

North Carolina Insurance Guaranty Association

Annual Report



Core Values

Commitment

Faithfully and diligently fulfill the obligations of our Organization as set forth in the statutes.

Integrity

Perform each task as efficiently as possible with absolute honesty and integrity.

Respect

Treat your fellow associates and those you serve on behalf of the Organization with dignity and respect.

Talents

Continually strive to improve the Organization through the use of every associate's talents and creativity.

Ownership

Encourage participation and a sense of ownership from the members of our Organization.

Consistency

Demonstrate fairness and consistency among all associates and encourage personal development.

Insurance Guaranty Association

Table of Contents

Message from the Chairman	2
Board of Directors	2
Subcommittee	2
Managing Secretary's Report	3
IGA Director's Report	4-5
Claims Paid Detail	6-7
Claims Reserved Detail.	6-7
NCIGA Management Dashboard	8
Management Photographs	9
Report of NCIGA Counsel	10
Finance Director's Report	11
Balance Sheet & Income Statement	12
Ernst & Young Audit Report	13

General Organizational Information

NCIGA Main Phone Number	919-783-9813
Facsimile	919-783-5262
Toll Free	800-456-5086
Website Address	www.ncrb.org/nciga/
Physical Address	5401 Six Forks Road Raleigh, NC 27609

Management Contacts

Ray Evans	Managing Secretary	919-783-9790	rfe@ncrb.org
R. Mike Newton	Director, IGA	919-582-1018	rmn@ncrb.org
William C. Delbridge	Manager, Claims	919-582-1040	wcd@ncrb.org
Vicki Godbold	Director, Human Resources & Administrative Services	919-645-3170	vcg@ncrb.org
David Sink	Director, Finance	919-582-1012	des@ncrb.org
Shelley Chandler	Director, Information Services	919-582-1057	src@ncrb.org

Message from the Chairman

This year, for all its economic uncertainties, has certainly passed quickly, making it 39 years that the North Carolina Insurance Guaranty Association has served as the state-based safety net for the insurance-buying public in the event of the insolvency of a member company. During the past fiscal year, the Board of Directors has activated the Association to respond to the insolvencies of Park Avenue Ins. Co., INSCORP of NY, Imperial Property and Casualty, and Pegasus Insurance Company. These are relatively small insolvencies when discussing claims numbers and ultimate liabilities, but each of those claims represents a party for whom the Association serves as a safety network.

The Association's Staff has continued to accept the expectations placed on them by its Board. Those directives have been and remain to do the right thing, to act fairly and promptly in its dealings with all parties, to carry out aggressively the intent of the legislature as stated by the Guaranty Act, to continue to refine its processes, and to improve its efficiencies. I am pleased to say the Association's Staff has willingly met and surpassed those expectations placed upon it, and we have come to expect nothing less.

I am sure Staff joins me when I say this is an enterprise made easier with the help of many dedicated individuals to whom I owe a profound thank you, including my fellow Board Members, those serving on the Audit Subcommittee, Outside Counsel and, of course, the Guaranty Staff led by managing secretary, Ray Evans.

While we look with hope towards the future, I assure you that the Association stands ready to carry out its duties in the upcoming year.

Sincerely,
Thomas M. Huels

Thomas M. Huels

Board of Directors

The Plan of Operation provides that the Board of Directors consists of eight directors, comprised of seven elected directors, all of whom are member insurers, who shall serve three-year terms, or until their successors have been elected and qualified, and one non-voting director, who shall be a property and casualty insurance agent authorized to write insurance for a member company and who is appointed by the Commissioner of Insurance to serve for a three-year term at the pleasure of the Commissioner.

Members	Representative
Allstate Insurance Company	Nancy Lemke
Integon Indemnity Corporation	Art Lyon
Liberty Mutual Insurance Company	Cheryl B. Watts
Nationwide Mutual Insurance Company	Kevin George
NC Farm Bureau Mutual Insurance Company	Allen Houck**
State Farm Mutual Auto Insurance Company	Tom Huels*
Travelers Indemnity Company	Ken Surian
Non-voting Member	
Property & Casualty Agent	Delaine Bradsher

Subcommittee

The Audit Committee oversees the financial activities of the Association and formulates recommendations for presentation to the Board of Directors.

Members	Representative
Nationwide Mutual Insurance Company	Kevin George
NC Farm Bureau Mutual Insurance Company	Allen Houck*
Liberty Mutual Insurance Company	Cheryl B. Watts

*chairman, **secretary-treasurer

Managing Secretary's Report

Despite several years of a sour economy and predictions to the contrary, the past year has yielded no large insurance carrier insolvencies. There have been a handful of smaller carrier failures, but nothing to match those of 2001 and 2002.

This does not mean, however, that the IGA has not been busy. At this time last year, we detailed four objectives for the coming year:

- Continue preparations for the “big one.”
- Become more involved in the Guaranty Funds community in order to gain more voice in matters of common interest.
- Because of the reserves being accumulated, refine our money management and investment practices.
- Continue to match resources to the current work load.

I believe the organization has made great progress in each.

Preparations for the “big one,” which serves us well for any insolvency, includes working with 18 other funds to identify and install a next generation operating system and working with the NCIGF to implement best practices. Mike Newton is chair of the group working towards deploying a new operating system, and while there have been many hurdles and the phrase “herding cats” comes to mind, he is making good progress.

In addition to Mike’s participation with the group noted above, he is the national chair of the NCIGF Coordinating Committee; this group’s basic responsibility is to coordinate activities of state guaranty funds as they relate to an insolvency. Because of Mike’s national involvement, the NCIGA now has more input

into the guaranty funds system. (On a more local note, our adjusters have participated in several North Carolina workers’ compensation discussions where their expertise in adjusting these claims has been helpful in providing insight into a larger effort to recommend potential changes.)

The financial status of the NCIGA is displayed and detailed on the following pages, but by any measure, we are much more secure in our ability to continue to pay claims and perform our other responsibilities. With this position, however, comes the obligation to make the best use of the funds we have; I believe, and you’ll see in the reports, that Dave Sink and Alan Houck, Chair of the Audit Committee, are doing a great job.

We also continue to match resources to work load, and while the insolvencies in which we have participated are individually small, the sum of them requires a full-time adjuster. Although we have been short-handed for some time due to an associate’s illness, we managed to meet our responsibilities without having to add staff.

Our work this past year wasn’t centered around a single major event, but we can nonetheless point to many successes. My thanks to the Board and Tom Huel for their support and guidance, our attorneys for keeping us out of trouble and maintaining the integrity of the statutes, and our associates for their professionalism and hard work.



Ray Evans
Managing Secretary, IGA



R. Mike Newton
Director, IGA

Director's Report

Mission Statement

Our Mission is to fulfill statutorily created duties, which are to provide a mechanism for the payment of covered claims as defined by the Guaranty Act, to avoid excessive delay in those payments, to avoid financial loss to claimants or policyholders because of the insolvency of an insurer, to assist in the detection and prevention of insurer insolvencies, and to provide an association to assess the cost of such protection among insurers. The manner in which our associates carry out those duties will define our excellence as an organization.

Key Statutory Language

Reflections on legislation forming the Association and defining its role and guidance

ARTICLE 48. — Post-assessment Insurance Guaranty Association.

- 58-48-5. Purpose of Article.
States the purpose of Article 48 and is incorporated into our Mission Statement
- 58-48-25. Creation of the Association.
Creates the Guaranty Association
- 58-48-30. Board of directors.
Establishes a Board through which the Association exercises its powers
- 58-48-35. Powers and duties of the Association.
Sets forth powers and duties
- 58-48-40. Plan of operation.
Establishes a plan to assure the fair, reasonable, and equitable administration of the Association

Fast Facts

The General Assembly of NC enacted the Insurance Guaranty Association Act June 25, 1971.

The Association has 766 current members, with the Statute mandating that all insurers defined as “member insurers” under the Act shall become and remain members as a condition of their authority to transact insurance in this State.

On March 17, 1975, Summit Insurance Company of New York became the first of 57 insolvencies for which the Association activated.

The Association receives its funding through access to the insolvent members special deposit held by the NC Dept of Insurance, through assessment of active member companies, and as creditors of the insolvent Carrier.

The Association has paid out over \$244 million in claims and claims expense payments.

The Association, with administrative expenses of \$28.3 million, has an operating expense ratio of 8.2 percent, which compares favorably to active commercial carriers.

Observations

In the 2009 Annual Report, I advised that the Association was developing a strategic plan to close the gap from where we were currently positioned to where we deemed to be the ideal position. I stated that this required some organizational soul searching as you first needed to evaluate truthfully your organization's current situation. Then you needed to define goals and objectives to visualize where the organization ideally should be positioned. At that point, you needed to determine the course of action necessary to close the gap between the current position and the ideal position. The course of action needed to position the organization at its ideal state would be your organization's “strategic plan.”

The IGA had established eight tasks for its initiative list, and they were: 1) metric review for a management dashboard, 2) develop a CMS program, 3) develop a document retention & destruction policy, 4) conduct an audit of the ISU software and its vendor, 5) complete process documentation, 6) develop a matrix for cross training within the IGA, 7) develop a rapid-response team for new insolvencies, and 8) explore options to develop external opportunities.

It's appropriate to provide a 2010 status report on those endeavors; specifically, seven of the eight objectives have been addressed at this point, and the status is as follows:

1. Metrics have been defined, and the management dashboard is presented as part of this year's report.
2. CMS program is completed, and we have successfully tested the product on the Federal website.
3. Document retention & destruction policy has been developed, and we are waiting on approval of software for implementation purposes.
4. ISU software audit is not proceeding until vendor and Association conclude rewrite of the Annual User's Agreement currently in the hands of counsel.
5. Process documentation is current, as is training manual.
6. Matrix was developed showing cross-training opportunities which were initiated within the Association.
7. We have explored options to develop outside opportunities to serve as servicing facilities and were successful in having the Act amended to allow such endeavors.

As reported, the Association has been making steady progress and will continue working towards closing the "gap" to obtain the envisioned organizational position.

Operations Report

During the report year, the Association received in 142 new claim files and closed 145 files, leaving 374 files open as of August 31, 2010. The Association issued 16,936 checks during the process of paying out a net of \$9,049,840 in indemnity claims, unearned premium claims, and allocated claim expenses during the report year.

Through the efforts of Staff and Legal Counsel, we continued to pursue aggressively net worth, subrogation, and large deductible recoveries utilizing the Guaranty Act's various provisions, recouping \$1,535,334, a 16 percent recovery rate considering funds spent during the report year.

Workers' Compensation claims continued to be the focus of claims adjustment activity, with 98 percent of the indemnity and claims expense net payments paid (\$8,876,044) during the report year and 97 percent of current reserves (\$60,147,952) as of the report period's ending being workers' compensation related.

Casualty claim files numbered 22 open and were reserved for \$1,694,479. These cases involve commercial exposures, with most being subject to litigation and posing interesting questions under the policy coverage and the provisions of the Guaranty Act. These claims are handled by a part-time supervisor who also handles our net worth and large-deductible recoveries as well as supervises the clerical staff.

The Association activated for four new insolvencies this year, and while the resulting claims count was modest (122), these files needed major work, and Staff moved quickly, closing 52 of the files and upholding our duty of providing a safety network for affected parties.

We remain mindful of associate-to-workload ratios as we continue to monitor the workloads of Staff. The cross training among Staff proved valuable this year when we were able to continue operations without the service of a key management associate due to illness.

We continue to carry out the Board's directive of handling claims in a fair and prompt manner, providing the promised safety net to our State's insurance-buying public while refining our processes to ensure that we are operating efficiently.

R. Mike Newton
Director, IGA

R. Mike Newton

Claims Paid Detail

	WC			Auto		
	Indemnity Paid	Expense Paid	Total Paid	Indemnity Paid	Expense Paid	Total Paid
Casualty Reciprocal	\$246,085	\$57,846	\$303,931			
Credit General	\$214,943	\$20,805	\$235,748			
Employers Casualty	\$40,074	\$9,468	\$49,542			
Fremont Indemnity Co	\$36,141	\$2,303	\$38,444			
Home Insurance	\$227,453	\$63,853	\$291,306			
Imperial Casualty	\$71,964	\$32,846	\$104,809			
INSCORP Insurance	\$141,131	\$14,556	\$155,687			
Legion Insurance Co	\$1,591,755	\$129,601	\$1,721,356		\$8,519	\$8,519
Park Ave Insurance	\$582,461	\$155,680	\$738,141			
Pegasus Insurance			\$0			
PHICO Insurance	\$31,811	\$3,198	\$35,009			
Reliance Insurance Co	\$2,862,265	\$183,531	\$3,045,796	\$21,355		\$21,355
ROA Insurance Co	\$163,190	\$49,431	\$212,620			
Shelby Insurance Co	\$56,962	\$8,487	\$65,448			
South Carolina Insurance Co	\$294,944	\$55,595	\$350,539	\$110,000	\$15,113	\$125,113
Villanova Insurance Co	\$242,320	\$28,771	\$271,091			
888 Mutual Trust	\$1,069,382	\$108,107	\$1,177,489			
999 Stock Trust	\$69,924	\$9,163	\$79,087			
Total	\$7,942,803	\$933,241	\$8,876,044	\$131,355	\$23,632	\$154,987

Claims Reserved Detail

	WC				Auto			
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending
Casualty Reciprocal	\$1,905,101	\$89,650	\$1,994,751	16				
Credit General	\$2,118,373	\$48,958	\$2,167,331	4				
Employers Casualty	\$334,215	\$19,024	\$353,239	6				
Fremont Indemnity Co	\$1,315,439	\$17,360	\$1,332,799	2				
Home Insurance	\$3,614,302	\$333,308	\$3,947,610	48				
Imperial Casualty	\$673,388	\$140,428	\$813,816	42				
INSCORP Insurance	\$1,911,480	\$102,945	\$2,014,425	4				
Legion Insurance Co	\$6,476,040	\$311,576	\$6,787,615	39	\$10,000	\$6,566	\$16,566	1
Park Ave Insurance	\$3,657,245	\$301,767	\$3,959,012	22				
Pegasus Insurance	-		\$0					
PHICO Insurance	\$160,082	\$5,000	\$165,082	3				
Reliance Insurance Co	\$19,909,292	\$1,162,322	\$21,071,613	84	\$500,566	\$8,632	\$509,197	3
ROA Insurance Co	\$3,454,794	\$160,550	\$3,615,344	16				
Shelby Insurance Co	\$841,509	\$59,181	\$900,690	6	\$29,000	\$7,274	\$36,274	2
South Carolina Insurance	\$1,606,674	\$78,948	\$1,685,622	5	193,918	\$7,109	\$201,027	3
Villanova Insurance Co	\$340,592	\$36,240	\$376,832	7				
888 Mutual Trust	\$7,842,707	\$338,679	\$8,181,386	45				
999 Stock Trust	\$755,611	\$25,173	\$780,784	3				
Total	\$56,916,843	\$3,231,108	\$60,147,952	352	\$733,484	\$29,580	\$763,064	9

	All Other		Total
	Expense Paid	Total Paid	
Casualty Reciprocal			\$303,931
Credit General			\$235,748
Employers Casualty			\$49,542
Fremont Indemnity Co			\$38,444
Home Insurance			\$291,306
Imperial Casualty			\$104,809
INSCORP Insurance			\$155,687
Legion Insurance Co			\$1,729,876
Park Ave Insurance			\$738,141
Pegasus Insurance			\$0
PHICO Insurance			\$35,009
Reliance Insurance Co			\$3,067,151
ROA Insurance Co			\$212,620
Shelby Insurance Co			\$65,448
South Carolina Insurance Co	\$43	\$43	\$475,695
Villanova Insurance Co			\$271,091
888 Mutual Trust			\$1,177,489
999 Stock Trust			\$79,087
Total	\$43	\$43	\$9,031,074
			Unearned Premium \$18,765
			TOTAL NET PAYMENTS \$9,049,840

Claims Paid Detail

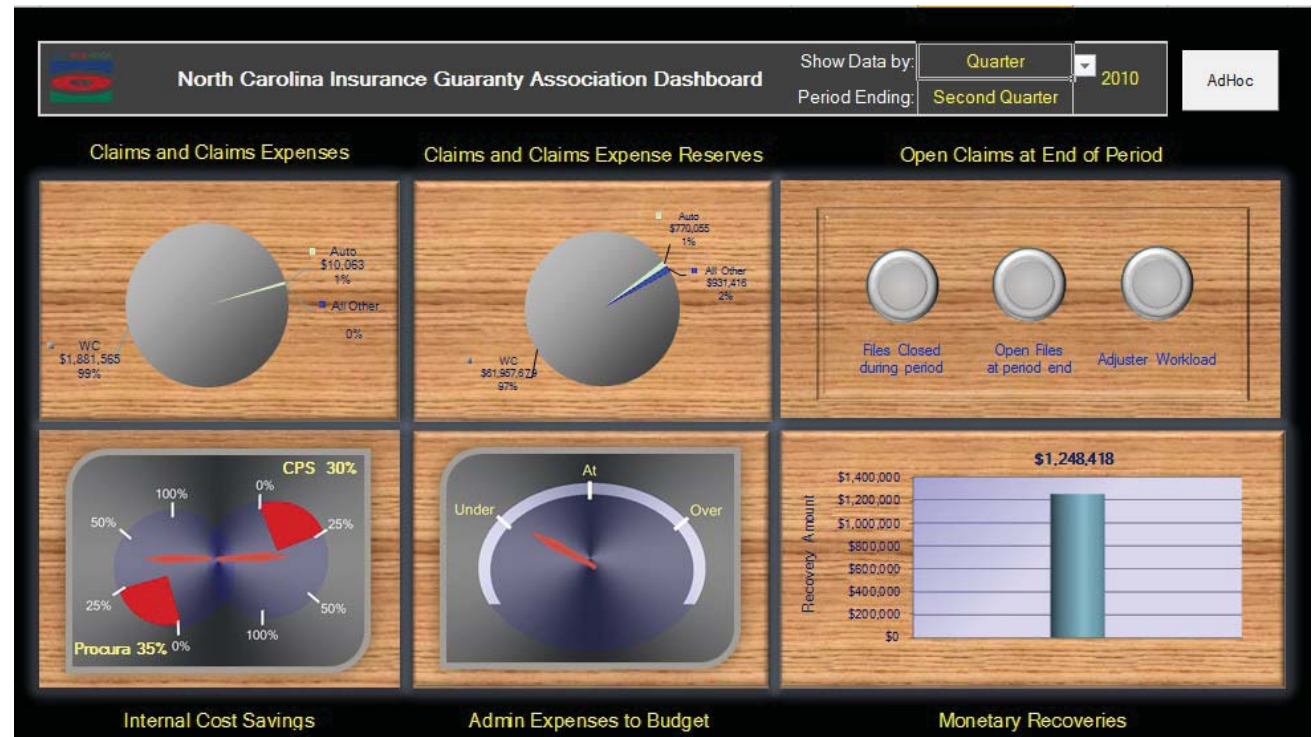
	WC				Auto	
	Indemnity Reserve	Expense Reserve	Total Reserve	Files Pending	Total Reserve	Total Pending
Casualty Reciprocal					\$1,994,751	16
Credit General					\$2,167,331	4
Employers Casualty					\$353,239	6
Fremont Indemnity Co					\$1,332,799	2
Home Insurance	\$201		\$201	3	\$3,947,811	51
Imperial Casualty					\$813,816	42
INSCORP Insurance					\$2,014,425	4
Legion Insurance Co	\$100,000	\$7,963	\$107,963	1	\$6,912,144	41
Park Ave Insurance					\$3,959,012	22
Pegasus Insurance					\$0	0
PHICO Insurance	\$600,000	\$200,000	\$800,000	2	\$965,082	5
Reliance Insurance Co	\$201		\$201	5	\$21,581,012	92
ROA Insurance Co					\$3,615,344	16
Shelby Insurance Co	\$5,100	\$17,950	\$23,050	2	\$960,014	10
South Carolina Insurance			\$0		\$1,886,649	8
Villanova Insurance Co					\$376,832	7
888 Mutual Trust					\$8,181,386	45
999 Stock Trust					\$780,784	3
Total	\$705,502	\$225,913	\$931,415	13	61,842,430	374

Claims Reserved Detail

NCIGA Management DashBoard

In 2009, the NCIGA management implemented a strategic plan emphasizing goals in the areas of costs, quality, and metrics. Data and Measurement are critical to knowing our business, our strengths, and more importantly, our weaknesses. We realized the need to improve our access, use and knowledge of the data and measurements key to our business success. To meet that goal, we identified the key performance indicators which monitor the effectiveness and health of our business. The metrics serve as a visual “dashboard” that is easily read and interpreted throughout the organization.

The NCIGA dashboard is designed to track the flows inherent in our business processes and to allow users to see graphically the high-level processes and then drill down to low-level data more specific in nature. Like an automobile’s dashboard, the intent is to provide decision makers with the input necessary to “drive” the business effectively. Graphical user interface has been designed to display summaries; graphics such as bar charts, pie charts and line graphs; and gauges to highlight important information.



Organization Shared Resources



Vicki Godbold

Director, Human Resources and Administrative Services

Human Resources (HR) is the strategic and coherent approach to the management of our Organization's most valued assets – the people. HR responsibilities include administering HR policies, programs, and practices and providing a safe work environment, professional development opportunities and work-life balance for our associates. This year we've been most involved in implementing H.R. 4872 – The Health Care and Education Affordability Reconciliation Act, better known as Healthcare Reform.



Shelley Chandler

Director, Information Services

Information Services (IS) is responsible for Process Documentation/Process Improvement and Systems Availability. The process documentation services team is actively working to create a process-driven environment. This will promote a culture where processes are identified, documented, measured, managed, and improved, which will ultimately result in higher customer satisfaction, reduction in errors, and lower costs.

As technology continues to become an increasingly important component of business, the technology area works to ensure that systems are effective, reliable, and more secure. In 2010, this area undertook a major initiative to revolutionize the way it provisions technology using virtualization technology.



David Sink

Director, Finance

The Finance Department is responsible for providing accounting and investment services to the Organization. This includes financial payments and the proper allocation of expenses between the accounts of the association and the respective insolvencies.

NCIGA Management Staff



William Delbridge

Manager, Claims



Rowena Ball

Supervisor, Workers' Compensation Claims



Donna Kallianos

Supervisor, Casualty Claims



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



Joseph W. Eason
Partner,
Nelson Mullins Riley &
Scarborough LLP

Report of NCIGA Counsel

Domiciliary Receivership Proceedings

As a number of the large insurer insolvencies from earlier this decade begin the phase of winding down, the Association continues to monitor legal issues arising from these insolvent insurer estates. In the domiciliary receivership proceedings in Pennsylvania for Reliance Insurance Company and Legion Insurance Company, the Association continues to work with the domiciliary receivers on expense and reinsurance claim audits, large deductible recoveries, and early access payments. As the receivers make claim priority determinations for different categories of claims, the Association will defend its interests, as necessary, to ensure that the Association receives the maximum recovery on its claims against these insolvent insurer estates. In addition, the Association is also involved in efforts to finalize claims against and close the estates of American Mutual Liability Insurance Company in Massachusetts and PHICO Insurance Company in Pennsylvania. In connection with the PHICO

insolvency, the Association will be resisting efforts by the domiciliary receiver to disallow some of the Association's outstanding indemnity and expense reserves and claims against PHICO special deposits in North Carolina. These issues will be resolved in the PHICO ancillary receivership proceeding in North Carolina.

Net Worth Reimbursement

The Association continued its efforts to collect reimbursement of "covered claim" payments from high net worth insureds. In a case involving one such high net worth insured, Guilford Technical Community College denied any obligation to reimburse the Association on the grounds of sovereign immunity. Earlier this year, the North Carolina Supreme Court, in a split decision, reversed the North Carolina Court of Appeals and determined that Guilford Technical Community College was obligated to reimburse the Association as a high net worth insured.

Finance Director's Report

The financial position of the North Carolina Insurance Guaranty Association remained strong during the 12 months ending August 31, 2010, as assets grew from \$86 million to \$97.3 million during the period. The strengthening of the position was aided by the receipts of distributions from the liquidators of several insolvencies that totaled approximately \$21 million for the year. The growth in assets is even more notable when considering the fact that the Association returned about \$11 million to its member companies from previous assessments as certain accounts and insolvencies became sufficiently funded. Even though the overall yield on the Association's investments continued to decline over the past year as interest rates remained low, the Association realized \$2.4 million of investment income over the past 12 months.

The Association's net claim and claim expense payments totaled about \$9.1 million, which represents a decrease of almost 9% from the prior year. The administrative expenses totaled \$1.9 million — down about 2% — in spite of assuming the responsibilities for the insolvencies of Park Avenue Property & Casualty and INSCORP during the year. The liabilities associated with the Association's claim and expense obligations increased 5.8% over the last 12 months from \$58.8 million to approximately \$62.1 million.

As noted above, the Board of Directors approved refunds from the automobile and "all other" accounts for four insolvencies and authorized workers' compensation assessments for the insolvencies of Credit General Insurance Company, Shelby Insurance Company, Park Avenue Property & Casualty, and INSCORP. We believe the most recent assessments — along with the distributions from various liquidators — have positioned the Association to meet the current obligations of the existing insolvencies for the foreseeable future. Based on our projections at this time, assessments during the next 12 months should be minimal, provided no additional insolvencies occur.

We continue to appreciate the guidance and support from our Board of Directors, committees, and member companies and believe the Association's financial position will enable us to meet our statutory responsibilities and prospective obligations.

David E. Sink
Director, Finance

David Sink



David Sink
Director, Finance

Insurance Guaranty Association

BALANCE SHEET

Year Ending	August 31, 2010 (Preliminary)	August 31, 2009
Assets		
Cash (Checking Account)	\$ 5,750,000	\$ 2,938,998
Investments	87,625,900	83,033,659
Assessments Receivable	3,930,000	76,667
Other Assets	-	-
Total Assets	\$ 97,305,900	\$ 86,049,324
Liabilities & Fund Equity		
Accounts Payable	\$ 18,950	\$ -
Claims Liability	58,649,000	55,613,459
Unearned Premium Liability	-	-
Claims Expense Liability	3,500,000	3,134,765
Outstanding Check Liability	-	-
Other Liabilities	(1,690)	623
Total Liabilities	\$ 62,166,260	\$ 58,748,847
Fund Equity	35,139,640	27,300,477
Total Liabilities & Fund Equity	\$ 97,305,900	\$ 86,049,324

INCOME STATEMENT

Year Ending	July 31, 2010	August 31, 2009
Income		
Membership Fees	\$ 1,250	\$ 1,400
Interest Income	2,380,800	3,203,008
Assessments Income	8,900,000	11,625,000
Miscellaneous Income	22,267,250	5,595,722
Total Income	\$ 33,549,300	\$ 20,425,130
Expenses		
Refund to Commissioner/Liquidators	\$ 11,400	\$ -
Refund to Member Insurers	11,050,001	-
Operating Expenses	1,963,740	1,997,683
Claims Paid (Net)	8,065,000	8,978,987
Claim Expenses	1,020,000	954,497
Premium Refunds	15,380	1,747
Total Expenses	\$ 22,125,521	\$ 11,932,914
Net Income (Loss)	\$ 11,423,779	\$ 8,492,216

Report of Independent Auditors

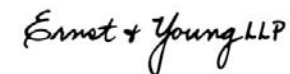
The Board of Directors and Members
North Carolina Insurance Guaranty Association

We have audited the accompanying statements of cash receipts and disbursements of the North Carolina Insurance Guaranty Association (the Association) for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the statements of cash receipts and disbursements present a summary of cash activity and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the North Carolina Insurance Guaranty Association for the years ended December 31, 2009 and 2008, and its cash and investment balances at December 31, 2009 and 2008.



May 7, 2010

Report of Independent Auditors

- Unqualified cash receipts and disbursements opinion
- Basis other than generally accepted accounting principles
- Internal control language



North Carolina Insurance Guaranty Association

5401 Six Forks Road Raleigh, NC 27609 www.ncrb.org