## MINUTES OF THE FORTY-SEVENTH ANNUAL MEETING OF THE NORTH CAROLINA REINSURANCE FACILITY HELD BY WEBINAR ON OCTOBER 14, 2020

### COMPANY MEMBERS PRESENT

<table>
<thead>
<tr>
<th>Company</th>
<th>Represented By</th>
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<tbody>
<tr>
<td>Allstate Insurance Company</td>
<td>Patrick Weil</td>
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<tr>
<td>American Family Insurance Group</td>
<td>Bing Li</td>
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<td>Amica Mutual Group</td>
<td>James Sherring</td>
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<td>Atlantic Casualty Insurance Company</td>
<td>Robbie Strickland</td>
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<td>Carolina Motor Club Group</td>
<td>Jamie Boutilier</td>
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<td>Citadel Reins Grp</td>
<td>Richard Yarbrough</td>
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<td>GEICO Indemnity Company</td>
<td>Melinda Seibold</td>
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<td>National Indemnity Company</td>
<td>Jason Wallace</td>
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<td>National Liability &amp; Fire Insurance Company</td>
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<td>Norguard Insurance Company</td>
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<td>Radnor Specialty Insurance Company</td>
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<td>United States Liability Insurance Company</td>
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<td>Universal Insurance Company</td>
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<td>The Members Insurance Company</td>
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Hartford Fire & Casualty Group
  Hartford Accident & Indemnity Company
  Hartford Casualty Insurance Company
  Twin City Fire Insurance Company

Integon Indemnity Corporation
  National General Insurance Company
  Integon Indemnity Corporation
  Agent Alliance Insurance Company
  Century-National Insurance Company
  Direct Insurance Company
  Imperial Fire and Casualty Insurance Company
  Integon Casualty Insurance Company
  Integon General Insurance Corporation
  Integon National Insurance Company
  Integon Preferred Insurance Company
  National Farmers Union Property & Casualty Company
  National General Insurance Online, Inc.
  New South Insurance Company

James River Group Inc
  Stonewood Insurance Company

Kemper Corporation Group
  Unitrin Auto & Home Insurance Company

Liberty Mutual Group
  Liberty Mutual Insurance Company
  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

James Dolan
Jennifer Suarez
Art Lyon
David Barson
Rick Pierce
Heather Hall
Tommy Hefner
Rick Miller
Mark Ford
SAFECO Insurance Company of Indiana
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company
Liberty Mutual Personal Insurance Company
Nationwide Mutual Insurance Company
Nationwide Mutual Insurance Company
Allied Insurance Company of America
Allied Property & Casualty Insurance Company
AMCO Insurance Company
Crestbrook Insurance Company
Depositors 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 Assurance Company
Nationwide General Insurance Company
Nationwide Insurance Company of America
Nationwide Insurance Company of Florida
Nationwide Mutual Fire Insurance Company
Nationwide Property & Casualty Insurance Company
Scottsdale Indemnity Company
Victoria Fire & Casualty Company
North Carolina Farm Bureau Mutual Insurance Company
North Carolina Farm Bureau Mutual Insurance Company
Farm Bureau Insurance Company of North Carolina
Pennsylvania National Mutual Casualty Insurance Company
Penn National Security Company
Pennsylvania National Mutual Casualty Insurance Company
Progressive Group
Progressive Casualty 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

Mendi Riddle
Brittney Bell
Casie D'Silva
Gary Morris
John-Michael Gillivan
Roger Batdorff
Lynette Prosser
Kevin McGee
Sentry Insurance Group
  Sentry Casualty Company
  Dairyland Insurance Company
  Florists Mutual Insurance Company
  Middlesex Insurance Company
  Peak Property & Casualty Insurance Corporation
  Sentry Insurance A Mutual Company
  Sentry Select Insurance Company
  Viking Insurance Company of Wisconsin
  State Farm Illinois
  State Farm Mutual Automobile Insurance Company
  The Travelers Indemnity Company
  The Travelers Indemnity Company
  Discover Property & Casualty Insurance Company
  Farmington Casualty Company
  Fidelity & Guaranty Insurance Underwriters Inc
  Fidelity and Guaranty Insurance Company
  Northland Casualty Company
  Northland Insurance Company
  Select Insurance Company
  St Paul Guardian Insurance Company
  St Paul Mercury Insurance Company
  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 Group
  United Services Automobile Association
  Garrison Property & Casualty Insurance Company
  USAA Casualty Insurance Company
  USAA General Indemnity Company

Stephanie Cranney  Peter Sampson
Todd Sivills
Amy Modic  Brian Bethel
Jennifer Baurle  Melanie Piersa

David Case
OTHERS PRESENT

Adcock Agency
Auto Able Insurance Company
Insurance Services Office/Verisk Analytics

Jones Insurance Agency, Inc.
Litaker Insurance
Milliman, Inc.
Mountcastle Insurance
North Carolina Department of Insurance
Paschal Law, PA
Public Member – NCRF Board of Governors
Twin City Insurance Agency
Young Moore and Henderson PA

Wellington Management Company
Staff

REPRESENTED BY

John Miller
Jeff Butler
David DeNicola
Paul Ericksen
Kathy Olcese
Sandee Perfetto
Raul Retian
Jared Smollik
Wortham W. Boyle
Justin Litaker
Paul Anderson
Andy Calvert
Fred Fuller
Robert Paschal
Dr. Mark R. Royster
Lesa Williams
Brian Beverly
Walter Brock
Angela Craddock
Mickey Spivey
Alyssa Irving
Chris Holleman
Sonya Anthony
Jennifer Bernhardt
Joanna Biliouris
Brittany Blackwell
Kevin Braswell
Terry Brown
Pam Bruckschen
Tom Burns
Linda Burrell
Terry Collins
Casey Cramer
Edith Davis
Linda Davis
Ray Evans
Vicki Godbold
Donna Guin
Keri Johnson
Katie Lovelace
Neill McDowell
Felicia Mitchell
Andy Montano
Karen Price
Patricia Stallings
Debbie Taylor
Jodi Webb
Rebecca Williams
Erin Zeller
Two hundred and one (201) other companies were represented by proxy.

The meeting convened as scheduled, Mr. Strickland presiding. Mr. Collins announced that there was a quorum.

Reference was made to the Facility’s Antitrust Compliance Policy, Conflicts of Interest Statement, and Code of Ethics and Standard of Conduct Statements, copies of which were included in the materials provided. Mr. Spivey briefly commented on the importance of these guidelines.

1. **Annual Report**

Copies of the Forty-Seventh Annual Report for the fiscal year ended September 30, 2020 were distributed, a copy of which is attached. Mr. Evans reviewed the annual report and highlighted the members of management staff while offering general observations from the past year. Mr. Evans then reported the Facility’s actions and resulting impacts on operations from Covid-19 and shared challenges for the upcoming year.

2. **Chairman’s Comments**

Mr. Strickland shared his thoughts on his experiences and learnings during his two years as chairman. He thanked the members of the Board, the committees, Facility staff and counsel for their support and efforts and the opportunity to be the chairman.

3. **Legislative Report**

Mr. Spivey noted that the Facility does not lobby but monitors legislation that may impact the Facility member companies and responds to questions by legislators and others regarding the potential impacts of proposed changes. Mr. Spivey then gave a brief description of the make-up of the legislature and advised that the legislature was currently in a long session. Mr. Spivey then provided a brief summary of a number of bills that were considered during the current legislative session including several bills introduced by the Department of Insurance and a number of bills concerning topics such as modified utility vehicles.

4. **Board of Governors 2020-2023**

Mr. Collins then introduced the new Board of Governors that would be taking seat at the following Board meeting. He also thanked the Chairman for his work and efforts the past two years. Finally, Mr. Collins also recognized the twentieth anniversary of Mr. Evans’ position as General Manager of the Facility.

5. **Recognition**

Mr. Collins advised that Mindy Seibold and Wortham Boyle would be leaving the Board and thanked them both for their engagement and valued contributions to the Board.
6. **Adjournment**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Terry F. Collins

Chief Operating Officer

North Carolina Reinsurance Facility

TFC/kml

Enclosure  - Annual Report

RF-20-13
Reinsurance Facility

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General Organizational Information

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

Management Contacts

NCRF Staff

Ray Evans .......................................................... General Manager
919-783-9790 ......................................................... rfe@ncrb.org

Terry Collins ..................................................... Chief Operating Officer
919-582-1076 ..................................................... tfc@ncrb.org

Tom Burns ................................................... Director, Auto Operations
919-719-3033 ..................................................... tfb@ncrb.org

Katie Lovelace ................................................ Manager, Planning & Analysis
919-718-3041 ..................................................... kml@ncrb.org

Andy Montano ................................................ Manager, Automobile
919-582-1021 ..................................................... afm@ncrb.org

Donna Kallianos ................................................ Manager, Claims
919-582-1046 ..................................................... dpk@ncrb.org

Edith Davis .................................................. Chief Financial Officer
919-582-1006 ..................................................... etd@ncrb.org

Vicki Godbold .................................................. Chief Human Resources Officer
919-645-3170 ..................................................... vcg@ncrb.org

Shelley Chandler .................................................. Chief Information Officer
919-582-1057 ..................................................... src@ncrb.org

2020 Annual Meeting

The annual meeting of member companies of the North Carolina Reinsurance Facility will be held virtually beginning at 9:00 a.m. on October 14, 2020.
When we prepared our plans for 2020, including the projects we would undertake, the budgets we would adhere to, the training we would provide, and the goals we would achieve, little did we know that barely three months into the year, everything would flip upside down. For years we have had a disaster recovery /business continuity plan that is regularly updated and revised, but never did we include the possibility that a global pandemic could keep us from working at the office. During the first few days of March, when such an event appeared to be a reality, we began planning in earnest. By March 8, we were reviewing our processes and buying equipment to work remotely, and on March 13, we decided that working from home was the future. With a huge effort from our technology folks and the cooperation of all of our associates, by March 17, we had morphed from working 100% at the office to working almost 100% from home.

Many months have passed since we made this change; and we remain successfully working from home. With many of our associates in susceptible classes or with school children at home, and with many members of our committees and board not traveling, we are currently not planning much activity in the office until January 2021. However, we are prepared with PPE, entry testing, social distancing protocols, and plexiglass partitions in the lobby, meeting rooms, and other spaces so that when we decide to return to the office, we can do it safely. We will not rush, as the safety of our associates is most important.

There are four key reasons for the Reinsurance Facility being able to work successfully remotely:

- We have talented and engaged associates, managers, and supervisors.
- We worked for years to acquire a sophisticated electronic environment for our operations that now allows us to work from home and include the same security protections of the office.
- We have also worked continuously to install and keep current a process environment with training and education for all of our associates.
- We regularly communicate with associates at a number of different levels as it is not currently possible to simply pull someone aside for an ad hoc meeting.

This adds up to the Reinsurance Facility successfully executing our responsibilities, which are detailed in NCGS 58-37 and revolve around “assuring the availability of motor vehicle insurance to any eligible risk.” For 2020, this means the reinsuring of 1.25 million policyholders, 37 million accounting transactions, $1.3 billion in revenue, and $900 million in claims.

Measuring success requires comparing results to the goals and objectives for the year. For 2020, the Reinsurance Facility’s goals and objectives include the following:

- Continue reducing the members’ equity deficit through rate changes, recoupment surcharges, and other actions. As of June, the current deficit has declined to $118 million, an improvement of over $200 million from September 2017.
- Develop an “audit hub” to accumulate data to support our compliance unit in its goal of insuring we receive the correct premium and pay the correct losses.
- Resume “modernizing” the commercial auto program, including a revised manual, rates, and forms.
- Assist and train compliance staff hired in 2019. After remote work began, the communications effort to continue to train and work with these new folks has been intense, but has been successful.
- A commercial auto filing planned for early 2020 has been one of the casualties of COVID-19, but we are on track to complete this by the end of the year.

We continue to be confident that all of the above will be substantially achieved by year’s end. This has been a different year, and I believe much of how the Facility worked in previous years will not be the same as how we will work in 2021. Although I have lost the author, I read many years ago that, “There are too many people praying for mountains of difficulty to be removed, when what they really need is courage to climb them.”

We have not been alone in tackling the challenges of 2020. Even though Terry has put together a great staff, behind the scenes there have been a host of committees, consultants, and experts working hard to help our associates fulfill their responsibilities.

My thanks to everyone who has contributed to a successful year.

Ray Evans
General Manager

When my second year as Chairman began, I knew we would have a challenging year ahead of us. I don’t think any of us knew back in January just how challenging 2020 was going to be. Due to the Covid-19 pandemic and subsequent social distance mandates, the Board, staff, and committees have had to learn how to be productive in a virtual world. Zoom meetings have replaced in-person meetings for the Board of Governors meetings and committee meetings. Remote or work from home, has become the new norm for the staff members. I certainly didn’t expect to chair all the Board meetings from my office in Goldsboro. It is difficult to believe that the last in-person Board of Governors meeting was December 4, 2019. To say that all this has been a challenge is an understatement. However, we met this challenge, and we have had a very productive year.

Below are the highlights of our year.

- Possibly the most important take away from this year was the commercial auto members’ equity deficit. During the year, this deficit was improved by greater than $40 million, and the trends look favorable, and the loss recoupment surcharge is being lowered in October 2020.
- An immense amount of time was allocated to the continued long-term efforts to modernize the commercial auto offering to better serve the members. This update is anticipated to roll out in late 2021.
- Staffing needs were finalized by adding two key managers with extensive industry experience to an already strong team. This will support staff’s ongoing operational improvements.
- Work was begun on the “Audit Hub” leveraging technology to improve auditing efficiency by reducing some of the administrative portion of the auditing process.
- The Facility continues to operate efficiently with a 2020 operating budget that is again less than 1% of the annual ceded premium.

As my tenure as chairman comes to an end, I want to say that it has been a pleasure working with my fellow board members and the Facility staff. I can say, it has been entertaining at times watching all of us become much more proficient with virtual meeting technology. I am proud that the business of the Facility was able to perform flawlessly through the transition to remote workspace. My thanks to all the staff for your efforts. I also appreciate the commitment of all committee members and my fellow Board members in making 2020 a success.

Robbie Strickland
Atlantic Casualty Insurance Company, Chairman

General Manager’s Report

Message from the Chairman
Board of Governors

Responsibility for management is vested in a 15-member Board of Governors. The Board includes 12 voting members, seven member insurance companies, and five agents appointed by the Insurance Commissioner; two nonvoting public members appointed by the Governor and the Insurance Commissioner, who is a member of the Board ex-officio without vote. Eight meetings of the Board were held during the year, including seven virtual conferences.

Agent Members

<table>
<thead>
<tr>
<th>Representative</th>
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<tbody>
<tr>
<td>Agent at Large</td>
<td>Wortham M. Boyle</td>
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<tr>
<td>Agent at Large</td>
<td>Justin Litaker</td>
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<tr>
<td>Auto Insurance Agents of North Carolina</td>
<td>Jeffrey W. Butler</td>
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<tr>
<td>Independent Insurance Agents of NC</td>
<td>John Miller</td>
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<tr>
<td>Independent Insurance Agents of NC</td>
<td>Andy Calvert</td>
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Members

- Allstate Insurance Company
- Atlantic Casualty Insurance Company* Robbie Strickland
- GEICO Indemnity Company Mindy Siebold
- Integon Indemnity Corporation Art Lyon
- Nationwide Mutual Insurance Company Mendi Riddle
- NC Farm Bureau Mutual Insurance Company Roger N. Batdorff
- The Travelers Indemnity Company Brian Bethel

Public Members

- J. David Walker
- Reverend Dr. Mark R. Royster, Sr.

Ex-Officio Member

- Mike Causey, Commissioner of Insurance

Standing Advisory Committees

The Plan of Operation establishes a number of advisory committees. These committees oversee the activities of the Facility and formulate recommendations for presentation to the Board of Governors. In addition, several other specialty advisory groups perform similar tasks for the Facility throughout the year.

Audit Committee

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<tr>
<th>Members</th>
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<tbody>
<tr>
<td>Liberty Mutual Insurance Company*</td>
<td>Judi Gonsalves</td>
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<tr>
<td>NC Farm Bureau Mutual Insurance Company</td>
<td>Brian Top</td>
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<td>Pennsylvania Nat Mut Casualty Ins Company</td>
<td>Jonathan S. Dillion</td>
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<tr>
<td>State Farm Mutual Automobile Ins Company</td>
<td>Todd Sivills</td>
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<td>The Travelers Indemnity Company</td>
<td>Jennifer Baurle</td>
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<td>Agent</td>
<td>John Miller</td>
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Rating Committee

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<td>Atlantic Casualty Insurance Company*</td>
<td>Mark Caughron</td>
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<td>David Barson</td>
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<tr>
<td>Nationwide Mutual Insurance Company</td>
<td>John-Michael Gillivan</td>
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<td>NC Farm Bureau Mutual Insurance Company</td>
<td>Roger N. Batdorff</td>
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<tr>
<td>Stonewood Insurance Company</td>
<td>Tommy Hefner</td>
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<tr>
<td>The Travelers Indemnity Company</td>
<td>Amy Modic</td>
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<tr>
<td>Agent</td>
<td>John Miller</td>
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Task Force on Expense Allowances

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<td>Allstate Insurance Company</td>
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<tr>
<td>GEICO Indemnity Company</td>
<td>Maren Kench</td>
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<td>Sentry Insurance A Mutual Company</td>
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<td>Jamie Boutilier</td>
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<td>Agent</td>
<td>Justin Litaker</td>
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Task Force on Recoupment

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<tr>
<td>Integon Indemnity Corporation</td>
<td>Art Lyon</td>
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<td>Nationwide Mutual Insurance Company</td>
<td>Christine Hague</td>
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<tr>
<td>NC Farm Bureau Mutual Insurance Company</td>
<td>Roger N. Batdorff</td>
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<tr>
<td>Progressive Casualty Insurance Company</td>
<td>Kevin McGee</td>
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<tr>
<td>State Farm Mutual Automobile Ins Company*</td>
<td>Todd Sivills</td>
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<tr>
<td>Universal Insurance Company</td>
<td>Jamie Boutilier</td>
</tr>
<tr>
<td>Agent</td>
<td>Wortham M. Boyle</td>
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</table>

*Chair
While change may frighten us, it is our resilience and how we adapt that defines us.

–Anonymous

For many of us in the Facility, our journey this year felt as if we were walking in a maze. We knew where we wanted to go, but were unsure of how to get there. Challenging, difficult, trying—I struggle with the appropriate words to describe the changes thrust upon the world this year. While the Facility’s initial obvious focus was on the health and safety of our associates and their families, we have never lost sight of the importance of being there for our member companies.

In spite of the Covid-19 impacts and our forced move to a work-from-home environment, we are proud to report that we were still able to meet our member companies’ needs along with our statutory responsibilities. This was without a doubt our greatest accomplishment of the year!

Below are additional successes achieved in this new normal:

- Reduced the commercial auto members’ equity deficit by $40+ million through a combination of increased rates, targeted compliance audits, and loss recoupment.
- Continued efforts to modernize our commercial auto manual, including work clarifying rating verbiage, coupled with a new class plan anticipated for 2022 and making available online our updated 100+ endorsements and forms.
- Increased our effectiveness by:
  - further strengthening our staff and hiring two new compliance managers,
  - streamlining our organizational structure to improve workflow, and
  - laying the foundation for future technological enhancements.
- Filed and implemented rate increases in both private passenger auto and commercial auto.
- On boarded 15 additional Facility member companies.

Yes, there are always challenges to be addressed. Key among them being the private passenger auto members’ equity deficit. The strong improvement posted over the previous two years carried the private passenger auto members’ equity within a breath of breakeven. The deficit worsened this year as the result of continued poor experience in the face of lower surcharge revenue.

Operating Results

While our operating results were mixed over the past four quarters, the total members’ equity as of June stands at -$118.1 million, an improvement of $16 million versus June 2019. This comes on the heels of two consecutive years of very strong gains in reducing the deficit. The Board recognizes patience is key and that this negative balance did not occur overnight and will not be recovered overnight.

The Facility maintains a sharp focus on members’ equity as it is one of our highest priorities. Changes in this balance are monitored very closely by both staff and committees, while appropriate action is taken under the oversight of the Board of Governors and within the guidelines outlined in the governing statutes.

As mentioned above, private passenger auto has been a drag on the overall operating results this fiscal year. Members’ equity for this line has a deficit of $62.3 million as of June 2020, which is a deterioration of $42 million from the prior year’s level. This line had been improving steadily since June 2017. This negative turn is anticipated to be partially offset by some easing in incurred losses as a result of fewer private passenger auto miles driven and rising average premiums.

Although standing at a deficit of -$55.9 million, the commercial auto equity position continues to improve, staging a $46 million betterment to end June with the lowest deficit since June 2016. We need to frame this ongoing improvement in commercial auto, remembering that the Facility is a residual part of the overall countrywide insurance industry, which in 2019 posted its worst commercial auto underwriting loss in 10 years. This benchmark makes the improvement in our results even more impressive. Yet, there is still more to do for the improvement to continue.

For both lines of business, we continue to pull the levers available including focused efforts on rate revisions where allowed, clean risk and/or loss recoupment, increased audits, and other actions.
Volume
The North Carolina Reinsurance Facility remains the largest residual market mechanism for automobile insurance in the United States. The Facility provides reinsurance for approximately one-quarter of the automobile liability business written in North Carolina. While this figure has remained notably stable since the Facility was created in 1973, as illustrated in the chart above, the market share for calendar year 2019 decreased to the lowest level since 2012.

Our ceded exposure distribution has remained very stable over the last several years. The segmented exposure base shows 77% as private passenger “clean risks,” 20% as private passenger “other-than-clean” risks, and the remaining 3% as commercial auto risks.

Total cession volume continues to trend downward, showing a 5% drop from prior year with both private passenger auto and commercial auto posting decreases in cession volume. As of June 2020, total policies in force are at 1.2 million. Private passenger auto policies have been slowly sliding lower since the summer of 2017, while the much smaller commercial auto line (26,000 policies) has been on a downward trajectory for several years. Both lines paused in the April to May timeframe with a slight increase in their policy in force count. Total written premium should again finish the fiscal year above the $1 billion mark, showing roughly a 1.0% decrease from the prior year. The split by segment remains 90% private passenger and 10% commercial auto.

Rates, Rules, and Forms
Private Passenger Auto
Effective October 1, 2019:
The Facility implemented an average +11.3% auto liability rate change on “clean risks” in tandem with voluntary rates settled between the North Carolina Rate Bureau and the Department of Insurance. All liability coverages were impacted by this revision.

The Facility also filed and implemented an average -9.9% auto liability rate change on “other-than-clean” private passenger risks. The rates for Bodily Injury, Property Damage, and Med Pay were each revised.

Effective October 1, 2020:

The Facility did not implement an auto liability rate change on “clean risks.” However, for “other-than-clean” private passenger risks, the Facility filed and implemented a +3.1% rate increase over the rates previously in effect. Bodily Injury, Property Damage, and Med Pay rates were each revised.

Motorcycle relativities were also adjusted to reflect the above changes in the auto base rates.

Commercial Auto
Effective April 1, 2019:

For commercial auto risks, the Facility filed and implemented revised basic limits liability rates effective for trucks, tractors, trailers, private passenger types not eligible for rating under the North Carolina Personal Automobile Manual, Zone-Rated Risks, and Publics. Increased limit factors for liability coverages rated under the Commercial Automobile Manual were also reviewed and adjusted. Reflecting the unfavorable commercial auto loss experience, the various rate level changes in this filing averaged 26.1% over the rates previously in effect.

Fiscal Year 2020:

With the consideration of Covid-19 weighing heavily, the Board voted to postpone the anticipated October 2020 rate revision until April 2021. We fully expect, that when implemented, the newest rate change will continue to support the positive members’ equity trend throughout 2021.

Work continues on the development of a revised commercial auto manual that will support the new auto class plan. This class plan is being based on ISO's optional commercial auto class plan that is under development. Earlier this year, the Board decided that the new NCRF class plan implementation date should be moved from October of 2021 to October of 2022. This extra time will allow member companies, ISO, and the Facility to better prepare for the changes and impacts of the new class plan.

In June of 2020, the Facility updated our website to include a list of all filed commercial auto forms utilized by the Facility. This new functionality will help member companies stay current with form utilization and speed up question resolution regarding forms.

Recoupment
North Carolina law allows carriers to cede to the Facility any eligible risks. While the Facility establishes actuarially sound rates for private passenger auto “other-than-clean” risks (except that no profit is included), the rates for “clean risks” are statutorily capped at the voluntary rate level, which has historically been inadequate to pay the losses and expenses of the clean risks ceded to the Facility. The shortfall between what this group pays and what it should pay is made up through the statutorily authorized clean risk recoupment surcharge applied to the liability premiums of all, and only, private passenger non-fleet policies.

North Carolina law also allows the Facility to recoup operating losses through the loss recoupment surcharge. This surcharge may be applied to either nonfleet private passenger auto policies or commercial auto policies liability premiums to recoup prior operating losses on those separate lines of business.

Both clean risk and loss recoupment surcharges are reviewed quarterly and adjusted as deemed appropriate and necessary.

Private Passenger Auto
In June 2019, the Board of Governors implemented a new clean risk recoupment surcharge of 3.84% (before inclusion of agent compensation) and a private passenger auto loss recoupment surcharge of 0.28% (before inclusion of agent compensation), applicable to all new and renewal private passenger auto policies becoming effective on and after October 1, 2019, through March 31, 2020.
In December 2019, the Board of Governors authorized the continuation of both the clean risk recoupment surcharge and loss recoupment surcharge at the previously approved levels to extend for all new and renewal private passenger policies effective on and after April 1, 2020, through September 30, 2020. For the current fiscal year through June 2020, income from clean risk surcharges has generated approximately $125 million, and income from these private passenger auto loss surcharges has generated approximately $9 million.

In June 2020, the Board of Governors approved increased surcharges for both private passenger clean risk recoupment (3.12% before inclusion of agent compensation) and loss recoupment (1.77% before inclusion of agent compensation), applicable to all new and renewal private passenger auto policies becoming effective on and after October 1, 2020, through March 31, 2021.

To simplify the programming requirements for the member companies, the Facility continues to require companies to report the private passenger auto clean risk and loss recoupments on a combined basis, saving expense and effort for all private passenger carriers in the state.

In October of 2017, the Board of Governors authorized the implementation of a loss recoupment surcharge for all new and renewal commercial auto policies effective on or after October 1, 2018. The recoupment surcharge of 7.07% (before inclusion of agent compensation) received Board approval for a continuation in June of 2019 to be effective October 1, 2019 and run through September 30, 2020. For the current fiscal year through June 2020, income from clean risk surcharges has generated approximately $9 million.

Most recently, in June of 2020, the Board of Governors reviewed all relevant and updated commercial auto data and voted to reduce the commercial auto loss recoupment to 4.56% (before inclusion of agent compensation). This new recoupment percentage will take effect for all new and renewal business effective on or after October 1, 2020, through September 30, 2021.

### Commercial Auto

In October of 2017, the Board of Governors authorized the implementation of a loss recoupment surcharge for all new and renewal commercial auto policies effective on or after October 1, 2018. The recoupment surcharge of 7.07% (before inclusion of agent compensation) received Board approval for a continuation in June of 2019 to be effective October 1, 2019 and run through September 30, 2020.

Most recently, in June of 2020, the Board of Governors reviewed all relevant and updated commercial auto data and voted to reduce the commercial auto loss recoupment to 4.56% (before inclusion of agent compensation). This new recoupment percentage will take effect for all new and renewal business effective on or after October 1, 2020, through September 30, 2021.

### Compliance Activity

Our staff’s focus is on compliance with statutes, rules, and regulations, as well as eligibility and reimbursement, as part of our responsibility to ensure that the Facility collects the right premium, reinsures eligible risks, and pays the right losses. In the various types of audits performed by the compliance staff on ceded business, member company files are reviewed for proper reporting of premiums and losses, claims handling, proper application of underwriting rules, eligibility, rating, and recoupment. The compliance staff also performs audits on non-ceded policies to ensure that recoupment amounts are correctly determined and collected.

We are pleased to announce that the NCRF now has two very experienced managers on board to support Tom Burns in leading our compliance teams. The managers, Jodi Webb and Kevin Braswell, joined the NCRF team late in 2019. They bring with them almost 50 years of combined industry experience. Our now fully staffed compliance team is evaluating Private Passenger Auto, Commercial Auto, and Claims files with an energized focus and commitment to consistency and quality. We look forward to continuing our partnership with member companies while improving our teamwork, innovation, and accountability.

### Legislative Changes

The Facility was created by the Legislature in 1973 and replaced an Assigned Risk Auto Plan. At that time, there was a perceived stigma of being included in a bad risk pool, so this new mechanism enabled drivers to select the company of their choice. The legislature has made alterations over time to address changing conditions in the marketplace.

The Facility is often asked to provide information to various groups that wish to study these complex matters. While we do not lobby for any one position, we are more than happy to be included in the discussion and to contribute suggestions that, it is hoped, lead to more complete solutions with the fewest unintended consequences.

As of the time of publication, there were no bills ratified that materially impacted the Reinsurance Facility.

### Conclusion

With the Covid-19 continuously making headlines daily, it feels strange to say we had a good year. Yet from a business perspective, we did. We continue to make steady progress in all areas. In spite of the turmoil created by the virus, we stayed the course and served our member companies. One of the key contributions of the Facility is to provide stability in turbulent times. We cannot forget that the Facility is a safety valve that ensures the availability of auto liability insurance to eligible risks, regardless of the environment.

In the new year, our major objectives will change very little. We will seek to continue improving our efficiency and effectiveness, modernizing our commercial auto offering, maintaining our focus on members’ equity, and upholding the statutes that created the Facility.

Our thanks to the Board of Governors, the committees, member companies, and Facility staff for their time, efforts, and guidance.

Stay safe,

**Terry F. Collins**

Chief Operating Officer, Reinsurance Facility
As a result of the pandemic, the Facility moved almost all staff and operations to a work-from-home model in mid-March 2020. All financial operations and services continued without interruption, but many processes were reengineered to be performed remotely while maintaining the integrity of our internal controls. Most of our processes were innovated, resulting in faster and more efficient interfaces with our vendors and member companies alike. Check issuance can now be performed remotely and at multiple locations and has been nearly eliminated as we implemented both ACH payments and receipts with the vast majority of our vendors and member companies.

In recent quarters, the Facility had again begun to suffer increasing net operating losses in private passenger business, but these losses were partially offset by commercial auto gains driven by moderately improved loss experience and loss recoupment revenue. The combined losses have totaled $54.5 million for the fiscal year to date as of June 30, 2020, compared to losses of $28 million and $112.9 million for the same periods in 2019 and 2018, respectively, and reflect a deterioration of $26.6 million over the prior period.

As of June 30, 2020, the members’ equity stood at -$118.1 million and consisted of -$62.2 million for private passenger business and -$55.9 million for other than private passenger business. The $16.5 million improvement in the deficit since June 30, 2019, all occurred in the quarter ended June 30, 2020. This is most likely attributable to the reduction in miles driven during the stay-at-home periods in spring 2020 as the private passenger members’ equity deficit had been steadily increasing for the prior four quarters.

For the fiscal year to date as of June 30, 2020, the loss recoupments generated about $90.8 million of revenue to offset portions of the past private passenger and commercial losses. Unlike clean risk recoupment, loss recoupment funds are reported as a credit directly to members’ equity, rather than being included in the determination of an operating gain or loss. Additional revenue is anticipated from loss recoupments to become effective on October 1, 2020, on both private passenger and commercial policies.

Since the revenue from loss recoupments was insufficient to offset the significant increases in operating losses in the quarters ended December 30, 2019, and March 31, 2020, the Facility again began to make withdrawals from the investment account to meet its obligations. Those withdrawals exceeded $10 million for the 12 months through June 30, 2020, with the vast majority occurring between December and March, and the trend reversing in May and June. Having a high-quality fixed-income investment portfolio added significant stability during the turbulent times in early 2020 caused by the pandemic. The market continued to improve in late 2019 and early 2020, and the portfolio returned about 6.82% over the 12 months ending June 30, 2020, which outperformed the benchmark by 33 basis points over that period. The book value of the Facility’s portfolio increased from approximately $869 million to about $880 million over the 12 months ending June 30, 2020. As of that date, the market value of the account was $942.4 million, reflecting a net unrealized gain of about $54 million. The chart included in this report reflects the portfolio’s performance compared to the benchmark for the 12 months ending at the respective periods.

The Facility’s administrative expenses totaled $8.1 million during calendar year 2019, which represented an increase of 17% from the prior year and approximately 97% of the approved budget for that period. The table and chart on this page show a summary of the direct and allocated expenses for the prior two years and the first half of 2020. Though the Facility finished 2019 under budget, significant legal and advisory expenses and the onboarding of additional staff were the main drivers of the expense increase. The budget for 2020 reflected increases in advisory and legal expenses primarily related to commercial auto and for investment expenses related to anticipated increases in the investment portfolio.

The annual audit for the fiscal year ended September 30, 2019, was performed by Johnson Lambert, and the report was presented to the Audit Committee in February 2020. The audit firm issued a clean opinion on the Facility’s audited financial statements and conducted the required communications to the Committee, 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. An excerpt of those audited financial statements is included in this report.

In June 2020, the Facility’s Partnership Tax Form K-1’s for member companies became available online via the EDGE system. The business changes thrust upon us by the pandemic have further illustrated the need to update our core systems, and the Facility, in conjunction with its sister organizations, has begun the initial steps to enhance the financial processing and reporting capabilities for both the accounting and billing systems to promote greater efficiency, location independence, and better electronic interfaces with our stakeholders.

This year has been one of both challenges and achievements, and we thank our staff, Board and committee members, and counsel for the support that makes it all possible.

### Administrative Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Reinsurance Facility (Direct)</th>
<th>Shared Services (Allocated)</th>
<th>Total Expenses</th>
<th>Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$3,474,796</td>
<td>$3,796,511</td>
<td>$7,276,040</td>
<td>$4,939,100</td>
</tr>
<tr>
<td>2019</td>
<td>$3,425,471</td>
<td>$4,320,007</td>
<td>$7,756,400</td>
<td>$5,098,098</td>
</tr>
<tr>
<td>Thru June 2020</td>
<td>$6,900,267</td>
<td>$8,116,518</td>
<td>$15,016,786</td>
<td>$9,137,100</td>
</tr>
</tbody>
</table>
Information Services

Information Services is dedicated to leveraging technology to enhance our business processes and to fulfill the needs of our customers. In late 2019, we strategically planned a portfolio of projects for 2020, allotting resources from our Software Development and Infrastructure groups. In early 2020, some of these projects were quickly scaled back, as we, along with the rest of the world, reacted to the COVID-19 virus. In just three days, we were able to equip the majority of our staff with necessities to work from home. Plans were laid out such that all re-structuring related to remote work was implemented as an investment towards our infrastructure and disaster recovery instead of reacting to a short-term event. As this situation has evolved, we are investing in solutions that will provide flexibility for associates to work remotely as well as in the office, making us less dependent on a physical workspace.

In conjunction with the pandemic, 2020 has been full of surprises, including unplanned events associated with a vendor breach, a Microsoft audit, replacement of our virtual meeting solution, and several other unexpected technical situations. Despite having to shift focus, many of our projects continued on schedule.

From the front lines of Security, we maintain that the best defense against security risks continues to be employee training. We provide regular training assessments as well as routine phishing simulations to teach employees how to defend against common and emerging threats as well as how to protect the data with which they are entrusted. This training has been increasingly important as hackers are taking advantage of the unusual circumstances created by COVID-19 to increase their attacks. With employees across the globe moving to a work-from-home model quickly and without policy and procedures in place, hackers are taking advantage of this shift. These unusual times create unusual circumstances, such as CEOs and IT departments sending emails about how to react in the crisis, new procedures for working from home, and potentially new links to “click on” from emails. This unsteady time allowed hackers to quickly adapt and try to access information in new ways. Our training over the years provided us a stable foundation where our associates know what are appropriate emails and requests, even during a crisis.

In 2020, we also implemented the gold standard end point protection platform recognized for its ability to find and remediate threats quickly. This additional mechanism of defense is one more layer used in reinforcing our strategy. We continue to strengthen and isolate our systems by upgrading perimeter security and limiting system permissions only to those users that require access to perform their job duties.

Project work also contributes to our goal of promoting efficiency through our organization and for our customers. The Software Development group works diligently to create software products that are used internally as well as by our external customers. In 2020, some of the systems released by this group for NCRF included implementation of Tableau for reporting, enhancements to the EDGE system including reporting and electronic delivery of K-1 forms, and Commercial Auto forms access in our web portal. Additionally, a multi-year project was started to automate the tracking of the Audit function.

We look forward to the challenges that lie ahead as we continue providing solutions to the organization that increase efficiency and help to meet our members’ needs through technology.

Human Resources and Facility Services

“Life is about accepting the challenges along the way, choosing to keep moving forward, and savoring the journey.” —Roy T. Bennett

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. This past year, we have adapted to a new way of business with remote work and enacting all the federal regulation changes. We have been preparing for return to work at the office by purchasing sneeze guards, PPE, sanitizers, disinfectant, etc., to offer a safer environment with the current pandemic. We added two new associates in NCRF.

Our Wellness Program consists of:

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

Both on-site and off-site training classes were attended by staff this year.

Community Service involvement by our associates this year included the United Way and various charities of the associate’s choice.

NCRF Management Staff

Tom Burns
Director, Auto Operations

Katie Lovelace
Manager, Planning & Analysis

Andy Montano
Manager, Automobile

Donna Kallianos
Manager, Claims

Debbie Taylor
Member Services Supervisor
## Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash (Checking Account)</td>
<td>$6,734,723</td>
<td>$16,768,187</td>
</tr>
<tr>
<td>Cash Restricted (Including Escrow)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>$880,319,246</td>
<td>$864,915,542</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>32,395,152</td>
<td>35,674,149</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>5,586,675</td>
<td>6,119,847</td>
</tr>
<tr>
<td>Other Assets</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$925,035,888</td>
<td>$923,477,816</td>
</tr>
<tr>
<td><strong>Liabilities &amp; Members’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$18,734,480</td>
<td>$34,509,605</td>
</tr>
<tr>
<td>Loss Reserves</td>
<td>660,077,232</td>
<td>669,415,665</td>
</tr>
<tr>
<td>Unearned Premium Reserves</td>
<td>363,192,983</td>
<td>352,954,846</td>
</tr>
<tr>
<td>Provision for Premium Refunds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>1,146,174</td>
<td>1,206,876</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$1,043,150,870</td>
<td>$1,058,086,992</td>
</tr>
<tr>
<td>Members’ Equity</td>
<td>(118,114,982)</td>
<td>(134,609,176)</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Members’ Equity</strong></td>
<td>$925,035,888</td>
<td>$923,477,816</td>
</tr>
</tbody>
</table>

## Income Statement

<table>
<thead>
<tr>
<th>Fiscal Year through</th>
<th>June 30, 2020</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earned Premiums</td>
<td>$798,552,189</td>
<td>$809,859,992</td>
</tr>
<tr>
<td>Clean Risk Recoupment</td>
<td>125,006,868</td>
<td>202,211,743</td>
</tr>
<tr>
<td>Investment Income</td>
<td>23,744,972</td>
<td>20,726,785</td>
</tr>
<tr>
<td>Membership Fee Income</td>
<td>56,400</td>
<td>55,100</td>
</tr>
<tr>
<td>Other Income</td>
<td>202,712</td>
<td>93,662</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$947,563,141</td>
<td>$1,032,947,282</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses Incurred</td>
<td>$692,261,063</td>
<td>$746,768,472</td>
</tr>
<tr>
<td>Ceding &amp; Claims Expenses</td>
<td>302,647,942</td>
<td>307,866,451</td>
</tr>
<tr>
<td>Premiums Escrowed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Underwriting Deductions</td>
<td>-</td>
<td>674</td>
</tr>
<tr>
<td>Salaries &amp; Administration Expenses</td>
<td>2,756,069</td>
<td>2,226,663</td>
</tr>
<tr>
<td>Outside Services Expenses</td>
<td>2,238,727</td>
<td>2,232,234</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>2,198,222</td>
<td>1,826,676</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,002,102,023</td>
<td>$1,060,921,170</td>
</tr>
<tr>
<td><strong>Net Income/(Loss) Before Loss Recoupments</strong></td>
<td>$(54,538,882)</td>
<td>$(27,973,888)</td>
</tr>
<tr>
<td>Loss Recoupments</td>
<td>49,710,639</td>
<td>108,134,773</td>
</tr>
<tr>
<td><strong>Net Income/(Loss) After Loss Recoupments</strong></td>
<td>$(4,828,244)</td>
<td>$80,160,885</td>
</tr>
</tbody>
</table>
## Special Purpose Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2019</th>
<th>Sept 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Short-Term Investments</td>
<td>$48,380,926</td>
<td>$77,288,888</td>
</tr>
<tr>
<td>Investments, at Amortized Cost</td>
<td>849,530,797</td>
<td>681,006,722</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>6,785,677</td>
<td>4,434,154</td>
</tr>
<tr>
<td>Settlements Receivable From Member Companies</td>
<td>37,126,618</td>
<td>55,950,611</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$941,824,018</td>
<td>$818,680,375</td>
</tr>
</tbody>
</table>

| **Liabilities & Members’ Equity** |                     |                     |
| Loss and Loss Adjustment Expense Reserves |                     |                     |
| • In Course of Settlement | $472,662,509         | $473,880,341         |
| • Incurred But Not Reported | 203,066,386          | 182,809,209          |
| **Total Loss and Loss Adjustment Expense Reserves** | $675,728,895        | $656,689,550         |
| Unearned Premium Reserves | 358,468,740          | 356,317,040          |
| Advance Clean Risk Subsidies | 3,281,802           | 4,832,146           |
| Settlements Payable to Member Companies | 25,444,810          | 19,981,510          |
| Other Liabilities | 396,188              | 463,009              |
| **Total Liabilities** | $1,063,320,435       | $1,038,283,255       |
| Members’ Equity | (121,496,417)        | (219,602,880)        |
| **Total Liabilities and Members’ Equity** | $941,824,018        | $818,680,375         |

## Special Purpose Statement of Operations

<table>
<thead>
<tr>
<th></th>
<th>Sept 30, 2019</th>
<th>Sept 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year Ending</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Premiums Earned</strong></td>
<td>$1,077,296,387</td>
<td>$1,062,882,244</td>
</tr>
<tr>
<td><strong>Clean Risk Subsidies</strong></td>
<td>272,966,456</td>
<td>204,352,165</td>
</tr>
<tr>
<td><strong>Total Underwriting Income</strong></td>
<td>1,350,262,843</td>
<td>1,267,234,409</td>
</tr>
<tr>
<td><strong>Losses Incurred</strong></td>
<td>997,927,744</td>
<td>968,904,610</td>
</tr>
<tr>
<td><strong>Ceding Expense Allowances</strong></td>
<td>266,347,668</td>
<td>281,371,055</td>
</tr>
<tr>
<td><strong>Claims Expense Allowances</strong></td>
<td>145,905,942</td>
<td>160,991,616</td>
</tr>
<tr>
<td><strong>Change in Premium Deficiency Reserve</strong></td>
<td>-</td>
<td>(235,493)</td>
</tr>
<tr>
<td><strong>Total Underwriting Expenses</strong></td>
<td>1,410,181,354</td>
<td>1,411,031,788</td>
</tr>
<tr>
<td><strong>Net Underwriting Loss</strong></td>
<td>(59,918,511)</td>
<td>(143,797,379)</td>
</tr>
<tr>
<td><strong>Other Income (Expense)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td>25,443,908</td>
<td>15,937,995</td>
</tr>
<tr>
<td><strong>Net Realized Investment Gains</strong></td>
<td>1,874,515</td>
<td>30,170</td>
</tr>
<tr>
<td><strong>Late Premium Charges and Penalties</strong></td>
<td>114,230</td>
<td>114,724</td>
</tr>
<tr>
<td><strong>Membership Fees</strong></td>
<td>55,400</td>
<td>54,700</td>
</tr>
<tr>
<td><strong>General and Administrative Expense</strong></td>
<td>(6,841,206)</td>
<td>(5,846,249)</td>
</tr>
<tr>
<td><strong>Total Other Income—Net</strong></td>
<td>20,646,847</td>
<td>10,291,340</td>
</tr>
<tr>
<td><strong>Net Operating Loss</strong></td>
<td>$(39,271,664)</td>
<td>$(133,506,039)</td>
</tr>
</tbody>
</table>