



NORTH CAROLINA

Insurance Guaranty Association

ANNUAL
REPORT



20
25



General Manager's Report



Over the past year, the NC Insurance Guaranty Association (Association) has focused on improving its operational readiness for the future. These efforts include enhancing pre-insolvency planning and ensuring that the Association's operations, staffing, partnerships, and systems are well positioned for any potential insolvency. Other key activity to note include the following:

- The Association is proactively reviewing partner relationships and contracts, while updating our technology to support automation and efficiency.
- Lengthy litigation determined that the Association is not considered a primary payer plan under Medicare statutes, thereby simplifying future claims handling and reporting.
- Proposed revisions to the NC Guaranty Act include establishing parameters around cyber liability claims and updating the definition of "covered claim" to address transactions involving assumed claims. These legislative revisions were introduced during this session.



We are also improving organizational operations through technology and enhanced support from our shared services. The creation of an Administrative Services team, which includes Human Resources, will optimize resources, boost efficiency, and improve organizational support. A new accounting system in Finance has streamlined processes for timely and insightful financial data, while our IT Team is modernizing our technology framework, platforms, and methodologies to meet future business needs and maintain a secure and reliable environment. Next, we will focus on data analytics to enhance decision-making processes and continue modernizing our IT infrastructure to support emerging technologies.

Looking ahead to 2026 and beyond, we have a solid foundation to accomplish our mission and future objectives. We are thankful for the contributions, trust, and support of our Board of Directors, Committee members, counsel, and associates.

Joanna Biliouris

Joanna Biliouris, General Manager

These changes will allow us to optimize our resources, increase our efficiency, and comply with audit requirements.

General Counsel's Report

Statutory Changes

Following the adoption by the NAIC of a new Model Insurance Guaranty Act in 2024, the NCIGA worked with the North Carolina Department of Insurance to propose additional amendments to the North Carolina Insurance Guaranty Association Act (the "Guaranty Act"), which bring certain insurance business transactions within the scope of the Guaranty Act, set forth the terms on which the Association will respond to cyber liability claims in future insolvencies, and adopt amendments that modernize other provisions of the Guaranty Act. All these amendments were enacted by the North Carolina General Assembly and signed into law by the Governor, with an effective date of July 1, 2025.

CMS Litigation

In the past year, the Association has settled its federal court litigation against the Department of Health and Human Services and Centers for Medicare and Medicaid Services (collectively "CMS"). The settlement resolved the case of NCIGA v. Robert F. Kennedy, Jr., in his official capacity as Acting Secretary of the United States Department of Health and Human Services, the United States Department of Health and Human Services, and the Centers for Medicare and Medicaid Services, filed in the United States District Court for the Eastern District of North Carolina. In the settlement, CMS agreed that the Association (1), was not a "primary plan" obligated to reimburse CMS for Medicare secondary payments and (2), was not an "applicable plan" obligated to comply with reporting obligations under Section 111 of the Medicare Secondary Payer statute. With this settlement, the Association obtained all the relief it sought in the litigation against CMS.

Insolvency Proceedings

The Association remains involved in the insolvency of Arrowood Indemnity Insurance Company ("Arrowood"), which was declared insolvent and placed into liquidation in Delaware in November 2023. Prior to its insolvency, Arrowood was a commercial insurer that had been in runoff for approximately 20 years. As a result, the Arrowood insolvency has presented challenges for the Association in obtaining claim files and coverage information for Arrowood's insureds from the Arrowood receiver in Delaware. The Association is working with counsel to closely monitor developments in the Arrowood insolvency and to ensure that the Association can meet its obligations.

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

NCIGA secured a landmark federal court settlement with CMS, affirming that the Association is not subject to Medicare reimbursement or reporting obligations. This outcome preserves NCIGA's resources for its core mission.

Christopher J. Blake
Partner, NELSON MULLINS



Chief Operating Officer's Report



2025 marked a notable shift in the North Carolina Insurance Guaranty Association's (NCIGA's) operational landscape, characterized by a slower pace of insolvency activity. While the reduction in insolvencies inevitably affected workloads, it also presented a unique opportunity for the NCIGA to refocus, recalibrate, and realign its priorities in support of our long-term mission: being a safety net for the insurance-buying public. The relative calm in the insolvency environment allowed us to redirect valuable staffing resources toward advancing our operational objectives.

Evolving Operational Resilience



Throughout 2025, the Association concentrated on fortifying its operational foundation to ensure sustained compliance with the North Carolina Insurance Guaranty Act (N.C. Gen. Stat. §58-48-1). Renewal of the claims software contract safeguarded the integrity and reliability of our core operating system, positioning the Association for future enhancements that will drive greater efficiency in claims processing and reporting. Targeted software updates, which will deliver strategic improvements to system performance and agility, are in the process of being implemented and rigorously tested.

The NCIGA played a pivotal leadership role within the claims system consortium, promoting collaboration and shared expertise across participating organizations. Its

technical proficiency not only benefited other state guaranty association members, but also enabled the separate development of a customized system database and focused data reports for pre-insolvency payments. The Association also deployed management dashboards, providing ready access to critical claims metrics and supporting informed decision-making across the organization.

The NCIGA conducted a thorough evaluation and identified a new medical bill review provider to enhance the accuracy and oversight of medical bill review for workers' compensation claims. This strategic initiative is designed to strengthen cost controls, optimize claims processing, and minimize the risk of overpayments. Planning for implementation is currently underway.

Legislative Success: Modernizing the Guaranty Act



One of the year's cornerstone achievements was the successful introduction and enactment of legislative changes under North Carolina House Bill 737—IGA Act Revisions. Signed into law on July 1, 2025, these revisions modernized the North Carolina Insurance Guaranty Act. Key updates included limiting exposure to cyber liability

claims, addressing provisions related to Insurance Business Transfers, clarifying the net worth provision, and expanding the rights of the NCIGA related to claims handling. These changes will enable the Association to respond more effectively to emerging risks and regulatory challenges.

Litigation and Claims Management



The Association successfully concluded litigation against the Centers for Medicare & Medicaid Services (CMS), resulting in a determination that the NCIGA is not a primary payer plan under the Medicare Secondary Payer Statute. As a result, the Association is not required to pay conditional medical liens or continue Section 111 reporting. The precedent established by this case is now being applied to other types of liens, further protecting organizational resources and focus.

Additional efforts to enhance claims management included finalizing a contract for an artificial intelligence (AI) tool to assist with the review of workers' compensation claims. This technology is increasing the efficiency and accuracy of claim file reviews, allowing staff resources to be allocated more strategically.

Pre-insolvency Preparedness and Vendor Management



The Association prioritized pre-insolvency readiness throughout 2025, systematically auditing all vendor contracts to ensure robust cybersecurity, adequate insurance coverage, and clearly defined responsibilities in the event of cyber incidents. Strategic agreements with key vendors are being

advanced to guarantee immediate access to critical staffing resources should a significant insolvency arise. These proactive measures greatly enhance the NCIGA's capacity to respond swiftly to shifts in the insolvency landscape.





Looking Forward

As the Association approaches the culmination of its 2025 objectives, the achievements realized this year reflect the dedication, adaptability, and professionalism of the NCIGA team. The organization remains well positioned to meet future challenges and continues to uphold its mission of protecting North Carolina's policyholders and stakeholders. The support of the Board, staff, Association counsel, and Managing Secretary Joanna Biliouris remains foundational to our shared success.

Donna Kallianos, Chief Operating Officer

2025 Highlights



Statutory Changes



CMS Settlement



Strategic Projects



Consortium Participation

Shared Services

Information Services

Cyber Incidents

2
Companies

Responded to cyber security incidents involving two member companies

Phishing Campaigns

87
Percent

7 phishing campaigns in the last 12 months resulted in a pass rate of 87%.

Email Filtering

35
Percent

35 percent of inbound emails received were considered threats and rejected.

Security Review

4
Contacts

Assisted with security review of four major vendor contracts

Database Creation

Created database to electronically store claim system production data copies

Event Rule Rewrite

Assisted with rewrite of automated sFTP rules and advanced workflows for migration to vendor's new cloud platform

Administration Services

NCIGA Mail Processed by Administration Staff

Scanned Documents

4500

Outgoing Mail

2200



Administration functions now include HR, Member Services, Communications/Events, Facilities, and Vendor Management, enhancing agility, innovation, and resource depth.



Chief Human Resources Officer Vicki Goldbold retired in 2025. HR moved to shared service administration.



Partnered with external HR firm to review and improve processes and policies



Implemented multiple health and wellness programs with strong associate participation, supporting both physical and mental well-being

Finance

97% ▼

Assessments of \$300,000 were 97% lower than in 2024. Returned \$8.2M to member companies, 63% more than 2024. Net refunds of \$7.9M.

39% ▼

Total claims, claims expense, and unearned premium payments decreased 39% over 2024.

3% ▲

CY 2024 operating expenses were approximately 3% or \$158,370 over 2023 expenses.

17% ▼

Loss Reserves decreased 17% over June 2024.

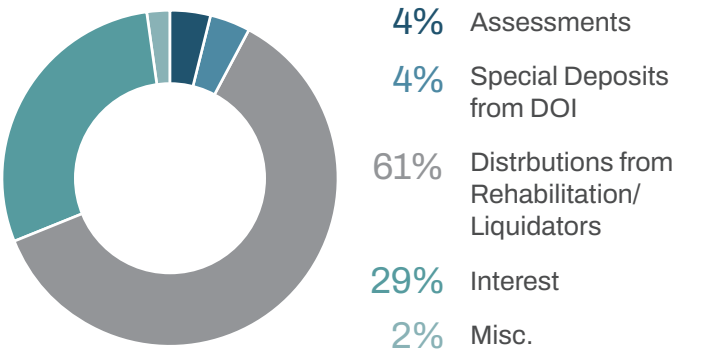
4.3% ▲

Fund Equity increased 4.3% or \$2.4M over 2024.

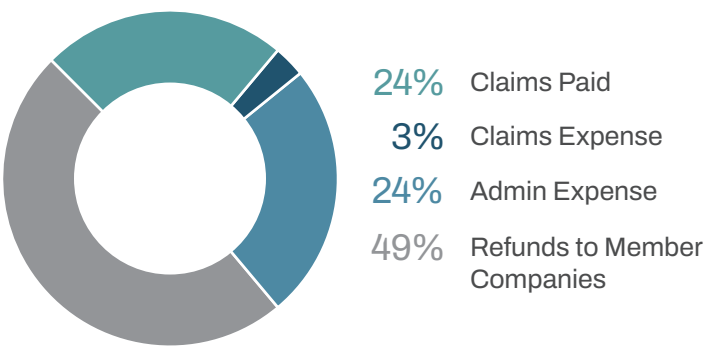
Improved budgeting and reporting capabilities gained with new accounting system.

Clean audit opinion issued by Johnson Lambert for NCIGA's December 31, 2024, financial records in accordance with the cash basis of accounting.

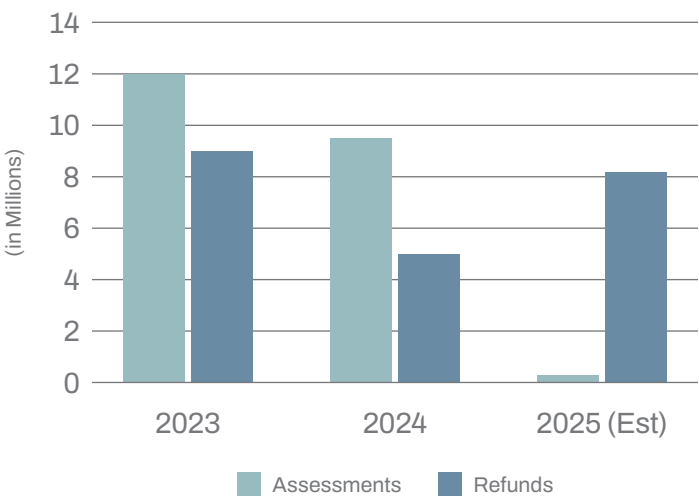
Income Sources



Disbursements

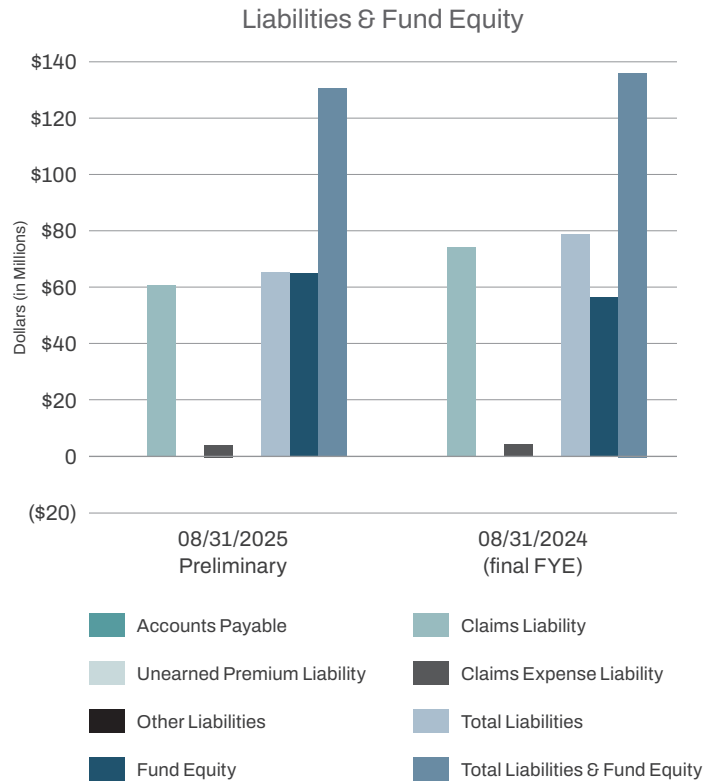
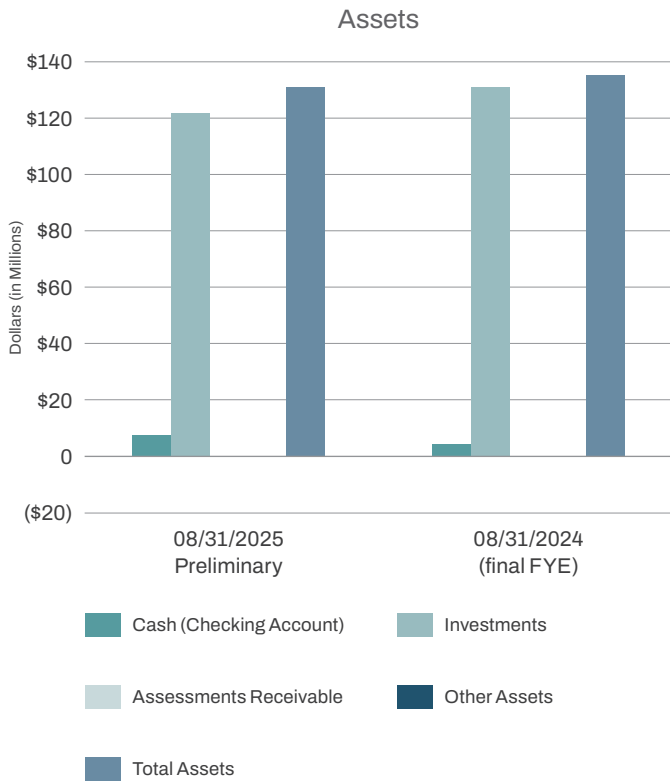


Assessments/Refunds by Fiscal Year



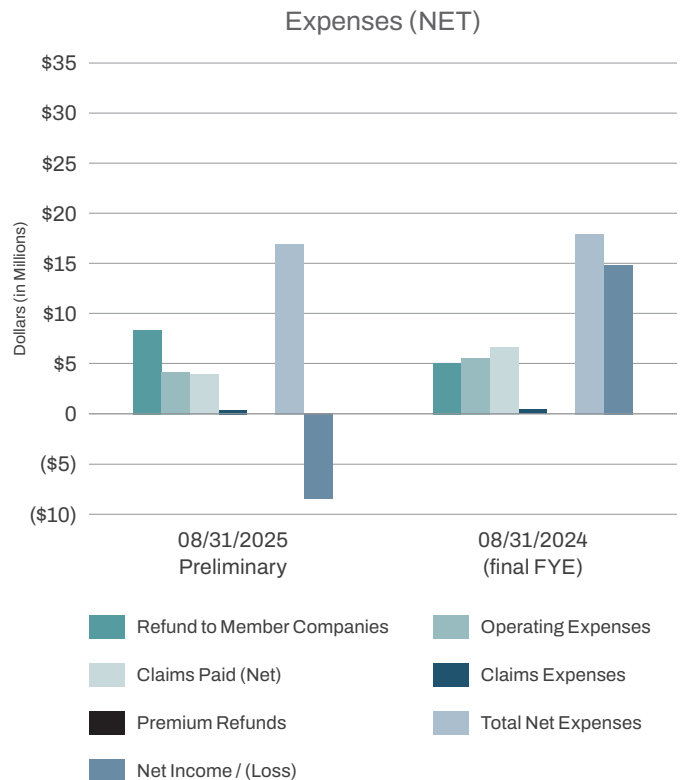
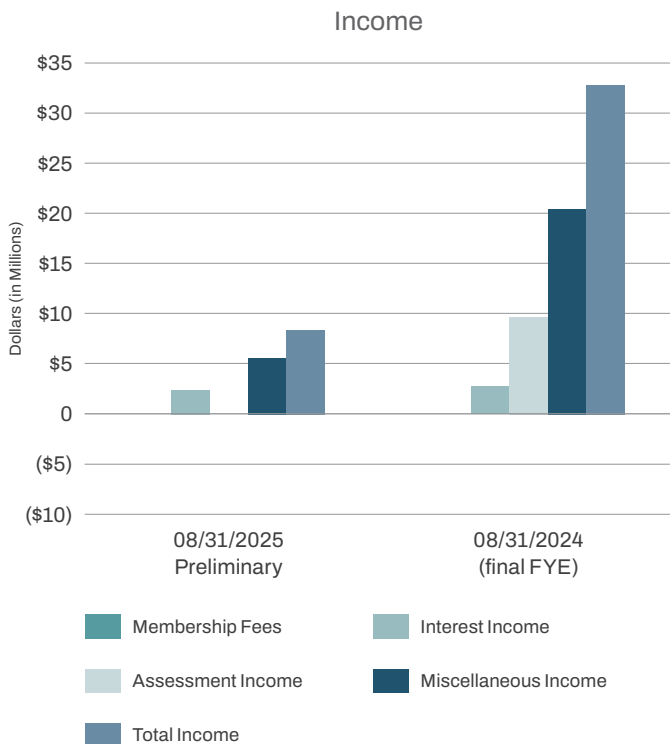
Through August 2025

Balance Sheet



Data for all categories was collected, but values under \$500,000 are not displayed in the charts above.

Income Statement



Data for all categories was collected, but values under \$100,000 are not displayed in the charts above.

2025 Claims Paid

Insolvent Company	WC			All Other			Total
	Indemnity Paid	Expense Paid	Total Paid	Loss Paid	Expense Paid	Total Paid	
Arrowood Indemnity Company	377,998	50,430	428,429	-	35,896	35,896	464,325
Atlantic Mutual Ins Co	41,659	1,013	42,672	-	-	-	42,672
Bedivere Ins Co	64,259	4,782	69,040	-	-	-	69,040
CAGC Ins Co	144,277	5,263	149,540	-	-	-	149,540
Casualty Reciprocal Exchange	11,157	92	11,249	-	-	-	11,249
Centennial Ins Co	30,393	2,694	33,087	-	-	-	33,087
Credit General Ins Co	103,138	18,395	121,533	-	-	-	121,533
Employers Casualty Co	744	1,750	2,494	-	-	-	2,494
Freestone Ins Co	138,807	1,931	140,738	-	-	-	140,738
Fremont Ind Co	84,491	90,666	175,157	-	-	-	175,157
Guarantee Ins Co	-467	49,191	48,724	-	-	-	48,724
Home Ins Co	60,246	173	60,419	-	-	-	60,419
Legion Ins Co	212,904	4,239	217,143	-	-	-	217,143
Lighthouse Property Ins Co	-	-	-	25,015	29,618	54,633	54,633
Lumbermans Mutual Casualty Co	2,142,165	16,084	2,158,249	-	-	-	2,158,249
Lumbermens Underwriting Alliance	-	1,325	1,325	-	-	-	1,325
Park Ave Property & Casualty Ins Co	-	140	140	-	-	-	140
Reliance Ins Co	554,308	27,625	581,933	-	-	-	581,933
South Carolina Ins Co	-	561	561	-	-	-	561
United Property & Casualty Ins Co	-	-	-	222,741	66,370	289,111	289,111
Villanova Ins Co	3,794	73	3,867	-	-	-	3,867
888 WC Mutual Trust	57,750	32,357	90,107	-	-	-	90,107
999 WC Stock Trust	37,589	1,427	39,016	-	-	-	39,016
Gross Total	4,065,213	310,210	4,375,424	247,756	131,884	379,640	4,755,064
					Recoveries		-375,763
					Net Claims Expenditure		4,379,301

2025 Claims Reserved

Insolvent Company	WC				All Other					
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Loss Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserve	Total Pending
Arrowood Indemnity Company	6,019,205	479,953	6,499,159	186	850,001	169,104	1,019,105	12	7,518,264	198
Atlantic Mutual Ins Co	1,642,591	39,584	1,682,175	2	-	-	-	-	1,682,175	2
Bedivere Ins Co	982,082	86,747	1,068,829	5	-	-	-	-	1,068,829	5
CAGC Ins Co	2,323,231	109,200	2,432,431	4	-	-	-	-	2,432,431	4
Casualty Reciprocal Exchange	725,648	25,289	750,937	2	-	-	-	-	750,937	2
Centennial Ins Co	569,247	35,083	604,330	2	-	-	-	-	604,330	2
Credit General Ins Co	1,327,713	142,081	1,469,794	3	-	-	-	-	1,469,794	3
Freestone Ins Co	888,258	23,474	911,732	2	-	-	-	-	911,732	2
Fremont Ind Co	2,175,689	316,120	2,491,809	2	-	-	-	-	2,491,809	2
Guarantee Ins Co	409,504	132,365	541,869	2	-	-	-	-	541,869	2
Home Ins Co	4,360,578	160,251	4,520,829	8	-	-	-	-	4,520,829	8
Legion Ins Co	2,961,554	296,574	3,258,128	8	-	-	-	-	3,258,128	8
Lumbermans Mutual Casualty Co	11,105,291	408,039	11,513,329	12	-	-	-	-	11,513,329	12
Lumbermens Underwriting Alliance	73,478	6,054	79,531	1	-	-	-	-	79,531	1
Park Ave Property & Casualty Ins Co	-	97,456	97,456	1	-	-	-	-	97,456	1
Reliance Ins Co	19,195,714	1,214,183	20,409,897	27	-	-	-	-	20,409,897	27
South Carolina Ins Co	13,405	5,678	19,083	1	-	-	-	-	19,083	1
United Property & Casualty Ins Co	-	-	-	-	310,455	68,715	379,171	40	379,171	40
Villanova Ins Co	134,456	33,729	168,185	2	-	-	-	-	168,185	2
888 WC Mutual Trust	2,302,692	286,899	2,589,591	10	-	-	-	-	2,589,591	10
999 WC Stock Trust	1,732,262	45,835	1,778,096	2	-	-	-	-	1,778,096	2
Gross Total	58,942,597	3,944,592	62,887,189	282	1,160,456	237,819	1,398,276	52	64,285,465	334



NORTH CAROLINA

Insurance Guaranty Association

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