



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

## **2021 Annual Report April 27, 2022**

### Executive Director

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

Dear Member, Self-Insurer:

### Board of Directors

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

**Patrick Eglinton**  
Vice-Chairman  
First Citizens

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

**Neal Cope**  
Delhaize America, LLC

**Melissa Culbreth**  
Duke Energy

**Julie Groves**  
Wake Forest University

**Charles C. Kyles**  
Duke University

**Scott Myers**  
Novant Health, Inc.

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

**Dean Williamson**  
Variety Wholesalers

As most of you are aware, in October 1986, the North Carolina General Assembly created a guaranty association for licensed North Carolina self-insurers as an unincorporated statutory entity responsible to pay “covered claims” incurred against insolvent self-insurers. Prior to that time, if a licensed North Carolina self-insurer filed for bankruptcy protection, employees were often relegated to file proofs of claim in court proceedings across the country.

Today the North Carolina Self-Insurance Association (“Association”) is the statutory safety net for 89-member self-insurers (“Members”). These members represent a diverse array of business enterprises and are both individual employers and group self-insurers.

Throughout its 36-year history, the Association has addressed 87 individual and group insolvencies. We are delighted to report that despite challenging economic conditions because of the global pandemic, there were no insolvencies of current or former Members reported to the Association in 2021. A historical list of Member insolvencies may be reviewed at [www.ncsisa.org](http://www.ncsisa.org).

As a statutory entity, the Association must follow its statutory mandate and is obligated to pay “covered claims” in accordance with the North Carolina Workers’ Compensation Act and other applicable state laws. All claims incurred against a former licensed North Carolina self-insurer prior to the October 1, 1986, creation of the Association is not a “covered claim” and must be denied.

The Association works in partnership with the North Carolina Department of Insurance and collaborates on strategic issues which affect both current and former Members. The decision to self-insure is a strategic decision and we thank you for your continued participation in the self-insurance industry.

### **2021-2022 AASS**

The Association Aggregate Security System (“AASS”) affords Members the opportunity to pool their outstanding workers’ compensation liabilities in an aggregate risk portfolio secured by the Association. Participation in the AASS is mandated by North

Carolina law unless excluded by the Association. All individual Members participated in the 2021 AASS. An overview of the 2021-2022 AASS was transmitted in January to all Members and is available at [www.ncsisa.org](http://www.ncsisa.org).

Assessment rates did not increase for the 2021-2022 AASS and each participant paid a portion of the cost of the aggregate security based on its creditworthiness and outstanding workers' compensation liabilities.

The Association engages in ongoing financial evaluation of all Members and has negotiated a three-year insurance policy to protect and secure the aggregate portfolio. The Association also maintains a letter of credit for short term liquidity.

### **Group Assessments**

The three Association group self-insurers were assessed based on a percentage of their respective direct premium received in 2020 in accordance with the Association statutory mandate.

### **2022-2023 AASS**

The Association is currently accepting financial information for the 2022 - 2023 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-2022>. **The actuarial report must calculate for loss adjustment expense ("LAE") which includes both unallocated loss adjustment expense ("ULAE") and allocated loss adjustment expense ("ALAE").**

All private Members are asked to submit unaudited quarterly financials as well as annual audited financial statements to better understand their respective financial position. Please use the following link to submit both annual and interim financial statements to the secure online portal: <https://form.jotform.com/jglewis/2022-2023AASSAuditedFinancialStmts>.

### **Association Financials**

The Association commissioned a 2021 actuarial study of its projected liabilities arising from all insolvent former Members as well as an audit of its 2021 financial statements as of December 31, 2021. The Association uses a cash accounting method for its operations throughout the year but converts 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 2021, total projected reserves for open claims and incurred but not reported ("IBNR") occupational disease ("OD") and death claims against former Members, net of collateral, decreased slightly from the previous year. However, the Association closed the same number of claims which it received in 2021. IBNR OD from various old insolvencies continue to be received by the Association. The actuaries noted there was collateral available to pay claims from five specific insolvencies.

The 2021 Investment Policy Statement was approved by the North Carolina State Treasurer. The Association investment advisors maintain a diverse portfolio to prepare for ongoing volatility in the capital markets.

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

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

	Year ended		
	12/31/2021	12/31/2020	12/31/2019
<b>Summary Income Statements:</b>			
Income:			
Assessments	\$ 1,450,359	1,558,537	1,665,453
Proceeds from insolvencies	149,616	32,044	147,478
Investment return	2,271,779	4,471,565	5,064,935
	<u>3,871,754</u>	<u>6,062,146</u>	<u>6,877,866</u>
Expenses (Recoveries):			
Claims and related expenses	350,959	1,200,384	1,214,782
Management fees	110,400	100,380	98,004
Legal, accounting and actuary	230,656	210,458	216,708
Aggregate security system	428,365	422,265	456,780
Other	62,026	58,485	63,169
	<u>1,182,406</u>	<u>1,991,972</u>	<u>2,049,443</u>
Change in net assets	\$ <u>2,689,348</u>	<u>4,070,174</u>	<u>4,828,423</u>
Net change, excluding investment return	\$ <u>417,569</u>	<u>(401,391)</u>	<u>(236,512)</u>
<b>Summary Balance Sheets:</b>			
Assets:			
Total cash and investments, fair value	\$ 47,759,452	45,312,276	40,744,468
Other assets	935,709	1,033,074	727,658
Total assets	<u>\$ 48,695,161</u>	<u>46,345,350</u>	<u>41,472,126</u>
Liabilities:			
Estimated future claims and related costs	4,540,430	4,919,125	3,990,199
Deferred revenue	1,246,973	1,284,647	1,394,738
Other liabilities	1,298,294	1,221,462	1,237,247
Total liabilities	<u>7,085,697</u>	<u>7,425,234</u>	<u>6,622,184</u>
Net assets	41,609,464	38,920,116	34,849,942
Total liabilities and net assets	<u>\$ 48,695,161</u>	<u>46,345,350</u>	<u>41,472,126</u>

In 2021, the Association resolved 11 claims and continues to address claims against former Members including American Yarn Spinners Self-Insurers Fund, Burlington Industries, Doran Textiles, Inc., Fieldcrest Cannon, Inc./Pillowtex Corporation, Furniture Brands International and Hostess Brands, Inc./Interstate Brands. The Association is also involved in ongoing coverage disputes arising out of claims presented from other former licensed self-insurers which are not “covered claims” under the Association statutory mandate and must not be paid.

### **Request for Nominations for Directors**

In accordance with the Plan of Operation, the Association welcomes nominations of candidates for the Board of Directors who are eligible for election by the Members at the 2022 Annual Meeting. Dean Williamson is Chairman of the Nominating Committee and is accepting nominations currently. He and the Nominating Committee will review candidates for potential service on the Board of Directors. If you are interested in serving or want to recommend a candidate, please contact Mr. Williamson **on or before May 27, 2022**:

Dean Williamson  
Variety Wholesalers, Inc.  
218 S. Garnett Street  
Henderson, NC 27536  
Phone: (252) 430-2021  
[dwilliamson@vwstores.com](mailto:dwilliamson@vwstores.com)

Notice of the 2022 Annual Meeting will be transmitted electronically on or before June 16, 2022, and will specify the date, time, and location of the Annual Meeting. We hope you will be able to attend.

Thank you for your continued commitment to self-insurance. 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