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

MEMBERS PRESENT
Accident Fund Insurance Company of America
    United Wisconsin Insurance Company
AIG Casualty Company
    21st Century Casualty Company
    21st Century Insurance Company
    AIG Advantage Insurance Company
    AIG Centennial Insurance Company
    AIG Premier Insurance Company
    AIU Insurance Company
    American General Property Insurance Company
    American Home Assurance Company
    American International South Insurance Company
    Commerce & Industry Insurance Company
    Granite State Insurance Company
    Insurance Company of the State of Pennsylvania
    National Union Fire Insurance Company
    New Hampshire Insurance Company
    Yosemite Insurance Company
Alliance Mutual Insurance Company
    Carrie Bay
    Bill Breedlove
    Robert Blystone
Allstate Insurance Company
    Allstate Indemnity Company
    Allstate Property & Casualty Insurance Company
    Encompass Indemnity Company
    First Colonial Insurance Company
    Northbrook Indemnity Company
Amica Mutual Insurance Company
    Thomas Goodale
Atlantic Casualty Insurance Company
    Coastal Casualty Insurance Company
Cincinnati Insurance Company
    Cincinnati Casualty Company
    Cincinnati Indemnity Company
Companion Property & Casualty Insurance Company
    Companion Commercial Insurance Company
    Rex Boylston
Erie Insurance Company
    Erie Insurance Exchange
    First Nonprofit Insurance Company
    Bob White
GEICO General Insurance Company
    American Centennial Insurance Company
    Central States Indemnity Company of Omaha
    Commercial Casualty Insurance Company
    Continental Indemnity Company
    Eric Stafford

REPRESENTED BY
Dana Pierce
Ira Feuerlicht

P.O. Box 176010 • Raleigh NC  27619-6010 • (919) 783-9790 • www.ncrb.org
MEMBERS PRESENT
Cornhusker Casualty Company
Fairfield Insurance Company
GEICO Casualty Company
GEICO Indemnity Company
General Reinsurance Corporation
General Star National Insurance Company
Genesis Insurance Company
Government Employees Insurance Company
National Indemnity Company
National Liability & Fire Insurance Company
National Reinsurance Corporation
United States Liability Insurance Company
Hartford Casualty Insurance Company
Hartford Accident & Indemnity Company
Hartford Fire Insurance Company
Hartford Insurance Company of the Midwest
Hartford Underwriters Insurance Company
New England Insurance Company
Property & Casualty Insurance Company of Hartford
Sentinel Insurance Company Ltd
Trumbull Insurance Company
Twin City Fire Insurance Company
Horace Mann Insurance Company
Horace Mann Property & Casualty Insurance Company
Teachers Insurance Company
Integon Casualty Insurance Company
GMAC Insurance Company Online Inc
Integon General Insurance Corporation
Integon Indemnity Corporation
Integon National Insurance Company
Integon Preferred Insurance Company
Integon Specialty Insurance Company
MIC General Insurance Corporation
MIC Property & Casualty Insurance Corporation
Motors Insurance Corporation
National General Assurance Company
National General Insurance Company
New South Insurance Company
Kemper Independence Insurance Company
Alpha Property & Casualty Insurance Company
Merastar Insurance Company
Response Insurance Company
Response Worldwide Insurance Company
United Casualty Insurance Company of America
Unitrin Auto & Home Insurance Company
Unitrin Safeguard Insurance Company
Key Risk Insurance Company
Acadia Insurance Company
Admiral Indemnity Company
Berkley Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Continental Western Insurance Company
Firemen's Insurance Company of Washington District of Columbia

REPRESENTED BY
Rajiv Iyer
W Reid McClintock
Art Lyon
Kimberly Burns
Donna Emery
David Horn
MEMBERS PRESENT

Great Divide Insurance Company
Midwest Employers Casualty Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company
Union Standard Insurance Company
Liberty Mutual Fire Insurance Company

Liberty Mutual Mid-Atlantic Insurance Company
LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property & Casualty Insurance Company
Midwestern Indemnity Company
Montgomery Mutual Insurance Company
Netherlands Insurance Company
Ohio Casualty Insurance Company
Ohio Security Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
SAFECO Insurance Company of America
SAFECO Insurance Company of Indiana
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company

Nationwide Mutual Insurance Company
Allied Property & Casualty Insurance Company
AMCO Insurance Company
Atlantic Insurance Company
Depositors Insurance Company
Farmland Mutual Insurance Company
National Casualty Company
Nationwide Affinity Insurance Company
Nationwide Agribusiness Insurance Company
Nationwide Insurance Company of America
Nationwide Mutual Fire Insurance Company
Nationwide Property & Casualty Insurance Company
Scottsdale Indemnity Company
Titan Indemnity Company
Victoria Fire & Casualty Company

REPRESENTED BY

Jeffrey Woodcock

Amy Powell

Isaac Adams
MEMBERS PRESENT
North Carolina Farm Bureau Mutual Insurance Company
  Farm Bureau Insurance Company of North Carolina
Penn National Security Company
  Pennsylvania National Mutual Casualty Insurance Company
Progressive Casualty Insurance Company
  National Continental Insurance Company
  Progressive Advanced Insurance Company
  Progressive American Insurance Company
  Progressive Direct Insurance Company
  Progressive Max Insurance Company
  Progressive Northern Insurance Company
  Progressive Northwestern Insurance Company
  Progressive Preferred Insurance Company
  Progressive Premier Insurance Company of Illinois
  Progressive Southeastern Insurance Company
  Progressive Universal Insurance Company
  United Financial Casualty Company
State Farm Mutual Automobile Insurance Company
  State Farm Fire & Casualty Company
  State Farm General Insurance Company
Stonewood Insurance Company
The Members Insurance Company
Travelers Indemnity Company
  Athena Assurance Company
  Automobile Insurance Company of Hartford
  Charter Oak Fire Insurance Company
  Commercial Guaranty Insurance Company
  Discover Property & Casualty Insurance Company
  Farmington Casualty Company
  Fidelity & Guaranty Insurance Company
  Fidelity & Guaranty Insurance Underwriters Inc
  Northland Casualty Company
  Northland Insurance Company
  Phoenix Insurance Company
  Select Insurance Company
  St Paul Fire & Marine Insurance Company
  St Paul Guardian Insurance Company
  St Paul Medical Liability Insurance Company
  St Paul Mercury Insurance Company
  St Paul Protective Insurance Company
  Standard Fire Insurance Company
  Travco Insurance Company
  Travelers Casualty & Surety Company
  Travelers Casualty & Surety Company of America
  Travelers Casualty Company of Connecticut
  Travelers Casualty Insurance Company of America
  Travelers Commercial Casualty Company
  Travelers Commercial Insurance Company
  Travelers Home & Marine Insurance Company
  Travelers Indemnity Company of America
  Travelers Indemnity Company of Connecticut
  Travelers Personal Insurance Company
  Travelers Personal Security Insurance Company
  Travelers Property Casualty Company of America

REPRESENTED BY
Roger Batdorff
Pat Lovell
Alan Stowe
Kevin McGee
Alan Bentley
Tee Stephenson
Mike Cole
Randy Krauss
Jonathan Konrad
MEMBERS PRESENT
Travelers Property Casualty Insurance Company
United States Fidelity & Guaranty Company
Universal Insurance Company
Zurich American Insurance Company
    American Guarantee & Liability Insurance Company
    American Zurich Insurance Company
    Assurance Company of America
    Centre Insurance Company
    Colonial American Casualty & Surety Company
    Empire Fire & Marine Insurance Company
    Farmers Insurance Exchange
    Fidelity & Deposit Company of Maryland
    Foremost Insurance Company
    Foremost Property & Casualty Insurance Company
    Foremost Signature Insurance Company
    Maryland Casualty Company
    Mid Century Insurance Company
    Northern Insurance Company of New York
    Truck Insurance Exchange
    Universal Underwriters Insurance Company

REPRESENTED BY
Gregory Spray
Ted Dale
John McElroy

OTHERS PRESENT
Independent Insurance Agents of NC
    Rick Pegram
Insurance Services Office
    Pat Woods
Milliman USA
    David Appel
NCRF Board of Governors Public Member
    David Walker
Young, Moore and Henderson
    Mickey Spivey
    Bill Trott
    Edith Davis
    Ray Evans
    Vicki Godbold
    Fred Hoerl
    Tim Lucas
    Lois Murphey
    Mike Newton
    David Sink
    Sue Taylor

172 other companies voted by proxy.

The meeting convened as scheduled, Mr. Bentley of State Farm Mutual Automobile Insurance Company, Chairman of the Governing Committee, presiding.

Attention was directed to the Rate Bureau’s Antitrust Compliance Policy and Guidelines and Conflict of Interest Statement.

Mr. Evans announced that there was a quorum.

1. **Annual Report**

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

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

3. **Governing Committee Election**

It was reported that Mr. Wilson of State Automobile Mutual Insurance Company, who had previously been appointed Chairman of the Nominating Committee by the Chairman of the Governing Committee, could not be at the meeting to report the recommendations and had asked Mr. Evans to report those recommendations. Mr. Evans reported that the Nominating Committee (comprised of Allstate Insurance Company, State Farm Mutual Automobile Insurance Company, State Automobile Insurance Company and Erie Insurance Exchange) recommended the following slate of companies for election to the Governing Committee: Allstate Insurance Company and Hartford Insurance Company for the two stock positions and State Farm Mutual Automobile Insurance Company and North Carolina Farm Bureau Mutual Insurance Company for the two non-stock positions. The floor was then opened for additional nominations, and there were none. Following motions to close the nominations and to elect the recommended slate, the companies recommended by the Nominating Committee were elected to three-year positions on the Governing Committee.

4. **Comments from the Chairman**

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

5. **Adjournment**

There was no further business and the meeting was adjourned.

Respectfully submitted,

Raymond F. Evans, Jr. CPCU

General Manager

RFE:lm

G-10-2

4/20/10
Core Values

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

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

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

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

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

Consistency
Demonstrate fairness and consistency among all associates and encourage personal development.
North Carolina Rate Bureau

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General Organizational Information
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Website Address ......................................................... www.ncrb.org
Street Address .......................................................... 5401 Six Forks Road
Raleigh, NC 27609

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919-582-1050 smt@ncrb.org
Delisa Fairley ...................................................... Manager, Insurance Data Operations
919-582-1060 ddf@ncrb.org
Betty Hurst ......................................................... Manager, Workers Compensation
919-582-1070 bg@ncrb.org
Tim Lucas ............................................................ Manager, Personal Lines
919-582-1021 ftl@ncrb.org
Rebecca Williams ............................................. Manager, Data Analysis
919-582-1055 rrw@ncrb.org

Organizational Shared Resources Staff
Shelley Chandler .............................................. Director, Information Services
919-582-1057 src@ncrb.org
David Sink .......................................................... Director, Finance
919-582-1012 des@ncrb.org
Vicki Godbold ........................................... Director, Human Resources & Administrative Services
919-645-3170 vcg@ncrb.org

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

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

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

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

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

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

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

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

Sincerely,

Alan Bentley
Chairman NCRB Governing Committee

Governing Committee

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

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

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

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

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

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

The magnitude of this year’s deviations from plans was especially dramatic: the Rate Bureau made almost two dozen significant filings with perhaps a dozen more in the pipeline for the remainder of the year. Or, put another way, about 100% more work came through than anticipated at the beginning of this year.

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

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

Thank you.

Ray Evans
General Manager
North Carolina Rate Bureau
Fast Facts

• There are 694 insurance companies in the State of North Carolina that are members of the North Carolina Rate Bureau. Over the past year, 19 companies have joined the Bureau and 3 companies have withdrawn or merged

• The Bureau employs 71 associates – 32 in the Personal Lines and Workers Compensation departments and 39 in the support departments of IT, Human Resources and Finance

• In the first 8 months of 2009, 38 NCRB committee meetings took place with member companies and staff in attendance

• In the past year, Workers Compensation handled 103 disputes

• In the past year, 106 Safe Driver Insurance Plan inquiries were received for review

• The Bureau promulgates an average of 50,000 workers compensation experience modifications annually

• The Bureau’s Information Center averages 5,300 inquiries per month

• Twenty-two percent of the Bureau workforce has been employed 20 years or more, with two associates having more than 40 years of service

• The Bureau processes 163,000 workers compensation policies each year
Strategic Focus

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

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

Personal Lines

Homeowners

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

Shortly after the approval of the homeowners rate filing, a group consisting of mainly counties and municipalities in the 20 coastal counties filed actions in various courts against the Bureau, the Department and the Commissioner of Insurance alleging that their interests in the rate process had not been adequately represented and seeking to have the consent order of December 19, 2008, vacated. Petitions were filed with the Department of Insurance and the Wake County Superior Court, and an appeal was filed with the North Carolina Court of Appeals. Following hearings in the Department and in the Superior Court, the petitions filed with the Department and Wake County Superior Court were dismissed. The coastal group also appealed the dismissal of their petitions by the Wake County Superior Court. The appeals remain pending in the North Carolina Court of Appeals as of the writing of this report.

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

On February 20, 2009, the Bureau filed revisions to the Homeowners Policy Program deductible factors. However, after considerable discussion by the Governing Committee, the decision was made to withdraw the filing from consideration.
After hearings on the Bureau’s 2008 auto filing, the Commissioner of Insurance disapproved the filed 13% overall increase and approved instead a 16.1% overall decrease in rates. The Bureau appealed the Commissioner’s disapproval of the filed rates and implemented a 9.4% increase in overall rates to become effective on all nonfleet private passenger automobile policies effective on and after January 1, 2009.

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

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

The Bureau filed revisions to the Personal Auto Policy on May 12, 2009, with the introduction of Amendatory Endorsement NC 00 13 10 09 which amends the arbitration provisions of the Uninsured and Combined Uninsured/Underinsured Motorist Coverages to become effective January 1, 2009. After the announcement of this revision to the member companies, the Legislature enacted Senate Bill 660, which provides a method for handling diminished value for property damage liability claims. This revision has been incorporated into Amendatory Endorsement NC 00 13 01 10 and will become effective January 1, 2010.
The North Carolina Legislature met this year in a “full” session. House Bill 1305 was enacted, bringing sweeping changes to property insurance in the coastal areas.

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

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

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

### Safe Driver Insurance Plan

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

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<td>In Favor of Company</td>
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<td>12</td>
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Workers Compensation

Assigned Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Data Operations

Electronic Reporting of Workers Compensation Data

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

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

The information collected includes the following:
- Property & Casualty Annual Statements
- Insurance Expense Exhibits
- Automobile Expense Experience
- Automobile Installment Premium Charges
- Homeowners Expense Experience
- Dwelling Expense Experience

The information collected includes the following:

Shared Services

Information Services

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

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

Human Resources

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

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

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

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

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

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

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

**Summary**

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

*Year Ending*

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2009</th>
<th>August 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Investments - Unrestricted</td>
<td>$1,164,099</td>
<td>$420,372</td>
</tr>
<tr>
<td>Cash &amp; Investments - Restricted</td>
<td>596,556</td>
<td>688,991</td>
</tr>
<tr>
<td>Assessments Receivable</td>
<td>29,777</td>
<td>210,495</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>146,550</td>
<td>227,700</td>
</tr>
<tr>
<td>Other Assets</td>
<td>5,689</td>
<td>27,376</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,942,671</strong></td>
<td><strong>$1,574,934</strong></td>
</tr>
<tr>
<td><strong>Liabilities &amp; Fund Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refund to Carriers Payable</td>
<td>$50,098</td>
<td>$50,098</td>
</tr>
<tr>
<td>Retiree Insurance Payable - Restricted</td>
<td>571,832</td>
<td>575,501</td>
</tr>
<tr>
<td>Other Benefits Payable - Restricted</td>
<td>24,724</td>
<td>113,489</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>(12,894)</td>
<td>(7,068)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$633,760</strong></td>
<td><strong>$732,021</strong></td>
</tr>
<tr>
<td><strong>Fund Equity</strong></td>
<td>1,308,911</td>
<td>842,913</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Fund Equity</strong></td>
<td><strong>$1,942,671</strong></td>
<td><strong>$1,574,934</strong></td>
</tr>
</tbody>
</table>

## Income Statement

*Year Ending*

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2009</th>
<th>August 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments Income</td>
<td>$12,014,117</td>
<td>$10,026,113</td>
</tr>
<tr>
<td>Membership Fees Income</td>
<td>732,000</td>
<td>713,750</td>
</tr>
<tr>
<td>Late Data Reporting Charges</td>
<td>104,900</td>
<td>93,000</td>
</tr>
<tr>
<td>Policy Keying Charges</td>
<td>533,400</td>
<td>745,150</td>
</tr>
<tr>
<td>Delinquent USR Charges</td>
<td>501,800</td>
<td>432,300</td>
</tr>
<tr>
<td>Other Income</td>
<td>5,699</td>
<td>13,393</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>$13,891,916</strong></td>
<td><strong>$12,023,706</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal, Consulting &amp; Other Outside Services</td>
<td>$7,156,697</td>
<td>$7,132,521</td>
</tr>
<tr>
<td>Salaries &amp; Administration Expenses</td>
<td>2,794,868</td>
<td>2,870,826</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>2,452,678</td>
<td>2,688,523</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$12,404,243</strong></td>
<td><strong>$12,691,870</strong></td>
</tr>
<tr>
<td><strong>Net Income / (Loss)</strong></td>
<td><strong>$1,487,673</strong></td>
<td><strong>$(668,164)</strong></td>
</tr>
</tbody>
</table>
NCRB Management Staff

Karen Byrd  
Supervisor,  
WC Assigned Risk

Delisa Fairley  
Manager,  
Insurance Data Operations

Wayne Hinton  
Manager,  
Automobile

Betty Hurst  
Manager,  
Workers Compensation

Tim Lucas  
Manager, Personal Lines

Lynne Mays  
Supervisor,  
WC Data Quality

Rebecca Williams  
Manager, Data Analysis

Organization Shared Resources

Shelley Chandler  
Director,  
Information Services

Vicki Godbold  
Director,  
Human Resources and Administrative Services

David Sink  
Director, Finance

30+ Year Associates

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