



# North Carolina Reinsurance Facility

Annual Report

*Celebrating our 40th Anniversary*



# 2013

## Table of Contents

General Manager's Report . . . . . 3  
 Message from the Chairman . . . . . 3  
 Board of Governors . . . . . 4  
 Standing Advisory Committees . . . . . 4  
 Management Report . . . . . 5  
 Shared Services . . . . . 8  
 Management Staff . . . . . 9  
 Balance Sheet & Income Statement . . . . . 10  
 Special Purpose Balance Sheet . . . . . 11  
 Special Purpose Statement of Operations. . . . . 11



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## General Organizational Information

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## 2013 Annual Meeting

The annual meeting for member companies of the North Carolina Reinsurance Facility will be held October 17, 2013, at the Grandover Resort and Conference Center, Greensboro, North Carolina.

## GENERAL MANAGER'S REPORT



**Ray Evans**  
GENERAL MANAGER

The past year has been one of steady progress towards goals designed to make the Reinsurance Facility an outstanding (not just good) organization. Generally speaking, the Facility management's goals revolve around providing information and educating whoever is interested; reviewing rates and the clean risk recoupment at least annually; moving all data into an efficient electronic environment; managing monies, including investments, effectively; and managing an efficient compliance program. Later parts of this report will detail how we have done this past year.

That is the view from 50,000 feet. In examining these ideas more closely, the details of being able to accomplish our goals, given the scope and diversity of our activities, are impressive.

For example, continuing to process 30,000,000 accounting transactions supporting the 2 million cessions each year, with the goal of zero errors, requires a very sophisticated system operated by well-trained associates. This sophistication just this year required virtualization (almost complete); a more robust co-location with response and recovery protocols to continue processing in the event of business interruptions (now being tested); all kinds of accounting support; upgrading and updating of the website for usability and security as it is the portal for entry into the system; and now in the final stages, the designing of an electronic compliance program that is a large part of an expanded internal control program. To help manage this task, we have installed a SAS analytic program and are implementing a refined data-retention policy.

What really impresses me is that our folks are up to the challenges of working with the development, implementation, and execution of a system that manages nearly \$1 billion in cash flow and millions of discrete transactions in a secure cyber-environment at a cost of pennies per transaction.

This is the 40th year of the Facility, and two things come to mind when I peruse this. One is that the authors of the plan were really good, as there have been few changes in what is being done. How it is done has changed enormously, but not the what. The other is that, during these 40 years, the percentage of Facility cessions compared to the total statewide policy count has remained almost constant, as is pointed out a little later in this report.

My thanks to our associates for their work, the Board of Governors for their support and advice, and the many committee members for their work and for their confidence in what we do.

**Ray Evans**  
General Manager

## MESSAGE FROM THE CHAIRMAN

This year marks the 40th anniversary of the inception of the Facility! While much has changed in our world over the past 40 years, changes to the design of the NCRF program have been relatively minor during that time.

Highlights of the 2012-2013 fiscal year:

- The size, volume and activity of the Facility remained very stable.
- Our investment portfolio balance currently exceeds \$800 million, but has begun to decline. This shift is due in part to a lower clean risk recoupment surcharge, an increase in settlements due to member companies and a small rise in interest rates in the financial markets. Our investment manager, Wellington Management, continued to outperform its benchmarks and effectively manage our portfolio during a continued low-interest-rate environment for fixed income investments.
- Rate reviews were performed for both Other-Than-Clean Private Passenger and Commercial Auto lines of business.
- Clean Risk recoupment results have been monitored very closely and revised twice in this report period.
- The 2012-2013 operating budget is less than 1% of the Facility annual premium. Operating expenses were under budget through June 2013.
- Staff and counsel monitored the 2013 NC General Assembly long session for all activity that would affect auto liability insurance. Our role is to educate interested parties on matters that pertain to the auto residual market. No legislation was passed that impacts the NCRF.
- 2012-2013 operational efforts focused on efficiency:
  - Improved business interruption planning
  - Improved security for data transmissions
  - Improved customer service efforts
  - Purchased and implemented SAS data analytic software to enhance the use of EDGE system data
  - Entered the design phase of an audit-tracking module to be implemented in the EDGE system

I would like to express my appreciation to the Board members and the NCRF staff for their support and participation during the past year. The member companies, agents and consumers are well served by this Board and the NCRF staff.

**Joe Jordan**  
GEICO Indemnity Co.  
Chairman

## BOARD OF GOVERNORS

Responsibility for management is vested in a 15-member Board of Governors. The Board includes 12 voting members, seven member insurance companies and five agents appointed by the Insurance Commissioner; two nonvoting public members appointed by the Governor; and the Insurance Commissioner, who is a member of the Board ex-officio without vote. Eight meetings of the Board were held during the year, including five telephone conferences.

Agent Members	Representative
Apptd. by the Commissioner of Insurance	W. Hutson Wester, II
Apptd. by the Commissioner of Insurance	John E. Wooten, III
Auto Insurance Agents of North Carolina	Jeffrey W. Butler
Independent Insurance Agents of NC	Robert M. McVay
Independent Insurance Agents of NC	Tim Ward

Members	Representative
Allstate Insurance Co	Brian O'Neill
Atlantic Casualty Insurance Co	Robbie Strickland
GEICO Indemnity Co*	Joe Jordan
Integon Indemnity Corporation	Art Lyon
Nationwide Mutual Insurance Co	Mendi Riddle
Travelers Indemnity Co	Sylvia Kyle
Universal Insurance Co	Jim McCafferty

Public Members
J. David Walker, Lumberton, NC
Steven Smith, North Wilkesboro, NC

Ex-officio Member
Wayne Goodwin, 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 additional specialty advisory groups perform similar tasks for the Facility throughout the year.

Audit Committee	
Members	Representative
Liberty Mutual Insurance Co*	Ronald H. Robertson, Jr
NC Farm Bureau Mutual Insurance Co	Brian Top
Nationwide Mutual Insurance Co	Greg Kilburn
Pennsylvania Nat Mut Casualty Ins Co	Charles J. Uckele
State Farm Mutual Automobile Insurance Co	Alan Bentley
Travelers Indemnity Co	Jennifer Baurle
Agent	Robert M. McVay

Compliance Committee	
Members	Representative
Atlantic Casualty Insurance Co	Mark Caughron
Integon Indemnity Corporation	Art Lyon
Nationwide Mutual Insurance Co	Greg Kilburn
Universal Insurance Co*	Jim McCafferty
Agent	W. Hutson Wester, II

Investment Committee	
Members	Representative
Allstate Insurance Co	Douglas Dupont
Nationwide Mutual Insurance Co*	Joel Buck
State Farm Mutual Automobile Ins Co	Robert Stephan

Rating Committee	
Members	Representative
Atlantic Casualty Insurance Co*	Mark Caughron
Nationwide Mutual Insurance Co	Kathy Tanner
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
Travelers Indemnity Co	Edward A. Bosk
Agent	Tim Ward

Task Force on Expense Allowances	
Members	Representative
21st Century Insurance Co	Scott Gibson
Allstate Insurance Co	Brian O'Neill
Nationwide Mutual Insurance Co*	Terry Collins
Sentry Insurance A Mutual Co	Peter Sampson
State Farm Mutual Automobile Insurance Co	Alan Bentley
Agent	Tim Ward

Task Force on Recoupment	
Members	Representative
Integon Indemnity Corporation	Art Lyon
Nationwide Mutual Insurance Co	Terry Collins
NC Farm Bureau Mutual Insurance Co	Roger N. Batdorff
Progressive Casualty Insurance Co	Kevin McGee
Southern Guaranty Insurance Co	Stephen H. Cone
State Farm Mutual Automobile Insurance Co*	Alan Bentley
Agent	Robert M. McVay

\* Chair

Edith T. Davis

DIRECTOR, REINSURANCE FACILITY



## MANAGEMENT REPORT

### Introduction

This year the Facility is 40 years old. Our purpose has not changed since our inception in 1973. Some things are remarkably different and others remarkably the same. Here is a quick look back at then and now:

	1973	2013
NC Auto Liability Written Premium	\$263.9M*	\$3.1B*
NCRF Written Premium	\$7.9M**	\$787M*
NCRF Share of NC Market	23.1%***	25.5%
Expense Allowances		
Ceding Expense Allowance	26.2	26.7
Claims Expense Allowance	10.1	10.8
PPA Cedable Limits	100/300/50	100/300/50
Number of Member Companies	205	549
Reporting Method	Paper, magnetic tape	Electronic transfer, online
Data Processing	Outsourced mainframe	In-house web application
Settlement turnaround time	approx. 90+ days	approx. 30 days

\*At prior year-end figures

\*\* partial year

\*\*\*used 1975, earliest available figures

This year we focused on enhancing the customer experience. Staff improved the website content by creating and posting documents designed to assist

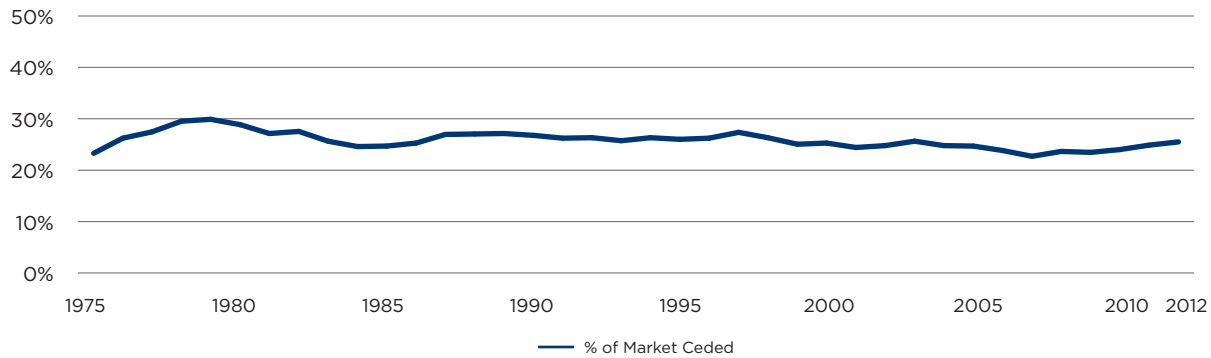
member companies with various points of interaction with the Facility and to streamline the setup for new member companies. Our business recovery plan was enhanced through the development of improved FTP special handling protocols to insure the quickest possible response and handling following business interruptions. Virtualization of the EDGE system should be complete by year-end and is anticipated to offer improved stability and new business continuity options for the future.

A data analytics software system has been implemented to enable us to leverage the EDGE system data for more focused audits, and more work was performed to enhance the EDGE system for greater functionality. Significant progress was made toward the electronic archival of records and the elimination of paper documents, but now with a greater focus on the organization and appropriate retention of these records. The Facility continues to operate with a budget that totals less than 1% of the annual written premium volume of the Facility.

During this report period, the North Carolina Reinsurance Facility was the largest residual market mechanism by total written premium volume in the United States. The Facility provides reinsurance for approximately one quarter of the automobile liability business written in North Carolina. This figure has remained notably stable since the Facility was created in 1973.

Of the total ceded exposures, 74% were private passenger “clean risks, and 23% were private passenger “other-than-clean” risks, consistent with the previous fiscal year. The remaining 3% of ceded exposures were commercial auto risks.

Share of NC Auto Liability Market Ceded — By Calendar Year



As of June of 2013, approximately 1.2 million policies were in force — 97% were private passenger non-fleet policies, and 3% were all other policies — generating over 30 million transactions annually. Overall, total cession notice volume is about 5% higher than the same period last year.

Finally, written premium for the fiscal year ending September 2013 is projected to total over \$800 million, which is approximately 5% higher than the previous fiscal year.

### Rates and Forms

In 2013, the Rate Bureau filed a private passenger automobile rate review and did not propose any changes in rates. As a result, there were no rate changes this year for private passenger auto clean risks ceded to the Facility.

The Facility performed a rate review for “other-than-clean” risks but did not file any rate level changes in 2013, so rates remained the same for all new and renewal policies becoming effective on and after October 1, 2013.

For the commercial auto business, in October 2012, the Facility filed revised basic limits premium rates for liability insurance for trucks, tractors and trailers, garages, and private passenger types not eligible for rating under the

North Carolina Personal Automobile Manual and revised bodily injury and property damage increased limits factors. The various rate level changes averaged +1.7% over the rates previously in effect and applied to all new and renewal policies becoming effective on and after March 1, 2013. The Facility performed an annual commercial auto rate review in 2013 but did not file any rate level changes, so rates will remain the same for all new and renewal policies becoming effective on and after March 1, 2014.

Insurance Services Office (ISO) filed a new optional Commercial Auto Policy Program for the voluntary market that became effective on October 1, 2013. The Facility adopted certain of these policy forms applicable to ceded coverage and new Commercial Auto Manual rules to address this new policy program for business ceded to the Facility, also effective on an optional basis effective on October 1, 2013.

### Clean Risk Recoupment

North Carolina law requires carriers to “take all comers” on automobile liability insurance, and carriers can cede to the Facility the risks they choose not to insure voluntarily. While the Facility establishes actuarially sound rates for

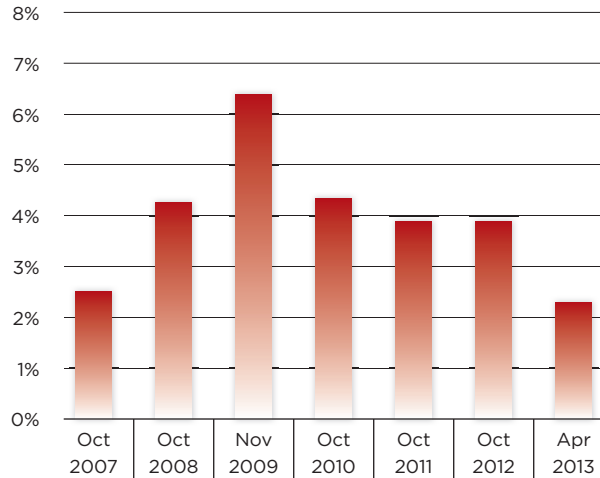
“other-than-clean” risks (except that no profit is included), the rates for “clean risks” are statutorily capped at the voluntary rate level, which is inadequate to pay the losses and expenses of the clean risks ceded to the Facility. The shortfall between what this group pays and what it should pay is made up through the statutorily authorized clean risk recoupment surcharge applied to the liability premiums of all private passenger non-fleet policies.

Recoupment surcharges are reviewed at least annually and adjusted as deemed appropriate and necessary. Effective October 1, 2012, the Board of Governors implemented a clean risk recoupment surcharge of 3.87% (before inclusion of agent compensation). This surcharge percentage was equal to the percentage implemented in the prior period and also reflected the application of a portion of the Facility’s members’ equity balance as an offset against the indicated clean risk shortfall.

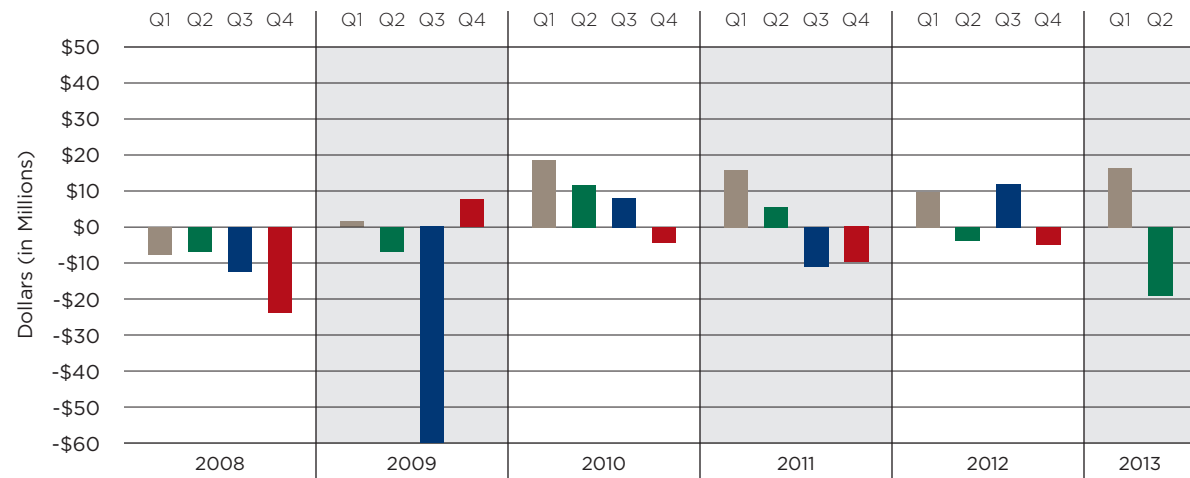
In December 2012, the Board of Governors authorized a new lower clean risk recoupment surcharge of 2.25% (before inclusion of agent compensation) to be applicable to all new and renewal private passenger policies effective on and after April 1, 2013, through September 30, 2013, and a significant portion of the Facility’s members’ equity balance was again applied as an offset against the indicated clean risk shortfall. For the current fiscal year through June 2013, income from clean risk surcharges has generated approximately \$17.3 million.

In June 2013, the Board of Governors authorized a new clean risk recoupment surcharge, which will be applicable to all new and renewal private passenger policies becoming effective on and after October 1, 2013, through March 31, 2014. This surcharge was also set at 2.25% (before inclusion of agent compensation), and a significant portion of the Facility’s members’ equity balance was again applied as an offset against the indicated clean risk shortfall.

**Clean Risk Recoupment Surcharges**



**Net Results of Operations (After Recoupments)**



**Operating Results**

Similar to last year, the Facility had realized operating losses in two of three consecutive quarters for the fiscal year through June 30, 2013. Despite an increase in written premiums, increases in incurred losses and significant decreases in recoupment income generated net losses for this period. As a result of the operating losses, the members' equity balance decreased from \$95.5 million in September 2012 to \$88 million in June 2013.

**Compliance Activity**

More than 100 member company groups report to the Facility, and each is reviewed at least annually. Our compliance staff's focus is on compliance with statutes, rules, and regulations, as well as eligibility for ceded coverage and reimbursement, as part of our responsibility to ensure that the Facility collects the right premium and pays the right losses. Throughout the year, the compliance staff performs audits on each ceding company group. The files are reviewed for, among other items, proper reporting of premiums and losses, claims handling, proper application

of underwriting rules, eligibility, experience modification rating, and recoupment. The compliance staff also performs audits on non-ceding companies to ensure that recoupment amounts are correctly determined and collected.

The compliance team continued work on documentation of current processes and proposed processes and entered the design phase of an audit-tracking module to be implemented in the EDGE system to further increase the timeliness and efficiency of the audits.

**Legislative Changes**

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

During the 2013 legislative long session, a variety of proposals were introduced which would have changed the way automobile rates are set in North Carolina and how risks are

ceded to the Facility. While the Facility does not lobby for or against any idea or position, the Facility is often called upon to provide information to various groups that wish to study these complex matters. Throughout the year, Facility staff and counsel met with interested parties and provided information to various legislative, media, and industry groups. The only legislation enacted during the 2013 legislative session that directly impacts the Facility is a change to the definition of private passenger auto (increases GVW to 14,000 lbs).

**Conclusion**

We are grateful for the support and encouragement we receive from our Board and Committee members, many of whom have served over a great number of years and who invest significant time and expertise in overseeing the Facility operations. We are thankful for the quality work received from our counsel and advisors, and we are most grateful for the opportunity to serve the automobile insurance industry in North Carolina.

**Edith Davis**

Director, Reinsurance Facility

## SHARED SERVICES

### Information Services

In the Information Technology area, we remain focused on improving our security posture in an ever-increasing culture of cyber-risk. We are in the process of having an outside firm conduct a security assessment to assist us with prioritizing our next steps in our ongoing security strategy. An internal security team was established to evaluate and improve our security measures continually, including re-writing security policies and developing a security education and awareness program. Additionally, we have implemented a monitoring service for vulnerability management and are also implementing a device to evaluate and prevent Advanced Persistent Threats (APTs) that cannot be stopped by AntiVirus software or “next-generation” firewalls. Across both the IT Services and Software Development areas, we continue to upgrade to newer technologies to help ensure long-term viability of our technology-rich environment. Our goal is to pursue opportunities that help drive IT efficiencies. By positioning our staff to react swiftly and intelligently to potential vulnerabilities, we can mitigate any direct losses or exposure to our organizations while maintaining support to our customers.

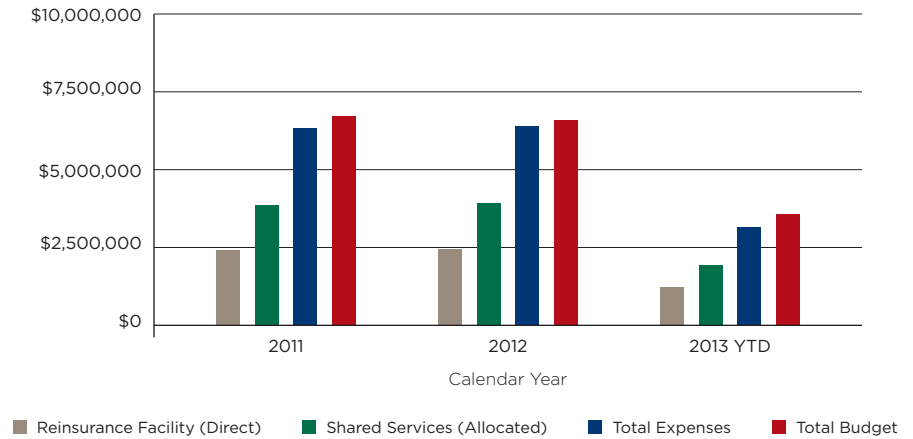
The Software Development area remains heavily involved in all aspects of maintaining and enhancing the EDGE system to meet the needs of Facility customers, including initiatives to automate and transition the Facility audit processes to a more paperless and streamlined business model already implemented into the Facility data processing operations. This web-based system receives ceded business, validates the quality of the data, handles the appropriate accounting transactions, and performs monthly settlement processing, while offering real-time online access for companies to ensure all business is handled in a timely, accurate manner. The EDGE team is also in the process of transferring this system to a “virtual” server environment, along with other technology upgrades, which will allow more flexibility for technical support in the future.

### Finance

#### Investments

The Facility’s investment account balance has been recently impacted by the increase in settlements due to our member companies and an increase in interest rates in the financial markets. The market value of the portfolio as of June 30, 2013, was \$856.4 million compared to \$873.8 million a year ago, despite operating gains for much of the report period. As of June 30, 2013, unrealized gains totaled \$20.6 million — down from \$48.9 million 12 months ago. During the past year, the portfolio returned 0.63% (net of fees), outperforming the benchmark by 15 basis points. The net investment income from the Facility’s investment program has contributed approximately \$32.9 million toward the Facility’s operating results.

North Carolina Reinsurance Facility Administrative Expenses



Despite the challenges of managing a fixed-income portfolio in a low but slowly rising interest rate environment, Staff continues to be pleased with the performance of Wellington Management Company.

### Operating Expenses

The operating expenses of the Facility totaled \$6.4 million during calendar year 2012, an increase of about 1% from the previous year and 97% of the approved budget for the period. External support and development costs related to the EDGE system represented about \$532,000 of the operating expenses last year, up 13% from \$469,000 in 2011. Through the first six months of 2013, operating expenses are down 2% compared to the same period a year ago and under the respective budget by almost 13%. As reported on numerous occasions, we believe the implementation and investment in the Facility’s data exchange system has resulted in savings and efficiencies for our member companies and Staff. The table and chart that follow reflect a summary of the direct and allocated expenses for the prior two years and the first half of 2013.

Administrative Expenses	2011	2012	Thru June 2013
Reinsurance Facility (Direct)	\$ 2,448,675	\$ 2,466,313	\$ 1,225,335
Shared Services (Allocated)	3,887,000	3,937,527	1,903,553
Total Expenses	\$ 6,335,675	\$ 6,403,840	\$ 3,128,888
Total Budget	\$ 6,715,053	\$ 6,580,732	\$ 3,587,209



## Human Resources

Human Resources (HR) is the strategic and comprehensive approach to managing our organization's most valued assets — its 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. Administrative Services provides facility management of our building, mail services, and receptionist responsibilities.

Six professional development classes and two financial workshops were held onsite for management and associates during this report period. Wellness training this year consisted of 24 exercise classes held on-site along with six wellness classes.

We have a strong wellness initiative, including

- WeightWatchers at Work,
- a partnership with WakeMed Hospital,
- a partnership with the Performance Athletic Center,
- a partnership with the NC Prevention Partners,
- annual participation in the Wellness Council of America's (WELCOA) Step-By-Step program of walking 10,000 steps a day,
- flu shots provided for associates on-site, and
- certification in First Aid, CPR, and AED for a third of our workforce through the American Red Cross.

Community service involvement by our associates this year included the United Way and the NC Food Bank.

Associate service milestones this year include:

- 1 associate celebrating 10 years
- 1 associate celebrating 20 years
- 2 associates celebrating 25 years
- 1 associate celebrating 40 years

## NCRF MANAGEMENT STAFF



Tim Lucas  
MANAGER, AUTOMOBILE



Mike Newton  
MANAGER, CLAIMS



Jannet Barnes  
MANAGER, COMPLIANCE

## NCRF SHARED SERVICES



Vicki Godbold  
DIRECTOR,  
HUMAN RESOURCES  
AND ADMINISTRATIVE  
SERVICES



David Sink  
DIRECTOR, FINANCE



Shelley Chandler  
DIRECTOR,  
INFORMATION SERVICES

## NORTH CAROLINA REINSURANCE FACILITY

## BALANCE SHEET

As of	June 30, 2013	June 30, 2012
<b>Assets</b>		
Cash (Checking Account)	\$ 478,701	\$ 518,582
Cash Restricted (Including Escrow)	-	-
Investments	829,778,284	818,780,019
Accounts Receivable	8,628,172	10,763,908
Accrued Interest Receivable	5,955,025	6,137,178
Other Assets	92	92
<b>Total Assets</b>	<b>\$ 844,840,274</b>	<b>\$ 836,199,779</b>
<b>Liabilities &amp; Members' Equity</b>		
Accounts Payable	\$ 31,259,748	\$ 25,143,206
Loss Reserves	481,899,949	499,760,505
Unearned Premium Reserves	243,533,227	227,587,708
Provision for Premium Refunds	-	-
Other Liabilities	112,843	118,653
<b>Total Liabilities</b>	<b>\$ 756,805,767</b>	<b>\$ 752,610,072</b>
<b>Members' Equity</b>	<b>88,034,507</b>	<b>83,589,707</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$ 844,840,274</b>	<b>\$ 836,199,779</b>

## INCOME STATEMENT

Fiscal Year through	June 30, 2013	June 30, 2012
<b>Income</b>		
Earned Premiums	\$ 601,033,518	\$ 573,528,529
Clean Risk Recoupment	76,790,490	88,414,150
Investment Income	25,337,174	35,634,663
Membership Fee Income	54,500	53,900
Other Income	191,816	182,474
<b>Total Income</b>	<b>\$ 703,407,498</b>	<b>\$ 697,813,716</b>
<b>Expenses</b>		
Losses Incurred	\$ 486,705,693	\$ 485,114,259
Ceding & Claims Expenses	219,349,924	211,506,706
Premiums Escrowed	-	-
Salaries & Administration Expenses	1,663,365	1,650,821
Outside Services Expenses	1,936,039	2,117,676
Other Operating Expenses	1,262,366	1,197,658
<b>Total Expenses</b>	<b>\$ 710,917,387</b>	<b>\$ 701,587,120</b>
<b>Net Income/(Loss)</b>	<b>\$ (7,509,889)</b>	<b>\$(3,773,404)</b>
<b>Before Loss Recoupments</b>		
Loss Recoupments	(961)	(546)
<b>Net Income/(Loss)</b>	<b>\$ (7,510,850)</b>	<b>\$ (3,773,950)</b>
<b>After Loss Recoupments</b>		

## NORTH CAROLINA REINSURANCE FACILITY

### SPECIAL PURPOSE BALANCE SHEET

Year Ending	Sept 30, 2012	Sept 30, 2011
<b>Assets</b>		
Cash and Short-Term Investments	\$ 29,623,347	\$ 26,129,431
Long-Term Investments, at Amortized Cost	785,544,639	780,807,533
Accrued Interest Receivable	5,821,588	6,404,201
Settlements Receivable From Member Companies:	19,893,882	16,127,826
<b>Total Assets</b>	<b>\$ 840,883,456</b>	<b>\$ 829,468,991</b>
<b>Liabilities &amp; Members' Equity</b>		
Loss and Loss Adjustment Expense Reserves:		
• In Course of Settlement	\$ 374,598,420	\$ 366,057,637
• Incurred But Not Reported	118,085,233	125,566,744
<b>Total Loss and Loss Adjustment Expense Reserves</b>	<b>492,683,653</b>	<b>491,624,381</b>
Unearned Premium Reserves	238,248,563	230,917,373
Advanced Clean Risk Subsidies	2,633,083	2,415,030
Settlements Payable to Member Companies	14,281,890	19,411,286
Provision for Premium Refunds	-	-
Other Liabilities	123,994	152,295
<b>Total Liabilities</b>	<b>\$ 747,971,183</b>	<b>\$ 744,520,365</b>
<b>Commitments and Contingencies</b>		
Members' Equity	92,912,273	84,948,626
<b>Total Liabilities and Members' Equity</b>	<b>\$ 840,883,456</b>	<b>\$ 829,468,991</b>

### SPECIAL PURPOSE STATEMENT OF OPERATIONS

Year Ending	Sept 30, 2012	Sept 30, 2011
Premiums Earned	\$ 767,622,541	\$ 748,931,294
Clean Risk Subsidies Reported	120,008,654	131,976,542
<b>Total Underwriting Income</b>	<b>\$ 887,631,195</b>	<b>\$ 880,907,836</b>
<b>Losses Incurred</b>		
Losses Incurred	\$ 631,296,465	\$ 627,487,274
Ceding Expense Allowances	194,687,329	195,900,772
Claims Expense Allowances	92,359,884	87,642,206
Premiums Escrowed	-	(6,827,838)
<b>Total Underwriting Expenses</b>	<b>\$ 918,343,678</b>	<b>\$ 904,202,414</b>
<b>Net Underwriting Loss</b>	<b>\$ (30,712,483)</b>	<b>\$ (23,294,578)</b>
<b>Other Income (Expense):</b>		
Net Investment Income	\$ 28,401,612	\$ 33,903,182
Net Realized Investment Gains Including		
Other-Than-Temporary Impairments	15,442,479	5,079,298
Late Premium Charges and Penalties	191,043	283,840
Membership Fees	54,100	53,400
Cession Notice Charges	-	3,564
General and Administrative Expense	(5,403,612)	(5,480,517)
Other Miscellaneous Expense	(8,873)	(185,664)
<b>Total Other Income — Net</b>	<b>\$ 38,676,749</b>	<b>\$ 33,657,103</b>
<b>Net Operating Income</b>	<b>\$ 7,964,266</b>	<b>\$ 10,362,525</b>



**North Carolina Reinsurance Facility**

2910 Sumner Blvd. Raleigh, NC 27616 [www.ncrb.org/ncrf/](http://www.ncrb.org/ncrf/)