MEMBERS PRESENT REPRESENTED BY

Agricultural Insurance Company Ms. R. Hunter
Alliance Assurance Company of America Mr. N. Eliason
Allstate Indemnity Company Mr. A. Ivey
Allstate Insurance Company Mr. D. Chernick
Mr. A. Ivey
American Alliance Insurance Company Ms. R. Hunter
American & Foreign Insurance Company Mr. N. Eliason
American National Fire Insurance Company Ms. R. Hunter
American Spirit Insurance Company Ms. R. Hunter
Athena Assurance Company Mr. J. Roche
Auto-Owners Insurance Company Mr. T. Marshall
Automobile Insurance Company of Hartford Mr. B. Seagle
Builders Mutual Insurance Company Ms. A. Person
Charter Oak Fire Insurance Company Mr. B. Seagle
Discover Property & Casualty Insurance Company Mr. J. Roche
Eagle American Insurance Company Ms. R. Hunter
Farm Bureau Insurance Company of N C, Inc. Mr. R. Batdorff
Farmington Casualty Company Mr. B. Seagle
Farmland Mutual Insurance Company Mr. D. Gettles
Nationwide Property & Casualty Insurance Company Mr. D. Gettles
New South Insurance Company Mr. A. Lyon
Newark Insurance Company Mr. N. Eliason
North Carolina Farm Bureau Mutual Insurance Company Mr. R. Batdorff
Mr. S. Carroll
Northbrook Indemnity Company Mr. J. Roche
Northbrook Property & Casualty Insurance Company Mr. J. Roche
Owners Insurance Company Mr. T. Marshall
Phoenix Assurance Company of New York Mr. N. Eliason
Phoenix Insurance Company Mr. B. Seagle
Property & Casualty Insurance Company of Hartford Mr. T. Gray
Royal & Sun alliance Personal Insurance Company Mr. N. Eliason
Royal Indemnity Company Mr. N. Eliason
Royal Insurance Company of America Mr. N. Eliason
Royal Special Risks Insurance Company Mr. N. Eliason
Safeguard Insurance Company Mr. N. Eliason
St. Paul Fire & Marine Insurance Company Mr. J. Roche
St. Paul Guardian Insurance Company Mr. J. Roche
St. Paul Medical Liability Insurance Company Mr. J. Roche
St. Paul Mercury Insurance Company Mr. J. Roche
Sea Insurance Company of America Mr. N. Eliason
Standard Fire Insurance Company Mr. B. Seagle
State Automobile Mutual Insurance Company Mr. R. Evans
State Auto National Insurance Company Mr. R. Evans
State Auto Property & Casualty Insurance Company Mr. R. Evans
State Farm Fire & Casualty Company Mr. T. Pemberton
State Farm General Insurance Company Mr. T. Pemberton
State Farm Mutual Automobile Insurance Company Mr. B. Carlson
236 other member companies were represented by proxy.

OTHERS PRESENT REPRESENTED BY

Insurance Services Office Mr. P. Woods
Public Member Mr. M. Offerman
Young, Moore & Henderson Mr. M. Spivey
Mr. M. Strickland
The meeting convened as scheduled, Mr. Seagle of Travelers Indemnity Company, Chairman of the Governing Committee, presiding.

Mr. Watkins announced that a quorum was present or represented by proxy.

1. The Annual Report

Copies of the Twenty-Second Annual Report were distributed. Mr. Hamrick reviewed and commented on the Report, a copy of which is attached hereto.

A motion that the Twenty-Second Annual Report be adopted was seconded and carried unanimously.

2. Governing Committee Election

Mr. Marshall of Auto-Owners Insurance Company, Chairman of the Nominating Committee appointed by the Chairman of the Governing Committee, placed in nomination Great American Insurance Company, St. Paul Fire & Marine Insurance Company, State Automobile Mutual Insurance Company and State Farm Mutual Automobile Insurance Company as members of the Governing Committee for three-year terms.

The Chairman called for other nominations. There were none, and a motion that the nominations be closed and that the companies nominated be elected was seconded and carried unanimously.

3. Chairman's Comments

Mr. Seagle noted that the past year had been a very busy year and that the members of the Governing Committee and advisory committees had spent a great deal of time discussing data quality and rate filing issues involving homeowners and automobile insurance.

Mr. Seagle expressed his appreciation to the members of the various Rate Bureau Committees, to Staff and Counsel for their efforts during the past year.

4. Adjournment

There being no further business the meeting was adjourned.
Respectfully submitted,

John W. Watkins
General Manager

JWW:lg
Enclosure
G-99-5
11/2/99

September 1, 1999

TWENTY-SECOND ANNUAL REPORT

This Report covers the activities of the North Carolina Rate Bureau during the period from September 1, 1998 through August 31, 1999.

ORGANIZATION

The North Carolina Rate Bureau was established effective September 1, 1977, as mandated by the North Carolina General Assembly with the passage of House Bill 658 which was ratified on June 30, 1977, and which was later codified as Article 36, Chapter 58, General Statutes of North Carolina.

GOVERNING COMMITTEE

The following member insurance companies, elected in accordance with the Constitution of the Rate Bureau, were serving on the Governing Committee as of August 31, 1999:

<table>
<thead>
<tr>
<th>Stock</th>
<th>Non-Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Auto-Owners Insurance Company</td>
</tr>
<tr>
<td>Great American Insurance Company</td>
<td>Harleysville Mutual Insurance Company</td>
</tr>
<tr>
<td>Hartford Fire Insurance Company</td>
<td>Liberty Mutual Insurance Company</td>
</tr>
<tr>
<td>Integon General Insurance Corporation</td>
<td>Nationwide Mutual Insurance Company</td>
</tr>
<tr>
<td></td>
<td>NC Farm Bureau Mutual Insurance</td>
</tr>
</tbody>
</table>
Mr. Max Offerman of Cary, North Carolina served as a non-voting public member of the Governing Committee during the period covered by this Report.

During the Twenty-First Annual Meeting held October 20, 1998, Allstate Insurance Company, Hartford Fire Insurance Company, North Carolina Farm Bureau Mutual Insurance Company and Auto-Owners Insurance Company were elected as members of the Governing Committee for three-year terms.

The Governing Committee met nineteen times during the year, including fourteen telephone conferences. Travelers Indemnity Company served during the year as Chairman of the Governing Committee. The Integon General Insurance Corporation served as Vice-Chairman.

MEMBERSHIP

Membership in the North Carolina Rate Bureau is required of all companies licensed in North Carolina to write any of the coverages subject to the jurisdiction of the Rate Bureau.

During the period covered by this Report there were sixteen additions to the membership. These were the following companies:

- American Safety Casualty Insurance Co
- Benchmark Insurance Company
- Design Professionals Insurance Company
- Employee Benefits Insurance Company
- Monroe Guaranty Insurance Company
- National American Insurance Company
- NC Forestry Association Mutual Insurance Co
- Omega Insurance Company
- Professionals Advocate Insurance Company
- Sagamore Insurance Company
- Transguard Insurance Co of America, Inc.
- Travco Insurance Company
- Travelers Home & Marine Insurance Company
- United Financial Casualty Company
- Verlan Fire Insurance Company
- ZC Insurance Company
The following companies withdrew from membership during the year covered by this Report:

- Arkwright Mutual Insurance Company
- Iowa Mutual Insurance Company
- Protection Mutual Insurance Company

As of August 31, 1999 there were 627 member companies, -- 529 licensed to write the automobile coverages, 545 licensed to write the residential property coverages and 438 licensed to write workers compensation insurance.

### CONSTITUTIONAL COMMITTEES

The Constitution provides that the Governing Committee shall establish certain standing committees which shall have the authority, duties and functions as provided in Article IX of the Constitution and which shall have independent power to authorize actions of the Rate Bureau as delegated by the Governing Committee. Following are the four standing committees which served during the year ended August 31, 1998:

<table>
<thead>
<tr>
<th>Automobile Committee</th>
<th>Property Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Allstate Insurance Company</td>
</tr>
<tr>
<td>Hartford Fire Insurance Company</td>
<td>Continental Insurance Company</td>
</tr>
<tr>
<td>Integon General Insurance Corporation</td>
<td>Lumbermens Mutual Casualty Company</td>
</tr>
<tr>
<td>Liberty Mutual Insurance Company</td>
<td>Nationwide Mutual Insurance Company</td>
</tr>
<tr>
<td>Lumbermens Mutual Casualty Company</td>
<td>NC Farm Bureau Mutual Insurance</td>
</tr>
<tr>
<td>Nationwide Mutual Insurance Company</td>
<td>Royal Insurance Company of America</td>
</tr>
<tr>
<td>NC Farm Bureau Mutual Insurance</td>
<td>The Shelby Insurance Company</td>
</tr>
<tr>
<td>Company</td>
<td>State Capital Insurance Company</td>
</tr>
<tr>
<td>State Farm Mutual Automobile Insurance Co</td>
<td>State Farm Fire &amp; Casualty Company</td>
</tr>
<tr>
<td>Travelers Indemnity Company</td>
<td>Workers Compensation Committee</td>
</tr>
<tr>
<td>Builders Mutual Insurance Company</td>
<td>Legal Committee</td>
</tr>
</tbody>
</table>
The Automobile, Property and Workers Compensation Committees are concerned with all matters pertaining to the respective coverages subject to the Bureau's jurisdiction, including the development of classifications, rules, rates, rating plans, policy forms and policy provisions; the administration of such rating systems as may become effective pursuant to laws; and the furnishing, upon request, of pertinent information relating to classifications, rules, rates, rating plans, policy forms and policy provisions to member companies. The Legal Committee has the responsibility of assisting the Governing Committee, the standing committees and the Rate Bureau Staff and Counsel in legal matters.

The Automobile Committee met nine times during the year, including seven telephone conferences. Allstate Insurance Company served as Chairman and Lumbermens Mutual Casualty Company served as Vice-Chairman of that Committee throughout the year covered by this Report.

The Property Committee met seven times during the year, including six telephone conferences. North Carolina Farm Bureau Mutual Insurance Company served as Chairman and State Farm Fire and Casualty Company served as Vice-Chairman of that Committee throughout the year covered by this Report.

The Workers Compensation Committee met one time during the year. During the year covered by this Report, Travelers Insurance Company was elected as Chairman and Liberty Mutual Insurance Company was elected as Vice-Chairman of that Committee.

The Travelers Indemnity Company served as Chairman of the Legal Committee throughout the year covered by this Report. Although the Legal Committee held no
meetings during the year, members were kept aware of developments.

LEGISLATION

With respect to the Rate Bureau=s operations and lines of insurance subject to the Rate Bureau=s jurisdiction, the 1999 Session of the General Assembly of North Carolina enacted the following legislation:

HB 394 - Permits an insurer to accept payment of an insurance premium by credit card. This Bill, ratified on July 19, 1999, becomes effective October 1, 1999.

HB 1289 - Sets the insurance regulatory charge at 7% of the premium tax for the 1999 calendar year. This Bill was ratified on July 20, 1999.

SB 562 - Repeals Department of Insurance form and rate filing fees and increases certain insurance company license renewal fees. This Bill became effective on its July 19, 1999 ratification date.

AUTOMOBILE INSURANCE ACTIVITIES

The following automobile insurance filings submitted by the Rate Bureau were approved or deemed approved by the Commissioner of Insurance during the year ended August 31, 1999:

Effective Date Subject

December 23, 1998 Personal Auto Policy Program Amendments
January 1, 1999 Endorsement IL 00 17 11 98 - Common Policy Conditions
April 1, 1999 Endorsement NC 03 23 - Miscellaneous Type Vehicle Endorsement
April 1, 1999 New & Revised Commercial Auto Coverage Forms
June 1, 1999 NC 03 02 (Ed. 1-99) - Extended Transportation Expenses Coverage

Rate Revisions

1. February 1, 1994 Filing

The Twenty-First Annual Report dated September 1, 1998 detailed developments to that date in connection with a private passenger automobile insurance rate filing submitted by the Rate Bureau on February 1, 1994 which proposed overall rate level increases of 10.8% for nonfleet private passenger automobiles and 22.4% for motorcycles.
After conducting a public hearing, the Commissioner of Insurance issued an Order which disapproved the Rate Bureau’s filing and approved an overall rate level decrease of 13.8% for nonfleet private passenger automobiles and an overall rate level increase of 10.2% for motorcycles to be implemented effective January 1, 1995. The Rate Bureau appealed to the North Carolina Court of Appeals those provisions included in the Commissioner’s Order dealing with the disapproval of the nonfleet private passenger automobile insurance rates and implemented rate level changes over the disapproval of the Commissioner that resulted in an overall rate level increase of 4.4% for nonfleet private passenger automobiles. The Rate Bureau did not appeal the ordered rate level changes for motorcycles and implemented the overall rate level increase of 10.2% for motorcycles as ordered by the Commissioner.

On December 17, 1996, the North Carolina Court of Appeals issued an opinion which affirmed part of the Commissioner’s Order, vacated part of the Commissioner’s Order and remanded the case to the Commissioner for further findings. A Petition by the Rate Bureau to the North Carolina Supreme Court for discretionary review was subsequently denied.

On September 10, 1997, the Commissioner of Insurance issued an Order on Remand which again disapproved the Rate Bureau’s filing and approved an overall rate level decrease of 14.6% for nonfleet private passenger automobiles and an overall rate level increase of 9.3% for motorcycles. The Rate Bureau appealed the Commissioner’s Order on Remand to the North Carolina Court of Appeals.

On December 29, 1998, the North Carolina Court of Appeals issued an opinion which again affirmed part of the Commissioner’s Order on Remand, vacated part of the Commissioner’s Order on Remand and remanded the case to the Commissioner of Insurance for further findings.

Following the Court of Appeals ruling, the Commissioner of Insurance and the Rate Bureau each filed Petitions for Discretionary Review with the North Carolina Supreme Court. On July 22, 1999, the Supreme Court allowed both Petitions for the limited purpose of remand to the Court of Appeals for reconsideration and a decision consistent with the Supreme Court’s opinion in the 1996 rate case. On August 17, 1999, the North Carolina Court of Appeals entered a Certification of Judgment in which it stated that it had determined its previous decision to be consistent with the Supreme Court’s opinion in the 1996 rate case.

The matter was pending before the Commissioner of Insurance at the close of the period covered by this Report.

2. May 1, 1995 Filing

The Twenty-First Annual Report dated September 1, 1998 detailed developments to that date in connection with revised rates for nonfleet private passenger automobiles and motorcycles submitted by the Rate Bureau on May 1, 1995 which proposed overall rate level increases of 4.5% for nonfleet private passenger automobiles and 11.0% for motorcycles. Included in that filing were revisions in territorial definitions and codes for private passenger automobile insurance. Because of the potential data issues which could affect the data underlying the filing, the Commissioner agreed that the Rate Bureau would submit an amended filing.
The Rate Bureau submitted an amended filing on April 1, 1996 which included overall rate level increases of 5.7% for nonfleet private passenger automobiles and 10.1% for motorcycles. The amended filing also included (a) revisions to territorial definitions and codes for nonfleet private passenger automobile insurance, (b) revisions to the classification plan factors, (c) revised deductible relativities and (d) several revised Personal Auto Manual rules.

After conducting a public hearing, the Commissioner of Insurance issued an Order which disapproved the Rate Bureau’s filing and approved an overall rate level decrease of 8.3% for nonfleet private passenger automobiles and an overall rate level increase of 3.2% for motorcycles to be implemented effective December 1, 1996.

The Rate Bureau subsequently appealed to the North Carolina Court of Appeals those provisions included in the Commissioner’s Order dealing with the disapproval of nonfleet private passenger automobile insurance rates and motorcycle insurance rates and implemented rate level changes over the disapproval of the Commissioner that resulted in an overall rate level increase of 5.5% for nonfleet private passenger automobiles and an overall rate level increase of 9.4% for motorcycles.

On June 16, 1998, the North Carolina Court of Appeals issued an opinion which affirmed part of the Commissioner’s Order, vacated part of the Commissioner’s Order and remanded the case to the Commissioner for further findings. The Rate Bureau petitioned the Court of Appeals for rehearing but the petition was denied.

The Commissioner of Insurance filed Notice of Appeal to the North Carolina Supreme Court on issues pertaining to the consideration of investment income from capital and surplus and the Rate Bureau petitioned the North Carolina Supreme Court for discretionary review on issues pertaining to the consideration of dividends and deviations. After oral arguments on the Commissioner’s appeal and the Rate Bureau’s petition, the Supreme Court, on June 25, 1999, issued an opinion which affirmed the holdings of the Court of Appeals on both issues. The Rate Bureau’s Petition for Rehearing was denied.

The matter was pending before the Commissioner of Insurance at the close of the period covered by this Report.

3. March 5, 1999 Filing

On March 5, 1999, the Rate Bureau filed with the Commissioner of Insurance revised rates for nonfleet private passenger automobiles and motorcycles subject to the jurisdiction of the Rate Bureau. The filing proposed (a) an overall statewide average rate level decrease of 4.9%, (b) an average liability insurance rate level increase of 0.5% for nonfleet private passenger automobiles and a decrease of 0.5% for motorcycles and (c) statewide average physical damage insurance rate level decreases of 11.1% for nonfleet private passenger automobiles and 10.0% for motorcycles.

On April 29, 1999, the Commissioner of Insurance issued a Notice of Public Hearing in connection with the filing and scheduled a public hearing to convene on September 27, 1999.

On August 20, 1999, as a result of the Supreme Court’s opinion in the 1996 private passenger automobile insurance rate case, the Rate Bureau filed amendments to the March 5, 1999 filing. The filing, as amended, proposed (a) an overall statewide average rate level decrease of 5.0% for nonfleet private passenger automobiles, (b) statewide average liability insurance rate level increases of 1.5% for nonfleet private passenger
automobiles and 3.9% for motorcycles and (c) statewide average physical damage insurance rate level decreases of 12.5% for private passenger automobiles and 3.4% for motorcycles. As a result of the amendments to the March 5, 1999 filing, the Commissioner of Insurance rescheduled the public hearing to convene on November 29, 1999.

The matter was pending before the Commissioner of Insurance at the close of the period covered by this Report.

**Escrow Accounts**

Member companies must continue to maintain escrow accounts for those policies affected by (1) the implementation of revised nonfleet private passenger automobile insurance rates over the Commissioner=s disapproval during the period from January 1, 1995 until December 1, 1996 as a result of the Rate Bureau=s filing submitted on February 1, 1994 and (2) the implementation of revised nonfleet private passenger automobile and motorcycle insurance rates over the Commissioner=s disapproval during the period from December 1, 1996 to May 1, 1997 as a result of the Rate Bureau=s filing submitted on April 1, 1996.

**Deviations**

As of August 31, 1999, there were 190 member companies with approved rate deviations applicable to insurance for nonfleet private passenger automobiles, up from 181 one year ago. Fourteen companies' deviations applied to physical damage coverages only, 166 companies' deviations applied to both the liability and physical damage coverages and 10 companies had a liability only deviation.

**Appeals By Insureds**

The Staff conducted 44 hearings during the year on appeals by insureds to the Rate Bureau under the provisions of G.S. 58-36-1(2). All cases involved disputed assignment of "points" under the Safe Driver Insurance Plan. Staff sustained the carrier's rating in 26 of the cases and ruled that the carrier had incorrectly interpreted the rules of the Safe Driver Insurance Plan in 18 cases.

**Legislation**

The 1999 Session of the General Assembly enacted the following legislation that directly or indirectly affects automobile insurance coverages subject to the Rate Bureau=s jurisdiction:

- **HB 280** - Makes technical, clarifying and other changes to the motor vehicle laws, including a section relating to the electronic transmission of data to the Department of Motor Vehicles regarding the termination and replacement of auto insurance coverage. The changes regarding the electronic transmission of data to the Department of Motor Vehicles become effective October 1, 2000.

- **HB 306** - Makes amendments to several insurance related statutes, including a section that excludes mechanical breakdown and related insurance from the jurisdiction of the Rate Bureau. This section of the Bill became effective on its
June 16, 1999 ratification date.

HB 991 - Provides that uninsured or underinsured motorists coverage, up to the coverage limits, shall pay for uncompensated and subrogated workers compensation benefits. This Bill, ratified on June 9, 1999, becomes effective October 1, 1999.

SB 756 - Increases the minimum financial responsibility limits to $30,000/ $60,000 for bodily injury and $25,000 for property damage. This Act becomes effective July 1, 2000 and applies to new and renewal policies written to become effective on or after that date.

PROPERTY INSURANCE ACTIVITIES

The following property insurance filings submitted by the Rate Bureau were approved or deemed approved by the Commissioner of Insurance during the year ending August 31, 1999:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 15, 1998</td>
<td>Dwelling Policy Program - Manual Revision Windstorm or Hail Exclusion Credit</td>
</tr>
<tr>
<td>February 1, 1999</td>
<td>Homeowners Policy Program - Sections I and II - Exclusions for Computer Related Damage or Injury - North Carolina - Manual Revision</td>
</tr>
<tr>
<td>February 1, 1999</td>
<td>Homeowners Policy Program - Home Business Insurance Coverage Endorsement - Forms Filing</td>
</tr>
<tr>
<td>February 1, 1999</td>
<td>Homeowners Policy Program - Home Business Insurance Coverage Endorsement - Rates &amp; Rules Filing</td>
</tr>
<tr>
<td>February 1, 1999</td>
<td>Homeowners Policy Program - Revised Business Definition And Exclusion</td>
</tr>
<tr>
<td>March 23, 1999</td>
<td>Homeowners Policy Program - Residence Rental</td>
</tr>
</tbody>
</table>
coverage - forms filing

may 10, 1999 homeowners policy program - extended theft coverage

for residence premises rented to others for specified events - forms filing

may 10, 1999 homeowners policy program - extended theft coverage

for residence premises rented to others for specified events - rates & rules filing

may 19, 1999 mobile-homeowners mh(f) policy program - personal property inflation coverage endorsement

june 1, 1999 homeowners policy program - notice of no flood coverage

december 1, 1999 dwelling policy program - withdrawal of endorsements dp-32-48 and dp-32-49 (endorsements aa@ and ab@)

on november 18, 1998, the rate bureau filed, on behalf of all member companies, a new hurricane percentage deductible - north carolina endorsement which was designed for use on an optional basis in north carolina with the homeowners policy program. the endorsement was designed to provide a 1%, 2% or 5% deductible when the loss is caused by a hurricane. on january 13, 1999, the rate bureau received approval of the hurricane percentage deductible - north carolina endorsement and manual rule to become effective january 13, 1999. on january 14, 1999, the rate bureau received a request from the north carolina department of insurance to withdraw the hurricane percentage deductible - north carolina endorsement. the endorsement was subsequently withdrawn.

rate revisions

1. homeowners insurance rate filing

on december 3, 1998, the rate bureau filed a homeowners insurance rate level change which proposed (a) an average statewide rate level increase of 15.6% for forms 2, 3, 3w/15 and 8; (b) amended relativity changes by territory; (c) amended windstorm and hail exclusion credits; and (d) a may 1, 1999 effective date.

on february 17, 1999, the commissioner of insurance signed a consent order which provided for the approval of the filing subject to modifications which included (a) an approved overall rate level increase of 4.3%, (b) amended territorial rates and (c) amended windstorm or hail exclusion credits. the approved changes were implemented with respect to all new policies effective on or after june 1, 1999 and all renewal policies effective on or after july 15, 1999.

2. dwelling fire and extended coverage insurance rate filing
On August 18, 1999, the Rate Bureau filed dwelling fire and extended coverage insurance rate level changes which proposed an overall average increase of 12.8%, based upon increases of 10.7% for dwelling fire insurance rates and 14.9% for extended coverage insurance rates. The filing proposed an effective date of December 1, 1999.

On September 1, 1999, the Commissioner of Insurance signed a Consent Order which provided for the approval of the filing subject to modifications which included (a) overall rate level increases of 4.3% for dwelling fire insurance and 6.1% for extended coverage insurance, (b) amended territorial rates and (c) amended windstorm or hail exclusion credits. The changes have been approved effective December 1, 1999, applicable to new and renewal policies.

**Deviations**

The following table shows the number of member companies with approved deviations as of August 31 of the years indicated:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire and Extended Coverage</td>
<td>81</td>
<td>78</td>
</tr>
<tr>
<td>Homeowners</td>
<td>209</td>
<td>206</td>
</tr>
<tr>
<td>Mobile Home Owner MH(C)</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>Mobile-Homeowners MH(F)</td>
<td>20</td>
<td>22</td>
</tr>
</tbody>
</table>

**Legislation**

The 1999 Session of the General Assembly enacted the following legislation that affects property insurance coverages subject to the Rate Bureau’s jurisdiction:

**HB 165** - Re-enacts a 1986 law providing for risk sharing plans, amends the immunity statutes for the FAIR and Beach Plans and extends the Beach Plan rate cap on Awind-only@ policies issued in the coastal area for two years. This Bill became effective on May 19, 1999.

**WORKERS COMPENSATION INSURANCE ACTIVITIES**

The following workers compensation insurance filings submitted by the Rate Bureau were approved by the Commissioner of Insurance during the year:

<table>
<thead>
<tr>
<th>Item</th>
<th>Subject</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-1350</td>
<td>1998 Table of Insurance Charges</td>
<td>April 1, 1999</td>
</tr>
</tbody>
</table>
Many endorsements, submitted by individual member insurance companies, were also filed by the Bureau and approved by the Commissioner.

Rate Revisions

During the year covered by this Report there were no loss costs or residual market rate filings.

Appeals by Insureds

During the year covered by this Report there were no employer appeals heard by the Workers Compensation Committee.

Field and Office Service

The following summarizes the work of the two inspectors, as well as the rating and policy review activities of the Bureau during the year covered by this Report and during the previous year:

Year Ended August 31

1998  1999

Inspection Program:

Inspection reports processed 760 649

Number in agreement with carriers' classifications 356 221
In accordance with previously established procedures the Rate Bureau continued to transmit via video terminals workers compensation insurance coverage reports to the North Carolina Industrial Commission. The Bureau updates the coverage records of the Industrial Commission upon receipt of policy information pages, renewal certificates, endorsements, cancellation notices and reinstatement notices.

Workers Compensation Insurance Plan

In accordance with the provisions of the North Carolina Workers Compensation Insurance Plan 13,927 risks were assigned by the Bureau during the year ended August 31, 1999. There were 5,866 new assignments, 7,986 renewals and 75 risks extended North Carolina coverage after having been assigned in another State. During the year ended August 31, 1998, the Bureau processed 19,639 new, renewal and supplementary assignments.

Legislation

The 1999 Session of the General Assembly enacted the following legislation that affects workers compensation insurance:
HB 296 - Makes technical amendments and corrections in connection with the Rate Bureau statutes as they relate to workers compensation insurance and loss costs, including (i) deletion of the Aprior approval@ requirement to cancel an assigned risk policy; (ii) removal of premium tax, licensing costs and fees from the definition of loss costs and inclusion of those components in the definition of expenses; and (iii) introduction of a requirement that a copy of an insurer=s loss costs multiplier filing be sent to the Rate Bureau. This Bill was ratified on May 24, 1999 and the changes in connection with workers compensation insurance became effective September 1, 1999.

HB 306 - Makes amendments to several insurance related statutes including a section that extends managed care provisions to individual and group self-funded workers compensation insurance plans. This section of the Bill became effective on its June 16, 1999 ratification date.

HB 980 - Allows judicial discretion in determining the appropriate amount of subrogation of an employer=s lien, whether based on accrued or prospective workers compensation benefits. This Bill applies to judgments or settlements entered against third parties on or after the June 9, 1999 ratification date.

HB 991 - Provides that uninsured or underinsured motorists coverage, up to the coverage limits, shall pay for uncompensated and subrogated workers compensation benefits. This Bill, ratified on June 9, 1999, becomes effective October 1, 1999.

SB 214 - Provides, for workers compensation benefits, a procedure for determining annual compensation for members of the teachers, state employees and local governmental retirement systems who purchase creditable service for a leave of absence. This Bill, ratified on June 2, 1999, becomes effective July 1, 1999.

SB 877 - Clarifies the Workers Compensation Act definition of Aemployee@ for members of the North Carolina National Guard and the North Carolina State Guard. This Bill became effective on its July 14, 1999 ratification date.

SB 1113 - Eliminates the requirement that the North Carolina Industrial Commission adopt rules governing the methods of oral and written communications between an employer paying compensation benefits and a medical care provider. This Bill became effective on its May 31, 1999 ratification date.

**OPERATING EXPENSES**

Following is a summary of the Rate Bureau's operating expenses paid during the twelve months ended August 31, 1998 and August 31, 1999:

<table>
<thead>
<tr>
<th>Item</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Administration</td>
<td>$1,682,031</td>
<td>$1,779,945</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>129,927</td>
<td>135,637</td>
</tr>
<tr>
<td>Rent</td>
<td>213,064</td>
<td>223,657</td>
</tr>
<tr>
<td>Travel</td>
<td>57,344</td>
<td>51,133</td>
</tr>
</tbody>
</table>
Postage 47,179 52,174
Software and Systems Maintenance 22,559 43,371
Printing & Office Supplies 51,705 55,676
Furniture & Equipment 149,240 126,442
Telephone 62,009 40,282
Group Insurance 220,267 233,137
Retirement Plan 160,723 115,634
Employees Savings Plan 71,494 70,233
Legal Expenses 730,061 693,795
Outside Services 4,020,124 4,188,962
Other Expenses 37,993 36,725

Total $7,655,720 $7,846,801

The 1999 expenses increased approximately 2.5% over the 1998 expenses.

**CONCLUSION**

We are most grateful for the helpful support of those who served during the year on the Rate Bureau=s Committees and those who contributed to our work as members of the staffs of our advisory organizations and of the law firm of Young, Moore and Henderson. Working with these talented and dedicated people continues to be a real pleasure.

Respectfully submitted,

John W. Watkins

General Manager

JWW:lm