

NORTH CAROLINA RATE BUREAU

POST OFFICE BOX 176010
RALEIGH, NORTH CAROLINA 27619-6010

RAYMOND F. EVANS, JR. CPCU
General Manager

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JERRY G. HAMRICK
Workers Compensation Manager

F. TIMOTHY LUCAS
Personal Lines Manager

DAVID E. SINK, JR.
Accounting Manager

MINUTES OF THE TWENTY-FOURTH ANNUAL MEETING OF THE NORTH CAROLINA RATE BUREAU HELD AT MID PINES INN & GOLF CLUB, 1010 MIDLAND ROAD, SOUTHERN PINES, NORTH CAROLINA, OCTOBER 23, 2001

MEMBERS PRESENT

Allstate Insurance Company
 Allstate Indemnity Company
 Northbrook Indemnity Company
AmComp Assurance Corporation
Atlantic Casualty Insurance Company
Auto-Owners Insurance Company
 Owners Insurance Company
Government Employees Insurance Company
 GEICO General Insurance Company
 GEICO Indemnity Company
Great American Insurance Company
 Alea North America Insurance Company
 American Spirit Insurance Company
 Eagle American Insurance Company
 Great American Alliance Company
 Great American Assurance Company
 Great American Contemporary Insurance Company
 Great American Insurance Company of New York
 Worldwide Insurance Company
Harleysville Mutual Insurance Company
 Harleysville-Atlantic Insurance Company
 Harleysville Preferred Insurance Company
Hartford Fire Insurance Company
 Hartford Accident & Indemnity Company
 Hartford Casualty Insurance Company
 Hartford Insurance Company of Midwest
 Hartford Underwriters Insurance Company
 Property & Casualty Insurance Company of Hartford
 Sentinel Insurance Company, Ltd.
 Trumbull Insurance Company
 Twin City Fire Insurance Company

REPRESENTED BY

Mr. A. Ivey

Ms. S. Baxter
Mr. R. Yarbrough
Mr. T. Marshall

Mr. J. Ammendola
Mr. T. McNicholas

Ms. R. Hunter

Mr. R. Johnson

Mr. T. Gray

MEMBERS PRESENT (CONT'D)

REPRESENTED BY

Integon Indemnity Corporation	Mr. A. Lyon
Integon Casualty Insurance Company	
Integon General Insurance Corporation	
Integon National Insurance Company	
Integon Preferred Insurance Company	
Integon Specialty Insurance Company	
New South Insurance Company	
Liberty Mutual Insurance Company	Mr. R. Jones
First Liberty Insurance Corporation	Ms. C. Watts
Liberty Insurance Corporation	
Liberty Mutual Fire Insurance Company	
LM Insurance Corporation	
Nationwide Mutual Insurance Company	Mr. D. Gettles
Nationwide Affinity Insurance Company	
Nationwide Mutual Fire Insurance Company	
Nationwide Property & Casualty Insurance Company	
North Carolina Farm Bureau Mutual Insurance Company	Mr. R. Batdorff
Farm Bureau Insurance of North Carolina, Inc.	Mr. S. Carroll
Pennsylvania National Mutual Casualty Insurance Company	Ms. P. Lovell
Penn National Security Insurance Company	
Progressive Casualty Insurance Company	Mr. G. Rett
National Continental Insurance Company	
Progressive American Insurance Company	
Progressive Northern Insurance Company	
Progressive Northwestern Insurance Company	
Progressive Preferred Insurance Company	
Progressive Southeastern Insurance Company	
United Financial Casualty Company	
Royal Insurance Company of America	Mr. J. Dasti
Alliance Assurance Company of America	
American & Foreign Insurance Company	
Connecticut Indemnity Company	
Design Professionals Insurance Company	
Employee Benefits Insurance Company	
Fire & Casualty Insurance Company of Connecticut	
Globe Indemnity Company	
Grocers Insurance Company	
Orion Insurance Company	
Peak Property & Casualty Insurance Corporation	
Phoenix Assurance Company of New York	
Royal & Sunalliance Personal Insurance Company	
Royal Indemnity Company	
Safeguard Insurance Company	
Sea Insurance Company of America	
Security Insurance Company of Hartford	

MEMBERS PRESENT (CONT'D)

REPRESENTED BY

St. Paul Fire & Marine Insurance Company
American Continental Insurance Company
Athena Assurance Company
Discover Property & Casualty Insurance Company
Fidelity & Guaranty Insurance Company
Fidelity & Guaranty Insurance Underwriters
Northbrook Property & Casualty Insurance Company
St. Paul Guardian Insurance Company
St. Paul Medical Liability Insurance Company
St. Paul Mercury Insurance Company
US Fidelity & Guaranty Company
Southern General Insurance Company
Southern Guaranty Insurance Company
Southern Fire & Casualty Company
Southern Pilot Insurance Company
State Automobile Mutual Insurance Company
State Automobile National Insurance Company
State Automobile Property & Casualty Insurance Company
State Farm Mutual Automobile Insurance Company
State Farm Fire & Casualty Company
State Farm General Insurance Company

Travelers Indemnity Company
Automobile Insurance Company of Hartford
Charter Oak Fire Insurance Company
Farmington Casualty Company
Phoenix Insurance Company
Standard Fire Insurance Company
Travco Insurance Company
Travelers Casualty & Surety Company
Travelers Casualty & Surety Company of America
Travelers Casualty & Surety Company of Illinois
Travelers Casualty Company of Connecticut
Travelers Commercial Insurance Company
Travelers Home & Marine Insurance Company
Travelers Indemnity Company of America
Travelers Indemnity Company of Connecticut
Travelers Indemnity Company of Illinois
Travelers Indemnity Company of Missouri
Travelers Insurance Company
Travelers Personal Security Insurance Company
Travelers Property Casualty Insurance Company

Mr. S. Coon

Ms. A. Haithcock
Mr. S. Cone

Mr. W. Florence

Mr. T. Pemberton
Mr. M. Taylor
Mr. B. Messier
Mr. G. Hahn
Mr. C. Kiehl
Mr. B. Seagle

261 other member companies were represented by proxy.

OTHERS PRESENT

Insurance Services Office
Milliman USA
Young, Moore & Henderson

Public Member

Staff

REPRESENTED BY

Mr. P. Woods
Dr. D. Appel
Mr. M. Spivey
Mr. M. Strickland
Mr. B. Trott
Mr. M. Offerman
Mr. J. Wei
Mr. R. Evans
Mr. J. Hamrick
Mr. T. Lucas
Mr. D. Sink

The meeting convened as scheduled, Mr. Batdorff of North Carolina Farm Bureau Mutual Insurance Company, Chairman of the Governing Committee, presiding.

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

1. The Annual Report

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

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

2. Governing Committee Election

Mr. Ivey of Allstate Insurance Company, Chairman of the Nominating Committee which had previously been appointed by the Chairman of the Governing Committee, placed in nomination Allstate Insurance Company, Auto-Owners Insurance Company, Integon General Insurance Corporation and Liberty Mutual Insurance Company to become 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. Batdorff referred to his comments contained in the Annual Report and re-emphasized his challenge to members of the insurance industry to continue working toward needed changes in North Carolina's insurance environment.

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

4. Adjournment

There being no further business the meeting was adjourned.

Respectfully submitted,

Raymond F. Evans, Jr., CPCU

General Manager

RFE:lm

Enclosure

GC-01-4

10/30/01

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September 1, 2001

T W E N T Y - F O U R T H A N N U A L R E P O R T

This Report covers the activities of the North Carolina Rate Bureau during the period from September 1, 2000 through August 31, 2001.

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, 2001:

Stock

Allstate Insurance Company
Great American Insurance Company
Hartford Fire Insurance Company
Royal Insurance Company of America
St. Paul Fire & Marine Insurance
Company
Travelers Indemnity Company

Non-Stock

Auto-Owners Insurance Company
Harleysville Mutual Insurance Company
Nationwide Mutual Insurance Company
NC Farm Bureau Mutual Insurance Company
State Automobile Mutual Insurance Company
State Farm Mutual Automobile Insurance
Company

Mr. Max Offerman of Cary, NC served as a non-voting public member of the Governing Committee during the period covered by this Report. Mr. John Wei, also of Cary, NC, was appointed by Governor Easley as a non-voting public member of the Governing Committee in July 2001.

During the Twenty-Third Annual Meeting held October 24, 2000, Harleysville Mutual Insurance Company, Nationwide Mutual Insurance Company, Royal Insurance Company of America and Travelers Indemnity Company were elected as members of the Governing Committee for three-year terms.

The Governing Committee met eleven times during the year, including six telephone conferences. North Carolina Farm Bureau Mutual Insurance Company served as Chairman

of the Governing Committee during the year. State Farm Mutual Automobile Insurance Company 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 nineteen additions to the membership. These were the following companies:

American Physicians Assurance Company	General Security Insurance Company
Atlantic Specialty Insurance Company	NLC Mutual Insurance Company
Contemporary American Insurance Company	Prudential Commercial Insurance Company
Columbia National Insurance Company	Prudential General Insurance Company
Economy Fire & Casualty Company	QBE Insurance Corporation
Economy Preferred Insurance Company	Sentinel Insurance Company
Economy Premier Assurance Company	Seven Hills Insurance Company
FCCI Insurance Company	Travelers Indemnity Company of Missouri
Folksamerica Reinsurance Company	United National Specialty Insurance Company
Frankenmuth Mutual Insurance Company	

The following companies withdrew from membership during the year covered by this Report:

Centaur Insurance Company
Merrimack Mutual Fire Insurance Company
Vermont Mutual Insurance Company

As of August 31, 2001 there were 654 member companies - - 614 licensed to write the automobile coverages, 601 licensed to write the residential property coverages and 498 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, 2001:

Automobile Committee

Allstate Insurance Company
Hartford Fire Insurance Company
Integon General Insurance Corporation
Liberty Mutual Insurance Company
Lumbermens Mutual Casualty Company
Nationwide Mutual Insurance Company
NC Farm Bureau Mutual Insurance Company
State Farm Mutual Automobile Insurance Co
Travelers Indemnity Company

Property Committee

Allstate Insurance Company
Lumbermens Mutual Casualty Company
Nationwide Mutual Insurance Company
NC Farm Bureau Mutual Insurance Company
Pennsylvania National Mutual Casualty Ins Co
Royal Insurance Company of America
The Shelby Insurance Company
State Capital Insurance Company
State Farm Fire & Casualty Company

Workers Compensation Committee

Builders Mutual Insurance Company
Harleysville Mutual Insurance Company
Hartford Accident & Indemnity Company
Liberty Mutual Insurance Company
Maryland Casualty Company
NC Farm Bureau Mutual Insurance Company
Ohio Casualty Insurance Company
Pennsylvania National Mutual Casualty Ins Co
Royal Insurance Company of America
St. Paul Fire and Marine Insurance Company
Travelers Insurance Company

Legal Committee

Liberty Mutual Insurance Company
Nationwide Mutual Insurance Company
St. Paul Fire & Marine Insurance Company
State Farm Mutual Automobile Insurance Co
Travelers Indemnity Company

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 three times during the year, including one telephone conference. 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 four times during the year, including two 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 two times during the year, including one telephone conference. During the year covered by this Report, Liberty Mutual Insurance Company was elected as Chairman and Travelers 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. In addition to these committees there were a number of subcommittees that also met during the year. These were the Advisory Committee on Profitability, the Personal Auto Subcommittee, the Subcommittee on Automobile Territories and the Property Rating Subcommittee.

LEGISLATION

With respect to the Rate Bureau's operations and lines of insurance subject to the Rate Bureau's jurisdiction, the 2001 Session of the General Assembly of North Carolina enacted the following legislation:

HB 232 – Sets the insurance regulatory charge at 6.5% of the premium tax for the 2001 calendar year.

HB 350 – Authorizes the Commissioner of Insurance and financial institution regulators to share information regarding insurance companies that are controlled by depository institutions and amends the insurance company investment statute to comply with Federal law. This Bill became effective on its June 7, 2001 ratification date.

HB 352 – Repeals the July 1, 2001 expiration date of the Mandatory or Voluntary Risk Sharing Plans. This Bill was ratified on May 17, 2001 and became effective June 30, 2001.

SB 321 – Amends the process for the sharing of information obtained during an examination and clarifies that the Examination Law applies to all entities subject to regulation by the Insurance Commissioner. This Bill became effective on its May 31, 2001 ratification date.

SB 459 – Amends North Carolina's Insurance Laws concerning loss reserves, licensing provisions, domestic insurers, solvency protection, investments, dividends, risk-based capital requirements, managing general agents and makes other miscellaneous technical amendments. This Bill was ratified on June 6, 2001.

SB 461 – Amends the North Carolina Insurance Information and Privacy Protection Act to comply with the consumer information privacy requirements in the Federal Gramm-Leach-Bliley Act. This Bill was ratified on August 1, 2001 and becomes effective January 1, 2002, applicable to new and renewal policies and contracts.

AUTOMOBILE INSURANCE ACTIVITIES

The following automobile insurance filings submitted by the Rate Bureau were approved by the Commissioner of Insurance during the year ended August 31, 2001:

<u>Effective Date</u>	<u>Subject</u>
May 23, 2001	Revised North Carolina Uninsured Motorists Coverage Endorsement CA 21 16
May 31, 2001	Personal Auto Policy Program- Replacement Cost Coverage for New
Autos	Rules, Rates and Forms Filing
July 25, 2001	Personal Auto Policy Program- Procedures for Review of Assignment of SDIP Points Arising Out of Accidents

Rate Revisions

On May 1, 2001, the Rate Bureau submitted to the Commissioner of Insurance a filing that proposed an overall rate level increase of 10.7% for private passenger automobile liability and physical damage and a decrease of 2.4% for motorcycles. Revised rates were proposed to become effective October 1, 2001.

On June 13, 2001, the Commissioner issued a Notice of Public Hearing in connection with the filing and a public hearing was scheduled to convene on September 9, 2001.

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

Deviations

As of August 31, 2001, there were 188 member companies with approved rate deviations applicable to insurance for non-fleet private passenger automobiles, down from 195 one year ago. Nine companies' deviations applied to physical damage coverages only, 173 companies' deviations applied to both the liability and physical damage coverages and 6 companies had a liability only deviation.

Appeals By Insureds

The Staff conducted 25 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 17 of the cases and ruled that the carrier had incorrectly interpreted the rules of the Safe Driver Insurance Plan in 6 cases. Two hearings conducted resulted in the reduction in the number of points charged.

Legislation

The 2001 Session of the General Assembly of North Carolina enacted the following legislation that affects automobile insurance coverages subject to the Rate Bureau's jurisdiction:

SB 729 - Removes motorcycle theft and physical damage coverage from the Rate Bureau's jurisdiction. This Bill becomes effective January 1, 2002.

HB 357 - Amends the Reinsurance Facility statutes to allow cession of coverage limits up to \$250/\$500/\$100 and medical payments up to \$5,000 when the additional ceding privileges above \$100/\$300/\$50 are necessary for the purpose of obtaining or continuing coverage under a personal excess liability or personal "umbrella" insurance policy. This Bill was ratified to become effective October 1, 2001; however, HB 164 subsequently amended the effective date to January 1, 2002.

HB 164 - Provides that member companies of the Rate Bureau may offer downward deviations in rates for insureds who are 55 years of age or older and successfully complete a motor vehicle accident prevention course. This Bill becomes effective September 22, 2001.

PROPERTY INSURANCE ACTIVITIES

The following property insurance filings submitted by the Rate Bureau were approved by the Commissioner of Insurance during the year ended August 31, 2001:

<u>Effective Date</u>	<u>Subject</u>
February 9, 2001	Homeowners Policy Program- Hurricane Percentage Deductible Forms, Rules and Rates
March 16, 2001	AAIS Homeowners Policy Program- Hurricane Percentage Deductible Forms, Rules and Rates
June 1, 2001	Dwelling Policy Program- Hurricane Percentage Deductible Forms, Rules and Rates

June 1, 2001

Dwelling Policy Program-
Primary Coverage Endorsement
Rules and Forms Filing

Deviations

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

	<u>2000</u>	<u>2001</u>
Fire and Extended Coverage	83	85
Homeowners	210	211
Mobile Home Owner MH(C)	24	24
Mobile-Homeowners MH(F)	22	22

Legislation

The 2001 Session of the General Assembly of North Carolina did not enact any legislation that affects property insurance coverages subject to the Rate Bureau's jurisdiction.

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 ended August 31, 2001:

<u>Item</u>	<u>Subject</u>	<u>Effective Date</u>
- -	North Carolina Statistical Plan	January 1, 2000
B-1366(Amended)	Revisions to Admiralty and Federal Employers Liability Act Classifications	April 1, 2001
P-1370	Premium Due Date Endorsement – WC 00 04 19	April 1, 2001
B-1369	Basic Manual for Workers Compensation & Employers Liability Insurance	July 1, 2001
R-1371	2001 Update to Retrospective Rating Plan Parameters	July 1, 2001
RM-01(NC)	Modified North Carolina Workers Compensation Insurance Plan	August 1, 2001
- -	North Carolina Amended Coverage Endorsement WC 32 03 01B	October 1, 2001

Many endorsements, submitted by individual member insurance companies, were also filed by the Bureau and approved by the Commissioner.

Rate Revisions

(1) September 1, 2000 Loss Costs Filing

On September 1, 2000, the Rate Bureau submitted to the Commissioner of Insurance a filing that proposed an average loss costs increase of 4.6% for the industrial codes and an average pure premium decrease of 25.0% for the "F" codes.

On December 11, 2000, the Commissioner of Insurance approved the loss costs filing. Prospective loss costs, rating values and miscellaneous values became effective April 1, 2001.

(2) September 1, 2000 Residual Market Rate Filing

On September 1, 2000, the Rate Bureau submitted to the Commissioner of Insurance a filing that proposed an average increase of 4.6% in the overall premium level of the workers compensation insurance residual market for the industrial codes and an overall premium decrease of 25.0% for the "F" codes.

On December 11, 2000, the Commissioner of Insurance approved the residual market rate filing. Revised rates, rating values and miscellaneous values became effective April 1, 2001.

(3) August 31, 2001 Loss Costs Filing

On August 31, 2001, the Rate Bureau submitted to the Commissioner of Insurance a filing that proposed an average loss costs decrease of 1.4% for the industrial codes and an average pure premium decrease of 16.1% for the "F" codes. Revised prospective loss costs, rating values and miscellaneous values were filed to become effective April 1, 2002, applicable to new and renewal policies.

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

(4) August 31, 2001 Residual Market Rate Filing

On August 31, 2001, the Rate Bureau submitted to the Commissioner of Insurance a filing that proposed an average increase of 5.2% in the overall premium level of the workers compensation insurance residual market for the industrial codes and an overall premium decrease of 10.5% for the "F" codes. Residual market rates, rating values and miscellaneous values were filed to become effective April 1, 2002, applicable to new and renewal policies.

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

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:

	<u>Year Ended August 31</u>	
	<u>2000</u>	<u>2001</u>
Inspection Program:		
Inspection reports processed	665	684
Number in agreement with carriers' classifications	253	244
Number in disagreement with carriers' classifications	412	440
Rating:		
Intrastate experience ratings	31,865	29,877
Policy Review:		
Policies received	125,646	132,452
Endorsements received	98,787	101,030
Cancellations/Reinstatements	65,828	70,124

In accordance with previously established procedures, the Rate Bureau continued to update the coverage records of the North Carolina Industrial Commission upon receipt of policy information pages, renewal certificates, endorsements, cancellation notices and reinstatement notices. Coverage information and updates are loaded into Spectrum, a customized software product designed to automate many of the activities of the Bureau, and transmitted to the Industrial Commission via a nightly batch transaction.

Workers Compensation Insurance Plan

In accordance with the provisions of the North Carolina Workers Compensation Insurance Plan 13,440 risks were assigned by the Bureau during the year ended August 31, 2001. There were 7,916 new assignments, 5,476 renewals and 48 risks extended North Carolina coverage after having been assigned in another State. During the year ended August 31, 2000, the Bureau processed 12,857 new, renewal and supplementary assignments.

Legislation

The 2001 Session of the General Assembly of North Carolina enacted the following legislation that affects workers compensation insurance:

HB 1045 – Provides that health insurers are not real parties in interest in workers comp proceedings and may not impose liens for reimbursement on charges that are not approved by the Industrial Commission. This Bill became effective on its

June 7, 2001 ratification date.

SB 299 – Provides that pickup firefighters of the Division of Forest Services (Department of Environment and Natural Resources) are eligible for compensation under the Workers Compensation Act. This Bill applies to claims filed on or after the June 5, 2001 ratification date.

SB 466 – Increases burial expenses from \$2,000 to \$3,500 effective October 1, 2001. The Bill also makes some changes in the loss costs and Rate Bureau statutes effective on its June 11, 2001 ratification date.

SB 468 – Provides guidelines, rights and obligations relating to the cancellation and non-renewal of workers compensation policies. The Bill also requires written notice to the policyholder whenever an insurer lowers coverage limits, raises deductibles or raises premium rates for reasons within the exclusive control of the insurer. This Bill becomes effective October 1, 2001 and applies to policies issued, renewed or subject to renewal, or amended on or after that date.

SB 852 – Authorizes the State to purchase workers compensation insurance to cover both the general contractors and sub-contractors doing work on a specific contracted work site. This Bill became effective on its May 28, 2001 ratification date.

PERSONNEL

Mr. John W. Watkins, who had been General Manager of the Rate Bureau since November 1, 1985 and who had served on the Staff of the Rate Bureau and the Rate Bureau's predecessor organizations since March 1967, retired on October 31, 2000. He was succeeded as General Manger by Mr. Raymond F. Evans, Jr.

OPERATING EXPENSES

Following is a summary of the Rate Bureau's operating expenses paid during the twelve months ended August 31, 2000 and August 31, 2001:

	<u>2000</u>	<u>2001</u>
Salaries and Administration	\$1,852,682	\$1,950,868

Payroll Taxes	142,556	152,591
Rent	216,848	212,089
Travel	51,186	64,290
Postage	62,411	68,044
Software and Systems Maintenance	22,686	80,535
Printing and Office Supplies	56,954	70,284
Furniture and Equipment	107,870	244,045
Telephone	40,955	41,689
Group Insurance	266,075	275,325
Retirement Plan	98,704	69,580
Employees Savings Plan	65,689	75,253
Legal Expenses	635,542	419,998
Outside Services	4,648,208	4,794,819
Other Expenses	36,293	44,034
	<hr/>	
TOTAL	<u>\$8,304,659</u>	<u>\$8,563,444</u>

The 2001 expenses increased approximately 3.12% over the 2000 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 has been a real pleasure.

Respectfully submitted,

Raymond F. Evans, Jr.

General Manager

RFE:dg