



**50**

YEAR  
ANNIVERSARY



2023 ANNUAL REPORT

**NCRF**

NORTH CAROLINA REINSURANCE FACILITY

# Message from the Chair



Fifty years is quite a long time. Not many organizations are successful enough to remain solidly in business for half a century. Those that do commemorate the occasion. We are all excited that the North Carolina Reinsurance Facility, is in fact, celebrating 50 years of providing service to the citizens of North Carolina.

I have worked for a member company of the NCRF for 34 years and have had the pleasure of serving alongside dedicated insurance professionals who partnered to make the Facility successful. This group included Facility staff, managers, agent members, and member company representatives. Regardless of the makeup, the Board of Governors has always strived to “do the business of the

Facility to the best of our ability.” This commitment of the member companies and the associates is the primary reason we are able to celebrate 50 successful years.

Have the past five decades been easy for this organization? The answer is no. The Facility has and continues to face the same challenges that the entire insurance industry faces. However, the Facility is well positioned to continue its mission serving the citizens of North Carolina. In the following report, you will see the steps that have been taken to continue the success of this organization. Please help me, the member companies, and staff celebrate this golden anniversary as it is indeed a huge milestone. And as always, we look forward to the challenges and opportunities ahead of us.

**Robbie Strickland**, Atlantic Casualty Insurance Company

## 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. Eight hybrid meetings of the Board were held during the year.

Members	Representative	Agent Members	Representative
Atlantic Casualty Ins Co*	Robbie Strickland	Agent at Large	Larry Brown, Jr.
GEICO Indemnity Co	Jason Wallace	Agent at Large	Justin Litaker
Greenville Casualty Ins Co	Dean Kruger	Auto insurance Agents of NC	Jeffrey W. Butler
Integon Indemnity Corp	Rick Pierce	Independent Insurance Agents of NC	Andy Calvert
Nationwide Mutual Ins Co	Alex Garate	Independent Insurance Agents of NC	Lesa Williams
NC Farm Bureau Mutual Ins Co	Matt Beamon	<b>Public Members</b>	<b>Ex-officio Member</b>
Travelers Indemnity Co	Wendel Ridley	J. David Walker	Mike Causey, Commissioner
		Reverend Dr. Mark R. Royster, Sr	

## 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 Insurance Company	Judi Gonsalves
Investment Committee	Nationwide Mutual Insurance Company	Scott Howard
Rating Committee	Atlantic Casualty Insurance Company	Mark Caughron
Task Force on Expense Allowances	Nationwide Mutual Insurance Company	Alex Garate
Task Force on Recoupment	State Farm Mutual Automobile Insurance Company	Todd Sivills
Claims Committee	The Travelers Indemnity Company	Ryan Pirozzi

# General Manager's Report



The North Carolina Reinsurance Facility is celebrating its 50th anniversary this year. Since 1973, the Facility's dedicated Board of Governors and knowledgeable associates have been a key to our success and will be the foundation of our next 50 years. In positioning for the future, the

Facility has reshaped our operations through investments in technology and talent. The management team is comprised of a dynamic group of strong leaders focused on promoting efficiency, process improvements, team building, training, and knowledge sharing among the staff.

A key aspect of looking ahead is ensuring there is a succession plan for the critical aspects of our operations. We recognize the importance of grooming the next generation within our organization. We have been engaged in improving and expanding our performance management program, developing talent and skills in our associates, and creating strategies to ensure a smooth transition of key roles. Our focus on succession planning not only ensures continuity, but also fosters a culture of continuous learning, innovation, and empowerment within our organization.

The North Carolina Legislature embarked on a long session this year, and the opportunities to share information on the potential impacts of various automobile legislation were many. We spent considerable time evaluating how this

proposed legislation may impact North Carolina drivers and presenting our findings objectively based on data and expertise.

We continue to monitor the challenging economic environment and its impacts on loss experience and ultimately Facility results. We have not seen any notable improvement in these areas as inflation has not stabilized, labor shortages did not improve, and rate adequacy was not achieved. As a result, members' equity deteriorated. These are all factors that the Facility has little ability to influence but rather adjusts to as swiftly as possible.

Looking forward, we anticipate continued industry challenges while embracing workplace changes that have brought greater emphasis on flexibility, continuous learning, and growth. Our hybrid work schedule has been a success and will continue for the foreseeable future. This shift has not only allowed us to contemplate a new workplace next year, but has also enabled us to provide our employees with a better work-life balance.

In closing, I would like to express my gratitude for the support and involvement of our Board of Governors and committees, guidance from our counsel at Young Moore, and the dedication of our associates, who are vital to the success of the Facility. Thanks to all of you for your contributions to the organization.

**Joanna Biliouris**, General Manager

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# Management Report



Where were you in 1973? Was auto insurance foremost on your mind? I was in grade school and couldn't spell insurance. Fortunately for the people of North Carolina, there were some very smart legislators designing the replacement of the state's Assigned Risk Program.

The end result of their efforts was the creation of the North Carolina Reinsurance Facility. Yes, the Facility is rather unique. However, the Facility has served the people of North Carolina by helping to keep auto rates and the percentage of uninsured drivers low while supporting state commerce through ensuring the availability of auto liability insurance to all eligible risks.

So where are we today? Two of the key challenges the industry and Facility face in this inflationary environment are executing both effectively and efficiently and hiring and retaining qualified, productive, and engaged associates. Both of these challenges remain on the forefront of our actions as we seek to ensure that Facility staff has the knowledge necessary to meet our statutory responsibilities and exceed our Board's expectations.

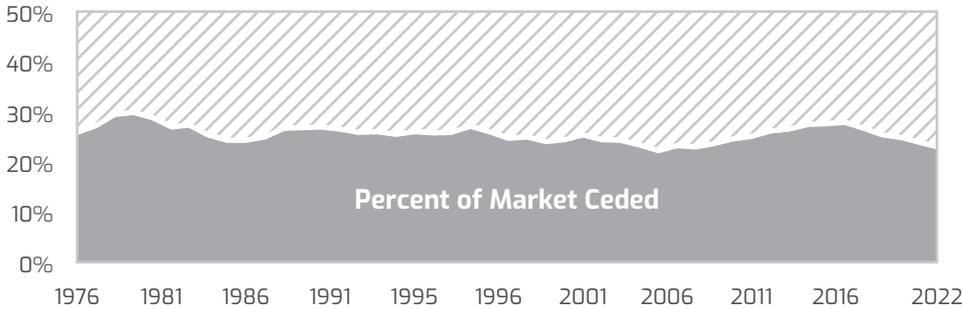
I would like to thank the Board of Governors, committees, member companies, counsel, and associates for their time, efforts and guidance.

**Terry Collins**, Chief Operating Officer

# By the Numbers

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

Share of North Carolina Auto Liability Market Ceded by Calendar Year



The Facility was created to...  
 "... assure the availability of motor vehicle insurance to any eligible risk ..."  
 NCGS 58-37-35



**23.7**  
Percent

### Market Share

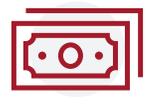
The Facility provides reinsurance for approximately one-quarter of the automobile liability business written in North Carolina. The percentage of the market's auto liability premium ceded to the Facility has remained virtually the same since its creation.



**1.2+**  
Million

### Policies in Force

Total policies in force will remain above the 1.2 million mark at the end of the fiscal year. Private passenger auto policies have increased by over 100,000 since June 2022. Policies in force for the commercial auto line continue to hover in the 25,000 to 27,000 range.

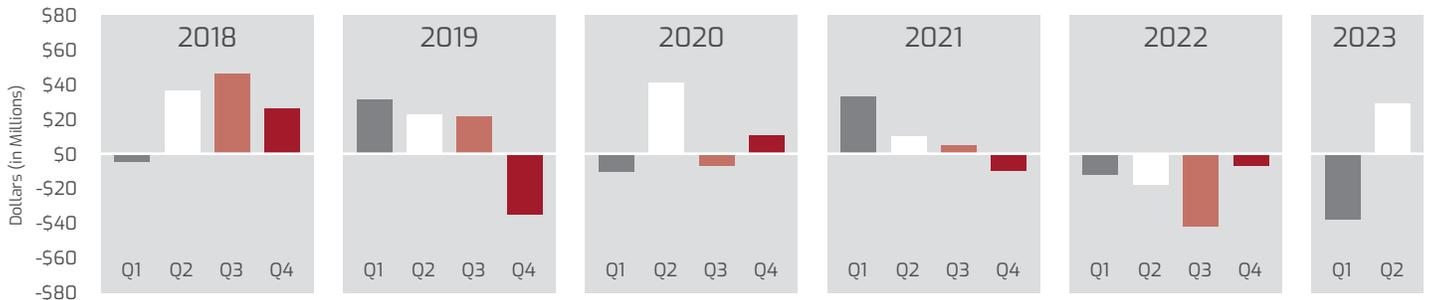


**\$1+**  
Billion

### Direct Written Premium

Once again, total written premium is fully expected to eclipse the \$1 billion mark by the end of the fiscal year, exceeding the premiums from the past two years. The premium split by line has shifted slightly, with private passenger auto contributing 89% and commercial auto 11%.

Net Result of Operations (after recoupment)




**(\$162.8)**  
Million

### Members' Equity

As the industry's results have been under pressure the past two plus years, so have the Facility's. Our quarterly Net Results of Operations remain generally unfavorable, translating to a deterioration in members' equity to a deficit of \$162.8M as of June 2023. Both private passenger auto and commercial auto equity positions have worsened during the last 12 months, falling to deficits of \$122.7M and \$40.1M, respectively.

# Rates, Rules and Forms

The Board, committees, and staff monitor results and take action in an effort to obtain 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
4/1/23	Rule Changes	RF-22-8
10/1/22	7.3% - "OTC" rate increase	RF-22-4
10/1/21	8.0% - "OTC" rate increase	RF-21-4
10/1/21	New Endorsement Options	RF-21-10
6/1/21	Rule Changes	RF-21-3

## Commercial

Effective Date	Action	Circular
10/1/22	7.4% Rate Increase	RF-22-5
10/1/22	Rule Changes	RF-21-5
4/1/22	8.7% Rate Increase	RF-21-14
4/15/21	22.5% Rate Increase	RF-20-12

\*Rate Change percentages listed above are an average across all coverages and territories for currently ceded risks.

## 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, which has historically been 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

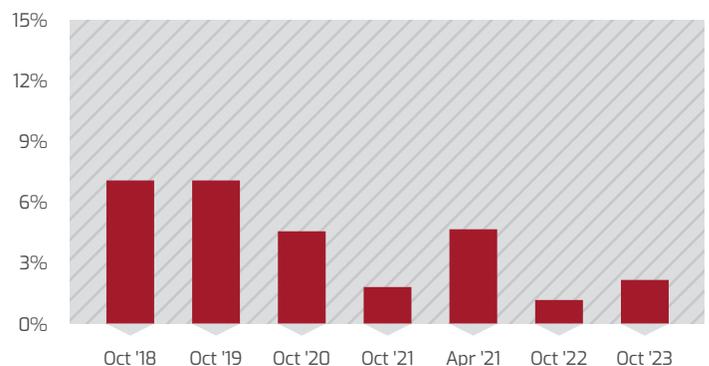
The Facility compliance team consists of 12 experienced analysts who partner with member companies on a daily basis. Our focus is on proper interpretation of statutes and rules governing cession eligibility and policy rating. We review thousands of voluntary and ceded files annually to ensure the Facility collects the right premium and recoupment, reinsures only eligible risks, and properly reimburses our member companies for paid losses. These continual efforts by our staff are critical to the success of the Facility.

In support of the key strategies within our organization, the compliance team has recently developed new technology focused on process improvement and hired individuals with significant industry knowledge. Succession planning will continue to be a key focus for our team. In order to build bench strength, we regularly share duties and cross train to learn from each other and make the team stronger overall.

Private Passenger Auto  
Clean Risk Surcharge and Loss Recoupment



Commercial Auto Loss Recoupment



# Finance

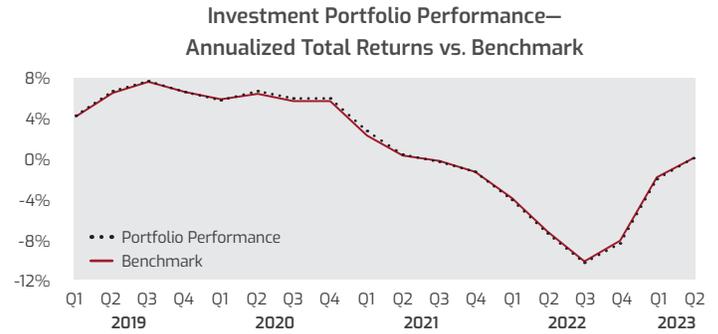
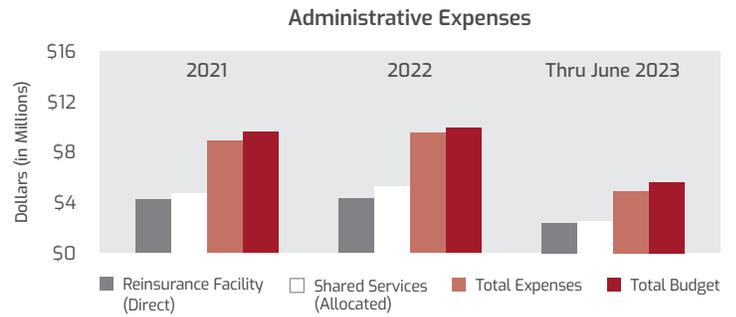


**Edith Davis**  
Chief Financial Officer

**99.9% of monthly financial settlements handled electronically**

**Through June 2023:**

- Assets increased 8% over June 2022.
- Loss Reserves increased 16% over June 2023.
- Liabilities increased 12% over June 2023.
- Members' Equity deteriorated \$57 million to -\$162.8 million.



# Information Services



**Shelley Chandler**  
Chief Information Officer

**85**  
Million

## Transactions

We process over 85 million transactions from 595 carriers in our EDGE system annually, supporting over 2 million sessions each year.

**28**  
Thousand

## Web Users

Our team actively manages 35 custom applications with over 28,000 web users.

**34**  
Percent

## E-mail Filtering

34% of inbound email is rejected to keep our organizations safe.

# Human Resources



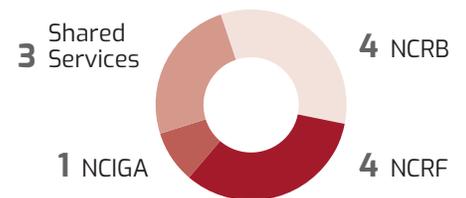
**Vicki Goldbold**  
Chief Human Resources Officer

In 2023, our associates were engaged by on-site trainings which included Microsoft office, leadership lessons, and monthly lunch-and-learn presentations by all organizational departments.

Our Wellness Program consists of

- a partnership with WakeMedHospital,
- a partnership with YogaBlyss,
- a partnership with the NC Prevention Partners,
- American Red Cross re-certification in First Aid/CPR, and
- on-site American Red Cross Blood Drives.

## New Associates Added



## Balance Sheet

As of	June 30, 2023	June 30, 2022
<b>Assets</b>		
Cash (Checking Account)	\$18,018,861	\$22,975,311
Cash Restricted (Including Escrow)	-	-
Investments	1,121,276,764	1,060,472,117
Accounts Receivable	63,185,883	30,255,923
Accrued Interest Receivable	6,661,906	5,883,125
Other Assets	92	92
<b>Total Assets</b>	<b>\$1,209,143,506</b>	<b>\$1,119,586,568</b>
<b>Liabilities &amp; Members' Equity</b>		
Accounts Payable	37,142,788	\$48,570,785
Loss Reserves	908,996,533	785,587,990
Unearned Premium Reserves	425,637,201	390,728,989
Provision for Premium Refunds	-	-
Other Liabilities	200,915	765,021
<b>Total Liabilities</b>	<b>\$1,371,977,437</b>	<b>\$1,225,652,785</b>
Members' Equity	(162,833,932)	(106,066,216)
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$1,209,143,506</b>	<b>\$1,119,586,568</b>

## Income Statement

Fiscal Year through	June 30, 2023	June 30, 2022
<b>Income</b>		
Earned Premiums	\$891,021,434	\$847,744,999
Clean Risk Recoupment	266,006,093	221,025,913
Investment Income	13,543,834	18,791,954
Membership Fee Income	58,900	58,100
Other Income	541,479	301,296
<b>Total Income</b>	<b>\$1,171,171,740</b>	<b>\$1,087,922,261</b>
<b>Expenses</b>		
Losses Incurred	\$944,282,218	\$820,117,092
Ceding & Claims Expenses	329,008,217	322,892,373
Premiums Escrowed	-	-
Other Underwriting Deductions	-	-
Salaries & Administration Expenses	3,193,148	3,002,471
Outside Services Expenses	1,749,095	2,046,770
Other Operating Expenses	2,272,583	2,193,525
<b>Total Expenses</b>	<b>\$1,280,505,261</b>	<b>\$1,150,252,230</b>
<b>Net Income/(Loss) Before Loss Recoupments</b>	<b>\$ (109,333,521)</b>	<b>\$ (62,329,969)</b>
Loss Recoupments	94,205,738	22,884,721
<b>Net Income/(Loss) After Loss Recoupments</b>	<b>\$ (15,127,783)</b>	<b>\$ (39,445,248)</b>

## Special Purpose Balance Sheet

Year Ending	Sept 30, 2022	Sept 30, 2021
<b>Assets</b>		
Cash and Short-Term Investments	\$34,377,247	\$69,670,341
Investments, at Amortized Cost	1,033,569,816	986,919,787
Accrued Interest Receivable	5,747,117	5,458,977
Settlements Receivable from Member Companies	37,751,919	42,391,389
<b>Total Assets</b>	<b>\$1,111,446,099</b>	<b>\$1,104,440,494</b>
<b>Liabilities &amp; Members' Equity</b>		
Loss and Loss Adjustment Expense Reserves		
· In Course of Settlement	\$514,131,642	\$504,091,291
· Incurred But Not Reported	308,855,179	252,446,814
<b>Total Loss and Loss Adjustment Expense Reserves</b>	<b>822,986,821</b>	<b>756,538,105</b>
Unearned Premium Reserves	397,001,871	392,091,085
Advance Clean Risk Subsidies	7,086,951	7,552,173
Settlements Payable to Member Companies	38,894,052	21,838,805
Other Liabilities	269,505	593,467
<b>Total Liabilities</b>	<b>\$1,266,239,200</b>	<b>\$1,178,613,635</b>
Members' Equity	(154,793,101)	(74,173,141)
<b>Total Liabilities and Members' Equity</b>	<b>\$1,111,446,099</b>	<b>\$1,104,440,494</b>

## Special Purpose Statement of Operations

Year Ending	Sept 30, 2022	Sept 30, 2021
Premiums Earned	\$1,132,476,370	\$1,105,947,441
Clean Risk Subsidies	302,073,292	241,695,080
<b>Total Underwriting Income</b>	<b>\$1,434,549,662</b>	<b>\$1,347,642,521</b>
Losses Incurred	\$1,130,836,305	\$990,892,904
Ceding Expense Allowances	296,085,018	287,456,877
Claims Expense Allowances	137,734,862	154,782,192
<b>Total Underwriting Expenses</b>	<b>\$1,564,656,185</b>	<b>\$1,433,131,973</b>
<b>Net Underwriting Loss</b>	<b>\$ (130,106,523)</b>	<b>\$ (85,489,452)</b>
Other Income (Expense)		
Net Investment Income	\$21,552,000	\$21,784,090
Net Realized Investment Gains	(1,592,293)	765,265
Late Premium Charges and Penalties	419,124	139,633
Membership Fees	58,900	57,700
General and Administrative Expense	(8,399,527)	(7,957,649)
<b>Total Other Income – Net</b>	<b>\$12,038,204</b>	<b>\$14,789,039</b>
<b>Net Operating Loss</b>	<b>\$ (118,068,319)</b>	<b>\$ (70,700,413)</b>



# NCRF

NORTH CAROLINA  
REINSURANCE FACILITY

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