



**North Carolina Self-Insurance Security Association
Post Office Box 12442
Raleigh, North Carolina 27605-2442**

**2023 Annual Report
April 24, 2024**

Executive Director

Kevin Walsh

Board of Directors

Thomas R. Yarboro,
Chairman
Maxwell Family
Holding
Company System

Patrick Eglinton
Vice-Chairman
First Citizens

Melissa Culbreth
Secretary
Duke Energy

Neal Cope
Delhaize USA, LLC

Gill Frazier
Variety Wholesalers,
Inc.

Julie Groves
Wake Forest University

Leigh Hickman
CaroMont Health

Charles C. Kyles
Duke University

Scott Myers
Novant Health, Inc.

Stephanie Rogers
FirstHealth of the
Carolinas

Tia Schweikert
Lowe's Companies,
Inc.

Dear Member, Self-Insurer:

The 38-year history of the North Carolina Self-Insurance Security Association (“Association”) reflects the evolving business climate in North Carolina. In 1986, the North Carolina General Assembly recognized there should be a statutory safety net for businesses operating in North Carolina which self-insured their workers’ compensation obligations. The Association was created to protect its member self-insurers and their employees (“Members”). Decades later, the Association continues to fulfill its statutory mandate to pay “covered claims” against insolvent member self-insurers.

In 2023, the Association members included 83 different business organizations operating in North Carolina from various channels of trade who report billions of dollars in employee payroll and help to drive continued revenue growth in the state of North Carolina. In 2023, new Members included Cummins, Inc., Rex Healthcare, Inc., and Roseburg Forest Products Company.

The Association collaborates with the North Carolina Department of Insurance, the North Carolina Department of Revenue, and the North Carolina Industrial Commission to ensure the necessary safeguards and protocols are in place to protect the interests of its Members. The Association consults with representatives of the state agencies on a regular basis, especially when new insolvencies are presented to the Association. In 2023, the Association addressed the insolvency and default of Yellow Corporation (“Yellow”) which had significant ramifications for all stakeholders.

On behalf of the Board of Directors, thank you for your continued participation in the Association and commitment to the self-insurance industry. Below you will find an overview of the 2023 Association operations.

2023 Claims and Coverage Activities

The Association has addressed 88 Member insolvencies throughout its history and a comprehensive list is available at www.ncsisa.org.

In 2023, the Association addressed claims against former Members including American Yarn Spinners Self-Insurers Fund, Builders Transport, Burlington Industries, CMI Industries, Inc. 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.

On August 6, 2023, Yellow and its subsidiaries, filed a Chapter 11 petition in the United States Bankruptcy Court for District of Delaware. The Association immediately responded to the petition and worked throughout the year to marshal assets and protect Association interests in the bankruptcy proceedings.

The Association is required to follow its statutory mandate and must defend any challenges which attempt to undermine North Carolina public policy. The Association successfully defended its statutory mandate in 2023 and continues to litigate coverage disputes in administrative tribunals and the North Carolina appellate courts. It is well-settled law in North Carolina, that the Association is not a proper party to litigation involving a workers' compensation claim if it was incurred prior to its creation. The Association continues working to further clarify its statutory mandate.

2023-2024 AASS

In 2006, the Association conducted its first alternate security program namely the Association Aggregate Security System ("AASS"). The Association engages in ongoing financial evaluation of all Members in accordance with its statutory framework. 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 eligible individual Members participated in the 2023-2024 AASS and an overview of the 2023-2024 Implementation Plan ("Plan") was transmitted electronically to Members on January 12, 2024. A copy of the Plan is available on the Association website at www.ncsisa.org. Each AASS participant paid an assessment to the Association which represented a portion of the cost of the aggregate security based on their respective creditworthiness and outstanding workers' compensation liabilities. Assessment rates were not increased for the 2023-2024 AASS.

Moreover, the Association is in the second of a three-year non-payment credit insurance policy to protect and secure the aggregate portfolio. The credit insurance policy will expire on November 30, 2025. The Association also maintains a letter of credit for short-term liquidity needs.

Group Self-Insurers

In 2023, the three-member group self-insurers were assessed based on a percentage of their respective direct written premium as of December 31, 2022, in accordance with North Carolina law.

Association Financials

The Association commissioned a 2023 actuarial study of its projected liabilities arising from all insolvent former Members as well as a separate study of projected liabilities as a result of the Yellow insolvency. In addition, the Association commissioned an audit of its 2023 financial statements as of December 31, 2023. The Association financials are maintained on a cash basis throughout the year but are converted to an accrual basis for preparation of its audited financial statements. Claims liabilities are based on actuarially determined estimates which include incurred but not reported liabilities against insolvent former Members which defaulted on the payment of their workers' compensation claims.

In 2023, 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 because of the Yellow bankruptcy and default. The actuaries reported that four claims were closed in 2023 but noted that the Association continues to receive IBNR OD claims from former member self-insurers. Each claim is investigated and analyzed to ensure it meets the definition of a "covered claim."

The 2023 Investment Policy Statement was approved by the North Carolina State Treasurer on September 1, 2023. The Association investment advisors recognized the impact of ongoing inflation and volatility in the financial markets and recommended adjustments to the asset allocation strategy to minimize risk and promote investment 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	
	12/31/2023	12/31/2022
Summary Income Statements:		
Income:		
Assessments	\$ 1,256,777	1,398,249
Proceeds from insolvencies	3,248,018	222,091
Investment return	4,822,676	(6,245,590)
	9,327,471	(4,625,250)
Expenses (Recoveries):		
Claims and related expenses	8,518,777	789,077
Management fees	116,840	110,400
Legal, accounting and actuary	309,610	242,010
Aggregate security system	400,913	394,272
Other	78,120	71,895
	9,424,260	1,607,654
Change in net assets	\$ (96,789)	(6,232,904)
Net change, excluding investment return	\$ (4,919,465)	12,686
Summary Balance Sheets:		
Assets:		
Total cash and investments, fair value	\$ 48,818,908	42,040,918
Other assets	1,009,286	771,008
Total assets	\$ 49,828,194	42,811,926
Liabilities:		
Estimated future claims and related costs	12,179,425	4,825,301
Deferred revenue	949,602	1,114,402
Other liabilities	1,240,001	1,495,663
Total liabilities	14,369,028	7,435,366
Net assets	35,459,166	35,376,560
Total liabilities and net assets	\$ 49,828,194	42,811,926

2024-2025 AASS

The Association is currently accepting financial information for the 2024-2025 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/2024-2025-AASS-ActuarialReport-Sub>

The Association and North Carolina Department of Insurance require that all actuarial reports include a calculation for loss adjustment expense (“LAE”) which includes both unallocated loss adjustment expense (“ULAE”) and allocated loss adjustment expense (“ALAE”). Failure to provide the requisite financial information including a calculation for ULAE could result in exclusion from participation in the 2024-2025 AASS.

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

<https://form.jotform.com/jglewis/2024-2025-AASS-FinancialStmt-Sub>

Thank you for your attention to this regulatory requirement if you have not already complied.

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 2024 Annual Meeting. Julie Groves is Chair of the Nominating Committee and is accepting nominations. The Nominating Committee is 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 31, 2024**:

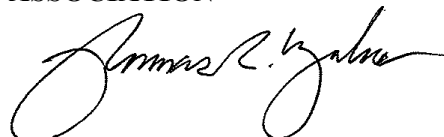
Julie Groves
Wake Forest University
P.O. Box 7201
Winston-Salem, NC 27109
Phone: (336) 758-4197
grovesjl@wfu.edu

Notice of the 2024 Annual Meeting will be transmitted electronically on or before June 24, 2024, 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, Kevin Walsh at (919) 475-3451 or at director@ncsisa.org.

Sincerely,

**NORTH CAROLINA SELF-INSURANCE
ASSOCIATION**



Thomas R. Yarboro
Chairman, Board of Directors