



MINUTES OF THE FORTIETH ANNUAL MEETING OF THE
NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER
ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA
OCTOBER 11, 2017

MEMBERS PRESENT

Allstate Insurance Group

Allstate Insurance Company
Allstate Indemnity Company
Allstate Northbrook Indemnity Company
Allstate Property & Casualty Insurance Company
Allstate Vehicle and Property Insurance Company
Encompass Indemnity Company
Esurance Insurance Company
First Colonial Insurance Company

American Family Insurance Group

American Family Mutual Insurance Company
American Standard Insurance Company
Homesite Insurance Company
Homesite Insurance Company of the Midwest
Midvale Indemnity Company
Permanent General Assurance Corporation
Permanent General Assurance Corporation of Ohio

American International Group (AIG)

AIG Assurance Company
AIG Property Casualty Company
AIU Insurance Company
American Home Assurance Company
Commerce & Industry Insurance Company
Granite State Insurance Company
Insurance Company of the State of Pennsylvania
National Union Fire Insurance Company of Pittsburgh
New Hampshire Insurance Company

American Millennium Insurance Company

Amica Mutual Group

Amica Mutual Insurance Company

AmTrust NGH Group

Agent Alliance Insurance Company
Amerihealth Casualty Insurance Company
AmTrust Insurance Company of Kansas, Inc.

REPRESENTED BY

Laura Hoffman

Sondra Cavanaugh

Ira Feuerlicht

Bryan Woods

James Sherring

Art Lyon

Rick Pierce

Century National Insurance Company
Corepointe Insurance Company
Direct National Insurance Company
First Nonprofit Insurance Company
Heritage Indemnity Company
Imperial Fire and Casualty Insurance Company
Integon Casualty Insurance Company
Integon General Insurance Corporation
Integon Indemnity Corporation
Integon National Insurance Company
Integon Preferred Insurance Company
MIC General Insurance Corporation
Milwaukee Casualty Insurance Company
National General Assurance Company
National General Insurance Company
National General Insurance Online, Inc.
New South Insurance Company
Security National Insurance Company
Sequoia Insurance Company
Southern Insurance Company
Technology Insurance Company
Wesco Insurance Company

Auto Owners Group

Atlantic Casualty Insurance Company
Auto Owners Insurance Company
Auto Owners Specialty Insurance Company
Owners Insurance Company

Mark Caughron
Monica Gardner
Sonja Maki

Builders Group

Builders Mutual Insurance Company
Builders Premier Insurance Company

Jerry Visintine

Carolina Mutual Insurance, Inc.

John Curcio

Erie Insurance Group

Erie Insurance Company
Erie Insurance Company of New York
Erie Insurance Exchange
Erie Insurance Property and Casualty Company
Flagship City Insurance Company

Jon Bloom

Greenville Casualty Insurance Company Incorporated

Dean Kruger

Hartford Fire & Casualty Group

Hartford Accident & Indemnity Company
Hartford Casualty Insurance Company
Hartford Fire Insurance Company
Hartford Insurance Company of the Midwest
Hartford Underwriters Insurance Company
Maxum Casualty Insurance Company
New England Insurance Company

Eric Mize
Dan Post

Property & Casualty Insurance Company of Hartford
Sentinel Insurance Company, Ltd.
Trumbull Insurance Company
Twin City Fire Insurance Company

James River Group Inc
Falls Lake National Insurance Company
Stonewood Insurance Company

Steve Hartman
Greg Spray

Liberty Mutual Group
American Economy Insurance Company
American Fire & Casualty Company
American States Insurance Company
American States Preferred Insurance Company
Colorado Casualty Insurance Company
Employers Insurance Company of Wausau
Excelsior Insurance Company
First Liberty Insurance Corporation
First National Insurance Company of America
General Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Underwriters, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Insurance Company
Liberty Mutual Mid-Atlantic Insurance Company
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
Midwestern Indemnity Company
Montgomery Mutual Insurance Company
Netherlands Insurance Company
Ohio Casualty Insurance Company
Ohio Security Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
SAFECO Insurance Company of America
SAFECO Insurance Company of Indiana
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company

Michele Lapinski

Nationwide Corporation
Allied Insurance Company of America
Allied Property & Casualty Insurance Company
AMCO Insurance Company
Crestbrook Insurance Company
Depositors Insurance Company
Farmland Mutual Insurance Company
Freedom Specialty Insurance Company
Harleysville Insurance Company
Harleysville Preferred Insurance Company
Harleysville Worcester Insurance Company

Gary Morris
Eric Ryan
Nick Sizemore
Tom Souder

National Casualty Company
Nationwide Affinity Insurance Company of America
Nationwide Agribusiness Insurance Company
Nationwide General Insurance Company
Nationwide Insurance Company of America
Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Property & Casualty Insurance Company
Scottsdale Indemnity Company
Titan Indemnity Company
Victoria Automobile Insurance Company
Victoria Fire & Casualty Company

North Carolina Farm Bureau Insurance Group
Farm Bureau Insurance Company of North Carolina
North Carolina Farm Bureau Mutual Insurance Company

Roger Batdorff

Pennsylvania National Insurance Group
Penn National Security Company
Pennsylvania National Mutual Casualty Insurance Co

Pat Lovell

Progressive Group
American Strategic Insurance Company
National Continental Insurance Company
Progressive Advanced Insurance Company
Progressive American Insurance Company
Progressive Casualty Insurance Company
Progressive Direct Insurance Company
Progressive Max Insurance Company
Progressive Northern Insurance Company
Progressive Northwestern Insurance Company
Progressive Preferred Insurance Company
Progressive Premier Insurance Company of Illinois
Progressive Southeastern Insurance Company
Progressive Universal Insurance Company
United Financial Casualty Company

Kevin McGee

Sentry Insurance Group
Dairyland Insurance Company
Florists Mutual Insurance Company
Middlesex Insurance Company
Peak Property & Casualty Insurance Corporation
Sentry Casualty Company
Sentry Insurance A Mutual Company
Sentry Select Insurance Company

Peter Sampson

State Farm Illinois
State Farm Fire & Casualty Company
State Farm General Insurance Company
State Farm Mutual Automobile Insurance Company

Alan Bentley

Travelers Group

Automobile Insurance Company of Hartford
Charter Oak Fire Insurance Company
Discover Property & Casualty Insurance Company
Farmington Casualty Company
Fidelity & Guaranty Insurance Company
Fidelity & Guaranty Insurance Underwriters, Inc.
Northland Casualty Company
Northland Insurance Company
Phoenix Insurance Company
Select Insurance Company
St. Paul Fire & Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company
St. Paul Protective Insurance Company
Standard Fire Insurance Company
The Travelers Casualty Company
Travco Insurance Company
Travelers Casualty & Surety Company
Travelers Casualty & Surety Company of America
Travelers Casualty Company of Connecticut
Travelers Casualty Insurance Company of America
Travelers Commercial Casualty Company
Travelers Commercial Insurance Company
Travelers Constitution State Insurance Company
Travelers Home & Marine Insurance Company
Travelers Indemnity Company
Travelers Indemnity Company of America
Travelers Indemnity Company of Connecticut
Travelers Personal Insurance Company
Travelers Personal Security Insurance Company
Travelers Property Casualty Company of America
Travelers Property Casualty Insurance Company
United States Fidelity & Guaranty Company

Bob Aaron
Ryan Pirozzi

United Services Automobile Association Group

Garrison Property & Casualty Insurance Company
United Services Automobile Association
USAA Casualty Insurance Company
USAA General Indemnity Company

Lisa Sukow

WR Berkley Corporation

Acadia Insurance Company
Admiral Indemnity Company
American Mining Insurance Company
Berkley Insurance Company
Berkley National Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Continental Western Insurance Company
Firemans Insurance Company of Washington
Great Divide Insurance Company

Doug Ryan

Intrepid Insurance Company
Key Risk Insurance Company
Midwest Employers Casualty Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company

OTHERS PRESENT

Honored Guests

Milliman

Young Moore and Henderson, P.A.

ISO

Staff

REPRESENTED BY

Tim Lucas
Dave Sink
Mike Strickland

Paul Anderson
David Appel

Glenn Raynor
Mickey Spivey
Billy Trott

Jared Smollik

Joanna Biliouris
Karen Byrd
Terry Collins
Edith Davis
Lin Davis
Ray Evans
Vicki Godbold
Keri Johnson
Frank Lonnett
Andy Montano
Karen Ott
Rebecca Williams

Two-hundred and five (205) other companies were represented by proxy.

The meeting convened as scheduled, Mr. Visintine of Builders Mutual Insurance Company, Chairman of the Governing Committee, presiding.

Attention was directed to the Rate Bureau's Antitrust, Conflict of Interest, Code of Ethics and Standards of Conduct Statements.

Ms. Biliouris announced that there was a quorum.

1. Annual Report

Mr. Evans reviewed and commented on the 2017 Annual Report, a copy of which is attached hereto.

2. Governing Committee Election

Mr. Lyon, Chair of the Nominating Committee, reported that the Nominating Committee (comprised of National General Insurance, Allstate Insurance Company, Travelers Indemnity Company and Nationwide Mutual Insurance Company) recommended the following companies to continue to serve a second three-year term on the Governing Committee: Travelers Indemnity Company for the

stock position and Nationwide Mutual Insurance Company for the non-stock position. He further reported that the Nominating Committee recommends the following as new companies to the Governing Committee: American Home Assurance Company for the stock position and Erie Insurance Exchange for the non-stock position. The floor was opened for additional nominations and there were none.

Following motions to close the nominations and to elect the recommended slate, the companies recommended by the Nominating Committee were elected to three-year terms on the Governing Committee. Mr. Evans thanked Progressive Casualty Insurance Company and Builders Mutual Insurance Company for their service on the Governing Committee.

3. Comments from the Chairman

Mr. Visintine thanked members of the Governing Committee for their service to the industry as well as counsel and staff for their work throughout the year.

4. Adjournment

There was no further business and the meeting was adjourned.

Respectfully Submitted,



Joanna Biliouris

Chief Operating Officer
North Carolina Rate Bureau

JB:ko

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Rate Bureau

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General Organizational Information

NCRB Main Phone Number	919-783-9790
Website Address	www.ncrb.org
Physical Address	2910 Sumner Blvd. Raleigh, NC 27616

2017 Annual Meeting

The annual meeting of member companies of the North Carolina Rate Bureau will be held October 11, 2017, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

CORE VALUES

Commitment

Integrity

Respect

Talents

Ownership

Consistency

Management Contacts

NCRB Staff

Ray Evans	General Manager	919-783-9790	rfe@ncrb.org
Joanna Biliouris ...	Chief Operating Officer, Insurance Operations	919-582-1050	jb@ncrb.org
Karen Byrd	Director, Workers Compensation Operations	919-582-1075	khb@ncrb.org
Debbie Cox	Supervisor, Customer & Assigned Risk Services	919-719-3034	dlc@ncrb.org
Betty Hurst	Manager, Workers Compensation Regulatory	919-582-1070	bgh@ncrb.org
Natalie Linares	Manager, Training and Development	919-582-1058	ntl@ncrb.org
Andy Montano	Director, Personal Lines	919-582-1021	afm@ncrb.org
Lynne Mays	Supervisor, Data & Underwriting Operations	919-582-1080	lwm@ncrb.org
Felicia Taylor	Supervisor, Data Services	919-582-1019	fit@ncrb.org
Rebecca Williams	Actuary	919-582-1055	rrw@ncrb.org

Shared Resources Staff

Shelley Chandler	Chief Information Officer	919-582-1057	src@ncrb.org
Vicki Godbold	Chief Human Resources Officer	919-645-3170	vcg@ncrb.org
Edith Davis	Chief Financial Officer	919-582-1006	etd@ncrb.org

General Manager's Report



Ray Evans
General Manager

The Rate Bureau begins each year with an extensive set of goals and objectives along with a detailed plan for achieving each of them. This past year was no exception, although it was a pretty familiar list: file for adequate rates; remain within the budget; continue to be more customer friendly, particularly with the workers compensation assigned risk program, and improve communications with our committees, pretty much in this order of importance. Keep in mind, though, that each of these “to do” list items is really comprised of a significant

number of smaller pieces. For example, adequate rates are a composite of base rates, creating a host of rating-factor relativities, making a few manual rules changes and other details, so being successful is putting together a number of components, each with its own goals. Plus, complicating this some is the Rate Bureau framework, where member carriers, through committees, are making many of the decisions. And, there are always unanticipated challenges.

The next few pages of this report detail much of this work, but I want to emphasize a few important points of last year's work. First, while not completely unanticipated, a new Insurance Commissioner was elected. The impact of Commissioner Causey's election has been large, as much of the NCDIO staff with whom we were accustomed to working changed. However, after a period of adjustment, we are working well with the new administration. And, second, after years of a stable work force, there were a number of significant associate changes, most notably the retirement of Tim Lucas, Manager of Personal Lines. While replacing Tim and his nearly 30 years of experience was a tall order, we were able to hire Andy Montano, who has been a great addition to staff.

In addition to meeting challenges, we made good progress in three areas of goals: adequate rates, effective operations and communicating with committees. While residential property rates remain inadequate, we were able to reach an agreement with the NCDIO to modify many rating relativities. With a settlement agreement for the February 1 private passenger auto filing, auto liability premiums were increased substantially, a good response to the poor experience of the last three years. And, with the September 1 workers compensation filing, the voluntary loss costs will be at indicated levels for the sixth consecutive year. Communicating with the Bureau's committees is becoming more effective with the use of webinar-type meetings, among other improvements. Except for a few of us old folks, the days of 100 page emails are about over.

In summary, a year of change, and I am really pleased with how our staff has responded. Their enthusiasm, flexibility, collaboration and willingness to tackle tough issues have been exceptional. I am also pleased that Joanna Biliouris, who, having been with us only two years, has provided excellent leadership in training and adjusting the organization's structure not only to make us a good place to work, but also to execute our responsibilities more successfully.

I am also indebted to the members of the Bureau's committees, especially the Governing Committee and its Chair, Jerry Visintine, for their support and counsel. All of us at the Rate Bureau are looking forward, graphically depicted by the cover, to another good year of learning, improving and meeting unexpected challenges.

Message from The Chair of the Governing Committee

Having served on various committees of the Rate Bureau over the last 30 years, I can assure you that the current leadership and staff of the Bureau and its affiliated organizations is the very best that it has ever been. Through their tireless efforts, along with that of our legal counsel, Young, Moore and Henderson, we were able to reach a settlement with the Department to achieve the first increase in private passenger auto rates since 2008! The average 10.1% increase in Liability rates will not only help our member companies on their voluntary business; it also gives some relief to the Facility clean risk rates.

The workers compensation reforms passed in 2011, along with the more recent implementation of a fee schedule, have resulted in four consecutive years of negative loss cost indications. However, a challenge by the Ambulatory Surgical centers, along with the recent Supreme Court decision in the Wilkes v. Greenville case, threaten to erode the progress made for member companies and employers in North Carolina.

Although we lost the appeal of the 2014 Homeowners rate filing, we have made incremental improvements in this line. In July of this year, we reached a settlement with the Department on protection-construction relativities and amount of insurance relativities. Revised dwelling relativities were implemented January 1, 2017. Following implementation, a data reporting error was discovered, corrected, refiled and approved by the Department to be effective July 1, 2017. That is a pretty impressive response!

Also, in May of this year, the Bureau launched a new web application called ManageOwnership. This tool provides an electronic means for agents, insureds or carriers to submit ownership changes for North Carolina employers. Also, enhancements made to ManageAR include the ability to upload premium finance agreements, trucker and PEO supplemental applications or any other documents necessary for Bureau review or to pass along to the carrier, such as requests for Waivers of Subrogation.

Finally, I would like to acknowledge the retirements of three long-time stalwarts of the Bureau: Mike Strickland of Young, Moore and Henderson, PA; Tim Lucas, Bureau Personal Lines Manager, and David Sink, Chief Financial Officer of the Bureau, Reinsurance Facility and Guaranty Fund. Their contributions have been many over the past 30 years that I have known them, and I will miss their friendships. Rest assured that they have all been replaced with outstanding individuals that will continue serving the industry as ably as their predecessors did.

Jerry Visintine
Builders Mutual Insurance Company
Chair of the North Carolina Rate Bureau Governing Committee

North Carolina Rate Bureau Constitutional Committee Members

Governing Committee

Members	Representative
Allstate Insurance Company	Jennifer Jabben
Builders Mutual Insurance Company*	Jerry Visintine
Hartford Fire Insurance Company	Eric Mize
Liberty Mutual Insurance Company	Michele Lapinski
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
National General Insurance Company	Art Lyon
Nationwide Mutual Insurance Company	Thomas E. Souder
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company	Alan Bentley
Travelers Indemnity Company	Robert J. Aaron
United Services Automobile Association	Lisa Sukow
Unitrin Auto & Home Insurance Company	Kimberly Flint
Public Members	John K. Wei William D. Edgar, Jr.

Property Committee

Members	Representative
Allstate Insurance Company	Brian Donlan
Amica Mutual Insurance Company	James E. Sherring
Erie Insurance Company	Darrin Birtciel
Hartford Fire Insurance Company	Eric Mize
Members Insurance Company	Michael T. Cole
Nationwide Mutual Insurance Company	Nick Sizemore
NC Farm Bureau Mutual Insurance Company	Bob Tart
Penn National Mutual Casualty Insurance Company	Pat Lovell Chuck Uckele
State Farm Mutual Automobile Insurance Company*	Bob Messier
Travelers Indemnity Company	Helen Simonett
United Services Automobile Association	Michael T. Patterson
Unitrin Auto & Home Insurance Company	Kimberly Flint

Automobile Committee

Members	Representative
Allstate Insurance Company	Scott Donoho
Government Employees Insurance Company	Monica Grillo
Hartford Accident & Indemnity Company	Cliff Wess
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Michele Lapinski
Nationwide Mutual Insurance Company	Nick Hartmann
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Insurance Company*	Steve Harr
Travelers Indemnity Company	Drew Nonnweiler
United Services Automobile Association	Alan Chow
Unitrin Auto & Home Insurance Company	Kimberly Flint

Workers Compensation Committee

Members	Representative
American Home Assurance Company*	Ira Feuerlicht
Amerisure Insurance Company	Eric Yskes
Amguard Insurance Company	Marisue Newman
Builders Mutual Insurance Company	Jerry Visintine
Hartford Accident & Indemnity Company	Meg R. Carter
Key Risk Insurance Company	Doug Ryan
Liberty Mutual Insurance Company	Fillip Saraiva Marcus DeForest
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
PA National Mutual Casualty Insurance Company	Lynette M. Prosser
Travelers Indemnity Company	Joe Stratton
Zurich American Insurance Company	Richard Ferris

A special thanks to all who participated in committees, subcommittees and task force groups for the North Carolina Rate Bureau in 2017.

*Chair

Insurance Operations



Joanna Biliouris
Chief Operating Officer,
Insurance Operations



Betty Hurst
Manager, Workers
Compensation Regulatory



Natalie Linares
Manager, Training
and Development



Rebecca Williams
Actuary



Amy Tart
Business Project
Coordinator

This year, the North Carolina Rate Bureau (Bureau) is celebrating its 40th year serving the insurance industry of North Carolina. We continue to focus our efforts on achieving rate adequacy, improving our effectiveness and meeting the needs of our members. During 2017, we implemented a number of enhancements in our operations, staff and processes.

The achievements outlined below encompass all lines of insurance and benefit our member companies, agents and industry partners:

- In total, the Bureau made 32 rate, rule and form filings with the North Carolina Department of Insurance since our last report. The filings included an automobile rate change, dwelling relativity updates, revisions to homeowner relativities and Workers Compensation changes to loss costs and assigned risk rates.
- Successful transition of our Personal Lines Director, Workers Compensation Operations Director and Data Services Supervisor into their new roles.
- Information and expertise were provided to the General Assembly on insurance-related bills upon their request, and we regularly updated the Bureau committees and subcommittees on these activities.
- The North Carolina Basic Manual for Workers Compensation and Employer's Liability and the North Carolina Statistical Plan Manual were published in a modernized web platform, allowing for easy navigation, improved documentation of manual updates and an interactive class code look-up tool.
- Development of Key Performance Indicators to enable management to monitor productivity, work volume and associate performance to identify staffing and training needs.
- Enhancements to our ManageAR application, enabling electronic submission of supplemental forms to support fully automated submission of assigned risk applications along with all required application documentation.
- Launch of a new web application for electronic submission of ownership changes along with implementation of a streamlined two-page ownership form (NC ERM-14) for easier reporting.
- Development of an online training center, including training videos and interactive tutorials for our web applications.

Looking ahead, we are focused on several strategic initiatives to further enhance our members' experience with the NCRB. Among those on the horizon are:

- Launch of a Data Quality Initiative Program, creating another touchpoint in the customer experience as we strive to improve data quality and help member companies reduce errors and fines.
- Improved Data Fine Reports to be more intuitive, offering the ability to run fine reports daily to resolve policy and USR errors in a near real-time environment.
- Strategic technology initiatives with an emphasis on ease of interaction and a transition to real-time processing where feasible.

By all measures, 2017 was another successful year for the Bureau. These achievements are a result of the efforts of our talented and dedicated Bureau associates, committee members, counsel and consultants.

Membership

Total Rate Bureau Membership as of 7/11/2017: 765

Calendar Year 2016

Line of Business	# of Members	Total Written Premium
Automobile	657	\$6,307,798,766
Property	639	\$2,503,300,561
Workers Compensation	535	\$1,493,077,196

Personal Lines



Andy Montano
Director, Personal Lines

As the newest member of the Bureau team, I am impressed with the teamwork and professionalism of my colleagues. They have been very helpful in training me on critical initiatives in personal lines. Coming from a member company, I have a great appreciation of the work effort needed to stay current with all the moving parts and regulations in NC. I am focused on improving participation on our subcommittees by making them

more interactive and collaborative to facilitate better industry-wide decisions. I would also like to thank Tim Lucas for his 38 years of service to the Bureau. He has been instrumental in helping me learn all the inner workings of the Bureau.

Automobile

The Bureau is required to make a private passenger automobile filing each year by February 1. The 2017 filing included an overall 13.8% rate increase reflecting the increased frequency and severity trends primarily caused by distracted driving, more expensive repair costs, increase in miles driven and a 6-7% increase in deadly accidents, according to the National Safety Council.

On March 24, 2017, Commissioner of Insurance Mike Causey announced a public hearing for September 11, 2017. After several negotiation sessions with the Department of Insurance (DOI), the Bureau reached a settlement on June 9, 2017, for an average increase of 2.2% effective October 1, 2017 (10.1% increase in liability coverages and a 6.1% decrease in physical damage coverages). This was the first rate level increase in eight years.

Effective October 1, 2017, the statute governing the Safe Driver Insurance Plan (SDIP) property damage accident thresholds was revised. This change assigns three points for each at-fault accident resulting in property damage losses of \$3,850 or more; two points for property damages in excess of \$2,300 but less than \$3,850; and one point for property damage less than \$2,300.

Property

The Bureau is preparing homeowner and dwelling rate reviews to be considered by the Governing Committee later in 2017. The Bureau has expanded its property ratemaking methodology to include incorporating the results of two catastrophe models in these reviews. The inclusion of two catastrophe models was required with the passage of HB 287 in 2016.

The Bureau last submitted a Homeowner rate change in January 2014, requesting an increase in homeowner's insurance rates of 25.6%. The Commissioner of Insurance issued an Order with no change to the overall rate level. The Bureau appealed the Commissioner's Order to the Court of Appeals and Supreme Court; however, the Commissioner's decision was upheld.

The Bureau filed and received approval from the DOI in April 2016 for Dwelling Fire and Extended Coverage relativity changes effective January 1, 2017. In December 2016, a data reporting error was discovered that affected the calculation of base rates associated with the revised relativities in our coastal territories. The coastal territories base rates were updated effective July 1, 2017, to correct for this error. As a result of this data reporting error, the Dwelling rate filing made in November 2016 was subsequently withdrawn.

In July 2017, the Bureau reached a settlement with the DOI on a Homeowner relativity filing which adjusted the factors for Amount of Insurance and Protection/Construction. These updated factors are effective April 1, 2018.

The Bureau anticipates filing three new endorsements regarding Assignment of Benefits, Home Sharing, and Drones later in 2017.

Legislation

During the 2017 session of the General Assembly, several bills relating to Automobile and Property were presented; however, no bills impacting private passenger automobile or residential property were ratified before the Legislature adjourned.

Workers Compensation



Karen Byrd
Director, Workers
Compensation Operations



Debbie Cox
Supervisor, Customer &
Assigned Risk Services



Lynne Mays
Supervisor, Data &
Underwriting Operations



Felecia Taylor
Supervisor, Data Services

Workers Compensation Regulatory Activity

The Bureau monitors legislative activity and industry trends that may impact the Workers Compensation industry. During the 2017 session of the General Assembly, several bills related to Workers Compensation were introduced. When the Legislature recessed in July, a number of bills had been ratified. A brief summary of these bills, along with other activity being monitored by the Bureau, follows:

[An Act To Clarify That An Injury Not Identified In An Award Arising Out Of G.S. 97-18\(b\) Or G.S. 97-18\(d\) Is Not Presumed Causally Related and To Amend The Workers' Compensation Act Regarding Approval Of Disputed Legal Fees By The Industrial Commission \(House Bill 26\)](#) – On June 9, 2017, the North Carolina Supreme Court issued its ruling in *Wilkes v. City of Greenville*, in which the Court held that, when a workers compensation claim is accepted as compensable pursuant to a Form 60 or Form 63, a rebuttable presumption arises that additional medical treatment is

related to the claimant's compensable conditions. Expressly in response to this decision, the Legislature enacted Section 1 of House Bill 26. That legislation amended G.S. 97-82(b) to provide that an award of the Commission arising out of the use of Form 60 or Form 63 shall not create a presumption that medical treatment for an injury or condition not identified in those forms is causally related to the compensable injury. House Bill 26 became law on July 20, 2017, and Section 1 of House Bill 26 was effective on that date and applies to claims accrued or pending prior to, on or after that date.

Appropriations Act of 2017 (Senate Bill 257) – Section 15.19A.(a) of Senate Bill 257 transfers the Industrial Commission to the Department of Insurance, and thus places it under the authority of the Commissioner of Insurance rather than the Governor. Senate Bill 257, which was the state budget bill, was vetoed by the Governor, and the veto was overridden, and the bill became law as of June 28, 2017. (Session Law 2017-57)

Clarify Workers Compensation Policy Cancellation (Senate Bill 489) – Senate Bill 489 clarifies when notices of cancellation of workers compensation policies are presumed effective and complete. It provides that notice of intent to cancel shall be conclusively presumed completed three days after the notice is sent by the insurer if the insurer also provides notice by first class mail and by electronic means as defined in G.S. 58-2-225(a). Senate Bill 489 became law on July 20, 2017, and applies to notices of cancellation sent on or after that date.

North Carolina Farm Act of 2017 (Senate Bill 615) – Senate Bill 615 includes a provision to “Allow Emergency Workers to Receive Workers’ Compensation When Responding to Nonfire Emergencies.” Definitions were updated to change the term “pickup firefighter” to “emergency worker,” to expand the type of emergency situation in which these individuals can be used and to include these individuals as “employees” of the North Carolina Forest Service (NCFS). Senate Bill 615 became law on July 12, 2017, and the portions described here became effective on that date.

Ambulatory Surgical Center Fee Schedule – The North Carolina Industrial Commission (NCIC) sets the Workers Compensation fee schedule for Ambulatory Surgical Centers (ASC) through the rulemaking process. A new fee schedule established by rule 04NCAC 10J.0103 set revised reimbursement rates for ASCs effective April 1, 2015.

In October 2015, an ASC challenged the NCIC fee schedule and filed a Petition for Judicial Review in Wake County Superior Court. The Court ruled that the fee schedule change effective April 1, 2015, as it applied to ASCs, was invalid and the prior fee schedule for ASCs was to be reinstated. This ruling was stayed pending appeal, and the matter remains on appeal.

Separately, in June 2017, the NCIC proposed through the rulemaking process a new fee schedule that would apply to ASCs. That process was not completed at the time of this writing.

Additional information on proposed 2017 legislative activity related to workers compensation can be found in the 2017 Report on Workers Compensation Insurance in North Carolina located in the “Recent News” section of the Bureau’s website at www.ncrb.org.

Workers Compensation Operations

The Workers Compensation Operations Department consists of 21 associates working in six key functional areas, all providing valuable services to member companies, customers and the insurance industry in North Carolina: Data Services (data reporting, data quality and fining, carrier and systems testing), Disputes, Data Operations (policy, experience rating and unit statistical reporting), Underwriting (classification and ownership), Assigned Risk (residual market) and Information Center (call center and customer support).

G.S. §58-36-1 outlines several workers compensation responsibilities, with one of the most critical being the collection of policy and unit data which allows for the annual promulgation and filing of loss costs and assigned risk rates. Effective April 1, 2017, a decrease in loss costs of 14.4% and a decrease in assigned risk rates of 8.3% were approved by the DOI, and on or before September 1, 2017, the Bureau filed further significant decreases to be effective April 1, 2018.

Assigned Risk and Customer Services

Another vital duty charged to the Bureau is to act as the Plan Administrator for the North Carolina Workers Compensation Insurance Plan (Plan). In that role, the Bureau evaluates and assigns an average of 1,250 assigned risk applications per month, typically peaking in the spring each year due to the beginning of the construction season.

The Bureau selected servicing carriers for a three-year contract period from January 1, 2017–December 31, 2019. A servicing carrier is an insurer authorized to receive Plan assignments and provide coverage to eligible employers on behalf of those participating companies subscribing to the bylaws of the National Workers Compensation Reinsurance Association NFP, incorporated as part of the Plan in North Carolina. The servicing carriers selected are AmGuard Insurance Company, Liberty Mutual Insurance Company and Travelers Property and Casualty Companies of America.

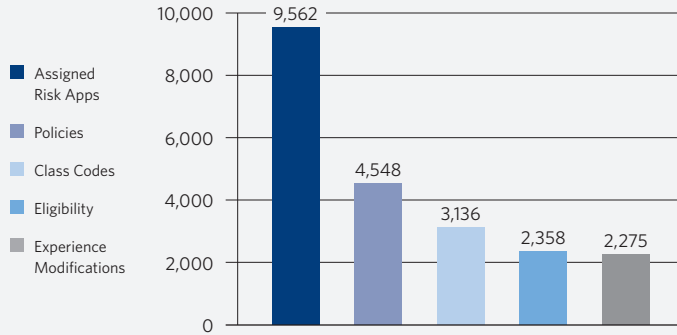
The Bureau also works with carriers authorized to receive assignments directly under Option 1 of Rule 4-A-4 of the Plan. The direct assignment carriers for 2017 are ACE American Insurance Company, American Interstate Insurance Company, American Zurich Insurance Company, Auto-Owners Insurance Company, Builders Mutual Insurance Company, Cincinnati Insurance Company, Continental Casualty Company and Hartford Underwriters Insurance Company.

Between 7/1/2016 and 6/30/2017, the assigned risk area received:

- Over 15,000 new applications, with 97% of these coming in electronically via ManageAR. Seventy-eight percent are paid using the Electronic Funds Transfer payment method.
- 24,591 total new and renewal policies with an average premium of \$2,950.
- \$72.5 million total estimated annual premium for new and renewal policies.

The Bureau’s Information Center is the first point of contact for three organizations, handling on average 4,000 inquiries per month.

Information Center Inquiries — Top Five by Type 7/1/2016-6/30/2017



Customer satisfaction surveys and analysis of call tickets provide valuable information for education initiatives, web tools and services to enrich the customer's overall experience. Customer touch point enhancements include:

- Computer-based Training modules for web tools.
- New technology platform for Digital Library manuals.
- Creation of a new streamlined North Carolina-specific ownership form (NC ERM-14).
- Enhancement of the ManageAR web application.
- Release of the ManageOwnership web application.

Underwriting Services & Disputes

Insureds that undergo ownership changes are required to report these to their carriers. Staff review of these ownership changes that require an ownership ruling may also impact the employers' experience modification ratings. This last year, the Bureau issued 35,935 experience ratings.

The Bureau reviews disputes related to workers compensation rules, classifications, experience rating and the administration of the Workers Compensation Insurance Plan. Over the last year, 91 disputes were addressed, and of these, 2 were escalated for a formal dispute hearing. Primary reasons for disputes include Class code (43%), Cancellation (13%) and Sub-Contractor Issues (12%).

Data Operations

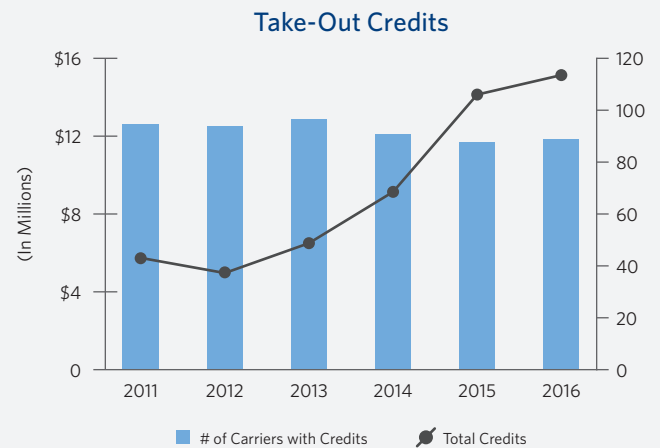
The Data Operations area welcomed a new Supervisor to its team this year. Felecia Taylor was promoted from our IT Department, having worked in Quality Assurance. Data Operations is responsible for the collection of policy and unit statistical data. For the 2016/2017 year, the Bureau collected

- 533,582 policy transactions, with a 99% acceptance rate.
- 210,752 unit statistical transactions, with a 97% acceptance rate.

This team works closely with member companies to review edit validations and assist with data submissions to maintain data quality diligently. Data Operations is also the testing resource for internal production systems and external web applications and represents the organization in insurance industry data committees.

Take-Out Credits

The North Carolina Assigned Risk Take-Out Credit program encourages carriers to depopulate the residual market. This is accomplished by providing credits to carriers for premiums they move from the assigned risk market to the voluntary market, which are applied to their voluntary premium used in determining their Plan participation base. The Take-Out Credit Program for calendar year 2016 totaled \$15.2 million in credits and involved 89 carriers.



ManageOwnership

In May 2017, the Bureau launched a new web application called ManageOwnership. This tool provides a means for agents, insureds and carriers to submit ownership changes for North Carolina employers. Built-in edits allow for the collection of more accurate ownership data. ManageOwnership has a variety of helpful tools and guides to offer information throughout the submission process.

The Bureau also made enhancements to the ManageAR system to support ownership changes associated with an entity requiring coverage through the residual market. The new North Carolina ERM-14 form in ManageAR is part of the online application process. Other enhancements include the ability to upload premium finance agreements, trucker and PEO supplemental applications or any other documents necessary for review or to pass along to the carrier.

ManageOwnership

Submitter: Ken Smith (Manager) | Submitter Company: Kears Lawn Service
 Submission ID: 10127 | Submission Status: INITIATED
 Ownership ID: 10140 | Ownership Change Type: Merger or consolidation
 Effective Date: 4/3/2017 | Reported Date: 4/5/2017

Entities BEFORE Merger or consolidation:				
Entity Name	Address	Insurance Carrier	Policy Number	Ownership Interest
Smith and Company Windows	123 Main Street Raleigh, NC 27612	Nationwide	P12345678	100%
David Bower	Individual			50%
John Smith	Individual			50%
John Windows	16 West 16th Street Raleigh, NC 27612	Prudential	33227799	100%
David Jones	Individual			100%
Entities AFTER Merger or consolidation:				
Entity Name	Address	Insurance Carrier	Policy Number	Ownership Interest
Smith & Jones Windows	456 Main Street Raleigh, NC 27612	Nationwide	P333444555	100%

List of officers is attached: 10127_10140_10364_Lofficers.docx

Buttons: Save & Exit, Preview NC Ownership Form, Previous, Add Ownership Change, Next

Shared Services

Information Services



Shelley Chandler
Chief Information Officer

As organizations become more dependent on data and systems to increase efficiency and effectiveness, Information Technology continues to grow in breadth and depth to help organizations streamline operations while expanding the focus on security of data and systems that are at the core. The Bureau, like all organizations, is dedicated to strengthening the external perimeter surrounding the data while ensuring that all assets are safe inside.

As a repository for large volumes of industry data, we continue to focus on constant improvements and tightening our security stance. This is done by routinely modernizing technology and strengthening our security through prevention and early detection, including things such as data encryption, protecting sensitive data caches, locking down privileged accounts and ensuring security software is updated.

In addition to preventing detrimental security breaches, we want to detect potential issues and remediate appropriately. To fulfill this obligation we contract with security experts to conduct quarterly security audits to help identify potential risks. These regular audits enable us to update our processes, procedures and software to remediate any new risks identified.

In 2016, we implemented a security awareness training program for our internal associates. This educational program, which includes monthly assessments, has remained in place for 2017. We believe that educating our associates on safe security practices is our first line of defense in regards to security.

Information Technology is an ever-changing landscape; therefore, it is our goal to educate our associates, keeping them aware of current technology issues and concerns. Likewise, we encourage educational opportunities for our IT staff through the Bureau's continuing education program, career-specific certifications and conferences.

Information Technology strives to improve our customers' experience by creating/improving systems used to interact with the Bureau. In addition to many enhancements to internal systems, we developed and released ManageOwnership that allows our customers to enter supplemental form data online. This product streamlines the receipt of data and ensures enriched data quality through data validation at the time of acceptance. We also released a new product that allows us to publish manuals and documents on our website in a more user-friendly format for our customers.

Human Resources and Facility Services



Vicki Godbold
Chief Human Resources Officer

"People may not remember exactly what you did or what you said, but they will always remember how you made them feel."

— Author unknown

Human Resources is the strategic and comprehensive approach committed to our Organization's most valued assets—our people. Facility Services provides a secure and comfortable work environment along with mail services and receptionist services. In HR, we based our 2016 Performance Evaluations on individual associate job descriptions. In Facility Services, we upgraded our security through two new outdoor cameras.

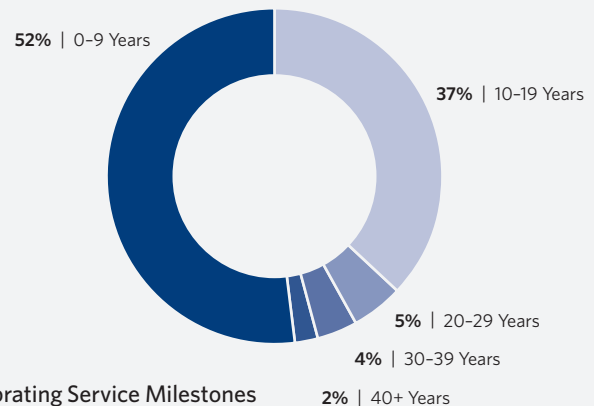
Our Wellness Program consists of:

- a partnership with WakeMed Hospital.
- a partnership with the Performance Athletic Center (EXOS).
- a partnership with the NC Prevention Partners.
- annual participation in the Wellness Council of America's (WELCOA) Step-By-Step program of walking 10k steps a day.
- flu shots provided for associates on-site.
- Certification in First Aid, CPR and AED for a third of our workforce through the American Red Cross.

On-site training this year consisted of fitness classes, wellness seminars and Diversity and Inclusion Training.

Community Service involvement by our associates this year included St. Jude Children's Research Hospital, the United Way and the NC Food Bank.

Rate Bureau Years of Service



Celebrating Service Milestones

- 9 associates celebrating 10 years
- 3 associates celebrating 15 years
- 1 associate celebrating 20 years

Finance



Edith Davis
Chief Financial Officer

The exhibits on page 10 summarize the Rate Bureau's financial position and reflect the comparative balance sheets and income statements for the last two years ending August 31. Improved claims experience during the past year generated a significant increase in the restricted funds for our self-

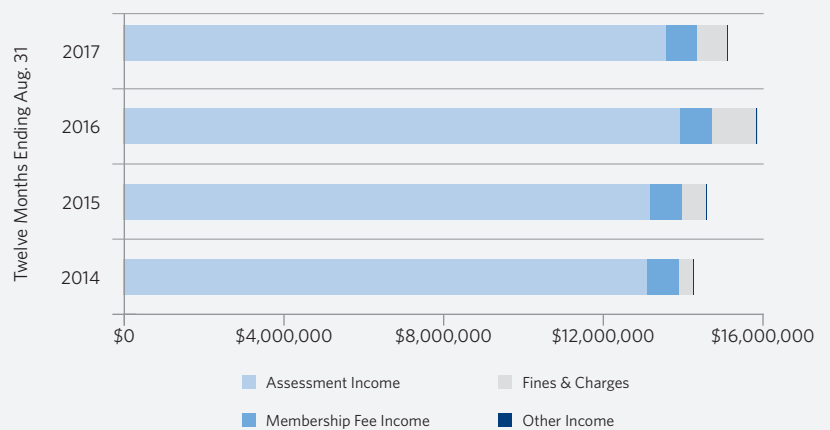
insured group medical insurance plan. Funds for retiree group insurance premiums of the Bureau's predecessor organizations remain on the balance sheet as of this report, though all those obligations have now been fulfilled as previously reported.

The second annual audit by Johnson Lambert of the year ending December 31, 2016, went equally as well as the first, and they presented their report to the Audit Committee in March 2017. Johnson Lambert again issued an unqualified opinion on the statements of cash receipts and disbursements, noting there were no misstatements or internal control weaknesses identified during the audit, and that the significant accounting policies had been consistently applied during the current year.

The sources of income to the Bureau have been fairly consistent over the past few years, although income from fines and charges that were implemented in 2015 dipped in the most recent fiscal year. Assessments to member companies represented 90% of the Rate Bureau's receipts during the most recent report year as reflected in the chart that follows. The annual membership fees and various fines and charges were approximately 5% each of the Rate Bureau's income. The Rate Bureau finished 2016 under budget, and at the time of this report, the administrative expenses of the Rate Bureau are projected to be within the approved budget for 2017.

The total expenses of the Rate Bureau are comprised of the direct costs related to specific activities of the Bureau as well as the allocated expenses of the departments whose services are shared with the Reinsurance Facility and the Insurance Guaranty Association. Those direct expenses continue to represent just over 70% of the total expenses of the Bureau, and the table and chart to the right show a summary of the direct and allocated expenses for the previous two years and the first half of 2017. There was some expense savings as result of a restructuring of the service agreement with the Bureau's largest vendor, ISO, but some increased expenses related to the retirements of

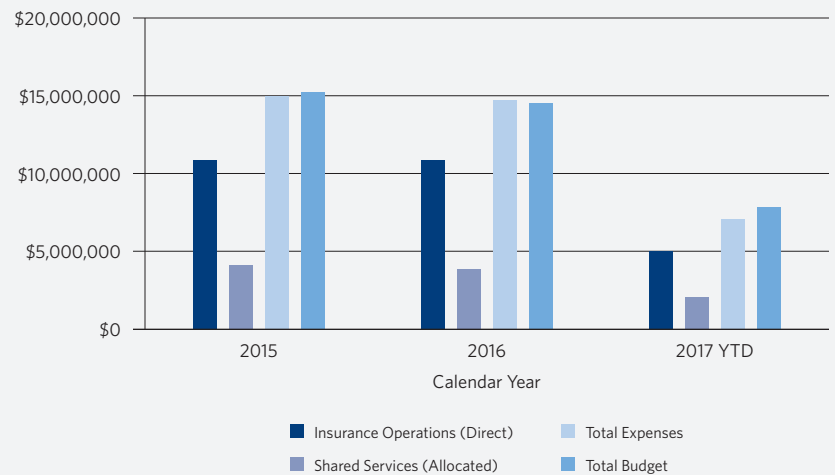
North Carolina Rate Bureau Sources of Income



several associates. As in the past, the 2015 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies during the 4th quarter of 2017.

On a personal note: After nearly forty years of very distinguished service, our former Chief Financial Officer David Sink recently retired from the organizations. We will miss him greatly, but he leaves behind a sound foundation and an honorable legacy of integrity, quality and commitment to doing the right thing. I began my career with the Rate Bureau twenty five years ago in the Finance department with Dave as my manager and later worked closely with Dave and his staff in my previous position of Chief Operating Officer of the NC Reinsurance Facility. He set a fine example to follow.

North Carolina Rate Bureau Administrative Expenses



Administrative Expenses	2015	2016	Thru June 2017
Insurance Operations (Direct)	\$ 10,829,013	\$ 10,831,416	\$ 4,999,269
Shared Services (Allocated)	4,110,427	3,893,507	2,053,863
Total Expenses	\$ 14,939,440	\$ 14,724,923	\$ 7,053,132
Total Budget	\$ 15,201,166	\$ 14,532,247	\$ 7,816,249

Balance Sheet

Year Ending	August 31, 2017 (Preliminary)	August 31, 2016
Assets		
Cash & Investments (Unrestricted)	\$ 1,800,256	\$ 1,917,804
Cash & Investments (Restricted)	1,524,772	1,174,665
Assessments Receivable	26,206	19,369
Accounts Receivable	102,800	165,750
Other Assets	(29,021)	29,811
Total Assets	\$ 3,425,013	\$ 3,307,399
Liabilities & Fund Equity		
Refund to Carriers Payable	\$ -	\$ -
Retiree Insurance Payable - Restricted	562,607	559,807
Other Benefits Payable - Restricted	962,165	614,858
Other Liabilities	(8,313)	(17,416)
Total Liabilities	\$ 1,516,459	\$ 1,157,249
Fund Equity	1,908,554	2,150,150
Total Liabilities & Fund Equity	\$ 3,425,013	\$ 3,307,399

Income Statement

Year Ending	August 31, 2017 (Preliminary)	August 31, 2016
Income		
Assessment Income	\$ 13,560,000	\$ 13,940,805
Membership Fees Income	781,000	777,750
Late Data Reporting Charges	6,800	22,600
Delinquent USR Charges	175,000	284,850
Policy Data Fines	590,000	805,850
Other Income	(300)	625
Total Income	\$ 15,112,500	\$ 15,832,480
Expenses (Net)		
Legal, Consulting & Other Outside Services	\$ 8,115,000	\$ 7,948,226
Salaries & Administration Expenses	3,760,000	3,748,812
Other Operating Expenses	2,970,000	3,085,756
Less: InterOffice Settlement	-	-
Total Net Expenses	\$ 14,845,000	\$ 14,782,794
Net Income	\$ 267,500	\$ 1,049,686



NCRB

North Carolina **Rate Bureau**

2910 Sumner Blvd. Raleigh, NC 27616 www.ncrb.org

