



NORTH CAROLINA  
Reinsurance Facility



2024

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

# Message from the Chair



If I were to summarize the theme of the NCRF in 2024, it would be transition. Some transitions have been exciting, such as moving to a new, modern location. Other transitions have been unexpected, such as my transition from Board member to chair (with lots of learning along the way).

The broader auto market continues to transition out of the pandemic. As losses stabilize, we hope the voluntary market will expand and reduce the growth of the Facility. We view this as a healthy cycle of the market, with the Facility remaining ready to serve NC citizens as needed.

Over the last few years, the Board of Governors has continued to focus on examining results and evaluating the best ways

to steward the risks ceded to the Facility. Part of that work this year was the implementation of private passenger auto and commercial auto rate increases as we continued to address the members' equity deficit. We have also worked extensively to prepare for SL 2023-133 (SB 452) and the sweeping market changes associated with it. While there are several changes contained in the new law, I call special attention to the minimum liability limit increase which moves NC's requirement to one of the highest in the country. No one can fully anticipate how carriers will respond to these changes, but the Facility will be prepared to price all customers in accordance with the new market standards.

As we navigate the numerous transitions, we should challenge ourselves to respond swiftly to new information, while learning from the pitfalls of the previous period.

**Wendel Ridley**, Travelers Indemnity 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. Nine hybrid meetings of the Board were held during the year.

Members	Representative	Agent Members	Representative
Atlantic Casualty Ins Co	Robbie Strickland	Property and Casualty Insurance Producer	Darrin Rankin
GEICO Indemnity Co	Gerry Malloy	Property and Casualty Insurance Producer	Jessica Cromer
Greenville Casualty Ins Co	Dean Kruger	Property and Casualty Insurance Producer	Lesa Williams
Integon Indemnity Corp	Rick Pierce	Property and Casualty Insurance Producer	Mark Maynor
Nationwide Mutual Ins Co	Alex Garate	Alliance of Insurance Agents of NC	Jeffrey W. Butler
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,
		Reverend Dr. Mark R. Royster, Sr.	Commissioner

\*Chair

## 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	Nationwide Mutual Insurance Company	John-Michael Gillivan
Task Force on Recoupment	State Farm Mutual Automobile Insurance Company	Todd Sivills
Claims Committee	The Travelers Indemnity Company	Ryan Pirozzi
Task Force on Expense Allowances	Nationwide Mutual Insurance Company	Alex Garate

# General Manager's Report



As we reflect on the past year, I recall the achievements of the NC Reinsurance Facility (Facility). Despite the challenges and uncertainties posed by our economic and regulatory environment, we remained focused on our mission of ensuring the availability of automobile liability insurance to North Carolinians.

The Facility is a trusted and reliable resource for regulators and legislators on matters related to the Facility and the automobile insurance market in North Carolina. We provided valuable input on technical corrections for SL 2023-133 (SB 452) and successfully advocated to delay implementation to ensure the industry had adequate time to prepare for these significant changes. We shared information on the value, purpose, and role of the Facility with the House Oversight and Reform Committee, which conducted a review of the North Carolina automobile market and the role of the Facility within that landscape.

The Facility is focused on preserving and improving members' equity. We utilize a prudent and diversified investment strategy that balances risk and return and aligns with the Facility's liquidity and capital needs. The Facility maintains a strong financial position to withstand volatility in the market.

We also look for ways to leverage technology to improve operations. We expanded the Insurance Data Collection (IDC) system to include commercial auto data call information, enabling collection and analysis of comprehensive data on ceded commercial risks. We also made significant progress in this area

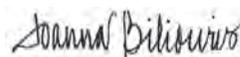
with our shared services. We moved our servers to a secure and reliable data center and implemented a new accounting system to streamline our financial processes and reporting to position us for the future. These changes allow us to optimize our resources, increase our efficiency, and improve data quality and security.

One of our key initiatives is succession planning and developing the next generation for the future. We implemented new performance evaluation criteria based on a standard set of competencies to improve consistency and simplify the evaluation process. We completed a compensation study to ensure competitive compensation for our associates and to attract new hires. Moreover, we foster a culture of excellence, integrity, and teamwork, including recognizing outstanding performance and contributions.

Another major accomplishment is the successful relocation of our office to a space that is more contemporary and conducive to collaboration. Our move was on schedule, within budget, and reduced occupancy expenses. Our new location and hybrid work environment offer flexibility to retain and attract talented professionals.

In conclusion, I would like to thank our Board of Governors, committees, task forces, Facility members, counsel, and our associates for their contributions, trust, and support in 2024. We are proud of what we have achieved together and look forward to building on our success in the coming year.

Sincerely,

A handwritten signature in black ink that reads "Joanna Biliouris". The signature is written in a cursive, flowing style.

**Joanna Biliouris**, General Manager

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# Management Report



This year much of our focus was drawn to addressing the key items of ceded policy growth and SL 2023-133. While staff never knows why a risk is ceded to the Facility, we did expect the December 2023 private passenger auto rate increase would decelerate the influx of risks ceded to the Facility. While policies in force

growth has slowed in recent months, the Facility still posted a record 1.5 million policies in force as of June 2024. Unfortunately, we continue to hear industry reports on the impacts of rate inadequacy and inflation on member company results.

Higher policy counts drive higher written premium. As a result of this increase, the Facility's share of North Carolina's auto liability premium rose to 26.9% at the end of calendar year 2023—the highest level in five years.

This leads us to the coverage increases in SL 2023-133 (SB 452). Since the majority of Facility policies have the current minimum of 30/60/25 limits today, we can only assume the increase in minimum limit requirements and significantly greater coverage on underinsured motorists will unfavorably impact future Facility results.

There is positive news to share on members' equity. The June quarter closed with members' equity in the black for the first time since December 2014. The bulk of this improvement was driven by recoupment on private passenger auto.

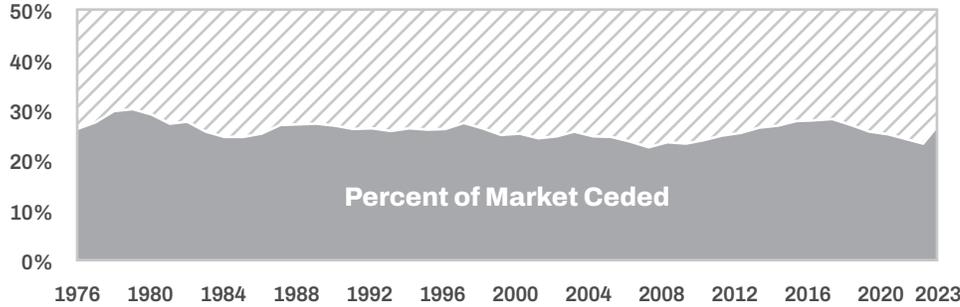
As always, I greatly appreciate the efforts and guidance of the Board of Governors, committees, member companies, counsel, and associates as we continue to steer the organization.

**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



**26.9**  
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.



**1.5+**  
Million

### Policies in Force

Total policies in force grew to over 1.5 million in 2024 and are expected to remain above this level through the end of the fiscal year. Private passenger auto policies have increased by over 200,000 since June 2023. Policies in force for the commercial auto line continue to hover in the 25,000 to 27,000 range.



**1.5+**  
Billion

### Direct Written Premium

Total written premium is fully expected to eclipse \$1.5 billion in fiscal year 2024, exceeding the premiums from the past two years. The premium split by line has shifted slightly, with private passenger auto contributing 91% and commercial auto, 9%.

Net Result of Operations (after recoupment)



**\$15.9**  
Million

### Members' Equity

The Facility's results have improved over the past year, due largely in part to recoupment on private passenger auto. Our quarterly Net Results of Operations had favorable movement, translating to a significant improvement in members' equity to a surplus of \$15.9M as of June 2024. Private passenger auto drove our improvement with a positive \$59M in Members' Equity, while the commercial auto equity position worsened slightly during the last 12 months, falling to a deficit of \$44M.

# 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.

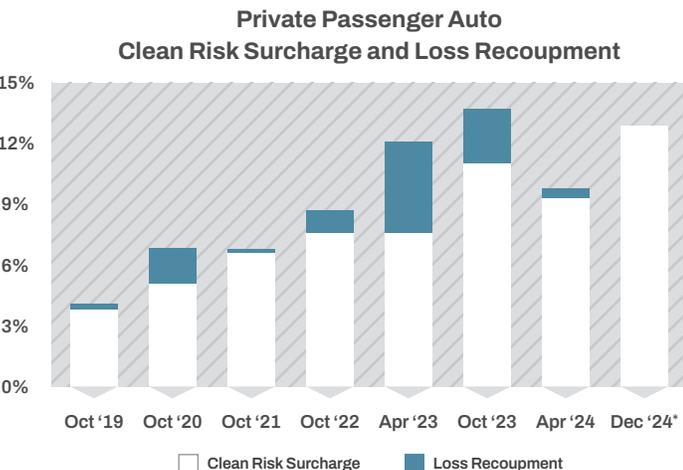
## Private Passenger

Effective Date	Action	Circular
7/1/25	> Law Change—SL 2023-133 and SL 2023-2024-29	RF-24-12
12/1/24	> 23.4%—“OTC” rate increase	RF-24-7
10/1/24	> Commercial Auto Manual Updates	RF 24-6
12/1/23	> Multiple Changes (Clean and OTC)	RF-23-10
10/1/23	> New Endorsement Options	RF-23-4
10/1/23	> 22.6%—“OTC” rate increase	RF-23-3
4/1/23	> Rule Changes	RF-22-8
10/1/22	> 7.3%—“OTC” rate increase	RF-22-4

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



\*No loss recoupment in December 2024

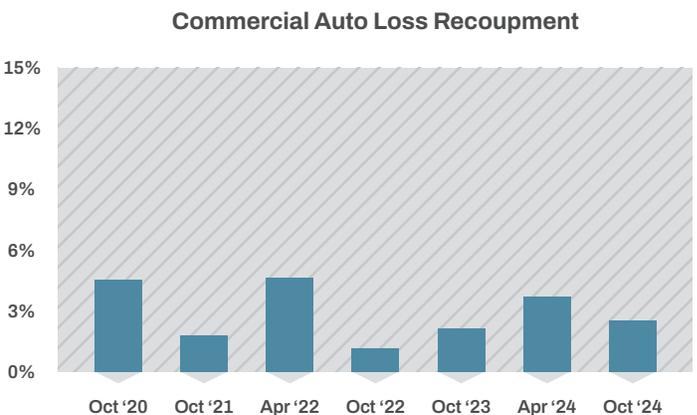
## Commercial

Effective Date	Action	Circular
10/1/24	> Commercial Auto Manual Updates	RF 24-6
4/1/24	> 12.8% Rate Increase	RF-23-13
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

## 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 team continues to improve and add new technologies focused on process improvements. Succession planning has become a priority in recent years, and with the blend of tenured associates along with the hiring of skilled industry professionals, the team is stronger now than ever before. In order to continue to build the compliance team's bench strength, we regularly share duties and cross train between disciplines.



# Finance

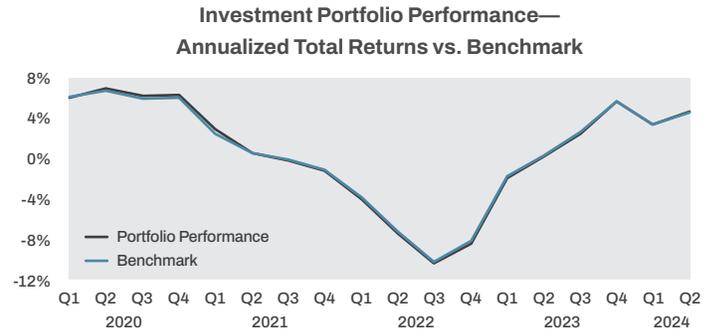
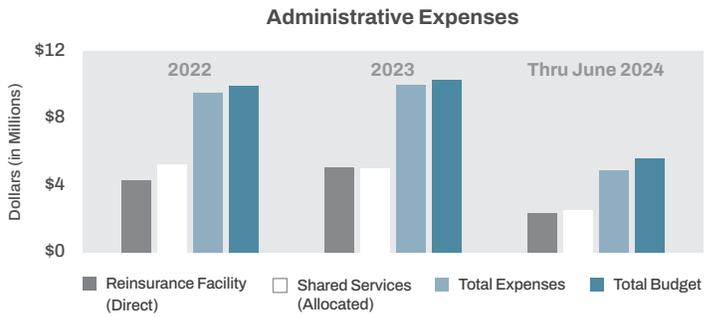


**Edith Davis**  
Chief Financial Officer

## New Accounting system implemented in 2024

Through June 2024

- Assets increased 36% over June 2023.**
- Liabilities increased 19% over June 2023.**
- Loss Reserves increased 17% over June 2023.**
- Members' Equity increased \$185.4 million over June 2023 to \$15.9 million.**



# Information Services



**Shelley Chandler**  
Chief Information Officer



## Transactions

During the last 12 months, we processed over 96 million transactions from 607 carriers in our EDGE system, supporting over 3 million sessions.



## Web Users

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



## E-mail Filtering

36% of inbound email is rejected to keep our organizations safe.

# Human Resources



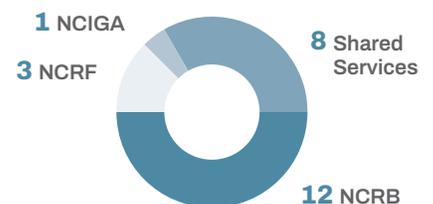
**Vicki Goldbold**  
Chief Human Resources Officer

Our Human Resources team utilizes a strategic and comprehensive approach committed to our organization's most valued assets—our people. In 2024, we completed an office move to a new location that better fits the needs of our associates. We also hired an outside consultant to complete a competitive market-based analysis of all job positions. These decisions were made to position ourselves for success in retaining and attracting talent within our organization.

Our Wellness Program consists of

- a partnership with WakeMed Hospital,
- 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, 2024	June 30, 2023
<b>Assets</b>		
Cash (Checking Account)	\$50,802,148	\$18,018,861
Cash Restricted (Including Escrow)	-	-
Investments	1,520,317,646	1,121,276,764
Accounts Receivable	64,323,247	63,185,883
Accrued Interest Receivable	10,169,459	6,661,906
Other Assets	92	92
<b>Total Assets</b>	<b>\$1,645,612,592</b>	<b>\$1,209,143,506</b>
<b>Liabilities &amp; Members' Equity</b>		
Accounts Payable	\$26,124,435	\$37,142,788
Loss Reserves	1,067,935,168	908,996,533
Unearned Premium Reserves	535,340,769	425,637,201
Provision for Premium Refunds	-	-
Other Liabilities	321,221	200,915
<b>Total Liabilities</b>	<b>\$1,629,721,593</b>	<b>\$1,371,977,437</b>
Members' Equity	15,891,000	(162,833,932)
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$1,645,612,592</b>	<b>\$1,209,143,506</b>

## Income Statement

Fiscal Year through	June 30, 2024	June 30, 2023
<b>Income</b>		
Earned Premiums	\$1,154,861,958	\$891,021,434
Clean Risk Recoupment	404,953,269	266,006,093
Investment Income	34,467,359	13,543,834
Membership Fee Income	60,300	58,900
Other Income	882,747	541,479
<b>Total Income</b>	<b>\$1,595,225,633</b>	<b>\$1,171,171,740</b>
<b>Expenses</b>		
Losses Incurred	\$1,119,619,374	\$944,282,218
Ceding & Claims Expenses	422,429,157	329,008,217
Salaries & Administration Expenses	3,424,024	3,193,148
Outside Services Expenses	2,283,077	1,749,095
Other Operating Expenses	2,645,744	2,272,583
<b>Total Expenses</b>	<b>\$1,550,401,377</b>	<b>\$1,280,505,261</b>
<b>Net Income/(Loss) Before Loss Recoupments</b>	<b>\$44,824,256</b>	<b>\$(109,333,521)</b>
Loss Recoupments	93,351,216	94,205,738
<b>Net Income/(Loss) After Loss Recoupments</b>	<b>\$138,175,472</b>	<b>\$(15,127,783)</b>

## Special Purpose Balance Sheet

Year Ending	Sept 30, 2023	Sept 30, 2022
<b>Assets</b>		
Cash and Short-Term Investments	\$38,632,658	\$34,377,247
Investments, at Amortized Cost	1,167,583,077	1,033,569,816
Accrued Interest Receivable	6,908,627	5,747,117
Settlements Receivable from Member Companies	92,794,650	37,751,919
<b>Total Assets</b>	<b>\$1,305,919,012</b>	<b>\$1,111,446,099</b>
<b>Liabilities &amp; Members' Equity</b>		
Loss and Loss Adjustment Expense Reserves		
• In Course of Settlement	\$557,568,644	\$514,131,642
• Incurred But Not Reported	378,025,658	308,855,179
<b>Total Loss and Loss Adjustment Expense Reserves</b>	<b>935,594,302</b>	<b>822,986,821</b>
Unearned Premium Reserves	472,687,443	397,001,871
Advance Clean Risk Subsidies	9,479,691	7,086,951
Settlements Payable to Member Companies	19,360,344	38,894,052
Other Liabilities	561,396	269,505
<b>Total Liabilities</b>	<b>\$1,437,683,176</b>	<b>\$1,266,239,200</b>
Members' Equity	(131,764,164)	(154,793,101)
<b>Total Liabilities and Members' Equity</b>	<b>\$1,305,919,012</b>	<b>\$1,111,446,099</b>

## Special Purpose Statement of Operations

Year Ending	Sept 30, 2023	Sept 30, 2022
Premiums Earned	\$1,218,258,283	\$1,132,476,370
Clean Risk Subsidies	361,326,136	302,073,292
<b>Total Underwriting Income</b>	<b>\$1,579,584,419</b>	<b>\$1,434,549,662</b>
Losses Incurred	\$1,258,423,855	\$1,130,836,305
Ceding Expense Allowances	310,455,698	296,085,018
Claims Expense Allowances	151,486,437	137,734,862
<b>Total Underwriting Expenses</b>	<b>\$1,720,365,990</b>	<b>\$1,564,656,185</b>
<b>Net Underwriting Loss</b>	<b>\$(140,781,571)</b>	<b>\$(130,106,523)</b>
Other Income (Expense)		
Net Investment Income	\$26,452,447	\$21,552,000
Net Realized Investment Losses	(7,294,664)	(1,592,293)
Late Premium Charges and Penalties	860,857	419,124
Membership Fees	59,300	58,900
General and Administrative Expense	(8,952,079)	(8,399,527)
<b>Total Other Income — Net</b>	<b>\$11,125,861</b>	<b>\$12,038,204</b>
<b>Net Operating Loss</b>	<b>\$(129,655,710)</b>	<b>\$(118,068,319)</b>



NORTH CAROLINA  
**Reinsurance Facility**



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