

# Presentation to the Joint Legislative Oversight Committee on General Government

By the  
North Carolina Reinsurance Facility  
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This presentation is incomplete without the accompanying discussion; it is intended for the information and benefit of the Joint Legislative Oversight Committee on General Government.



# North Carolina Reinsurance Facility (NCRF) Representatives

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# The Facility was created to...

***“... assure the availability of motor vehicle insurance to any eligible risk ...”***

**NCGS 58-37-35**

- Liability insurance is mandatory
- “Take all eligible comers”
- Companies need the option to keep or cede the risk (transfer the loss exposure)
- A ceded policy is NOT indicative of a “*bad*” risk
- Drivers able to choose their company



# NCRF Legislative History

***“There is created a nonprofit unincorporated legal entity to be known as the North Carolina Motor Vehicle Reinsurance Facility consisting of all insurers licensed to write and engaged in writing within this State motor vehicle insurance...”***

NCGS 58-37-5

- Created by the Legislature in 1973 – NCGS Ch. 58, Art. 37
  - Statutes dictate Why, What, & How
  - Nonprofit unincorporated legal entity
  - 550+ member companies
  - Not a state agency and receives no state funds



# Administered by the Board of Governors

*“...full power and administrative responsibility for the operation of the Facility.”*

15 total members, 12 voting members:

- 7 insurance companies
  - 2 NC member companies selected by the Commissioner of Insurance (COI)
- 5 insurance agents selected by the COI
- COI is ex officio non-voting member
- 2 non-voting public members appointed by the Governor

NCGS 58-37-35



# What does the Facility NOT do?

- Sell insurance policies
- Service policies
- Adjust claims
- Reinsure physical damage coverages
- Lobby

Companies are required to provide the same level of service to ceded policies as they do to retained policies



# What does the Facility Reinsure?

- Motor vehicle insurance (defined as the following liability coverages)
  - Bodily Injury
  - Property Damage
  - Medical Payments (excluding motorcycles)
  - Uninsured Motorists
  - Underinsured Motorists
- Motor vehicle Physical Damage insurance (Collision, Comprehensive, etc.) is retained by the insurance company.

NCGS 58-37-1



# Who does the Facility Reinsure?

## Eligible risks (summary only)

- Resident of NC who
  - owns a motor vehicle registered **or** principally garaged in NC; or
  - has a valid NC drivers license; or
  - is required to file proof of financial responsibility in order to register a motor vehicle or obtain a NC drivers license
- A non-resident who
  - owns a motor vehicle registered **and** principally garaged in NC; or
  - is a member of the armed forces (including spouses) stationed on or deployed from a base in NC who intends to return to their home state; or
  - is an out of state student enrolled in school in NC who intends to return home upon completion of time as student

NCGS 58-37-1



# How does it work?

- Companies make a choice:
  - Keep (**retain**) and charge voluntary rates
  - Cede (**reinsure**), charge Facility liability rates and send the liability **premium** to the Facility
- Companies issue and service policies, including adjusting any claims
- Regardless of choice, companies must treat all policies the same
- On ceded policies, Facility reimburses companies:
  - Cost of writing and servicing policies
  - Cost of adjusting claims
  - Claim payments for accidents



# Surcharges utilized by the Facility

The statutes provide for two types of surcharges:

- Clean Risk Surcharge
  - Allows the Facility to recoup any shortfall created by a difference between the actual rate charged and the actuarially sound and self-supporting rates for clean risks reinsured in the Facility.
  - Placed on the liability premiums of all ceded and retained private passenger auto policies.
- Loss Recoupment Surcharge
  - Allows the Facility to recover net operating losses from prior time periods.
  - Placed on the liability premiums of all ceded and retained private passenger auto policies and / or commercial auto policies.
- Surcharges are evaluated each quarter and adjusted as necessary



# NCRF Fiscal Year Income Statement

<b>Income Statement</b>		
<b>Fiscal Year through</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>Income</b>		
Earned Premiums	\$1,105,947,441	\$1,068,676,263
Clean Risk Recoupment	243,943,492	169,839,416
Investment Income	23,536,781	28,767,080
Membership Fee Income	57,700	56,500
Other Income	139,732	269,217
<b>Total Income</b>	<b>\$1,373,625,146</b>	<b>\$1,267,608,477</b>
<b>Expenses</b>		
Losses Incurred	\$990,892,904	\$936,543,231
Ceding & Claims Expenses	442,239,070	406,681,509
Salaries & Administration Expenses	3,694,064	3,664,063
Outside Services Expenses	2,701,709	2,782,209
Other Operating Expenses	2,549,401	2,741,986
<b>Total Expenses</b>	<b>\$1,442,077,148</b>	<b>\$1,352,412,998</b>
<b>Net Income/(Loss) Before Loss Recoupments</b>	<b>(\$68,452,001)</b>	<b>(\$84,794,281)</b>
Loss Recoupments	\$126,751,611	\$69,712,133
<b>Net Income/(Loss) After Loss Recoupments</b>	<b>\$58,299,610</b>	<b>(\$15,082,148)</b>



# Checks and Balances

- Responsibilities defined by statute
- Plan of operation approved by the COI
- Rates and forms reviewed by the COI
- Statutorily required review of financial statements by outside independent auditors who are approved by the legislature



# Questions?

# Thank you for the opportunity!

