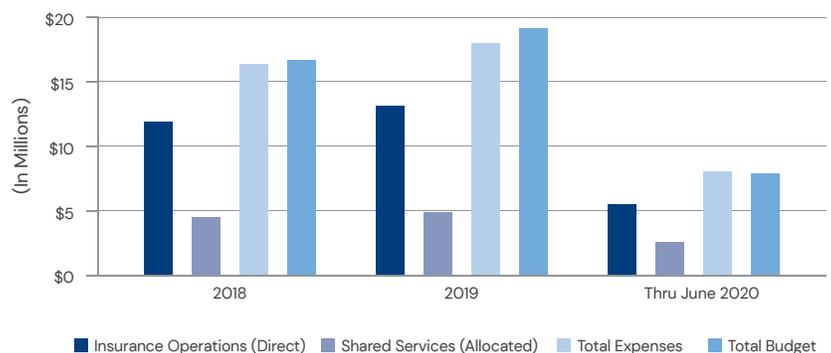


The total expenses of the Rate Bureau are comprised of the direct costs related to specific activities of the Bureau as well as the allocated expenses of the departments whose services are shared with the Reinsurance Facility and the Insurance Guaranty Association. Those direct expenses continue to represent just over 73% 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 2020. The property programs were the largest drivers of the expense increases, followed by several technology projects to improve customer service and efficiency. Additional equipment purchases and other expenses related to transitioning our workforce to remote capabilities have largely been offset by the elimination of business travel and associated expenses, and the hiring for several budgeted positions has been also delayed by the pandemic. As in the past, the 2018 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2020.

The firm of Johnson Lambert performed the annual audit for the year ending December 31, 2019, and presented their report to the Audit Committee in March 2020. Johnson Lambert again 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 business changes thrust upon us by the pandemic have further illustrated the need to update our core financial systems, and the Bureau, in conjunction with its sister organizations, has begun the initial steps to enhance the financial processing and reporting capabilities for the both the accounting and assessment billing systems to promote greater efficiency, location independence, and better electronic interfaces with our stakeholders. The support we receive from staff, the Board and committee members, and counsel makes all improvements possible, even in the most challenging of times.

**North Carolina Rate Bureau Administrative Expenses**



Administrative Expenses	2018	2019	Thru June 2020
Insurance Operations (Direct)	\$ 11,942,719	\$ 13,157,194	\$ 5,534,736
Shared Services (Allocated)	\$ 4,510,158	\$ 4,889,506	\$ 2,559,177
Total Expenses	\$ 16,452,876	\$ 18,046,698	\$ 8,093,912
Total Budget	\$ 16,703,623	\$ 19,227,048	\$ 7,943,306

## Balance Sheet

	Six Months Ended 6/30/2020	Six Months Ended 6/30/2019	Year Ended 12/31/19
<b>Assets</b>			
Cash & Investments (Unrestricted)	\$ 2,383,568	\$ 1,356,078	\$ 2,587,169
Cash & Investments (Restricted)	2,019,365	1,908,981	1,989,589
Assessments Receivable	0	0	(15,250)
Accounts Receivable	39,600	254,450	21,850
Other Assets	0	0	(11,500)
<b>Total Assets</b>	<b>\$ 4,442,532</b>	<b>\$ 3,519,509</b>	<b>\$ 4,571,858</b>
<b>Liabilities &amp; Fund Equity</b>			
Refund to Carriers Payable	-	-	-
Retiree Insurance Payable - Restricted	\$ 583,255	\$ 575,113	\$ 581,009
Other Benefits Payable - Restricted	1,436,109	1,333,867	1,408,579
Other Liabilities	(17,416)	(17,416)	(17,416)
<b>Total Liabilities</b>	<b>\$ 2,001,948</b>	<b>\$ 1,891,564</b>	<b>\$ 1,972,172</b>
Fund Equity	2,440,584	1,627,945	2,599,686
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 4,442,532</b>	<b>\$ 3,519,509</b>	<b>\$ 4,571,858</b>

## Income Statement

	Six Months Ended 6/30/2020	Six Months Ended 6/30/2019	Year Ended 12/31/19
<b>Income</b>			
Assessment Income	\$ 6,937,809	\$ 7,613,626	\$ 18,128,531
Membership Fees Income	803,500	792,000	797,500
Late Data Reporting Charges	-	-	13,500
Delinquent USR Charges	57,050	95,400	173,500
Policy Data Fines	144,900	459,300	617,500
Other Income	1,662	(200)	1,369
<b>Total Income</b>	<b>\$ 7,944,921</b>	<b>\$ 8,960,126</b>	<b>\$ 19,731,900</b>
<b>Expenses (Net)</b>			
Legal, Consulting & Other Outside Services	\$ 4,087,768	\$ 4,884,193	\$ 10,613,428
Salaries & Administration Expenses	2,021,383	1,925,528	4,082,622
Other Operating Expenses	1,993,021	1,730,094	3,350,732
Less: InterOffice Settlement	-	-	-
<b>Total Net Expenses</b>	<b>\$ 8,102,172</b>	<b>\$ 8,539,815</b>	<b>\$ 18,046,782</b>
<b>Net Income</b>	<b>\$ (157,251)</b>	<b>\$ 420,311</b>	<b>\$ 1,685,118</b>

# NCRB

North Carolina Rate Bureau  
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