NORTH CAROLINA
Reinsurance Facility

ANNUAL REPORT

2025

Message from the Chair

It has been a privilege to serve as Chair of the North Carolina Reinsurance Facility (“Facility”) Board of Governors for the 2024–2025 term on behalf of Allstate.

This year has been especially active, marked by significant developments in regulatory matters, rate revisions, and legislative initiatives. Throughout these challenges, the dedication and expertise of our committees and board members have been truly exceptional. They have volunteered countless hours to guide the Facility with integrity and insight.

I would also like to recognize the outstanding staff of the Reinsurance Facility. Their unwavering focus and professionalism ensure that we meet all statutory obligations while effectively managing the day-to-day operations and emerging opportunities.

The insurance industry is deeply grateful to everyone who contributes to the success of this organization. Thanks to their efforts, the Facility continues to fulfill its vital mission—ensuring that every driver on North Carolina’s roads has access to the required liability insurance.

Thank you for the opportunity to serve.

Rick Pierce
Integon Indemnity Corp

Board of Governors

Responsibility for management is vested in a 15-member Board of Governors. The Board includes 12 voting members (seven member insurance companies and five agents appointed by the Insurance Commissioner), two nonvoting public members appointed by the Governor, and the Insurance Commissioner, who is a member of the Board ex-officio without vote. Nine hybrid meetings of the Board were held during the year.

Members	Representative
Atlantic Casualty Ins Co	Robbie Strickland
GEICO Indemnity Co	Gerry Malloy
Greenville Casualty Ins Co	Dean Kruger
Integon Indemnity Corp*	Rick Pierce
Nationwide Mutual Ins Co	Alex Garate
NC Farm Bureau Mutual Ins Co	Matt Beamon
The Travelers Indemnity Co	Kyle Cook

**Chair*

Agent Members	Representative
Property and Casualty Insurance Producer	Darrin Rankin
Property and Casualty Insurance Producer	Jessica Cromer
Property and Casualty Insurance Producer	Lesa Williams
Property and Casualty Insurance Producer	Mark Maynor
Alliance of Insurance Agents of NC	Jeffrey W. Butler

Public Members	Ex-officio Member
J. David Walker Reverend Dr. Mark R. Royster, Sr.	Mike Causey, Commissioner

Standing Advisory Committees

The Plan of Operation establishes a number of advisory committees. These committees oversee the activities of the Facility and formulate recommendations for presentation to the Board of Governors. In addition, several other specialty advisory groups perform similar tasks for the Facility throughout the year.

Committee	Member Company Chair	Representative
Audit Committee	Liberty Mutual Ins Co	Judi Gonsalves
Investment Committee	Nationwide Mutual Ins Co	Scott Howard
Rating Committee	Nationwide Mutual Ins Co	John-Michael Gillivan
Task Force on Expense Allowances	Nationwide Mutual Ins Co	Alex Garate
Task Force on Recoupment	Progressive Casualty Ins Co	Michelle Burkett
Claims Committee	The Travelers Indemnity Co	Ryan Pirozzi

General Manager's Report

Joanna Biliouris
General Manager

Over the past year, the NC Reinsurance Facility has navigated uncharted territory as the auto industry is facing significant changes due to the 2023 legislative session. These changes include increased minimum financial responsibility limits, modifications to Uninsured and Underinsured motorist coverage, and expanded periods for inexperienced operator surcharges. These changes are expected to significantly impact the Facility, though the timing and extent of this impact remain uncertain.

The Facility is in a positive members equity position for the first time in a decade, achieved through timely rate changes for other-than-clean risks and Commercial Auto, coupled with favorable experience. We continue to monitor Facility results closely to ensure we make informed decisions amid economic and regulatory challenges, staying true to our mission of ensuring the availability of automobile liability insurance to North Carolinians.

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

Thank you to our Board of Governors, committees, task forces, Facility members, counsel, and associates for their contributions, trust, and support in 2025.

Joanna Biliouris

Management Report

Terry Collins,
Chief Operating Officer

To illustrate the financial journey of the Facility, we often rely on the analogy of a battleship navigating the ocean. Much like a battleship that rises and falls with the waves, the Facility experiences fluctuations in its financial results. The ship may not travel quickly, but once it sets a course, it develops momentum that is slow to alter.

The waves that impact the Facility are shaped by numerous factors. These include the number of cessions and their outcomes, rate adequacy, inflation, legislative changes, and the speed of changes in the external environment. Each of these elements contributes to the Facility's financial ups and downs. If you examine the graphs on the following pages, the waves and the momentum since 2011 become clear.

As of June 2025, the Facility finds itself on the back of a financial wave, with a member's equity surplus of $379 million. This is a substantial improvement, especially when compared to 2017, when members' equity stood at a deficit of $326 million. The journey was not straightforward; after 2013, the Facility began descending toward the trough of the wave, which culminated in the deficit of 2017. The climb back required patience and foresight, underscoring the importance of not panicking in challenging times.

As a non-profit statutory entity, the Facility's objective is to achieve a $0 members' equity. While this is the official goal, it is not always practical or attainable in daily operations. Nonetheless, the Board remains committed to working toward this target, employing patience and careful planning. It is essential not to become overly enthusiastic about a surplus, as financial waves are inevitable and will continue to shape the Facility's future.

Once again, I deeply appreciate the guidance and efforts of the Board of Governors, committees, member companies, counsel, and associates as we pilot the organization.

By the Numbers

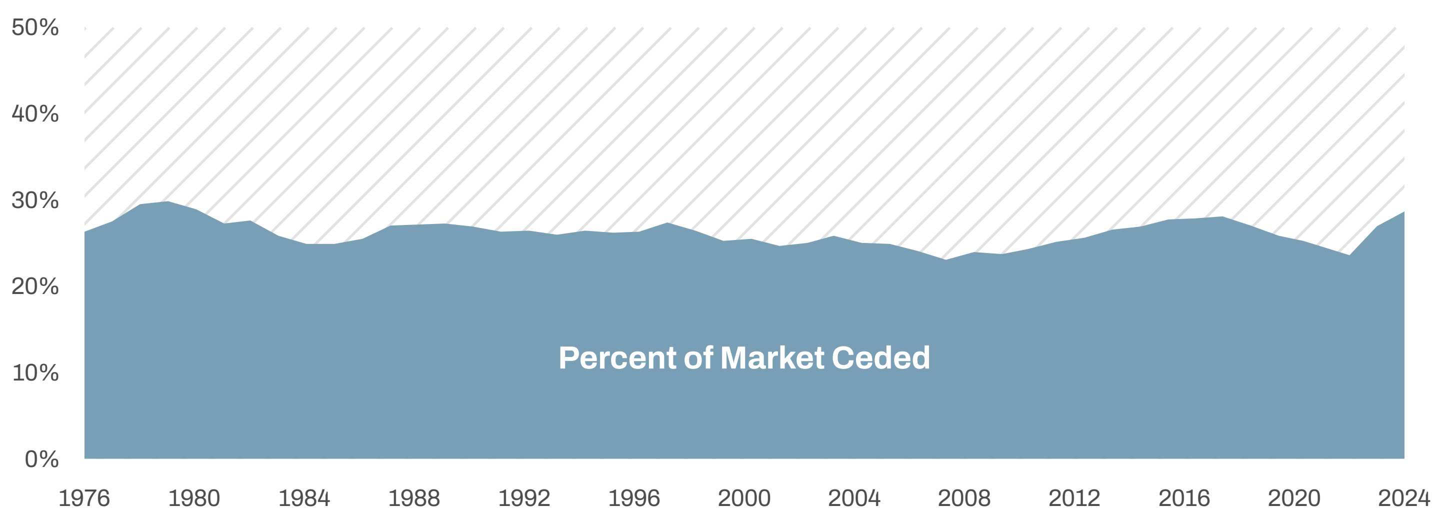
The work of the Facility is vital to the North Carolina insurance marketplace. The stability supplied by the Facility is critical to ensure that automobile liability insurance is available to the people of North Carolina. Our team recognizes the impact of the work the Facility does and is driven by the opportunity to add value and make a difference.

The Facility was created to…

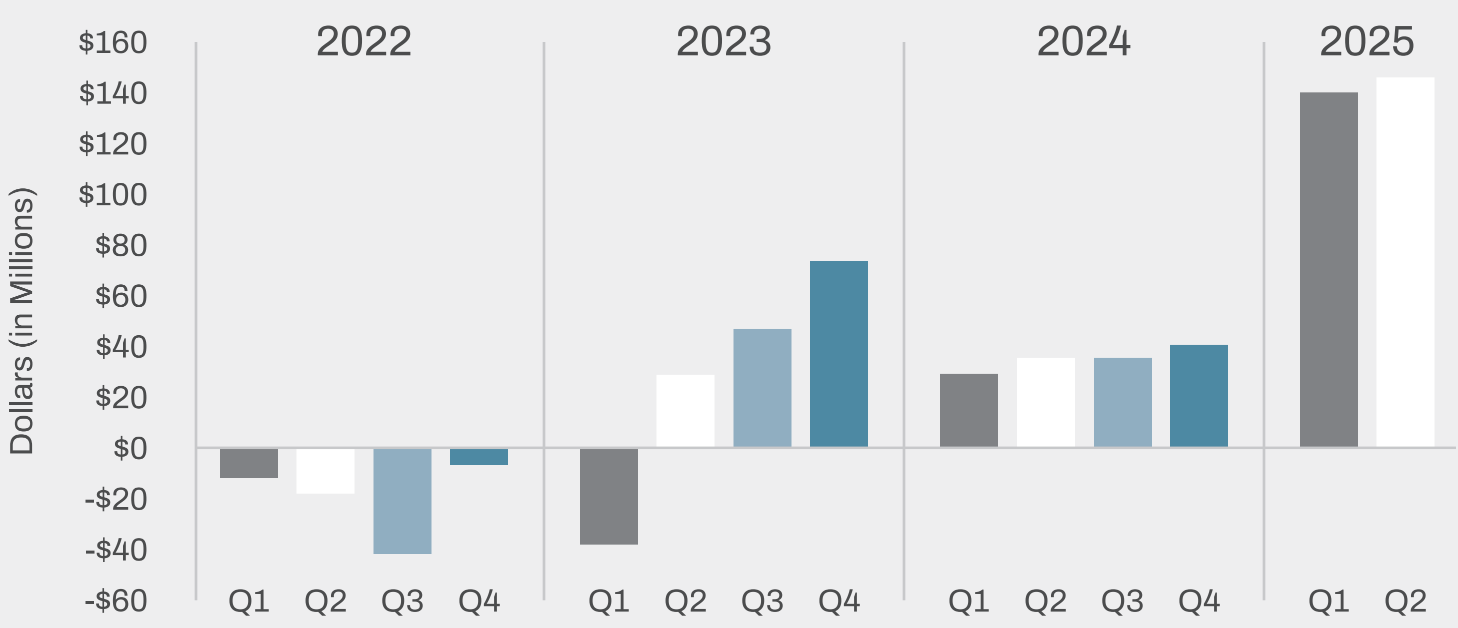
"… assure the availability of motor vehicle insurance to any eligible risk …"

NCGS 58-37-35

Share of North Carolina Auto Liability Market Ceded by Calendar Year



Net Result of Operations (after recoupment)



Policies in Force

1.4
Million

Total policies in force reached a historic high in November 2024 at over 1.5 million. Since November, policies in force have decreased by an average of 19,000 per month through June 2025. This trend was driven by private passenger auto policies which decreased by over 133,000 since November. Policies in force for the commercial auto line continue to hover in the 25,000 to 27,000 range.

Direct Written Premium

$1.6
Billion

Total written premium is expected to remain above $1.6 billion in fiscal year 2025, exceeding the premiums from the past two years. The premium split by line has shifted slightly, with private passenger auto contributing 89.8% and commercial auto increasing to 10.2%.

Market Share

28.6%
Percent

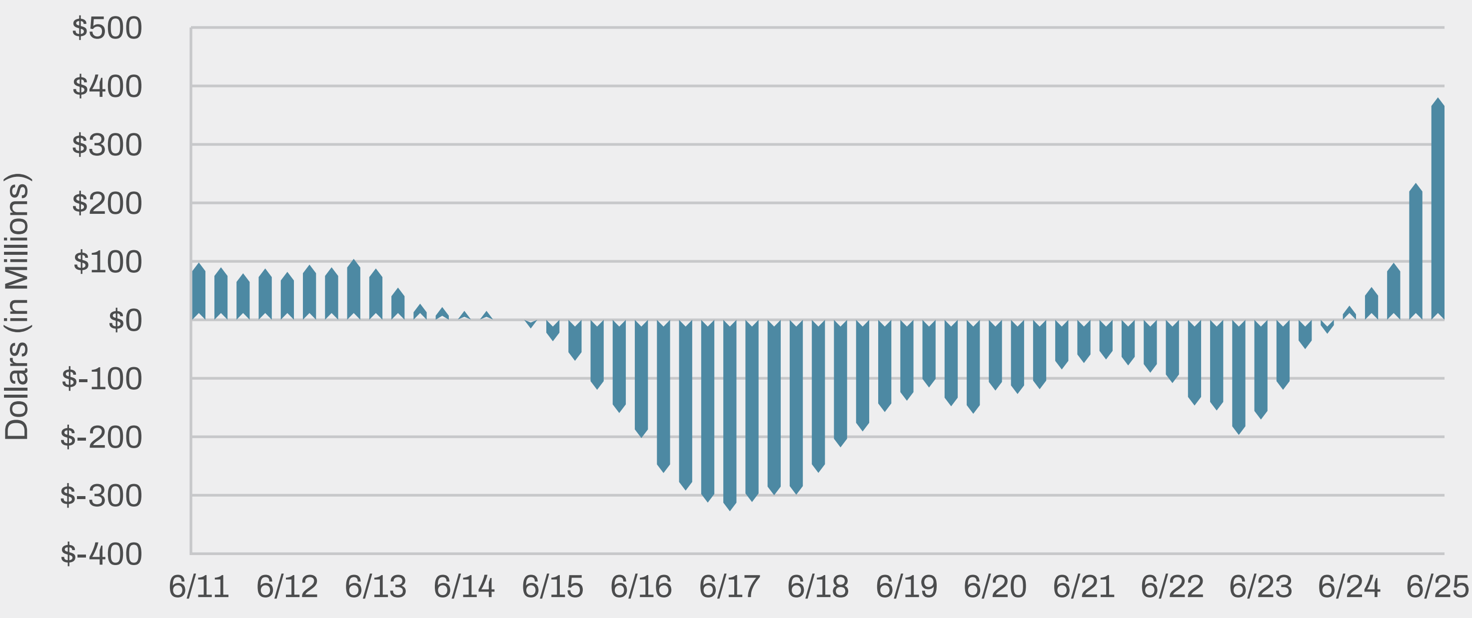
In 2024, the Facility provided reinsurance for approximately one-quarter of the automobile liability business written in North Carolina. The percentage of the market's auto liability premium ceded to the Facility has remained virtually the same since its creation. With our recent reductions of policies in force, we expect our market share to decrease through the end of the fiscal year.

Members' Equity

$378.9
Million

The Facility's results have improved over the past two years. Our quarterly Net Results of Operations had favorable movement, translating to a significant improvement in members' equity to a surplus of $378.9M as of June 2025. Private passenger auto drove our improvement with a positive $438.1M in members' equity, while the commercial auto equity position worsened slightly during the last 12 months, falling to a deficit of $59.2M.

Members' Equity by Quarter



Legislative

Several new laws impacting auto insurance rules and rates became effective in North Carolina on July 1, 2025.

Session Law 2023-133 and Session Law 2024-29, effective 7/1/2025

- Financial responsibility limits increased from 30/60/25 to 50/100/50.
- Revised UM/UIM coverage.
- Permitted Inexperienced Operator surcharges for years 4-8
- Surcharge period for some major violations of 4 points or more expanded from 3 years to 5 years.

SL 2025-45 (signed into law 7/1/2025; former HB 737)

- Provides that an inexperienced operator shall not operate a motor vehicle unless the liability policy insuring that person includes the required inexperienced operator premium surcharge. It also requires insurers to notify the DMV when an inexperienced operator is added or removed from the policy.
- Contains technical corrections on the applicability of waivers for PJCs and convictions of speeding 10 mph or less over the speed limit.

HB 53 (still pending)

- Would Increase the damage thresholds for property damage accidents under the SDIP. Continues to be eligible.

SL 2025-47—Temporary Moratorium on Expiration of Certain Class C Drivers Licenses, effective 7/1/2025

- Certain Class C drivers licenses shall remain valid for the purposes of establishing driving privileges for a period of up to two years after expiration.
- This law was enacted to reduce or eliminate the backlog of drivers unable to renew their license on time due to DMV delays.

Companies are advised to consult their own legal counsel on the implications of these new statutes.

Rates, Rules and Forms

The Board, committees, and staff monitor results, pursue adequate rates, and ensure that rules and forms are in place for ceded North Carolina risks. The charts below share recent updates adopted by the Facility.

Private Passenger

Effective Date	Action	Circular
10/1/25	9.0% "Clean Risk" rate increase	RF 25-14
10/1/25	-10% "OTC" rate decrease	RF 25-13
7/1/25	Minimum limits, UM/UIM, and IO surcharge changes from SL 2023-133 and SL 2024-29.	Multiple
7/1/25	Legislative Changes to SDIP	RF 25-18
12/1/24	23.4% - "OTC" rate increase	RF-24-7

Commercial

Effective Date	Action	Circular
7/1/25	Commercial Auto Manual Updates	RF 25-11
7/1/25	Commercial Auto Forms Update	RF 25-1
4/1/25	39.7% Rate Increase	RF 24-18
10/1/24	Commercial Auto Manual Updates	RF 24-6
4/1/24	12.8% Rate Increase	RF-23-13

Recoupment

North Carolina law allows carriers to cede any eligible risks to the Facility. While the Facility files actuarially sound rates for private passenger auto "other-than-clean" risks (except that no profit is included), the rates for "clean risks" are statutorily capped at the Rate Bureau private passenger auto manual rate level. This level has been historically inadequate to pay the losses and expenses of the clean risks ceded to the Facility. The shortfall between what clean risks pay and what they should pay is made up through the statutorily authorized clean risk recoupment surcharge applied to the liability premiums of all private passenger non-fleet policies. North Carolina law also directs the Facility to recoup operating losses through the loss recoupment surcharge. This surcharge is applied to the liability premiums on non-fleet private passenger auto policies and commercial auto policies, respectively, to recoup prior operating losses on those separate lines of business. Both clean risk and loss recoupment surcharges are reviewed quarterly and adjusted as deemed appropriate and necessary.

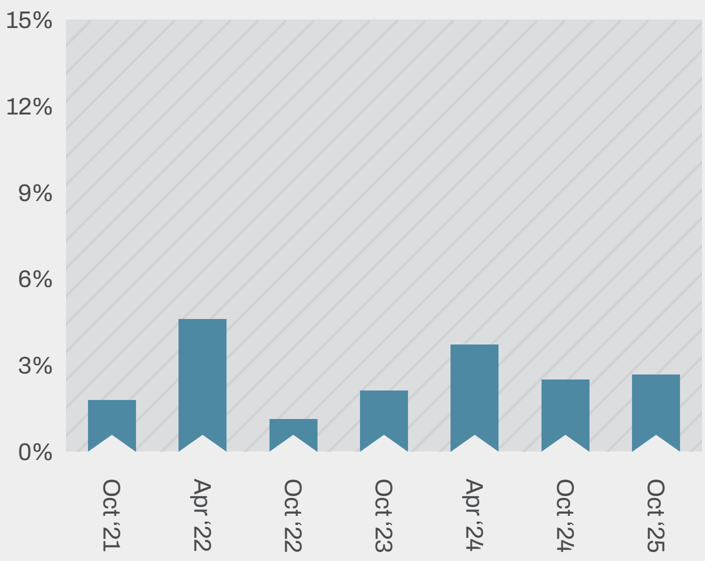
Compliance

The Facility compliance team consists of experienced analysts who partner with member companies daily, focusing on proper interpretation of statutes and rules governing cession eligibility and policy rating. Thousands of voluntary and ceded files are reviewed annually to ensure the Facility collects the right premium and recoupment, reinsures only eligible risks, and properly reimburses member companies for paid losses. These continual efforts are critical to the success of the Facility. In support of the key strategies within the organization, the team continues to advance and augment technologies focused on process improvements. Efforts include partnering with the Facility's in-house data scientist to build reports for better efficiency and working with IT partners to enhance the main platform. Succession planning and hiring are also priorities for this team, and recent staff changes include bringing on an experienced claims leader and promoting a high-performing associate into a management role.

Private Passenger Auto
Clean Risk and Loss Recoupment Surcharges

No loss recoupment in December 2024 and October 2025

Commercial Auto
Loss Recoupment Surcharge



Finance

Edith Davis
Chief Financial Officer

Through June 2025:

29% ▲

Assets increased 29% over June 2024.

7% ▲

Liabilities increased 7% over June 2024.

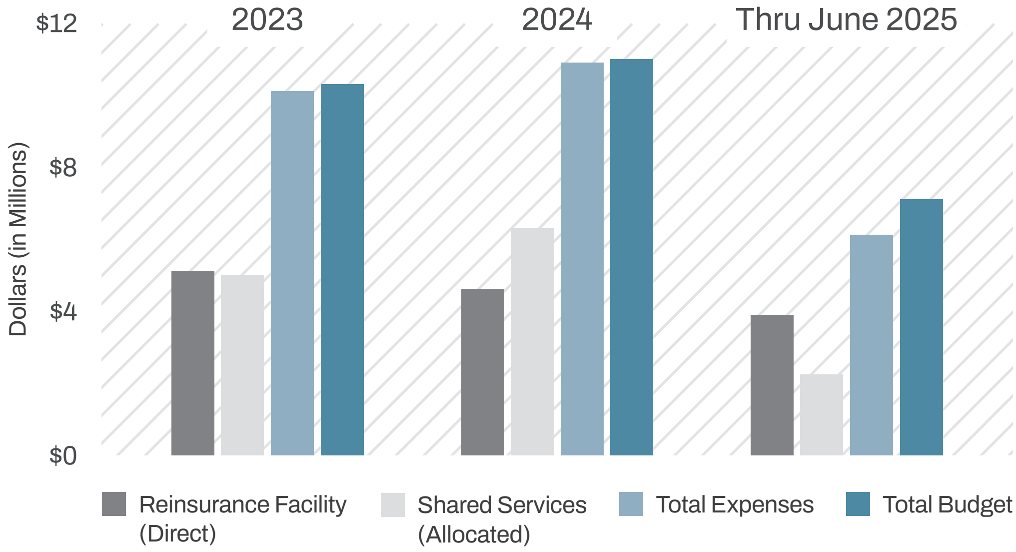
11% ▲

Loss Reserves increased 11% over June 2024.

$378.9 Million ▲

Members' Equity increased $363 million over June 2024 to $378.9 million.

Administrative Expenses



Investment Portfolio Performance—
Annualized Total Returns vs. Benchmark

Information Services

Shelley Chandler
Chief Information Officer

6474	incidents handled
21	software development projects approved for 2025
30	applications, 33,000 users
279	changes made to production environment in previous 12 months

Email threats detected*

Total emails received: 710,057

Total rejected emails for 12 months: 245,487

34.57% of emails received were considered threats and rejected

**Total threats detected = inbound rejections (includes malware & Spam) + malicious attachments + unsafe links clicked + impersonation attempts*

Training conducted

16 New hires received the following training and 1:1 orientation:

- A New Hire's Guide to Security Awareness training
- NCRB's Security Program Orientation

Phishing and training campaigns

7 phishing campaigns for an 87% success/pass rate

12 training campaigns

Vendors and services reviews

Total of 57 separate reviews

Cyber incident response

Responded to 3 Member company incidents

Administration Services

Heather Winter
Chief Administrative Officer

In 2025, Vicki Goldbold, the long-time Chief Human Resources Officer, retired from the organization. This transition provided an organic opportunity for exciting strategic realignments that brought Human Resources (HR) within the shared Administration Services team alongside other administrative functions, including Member Services, Communications/Events, Facilities, and Vendor Management. This shift will generate increased agility, process innovation, and resource depth for these important services. This year the Facility also partnered with an external HR consulting firm to complete a review of internal processes and policies to position the department to best serve the organization both now and in the future.

New Hires
9/2024–9/2025

NCRF 4

Balance Sheet

As of	June 30, 2025	June 30, 2024
Assets		
Cash (Checking Account)	$51,393,916	$50,802,148
Cash Restricted (Including Escrow)	-	-
Investments	1,974,056,052	1,520,317,646
Accounts Receivable	90,977,013	64,323,247
Accrued Interest Receivable	13,955,400	10,169,459
Other Assets	25,906	92
Total Assets	**$2,130,408,288**	**$1,645,612,592**
Liabilities and Members' Equity		
Accounts Payable	$16,438,537	$26,124,435
Loss Reserves	1,180,393,751	1,067,935,168
Unearned Premium Reserves	552,939,604	535,340,769
Provision for Premium Refunds	-	-
Other Liabilities	1,755,482	321,221
Total Liabilities	**$1,751,527,374**	**$1,629,721,593**
Members' Equity	378,880,914	15,891,000
Total Liabilities & Members' Equity	**$2,130,408,288**	**$1,645,612,592**

Special Purpose Balance Sheet

Year Ending	Sept 30, 2024	Sept 30, 2023
Assets		
Cash and Short-Term Investments	$66,659,272	$38,632,658
Investments, at Amortized Cost	1,585,430,042	1,167,583,077
Receivable from affiliates	8,860	-
Prepaid expenses	16,613	-
Accrued Interest Receivable	11,127,657	6,908,627
Settlements Receivable from Member Companies	75,478,986	92,794,650
Total Assets	**$1,738,721,430**	**$1,305,919,012**
Liabilities & Members' Equity		
Loss and Loss Adjustment Expense Reserves		
• In Course of Settlement	$617,507,651	$557,568,644
• Incurred But Not Reported	495,927,324	378,025,658
Total Loss and Loss Adjustment Expense Reserves	**1,113,434,975**	**935,594,302**
Unearned Premium Reserves	555,785,154	472,687,443
Advance Clean Risk Subsidies	11,467,622	9,479,691
Settlements Payable to Member Companies	17,364,182	19,360,344
Other Liabilities	343,145	561,396
Total Liabilities	**$1,698,395,078**	**$1,437,683,176**
Members' Equity	40,326,352	(131,764,164)
Total Liabilities and Members' Equity	**$1,738,721,430**	**$1,305,919,012**

Income Statement

Fiscal Year through	June 30, 2025	June 30, 2024
Income		
Earned Premiums	$1,241,099,228	$1,154,861,958
Clean Risk Recoupment	526,940,776	404,953,269
Investment Income	50,142,250	34,467,359
Membership Fee Income	61,000	60,300
Other Income	242,238	882,747
Total Income	**$1,818,485,491**	**$1,595,225,633**
Expenses		
Losses Incurred	$1,086,786,580	$1,119,619,374
Ceding & Claims Expenses	426,687,791	422,429,157
Premiums Escrowed	-	-
Other Underwriting Deductions	-	-
Salaries & Administration Expenses	3,697,306	3,424,024
Outside Services Expenses	2,748,503	2,283,077
Other Operating Expenses	1,921,440	2,645,744
Total Liabilities	**$1,521,841,620**	**$1,550,401,377**
Net Income/(Loss) Before Loss Recoupments	**$296,643,872**	**$44,824,256**
Loss Recoupments	29,896,113	93,351,216
Net Income/(Loss) After Loss Recoupments	**$326,539,985**	**$138,175,472**

Special Purpose Statement of Operations

Year Ending	Sept 30, 2024	Sept 30, 2023
Premiums Earned	$1,564,691,958	$1,218,258,283
Clean Risk Subsidies	531,363,919	361,326,136
Total Underwriting Income	**$2,096,055,877**	**$1,579,584,419**
Losses Incurred	$1,501,235,811	$1,258,423,855
Ceding Expense Allowances	374,397,623	310,455,698
Claims Expense Allowances	198,348,000	151,486,437
Total Underwriting Expenses	**$2,073,981,434**	**$1,720,365,990**
Net Underwriting Gain (Loss)	**$22,074,443**	**$(140,781,571)**
Other Income (Expense)		
Net Investment Income	$47,807,735	$26,452,447
Net Realized Investment Losses	229,535	(7,294,664)
Late Premium Charges and Penalties	1,084,971	860,857
Membership Fees	60,400	59,300
General and Administrative Expense	(9,867,264)	(8,952,079)
Total Other Income — Net	**39,315,377**	**$11,125,861**
Net Operating Gain (Loss)	**$61,389,820**	**$(129,655,710)**

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