



Insurance Snips

Sharing News about Insurance Programs and Services

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Spotlight



Insurance Operations: It's our Mission!

By Karen Byrd

At this time of the year, we see flags everywhere. Red and white stripes and white stars emblazoned on a bold blue background can make even the hardest hearts melt with patriotism and pride of country. From Memorial Day, to July 4th, to Labor Day, it is a summer filled with BBQ's, children laughing and fireworks! But if we think about the troops serving us overseas, it is a completely different story. Their days are filled with "missions"; tasks and duties that can be laborious and even dangerous. You've no doubt heard of "Operation Iraqi Freedom" and "Operation Desert Storm". These are large-scale military missions. Although we at the Rate Bureau don't serve the same function that the armed forces do, we are still involved in

a mission of our own and that is insurance! **Insurance Operations**, that is!

In the March 2007 Newsletter, General Manager Ray Evans announced the merger of the Workers Compensation and Personal Lines Departments into one global department called Insurance Operations. Under the leadership of Sue Taylor, Director of Insurance Operations and previous Director of Workers Compensation, this new department is the largest in all three organizations (NCRB/NCRF/NCIGA). Comprised of 34 employees, the Insurance Operations Department has several "subgroups" including: Assigned Risk, Classifications/Disputes, Data/Industry Support, Personal Lines, and Underwriting Services. This article will provide you with an overview of what each group does under the Insurance Operations umbrella.



Management: Working directly with Sue Taylor, is Betty Hurst, Delisa Fairley, and Tim Lucas. Betty serves as the *Manager of Workers Compensation* and oversees the Assigned Risk, Classifications & Disputes, and Underwriting Services areas. Delisa is the *Manager of Insurance Data Operations* and is responsible for data collection, carrier fining and ensuring that the Spectrum database system is working properly. Tim is the *Manager of Personal Lines* and works closely in both the automobile and property industry. Between them, Sue, Betty, Delisa & Tim have a combined 78 years of service at the NCRB. They are a seasoned team of professionals that provide solid leadership for each member of the department.

Administrative Support: The Insurance Operations group functions smoothly as a result of two dedicated administrative support persons. Donna Guin serves the Workers Compensation section as the Support Assistant III and reports directly to Sue Taylor. Debbie Spence serves as the Personal Lines Support Assistant III and reports directly to Tim Lucas.



Assigned Risk: The Assigned Risk group plays a very vital role in the workers compensation community. They are responsible for the intake and review of applications submitted by licensed NC agents and for the ultimate assignation of coverage to a carrier for employers that cannot obtain insurance through the standard market. The unit is divided into three job categories: Assigned Risk Analyst (ARA) I, II and III.

Serving as an ARA I are Royce Pride and Sonia Francis, serving as an ARA II are Barbara Blaisdell and Carmen Medlin, and serving as an ARA III are Kathy Carson and Mary Rowland.



Classifications & Disputes: The Insurance Operations Department is responsible for assisting North Carolina agents and carriers in determining the correct workers compensation classification codes for employers. In addition, we are sometimes brought in by the employer and/or carrier to render an official opinion when it comes to disputed cancellations, audits, premiums due, or any other items regarding workers compensation policies. The Personal Lines area hears Safe Driver Insurance Plan disputes. Wayne Hinton leads this area. Serving as the Classification Analyst is Misty Phillips and serving as the Dispute and Classification Analyst is Janet Little. Together, they have over 35 years of insurance industry experience and have the ability to make expert level decisions.



Data/Industry Support: The NCRB is responsible for collection, management and analysis of both Personal Lines and Workers Compensation Data. This group works closely with member companies and other stakeholders to ensure compliance with industry reporting standards and statutory data collection obligations. Much of the data collected and managed in this area is used in rate filings. Additionally, the group is responsible for the administration and management of the fining process as it relates to the collection of data. Various other responsibilities include participation in industry groups, carrier testing for electronic reporting, systems testing and data analysis.

Serving in the Data/Industry Support group are: John Babel as the Spectrum Analyst, Ellen Holloway as the Statistical Data Analyst, Brenda Parrish as the Industry Support Analyst, and Carol Johnson and Joan Robinson as Industry Support Technicians.



Personal Lines: The Personal Lines section is responsible for the promulgation of policy forms and rates for Auto, Homeowner, Residential Dwelling and Mobile Home lines of business. They also oversee the Safe Driver Insurance Plan (SDIP) by conducting hearings to determine the at-fault party in vehicular accidents. Wayne Hinton is the Automobile Manager and Karen Ott serves as the Property Rating Analyst.



Underwriting Services: This group was newly established in September 2006 and is comprised of two former units in the Workers Compensation Department: Policy Data and Compliance. This unit is responsible for the entry of all hard copy items submitted by the insurance carriers, the matching of electronic data, and making ownership rulings. Like Assigned Risk, this group also consists of several job categories: Policy Analyst (PA) I, II and III. Serving as a PA I are Ashley Brown, Justin Rowland and Mabel Short, serving as a PA II are Hope Brown, Keri Johnson and Loraine Mouring, and serving as a PA III are Jessica Taylor, Kim Favre and Sonya Anthony. Karen Byrd is the Underwriting Services Supervisor.

During the 2007 reorganization, the majority of the tasks we perform remained the same. However, to better serve the insurance community, some jobs were modified, some were renamed, while others were re-allocated to another group. This merger has had a very positive effect on our internal workflow, which in turn has had a positive impact on our end product. No matter what the internal changes have been, our "mission" is still the same...to provide the insurance industry with the best service possible.

The Insurance Operations Department is a vital arm of the NCRB organization. We have a very large responsibility when it comes to serving the agents, carriers, employers and residents of North Carolina. Although our tasks may not compare to that of a full scale military operation, we are proud of what we are able to accomplish on behalf of such a large customer base. On behalf of all 34 members of the Insurance Operations staff, we wish you a happy summer!!

A Brief Financial Report

By David Sink

The following is a brief summary of the financial activity of the organizations during the first five months of 2007.

North Carolina Rate Bureau.

The administrative expenses of the Rate Bureau exceeded the budget during the first five months of 2007 by approximately 17%. This temporary overage is primarily a result of timing of consulting expenses, but we expect a favorable variance by the end of the second quarter. During the past year, the Rate Bureau has implemented charges for manually keying workers compensation policies and fines for delinquent unit statistical reports. This activity has resulted in monthly charges averaging about \$119,000 and \$32,000, respectively, and a portion of these receipts has been used to reduce the quarterly assessments to our member companies. As of May 31, 2007, the Rate Bureau held unrestricted cash and short term investments of about \$1.2 million which should adequately provide for the operating expenses through the current quarter.

North Carolina Reinsurance Facility. The Facility experienced an operating gain for the seventh consecutive quarter during the three

months ending March 31, 2007. As a result of the most recent quarter, the Facility's Members Equity Account stands at \$110.5 million as of March 31, 2007. As of that same date, loss reserves totaled \$503.3 million and the Facility's investments approximated \$815.2 million. Further detail may be found in the quarterly financial statements and narrative which will be established on the website. The Facility's administrative expenses are well under budget at this time, but we anticipate higher system development costs associated with the EDGE operating system during the second half of this year – which necessitated a \$600,000 increase in the 2007 Facility budget that was approved by the Board of Governors on April 4, 2007.

North Carolina Insurance Guaranty Association. The Guaranty Association paid claims and claim expenses of approximately \$6.3 million during the first five months of 2007. Reserves for claims and expenses stood at \$72.9 million as of May 31, 2007 while the Association held approximately \$81.5 million in cash and investments as of that same date. There are no assessments authorized at this time, but it is possible the Board of Directors will approve an administrative assessment later in 2007 to fund expenses of the Association which are not related to any specific insolvency. Most of the insolvencies are sufficiently funded to sustain the claim and expense payments through most – if not all of 2007. Investment income is estimated at \$3.8 million for 2007 which also supplements the funds used to satisfy our statutory obligations.

If you have any questions or would like further details regarding the financial status of our Organizations, please don't hesitate to contact our office.

NC INSURANCE GUARANTY ASSOCIATION

By Kim Powell

The Insurance Guaranty Association (IGA) derives its powers and duties from the NC Gen Statutes 58-48-1, et seq. Our mission statement is to comply with the Statutes in providing a safety net for the insurance buying public in the event of the insolvency of a member company.

From 2001 through May of 2007, the IGA has paid claims and associated expenses totaling over \$126 million, in carrying out those statutory duties. Where does the IGA get the funds necessary to fulfill its duties? A review of

Article 48-5 provides the answer in part:

§ 58-48-5. Purpose of Article.

The purpose of this Article is to provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment, and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to **provide an association to assess the cost of such protection among insurers.** (1971, c. 670, s. 1.) *Emphasis added.*

In October 2001, Reliance Insurance Company became insolvent and, to date, its \$88 million liability against the IGA makes it the largest insolvency recorded in our 35 years of existence. With 12 additional insolvencies since Reliance, the ability to raise capital through the assessment mechanism has been of critical importance.

Assessments from 2001 to May 2007 totaled \$110 million, with 2001's total of \$26.9 million being the largest and 2006's assessment \$4.8 million reflecting the smallest assessment during the time period.

What's the future assessment forecast? During the first three years of the insolvency rush, the IGA goal was to raise enough capital to fulfill immediate cash obligations and be ready for new insolvency obligations. We succeeded in "weathering" the insolvency rush and, with insolvency activity having peaked for the immediate time and no new insolvencies on the horizon, have been able to begin funding those remaining \$72 million in reserve liabilities.

As of this time, we are better positioned with cash already on hand to cover most of our outstanding reserves. This means, barring further insolvencies, assessments against member companies should continue to decline, placing the IGA in a position to meet future insolvency obligations.

2007 HOLIDAY SCHEDULE

Labor Day—9/3

Veteran's Day—11/12

Thanksgiving—11/22-23

Christmas 12/24-25

GEMS from the GM

By: Ray Evans

The first half of this year has been really interesting. Despite our strict adherence to a "no lobbying" position, we have spent an extraordinary amount of time talking with various groups, looking at pending bills and explaining the facts of North Carolina insurance. The efforts of our folks, our counsel and outside experts has, we think, at the very least resulted in more informed decisions by the Legislature.

This is not the whole story of this year however. The Facility folks continue to work on the software to replace the current operating system. We still are pretty much on budget and on time and some members should be in a test mode with us in the next few months. Financially the Facility is doing well with seven consecutive quarters of operating gain. These results enable a recently announced reduction of the clean risk surcharge to 2.76% including agent's commissions.

The Guaranty Association is closing out old insolvencies and working hard on being prepared for the next insolvency. In addition they are in the process of recovering substantial amounts from various sources resulting in the Association's financial picture being very good.

The Rate Bureau is completing work on the 2007 Workers Compensation filing and a mobile home filing. Both of these should be presented to the Governing Committee for final approval on August 1. Following closely will be proposals for rate changes for dwelling fire and homeowners.

After the first few months we believe the reorganization completed earlier in the year will be successful. If you remember we combined the Rate Bureau's insurance operations into one unit and added Administrative Services and Quality Assurance as new shared units.

This has already been a busy year and from here looks like it will end that way. If you have ideas or suggestions on how we can serve you better, please give me a call. While we think we are in touch with all of our customers you might be the one that has a really good idea that can help us add more value for our stakeholders.

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Celebrating 30 Years 1977—2007

By: Lois Murphey

The North Carolina Rate Bureau became operational September 1, 1977 as the result of legislation enacted by the North Carolina General Assembly. The legislation, at the same time, abolished three existing rating bureaus namely the Compensation Rating and Inspection Bureau of North Carolina which had been in operation since 1931, the North Carolina Automobile Rate Administrative Office which was established in 1939, and the North Carolina Fire Insurance Rating Bureau which had been operating since 1945.

Over the years there have been many homes for us, always in Raleigh, but in at least three different locations dating back to 1966. During that time many of us walked from the Capitol down Fayetteville Street to get to our Hargett Street location every morning. In 1967 we moved to a newly constructed building on Hillsborough Street and in 1992 we began occupying our present location on Six Forks Road.

Manual and electric typewriters are a thing of the past as well as an agent walking into our office, check in hand, to bind insurance. As we move to new technology encompassing new and better programs to serve our customers, we hope the warm, friendly atmosphere that we try to maintain shows through in our service to all our customers.

Please mark your records:

**NC Rate Bureau
Annual Meeting
October 23, 2007**

**NC Reinsurance Facility
Annual Meeting
October 24, 2007**

NORTH CAROLINA REINSURANCE FACILITY

By: Lori Stokes



Hi all. Whether gardening or vacationing, I hope this summer finds you safe and enjoying yourself outdoors. It's been rather quiet around here but not because we're vacationing; we are working hard. Yes, we really are. The Reinsurance Facility staff has been busy with a variety of audits plus projects from the "EDGE" Program. You can find the latest information on line regarding EDGE by going under "NCRF" on our website and choosing "circular letters". I hope you will visit our website for the latest information on "EDGE" by our Reinsurance Facility Director, Edith Davis. We are almost there and.....in case you haven't given it much thought yet, we are half way to Christmas. Time flies when you are having fun.



NCRF FAQ Highlight

Audit:

My company has received a request for policy files to audit. Why are you requesting Voluntary policies not ceded to the Facility?

Each member company is subject to audit by the North Carolina Reinsurance Facility to ensure compliance with Facility procedures. The Facility, under the Rules of Operation, may review upon reasonable notice, a member's policy files to confirm your company's Recoupment reporting procedures.

For other FAQ's, please visit our website at www.ncrb.org/ncrf



NCRF AUDIT HIGHLIGHT

Commercial Automobile

Did you know that you can have one unit on a Facility policy and that policy be eligible for experience rating?

By itself, this policy may not appear to meet the eligibility criteria set forth in the manual, however, if the insured has other units scheduled on other auto liability policies, whether ceded or voluntary and with more than one company, each ceded policy under the same ownership is eligible for a modification. Please refer to Page E-3 in the North Carolina Reinsurance Facility Commercial Manual that can be found online via our website.

Submitted by

NCRF Commercial Audit Dept

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NORTH CAROLINA RATE BUREAU Personal Lines

By Tim Lucas

It's hard to believe we are half way through 2007. It seems like just yesterday that we implemented revised homeowners rates... wait! That was just on May 1. So it wasn't that long ago after all! Anyway, we have already begun taking the necessary steps to begin another homeowners rate level review. It is a long and tedious process but it is our goal to make a rate review of each of the lines of business under the Rate Bureau's jurisdiction each year.

We are currently working on the implementation of the Dwelling 2002 Policy Program. The Property Forms Subcommittee has developed a recommendation to adopt and file the changes and this recommendation will be presented to the Property Committee and Governing Committee before being filed with the Department of Insurance. These changes will become effective six months after the Commissioner's approval.

This session of the North Carolina General Assembly has been very busy. *Please keep in mind that the Rate Bureau does not lobby for legislative changes. We are here to provide factual information and insight as to how proposed changes may affect the industry.* At one point, there were approximately twenty bills pending that affected the Rate Bureau. The "cross-over" date, the date in which a proposed bill has to pass one of the two chambers or the bill is considered "dead", was

May 24. Of all the bills that were proposed only two bills passed one of the two chambers prior to the "cross-over" date. House Bill 729 on Rate Evasion was just ratified. It includes several changes that would help eliminate insureds from other states obtaining cheaper insurance in North Carolina when they are not entitled to receive coverage in North Carolina. The other bill is Senate Bill 900 Disclosure of Recoupments which would require recoupments to be disclosed on the declaration page of the policy.

Several bills were sent to a Legislative Study Committee to be looked at further. House Bill 1701, which would increase the minimum financial responsibility limits from 30/60/25 to 75/150/50; House Bill 1601, which would make uninsured and underinsured motorist coverage mandatory coverages and House Bill 1521, which would provide for "stacking" of uninsured and underinsured motorist coverage. Study Committees cannot meet during the session of the Legislature, so any changes related to these bills would have to be considered by the Legislature during the next session which would not be until next year.

INFORMATION TECHNOLOGY Service-Oriented Contact Management

By Adrienne Bizzell

A Service Oriented Architecture (SOA) is one of those technology buzz words today that in practical application comes in a variety of flavors and colors or different shapes and sizes depending on the IT environment in which it is being implemented, and even more importantly shaped by the business processes being supported by these IT systems.

Adopting a service-oriented approach in our IT framework was heavily influenced by a set of common or global needs that were identified across our three organizations (NCRB-NCRF-NCIGA) and the common denominators found in these business needs and objectives across our Organizations. The most obvious of these is the contact information that we collect and maintain on our member companies, agencies, vendors and the specific contact details for individuals from these companies that interface with and receive all types of communications from our Organizations.

As we transitioned to more electronic communications and website publishing of information to improve efficiencies and timeliness of sharing information with our members and customers, the need for a consolidated source of company and contact data to support secure access of information became more critical. The opportunity to improve efficiencies in our membership management process and reduce overhead for maintaining multiple systems and redundant

contact data also lead us to explore a service-oriented technical approach for Contact Management. Not only is it eliminating redundant storage of contact information, but the availability of standardized company and contact data is improved through technological changes where Web Services now expose data from our Contact Management System (CMS) so that it can be leveraged across all core business systems for ease of integration and improved security. So, instead of building this component in each system or application, it is built once as a global service and exposed for all other systems to use the data as well as services, such as email, that are available through CMS.

When we set out to consolidate over seven different and highly redundant data sources of customer and contact data we had already identified these opportunities for improved efficiencies, ease of integration and enhanced functionality, but the additional value of having our company and contact data in one repository also presents opportunities for better reporting and data mining and ability to track changes in membership statistics on a go forward basis. We also have the added flexibility to maintain member information in such a way that we can target communications to better serve our members by storing more company and contact demographics such as data reporting profiles of our member companies and more granularity in the types of communications that a company or contact would like to receive from NCRB, NCRF and NCIGA and how they would like to receive communications.

While converting our data to the new system, we identified company and contact information that was out of date and partnered with the NC Department of Insurance and NAIC to obtain updated information including addresses and company grouping information and established recurring maintenance processes to keep our records in sync and more up to date. You may notice that our records reflect updates in your company information as a result of these efforts.

Do you have contact information that needs updating with our Organizations or thoughts or suggestions on how we can continue to improve our communications with you? If so, please email llm@ncrb.org with your suggestions. We'd love to hear from you!

Associate Spotlight

By Shelia McLean

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Lois Murphey
Kim Powell
Debbie Spence
David Sink
Lori Stokes
Sue Taylor

New Hires

North Carolina Rate Bureau

Loraine Mouring joined the Insurance Operations Department on February 12, 2007
as Policy Analyst II

Grace Chen joined the Accounting Department on April 2, 2007
as Accounting Specialist

Carmen Medlin joined the Insurance Operations Department on May 7, 2007
As Assigned Risk Processor

Lisa Nelson joined the Administrative Services Department on May 30, 2007
as Information Center Representative

Tim Stubbs joined the Information Technology Department on June 18, 2007
As IT Operations Administrator

Promotions

North Carolina Rate Bureau

Pam Lucas promoted to Information Center Representative on February 1, 2007

Amy Tart promoted to Manager, Administrative Services on February 1, 2007

Tammy Choboy promoted to Manager, Quality Assurance on February 1, 2007

Sonya Anthony promoted to Policy Analyst III on March 1, 2007

Ray Conner promoted to Senior, Accounting Specialist on March 1, 2007

Jessica Taylor promoted to Policy Analyst III on May 16, 2007

Milestones

North Carolina Rate Bureau

Pam Lucas March 25, 2007—5 Years

Wayne Hinton April 1, 2007—5 Years

Gail Strickland May 13, 2007—5 Years

Ashley Brown June 1, 2007—10 Years

North Carolina Reinsurance Facility

Valerie Pearson April 1, 2007—20 Years

Edith Davis June 1, 2007—15 Years

North Carolina Insurance Guaranty Association

Linda Adams February 25, 2007—5 Years

Rowena Ball June 24, 2007—5 Years

Felecia Taylor June 24, 2007—5 Years

Retirements

North Carolina Rate Bureau

Marie Eddins retired on February 19, 2007 after 52 years of service

Elsie Moore retired on May 11, 2007 after 40 years of service

Sandra Flowers retired on May 25, 2007 after 37 years of service

Laura Stephens retired on June 27, 2007 after 38 years of service

Insurance Snips is a publication of the North Carolina Rate Bureau, North Carolina Reinsurance Facility and North Carolina Insurance Guaranty Association as a service to its member companies. Please direct any questions, comments or suggestions you may have concerning this publication to Lois Murphey, Editor of Insurance Snips c/o North Carolina Rate Bureau, PO Box 176010, Raleigh, NC 27619-6010. You may also contact her by phone (919) 582-1002, fax (919) 719-7400 or by emailing her at llm@ncrb.org.