



2016 ANNUAL REPORT

NCIGA

NORTH CAROLINA
INSURANCE GUARANTY ASSOCIATION



INSURANCE GUARANTY ASSOCIATION

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GENERAL ORGANIZATIONAL INFORMATION

NCIGA Main Phone Number	919-783-9813
Facsimile	919-783-5262
Toll Free	800-456-5086
Website Address	www.ncrb.org/nciga/
Physical Address	2910 Sumner Blvd. Raleigh, NC 27616

MANAGEMENT CONTACTS

Ray Evans	Managing Secretary	919-582-1001	rfe@ncrb.org
R. Mike Newton	Chief Operating Officer, IGA	919-582-1018	rmn@ncrb.org
Donna Kallianos	Manager, Claims	919-582-1046	dpk@ncrb.org
Tammy Choboy	Manager, Technical and Administrative	919-582-1044	trc@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
David Sink	Chief Financial Officer	919-582-1012	des@ncrb.org

MESSAGE FROM THE CHAIRMAN

Before jumping into a recap of the Guaranty Association's core activities during the 2015-2016 fiscal year, the first order of business is to commend staff and management for their successful implementation of a new claim management financial tracking system. This project took over three years to complete when factoring in the planning, designing, and implementation phases, and it required close collaboration with six other guaranty funds. Our Association, led by Tammy Choboy and Paula Stana, assumed leadership roles throughout the project, worked effectively and efficiently with regards to both time and expense, and overall did an outstanding job on this project. The new system (which allows the Association to perform the very duties for which it has been statutorily created) also provides much needed business continuity protection.

Another project that deserves recognition is that the Association met North Carolina's statutory requirements to be capable of receiving and paying medical bills electronically. These requirements were imposed on North Carolina insurance carriers and the Association on short notice, with somewhat unclear directions. Association staff was able to assess, design, and implement a solution, and was compliant with the requirements prior to the state deadlines.

Now, on to more "ordinary" Association activities:

- Claims paid during the reporting year were \$8.64 million. 121 claims were closed during reporting year, while 59 new claims were reported.
- The Association refunded \$4.8 million to member companies. Assessments totaling \$24.4 million were made during the year. \$24.0 million of the assessments related to workers' compensation claims.

In June 2016, the Association activated for the insolvency of Lumbermen's Underwriting Alliance, a workers' compensation carrier domiciled in Missouri.

As noted in last year's report, the insolvency of Freestone Insurance has presented issues of possible duplicate or overlapping coverage with a solvent carrier, and we continue to pursue all appropriate avenues to ensure that claims are paid by the legally responsible party. To date, we are involved in litigation on this matter. The solvent carrier has reimbursed the Association for some claims that they acknowledge as their responsibility, but coverage issues remain on a number of other claims.

With very mixed emotions, we celebrate the retirement of but are going to greatly miss our Chief Operating Officer, Mike Newton, who will be retiring on March 31, 2017. Mike has been a tremendous asset to this organization. Mike has guided the organization through many interesting events during his tenure, and we are grateful for his leadership not just with the NC Association, but also as a leader in the national guaranty fund community. I would like to wish Mike a long and healthy retirement, and perhaps the chance to witness a future national title or two by his beloved NC State Wolfpack.

We are fortunate that our Managing Secretary, Ray Evans, and Mike have placed a high priority on succession management, and we are pleased that Donna Kallianos will become Chief Operating Officer upon Mike's retirement. Donna has been with the Association for over 14 years and will work closely with Mike to ensure a smooth transition. I have had the pleasure of working with Donna the last several years and am certain that the Association is going to remain well managed under Donna's guidance.

Lastly, a note of continued thanks to our Managing Secretary, Ray Evans, who is one of the most respected people in the insurance industry in North Carolina. Ray wears multiple hats in leading three distinct organizations, and does it all quite well. We are very fortunate to have people like Ray, Mike, and Donna working on the behalf of our member companies.



Allen Houck
CHAIRMAN

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 Insurance Co.	Kari Smith
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Co.	Filip Saraiva
Nationwide Mutual Insurance Co.	Gregory Lonnecker
NC Farm Bureau Mutual Insurance Co.	Allen Houck *
State Farm Mutual Auto Insurance Co.	David Stoller **
Travelers Indemnity Co.	Kathy Muedder
Non-voting Member	
Property & Casualty Agent	Delaine Bradsher

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 Insurance Co.	Allen Houck *
Liberty Mutual Insurance Co.	Filip Saraiva
Nationwide Mutual Insurance 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 continued its involvement with the insolvency of Freestone Insurance Company, f/k/a Dallas National Insurance Company (“Freestone”). In connection with Freestone, the Association’s investigation of the workers’ compensation claims against Freestone following its insolvency revealed that in addition to coverage under the Freestone policies, there also was coverage for some of the claims under policies issued by Sussex Insurance Company, f/k/a Companion Property and Casualty Insurance Company, a South Carolina insurer (“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 action remains pending, and discovery is ongoing. The Association does not anticipate any resolution of that action until sometime in late 2016 or early 2017.

Additionally, the Association has seen an increase in activity related to the bar date provision of the Guaranty Act in cases pending before the North Carolina Industrial Commission. Recently, the Full Industrial Commission heard oral arguments in one of these proceedings related to the bar date provision of the Guaranty Act. Regardless of the decision by the Full

Industrial Commission in that case, the Association anticipates that there will be an appeal in that case to the North Carolina Court of Appeals.

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 Illinois, the receiver of Lumbermens Mutual Casualty Company (“Lumbermens”) took the position that the proceeds of special deposits had to be accounted for as a distribution to the Association so as to offset the Association’s claim for administrative expenses. When the Association advised the receiver that North Carolina law on special deposits was contrary to the receiver’s position, the receiver for Lumbermens relented, and the Association’s claim for administrative expenses of approximately \$340,000 was approved in full. In addition, the NCIGA is working with the North Carolina Department of Insurance to close a number of ancillary estate proceedings that are pending in the Wake County Superior Court. 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

The past year has been one of transition, a changing of the guard, so to speak. Most important, Mike Newton, after 20 years with the Guaranty Association, is retiring in early 2017. Not only will we lose his leadership and experience, we will miss his humor and personality. Looking back at his career here, and these are only a few of the highlights, he has been intimately involved in the evolution of the Guaranty Association as it has changed from automobile and all other claims to mostly workers' compensation claims and the metamorphosis to a paperless environment. Mike has also been an important part of the larger guaranty fund community, participating and chairing a number of important committees on the national level. And, perhaps most important, he has helped make the Guaranty Association function effectively and be respected as an efficient, ethical organization. With his departure, there are big shoes to fill, but part of Mike's legacy is that he is guiding Donna Kallianos, whom we have selected to succeed him, and I am certain she will be successful.

Replacing an aging claims and financial operating system has been on Mike's "to do" list for a while and has been an active project for the past three years. It is now a reality as it has been "on line" since late May and adds more efficiency, provides better data, is more adaptable to changing regulations, and makes our promise of being the "fire house" a reality as we will be able to respond to the most complex and largest insolvencies of the future. The development of this system has been completed in conjunction with six other funds, and while the road to completion has had a few potholes, it is now in place and should provide benefits for many years.

With Mike's upcoming retirement and a new operating system, we have examined the IGA's operations and concluded it is a good time to do some reorganization. Paying claims remains the greatest part of the work done. Close behind is a complex effort of collecting and transmitting data: (1) to perfect our claims as creditor of the various estates; (2) to comply with Federal Regulations for Medicare Secondary Payer reporting to Medicare (CMS); and (3) to respond to a multitude of requests from various regulatory bodies. As we analyze what we do, there are five primary areas of activity: property and casualty claims; workers' compensation claims; managing electronic operations, recovering money and data; managing litigation; and the broad range of financial activity, from investments to paying bills to completing 1099 tax forms. Of course, for some of the activity, particularly the electronic applications and finance, we rely on the Organization's IT and Finance and Accounting units.

Much more of the past year is included in the following pages. None of the activity detailed would be possible without the help, hard work, and counsel of a host of folks, including Allen Houck, Chairman; Joe Eason and Chris Blake, Counsel; the Board; and our associates.



Ray Evans
MANAGING SECRETARY, IGA

CHIEF OPERATING OFFICER'S REPORT

My first annual report compilation was in 1998, and this, the eighteenth, will be the last as I am set to retire first quarter 2017. I feel it might be of interest to discuss the development of the Guaranty during my tenure as an associate because it has been similar to Buffet's lyrics in "A Pirate Looks at Forty": "watch the men who rode you switch from sails to steam." Besides, I turned 40 years old four months after joining the Guaranty in August of 1991, and I have the proverbial pen here.

I was an independent contractor from 1991 until April 1, 1996, when three others and I became the first official employees of the NCIGA. During that time, I served as an adjuster, litigation supervisor, and then as assistant claims manager. On June 1, 1998, I became the claims manager of the Guaranty and since then have been the director and chief operating officer, my current title.

Fortunately, several things came together in my successful tenure — I had good professional associates working for me; good support from the shared services sections of the Organization; two good Chairs of the Board of Directors in Tom Huels and Allen Houck; two great claims managers in Bill Delbridge and Donna Kallianos; good knowledgeable outside counsel in Chris Blake and Joe Eason; and a great mentor, boss, and friend in Ray Evans Jr., the managing secretary of the Guaranty. It was Ray who challenged all his managers, asked me to engage on the national front with the other state funds, and provided all of us the resources and guidance to achieve our potential.

In 1998, the guaranty was a paper-driven operation — from the claims files received from insolvent carriers, to our associates reporting in the claim files, to management's reports to the various outside entities. It was just the prior year, 1997, that we had begun utilizing a software



system allowing our financial transactions to become compliant with the required uniform data standard requirements. Today we are a largely "paperless" operation using an electronic infrastructure and a new web-based claims management and financial tracking system just implemented in May of this year.

Flexibility, with the ability to adapt to the challenge, has been crucial to our ability to handle the challenge of the various insolvencies. We have evolved from largely personal to commercial policy to where workers' compensation claims now constitute 95 percent of our claim volume. We have paid anywhere from \$1.3 million to \$30 million in claims and claims expenses in a given year while fluctuating from five to 23 associates to handle the claim surge.

We met the challenge in 2001 of the insolvency of Reliance Insurance Company, the largest insolvency in NC (\$90 million) or the national guaranty fund system (\$2 billion) ever experienced. Reliance was soon

followed by the insolvencies of PHICO, Legion, Villanova, Home, and Reciprocal of America, finally slowing in the later part of the 2000s. One thing we soon learned: we were more successful utilizing our own associates rather than outside parties.

So where are we as I write these observations? Technically, we are one of the most efficient guaranty funds in the system, with an infrastructure ready to handle whatever comes our way. We have a lean, knowledgeable associate base and good technical management. I feel very comfortable with handing the operation over to Donna Kallianos, and know she will be successful in her tenure. As I have told her, "Surround yourself with superior people, give them the tools to be successful, some guidance without micromanagement, and their success will be your success." Also, "Keep Mr. Evans and the Board aware of and engaged with your endeavors, and finally, eat your vegetables."

It's been a privilege. — Mike

INSURANCE GUARANTY ASSOCIATION

Balance Sheet

Year Ending	August 31, 2016 (Preliminary)		August 31, 2015	
Assets				
Cash (Checking Account)	\$	7,100,000	\$	977,876
Investments		90,350,000		74,672,576
Assessments Receivable		295,000		-
Other Assets		-		-
Total Assets	\$	97,745,000	\$	75,650,452
Liabilities & Fund Equity				
Accounts Payable	\$	-	\$	-
Claims Liability		70,125,000		77,903,370
Unearned Premium Liability		-		-
Claims Expense Liability		5,572,000		3,934,226
Other Liabilities		(52,000)		(51,689)
Total Liabilities	\$	75,645,000	\$	81,785,907
Fund Equity		22,100,000		(6,135,455)
Total Liabilities & Fund Equity	\$	97,745,000	\$	75,650,452

Income Statement

Year Ending	August 31, 2016 (Preliminary)		August 31, 2015	
Income				
Membership Fees	\$	1,000	\$	450
Investment Income		730,000		1,395,825
Assessments Income		24,392,500		(14)
Miscellaneous Income		14,774,000		7,198,040
Total Income	\$	39,897,500	\$	8,594,301
Expenses				
Refund to Commissioner/Liquidators	\$	-	\$	395,501
Refund to Member Insurers		4,763,000		1,696,287
Operating Expenses		3,475,000		2,783,051
Claims Paid (Net)		8,350,000		9,855,957
Claim Expenses		1,350,000		1,432,788
Premium Refunds		-		-
Total Expenses	\$	17,938,000	\$	16,163,584
Net Income/(Loss)	\$	21,959,500	\$	(7,569,283)

CLAIMS PAID DETAIL

	WC			Auto		
	Indemnity Paid	Expense Paid	Total Paid	Indemnity Paid	Expense Paid	Total Paid
Atlantic Mutual Ins. Co.	\$136,994	\$16,867	\$153,860			
CAGC Insurance Co.	\$832,401	\$116,026	\$948,427			
Casualty Reciprocal	\$29,366	\$9,924	\$39,290			
Centennial Ins. Co.	\$24,949	-\$10,624	\$14,325			
Credit General	\$297,229	\$39,060	\$336,289			
Employers Casualty	\$45,461	\$9,754	\$55,215			
Fremont Indemnity Co.	-\$58,465	\$10,647	-\$47,818			
Freestone Ins. Co.	\$1,042,840	\$407,032	\$1,449,872			
Frontier Ins. Co.						
Gramercy Ins. Co.					\$177	\$177
Home Insurance Co.	\$222,258	\$74,624	\$296,882			
Legion Insurance Co.	\$606,491	\$77,885	\$684,375			
Lumbermens Mutual Group	\$1,653,104	\$79,425	\$1,732,530		\$100	\$100
Lumbermens' Underwriting Alliance	\$153,196	\$16,387	\$169,583			
Park Ave P&C	\$24,555	\$7,907	\$32,462			
PHICO Insurance Co.	\$105,954	\$39,155	\$145,109			
ROA Co.	-\$21		-\$21			
Reliance Insurance Co.	\$1,898,369	\$184,262	\$2,082,631			
Shelby Insurance Co.	\$22,225	\$1,001	\$23,225			
South Carolina Ins.	\$65,888	\$24,329	\$90,217			
ULLICO Cas. Co.	\$6,264	\$7,170	\$13,434			
Villanova Insurance Co.	\$2,354	\$197	\$2,551			
888 WC Mutual Trust	\$251,001	\$100,567	\$351,568			
999 WC Stock Trust	\$52,200	\$2,831	\$55,031			
Total			\$8,629,037			

CLAIMS RESERVED DETAIL

	WC				Auto			
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending
Atlantic Mutual Ins. Co.	\$3,237,908	\$73,312	\$3,311,219	7				
CAGC Insurance Co.	\$9,769,826	\$368,167	\$10,137,993	22				
Casualty Reciprocal	\$1,759,552	\$113,448	\$1,872,999	9				
Centennial Ins. Co.	\$345,816	\$13,161	\$358,977	2				
Credit General	\$5,339,028	\$229,964	\$5,568,992	4				
Employers Casualty	\$275,747	\$69,197	\$344,944	5				
Fremont Indemnity Co.	\$1,459,587	\$31,386	\$1,490,973	2				
Freestone Ins. Co.	\$3,102,049	\$593,806	\$3,695,855	60				
Frontier Ins. Co.								
Gramercy Ins. Co.					\$60,000	\$14,877	\$74,877	1
Home Insurance Co.	\$2,333,865	\$301,587	\$2,635,452	21				
Legion Insurance Co.	\$4,577,217	\$443,307	\$5,020,523	18				
Lumbermens Mutual Group	\$8,388,918	\$653,100	\$9,042,018	46	\$195,711	\$540	\$196,251	3
Lumbermens' Underwriting Alliance	\$2,356,976	\$119,913	\$2,476,889	26				
Park Ave P&C	\$1,502,685	\$133,702	\$1,636,387	1				
PHICO Insurance Co.	\$7,132	\$16,458	\$23,590	1				
Reliance Insurance Co.	\$17,393,543	\$1,409,701	\$18,803,244	51				
Shelby Insurance Co.	\$231,400	\$31,351	\$262,750	2				
South Carolina Ins.	\$1,559,407	\$69,607	\$1,629,014	4	\$7,500		\$7,500	1
ULLICO Cas. Co.	\$632	\$250	\$882	1				
Villanova Insurance Co.	\$177,119	\$11,727	\$188,846	2				
888 WC Mutual Trust	\$4,226,125	\$478,346	\$4,704,472	40				
999 WC Stock Trust	\$1,044,933	\$82,973	\$1,127,905	3				
Total			\$74,333,924	327			\$278,628	5

CLAIMS PAID DETAIL

	All Other			Total
	Indemnity Paid	Expense Paid	Total Paid	
Atlantic Mutual Ins. Co.				\$153,860
CAGC Insurance Co.				\$948,427
Casualty Reciprocal				\$39,290
Centennial Ins. Co.				\$14,325
Credit General				\$336,289
Employers Casualty				\$55,215
Fremont Indemnity Co.				-\$47,818
Freestone Ins. Co.				\$1,449,872
Frontier Ins. Co.		\$1,760	\$1,760	\$1,760
Gramercy Ins. Co.				\$177
Home Insurance Co.				\$296,882
Legion Insurance Co.				\$684,375
Lumbermens Mutual Group		\$6,127	\$6,127	\$1,738,757.01
Lumbermens' Underwriting Alliance				\$169,583
Park Ave P&C				\$32,462
PHICO Insurance Co.				\$145,109
ROA Co.				-\$21
Reliance Insurance Co.				\$2,082,631
Shelby Insurance Co.				\$23,225
South Carolina Ins.				\$90,217
ULLICO Cas. Co.				\$13,434
Villanova Insurance Co.				\$2,551
888 WC Mutual Trust				\$351,568
999 WC Stock Trust				\$55,031
			Total	\$8,637,201
			Recoveries	\$1,033,057
			Gross Total Expenditure	\$9,670,258

CLAIMS RESERVED DETAIL

	All Other				Auto		
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserves	Total Pending	
Atlantic Mutual Ins. Co.	\$60,002	\$86,382	\$146,384	3	\$3,457,604	10	
CAGC Insurance Co.					\$10,137,993	22	
Casualty Reciprocal					\$1,872,999	9	
Centennial Ins. Co.					\$358,977	2	
Credit General					5,568,992	4	
Employers Casualty					\$344,944	5	
Fremont Indemnity Co.					\$1,490,973	2	
Freestone Ins. Co.					\$3,695,855	60	
Frontier Ins. Co.	\$100,000	\$11,051	\$111,051	1	\$111,051	1	
Gramercy Ins. Co.					\$74,877	1	
Home Insurance Co.					\$2,635,452	21	
Legion Insurance Co.					\$5,020,523	18	
Lumbermens Mutual Group	\$10,230	\$14,687	\$24,917	7	\$9,263,186	56	
Lumbermens' Underwriting Alliance					\$2,476,889	26	
Park Ave P&C					\$1,636,387	1	
PHICO Insurance Co.	\$600,000	\$199,574	\$799,574	2	\$823,164	3	
Reliance Insurance Co.	\$301	\$200	\$501	4	18,803,745	55	
Shelby Insurance Co.					\$262,750	2	
South Carolina Ins.					\$1,636,514	5	
ULLICO Cas. Co.					\$882	1	
Villanova Insurance Co.					\$188,846	2	
888 WC Mutual Trust					\$4,704,472	40	
999 WC Stock Trust					\$1,127,905	3	
Total			\$1,082,428	17	\$75,694,980	349	

SHARED SERVICES

Shelley Chandler

CHIEF INFORMATION OFFICER



The NCIGA took a huge leap into the future in 2016 by successfully replacing their core claims processing system. This undertaking was a multi-year project with the pinnacle being the migration to a new cloud-based claims-processing and financial-tracking system in

May 2016. As with any system replacement project, this effort was arduous, complex, and time-consuming. However, the effort has paid off, and the new system has already been a successful leap into new opportunities for NC Insurance Guaranty Association. In addition to this herculean effort, the Information Technology (IT) group has continued to focus on other areas that keep the organization moving forward.

As organizations become more dependent on data and systems to increase efficiency and effectiveness, IT 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. NCIGA, like all companies, continues to increase focus on strengthening the external perimeter to the data while ensuring that all assets are safe inside. After many years of working on security from multiple angles, in 2016 we turned some of our attention to the inside to ensure that our associates were educated about how to keep our organizations safe by not letting the bad guys into the network, as well as how to handle sensitive data inside and outside the organization. NCIGA updated our security policies about how our electronic assets can be used and protected. We also implemented a suite of interactive training modules and awareness materials to help associates understand security threats and implement best practices. The benefits of a security education and awareness training program include reduced malware infections, reduced successful phishing attacks, increased reporting of incidents by associates, and an overall improved security posture. We also educated users on how to use encrypted email when transmitting sensitive data to recipients outside our organization.

IT continues to look to the future to best utilize new technologies that enable efficiencies while focusing on the importance of securing the large volumes of data that are entrusted to us.

Vicki Godbold

CHIEF HUMAN RESOURCES OFFICER



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. One large initiative in HR the past year has been implementing Performance Evaluations based on each associate's job description. This is effective for 2016. In Facility Services, we upgraded our security

through new software and two indoor cameras earlier this year.

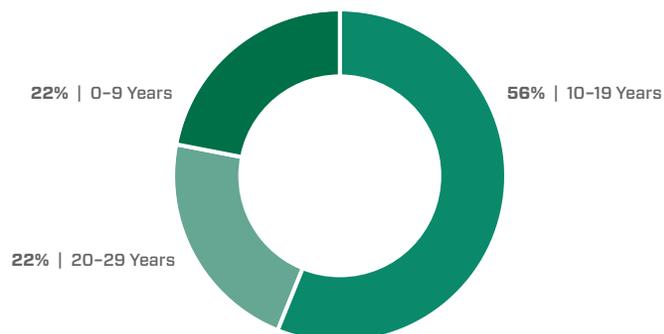
Our Wellness Program consists of

- WeightWatchers at work,
- 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 on-site fitness classes, wellness seminars, and Wellness lunch-n-learns by EXOS staff. Classes on personal shopping savings were also offered.

Community Service involvement by our associates this year included the SPCA, the United Way and the NC Food Bank.

Insurance Guaranty Association Years of Service



Celebrating Service Milestones

- 1 associate, 15 years
- 2 associates, 20 years

David Sink

CHIEF FINANCIAL OFFICER



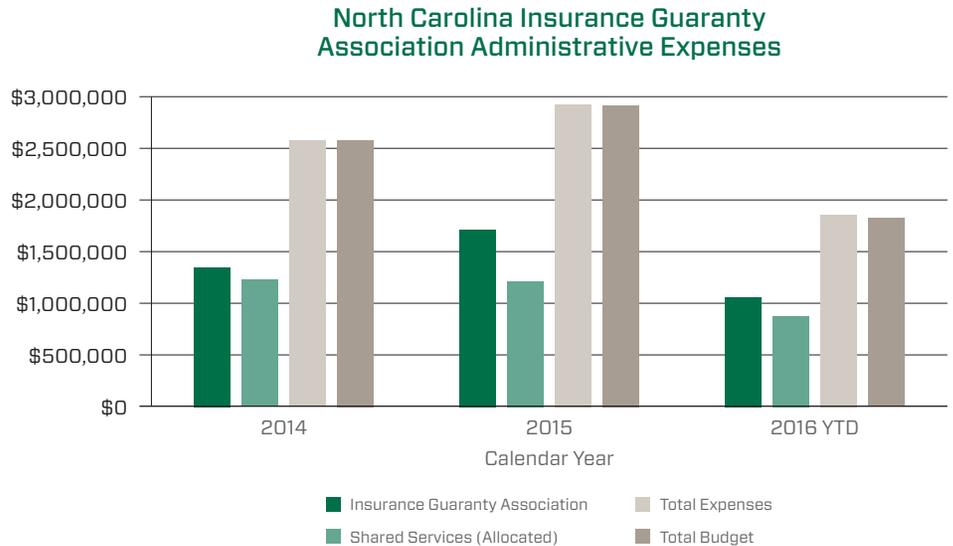
The North Carolina Insurance Guaranty Association's financial position is summarized in the exhibits on page 6, which reflect the comparative balance

sheets and income statements for the latest two years ending August 31. The assets of the Association totaled approximately \$97.7 million on August 31, 2016—an increase of about 29.2% or \$22.1 million from a year ago. Most of the change is attributable to the assessments rendered during the past twelve months, some near the end of the report year. Claims and claim expenses liabilities decreased about \$6.1 million from a year ago.

The inaugural audit of the Association's financial records by the firm of Johnson Lambert went well. From that audit came an awareness of unclaimed property law changes that now make those statutory requirements applicable to the Association. With the assistance of Counsel and Johnson Lambert, it has been determined that the Association has a reporting responsibility to the State Treasurer for certain outstanding and uncashed checks, and efforts have already begun to assure the Association is compliant with respect to this matter.

The implementation of the new claims system during the report year has also improved reporting efficiencies for the accounting and finance staff. Numerous reports can now be accessed in real time by the finance associates — where heretofore system access was limited to the claims staff.

Net claim and claim expense payments approximated \$9.7 million over the most recent report period, including just under



Administrative Expenses	2014	2015	Thru June 2016
Insurance Guaranty Association	\$ 1,339,860	\$ 1,705,480	\$ 1,060,227
Shared Services (Allocated)	1,223,677	1,207,320	799,952
Total Expenses	\$ 2,563,537	\$ 2,912,800	\$ 1,860,179
Total Budget	\$ 2,510,651	\$ 2,901,212	\$ 1,828,088

one million dollars reimbursed to the North Carolina Self-Insurance Security Association as a result of an unfavorable court decision. Net investment income totaled about \$730,000 during the past year and reflects capital losses recognized during the period on bonds purchased above par value that matured or were called during the year. All investment transactions during the year were in compliance with the Cash Management and Investment Guidelines at the time of purchase.

The total 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 with the Rate

Bureau and Reinsurance Facility. The table and chart above reflect a summary of the direct and allocated expenses for the prior two years and the first half of 2016.

The complexities of several recent insolvencies including a new one for which the Association activated during the report year continue to challenge the Association, but we remain conscious of our responsibilities and believe we are financially positioned to fulfill our duties and current obligations. It is our constant aim to be fiscally responsible and efficient in our operations, and we are continually grateful for the support of the Board of Directors, Committees, Counsel, and member companies.

NCIGA

NORTH CAROLINA
INSURANCE GUARANTY ASSOCIATION

2910 SUMNER BLVD. RALEIGH, NC 27616 WWW.NCRB.ORG/NCIGA

