

**CONSTITUTION
NORTH CAROLINA RATE BUREAU**

The North Carolina Rate Bureau, a rating bureau created by the General Assembly of North Carolina under the provisions of Article 36 of Chapter 58 of the General Statutes of North Carolina, enacted as Chapter 828 of the 1977 Session Laws of the General Assembly of North Carolina, to become effective September 1, 1977, does hereby adopt and establish this Constitution for its organization and operation in accordance with said statutory provisions:

ARTICLE I

NAME OF ORGANIZATION

The name of this organization shall be the North Carolina Rate Bureau, hereinafter referred to in this Constitution as the "Bureau".

ARTICLE II

OFFICES OF THE BUREAU

The principal office of the Bureau shall be located in Raleigh, North Carolina or at such other place in North Carolina as may be designated by the Governing Committee. Other offices may be established and maintained when and where required.

ARTICLE III

DEFINITIONS

The following words and terms as used in this Constitution shall have the meaning set forth below:

(a) "**Automobile Insurance**" shall mean liability insurance, automobile medical payments insurance, uninsured and underinsured motorists coverages, theft, or physical damage to private passenger non-fleet motor vehicles as defined in G.S. 58-40-10 (1) and (2), and other insurance coverages written in conjunction with the sale of such insurance.

(b) "**Property Insurance**" shall mean insurance against loss to residential real property with not more than four housing units located in North Carolina and any contents thereof and valuable interest therein and other insurance coverages written in connection with the sale of such property insurance. However, such insurance shall not include coverages on farm buildings, farm dwellings and their appurtenant structures, farm personal property or other coverages written in connection with farm real or personal property.

(c) "**Workers Compensation Insurance**" shall mean workers compensation insurance and employers' liability insurance written in connection therewith.

(d) "**Commissioner**" shall mean the Commissioner of Insurance of the State of North Carolina.

(e) "**Member**" shall mean a member of the Bureau as provided in Article V of this Constitution.

ARTICLE IV

OBJECTS AND PURPOSES OF BUREAU

The objects and purposes of the Bureau shall be the establishment and administration of classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions for Automobile Insurance, Property Insurance and Workers Compensation Insurance pursuant to Article 36 of Chapter 58 of the General Statutes of North Carolina.

ARTICLE V

MEMBERSHIP OF BUREAU

Every insurance carrier so long as it is authorized to write Automobile Insurance, Property Insurance or Workers Compensation Insurance in the State of North Carolina shall subscribe to and become a Member of the Bureau as required by the provisions of Article 36 of Chapter 58 of the General Statutes of North Carolina.

ARTICLE VI

SOURCES OF INCOME

The Bureau shall be maintained financially on the following basis:

(a) Each Member shall pay an annual membership fee for each category of insurance for which it is licensed to write in North Carolina in the amounts of \$500 for Automobile Insurance, \$500 for Property Insurance and \$250 for Workers Compensation Insurance, payable on January 1st of each year; provided that each Member shall pay an initial membership fee of \$50.00 on September 1, 1977. The membership fees shall constitute a minimum assessment and shall not be subject to proration in the case of Members withdrawing or joining the Bureau during the year.

(b) The Governing Committee shall on September 1, 1977, or as soon thereafter as reasonably possible, estimate the expenses of the Bureau for the period beginning September 1, 1977, through December 31, 1977, and thereafter shall annually as of the 1st day of January of each year estimate the expenses of the Bureau for that year. Such estimated expenses, after deducting the amount of annual membership fees for such year, shall be allocated among Automobile Insurance, Property Insurance and Workers Compensation Insurance and by line of insurance within each such category in an equitable manner as determined by the Governing Committee. Assessments to cover such expenses shall be levied upon Members writing each such line of insurance within the categories Automobile Insurance, Property Insurance and Workers Compensation Insurance pro rata according to their respective proportions of the total gross premium, as defined by the Governing Committee derived from each such line of insurance in North Carolina during the preceding year. Assessments shall be levied quarterly in advance, provided that the initial assessment shall be levied on September 1, 1977, or as soon thereafter as reasonably possible. Annually, as of January 1st, or as soon as possible after that date, the assessments paid by each Member during that year shall be adjusted according to the completed figures for such year.

ARTICLE VII

ORGANIZATION

At the meeting of the membership of the Bureau at which this Constitution is adopted, there shall be elected a Governing Committee of twelve Members, which shall be composed of six non-stock Members and six stock Members. At least one Member of the Governing Committee shall be a company domiciled in North Carolina. The initial Governing Committee shall be elected to serve terms as follows:

- (a) Two non-stock and two stock Members to serve for a term of one year.
- (b) Two non-stock and two stock Members to serve for two years.
- (c) Two non-stock and two stock Members to serve for three years.

At each subsequent annual meeting of the Bureau, the scheduled vacancies occurring in the Governing Committee shall be filled by the election of two non-stock and two stock Members to serve for terms of three years. No Member shall be eligible to serve consecutively more than two (2) three-year terms as a Member of the Governing Committee. Service as a Member of the initial Governing Committee for terms of one or two years shall be disregarded for the purpose of determining eligibility for service thereafter. Vacancies in the interim between annual meetings shall be filled by a Member of the same class as the Member creating the vacancy by election of the remaining Members of the Governing Committee, such elected Member to serve for the unexpired term of the Member creating the vacancy.

The Governing Committee of the Bureau shall also have as nonvoting Members two persons who are not employed by or affiliated with any insurance company or the Department of Insurance and who are appointed by the Governor to serve at his pleasure.

ARTICLE VIII

GOVERNING COMMITTEE

(a) The Governing Committee shall have charge of administration of the Bureau, shall have supervision and direction over all Committees of the Bureau and shall have the following powers, duties and obligations:

(1) To appoint or remove a General Manager;

(2) To select at its annual meeting a Chairman and Vice Chairman from the members of the Governing Committee, provided that such Chairman shall not serve for more than two consecutive annual terms;

(3) To levy assessments on Members;

(4) To subscribe for or purchase any service necessary for the efficient and effective operation of the Bureau;

(5) To provide insurance related services for the North Carolina Reinsurance Facility or any other insurance entity;

(6) To provide for the maintenance of reasonable records of the type and kind reasonably adapted to its method of operation, of the experience of its Members and of the data, statistics or information collected or used by the Bureau in carrying out the objects and purposes of the Bureau;

(7) To adopt such rules and regulations as shall be necessary to carry out the objects and purposes of the Bureau;

(8) To provide reasonable means whereby any person affected by a rate made by the Bureau may be heard in person or by his authorized representative before the Governing Committee or other proper executive of the Bureau;

(9) To provide for a system of reimbursement of expenses of members of any duly constituted committee or sub-committee of the Bureau for company personnel participation at meetings of any such committee or sub-committee;

(10) To appoint a Workers Compensation Committee, a Property Committee, an Automobile Committee and a Legal Committee, which Committees shall have the authority, duties and functions as provided in Article IX of this Constitution and shall have independent power to authorize actions of the Bureau as delegated by the Governing Committee;

(11) To appoint such other committees as it may deem necessary;

(12) To take any other action it deems necessary or appropriate for the efficient and effective operation of the Bureau consistent with the objects and purposes of the Bureau.

(b) The Governing Committee shall hold meetings whenever necessary in Raleigh, North Carolina, or at such other place as may be agreed upon. Such meetings may be called by the Chairman of the Governing Committee or by the General Manager, and shall be called upon the written request of at least four Members of the Governing Committee. Due notice of the time and place of all meetings shall be given to each Member of the Governing Committee. Eight Members shall constitute a quorum of the Governing Committee at any meeting and affirmative action on the part of the Governing Committee at any meeting shall require a majority vote of all Members present and voting.

The Chairman of the Governing Committee or the General Manager shall have authority to submit any matter to the Governing Committee for action by a mail or wire vote. Action by mail or wire vote shall require a majority vote of nine of the twelve members of the Governing Committee. Any Member of the Governing Committee may, in lieu of a vote, request that the matter submitted for action by a mail or wire vote be considered at a meeting of the Governing Committee, in which event the mail or wire vote shall be disregarded and the matter placed on the agenda for the next meeting of the Governing Committee.

In any meeting of the Governing Committee, and on any matter submitted to the Governing Committee for mail or wire vote, each Member of the Governing Committee shall be entitled to one vote. Voting by proxy shall not be permitted.

ARTICLE IX

COMMITTEES

(a) Automobile Committee. Subject to applicable provisions of law and this Constitution and with respect to Automobile Insurance only, the Automobile Committee, which shall be comprised of Members writing Automobile Insurance in this State, shall with the approval of the Governing Committee, have authority over all matters pertaining to:

(1) The making and the filing with the Commissioner of classifications, rules, rates, rating plans, policy forms and policy provisions;

(2) The development and adoption of statistical plans and procedures for the collection of loss and expense experience;

(3) The collection, compilation, and analysis of such statistical and other data relating to Automobile Insurance as are deemed necessary or desirable;

(4) The administration of such rating systems as may become effective pursuant to law;

(5) The furnishing upon request of pertinent information relating to classifications, rules, rates, rating plans, policy forms and policy provisions to Members affected thereby;

(6) The coordination and cooperation with rating organizations, advisory organizations, insurers and other insurance organizations in the development, application, or implementation of classifications, rules, rates, rating plans, policy forms and policy provisions;

(7) The taking of any other action deemed necessary or appropriate for the efficient and effective administration and regulation of Automobile Insurance by the Bureau.

(b) Property Committee. Subject to applicable provisions of law and this Constitution and with respect to Property Insurance only, the Property Committee, which shall be comprised of Members writing Property Insurance in this State, shall with the approval of the Governing Committee, have authority over all matters pertaining to:

(1) The making and the filing with the Commissioner of classifications, rules, rates, rating plans, policy forms and policy provisions;

(2) The development and adoption of statistical plans and procedures for the collection of loss and expense experience;

(3) The collection, compilation and analysis of such statistical and other data relating to Property Insurance as are deemed necessary or desirable;

(4) The administration of such rating systems as may become effective pursuant to law;

(5) The furnishing upon request of pertinent information relating to classifications, rules, rates, rating plans, policy forms and policy provisions to Members affected thereby;

(6) The coordination and cooperation with rating organizations, advisory organizations, insurers and other insurance organizations in the development, application, or implementation of classifications, rules, rates, rating plans, policy forms and policy provisions;

(7) The taking of any other action deemed necessary or appropriate for the efficient and effective administration and regulation of Property Insurance by the Bureau.

(c) Workers Compensation Committee. Subject to applicable provisions of law and this Constitution and with respect to Workers Compensation Insurance only, the Workers Compensation Committee, which shall be comprised of Members writing Workers Compensation Insurance in this State, shall with the approval of the Governing Committee, have authority over all matters pertaining to:

(1) The making and the filing with the Commissioner of classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions;

(2) The development and adoption of statistical plans and procedures for the collection of loss and expense experience;

(3) The collection, compilation and analysis of such statistical and other data relating to Workers Compensation Insurance as are deemed necessary or desirable;

(4) The administration of such rating systems as may become effective pursuant to law;

(5) The furnishing upon request of pertinent information relating to classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions to insureds or Members affected thereby;

(6) The coordination and cooperation with rating organizations, advisory organizations, insurers and other insurance organizations in the development, application, or implementation of classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions;

(7) The establishment of rules and procedures pursuant to which risks which have been certified to be "difficult to place" by fire and casualty insurance agents licensed in North Carolina shall be assigned on an equitable basis to Members licensed to write Workers Compensation Insurance within the State;

(8) The administration of a classification inspection program to assure that individual risks are properly and equitably classified;

(9) The taking of any other action deemed necessary or appropriate for the efficient and effective administration and regulation of Workers Compensation Insurance by the Bureau.

(d) Legal Committee. The Governing Committee may consult the Legal Committee on any matters involving the Bureau or its actions. The Governing Committee or the General Manager shall advise the Legal Committee of any action by the Commissioner to disapprove rates, loss costs, classifications, rules or forms filed by the Bureau, of any formal complaint of a Member, of any proposed changes in the Constitution, rules or regulations of the Bureau, of any known action or threatened action which may be subject to the indemnification article of this Constitution, and of any known proposed action, order, regulation or legislation which may affect the Bureau to the end that the Bureau will operate in compliance with the law and will be advised in its legal rights and obligations.

(e) Committee Organization. The Automobile Committee, the Property Committee, the Workers Compensation Committee, and the Legal Committee shall each elect a Chairman and shall hold meetings whenever necessary in Raleigh, North Carolina or at such other place as may be agreed upon. Such meetings may be called by the Chairman of the Governing Committee, by the Chairmen of the respective Committees or by the General Manager, and shall be called upon the written request of at least three Members of the Committee. Due notice of the time and place of any such meetings shall be given to each Member of the Committee. A majority of the Members of any such Committee shall constitute a quorum and action shall require a majority vote of all members of the Committee present and voting. Voting by proxy shall not be permitted.

The Chairman of the Governing Committee, the Chairman of each such Committee or the General Manager shall have authority to submit any matter to the Committee for action by a mail or wire vote. Action by mail or wire vote shall require a three-fourths (3/4) majority of the Members of the Committee. Any Member of the Committee, may in lieu of a vote, request that the matter submitted for action by a mail or wire vote be considered at a meeting of such Committee, in which event the mail or wire vote shall be disregarded and the matter placed on the agenda for the next meeting of such Committee.

ARTICLE X

GENERAL MANAGER

The General Manager, under the supervision of the Governing Committee, shall have general control and supervision of all affairs of the Bureau and of all employees of the Bureau and shall:

(a) Be responsible for all property of the Bureau; collect all fees, dues, assessments and other monies payable to the Bureau and deposit the same in such bank or banks as designated by the Governing Committee to the credit of the Bureau; disburse funds of the Bureau only in the payment of necessary expenses of the Bureau; and account to the Governing Committee for all property, funds and disbursements;

(b) Act in the capacity of Secretary to the Bureau and the Governing Committee and keep a record of all proceedings of the Bureau and the Governing Committee;

(c) Upon direction of the Governing Committee, Automobile Committee, Property Committee, or Workers Compensation Committee file with the Commissioner on behalf of the Bureau classifications, rules, rates, loss costs, rating plans, policy forms and policy provisions;

(d) With the approval of the Governing Committee, hire and supervise the staff and personnel and procure and maintain the office space and office equipment necessary to the effective and efficient operation of the Bureau;

(e) Perform such other duties as may be required by the Governing Committee.

The General Manager and such other persons as may be designated by the Governing Committee shall have the power to sign and endorse in the name and on behalf of the Bureau in the transaction of its business, but not otherwise, checks, drafts, notes and bills of exchange, subject to such limitations and counter-signature as the Governing Committee may determine. The General Manager and such other personnel as the Governing Committee may designate shall, at the expense of the Bureau, give a bond in such form and amount as the Governing Committee may prescribe.

ARTICLE XI

MEETINGS OF THE BUREAU

The meeting at which this Constitution is adopted shall constitute the annual meeting of the Bureau for the year in which it is adopted. Thereafter, an annual meeting of the Bureau shall be held each year during the month of October or November of such year as designated by the Governing Committee. The annual meetings shall be held in Raleigh, North Carolina or at such other place in North Carolina as may be designated by the Governing Committee.

Special meetings of the Bureau may be called at any time by the Chairman of the Governing Committee or the General Manager, and shall be called upon request of a majority of the Governing Committee.

At least 10 days' written notice of all annual meetings and all special meetings of the Bureau shall be given to each Member, which notice shall state the time and place of such meeting and the purpose for such meeting.

At all annual or special meetings of the Bureau a majority of the Members present in person or by proxy shall constitute a quorum, and any action shall require a majority vote of all Members present and voting. Voting by proxy shall be permitted. At any meeting of the Bureau each Member shall be entitled to one vote.

ARTICLE XII

FURNISHING OF STATISTICS

Each Member shall, on request, annually and at other reasonable times, promptly furnish or cause to be furnished to the Bureau, or to such other agency or agencies as the Bureau may designate, any and all statistics of such Member arising out of or reasonably related to the making of rates or loss costs for Automobile Insurance, Property Insurance or Workers Compensation Insurance in North Carolina.

ARTICLE XIII

INDEMNIFICATION

(a) Each person or Member who shall serve on a Committee of the Bureau, or as an officer or employee of the Bureau, or any predecessor organization, whether or not he, she or it is then acting in such position or capacity, shall be indemnified by the Bureau against judgments, fines, amounts paid in settlements and reasonable expenses, including attorneys' fees, actually and necessarily incurred by or imposed upon him, her or it in connection with or arising out of any action, suit or proceeding to which he, she or it may be made a party by reason of his, hers or its having served on such committee, or as an officer or employee of the Bureau, provided he, she or it acted in good faith for a purpose he, she or it reasonably believed to be in the best interests of the Bureau and in connection with which he, she or it had no reasonable cause to believe that his, hers or its conduct was unlawful or improper. Such indemnification shall not be exclusive of other rights such person or Member may have and shall pass to the successors, heirs, executors or administrators of such person or Member. In the absence of proof to the contrary, it shall be presumed that a person or Member who shall serve on a committee of the Bureau or as an officer or employee of the Bureau shall have acted in good faith. In the event indemnification is sought, in whole or in part, with reference to amounts paid in settlements where there has been no judicial determination, such right to indemnification will require the prior approval of any such settlement by the Governing Committee.

Any person or Member or officer or employee of the Bureau, which shall seek indemnification under the provisions of this Article XIII, shall promptly notify the Bureau, in writing, of any action, suit or proceeding or any threat thereof. The Bureau shall have the right to, and may, at its own cost, defend or otherwise dispose of any such pending or threatened action, suit or proceeding and shall promptly advise the person or Member seeking indemnification whether the Bureau elects to defend or otherwise dispose of such matter itself. The cost and expense of fulfilling the obligations of the Bureau under this Article XIII shall be apportioned among all Members, including any Members named in any such action, suit or proceedings, pursuant to Article VI of this Constitution.

(b) In the event the existence of the Bureau is terminated and a person, ex-Member or successor thereafter desires to assert or continue a claim for indemnification, the rights of such person, ex-Member or successor shall be the same as set forth in section (a), except as provided below. As used in this section (b) the term "Indemnification Committee" refers to those disinterested ex-Members which comprised the Governing Committee of the Bureau immediately prior to the termination of its existence. Provided, however, that if there are less than three disinterested ex-Members which comprised the Governing Committee at such time, the Senior Resident Superior Court Judge of Wake County shall appoint to the Indemnification Committee a sufficient number of persons (which shall if possible be ex-Members of the Bureau) so that there shall be three Members of the Indemnification Committee.

(1) All notices required to be given to, all approvals required to be obtained from, and all rights and powers which would have been vested in the Governing Committee under section (a) of this Article XIII had the existence of the Bureau not been terminated shall instead be given to, obtained from and vested in the Indemnification Committee.

(2) In order to apportion the indemnification payments herein required the Indemnification Committee shall first apportion the total indemnification amount (which shall include a charge for the expenses reasonably incurred by the members of the Indemnification Committee) among Automobile Insurance, Property Insurance, and Workers Compensation Insurance and by line of insurance within each such category in such equitable manner as it shall determine. The indemnification amount allocated to each line shall be apportioned among all insurers (including, if applicable, the ex-Member or successor seeking indemnification) who were Members of the Bureau at any time during the calendar year in which the existence of the Bureau terminated. Such apportionment shall be made pro rata according to each ex-Member's respective proportions of the total gross premium, as defined by the Indemnification Committee, derived from each such line of insurance in North Carolina during the calendar year preceding the calendar year in which the existence of the Bureau was terminated.

(3) The Indemnification Committee shall furnish or cause to be furnished to each indemnifying insurer a statement setting forth its share, as thus determined, of the total indemnification amount. Each indemnifying insurer shall promptly pay its share of the total indemnification amount in such manner as may be directed by the Indemnification Committee.

ARTICLE XIV

APPEAL FROM BUREAU DECISIONS

Any Member of the Bureau may appeal to the Commissioner from any decision of the Bureau in accordance with the provisions of G.S. 58-36-35 of the General Statutes of North Carolina.

ARTICLE XV

RESIGNATIONS

A Member of the Bureau may resign, upon thirty days' written notice to the Bureau of its lawful termination of membership but shall, nevertheless, be liable to the Bureau for its proportion of all assessments made during the period of three months following the effective date of its resignation. Final adjustment of the resigning Member's obligations will be made, in accordance with the provisions of Article VI of this Constitution, after January 1st following the effective date of resignation.

ARTICLE XVI

AMENDMENTS

This Constitution may be amended at any meeting of the membership of the Bureau by a three-fourths vote of all Members present and voting, but no amendment shall be acted upon unless twenty (20) days' written notice of such meeting with a copy of the proposed amendment has been given to the Members.

ARTICLE XVII

ACCEPTANCE OF MEMBERSHIP

Each insurance carrier, before becoming a Member of the Bureau, shall, through a duly authorized official, subscribe to a copy of this Constitution and file the same with the Bureau, and by such act each Member shall be considered to have declared its full, absolute and complete acceptance of this Constitution and its intention to fully comply with all of the requirements of this Constitution and with the rules and regulations which may from time to time lawfully be adopted by the Bureau.

Revised December 3, 2001

ACCEPTANCE OF NORTH CAROLINA RATE BUREAU CONSTITUTION

The _____
(Company) (Federal I.D. #)

hereby subscribes to and accepts the provisions of the Constitution of the North Carolina Rate Bureau.

(Signature)

(Title)

(Date)

To the North Carolina Rate Bureau:

This Company is licensed in North Carolina to write the following coverages as defined in Article III of the Constitution of the North Carolina Rate Bureau (please check all applicable boxes):

- | | |
|---|---|
| <input type="checkbox"/> Property Insurance | <input type="checkbox"/> Automobile Insurance |
| <input type="checkbox"/> Workers Compensation | <input type="checkbox"/> Liability |
| | <input type="checkbox"/> Physical damage or theft |

This company joins as (check one):

- Member of Property Casualty Insurers Association of American (PCI)
- Member of American Insurance Association
- Non-affiliated stock insurer
- Non-affiliated non-stock insurer

Legal Form of Ownership:

- Mutual
- Stock
- Reciprocal

NAIC Information:

NAIC Company Code _____ NAIC Group Code _____

NAIC Group Name _____

Group Mailing Address _____

