



NORTH CAROLINA  
Insurance Guaranty Association

2024

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



# Managing Secretary's Report

Reflecting on the past year, I am proud of the achievements and progress of the NC Insurance Guaranty Association. Despite the challenges and uncertainties posed by unpredictable insolvency activity, they continue to focus on our mission of protecting policyholders and claimants in the event of an insurer insolvency. We also focused on our strategic goals and objectives for the year, which are outlined below.

One of our key initiatives this year is succession planning and developing the next generation of insurance professionals to position us for the future. We implemented new performance evaluation criteria based on a standard set of competencies and behaviors to improve consistency and streamline the evaluation process. It was well received by our associates, and we are following up this year with comprehensive training aimed at enhancing their skills and knowledge in performance assessment and management. We continue with a hybrid work environment that allows our associates to work both remotely and in the office. This flexibility has enabled us to retain and attract talented professionals who are committed to serving our members and claimants. We also completed a compensation study to ensure competitive compensation for our associates and evaluated our benefits package to provide them with more options and flexibility. Moreover, we have fostered a culture of excellence, integrity, and teamwork at the organizations, which includes recognizing and rewarding our associates for outstanding performance and contributions.

Another major accomplishment this year was the successful relocation of our office to a new space that is more contemporary and conducive to collaboration. Our move was on schedule and within budget, and we are now positioned for recruiting talent as well as ongoing occupancy cost savings. We are focused on enhancing technology and security, as we evaluate tools to automate many of our processes, such as our check approval process, and enhance the claims system to meet our needs. These improvements streamline our operations, reduce errors, and increase data quality and security. We also made significant progress in this area with our shared services. We moved our servers offsite to a secure and reliable data center and implemented a new accounting system. These changes will allow us to optimize our resources, increase our efficiency, and comply with audit requirements.

## Technology & Security

- New Accounting System
- Migration of Servers Offsite
- Upgrading Contact System
- Extensive Security Reviews & Initiatives



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## Staffing & Training

- Succession Planning & Cross Training
- Expanding IT Expertise
- Performance Evaluation
- Training



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## Office Relocation

- Recruiting
- Occupancy Savings
- Contemporary Workspace



As we look ahead to the next year, we are confident that we have a strong foundation to fulfill our mission and achieve our goals. We are grateful for the support and trust of our Board of Directors and members as we are committed to working together to fulfill our objectives and obligations. We are also thankful to our associates, who are the backbone of our organization and the key to our success.

Sincerely,



**Joanna Biliouris**, Managing Secretary

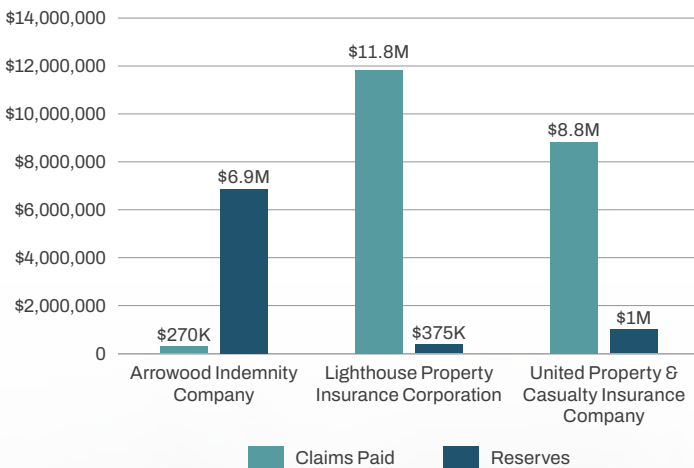
# General Counsel's Report

## Insolvency Proceedings

The Association remains involved in the insolvencies of Lighthouse Insurance Company (“Lighthouse”), which was declared insolvent and placed into liquidation in Louisiana in 2022, and United Property & Casualty Insurance Company (“UPC”), which was declared insolvent and placed into liquidation in Florida in 2023. Both Lighthouse and UPC wrote homeowner’s insurance coverage in North Carolina. To this point, the Association has handled and administered claims arising from the Lighthouse and UPC insolvencies within its obligations and has not had to become involved in first-party litigation claims arising from these insolvencies.

The Association has activated in connection with the insolvency of Arrowood Indemnity Insurance Company (“Arrowood”), which was declared insolvent and placed into liquidation in Delaware in November 2023. Prior to its insolvency, Arrowood was a commercial insurer that had been in runoff for approximately 20 years. As a result, the Arrowood insolvency has presented challenges for the Association in obtaining claim files and coverage information for Arrowood’s insureds from the Arrowood receiver in Delaware. The Association is working with counsel to closely monitor developments in the Arrowood insolvency and to ensure that the Association is able to meet its obligations.

Recent Insolvencies by the Numbers



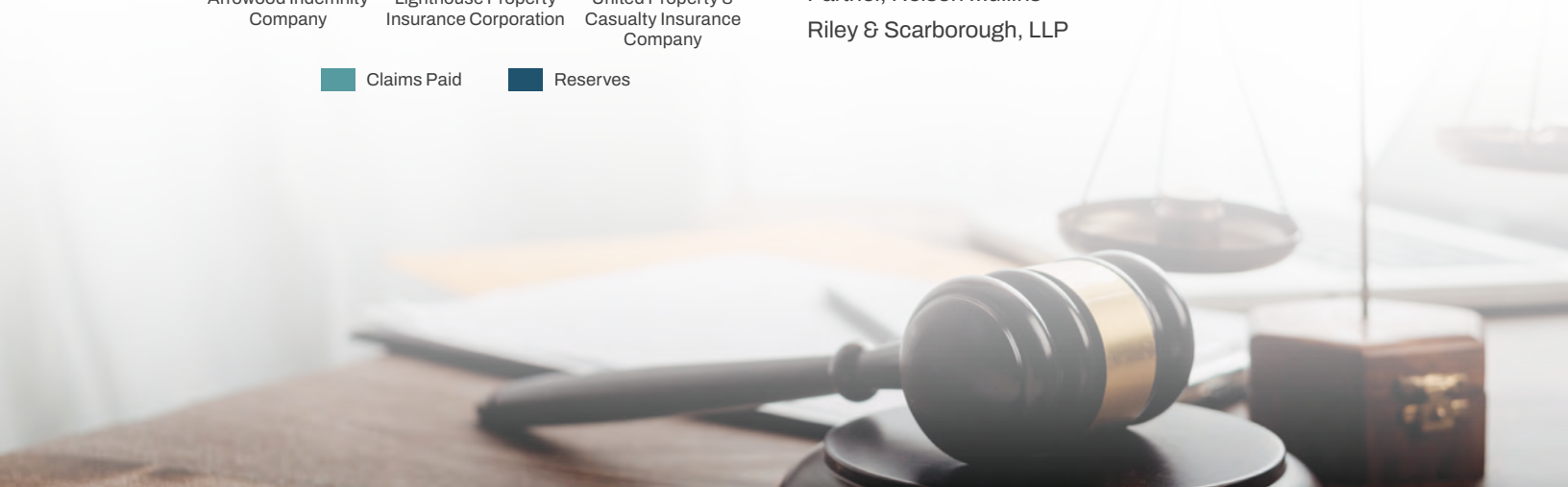
## Statutory Changes

The Association and counsel remain proactive in monitoring events and developments that may impact the Association. One such development is the adoption by the NAIC of a new Model Insurance Guaranty Act, which the Association has been advised by the North Carolina Department of Insurance will lead to potential statutory changes to the Guaranty Act being proposed to the North Carolina General Assembly in 2025.

## CMS Litigation

In the past year, the Association has continued its litigation efforts against the Centers for Medicare and Medicaid Services (“CMS”). In the case of NCIGA v. Xavier Becerra, in his official capacity as Acting Secretary of the United States Department of Health and Human Services, the United States Department of Health and Human Services, and the Centers for Medicare and Medicaid Services, filed on January 25, 2024, in the United States District Court for the Eastern District of North Carolina, the Association filed its second complaint against CMS seeking a judicial declaration that the Association is neither obligated to reimburse CMS for Medicare secondary payments, nor is it obligated to comply with burdensome reporting obligations under Section 111 of the Medicare Secondary Payer statute. The Association seeks the same result reached in the decision of the Ninth Circuit Court of Appeals in CIGA v. Azar, 940 F.3d 1061 (9th Cir. 2019), which held that the California Insurance Guarantee Association (“CIGA”) was not a “primary plan” under the Medicare Secondary Payer Act. The Association and CMS filed cross motions for summary judgment, and briefs are being filed with the Court on an agreed schedule. The Association anticipates that the Court may rule on the merits of the Association’s claims that it is not a “primary plan” within the meaning of the Medicare statutes by the end of 2024.

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





# Chief Operating Officer's Report

*"The best preparation for tomorrow is doing your best today."*

*H. Jackson Brown, Jr.*

In a world where economic landscapes can shift as rapidly as a storm's path, the role of the guaranty fund system has never been more critical. **The unpredictability of new insolvencies that loom on the horizon—small or large, familiar coverages, or those associated with new technology-based risks—has made preparedness a central focus in 2024** for the North Carolina Insurance Guaranty Association (NCIGA).

During the past year, the NCIGA has taken a proactive rather than reactive approach, laying the groundwork to navigate the unforeseen challenges ahead through implementation of pre-liquidation planning, the key to policyholder protection and ensuring the Association's compliance with statutory obligations set forth under the North Carolina Insurance Guaranty Act (N.C. Gen. Stat. §58-48-1.) The NCIGA initiated the automation of several key processes in 2024 to increase efficiencies made possible by advancements in technology. Significant attention also was paid to cross-training of positions, in efforts to create a more versatile staff ready to tackle the range of issues brought about by sudden or unexpected insolvencies. Additionally, the Association is working to establish strategic contracts with outside vendors, guaranteeing access to staffing resources when needed and **advocated for statutory changes in 2024 to align with the NAIC Model Act revisions to address emerging claim exposures.** Other changes, effective October 1, 2023, ratified by the North Carolina General Assembly, increased the statutory cap from \$300,000 to \$500,000 and amended the Insurance Code to address large deductible workers' compensation policies.

In November 2023, the Association activated for Arrowwood Indemnity Company, a Delaware-domiciled insolvency, which presented complex challenges staff worked diligently to resolve without disruption of services to North Carolina policyholders and claimants.

## Proposed



- Cyber Liability
- Insurance Business Transfer (IBT)

VS

## Enacted



- \$500k Cap
- Worker's Comp Large Deductible

The NCIGA along with its sister organizations (NCRB & NCRF) demonstrated the ability in 2024 to **"keep pace with the times."** By relocating to a more favorable business environment, the organizations have positioned themselves to capitalize on emerging opportunities and foster a culture of innovation. The



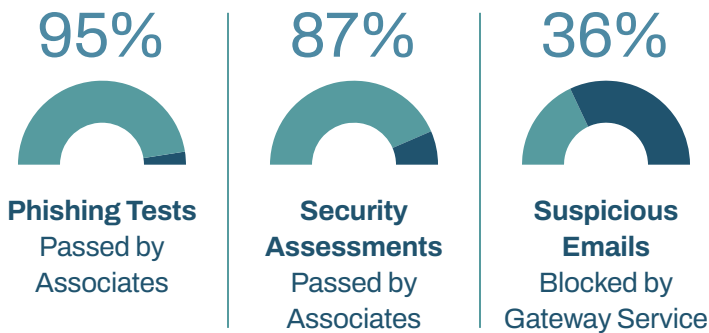
NCRB | NCRF | NCIGA

ongoing commitment to maintain hybrid schedules has empowered our workforce, opening up opportunities for the addition of experienced staff to provide new perspective and industry knowledge. The adoption of new logos has strengthened our identity, signaling a readiness to meet future demands.

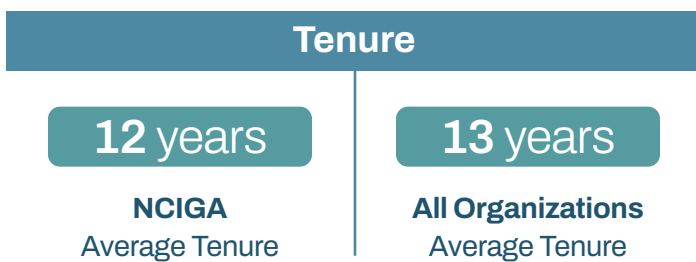
**Information Technology (IT)** led by Shelley Chandler, had a productive 2024, focusing their efforts on creating a foundation to manage the exponential growth of technology. From the standpoint of infrastructure, the data center(s) were relocated to an external location to enhance resiliency and redundancy. The move positions the organizations for future migration to the cloud and simplified the complexity of the August office relocation. Additionally, IT concentrated on improving technology during the year in preparation for the future by continuing to upgrade software and technologies used across the organizations.

The Association **provided the organizations first use case for Artificial Intelligence (AI), bringing the technology front and center** as it remains a key focus for IT as it carefully plans and integrates AI across the organizations in ways that are both cautious and beneficial.

IT continued to prioritize security in 2024, enhancing our environments and systems with new technologies, such as password managers, and maintaining a comprehensive staff education program to reduce human error—a leading security threat.



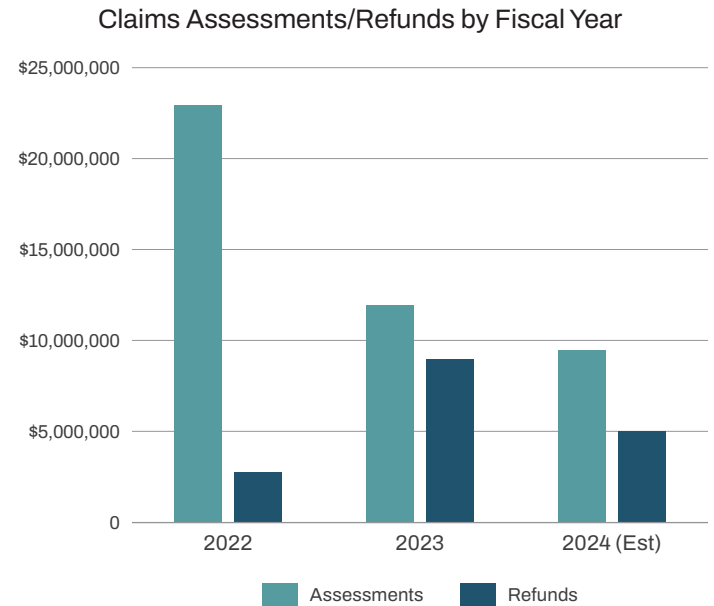
**Human Resources and Facility Services**, headed by Vicki Godbold, played a vital role during 2024 in the organizations' transition to a new office location. They also conducted a market-based analysis of job positions and grades to ensure competitive and fair compensation across the organizations and continued to support the Association through handling of increased administrative tasks due to recent insolvencies.



In 2024, **Finance**, under the leadership of Edith Davis, successfully implemented a new accounting system, a long-term project designed to improve service delivery and efficiency for the organizations and member companies. They also focused on the timely issuance and collection of Association assessments and refunds to ensure proper claims funding and continued to manage administrative expenses through estate reimbursements and interest income from investments. Additionally, Finance and the Association worked together to achieve a clean audit opinion of the NCIGA's December 31, 2023, financial records issued by the firm of Johnson Lambert.

**For the fiscal year ended August 31, 2024**

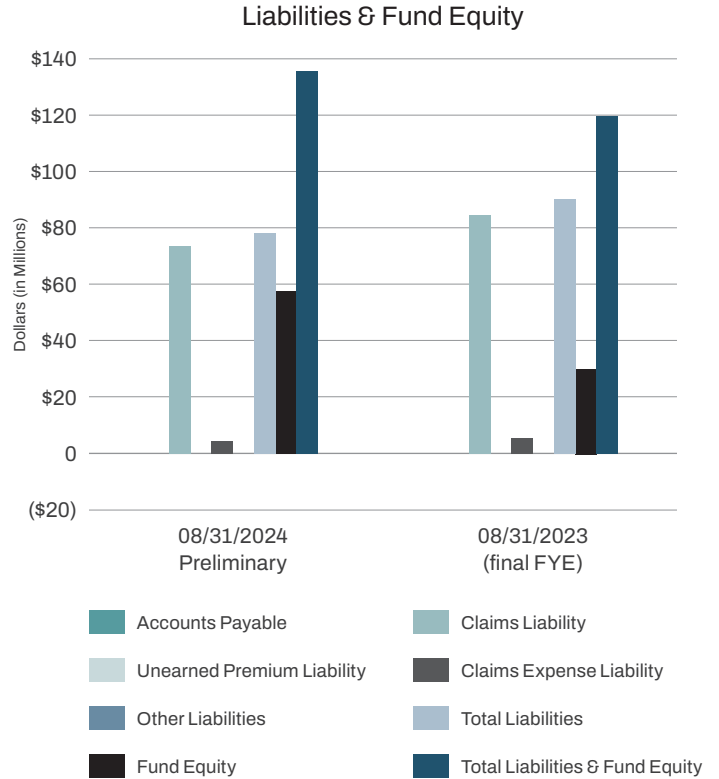
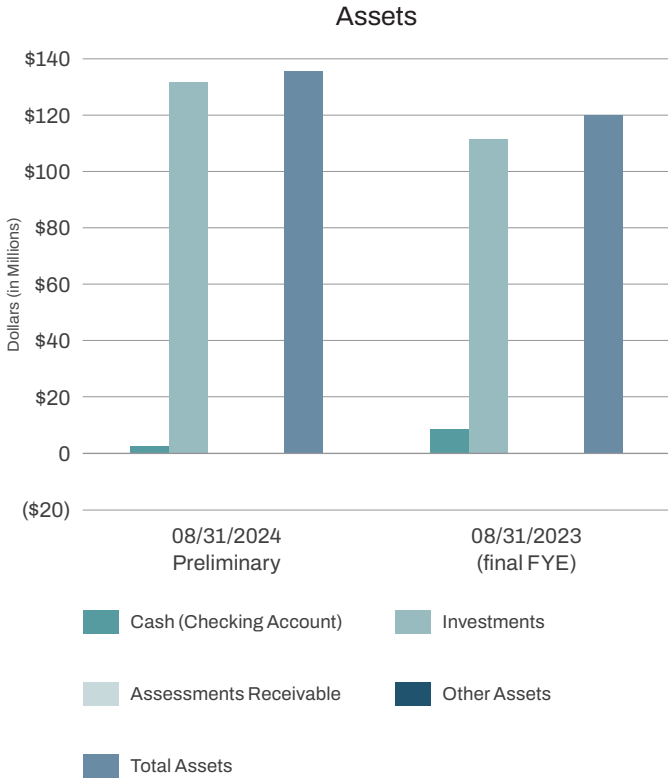
- Assessments were 20% lower than 2023.
- Total claims, claims expense and unearned premium payments decreased 34% over 2023.
- Loss Reserves decreased 12% over 2023.
- Fund Equity increased \$27 million over 2023.
- CY 2023 operating expenses were approximately 2% over budget.



As 2024 concludes, we reflect on a year dedicated to strategic planning and preparation, positioning the Association to meet future challenges ahead. I appreciate the support and guidance of my staff, Shared Services, Association counsel, the Board, and Managing Secretary Joanna Biliouris, who have enabled us to fulfill our mission of protecting the policyholders of North Carolina and safeguarding the promises made to our stakeholders.

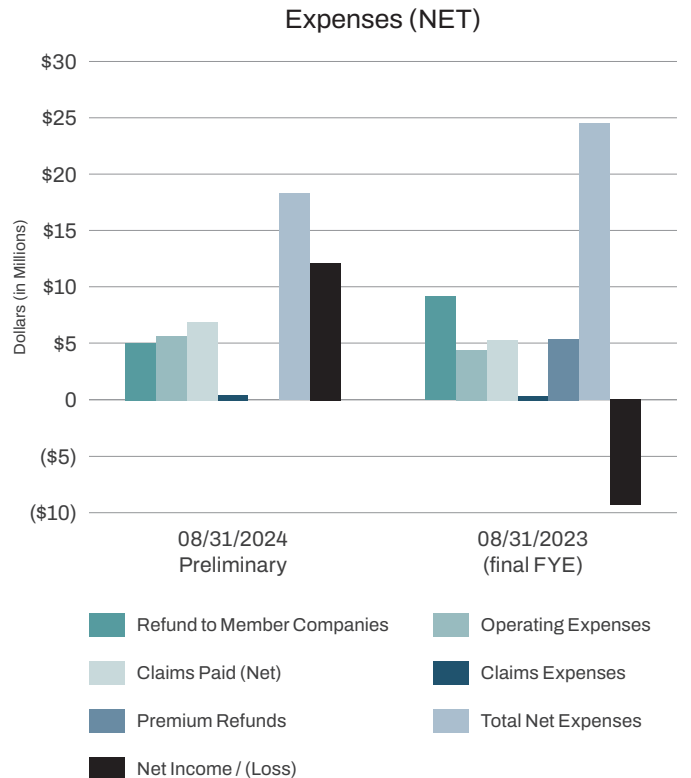
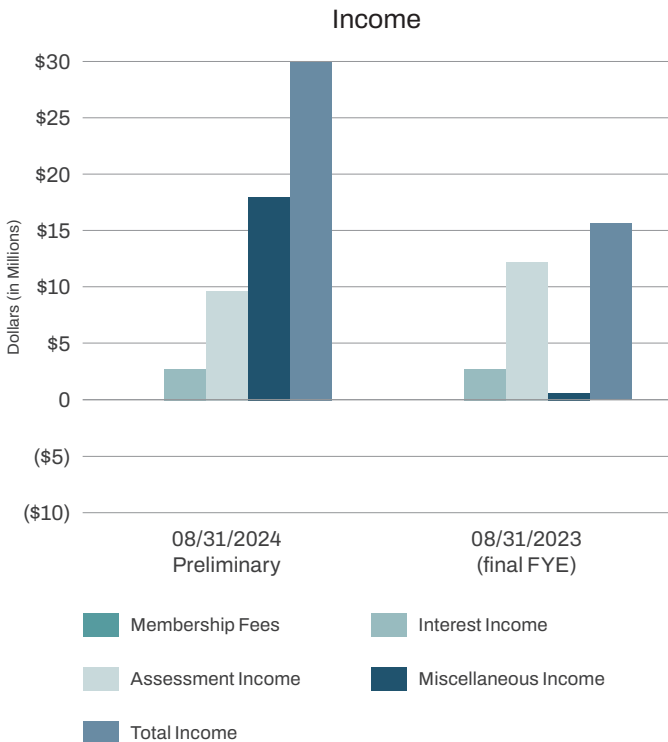
**Donna Kallianos**, Chief Operating Officer

## Balance Sheet



Data for all categories was collected, but values under \$500,000 are not displayed in the charts above.

## Income Statement



Data for all categories was collected, but values under \$100,000 are not displayed in the charts above.

## 2024 Claims Paid

Insolvent Company	WC			All Other			Total
	Indemnity Paid	Expense Paid	Total Paid	Loss Paid	Expense Paid	Total Paid	
Arrowood Indemnity Insurance Co	247,674	21,997	269,672				269,672
Atlantic Mutual Insurance Co	49,822	13,731	63,553				63,553
Bedivere Insurance Co	48,607	1,477	50,084				50,084
CAGC Insurance Co	81,760	1,108	82,868				82,868
Casualty Reciprocal Exchange	9,900	39	9,938				9,938
Centennial Insurance Co	28,795	541	29,336				29,336
Credit General Insurance Co	66,366	20,468	86,834				86,834
Employers Casualty Co	12,896	772	13,668				13,668
Freestone Insurance Co	218,209	1,132	219,341				219,341
Fremont Indemnity Co	82,346	119,710	202,056				202,056
Guarantee Insurance Co	222,086	105,048	327,134				327,134
Home Insurance Co	62,660	1,328	63,988				63,988
Legion Insurance Co	174,057	4,115	178,173				178,173
Lighthouse Property Insurance Corp				118,293	28,077	146,370	146,370
Lumbermans Mutual Group	2,296,744	25,894	2,322,638				2,322,638
Lumbermens UW Alliance	20,480	0	20,480				20,480
Reliance Insurance Co	675,736	36,645	712,382				712,382
South Carolina Insurance Co	0	400	400				400
United Property & Casualty Insurance Co				2,720,776	139,219	2,859,995	2,859,995
Villanova Insurance Co	7,722	200	7,922				7,922
888 WC Mutual Trust	46,626	6,408	53,034				53,034
999 WC Stock Trust	39,495	1,250	40,745				40,745
<b>Gross Total</b>	<b>4,391,981</b>	<b>362,264</b>	<b>4,754,245</b>	<b>2,839,068</b>	<b>167,297</b>	<b>3,006,365</b>	<b>7,760,610</b>
						Recoveries	-714,410
						Net Claims Expenditure	7,046,200

## 2024 Claims Reserved

Insolvent Company	WC				All Other					Total Pending
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Loss Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserve	
Arrowood Indemnity Ins Co	6,191,050	313,233	6,504,283	38	400,004	50,000	450,004	7	6,954,287	45
Atlantic Mutual Ins Co	1,755,162	44,220	1,799,382	3					1,799,382	3
Bedivere Ins Co	961,044	92,934	1,053,977	5					1,053,977	5
CAGC Ins Co	3,049,175	262,329	3,311,505	7					3,311,505	7
Casualty Reciprocal Exchange	736,805	25,381	762,186	2					762,186	2
Centennial Ins Co	599,641	37,777	637,417	2					637,417	2
Credit General Ins Co	2,631,018	203,498	2,834,516	5					2,834,516	5
Employers Casualty Co	81,091	10,153	91,244	1					91,244	1
Freestone Ins Co	671,428	46,529	717,957	2					717,957	2
Fremont Indemnity Co	1,977,064	144,702	2,121,766	2					2,121,766	2
Guarantee Ins Co	1,433,312	85,314	1,518,625	4					1,518,625	4
Home Ins Co	5,181,880	204,413	5,386,293	8					5,386,293	8
Legion Ins Co	3,180,458	306,454	3,486,912	9					3,486,912	9
Lighthouse Property Ins Corp					348,069	27,123	375,192	28	375,192	28
Lumbermans Mutual Group	18,884,433	639,162	19,523,595	11					19,523,595	11
Lumbermens UW Alliance	73,478	7,379	80,856	1					80,856	1
Park Ave P&C Ins Co	-	97,596	97,596	1					97,596	1
Reliance Ins Co	19,831,001	1,303,388	21,134,389	29					21,134,389	29
South Carolina Ins Co	13,405	6,239	19,644	1					19,644	1
United Property & Casualty Co					869,956	189,443	1,059,399	87	1,059,399	87
Villanova Ins Co	138,251	33,802	172,052	2					172,052	2
888 WC Mutual Trust	2,355,443	311,928	2,667,371	10					2,667,371	10
999 WC Stock Trust	1,769,851	47,261	1,817,113	2					1,817,113	2
<b>Gross Total</b>	<b>71,514,988</b>	<b>4,223,691</b>	<b>75,738,679</b>	<b>145</b>	<b>1,618,029</b>	<b>266,566</b>	<b>1,884,595</b>	<b>122</b>	<b>77,623,274</b>	<b>267</b>





NORTH CAROLINA  
**Insurance Guaranty Association**



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