



**NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION**

5401 Six Forks Road • Raleigh NC • 27609  
(919) 783-9813 • Fax (919) 783-5262 • www.ncrb.org

MINUTES OF THE MEETING OF THE MEMBER INSURERS OF THE NORTH CAROLINA  
INSURANCE GUARANTY ASSOCIATION HELD AT MID PINES INN & GOLF CLUB,  
1010 MIDLAND ROAD, SOUTHERN PINES, NORTH CAROLINA, OCTOBER 15, 2002

MEMBERS PRESENT

REPRESENTED BY

Allstate Insurance Company	Mr. A. Ivey
Allstate Indemnity Company	
Northbrook Indemnity Company	
Integon Indemnity Corporation	Mr. A. Lyon
GMAC Direct Insurance Company	
GMAC Insurance Company Online, Inc.	
Integon Casualty Insurance Company	
Integon General Insurance Corporation	
Integon National Insurance Company	
Integon Preferred Insurance Company	
Integon Specialty Insurance Company	
New South Insurance Company	
Lawyers Insurance Company of North Carolina	Mr. C. Younger
Nationwide Mutual Insurance Company	Mr. D. Gettles
Nationwide Affinity Insurance Company	
Nationwide Mutual Fire Insurance Company	
Nationwide Property & Casualty Insurance Company	
North Carolina Farm Bureau Mutual Insurance Company	Mr. R. Medeiros
Farm Bureau Insurance Company of NC, Inc.	
Royal Insurance Company of America	Mr. D. Haver
American & Foreign Insurance Company	
Connecticut Indemnity Company	
Design Professionals Insurance Company	
Employee Benefits Insurance Company	
Fire & Casualty Insurance Company of Connecticut	
Globe Indemnity Company	
Grocers Insurance Company	
Orion Insurance Company	
Peak Property & Casualty Insurance Corporation	
Phoenix Assurance Company of New York	
Royal & SunAlliance Personal Insurance Company	
Royal Indemnity Company	
Safeguard Insurance Company	
Sea Insurance Company of America	
Security Insurance Company of Hartford	

State Farm Mutual Automobile Insurance Company	Mr. T. Huels
State Farm Fire & Casualty Company	
State Farm General Insurance Company	
Travelers Indemnity Company	Mr. B. Seagle
Automobile Insurance Company of Hartford	
Charter Oak Fire Insurance Company	
Farmington Casualty Company	
Phoenix Insurance Company	
Standard Fire Insurance Company	
Travco Insurance Company	
Travelers Casualty & Surety Company of America	
Travelers Casualty & Surety Company of Illinois	
Travelers Casualty Company of Connecticut	
Travelers Casualty & Surety Company	
Travelers Commercial Casualty Company	
Travelers Commercial Insurance Company	
Travelers Home & Marine Insurance Company	
Travelers Indemnity Company of Connecticut	
Travelers Indemnity Company of America	
Travelers Indemnity Company of Illinois	
Travelers Insurance Company	
Travelers Personal Security Insurance Company	
Travelers Property Casualty Insurance Company	

333 other member insurers were represented by proxy.

OTHERS PRESENT

REPRESENTED BY

Bradsher & Bunn Insurance Agency, Inc.	Mr. D. Bradsher
Moore & Van Allen	Mr. C. Blake
	Mr. G. Teague
North Carolina Department of Insurance	Mr. J. Holloway
Staff	Mr. B. Delbridge
	Mr. R. Evans
	Mr. M. Newton
	Mr. D. Sink

The meeting convened as scheduled, Mr. Huels of State Farm Mutual Automobile Insurance Company, Chairman of the Board of Directors, presiding. Mr. Evans reported that a quorum was represented in person or by proxy.

1. Election of Board of Directors

Following general discussion, Allstate Insurance Company, Integon Indemnity Corporation, Nationwide Mutual Insurance Company, North Carolina Farm Bureau Mutual Insurance

Company, Royal Insurance Company of America, State Farm Mutual Automobile Insurance Company and Travelers Indemnity Company were nominated for membership on the Board of Directors for the ensuing three years. There were no other nominations. A motion that the nominations be closed was seconded and carried unanimously. The seven named companies were unanimously elected.

Mr. Evans reported that notice had been received from the Commissioner of Insurance reappointing Mr. C. Delaine Bradsher of Raleigh, a property and casualty insurance agent, as a non-voting member of the Board of Directors to serve for a three-year term.

2. Adjournment

There being no further business the meeting was adjourned.

Respectfully submitted,

Raymond F. Evans, Jr., CPCU

Managing Secretary

RFE:lm

IGA-03-1

3/4/03

# North Carolina Insurance Guaranty Association

North Carolina General Statute 58-48.5 Purpose of Article - The purpose of this Article is to provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment, and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of such protection among insurers.

**2 0 0 2 Annual Report**

## **BOARD OF DIRECTORS**

During the year covered by this Report the following seven member insurers served as members of the Board of Directors:

<b>Member Insurer</b>	<b>Representative</b>
Allstate Insurance Company	Art Ivey
Integon Indemnity Corporation	Art Lyon
Nationwide Mutual Insurance Company	Dave Gettles
#NC Farm Bureau Mutual Insurance Co	Ronald Medeiros
Royal Insurance Company of America	Dennis Haver
*State Farm Mutual Automobile Ins Co	Tom Huels
Travelers Indemnity Company	Benjy Seagle

### **Non-Voting Member**

**Delaine Bradsher  
Property and Casualty Insurance Agent  
Bradsher & Bunn Insurance Agency, Inc.**

**\*Chairman of the Board - Re-elected October 16, 2001**

**#Secretary-Treasurer - Re-elected October 16, 2001**

## ***CHAIRMAN'S CORNER***

**This past year has challenged us as individuals and professionals on many fronts. We have seen the largest P&C insolvency on record occur, which along with additional industry insolvencies, has strained our resources, people and capital. But through it all, we have continued to provide the stabilizing element so necessary for the peace of mind and financial well being of all of our customers.**

**I again would like to take this opportunity to say thank you as your personal commitment to ethical and fair dealing continues be a source of pride for me personally and professionally. Without the support and efforts of our Board of Directors, Guaranty Staff and Legal Council, we would not have been able to carry out the intent of the Guaranty Act which is to provide a safety network for our customers during critical times caused by industry insolvencies.**

**Sincerely,**

*Thomas M. Huels*

**Thomas M. Huels, Chairman**

**NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION  
5401 SIX FORKS ROAD  
RALEIGH, NORTH CAROLINA 27619-6010**

**Administration**

**Telephone: 919-783-9790  
Fax: 919-783-0355**

**Operations**

**Telephone: 919-783-9813  
Fax 919-783-5262**

**STAFF**

**Raymond F. Evans, Jr.  
Managing Secretary  
E-Mail - [rfe@ncrb.org](mailto:rfe@ncrb.org)**

**Robert M. Newton  
Claims Manager  
E-Mail - [rmn@ncrb.org](mailto:rmn@ncrb.org)**

**William C. Delbridge  
Assistant Claims Manager  
E-Mail - [wcd@ncrb.org](mailto:wcd@ncrb.org)**

**David E. Sink, Jr.  
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**ANNUAL REPORT**

**This Report covers the activities of the North Carolina Insurance Guaranty Association during the twelve months ended August 31, 2002. Included, for the sake of continuity, are some details relating to activities during prior periods.**

**MEMBERSHIP**

**The Association has 700 member insurers at August 31, 2002. This is an increase of six members over the prior year. Fifteen companies became members during the twelve months ended that date. The new members during the period were:**

<b>Alamance Insurance Company</b>	<b>GMAC Insurance Company Online, Inc.</b>
<b>Alfa Mutual Insurance Company</b>	<b>Hartford Steam Boiler Inspection &amp; Ins Co</b>
<b>Bridgefield Casualty Insurance Company</b>	<b>of Connecticut, The</b>
<b>California Casualty Indemnity Exchange</b>	<b>Mid-Continent Casualty Company</b>
<b>CAMICO Mutual Insurance Company</b>	<b>Minnesota Lawyers Mutual Insurance Co</b>
<b>CNL/Insurance America, Inc.</b>	<b>Planet Indemnity Company</b>
<b>Continental Western Insurance Company</b>	<b>Safety First Insurance Company</b>
<b>GMAC Direct Insurance Company</b>	<b>Underwriter for the Professions Ins Co</b>

**The following companies voluntarily withdrew from membership, were dissolved, had their membership terminated, or merged with other companies during the year covered by this Report.**

<b>American Horizon Insurance Company</b>	<b>Fremont Compensation Insurance Co</b>
<b>Aristar Insurance Company</b>	<b>Fremont Pacific Insurance Company</b>
<b>PHICO Insurance Company</b>	<b>NN Insurance Company</b>
<b>Reliance Insurance Company</b>	<b>Southern Heritage Insurance Company</b>
<b>American Continental Insurance Co</b>	

## ASSESSMENTS/REFUNDS

The following assessments were authorized by the Board of Directors during the twelve months covered by this Report:

<u>DATE OF ASSESSMENT</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
11/01/01	Administrative Account	\$ 300,000
11/01/01	Credit General Insurance Co .	\$ 3,000,000
11/01/01	Reliance Insurance Co.	\$22,000,000

The following refunds were authorized by the Board of Directors during the twelve months covered by this Report:

<u>DATE OF REFUND</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
03/21/02	American Eagle Insurance Company	\$ 70,000
03/21/02	Premier Alliance Insurance Company	\$ 45,000
03/21/02	United Community Insurance Company	\$450,000

## STAFF REPORT

### Insolvencies From Prior Years

The Association is currently working with eighteen insurance company insolvencies. From prior years, the Association continues to be actively involved in ten ancillary receiverships pending in Wake County Superior Court related to insolvent insurers not domiciled in North Carolina. These insolvent foreign insurers are American Mutual Liability Insurance Company, American Universal Insurance Company, Credit General Insurance Company, Employer's Casualty Insurance Company, Ideal Mutual Insurance Company, Integrity Insurance Company, Midland Insurance Company, Mission Insurance Company, Mission National Insurance Company, and United Community Insurance Company.

In addition to the above insolvencies, the Association remains involved in six insolvencies for which no ancillary proceedings have been commenced in North Carolina. These six insolvencies are as follows: Western Employers Insurance Company, Insurance Company of Florida, Premier Alliance Insurance Company, United Southern Assurance Company, American Eagle Insurance Company, and LMI Insurance Company.

### Insolvencies That Have Been Closed

During the past year the Association concluded its handling of the insolvencies of International Indemnity Company, a Georgia insurer declared insolvent on January 18, 2001, and Acceleration National Insurance Company, an Ohio insurer declared insolvent on February 28, 2001. An accounting of the Association's use of the statutory deposit money received in connection with each of these insolvencies was made to the NC Department of Insurance (NCDOI) along with the return of the balance of the statutory deposits and closing reports were made to the respective Receivers of those insolvencies. Additionally, an agreement to conclude the Association's claim against the estate of Grangers Mutual Insurance Company for the balance of the statutory deposit money currently held by the Association was approved by the NCDOI and the Receiver as those funds equaled the Association's remaining liabilities. Therefore the Grangers insolvency is closed for reporting purposes, although the Association still has two open claims.

### New Insolvencies

Within this report year, two new insolvencies were reported. The first was that of Reliance Insurance Company, a Pennsylvania insurer declared insolvent on October 4, 2001 and the second, PHICO Insurance Company, also a Pennsylvania insurer, declared insolvent on February 28, 2002. Ancillary receiverships for both of these insolvencies were established in the Wake County Superior Court.

The Reliance Insolvency represents the largest monetary exposure in the history of the Association and the complexity of the policies written and the claim files themselves has provided a real challenge to the Association. At this time, we estimate, although this is not an ultimate paid evaluation since individual claims are still being reported and reviewed, that total claims paid will be in the \$40-50 million range. Reliance, in addition to being complex from a policy and coverage standpoint, extensively used TPA's and MGA's in its operations and as a result the Association has worked with literally hundreds of vendors in obtaining files and policy information. Because of this complexity, we engaged Cambridge Integrated Services Group (Cambridge), which was the largest TPA for Reliance to assist us in handling claims. As required, the contract with Cambridge was negotiated by the Association and approved by the Board and the Commissioner of Insurance. At this time Cambridge is actively involved in 600 claims files at the Association's direction. A myriad of legal issues have arisen from this insolvency including such diverse issues as large deductible insureds, cut-through reinsurance policies, and reinsurance assumption agreements requiring Staff to work diligently with our outside legal counsel, the NC Department of Insurance and the NC Industrial Commission. These issues will be detailed in Counsel's report.

## Summary of Operations

Because of the insolvencies of the past two years the Association has grown substantially. The staff of associates has changed from four to eleven during this period in response to this growth. During the past year the Association has issued 8,030 checks in the course of paying \$278,646 in premium refunds, \$13,897,640 in claim payments and \$1,095,516 in allocated loss adjustment expenses.

In processing this work, Association expenses totaled \$1,058,245. These expenses represent about 6.5% of the total of refunds, claims payments and ALAE, which we believe reflects the effective work the Association's associates perform. In an insolvency environment where an adjuster or examiner's work load is limited to perhaps 125 files at any time because of the complexity of individual claims, the Association is keeping costs to members at a minimum.

During the year, \$1,058,245 was returned to member companies and \$169,881 was returned to the Commissioner in association with closing two insolvencies.

## COUNSEL'S REPORT

As anticipated, the insolvency of Reliance Insurance Company ("Reliance") has dominated the activities of the Association in the last year. However, the past year has also presented significant challenges arising from other insurer insolvencies. This report from counsel for the Association will report on the following: 1) claims and other issues related to the Reliance insolvency; 2) litigation involving the Association arising from the insolvency of Credit General Insurance Company ("Credit General"); 3) the insolvency of PHICO Insurance Company ("PHICO"); 4) other litigation matters involving the Association; 5) claims of large deductible insureds against the Association; and 6) a report on legislative activity related to the Association in the 2002 session of the General Assembly.

### **1. Reliance Insolvency**

Due to the sheer volume of claims, and the varied types coverage sold, the insolvency of Reliance, the largest insurer insolvency in history, has presented significant challenges, many of which the Association experienced for the first time.

#### **a. Reliance Large Deductible Policies**

Reliance wrote many policies of insurance for large corporate insureds that included large deductibles and self-insured retentions. The amounts of these large deductibles and self-insured retentions were usually in excess of \$100,000, with some as high as \$2,000,000. The specific terms of these policies varied from

policyholder to policyholder, but generally fell into the following categories; 1) large deductible policies where Reliance was responsible from the first dollar of coverage, but where an arrangement was put in place by which the insured administered and paid the claims (typically through a third party administrator) up to the amount of the deductible; 2) large deductible policies where Reliance paid claims from the first dollar of coverage with a right to seek reimbursement from the insured up to the amount of the deductible; and 3) policies including large deductibles and self-insured retentions where Reliance did not have any policy obligations unless and until the amount of the deductible or self-insured retention was exhausted by the policyholder. In some cases, insureds deposited collateral with Reliance to secure their obligations to Reliance in connection with the large deductibles.

Due to the volume of large deductible policies nationwide, the Reliance liquidator sought to enter an agreement with the guaranty associations from the different states concerning the treatment of large deductible claims. The purpose of the agreement was to provide a framework for addressing a dispute between the Reliance liquidator and the guaranty associations concerning the entitlement to reimbursements by policyholders, or distributions of policyholder collateral held by the Reliance liquidator. The Association was the only guaranty association that did not sign the Large Deductible Agreement with the Reliance liquidator. The Association chose not to enter the Large Deductible Agreement because: 1) the Association has a unique provision providing for a statutory right of reimbursement from Reliance large deductible insureds; and 2) the Association did not want to consent to the jurisdiction of the Pennsylvania courts for the resolution of any disputes with the Reliance liquidator.

The volume of Reliance large deductible claims in North Carolina was not as significant as originally anticipated. For the most part, at the direction of the Association, large deductible insureds (such as Lowe's Inc. and PCA International) have continued to administer and pay claims within the limits of the large deductibles and self-insured retentions provided for in their Reliance policies.

**b. Cut-Through Reinsurance Endorsements**

Shortly after the Reliance insolvency, the Association received notice of a large volume of workers compensation claims against Hoechst Celanese pending at the Industrial Commission alleging occupational diseases from exposure to asbestos. Upon further investigation, the Association learned that the Reliance policy of workers compensation liability insurance was reinsured with a captive reinsurer affiliated with Hoechst Celanese. This reinsurance agreement included what is commonly referred to as a "cut-through" endorsement allowing the reinsurer to become directly responsible for payments to the insureds upon the insolvency of the insurer. Prior to the insolvency, Hoechst Celanese administered and paid its workers compensation claims without any involvement of Reliance.

As a result of the “cut-through” endorsement, Hoechst Celanese wanted to continue the same arrangement following the Reliance insolvency.

However, as the claims against Hoechst Celanese came on for hearing, the Industrial Commission insisted that the Association be made a party to each of the occupational disease claims against Hoechst Celanese. After lengthy negotiations and submissions by Hoechst Celanese in Pennsylvania, the Reliance liquidator decided to recognize the “cut-through” reinsurance provisions upon the satisfaction of certain conditions. As a result of the Reliance liquidator’s decision, Hoechst Celanese has continued to administer and defend the occupational disease claims at the Industrial Commission without the involvement of the Association. At this time, the Association does not expect that it will have to become involved with the Hoechst Celanese claims in the future.

c. Assumption Reinsurance Agreements

Prior to its insolvency, Reliance was a party to three assumption reinsurance agreements with North Carolina based groups of employers who self-insured their workers compensation liabilities. The three self-insured groups were the North Carolina Selective Fund (the “Selective Fund”), the Professional Business Owners Association Self-Insurers Fund of North Carolina, Inc. (the “PBOA Fund”), and the

North Carolina Burger King Franchisees Self-Insurers Fund (the “Burger King Fund”). As a result of these assumption reinsurance agreements, Reliance assumed all of the self-insured liabilities of the Selective Fund, the PBOA Fund and the Burger King Fund, including liabilities for existing claims that were known to each of the self-insured groups and Reliance at the time of the assumption reinsurance agreements. Each of the assumption reinsurance agreements was approved by the North Carolina Department of Insurance (the “NCDOI”).

The Association first received notice of the Burger King Fund assumption reinsurance agreement in January 2002. Thereafter, the Association contacted the NCDOI to obtain information concerning any other assumption reinsurance agreements to which Reliance was a party. The NCDOI notified the Association of the Selective Fund and PBOA Fund agreements with Reliance in February 2002. Prior to being notified by the NCDOI, the Association had no knowledge of the Reliance assumption reinsurance agreements. The Association thereafter discovered that in connection with 11 Selective Fund and 15 PBOA Fund claims pending at the Industrial Commission, the Association had commenced the payment of workers compensation benefits without the knowledge that the claims arose under the Reliance assumption reinsurance agreements. The Association notified both the NCDOI and the Industrial Commission of its position that workers compensation claims arising under the Reliance assumption reinsurance agreements were not claims within the scope of the Association’s statutory obligations under the Guaranty Act.

A number of proceedings were commenced because the dispute involving the Reliance assumption reinsurance agreements could not be resolved. First, the NCDOI filed a declaratory judgment action against the Association, the Selective Fund, the PBOA Fund and the Burger King Fund seeking a declaration that claims arising under the Reliance assumption reinsurance agreements were “covered claims” within the scope of the Association’s statutory obligations. The Association moved to dismiss the NCDOI lawsuit on the grounds that the court lacked subject matter jurisdiction since the Industrial Commission had jurisdiction to resolve the issues related to the assumption reinsurance agreements. The Association’s motion to dismiss was denied by the Superior Court, and the Association will be seeking appellate review of that decision.

At the same time, the Association filed Requests for Hearing in 11 Selective Fund and 15 PBOA cases at the Industrial Commission seeking a determination: 1) that the claims arising under the Reliance Assumption Reinsurance Agreements are not “covered claims” within the scope of the Association’s statutory obligations; 2) that the Association is entitled to cease the payment of workers compensation benefits in the Selective Fund and PBOA cases; and 3) that the Association is entitled to be reimbursed by the employer, or any other responsible entity, for workers compensation benefits previously paid by the Association in connection with these claims.

Notwithstanding motions to dismiss by the NCDOI and other parties, the Industrial Commission has asserted jurisdiction over the Association’s Requests for Hearing. A hearing was recently conducted in one of the Selective Fund cases, and the Association anticipates a decision by the Industrial Commission in the very near future. The Association is continuing to monitor these cases very closely.

d. Workers Compensation Penalties

The Association has been involved in a number of cases before the Industrial Commission in which penalties have been imposed for either: 1) late payments of workers compensation benefits by Reliance prior to its insolvency; or 2) penalties imposed by the Industrial Commission against employers for OSHA violations. The Association has taken the position that the Industrial Commission penalties do not meet the definition of a “covered claim” under the Guaranty Act. In one decision, a Deputy Commissioner of the Industrial Commission has agreed that late payment penalties imposed by the Industrial Commission are not the responsibility of the Association. The Association is currently involved in one other case involving OSHA penalties imposed by the Industrial Commission.

e. **Holland v. Davis Coach & Tours**

Last year's Annual Report included a summary of *Patel v. Stone*, a case arising from the insolvency of United Southern Assurance Company that was handled by the South Carolina Insurance Guaranty Association (the "SCIGA") because the insured was a resident of South Carolina. In that case, the North Carolina Court of Appeals reversed the trial court, concluding that despite the failure to confirm the arbitration award, the plaintiff had exhausted her remedies under the uninsured motorist policy and could still pursue a claim against SCIGA and the defendant. After the Court of Appeals decision, the Association joined in SCIGA's efforts to have the Court of Appeals decision reviewed by the Supreme Court, but that effort proved unsuccessful.

The Association recently became aware of *Holland v. Davis Coach & Tours*, a Reliance claim involving an arbitration award in a proceeding between an insured and her uninsured motorist carrier. In the *Holland* case, the arbitrator issued an award concluding that there was no evidence to support a claim of liability against the defendant. The Association will become involved in this case to seek confirmation of the arbitration award in favor of the defendant. The Association is hopeful that the *Holland* case will be a vehicle to lessen the impact of the Court of Appeals decision in *Patel*.

2. **Credit General Insolvency**

The Association is a party to two Superior Court cases arising from the insolvency of Credit General Insurance Company ("Credit General"):

a. **Estate of Cecil Jones**

The Association is the plaintiff in a declaratory judgment action pending in the Wake County Superior Court against the Estate of Cecil Jones, Travelers Insurance Company and North Carolina Farm Bureau Mutual Insurance Company. The case arises from an automobile accident that resulted in the death of Mr. Jones. Prior to its insolvency, Mr. Jones' estate agreed to a settlement with Credit General, which Credit General only paid a portion of prior to its insolvency, leaving a total of \$290,000 unpaid. The Association contends that the Credit General insolvency triggered \$100,000 in uninsured motorist coverage under each of the policies issued by Travelers and Farm Bureau. Both Travelers and Farm Bureau deny that their uninsured motorists coverage is applicable. This case will be heard on motions for summary judgment later this year.

**b. John Alden Life Insurance**

The Association has been sued by John Alden Life Insurance Company (“John Alden”), which is seeking the recovery of approximately \$725,000 in medical insurance payments it made on behalf of an employee (David Nugent) of Republic Industries (“Republic”). Prior to its insolvency, Credit General had issued a policy of workers compensation liability insurance to Republic. Mr. Nugent suffered a massive heart attack requiring numerous surgeries including a heart transplant, and contended that the heart attack was a work-related injury. Credit General contested this issue at the Industrial Commission. While this was pending at the Industrial Commission, John Alden paid approximately \$725,000 to cover Mr. Nugent’s medical expenses pursuant to the policy of group medical coverage it had issued to Republic. Following Credit General’s insolvency, the Industrial Commission ruled that Mr. Nugent’s heart attack was a work-related injury, and the Association has paid Mr. Nugent’s ongoing medical expenses. However, the Association has refused to reimburse John Alden for any of the medical expenses John Alden previously paid on the grounds that the Association is not obligated to pay subrogation claims of solvent insurers. The declaratory judgment action between John Alden and the Association will be decided on summary judgment motions later this year.

**3. PHICO Insolvency**

As a result of the insolvency of PHICO Insurance Company, the Association became responsible for a large volume of medical malpractice claims against hospitals and other health care providers. These cases present the issue of whether claimants are required to exhaust their remedies under the Guaranty Act from the solvent insurers of co-defendants, most typically physicians in the PHICO cases. The Association has raised this defense in the PHICO cases, and anticipates that it will become involved in litigation over this issue with one or more parties in the next year.

**4. Other Litigation Matters**

**a. Workers Compensation Declaratory Judgment Action**

In July 2000, the Association commenced a declaratory judgment action to determine the Association’s statutory responsibility for certain workers compensation claims arising from the Association’s role as administrator of the stock and mutual workers compensation accounts under certain amendments to the Guaranty Act enacted in 1992. The underlying workers compensation claims assert claims for occupational diseases (primarily asbestosis) which were first diagnosed years after the effective date of the 1992 amendments to the Guaranty Act.

Pursuant to those amendments, the Association, in its role as administrator of the stock and mutual accounts, is only responsible for the payment of claims “existing” prior to January 1, 1993. The Association’s declaratory judgment action, filed against a number of different employers against whom underlying workers compensation claims are pending before the North Carolina Industrial Commission, seeks a declaration that the Association has no statutory responsibility for these occupational disease claims because they were not “existing” prior to January 1, 1993.

In response to the Association’s declaratory judgment action, a number of individual employee claimants moved, and were allowed to, intervene in the proceeding. These individual employee claimants, along with a number of the original employer defendants, moved to dismiss the Association’s declaratory judgment action on the grounds of lack of subject matter jurisdiction. These parties argued that the issues presented by the Association’s declaratory judgment action should be decided by the North Carolina Industrial Commission and not by the Wake County Superior Court. In an Order dated

June 12, 2001, the Honorable Howard E. Manning, Jr. dismissed the Association’s declaratory judgment action on the grounds of lack of subject matter jurisdiction. The Association is pursuing an appeal of this decision to the North Carolina Court of Appeals.

On August 6, 2002, the Court of Appeals affirmed the trial court’s dismissal of the Association’s declaratory judgment action on the grounds of lack of subject matter jurisdiction. The Association has since filed a Petition for Discretionary Review with the North Carolina Supreme Court seeking review of the decision of the Court of Appeals.

b. Liggett

On January 21, 2000, the Association received a copy of what purported to be a proof of claim filed by the Liggett Group, Inc. (“Liggett”) with the receiver of American Mutual Liability Insurance Company. Liggett’s purported proof of claim sought coverage under policies issued by American Mutual over a span of almost 60 years for tobacco-related indemnification and defense costs paid by Liggett.

On August 10, 2001, the AMLICO Receiver issued a determination that Liggett’s proof of claim was late-filed, and denied Liggett’s proof of claim as untimely. The AMLICO Receiver thereafter submitted a final plan of liquidation, treating Liggett’s purported proof of claim as a late-filed claim. Liggett has filed objections to the AMLICO Receiver’s determination and the final plan of liquidation.

On April 30, 2002, the Association commenced a declaratory judgment action against Liggett in the Superior Court for Wake County. In that declaratory judgment action, the Association contends that Liggett's claim first submitted to the Association in January 2000 cannot constitute a "covered claim" under the Guaranty Act because it was not filed with the Association prior to the proof of claim filing deadline established in the AMLICO receivership proceeding. The Association will be seeking to obtain the declaratory judgment against Liggett sometime in the next year.

5. Large-Insured Claims

In the past year, the Association has continued to be involved in a number of claims asserted by large-insureds, i.e., large commercial insureds, previously insured by insolvent insurers, who are asserting claims against the Association and other guaranty funds across the country. Claims asserted by large-insureds typically involve asbestos claims, or other products liability or mass tort claims. The large-insured claims in which the Association has been involved in the past year are the following:

a. Dow Corning

Dow Corning Corporation sought to enter a global settlement with guaranty associations across the country under policies previously issued to Dow Corning by five insolvent insurers (Ideal Mutual Insurance Company, Integrity Insurance Company, Midland Insurance Company, Mission Insurance Company and Transit Casualty Insurance Company). After reviewing the information provided by a coordinating committee of the NCIGF, the Association requested additional information related to Dow Corning's claims in North Carolina. As of the date of this report, no additional information has been provided by the NCIGF's coordinating committee. The Association will continue to monitor the Dow Corning global settlement.

b. H.K. Porter

By letter dated January 24, 2000, the Association received additional materials from counsel for H.K. Porter Company ("Porter") concerning Porter's asbestos-related claims against the Association arising under policies issued to Porter by Transit Casualty Insurance Company, Midland Insurance Company and Ideal Mutual Insurance Company. Porter sent similar demand letters to other guaranty associations throughout the country. Porter's additional claim materials supplemented previous demands made by Porter against the Association in 1988 and 1995.

Following the commencement of a declaratory judgment action by the Association, and certain bankruptcy court filings by Porter, Counsel for Porter commenced negotiations with a committee of attorneys and claims representatives, appointed by the NCIGF with the Association's consent and approval. The result of those negotiations was a global settlement of Porter's claims against the Association and all other guaranty associations. The Association has made its final settlement payment to H.K. Porter and dismissed its declaratory judgment action.

c. **The Flintkote Company**

In the past report year, the Association has continued to monitor a claim asserted by The Flintkote Company ("Flintkote") concerning Flintkote's asbestos-related claims. Flintkote had previously put the Association on notice of its claims several years ago, and re-asserted those claims after reaching a settlement with the California Insurance Guarantee Association under policies issued by American Mutual Liability Insurance Company. After reaching this settlement, Flintkote sought to negotiate a global settlement with remaining guaranty funds under the American Mutual policies, and policies issued by Transit and Midland. The Association has participated in global settlements involving Flintkote's American Mutual and Transit policies. Discussions are continuing concerning a possible settlement of claims arising under Flintkote's Midland policies, which the Association will continue to monitor.

d. **Rapid American**

The Association received a letter dated February 7, 2000 from counsel for Rapid-American Corporation ("Rapid-American") making demand on the Association in connection with asbestos-related claims arising under policies issued to Rapid American by Midland Insurance Company. The Association has denied that it owes any obligation to Rapid-American.

e. **Other Claims by Insureds**

As reported in previous Annual Reports, the Association has received letters from various policyholders of various insolvent insurers regarding concerns of these policyholders about potential claims which may ultimately be made against them or the Association. In most instances, such letters have been turned over to counsel for the Association for further factual investigation and legal research, but no present reserves have been established due to the hypothetical or uncertain nature of the existence of any specific claims against a policyholder, and numerous questions concerning the existence or scope of any obligation of the Association under the Act, or as administrator of the stock and mutual workers compensation funds.

## **6. Legislative Report**

**In this year's session of the General Assembly, due to the short session and the focus on the State's budget, there was very little legislative activity impacting on the Association.**

**However, once again this year, some members of the General Assembly showed interest in repealing the premium tax offset provisions contained in N.C. Gen. Stat. § 105-228.5A. The Association, along with the life and health guaranty association, provided to legislators, through industry lobbyists, a report detailing how the guaranty system works and the benefits the offset encourages. After considerable debate, much of which was behind closed doors, the premium tax offset provisions were left intact. Unfortunately, another assault on the premium tax offset provision can be expected in next year's session of the General Assembly.**

**Towards the end of this report year, the Association began to work on the potential insolvency of a company currently in rehabilitation. While not as large as Reliance, our initial information is that it could be close both in terms of complexity and size. Part of what has been done, in cooperation with the National Conference of Insurance Guaranty Funds, the North Carolina Insurance Department and the North Carolina Industrial Commission, is to prepare for a disruption in workers compensation indemnity payments and work out a mechanism for the Association to begin payments prior to liquidation. With assistance from many directions we were able to have legislation passed enabling the NCDI to contract with the Association to make certain claims payments with special deposit funds while the company is in rehabilitation under certain specific conditions. This will enable several thousand North Carolina residents to avoid significant interruption in workers compensation benefits.**

### **INSOLVENCY DOCUMENTATION**

**As part of this report there are a number of exhibits attached which detail activities relating to individual insolvencies.**

**Exhibit 1 shows active insolvencies and their respective activities from date of inception to August 31, 2002 reflecting the number of claims closed under each of the three accounts as well as the dollar amount of indemnity losses paid.**

**Exhibit 2 shows insolvencies for which the Association activated during the reporting period and details the number of claims opened, number of claims closed, the indemnity payments made and outstanding reserves. These figures are detailed under the respective accounts of auto or workers compensation.**

**Exhibit 3 shows active insolvencies and their activities during the reporting year. The exhibit shows indemnity payments made and reserves established as of August 31, 2002 with the reserves listed under each of the applicable accounts.**

**Exhibit 4 shows the Workers Compensation Mutual Reserve and the Stock Reserve Trust Accounts and details the indemnity payments, allocated loss adjustment expense payments as well as reserves as of the reporting period's end.**

**Exhibit 5 shows the active insolvencies' unearned premium payments made providing the respective number of claims and amounts paid for each respective insolvency.**

### **FINANCIAL STATEMENTS**

**A number of reports are attached which detail Association financial activity for the period.**

**Exhibit 6 is the Association's income statement for the period covered by this Report.**

**Exhibit 7 shows administrative and claim expenses by insolvency and for the Association during the period.**

**Exhibit 8 shows the Association's balance sheet as of August 31, 2002.**

**Exhibit 9 shows receipts and disbursements separately by insolvency and for the Association from inception through August 31, 2002, including the insolvencies as to which the Association was holding no funds and had no known liabilities as of that date.**

### **CONCLUSION**

**As Chairman Huels points out in the opening of this report, the year has certainly been one of challenges. A many fold increase in the number of claims we are evaluating has required a significant increase in associates. In turn this has caused us to add to the space and equipment the Association occupies and uses.**

**The increase in associates and activity has also required that we revisit many of our processes and procedures resulting in a significant number of changes. Change it seems has become a constant.**

**In some ways the very nature of what we are doing has been modified. We continue to adjust claims and return premiums, but we also have much more litigation activity, more involvement with regulators and other organizations and have even had a number of bouts with legislators.**

**As we look back, two of the things important in the successes the Association has had this year have been the active participation of the Board and the advice of our outside counsel. The advice, expert knowledge, professionalism, counsel and support of both have certainly made our job easier. Thank you.**

**We are also indebted, this is not too strong a word, to the dedication of Mike Newton and Bill Delbridge for their long hours under trying and confusing conditions. Much of what we did was in uncharted waters and they have risen to the challenge. Thank you.**

**I think we have met our challenges thus far. At the end of this year we are better managers, better planners and better able to take on whatever new situations are waiting for us in the future.**

**Respectfully submitted,**

**Raymond F. Evans, Jr., CPCU**

**Managing Secretary**

**RFE:lm**

**Enclosures**

## CLAIMS STATUS OF ACTIVE INSOLVENT COMPANIES

INCEPTION TO DATE

COMPANY	AUTO CLOSED	WC CLOSED	OTHER CLOSED	INDEMNITY AMOUNT PAID
Ideal Mutual	77	Mutual	468	\$3,241,916
Mission Insurance	3	Stock	85	453,469
Midland	38	Stock	160	980,268
Mission National	12	Stock	80	320,224
Integrity Insurance Company	50	Stock	102	559,107
Stone Mountain	0	0	9	23,618
American Mutual Liability	11	Mutual	32	1,434,997
Interstate	4,057	0	365	7,452,525
American Universal	181	Stock	610	780,268
Western Employers	0	0	10	0
Employers Casualty	0	22	1	444,260
Premier Alliance	0	0	15	341,000
United Community	20	1	43	895,546
Grangers Mutual	0	0	55	149,852
United Southern Assurance	7	0	0	29,600
American Eagle	0	2	7	296,152
LMI	0	1	2	5,238
Credit General	13	170	0	2,644,269
International Indemnity	2	0	0	0
Acceleration National	0	0	0	0
WC Stock	0	21	0	1,817,812
WC Mutual	0	141	0	8,660,231

**NEW INSOLVENCIES  
DURING FISCAL YEAR 2002**

	<b>PHICO</b>	<b>RELIANCE</b>	<b>Total</b>
<b>Auto Open</b>	<b>0</b>	<b>39</b>	<b>39</b>
<b>WC Open</b>	<b>102</b>	<b>508</b>	<b>610</b>
<b>A/O Open</b>	<b>60</b>	<b>76</b>	<b>136</b>
<b>Auto Closed</b>	<b>0</b>	<b>16</b>	<b>16</b>
<b>A/O Closed</b>	<b>52</b>	<b>84</b>	<b>132</b>
<b>WC Closed</b>	<b>132</b>	<b>485</b>	<b>617</b>
<b>Auto Paid</b>	<b>0</b>	<b>690,465</b>	<b>690,465</b>
<b>WC Paid</b>	<b>542,218</b>	<b>9,581,555</b>	<b>10,123,773</b>
<b>A/O Paid</b>	<b>151,052</b>	<b>863,682</b>	<b>1,014,734</b>
<b>Auto Reserve</b>	<b>0</b>	<b>2,888,992</b>	<b>2,888,992</b>
<b>WC Reserve</b>	<b>1,994,468</b>	<b>35,000,000</b>	<b>36,994,468</b>
<b>A/O Reserve</b>	<b>2,177,846</b>	<b>2,006,187</b>	<b>4,184,033</b>

**CLAIMS STATUS OF ACTIVE INSOLVENT  
COMPANIES**

**FISCAL YEAR - 2002**

COMPANY	INDEMNITY PAID	WC		AUTO		OTHER	
		Reserve	Pending	Reserve	Pending	Reserve	Pending
Ideal Mutual	-	Mutual		-		\$ 1,000	1
Mission Insurance	-	Stock				6,200	6
Midland	-	-		0		2,100	49
Mission National	-	-		468	1	3,100	10
Integrity Ins Co	12,718	-		-		2,382	4
Stone Mountain	-	-				10,000	1
American Mut Liab	-	Mutual		-		2,799	4
Interstate	-	-		30,716	11	-	-
American Universal	545	-		-		-	-
Western Employers	-	-		-		1,523	26
Employers Casualty	28,713	222,275	5	-		-	-
Premier Alliance	-	-		-		20,000	1
United Community	-	-		-		-	-
Grangers Mutual	-	-		-		15,000	2
United Southern	25,000	-		10,000	2	-	-
American Eagle	-	-		-	-	-	-
LMI	-	-		-	-	1,500	1
Credit General	1,314,693	1,903,891	36	294,618	16	-	-
International Ind	-	0		-	-	-	-
Acceleration Natl	-	0		-	-	-	-
Stock Trust Fund	65,976	460,809	4	-	-	-	-
Mutual Trust Fund	596,963	3,539,298	203	-	-	-	-

**WORKERS COMPENSATION**

**Mutual Reserve Account** - Since inception on January 1, 1993 the Association has paid workers compensation benefits from the Mutual Reserve Account totaling \$8,660,231 involving 352 workers compensation files. There were 203 workers compensation files pending on August 31, 2002 , reserved for a total of \$3,539,298.

<b>Inception through August 31, 2002</b>	<b>Indemnity Payments</b>	<b>Claims Expense</b>	<b>Reserves</b>	<b>Open</b>
<b>American Mutual Liability Ins Co</b>	<b>\$6,237,820</b>	<b>\$300,943</b>	<b>\$2,328,429</b>	<b>180</b>
<b>American Mutual of Boston</b>	<b>1,426,604</b>	<b>3,778</b>	<b>327,497</b>	<b>3</b>
<b>Cosmopolitan Mutual Insurance Co</b>	<b>213,006</b>	<b>408</b>	<b>0</b>	<b>0</b>
<b>Ideal Mutual Insurance Company</b>	<b>250,069</b>	<b>15,222</b>	<b>187,696</b>	<b>1</b>
<b>Iowa National Mutual Insurance Co</b>	<b>580,933</b>	<b>48,786</b>	<b>695,676</b>	<b>19</b>
<b>Security Casualty Company</b>	<b>51,986</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>\$8,660,231</b>	<b>\$369,137</b>	<b>\$3,539,298</b>	<b>203</b>

**Stock Reserve Account** - Since inception on January 1, 1993 the Association has paid workers compensation benefits from the Stock Reserve Account totaling \$1,817,761 involving 25 workers compensation files. There were 4 workers compensation files pending on August 31, 2002 , reserved for a total of \$460,809.

<b>Inception through August 31, 2002</b>	<b>Indemnity Payments</b>	<b>Claims Expense</b>	<b>Reserves</b>	<b>Open</b>
<b>American Universal Insurance Co</b>	<b>\$63,872</b>	<b>\$1,932</b>	<b>0</b>	
<b>Carriers Insurance Company</b>	<b>68,570</b>	<b>200</b>	<b>121,430</b>	<b>1</b>
<b>Midland Insurance Company</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Mission Insurance Company</b>	<b>1,591,491</b>	<b>31,875</b>	<b>339,379</b>	<b>3</b>
<b>Mission National Insurance Co</b>	<b>0</b>	<b>151</b>	<b>0</b>	
<b>Integrity Insurance Company</b>	<b>91,071</b>	<b>1,383</b>	<b>0</b>	
<b>Transit Casualty Company</b>	<b>2,808</b>	<b>0</b>	<b>0</b>	
<b>TOTAL</b>	<b>\$1,817,761</b>	<b>\$35,541</b>	<b>\$460,809</b>	<b>4</b>

## UNEARNED PREMIUM PAID

<b>Company Name</b>	<b>Number of Unearned Premiums</b>	<b>Amount Paid</b>
<b>Ideal Mutual</b>	<b>59</b>	<b>\$ 9,055</b>
<b>Mission</b>	<b>0</b>	<b>0</b>
<b>Midland</b>	<b>4</b>	<b>16,938</b>
<b>Mission National</b>	<b>0</b>	<b>0</b>
<b>Integrity</b>	<b>18</b>	<b>5,277</b>
<b>Stone Mountain</b>	<b>1</b>	<b>244</b>
<b>American Mutual Liability</b>	<b>0</b>	<b>0</b>
<b>Interstate Casualty</b>	<b>48,516</b>	<b>7,640,987</b>
<b>American Universal</b>	<b>14,695</b>	<b>1,907,142</b>
<b>Western Employers</b>	<b>0</b>	<b>0</b>
<b>Employers Casualty</b>	<b>0</b>	<b>0</b>
<b>Premier Alliance</b>	<b>0</b>	<b>0</b>
<b>United Community</b>	<b>19</b>	<b>101,989</b>
<b>Grangers Mutual</b>	<b>559</b>	<b>80,356</b>
<b>United Southern Assurance</b>	<b>0</b>	<b>0</b>
<b>American Eagle</b>	<b>1</b>	<b>2,988</b>
<b>LMI Insurance</b>	<b>0</b>	<b>0</b>
<b>Credit General</b>	<b>46</b>	<b>133,212</b>
<b>Reliance Insurance Company</b>	<b>469</b>	<b>141,383</b>
<b>PHICO Insurance Company</b>	<b>0</b>	<b>0</b>

## NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION

## INCOME STATEMENT

09/01/01 TO 8/31/02

**INCOME**

Membership Fees	\$650.00	
Interest Income	1,311,757.07	
Assessment Income	25,167,216.00	
Miscellaneous Income	13,604,653.79	
Total Income		\$40,084,276.86

**EXPENSES**

Refunds to Commissioner	\$169,880.82	
Refunds to Members	1,058,245.00	
Operating Expenses	1,368,952.06	
Claims Paid (Net)	14,058,095.44	
Claim Expenses	1,095,516.43	
Premium Refunds	278,645.69	
Total Expenses		\$18,029,335.44
Excess of Income over Expenses		\$22,054,941.42

**STATEMENT OF ADMINISTRATIVE  
AND CLAIM COSTS  
09/01/01 THROUGH 08/31/02**

<u>ACCOUNT</u>	<u>ASSOCIATION</u>	<u>IDEAL MUTUAL</u>	<u>MISSION</u>	<u>MIDLAND</u>	<u>MISSION NATIONAL</u>	<u>INTEGRITY</u>	<u>STONE MOUNTAIN</u>
ADMINISTRATION	\$93,926.60	\$0.00	\$79.30	\$0.00	\$0.00	\$0.00	\$0.00
PAYROLL TAXES	763.19	0.00	5.86	0.00	0.00	0.00	0.00
RENT	19,448.02	0.00	16.42	0.00	0.00	0.00	0.00
TRAVEL	11,584.69	0.00	0.00	0.00	0.00	0.00	0.00
DATA PROCESSING	4,829.99	0.25	1.23	0.37	7.26	0.62	0.00
POSTAGE	963.67	6.79	0.00	1.35	0.00	0.00	0.00
OFFICE SUPPLIES	5,560.66	0.00	3.90	0.00	0.00	0.00	0.00
EQUIPMENT	24,469.69	0.11	0.00	0.02	0.00	0.00	0.00
TELEPHONE	4,930.30	0.00	0.74	0.00	0.21	0.00	0.00
EMP RELATIONS	35,086.11	0.00	149.07	20.86	76.88	0.00	0.00
LUNCHEONS	7,527.81	0.00	0.00	0.00	0.00	0.00	0.00
LEGAL FEES	36,284.20	0.00	0.00	0.00	0.00	264.36	0.00
SUBSCRIPTIONS	1,111.81	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE	13,829.16	0.00	0.00	0.00	0.00	0.00	0.00
OUTSIDE SERVICES	15,057.58	5.67	0.33	69.17	1.00	1.36	0.00
TAXES	101.90	0.00	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS	144.97	0.00	0.00	0.00	0.00	0.00	0.00
NAT'L ORGANIZATIONAL DUES	46,208.31	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>\$321,828.66</b>	<b>\$12.82</b>	<b>\$256.85</b>	<b>\$91.77</b>	<b>\$85.35</b>	<b>\$266.34</b>	<b>\$0.00</b>
PAID CLAIMS (NET)	0.00	0.00	0.00	0.00	0.00	12,718.00	0.00
CLAIM EXPENSES	0.00	0.00	0.00	0.00	0.00	349.66	0.00
PREMIUM REFUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REFUND TO N. C. DEPT. INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENSES</b>	<b>\$321,828.66</b>	<b>\$12.82</b>	<b>\$256.85</b>	<b>\$91.77</b>	<b>\$85.35</b>	<b>\$13,334.00</b>	<b>\$0.00</b>

**STATEMENT OF ADMINISTRATIVE  
AND CLAIM COSTS  
09/01/01 THROUGH 08/31/02**

<u>ACCOUNT</u>	<u>AMERICAN MUTUAL LIAB</u>	<u>INTERSTATE CASUALTY</u>	<u>AMERICAN UNIVERSAL</u>	<u>WESTERN EMPLOYERS</u>	<u>UNIVERSAL SECURITY</u>	<u>EMPLOYERS CASUALTY</u>	<u>PREMIER ALLIANCE</u>
ADMINISTRATION	\$2,552.30	\$572.92	\$0.00	\$0.00	\$0.00	\$192.89	\$0.00
PAYROLL TAXES	199.88	42.51	0.00	0.00	0.00	14.72	0.00
RENT	179.98	130.09	0.00	0.00	0.00	20.17	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00	0.02	0.00
DATA PROCESSING	0.37	11.44	12.05	0.25	0.00	42.26	3.81
POSTAGE	1.17	0.00	0.61	0.00	0.00	97.47	0.98
OFFICE SUPPLIES	34.64	20.06	0.00	0.00	0.00	8.61	0.00
EQUIPMENT	7.76	0.08	0.01	0.00	0.00	2.56	0.02
TELEPHONE	3.25	3.63	0.00	0.00	0.00	1.83	0.00
EMP RELATIONS	231.25	342.95	0.00	0.00	0.00	57.47	8.16
LUNCHEONS	0.00	0.00	0.00	0.00	0.00	0.24	0.00
LEGAL FEES	7,826.24	0.00	0.00	0.00	0.00	0.00	0.00
SUBSCRIPTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OUTSIDE SERVICES	1.07	0.00	0.02	0.00	0.00	3.93	0.03
TAXES	0.00	0.00	0.00	0.00	0.00	4.63	0.00
MISCELLANEOUS	45.21	0.00	0.00	0.00	0.00	0.00	0.00
NAT'L ORGANIZATIONAL DUES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>\$11,083.12</b>	<b>\$1,123.68</b>	<b>\$12.69</b>	<b>\$0.25</b>	<b>\$0.00</b>	<b>\$446.80</b>	<b>\$13.00</b>
PAID CLAIMS (NET)	0.00	0.00	(575.00)	0.00	0.00	28,712.95	0.00
CLAIM EXPENSES	3,852.09	0.00	0.00	0.00	0.00	0.00	0.00
PREMIUM REFUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REFUND TO N. C. DEPT. INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENSES</b>	<b>\$14,935.21</b>	<b>\$1,123.68</b>	<b>(\$562.31)</b>	<b>\$0.25</b>	<b>\$0.00</b>	<b>\$29,159.75</b>	<b>\$13.00</b>

**STATEMENT OF ADMINISTRATIVE  
AND CLAIM COSTS  
09/01/01 THROUGH 08/31/02**

<u>ACCOUNT</u>	<u>UNITED COMMUNITY</u>	<u>GRANGERS MUTUAL</u>	<u>UNITED SOUTHERN ASSUR</u>	<u>AMERICAN EAGLE</u>	<u>LMI INSURANCE</u>	<u>CREDIT GENERAL</u>	<u>INTERNATIONAL IND</u>
ADMINISTRATION	\$0.00	\$260.54	\$176.44	\$33.98	\$79.30	\$48,387.93	\$0.00
PAYROLL TAXES	0.00	19.26	13.20	2.51	5.86	2,828.40	0.00
RENT	0.00	51.91	54.10	28.45	45.96	9,076.00	0.00
TRAVEL	0.00	0.00	0.00	0.00	0.00	0.02	0.00
DATA PROCESSING	9.59	1.11	7.50	0.74	0.00	1.05	0.00
POSTAGE	0.61	2.59	1.50	5.07	0.00	955.78	2.33
OFFICE SUPPLIES	0.00	5.57	6.69	49.89	0.00	509.39	27.04
EQUIPMENT	0.01	0.04	1.99	0.09	1.12	1,123.91	0.04
TELEPHONE	0.00	1.37	2.78	3.80	0.74	231.08	0.00
EMP RELATIONS	14.28	81.53	(5.76)	122.84	41.97	8,185.39	0.00
LUNCHEONS	0.00	0.00	0.00	0.00	0.00	0.24	0.00
LEGAL FEES	0.00	38.40	0.00	0.00	0.00	843.55	0.00
SUBSCRIPTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADVERTISING	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OUTSIDE SERVICES	0.02	0.09	0.13	0.17	0.00	29.42	0.08
TAXES	0.00	0.00	0.00	0.00	0.00	4.63	0.00
MISCELLANEOUS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NAT'L ORGANIZATIONAL DUES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>\$24.51</b>	<b>\$462.41</b>	<b>\$258.57</b>	<b>\$247.54</b>	<b>\$174.95</b>	<b>\$72,176.79</b>	<b>\$29.49</b>
PAID CLAIMS (NET)	0.00	0.00	25,000.00	0.00	0.00	1,315,826.41	0.00
CLAIM EXPENSES	0.00	326.90	9,667.33	0.00	0.00	129,851.38	0.00
PREMIUM REFUNDS	0.00	0.00	0.00	0.00	0.00	137,262.69	0.00
REFUND TO N. C. DEPT. INSURANCE	0.00	0.00	0.00	0.00	0.00	0.00	100,497.69
<b>TOTAL EXPENSES</b>	<b>\$24.51</b>	<b>\$789.31</b>	<b>\$34,925.90</b>	<b>\$247.54</b>	<b>\$174.95</b>	<b>\$1,655,117.27</b>	<b>\$100,527.18</b>

**STATEMENT OF ADMINISTRATIVE  
AND CLAIM COSTS  
09/01/01 THROUGH 08/31/02**

<u>ACCOUNT</u>	<u>ACCELERATION NATIONAL</u>	<u>RELIANCE</u>	<u>PHICO</u>	<u>MUTUAL WORKERS' COMP</u>	<u>STOCK WORKERS' COMP</u>	<u>TOTALS</u>
ADMINISTRATION	\$0.00	\$257,765.99	\$74,800.77	\$12,652.20	\$6,056.40	\$497,537.56
PAYROLL TAXES	0.00	16,771.60	4,808.58	359.50	118.95	25,954.02
RENT	0.00	8,946.70	0.00	2,337.05	1,703.95	42,038.80
TRAVEL	0.00	2,332.50	916.71	0.24	0.02	14,834.20
DATA PROCESSING	0.00	1,163.89	49.28	1,031.46	211.96	7,386.48
POSTAGE	0.00	1,987.54	480.44	438.34	102.26	5,048.50
OFFICE SUPPLIES	27.05	2,863.98	1,485.57	503.74	383.46	11,490.25
EQUIPMENT	0.00	17,451.49	1,291.71	284.83	141.62	44,777.10
TELEPHONE	0.00	2,614.09	748.22	295.31	14.41	8,851.76
EMP RELATIONS	0.00	23,426.20	4,696.31	5,045.97	3,999.81	81,581.29
LUNCHEONS	0.00	953.97	116.61	22.37	19.99	8,641.23
LEGAL FEES	0.00	179,198.44	11,514.36	20,821.21	0.00	256,790.76
SUBSCRIPTIONS	0.00	59.85	3.63	3.63	3.63	1,182.55
ADVERTISING	0.00	0.00	0.00	0.00	0.00	0.00
INSURANCE	0.00	732.52	122.94	67.42	67.42	14,819.46
OUTSIDE SERVICES	0.00	283,722.07	118.14	118.21	104.31	299,232.80
TAXES	0.00	0.00	0.00	50.95	4.63	166.74
MISCELLANEOUS	0.00	1,522.77	602.37	94.93	0.00	2,410.25
NAT'L ORGANIZATIONAL DUES	0.00	0.00	0.00	0.00	0.00	46,208.31
<b>TOTAL OPERATING EXPENSES</b>	<b>\$27.05</b>	<b>\$801,513.60</b>	<b>\$101,755.64</b>	<b>\$44,127.36</b>	<b>\$12,932.82</b>	<b>\$1,368,952.06</b>
PAID CLAIMS (NET)	0.00	11,296,157.47	689,306.24	626,595.02	64,354.35	14,058,095.44
CLAIM EXPENSES	0.00	695,540.69	233,465.36	17,120.97	5,342.05	1,095,516.43
PREMIUM REFUNDS	0.00	141,383.00	0.00	0.00	0.00	278,645.69
REFUND TO N. C. DEPT. INSURANCE	69,383.13	0.00	0.00	0.00	0.00	169,880.82
<b>TOTAL EXPENSES</b>	<b>\$69,410.18</b>	<b>\$12,934,594.76</b>	<b>\$1,024,527.24</b>	<b>\$687,843.35</b>	<b>\$82,629.22</b>	<b>\$16,971,090.44</b>

**NORTH CAROLINA INSURANCE GUARANTY ASSOCIATION  
BALANCE SHEET**

As of August 31, 2002

**ASSETS**

Cash (Checking Account)	\$865,435.71
Investments	39,295,083.25
Assessments Receivable	46,731.00
Other Assets	0.00
<b>Total Assets</b>	<b>\$40,207,249.96</b>

**LIABILITIES**

Accounts Payable	\$0.00
Claims Liability	47,877,839.00
Unearned Premium Liability	0.00
Claims Expense Liability	4,787,783.90
Outstanding Check Liability	135,152.52
Other Liabilities	1,971.66
<b>Total Liabilities</b>	<b>\$52,802,747.08</b>
<b>Fund Equity</b>	<b>(12,595,497.12)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$40,207,249.96</b>

**NOTE--The Association's Assets Consist of:**

Administrative - Cash	\$4,066.12	
- Receivable	389.00	\$4,455.12
Insolvency - Cash	\$27,335,040.93	
- Receivable	46,342.00	27,381,382.93
Quick Access Funds		12,821,411.91
<b>Total</b>		<b>\$40,207,249.96</b>

**N C INSURANCE GUARANTY ASSOCIATION  
 RECEIPTS AND DISBURSEMENTS  
 THROUGH AUGUST 31, 2002**

	<u>ASSOCIATION</u>	<u>IDEAL MUTUAL</u>	<u>MISSION</u>	<u>MIDLAND</u>
<b><u>RECEIPTS:</u></b>				
Balance Trans 4/9/75	\$7,961.20	\$0.00	\$0.00	\$0.00
Membership Fees	19,500.00	0.00	0.00	0.00
Assessments	1,725,573.07	5,140,493.00	749,742.00	498,925.00
Distributions - Rehab/Liq	0.00	334,948.83	520,509.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00
Deposits from Dept Ins	0.00	102,706.87	156,508.15	837,272.91
Other Receipts - Dept Ins	8,715.44	0.00	0.00	0.00
Interest	63,699.58	836,059.18	573,478.85	198,325.73
Miscellaneous	20,867.10	889,122.40	0.00	0.00
Inter - Dept Transfers	107,426.23	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$1,953,742.62</b>	<b>\$7,303,330.28</b>	<b>\$2,000,238.00</b>	<b>\$1,534,523.64</b>
<b><u>DISBURSEMENTS:</u></b>				
Administrative Expenses	\$2,086,800.68	\$219,088.41	\$75,407.49	\$99,158.12
Claims Paid	0.00	3,241,916.08	453,468.78	980,267.84
Claims Expense	0.00	971,057.54	143,146.86	231,944.05
Premium Refunds	0.00	9,055.15	0.00	16,938.60
Refunds to Member Cos.	0.00	2,377,225.00	1,250,008.00	150,000.00
Refunds to Dept Ins	0.00	0.00	5,000.00	5,000.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$2,086,800.68</b>	<b>\$6,818,342.18</b>	<b>\$1,927,031.13</b>	<b>\$1,483,308.61</b>
LESS: Other O/S Payables	1,971.66	0.00	0.00	0.00
LESS: O/S Check Contingency	\$135,152.52	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$1,949,676.50</b>	<b>\$6,818,342.18</b>	<b>\$1,927,031.13</b>	<b>\$1,483,308.61</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$4,066.12</b>	<b>\$484,988.10</b>	<b>\$73,206.87</b>	<b>\$51,215.03</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>MISSION NATIONAL</u>	<u>INTEGRITY</u>	<u>STONE MOUNTAIN</u>	<u>AMERICAN MUTUAL LIAB</u>	<u>INTERSTATE CASUALTY</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	549,652.00	696,982.00	0.00	0.00	20,686,384.00
Distributions - Rehab/Liq	268,978.00	0.00	0.00	0.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00	11,665,074.27
Deposits from Dept Ins	182,088.67	1,005,006.90	107,764.45	2,180,249.96	1,902,093.15
Other Receipts - Dept Ins	0.00	0.00	0.00	0.00	0.00
Interest	310,347.53	383,092.29	29,208.96	891,666.39	1,873,573.22
Miscellaneous	0.00	0.00	0.00	0.00	5,515,560.82
Inter - Dept Transfers	0.00	0.00	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$1,311,066.20</b>	<b>\$2,085,081.19</b>	<b>\$136,973.41</b>	<b>\$3,071,916.35</b>	<b>\$41,642,685.46</b>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$50,245.65	\$134,223.25	\$9,167.14	\$110,562.79	\$2,324,799.51
Claims Paid	320,224.13	569,106.94	23,618.33	1,434,997.49	7,452,525.01
Claims Expense	80,598.28	406,335.77	11,981.99	317,489.96	1,681,668.02
Premium Refunds	0.00	5,277.85	244.80	0.00	7,640,987.75
Refunds to Member Cos.	699,992.00	700,000.00	0.00	0.00	22,440,606.00
Refunds to Dept Ins	0.00	164,296.43	73,367.01	0.00	17,142.96
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,151,060.06</b>	<b>\$1,979,240.24</b>	<b>\$118,379.27</b>	<b>\$1,863,050.24</b>	<b>\$41,557,729.25</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$1,151,060.06</b>	<b>\$1,979,240.24</b>	<b>\$118,379.27</b>	<b>\$1,863,050.24</b>	<b>\$41,557,729.25</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$160,006.14</b>	<b>\$105,840.95</b>	<b>\$18,594.14</b>	<b>\$1,208,866.11</b>	<b>\$84,956.21</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>AMERICAN UNIVERSAL</u>	<u>WESTERN EMPLOYERS</u>	<u>UNIVERSAL SECURITY</u>	<u>EMPLOYERS CASUALTY CO</u>
<b><u>RECEIPTS:</u></b>				
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00
Assessments	2,000,000.00	0.00	0.00	500,000.00
Distributions - Rehab/Liq	0.00	0.00	0.00	409,934.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00
Deposits from Dept Ins	3,391,239.34	125,911.58	250,828.13	98,266.97
Other Receipts - Dept Ins	0.00	0.00	0.00	0.00
Interest	928,373.20	94,595.00	85,908.62	205,726.23
Miscellaneous	0.00	0.00	0.00	0.00
Inter - Dept Transfers	0.00	0.00	(7,799.87)	0.00
<b>TOTAL RECEIPTS</b>	<b>\$6,319,612.54</b>	<b>\$220,506.58</b>	<b>\$328,936.88</b>	<b>\$1,213,927.20</b>
<b><u>DISBURSEMENTS:</u></b>				
Administrative Expenses	\$394,288.74	\$10,100.50	\$35,539.56	\$67,673.70
Claims Paid	780,268.43	0.00	16,604.11	444,259.53
Claims Expense	98,995.77	977.19	7,923.90	7,889.69
Premium Refunds	1,907,142.25	0.00	1,500.00	0.00
Refunds to Member Cos.	2,571,301.00	0.00	0.00	250,000.00
Refunds to Dept Ins	5,000.00	0.00	267,369.31	0.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$5,756,996.19</b>	<b>\$11,077.69</b>	<b>\$328,936.88</b>	<b>\$769,822.92</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$5,756,996.19</b>	<b>\$11,077.69</b>	<b>\$328,936.88</b>	<b>\$769,822.92</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$562,616.35</b>	<b>\$209,428.89</b>	<b>\$0.00</b>	<b>\$444,104.28</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>PREMIER ALLIANCE</u>	<u>UNITED COMMUNITY</u>	<u>GRANGERS MUTUAL</u>	<u>UNITED SO ASSUR</u>	<u>AMERICAN EAGLE</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	995,597.00	1,495,674.07	0.00	0.00	399,743.76
Distributions - Rehab/Liq	609,000.00	247,448.00	0.00	0.00	21,323.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00	0.00
Deposits from Dept Ins	205,471.31	91,632.14	371,844.40	206,397.41	105,199.43
Other Receipts - Dept Ins	0.00	0.00	0.00	0.00	0.00
Interest	313,204.89	243,309.80	28,631.94	51,604.38	45,539.71
Miscellaneous	0.00	200.00	0.00	0.00	0.00
Inter - Dept Transfers	0.00	0.00	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$2,123,273.20</b>	<b>\$2,078,264.01</b>	<b>\$400,476.34</b>	<b>\$258,001.79</b>	<b>\$571,805.90</b>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$122,062.95	\$162,969.89	\$102,173.14	\$36,077.63	\$29,439.78
Claims Paid	341,000.00	895,545.65	149,852.21	29,600.00	296,152.40
Claims Expense	495,326.11	242,286.10	15,970.21	51,819.50	73,057.91
Premium Refunds	0.00	101,989.00	80,356.75	0.00	2,988.00
Refunds to Member Cos.	1,139,801.00	622,708.00	0.00	0.00	143,767.00
Refunds to Dept Ins	0.00	0.00	0.00	0.00	0.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$2,098,190.06</b>	<b>\$2,025,498.64</b>	<b>\$348,352.31</b>	<b>\$117,497.13</b>	<b>\$545,405.09</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$2,098,190.06</b>	<b>\$2,025,498.64</b>	<b>\$348,352.31</b>	<b>\$117,497.13</b>	<b>\$545,405.09</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$25,083.14</b>	<b>\$52,765.37</b>	<b>\$52,124.03</b>	<b>\$140,504.66</b>	<b>\$26,400.81</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>LMI INS</u>	<u>CREDIT GENERAL</u>	<u>INTERNATIONAL INDEMNITY</u>	<u>ACCELERATION NATIONAL</u>	<u>RELIANCE</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	0.00	4,905,132.00	0.00	0.00	21,913,467.00
Distributions - Rehab/Liq	0.00	0.00	0.00	0.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00	0.00
Deposits from Dept Ins	700,785.13	645,462.22	95,816.30	66,182.55	1,258,003.97
Other Receipts - Dept Ins	0.00	0.00	0.00	0.00	0.00
Interest	75,578.18	129,978.53	4,805.57	3,321.14	393,223.11
Miscellaneous	0.00	0.00	0.00	0.00	0.00
Inter - Dept Transfers	0.00	0.00	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$776,363.31</b>	<b>\$5,680,572.75</b>	<b>\$100,621.87</b>	<b>\$69,503.69</b>	<b>\$23,564,694.08</b>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$2,895.87	\$187,156.48	\$124.18	\$120.56	\$801,513.60
Claims Paid	5,237.99	2,644,268.61	0.00	0.00	11,296,157.47
Claims Expense	1,766.05	246,855.43	0.00	0.00	695,540.69
Premium Refunds	0.00	137,262.69	0.00	0.00	141,383.00
Refunds to Member Cos.	0.00	0.00	0.00	0.00	0.00
Refunds to Dept Ins	0.00	0.00	100,497.69	69,383.13	0.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$9,899.91</b>	<b>\$3,215,543.21</b>	<b>\$100,621.87</b>	<b>\$69,503.69</b>	<b>\$12,934,594.76</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$9,899.91</b>	<b>\$3,215,543.21</b>	<b>\$100,621.87</b>	<b>\$69,503.69</b>	<b>\$12,934,594.76</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$766,463.40</b>	<b>\$2,465,029.54</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$10,630,099.32</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>PHICO</u>	<u>AMERICAN DRUGGISTS'</u>	<u>AMERICAN FIDELITY FIRE</u>	<u>AMERICAN MUTUAL INS</u>	<u>AMERICAN RESERVE</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	0.00	0.00	0.00	0.00	121,767.00
Distributions - Rehab/Liq	0.00	0.00	0.00	0.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	0.00	0.00
Deposits from Dept Ins	11,271,861.85	157,494.98	522,774.79	536,723.24	97,451.67
Other Receipts - Dept Ins	0.00	0.00	0.00	0.00	0.00
Interest	178,096.07	6,479.56	66,234.66	143,704.65	45,716.52
Miscellaneous	0.00	0.00	0.00	0.00	22,550.00
Inter - Dept Transfers	0.00	0.00	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$11,449,957.92</b>	<b>\$163,974.54</b>	<b>\$589,009.45</b>	<b>\$680,427.89</b>	<b>\$287,485.19</b>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$101,755.64	\$12,439.88	\$45,772.33	\$13,428.06	\$48,687.25
Claims Paid	689,306.24	17,782.36	198,059.63	0.00	68,500.00
Claims Expense	233,465.36	3,473.50	58,140.87	0.00	8,395.44
Premium Refunds	0.00	0.00	6,272.04	0.00	0.00
Refunds to Member Cos.	0.00	0.00	0.00	0.00	142,132.13
Refunds to Dept Ins	0.00	130,278.80	280,764.58	666,999.83	19,770.37
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,024,527.24</b>	<b>\$163,974.54</b>	<b>\$589,009.45</b>	<b>\$680,427.89</b>	<b>\$287,485.19</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$1,024,527.24</b>	<b>\$163,974.54</b>	<b>\$589,009.45</b>	<b>\$680,427.89</b>	<b>\$287,485.19</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$10,425,430.68</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**N C INSURANCE GUARANTY ASSOCIATION  
 RECEIPTS AND DISBURSEMENTS  
 THROUGH AUGUST 31, 2002**

	<u>BEACON</u>	<u>CARRIERS</u>	<u>COMMERCIAL STANDARD</u>	<u>EMPIRE MUTUAL</u>	<u>ENTERPRISE</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	534,608.00	997,738.00	0.00	448,825.14	0.00
Distributions - Rehab/Liq	476,116.18	707,756.69	0.00	0.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	562,762.91	0.00
Deposits from Dept Ins	559,184.27	79,090.65	489,665.89	0.00	118,845.79
Other Receipts - Dept Ins	0.00	0.00	4,177.50	0.00	0.00
Interest	47,388.09	333,755.42	174,608.26	10,679.12	46,862.00
Miscellaneous	0.00	0.00	0.00	0.00	0.00
Inter - Dept Transfers	(6,930.85)	(21,032.81)	(331.91)	0.00	(1,194.59)
<b>TOTAL RECEIPTS</b>	<u>\$1,610,365.69</u>	<u>\$2,097,307.95</u>	<u>\$668,119.74</u>	<u>\$1,022,267.17</u>	<u>\$164,513.20</u>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$70,555.95	\$35,303.83	\$35,038.16	\$92,212.19	\$5,447.05
Claims Paid	937,246.00	688,649.83	163,510.12	312,793.89	0.00
Claims Expense	20,015.74	219,058.10	26,027.35	84,494.29	0.00
Premium Refunds	0.00	24,020.19	24,606.49	3,536.16	0.00
Refunds to Member Cos.	571,548.00	1,125,276.00	0.00	529,230.64	0.00
Refunds to Dept Ins	11,000.00	5,000.00	418,937.62	0.00	159,066.15
<b>TOTAL DISBURSEMENTS</b>	<u>\$1,610,365.69</u>	<u>\$2,097,307.95</u>	<u>\$668,119.74</u>	<u>\$1,022,267.17</u>	<u>\$164,513.20</u>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<u>\$1,610,365.69</u>	<u>\$2,097,307.95</u>	<u>\$668,119.74</u>	<u>\$1,022,267.17</u>	<u>\$164,513.20</u>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

**N C INSURANCE GUARANTY ASSOCIATION  
 RECEIPTS AND DISBURSEMENTS  
 THROUGH AUGUST 31, 2002**

	<u>EXCALIBUR</u>	<u>GREAT GLOBAL</u>	<u>INS CO OF FLORIDIA</u>	<u>IOWA NATIONAL</u>	<u>MCA INSURANCE</u>
<b><u>RECEIPTS:</u></b>					
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00	0.00
Assessments	499,894.00	0.00	447,439.23	5,546,105.00	0.00
Distributions - Rehab/Liq	269,767.82	0.00	0.00	5,093,734.11	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	8,693,000.00	0.00
Deposits from Dept Ins	395,557.98	76,465.53	70,506.13	103,838.37	35,788.11
Other Receipts - Dept Ins	36,911.97	0.00	0.00	1,001,611.70	0.00
Interest	158,281.26	2,939.88	68,768.24	2,475,404.83	14,789.25
Miscellaneous	0.00	0.00	0.00	480,360.80	0.00
Inter - Dept Transfers	(15,662.36)	0.00	(43,546.18)	(5,619.52)	0.00
<b>TOTAL RECEIPTS</b>	<b>\$1,344,750.67</b>	<b>\$79,405.41</b>	<b>\$543,167.42</b>	<b>\$23,388,435.29</b>	<b>\$50,577.36</b>
<b><u>DISBURSEMENTS:</u></b>					
Administrative Expenses	\$63,683.37	\$8,836.24	\$58,515.63	\$966,016.39	\$4,918.79
Claims Paid	763,187.61	250.00	78,373.31	6,690,121.95	0.00
Claims Expense	129,071.46	6,174.07	39,521.48	1,121,829.67	0.00
Premium Refunds	16,441.23	83.29	16,757.00	6,084,046.54	0.00
Refunds to Member Cos.	319,967.00	0.00	350,000.00	8,475,825.00	0.00
Refunds to Dept Ins	52,400.00	64,061.81	0.00	50,595.74	45,658.57
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,344,750.67</b>	<b>\$79,405.41</b>	<b>\$543,167.42</b>	<b>\$23,388,435.29</b>	<b>\$50,577.36</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$1,344,750.67</b>	<b>\$79,405.41</b>	<b>\$543,167.42</b>	<b>\$23,388,435.29</b>	<b>\$50,577.36</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**N C INSURANCE GUARANTY ASSOCIATION  
 RECEIPTS AND DISBURSEMENTS  
 THROUGH AUGUST 31, 2002**

	<u>PROPRIETORS</u>	<u>RESERVE</u>	<u>SECURITY CASUALTY</u>	<u>SUMMIT</u>
<b><u>RECEIPTS:</u></b>				
Balance Trans 4/9/75	\$0.00	\$0.00	\$0.00	\$0.00
Membership Fees	0.00	0.00	0.00	0.00
Assessments	0.00	362,932.00	0.00	74,764.00
Distributions - Rehab/Liq	0.00	125,960.13	0.00	0.00
Other Receipts - Rehab/Liq	0.00	0.00	0.00	54,752.52
Deposits from Dept Ins	194,341.50	214,234.53	99,113.99	0.00
Other Receipts - Dept Ins	914.88	0.00	0.00	0.00
Interest	73,258.78	231,768.37	23,630.52	1,007.12
Miscellaneous	0.00	392.73	3.73	0.00
Inter - Dept Transfers	0.00	(960.13)	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$268,515.16</b>	<b>\$934,327.63</b>	<b>\$122,748.24</b>	<b>\$130,523.64</b>
<b><u>DISBURSEMENTS:</u></b>				
Administrative Expenses	\$30,097.25	\$85,137.71	\$16,537.04	\$18,387.11
Claims Paid	16,089.94	72,784.90	0.00	29,750.62
Claims Expense	1,932.50	97,671.38	0.00	581.58
Premium Refunds	20,985.00	74,494.43	0.00	6,033.21
Refunds to Member Cos.	0.00	499,062.81	0.00	75,771.12
Refunds to Dept Ins	199,410.47	105,176.40	106,211.20	0.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$268,515.16</b>	<b>\$934,327.63</b>	<b>\$122,748.24</b>	<b>\$130,523.64</b>
LESS: Other O/S Payables	0.00	0.00	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$0.00	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$268,515.16</b>	<b>\$934,327.63</b>	<b>\$122,748.24</b>	<b>\$130,523.64</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**N C INSURANCE GUARANTY ASSOCIATION  
 RECEIPTS AND DISBURSEMENTS  
 THROUGH AUGUST 31, 2002**

	<u>TRANSIT CASUALTY</u>	<u>SUB-TOTAL</u>	<u>MUTUAL WORKERS' COMP</u>	<u>STOCK WORKERS' COMP</u>
<b><u>RECEIPTS:</u></b>				
Balance Trans 4/9/75	\$0.00	\$7,961.20	\$0.00	\$0.00
Membership Fees	0.00	\$19,500.00	0.00	0.00
Assessments	0.00	\$71,291,437.27	2,710,000.00	0.00
Distributions - Rehab/Liq	0.00	\$9,085,475.76	10,212,688.78	2,808,832.74
Other Receipts - Rehab/Liq	0.00	\$20,975,589.70	0.00	0.00
Deposits from Dept Ins	829,405.67	\$29,939,076.88	0.00	0.00
Other Receipts - Dept Ins	0.00	\$1,052,331.49	11,488,757.45	16,486,217.41
Interest	391,551.17	\$12,258,175.80	6,131,265.12	1,529,915.64
Miscellaneous	0.00	\$6,929,057.58	3,385,673.77	0.00
Inter - Dept Transfers	(4,348.01)	\$0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>	<b>\$1,216,608.83</b>	<b>\$151,558,605.68</b>	<b>\$33,928,385.12</b>	<b>\$20,824,965.79</b>
<b><u>DISBURSEMENTS:</u></b>				
Administrative Expenses	\$61,867.36	\$8,836,226.85	\$928,924.37	\$190,346.68
Claims Paid	220,549.76	\$42,322,027.16	8,660,231.11	1,817,761.31
Claims Expense	141,458.07	\$7,973,941.88	369,271.74	35,541.33
Premium Refunds	24,191.90	\$16,346,593.32	2,151.00	0.00
Refunds to Member Cos.	0.00	\$44,434,220.70	13,732,000.00	16,848,394.55
Refunds to Dept Ins	768,541.74	\$3,790,929.81	0.00	0.00
<b>TOTAL DISBURSEMENTS</b>	<b>\$1,216,608.83</b>	<b>\$123,703,939.72</b>	<b>\$23,692,578.22</b>	<b>\$18,892,043.87</b>
LESS: Other O/S Payables	0.00	\$1,971.66	0.00	0.00
LESS: O/S Check Contingency	\$0.00	\$135,152.52	\$0.00	\$0.00
<b>NET DISBURSEMENTS</b>	<b>\$1,216,608.83</b>	<b>\$123,566,815.54</b>	<b>\$23,692,578.22</b>	<b>\$18,892,043.87</b>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<b>\$0.00</b>	<b>\$27,991,790.14</b>	<b>\$10,235,806.90</b>	<b>\$1,932,921.92</b>

**N C INSURANCE GUARANTY ASSOCIATION  
RECEIPTS AND DISBURSEMENTS  
THROUGH AUGUST 31, 2002**

	<u>SUB-TOTAL WORKERS' COMP</u>	<u>GRAND TOTAL</u>
<b><u>RECEIPTS:</u></b>		
Balance Trans 4/9/75	\$0.00	\$7,961.20
Membership Fees	0.00	19,500.00
Assessments	2,710,000.00	74,001,437.27
Distributions - Rehab/Liq	13,021,521.52	22,106,997.28
Other Receipts - Rehab/Liq	0.00	20,975,589.70
Deposits from Dept Ins	0.00	29,939,076.88
Other Receipts - Dept Ins	27,974,974.86	29,027,306.35
Interest	7,661,180.76	19,919,356.56
Miscellaneous	3,385,673.77	10,314,731.35
Inter - Dept Transfers	0.00	0.00
<b>TOTAL RECEIPTS</b>	<u>\$54,753,350.91</u>	<u>\$206,311,956.59</u>
<b><u>DISBURSEMENTS:</u></b>		
Administrative Expenses	\$1,119,271.05	\$9,955,497.90
Claims Paid	10,477,992.42	52,800,019.58
Claims Expense	404,813.07	8,378,754.95
Premium Refunds	2,151.00	16,348,744.32
Refunds to Member Cos.	30,580,394.55	75,014,615.25
Refunds to Dept Ins	0.00	3,790,929.81
<b>TOTAL DISBURSEMENTS</b>	<u>\$42,584,622.09</u>	<u>\$166,288,561.81</u>
LESS: Other O/S Payables	\$0.00	\$1,971.66
LESS: O/S Check Contingency	<u>\$0.00</u>	<u>\$135,152.52</u>
<b>NET DISBURSEMENTS</b>	<u>\$42,584,622.09</u>	<u>\$166,151,437.63</u>
<b>FUND BALANCES - EXCESS RECEIPTS OVER DISBURSEMENTS</b>	<u>\$12,168,728.82</u>	<u>\$40,160,518.96</u>