



# Insurance Guaranty Association

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## General Organizational Information

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## Management Contacts

Ray Evans .....	Managing Secretary	919-582-1001	<a href="mailto:rfe@ncrb.org">rfe@ncrb.org</a>
Donna Kallianos .....	Chief Operating Officer, IGA	919-582-1046	<a href="mailto:dpk@ncrb.org">dpk@ncrb.org</a>
Kim Powell .....	Claims Manager	919-645-3180	<a href="mailto:ksp@ncrb.org">ksp@ncrb.org</a>
Tammy Choboy .....	Technical and Administrative Manager	919-582-1044	<a href="mailto:trc@ncrb.org">trc@ncrb.org</a>
Vicki Godbold .....	Chief Human Resources Officer	919-645-3170	<a href="mailto:vcg@ncrb.org">vcg@ncrb.org</a>
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Edith Davis .....	Chief Financial Officer	919-582-1006	<a href="mailto:etd@ncrb.org">etd@ncrb.org</a>



Allen Houck  
Chairman

## Message from The Chairman

Many of us in the insurance industry have a tendency to like things that are known and stable. Because claim activity varies, at times greatly, we value predictability in operations to compensate for the unknown in claims. This holds true as well for a guaranty association – while change certainly creates opportunity for improvements, it also can stress your operations and your people.

During the 2016-2017 fiscal year, the North Carolina Insurance Guaranty Association experienced significant operational change, and I am pleased to report, handled all of this quite well.

First, as we noted last year, Mike Newton retired on March 31, 2017, and Donna Kallianos was promoted to Chief Operating Officer. As we knew would be the case, Donna has quite capably assumed the COO position and is providing valued leadership to the organization.

Second, the Guaranty Association went live on its new claims management financial tracking system last year and devoted a significant amount of time this year to learn this system and ensure that they are using it as effectively and efficiently as possible.

In addition to these transitional (or transformational) events, the more typical work of the Association of course also continued:

- Net claims paid during the reporting year were \$5.54 million. 113 claims were closed during reporting year, while 53 new claims were reported.
- The Association refunded \$7.88 million to member companies. \$7.28 million of the member refunds related to the workers' compensation account. There were no assessments made against member companies during the fiscal year.
- In April 2017, the Association activated for the insolvency of CastlePoint National Insurance Company, a workers' compensation carrier domiciled in California.
- As noted in last year's report, the insolvency of Freestone Insurance Company presented problems with overlapping coverage with a solvent carrier, requiring litigation on the matter. We are pleased to report that litigation was concluded with an amicable resolution. I would like to personally thank Donna Kallianos for her dogged efforts for several years on this matter, which directly led to the outcome that benefited the Association.
- Staff and counsel continue aggressive pursuit of all avenues of recovery with the outstanding amount of \$2.33 million recovered through August 31, 2017.

Unfortunately, the days of transition at the Association are not completely over, with the retirement this past spring of David Sink as the Chief Financial Officer of the Association, the Rate Bureau and the Reinsurance Facility. David served with integrity and a passion for doing things correctly, and I would like to wish him happiness and health as he enjoys retirement with his family. Edith Davis is our new Chief Financial Officer, and having worked with Edith in her former role as COO of the Reinsurance Facility, I am certain that the Association's track record of clean books and secure assets will continue unabated.

In the midst of all of this change stands our Managing Secretary Ray Evans, who as I have noted in the past is one of the most respected people in the insurance industry in North Carolina. This past year was an extremely challenging one for our sister organizations for several reasons, and Ray's leadership during all of this has been outstanding. Ray has also been stressing the importance of succession planning for several years, and the value of these efforts has been seen firsthand at the Association. In closing, I would like to offer continued thanks to Ray for his stewardship.

# Board of Directors

The Plan of Operation provides that the Board of Directors consists of eight directors: seven elected directors, all of whom are member insurers, who shall serve three-year terms or until their successors have been elected and qualified, and one non-voting director, who shall be a property and casualty insurance agent authorized to write insurance for a member company and who is appointed by the Commissioner of Insurance to serve for a three-year term at the pleasure of the Commissioner.

Members	Representative
Allstate Ins. Co.	Kari Smith
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Ins. Co.	Filip Saraiva
Nationwide Mutual Insurance Co.	Gregory Lonnecker
NC Farm Bureau Mutual Ins. Co.	Allen Houck *
State Farm Mutual Auto Ins. Co.	David Stoller **
Travelers Indemnity Co.	Kathy Muedder

Non-voting Member	
Property & Casualty Agent	John Cook

# Subcommittee

The Audit Committee oversees the financial activities of the Association and formulates recommendations for presentation to the Board of Directors.

Members	Representative
NC Farm Bureau Mutual Ins. Co.	Allen Houck *
Liberty Mutual Ins. Co.	Filip Saraiva
Nationwide Mutual Ins. Co.	Gregory Lonnecker

\* Chairman  
 \*\* Vice-chair

# Report of NCIGA Counsel



**Christopher J. Blake**  
 Partner, Nelson Mullins  
 Riley & Scarborough LLP



**Joseph W. Eason**  
 Partner, Nelson Mullins  
 Riley & Scarborough LLP

In the past year, the Association has resolved the declaratory judgment action commenced by Sussex Insurance Company, f/k/a Companion Property and Casualty Insurance Company, a South Carolina insurer (“Companion”) which involved claims arising from the insolvency of Freestone Insurance Company, f/k/a Dallas National Insurance Company (“Freestone”). After the Freestone insolvency, the Association’s investigation of the workers’ compensation claims against Freestone revealed that in addition to coverage under the Freestone policies, there also was coverage for some of the claims under policies issued by Companion. As a result, the Association tendered a group of claims to Companion for further defense and administration. Companion denied the Association’s tender of the claims, and thereafter Companion commenced a declaratory judgment action against the Association in the Superior Court for Wake County. That declaratory judgment was satisfactorily resolved early 2017. Following the completion of the Companion litigation, the Association remains involved in the Freestone insolvency and is actively investigating potential recoveries from the Freestone estate in liquidation, as well as some Freestone former insureds.

Additionally, the Association continues its involvement in a number of cases related to the bar date provision of the Guaranty Act. In one case, the Full Industrial Commission heard oral arguments related to the bar date provision, and then certified to the North Carolina Court of Appeals questions concerning whether the bar date provision was unconstitutional under either the North Carolina or United States Constitutions. While those constitutional issues remain to be decided by the North Carolina Court of Appeals, other cases relating to the bar date provision have been stayed pending the decision by the Court of Appeals. The Association expects that the decision of the Court of Appeals will provide clarity on all of the bar date cases pending at the North Carolina Industrial Commission.

The Association has continued to focus on legal issues arising from insolvent insurer estates, working with domiciliary receivers on expense and reinsurance claim audits, large deductible recoveries and early access payments. In the past year, the Association has worked with the North Carolina Department of Insurance to close a number of ancillary estate proceedings that were pending in the Wake County Superior Court. The Association anticipates that steps may be taken in the next year to close the domiciliary estate proceeding for CAGC Insurance Company. As the receivers of various estates make claim priority determinations for different categories of claims in those estates, the Association will defend its interests, as necessary, to ensure that the Association receives the maximum recovery on its claims against each of these insolvent insurer estates.

The Association and counsel remain proactive in monitoring events and developments that may impact the Association.

# Managing Secretary's Report

Last year, I noted that 2016 had been one of transition. As a result, 2017 has been a year of change at the Guaranty Association. One of the biggest challenges of 2016 was the successful installation of a new operating system (SIMS). The system, the result of several years of work and collaboration by a group of seven guaranty funds, is functioning as intended and is now entering a new phase of its short life. Some days it appears building it might have been the easier part of the project as we were very narrowly focused. Now that it is operational, the current phase of development, where we are working toward identification/implementation of enhancements and customizations, maintenance and establishing priorities as well as funding, has created a less defined focus with considerable competition in apportioning time and money. But, there are a lot of good folks working on this who continue to be excited about the success of the initial program, and I am sure we will soon resolve how to move forward effectively.

The other, even bigger challenge resulting from recent transition has been the Association's staffing. After years of having the same great group of workers, Mike Newton, the Chief Operating Officer, and Rowena Ball, Claims Supervisor, are retired. Not that these were unexpected, and for some time we have had succession plans for key individuals, but planning and preparing are not the same as doing it. Accommodating these two changes required many additional adjustments to staff and responsibilities that will be detailed in later portions of this report. The good news is that our staff is responding well, and not only is our work being done, but they have found ways to be more effective as they are learning.

There were several other challenges we knew we were facing this past year. The anticipation of substantial litigation resulting from paying and attempting to close claims in the adjustment process, from maintaining the integrity of our statutory obligations and working with receivers and estates in recovering as much as possible to reduce the need for assessments, has challenged us in two ways. The first is managing, with counsel, the time and effort involved in researching and responding to various suits and requests. The second is in managing costs associated with this activity. At the time of this report, we are doing well with the first and are significantly over budget with the second.

Another challenge, not unexpected, but larger than we anticipated, is responding to requests for detailed information and data from various entities. These requests along with expanded requests for expense and claims information, have required staff to revisit many files and update claims to respond. Unfortunately, with several of the large older insolvencies nearing closing, requests have become more urgent.

In looking back, the succession planning we did, having hired good associates, being able to lean on counsel and the Board for their advice and keeping a focus on our mission and core values, has enabled us, as further outlined on the following pages, to have a very successful year operating effectively, paying covered claims, helping claimants avoid unnecessary expense and recovering money that ultimately limits the impact of insolvencies on taxpayers.



Ray Evans  
Managing Secretary, IGA

A handwritten signature in black ink that reads "Ray Evans". The signature is written in a cursive, flowing style.

# Chief Operating Officer's Report

This effort marks my first report as the Chief Operating Officer of the IGA since assuming the position due to the March 31, 2017, retirement of Mike Newton, who served as the chief manager in some capacity for nearly 20 years. The past five months under my watch have been filled with both challenges and successes, and I am happy to state that fiscal year 2017 overall has been productive and rewarding. We have successfully activated for two new insolvencies, closed two old insolvencies, closed four ancillary receiverships in the Wake County Courts, recovered record amounts of funds spent as claims and claims expense payments and seen success in litigation involving the Association. Pages seven and eight of this report provide payments and current reserves on a claim and claims expense basis, further defined by specific insolvency or trust account with the lines of coverage separated into workers' compensation, auto and all other lines of business. The claims paid detail exhibit shows total gross payments for claims and claims expenses of \$7.87 million, and deduction of our record recoveries of \$2.33 million provides our net payments of \$5.54 million.

The cover of this year's report is meant to evoke the feeling of forward movement, which is appropriate with the major changes within the organization this year, mainly due to personnel changes in management and movement from our old to new operating systems. The word "change" can be used as a verb, such as in to make or replace something, or pass from one state to another, or remove and replace something. It can also be a noun, as in making or becoming different, the exchange or replacement, or variance from, or becoming the new state of affairs.



My view of "change" has involved both usages this year, but the important thing has been the orderly transition during the process. The word "transition" itself means the changeover, process, evolution, conversion, or movement. It is the process encountered or utilized in achieving the desired change. The fact that it was orderly and seamless from the prospective of those we serve is a testament to Ray Evans, our managing secretary, who has always stressed our need to plan for the future and be prepared for the next insolvency, while fine-tuning and improving our processes and efficiencies.

So we have made orderly changes in my assuming the role of Chief Operating Officer, and we have continued to enhance our new operating system. Underway is our transition to a new management team with Kim Powell as claims manager, effective April 1, 2017, and Sloan Bayles as workers'

compensation supervisor effective July 1, 2017. Both Kim and Sloan bring years of claims experience to their new roles and are familiar with Guaranty operations, having been associates for many years.

So change or forward movement continues as it must in any organization. What will not change is our dedication to fulfilling our mission statement, which is to provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment, to avoid financial loss to claims of policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies and to provide an association to assess the cost of such protection among insurers. How we achieve it may change, but our dedication to fulfill our mission statement remains the same.

Donna Kallianos, COO IGA

## Balance Sheet

Year Ending	August 31, 2017 (Preliminary)	August 31, 2016
<b>Assets</b>		
Cash (Checking Account)	926,883	7,358,033
Investments	83,160,000	90,348,083
Assessments Receivable	-	297,907
Other Assets	-	-
<b>Total Assets</b>	<b>\$84,086,883</b>	<b>\$98,004,023</b>
<b>Liabilities &amp; Fund Equity</b>		
Accounts Payable	-	-
Claims Liability	70,600,000	70,123,206
Unearned Premium Liability	-	-
Claims Expense Liability	6,500,000	5,571,774
Outstanding Check Liability	-	-
Other Liabilities	(1,689)	(6,689)
<b>Total Liabilities</b>	<b>\$77,098,311</b>	<b>\$75,688,291</b>
Fund Equity	6,988,572	22,315,732
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$84,086,883</b>	<b>\$98,004,023</b>

## Income Statement

Year Ending	August 31, 2017 (Preliminary)	August 31, 2016
<b>Income</b>		
Membership Fees	500	1,000
Investment Income	1,555,049	661,805
Assessments Income	-	24,392,092
Miscellaneous Income	2,400,863	14,811,918
<b>Total Income</b>	<b>\$3,956,412</b>	<b>\$39,866,815</b>
<b>Expenses</b>		
Refund to Commissioner/Liquidators	2,680,743	-
Refund to Member Insurers	7,878,775	4,762,587
Operating Expenses	3,202,448	3,384,469
Claims Paid (Net)	4,603,649	8,080,935
Claim Expenses	963,025	1,330,370
Premium Refunds	-	(117)
<b>Total Expenses</b>	<b>\$19,328,640</b>	<b>\$17,558,244</b>
<b>Net Income/(Loss)</b>	<b>\$(15,372,228)</b>	<b>\$22,308,571</b>

## Claims Paid Detail

	WC			Auto		
	Indemnity Paid	Expense Paid	Total Paid	Indemnity Paid	Expense Paid	Total Paid
Affirmative Ins. Co.						
Atlantic Mutual Ins. Co.	\$199,785	\$15,948	\$215,734			
CAGC Ins. Co.	\$1,410,722	\$71,682	\$1,482,404			
CastlePoint Nat. Ins. Co.						
Casualty Reciprocal	\$14,606	\$17,062	\$31,669			
Centennial Ins. Co.	\$30,917	\$2,288	\$33,205			
Credit General Ins. Co.	\$229,905	\$39,693	\$269,598			
Employers Casualty Co.	\$16,997	\$2,941	\$19,938			
Freestone Ins. Co.	\$709,567	\$351,641	\$1,061,208			
Fremont Indemnity Co.	\$65,580	\$8,374	\$73,954			
Frontier Ins. Co.						
Gramercy Ins. Co.					\$464	\$464
Home Ins. Co.	\$166,053	\$89,460	\$255,514			
Insurance Corp. of NY	\$(733)	\$900	\$167			
Legion Ins. Co.	\$283,235	\$60,334	\$343,570			
Lumberman Mut. Group	\$1,256,190	\$208,631	\$1,464,821	\$25,000	\$3,415	\$28,415
Lumbermens' Underwriting Alliance	\$207,156	\$101,361	\$308,517			
Park Ave P&C	\$25,588	\$15,438	\$41,026			
PHICO Ins. Co.	\$576	\$4,194	\$4,770			
Reliance Ins. Co.	\$1,468,430	\$206,826	\$1,675,256			
Shelby Ins. Co.	\$20,667	\$200	\$20,868			
South Carolina Ins.	\$59,696	\$12,076	\$71,773			
ULLICO Cas. Co.	\$(760)	\$10,063	\$9,303			
Villanova Ins. Co.	\$3,387	\$330	\$3,718			
888 WC Mutual Trust	\$301,862	\$73,474	\$375,336			
999 WC Stock Trust	\$54,839	\$3,819	\$58,658			
<b>Gross Total</b>	<b>\$6,524,267</b>	<b>\$1,296,737</b>	<b>\$7,821,004</b>	<b>\$25,000</b>	<b>\$3,879</b>	<b>\$28,879</b>

## Claims Reserved Detail

	WC				Auto			
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending
Affirmative Ins. Co.								
Atlantic Mutual Ins. Co.	\$2,860,794	\$54,251	\$2,915,045	6	\$30,000	\$1,500	\$31,500	1
CAGC Insurance Co.	\$7,778,702	\$256,524	\$8,035,226	17				
CastlePoint Nat. Ins. Co.				1				
Casualty Reciprocal	\$1,738,945	\$98,417	\$1,837,362	8				
Centennial Ins. Co.	\$314,899	\$10,873	\$325,772	2				
Credit General Ins. Co.	\$5,109,123	\$194,771	\$5,303,894	5				
Employers Casualty Co.	\$240,277	\$65,946	\$306,223	4				
Freestone Ins. Co.	\$2,230,760	\$529,772	\$2,760,532	25				
Fremont Indemnity Co.	\$1,394,007	\$30,513	\$1,424,519	4				
Frontier Ins. Co.								
Gramercy Ins. Co.					\$96		\$96	1
Home Insurance Co.	\$4,015,779	\$617,825	\$4,633,604	21				
Insurance Corp. of NY								
Legion Insurance Co.	\$4,583,453	\$442,023	\$5,025,476	15				
Lumberman Mut. Group	\$11,739,857	\$1,254,959	\$12,994,817	44	\$261,011	\$4,625	\$265,636	3
Lumbermens' Underwriting Alliance	\$1,860,338	\$174,727	\$2,035,065	14				
Park Ave P&C	\$1,477,097	\$118,344	\$1,595,441	1				
PHICO Insurance Co.								
Reliance Insurance Co.	\$19,427,816	\$1,766,636	\$21,194,452	53				
Shelby Insurance Co.	\$210,233	\$22,244	\$232,477	2				
South Carolina Ins.	\$1,601,600	\$110,537	\$1,712,137	6				
ULLICO Cas. Co.		\$17,582	\$17,582	2				
Villanova Insurance Co.	\$257,732	\$36,396	\$294,128	2				
888 WC Mutual Trust	\$2,344,271	\$442,292	\$2,786,563	35				
999 WC Stock Trust	\$990,094	\$79,154	\$1,069,247	3				
<b>Total</b>	<b>\$70,175,777</b>	<b>\$6,323,785</b>	<b>\$76,499,563</b>	<b>270</b>	<b>\$291,107</b>	<b>\$6,125</b>	<b>\$297,232</b>	<b>5</b>

## Claims Paid Detail

	All Other			Total
	Indemnity Paid	Expense Paid	Total Paid	
Affirmative Ins. Co.				
Atlantic Mutual Ins. Co.				\$215,734
CAGC Ins. Co.				\$1,482,404
CastlePoint Nat. Ins. Co.				
Casualty Reciprocal				\$31,669
Centennial Ins. Co.				\$33,205
Credit General Ins. Co.				\$269,598
Employers Casualty Co.				\$19,938
Freestone Ins. Co.				\$1,061,208
Fremont Indemnity Co.				\$73,954
Frontier Ins. Co.		\$380	\$380	\$380
Gramercy Ins. Co.				\$464
Home Ins. Co.				\$255,514
Insurance Corp. of NY				\$167
Legion Ins. Co.				\$343,570
Lumberman Mut. Group		\$18,986	\$18,986	\$1,512,222
Lumbermens' Underwriting Alliance				\$308,517
Park Ave P&C				\$41,026
PHICO Ins. Co.				\$4,770
Reliance Ins. Co.				\$1,675,256
Shelby Ins. Co.				\$20,868
South Carolina Ins.				\$71,773
ULLICO Cas. Co.				\$9,303
Villanova Ins. Co.				\$3,718
888 WC Mutual Trust				\$375,336
999 WC Stock Trust				\$58,658
<b>Gross Total</b>		<b>\$19,366</b>	<b>\$19,366</b>	<b>\$7,869,249</b>
				<b>Recoveries</b> <b>\$(2,332,560)</b>
				<b>Net Claims Expenditure</b> <b>\$5,536,688</b>

## Claims Reserved Detail

	All Other				Total	
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserves	Total Pending
Affirmative Ins. Co.					\$31,500	1
Atlantic Mutual Ins. Co.	\$60,002	\$86,382	\$146,384	3	\$3,061,430	9
CAGC Insurance Co.					\$8,035,226	17
CastlePoint Nat. Ins. Co.	\$9,000		\$9,000	1	\$9,000	2
Casualty Reciprocal					\$1,837,362	8
Centennial Ins. Co.					\$325,772	2
Credit General Ins. Co.					\$5,303,894	5
Employers Casualty Co.					\$306,223	4
Freestone Ins. Co.					\$2,760,532	25
Fremont Indemnity Co.					\$1,424,519	4
Frontier Ins. Co.						0
Gramercy Ins. Co.					\$96	1
Home Insurance Co.					\$4,633,604	21
Insurance Corp. of NY						0
Legion Insurance Co.					\$5,025,476	15
Lumberman Mut. Group	\$10,230	\$15,702	\$25,932	7	\$13,286,384	54
Lumbermens' Underwriting Alliance					\$2,035,065	14
Park Ave P&C					\$1,595,441	1
PHICO Insurance Co.						0
Reliance Insurance Co.	\$300	\$200	\$500	3	\$21,194,952	56
Shelby Insurance Co.					\$232,477	2
South Carolina Ins.					\$1,712,137	6
ULLICO Cas. Co.					\$17,582	2
Villanova Insurance Co.					\$294,128	2
888 WC Mutual Trust					\$2,786,563	35
999 WC Stock Trust					\$1,069,247	3
<b>Total</b>	<b>\$79,532</b>	<b>\$102,284</b>	<b>\$181,816</b>	<b>14</b>	<b>\$76,978,610</b>	<b>289</b>

# Shared Services

**Shelley Chandler**  
Chief Information Officer



As organizations become more dependent on data and systems to increase efficiency and effectiveness, Information Technology continues to grow in breadth and depth to help organizations streamline operations while continuing to expand the need to focus on the security of the data and systems that are at the core. NC Insurance Guaranty, like all companies, continues to

increase focus on strengthening the external perimeter to the data while ensuring that all assets are safe inside.

As a repository for large volumes of industry data, we continue to focus on constant improvements and tightening our security stance. This task is done by continually modernizing technology and focusing on security through prevention and early detection, including things such as data encryption, protecting sensitive data caches, locking down privileged accounts and ensuring security software is updated.

In addition to preventing potential security breaches, we seek to detect potential issues and remediate appropriately. To help with this endeavor, we contract with security experts to conduct quarterly security audits to help identify new potential risks. These regular audits enable us to improve continually our processes, procedures and software to remediate any new risks identified.

In 2016, we implemented a security awareness training program for our internal associates and continued this education program in 2017. We believe that educating our associates regarding safe security practices is our first line of defense in regards to security.

Information Technology is an ever-changing landscape, and we strive to educate our associates continually to keep their technology knowledge updated and fresh. We encourage education with our IT staff through our continuing education program, career-specific certifications and conferences.

**Vicki Godbold**  
Chief Human Resources Officer



*“People may not remember exactly what you did or what you said, but they will always remember how you made them feel.”*

— Author unknown

Our approach to Human Resources is strategic and comprehensive, with a focused commitment to the Organization’s most valued assets — our people. Facility Services provide a secure and comfortable work environment along with mail and receptionist services. During the past year, Human Resources revised the 2016 Performance Evaluations, integrating individual associate job descriptions, while Facility Services upgraded security through the installation of two new outdoor cameras.

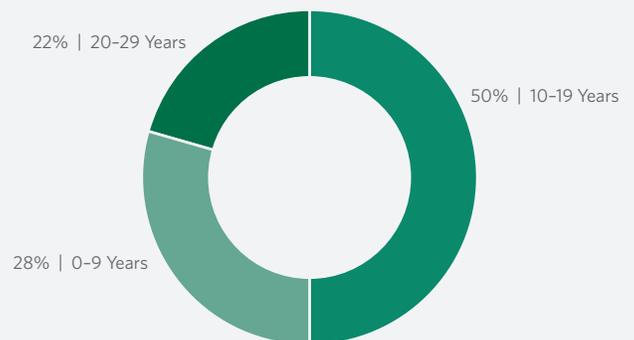
Our Wellness Program consists of

- 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 fitness classes, wellness seminars and Diversity and Inclusion Training.

Community Service involvement by our associates this year included St. Jude Children’s Research Hospital, the United Way and the NC Food Bank.

## Insurance Guaranty Association Years of Service



## Celebrating Service Milestones

- 2 associates, 15 years

## Edith Davis

Chief Financial Officer

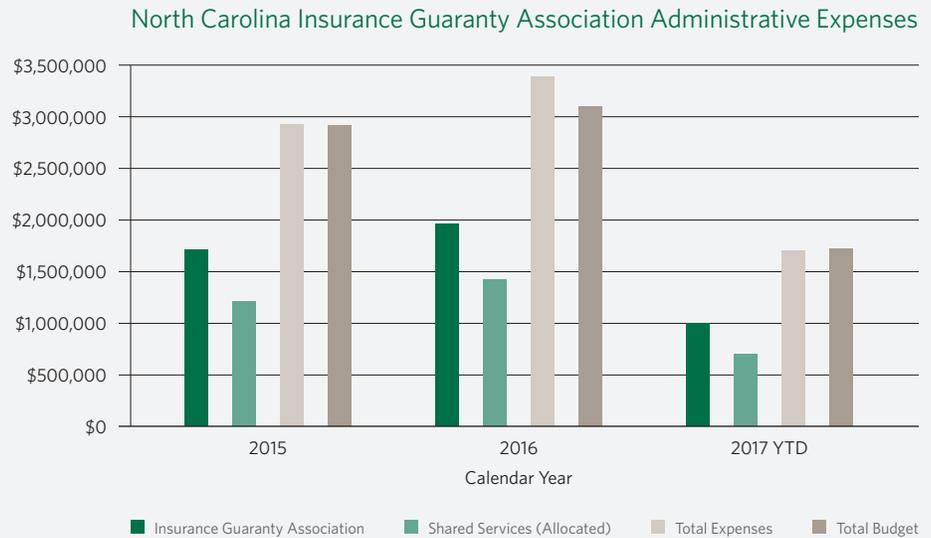


I would be remiss if a “tip of the hat” for a job well done was not first given to David Sink, who recently retired after serving as the Chief Financial Officer,

or a title derivative thereof, for all three organizations – NC Rate Bureau, NC Reinsurance Facility and NC Insurance Guaranty Association – in a career spanning over three decades. I began my career with the Rate Bureau 25 years ago in the finance department with Dave as my manager and later worked closely with Dave and his staff in my position of Chief Operating Officer of the NC Reinsurance Facility.

For this first report as CFO for the NCIGA, I will touch upon the metrics that David deemed necessary to reflect the financial health of the Association and the current fiscal year’s activities accurately. The financial position is summarized in the exhibits on page six, which reflect the comparative balance sheets and income statements for the latest two years ending August 31. The assets of the Association totaled approximately \$84 million August 31, 2017 – a decrease of about 16% or \$4 million from a year ago.

The second audit of the Association’s financial records by the firm of Johnson Lambert went very smoothly. During last year’s audit, the Association learned that it was subject to recent statutory changes, instilling a new reporting responsibility to the State Treasurer for certain outstanding and uncashed checks. The Association is now fully compliant with respect to this matter and has instituted processes to ensure our continued meeting of statutorily created obligations.



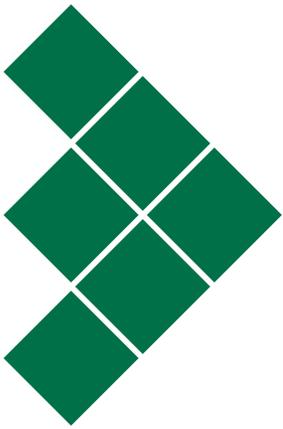
Administrative Expenses	2015	2016	Thru June 2017
Insurance Guaranty Association	1,705,480	1,969,364	1,006,601
Shared Services (Allocated)	1,207,320	1,429,825	704,761
<b>Total Expenses</b>	<b>\$2,912,800</b>	<b>\$3,399,189</b>	<b>\$1,711,362</b>
<b>Total Budget</b>	<b>\$2,901,212</b>	<b>\$3,116,521</b>	<b>\$1,731,706</b>

Net claim and claim expense payments were \$5.5 million over the past 12 months – a decrease over the prior report year. This year’s net numbers reflect significant recoveries by staff and counsel through large deductibles, net worth, excess WC policies and litigation efforts. The reserves of \$77 million as of fiscal year’s end are an increase of \$1.5 million when compared to the August 31, 2016, numbers. A primary reason is the recent increase of reserves involving the Reliance Insurance insolvency as staff makes efforts to reflect the final exposures accurately in this maturing insolvency which hopes to windup affairs in 2018.

The Association’s administrative expenses are comprised of the direct costs related

to the specific activities of the Association as well as the allocated expenses of the departments whose services are shared along with the Rate Bureau and Reinsurance Facility. The table and chart included in this report reflect a summary of the direct and allocated expenses for the prior two years on a calendar basis and the first half of 2017.

I look forward to joining the team of the IGA and working with management, board members and counsel in fulfilling those duties and obligations of the Association, of serving as the state-based national safety network for the insurance-buying public.



# NCIGA

North Carolina **Insurance Guaranty Association**

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