



NORTH CAROLINA

Insurance Guaranty Association

2026

A N N U A L
R E P O R T



MANAGING SECRETARY'S REPORT



2026 PRIORITIES

- > Operational readiness
- > Claims infrastructure
- > Governance & finance
- > Technology & cybersecurity
- > Enterprise risk management

Over the past year, the North Carolina Insurance Guaranty (“Association”) continued to strengthen its governance, readiness, and operational capabilities in support of its statutory mission to protect North Carolina policyholders and claimants in the event of an insurer insolvency.

Building on prior operational-readiness efforts, 2026 was a year of execution: improving claims administration and vendor support, advancing Plan of Operation updates, strengthening financial controls, enhancing cyber resilience, and developing a more formal enterprise risk management framework.

A key focus was strengthening the Association’s claims support infrastructure through staff training, targeted hiring, and partnerships with external resources. These efforts improve the Association’s ability to respond to future claims activity while maintaining continuity in day-to-day operations.

The Association also advanced governance and financial modernization through proposed revisions to the NCIGA Plan of Operation. These changes would provide for bond issuance and clarify that assessment funds or other available funds may be used to service debt obligations, better positioning the Association to respond to significant insolvency events when claims funding needs could exceed the annual assessment cap.



Technology modernization and security also remained central priorities. The Association continued efforts to enhance technology, mitigate cyber threats, update business continuity planning, and develop an organization-wide risk management program. These efforts also include thoughtful consideration of how artificial intelligence can be used responsibly to improve efficiency, strengthen operational insight, support claims administration, and help the organization better anticipate and respond to future needs.

As we look ahead, the Association is well positioned to continue fulfilling its mission with preparedness, responsible stewardship, strong financial controls, capable staffing, and reliable partners.

On behalf of the Association, I extend my sincere appreciation to our Board of Directors, committee members, counsel, and associates for their support and dedication to protecting North Carolina policyholders and claimants.

A handwritten signature in black ink, reading "Joanna Biliouris". The signature is fluid and cursive, with a clear first and last name.

Joanna Biliouris, Managing Secretary

GENERAL COUNSEL'S REPORT

REVISIONS PROCESS



Participation provided insight into the NCIGF's proposed revisions to its Model Plan of Operation and other developments that may impact the Association's operations, governance, and legal responsibilities.

Plan of Operation Revisions

In early 2026, the Association and counsel conducted a review of the Association's Plan of Operation to determine if any revisions were needed to bring the Plan of Operation in line with the Association's current operations and practices. At the same time, the National Conference of Insurance Guaranty Funds (the "NCIGF") was reviewing and preparing updates to the NCIGF's Model Plan of Operation. Based on the review conducted by the Association and counsel, and the revisions to the Model Plan of Operation proposed by the NCIGF, the Association and counsel prepared proposed revisions to the Association's Plan of Operation that are more reflective of the Association's current operations and practices. These proposed revisions to the Association's Plan of Operation have been approved by the Board for submission to the North Carolina Commissioner of Insurance in accordance with the provisions of the Guaranty Act.

NCIGF Engagement

Counsel has continued participation on the NCIGF Legal Committee during the year, providing an opportunity to stay informed of emerging legal issues, developments affecting guaranty associations nationwide, and proposed changes to important NCIGF guidance documents. This participation provided insight into the NCIGF's proposed revisions to its Model Plan of Operation and other developments that may impact the Association's operations, governance, and legal responsibilities.

Engagement in NCIGF discussions involving guaranty association obligations under the Medicare Secondary Payer Act and Section 111 reporting requirements also continued during the year. Following the Association's favorable settlement with the Centers for Medicare & Medicaid Services (CMS), contributions continued toward NCIGF efforts to pursue a coordinated approach for interested guaranty associations seeking similar outcomes. This participation helps keep the Association informed of developments in this area while supporting efforts within the guaranty fund community to address these issues. The significance of the Association's prior result has become even more evident as CMS begins implementing civil monetary penalties related to Section 111 reporting obligations.



Bobby Bridges Litigation

The litigation involving the workers' compensation claim of Bobby Bridges remains ongoing. In this case, the Association is protecting its rights to seek reimbursement from a "statutory employer" of workers' compensation benefits paid by the Association under a reservation of rights.

The Association's rights to seek reimbursement from a statutory employer were upheld in the prior case of Vizcaino v. Am. Emerald Transp. Servs., 282 N.C. App. 209, 868 S.E.2d 717 (2022).

Currently, the Bridges case is on appeal to the North Carolina Court of Appeals for resolution of jurisdictional arguments raised by the statutory employer before the North Carolina Industrial Commission. Once those jurisdictional issues are resolved, the Association will continue to pursue its rights to seek reimbursement from the statutory employer.

Insolvency Proceedings

The number of new insurance insolvencies has not been significant in the past year.

The Association continues to closely monitor the insolvency of Arrowood Indemnity Insurance Company ("Arrowood"), which was declared insolvent and placed into liquidation in Delaware in November 2023. The Association and counsel also remain proactive in monitoring events and developments in other insurance insolvencies that may impact the Association, ensuring that the Association's rights as a creditor in those insolvency proceedings are protected at all times.

Christopher J. Blake
Jennifer A. Welch



CHIEF OPERATING OFFICER'S REPORT

Resiliency Is Built Before It Is Needed

In the insurance guaranty system, success is often measured by how effectively an organization responds when an insurer fails. Yet some of the most important work occurs long before an insolvency arrives. Systems must be ready. Funding resources must be available. Vendor relationships must be established. Knowledge must be preserved. Staff must be prepared.

That work formed the foundation of the NCIGA's efforts throughout 2026.

While insolvency activity remained relatively modest during the year, the Association remained focused on strengthening the operational, financial, and organizational capabilities that support its mission. Experience has shown that insolvencies rarely arrive with advance notice and often create immediate challenges. The ability to respond effectively depends on decisions made long before an insolvency event occurs.

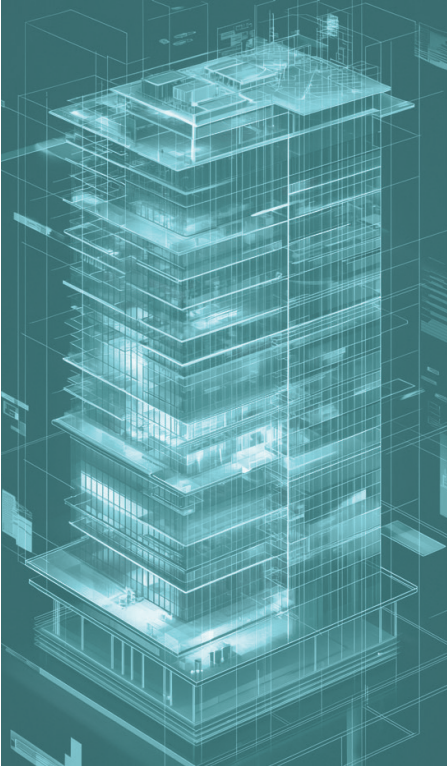
When Preparation Becomes Practice

Even in a year with limited insolvency activity, the Association did respond to the insolvency of Transport Insurance Company, which was declared insolvent on October 21, 2025, by the Franklin County Court of Common Pleas in Ohio. The insolvency provided an opportunity to put many of the Association's preparedness efforts into practice. Staff evaluated available special deposits, coordinated activation activities, monitored proof of claim requirements, and established internal procedures to ensure timely compliance with filing obligations. The experience reinforced the importance of maintaining readiness regardless of the size of the event.

The Transport insolvency also demonstrated how many different components of the organization contribute to a successful response. Claims administration, financial preparedness, legal support, vendor relationships, and operational processes must work together seamlessly when the Association is called upon to respond. Much of the work undertaken during 2026 was focused on strengthening those capabilities before they are needed.

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Strengthening the Foundation



Much of the Association's work during the year focused on strengthening the infrastructure necessary to support future insolvency responses.

One significant focus during the year was a comprehensive review and modernization of the NCIGA's Plan of Operation. Existing provisions were reviewed to identify areas where changes in technology, communication methods, and operational practices have outpaced governing documents. Ensuring that these foundational documents remain aligned with today's operating environment is an important component of long-term organizational preparedness.

The Association also devoted considerable attention to financial readiness. Discussions included evaluating available funding mechanisms and exploring options that could be utilized in response to large or multiple insolvencies. Preparing for a range of potential scenarios helps the Association to meet its statutory obligations even during periods of increased claim activity.

Vendor and contract management remained a significant area of focus throughout the year. The Association undertook a comprehensive review of key service agreements to promote greater consistency across contracts while strengthening provisions related to data security, indemnification, insurance requirements, and emerging technologies, including artificial intelligence. This effort was intended to better position the Association to manage risk, protect sensitive information, and ensure that critical vendor relationships continue to support operational needs during periods of increased activity.

INFRASTRUCTURE FOCUS



NCIGA Plan of Operation review and modernization



Vendor and contract management

The Association also continued evaluating third-party administrator readiness and other external resources that may be needed during future insolvency events. Maintaining strong partnerships, clearly defined expectations, and appropriate contractual protections helps ensure that essential services and expertise are available when demands increase.

As artificial intelligence continues to influence business operations across industries, the Association has begun exploring opportunities where these technologies may improve efficiency, enhance access to information, and support operational decision-making. While organizational guardrails have been established regarding its use, NCIGA continues to evaluate practical applications that may strengthen operations and support its ability to respond effectively to future challenges.

CHIEF OPERATING OFFICER'S REPORT

Preparing the Organization, Not Just the Systems



Resiliency depends on people just as much as processes.

Throughout the year, the Association focused on preserving institutional knowledge and strengthening organizational continuity. A significant component of that effort involved the continued development of a centralized Knowledge Base designed to preserve institutional knowledge, document operational procedures, support claims administration activities, and capture other critical organizational information. By improving the accessibility and organization of institutional knowledge, the Association is creating a resource that will support training, knowledge transfer, and future operational readiness. The initiative also positions the Association to better manage information as technology and information management practices continue to evolve.

Particular attention was also devoted to succession planning. Capturing institutional knowledge before it is lost and making it readily available to future staff helps ensure that critical expertise remains available as organizational needs evolve. Together, these efforts are intended to strengthen organizational continuity and reduce the risks associated with transitions in key roles.

Cross-training and staff development also remained important priorities. Building expertise across multiple disciplines provides flexibility when workloads shift and allows the Association to respond more effectively to changing operational demands.

The Association also continued efforts to improve claims administration processes, including enhancements to workers' compensation medical bill review operations, vendor transitions, and related workflows. Given the significant role workers' compensation claims play in the Association's operations, these improvements are intended to support both current efficiency and future scalability should claim activity increase.

KNOWLEDGE BASE OBJECTIVES



Document operational procedures



Support claims administration activities



Capture other critical organizational information

Capturing institutional knowledge before it is lost and making it readily available to future staff helps ensure that critical expertise remains available as organizational needs evolve.



BUILDING TODAY. READY FOR TOMORROW.

Looking Around the Corner

The true measure of resiliency is not how an organization performs during predictable periods. It is how effectively it responds when circumstances unexpectedly change.

The work undertaken throughout 2026 reflects the Association's continued commitment to preparation, adaptability, and long-term stewardship. Whether the next challenge involves a significant insolvency, multiple insolvencies, evolving technology, changing business risks, or circumstances that cannot yet be anticipated, the NCIGA remains focused on ensuring it has the people, processes, partnerships, and resources necessary to fulfill its mission.

The work of preparing for future challenges is never truly complete. It requires continual evaluation, adaptation, and investment in the people, processes, and resources that support the Association's mission.

The efforts undertaken this year were guided by that principle and have strengthened the Association's ability to respond effectively to whatever may be around the next corner.

Donna P. Kallianos

Donna Kallianos
Chief Operating Officer

SHARED SERVICES

Shared Services provides operational, technology, administrative, financial, and HR support to NCIGA, NCRB, and NCRF. The following highlights reflect services delivered across all three organizations. Initiatives specific to NCIGA are identified separately.

Information Technology

CYBERSECURITY PROTECTION

662k inbound emails received.

179k potentially harmful emails rejected.

27% of inbound emails blocked due to spam, malware, malicious QR codes, spoofing attempts, and other security threats.

SECURITY AND RISK MANAGEMENT

77 security reviews completed.

Expanded vendor and third-party security review process.

Formal security review process established for AI tools.

Rollout of phishing-resistant multi-factor authentication.

Microsoft 365 security enhancements.



Supporting NCIGA

- › Contact Us form added to the NCIGA website.
- › SharePoint site coordination.
- › CorVel setup in Globalscape.
- › Ticketing system implementation underway.
- › Ongoing support of vendor security assessments and contract review efforts.

Administration Services

ORGANIZATIONAL SUPPORT

Strategic reorganization of Human Resources and Administration Services to better align resources and improve efficiency.

Expanded professional development and education programs to support training needs and succession planning.

Centralized meeting and event planning activities.

Enhanced enterprise-wide internal communications.

WORKPLACE ENGAGEMENT

Continued development of associate wellness and engagement initiatives designed to support a healthy workplace culture.

Supporting NCIGA

- › Assistance with medical records requests.
- › Support for W-9 requests and related documentation.
- › Backup administrative support, including mail processing, scanning, and check processing.

Finance

233% ▲

Assessment income increased to \$1.0 million in 2026.

20% ▼

Loss reserves decreased to \$57.1 million in 2026.

16.4% ▲

Fund equity increased to \$63.0 million in 2026.

17.3% ▼

Total claims, claims expense, and unearned premium payments decreased to \$3.6 million in 2026.

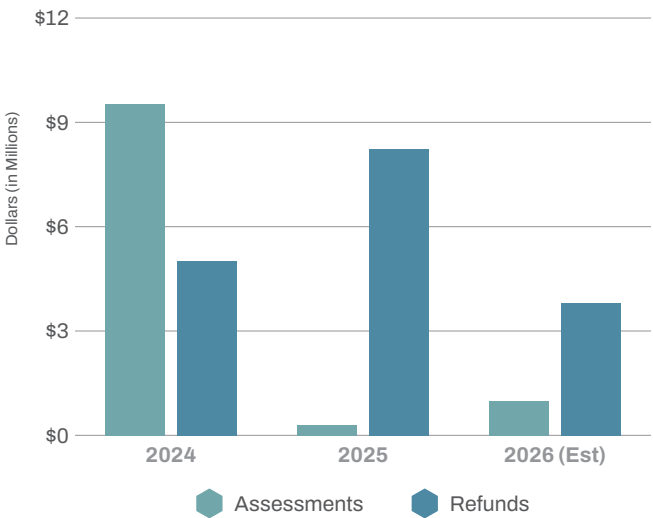
8.1% ▲

Operating expenses increased to \$4.8 million in 2026.

Supporting NCIGA

- › Clean audit opinion issued by Johnson Lambert for NCIGA’s December 31, 2025, financial records in accordance with the cash basis of accounting. The financial data contained herein is unaudited and not covered by the auditor’s opinion.
- › Successfully migrated inception-to-date insolvency financial data into the new accounting system, preserving historical financial information and improving long-term accessibility.
- › Submitted Plan of Operation revisions to the Commissioner of Insurance, including authority for bond issuance and approval of electronic funds transfer (EFT) mandate for distribution of member company refunds.

ASSESSMENTS AND REFUNDS



INCOME SOURCES

- 23% Assessments
- 24% Miscellaneous
- 53% Interest

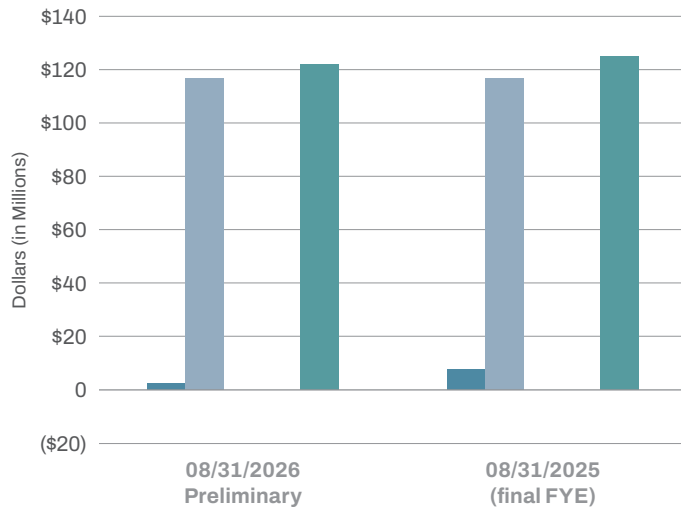


DISBURSEMENTS

- 40% Operating Expenses
- 24% Claims Paid
- 3% Claims Expense
- 33% Refunds to Member Companies

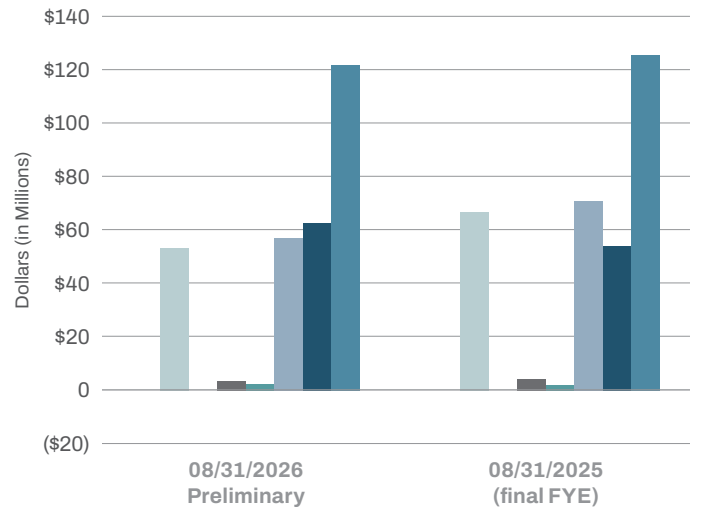
Balance Sheet

ASSETS



- Cash (Checking Account)
- Assessments Receivable
- Investments
- Other Assets
- Total Assets

LIABILITIES & FUND EQUITY

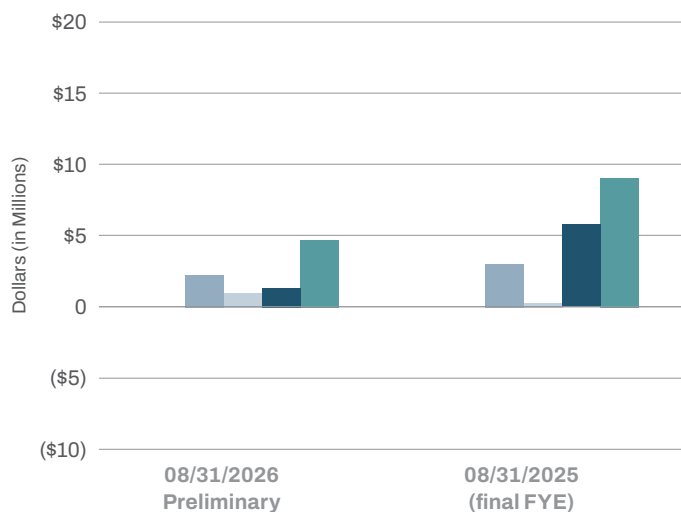


- Accounts Payable
- Unearned Premium Liability
- Other Liabilities
- Fund Equity
- Claims Liability
- Claims Expense Liability
- Total Liabilities
- Total Liabilities & Fund Equity

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

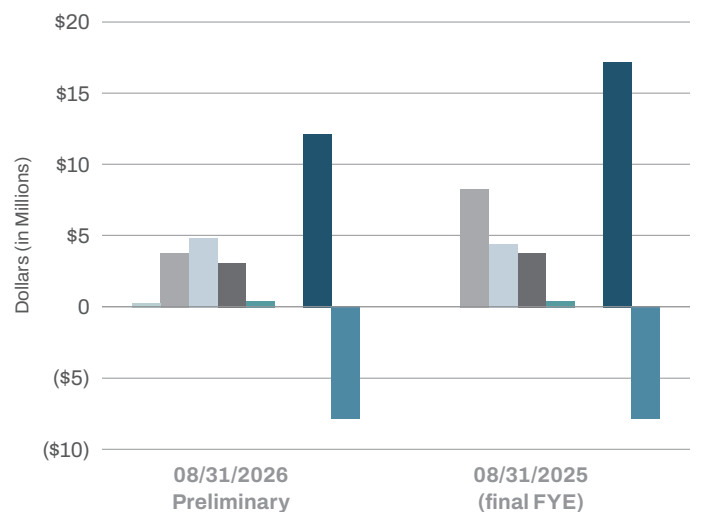
Income Statement

INCOME



- Membership Fees
- Assessment Income
- Interest Income
- Miscellaneous Income
- Total Income

EXPENSES (NET)



- Refund to Commissioner / Liquidators
- Operating Expenses
- Claims Expenses
- Total Net Expenses
- Refund to Member Companies
- Claims Paid (Net)
- Premium Refunds
- Net Income / (Loss)

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

2026 Claims Paid

	WC			All Other			Total
Insolvent Company	Indemnity Paid	Expense Paid	Total Paid	Loss Paid	Expense Paid	Total Paid	
Arrowood Indemnity Company	249,666	51,533	301,199	-	18,771	18,771	319,970
Atlantic Mutual Ins Co	56,212	1,548	57,761	-	-	-	57,761
Bedivere Ins Co	46,632	9,316	55,947	-	-	-	55,947
CAGC Ins Co	71,829	3,239	75,067	-	-	-	75,067
Casualty Reciprocal Exchange	8,487	76	8,563	-	-	-	8,563
Centennial Ins Co	30,093	6,459	36,552	-	-	-	36,552
Credit General Ins Co	77,329	4,360	81,689	-	-	-	81,689
Freestone Ins Co	59,437	247	59,684	-	-	-	59,684
Fremont Ind Co	562,564	45,332	607,896	-	-	-	607,896
Guarantee Ins Co	1,557	23,706	25,262	-	-	-	25,262
Home Ins Co	56,742	585	57,327	-	-	-	57,327
Legion Ins Co	382,861	998	383,859	-	-	-	383,859
Lumbermans Mutual Casualty Co	473,052	3,123	476,174	-	-	-	476,174
Reliance Ins Co	656,399	127,072	783,471	-	-	-	783,471
South Carolina Ins Co	-	431	431				431
Transport Insurance Co	40,000	16,770	56,770	-	-	-	56,770
United Property & Casualty Ins Co	-	-	-	82,240	28,165	110,405	110,405
Villanova Ins Co	4,883	94	4,978	-	-	-	4,978
888 WC Mutual Trust	56,656	81,788	138,444	-	-	-	138,444
999 WC Stock Trust	12,423	1,272	13,695	-	-	-	13,695
Gross Total	2,846,823	377,946	3,224,768	82,240	46,936	129,176	3,353,945
					Recoveries		-88,386
					Net Claims Expenditure		3,265,558

2026 Claims Reserved

Insolvent Company	WC				All Other					
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserve	Total Pending
Arrowood Indemnity Company	5,926,646	500,140	6,426,786	37	850,004	150,333	1,000,337	8	7,427,123	45
Atlantic Mutual Ins Co	1,586,378	38,036	1,624,414	2	-	-	-	-	1,624,414	2
Bedivere Ins Co	881,207	69,970	951,177	4	-	-	-	-	951,177	4
CAGC Ins Co	1,766,387	116,161	1,882,549	3	-	-	-	-	1,882,549	3
Casualty Reciprocal Exchange	717,161	25,213	742,375	3	-	-	-	-	742,375	3
Centennial Ins Co	600,642	40,746	641,387	2	-	-	-	-	641,387	2
Credit General Ins Co	1,750,428	178,619	1,929,047	2	-	-	-	-	1,929,047	2
Freestone Ins Co	828,821	43,227	872,048	2	-	-	-	-	872,048	2
Fremont Ind Co	329,571	22,836	352,407	1	-	-	-	-	352,407	1
Guarantee Ins Co	53,207	218,938	272,144	2	-	-	-	-	272,144	2
Home Ins Co	2,091,476	132,452	2,223,928	5	-	-	-	-	2,223,928	5
Legion Ins Co	2,578,692	295,576	2,874,269	8	-	-	-	-	2,874,269	8
Lumbermans Mutual Casualty Co	9,800,739	333,437	10,134,176	10	-	-	-	-	10,134,176	10
Park Ave Property & Casualty Ins Co	-	97,456	97,456	1	-	-	-	-	97,456	1
Reliance Ins Co	18,827,772	1,086,889	19,914,661	24	-	-	-	-	19,914,661	24
South Carolina Ins Co	13,405	5,248	18,652	1	-	-	-	-	18,652	1
Transport Insurance Co	75,000	68,231	143,231	4	-	-	-	-	143,231	4
United Property & Casualty Ins Co	-	-	-	-	23,619	27,689	51,308	2	51,308	2
Villanova Ins Co	335,903	34,824	370,727	2	-	-	-	-	370,727	2
888 WC Mutual Trust	2,801,035	363,289	3,164,324	10	-	-	-	-	3,164,324	10
999 WC Stock Trust	54,214	7,466	61,680	1	-	-	-	-	61,680	1
Gross Total	51,018,685	3,678,754	54,697,438	124	873,623	178,022	1,051,645	10	55,749,083	134



NORTH CAROLINA

Insurance Guaranty Association

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