2021 ANNUAL REPORT

NCRF

NORTH CAROLINA REINSURANCE FACILITY

Reinsurance Facility

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General Organizational Information

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2021 Annual Meeting

The annual meeting of member companies of the North Carolina Reinsurance Facility will be held virtually beginning at 9:00 a.m. on October 20, 2021.

General Manager's Report

Ray Evans
General Manager

Charles Dickens' *A Tale of Two Cities*, written in 1859, could have been about 2021, which opens with, "...was the best of times, the worst of times...." I should leave this message with that, but instead will plunge ahead and explain why.

It was the best of times in that we are on track to achieve the goals and objectives that we committed to for the year. Specifically, here were our ambitions for the year which will be detailed and amplified by Terry later in this report:

- Reduce members' equity deficit
- Increase the effectiveness and efficiency of compliance
- Expand our data acquisition and analysis capabilities
- Implement enhancements to the commercial auto program
- Foster team building to support succession planning and cross-functional knowledge sharing

"The worst of times" might be an exaggeration, as the Facility continued to fulfill successfully our work obligations during the year. Although, it has not been easy, and focusing on these key elements worked well for us:

- We treated all associates equally and fairly. From equipment to ergonomics to training, everyone is equal.
- We have enjoyed, thanks to Shelley and her IT folks, and for many years to the willingness of the Board of Governors to invest in technology, a robust, secure, and effective electronic environment.
- Perhaps most importantly, throughout the pandemic we have adapted promptly.
- And, we have effectively communicated with everyone. Using emails, phones, some in-person meetings, and hundreds of thousands of Zoom meeting minutes, we have been able to keep together as a working group.

What is important about the Facility's ability to achieve goals and work through unexpected challenges is the work of our associates and the strong relationships we establish with them. However, with the current, mostly work-from-home environment, we are seeing some pain points in our operations:

- Without social or off-line interactions, our strong relationships will be challenged. Digital technology is not a substitute for human connections.
- No spontaneous interactions with associates slows the process of change.
- Remotely integrating new hires into our office culture is difficult.
- Zoom has been a life saver for communications, but Zoom fatigue is real.
- Ergonomically correct work stations are difficult at home.
- And, promotions, it is feared, will tend to shift to those physically present.

I have collected a large number of media reports of corporate responses to the pandemic and how their future operations will look. From these, my analysis of the overall business direction is there is none, except much waffling. In fact, it seems many are more interested in expense savings from a smaller footprint and reducing staff than in improving operations.

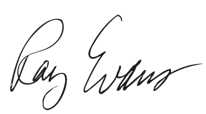
So, without much insight from the larger business community and with the "pain points" in mind noted above, the future focus for Facility operations as I write this is to begin re-populating the office in mid-September. All associates are creating an individual flex schedule with at least two work days in the office each week. Yet, while we are planning this, the number of COVID cases and hospitalizations are up, masks are being required by many schools, vaccinations are mandatory at many businesses, and more mandates are expected. As a result, we reminded everyone at a recent town hall meeting that the safety of our associates is a primary concern and current plans might not be final plans. Regardless of the timing, work from home will be reduced, but still have an important role in our operations.

As I look ahead, I see many changes on the way, including how much space we need with a hybrid work schedule, continuing growth in litigation, the changing nature of private passenger vehicles, and apparent changes in driving habits, to name a few. However, we have the staff to meet all of the challenges ahead.

The short summary for this report is we have managed the challenges of another unusual year and are preparing for more in the coming year. More details by the Facility's management staff are contained in their summaries of the year later in this report. Needless to say, I am really proud of the way the management staff and all of our associates have risen to these challenges.

Now a final note. This will be my last General Manager's report as I plan to retire March 31, 2022. The last 21 years have been challenging, exciting, satisfying, and rewarding. This is partly because of the work we have done, but mostly because of the privilege of meeting, working with, learning from, and enjoying the company of so many wonderful people—sadly, way too many to recognize here. Especially I am thankful during these two decades for Art Lyon's steady hand. Now the current chair, his guidance, help, and gracious willingness to share his vast experience have been instrumental in the success the Facility has enjoyed.

I am certain that capable hands will ensure a continuing successful future. It has been an honor and a humbling experience working with the organizations. Thank you for your help along the way.



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. Seven virtual meetings of the Board were held during the year.

Members	Representative
Atlantic Casualty Insurance Company	Robbie Strickland
GEICO Indemnity Company	Jason Wallace
Greenville Casualty Insurance Company	Dean Kruger
Integon Indemnity Corporation*	Art Lyon
Nationwide Mutual Insurance Company	Christine Hague
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
The Travelers Indemnity Company	David Hong

Agent Members	Representative
Agent at Large	Larry Brown, Jr.
Agent at Large	Justin Litaker
Auto Insurance Agents of North Carolina	Jeffrey W. Butler
Independent Insurance Agents of NC	Andy Calvert
Independent Insurance Agents of NC	Lesa Williams

Public Members
J. David Walker
Reverend Dr. Mark R. Royster, Sr.

Ex-officio Member
Mike Causey, Commissioner of Insurance

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.

Audit Committee

Members	Representative
Liberty Mutual Insurance Company*	Judi Gonsalves
Nationwide Mutual Insurance Company	Jennifer Sloey
NC Farm Bureau Mutual Insurance Company	Brian Top
Pennsylvania Nat Mut Casualty Ins Company	Lynette Prosser
State Farm Mutual Automobile Ins Company	Todd Sivills
The Travelers Indemnity Company	Jennifer Baurle

Investment Committee

Members	Representative
Allstate Insurance Company	Ronald Pullie
Nationwide Mutual Insurance Company*	John G. Morris
State Farm Mutual Automobile Ins Company	Robert Stephan

Rating Committee

Members	Representative
Atlantic Casualty Insurance Company*	Mark Caughron
Integon Indemnity Corporation	Addam Sentz
Nationwide Mutual Insurance Company	John-Michael Gillivan
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
Stonewood Insurance Company	Eileen Muller
The Travelers Indemnity Company	Amy Modic

Task Force on Expense Allowances

Members	Representative
Allstate Insurance Company	Patrick Weil
GEICO Indemnity Company	Maren Kench
Nationwide Mutual Insurance Company*	Christine Hague
Sentry Insurance A Mutual Company	Reva Tevaarwerk
State Farm Mutual Automobile Ins Company	Todd Sivills
Universal Insurance Company	Jason Ivers
Agent	Justin Litaker

Task Force on Recoupment

Members	Representative
Integon Indemnity Corporation	Art Lyon
Nationwide Mutual Insurance Company	Christine Hague
NC Farm Bureau Mutual Insurance Company	Roger N. Batdorff
Progressive Casualty Insurance Company	Kevin McGee
State Farm Mutual Automobile Ins Company*	Todd Sivills
Universal Insurance Company	Jason Ivers
Agent	Lesa Williams

*Chair

Message from the Chairman

We all knew 2021 would continue to be a challenging year due to the Covid-19 pandemic, but the staff, NCRF Board, and the committees were up to the task. In spite of Zoom-only meetings in 2021, the NCRF continued to operate without a hitch, and hopefully our staff will be able to return to the office sometime before the annual meeting.

Below are the highlights of the year:

- During the course of the year, the members' equity deficit was substantially reduced. As of June 2021, the deficit stands at -$71.4 million—an improvement of $46.7 million from the prior year. The Board is especially pleased with the strong progress posted in the commercial auto members' equity.
- We continue our efforts to increase the effectiveness and efficiency of compliance auditing. The roll out of Audit Hub in September is a solid first step in better leveraging technology in the compliance auditing process.
- The work on the Facility commercial auto manual by the Rating Committee and staff is complex and will remain ongoing. Whether it is clarifying a rating rule for ease of use or to reduce leakage, the energy allocated to this will continue to pay dividends for member companies in the future.
- I want to remind the member companies that staff remains readily available to answer your questions and offer guidance where possible. Since most of the Facility staff has prior industry experience, they understand a company's needs and concerns. They are here to help.
- The combined efforts of the Board, committees, and staff continue to ensure that the Facility successfully meets its obligations as we navigate an ever-changing industry. And as always, this is accomplished in an efficient manner with an operating budget that is less than 1% of ceded premium.

I am proud that the Facility was able maintain, and in some cases improve business operations flawlessly throughout the work-from-home environment. On behalf of the board, many thanks to Ray and the staff. I also appreciate the commitment of all committee members and my fellow Board members in making 2021 a success.

Art Lyon
Integon Indemnity Corporation, *Chairman*

Management Report

Terry Collins
Chief Operating Officer

North Carolinians are back on the road again after the past year of staying close to home; however, traffic is still not what it was in February of 2020. There are fewer vehicles on the highways, but many are traveling at much higher speeds. While the number of accidents is slowly rebounding across the industry, the severity of those accidents has sped ahead with rising fatalities, repair costs, and litigation. This was the backdrop for most of 2021, and we anticipate these trends continuing as we head into 2022.

This last year was another challenging one for everyone and every business as constant adaptation to the fluid environment was necessary. Fortunately, a combination of dedicated associates and strong IT support allowed the Facility to continue meeting its statutory responsibilities. Over the last 18+ months, we have proven the ability to adapt to this new normal, that is now just that—normal.

Our response to a full year of remote work was not dissimilar from that of our member companies. We had a job to do and we did it. Our key successes in 2021:

- Maintained a focus on reducing the members' equity deficit, cutting the deficit to -$71.4 million as of June 2021 through a combination of increased rates, compliance audits, loss recoupment, and other actions. (Of course, another year of lower than historical miles driven again favorably impacted the amount of paid losses).
- Completed phase 1 programming of Audit Hub in September. This multi-year venture will further increase our audit efficiency through greater automation and reduced manual efforts. This project is laying the foundation for our future compliance auditing efforts.
- Continued work refining the rating and rules in the Facility commercial auto and private passenger auto manuals and receiving Board approval to adopt zip code defined rating territories for commercial auto effective in October 2022.
- Filed and implemented rate increases in both private passenger auto and commercial auto.
- Leveraged multi-functional compliance audit reviews to increase effectiveness and provide cross-functional knowledge sharing among staff.
- Held numerous Facility orientations and question-and-answer sessions to enhance member companies' Facility knowledge and to on-board 12 new member companies.

Operating Results

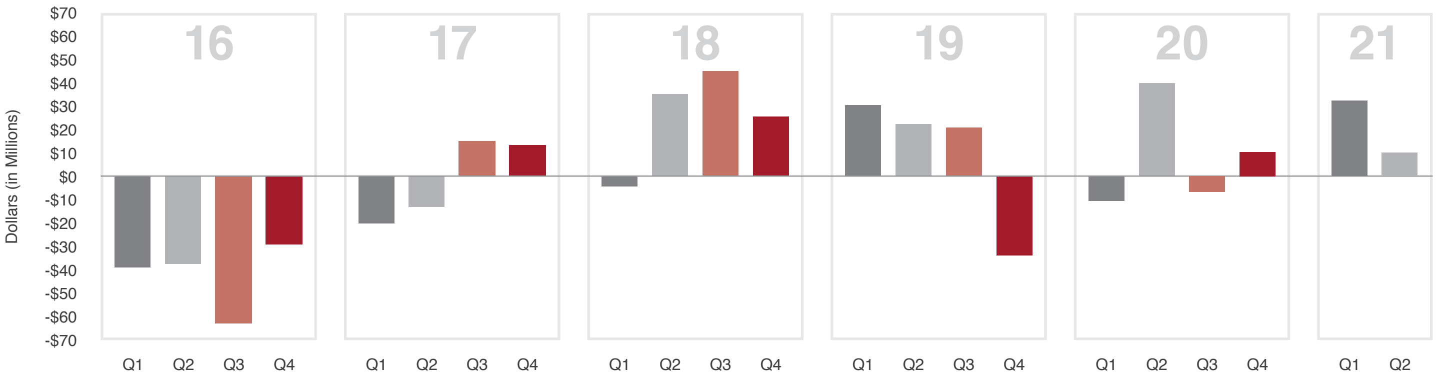
From an operating results perspective, the Facility had a good year with marked improvement. We continued to make strong gains in reducing the total members' equity deficit with the last three quarters producing a positive bottom line. These three consecutive quarters drove the aforementioned improvement in members' equity. This long-term improvement in the negative balance can be readily observed in the chart at the top of the next page which displays the net results of operations after recoupments.

It is worth repeating that the Facility maintains a sharp focus on members' equity, as it is one of our highest priorities. Changes in this balance are monitored very closely by both staff and committees, while appropriate action is taken under the oversight of the Board of Governors and within the guidelines outlined in the governing statutes.

Both lines of business continued their recovery during the year. After traveling a bumpy road last year, this year has been much smoother for private passenger auto, posting a members' equity deficit in June 2021 of -$34.6 million, which was roughly half of that posted 12 months earlier. Commercial auto also has continued to make strides reducing its deficit, ending June 2021 at -$36.8 million members' equity. As mentioned above, lower average miles driven versus historical levels appears to have resulted in fewer accidents and provided some relief to paid loss pressures.

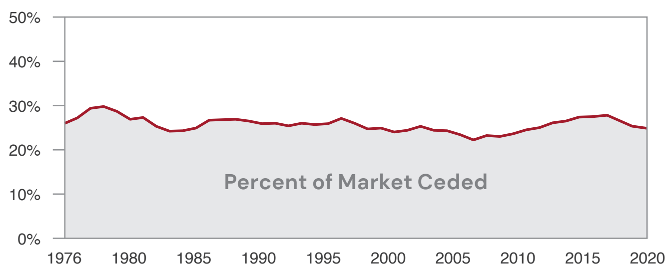
Liability coverages countrywide continue to grapple with an environment that includes rising repair costs, medical inflation, higher average driving speeds, elevated fatalities, ever present distracted driving, and for commercial auto, nuclear judgements. Of course, each of these factors

Net Results of Operations (After Recoupments)



puts stress on the rate adequacy of ceded risks. For both lines of business, we continue to pull the levers available, including focused efforts on rate revisions where allowed, clean risk and/or loss recoupments, increased audits, and other actions.

Share of NC Auto Liability Market Ceded by Calendar Year



Volume

The Facility provides reinsurance for approximately one-quarter of the automobile liability business written in North Carolina. While this figure has remained notably stable since the Facility was created in 1973, as illustrated in the chart above, the market share for calendar year 2020 decreased to the lowest level since 2011. This was the third consecutive reduction in the Facility market share.

Our total ceded exposure distribution has remained very stable over the last several years. The segmented exposure base remains in a traditional tight range of 77% as private passenger "clean risks," 21% as private passenger "other-than-clean" risks, and the remaining 2% as commercial auto risks.

While total cession volume is relatively flat compared with prior years, there is a slight upward trend in the last two quarters driven by commercial auto. As of June 2021, total policies in force are at 1.2 million. Private passenger auto policies have been slowly declining since the summer of 2017, dropping over 100,000 policies during this time. Commercial auto is a much smaller line and its policies in force have been hovering in the 26,000 to 28,000 range for the past three years. Total written premium is expected to eclipse the $1 billion mark by the end of the fiscal year, placing it in line with the premiums from the past two years. The premium split by line of business remains stable, with 90% private passenger and 10% commercial auto.

Rates, Rules, and Forms

Private Passenger Auto

Effective October 1, 2020:

The Facility did not implement an auto liability rate change on "clean risks." For "other-than-clean" private passenger risks, the Facility filed and implemented a +3.1% rate increase over the rates previously in effect. Bodily Injury, Property Damage, and Med Pay rates were each revised. The effective change for motorcycles (Bodily Injury and Property Damage) was +3.2%.

Effective October 1, 2021:

Again in 2021, the Facility did not implement an auto liability rate change on "clean risk" rates. The Facility did file and implement an average 8.0% rate increase for the "other-than-clean" liability rate level for automobiles. The effective change for motorcycles was 8.4%. "Other-than-clean" liability rates are used for ceded business when an operator has two years or less driving experience or has SDIP points. The October 1 changes also included revised Medical Payment increased limit factors.

The Facility Board approved changes and received approval from the Commissioner of Insurance pertaining to several other items, including among others a new delivery coverage buy-back endorsement, updates to the Transportation Network Company endorsement, a new trust endorsement, an exclusion for peer-to-peer vehicle sharing, and revised manual rules regarding spouses, cohabitation, and applicability of the inexperienced operator surcharge to unlicensed insureds. These changes became effective on June 1, 2021.

Commercial Auto

Fiscal Year 2020:

With the consideration of Covid-19 weighing heavily, the Board voted to postpone the anticipated October 2020 rate revision until April 2021.

Effective April 15, 2021:

The Facility filed and implemented revised basic limits liability rates effective for trucks, tractors, trailers, private passenger types not eligible for rating under the North Carolina Personal Automobile Manual, Zone-Rated Risks, and Publics. Increased limit factors for liability coverages rated under the Commercial Automobile Manual were also reviewed and adjusted, as were several rating rules. This rate revision was for an average 22.5% increase and should help stabilize our results.

Overall commercial auto results have seen significant improvement over the last three years, posting an betterment of $90 million. Rate increases and commercial auto loss recoupment have been the main drivers of the recovery so far.

In addition to rate and recoupment actions, we are also planning to implement ISO's new optional commercial auto class plan. Currently the ISO tentative filing date will be December 2021, with a December 2022 implementation date. With these dates as our baseline, the Facility's implementation date has received approval from our board to be effective October 2023 at the earliest. This extra time will allow member companies and the Facility to better prepare and program the new class plan.

Recoupment

North Carolina law allows carriers to cede to the Facility any eligible risks. While the Facility establishes 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 voluntary 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 this group pays and what it should pay is made up through the statutorily authorized clean risk recoupment surcharge applied to the liability premiums of all, and only, private passenger non-fleet policies.

North Carolina law also allows the Facility to recoup operating losses through the loss recoupment surcharge. This surcharge may be applied to either nonfleet private passenger auto policies or commercial auto policies liability premiums 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

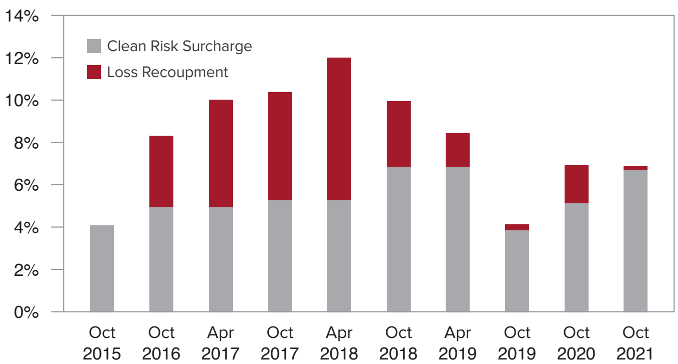
In June 2020, the Board of Governors implemented a new clean risk recoupment surcharge of 5.12% (before inclusion of agent compensation) and a private passenger auto loss recoupment surcharge of 1.77% (before inclusion of agent compensation), applicable to all new and renewal private passenger auto policies becoming effective on and after October 1, 2020, through March 31, 2021.

In December 2020, the Board of Governors authorized the continuance of both the clean risk recoupment surcharge and loss recoupment surcharge at the previously approved levels for all new and renewal private passenger policies becoming effective on and after April 1, 2021, through September 30, 2021. For the current fiscal year through June 2021, clean risk recoupment surcharges have generated income of approximately $185 million, and private passenger auto loss recoupment surcharges have generated income of approximately $64 million.

In June 2021, the Board of Governors approved an increased surcharge for private passenger clean risk recoupment (6.66% before inclusion of agent compensation) and a decreased surcharge for private passenger loss recoupment (0.16% before inclusion of agent compensation), applicable to all new and renewal private passenger auto policies becoming effective on and after October 1, 2021, through September 30, 2022.

To simplify the programming requirements for the member companies, the Facility continues to require companies to report the private passenger auto clean risk and loss recoupments on a combined basis, saving expense and effort for all private passenger carriers in the state.

Private Passenger Auto
Clean Risk Surcharge and Loss Recoupment



Commercial Auto

In October 2017, the Board of Governors authorized the implementation of a loss recoupment surcharge for all new and renewal commercial auto policies becoming effective on or after October 1, 2018. Since that initial implementation, the loss recoupment surcharge will now have been lowered for a second time.

During the 2020-2021 fiscal year, the commercial auto loss recoupment was 4.56% (before inclusion of agent compensation). Most recently in June 2021, the Board of Governors reviewed all relevant and updated recoupment data and reduced the commercial auto loss recoupment to 1.81% (before inclusion of agent compensation). This new recoupment percentage applies to all new and renewal business becoming effective on and after October 1, 2021, and will run through September 30, 2022.

Compliance Activity

The Facility compliance team partners with member companies on a daily basis. Their focus is on compliance with statutes, eligibility, rates and rules, and revenue. Their responsibility is to ensure that the Facility reinsures only eligible risks, receives the proper premium, and reimburses our carrier partners for the proper paid losses. Member companies are audited for appropriate reporting of premiums and losses, claims handling, eligibility, rating, and recoupment. The compliance staff also performs recoupment audits on non-ceded policies to ensure that amounts are correctly determined and collected.

Over the last year, our team has made upgrades to our technology, annual compliance plans, and audit processes. These changes have allowed our compliance team to become more efficient and organized, while still allowing us to keep our commitment to consistency and quality. Staff looks forward to continuing our partnership with member companies while improving our teamwork, innovation, and accountability.

Legislative Changes

The Facility was created by the Legislature in 1973 and replaced an Assigned Risk Auto Plan. At that time, there was a perceived stigma of being included in a bad risk pool, so this new mechanism enabled drivers to select the company of their choice. The legislature has made alterations over time to address changing conditions in the marketplace.

The Facility is often asked to provide information to various groups that wish to study these complex matters. While we do not lobby for any one position, we are more than happy to be included in the discussion and to contribute suggestions that, it is hoped, lead to more complete solutions with the fewest unintended consequences. As of the time of this writing, there were no bills ratified this session that materially impact the Reinsurance Facility.

Conclusion

We have traveled a long and winding road since June 2017 when the total members' equity was a sizeable deficit of $325.6 million. As I write this report, news outlets portend of more Covid difficulties ahead. While this certainly gives me pause, our experience over the past 18 months leaves me absolutely confident that the Facility can and will continue to meet our statutory and member obligations.

Since he will be retiring in March 2022, I do wish to take this opportunity to thank Ray Evans for the leadership, sharing, and caring he has provided the Facility over the last 21 years. As Ray has reminded us numerous times, what the Facility does is important. The stability supplied by the Facility to the marketplace is critical to ensure that liability insurance is available to the people of North Carolina.

Many thanks for the time, efforts, and guidance offered by the Board of Governors, committees, member companies, and Facility staff.

Stay safe,

Terry F. Collins
Chief Operating Officer, Reinsurance Facility

Shared Services

Finance

Edith Davis
Chief Financial Officer

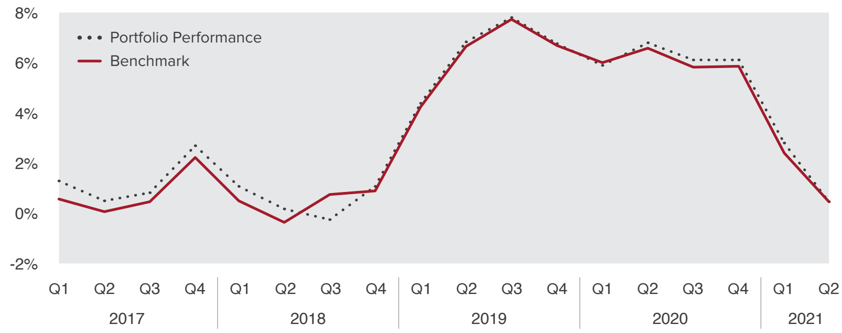
The Facility continues to experience significant net operating losses for both private passenger and commercial auto business, although private passenger has improved over the prior year, and commercial auto has deteriorated. These combined losses have totaled $41.5 million fiscal year to date as of June 30, 2021, compared to losses of $54.5 million and $28 million for the same periods in 2020 and 2019, respectively, and reflect an improvement of $13 million over the prior period.

As of June 30, 2021, the members' equity stood at a combined deficit of $71.4 million and consisted of deficits of $34.6 million for private passenger business and $36.8 million for other than private passenger business. The $46.7 million improvement in the deficit since June 30, 2020, was solely the result of loss recoupments collected from both private passenger and commercial auto business. For the fiscal year to date as of June 30, 2021, the loss recoupments generated about $95 million of revenue to offset portions of the past private passenger and commercial losses. Unlike clean risk recoupment, loss recoupment funds are reported as a credit directly to members' equity, rather than being included in the determination of an operating gain or loss. Additional revenue is anticipated from loss recoupments to become effective on October 1, 2021, on both private passenger and commercial policies.

Since the revenue from loss recoupments has more than offset the losses generated in the fiscal year to date as of June 30, 2021, this has permitted the Facility to return funds to the investment account on a monthly basis, for a total of $105.4 million in the fiscal period to date. Despite the high-quality, fixed-income investment portfolio, the lower interest rate environment significantly impacted the investment returns, and the portfolio returned about 0.46% over the 12 months ending June 30, 2021, which outperformed the benchmark by 2 basis points over that period. Driven by deposits generated from loss recoupment revenue, the book value of the Facility's portfolio increased from approximately $880 million to about $1.02 billion over the 12 months ending June 30, 2021. As of that date, the market value of the account was $1.06 billion, reflecting a net unrealized gain of about $36 million. The chart included in this report reflects the portfolio's performance compared to the benchmark for the 12 months ending at the respective periods.

The Facility's administrative expenses totaled $9.3 million during calendar year 2020, which represented an increase of 15% from the prior year and approximately 99% of the approved budget for that period. The table and chart on this page show a summary of the direct and allocated expenses for the prior two years and the first half of 2021. Though the Facility finished 2020 just slightly under budget, overages in equipment purchased to support remote work and legal and advisory expenses were offset by open positions, lower investment expense,

Investment Portfolio Performance—Annualized Total Returns vs. Benchmark

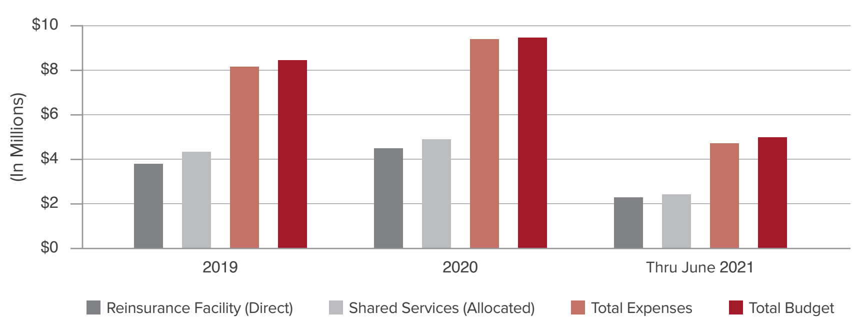


and savings from cancelled travel and meeting expenses. The budget for 2021 was 2% higher than the prior year, and increases in system development and advisory expenses were partially offset by a reduction in the budgeted pension contribution due to improvements in the funding status over recent years.

The firm of Johnson Lambert again performed the annual audit for the fiscal year ending September 30, 2020, conducted the entire audit remotely utilizing various online tools and resources, and presented their report to the Audit Committee in February 2021. Johnson Lambert issued an unmodified opinion on the statements of cash receipts and disbursements, noting there were no misstatements or internal control weaknesses identified during the audit, and that the significant accounting policies had been consistently applied during the current year. They further noted that some increased testing of internal controls had been performed for processes that had changed due to the pandemic. An excerpt of those audited financial statements is included in this report. In June 2021, the Facility's Partnership Tax Form K-1s for member companies were published online via the EDGE system.

Who could have imagined that the COVID-19 pandemic would last this long or be the influence that generated a seismic shift in the way that we work? While the EDGE system had already created an electronic interface with all member companies for monthly settlements 10 years ago, our AP processes evolved this year from a very paper-based operation to a faster, more efficient paperless environment and have seen the near elimination of paper invoices and checks to pay them. This has improved nearly all phases of the accounting processes, from AP to month-end and reconciliations. As we make plans to return to the office, we will not be returning to those days of paper. Our business processes continue to evolve, and very good progress has been made towards the development of requirements for a new accounting system. This is a multi-year project and will benefit both the Facility and its sister organizations with improved functionality and provide greater opportunities for location independence. Additional reporting capabilities should be in place by year's end. Thank you to our Board of Governors and members for supporting these efforts. We continue to look for ways to improve our efficiency and customer service and welcome any feedback.

Administrative Expenses



Administrative Expenses	2019	2020	Thru June 2021
Reinsurance Facility (Direct)	$ 3,796,511	$ 4,472,601	$ 2,287,747
Shared Services (Allocated)	$ 4,320,007	$ 4,860,189	$ 2,412,378
Total Expenses	**$ 8,116,518**	**$ 9,332,790**	**$ 4,700,125**
Total Budget	**$ 8,405,763**	**$ 9,405,795**	**$ 4,952,324**

Information Services

Shelley Chandler
Chief Information Officer

Information Services is dedicated to leveraging technology to enhance our business processes and to fulfill the needs of our customers. In 2021, we find ourselves building on changes that were essential to our success in 2020 when we made the quick transition to a remote work environment due to the COVID-19 outbreak. As we return to a new normal that includes a hybrid workplace model and flexible work solutions, we are preparing our technical environment to support more flexibility long term. Part of this change will allow us to become location independent, enabling expansion of future options. Towards this end, we are moving our infrastructure offsite and switching to a cloud-based phone system to create more redundancy and flexibility for the organizations.

Security continues to demand constant attention and resources to ensure integrity of our data, business operations, reputation, and financial stability. In 2021, ransomware attacks like those on the Colonial Pipeline continue to make news headlines. Behind the scenes in the IT world, there was an increased number of "Zero-day vulnerabilities" that were exposed in systems used to keep infrastructure running. In both instances, constant vigilance and routine patching and upgrading of systems play a large part in keeping systems safe. We remain vigilant on evaluating vulnerabilities and constantly maintaining and upgrading our systems to help protect our environment and data. We continue to conduct third-party penetration testing of our networks and applications; these audits act as a second set of eyes to help identify potential weak spots, allowing us to remediate and reduce our risk. One of our more practical and most important defense mechanisms used to mitigate security risks is employee training. Every month, associates receive security awareness assessments as a way to expand and reinforce their knowledge and understanding of security threats. This training has enabled associates to identify potential issues and respond proactively. The Bureau's focus on security will continue to expand as we transition our infrastructure to the cloud, where control over security becomes more complex.

Project work also contributes to our goal of promoting efficiency through our organization and for our customers. The Software Development group works diligently to create software products that are used internally as well as by our external customers. In 2021, the Software Development group continued work on the Audit Hub system as well as expansion of Tableau for reporting for better understanding of operations and audit information.

We look forward to the challenges that lie ahead as we continue providing solutions to the organization that increase efficiency and help to meet our members' needs through technology.

Human Resources and Facility Services

Vicki Godbold
Chief Human Resources Officer

Our Human Resources is the strategic and comprehensive approach committed to our Organization's most valued assets—our people. Facility Services provide a secure and comfortable work environment along with mail services and receptionist services. We are in our second year of having adapted to a new way of business with remote work and enacting all the constantly changing federal regulations. We are prepared for repopulating the office by having sneeze guards, PPE, sanitizers, and disinfectant, as well as investing in the best air quality by installing UV-C Lights to our HVAC system to offer a safer environment with the current pandemic and moving forward.

Our Wellness Program consists of

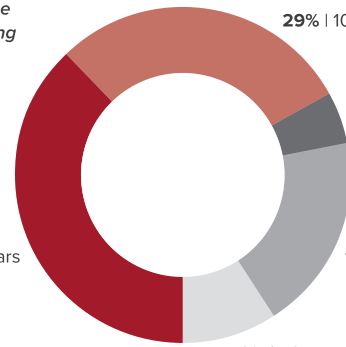
- a partnership with WakeMed Hospital,
- a partnership with YogaBlyss, and
- a partnership with the NC Prevention Partners.

On-site training this year consisted of weekly virtual yoga class and virtual training for staff.

Community Service involvement by our associates this year included the United Way.

Years of Service

Associate service milestones this year include one associate celebrating 15 years



NCRF Management Staff

Tom Burns
Director, Auto Operations

Katie Lovelace
Manager, Planning & Analysis

Andy Montano
Manager, Automobile

Donna Kallianos
Manager, Claims

Debbie Taylor
Member Services Supervisor

Jodi Webb
Compliance Manager

Kevin Braswell
Compliance Manager

Balance Sheet

As of	June 30, 2021	June 30, 2020
Assets		
Cash (Checking Account)	$14,583,201	$6,734,723
Cash Restricted (Including Escrow)	-	-
Investments	1,017,141,869	880,319,246
Accounts Receivable	35,387,323	32,395,152
Accrued Interest Receivable	5,949,479	5,586,675
Other Assets	92	92
Total Assets	**$1,073,061,964**	**$925,035,888**
Liabilities & Members' Equity		
Accounts Payable	$27,130,461	$18,734,480
Loss Reserves	732,080,387	660,077,232
Unearned Premium Reserves	384,260,111	363,192,983
Provision for Premium Refunds	-	-
Other Liabilities	989,747	1,146,174
Total Liabilities	**$1,144,460,706**	**$1,043,150,870**
Members' Equity	(71,398,742)	(118,114,982)
Total Liabilities & Members' Equity	**$1,073,061,964**	**$925,035,888**

Income Statement

Fiscal Year through	June 30, 2021	June 30, 2020
Income		
Earned Premiums	$822,730,140	$798,552,189
Clean Risk Recoupment	177,938,942	125,006,868
Investment Income	17,325,314	23,744,972
Membership Fee Income	57,400	56,400
Other Income	118,242	202,712
Total Income	**$1,018,170,038**	**$947,563,141**
Expenses		
Losses Incurred	$724,330,028	$692,261,063
Ceding & Claims Expenses	328,407,186	302,647,942
Premiums Escrowed	-	-
Other Underwriting Deductions	-	-
Salaries & Administration Expenses	2,811,419	2,756,069
Outside Services Expenses	2,091,982	2,238,727
Other Operating Expenses	2,035,906	2,198,222
Total Expenses	**$1,059,676,520**	**$1,002,102,023**
Net Income/(Loss) Before Loss Recoupments	**$ (41,506,482)**	**$ (54,538,882)**
Loss Recoupments	95,028,315	49,710,639
Net Income/(Loss) After Loss Recoupments	**$53,521,833**	**$ (4,828,244)**

Special Purpose Balance Sheet

Year Ending	Sept 30, 2020	Sept 30, 2019
Assets		
Cash and Short-Term Investments	$39,485,104	$48,380,926
Investments, at Amortized Cost	868,624,604	849,530,797
Accrued Interest Receivable	6,415,110	6,785,677
Settlements Receivable From Member Companies	34,676,651	37,126,618
Total Assets	**$949,201,469**	**$941,824,018**
Liabilities & Members' Equity		
Loss and Loss Adjustment Expense Reserves		
• In Course of Settlement	$465,976,365	$472,662,509
• Incurred But Not Reported	220,186,034	203,066,386
Total Loss and Loss Adjustment Expense Reserves	**686,162,399**	**675,728,895**
Unearned Premium Reserves	368,877,288	358,468,740
Advance Clean Risk Subsidies	5,303,761	3,281,802
Settlements Payable to Member Companies	18,138,993	25,444,810
Other Liabilities	943,367	396,188
Total Liabilities	**$1,079,425,808**	**$1,063,320,435**
Members' Equity	(130,224,339)	(121,496,417)
Total Liabilities and Members' Equity	**$949,201,469**	**$941,824,018**

Special Purpose Statement of Operations

Year Ending	Sept 30, 2020	Sept 30, 2019
Premiums Earned	$1,068,676,263	$1,077,296,387
Clean Risk Subsidies	167,817,457	272,966,456
Total Underwriting Income	**1,236,493,720**	**1,350,262,843**
Losses Incurred	928,167,045	997,927,744
Ceding Expense Allowances	267,298,099	266,347,668
Claims Expense Allowances	139,383,410	145,905,942
Total Underwriting Expenses	**1,334,848,554**	**1,410,181,354**
Net Underwriting Loss	**(98,354,834)**	**(59,918,511)**
Other Income (Expense)		
Net Investment Income	23,949,664	25,443,908
Net Realized Investment Gains	3,736,638	1,874,515
Late Premium Charges and Penalties	279,457	114,230
Membership Fees	56,500	55,400
General and Administrative Expense	(8,107,480)	(6,841,206)
Total Other Income—Net	**19,914,779**	**20,646,847**
Net Operating Loss	**$ (78,440,055)**	**$ (39,271,664)**

NCRF

NORTH CAROLINA REINSURANCE FACILITY

2910 Sumner Blvd. Raleigh, NC 27616 www.ncrb.org/ncrf