MINUTES OF THE THIRTY-THIRD ANNUAL MEETING OF THE NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER, ONE
THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA, OCTOBER 13, 2010

MEMBERS PRESENT

Accident Fund Insurance Company of America
   Accident Fund National Insurance Company
   United Wisconsin Insurance Company

Allstate Insurance Company
   Allstate Indemnity Company
   Allstate Property & Casualty Insurance Company
   Encompass Indemnity Company
   First Colonial Insurance Company
   Northbrook Indemnity Company

Amguard Insurance Company
   Eastguard Insurance Company
   Norguard Insurance Company

Amica Mutual Insurance Company

Atlantic Casualty Insurance Company
   Coastal Casualty Insurance Company

Chartis Casualty Company
   AIU Insurance Company
   American General Property Insurance Company
   American Home Assurance Company
   Chartis Property Casualty 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

Cincinnati Insurance Company
   Cincinnati Casualty Company
   Cincinnati Indemnity Company

Companion Property & Casualty Insurance Company
   Companion Commercial Insurance Company

Erie Insurance Exchange
   Erie Insurance Company
   Erie Insurance Company of New York
   Erie Insurance Property & Casualty Company
   Flagship City insurance Company

GEICO Casualty Company
   American Centennial Insurance Company
   Atlanta International Insurance Company

REPRESENTED BY

Dana Pierce

Bob Blystone

Wayne McOwen

Thomas Goodale

Mark Caughron

Ira Feuerlicht

Wavel Howell

Dave Foster

Jim Gron

Rex Boylston

Ronnie Chamberlain

Kirk La

Rusty Ward
Berkley National Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Continental Western Insurance Company
Firemen’s Insurance Company of Washington District of Columbia
Great Divide Insurance Company
Midwest Employers Casualty Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company
Liberty Mutual Insurance Company  Brian Levy
American Economy Insurance Company
American Fire & Casualty Company
American States Insurance Company
American States Preferred Insurance Company
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Colorado Casualty Insurance Company
Employers Insurance Company of Wausau
Excelsior Insurance Company
First Liberty Insurance Corporation
First National Insurance Company of America
General Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Underwriters Inc
Liberty Mutual 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  Joe Buck
Allied Property & Casualty Insurance Company  Amy Powell
AMCO Insurance Company
Depositors Insurance Company
Farmland Mutual Insurance Company
Freedom Specialty 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
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
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

Roger Batdorff
Pat Lovell
Alan Stowe
Kevin McGee
Alan Bentley
Mike Cole
Kriss Barronton
187 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 and Conflict of Interest Statements.

Mrs. Taylor announced that there was a quorum.

1. Annual Report

   Mr. Evans reviewed and commented on the 2010 Annual Report, a copy of which is attached hereto. The Annual Report was approved by the members.

2. Staff Recap of 2010

   Mr. Sink discussed specifics of the financial position of the Rate Bureau. Mrs. Taylor discussed the highlights of the year and the goals for 2011 for Insurance Operations.

3. Governing Committee Election

   Mr. Evans reported that the Nominating Committee (comprised of Allstate Insurance Company, Nationwide Mutual Insurance Company and State Farm Mutual Automobile Insurance Company) recommended the following slate of companies for election to the Governing Committee: Travelers Indemnity Company and Chartis Insurance Company for the two stock positions and Nationwide Mutual and Auto-Owners Insurance Company for the two non-stock positions. The floor was opened for additional nominations and there were none. Following motions to close the nominations and to elect the recommended slate, the companies recommended by the Nominating Committee were elected to three-year positions on the Governing Committee. Mr. Evans thanked Progressive Insurance and Erie Insurance Exchange for their service on the Governing Committee.
4. **Comments from the Chairman**

Mr. Bentley thanked members of the Governing Committee for their service to the industry. He also thanked counsel and staff for their work.

5. **Adjournment**

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

Respectfully submitted,

Raymond F. Evans, Jr. CPCU

General Manager

G-10-4

12/15/10
<table>
<thead>
<tr>
<th><strong>Core Values</strong></th>
<th><strong>Commitment</strong></th>
<th><strong>Integrity</strong></th>
<th><strong>Respect</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Talents</strong></td>
<td>Faithfully and diligently fulfill the obligations of our Organization as set forth in the statutes.</td>
<td>Perform each task as efficiently as possible with absolute honesty and integrity.</td>
<td>Treat your fellow associates and those you serve on behalf of the Organization with dignity and respect.</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Continually strive to improve the Organization through the use of every associate’s talents and creativity.</td>
<td>Encourage participation and a sense of ownership from the members of our Organization.</td>
<td>Demonstrate fairness and consistency among all associates and encourage personal development.</td>
</tr>
<tr>
<td><strong>Consistency</strong></td>
<td>Demonstrate fairness and consistency among all associates and encourage personal development.</td>
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</tbody>
</table>
North Carolina Rate Bureau

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

Management Contacts
NCRB Staff
Ray Evans .......................... General Manager
919-783-9790 rfe@ncrb.org
Sue Taylor .................. Director, Insurance Operations
919-582-1050 smt@ncrb.org
Karen Byrd .................. Manager, Workers Compensation
919-582-1075 khb@ncrb.org
Underwriting Services
Delisa Fairley ............ Manager, Insurance Data Operations
919-582-1060 ddf@ncrb.org
Betty Hurst ........ Manager, Workers Compensation
919-582-1070 bgh@ncrb.org
Tim Lucas .................. Manager, Personal Lines
919-582-1021 ftl@ncrb.org
Lynne Mays ............ Supervisor, Workers Compensation
Data Quality
919-582-1080 lwm@ncrb.org
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

2010 Annual Meeting
The annual meeting of the member companies of the North Carolina Rate Bureau will be held October 13, 2010, 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 and policy forms for Private Passenger Nonfleet Automobile, Residential Property and Workers Compensation Insurance. Every insurance carrier that is authorized to write these lines of insurance 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

The Rate Bureau has had another busy year since our last annual meeting. The insurance industry continued to face important issues which required a lot of thought, discussion and hard work on the part of the Governing Committee; Rate Bureau staff; our counsel, Young, Moore & Henderson and various Rate Bureau committees and subcommittees. The results of this hard work were beneficial to the citizens of North Carolina and our industry. I thank you all for your good work.

The main focus this year continued to be House Bill 1305, which was enacted in August of 2009. It introduced many new provisions for coastal properties. Countless meetings took place with every property committee and task force at the Bureau to implement the bill provisions on schedule. The committees and the industry can be proud of the product. As attention continues to be directed to coastal issues, this group of dedicated individuals may be called upon again for further discussion on coastal issues. This brief recap does not come close to conveying the amount of time and effort that was necessary to complete the tasks involved. The work exemplified the team effort that all of the Rate Bureau employees and others who are involved with the Rate Bureau put forth on a daily basis.

This year the Bureau worked to develop a good relationship with Commissioner of Insurance, Wayne Goodwin, and his staff. The efforts of Ray Evans, our General Manager, to create an atmosphere of good communications and consistent contact are greatly appreciated.

During the past two years as Chair of the Governing Committee, I have benefited from the support I have received from the members of the Governing Committee, Rate Bureau staff, counsel and all the committees and subcommittees that make the Bureau work. You have my heartfelt thanks. Your dedication and willingness to serve are greatly appreciated.

Sincerely,

Alan Bentley, State Farm Mutual Automobile Ins Co
Chairman, NCRB Governing Committee

Governing Committee

The Constitution of the Rate Bureau provides for 14 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 non-voting members appointed by the Governor.

Members of the Governing Committee are elected at the annual meeting. The term is for three years, although members may 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>Nominating Committee</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Allstate Ins Co</td>
<td>Bob Blystone</td>
</tr>
<tr>
<td>State Farm Mutual Automobile Ins Co</td>
<td>Alan Bentley</td>
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<tr>
<td>Nationwide Mutual Ins Co</td>
<td>Amy Powell</td>
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<tr>
<th>Governing Committee</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Allstate Ins Co</td>
<td>Bob Blystone</td>
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<tr>
<td>Cincinnati Ins Co</td>
<td>Jim Gron</td>
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<tr>
<td>Erie Insurance Exchange</td>
<td>Ronnie Chamberlain</td>
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<tr>
<td>Hartford Fire Ins Co</td>
<td>Rajiv Iyer</td>
</tr>
<tr>
<td>Integon Indemnity Corporation</td>
<td>Art Lyon</td>
</tr>
<tr>
<td>Liberty Mutual Ins Co</td>
<td>Brian Levy</td>
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<tr>
<td>Nationwide Mutual Ins Co</td>
<td>Amy Powell</td>
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<tr>
<td>NC Farm Bureau Mutual Ins Co</td>
<td>Roger Baldwin</td>
</tr>
<tr>
<td>Progressive Casualty Ins Co</td>
<td>Kevin McGee</td>
</tr>
<tr>
<td>State Farm Mutual Automobile Ins Co</td>
<td>Alan Bentley*</td>
</tr>
<tr>
<td>Travelers Indemnity Co</td>
<td>Kristina Barronton</td>
</tr>
<tr>
<td>United Services Automobile Association</td>
<td>Eric Vaith</td>
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<table>
<thead>
<tr>
<th>Non-voting Members</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Public Member</td>
<td>Max Offerman</td>
</tr>
<tr>
<td>Public Member</td>
<td>John Wei</td>
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<tr>
<td>&quot;chair</td>
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</table>
The best word to describe this past year may be “normal”—and that’s a word you haven’t seen me use in any previous annual report. After working so hard for so many years on fundamentals, and being pulled in so many different directions the previous year, I very nearly missed the fact that last year is how a “normal” year is supposed to be. We still had and have heavy work loads (a topic we will explore later in this report), but it may be that we became so accustomed to all the extra drama, the challenges actually came to seem routine. In any case, it all prepared us to be better able to manage whatever comes our way.

In the Workers Compensation arena, where we have our largest electronic systems, we are making great progress in behind-the-scenes processing. In fact, a processing piece enabling carriers to make electronic corrections to WC reporting data, developed in partnership with the Massachusetts WC Bureau, is so good that it is in the running to be used more widely by the industry. The tri-annual Request For Proposal for servicing carriers is proceeding smoothly, the annual loss costs and rate review easily met target completion dates and of the many changes led and approved, only one—Aggravated Inequity—caused even the slightest stir.

It’s hard to imagine, I know, but private passenger auto was our least controversial line. As a result of settling three years of rate changes last year, this was a review-only year. The only major issue was the possibility of a change in tort responsibility from contributory to comparative, but that did not move forward in the short session of the Legislature.

Residential property is still contentious, to say the least, with ongoing litigation and rate changes pending. During the year, however, we did comply with all the provisions of last summer’s H1305 requirements. Successfully pricing risks appropriately remains our challenge for the coming year.

For other than insurance operations, two key projects for more efficient operations are nearing completion; one is to create a process environment for all our work, and the other is to move us to a virtual technology environment.

While I think this has been a normal year, “normal” to our many Committee members means more meetings. Thank you to all of you who participate—and please know that though there are indeed more meetings, we strive to make each one meaningful, and we appreciate the preparation and participation of each member.

Thank you.
As the North Carolina Rate Bureau marked its 33rd year, never has the spirit of collaboration been more evident than in the work of the committees, subcommittees and task forces that met in 2010. 2010 saw more committee meetings conducted than ever before in the history of the Bureau. More than 100 volunteer members attended over 70 committee meetings during the year. The success of the Bureau is attributed to the hard work and commitment to service and collaboration by the committees. The staff of the Bureau thanks the many volunteers who have contributed to the Bureau’s success.
Insurance Operations

The Bureau Staff remains committed to:
- Ensuring excellence in managing day-to-day tasks
- Being flexible and agile to respond effectively to changes in the business landscape
- Working to improve skills, tools and processes to create a sound foundation for the future

In 2009 and 2010, Insurance Operations spent considerable effort working with the Process Documentation Team to document all critical processes. To date, 276 processes have been documented in Personal Lines and Workers Compensation. This process documentation will be utilized for initiating process improvements, establishing the costs of processes and associate training.

The North Carolina Rate Bureau continues to work closely with the North Carolina Department of Insurance (DOI) on filings of forms, rules and rates. This year the Bureau began using the System for Electronic Rate and Form Filing (SERFF), a tool that is currently used by the industry. This tool allows the Bureau to make filings promptly and efficiently with the DOI.

Subcommittee on Operations and Underwriting

<table>
<thead>
<tr>
<th>Members</th>
<th>Representative</th>
</tr>
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<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Stacey Bailey</td>
</tr>
<tr>
<td>Government Employees Insurance Co</td>
<td>Laura Reilly</td>
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<tr>
<td>Integon Indemnity Corporation</td>
<td>Art Lyon*</td>
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<tr>
<td>Liberty Mutual Insurance Company</td>
<td>Margie Williams</td>
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<tr>
<td>Nationwide Mutual Insurance Co</td>
<td>Isaac Adams</td>
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<tr>
<td>NC Farm Bureau Mutual Insurance Co</td>
<td>Roger Batoeff</td>
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<tr>
<td>Progressive Casualty Insurance Co</td>
<td>Kevin McGee</td>
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<tr>
<td>State Farm Mutual Automobile Ins Co</td>
<td>Suzie Noel</td>
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<tr>
<td>Travelers Indemnity Company</td>
<td>Annette Whitaker</td>
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<tr>
<td>United Services Automobile Assoc</td>
<td>Mark Davis</td>
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<tr>
<td>Unitrin Auto and Home Ins Co</td>
<td>Donna Emery</td>
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<tr>
<td>*chair</td>
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Statistical Data Task Force

<table>
<thead>
<tr>
<th>Members</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Shantelle Thomas</td>
</tr>
<tr>
<td>American Bankers Ins Co of Fla</td>
<td>Dawna Koterman</td>
</tr>
<tr>
<td>Horace Mann Insurance Company</td>
<td>Catherine Hudson</td>
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<tr>
<td>Nationwide Mutual Insurance Co</td>
<td>Reid McClintock*</td>
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<td>Sara Behrend</td>
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<tr>
<td>Travelers Indemnity Company</td>
<td>Kathy Popejoy</td>
</tr>
<tr>
<td>*chair</td>
<td>Sarah Stenger</td>
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<td>Gary Hummel</td>
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Sue Taylor
Director, Insurance Operations
Property

This year has been a very busy year at the Bureau, especially for property insurance. The property work began on September 29, 2009, when the Bureau filed revisions to the Windstorm and Hail rating rule in the Dwelling Policy Program related to unoccupied dwellings. This filing was approved by the Department and became effective April 1, 2010.

With the enactment of House Bill 1305 in August 2009, the Bureau was required to do the following to meet the requirements of the bill:

- File a Named Storm Deductible for Homeowners, Dwelling and Mobile Homeowners
- File Hurricane Mitigation Credits
- Begin Review of Coastal Territory Definitions

The Bill required the Bureau to file, by February 1, 2010, a Named Storm Deductible for the property lines of business under the Bureau’s jurisdiction. On January 26, 2010, the Bureau filed a Named Storm Deductible in the Homeowners, Dwelling and Mobile Homeowners Policy Programs. With this revision, the Hurricane Deductible was withdrawn from the Homeowners Policy Program and was replaced by the Named Storm Deductible. These filings were approved and became effective March 4, 2010.

House Bill 1305 also required the Bureau to file hurricane mitigation credits for dwellings under the Bureau’s jurisdiction. It was required that this filing be made on or before May 1, 2010. On April 22, 2010, the Bureau filed the mitigation credits for the Homeowners and Dwelling Policy Programs. This filing was approved and becomes effective May 1, 2011.

In addition to the above provisions, HB 1305 limited the exposure in the Coastal Property Insurance Pool to $750,000 per dwelling. The Bureau is developing an excess policy that can be used by the Bureau member companies to write the exposure above $750,000. This type of coverage is being developed for the Homeowners and Dwelling Policy Programs.

Last year, the Annual Report indicated that the Bureau was defending multiple lawsuits related to the filing of revised homeowner rates in the beach and coastal areas. At the time of this writing, these cases are still pending in the North Carolina Court of Appeals and the Supreme Court of North Carolina.
Automobile

As part of the rate settlement with the Department last year on the 2008 and 2009 Private Passenger auto rate filings, the Bureau filed only a rate review in 2010, which sought no revisions to the rates in effect.

<table>
<thead>
<tr>
<th>Automobile Committee Members</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Christopher Stroll</td>
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<td>GEICO Indemnity Company</td>
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<td>Hartford Fire Insurance Company</td>
<td>Michael Ma</td>
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<td>Art Lyon</td>
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<td>Liberty Mutual Insurance Company</td>
<td>Brian Levy</td>
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<td>NC Farm Bureau Mutual Ins Co</td>
<td>Roger Batdorff</td>
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<td>Steve Harr*</td>
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<td>Travelers Indemnity Company</td>
<td>Jonathan Konrad</td>
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<td>United Services Automobile Assoc</td>
<td>Lisa Sukow</td>
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<tr>
<td>Unitrin Auto and Home Insurance Co</td>
<td>Kimberley Burns</td>
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Safe Driver Insurance Plan

As stated in the General Statutes, the Bureau provides a mechanism for policyholders to appeal “points” that have been charged as a result of at-fault accidents. These points can be appealed to the Bureau if a driver feels that he/she is not responsible for the accident in question. Below is a summary of the results of the appeal of those “points.”

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
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<tr>
<td>In Favor of Insured</td>
<td>3</td>
<td>10</td>
<td>11</td>
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<tr>
<td>In Favor of Company</td>
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<td>9</td>
<td>11</td>
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Rating Methodology Task Force

<table>
<thead>
<tr>
<th>Rating Methodology Task Force Members</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Shantelle Thomas</td>
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<td>Integon Indemnity Corporation</td>
<td>Art Lyon</td>
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<td>Issac Adams*</td>
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<td>Travelers Indemnity Co</td>
<td>Kathy Popejoy</td>
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<tr>
<td>United Services Automobile Association</td>
<td>Soledad Mune</td>
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<tr>
<td>Unitrin Auto and Home Insurance Co</td>
<td>Lida Sukow</td>
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*chair
Workers Compensation

Assigned Risk

The Bureau is the Plan Administrator for the North Carolina Workers Compensation Insurance Plan for workers compensation (Assigned Risk Plan).

North Carolina's Assigned Risk Market continues to depopulate through 2010. Through June, the number of policies is below last year by 11.4%, and the total premium volume is below last year by 22.2%. The minimum premium was increased to $1,000 with the April 1, 2010, rate filing.

Four servicing carriers continue to provide service to member companies of the National Pool. The servicing carriers are:

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

The market share of direct assignment carriers increased slightly in 2009. The percentage of business written by direct assignment carriers is approximately 34.8%. In 2010, the seven direct assignment carriers are:

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

Because changes in technology and the industry influence business, the organizational structure was reviewed in 2009. The review and formal documentation of core processes presented a clear picture that benefits could be achieved from establishing a division that would bring together some units that are dependent upon each other. In January 2010, the Classification Unit and the Ownership Unit were merged. This newly established unit was then brought together under one umbrella with the Assigned Risk Unit to form the Underwriting Services Division. Combining these units into one division allowed the establishment of processes and procedures to be more efficient and effective in responding to the needs of our customers.

Workers Compensation Committee Members

<table>
<thead>
<tr>
<th>Members</th>
<th>Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Home Assurance Co</td>
<td>Ira Feuerlicht</td>
</tr>
<tr>
<td>Amerisure Insurance Company</td>
<td>Brent Otto</td>
</tr>
<tr>
<td>Builders Mutual Insurance Co</td>
<td>Jerry Visantine</td>
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<tr>
<td>Companion Property &amp; Casualty Co</td>
<td>Rex Boyston</td>
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<tr>
<td>Harleysville Mutual Ins Co</td>
<td>John Zulueta</td>
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<tr>
<td>Hartford Accident &amp; Indemnity Co</td>
<td>Michael Apanowitch</td>
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<tr>
<td>Key Risk Insurance Company</td>
<td>John Godfrey*</td>
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<tr>
<td>Liberty Mutual Insurance Company</td>
<td>Cheryl Watts</td>
</tr>
<tr>
<td>Maryland Casualty Company</td>
<td>Jeff Jensen</td>
</tr>
<tr>
<td>NC Farm Bureau Mutual Ins Co</td>
<td>Roger Baldorff</td>
</tr>
<tr>
<td>PA National Mutual Casualty Ins Co</td>
<td>Alan Stowe</td>
</tr>
<tr>
<td>Travelers Indemnity Company</td>
<td>Jeffrey Schmidt</td>
</tr>
</tbody>
</table>

*chair
Data Operations

The Underwriting Services Division supports assigned risk application processing by assisting the processors with difficult-to-determine class codes and timely resolution of ownership issues that may arise during the application assignment process. Since the establishment of the Underwriting Services Division in January 2010, this unit has responded to 1,904 class code inquiries and processed 1,742 ownership rulings from external customers.

The Assigned Risk Unit is responsible for processing applications for coverage from employers that are deemed by their agents to be “difficult to place” in the voluntary market. This unit continues to make progress toward achieving the goal of electronically receiving as many assigned risk applications as possible via the ManageAR System. ManageAR allows agents to submit both the assigned risk application and the deposit premium to the Bureau electronically. Over the past year, agent utilization of the ManageAR system has increased to 82%. This is an increase of 26 percentage points over the prior year. The percentage of policies utilizing electronic fund transfers for deposit premium has increased to 64%.

In 2010, the Underwriting Services Division began to reap the benefits of the Notice of Assignment system (NOA). The NOA system was developed in 2009 and enables assigned risk carriers to receive their assignment packages electronically. This system allows the Bureau to reduce processing costs by eliminating the expense incurred for the daily printing and mailing of hard copy documents.

Data Operations is comprised of the Industry Support and Data Quality areas. Data Operations provides support to the Workers Compensation and Personal Lines area of the Rate Bureau with:
- New Product Development
- Testing Carriers for Electronic Data Submission
- Spectrum System Support
- User System Training
- Insurance Data Collection for Personal Lines
- Attendance at Workers Compensation Industry Standards Meetings
- Fining Reconciliation
- Data Collection and Reconciliation for all Workers Compensation policy data
- Unit Statistical data

The Data area continues to be at the center of all of the many functions performed at the Rate Bureau.

Electronic Reporting

During the last several years, the Bureau has moved towards 100% electronic processing of the data received from the member companies. Effective July 1, 2010, all data, including policies, cancellations, reinstatements and endorsements, are submitted to the Bureau electronically. The submission of electronic data has led to improved efficiencies in the Bureau’s processes and allows for accurate entry of carrier information into the Bureau’s database.

ManagePolicy

In January, the Bureau introduced the ManagePolicy web application to member companies. The ManagePolicy web application is being implemented in two phases. Phase I allows carriers to view three years of policy data, provides a variety of search options, allows for download and retrieval of policy tape error reports and allows verification of submission status. Phase II of the ManagePolicy web application will contain tools that will allow carriers to resolve data reporting or coverage issues proactively. Phase II will be available in December 2010.

Data Quality

The Data Quality Unit is responsible for the reconciliation of carrier data as well as the promulgation of experience modifications. The Bureau issued 58,412 experience modifications last year. In addition, the Bureau collected 314,980 policy transactions during 2009 including new and renewal policies, cancellations, reinstatements and endorsements.

<table>
<thead>
<tr>
<th>Workers Compensation Forms Subcommittee</th>
<th>Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companion Property &amp; Casualty Co</td>
<td>Sandra Barrett*</td>
</tr>
<tr>
<td></td>
<td>Rex Boylston</td>
</tr>
<tr>
<td></td>
<td>Susan Canton</td>
</tr>
<tr>
<td>Key Risk Insurance Company</td>
<td>John Elwonger</td>
</tr>
<tr>
<td>Liberty Mutual Insurance Company</td>
<td>Dave Hall</td>
</tr>
<tr>
<td>Maryland Casualty Company</td>
<td>Susan Gordon</td>
</tr>
<tr>
<td>Travelers Indemnity Company</td>
<td>Cody Giroux</td>
</tr>
<tr>
<td>*chair</td>
<td></td>
</tr>
</tbody>
</table>
Shared Services

Information Services

The Information Services Department (IS) is responsible for Communications/Customer Service, Process Documentation/Process Improvement and Systems Availability.

The customer service area handles approximately 4500 calls and emails per month from external customers via the Information Center, and the Service Desk handles an additional 275 calls and emails from internal associates. The Information Center recently implemented a process for auditing support tickets, a preliminary step towards a more measurable quality control program. In 2010, both the Information Center and the Service Desk underwent a benchmarking study that compares each group against similar groups in other companies to more than 20 key metrics. The results of this benchmarking exercise show the Bureau’s ranking against other similar groups and also outline recommendations to achieve superior performance. This benchmarking exercise has been extremely valuable and has helped determine the next steps to achieving world-class customer service.

The Process Documentation Services Team is actively working to create a process-driven environment. This will promote a culture in which processes are identified, documented, measured, managed and improved. Process documentation will ultimately result in higher customer satisfaction, reduced errors and lower costs. To date, the team has made significant progress in documenting critical processes. Relying on subject matter experts, the business units deliver, review and validate the documentation. As a result, the process documentation team has identified and analyzed 99.6% of all Rate Bureau processes and has delivered documentation for 90% of those processes.

As technology continues to become an increasingly important component of business, the technology area works to ensure that systems are effective, reliable and more secure. In 2010, this area undertook a major initiative to revolutionize the way it provisions technology using virtualization technology. This technology allows the Bureau to decrease expenses related to energy usage and hardware acquisition, reduce downtime, increase overall capacity, improve disaster recovery solutions and provide faster turnaround time for new technology requests.

Finance

The financial statements on Page 14 reflect that the expenses and income of the Rate Bureau have remained relatively stable over the last two years; final results also indicate that expenses were within the approved budgets for both 2008 and 2009. The 2008 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2010 — similar to the process in prior years.

Expenses through the first six months of 2010 were under budget. However, projections at this time indicate an overage to the approved budget by year end. Legal and consulting expenses are exceeding the estimates for the year due to the increased activity related to the preparation of multiple property rate filings and work related to House Bill 1305. Computer system development costs are over budget at this time primarily due to expenses being paid sooner than budgeted, but those costs should improve by year end and come close to matching budget provisions.

Assessment income was lower by approximately 0.6% compared to the prior report period. Income from charges and fines for keying policies, delinquent unit statistical reports, late data reporting and cancellation/reinstatement activity decreased about 50% from the same period a year ago. The decrease in other income sources mentioned previously is mostly attributable to the fact that all policies are now being submitted electronically.

The expenses of the Rate Bureau increased approximately 6% from the previous year. The increases were partially attributable to legal fees and consulting expenses as noted earlier. These expenses include the direct costs incurred by the Bureau as well as the allocated costs of the departments whose expenses are shared with the Reinsurance Facility and the Insurance Guaranty Association. The table below shows a summary of the direct and allocated expenses for the prior two years and the first half of 2010.

<table>
<thead>
<tr>
<th>Administrative Expenses</th>
<th>2008</th>
<th>2009</th>
<th>Thru June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Operations (Direct)</td>
<td>$ 9,535,012</td>
<td>$ 9,257,311</td>
<td>$ 4,927,388</td>
</tr>
<tr>
<td>Shared Services (Allocated)</td>
<td>3,335,157</td>
<td>3,421,580</td>
<td>1,852,002</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 12,870,169</td>
<td>$ 12,678,891</td>
<td>$ 6,779,390</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$ 13,104,407</td>
<td>$ 13,068,268</td>
<td>$ 6,874,953</td>
</tr>
</tbody>
</table>
Human Resources

Human Resources (HR) is the strategic and coherent approach to the management of the Organization’s most valued assets — the people. HR responsibilities include administering HR policies, programs and practices; providing a safe work environment and providing professional development opportunities and work-life balance for associates. This year the department has been involved in implementing H.R. 4872 — The Health Care and Education Affordability Reconciliation Act, better known as Healthcare Reform.

Onsite training this year consisted of 12 wellness classes through partnership with WakeMed Hospital, two Microsoft Office classes and eight professional development classes. Wellness initiatives in 2010 include:

- Weight Watchers
- Partnership with the NC Prevention Partners
- Annual participation in the Wellness Council of America’s (WELCOA) Step-By-Step program of walking 10k steps a day
- Wellness screenings held on site each July
- Flu shots provided for associates on site
- Certification in First Aid, CPR and AED for a quarter of the workforce through the American Red Cross

Community service involvement by associates includes a sponsorship level in Habitat for Humanity. Various fundraisers have culminated in the construction of a new home this fall. This community service effort is in addition to supporting the United Way in various events.

Associate service milestones this year include:

- 2 associates celebrating 5 years
- 2 associates celebrating 10 years
- 2 associates celebrating 20 years
- 1 associate celebrating 25 years

<table>
<thead>
<tr>
<th>Years of Service</th>
<th># of Employees</th>
<th>% of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9 Years</td>
<td>64</td>
<td>67%</td>
</tr>
<tr>
<td>10-19 Years</td>
<td>11</td>
<td>12%</td>
</tr>
<tr>
<td>20-29 Years</td>
<td>13</td>
<td>14%</td>
</tr>
<tr>
<td>30-39 Years</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>40+ Years</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100%</td>
</tr>
</tbody>
</table>

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 2010 is extended to committee members, counsel, experts and the numerous associates of the Bureau who support the North Carolina insurance industry.

Joint Subcommittee on Compensation

<table>
<thead>
<tr>
<th>Members</th>
<th>Representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allstate Ins Co</td>
<td>Bob Blystone*</td>
</tr>
<tr>
<td>NC Farm Bureau Mutual Ins Co</td>
<td>Roger Batdorff</td>
</tr>
<tr>
<td>State Farm Mutual Automobile Ins Co</td>
<td>Alan Bentley</td>
</tr>
<tr>
<td></td>
<td>Tom Huels</td>
</tr>
</tbody>
</table>

*chair
# North Carolina Rate Bureau

## BALANCE SHEET

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>August 31, 2010 (Preliminary)</th>
<th>August 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Investments – Unrestricted</td>
<td>$1,421,140</td>
<td>$1,164,099</td>
</tr>
<tr>
<td>Cash &amp; Investments – Restricted</td>
<td>569,100</td>
<td>596,556</td>
</tr>
<tr>
<td>Assessments Receivable</td>
<td>2,000</td>
<td>29,777</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>111,391</td>
<td>146,550</td>
</tr>
<tr>
<td>Other Assets</td>
<td>1,000</td>
<td>5,689</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$2,104,631</td>
<td>$1,942,671</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>568,291</td>
<td>571,832</td>
</tr>
<tr>
<td>Other Benefits Payable – Restricted</td>
<td>809</td>
<td>24,724</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>(17,854)</td>
<td>(12,894)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$601,344</td>
<td>$633,760</td>
</tr>
<tr>
<td><strong>Fund Equity</strong></td>
<td>1,503,287</td>
<td>1,308,911</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Fund Equity</strong></td>
<td>$2,104,631</td>
<td>$1,942,671</td>
</tr>
</tbody>
</table>

## INCOME STATEMENT

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>August 31, 2010 (Preliminary)</th>
<th>August 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments Income</td>
<td>$11,942,300</td>
<td>$12,014,117</td>
</tr>
<tr>
<td>Membership Fees Income</td>
<td>751,450</td>
<td>732,000</td>
</tr>
<tr>
<td>Late Data Reporting Charges</td>
<td>9,000</td>
<td>104,900</td>
</tr>
<tr>
<td>Policy Keying Charges</td>
<td>66,850</td>
<td>533,400</td>
</tr>
<tr>
<td>Delinquent USR Charges</td>
<td>477,100</td>
<td>501,800</td>
</tr>
<tr>
<td>Cancellation &amp; Reinstatement Charges</td>
<td>17,770</td>
<td>-</td>
</tr>
<tr>
<td>Other Income</td>
<td>5,100</td>
<td>5,699</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$13,269,570</td>
<td>$13,891,916</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal, Consulting &amp; Other Outside Services</td>
<td>$7,247,300</td>
<td>$7,156,697</td>
</tr>
<tr>
<td>Salaries &amp; Administration Expenses</td>
<td>3,110,950</td>
<td>2,794,868</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>2,813,765</td>
<td>2,452,678</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$13,172,015</td>
<td>$12,404,243</td>
</tr>
<tr>
<td><strong>Net Income / (Loss)</strong></td>
<td>$97,555</td>
<td>$1,487,673</td>
</tr>
</tbody>
</table>
NCRB Management Staff

Karen Byrd
Manager,
WC Underwriting Services

Delisa Fairley
Manager,
Insurance Data Operations

Betty Hurst
Manager,
Workers Compensation

Tim Lucas
Manager,
Personal Lines

Lynne Mays
Supervisor,
WC Data Quality

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