

GENERAL RULES OF THE GOVERNING BOARD
OF THE DELAWARE COMPENSATION RATING BUREAU, INC.

(Adopted As Of January 25, 1995)

GENERAL RULE NUMBER 1

STANDING COMMITTEES

The Governing Board shall appoint the following Standing Committees, determine their composition, and assign to them such powers and duties as the Governing Board shall deem appropriate.

A. CLASSIFICATION AND RATING COMMITTEE

The Classification and Rating Committee shall consist of six (6) Bureau members, each serving three-year terms with two (2) Bureau members' terms expiring at each consecutive annual meeting. In addition, the Classification and Rating Committee shall include two (2) Employer Organization Representatives appointed by the Governing Board to three-year terms.

To the extent required by or permitted by or not contrary to law, the Classification and Rating Committee shall review classification studies and proposals for changes in the classification system, and review filings which the Bureau proposes to make. Review of the Bureau's filings of workmen's compensation rates and rating plans that are limited to prospective loss costs shall be limited to review of "prospective loss costs" as defined in 19 Del. Code §2602(j) which is defined as "historical aggregate losses and loss adjustment expenses, including all assessments that are loss-based, projected through development to their ultimate value and through trending to a future point and time, ascertained by accepted actuarial standards. Prospective loss costs do not include provisions for profit or expenses other than loss adjustment expenses and assessment that are loss-based."

The Committee may provide comments in an advisory capacity in the course of these reviews and shall not vote on matters pertaining to such filings. The President shall have final authority to determine the content of all filings.

Members of the Committee shall designate employee representatives who are workers compensation specialists with senior and/or managerial standing within their companies.

Pursuant to the provisions of 19 Del. Code §2614, as amended, or the corresponding provisions of any successor statutes thereto, the Committee shall conduct hearings on appeals from individual classification assignments made by Bureau Staff and on other written requests by any person aggrieved by the application of the Bureau's rating system (except any disputes relating to test audits).

The Classification and Rating Committee shall review written appeals of a classification assignment or other application of the rating system, and by vote of the members present, grant or reject the aggrieved person's request in whole or in part and if applicable decide the proper classification, subject to the right of appeal by the aggrieved person to the Insurance Commissioner. The aggrieved person or its authorized representative shall upon written request have an opportunity to be heard in person and shall receive not less than ten (10) days notice of the hearing date, time and place. The decision of the Classification and Rating Committee shall be in writing concisely setting forth the action determined and notice thereof shall promptly be sent to the aggrieved person or its authorized representative by first class United States mail together with notice of the right to appeal to the Insurance Commissioner within thirty (30) days of the date the decision is rendered.

B. ACTUARIAL COMMITTEE

The Actuarial Committee shall consist of six (6) Bureau members, each serving three-year terms with two (2) Bureau members' terms expiring at each consecutive annual meeting.

To the extent required or permitted by or not contrary to law, the Actuarial Committee shall review the prospective loss costs filings pursuant to 19 Del. Code §2610(b) as requested by the Bureau. Review of the Bureau's filing of workmen's compensation rates and rating plans that are limited to prospective loss costs shall be limited to review of "prospective loss costs" as defined in 19 Del. Code §2602(j) which means "historical aggregate losses and loss adjustment expenses, including all assessments that are loss-based, projected through development to their ultimate value and through trending to a future point and time, ascertained by accepted actuarial standards. Prospective loss costs do not include provisions for profit or expenses other than loss adjustment expenses and assessment that are loss-based."

The Committee may only provide comments in an advisory capacity and shall not vote on matters pertaining to such filings. The President shall have final authority to determine the content of all filings.

To the extent required or permitted by or not contrary to law, the Actuarial Committee shall review the residual market filings pursuant to 19 Del. Code §2618(a) as requested by the Board. In its review of the Bureau's filing of residual market rates, to the extent any provisions for contingencies, operating expenses, investment income or profit are included in the residual market filing, the Actuarial Committee should not discuss those factors, except in the context required to comply with requirements of law relating to the residual market.

Members of the Committee shall designate employee representatives who shall be casualty actuaries with the designation of Fellow or Associate in the Casualty Actuarial Society.

C. NOMINATING COMMITTEE

The Nominating Committee shall be established as of the annual meeting of the Bureau held in January 1995, and shall consist of three (3) members who shall be Bureau members.

One (1) of the members of the Nominating Committee shall have an initial term of three (3) years beginning January 1995, one (1) other member shall have an initial term of two (2)

years beginning January 1995, and the remaining member of the Nominating Committee shall have an initial term of one (1) year beginning January 1995. Upon the expiration of the initial term of office of a Nominating Committee member at each consecutive annual meeting of the Bureau, a Nominating Committee member shall be elected to a term of three (3) years.

Members of the Nominating Committee shall designate employee representatives who have managerial standing with their companies.

Prior to each annual meeting of the Bureau, the Nominating Committee shall propose a slate of candidates selected from the nominations made by all Bureau members for the vacancies on the Governing Board and all its Committees after the Nominating Committee has reviewed a compilation of all nominating ballots received from the members.

In proposing candidates for service on the Governing Board and its Committees, except as otherwise provided in the By-laws or General Rules, the Nominating Committee shall propose no more than one member to succeed itself unless there have not been sufficient nominations otherwise received to fill the remaining vacancies.

In proposing candidates, the Nominating Committee shall consider the following principles:

- (1) Equitable rotation of membership on the Governing Board and its Committees;
- (2) Breadth of representation;
- (3) Adequate representation from those insurers providing the major financial support to the Bureau.

GENERAL RULE NUMBER 2

SPECIAL COMMITTEES AND TASK FORCES

The Governing Board may appoint such Special Committees and/or Task Forces, determine their composition, and assign to them such powers and duties as the Governing

Board shall deem appropriate. Any existing Special Committees or Task Forces shall automatically cease to exist once a year after the date of the adoption of these General Rules unless the Governing Board by resolution or vote duly recorded in minutes of the Governing Board shall specifically appoint such Special Committee or Task Force and assign specific powers and duties thereof.

GENERAL RULE NUMBER 3

SUBCOMMITTEES

The Governing Board may appoint such Subcommittees of the Governing Board or of any Committee, determine their composition, and assign to them such powers and duties as the Governing Board shall deem appropriate. Any Committee may propose for the approval of the Governing Board any Subcommittee of that Committee, including composition and assignment of powers and duties. All existing Subcommittees shall automatically cease to exist one year after the adoption of these General Rules as amended unless they are specifically appointed or approved by the Governing Board.

GENERAL RULE NUMBER 4

MEETINGS OF COMMITTEES AND SUBCOMMITTEES

The meetings of each Committee and any Subcommittee shall be called either by the President or by the chair of the Committee or Subcommittee. Notice of all Committee or Subcommittee meetings shall be given to the President, all Committee or Subcommittee members and the Insurance Commissioner by written notice through first class United States mail or hand delivery, or by facsimile transmission at least five (5) calendar days prior to the meeting and shall specify the place, day, hour and purpose of the meeting. Attendance at or

participation in a meeting shall be deemed a waiver of notice of that meeting. An agenda shall be distributed to Committee members at or before the meeting.

Topics of discussion at meetings of any Committee or Subcommittee shall be limited to the lawful purposes of the Bureau and the Committee or Subcommittee. An antitrust preamble, approved by counsel for the Bureau, shall be read at the commencement of each Committee or Subcommittee meeting. Any proposed agenda and all draft minutes of Committee and Subcommittee meetings shall be reviewed by counsel prior to distribution unless such review is deemed unnecessary by the President upon consultation with counsel.

GENERAL RULE NUMBER 5

NOMINATION BALLOTS

Ballots for nominations to fill all expiring terms at the annual meeting on the Governing Board and Committee shall be sent to all Bureau members. The Bureau staff shall record all ballots received, with or without nominations. The Bureau shall consider all nominations received on or before the response date specified in the ballots and may consider any subsequent nominations.

GENERAL RULE NUMBER 6

DESIGNATION OF MEMBER REPRESENTATIVES

Each insurer member seeking nomination to serve on the Governing Board or a Committee shall designate in writing two knowledgeable employees, from specific disciplines when required, as its Board or Committee representative and alternate representative respectively.