



AMENDED MINUTES OF THE FORTY-FIRST ANNUAL MEETING OF THE
NORTH CAROLINA RATE BUREAU
HELD AT THE GRANDOVER RESORT AND CONFERENCE CENTER
ONE THOUSAND CLUB ROAD, GREENSBORO, NORTH CAROLINA
OCTOBER 10, 2018

MEMBERS PRESENT

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

Builders Mutual Insurance Company

Builders Premier Insurance Company

Amica Mutual Insurance Company

Auto Owners Insurance Company

Atlantic Casualty Insurance Company

Auto-Owners Specialty Insurance Company

Owners Insurance Company

Erie Insurance Exchange

Falls Lake National Insurance Company

Stonewood Insurance Company

Hartford Fire Insurance Company

Hartford Accident & Indemnity Company

Hartford Casualty Insurance Company

Hartford Insurance Company of the Midwest

Hartford Underwriters Insurance Company

Maxum Casualty Insurance Company

New England Insurance Company

Property & Casualty Insurance Company of Hartford

Sentinel Insurance Company Ltd

Trumbull Insurance Company

Twin City Fire Insurance Company

REPRESENTED BY

Brian Donlan

Christopher Wetzel

James E Sherring

Monica Gardner

Sonja Maki

Mark Caughron

Jon Bloom

Susan Richardson

Daniel P Post

Eric Mize

Key Risk Insurance Company

E Douglas Ryan

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
Firemens Insurance Company of Washington District of Columbia
Great Divide Insurance Company
Intrepid Insurance Company
Midwest Employers Casualty Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company

Liberty Mutual Insurance Company

Mark Ford

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
Ironshore Indemnity Inc
Liberty Insurance Corporation
Liberty Insurance Underwriters Inc
Liberty Mutual Fire 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

Lititz Mutual Insurance Company

Chris Butterworth
Michael Seniuk

National General Insurance Company

Art Lyon

Agent Alliance Insurance Company
AmTrust Insurance Company of Kansas, Inc.
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
Milford Casualty Insurance Company
National General Assurance 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

Nationwide Mutual Insurance Company

Tom Souder
Christine Hague
Eric Ryan
Nicholas Sizemore

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
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 Property & Casualty Insurance Company
Scottsdale Indemnity Company
Titan Indemnity Company
Victoria Automobile Insurance Company

Victoria Fire & Casualty Company

Old Republic Insurance Company

Scott Dahlager
Tammy Minarich

Pennsylvania National Mutual Casualty Insurance Company
Penn National Security Company

Lynette M Prosser
Pat Lovell
Teresa Burroughs

Permanent General Assurance Corporation
Permanent General Assurance Corporation of Ohio

Diona Gardner-Moore
Sondra Cavanaugh

Progressive Casualty Insurance Company
American Strategic Insurance Company
National Continental Insurance Company
Progressive Advanced Insurance Company
Progressive American 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 W McGee

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

Alan Bentley

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

Peter Sampson

The Travelers Indemnity Company
Discover Property & Casualty Insurance Company
Farmington Casualty Company
Fidelity & Guaranty Insurance Company
Fidelity & Guaranty Insurance Underwriters Inc
Northland Casualty Company
Northland Insurance Company
Select Insurance Company
St Paul Guardian Insurance Company
St Paul Mercury Insurance Company

Kirsten Forbes

St Paul Protective Insurance Company
St. Paul Fire & Marine Insurance Company
Standard Fire Insurance Company
The Automobile Insurance Company of Hartford, Connecticut
The Charter Oak Fire Insurance Company
The Phoenix Insurance Company
The Travelers Indemnity Company of America
The Travelers Indemnity Company of Connecticut
Travco Insurance Company
Travelers Casualty & Surety Company
Travelers Casualty & Surety Company of America
Travelers Casualty Company
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 Personal Insurance Company
Travelers Personal Security Insurance Company
Travelers Property Casualty Company of America
Travelers Property Casualty Insurance Company
United States Fidelity & Guaranty Company

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

Lisa Sukow

Unitrin Auto & Home Insurance Company
Alpha Property & Casualty Insurance Company
Kemper Independence Insurance Company
Merastar Insurance Company
Response Insurance Company
Response Worldwide Insurance Company
United Casualty Insurance Company of America
Unitrin Direct Property & Casualty Company
Unitrin Safeguard Insurance Company

Kimberly Flint

United Wisconsin Insurance Company
Accident Fund General Insurance Company
Accident Fund Insurance Company of America
Accident Fund National Insurance Company
Third Coast Insurance Company

Dana Pierce
Tee Stephenson
Mike McKeon

PUBLIC MEMBERS
John Wei

OTHERS PRESENT

Milliman

Young Moore and Henderson, P.A.

ISO

Staff

REPRESENTED BY

Paul Anderson
David Appel

Glenn Raynor
Mickey Spivey
Billy Trott

Rob Curry
Yanjun Yao
Kathy Olcese

Joanna Biliouris
Tom Burns
Shelley Chandler
Jarred Chappell
Terry Collins
Edith Davis
Ray Evans
Vicki Godbold
Betty Hurst
Keri Johnson
Frank Lonnett
Andy Montano
Karen Ott
Natasha Sumter
Rebecca Williams

Two-hundred seventy one (271) other companies were represented by proxy.

The meeting convened as scheduled, Mr. Donlan of Allstate Insurance Company, Chair 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 2018 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 Corporation, American Home Assurance Company, State Farm Mutual Automobile Insurance Company and Nationwide Mutual Insurance Company) recommended the following companies to continue to serve a second three-year term on the Governing Committee: National General Insurance Corporation for the stock position and Liberty Mutual Insurance Company for the non-stock position. He further reported

that the Nominating Committee recommends the following as new companies to be elected to serve on the Governing Committee: Builders Mutual Insurance Company for the non-stock position and Progressive Casualty Insurance Company for the 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 United Services Automobile Associate and Unitrin Auto and Home Insurance Company for their service on the Governing Committee.

3. Comments from the Chairman

Mr. Donlan 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:amt
Attachments
G-18-5



NCRB

2018 Annual Report
North Carolina Rate Bureau



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

2018 Annual Meeting

The annual meeting of member companies of the North Carolina Rate Bureau will be held October 10, 2018, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

CORE VALUES

Commitment
Integrity
Respect
Talents
Ownership
Consistency

Management Contacts

NCRB Staff

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Joanna Biliouris Chief Operating Officer, Insurance Operations
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Betty Hurst Manager, Workers Compensation Regulatory
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Natalie Linares Manager, Training and Development
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Andy Montano Director, Personal Lines
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Lynne Mays Supervisor, Assigned Risk & Underwriting Operations
919-582-1080 lwm@ncrb.org

Felecia Taylor Supervisor, Data Services
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Rebecca Williams Actuary
919-582-1055 rrw@ncrb.org

Shared Resources Staff

Shelley Chandler Chief Information Officer
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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

2018 has been a very busy and successful year for the Rate Bureau. It comes as no surprise that we spend a good deal of time formulating goals and objectives and charting a course to accomplish the same. I don't recall many surprises over the past year, but I will say that the biggest surprise was the complexity surrounding what we did accomplish. For instance, last year the Bureau experienced a significant number of retirements. As a result, we filled three senior positions including our new Director of WC Operations, Jarred Chappell; Information Center Supervisor, Latimia Roberson-Hill; and Regulatory

Manager, Natasha Sumter, replacing Betty Hurst who is retiring in 2019. We miss those that have left, but are confident that our new hires will bring exceptional talents and experience to our operations. Effective operations begin with our staff, and Joanna has done very well in filling staffing vacancies.

Adequate rates are a goal each year, and we have had some notable successes in filings: a mid-single digit increase for homeowners, a mid-single digit increase for dwelling, and significant decreases for workers compensation. Other filings in process this year include a new flood insurance program and significant revisions to the current mobile home programs.

One of our continuing focuses is customer service, with workers compensation insurance for 35,000 or so assigned risk employers being a prime example. We are working towards a real-time environment for most WC transactions, posturing our operations for further advancements in the next year or so.

Effective communication is always on our list of objectives each year. By my count, the Bureau has hosted close to 100 committee meetings of one kind or another during the past year. These meetings have covered important materials and information, making participation and communication vital to our success. We are exploring innovative measures to encourage ongoing member participation and to ensure that future meetings are effective, informative, and productive.

A notable milestone for the Bureau in 2018 was the engagement of two interns from East Carolina University. Natalie Linares, Manager, Training and Development, put together an impressive program for these interns, exposing them to daily operations for both personal lines and workers compensation business. With three North Carolina universities having insurance programs, we hope to continue this offering in the coming years.

I also want to recognize our Organization's "shared services" that operate independently from the insurance operations but are critical to the success of fulfilling our duties and obligations. These are Accounting and Finance, led by Edith Davis; Information Services, led by Shelley Chandler; and Human Resources and Facilities, led by Vicki Godbold.

My report this year is largely centered on our associates, which is appropriate and why the Rate Bureau has again enjoyed a successful year. There is another individual I would like to recognize. He is Mickey Spivey, a partner at Young Moore and Henderson, our legal counsel who is with us at almost every meeting, involved in almost every filing, and the list goes on. He has been a great help in developing a good working relationship with the NCDOL.

2018 has been a good, productive year, and part of the success is due to the support, help, counsel, and enthusiasm of the Governing Committee chaired by Jennifer Jabben. It is also important to recognize our numerous other committees, including the new Property Flood Subcommittee and the Property Rating Committee, which have both been particularly busy this year. Thanks to all of you who have generously contributed your time participating in committee meetings this year.

MESSAGE FROM THE CHAIR OF THE GOVERNING COMMITTEE

The North Carolina Rate Bureau celebrates continued success in 2018, attributed to the dedication and leadership of the Rate Bureau staff; our counsel, Young Moore & Henderson; those individuals who serve on the Governing Committee; and the various Rate Bureau Committees and Subcommittees. Thank you!

During the past year, the Rate Bureau has made significant progress toward establishing adequate rate levels, reaching settlement agreements on both Homeowners and Dwelling rate filings. The 4.8% overall rate level increase for Homeowners, which will become effective in October, builds on revised protection-construction relativities and amount of insurance relativities implemented earlier this year and will improve the outlook for this challenging line of business. The 4.8% overall rate increase for Dwelling, which will become effective February 2019, includes territory redefinitions and moves us toward adequate rate levels. The Workers Compensation filings this year will likely see another decrease in the voluntary loss costs and assigned risk rates due at least in part to reforms in recent years.

In addition to progress toward rate adequacy, improvements were made to the policy contract to ensure the coverage is appropriate and relevant. The Assignments of Benefits language was updated across multiple lines of business, and new language was added to the Homeowners Program for Home Sharing and Drones. Work is underway to review and update the Mobile Home Program, and the Rate Bureau is also in the process of developing a private Flood Program.

Also, as we look to modernize our operations, the Rate Bureau website is being refreshed with updated look, feel and navigation functionality. For workers compensation insurance, a fully automated payments system for assigned risk applications is planned for 4th quarter, and enhancements to the ManageOwnership application now allow for revisions to submitted ownership forms.

These highlighted accomplishments, and many others not mentioned, help North Carolina to remain a viable insurance market for consumers and the industry alike. It has been my pleasure, and a true privilege, to serve as the Chair of the Governing Committee this past year; I look forward to continued success in 2019 and beyond.

Jennifer Jabben
Allstate 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 |
| American Home Assurance Company | Ira Feuerlicht |
| Erie Insurance Exchange | Jon Bloom |
| Hartford Fire Insurance Company | Eric Mize |
| Liberty Mutual Insurance Company | Mark Ford |
| NC Farm Bureau Mutual Insurance Company | Roger N. Batdorff |
| National General Insurance Company | Art Lyon |
| Nationwide Mutual Insurance Company | Thomas E. Souder |
| 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 | Matthew Berry |
| Amica Mutual Insurance Company | James E. Sherring |
| Erie Insurance Company | Darrin Birtciel |
| Hartford Fire Insurance Company | Eric Mize |
| Members Insurance Company | Jason Ivers |
| Nationwide Mutual Insurance Company | Nick Sizemore |
| N.C. Farm Bureau Mutual Insurance Company | Bob Tart |
| Penn National Mutual Casualty Insurance Company | Pat Lovell |
| 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 |
| Liberty Mutual Insurance Company | Mark Ford |
| National General Insurance Corporation | Art Lyon |
| Nationwide Mutual Insurance Company | Nick Hartmann |
| N.C. Farm Bureau Mutual Insurance Company | Roger N. Batdorff |
| Progressive Casualty Insurance Company | Kevin McGee |
| State Farm Mutual Automobile Insurance Company* | Steve Harr |
| Travelers Insurance Company | Drew Nonweiler |
| 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 | Christopher Matt |
| N.C. 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 2018.

*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

Since our last report, the Insurance Operations group has continued to focus on our key objectives: achieving rate adequacy, improving our operational effectiveness, and providing a strong team to meet the needs of our members. To achieve these objectives, we directed our efforts to expanding and improving technology offerings, filing revised rates for many of our lines of business, and filling key leadership positions.

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

- In total, the North Carolina Rate Bureau made 22 rate, rule, and form filings with the North Carolina Department of Insurance since our last report. The filings included automobile, homeowner, dwelling, mobile home, and workers compensation lines of business.
- Our new Workers Compensation Operations Director and Information Center Supervisor transitioned successfully into their new roles and transition planning for the 2019 retirement of our Regulatory Manager was completed.
- Our ManageOwnership system was enhanced to allow more interaction with submitters and to facilitate a more efficient exchange of information regarding ownership changes.
- Rate changes were approved for the Homeowner and Dwelling programs to move toward rate adequacy.
- Significant revisions to property forms that address home sharing, drones, and assignment of benefit issues in the industry were completed.
- Our website was completely refreshed to support easier navigation and organization of content.

Looking ahead, we are focused on several strategic initiatives to further enhance our members' experience with the NCRB. Those projects on the horizon include

- Strategic technology initiatives with an emphasis on ease of interaction and a transition to real-time processing for workers compensation policy and unit stat data reporting.
- Implementation of a fully automated payment platform for assigned risk policies.
- Development of a private Flood Insurance Program for North Carolina.
- Complete review of our Mobile Home Programs to ensure they meet the needs of our members.

By all measures, 2018 was another successful year for the North Carolina Rate Bureau. These achievements are a result of the efforts put forth by our talented and dedicated Bureau associates, committee members, counsel, and consultants.

MEMBERSHIP

Total Rate Bureau Membership as of 6/30/2018: 769

Calendar Year 2017

| Line of Business | # of Members | Total Written Premium |
|----------------------|--------------|-----------------------|
| Automobile | 659 | \$6,783,431,769 |
| Property | 646 | \$2,570,163,566 |
| Workers Compensation | 534 | \$1,448,416,031 |

PERSONAL LINES



Andy Montano
Director, Personal Lines

In my first year at the Rate Bureau, I have been impressed with the expertise and participation rate of our member companies. The Rate Bureau has eight active committees that are focused on auto and property rates, forms, and rules, with 75 members extending across these committees. I greatly appreciate the commitment our team members make in order to benefit the state of North Carolina. As stated last year, I am interested in improving our committee meetings by making them more interactive and collaborative so that we can make better industry-wide decisions.

Automobile

The Rate Bureau is required to make a filing on Private Passenger Auto insurance each year by February 1. Due to the consent order issued in June 2017 by the Commissioner of Insurance (Commissioner) requiring an informational only review in 2018, the Rate Bureau did not request a rate level change on February 1, 2018. The Rate Bureau will perform a review and if indicated, may file a full rate level change for February 1, 2019.

In May of this year, the Commissioner approved revisions to the Amendatory Endorsements NC 00 13 and NC 00 12 which are mandatory endorsements required to be attached to the Personal Auto Policy. These revised endorsements amend Part E—Duties After An Accident Or Loss—Filing A Claim and Part F—General Provisions of the policy. The purpose of these revisions is to protect insureds and insurers better regarding assignment of benefits practices in North Carolina.

Property

On November 17, 2017, the Rate Bureau filed with the Commissioner a proposed average rate level change of 18.7% for the Homeowners program. The proposed filing included rate changes varying by form and territory, revised windstorm or hail exclusion credits, revised wind mitigation credits, and revisions to the base amount of insurance and base deductibles. The Rate Bureau and Commissioner negotiated a settlement agreement dated April 18, 2018, which resulted in an approved statewide average rate level increase of 4.8% for all Homeowner forms effective October 1, 2018.

In April 2018, the Rate Bureau filed and received approval from the Commissioner to add Assignment of Benefits language within our Dwelling and Mobile Home programs, which goes into effect on October 1, 2018.

The Rate Bureau also filed and received approval from the Commissioner for new Homeowner endorsements for Home Sharing and Drones and amending a provision in the policy for Assignment of Benefits to be effective January 1, 2019.

On February 7, 2018, the Rate Bureau filed with the Commissioner a proposed average rate level change of 18.9% (Fire -20.8% and Extended Coverage 40.5%) for the Dwelling Policy program. That filing also updated the territories so that they are now consistent with our Homeowner territory definitions. The Rate Bureau and Commissioner negotiated a settlement agreement dated June 27, 2018, which resulted in an approved statewide average rate level change of 4.8% for all Dwelling forms effective February 1, 2019.

The Rate Bureau continues to work on a Flood program, with NC being the eighth largest state for National Flood Insurance Program (NFIP) policies. The Property Flood Subcommittee has evaluated a feasibility study, which shows nearly 50% of the policies in the Special Flood Hazard Areas could be written privately at or lower than the current NFIP rate. For those areas outside the Special Flood Hazard Area (almost 2 million homes), about 90% of those could be written lower than the NFIP rate level. The next steps include a review of the policy forms and rating structure and evaluation of Flood catastrophe models.

The Mobile Home rate review is in full swing. This year we anticipate completing a full rate review and updating deductibles, AOI curves, and other rating variables.

Safe Driver Insurance Plan

As required in the General Statutes, the Bureau continues to provide a mechanism for policyholders to appeal “points” that have been charged as a result of at-fault accidents. The Bureau receives an average of 50 disputes per year, of which most are resolved without a hearing. Below is a summary of the outcomes of the disputes that required a hearing.

| | 2016 | 2017 | 2018 |
|---------------------|------|------|------|
| In Favor of Insured | 4 | 4 | 0 |
| In Favor of Company | 2 | 3 | 3 |

Legislation

HB 382 was enacted in June 2018 and includes the following pertinent provisions:

- Legislation revised consent to rate (CTR) procedures for private passenger auto and residential property insurance, effective January 1, 2019, to remove the requirement that the insurer obtain the written consent of the insured prior to using CTR. Therefore, for policies issued, renewed, or amended on or after January 1, 2019, use of the current CTR form and obtaining the policyholder’s signature authorizing CTR will no longer be required. Insurers will be required to give a specified notice to the insured on the first page of the declarations or on a separate page before the declarations page that the rates used to calculate the premium are greater than the rates that are applicable in North Carolina. Please see the revised statute for the specific requirements for that notice.
- The Department shall collect annually from member companies the percentage of policies that are CTR and the average difference between the approved premium and the consented premium by territory. (GS 58-36-30)
- With certain exceptions, companies must obtain records of convictions for moving traffic violations prior to the sale of a new policy. (GS 58-36-65)
- Commercial Auto Rate Evasion—Legislation added two more criteria to establish documentary “reliable proof” of North Carolina residency and/or eligible risk status for cession of a policy to the Reinsurance Facility. (GS 58-2-164)

WORKERS COMPENSATION



Jarred Chappell
Director, Workers
Compensation Operations



Latimia Roberson-Hill
Supervisor, Information
Center



Lynne Mays
Supervisor, Assigned Risk &
Underwriting Operations



Felicia Taylor
Supervisor, Data Services

Workers Compensation Regulatory Activity

2018 was a short session for the North Carolina General Assembly. During the short session, new legislation is typically not considered, as the primary focus during this session is on the budget and legislation that passed the house of origin during the long session. Although there is little to report on pending legislation, a number of items of interest continue to be monitored by the Bureau.

North Carolina Workers Compensation Opioid Task Force—This task force was established in February 2017 by the North Carolina Industrial Commission (NCIC) at the direction of the North Carolina General Assembly and was charged with studying and recommending solutions for problems arising from opioid abuse. The task force researched and developed rules that became effective May 1, 2018. The new rules are a proactive measure aimed at reducing opioid misuse and addiction in workers compensation claims, while facilitating the timely and effective delivery of appropriate medical treatment for pain management.

House Bill 243, signed into law on June 29, 2017, is known and cited as the Strengthen Opioid Misuse Prevention Act of 2017 or the STOP Act. It is intended to reduce the supply of unused and misused opioids being circulated in North Carolina. The highlights of this bill include (1), a limit on the number of days opioids can be prescribed and (2), a requirement that prescribers report prescriptions through the NC Controlled Substances Reporting System.

This legislation and the efforts of the Opioid Task Force demonstrate North Carolina's willingness to take steps toward minimizing the opportunities for the abuse and addiction of opioids in our state.

Ambulatory Surgical Center Fee Schedule Update—As stated in last year's annual report, the North Carolina Industrial Commission (NCIC) sets the workers compensation fee schedule for Ambulatory Surgical Centers (ASC) through the rulemaking process. Prior to April 1, 2015, the rate of reimbursement for ASCs was 67.15% of billed charges. A new fee schedule was established to set the maximum reimbursement rate for ASCs at 220% of the Medicare rate effective April 1, 2015, and further reduced the maximum reimbursement for ASCs to 210% on January 1, 2016, and 200% on January 1, 2017.

In October 2015, Surgical Care Affiliates (SCA) challenged the NCIC April 1, 2015, fee schedule. This challenge was denied by the NCIC and then was granted by the Wake County Superior Court. On appeal, the North Carolina Court of Appeals in November 2017 reversed the Superior Court and held that the medical fee schedule promulgated by the NCIC is valid retroactively to April 1, 2015. The North Carolina Supreme Court denied a petition for discretionary review, and therefore the fee schedule set by the NCIC continues to be the effective fee schedule for ambulatory surgical centers.

Additional information on legislative activity and other items of interest related to workers compensation can be found in the 2018 Report on Workers Compensation Insurance in North Carolina located in the "Recent News" section of the Bureau's website at www.ncrb.org.

Disputes

Each year the Bureau reviews a number of disputes submitted by carriers and insureds related to workers compensation manual rules, the experience rating plan, and the administration of the Workers Compensation Insurance Plan. This past year, 120 disputes were received and resolved, with one dispute requiring a formal hearing. The top three reasons for disputes during the past 12 months were class codes (24%), cancellations (22%), and residual market eligibility (12%).

Workers Compensation Operations

The Workers Compensation Operations department has responsibilities pertaining to the maintenance and equity of a thriving workers compensation market in the State of North Carolina. Within the department, we are divided into three operational areas:

- Assigned Risk and Underwriting Operations
- Data Services
- Information Center

Since our last report, the Workers Compensation Operations department has embarked on several new projects to streamline processes and increase efficiencies.

- E-Payments—A new payment method is being implemented to facilitate direct funds transfer from the assigned risk agent to the carrier.
- Spectrum Upgrade—Our internal data management system was upgraded to provide for future "real-time" data transfer with our carrier partners.
- ManageOwnership Enhancements—Our ManageOwnership system was enhanced to allow more interaction with agents and facilitate an efficient flow of information regarding ownership changes.
- ManageAR Enhancements—The primary system will undergo major enhancements to make the platform more intuitive and ensure accurate applicant information.
- Carrier Improvements to Fine Data and Reports—Our Data Services team implemented a new look and feel to our fine reports.
- Data Quality Improvement Program—The Data Services team is educating carriers on data timeliness and quality.
- Service Management Software Enhancement—Improvements to our customer service point of contact software will allow our Information Center to provide more accurate and timely response to inquiries.

Assigned Risk and Underwriting Operations

As the administrator for the North Carolina Workers Compensation Insurance Plan, the Bureau administers the statewide residual market. The Assigned Risk and Underwriting Operations team is tasked with the analysis and assignment process on approximately 17,000 applications annually. The Bureau works with three servicing carriers and eight direct writing carriers to place applicants in the residual market. Our servicing carriers are now in the second year of a three-year contract.

The Assigned Risk and Underwriting Operations team is also responsible for issuing rulings on ownership and class code questions for the workers compensation market in North Carolina, both residual and voluntary markets. Our team reviews each of these work items to make sure that data is reported accurately for experience modification calculation and rate development. Overall, this team handles an average of 9,793 work items each month.

July 2017 – June 2018 Statistics

| | |
|---------------------------------------|---------------------|
| New Applications | 17,644 |
| Applications Submitted Electronically | 98% |
| Average Premium Size | \$2,959 |
| Work Items Completed Annually | 117,525 |
| Total Assigned Risk Premium | \$79,016,441 |

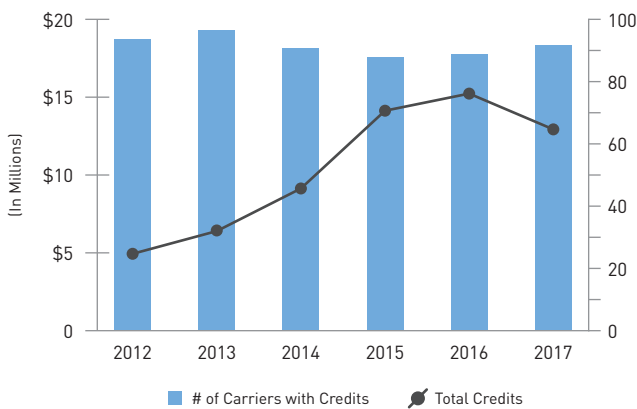
Data Services

The Data Services team members are our technical experts that oversee the daily collection and management of Policy Data and Unit Statistical Data. Throughout the 2017-2018 year, the team collected information on over 705,980 policy-related transactions and over 229,046 unit statistical data-related transactions. The Unit Statistical data reported generated 39,847 experience modifications to North Carolina employers.

Data Services is the primary point of contact to help our member carriers with any data reporting needs. In order to maintain the integrity of our data, this team works closely with our member companies to ensure ease and accuracy of reporting.

The Take-Out Credit program is an important aspect of our assigned risk plan that the Data Services team administers. In 2017, credits totaled \$12.92 million among 92 carriers, representing an increase of over 150% in the last 5 years.

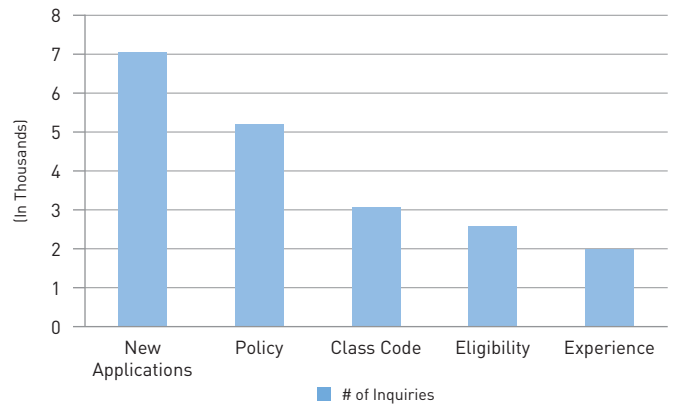
Take-Out Credits



Information Center

The Information Center is the primary point of contact for the Bureau, as well as for the NC Reinsurance Facility and NC Insurance Guaranty Association. This team handles an average of 2,647 inquiries per month from carriers, agents, and employers through phone or email. These inquiries range in subject from assigned risk applications and experience modifications to carrier insolvencies and technical support.

Top 5 Support Inquiries



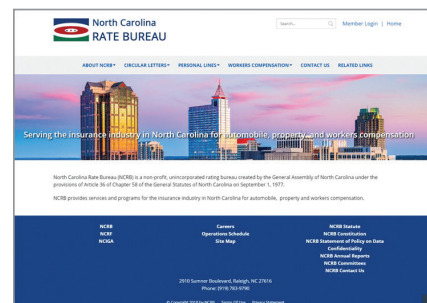
July 2017 – June 2018 Statistics

| | |
|------------------------|---------------|
| Calls Received | 18,370 |
| Emails Received | 13,390 |
| Total Inquiries | 31,760 |

Training and Development

The Bureau continues to grow in the areas of training and development. Our primary training initiative this year focused on internal cross training to increase subject area knowledge within our department. This has given more stability to our production teams during seasonal staffing shortages and allowed greater flexibility to handle fluctuations in daily work volume. In addition, we offered on-site training for local agents, jump-starting an initiative to provide more training programs and educational opportunities for agents in 2019. The training department is a proponent of learning through technology, which is demonstrated by on-demand webcasts available on our website and expansion of these offerings in 2019. One of our most notable accomplishments was the implementation of our first ever Insurance Operations Summer Internship Program; two students were selected for a 10-week learning opportunity. Through training, observing and participating in organizational workplace experiences, the interns gained useful knowledge and professional skills associated with the following areas: Workers Compensation operations, Assigned Risk, Unit Statistical Data, and Personal Lines operations.

Website Redesign



NCRB will soon unveil our redesigned website. We are excited about the changes, as we think our users will find the site to be more modern, dynamic, and easier to navigate. We have minimized lengthy page scrolling and organized

content more intuitively. The ultimate goal is to provide a platform that offers seamless access to the array of content, tools, and functionality that our users rely on us to deliver.

SHARED SERVICES

Information Services



Shelley Chandler

Chief Information Officer

Information Services continues to leverage technology advances to enhance our business processes and to fulfill the needs of our customers. Through daily operations and project work, it is our duty not only to support the organization, but to introduce innovative strategies that guarantee robust systems and applications, and allow for expansion in areas where progress is desired.

A significant amount of effort is spent resolving daily issues that impact productivity and that keep essential processes moving forward. Extensive planning goes into resource allocation for IT staff; however, we remain flexible in our commitment to provide our customers with the highest level of efficiency.

Project work also contributes to our goal of promoting efficiency. From an infrastructure standpoint, we've implemented projects that continually improve our environment and our security posture. In 2018, some of the most significant upgrades we performed were to our storage network, increasing our Internet bandwidth, upgrading our server and desktop operating systems, and modernizing Enterprise Services to current releases and versions.

With reported data breaches around the country and world increasing approximately 45% from 2015 to 2016 and again from 2016 to 2017, we continue to have an increased focus on security. We work to protect our environment and prevent breaches by continuing to adhere to the belief that the best defense against security risks is employee training. We provide monthly security training and routine phishing simulations to teach employees how to defend against common and emerging threats and how to protect the data they are entrusted with to execute their jobs. We also continue to harden and isolate our systems by upgrading perimeter security and limiting system permissions to only those users that require access to perform their job duties.

In order to predict and prevent security breaches, we continued to work with professional security experts to conduct regular risk assessments that alert us to any risks (or threats) in advance so that we can remediate promptly and appropriately. In addition to network testing, we also conducted penetration testing for some of our custom web applications to provide further insight into our security posture.

While we have never experienced a major business interruption, it is important that we are prepared to detect and respond to potential events. In early 2018, we changed our Cyber Security Insurance Policy to include significant response resources in the event of a breach. Our outside security consultant also conducted a Cyber Readiness Review to provide strategic guidance on effectively detecting, containing, eradicating, and remediating suspected incidents and their impact on our business. This provides reassurance to our customers that we are aware and prepared to facilitate business recovery should an incident occur.

We look forward to expanding our capabilities for enhancing our customer experience through technology while ensuring security of the data we protect.

Human Resources and Facility Services



Vicki Godbold

Chief Human Resources Officer

"Unleash the potential that is in another and you unleash the potential that is in you."
— Matshona Dhliwayo

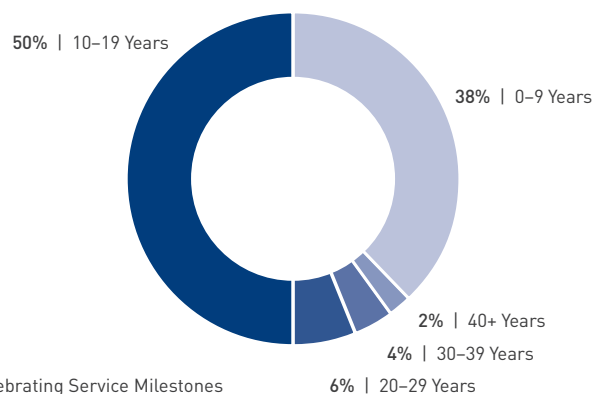
Our Human Resources is the strategic and comprehensive approach committed to our Organization's most valued assets—our people. Facility Services provide a secure and comfortable work environment along with mail services and receptionist services. In HR, beginning in 2016, we based our Performance Evaluations on individual associate job descriptions, which included a comprehensive review and update by associates in 2017. We also added five new associates and are in the process of recruiting one additional member of staff. We hired our first interns, with two working in Insurance Operations this year.

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, and
- 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 wellness seminars, and we conducted off-site training for new management staff. Community Service involvement by our associates this year included the United Way and the NC Food Bank.

Rate Bureau Years of Service



Celebrating Service Milestones

- 1 associate celebrating 5 years
- 6 associates celebrating 10 years
- 4 associates celebrating 15 years
- 1 associate celebrating 25 years

Finance



Edith Davis

Chief Financial Officer

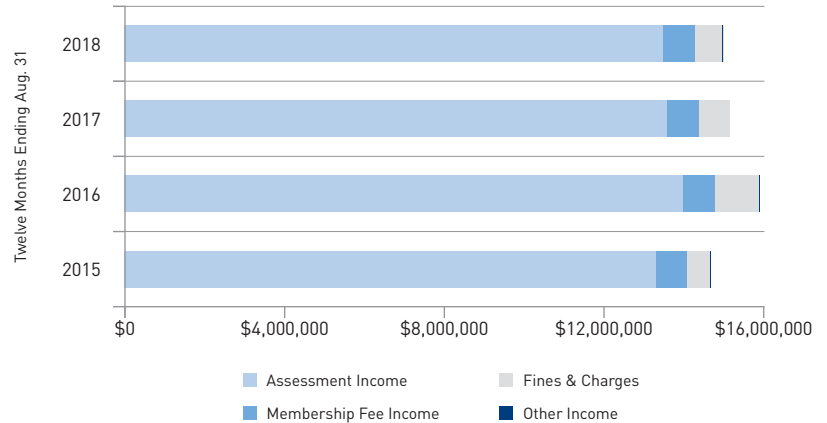
The exhibits on page 10 summarize the Rate Bureau's financial position and reflect the comparative balance sheets and income statements for the last two years ending August 31. A combination of improved claims experience and proceeds from reinsurance recoveries during the past year generated a modest 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 continue to remain on the balance sheet as of this report, though all those obligations have now been fulfilled as previously reported.

Johnson Lambert performed the annual audit for the year ending December 31, 2017, and presented its report to the Audit Committee in March 2018. The audit went very smoothly, and 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 remain fairly consistent over the past few years, but income from fines and charges that were implemented in 2015 have dropped for the second consecutive 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 each approximately 5% of the Rate Bureau's income, respectively. The Rate Bureau finished 2017 slightly over budget, and due to activity in several property programs initiated during 2018 detailed earlier in this report, the Governing Committee approved a \$2 million amendment to the approved budget for 2018 to be included in the 4th quarter assessment. 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 on this page show a summary of the direct and allocated expenses for the previous two years and the first half of 2018. Onboarding of new staff, some for new positions and others to replace

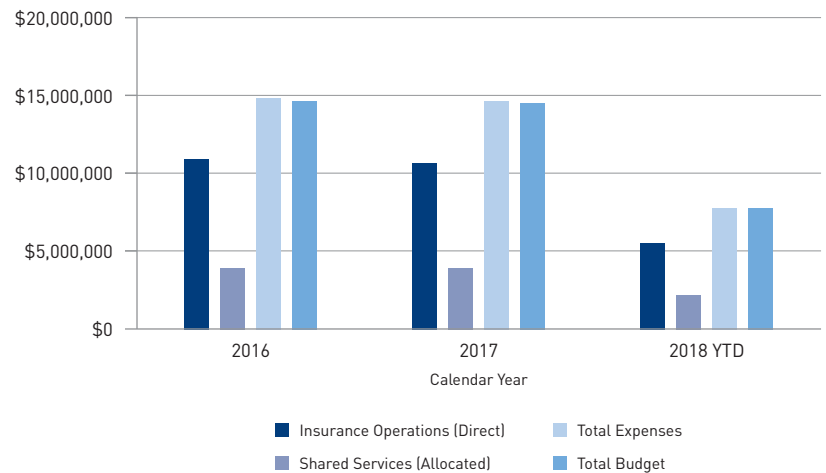
North Carolina Rate Bureau Sources of Income



retirees, and the property programs previously mentioned were the largest drivers of the expense increases. As in the past, the 2016 final expenses will be adjusted by other income and miscellaneous items and reapportioned to all member companies also during the 4th quarter of 2018.

Initiatives for the current year include an increased focus on risk management, a review of our vendor relationships, and efforts to leverage more technology to increase our efficiency and our electronic interface with member companies. As part of our risk management initiatives, the Bureau, in conjunction with its sister organizations, put in place a significantly more robust cyber liability insurance program in early 2018.

North Carolina Rate Bureau Administrative Expenses



| Administrative Expenses | 2016 | 2017 | Thru June 2018 |
|-------------------------------|---------------|---------------|----------------|
| Insurance Operations (Direct) | \$ 10,831,416 | \$ 10,588,723 | \$ 5,474,169 |
| Shared Services (Allocated) | \$ 3,893,507 | \$ 3,899,793 | \$ 2,222,286 |
| Total Expenses | \$ 14,724,923 | \$ 14,488,517 | \$ 7,696,455 |
| Total Budget | \$ 14,532,247 | \$ 14,358,406 | \$ 7,710,791 |

Balance Sheet

| Year Ending | August 31, 2018 (Preliminary) | August 31, 2017 |
|--|----------------------------------|---------------------|
| Assets | | |
| Cash & Investments (Unrestricted) | \$ 1,796,000 | 2,624,523 |
| Cash & Investments (Restricted) | 1,545,700 | 1,369,258 |
| Assessments Receivable | 216,000 | - |
| Accounts Receivable | 116,100 | 108,900 |
| Other Assets | 2,800 | - |
| Total Assets | \$ 3,676,600 | \$ 4,102,681 |
| Liabilities & Fund Equity | | |
| Refund to Carriers Payable | \$ - | \$ - |
| Retiree Insurance Payable - Restricted | 568,200 | 565,407 |
| Other Benefits Payable - Restricted | 926,800 | 803,851 |
| Other Liabilities | (17,400) | (17,416) |
| Total Liabilities | \$ 1,477,600 | \$ 1,351,842 |
| Fund Equity | 2,199,000 | 2,750,839 |
| Total Liabilities & Fund Equity | \$ 3,676,600 | \$ 4,102,681 |

Income Statement

| Year Ending | August 31, 2018 (Preliminary) | August 31, 2017 |
|--|----------------------------------|----------------------|
| Income | | |
| Assessment Income | \$ 13,438,700 | \$ 13,552,480 |
| Membership Fees Income | 784,750 | 780,250 |
| Late Data Reporting Charges | 8,000 | 6,800 |
| Delinquent USR Charges | 106,600 | 174,900 |
| Policy Data Fines | 581,600 | 589,150 |
| Other Income | 250 | (299) |
| Total Income | \$ 14,919,900 | \$ 15,103,281 |
| Expenses (Net) | | |
| Legal, Consulting & Other Outside Services | \$ 10,715,800 | \$ 7,657,722 |
| Salaries & Administration Expenses | 3,724,000 | 3,758,881 |
| Other Operating Expenses | 5,519,000 | 2,959,840 |
| Less: InterOffice Settlement | (5,501,650) | - |
| Total Net Expenses | \$ 14,457,150 | \$ 14,376,443 |
| Net Income | \$ 462,750 | \$ 726,838 |

NCRB

North Carolina Rate Bureau

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

