



NORTH CAROLINA
Reinsurance Facility

2026

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



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 2025-2026 term on behalf of the Allstate companies.

As in every year, the Facility continued to successfully manage its operations and fulfill all statutory requirements, meeting its obligations to member carriers, customers, and stakeholders. This is no small task, and it is accomplished through the professionalism, expertise, and dedication of the Facility's leadership and staff.

On behalf of the entire industry, I would like to thank each member of the Board of Governors for their wisdom, business acumen, and active participation in decisions affecting all areas of the Facility's operations.

I would also like to recognize the outstanding staff of the Reinsurance Facility. Their unwavering commitment and professionalism ensure that we meet all statutory obligations while effectively managing day-to-day operations and responding to emerging opportunities and challenges. While several key retirements occurred during the past year, the depth and talent of the Facility's staff and leadership have once again proven to be tremendous strengths.

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 of ensuring that every eligible risk on North Carolina's roads has access to the liability insurance required by law.

Thank you for the opportunity to serve.

Rick Pierce, CPCU, AAI
Integon Indemnity Corporation

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	Mark Caughron
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
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 Butler
Public Members	Ex-officio Member
J. David Walker	Mike Causey,
Reverend Dr. Mark R. Royster, Sr.	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	Integon Indemnity Corp	Michael Pearce
Task Force on Expense Allowances	Nationwide Mutual Ins Co	Alex Garate
Task Force on Recoupment	Progressive Casualty Ins Co	Michelle Burkett
Claims Committee	Travelers Indemnity Co	Ryan Pirozzi

General Manager's Report

This year, the North Carolina Reinsurance Facility remained focused on financial discipline, operational stability, and long-term organizational resilience. In a market shaped by evolving insurance conditions, legislative developments, and continued pressure on affordability and availability, the Facility worked to uphold its statutory responsibilities while strengthening the systems, governance, and leadership needed to support its future effectiveness.

The Facility is focused on closely monitoring members' equity and managing market volatility through disciplined oversight and timely action. As legislative developments and automobile insurance market conditions continue to evolve, this focus remains essential to preserving the Facility's financial stability and fulfilling its statutory responsibilities.

Leadership continuity was demonstrated through the transition to a new Chief Operating Officer, supporting effective operations, governance, and execution of the Facility's priorities. This transition builds leadership capacity and reinforces the process improvement, cross-functional coordination, and operational discipline needed to respond to future market demands.

We continued to invest in technology, cybersecurity, data modernization, talent development, and enhanced communication with member companies. These efforts included modernization of statistical data collection processes, strengthened cybersecurity practices, cross-training for critical roles, and implementation of an organization-wide enterprise risk management framework. We also continued to refine how we communicate important information to member companies, with a focus on clarity, timeliness, consistency, and practical guidance. In addition, the Facility is thoughtfully exploring the use of artificial intelligence to support efficient operations, enhance analysis and communication, and prepare the organization for future demands. Together, these initiatives are improving data quality, operational efficiency, and stakeholder engagement.

Looking ahead, the Facility will continue to advance disciplined financial oversight, modernized systems and processes, leadership depth, and strong stakeholder alignment. Future priorities include enhancing data quality and reporting capabilities, strengthening operational and cybersecurity readiness, supporting effective succession planning, and maintaining the flexibility needed to respond to changing market and legislative conditions.

I am grateful to the Board of Governors, Committees, Task Forces, Facility members, consultants, counsel, and our associates for their engagement and support. Their collective efforts strengthen the Facility's ability to carry out its responsibilities with stability, accountability, and purpose.

Sincerely,



Joanna Biliouris
General Manager



Joanna Biliouris
General Manager

Investment Pillars

- Technology
- Cybersecurity
- Data Modernization
- Talent Development
- Enhanced Communication



Chief Operating Officer's Report

The North Carolina Reinsurance Facility exists to fulfill an important public purpose: ensuring the availability of automobile liability insurance for the people of North Carolina. Every decision made by our Board of Governors, committees, and staff is guided by that mission and by our responsibility to operate the Facility in a financially sound, efficient, and transparent manner.

As I assumed the role of Chief Operating Officer earlier this year, I did so with a deep appreciation for the Facility's mission, the strong foundation established by those who came before me, and the talented team entrusted with carrying that mission forward. I am honored by the opportunity to serve in this capacity and remain focused on helping prepare the Facility for the future through strategic planning, operational excellence, and continued investment in our people and technology. Our associates bring exceptional knowledge, experience, and dedication to their work each day. Combined with ongoing modernization efforts and data-driven decision making, these strengths position us to successfully navigate change, seize new opportunities, and continue serving the people of North Carolina well into the future.

The Board of Governors has remained actively engaged in managing the Facility's long-term financial position. While members' equity remains at a historically elevated level, the Board recognizes that members' equity should be actively managed in support of the Facility's statutory mission and long-term financial objectives. The current equity position reflects the cumulative impact of active management of rates and recoupment, sustained efforts to maintain a solid financial condition, and an unprecedented rapid improvement in book performance. Over the past year, the Board has implemented and continued a number of actions intended to reduce members' equity and move

the Facility closer to its long-term break even equity target. Given the long-tail nature of the Facility's business, the full impact of these actions will take time to emerge. Nevertheless, the current year's financial results reflect early progress, demonstrating that these measures are meaningful and moving the Facility in the intended direction. We remain committed to a disciplined approach that focuses on long-term financial stability.

Operationally, the Facility has continued to invest in modernization and process improvement. Enhanced data analytics, ongoing technology initiatives, and improved reporting capabilities have strengthened our ability to make informed decisions, support our member companies more effectively, and position the organization to meet future business demands. These efforts not only improve efficiency but also enhance the security, reliability, and resiliency expected of a critical statewide insurance mechanism.

The success of the Facility depends on strong partnerships with our member companies. Every day, our associates work closely with carriers to promote consistent application of Facility rules, ensure proper premium and recoupment collection, maintain eligibility compliance, and facilitate accurate reimbursement of losses. These collaborative efforts strengthen the integrity of the Facility while helping us fulfill our statutory responsibilities and support the continued availability of coverage for the people of North Carolina.

Our greatest strength continues to be our people. The professionalism, expertise, and dedication of our associates enable the Facility to successfully adapt to change while maintaining exceptional service. During the past year, we remained focused on employee development, knowledge transfer, and succession planning to ensure that the organization remains well-positioned for the future.

This year, the Facility also mourned the loss of a valued Claims Auditor, Laura Faw, who passed away following a courageous battle with cancer. Laura's professionalism, dedication, and commitment to excellence left a lasting impression on her colleagues and the member companies she served. We remain grateful for her many contributions and honor her memory with deep appreciation and respect.

As we look ahead, we remain committed to prudent financial management, operational excellence, and continuous improvement. The insurance marketplace will continue to evolve, and new challenges will undoubtedly emerge. With the guidance of our Board of Governors, the support of our member companies, and the dedication of our associates, we are confident in our ability to continue fulfilling our mission and serving the people of North Carolina for generations to come.



Tom Burns
Chief Operating Officer

These collaborative efforts strengthen the integrity of the Facility while helping us fulfill our statutory responsibilities and support the continued availability of coverage for the people of North Carolina.

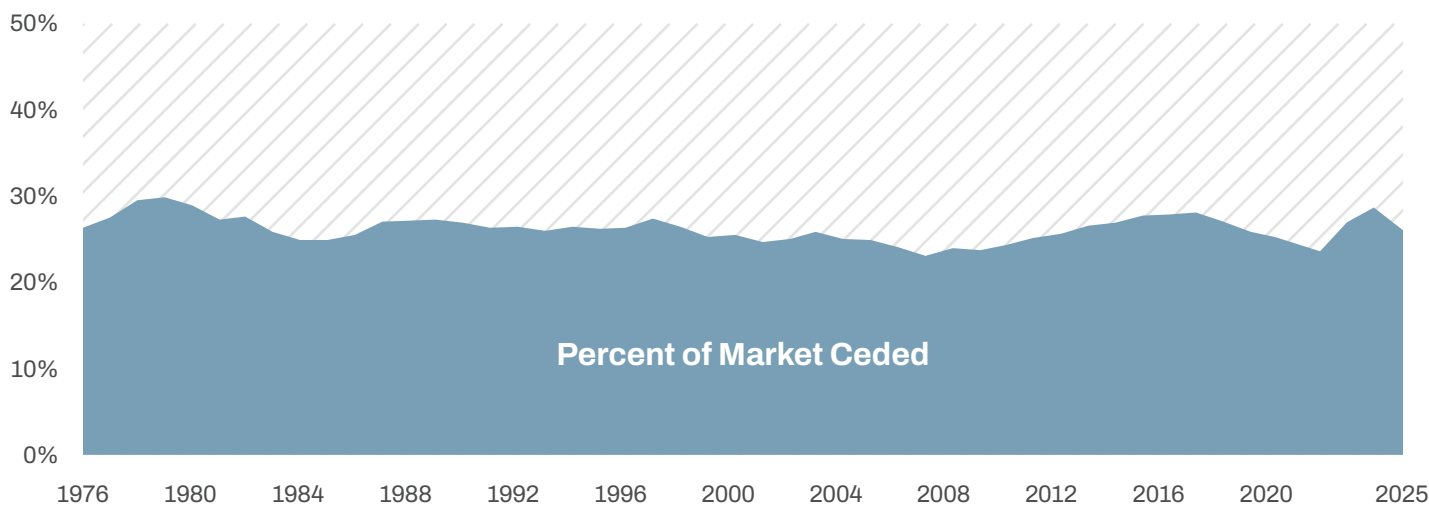
Tom Burns
Chief Operating Officer

By the Numbers

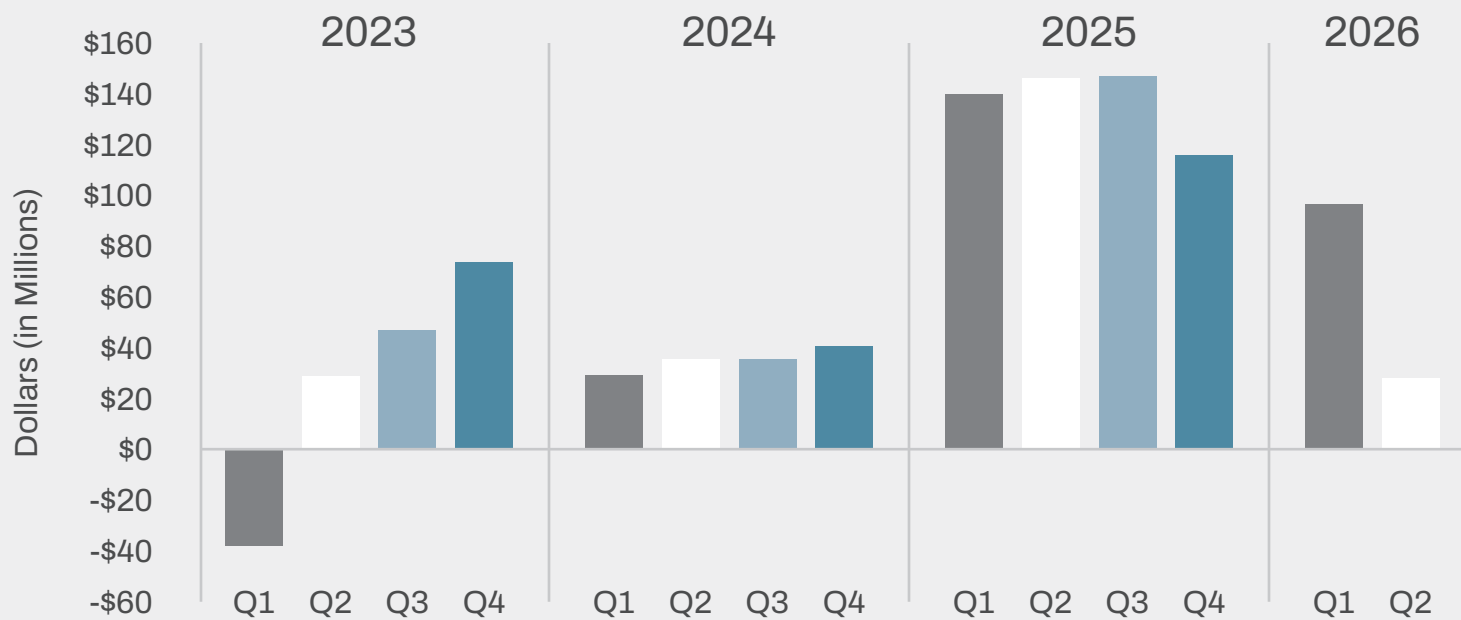
The Facility plays a critical role in maintaining a stable and accessible automobile insurance marketplace. By providing a mechanism for placing higher-risk drivers, the Facility helps ensure that auto liability coverage remains available to eligible motorists across North Carolina. Our team is committed to supporting this mission through sound operations, financial stewardship, and service to our members and the people of North Carolina.

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



As of July 2025, total policies in force were just below 1.4 million. Since then, policies in force have decreased by an average of 14,800 per month through June 2026. This trend was driven by the private passenger auto line, which decreased by over 159,000 policies. The commercial auto line has also decreased just over 3,600 policies, sitting around the 22,500 range.

Direct Written Premium



Total written premium is expected to remain above \$1.6 billion in fiscal year 2026, which is in line with the prior year even with the substantial reduction in policies in both lines. The premium split by line has shifted slightly, with private passenger auto contributing 88.6% and commercial auto increasing to 11.4%.

Market Share



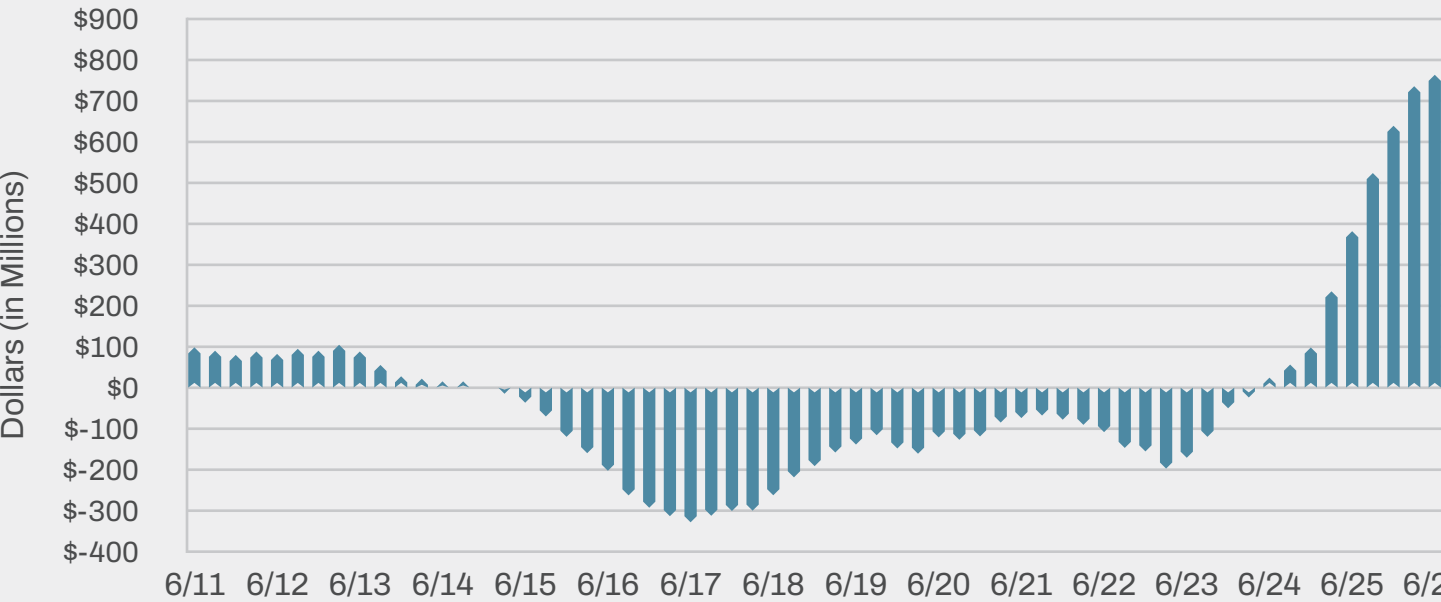
In 2025, the Facility provided reinsurance for approximately one quarter of the automobile liability business written in North Carolina. The percentage of the market's auto liability premium ceded to the Facility has remained virtually the same since its creation. Despite a recent reduction in PIF across both lines in the Facility, direct written premium continues to hold steady.

Members' Equity



Recognizing the positive members' equity position, the Board has reduced the clean risk recoupment surcharge from 12.97% to 0.5% in multiple steps over the past 12 months. These reductions below indicated levels will reduce members' equity over time. In addition, rate reductions for other-than-clean risks of 10% in October 2025 and 5% in October 2026 have been implemented.

Members' Equity by Quarter



Compliance

The Facility's Compliance Department is comprised of experienced professionals who work collaboratively with member companies to support the proper application of statutes, regulations, and Facility requirements. Each year, the team reviews thousands of voluntary and ceded policies to help ensure the accurate collection of premium and recoupment, verify the eligibility of ceded risks, and facilitate appropriate reimbursement of paid losses. These efforts remain critical to preserving the financial integrity and operational effectiveness of the Facility.

In support of the organization's strategic objectives, the compliance team continued to leverage technology and analytics to strengthen oversight of Facility operations and improve service to member companies. Staff's focus included integrating artificial intelligence into member communications, reporting and audit research. We also partnered with IT on enhancements to the EDGE and Audit Hub systems, and developed Tableau dashboards ensuring the quality of information received in data calls, compliance monitoring and audit planning.

In addition, the department modernized job descriptions for our associates, established a new Lead Compliance Auditor position for assistance with special projects and quality reviews, celebrated promotions of employees into senior level positions, and expanded cross-training efforts to support succession planning.

Recoupment

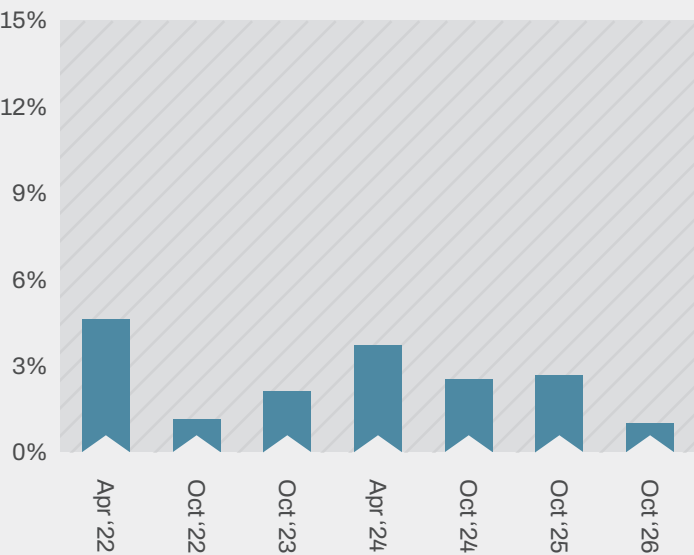
North Carolina law allows carriers to cede any eligible risks to the Facility. While the Facility files actuarially sound rates for private passenger auto "other-than-clean" risks (except that no profit is included), the rates for "clean risks" are statutorily capped at the Rate Bureau private passenger 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.

Private Passenger Auto
Clean Risk and Loss Recoupment Surcharges



*No loss recoupment since November 2024

Commercial Auto
Loss Recoupment Surcharge



Legislative

Several new laws impacting auto insurance rules and rates were enacted.

Session Law 2026-14; Former HB 315

- Prohibits third party investments in the civil justice system for civil proceedings commenced on and after 6/22/2026.

Session Law 2026-41; Former SB 257

- Requires an insurer to pay for motor vehicle damage claims that it has determined to be payable regardless of what repair shop was selected by the insured.
- Insurer must now mail or deliver the payment within 10 business days of settlement. (Note that this was already required under the North Carolina Administrative Code, 11 NCAC 04.0421.)

Other relevant bills were not enacted, but remain pending.

HB 1199, Pending

- Requires certain drivers with serious speeding offenses to install technology that automatically limits vehicle speed as a condition of license restoration, while also adding ignition interlock requirements as a further condition for obtaining limited driving privileges after impaired driving.

HB 356; Additional Items Pending

- Clarifies that the requirement for carriers to report information on Inexperienced Operators coverage to the DMV pertains only to Inexperienced Operators with NC drivers' licenses.
- Provides insurance and liability, safety, and consumer disclosure requirements for the operation of car sharing programs.
- Gives insureds a statutory right to unilaterally compel arbitration on UM or UIM claims; effectively returning to the previous arbitration procedures in the Personal Auto Policy.

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 list recent updates adopted by the Facility.

Private Passenger

Effective Date	Action	Circular
10/1/26	Private Passenger Combined Clean Risk Loss Recoupment Reduction	RF 26-8
10/1/26	General Delivery-of-Goods Liability Exclusion	RF 26-7
10/1/26	5% "OTC" Rate Decrease	RF 26-5
7/1/26	Discontinuation of 30/60/25 Limits on Cessions	RF 26-2
4/1/26	Private Passenger Combined Clean Risk Loss Recoupment Reduction	RF 25-24

Commercial

Effective Date	Action	Circular
10/1/26	Commercial Auto Loss Recoupment Reduction	RF 26-9
7/1/26	Discontinuation of 30/60/25 Limits on Cessions	RF 26-2
4/1/26	5.4% Rate Increase	RF 25-23
7/1/25	Commercial Auto Manual Updates	RF 25-11
7/1/25	Commercial Auto Forms Update	RF 25-1

Finance

In 2026, our Chief Financial Officer, Edith Davis, transitioned to an Executive Consultant role after years of dedicated service. The organizations are grateful for her many contributions and continued support. In June of this year, Chris McKenzie joined the organizations as Chief Financial Officer, bringing extensive financial and leadership experience. We are pleased to welcome Chris to the leadership team and look forward to his contributions in the years ahead.



Edith Davis
Executive Consultant



Chris McKenzie
Chief Financial Officer

Through June 2026:

20%

Assets increased 20% over June 2025.

2%

Liabilities increased 2% over June 2025.

0.25%

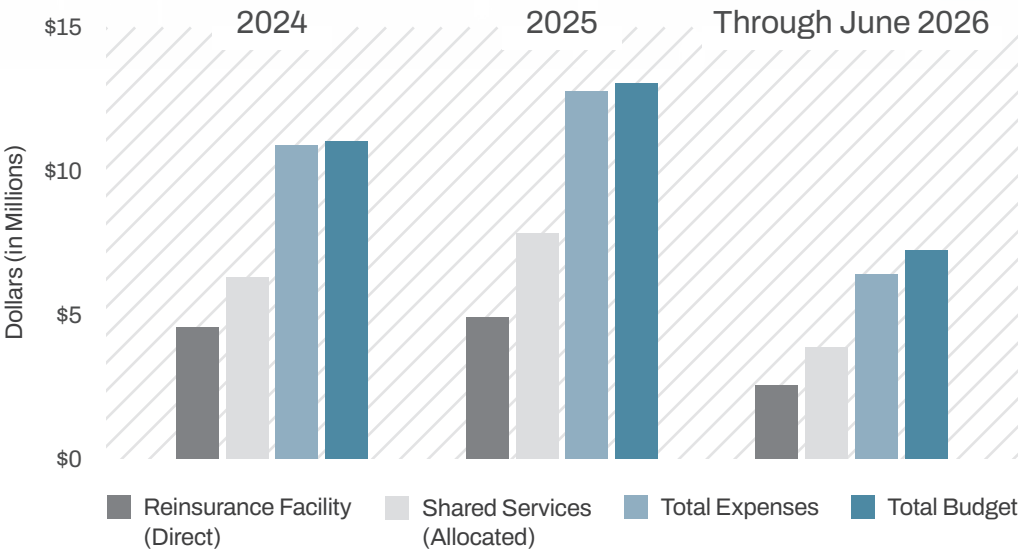
Loss Reserves decreased 0.25% over June 2025.

\$388

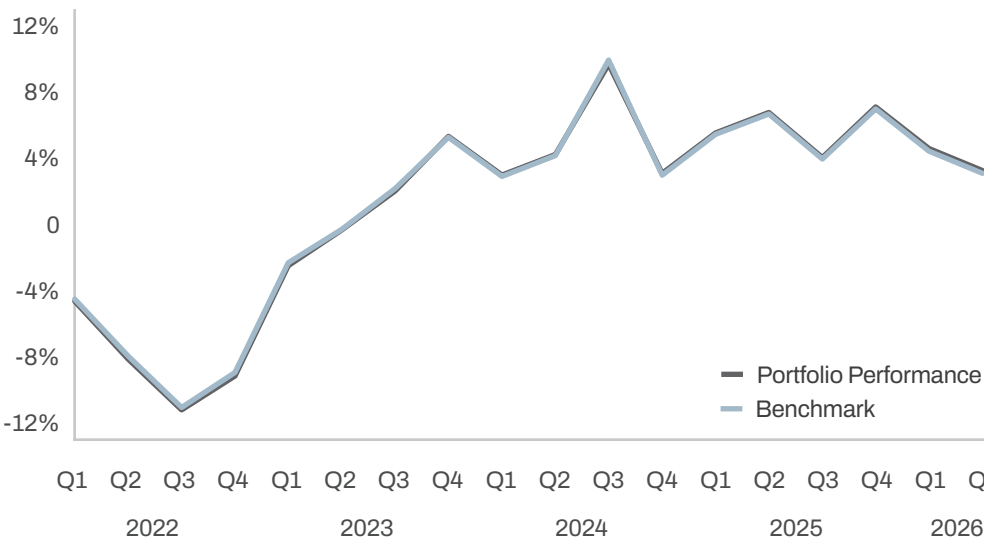
Million ▲

Members' Equity increased \$388 million over June 2025 to \$767 million.

Administrative Expenses



Investment Portfolio Performance— Annualized Total Returns vs. Benchmark



Information Services



7792

incidents resolved

38

applications, 33,000 users

16

software development projects approved for 2026

326

changes made to production environment in previous 12 months

Email Threats Detected*

Total emails received: 662,083

Total rejected emails for 12 months: 178,999

27.04% of emails received were considered threats and rejected

Vendors and Services Reviews

Total of 77 separate reviews

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

Administration Services



Heather Winter
Chief Administrative Officer

In addition to the ongoing administration of Human Resources (HR), membership and corporate administrative support, the strategic reorganization of our Administration shared services department is already producing positive results. A primary objective was workflow realignment to focus both the HR and Administration Services (AS) teams on core competencies to improve efficiency and better match corporate needs with more robust and agile resource pools. These changes enabled the restructuring and expansion of our professional development and education program to more specifically target training needs and enhance succession planning, the centralization of corporate meeting/event logistic planning and execution, and enterprise-wide corporate internal communications. These initiatives will continue to mature in the coming years alongside the continuing development of year-round wellness and associate engagement programs to ensure a healthy and dynamic workplace culture in line with best practices.

Balance Sheet

As of	June 30, 2026	June 30, 2025
Assets		
Cash (Checking Account)	\$9,506,757	\$51,393,916
Cash Restricted (Including Escrow)	-	-
Investments	2,511,428,031	1,974,056,052
Accounts Receivable	18,719,039	90,977,013
Accrued Interest Receivable	19,089,583	13,955,400
Other Assets	26,964	25,906
Total Assets	\$2,558,770,374	\$2,130,408,288
Liabilities and Members' Equity		
Accounts Payable	\$41,943,217	\$16,438,537
Loss Reserves	1,177,565,576	1,180,393,751
Unearned Premium Reserves	571,893,448	552,939,604
Provision for Premium Refunds	-	-
Other Liabilities	318,165	1,755,482
Total Liabilities	\$1,791,720,406	\$1,751,527,374
Members' Equity	767,049,968	378,880,914
Total Liabilities & Members' Equity	\$2,558,770,374	\$2,130,408,288

Special Purpose Balance Sheet

Year Ending	Sept 30, 2025	Sept 30, 2024
Assets		
Cash and Short-term Investments	\$74,004,771	\$66,659,272
Investments, at Amortized Cost	2,096,335,008	1,585,430,042
Receivable From Affiliates	10,046	8,860
Prepaid Expenses	16,613	16,613
Accrued Interest Receivable	16,294,301	11,127,657
Settlements Receivable From Member Companies	122,616,198	75,478,986
Total Assets	\$2,309,276,937	\$1,738,721,430
Liabilities & Members' Equity		
Loss and Loss Adjustment Expense Reserves		
• In Course of Settlement	\$651,604,094	\$617,507,651
• Incurred But Not Reported	538,164,379	495,927,324
Total Loss And Loss Adjustment Expense Reserves	1,189,768,473	1,113,434,975
Unearned Premium Reserves	585,469,035	555,785,154
Advance Clean Risk Subsidies	7,378,852	11,467,622
Settlements Payable to Member Companies	6,674,126	17,364,182
Other Liabilities	1,257,910	343,145
Total Liabilities	\$1,790,548,396	\$1,698,395,078
Members' Equity	518,728,541	40,326,352
Total Liabilities And Members' Equity	\$2,309,276,937	\$1,738,721,430

Income Statement

Fiscal Year Through	June 30, 2026	June 30, 2025
Income		
Earned Premiums	\$1,256,220,545	\$1,241,099,228
Clean Risk Recoupment	\$285,309,538	\$526,940,776
Investment Income	\$77,074,730	\$50,142,250
Membership Fee Income	\$62,000	\$61,000
Other Income	\$373,325	\$242,238
Total Income	\$1,619,040,138	\$1,818,485,491
Expenses		
Losses Incurred	\$1,000,004,214	\$1,086,786,580
Ceding & Claims Expenses	397,527,462	426,687,791
Premiums Escrowed	-	-
Other Underwriting Deductions	-	-
Salaries & Administration Expenses	4,000,846	3,697,306
Outside Services Expenses	3,402,666	2,748,503
Other Operating Expenses	2,882,135	1,921,440
Total Expenses	\$1,407,817,323	\$1,521,841,620
Net Income/(Loss) Before Loss Recoupments	\$211,222,815	\$296,643,872
Loss Recoupments	29,719,758	29,896,113
Net Income/(Loss) After Loss Recoupments	\$240,942,573	\$326,539,985

Special Purpose Statement of Operations

Year Ending	Sept 30, 2025	Sept 30, 2024
Premiums Earned	\$1,654,901,059	\$1,564,691,958
Clean Risk Subsidies	736,951,662	531,363,919
Total Underwriting Income	\$2,391,852,721	\$2,096,055,877
Losses And Loss Adjustment Expenses Incurred	\$1,431,879,504	\$1,501,235,811
Ceding Expense Allowances	369,994,471	374,397,623
Claims Expense Allowances	210,679,196	198,348,000
Total Underwriting Expenses	\$2,012,553,171	\$2,073,981,434
Net Underwriting Income	\$379,299,550	\$22,074,443
Other Income (Expense)		
Net Investment Income	\$70,592,355	\$47,807,735
Net Realized Investment (Losses) Gains	(1,554,935)	229,535
Late Premium Charges and Penalties	858,566	1,084,971
Membership Fees	61,108	60,400
General And Administrative Expense	(9,798,413)	(9,867,264)
Total Other Income — Net	60,158,681	39,315,377
Net Operating Income	\$439,458,231	\$61,389,820



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Reinsurance Facility

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