



NCRB

NORTH CAROLINA RATE BUREAU

General Manager's Report

I am pleased to present the 2023 Annual Report for the North Carolina Rate Bureau. This year has been a remarkable one for the Rate Bureau as we restructured operations while focusing on investing in technology and talent. We have developed a strong team and continue to promote efficiency, process improvement, training, and a commitment to customer service.

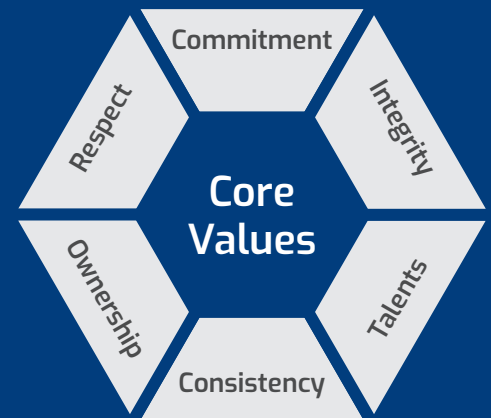
As we position for the future, we recognize the importance of grooming the next generation within our organization and the fact that succession planning for critical aspects of our operations is vital to our stability and growth. We have been engaged in improving and expanding our performance management program, developing talent and skills in our associates, and building strategies to ensure a smooth transition of key roles. Our focus on succession planning not only ensures continuity but also fosters a culture of continuous learning, innovation, and empowerment within our organization.

I mentioned in last year's report that we would closely monitor industry challenges relating to how the economic environment would affect the insurance industry, particularly inflation and climate change. We did not see notable improvement in either of these areas, and as a result, filing activity was significant in an effort to move closer to rate adequacy. The Rate Bureau made three property rate filings, one automobile rate filing, and two workers compensation rate filings since our last report, as well as numerous filings for program changes. Details of these filings are outlined in this Annual Report. While it does not appear that these challenges are waning, the Rate Bureau staff continues to evaluate each line of business and present recommendations for program changes to our committees for consideration.

Looking forward, we anticipate continued industry challenges in the coming year. We also embrace workplace changes which have brought greater emphasis on flexibility, continuous learning, and growth. Our hybrid work schedule has been a success and will continue for the foreseeable future. This shift has not only allowed us to contemplate a new workplace location in the next year, but has also enabled us to provide our employees with a better work-life balance.

In closing, I would like to express my gratitude for the support and involvement of our Governing Committee, guidance from our counsel at Young Moore and Henderson, and the dedication of our associates who are vital to the success of the Rate Bureau. Thanks to all of you for your contributions to the organization.

Joanna Biliouris



NCRB Membership



705

Auto Members



692

Property Members



578

**Workers Comp
Members**

Governing Committee Chair's Report

While the unprecedented uncertainty stemming directly from COVID is behind us, the industry has had to contend with extraordinary inflationary pressure following the pandemic. The rising costs of goods and labor have affected both the underlying expenses and claims handling costs across all lines of business, from the cost of shingles and the replacement of a bumper to the cost of medical care and litigation. Compounding this pressure for auto insurance is the reality that people are eager to get back onto the roads after years of restrictions. It's truly wonderful to see this return to normalcy, but it inevitably comes with higher claim frequencies. All of this is clearly evident within the rate filings presented to the Department of Insurance throughout the year, including a rate need of 28.4% for private passenger auto and 50.6% for dwelling insurance. Amidst these challenges, I'm very proud of the accomplishments of the Rate Bureau in 2023.

During the first full year under Joanna's and Jarred's leadership, the team has done an exceptional job managing multiple ongoing filings and negotiating on essential rate actions for the industry. The agreement on a multi-year settlement for private passenger auto is a great example of the creativity used by the Bureau.

Overall rate levels across auto and property lines are still fundamentally inadequate and will continue to create a challenge for the industry. However, we have attempted to implement rate actions that should hopefully keep up with the net trends we expect over the next 12 months.

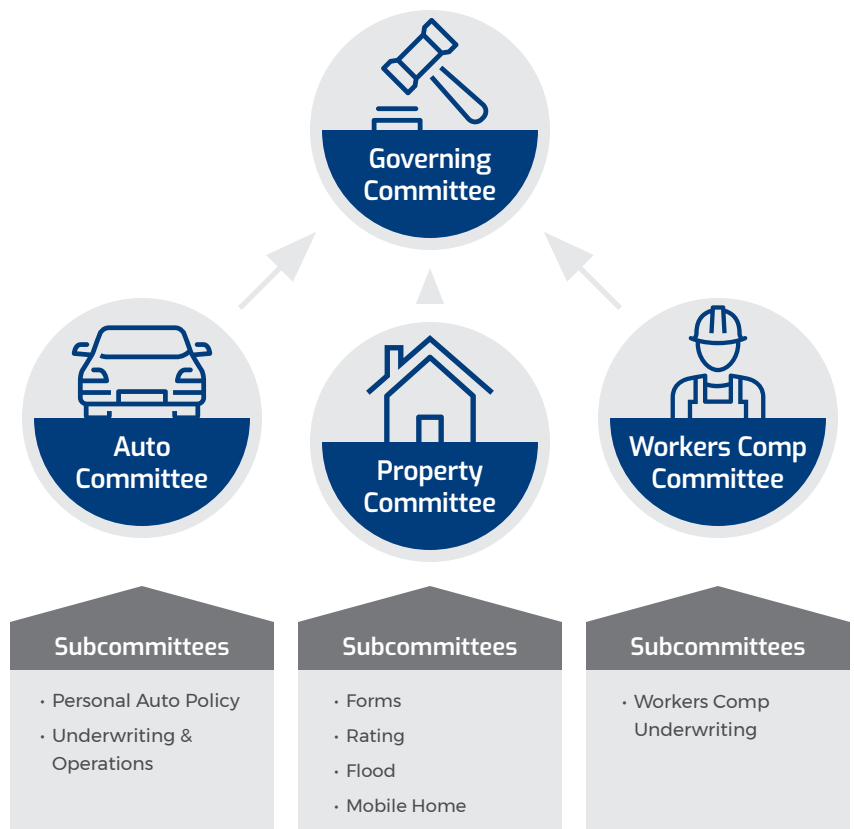
In addition, the NCRB has done an excellent job of developing an operating structure that embraces the changing nature of work while responsibly managing expenses. Over the past year, I have seen the NCRB investing in their virtual infrastructure, assessing their in-office footprint, and ensuring a secure digital environment. Executing on a vision for the future workplace is challenging to any organization, and the entire NCRB leadership team should be commended for what they've accomplished in this space.

Finally, I would like to thank the dedicated staff of the Rate Bureau, our legal counsel at Young Moore and Henderson, the Governing Committee, and the many people who lead and serve on the Rate Bureau Committees and Subcommittees for their efforts in 2023.

Patrick Weil, Allstate Insurance Company
Governing Committee Chair 2022-2023

2023 Governing Committee Members

Allstate Insurance Co
American Home Assurance Co
Builders Mutual Insurance Co
Erie Insurance Exchange
Kemper Independence Insurance Co
Liberty Mutual Insurance Co
Nationwide Mutual Insurance
Progressive Casualty Insurance Co
State Farm Mutual Auto Insurance Co
The Members Insurance Co
The Travelers Indemnity Co
United Services Automobile Association



Private Passenger Auto

Private Passenger Auto Written Premium: 5% growth



The Bureau is obligated by statute to make a Private Passenger Auto filing each year by February 1.

2023 Indicated and Filed Rate Request of +28.4%

The filing was subsequently settled for overall increases of **4.5% effective 12/1/2023 and 4.5% effective 12/1/2024.**

PPA Manual change filings completed this year*:

- Eligibility language
- Safe Driver Insurance Plan (SDIP)
- Miscellaneous Motor Vehicle Coverages
- Miscellaneous Motor Vehicle Types

PPA Form change filings completed this year*:

- Notice of Cancellation revisions
- New Notice of Adverse Action

**See Circular A-23-01 for details*

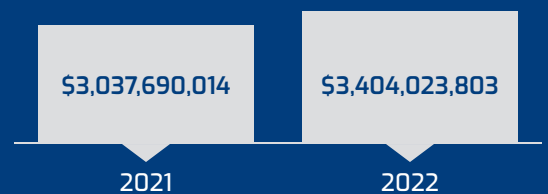
Property

Homeowners

As part of a settlement agreement with the Commissioner of Insurance on the 2020 Homeowners Rate filing, there is currently a moratorium on any Homeowners rate filings until 2024. A Homeowners rate review is underway and will be presented to the Governing Committee for consideration and filing in early 2024.

Bureau staff is currently reviewing ISO's 2022 Homeowners Multi-State program for potential benefits to the North Carolina market. If approved by our committees, any applicable changes should be filed in 2024.

Homeowners Written Premium: 12% growth



Dwelling

- 2022 Filing
 - Filed indicated rate need of +42.6% to be implemented over two years, with +19.6% effective 4/1/2023 and +19.2% effective 4/1/2024
 - Settlement agreement reached for a single +9.9% change effective 6/1/2023
- 2023 Filing
 - Filed indicated rate need of +50.6% effective 6/1/2024
- 2022 premium up 9.5% from 2021 to \$124 million

Mobile Home

- 2022 Filing
 - Filed indicated rate need of +53.4% on MH(C) to be implemented over two years, with +23.2% effective 7/1/2023 and +24.5% effective 7/1/2024
 - Filed indicated rate need of +87.5% on MH(F) to be implemented over two years, with +31.5% effective 7/1/2023 and 33.0% effective 7/1/2024
 - Settlement agreement reached for +10% on MH(C) and +15% on MH(F) effective 10/1/2023
- 2022 premium up 12.8% from 2021 to \$175 million

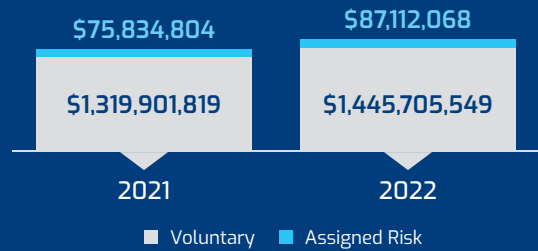
Workers Compensation

The Bureau is obligated by statute to make a Workers Compensation Voluntary Market Loss Cost and Assigned Risk Rate filing each year by September 1.

2023 Indicated and Filed Voluntary Loss Cost of -9.8% and Assigned Risk Rate Request of -15.8%

These filings will be **effective 4/1/2024**.

WC Written Premium: 9.5% Growth



Assigned Risk:

- Assigned 89% of 11,278 applications from 7/1/2022 to 6/30/23
- 21,329 policies with an average policy premium of \$2,922
- 9 Direct Assignment Carriers and 3 Servicing Carriers

Data Services:

- Over 966,000 policy transactions and 282,000 USR transactions processed from 7/1/2022 to 6/30/23
- Over 31,000 experience modifications generated for North Carolina employers

Filings

- Updated payroll inclusion rules in Basic Manual

Legislative/Legal

Enacted Legislation*:

SB 452

- Increases minimum Private Passenger Auto liability limits
- Changes UIM coverage
- Changes inexperienced operator and SDIP surcharge periods
- Increases Beach Plan policy limits

Relevant Legal Cases*:

- NC Farm Bureau v. Dana, Tutterow v. Hall, NC Farm Bureau v. Hebert—UIM coverage
- Ha v. Nationwide—cancellation procedures for Homeowners policies

**Contact NCRB Counsel for further details*

Other Highlights

- Incline Casualty/Wright Flood becomes the first carrier to utilize the NCRB Flood Program
- Customer Service Reorganization Plan implemented to reduce overhead and improve response time
- The Assigned Risk Servicing Carrier bid process was completed with AmGuard, Liberty Mutual, and Travelers being selected to continue
- Over 20,000 Customer Service Inquiries fielded by NCRB associates
- Assignment of Benefits language revised in all property lines

Tech Projects

- **Spectrum 5.0**—A reimagining of the Bureau's Work Comp data collection and storage system
- **Notice Of Assignment (NOA) XML**—Modernization of the format for assigned risk application data submitted to carriers
- **Customer Service Survey**—Implemented for training and quality improvement of service
- **Personal Lines Portal**—Adding availability of historical forms and manuals for carrier use

Information Technology

98.5% of phishing tests passed by associates

13 vendor management security reviews completed

35 custom web apps supported with **28k+** users

29 approved software development projects

4,285 incidents handled



Human Resources

7 new hires over the last twelve months

College internship program continued for the **6th** consecutive year

70% of associates with over **10** years of service

72% participation in wellness programs

Finance

2023 Budget increased **4%** over 2022 budget

Self-insured medical group insurance plan account liabilities decreased **23%**

Expenses through June 30

12% under budget

69% Insurance Operations

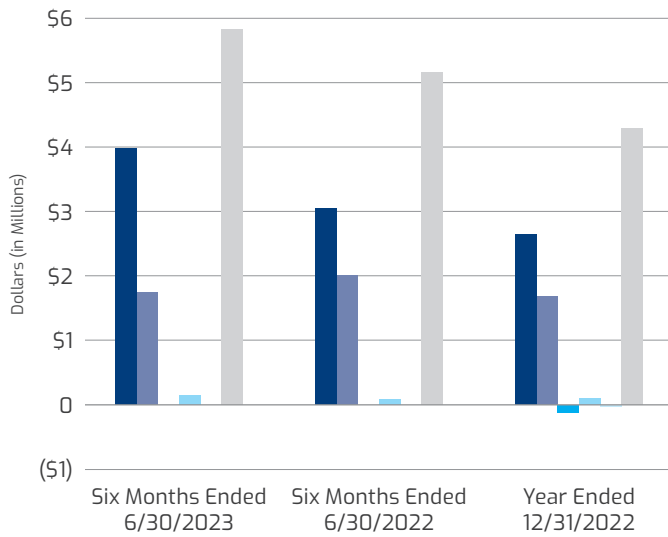
12% higher in 2023 than 2022

31% Shared Services

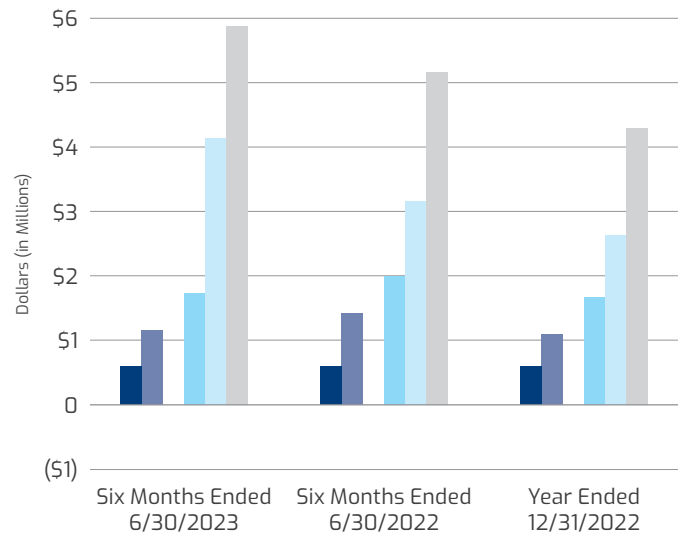


Balance Sheet

Assets



Liabilities & Fund Equity

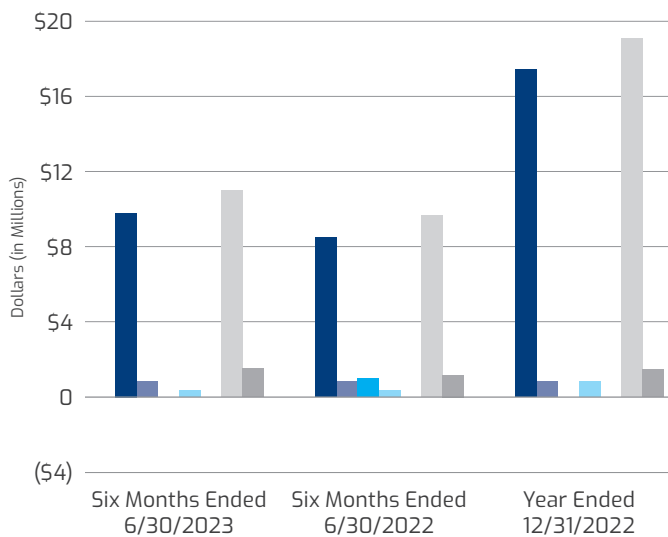


- Cash & Investments (Unrestricted)
- Cash & Investments (Restricted)
- Assessments Receivable
- Accounts Receivable
- Other Assets
- Total Assets

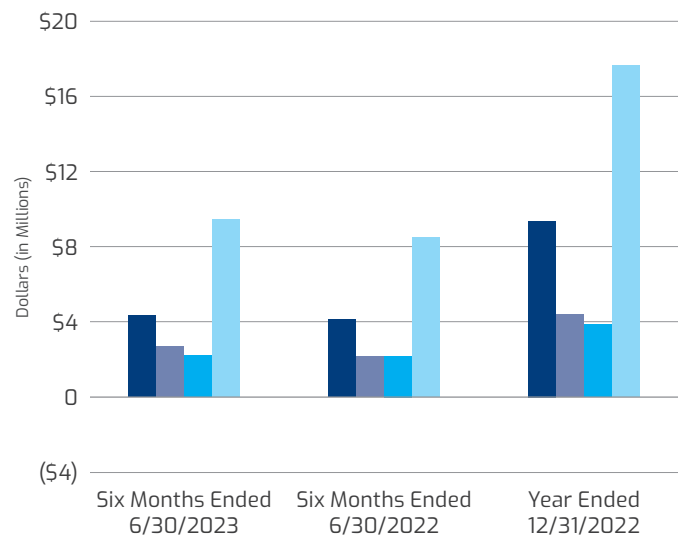
- Retiree Insurance Payable—Restricted
- Other Benefits Payable—Restricted
- Other Liabilities
- Total Liabilities
- Fund Equity
- Total Liabilities & Fund Equity

Income Statement

Income



Expenses (NET)



- Assessment Income
- Membership Fees Income
- Late Data Reporting Charges
- Policy Data Fines
- Other Income
- Total Income
- Net Income

- Legal, Consulting & Other Outside Services
- Salaries & Administration Expenses
- Other Operating Expenses
- Total Net Expenses



NCRB

NORTH CAROLINA RATE BUREAU

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