



2021 ANNUAL REPORT



NCRB

NORTH CAROLINA RATE BUREAU

NC Rate Bureau

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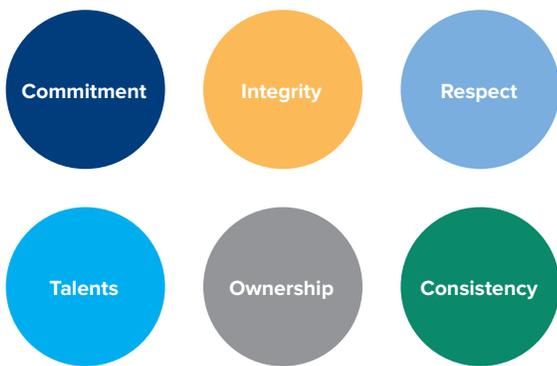
General Organizational Information

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

2021 Annual Meeting

The annual meeting of member companies of the North Carolina Rate Bureau will be held virtually on October 19, 2021.

Core Values



Management Contacts

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General Manager's Report



Ray Evans
General Manager

This has been another different year.

Most importantly, for the purposes of this report, the Rate Bureau continues to successfully fulfill our work obligations. This has been accomplished by focusing on these four areas:

- We treated all associates equally and fairly. From equipment to ergonomics to training, everyone is equal.

- We have enjoyed, thanks to Shelley and her IT folks, and for many years to the concurrence of the Governing Committee to invest in technology, a robust, secure, and effective electronic environment.
- Perhaps most importantly, throughout the pandemic, we have promptly adapted.
- And, we have effectively communicated with everyone. Using emails, phones, some in-person meetings, and hundreds of thousands of Zoom meeting minutes, we have been able to keep together as a working group.

Included in the assessment of successfully fulfilling our work obligations is achieving the goals and objectives for the year. There will be more detailed analysis of this later in the report, but we expect, perhaps with the exception of property filings, to accomplish each by year end:

- Maintaining adequate rates and up-to-date rules, manuals, and forms in all lines
- Increasing efficiencies to make it easier and more efficient for our customers to access us through enhanced electronic systems and an improved website
- Continuing to improve our operational effectiveness and controlling costs
- Improving communications with all of the Rate Bureau committees and task forces
- Optimizing our vendor management strategy to contain costs and enhance deliverables

A major reason we are currently doing well in spite of the pandemic is that we have established strong relationships with our associates. But, we are beginning to see some pain points in our operations, including the following:

- Without social or off-line interactions, our strong relationships are challenged. Digital technology is not a substitute for human connections. Our social capital is being depleted.

- No spontaneous interactions with associates slows the process of change.
- Remotely integrating new hires into our culture is difficult.
- Zoom has been a life saver for communications, but Zoom fatigue is real.
- Ergonomically correct work stations are difficult at home.
- And, promotions, it is feared, will tend to shift to those physically present.

Looking ahead, the pandemic is not over. I have collected a large number of media reports of corporate responses to the pandemic and how their future operations will look. From these, my view of the business consensus is a lot of waffling. In fact, it seems many are more interested in expense savings from a smaller footprint and reducing staff than in improving operations.

So, without much insight from the larger business community and with the “pain points” noted above in mind, the future focus for Rate Bureau operations as I write this is to begin re-populating the office in mid-September. All associates are creating an individual flex schedule with at least two work days in the office each week. But, while we are planning this, the number of COVID cases and hospitalizations are up, masks are being required by many schools, and more mandates are expected. So, we reminded everyone at a recent town hall meeting that safety of our associates is a primary concern, and current plans might not be final plans, but regardless of the timing, work from home will be reduced, but still have an important role in our operations.

This year's short summary is we have managed the challenges of another unusual year and are prepared for more in the coming year. More details by senior management are contained in their summaries of the year later in this report. Needless to say, I am really proud of the way all of them, and all of our associates, have risen to these challenges. And, I am pleased with the guidance and encouragement from the Governing Committee and our other committees, especially the chair, Allen Houck.

Now a final note. This will be my last General Manager's report, as I plan to retire March 31, 2022. The last 21 years have been challenging, exciting, satisfying, and rewarding. This is partly because of the work we have done, but mostly because of the privilege of meeting, working with, learning from, and enjoying the company of so many wonderful people—sadly, way too many to recognize here. But, I am certain that capable hands will ensure a continuing successful future.

It has been an honor and a humbling experience working with the organizations. Thank you for your help along the way.

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



The North Carolina Rate Bureau (Bureau) had a busy but successful 2021, in spite of the continued disruption caused by COVID-19. As we discussed in our 2020 Annual Report, the Bureau successfully navigated the conversion to becoming a remote operation and continued that in 2021. Management has put forth significant effort to ensure that 2021 objectives have been accomplished, while also envisioning and implementing

how the Bureau workplace should look coming out of the pandemic.

The year was quite active from a rate filing perspective. Not all of the filings that the Bureau made have been approved as of the time this chair letter was written, as you will see below. We are eager to support our rate requests in hearings that demonstrate why property rates in particular are not currently reflective of what is needed to support the private insurance market.

- The September 2020 Workers Compensation filing was approved with a decrease of 3.9% in voluntary loss costs and a decrease of 4.2% in assigned risk rates effective April 1, 2021.
- The 2020 Homeowner Rating Filing was made in November 2020, requesting an overall statewide rate increase of 24.5% effective August 1, 2021. The Department of Insurance has issued a notice of hearing on this filing.
- The 2020 Dwelling Rate Filing requesting a 18.7% rate increase was settled for an overall statewide average rate increase of 7.6%, along with new age of construction factors and revised windstorm or hail exclusion credits, as well as revised wind mitigation credits. This change is effective November 1, 2021.
- The Private Passenger Automobile filing in February 2021 was an informational filing only, with no requested change to base rates.
- The 2021 Mobile Home Rate Filings were made in February 2021, requesting a 24.9% increase in MH(F) rates and 11.3% increase in MH(C) rates effective November 1, 2021. The Department of Insurance has also issued a notice of hearing on these filings.

Other Bureau filing activity included numerous endorsements and manual rule changes. Filings are not the only activity of the Bureau—there is much to report on other areas:

- Enhancements to the Bureau’s Manage Data web application were implemented in March to expand functionality and improve the ease of workers compensation data reporting. Future enhancements include expanded fine reporting.

- The Bureau’s website has been updated to include a learning center, new “contact us” functionality, and a chat feature.
- Updates are in process for the ManageAR application to improve the edits and accuracy of the information collected in the initial application submitted by agents. Improvements also include expanded document upload and usability enhancements to help improve the accuracy of submitted applications.
- The Bureau expanded its use of Tableau to enhance reporting of Key Performance Indicators, data analysis, and expanded workers compensation data reporting.
- The Bureau is serving as Chair of the Compensation Data Exchange (CDX) consortium in 2020-2021 and is serving as Chair of the Workers Compensation Insurance Organizations (WCIO) in 2020-2021 as well.

In an important initiative for the well-being of the state of North Carolina, Bureau staff continues to educate carriers on the Bureau’s private flood program.

A sincere thank you to the dedicated staff of the Rate Bureau, which is led by COO Joanna Biliouris; 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.

Finally, and most importantly, I would like to thank our General Manager Ray Evans for his 21 years of leadership of the Rate Bureau, the North Carolina Reinsurance Facility, and the North Carolina Insurance Guaranty Association. Ray will be retiring in the near future, and his retirement is well earned. We were fortunate to have him at the reins well beyond when most folks would decide to hang things up. He absolutely qualifies as a “legend” in the North Carolina insurance world, and we will miss his wisdom and steady leadership, and of course, his friendship. Thank you, Ray.

Allen Houck

North Carolina Farm Bureau Mutual Insurance Company
Chair of the North Carolina Rate Bureau Governing Committee

North Carolina Rate Bureau Constitutional Committee Members

Governing Committee

Members	Representative
Allstate Insurance Co	Patrick Weil
American Home Assurance Co	Ira Feuerlicht
Builders Mutual Insurance Co	Chris Wetzel
Erie Insurance Exchange	Joe Gennuso
Hartford Fire Insurance Co	Eric Mize
Kemper Independence Insurance Co	Robert Zarter
Liberty Mutual Insurance Co	Mark Ford
NC Farm Bureau Mutual Insurance Co*	Allen Houck
Progressive Casualty Insurance Co	Kevin McGee
State Farm Mutual Automobile Insurance Co	Jeff Clinch
The Members Insurance Co	Jim McCafferty
United Services Automobile Association	Dave Case
Public Members	John Wei Dascheil Propes

Automobile Committee

Members	Representative
Allstate Insurance Co	Art Lyon
Government Employees Insurance Co	Monica Grillo
Hartford Fire Insurance Co	John Bergan
Kemper Independence Insurance Co	Jennifer Stanfield
Liberty Mutual Insurance Co	Mark Ford
Nationwide Mutual Insurance Co	Chas Cullen
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
Progressive Casualty Insurance Co	Kevin W. McGee
State Farm Mutual Automobile Insurance Co*	Jennifer Heizer
The Travelers Indemnity Co	Lois Cappellano
United Services Automobile Association	Ray Rabel

Property Committee

Members	Representative
Allstate Insurance Co	Gary Wierzbicki
Amica Mutual Insurance Co	James Sherring
Erie Insurance Co	Darrin Birtciel
Hartford Fire Insurance Co	Eric Mize
Kemper Independence Insurance Co	Robert Zarter
Nationwide Mutual Insurance Co	Christine Hague
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

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 Financial Services Group	Michele Salvatore
Key Risk Insurance Co	Douglas Ryan
Liberty Mutual Insurance Co	Steve Giusti
NC Farm Bureau Mutual Insurance Co	Roger Batdorff
Penn National Security Co	Lynette 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 2021.

*Chair

Insurance Operations



Joanna Biliouris
Insurance Operations
Chief Operating Officer



Amy Tart
Business Project Coordinator



Rebecca Williams
Actuary

Since last year's report, our organization has continued working in a remote capacity, fully meeting or exceeding our goals. While the world presses forward, rebounding from the coronavirus pandemic, the Bureau has maintained its stride in providing quality services and programs for the insurance industry in North Carolina. The pandemic brought about new and creative ways of doing business. The Bureau adapted and evolved quickly and intelligently to challenges. We never lost sight of our responsibilities and continued to fulfill our obligations as required by statute.

The Bureau's commitment to expand our technology offerings and to improve ease of doing business with member companies has resulted in enhancements to our Manage Data and ManageAR online applications, with more improvements scheduled later this year. Our website continues to grow, as we added a learning center section complete with user guides and instructional videos and enabled Chat functionality to provide additional means of support for our member companies and agents.

As we strive to achieve rate adequacy in all of our lines of insurance, the Bureau filed requests for rate increases in our homeowners, dwelling, and mobile home programs. The Dwelling rate filing was settled for an overall 7.6% rate increase while the Homeowner and Mobile Home filings remain outstanding. A private passenger automobile rate change was not requested in 2021; however, the Bureau filed and received approval for updated model year and symbol relativities, and adjustments to the medical payment increased limit factors. The Bureau has made 12 filings related to workers compensation rates, rules, and forms, which included decreases to voluntary loss costs and assigned

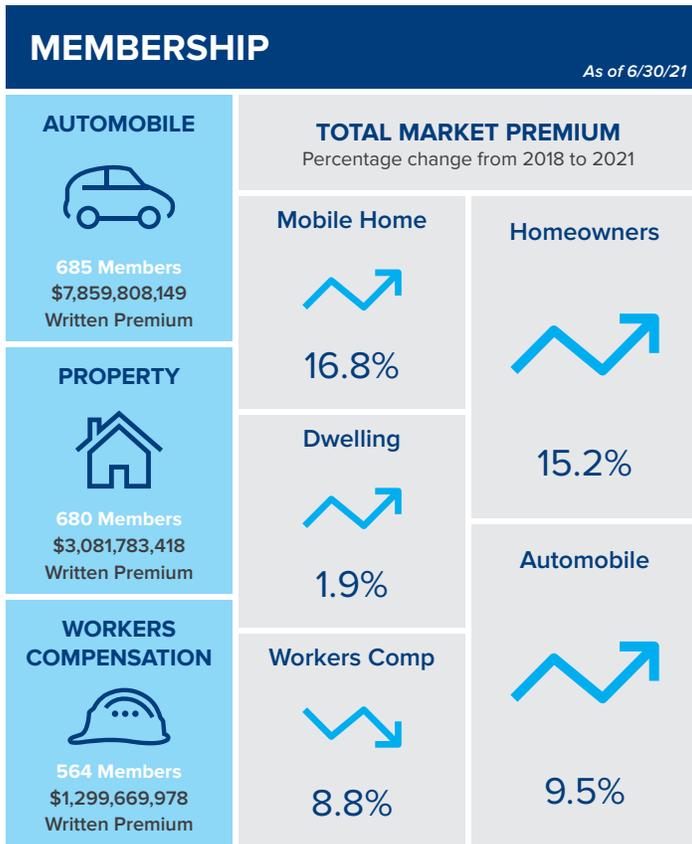
risk rates, as well as COVID-related rule changes. Since our last report, the North Carolina Rate Bureau has made a total of 39 rate, rule, and form filings with the North Carolina Commissioner of Insurance.

Looking ahead, we are dedicated to continually evaluate and improve our members' experience with the Bureau and strive to achieve rate adequacy in all our lines of business. While the latter is an ongoing challenge, we have made incremental gains through our rate filings, and we will continue to advocate for adequate rates in the coming years. Our flood insurance program is gaining attention, with interest expressed from our member companies to evaluate and consider offering private flood insurance in North Carolina.

In the next year, Bureau staff will be embracing a new General Manager as Ray Evans has decided to retire after more than 20 years of service to the Bureau. This will be a bittersweet transition as our organization has thrived under Ray's leadership, expertise, and careful guidance. We are thankful for his service, and we congratulate him on his retirement. I see a lot of golf in Ray's future!

In closing, 2020-2021 has been a busy year for the Bureau with no plans to slow down. We are focused on resolving our two outstanding property filings and preparing for our next property, automobile, and workers compensation filings. Our team of associates is driven to provide quality service and ensure accuracy in all areas of our work. They have performed exceptionally during the last 18 months of remote work, and we look forward to welcoming everyone back to the office in September. I continue to be amazed and proud of our team and their dedication to our organizations.

Membership



addition of cohabitation language to our program, and clarification of inexperienced operator surcharge application to unlicensed insureds, to name a few. These changes became effective on June 1, 2021.

Property

Homeowners

On November 9, 2020, the Rate Bureau filed with the Commissioner a proposed average Homeowner rate level change of 24.5% with an August 1, 2021 effective date. 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. This filing also included an extension of the age of construction discount from 6 years to 14 years. On December 23, 2020, the Commissioner issued a Notice of Hearing for September 2021. In April, the Department filed a motion to delay the Homeowner hearing until December 14, 2021. The motion was heard on June 11, 2021, and the Hearing Officer issued a ruling to move the hearing to November 1, 2021.

The Commissioner also approved Homeowner coverage, rules, and form changes, including the addition of a definition of Actual Cash Value, an optional unscheduled Coverage B endorsement, an optional Fortified Roof endorsement, and optional additional deductible options to our Homeowner program effective on August 1, 2021.

Dwelling

On December 14, 2020, the Bureau filed with the Commissioner proposed premium rates for Dwelling fire and extended coverage insurance. The filing proposed a statewide average rate level increase of 18.7%, rate levels varying by territory within the state according to the loss experience within each territory, revised windstorm or hail exclusion credits, revised wind mitigation credits, and introduction of new age of construction factors.

The Bureau and the Commissioner negotiated a settlement on March 23, 2021, for an overall statewide average increase of 7.6% for all Dwelling forms, revised base rates, revised windstorm or hail exclusion credits, revised wind mitigation credits, and new age of construction discounts. These changes are effective on November 1, 2021.

The Commissioner also approved Dwelling program changes for use in North Carolina. The changes included a new optional fortified roof endorsement, optional additional deductible options, and added new Actual Cash Value definition. These changes are effective on September 1, 2021.

Mobile Home

On February 26, 2021, the Bureau filed with the Commissioner a proposed premium rate change of 11.3% for the MH(C) program and a proposed premium rate change of 24.9% for the MH(F) program. The proposed effective date is November 1, 2021. On April 15, 2021, the Commissioner called for a hearing scheduled for January 22, 2022.

Personal Lines



Andy Montano
Director, Personal Lines

Automobile

The Rate Bureau is required to make a Private Passenger Automobile filing each year by February. This year, the Rate Bureau made an information only filing, with no requested rate change. However, we filed and received approval for revised Medical Payment increased limit factors and updates to the physical damage model year and symbol relativities to reflect a shift in model year base to 2022.

The Bureau filed and received approval from the Commissioner of Insurance (Commissioner) for several rule and form changes, including a delivery coverage buy-back endorsement, trust endorsement, exclusion of peer to peer vehicle sharing from the personal automobile policy,

Legislation

During this legislative session, SB 241—Modified Utility Vehicle Definition passed and is in effect October 1, 2021. This new legislation has prompted the Bureau to revise the Personal Automobile Manual to accommodate the revised definition.

The Bureau is also monitoring SB 470—North Carolina Regulatory Sandbox Act. This bill would set up a “sandbox” for those seeking to develop innovative financial and insurance products to test those products or services on a temporary or limited basis without being subject to licensing or other regulatory obligations imposed under applicable State Law.

Private Flood Program

This Bureau’s private flood program was approved by the Commissioner on February 28, 2020, just prior to the onset of the COVID pandemic. At that time, several companies expressed interest in the program, but none have chosen to adopt it to date. The Bureau developed several training videos to help educate members on the new program. Below are some facts about the steps necessary to begin implementation for carriers. The carrier must sign a usage agreement based on the option selected. If your company is interested in learning more about the Flood program, please contact the Bureau.

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.

Unlike a traditional manual, because of the volume of the data required, rates must be obtained in one of two ways.

OPTION 1



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

OPTION 2



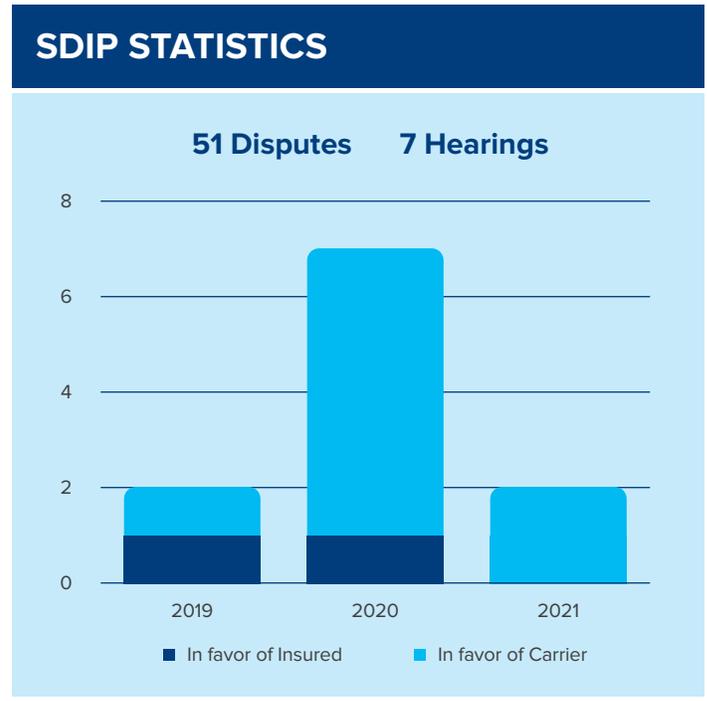
Member carriers can obtain from the Rate Bureau the entire set of data (140 million records) required to map properties to the base grid location and obtain the base AAL.

Safe Driver Insurance Plan

As required by 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 a number of inquiries per year, most of which are resolved without a hearing.

2020 was a busy year for the SDIP program! The Bureau noticed an uptick in inquiries from customers and agents alike since the beginning of the pandemic. The Bureau received approximated 65 telephone inquiries, which resulted in 51 open disputes. Out of these 51 disputes, in 3 cases the company voluntarily reduced or removed points, 41 cases were resolved without a formal hearing, and 7 cases went to the hearing process, of which 6 were resolved in the company’s favor (see chart below).

Due to working remotely, the Bureau utilized video conferencing to hold hearings. The Bureau panel and hearing officer successfully held all hearings via Zoom, and policyholders reacted favorably to the remote hearing process.



Workers Compensation



Jarred Chappell
Director, Workers
Compensation Operations



Latimia Roberson-Hill
Supervisor, WC Customer
Services



Lynne Mays
Supervisor, WC Data and
Underwriting Operations



Natalie Linares
Manager, Data Services

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 of Assigned Risk & Underwriting Services, Data Services, and Information Center.

Since our last report, the Workers Compensation Operations department has not only maintained high levels of production to meet all obligations, but continued to identify ways to become more efficient and user friendly for our stakeholders.

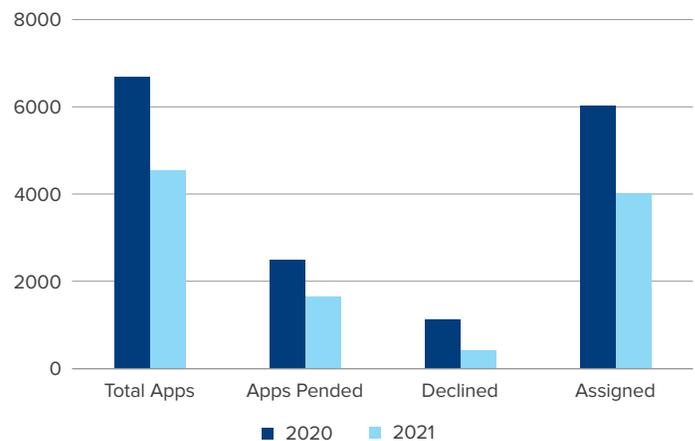
Assigned Risk and Underwriting Services

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

In a typical year, the Assigned Risk and Underwriting Services team is tasked with the analysis and assignment process on about 13,000 applications annually. In April 2020, with the onset of the COVID-19 pandemic, the volume of applications fell and remains at an average of roughly 1,000 per month.

Improvements made to our ManageAR assigned risk application system throughout 2020 and 2021 have continued to increase efficiency in the department. Over the last year, applications in a pending status awaiting additional data are down 20%, largely due to improved collection of information and streamlined application processing.

Application Statistics



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

- Amguard Insurance Company,
- LM Insurance Company, and
- Travelers Property and Casualty Company.

A direct assignment carrier is an insurer 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, and
- Hartford Underwriters Insurance Company.

ASSIGNED RISK STATISTICS

The Assigned Risk and Underwriting Services team is also responsible for researching and issuing rulings on ownership and class code questions from the workers compensation market in North Carolina, both residual 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, the team handles an average of 7,823 work items each month.

10,689
New Applications 

100%
Applications Submitted Electronically 

\$2,449
Average Premium Size 

\$66M
Total Assigned Risk Premium

7,053
Ownership Changes Processed 

93,879
Total Work Items Processed 

2020–21
Assigned Risk Premium Quota Share 

Direct Writers 28%
Servicing Carriers 72%

Data Services

Throughout the 2020-2021 year, the team collected information on 780,871 policy related transactions and 246,002 unit statistical related transactions.

Data Services is the primary point of contact to support our member carriers with data reporting needs. In order to maintain the integrity of our data, this team works closely with our members' companies to ensure ease and accuracy or reporting. Over the last three years, Data Services has been working diligently on development of a new reporting platform for member companies to submit data to the Bureau. That platform, Manage Data, was originally released in April 2020 for carrier use, and the team continues to work on improvements to the system based on carrier feedback. Earlier this year, a dashboard was created within Manage Data with tools specifically for underwriters. In a few months, another dashboard will be released within Manage Data with tools specifically for assigned risk carriers.

The Take-Out Credit program is an important aspect of our assigned risk plan that the Data Services team administers. In 2020, credits totaled \$9 million between 98 carriers.

DATA SERVICES STATISTICS

The Data Services team members are our technical experts that oversee the daily collection and management of Policy Data and Unit Statistical Data. They also 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.

780,871
Policy Transactions Processed 

246,002
USR Transactions Processed

39,109
Experience Modifications Generated 

\$9,070,872
Annual Take Out Credits 

Information Center

In 2020, the Information Center was forced to change its operations drastically amid the COVID-19 pandemic. The staff quickly transitioned to operating the center in a completely remote environment while maintaining their standard level of efficiency. The team also saw a change in the way that people contacted the Bureau. Prior to 2020, the majority of our inquiries came in via phone call. Since March of 2020, most of the inquiries are received via email.

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. As in previous years, workers compensation questions account for the overwhelming majority of our inquiries.

INFO CENTER STATISTICS

The Information Center is the primary point of contact for NCRB as well as NCRF and NCIGA. This team handles over 1,800 inquiries per month from carriers, agents, and employers through phone or email.

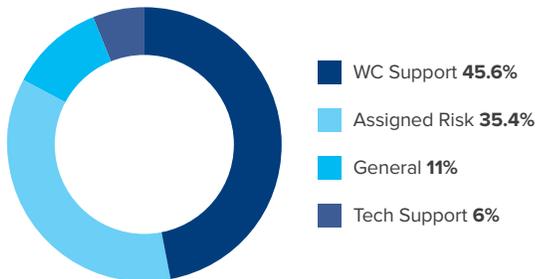
9,877
Call Tickets
Generated



12,372
Email Tickets
Generated



Support Tickets by Category



Allison Smart
Training & Development
Manager

Training and Development

The Bureau values training and development and has been working for the past two years to make sure there is a solid foundation for both our internal and external customers. Our focus has been to build on these two pillars simultaneously, with the understanding that this will lead to knowledge expansion and development of strong resources for the industry.

Internal Training

We have created and delivered a robust cross training initiative that started in 2020 and continued into 2021. The goal was to cross train employees on all work items that the Bureau is responsible for, while also introducing audit measures to ensure quality. So far, we have seen improved efficiencies, greater confidence among our employees, and faster response times to our customers. This will remain a focus throughout 2021 to ensure we are meeting the needs of our stakeholders.

External Training

We have spent a large portion of 2021 building out our external training programs. This includes creating a learning center on our website that houses instructional videos and user guides for our applications. It is our goal to ensure all applications have these resources and that they are updated regularly with any enhancements. We have also developed a quarterly newsletter for our North Carolina agents to bridge the communication channel and build knowledge and success. We are currently developing a training module focused on the assigned risk process and our ManageAR application to highlight enhancements to the system and educate users on the overall process.

2021 PROJECTS

GLOBAL FINING

After a review of our data fining procedures, our Data Services team worked with our accounting department to develop a Global Fining system to streamline the process, increase clarity for the carriers, and improve communication between all parties.



SPECTRUM 5.0

The Bureau has begun the multi-year process of re-writing our core operating system to create a more modern and user-friendly experience for our staff.



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 pended applications, saving time for our staff and agents.



MANAGE DATA

In spring of 2021, we released improvements to our Manage Data system, giving carriers access to more tools and more consistency with other data collection organizations.





Natasha Sumter
Manager, Regulatory

Regulatory

The Bureau monitors industry trends and regulatory activity that may impact workers compensation. In North Carolina, the legislature alternates between a long session in odd number years, and a short session in even number years. Although there was limited legislative activity in 2021 impacting the Bureau, the following are several matters potentially impacting the workers compensation insurance industry.

North Carolina Workers Compensation Legislation

HB-224 Occupational Therapy Interstate Compact

Amends Chapter 90 of the General Statutes by adding an act to authorize North Carolina to enter into an interstate compact for the practice of occupational therapy.

HB-492 WC/Psych. Trauma-Related Injuries

Would amend the WC Act to provide that law enforcement, firefighters, 911 dispatchers, and emergency service personnel are entitled to workers compensation for psychological trauma. This legislation is still pending.

HB-535 Firefighters Fighting Cancer Act 2021

Would amend Chapter 58 of the General Statutes to establish a supplemental insurance policy for firefighters diagnosed with certain cancers. This legislation is still pending.

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 North Carolina Department of Insurance, the Bureau has filed and received approval for filings applicable to North Carolina as noted below.

- The temporary state-specific revision to the North Carolina Basic Manual for Workers Compensation and Employers Liability (NC Basic Manual) allowed employees, whose duties were previously assigned to a higher-rated governing classification, working in a stay-at-home environment and performing duties consistent with clerical operations, to be reassigned to Classification Code 8871-Clerical Telecommuter Employees. The approved payroll reclassification was applicable to policies in effect on or after March 30, 2020—the day the North Carolina stay-at-home order was issued—until April 21, 2021, 45 days after the order was lifted on February 24, 2021; to allow employers flexibility to implement their own return-to-work plan.
- Revisions to the NC Basic Manual announced by NCCI item B-1441—Revisions to NCCI Manual Rules Related to the COVID-19 Pandemic revised and established rules allowing payment to paid furloughed employees be excluded from premium calculations. Payments made to furloughed employees will be reported as exposure using statistical code 0012, and no premium will be applicable. These

approved changes are applicable to all policies in effect on or after March 1, 2020, until a date determined later as circumstances warrant and in consultation with state regulatory authorities.

- Revisions to the NC Statistical Plan Manual (NC Stat Plan) established Nature Injury Code 38 and revised Cause of Injury Code 82 to include adverse reactions to a vaccination or inoculation as proposed by Workers Compensation Insurance Organizations (WCIO). The approved changes are applicable to all new and voluntary and assigned risk policies in effect on or after December 1, 2020.

Disputes

Each year the Bureau receives a number of disputes submitted by carriers and insureds related to workers compensation manual rules, the experience rating plan, and the administration of the Workers Compensation Insurance Plan.

During the past year, the Bureau handled 80 disputes, with two resulting in actual hearings. The top three reasons for disputes include class codes, cancellations, and subcontractors.

NATIONAL TRENDS

COVID-19

NCCI and NCRB continue to monitor the impact of the COVID-19 pandemic on the workers compensation industry. A series of frequently asked questions (FAQs) based on questions received by NCCI have been compiled and kept up-to-date on NCCI's site.



TELECOMMUTING

According to a study released by NCCI in January 2021, approximately three-quarters of office-based business and professional employees have been working from home early in the COVID-19 pandemic. The Bureau and NCCI will continue to monitor trends in telecommuting and provide updates on workers compensation as appropriate.



WORKERS COMPENSATION DRUG PAYMENTS

According to a study by WCRI, payment shares for dermatological agents increased significantly by seven percentage points. Quarterly payments per claim for anticonvulsants decreased over 20%. Opioid prescribing reduced dramatically by over 10%.



Shared Services



Shelley Chandler
Chief Information Officer

Information Services

Information Services is dedicated to leveraging technology to enhance our business processes and to fulfill the needs of our customers. In 2021, we find ourselves building on changes that were essential to our success in 2020 when we made the quick transition to a remote work environment due to the COVID-19 outbreak. As we return to a new normal that includes a hybrid workplace model and flexible work

solutions, we are preparing our technical environment to support more flexibility long term. Part of this change will allow us to become location independent, enabling expansion of future options. Towards this end, we are moving our infrastructure offsite and switching to a cloud-based phone system to create more redundancy and flexibility for the organizations.

Security continues to demand constant attention and resources to ensure integrity of our data, business operations, reputation, and financial stability. In 2021, ransomware attacks like those on the Colonial Pipeline and CNA Insurance made news headlines. Behind the scenes in the IT world, there was an increased number of “Zero-day vulnerabilities” that were exposed in systems used to keep infrastructure running. In both instances, constant vigilance and routine patching and upgrading of systems play a large part in keeping systems safe. We remain vigilant on evaluating vulnerabilities and constantly maintaining and upgrading our systems to help protect our environment and data. We continue to conduct third party penetration testing of our networks and applications; these audits act as a second set of eyes to help identify potential weak spots allowing us to remediate and reduce our risk. One of our more practical and most important defense mechanisms used to mitigate security risks is employee training. Every month, associates receive security awareness assessments as a way to expand and reinforce their knowledge and understanding of security threats. This training has enabled associates to identify potential issues and respond proactively. The Bureau’s focus on security will continue to expand as we transition our infrastructure to the cloud, where control over security becomes more complex.

Project work also plays a significant role in helping to promote efficiency through 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 2021, the Software Development group worked on 15 system improvements for NCRB, including implementation of Tableau for reporting, improvements to Manage Data and ManageAR, addition of a chat tool on the public website, and technical input into the analysis for a rewrite of the core Workers Compensation processing system Spectrum.

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.



Vicki Godbold
Chief Human Resources Officer

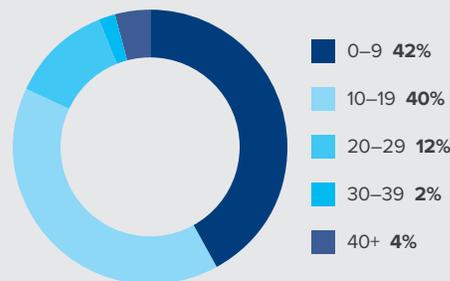
Human Resources and Facility Services

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. We are in our second year of having adapted to a new way of business with remote work and enacting all the constantly changing federal regulations.

We are prepared for repopulating the office by having sneeze guards, PPE, sanitizers, and disinfectant, as well as investing in the best air quality by installing UV-C Lights to our HVAC system to offer a safer environment with the current pandemic and moving forward.

EMPLOYEE INFORMATION

Years of Service



Associate Service Milestones

5 Years	1 Associate
15 Years	1 Associate
20 Years	2 Associates
25 Years	1 Associate
35 Years	1 Associate
40 Years	2 Associates

WELLNESS PARTNERS



WakeMed Hospital



YogaBlyss



NC Prevention Partners



Edith Davis
Chief Financial Officer

Finance

The exhibits on page 14 summarize the Bureau's financial position and reflect the comparative balance sheets and income statements for the last calendar year ending December 31 and actual figures for the prior and current calendar year-to-date through June 30 (the

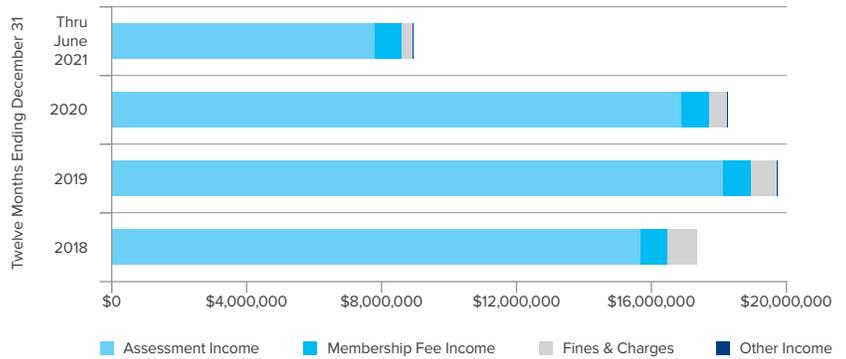
latest quarter ended at the time of this report). Cash and Investments again improved at June 30, 2021, both due to an increase in assessments in the first two quarters and the acceleration of assessment receipts due to the faster email delivery and ACH payment options implemented in 2020. Claims experience and proceeds from reinsurance recoveries in our self-insured group medical insurance plan during the past year remain stable, and as of June 30, 2021, this account is fairly flat 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 2020 annual assessment income decreased slightly over 2019 but was higher at June 30, 2021, over the prior year, due to the shifting of certain budgeted legal and advisory expenses to earlier in the year, not an increase in expenses. The 2021 budget was approximately \$1.1 million lower than in 2020 as no hearing expenses were included. At the time of this writing, the 2020 Homeowners rate filing filed on November 9, 2020, was under notice of hearing by the Department of Insurance, and a hearing has been scheduled for November 1, 2021.

Assessments to member companies represented 93% of the Rate Bureau's receipts during 2020 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 approximately 4% and 3%, respectively, of the Rate Bureau's 2020 annual income. Income from fines and charges were trending lower in 2019, and dropped significantly during 2020, but have seen a significant increase during the first half of 2021.

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 72% of the total expenses of the Bureau, and the table and chart to the right show a summary of the direct and allocated expenses for the previous two years and the first half of 2021. Through June 2021, the Bureau was approximately 3% under budget, predominately driven by variances in IT expenses and open positions. As in the past, the 2019 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2021.

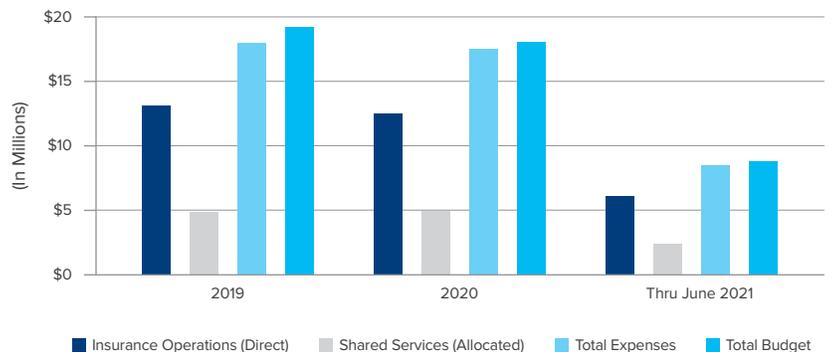
North Carolina Rate Bureau Sources of Income



The firm of Johnson Lambert again performed the annual audit for the year ending December 31, 2020, conducted the entire audit remotely utilizing various online tools and resources, and presented their report to the Audit Committee in March 2021. Johnson Lambert issued an unmodified 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. They further noted that some increased testing of internal controls had been performed for processes that had changed due to the pandemic.

Who could have imagined that the COVID-19 pandemic would last this long or be the influence that generated a seismic shift in the way that we work? We have quickly evolved from a very paper-based operation to a faster, more efficient paperless environment and seen the near elimination of paper invoices and checks to pay them. All Bureau billings are now delivered to member companies electronically, and most of the bills we pay are received that way as well. This has improved nearly all phases of the accounting processes, from AP to month-end and reconciliations. As we make plans to return to the office, we will not be returning to those days of paper. Our business processes continue to evolve, and very good progress has been made towards the development of requirements for a new accounting system. This is a multi-year project and will benefit both the Bureau and its sister organizations with improved functionality and provide greater opportunities for location independence. Additional reporting capabilities and improved Workers Comp billing should be in place by year's end. Thank you to our Governing Committee and members for supporting these efforts. We continue to look for ways to improve our efficiency and customer service and welcome any feedback.

North Carolina Rate Bureau Administrative Expenses



Administrative Expenses	2019	2020	Thru June 2021
Insurance Operations (Direct)	\$ 13,157,194	\$ 12,475,320	\$ 6,055,432
Shared Services (Allocated)	\$ 4,889,506	\$ 4,942,989	\$ 2,430,741
Total Expenses	\$ 18,046,698	\$ 17,418,309	\$ 8,444,436
Total Budget	\$ 19,227,048	\$ 17,993,105	\$ 8,734,837

Balance Sheet

	Six Months Ended 6/30/2021	Six Months Ended 6/30/2020	Year Ended 12/31/20
Assets			
Cash & Investments (Unrestricted)	\$ 2,977,949	\$ 2,383,568	\$ 2,515,679
Cash & Investments (Restricted)	2,059,944	2,019,365	2,143,877
Assessments Receivable	-	-	(4,165)
Accounts Receivable	45,850	39,600	46,900
Other Assets	-	-	(1,250)
Total Assets	\$ 5,083,743	\$ 4,442,532	\$ 4,701,041
Liabilities & Fund Equity			
Refund to Carriers Payable	-	-	-
Retiree Insurance Payable - Restricted	\$ 588,023	\$ 583,255	\$ 587,688
Other Benefits Payable - Restricted	1,471,921	1,436,109	1,556,188
Other Liabilities	(17,351)	(17,416)	(17,416)
Total Liabilities	\$ 2,042,593	\$ 2,001,948	\$ 2,126,461
Fund Equity	3,041,150	2,440,584	\$ 2,574,580
Total Liabilities & Fund Equity	\$ 5,083,743	\$ 4,442,532	\$ 4,701,041

Income Statement

	Six Months Ended 6/30/2021	Six Months Ended 6/30/2020	Year Ended 12/31/20
Income			
Assessment Income	\$ 7,790,592	\$ 6,937,809	\$ 16,903,488
Membership Fees Income	819,250	803,500	806,750
Late Data Reporting Charges	-	-	3,400
Delinquent USR Charges	62,800	57,050	120,100
Policy Data Fines	253,800	144,900	421,400
Other Income	(14,795)	1,662	(8,718)
Total Income	\$ 8,911,647	\$ 7,944,921	\$ 18,246,420
Expenses (Net)			
Legal, Consulting & Other Outside Services	\$ 4,629,151	\$ 4,087,768	\$ 9,667,328
Salaries & Administration Expenses	2,051,191	2,021,383	4,288,826
Other Operating Expenses	1,764,134	1,993,022	3,470,402
Less: InterOffice Settlement	-	-	-
Total Net Expenses	\$ 8,444,476	\$ 8,102,172	\$ 17,426,556
Net Income	\$ 467,171	\$ (157,251)	\$ 819,864

NCRB

NORTH CAROLINA RATE BUREAU