



2022  
ANNUAL REPORT

# NCIGA

NORTH CAROLINA  
INSURANCE GUARANTY  
ASSOCIATION





# NC Insurance Guaranty Association

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## Management Contacts

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## Shared Services Contacts

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# Message from the Chairman



**Allen Houck**  
Chairman

The 2021-2022 year has been eventful for the North Carolina Insurance Guaranty Association.

First and foremost, as I discussed in last year's message, Ray Evans retired in March after 21 years of leading this Association, the North Carolina Reinsurance Facility, and the North Carolina Rate Bureau. We are indebted to him for his leadership. Fortunately for these associations and their members, Ray put together a tremendous management team through the years, and we are thrilled to welcome Joanna Biliouris as the new General Manager/Managing Secretary for the three organizations. Joanna previously served as the Chief Operating Officer for the Rate Bureau, and I know first-hand that we will not miss a beat under her leadership. I look forward to working with her in this new capacity.

There was a significant activation for a Louisiana domiciled insolvency, Lighthouse Property Insurance Corporation. This will not only be a large monetary insolvency in North Carolina, but also the first property insurance insolvency the Association has handled in many years. This requires a shifting of gears from the workers compensation claims that have been our focus for so long. To be determined is whether this property insurance insolvency is an isolated event, or if we should expect to see more of these in the near future.

While the property loss claims and unearned premium claims from Lighthouse are a top priority, staff continues to manage a complicated inventory of workers' compensation activity.

With respect to people, the Association returned to the office in March 2022 under a hybrid schedule, and the staff is well equipped to carry out their work obligations seamlessly either in person or remotely.

Litigation is an unfortunate fact of life for this Association, and several of our issues require significant efforts to ensure the Association remains true to the statutes of North Carolina that created it. Without describing them in detail, we have cases outstanding at the North Carolina Court of Appeals, the North Carolina Supreme Court, and the United States Court of Appeals for the Fourth Circuit, which is indicative of the complexity of issues with which we are confronted.

The Association's core activities for the year included the following:

- Net claims paid during the reporting year were \$ 13.9 million. Additionally, 326 claims were closed during the reporting year.
- The Association refunded \$2.75 million to member companies. The refunds consisted of \$1.9 million in workers' compensation, \$188,000 in Automobile and \$595,000 for the All Other Account. \$23 million in assessments were made against member companies during the fiscal year, including \$100,000 for the WC Mutual Trust account. Assessments were driven by the new property insolvency totaling \$17 million in the All Other Account and \$6 million in Workers' Compensation for existing insolvencies.
- Staff and counsel continue aggressive pursuit of all avenues of recovery, with total recoveries of approximately \$800,000 collected through August 31, 2022.

I would like to close with a thank you to our Chief Operating Officer Donna Kallianos and her team at the Association—they deserve credit and recognition for an outstanding year amidst many significant challenges.

# 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	Scott Morrison
Builders Mutual Ins Co	Chris Wetzel
Erie Insurance	Reginald Hewett
Nationwide Mutual Ins Co	Gregory Lonnecker
NC Farm Bureau Mutual Ins Co	Allen Houck*
State Farm Mutual Auto Ins Co	Brianne Jones**
Travelers Indemnity Co	D. Keith Bell
Non-voting Member	Representative
Property & Casualty Agent	John Cook

# Subcommittee

The Audit Committee of the Board of Directors 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*
Builders Mutual Ins Co	Chris Wetzel
Nationwide Mutual Ins Co	Gregory Lonnecker

\* Chairman  
\*\* Vice-chair

# Report of NCIGA Counsel

The legal activities of the Association in the past year have involved appeals as well as participation in lower court and Industrial Commission proceedings. In the past year, the Association has continued its litigation efforts against the Centers for Medicare and Medicaid Services (“CMS”) in the case of *NCIGA v. Xavier Becerra, 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. In this lawsuit, the Association sought a declaratory judgment that it is neither obligated to reimburse CMS for Medicare secondary payments, nor is it obligated to comply with burdensome reporting obligations under Section 111 of the Medicare Secondary Payer statute. The Association filed the declaratory judgment action based upon (a) the decision of the Ninth Circuit Court of Appeals in *CIGA v. Azar*, 940 F.3d 1061 (9th Cir. 2019), which held that the California Insurance Guarantee Association (“CIGA”) was not a “primary plan” under the Medicare Secondary Payer Act, and that CIGA had no obligation to reimburse the Government for conditional payments the Government makes to Medicare beneficiaries, and (b) confirmation that CIGA received from CMS following the *Azar* decision that CIGA was no longer required to meet Section 111 reporting requirements for payments made by CIGA. In the district court, CMS filed a Motion to Dismiss the Association’s declaratory judgment complaint on jurisdictional grounds without addressing the merits of the Association’s claims, arguing that the Association failed to exhaust administrative remedies under the Medicare appeal process. The district court granted the Motion to Dismiss, and the Association has appealed this decision to the United States Court of Appeals for the Fourth Circuit. The Association anticipates that oral argument may be scheduled in the Fourth Circuit in fall 2022, and a decision is not likely until sometime in 2023. In the meantime, the Association has one Medicare secondary payment case that it is appealing through the Medicare appeal process that may reach final decision before the Fourth Circuit appeal is concluded. That claim may become the subject of a second proceeding if necessary to obtain an adjudication of the merits of the Association’s original claims.

The Association has also been involved in two cases pending before the North Carolina appellate courts. In *Maximino Vizcaino v. Watkins & Shepard Trucking, Inc./American Emerald Transportation Inc. & the North Carolina Insurance Guaranty Association*, the North Carolina Court of Appeals unanimously affirmed a favorable decision of the Full Industrial Commission which had concluded that (1) the Plaintiff did not possess a “covered claim” within the meaning of the Guaranty Act and thus the Association was not liable to the Plaintiff; (2) the

Association was not bound by the pre-insolvency admissions of liability of the insolvent insurer, Guarantee Insurance Company, that were made in a Form 60; and (3) the trucking company that leased the Plaintiff’s tractor, and its insurer, was liable to the Plaintiff as an employer under the Workers’ Compensation Act. The employer and its insurer have sought discretionary review from the North Carolina Supreme Court of the Court of Appeals’ unpublished decision.

In *Neil Thomas v. Century Employer Organization*, the Association pursued recovery of claim payments from a solvent insurance company under the nonduplication of recovery provisions of the Guaranty Act. The case involved a temporary staffing company and a temporary employee assigned to work at a client company. The Association argued that the client company met the requirements of a “special employer” whose separate coverage was applicable to the claim. The North Carolina Court of Appeals did not accept the Association’s arguments, and issued an opinion that affirmed an unfavorable decision of the Full Industrial Commission. The Association has sought discretionary review of the Court of Appeals’ decision from the North Carolina Supreme Court.

In May 2022, Lighthouse Insurance Company (“Lighthouse”) was declared insolvent and placed into liquidation in Louisiana. Lighthouse wrote homeowner’s insurance coverage in North Carolina and represents the first significant insolvency of a property and casualty insurer in North Carolina in a number of years. The Lighthouse insolvency will present the Association with a number of issues involving complex first-party claims, some of which may result in litigation against the Association. The Lighthouse insolvency also presents significant unearned premium claims which will have to be processed and paid by the Association; although such claims typically do not present disputed claims, the Lighthouse insolvency may be atypical.

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. Earlier in 2022, the Association received a significant early access disbursement from the Delaware receiver of Freestone Insurance Company, which reimbursed a portion of the Association’s administrative expenses in connection with that insolvency. As the receivers of other insolvent insurer estates make determinations of claim priority for different categories of claims in those estates, the Association will defend its interests, as necessary, to ensure that the Association receives the maximum lawful 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.



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



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

# Managing Secretary's Report



**Joanna Biliouris**  
Managing Secretary

When reflecting on this year, for me, it can be summed up in one word—transition. This year was all about transition: transitioning to a hybrid work schedule, which included returning to the office two days a week; transitioning to a new role as Managing Secretary of the Insurance Guaranty Association; transitioning our technology to support hybrid meetings; and transitioning to a new environment where our lives, both personal and professional, were no longer consumed with the pandemic (at least not totally). It is a time when we can reexamine our lives and the way we work while moving forward with a “new normal.”

The organizations transitioned to a hybrid work schedule in March of this year, with associates choosing two days per week to work in the office, with the other three days working remotely. It was a challenge at first, with many employees reticent to the idea of heading back into commuter traffic, pulling out those business casual clothes from the back of the closet, and interacting with teammates face to face again. It took time for everyone to find their groove and settle into a routine that included leaving the house two days a week; however, just as our associates rose to the occasion when the pandemic hit, they did it again as we navigate away from it. Our hybrid work environment has been successful, balancing the best of both worlds, in the office and in remote settings. Collaboration is increasing, in-person meetings with team members have returned, and onboarding new staff with hands-on training are all part of work life again, and I can say, I am excited by the possibilities.

My first few months as Managing Secretary have been a time of learning, listening, and understanding the needs of our people, our members, and claimants/insureds. With a new insolvency during my first month as Managing Secretary, I was in awe of how quickly and efficiently the IGA staff positioned themselves to handle a large workload including technology challenges with claims data transmissions, evaluating and fulfilling staffing needs, navigating

the regulatory framework by which they are bound, and receiving support from leadership required to make this all happen. Donna and her team are a well-oiled machine!

While the organization has to stop and pivot when an insolvency occurs, the daily work and responsibilities must continue on. The organization is focused on improving processes, guiding people, and meeting the needs of our claimants and members as the industry progresses. The IGA's goals remain consistent:

- Maintaining effective and efficient operations, including adequate staffing to ensure timely payment of claims;
- Administering claims effectively and managing reserves;
- Effectively managing litigation;
- Maintaining accurate claims records; and
- Being a part of the broader insurance Guaranty community.

Whereas these goals and objectives are constant, the manner in which the organization fulfills them continuously evolves through improved technology, innovative legal strategies, dedicated associates, and insights from other guaranty organizations. In the following pages of this Annual Report, our efforts to fulfill our goals are outlined in detail.

As we look forward, it will be interesting to monitor how our changing economic environment will affect the solvency of the insurance industry, particularly inflation and the effects of climate change. Whatever the future holds, the Insurance Guaranty staff is poised to respond and support those who may be impacted.

In closing, I would like to recognize the long-time Chair of the Insurance Guaranty Association Board of Directors, Allen Houck, for his continued leadership and guidance, and to welcome our newest board member, Erie Insurance, represented by Reginal Hewett, who has been a great addition to the Board. Our long-time legal partners, Chris Blake and Joe Eason of Nelson Mullins, provide us invaluable counsel, guidance, and support of our litigation and compliance efforts. I look forward to continued success in the coming years.



# Chief Operating Officer's Report



As coincidence may have it, when recently considering a theme for this year's Chief Operating Officer's Report, I had the opportunity to have lunch with a former colleague, an individual very familiar with the Association's operations. After the exchange of pleasantries and some banter, they happened to ask "how goes the firehouse?" It was at that moment the proverbial "light bulb" went off, and I knew a storyline was in the making, as the similarities between the NCIGA and the "firehouse" are clear, especially as it stood ready in 2022 to answer the duty "bell" and insolvency "alarm" in response to a variety of transitions, challenges, and unexpected events.

The Association has often been referred to as the "firehouse," a team of insurance professionals awaiting the "call" to respond to the Guaranty Association Act's stated purpose of providing a mechanism for the payment of covered claims to

1. avoid excessive delay in payment,
2. avoid financial loss to claimants or policyholders because of the insolvency of an insurer,
3. assist in the detection and prevention of insurer insolvencies, and
4. provide an association to assess the cost of such protection among insurers.

In fact, a quote by author Byron Pulsifer drives home the correlation between both entities, noting, "firemen never know what they will encounter on each call, but proceed with the same level of commitment and service," an obligation shared by the Association with each new insolvency, insured, and claimant.

With no "smoldering fires" on the horizon, the fiscal year began with a reduced claims inventory and staff concentrating their efforts on continued evaluation of worker's compensation reserves, as well as fine tuning the "engine" with updates to the infrastructure, work processes, and overall operations. What could not be predicted was how the "burn conditions" would change, sending the Association back to a hybrid work solution in mid-March, a new managing secretary beginning April 1, and an unplanned insolvency by the start of May.

After two years of working remotely and fears of COVID-19 beginning to diminish, our IS department helped facilitate the organizations' hybrid return to the office by ensuring all employees were properly equipped at both home and office locations. Having the right technology and resources in place allowed staff to seamlessly go back and forth without interruption of work processes, guaranteeing the "safety net" remained secure.

The year also saw a changing of the guard or one might say "fire chiefs," with the retirement of Ray Evans after 21 years of service to the organizations and the hiring of his successor, Joanna Biliouris, the former "COO" of the North Carolina Rate Bureau. A special welcome to Joanna as we look forward to a new era with her at the wheel of the "truck" and helping man the "NCIGA station."

While the Association activated for two new insolvencies, Western General Insurance Company, a California-based carrier in October 2021, and Lighthouse Property Insurance Corporation, a Louisiana domiciled company in May 2022, it was Lighthouse that caught the guaranty system by surprise, delivering first-party property claims to the NCIGA after years of mostly workers' compensation-oriented insolvencies.

The Association proceeded to "gear up," transitioning its focus to a new line of coverage with receipt of over 7000 unearned premium claims ("UEP"), and issuance of corresponding checks to North Carolina policyholders. The simultaneous arrival of several hundred property losses required the hiring of additional resources to meet insolvency demands, filling an open administrative position, and retaining the services of outside adjusters. The NCIGA set up a dedicated phone extension in conjunction with providing the most current information on its website to keep insureds/claimants apprised of receivership, insolvency, and claim developments. New policies and procedures were established to address distinctions in property claims handling, resulting in the creation of a "property calculator," an Excel tool designed by staff, to capture pertinent data and a method of calculating loss payment amounts.

Multiple fires or "hotspots" were "extinguished" during initial phases of Lighthouse, for example, responding to hundreds of phone and email inquiries, in addition to investigating issues with electronic claim records and the subsequent printing of checks—all timely resolved through the tireless efforts of staff. The insolvency also revealed opportunities for system and operational improvements that the NCIGA will work to implement before the next "fire alarm" is sounded.

The Association's 2022 legal activities continued with a "fire intensity" as the NCIGA filed for discretionary review to the North Carolina Supreme Court in *Neil Thomas v. Century Employer Organization*, a claim involving issues of special employment. While the Association awaits a decision in Thomas, it anticipates results in two other cases: 1) *Vizcaino v. Watkins & Shepard, Inc./American Emerald Transportation*, where opposing parties filed for discretionary review in response to favorable NCIGA decisions at both the Full Industrial Commission and North Carolina Court of Appeals on issues of coverage and statutory employment, and 2) *NCIGA v. Xavier Becerra*, where the Association filed an appeal to the United States Court of Appeals in the Fourth Circuit concerning the dismissal of its declaratory judgment action, seeking a ruling the NCIGA is not a primary payer plan under Section 111 of the Medicare Secondary Payer statute—stayed tuned for the result of oral arguments scheduled in the fall.

As another year reaches conclusion, fires were handled and "contained" through efforts of staff, counsel, Information Services, Human Resources/Facility Services, Finance, and the NCIGA Board of Directors. The Association's ability to meet its statutory obligations can be directly attributed to the contributions of all, and I extend a sincere thank you for keeping the "firehouse" prepared for action.

**Donna Kallianos**  
Chief Operating Officer



## Balance Sheet

Year Ending	August 31, 2022 (Preliminary)	August 31, 2021 (Final)
<b>Assets</b>		
Cash (Checking Account)	\$ 7,015,000	\$ 6,220,000
Investments	116,000,000	114,000,000
Assessments Receivable	7,500,000	50,000
Other Assets	-	-
<b>Total Assets</b>	<b>\$ 130,515,000</b>	<b>\$ 120,270,000</b>
<b>Liabilities &amp; Fund Equity</b>		
Accounts Payable	-	\$ 400
Claims Liability	88,100,000	86,750,000
Unearned Premium Liability	-	-
Claims Expense Liability	5,750,000	5,100,000
Other Liabilities	(1,700)	(1,700)
<b>Total Liabilities</b>	<b>\$ 93,848,300</b>	<b>\$ 91,848,700</b>
Fund Equity	36,666,700	28,421,300
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 130,515,000</b>	<b>\$ 120,270,000</b>

## Income Statement

Year Ending	August 31, 2022 (Preliminary)	August 31, 2021 (Final)
<b>Income</b>		
Membership Fees	\$ 700	\$ 600
Interest Income	2,570,000	2,540,000
Assessment Income	18,800,000	15,350,000
Miscellaneous Income	1,900,000	1,400,000
<b>Total Income</b>	<b>\$ 23,270,700</b>	<b>\$ 19,290,600</b>
<b>Expenses (Net)</b>		
Refund to Commissioner/Liquidators	-	-
Refund to Member Insurers	2,800,000	11,000,000
Operating Expenses	4,100,000	3,800,000
Claims Paid (Net)	5,920,000	2,800,000
Claims Expenses	370,000	206,000
Premium Refunds	7,610,000	30,000
<b>Total Expenses</b>	<b>\$ 20,800,000</b>	<b>\$ 17,836,000</b>
<b>Net Income/(Loss)</b>	<b>\$ 2,470,700</b>	<b>\$ 1,454,600</b>

## Claims Paid Detail

	WC			Auto		
	Indemnity Paid	Expense Paid	Total Paid	Indemnity Paid	Expense Paid	Total Paid
Atlantic Mutual Ins Co	\$81,955.69	\$2,534.33	\$84,490.02			
Bedivere Insurance Co	\$65,262.92	\$28,516.57	\$93,779.49			
CAGC Insurance Co	\$342,382.14	\$3,420.96	\$345,803.10			
Casualty Reciprocal Exchange	\$9,966.91	\$456.97	\$10,423.88			
Centennial Ins Co	\$28,471.38	\$1,639.27	\$30,110.65			
Credit General Ins Co	\$343,094.51	\$5,051.77	\$348,146.28			
Employers Casualty Co	\$13,144.00		\$13,144.00			
Freestone Ins Co	\$87,461.32	\$19,274.43	\$106,735.75			
Fremont Indemnity Co	\$115,427.44	\$60,769.67	\$176,197.11			
Guarantee Insurance Co	\$362,855.70	\$96,696.86	\$459,552.56			
Home Insurance Co	\$271,201.04	\$20,993.22	\$292,194.26			
Legion Insurance Co	\$199,347.71	\$5,199.60	\$204,547.31			
Lighthouse Property Ins Corp						
Lumberman Mutual Group	\$1,491,878.53	\$32,415.25	\$1,524,293.78			
Lumbermen's Underwriting Alliance	\$35,456.98	\$212.70	\$35,669.68			
Northwestern Nat'l Ins Co		\$3,701.44	\$3,701.44			
Park Ave P&C		\$6,116.36	\$6,116.36			
Reliance Insurance Co	\$657,827.56	\$58,408.69	\$716,236.25			
Villanova Insurance Co	\$6,005.77	\$358.89	\$6,364.66			
Western General Ins Co						
888 WC Mutual Trust	\$70,142.38	\$5,594.29	\$75,736.67			
999 WC Stock Trust	\$50,694.17	\$243.67	\$50,937.84			
<b>Gross Total</b>	<b>\$4,232,576.15</b>	<b>\$351,604.94</b>	<b>\$4,584,181.09</b>			

## 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	\$3,085,903.07	\$104,952.21	\$3,190,855.28	4				
Bedivere Insurance Co	\$2,233,519.30	\$128,714.77	\$2,362,234.07	14				
CAGC Insurance Co	\$3,785,302.89	\$303,358.49	\$4,088,661.38	9				
Casualty Reciprocal	\$755,539.13	\$25,534.08	\$781,073.21	2				
Centennial Ins Co	\$660,102.35	\$39,622.77	\$699,725.12	2				
Credit General Ins Co	\$4,389,288.45	\$228,727.48	\$4,618,015.93	4				
Employers Casualty Co	\$106,882.92	\$11,325.04	\$118,207.96	1				
Freestone Ins Co	\$1,746,698.18	\$180,163.47	\$1,926,861.65	4				
Fremont Indemnity Co	\$2,151,693.83	\$195,589.11	\$2,347,282.94	2				
Guarantee Insurance Co	\$4,154,302.40	\$655,381.65	\$4,809,684.05	20				
Home Insurance Co	\$7,473,147.99	\$241,079.51	\$7,714,227.50	8				
Legion Insurance Co	\$3,917,137.74	\$321,813.57	\$4,238,951.31	10				
Lighthouse Property Ins Corp								
Lumberman Mutual Group	\$24,028,845.21	\$806,571.48	\$24,835,416.69	16				
Lumbermen's Underwriting Alliance	\$1,068,857.34	\$7,378.65	\$1,076,235.99	1				
Northwestern Nat'l Ins Co	\$5,000.00	\$7,558.88	\$12,558.88	3				
Park Ave P&C		\$98,603.64	\$98,603.64	1				
Reliance Insurance Co	\$21,304,153.10	\$1,386,234.32	\$22,690,387.42	32				
South Carolina Ins	\$13,404.72	\$6,962.58	\$20,367.30	1				
Villanova Insurance Co	\$151,874.16	\$34,168.09	\$186,042.25	2				
Western General Ins Co								
888 WC Mutual Trust	\$2,535,736.32	\$339,632.49	\$2,875,368.81	12				
999 WC Stock Trust	\$1,966,317.59	\$66,047.03	\$2,032,364.62	3				
<b>Total</b>	<b>\$85,533,706.69</b>	<b>\$5,189,419.31</b>	<b>\$90,723,126.00</b>	<b>151</b>				

## Claims Paid Detail

	All Other			Total
	Indemnity Paid	Expense Paid	Total Paid	
Atlantic Mutual Ins Co				\$84,490.02
Bedivere Insurance Co				\$93,779.49
CAGC Insurance Co				\$345,803.10
Casualty Reciprocal Exchange				\$10,423.88
Centennial Ins Co				\$30,110.65
Credit General Ins Co				\$348,146.28
Employers Casualty Co				\$13,144.00
Freestone Ins Co				\$106,735.75
Fremont Indemnity Co				\$176,197.11
Guarantee Insurance Co				\$459,552.56
Home Insurance Co				\$292,194.26
Legion Insurance Co				\$204,547.31
Lighthouse Property Ins Corp	\$10,012,313.91	\$57,785.25	\$10,070,099.16	\$10,070,099.16
Lumberman Mutual Group				\$1,524,293.78
Lumbermens' Underwriting Alliance				\$35,669.68
Northwestern Nat'l Ins Co				\$3,701.44
Park Ave P&C				\$6,116.36
Reliance Insurance Co				\$716,236.25
Villanova Insurance Co				\$6,364.66
Western General Ins Co				
888 WC Mutual Trust				\$75,736.67
999 WC Stock Trust				\$50,937.84
<b>Gross Total</b>	<b>\$10,012,313.91</b>	<b>\$57,785.25</b>	<b>\$10,070,099.16</b>	<b>\$14,654,280.25</b>
				Recoveries
				<b>\$(768,369.35)</b>
				<b>Net Claims Expenditure</b>
				<b>\$13,885,910.90</b>

## Claims Reserved Detail

	All Other				Total	
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserves	Total Pending
Atlantic Mutual Ins Co					\$3,190,855.28	4
Bedivere Insurance Co	\$26,000.00	\$80,000.00	\$106,000.00	72	\$2,468,234.07	86
CAGC Insurance Co					\$4,088,661.38	9
Casualty Reciprocal					\$781,073.21	2
Centennial Ins Co					\$699,725.12	2
Credit General Ins Co					\$4,618,015.93	4
Employers Casualty Co					\$118,207.96	1
Freestone Ins Co					\$1,926,861.65	4
Fremont Indemnity Co					\$2,347,282.94	2
Guarantee Insurance Co					\$4,809,684.05	20
Home Insurance Co					\$7,714,227.50	8
Legion Insurance Co					\$4,238,951.31	10
Lighthouse Property Ins Corp	\$2,509,094.39	\$476,517.63	\$2,986,359.02	7123	\$2,986,359.02	7123
Lumberman Mutual Group					\$24,835,416.69	16
Lumbermens' Underwriting Alliance					\$1,076,235.99	1
Northwestern Nat'l Ins Co					\$12,558.88	3
Park Ave P&C					\$98,603.64	1
Reliance Insurance Co					\$22,690,387.42	32
South Carolina Ins					\$20,367.30	1
Villanova Insurance Co					\$186,042.25	2
Western General Ins Co						
888 WC Mutual Trust					\$2,875,368.81	12
999 WC Stock Trust					\$2,032,364.62	3
<b>Total</b>	<b>\$2,535,094.39</b>	<b>\$556,517.63</b>	<b>\$3,092,359.02</b>	<b>7195</b>	<b>\$93,815,485.02</b>	<b>7346</b>

# Shared Services

## Information Services



**Shelley Chandler**  
Chief Information Officer

Information Services (IS) is dedicated to leveraging technology to enhance business processes and fulfill the needs of our customers—NCIGA, NCRB, and NCRF. In 2022, the organizations returned to the office utilizing a hybrid schedule while continuing to build on processes implemented in a remote environment over the past two years. IS continues to investigate and establish strategies that support location independence in pursuit of long-term flexibility.

Security demands constant attention and resources to ensure integrity of the data, business operations, reputation, and financial stability. Vigilance is required continuously to evaluate vulnerabilities and upgrade systems, measures taken to protect the electronic environment and data. Audits and third-party testing remain useful tools in identifying potential weak spots, allowing for remediation and reduction of risk. During the year, a Security Risk Assessment performed by a third-party vendor was utilized to update our security implementation roadmap and facilitate advancement of the organizations' security maturity. Additionally, one of the more practical and most important defense mechanisms used to mitigate security risks is employee training. Every month, associates receive security awareness assessments as a way to expand and reinforce their knowledge and understanding of these threats. Targeted training has enabled associates to identify potential issues and respond proactively. In 2022, IS transitioned to a new security training platform to ensure education is relevant and engaging for all associates. While the cost of cyber liability insurance increased significantly across the industry in 2022, recent implementation of multi-factor authentication for critical components ensured the organizations were able to renew coverages at existing limits.

Project work also contributes to our goal of promoting efficiency throughout the organizations and for external customers. In 2022, we continued to assist the Association with ongoing technical support and advice as they worked through ongoing issues with the software vendor for their claims operating system. Our CIO & Director of Security work diligently to translate and educate technology language into information that can be used to make business decisions. IS anticipates bringing certain technology solutions in-house to alleviate some complexity in decision making by being part of a software consortium. Additionally, the Software Development group continues to write custom system reports to increase efficiency across the organization. Both parties also play an active role on industry committees to help ensure best practices and proper representation.

We are ready for the challenges that lie ahead as IS continues to provide the organizations with solutions that increase efficiency and help to meet our members' needs through technology.

## Human Resources and Facility Services



**Vicki Godbold**  
Chief Human Resources Officer

Our approach to Human Resources is strategic and comprehensive, focusing our commitment on the Organization's most valued assets—our people. Facility Services continues to play an essential role in providing a secure and comfortable work environment for all employees. It also supplies the organizations (NCIGA, NCRB & NCRF) with mail and receptionist services. In fact, the mailroom has assisted the Association with administrative tasks in response to a new insolvency.

During the year, Human Resources spent significant time readying the office for repopulation in March 2022, as well as stayed apprised of continuing changes in COVID-19 federal regulations to ensure compliance. Employees were welcomed back with all appropriate safety precautions in place.

### Associate Service Milestones—Years of Service

Years	# of Employees	% of Employees
0-9 Years	4	50%
10-19 Years	1	13%
20-29 Years	3	37%
30-39 Years	0	0%
40+ Years	0	0%
<b>Total</b>	<b>8</b>	<b>100%</b>

The NCIGA added one new associate in 2022.

The organizations' Wellness Program consists of

- a partnership with WakeMed Hospital,
- a partnership with YogaBlyss,
- a partnership with the NC Prevention Partners,
- WW at Work,
- American Red Cross virtual re-certification in First Aid/CPR, and
- American Red Cross Blood Drives on-site.

On-site training included a weekly virtual yoga class as well as virtual and in-person training for staff.

Associate Community Service for the fiscal year included participation in the annual United Way campaign.

## Finance



**Edith Davis**  
Chief Financial Officer

The financial position is summarized in the exhibits on page six, which reflect the comparative balance sheets and income statements for the latest two fiscal years ending August 31. The assets of the Association totaled approximately \$130.5 million on August 31, 2022—a significant increase of about 9% or \$10.2 million from a year ago, driven by a new insolvency.

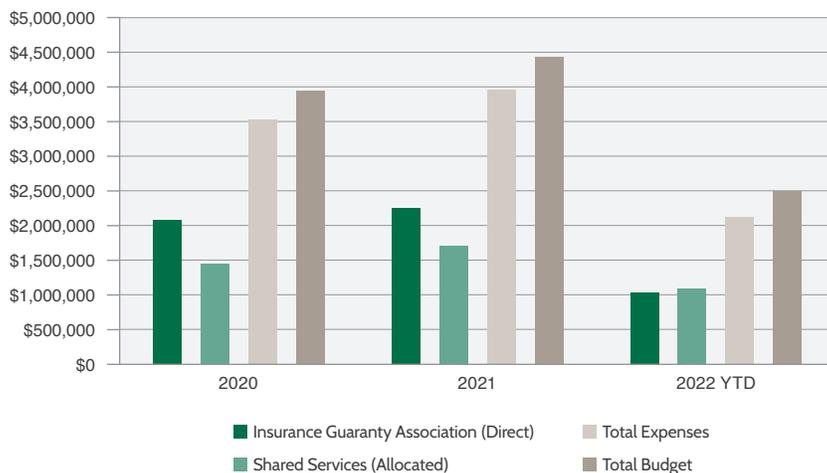
The 2022 reserves for claims and claims expenses increased again by approximately 2%, totaling about \$2 million compared to August 31, 2021 balances. At the time of this report, there were two new insolvencies, Western General Insurance and Lighthouse Property Insurance Company, activated in the past 12 months, although the only claim for Western General was ultimately determined to be ineligible for coverage and closed without payment by the Association.

The net claim and claim expense payments saw a sharp increase over the prior year driven by both property and unearned premium claims activity for the Lighthouse Property insolvency. Claims and claims expense totaled approximately \$6.3 million over the past 12 months, an increase of about 60% over the prior report year. Refunds of unearned premiums totaled another \$7.6 million, compared to \$30 thousand in the prior year.

Income for the year was approximately \$23.3 million, an increase of about \$4 million or 20% over 2021. Investment income reflected a modest 1% increase, totaling about \$30 thousand more than the prior year. The majority of the income for this fiscal year was from assessments. In December 2021, assessments for various insolvencies totaling \$6.1 million were offset by refunds of \$2.75 million from various older insolvencies. The assessments were Lumbermen's Mutual Insurance for \$5 million, and \$1 million for Home Insurance. The most notable refunds were \$1.3 million for Reliance, and \$1 million for Legion. The vast majority of these transactions were for the workers compensation line of business. Additionally, there was an assessment for the Workers Comp Mutual Trust for \$100,000 to maintain the statutorily required minimum reserves. In May, 2022, \$12 million was assessed to fund Lighthouse Property Insurance claims initially, followed by a second assessment for \$5 million in August for the same insolvency.

There was very limited activity in the investment portfolio during the current year. Though interest rates remained low in 2021 and into early 2022 before rising in 2022, the high-quality fixed-income nature of the portfolio remained stable, since most assets are held to maturity and returns were only moderately impacted. The portfolio remained within compliance with the investment guidelines.

North Carolina Insurance Guaranty Association Administrative Expenses



Administrative Expenses	2020	2021	2022 YTD
Insurance Guaranty Association (Direct)	\$ 2,070,915	\$ 2,238,172	\$ 1,030,708
Shared Services (Allocated)	\$ 1,434,720	\$ 1,694,308	\$ 1,082,491
Total Expenses	\$ 3,505,635	\$ 3,932,480	\$ 2,113,199
Total Budget	\$ 3,913,647	\$ 4,404,851	\$ 2,473,806

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 2022. The Association finished 2021 about 11% under budget, that budget being 13% higher than the prior year. As of June 2022, the Association was about 15% under budget, predominately driven by variances in IT expenses and open positions at the beginning of the year. Many of these positions have now been filled, and the Association is currently projected to remain within budget for the 2022 calendar year.

The audit firm of Johnson Lambert again performed the annual review of the Association's financial records, conducted the entire audit remotely utilizing various online tools and resources, and presented their report to the Audit Committee in March 2022. The firm issued a clean opinion on the Association's audited financial statements and conducted the required communications to the Committee, noting there were no misstatements or internal control weaknesses identified during the audit, and that the significant accounting policies had been consistently applied during the current year.

We are pleased to report a continued increase in the adoption of electronic payments by member companies for assessments and encourage more companies to do the same. We have further increased the use of electronic payments to the Association's vendors as well. A Request for Proposal (RFP) was distributed this year for a new accounting system, and multiple products have been evaluated. At the time of this writing, we are in the final stages of the due diligence phase and nearing the final selection of the new system. Due to the size and complexity of the new system, implementation is expected to be in phases and will extend well into next year. This is a multi-year project and will benefit both the Association and its sister organizations with improved functionality and provide greater opportunities for location independence. The update of several other core systems will follow. We continue to look for ways to improve our efficiency and customer service and welcome any feedback.

# NCIGA

NORTH CAROLINA  
INSURANCE GUARANTY  
ASSOCIATION

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