



**North Carolina Self-Insurance Security Association**  
1620 South MLK Jr. Avenue, Suite 107  
Salisbury, North Carolina 28144

## **2022 Annual Report**

### **April 26, 2023**

#### Executive Director

**Dewey R. Preslar, Jr.,  
ARM**

#### Board of Directors

**Thomas R. Yarboro,**  
Chairman of the Board  
Maxwell Family  
Holding  
Company System

**Patrick Eglinton**  
Vice-Chairman  
First Citizens

**Alice West**  
Secretary-Treasurer  
Alex Lee, Inc.

**Neal Cope**  
Delhaize USA, LLC

**Melissa Culbreth**  
Duke Energy

**Julie Groves**  
Wake Forest University

**Charles C. Kyles**  
Duke University

**Scott Myers**  
Novant Health, Inc.

**Stephanie Rogers**  
FirstHealth of the  
Carolinas

**Tia Schweikert**  
Lowe's Companies,  
Inc.

**Dean Williamson**  
Variety Wholesalers

Dear Member, Self-Insurer:

In its 37<sup>th</sup> year, the North Carolina Self-Insurance Security Association (“Association”) continues to advocate, defend, and protect the interests of all member self-insurers (“Members”). The Association was created by the North Carolina General Assembly to be a statutory safety net for insolvent self-insurers through the payment of “covered claims” asserted against its Members.

In 2022, the Association Members included 86 individual business organizations from varied industries including retail, utilities, banking, construction, healthcare & pharmaceuticals, education, hospitality, consumer goods and manufacturing as well as three group self-insurance funds also in diverse channels of trade. Schneider National, Inc., became an individual Member in 2022.

The Association works collaboratively with the relevant administrative agencies including the North Carolina Department of Insurance and the North Carolina Department of Revenue and the North Carolina Industrial Commission in furtherance of the self-insurance industry. On July 20, 2022, Insurance Commissioner Mike Causey attended the Association Annual Meeting in Durham, North Carolina where initiatives were considered to better address the needs and interests of Association Members.

The decision to self-insure is a strategic decision and we thank you for your continued participation in the self-insurance industry and offer the following overview of 2022 Association operations.

### **2022 Claims and Coverage Activities**

In 2022, the Association addressed claims against former Members including American Yarn Spinners Self-Insurers Fund, Burlington Industries, Doran Textiles, Inc., Fieldcrest Cannon, Inc./Pillowtex Corporation, Furniture Brands International, Hostess Brands, Inc./Interstate Brands, National Service Industries, Inc, Sanders Brothers, Inc., and WestPoint Stevens, Inc. There were no individual or group insolvencies in 2022, but the Association has addressed 87 Member insolvencies throughout its history. A list of Member insolvencies is available at [www.ncsisa.org](http://www.ncsisa.org).

The Association must also follow its statutory mandate and is empowered only to pay “covered claims” in accordance with North Carolina state law. All claims incurred against a former licensed North Carolina self-insurer prior to the October 1, 1986, creation of the Association are not “covered claims” and must be denied.

In 2022, the Association asserted this fundamental principle in coverage litigation involving a former North Carolina self-insurer who was never a member of the Association. The court ruled there was no coverage because the Association was solely liable for claims incurred after its October 1, 1986, creation date. The ruling reinforced the integrity of the Association mandate which further protects the Security Fund and Association Members. The Association remains steadfast following the precise parameters of its statutory mandate.

### **2022-2023 AASS**

In 2006, the Associate conducted its first alternate security program known as the Association Aggregate Security System (“AASS”). The Association engages in ongoing financial evaluation of all Members in accordance with statutory requirements. The AASS affords Members the opportunity to pool their outstanding workers’ compensation liabilities in an aggregate risk portfolio secured by the Association which is further protected by financial guarantees or insurance policies. Participation in the AASS is mandated by North Carolina law unless excluded by the Association.

All individual Members participated in the 2022-2023 AASS. An overview of the 2022-2023 AASS is available on the Association website at [www.ncsisa.org](http://www.ncsisa.org). Each AASS participant paid an assessment to the Association which was a portion of the cost of the aggregate security based on its respective creditworthiness and outstanding workers’ compensation liabilities. For the 2022-2023 AASS rates were reduced by 10% for each participant. In addition, the Association entered into a three-year non-payment credit insurance policy to protect and secure the aggregate portfolio. The Association also maintains a letter of credit for short-term liquidity requirements.

### **Group Assessments**

In 2022, the three Association group self-insurance funds were assessed based on a percentage of their respective direct premium received in 2021 in accordance with North Carolina law.

### **2023-2024 AASS**

The Association is currently accepting financial information for the 2023-2024 AASS. All Members are required to submit a current actuarial report and private Members are asked to provide financial statements in accordance with North Carolina law.

The actuarial report should be submitted through the Association secure online portal using the following link:

<https://form.jotform.com/jglewis/ncsisa-actuarial-form-2023>.

**The Association and North Carolina Department of Insurance require that all actuarial reports include a calculation for loss adjustment expense which includes both unallocated loss adjustment expense (“ULAE”) and allocated loss adjustment expense. Failure to provide the requisite financial information including a calculation for ULAE could result in exclusion from participation in the 2023-2024 AASS.**

All private Members should submit annual audited financial statements to better understand their respective financial position via the following link:

<https://form.jotform.com/jglewis/2023-2024AASSAuditedFinancialStmts>.

### Association Financials

The Association commissioned a 2022 actuarial study of its projected liabilities arising from all insolvent former Members as well as an audit of its 2022 financial statements as of December 31, 2022. The Association financials are maintained on a cash basis throughout the year but convert to an accrual basis for preparation of the audited financial statements. Claims liabilities are based on actuarially determined estimates which include incurred but not reported liabilities against insolvent former Members who have defaulted on the payment of their workers' compensation claims.

In 2022, total projected reserves for open claims and incurred but not reported ("IBNR") occupational disease ("OD") and death claims against former Members, net of collateral, increased from the previous year. The actuaries reported that four claims were closed in 2022 but the Association continues to receive IBNR OD claims from various old insolvencies. Each claim is carefully investigated to ensure it meets the criteria of a "covered claim."

The 2022 Investment Policy Statement was approved by the North Carolina State Treasurer on August 31, 2022. The Association investment advisors have focused on strategic asset allocations and minimizing risks during inflation to ensure long term principal growth.

A summary and comparison of Association financial information for the last three years is detailed below for your review and consideration.

## **NORTH CAROLINA SELF-INSURANCE SECURITY ASSOCIATION SELECTED FINANCIAL DATA (AUDITED)**

	Year ended		
	12/31/2022	12/31/2021	12/31/2020
<b>Summary Income Statements:</b>			
Income:			
Assessments	\$ 1,398,249	1,450,359	1,558,537
Proceeds from insolvencies	222,091	149,616	32,044
Investment return	(6,245,590)	2,271,779	4,471,565
	(4,625,250)	3,871,754	6,062,146
Expenses (Recoveries):			
Claims and related expenses	789,077	350,959	1,200,384
Management fees	110,400	110,400	100,380
Legal, accounting and actuary	242,010	230,656	210,458
Aggregate security system	394,272	428,365	422,265
Other	71,895	62,026	58,485
	1,607,654	1,182,406	1,991,972
Change in net assets	\$ (6,232,904)	2,689,348	4,070,174
Net change, excluding investment return	\$ 12,686	417,569	(401,391)

**Summary Balance Sheets:**

Assets:

Total cash and investments, fair value	\$ 42,040,918	47,759,452	45,312,276
Other assets	<u>771,008</u>	<u>935,709</u>	<u>1,033,074</u>
Total assets	\$ <u><u>42,811,926</u></u>	<u><u>48,695,161</u></u>	<u><u>46,345,350</u></u>

Liabilities:

Estimated future claims and related costs	4,825,301	4,540,430	4,919,125
Deferred revenue	1,114,402	1,246,973	1,284,647
Other liabilities	<u>1,495,663</u>	<u>1,298,294</u>	<u>1,221,462</u>
Total liabilities	7,435,366	7,085,697	7,425,234

Net assets	35,376,560	41,609,464	38,920,116
Total liabilities and net assets	\$ <u><u>42,811,926</u></u>	<u><u>48,695,161</u></u>	<u><u>46,345,350</u></u>

**Request for Nominations for Directors**

In accordance with the Association Plan of Operation, nominations of candidates for the Board of Directors may be presented for consideration at the 2023 Annual Meeting. Julie Groves is Chair of the Nominating Committee and is accepting nominations currently. She and the Nominating Committee are prepared to review candidates for potential service on the Board of Directors. If you are interested in serving or want to recommend a candidate, please contact Ms. Groves **on or before May 26, 2023**:

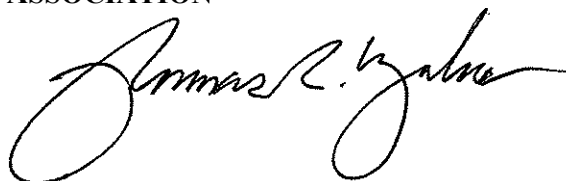
Julie Groves  
 Wake Forest University  
 P.O. Box 7201  
 Winston-Salem, NC 27109  
 Phone: (336) 758-4197  
[grovesjl@wfu.edu](mailto:grovesjl@wfu.edu)

Notice of the 2023 Annual Meeting will be transmitted electronically on or before June 16, 2023, and will specify the date, time, and location of the Annual Meeting. We hope you will be able to attend.

As always, we welcome your recommendations and involvement. Please feel free to contact me or Executive Director, Dewey Preslar at (704) 636-8933 or at [dpreslar@ncsisa.org](mailto:dpreslar@ncsisa.org).

Sincerely,

**NORTH CAROLINA SELF-INSURANCE  
 ASSOCIATION**



Thomas R. Yarboro  
 Chairman, Board of Directors