

**NORTH CAROLINA RATE BUREAU**

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**MINUTES OF THE TWENTY-SECOND ANNUAL MEETING OF THE NORTH CAROLINA  
RATE BUREAU HELD AT THE MID PINES INN & GOLF CLUB, 1010 MIDLAND ROAD,  
SOUTHERN PINES, NORTH CAROLINA, OCTOBER 19, 1999**

**MEMBERS PRESENT REPRESENTED BY**

**Agricultural Insurance Company Ms. R. Hunter**

**Alliance Assurance Company of America Mr. N. Eliason**

**Allstate Indemnity Company Mr. A. Ivey**

**Allstate Insurance Company Mr. D. Chernick**

**Mr. A. Ivey**

**American Alliance Insurance Company Ms. R. Hunter**

**American & Foreign Insurance Company Mr. N. Eliason**

**American National Fire Insurance Company Ms. R. Hunter**

**American Spirit Insurance Company Ms. R. Hunter**

**Athena Assurance Company Mr. J. Roche**

**Auto-Owners Insurance Company Mr. T. Marshall**

**Automobile Insurance Company of Hartford Mr. B. Seagle**

**Builders Mutual Insurance Company Ms. A. Person**

**Charter Oak Fire Insurance Company Mr. B. Seagle**

**Discover Property & Casualty Insurance Company Mr. J. Roche**

**Eagle American Insurance Company Ms. R. Hunter**

**Farm Bureau Insurance Company of N C, Inc. Mr. R. Batdorff**

**Farmington Casualty Company Mr. B. Seagle**

**Farmland Mutual Insurance Company Mr. D. Gettles**

**Fidelity & Guaranty Insurance Company Mr. J. Roche**

**Fidelity & Guaranty Insurance Underwriters Mr. J. Roche**

**First Liberty Insurance Corporation Ms. C. Watts**

**Globe Indemnity Company Mr. N. Eliason**

**Grain Dealers Mutual Insurance Company Mr. W. Dunham**

**Mr. C. Watson**

**Great American Insurance Company Ms. R. Hunter**

**Hartford Accident & Indemnity Company Mr. T. Gray**

**Hartford Casualty Insurance Company Mr. T. Gray**

**Hartford Fire Insurance Company Mr. T. Gray**

**Hartford Insurance Company of the Midwest Mr. T. Gray**

**Hartford Underwriters Insurance Company Mr. T. Gray**

**Integon Casualty Insurance Company Mr. A. Lyon**

**Integon General Insurance Corporation Mr. A. Lyon**

**Integon Indemnity Corporation Mr. A. Lyon**

**Integon National Insurance Company Mr. A. Lyon**

**Integon Preferred Insurance Company Mr. A. Lyon**

**Integon Specialty Insurance Company Mr. A. Lyon**

**L M Insurance Corporation Ms. C. Watts**

**Liberty Insurance Corporation Ms. C. Watts**

**Liberty Mutual Fire Insurance Company Ms. C. Watts**

**Liberty Mutual Insurance Company Ms. C. Watts**

**Mr. T. Coyne**

**Mr. B. Jones**

**Nationwide Agribusiness Insurance Company Mr. D. Gettles**

**Nationwide Mutual Fire Insurance Company Mr. D. Gettles**

**Nationwide Mutual Insurance Company Mr. D. Gettles**

**Mr. B. Mook**

**Nationwide Property & Casualty Insurance Company Mr. D. Gettles**

**New South Insurance Company Mr. A. Lyon**

**Newark Insurance Company Mr. N. Eliason**

**North Carolina Farm Bureau Mutual Insurance Company Mr. R. Batdorff**

**Mr. S. Carroll**

**Northbrook Indemnity Company Mr. J. Roche**

**Northbrook Property & Casualty Insurance Company Mr. J. Roche**

**Owners Insurance Company Mr. T. Marshall**

**Phoenix Assurance Company of New York Mr. N. Eliason**

**Phoenix Insurance Company Mr. B. Seagle**

**Property & Casualty Insurance Company of Hartford Mr. T. Gray**

**Royal & Sun alliance Personal Insurance Company Mr. N. Eliason**

**Royal Indemnity Company Mr. N. Eliason**

**Royal Insurance Company of America Mr. N. Eliason**

**Royal Special Risks Insurance Company Mr. N. Eliason**

**Safeguard Insurance Company Mr. N. Eliason**

**St. Paul Fire & Marine Insurance Company Mr. J. Roche**

**St. Paul Guardian Insurance Company Mr. J. Roche**

**St. Paul Medical Liability Insurance Company Mr. J. Roche**

**St. Paul Mercury Insurance Company Mr. J. Roche**

**Sea Insurance Company of America Mr. N. Eliason**

**Standard Fire Insurance Company Mr. B. Seagle**

**State Automobile Mutual Insurance Company Mr. R. Evans**

**State Auto National Insurance Company Mr. R. Evans**

**State Auto Property & Casualty Insurance Company Mr. R. Evans**

**State Farm Fire & Casualty Company Mr. T. Pemberton**

**State Farm General Insurance Company Mr. T. Pemberton**

**State Farm Mutual Automobile Insurance Company Mr. B. Carlson**

**Mr. C. Kiehl**

**Mr. T. Pemberton**

**Travco Insurance Company Mr. B. Seagle**

**Travelers Casualty Company of Connecticut Mr. B. Seagle**

**Travelers Casualty & Surety Company Mr. B. Seagle**

**Travelers Casualty & Surety Company of America Mr. B. Seagle**

**Travelers Casualty & Surety Company of Illinois Mr. B. Seagle**

**Travelers Commercial Insurance Company Mr. B. Seagle**

**Travelers Home and Marine Insurance Company Mr. B. Seagle**

**Travelers Indemnity Company Mr. B. Seagle**

**Travelers Indemnity Company of America Mr. B. Seagle**

**Travelers Indemnity Company of Connecticut Mr. B. Seagle**

**Travelers Indemnity Company of Illinois Mr. B. Seagle**

**Travelers Insurance Company Mr. B. Seagle**

**Travelers Personal Security Insurance Company Mr. B. Seagle**

**Travelers Property Casualty Insurance Company Mr. B. Seagle**

**Trumbull Insurance Company Mr. T. Gray**

**Twin City Fire Insurance Company Mr. T. Gray**

**United States Fidelity & Guaranty Company Mr. J. Roche**

**Wausau Business Insurance Company Mr. D. Gettles**

**Wausau Underwriters Insurance Company Mr. D. Gettles**

**236 other member companies were represented by proxy.**

**OTHERS PRESENT REPRESENTED BY**

**Insurance Services Office Mr. P. Woods**

**Public Member Mr. M. Offerman**

**Young, Moore & Henderson Mr. M. Spivey**

**Mr. M. Strickland**

**Mr. W. Trott**

**Staff Mr. J. Hamrick**

**Mr. T. Lucas**

**Mr. J. Watkins**

**The meeting convened as scheduled, Mr. Seagle of Travelers Indemnity Company, Chairman of the Governing Committee, presiding.**

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

### **1. The Annual Report**

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

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

### **2. Governing Committee Election**

**Mr. Marshall of Auto-Owners Insurance Company, Chairman of the Nominating Committee appointed by the Chairman of the Governing Committee, placed in nomination Great American Insurance Company, St. Paul Fire & Marine Insurance Company, State Automobile Mutual Insurance Company and State Farm Mutual Automobile Insurance Company as 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. Seagle noted that the past year had been a very busy year and that the members of the Governing Committee and advisory committees had spent a great deal of time discussing data quality and rate filing issues involving homeowners and automobile insurance.**

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

### **4. Adjournment**

**There being no further business the meeting was adjourned.**

Respectfully submitted,

John W. Watkins

General Manager

JWW:lg

Enclosure

G-99-5

11/2/99

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September 1, 1999

T W E N T Y - S E C O N D 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, 1998 through August 31, 1999.

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, 1999:

Stock

Allstate Insurance Company

Great American Insurance  
Company

Hartford Fire Insurance Company

Integon General Insurance  
Corporation

Non-Stock

Auto-Owners Insurance Company

Harleysville Mutual Insurance Company

Liberty Mutual Insurance Company

Nationwide Mutual Insurance Company

NC Farm Bureau Mutual Insurance

**Royal Insurance Company of America**

**Company**

**Travelers Indemnity Company**

**State Automobile Mutual Insurance Company**

**Mr. Max Offerman of Cary, North Carolina served as a non-voting public member of the Governing Committee during the period covered by this Report.**

**During the Twenty-First Annual Meeting held October 20, 1998, Allstate Insurance Company, Hartford Fire Insurance Company, North Carolina Farm Bureau Mutual Insurance Company and Auto-Owners Insurance Company were elected as members of the Governing Committee for three-year terms.**

**The Governing Committee met nineteen times during the year, including fourteen telephone conferences. Travelers Indemnity Company served during the year as Chairman of the Governing Committee. The Integon General Insurance Corporation 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 sixteen additions to the membership. These were the following companies:**

**American Safety Casualty Insurance Co**

**Professionals Advocate Insurance Company**

**Benchmark Insurance Company**

**Sagamore Insurance Company**

**Design Professionals Insurance Company**

**Transguard Insurance Co of America, Inc.**

**Employee Benefits Insurance Company**

**Travco Insurance Company**

**Monroe Guaranty Insurance Company**

**Travelers Home & Marine Insurance Company**

**National American Insurance Company**

**United Financial Casualty Company**

**NC Forestry Association Mutual Insurance Co**

**Verlan Fire Insurance Company**

**Omega Insurance Company**

**ZC Insurance Company**

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

**Arkwright Mutual Insurance Company**

**Iowa Mutual Insurance Company**

**Protection Mutual Insurance Company**

**As of August 31, 1999 there were 627 member companies, -- 529 licensed to write the automobile coverages, 545 licensed to write the residential property coverages and 438 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, 1998:**

#### **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**

#### **Workers Compensation Committee**

**Builders Mutual Insurance Company**

#### **Property Committee**

**Allstate Insurance Company**

**Continental Insurance Company**

**Lumbermens Mutual Casualty Company**

**Nationwide Mutual Insurance Company**

**NC Farm Bureau Mutual Insurance Company**

**Royal Insurance Company of America**

**The Shelby Insurance Company**

**State Capital Insurance Company**

**State Farm Fire & Casualty Company**

#### **Legal Committee**

**Harleysville Mutual Insurance Company**

**Hartford Accident & Indemnity Company**

**Liberty Mutual Insurance Company**

**Maryland Casualty Company**

**Ohio Casualty Insurance Company**

**NC Farm Bureau Mutual Insurance Company**

**Pennsylvania National Mutual Casualty Ins Co**

**Royal Insurance Company of America**

**St. Paul Fire and Marine Insurance Company**

**Travelers Insurance Company**

**Liberty Mutual Insurance Company**

**Nationwide Mutual Insurance Company**

**State Farm Mutual Automobile Insurance Co**

**Travelers Indemnity Company**

**U S Fidelity & Guaranty 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 nine times during the year, including seven telephone conferences. 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 seven times during the year, including six 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 one time during the year. During the year covered by this Report, Travelers Insurance Company was elected as Chairman and Liberty Mutual 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.

## **LEGISLATION**

With respect to the Rate Bureau=s operations and lines of insurance subject to the Rate Bureau=s jurisdiction, the 1999 Session of the General Assembly of North Carolina enacted the following legislation:

**HB 394 - Permits an insurer to accept payment of an insurance premium by credit card. This Bill, ratified on July 19, 1999, becomes effective October 1, 1999.**

**HB 1289 - Sets the insurance regulatory charge at 7% of the premium tax for the 1999 calendar year. This Bill was ratified on July 20, 1999.**

**SB 562 - Repeals Department of Insurance form and rate filing fees and increases certain insurance company license renewal fees. This Bill became effective on its July 19, 1999 ratification date.**

## **AUTOMOBILE INSURANCE ACTIVITIES**

The following automobile insurance filings submitted by the Rate Bureau were approved or deemed approved by the Commissioner of Insurance during the year ended August 31, 1999:

### **Effective Date Subject**

**December 23, 1998 Personal Auto Policy Program Amendments**

**January 1, 1999 Endorsement IL 00 17 11 98 - Common Policy Conditions**

**April 1, 1999 Rule 19.B. - North Carolina Personal Auto Manual**

**April 1, 1999 Endorsement NC 03 23 - Miscellaneous Type Vehicle Endorsement**

**April 1, 1999 New & Revised Commercial Auto Coverage Forms**

**June 1, 1999 NC 03 02 (Ed. 1-99) - Extended Transportation Expenses Coverage**

**June 1, 1999 Amendments Rule 14.D. - North Carolina Personal Auto Manual**

### **Rate Revisions**

#### **1. February 1, 1994 Filing**

The Twenty-First Annual Report dated September 1, 1998 detailed developments to that date in connection with a private passenger automobile insurance rate filing submitted by the Rate Bureau on February 1, 1994 which proposed overall rate level increases of 10.8% for nonfleet private passenger automobiles and 22.4% for motorcycles.

After conducting a public hearing, the Commissioner of Insurance issued an Order which disapproved the Rate Bureau's filing and approved an overall rate level decrease of 13.8% for nonfleet private passenger automobiles and an overall rate level increase of 10.2% for motorcycles to be implemented effective January 1, 1995. The Rate Bureau appealed to the North Carolina Court of Appeals those provisions included in the Commissioner's Order dealing with the disapproval of the nonfleet private passenger automobile insurance rates and implemented rate level changes over the disapproval of the Commissioner that resulted in an overall rate level increase of 4.4% for nonfleet private passenger automobiles. The Rate Bureau did not appeal the ordered rate level changes for motorcycles and implemented the overall rate level increase of 10.2% for motorcycles as ordered by the Commissioner.

On December 17, 1996, the North Carolina Court of Appeals issued an opinion which affirmed part of the Commissioner's Order, vacated part of the Commissioner's Order and remanded the case to the Commissioner for further findings. A Petition by the Rate Bureau to the North Carolina Supreme Court for discretionary review was subsequently denied.

On September 10, 1997, the Commissioner of Insurance issued an Order on Remand which again disapproved the Rate Bureau's filing and approved an overall rate level decrease of 14.6% for nonfleet private passenger automobiles and an overall rate level increase of 9.3% for motorcycles. The Rate Bureau appealed the Commissioner's Order on Remand to the North Carolina Court of Appeals.

On December 29, 1998, the North Carolina Court of Appeals issued an opinion which again affirmed part of the Commissioner's Order on Remand, vacated part of the Commissioner's Order on Remand and remanded the case to the Commissioner of Insurance for further findings.

Following the Court of Appeals ruling, the Commissioner of Insurance and the Rate Bureau each filed Petitions for Discretionary Review with the North Carolina Supreme Court. On July 22, 1999, the Supreme Court allowed both Petitions for the limited purpose of remand to the Court of Appeals for reconsideration and a decision consistent with the Supreme Court's opinion in the 1996 rate case. On August 17, 1999, the North Carolina Court of Appeals entered a Certification of Judgment in which it stated that it had determined its previous decision to be consistent with the Supreme Court's opinion in the 1996 rate case.

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

## **2. May 1, 1995 Filing**

### **April 1, 1996 Filing**

The Twenty-First Annual Report dated September 1, 1998 detailed developments to that date in connection with revised rates for nonfleet private passenger automobiles and motorcycles submitted by the Rate Bureau on May 1, 1995 which proposed overall rate level increases of 4.5% for nonfleet private passenger automobiles and 11.0% for motorcycles. Included in that filing were revisions in territorial definitions and codes for private passenger automobile insurance. Because of the potential data issues which could affect the data underlying the filing, the Commissioner agreed that the Rate Bureau would submit an amended filing.

**The Rate Bureau submitted an amended filing on April 1, 1996 which included overall rate level increases of 5.7% for nonfleet private passenger automobiles and 10.1% for motorcycles. The amended filing also included (a) revisions to territorial definitions and codes for nonfleet private passenger automobile insurance, (b) revisions to the classification plan factors, (c) revised deductible relativities and (d) several revised Personal Auto Manual rules.**

**After conducting a public hearing, the Commissioner of Insurance issued an Order which disapproved the Rate Bureau=s filing and approved an overall rate level decrease of 8.3% for nonfleet private passenger automobiles and an overall rate level increase of 3.2% for motorcycles to be implemented effective December 1, 1996.**

**The Rate Bureau subsequently appealed to the North Carolina Court of Appeals those provisions included in the Commissioner=s Order dealing with the disapproval of nonfleet private passenger automobile insurance rates and motorcycle insurance rates and implemented rate level changes over the disapproval of the Commissioner that resulted in an overall rate level increase of 5.5% for nonfleet private passenger automobiles and an overall rate level increase of 9.4% for motorcycles.**

**On June 16, 1998, the North Carolina Court of Appeals issued an opinion which affirmed part of the Commissioner=s Order, vacated part of the Commissioner=s Order and remanded the case to the Commissioner for further findings. The Rate Bureau petitioned the Court of Appeals for rehearing but the petition was denied.**

**The Commissioner of Insurance filed Notice of Appeal to the North Carolina Supreme Court on issues pertaining to the consideration of investment income from capital and surplus and the Rate Bureau petitioned the North Carolina Supreme Court for discretionary review on issues pertaining to the consideration of dividends and deviations. After oral arguments on the Commissioner=s appeal and the Rate Bureau=s petition, the Supreme Court, on June 25, 1999, issued an opinion which affirmed the holdings of the Court of Appeals on both issues. The Rate Bureau=s Petition for Rehearing was denied.**

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

### **3. March 5, 1999 Filing**

**On March 5, 1999, the Rate Bureau filed with the Commissioner of Insurance revised rates for nonfleet private passenger automobiles and motorcycles subject to the jurisdiction of the Rate Bureau. The filing proposed (a) an overall statewide average rate level decrease of 4.9%, (b) an average liability insurance rate level increase of 0.5% for nonfleet private passenger automobiles and a decrease of 0.5% for motorcycles and (c) statewide average physical damage insurance rate level decreases of 11.1% for nonfleet private passenger automobiles and 10.0% for motorcycles.**

**On April 29, 1999, the Commissioner of Insurance issued a Notice of Public Hearing in connection with the filing and scheduled a public hearing to convene on September 27, 1999.**

**On August 20, 1999, as a result of the Supreme Court=s opinion in the 1996 private passenger automobile insurance rate case, the Rate Bureau filed amendments to the March 5, 1999 filing. The filing, as amended, proposed (a) an overall statewide average rate level decrease of 5.0% for nonfleet private passenger automobiles, (b) statewide average liability insurance rate level increases of 1.5% for nonfleet private passenger**

automobiles and 3.9% for motorcycles and (c) statewide average physical damage insurance rate level decreases of 12.5% for private passenger automobiles and 3.4% for motorcycles. As a result of the amendments to the March 5, 1999 filing, the Commissioner of Insurance rescheduled the public hearing to convene on November 29, 1999.

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

### Escrow Accounts

Member companies must continue to maintain escrow accounts for those policies affected by (1) the implementation of revised nonfleet private passenger automobile insurance rates over the Commissioner=s disapproval during the period from January 1, 1995 until December 1, 1996 as a result of the Rate Bureau=s filing submitted on February 1, 1994 and (2) the implementation of revised nonfleet private passenger automobile and motorcycle insurance rates over the Commissioner=s disapproval during the period from December 1, 1996 to May 1, 1997 as a result of the Rate Bureau=s filing submitted on April 1, 1996.

### Deviations

As of August 31, 1999, there were 190 member companies with approved rate deviations applicable to insurance for nonfleet private passenger automobiles, up from 181 one year ago. Fourteen companies' deviations applied to physical damage coverages only, 166 companies' deviations applied to both the liability and physical damage coverages and 10 companies had a liability only deviation.

### Appeals By Insureds

The Staff conducted 44 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 26 of the cases and ruled that the carrier had incorrectly interpreted the rules of the Safe Driver Insurance Plan in 18 cases.

### Legislation

The 1999 Session of the General Assembly enacted the following legislation that directly or indirectly affects automobile insurance coverages subject to the Rate Bureau=s jurisdiction:

**HB 280 - Makes technical, clarifying and other changes to the motor vehicle laws, including a section relating to the electronic transmission of data to the Department of Motor Vehicles regarding the termination and replacement of auto insurance coverage. The changes regarding the electronic transmission of data to the Department of Motor Vehicles become effective October 1, 2000.**

**HB 306 - Makes amendments to several insurance related statutes, including a section that excludes mechanical breakdown and related insurance from the jurisdiction of the Rate Bureau. This section of the Bill became effective on its**

**June 16, 1999 ratification date.**

**HB 991 - Provides that uninsured or underinsured motorists coverage, up to the coverage limits, shall pay for uncompensated and subrogated workers compensation benefits. This Bill, ratified on June 9, 1999, becomes effective October 1, 1999.**

**SB 756 - Increases the minimum financial responsibility limits to \$30,000/\$60,000 for bodily injury and \$25,000 for property damage. This Act becomes effective July 1, 2000 and applies to new and renewal policies written to become effective on or after that date.**

## **PROPERTY INSURANCE ACTIVITIES**

**The following property insurance filings submitted by the Rate Bureau were approved or deemed approved by the Commissioner of Insurance during the year ending August 31, 1999:**

### **Effective Date Subject**

**November 15, 1998 Dwelling Policy Program - Manual Revision Windstorm or Hail Exclusion Credit**

**February 1, 1999 Homeowners Policy Program - Sections I and II -**

**Exclusions for Computer Related Damage or Injury -**

**North Carolina - Manual Revision**

### **Effective Date Subject**

**February 1, 1999 Homeowners Policy Program - Sections I and II -**

**Exclusions for Computer Related Damage or Injury -**

**North Carolina - Forms Filing**

**February 1, 1999 Homeowners Policy Program - Home Business Insurance**

**Coverage Endorsement - Forms Filing**

**February 1, 1999 Homeowners Policy Program - Home Business Insurance**

**Coverage Endorsement - Rates & Rules Filing**

**February 1, 1999 Homeowners Policy Program - Revised Business Definition**

**And Exclusion**

**March 23, 1999 Homeowners Policy Program - Residence Rental**

## **Coverage - Forms Filing**

**May 10, 1999 Homeowners Policy Program - Extended Theft Coverage**

**For Residence Premises Rented to Others for Specified**

**Events - Forms Filing**

**May 10, 1999 Homeowners Policy Program - Extended Theft Coverage**

**For Residence Premises Rented to Others for Specified**

**Events - Rates & Rules Filing**

**May 19, 1999 Mobile-Homeowners MH(F) Policy Program -**

**Personal Property Inflation Coverage Endorsement**

**June 1, 1999 Homeowners Policy Program - Notice of No Flood Coverage**

**December 1, 1999 Dwelling Policy Program - Withdrawal of Endorsements**

**DP-32-48 and DP-32-49 (Endorsements AA@ and AB@)**

**On November 18, 1998, the Rate Bureau filed, on behalf of all member companies, a new Hurricane Percentage Deductible - North Carolina Endorsement which was designed for use on an optional basis in North Carolina with the Homeowners Policy Program. The endorsement was designed to provide a 1%, 2% or 5% deductible when the loss is caused by a hurricane. On January 13, 1999, the Rate Bureau received approval of the Hurricane Percentage Deductible - North Carolina Endorsement and manual rule to become effective January 13, 1999. On January 14, 1999, the Rate Bureau received a request from the North Carolina Department of Insurance to withdraw the Hurricane Percentage Deductible - North Carolina Endorsement. The endorsement was subsequently withdrawn.**

## **Rate Revisions**

### **1. Homeowners Insurance Rate Filing**

**On December 3, 1998, the Rate Bureau filed a homeowners insurance rate level change which proposed (a) an average statewide rate level increase of 15.6% for Forms 2, 3, 3w/15 and 8; (b) amended relativity changes by territory; (c) amended windstorm and hail exclusion credits; and (d) a May 1, 1999 effective date.**

**On February 17, 1999, the Commissioner of Insurance signed a Consent Order which provided for the approval of the filing subject to modifications which included (a) an approved overall rate level increase of 4.3%, (b) amended territorial rates and (c) amended windstorm or hail exclusion credits. The approved changes were implemented with respect to all new policies effective on or after June 1, 1999 and all renewal policies effective on or after July 15, 1999.**

### **2. Dwelling Fire and Extended Coverage Insurance Rate Filing**

On August 18, 1999, the Rate Bureau filed dwelling fire and extended coverage insurance rate level changes which proposed an overall average increase of 12.8%, based upon increases of 10.7% for dwelling fire insurance rates and 14.9% for extended coverage insurance rates. The filing proposed an effective date of December 1, 1999.

On September 1, 1999, the Commissioner of Insurance signed a Consent Order which provided for the approval of the filing subject to modifications which included (a) overall rate level increases of 4.3% for dwelling fire insurance and 6.1% for extended coverage insurance, (b) amended territorial rates and (c) amended windstorm or hail exclusion credits. The changes have been approved effective December 1, 1999, applicable to new and renewal policies.

### Deviations

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

#### 1998 1999

Fire and Extended Coverage 81 78

Homeowners 209 206

Mobile Home Owner MH(C) 24 23

Mobile-Homeowners MH(F) 20 22

### Legislation

The 1999 Session of the General Assembly enacted the following legislation that affects property insurance coverages subject to the Rate Bureau's jurisdiction:

HB 165 - Re-enacts a 1986 law providing for risk sharing plans, amends the immunity statutes for the FAIR and Beach Plans and extends the Beach Plan rate cap on Awind-only@ policies issued in the coastal area for two years. This Bill became effective on May 19, 1999.

### 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:

#### Item Subject Effective Date

R-1350 1998 Table of Insurance Charges April 1, 1999

**B-1352 Fertilizer Dealers and Manufacturers April 1, 1999**

**B-1354 U.S. Longshore and Harbor Workers Compensation Act July 1, 1999**

**Classifications and Rates**

**R-1356 1999 Update to Retrospective Rating Plan July 1, 1999**

**Parameters and Rules**

**B-1337 Employers Liability & Admiralty/FELA Increased Limits September 1, 1999**

**B-1342 Wrap-Up Construction Projects September 1, 1999**

**U-1358 Claim Grouping Option September 1, 1999**

**B NC Workers Compensation Insurance Plan September 1, 1999**

**B-1351 Workers Compensation Premium Algorithm July 1, 2000**

**RM-W-8022 Residual Market Workers Compensation Premium Algorithm July 1, 2000**

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

**Rate Revisions**

**During the year covered by this Report there were no loss costs or residual market rate filings.**

**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:**

**Year Ended August 31**

**1998 1999**

**Inspection Program:**

**Inspection reports processed 760 649**

**Number in agreement with carriers' classifications 356 221**

**Number in disagreement with carriers' classifications 404 428**

**Rating:**

**Intrastate experience ratings 29,551 37,320**

**Policy Review:**

**Policies received 124,357 127,755**

**Policies approved 32,110 22,278**

**Policies disapproved 8,379 5,075**

**Endorsements received 90,054 100,458**

**Endorsements approved 27,769 19,293**

**Endorsements disapproved 1,692 4,827**

**Cancellations 13,855 6,581**

**Reinstatements 3,720 1,939**

**The policies and endorsements not examined were mostly for very small risks.**

**In accordance with previously established procedures the Rate Bureau continued to transmit via video terminals workers compensation insurance coverage reports to the North Carolina Industrial Commission. The Bureau updates the coverage records of the Industrial Commission upon receipt of policy information pages, renewal certificates, endorsements, cancellation notices and reinstatement notices.**

**Workers Compensation Insurance Plan**

**In accordance with the provisions of the North Carolina Workers Compensation Insurance Plan 13,927 risks were assigned by the Bureau during the year ended August 31, 1999. There were 5,866 new assignments, 7,986 renewals and 75 risks extended North Carolina coverage after having been assigned in another State. During the year ended August 31, 1998, the Bureau processed 19,639 new, renewal and supplementary assignments.**

**Legislation**

**The 1999 Session of the General Assembly enacted the following legislation that affects workers compensation insurance:**

**HB 296 - Makes technical amendments and corrections in connection with the Rate Bureau statutes as they relate to workers compensation insurance and loss costs, including (i) deletion of the Aprior approval@ requirement to cancel an assigned risk policy; (ii) removal of premium tax, licensing costs and fees from the definition of loss costs and inclusion of those components in the definition of expenses; and (iii) introduction of a requirement that a copy of an insurer=s loss costs multiplier filing be sent to the Rate Bureau. This Bill was ratified on May 24, 1999 and the changes in connection with workers compensation insurance became effective September 1, 1999.**

**HB 306 - Makes amendments to several insurance related statutes including a section that extends managed care provisions to individual and group self-funded workers compensation insurance plans. This section of the Bill became effective on its June 16, 1999 ratification date.**

**HB 980 - Allows judicial discretion in determining the appropriate amount of subrogation of an employer=s lien, whether based on accrued or prospective workers compensation benefits. This Bill applies to judgments or settlements entered against third parties on or after the June 9, 1999 ratification date.**

**HB 991 - Provides that uninsured or underinsured motorists coverage, up to the coverage limits, shall pay for uncompensated and subrogated workers compensation benefits. This Bill, ratified on June 9, 1999, becomes effective October 1, 1999.**

**SB 214 - Provides, for workers compensation benefits, a procedure for determining annual compensation for members of the teachers, state employees and local governmental retirement systems who purchase creditable service for a leave of absence. This Bill, ratified on June 2, 1999, becomes effective July 1, 1999.**

**SB 877 - Clarifies the Workers Compensation Act definition of Aemployee@ for members of the North Carolina National Guard and the North Carolina State Guard. This Bill became effective on its July 14, 1999 ratification date.**

**SB 1113 - Eliminates the requirement that the North Carolina Industrial Commission adopt rules governing the methods of oral and written communications between an employer paying compensation benefits and a medical care provider. This Bill became effective on its May 31, 1999 ratification date.**

## **OPERATING EXPENSES**

**Following is a summary of the Rate Bureau's operating expenses paid during the twelve months ended August 31, 1998 and August 31, 1999:**

### **1998 1999**

**Salaries & Administration \$1,682,031 \$1,779,945**

**Payroll Taxes 129,927 135,637**

**Rent 213,064 223,657**

**Travel 57,344 51,133**

**Postage 47,179 52,174**

**Software and Systems Maintenance 22,559 43,371**

**Printing & Office Supplies 51,705 55,676**

**Furniture & Equipment 149,240 126,442**

**Telephone 62,009 40,282**

**Group Insurance 220,267 233,137**

**Retirement Plan 160,723 115,634**

**Employees Savings Plan 71,494 70,233**

**Legal Expenses 730,061 693,795**

**Outside Services 4,020,124 4,188,962**

**Other Expenses 37,993 36,725**

**Total \$7,655,720 \$7,846,801**

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**The 1999 expenses increased approximately 2.5% over the 1998 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 continues to be a real pleasure.**

**Respectfully submitted,**

**John W. Watkins**

**General Manager**

**JWW:lm**