



JohnsonLambert, LLP

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North Carolina Joint Underwriting Association

Audited Financial Statements - Statutory Basis

*Years ended December 31, 2024 and 2023
with Report of Independent Auditors*

North Carolina Joint Underwriting Association

Audited Financial Statements - Statutory Basis

Years ended December 31, 2024 and 2023

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Report of Independent Auditors

Board of Directors
North Carolina Joint Underwriting Association

Opinions

We have audited the statutory financial statements of North Carolina Joint Underwriting Association (the Association), which comprise the balance sheets - statutory basis as of December 31, 2024 and 2023, and the related statutory basis statements of operations, changes in members' surplus and cash flows for the years then ended, and the related notes to the statutory basis financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and members' surplus of the Association as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note A.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2024 and 2023, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A to the financial statements, the Association prepared these financial statements using accounting practices prescribed or permitted by the North Carolina Department of Insurance (statutory accounting practices), which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the statutory basis financial statements taken as a whole. The accompanying reinsurance summary supplemental filing for general interrogatory 9, supplemental investment risks interrogatories and summary investment schedule of the Association as of December 31, 2024, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the North Carolina Department of Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is fluid and cursive, with "Johnson" and "Lambert" connected by a flourish, and "LLP" in a smaller, more formal script to the right.

Raleigh, North Carolina
April 9, 2025

North Carolina Joint Underwriting Association

Balance Sheets - Statutory Basis

As of December 31, 2024 and 2023

	2024	2023
Admitted assets		
Bonds	\$ 136,306,264	\$ 85,421,287
Cash, cash equivalents and short-term investments	<u>43,325,735</u>	<u>58,229,595</u>
Total cash and invested assets	179,631,999	143,650,882
Accrued investment income	967,173	481,693
Deferred premiums	41,657,015	29,907,826
EDP equipment and software	35,205	9,464
Receivable from affiliates	<u>4,202,391</u>	<u>3,538,290</u>
Total admitted assets	<u>\$ 226,493,783</u>	<u>\$ 177,588,155</u>
Liabilities and members' surplus		
Liabilities		
Reserve for losses	\$ 32,218,358	\$ 18,288,006
Reserve for loss adjustment expenses	5,450,642	3,751,994
Commissions payable and other similar charges	3,344,051	3,002,410
Other expenses payable	2,994,060	2,370,021
Taxes, licenses and fees payable	2,031,813	1,497,638
Unearned premiums	133,341,147	110,514,809
Advanced premiums	4,382,619	3,040,553
Amounts withheld for account of others	877,045	523,269
Pension and postretirement benefit obligation	3,721,632	3,402,072
Reinsurance premium payable	8,542,917	-
Other liabilities	<u>3,681,085</u>	<u>3,411,585</u>
Total liabilities	<u>200,585,369</u>	<u>149,802,357</u>
Members' surplus	<u>25,908,414</u>	<u>27,785,798</u>
Total liabilities and members' surplus	<u>\$ 226,493,783</u>	<u>\$ 177,588,155</u>

See accompanying notes to the statutory basis financial statements

North Carolina Joint Underwriting Association

Statements of Operations - Statutory Basis

Years ended December 31, 2024 and 2023

	2024	2023
Underwriting (loss) gain		
Premiums earned	\$ 225,856,729	\$ 161,833,930
Deductions		
Losses incurred	144,902,391	91,633,094
Loss adjustment expenses incurred	24,566,869	16,503,327
Other underwriting expenses incurred	<u>63,206,626</u>	<u>49,528,089</u>
Total underwriting expenses	<u>232,675,886</u>	<u>157,664,510</u>
Net underwriting (loss) gain	<u>(6,819,157)</u>	<u>4,169,420</u>
Investment income		
Net investment income earned	5,836,945	2,553,473
Net realized capital loss	<u>(135,459)</u>	<u>(1,534)</u>
Net investment income	<u>5,701,486</u>	<u>2,551,939</u>
Other income	<u>134,272</u>	<u>629,751</u>
Net (loss) income	<u>\$ (983,399)</u>	<u>\$ 7,351,110</u>

See accompanying notes to the statutory basis financial statements

North Carolina Joint Underwriting Association

Statements of Changes in Members' Surplus - Statutory Basis

Years ended December 31, 2024 and 2023

	2024	2023
Members' surplus, beginning of year	\$ 27,785,798	\$ 22,086,066
Net (loss) income	(983,399)	7,351,110
Change in non-admitted assets	(977,314)	(2,188,333)
Change in minimum pension liability	<u>83,329</u>	<u>536,955</u>
Members' surplus, end of year	<u><u>\$ 25,908,414</u></u>	<u><u>\$ 27,785,798</u></u>

North Carolina Joint Underwriting Association

Statements of Cash Flows - Statutory Basis

Years ended December 31, 2024 and 2023

	2024	2023
Cash from operations		
Premiums collected, net of reinsurance	\$ 246,458,301	\$ 180,614,949
Net investment income received	5,214,798	2,613,327
Miscellaneous income	134,272	629,752
Benefits and loss related payments, net	(130,972,039)	(90,169,963)
Commissions and other underwriting expenses paid	<u>(84,574,990)</u>	<u>(63,736,708)</u>
Net cash from operations	<u>36,260,342</u>	<u>29,951,357</u>
Cash from investments		
Proceeds from bonds sold, matured, or repaid	23,892,116	8,097,978
Cost of bonds acquired	(74,776,978)	(27,358,209)
Proceeds from short-term investments sold	<u>1,092</u>	-
Net cash from investments	<u>(50,883,770)</u>	<u>(19,260,231)</u>
Cash from financing and miscellaneous sources		
Other cash used	<u>(280,432)</u>	<u>(2,822,252)</u>
Net cash from financing and miscellaneous sources	<u>(280,432)</u>	<u>(2,822,252)</u>
Net change in cash, cash equivalents and short-term investments	(14,903,860)	7,868,874
Cash, cash equivalents and short-term investments, beginning of year	<u>58,229,595</u>	<u>50,360,721</u>
Cash, cash equivalents and short-term investments, end of year	<u>\$ 43,325,735</u>	<u>\$ 58,229,595</u>

See accompanying notes to the statutory basis financial statements

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements

Years ended December 31, 2024 and 2023

Note A - Organization and Significant Accounting Policies

Organization

North Carolina Joint Underwriting Association (the Association) was formed August 15, 1969, as an association of insurance companies (Member Insurers) mandated by North Carolina law. The Association is authorized to write fire, extended coverage and vandalism and malicious mischief coverage in the State of North Carolina. The Association, also known as the FAIR (Fair Access to Insurance Requirements) Plan, is a tax-exempt insurer of last resort created by law to provide adequate basic property insurance to property owners having insurable property in North Carolina. The Association is an association of insurance companies authorized to write basic property insurance coverage in North Carolina. The majority of the Association's policies are submitted by North Carolina licensed agents.

Because the Association only writes business in the State of North Carolina, it has a geographic concentration of policies written, which results in increased loss exposure for severe storms. Under North Carolina law, all insurers authorized to write basic property insurance in North Carolina on a direct basis, except town and country mutual insurance associations, certain assessable mutual companies and certain insurers who only write insurance on property exempted from taxation under the North Carolina General Statutes, are required to participate in the Association. Member Insurers share proportionately, based on premiums written, in the expenses, income and losses of the Association. Any assessment levied on Member Insurers by the Association (as ordered by the Board of Directors) generally is due from the Member Insurers within 30 days of assessment.

The Association is administered by a Board of Directors and is subject to the regulation of the Commissioner of Insurance of the State of North Carolina (the Commissioner). The Board of Directors consists of representatives of the Member Insurers, insurance agents appointed by the Commissioner and public members also appointed by the Commissioner. The general manager of the Association is appointed by the Board of Directors.

Basis of Reporting

For regulatory purposes, the Association prepares its financial statements in accordance with accounting practices prescribed or permitted by the North Carolina Department of Insurance (statutory accounting practices). Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The NAIC Accounting Practices and Procedures Manual (NAIC Statutory Accounting Practices) has been adopted as a component of prescribed or permitted practices by the State of North Carolina. There are no differences between statutory members' surplus as presented in these financial statements as of December 31, 2024 and 2023 (as prescribed or permitted by the State of North Carolina) and NAIC Statutory Accounting Practices.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

The preparation of statutory basis financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statutory accounting practices vary in some respects from accounting principles generally accepted in the United States of America (GAAP). The more significant variances from GAAP applicable to the Association are as follows:

- For statutory purposes, debt securities are generally carried at amortized cost or fair value based on the rating received from the Securities Valuation Office (SVO) of the NAIC. Debt securities with ratings of 1 or 2 are carried at amortized cost, and debt securities with ratings of 3 to 6 are carried at the lower of amortized cost or fair value. Under GAAP, investments in debt securities, other than those intended to be held-to-maturity, are recorded at fair value, with unrealized gains and losses recorded as either a separate component of accumulated other comprehensive income (for debt securities classified as available-for-sale), or as a direct charge to net income (debt securities classified as trading securities). The impairment/credit loss model is different for statutory and GAAP purposes.
- Policy acquisition costs, net of ceding commission received pursuant to reinsurance agreements, are charged to operations in the year such costs are incurred, rather than being deferred and amortized over the terms of the policies as would be required under GAAP.
- Certain assets, including most property and equipment and certain receivables, are non-admitted for statutory purposes. Those assets designated as non-admitted are charged against members' surplus.
- Reserves for losses and loss adjustment expenses and unearned premiums are reported net of applicable reinsurance, whereas for GAAP purposes these reserves are recorded gross of applicable reinsurance.
- For statutory purposes, a reserve for reinsurance is established, through a direct charge to members' surplus, for unsecured reinsurance recoverables from unauthorized reinsurers and overdue authorized reinsurance recoverables; such reserves are provided under GAAP based on management's estimates of expected credit losses, but are charged against net income.
- The statutory statements of cash flow does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activities is not provided.
- Comprehensive income is not reported for statutory purposes.
- For statutory purposes, costs related to operating leases are expensed as incurred. Under GAAP, the Company records a right-of-use asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments. Lease costs are expensed on a straight-line basis for the term of the lease.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

The effects on the financial statements of the variances between statutory accounting practices and GAAP, although not reasonably determinable, are presumed to be material and pervasive.

Investments

Investments are recorded at admitted asset values, as prescribed by the NAIC's SVO valuation procedures. Amortization is calculated using the effective interest method. Mortgage and other loan-backed bonds are valued at amortized cost using the interest method, including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment. Anticipated prepayments are considered when determining the amortization of discount or premium. The prospective adjustment method is used to value all such securities.

The Association invests in bonds. Investment securities are exposed to risks such as interest rate, market, liquidity and credit risk. Due to the level of the risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the balance sheets - statutory basis.

Declines in fair value of invested assets below cost or amortized cost are evaluated for other-than-temporary impairment (OTTI). The decision as to whether an impairment of a security is other-than-temporary incorporates both quantitative criteria and qualitative information. The Association conducts a periodic review to identify and evaluate securities for OTTI.

When, in the opinion of management, a decline in the estimated fair value of an investment is considered to be other-than-temporary, the investment is written down to its estimated fair value. For debt securities, OTTI is considered to have occurred if it is probable that the Association will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition. The determination of an other-than-temporary decline in estimated fair value includes, in addition to other relevant factors, a periodic assessment of the changes in value relative to cost, determination of the Association's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value, and the financial condition, credit analysis, and future prospects of the issuer. Any such write-downs are reported as net realized losses on investments.

With respect to an investment in a mortgage or other loan-backed security, OTTI occurs if the Association (a) intends to sell the security, (b) has an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (c) the present value of cash flows expected to be collected is less than the amortized cost basis of the security.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

If the Association intends to sell the security, or does not have the intent and ability to retain the security for a period of time sufficient to recover the amortized cost basis, a loss in the entire amount of the difference between the security's carrying value and its fair value at the balance sheet date is reflected in net investment gain in the income statement.

For mortgage or other loan-backed bonds, if the Association determines that it is probable it will be unable to collect all amounts or the present value of cash flows expected to be collected is less than the amortized cost basis of the security and the Association has no intent to sell the debt security and has the intent and ability to hold, a credit loss is recognized in net investment gain in the statement of operations to the extent that the present value of expected cash flows is less than the amortized cost basis; any difference between fair value and the new amortized cost basis is reflected as an unrealized loss.

Current accounting guidance establishes a three-level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1), the next priority to quoted prices for identical assets in inactive markets or similar assets in active markets (Level 2) and the lowest priority to unobservable inputs (Level 3).

Accrued interest over 90 days past due is non-admitted. No portion of the investment income due and accrued was required to be non-admitted as of December 31, 2024 and 2023.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less when purchased. Short-term investments consist of investments with original maturities of one year or less when purchased. Short-term investments of \$8,717,691 and \$0 as of December 31, 2024 and 2023, respectively, are included in cash, cash equivalents, and short-term investments on the statutory basis balance sheet. The Association maintains certain cash and cash equivalents balances that exceed FDIC insurance thresholds, which management does not consider to be a significant risk.

Deferred Premiums

Deferred premiums are presented net of non-admitted amounts. The deferred premiums balance consist of deferred premiums and uncollected premiums. Deferred premiums consist of future, unbilled installments. Due to terms included in policies that require cancellation if payment is not made prior to applicable payment due dates, the uncollected balance consist of policies with initial installment premium received. Amounts billed and uncollected are \$1,033,611 and \$906,983 as of December 31, 2024 and 2023, respectively, within the deferred premiums balance.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Premiums

Premiums written directly, net of premiums ceded pursuant to reinsurance agreements, are earned ratably over the terms of the policy. Premiums written, net of reinsurance ceded, relating to the unexpired portion of policies in-force at the balance sheet date are recorded as unearned premiums. Premiums collected in advance of the effective date of policies are recorded as advanced premiums. Expenses incurred in connection with acquiring new insurance business, such as sales commissions, are charged to operations as incurred and are reduced for ceding commissions received or receivable under reinsurance agreements.

If anticipated losses, loss adjustment expenses, commissions and other acquisition costs exceed the Association's recorded unearned premium reserve and any future installment premiums on existing policies, a premium deficiency reserve is recognized by recording an additional liability for the deficiency. The Association does not include investment income as a factor in the premium deficiency reserve calculation. The Association recorded no premium deficiency reserve as of December 31, 2024 or 2023.

Losses and Loss Adjustment Expenses (LAE)

The reserve for unpaid losses and LAE represent the estimated ultimate net cost of all reported and unreported losses that are unpaid as of the balance sheet date, net of amounts recoverable pursuant to reinsurance agreements. In establishing the reserve for losses and LAE, two generally accepted actuarial methodologies, the paid loss and incurred loss development methods, were predominately applied to each line of business. The liability for unpaid losses and LAE is an accounting estimate and, similar to other accounting estimates, actual future losses could differ from the initial estimate. The methods of determining such estimates and the resulting estimated liability are continually reviewed by management and updated. The Association's reserves for losses and LAE represent the Association's best estimate supported by the work of its consulting actuary. Although considerable variability is inherent in such estimates, management believes that the reserve for losses and LAE is adequate.

The Association has not reduced its reserve for losses and LAE for anticipated salvage and subrogation recoveries. Such recoveries are reported as a reduction of losses incurred when the cash related to such recoveries is received. Salvage and subrogation recoveries for the years ended December 31, 2024 and 2023 were \$974,910 and \$1,347,383, respectively.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Member Participation

Each Member Insurer's participation in the Association's operations is in proportion to its North Carolina insurance writings for the affected lines of business in the preceding calendar year. Participation percentages vary from year to year. Assessments of members related to each fiscal year are based on their participation. Since the Association has the authority to assess its members to cover members' deficits, members can be assessed annually to meet the liquidity requirements of the Association. Assessments are also permitted for large unanticipated losses. Assessments are recognized as a component of members' surplus. There were no member assessments during 2024 and 2023.

Reinsurance

The Association utilizes ceded reinsurance to limit its insurance risk. Reinsurance recoverable is estimated using assumptions consistent with those used to estimate the reserve for losses and LAE. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectible by management based on an assessment of factors, including the creditworthiness of the reinsurers. Any change in the ability of the Association's reinsurers to meet their contractual obligations could have a detrimental impact on the Association's ability to meet its regulatory capital and members' surplus requirements, as reinsurance contracts do not relieve the Association from its obligations to policyholders. Reinsurance recoverable on losses and LAE paid by the Association are reported as an asset, while reinsurance recoverable on unpaid losses and LAE are reported as a reduction of the gross reserve. The Association did not record a valuation allowance for reinsurance recoverable as of December 31, 2024 or 2023.

Electronic Data Processing Equipment

Admitted electronic data processing (EDP) equipment is stated at cost, less accumulated depreciation, and is depreciated using the straight-line method over three to five years, as appropriate. EDP equipment is limited to 3% of members' surplus, subject to certain specified adjustments. Maintenance and repair costs are charged to expense as incurred.

Other Expenses Payable

Other expenses payable represent obligations arising from various operating expenditures. These expenses are incurred during the normal course of business and are expected to be settled within one year. Other expenses payable have been accrued but not yet paid.

Taxes, Licenses and Fees Payable

Premium taxes payable represent the Association's liability for taxes on premiums written. This is calculated as a percentage of gross written premium, less allowable deductions.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note A - Organization and Significant Accounting Policies (Continued)

Amounts Withheld for Account of Others

Amounts withheld for account of others consist of claims payable for general, dependent care and health care claims. Claims payable have been accrued but not yet paid.

Other Liabilities

Other liabilities encompass obligations of the Association such as unclaimed balances related to refund and claims checks and other liabilities. These items have been accrued for and not yet paid as of December 31, 2024 and 2023, respectively.

Federal Income Taxes

In 1992, the Association received correspondence from the Internal Revenue Service (IRS) indicating that it is tax-exempt under Section 501(c)(6) of the Internal Revenue Code. The Association's tax-exempt status was examined by the IRS in 2011, and the Association's exemption was reaffirmed. The Association believes it has operated in accordance with its tax-exempt purpose, and accordingly, no provision for federal income taxes have been recorded for 2024 and 2023.

Reclassifications

Certain balances in the 2023 financial statements have been reclassified to conform to the 2024 presentation. These changes had no impact on net income or members' surplus.

Subsequent Events

The Association evaluated subsequent events through April 9, 2025, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements and footnotes.

Effective January 1, 2025, the Association transitioned its medical benefits for active employees from a fully insured plan to a self-insured arrangement with Blue Cross Blue Shield of North Carolina (BCBS NC). As part of this transition, the Association has secured specific stop-loss for claims over \$75,000, and aggregate stop loss if the sum of claims under \$75,000 per person exceed 125% of the annual expected amount.

Note B - Insurance Activity

Premium activity as of December 31, 2024 and 2023 is summarized as follows:

	2024		
	Direct	Ceded	Net
Premiums written	\$ 280,910,525	\$ (32,227,458)	\$ 248,683,067
Change in unearned premium	(13,073,175)	(9,753,163)	(22,826,338)
Premiums earned	<u>\$ 267,837,350</u>	<u>\$ (41,980,621)</u>	<u>\$ 225,856,729</u>

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note B - Insurance Activity (Continued)

	2023		
	Direct	Ceded	Net
Premiums written	\$ 208,518,755	\$ (16,027,167)	\$ 192,491,588
Change in unearned premium	<u>(30,657,658)</u>	<u>-</u>	<u>(30,657,658)</u>
Premiums earned	<u>\$ 177,861,097</u>	<u>\$ (16,027,167)</u>	<u>\$ 161,833,930</u>

Deferred premiums consist of the following at December 31, 2024 and 2023:

	2024	2023
Deferred premiums	\$ 42,120,816	\$ 30,011,067
Non-admitted premium balances	<u>(463,801)</u>	<u>(103,241)</u>
Admitted deferred premiums	<u>\$ 41,657,015</u>	<u>\$ 29,907,826</u>

Activity in the reserve for losses and LAE for the years ended December 31, 2024 and 2023, is summarized as follows:

	2024	2023
Balance at January 1	\$ 22,040,000	\$ 20,200,000
Losses and LAE incurred related to:		
Current year	168,823,000	101,715,000
Prior years	<u>646,260</u>	<u>6,421,421</u>
Total incurred losses and LAE	<u>169,469,260</u>	<u>108,136,421</u>
Losses and LAE paid related to:		
Current year	(82,453,000)	(82,453,000)
Prior years	<u>(71,387,260)</u>	<u>(23,843,421)</u>
Total paid losses and LAE	<u>(153,840,260)</u>	<u>(106,296,421)</u>
Balance at December 31	<u>\$ 37,669,000</u>	<u>\$ 22,040,000</u>

The estimated cost of losses and LAE attributable to insured events of prior years increased by \$646,260 and \$6,421,421 in 2024 and 2023, respectively. The 2024 increase is driven by unfavorable development related to various non-catastrophic storms in 2023 and 2022 accident years. The 2023 increase is driven by unfavorable development related to 2022 accident year, specifically a non-catastrophic wind storm occurring in December 2022.

The reserve for losses and LAE as of December 31, 2024 and 2023 have been offset by reinsurance recoverables amounting to \$0 and \$50,000, respectively. Amounts recovered pursuant to reinsurance agreements during the years ended December 31, 2024 and 2023 were \$52,619 and \$45,291, respectively.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note B - Insurance Activity (Continued)

There was no provision for reinsurance established related to unauthorized or overdue reinsurance recoverables at December 31, 2024 and 2023.

There is no unsecured reinsurance recoverable for individual reinsurers whose balances exceeded 3% of the Association's surplus as of December 31, 2024 and 2023.

The Association utilizes ceded reinsurance to limit insurance risk within its risk financing program. The Association's risk financing program also includes members' surplus, Member Insurer assessments and other statutorily-prescribed mechanisms for financing a deficit event affecting the Association. The Association's risk financing program, effective May 1, 2024, for potential claims obligations that arise from May 1, 2024, to May 1, 2025, includes Member Insurer assessments from \$20 million to \$170 million and 90.6% reinsurance coverage from \$170 million to \$330 million. The Association's risk financing program includes an issued and outstanding catastrophe bond, a type of insurance-linked security providing \$145 million of reinsurance coverage if a pre-specified catastrophic event were to occur. The catastrophe bond requires collateral to be held in a trust account in the event that ceded reinsurance recoveries are to be paid to the Association. Potential losses above \$330 million could be covered by unlimited Member Insurer assessments.

The Association's risk financing program, effective May 1, 2023, for potential claims obligations that arise from May 1, 2023, to May 1, 2024, includes Member Insurer assessments from \$17 million to \$132 million and reinsurance coverage from \$132 million to \$216 million. Potential losses above \$216 million could be covered by unlimited Member Insurer assessments.

The Association's risk financing program, effective May 1, 2022, for potential claims obligations that arise from May 1, 2022, to May 1, 2023, includes Member Insurer assessments from \$11 million to \$111 million and reinsurance coverage from \$111 million to \$221 million. Potential losses above \$221 million could be covered by unlimited Member Insurer assessments.

For the excess of loss coverages described above, the Association is charged a provisional premium, which may be adjusted in accordance with a formula included in the reinsurance agreement for each excess layer if the limits of insurance in force (total insured value) increases by an average of greater than 10% or decreases by an average of greater than 5%. Adjustment to provisional premiums was not required under the reinsurance agreements for the years ended December 31, 2024 and 2023.

The Association has not received a ceding commission as part of its reinsurance arrangements. Therefore, upon cancellation, no return commission would be due. At December 31, 2024 and 2023, the Association accrued \$3,344,051 and \$3,002,410, respectively, of commissions to be paid by the Association to agents under their agency agreements, which is included as part of commissions payable and other similar charges.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments

The cost or amortized cost and fair value of investments in bonds as of December 31, 2024 are summarized as follows:

	2024			
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations	\$ 20,917,929	\$ 43,059	\$ 151,198	\$ 20,809,790
Federal agency mortgage-backed securities	25,407,985	33,798	1,204,682	24,237,101
Mortgage-backed securities	5,163,875	-	387,921	4,775,954
Other loan-backed securities	25,426,780	144,382	172,220	25,398,942
Corporate debt obligations	58,804,695	137,519	879,844	58,062,370
Special revenue obligations	<u>585,000</u>	<u>-</u>	<u>22,790</u>	<u>562,210</u>
Total bonds	<u>\$ 136,306,264</u>	<u>\$ 358,758</u>	<u>\$ 2,818,655</u>	<u>\$ 133,846,367</u>

The cost or amortized cost and fair value of investments in bonds as of December 31, 2023 are summarized as follows:

	2023			
	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury obligations	\$ 5,722,795	\$ 25,475	\$ 127,772	\$ 5,620,498
Federal agency mortgage-backed securities	13,141,155	103,843	984,953	12,260,045
Mortgage-backed securities	7,109,041	-	619,715	6,489,326
Other loan-backed securities	17,003,041	125,602	325,883	16,802,760
Corporate debt obligations	41,425,255	114,577	1,552,060	39,987,772
Special revenue obligations	<u>1,020,000</u>	<u>-</u>	<u>44,285</u>	<u>975,715</u>
Total bonds	<u>\$ 85,421,287</u>	<u>\$ 369,497</u>	<u>\$ 3,654,668</u>	<u>\$ 82,136,116</u>

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

The summary of the amortized cost and fair value of the Association's investment in bonds at December 31, 2024 by contractual maturity, is shown below:

	Amortized Cost	Fair Value
Maturity:		
In 2025	\$ 16,468,678	\$ 16,421,270
In 2026-2029	55,992,951	55,323,487
In 2030-2034	7,845,995	7,689,613
Federal agency mortgage-backed securities	25,407,985	24,237,101
Mortgage-backed securities	5,163,875	4,775,954
Other loan-backed securities	<u>25,426,780</u>	<u>25,398,942</u>
 Total bonds	 <u>\$ 136,306,264</u>	 <u>\$ 133,846,367</u>

The actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Proceeds from disposal of bonds and the related gross realized gains and losses during December 31, 2024 and 2023 were as follows:

	2024	2023
Proceeds - sales and redemptions	\$ 4,592,424	\$ -
Proceeds - maturity, calls, and paydowns	19,299,692	8,097,978
Gross gains on disposals	9,415	-
Gross losses on disposals	(144,874)	(1,534)

Major categories of the Association's 2024 and 2023 net investment income are summarized as follows:

	2024	2023
Investment income:		
Bonds	\$ 4,335,099	\$ 1,762,441
Cash and cash equivalents	<u>2,361,000</u>	<u>1,533,866</u>
Gross investment income	6,696,099	3,296,307
 Investment expense	 <u>(859,154)</u>	 <u>(742,834)</u>
 Net investment income	 <u>\$ 5,836,945</u>	 <u>\$ 2,553,473</u>

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

The following table shows the fair value and gross unrealized losses aggregated by investment category and length of time securities have been in an unrealized loss position, as of December 31, 2024 and 2023:

	2024					
	Less than 12 Months		Greater than 12 Months		Total	
	Unrealized	Unrealized	Unrealized	Unrealized	Unrealized	Unrealized
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. Treasury obligations	\$ 8,755,811	\$ 75,701	\$ 2,419,215	\$ 75,497	\$ 11,175,026	\$ 151,198
Federal agency mortgage-backed securities	15,753,478	187,758	5,147,027	1,016,924	20,900,505	1,204,682
Mortgage-backed securities	-	-	4,775,954	387,921	4,775,954	387,921
Other loan-backed securities	3,902,262	38,071	3,697,685	134,149	7,599,947	172,220
Corporate debt obligations	15,796,689	189,322	19,550,133	690,522	35,346,822	879,844
Special revenue obligations	-	-	562,210	22,790	562,210	22,790
Total bonds	\$ 44,208,240	\$ 490,852	\$ 36,152,224	\$ 2,327,803	\$ 80,360,464	\$ 2,818,655
2023						
	Less than 12 Months		Greater than 12 Months		Total	
	Unrealized	Unrealized	Unrealized	Unrealized	Unrealized	Unrealized
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss
U.S. Treasury obligations	\$ 498,165	\$ 150	\$ 2,362,900	\$ 127,622	\$ 2,861,065	\$ 127,772
Federal agency mortgage-backed securities	758,391	11,618	5,147,469	973,335	5,905,860	984,953
Mortgage-backed securities	-	-	6,489,327	619,715	6,489,327	619,715
Other loan-backed securities	8,366	5	5,526,568	325,878	5,534,934	325,883
Corporate debt obligations	18,318,244	906,840	14,205,633	645,220	32,523,877	1,552,060
Special revenue obligations	-	-	975,715	44,285	975,715	44,285
Total bonds	\$ 19,583,166	\$ 918,613	\$ 34,707,612	\$ 2,736,055	\$ 54,290,778	\$ 3,654,668

Based on consideration of the factors described in Note A, management believes that these securities are not other-than-temporarily impaired. For the years ended December 31, 2024 and 2023, no securities were determined to be other than temporarily impaired.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note C - Investments (Continued)

As of December 31, 2024 and 2023, there were no bonds with NAIC ratings of 3 or lower held by the Association.

The following tables show fair value hierarchy levels for the Association's investments as of December 31, 2024 and 2023:

		2024		
		Level 1	Level 2	Level 3
Bonds	\$	\$ -	\$ 133,846,367	\$ -
		2023		
Bonds	\$	\$ -	\$ 82,136,116	\$ -

Note D - Debt

The Association entered into a credit agreement on July 1, 2024 that is effective through December 31, 2024. Under this credit agreement, the Association has access to a limited purpose revolving line of credit loan in the amount up to \$150,000,000. The purpose of these executed agreements is to provide the Association with funds to cover immediate cash flow needs resulting from a catastrophic event affecting the State of North Carolina.

Previous credit agreements for 2024 and 2023 were executed on June 28, 2023 and effective through June 27, 2024 and executed on June 28, 2022 and effective through June 28, 2023. Under the previous credit agreements, the Association had access to a limited purpose revolving line of credit loan in the amount up to \$100,000,000.

Should a catastrophic event occur in the State of North Carolina, the Association is statutorily granted the authority to issue a Special Assessment to its Members. The Board of Directors approved Special Assessment would serve as collateral for any draws on the revolving line of credit loan, up to the maximum of the approved Special Assessment amount or \$150,000,000. For any outstanding loan amounts related to the revolving line of credit, interest would accrue at a variable rate of Secured Overnight Financing Rate (SOFR) +2.00%. Interest would be computed and charged for the actual number of days elapsed on the basis of a year consisting of 360 days.

The Association did not draw on the line of credit during 2024 or 2023. As of December 31, 2024 and 2023, the Association did not have any outstanding balances in relation to the line of credit.

Note E - Assessment of Member Insurers

The Association made no assessments during 2024 or 2023.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note F - Other Underwriting Expenses

The significant components of other underwriting expenses incurred during 2024 and 2023 were as follows:

	2024	2023
Net commissions and brokerage	\$ 41,303,563	\$ 31,031,743
Board, bureaus and associations	505,031	301,359
Surveys and underwriting reports	29,754	16,397
Salaries and related items	6,784,645	5,862,818
Employee relations and welfare	2,406,094	2,066,302
Insurance	140,335	139,338
Directors' fees	47,576	46,181
Travel and travel items	57,774	45,151
Rent and rent items	553,523	555,811
Equipment	-	666
Cost or depreciation of EDP equipment and software	77,399	81,336
Printing and stationery	169,435	139,107
Postage and telephone	633,266	571,707
Legal and auditing	307,040	221,026
Taxes, licenses and fees	7,876,746	5,844,932
Real estate taxes	4,088	5,090
Other miscellaneous expenses	<u>2,310,357</u>	<u>2,599,125</u>
Other underwriting expenses incurred	<u><u>\$ 63,206,626</u></u>	<u><u>\$ 49,528,089</u></u>

Note G - Non-Admitted Assets

The significant components of non-admitted assets as of December 31, 2024 and 2023 were as follows:

	2024	2023	Change
Prepaid expenses	\$ 1,079,967	\$ 121,425	\$ 958,542
Property and equipment	240,235	340,444	(100,209)
Deferred premiums	463,801	103,241	360,560
Other receivables	1,468	1,469	(1)
Prepaid pension asset	<u>2,331,568</u>	<u>2,573,146</u>	<u>(241,578)</u>
Totals	<u><u>\$ 4,117,039</u></u>	<u><u>\$ 3,139,725</u></u>	<u><u>\$ 977,314</u></u>

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note H - Related-Party Transactions

A related organization, North Carolina Insurance Underwriting Association (NCIUA), shares the same headquartered facility and is operated by the same personnel as the Association. This arrangement periodically results in receivables or payables between the Association and NCIUA. Most expenses are allocated between the two parties with 48% and 49% allocated to the Association and the remainder to NCIUA for the years ended December 31, 2024 and 2023, respectively, except for certain expenses (furniture, computer hardware, board fees, programming, etc.) which are shared equally. If this cost sharing arrangement was not in place, the actual expense amounts for the Association would vary from the amounts reported in the statutory basis financial statements. At December 31, 2024 and 2023, the Association had a net receivable from NCIUA of \$4,202,391 and \$3,538,290, respectively.

Note I - Capital and Members' Surplus

Under North Carolina insurance regulations, the Association is not required to maintain a minimum capital and members' surplus. The Association received approval from the North Carolina Department of Insurance (the Department) exempting the Association from NAIC established risk-based capital (RBC) filing requirements. The Association is required to file information regarding its risk financing program annually.

The components contributing to the cumulative increase (reduction) of unassigned members' surplus at December 31, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Net assessment of Member Insurers	\$ 177,235,125	\$ 177,235,125
Non-admitted assets	(4,117,039)	(3,139,725)

Note J - Commitments and Contingencies

The Association and NCIUA jointly rent home office facilities under an operating lease agreement, which has an expiration in calendar year 2029. The Association was allocated 48% and 49% of the costs under this lease agreement during the years ended December 31, 2024 and 2023, respectively. The Association's allocated share of rent expense was \$653,948 and \$655,991 in the years ended December 31, 2024 and 2023, respectively. The Association also leases certain equipment jointly with NCIUA.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note J - Commitments and Contingencies (Continued)

The Association's share of the future lease payments, based on current cost sharing provisions with NCIUA, under the terms of operating lease agreements at December 31, 2024, is as follows:

Year	Amount
2025	\$ 627,715
2026	522,618
2027	514,984
2028	529,146
2029	<u>225,120</u>
	<u>\$ 2,419,583</u>

The Association and NCIUA are also required to pay a proportionate share of operating expense increases during the lease term for the building.

In the ordinary course of business, the Association from time to time is involved in litigation. Management does not believe the ultimate disposition of any current litigation in which the Association is involved will have a material effect on the Association's financial condition.

Note K - Employee Benefit Plans

Pension Benefits

The Association and NCIUA participate in a multiple-employer pension plan with other organizations called the Insurance Organizations Employees' Retirement Plan (the pension plan), which is administered by the Insurance Organizations' Pension Trust (IOP). Employees automatically participate in the Plan on the first day of the month on or after the date they complete one year of eligible service and are at least age 21. One year of eligible service for determining plan participation is the 12-month period beginning on their date of hire and each anniversary of that date during which the employee completes at least 1,000 hours of service. The Association's funding policy is to make the minimum annual contributions required by applicable regulations, which are based on recommendations from the Plan's actuary. For the years ended December 31, 2024 and 2023, the Association is allocated 48% and 49%, respectively, of their allocated plan activity associated with their participation in the plan under the current cost-sharing arrangement with NCIUA.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

Postretirement Benefits

In addition to pension benefits, the Association and NCIUA provide certain healthcare and life insurance (postretirement) benefits for retired employees. The costs and accrued liabilities associated with these benefits are allocated between the two entities in the same proportions as for the pension plan. Based on the number of years of service and retirement age, retirees are eligible to continue medical coverage on a contributory basis or noncontributory basis. Medical benefit eligibility requirements include that employees: (1) meet normal or early retirement requirements, as defined by the pension plan; (2) must have been a full time employee five years or more immediately preceding retirement; and (3) must meet group coverage eligibility immediately preceding retirement. Spouses of retirees may also be eligible to participate.

The Association uses December 31 as the measurement date for calculating its obligations related to the plans.

Projected benefit obligations represent the obligations for past service and for expected future compensation as of the measurement date. Accumulated benefit obligations represent obligations based on employee service and compensation earned as of the measurement date.

The reconciliations of the benefit obligations as of December 31, 2024 and 2023, for pension and postretirement benefits are as follows:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Benefit obligation at beginning of year	\$ 6,351,621	\$ 5,142,701	\$ 3,402,072	\$ 3,013,162
Service cost	413,336	385,276	310,872	279,672
Interest cost	439,512	395,929	233,076	226,743
Contributions by plan participants	-	-	50,605	50,012
Actuarial (gain) loss	(85,082)	663,917	(101,618)	(4,638)
Benefits paid	<u>(250,976)</u>	<u>(236,202)</u>	<u>(173,375)</u>	<u>(162,879)</u>
Benefit obligation at end of year	<u>\$ 6,868,411</u>	<u>\$ 6,351,621</u>	<u>\$ 3,721,632</u>	<u>\$ 3,402,072</u>
Accumulated benefit obligation, end of year	<u>\$ 7,162,992</u>	<u>\$ 6,852,692</u>	<u>\$ 3,721,632</u>	<u>\$ 3,402,072</u>

The actuarial losses and gains for 2024 and 2023 are primarily due to adjustments to the discount rate to reflect current market conditions for an investment portfolio of high-quality debt instruments.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

The changes in plan assets at December 31, 2024 and 2023, are as follows:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Changes in plan assets:				
Fair value of plan assets, beginning of year	\$ 8,924,767	\$ 3,258,406	\$ -	\$ -
Actual return on plan assets	493,386	975,559	-	-
Contributions by reporting entity	32,802	4,927,004	122,769	112,867
Contributions by participants	-	-	50,605	50,012
Benefits paid	<u>(250,976)</u>	<u>(236,202)</u>	<u>(173,374)</u>	<u>(162,879)</u>
Fair value of plan assets, end of year	<u><u>\$ 9,199,979</u></u>	<u><u>\$ 8,924,767</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The reconciliation of the funded status to the net amount recognized at December 31, 2024 and 2023 is as follows:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Funded status:				
Components:				
Accrued benefit cost	\$ (6,868,411)	\$ (6,351,621)	\$ (3,721,632)	\$ (3,402,072)
Assets for benefits	<u>9,199,979</u>	<u>8,924,767</u>	<u>-</u>	<u>-</u>
Assets (liabilities) recognized:				
Assets (liabilities) recognized	<u><u>\$ 2,331,568</u></u>	<u><u>\$ 2,573,146</u></u>	<u><u>\$ (3,721,632)</u></u>	<u><u>\$ (3,402,072)</u></u>

The asset for the overfunded status for pension benefits as of December 31, 2024 and 2023 is included as a non-admitted asset in Note G. Plan contributions in excess of those required under the plan and required to be allocated to individual participants, such amounts are recorded as a prepaid expense and non-admitted under statutory accounting principles. The liability for the underfunded status for postretirement benefits as of December 31, 2024 and 2023 is included in pension and postretirement benefit obligation on the statutory balance sheets.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

The components of net periodic benefit costs at December 31, 2024 and 2023, are as follows:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Components of net periodic benefit costs:				
Service cost	\$ 413,336	\$ 385,276	\$ 310,872	\$ 279,672
Interest cost	439,512	395,929	233,076	226,743
Expected return on plan assets	(571,500)	(376,732)	-	-
Recognized actuarial loss/(gain)	-	16,571	(84,472)	(98,278)
Net periodic benefit cost	<u>\$ 281,348</u>	<u>\$ 421,044</u>	<u>\$ 459,476</u>	<u>\$ 408,137</u>

The amounts in unassigned funds (members' surplus) recognized as components of net periodic benefit cost at December 31, 2024 and 2023, are as follows:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Items not yet recognized as a component of net periodic cost - prior year				
	\$ 438,332	\$ 389,814	\$ (1,623,531)	\$ (1,717,171)
Net (gain) loss arising during the period	-	(16,571)	84,472	98,278
Net loss (gain) recognized	<u>(6,968)</u>	<u>65,089</u>	<u>(101,618)</u>	<u>(4,638)</u>
Items not yet recognized as a component of net periodic cost - current year	<u>\$ 431,364</u>	<u>\$ 438,332</u>	<u>\$ (1,640,677)</u>	<u>\$ (1,623,531)</u>

Estimated future benefit payments under the pension plan and postretirement plan as of December 31, 2024, which reflect expected future service, are as follows for years following December 31, 2024:

	Pension Plan	Postretirement Plan
Year Ending December 31:		
2025	\$ 254,608	\$ 123,497
2026	288,588	151,201
2027	336,512	165,150
2028	394,213	213,607
2029	455,059	263,425
2030 - 2034	3,068,581	1,908,422

Future benefit payments are estimated based on the same assumptions used to measure the benefit obligations of the plans as of December 31, 2024 and include estimated future employee service.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

The following table presents the assumptions used in determining the benefit obligation for the pension plan and the postretirement plan as of December 31, 2024 and 2023:

	Pension Benefits		Postretirement Benefits	
	2024	2023	2024	2023
Weighted-average assumptions used in computing ending obligations:				
Discount rate	6.00 %	5.50 %	6.00 %	5.50 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A
Weighted-average assumptions used in computing net cost:				
Discount rate	5.50 %	5.75 %	5.50 %	5.75 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A
Expected return on plan assets	6.00 %	6.00 %	N/A	N/A
Assumed health care cost trends rate:				
Health care cost trend rate assumed for next year	N/A	N/A	6.75 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50 %	4.50 %
Year that the rate reached the ultimate trend rate	N/A	N/A	2033	2033

The discount rate is determined each year as of the measurement date based on a review of interest rates associated with long-term high-quality corporate bonds. The discount rate is used in calculating the benefit obligation as of the measurement date and the net periodic benefit (income)/cost for the upcoming plan year.

The expected long-term return on assets is based on an evaluation of the historical behavior of the broad financial markets and the Association's investment portfolio, taking into consideration input from the plan's investment consultants and actuaries regarding expected long-term market conditions and investment management performance.

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions is included as a component of net periodic benefit (income)/cost for a year.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

Plan Assets

The members of the pension plan participate in a multiple-employer pension trust, IOPT. Plan assets are held in a single trust for all employers who participate in the plan. Each year, assets are allocated to the Association based on its historical contributions, benefit disbursements and share of investment return.

The asset allocation for the pension plan at the end of the Association's fiscal year, and the on-going target allocation, by asset category, follows:

Asset category:	As of		As of	
	Target	December 31, 2024	Target	December 31, 2023
Equity securities	45.00 %	46.90 %	50.00 %	49.50 %
Debt securities	55.00 %	52.40 %	50.00 %	49.70 %
Cash	0.00 %	0.70 %	0.00 %	0.80 %
Total	100.00 %	100.00 %	100.00 %	100.00 %

The pension plan's investment policy is set by the Trustees of the IOPT. The expected rate of return on plan assets was determined based on the average rate of return expected to be earned on the current and target asset categories.

The following table summarizes the pension plan assets' fair value measurements at December 31, 2024 and 2023:

	2024					
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
	Level 1	Level 2	Level 2	Level 3	Net Asset Value (NAV)	Total Fair Value
	\$	\$	\$	\$	\$	\$
Equity funds (a)	\$ -	\$ -	\$ -	\$ -	\$ 4,314,790	\$ 4,314,790
Debt funds (a)	-	-	-	-	4,820,789	4,820,789
Cash (b)	-	-	-	-	64,400	64,400
	\$ -	\$ -	\$ -	\$ -	\$ 9,199,979	\$ 9,199,979

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

	2023				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Net Asset Value (NAV)	Total Fair Value
	Level 1	Level 2	Level 3		
Equity funds (a)	\$ -	\$ -	\$ -	\$ 4,417,760	\$ 4,417,760
Debt funds (a)	-	-	-	4,435,609	4,435,609
Cash (b)	-	-	-	71,398	71,398
	\$ -	\$ -	\$ -	\$ 8,924,767	\$ 8,924,767

(a) Equity and debt funds consist of common collective funds which are valued at net asset value (NAV), as a practical expedient to measure fair value, based on the fair value of the underlying investments.

(b) Cash consists of money market funds, which are valued at NAV of shares held by the pension plan at year end.

The collective investment funds have no unfunded commitments. The Plan Administrator may withdraw money from the funds daily; however, they may be required to give a one year notice prior to redemption if the collective fund is invested primarily in assets that are not readily marketable. Short term investment funds have no unfunded commitments. The Plan Administrator may withdraw money from the funds daily; however, they may be required to give a 15 day notice prior to redemption. These funds are invested in a variety of debt and equity instruments, with a goal of providing resources to be available as payouts are required.

Cash Flows

The Association contributed \$32,802 to the pension plan in 2024. In addition, the Association expects to contribute \$254,608 to the pension plan and \$123,497 to its postretirement plan in 2025.

Impact of Medical Modernization Act on Postretirement Benefits

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was enacted during 2003. The Act creates Medicare Part D, which could have some effect on the Association's obligations under the postretirement plan. Measures of the accumulated postretirement benefit obligation and the net periodic benefit cost recorded in these financial statements do not reflect any changes brought about by the Act because the Association is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act.

North Carolina Joint Underwriting Association

Notes to Statutory Basis Financial Statements (Continued)

Note K - Employee Benefit Plans (Continued)

Defined Contribution Plan

The Association also offers an Employee Savings Plan to employees working at least 1,000 hours in a year. This plan is offered through a single employer arrangement with the Association matching 100% of employee contributions up to 6% of the employees' earnings. The employee is 100% vested in his or her contributions and earnings. The employee is 100% vested in the Association's contributions after completing three years of service. The Association's expense for the years ended December 31, 2024 and 2023, was \$416,516 and \$365,717, respectively.

North Carolina Joint Underwriting Association

Reinsurance Summary Supplemental
Filing for General Interrogatory 9

As of December 31, 2024, the Association's reinsurance program does not include any contracts with risk limiting features identified in paragraphs 114 through 119 of Statement of Statutory Accounting Principle No. 62¹, *Property and Casualty Reinsurance*.

¹ This statement applies to all reinsurance contracts entered into, renewed or amended on or after January 1, 1994.



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2024
(To Be Filed by April 1)

Of The NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION.....
ADDRESS (City, State and Zip Code) Raleigh , NC 27607

NAIC Group Code 0000 NAIC Company Code 00000 Federal Employer's Identification Number (FEIN) 56-1222676

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement.\$ 226,493,783

2. Ten largest exposures to a single issuer/borrower/investment.

1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01 Federal National Mortgage Association	CMO, MBS	\$ 14,458,609	..... 6.4 %
2.02 Federal Home Loan Mortgage Corporation	CMO, MBS	\$ 9,415,259	..... 4.2 %
2.03 Honda Auto Receivables 2003-3 Owner Trust	ABS	\$ 1,896,626	..... 0.8 %
2.04 BA Credit Card Trust, Series 2023-1	ABS	\$ 1,883,674	..... 0.8 %
2.05 Morgan Stanley	Bonds	\$ 1,873,703	..... 0.8 %
2.06 JPMorgan Chase & Co.	Bonds	\$ 1,799,027	..... 0.8 %
2.07 Bank of Montreal	Bonds, Yankee	\$ 1,699,364	..... 0.8 %
2.08 Ford Credit Auto Owner Trust 2024-B	ABS	\$ 1,609,986	..... 0.7 %
2.09 Cnh Equipment Trust 2024-A	ABS	\$ 1,524,746	..... 0.7 %
2.10 Chase Issuance Trust, Series 2023-1	ABS	\$ 1,520,684	..... 0.7 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds	1	2	Preferred Stocks	3	4
3.01 NAIC 1	\$ 126,544,953	..... 55.9 %	3.07 NAIC 1	\$	%
3.02 NAIC 2	\$ 18,479,001	..... 8.2 %	3.08 NAIC 2	\$	%
3.03 NAIC 3	\$	%	3.09 NAIC 3	\$	%
3.04 NAIC 4	\$	%	3.10 NAIC 4	\$	%
3.05 NAIC 5	\$	%	3.11 NAIC 5	\$	%
3.06 NAIC 6	\$	%	3.12 NAIC 6	\$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02 Total admitted assets held in foreign investments.....\$ 6,417,124 2.8 %

4.03 Foreign-currency-denominated investments\$

4.04 Insurance liabilities denominated in that same foreign currency\$

SUPPLEMENT FOR THE YEAR 2024 OF THE NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	1	2
5.01 Countries designated NAIC-1	\$ 6,417,124	2.8 %
5.02 Countries designated NAIC-2	\$	%
5.03 Countries designated NAIC-3 or below	\$	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
6.01 Country 1: United Kingdom	\$ 1,834,946	0.8 %
6.02 Country 2: Australia	\$ 1,755,174	0.8 %
Countries designated NAIC - 2:		
6.03 Country 1:	\$	%
6.04 Country 2:	\$	%
Countries designated NAIC - 3 or below:		
6.05 Country 1:	\$	%
6.06 Country 2:	\$	%

7. Aggregate unhedged foreign currency exposure

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

	1	2
8.01 Countries designated NAIC-1	\$	%
8.02 Countries designated NAIC-2	\$	%
8.03 Countries designated NAIC-3 or below	\$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	1	2
Countries designated NAIC - 1:		
9.01 Country 1:	\$	%
9.02 Country 2:	\$	%
Countries designated NAIC - 2:		
9.03 Country 1:	\$	%
9.04 Country 2:	\$	%
Countries designated NAIC - 3 or below:		
9.05 Country 1:	\$	%
9.06 Country 2:	\$	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1	2	3	4
	Issuer	NAIC Designation		
10.01 Westpac Banking Corporation	1FE		\$ 1,045,174	0.5 %
10.02 HSBC Holdings plc	1FE		\$ 882,644	0.4 %
10.03 Mitsubishi UFJ Financial Group, Inc.	1FE		\$ 775,398	0.3 %
10.04 Macquarie Group Limited	2FE		\$ 710,000	0.3 %
10.05 Lloyds Banking Group plc	2FE		\$ 552,068	0.2 %
10.06 UBS Group AG	1FE		\$ 549,787	0.2 %
10.07 Nordea Bank Abp	1FE		\$ 499,786	0.2 %
10.08 Banco Santander, S.A.	1FE		\$ 402,200	0.2 %
10.09 Barclays PLC	2FE		\$ 400,235	0.2 %
10.10 Sumitomo Mitsui Financial Group, Inc.	1FE		\$ 300,000	0.1 %

SUPPLEMENT FOR THE YEAR 2024 OF THE NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

	1	2	%
11.02 Total admitted assets held in Canadian investments	\$	\$	%
11.03 Canadian-currency-denominated investments	\$	\$	%
11.04 Canadian-denominated insurance liabilities	\$	\$	%
11.05 Unhedged Canadian currency exposure	\$	\$	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3	%
12.02 Aggregate statement value of investments with contractual sales restrictions	\$	\$	\$	%
Largest three investments with contractual sales restrictions:				
12.03	\$	\$	\$	%
12.04	\$	\$	\$	%
12.05	\$	\$	\$	%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3	%
13.02	\$	\$	\$	%
13.03	\$	\$	\$	%
13.04	\$	\$	\$	%
13.05	\$	\$	\$	%
13.06	\$	\$	\$	%
13.07	\$	\$	\$	%
13.08	\$	\$	\$	%
13.09	\$	\$	\$	%
13.10	\$	\$	\$	%
13.11	\$	\$	\$	%

SUPPLEMENT FOR THE YEAR 2024 OF THE NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

1	2	3	%
14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities \$			
Largest three investments held in nonaffiliated, privately placed equities:			
14.03	\$		%
14.04	\$		%
14.05	\$		%

Ten largest fund managers:

1 Fund Manager	2 Total Invested	3 Diversified	4 Nondiversified
14.06	\$	\$	\$
14.07	\$	\$	\$
14.08	\$	\$	\$
14.09	\$	\$	\$
14.10	\$	\$	\$
14.11	\$	\$	\$
14.12	\$	\$	\$
14.13	\$	\$	\$
14.14	\$	\$	\$
14.15	\$	\$	\$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

1	2	3	%
15.02 Aggregate statement value of investments held in general partnership interests \$			
Largest three investments in general partnership interests:			
15.03	\$		%
15.04	\$		%
15.05	\$		%

SUPPLEMENT FOR THE YEAR 2024 OF THE NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

1 Type (Residential, Commercial, Agricultural)	2	3
16.02	\$	%
16.03	\$	%
16.04	\$	%
16.05	\$	%
16.06	\$	%
16.07	\$	%
16.08	\$	%
16.09	\$	%
16.10	\$	%
16.11	\$	%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	%
16.12 Construction loans	\$	%
16.13 Mortgage loans over 90 days past due	\$	%
16.14 Mortgage loans in the process of foreclosure	\$	%
16.15 Mortgage loans foreclosed	\$	%
16.16 Restructured mortgage loans	\$	%

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Residential	Commercial		Agricultural		
1	2	3	4	5	6
17.01 above 95%.... \$	%	\$	%	\$	%
17.02 91 to 95%.... \$	%	\$	%	\$	%
17.03 81 to 90%.... \$	%	\$	%	\$	%
17.04 71 to 80%.... \$	%	\$	%	\$	%
17.05 below 70%.... \$	%	\$	%	\$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

Description	1	2	3	%
18.02	\$	\$	\$	%
18.03	\$	\$	\$	%
18.04	\$	\$	\$	%
18.05	\$	\$	\$	%
18.06	\$	\$	\$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [] No []

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3	%
19.02 Aggregate statement value of investments held in mezzanine real estate loans: \$	\$	\$	%
Largest three investments held in mezzanine real estate loans:			
19.03	\$	\$	%
19.04	\$	\$	%
19.05	\$	\$	%

SUPPLEMENT FOR THE YEAR 2024 OF THE NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter	2nd Quarter	3rd Quarter
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$	%	\$	\$	\$
20.02 Repurchase agreements	\$	%	\$	\$	\$
20.03 Reverse repurchase agreements	\$	%	\$	\$	\$
20.04 Dollar repurchase agreements	\$	%	\$	\$	\$
20.05 Dollar reverse repurchase agreements	\$	%	\$	\$	\$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	\$	%	\$	%
21.02 Income generation	\$	%	\$	%
21.03 Other	\$	%	\$	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter	2nd Quarter	3rd Quarter
22.01 Hedging	\$	%	\$	\$	\$
22.02 Income generation	\$	%	\$	\$	\$
22.03 Replications	\$	%	\$	\$	\$
22.04 Other	\$	%	\$	\$	\$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter	2nd Quarter	3rd Quarter
23.01 Hedging	\$	%	\$	\$	\$
23.02 Income generation	\$	%	\$	\$	\$
23.03 Replications	\$	%	\$	\$	\$
23.04 Other	\$	%	\$	\$	\$

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	22,452,046	12.499	22,452,046		22,452,046	12.499
1.02 All other governments		0.000				0.000
1.03 U.S. states, territories and possessions, etc. guaranteed		0.000				0.000
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed		0.000				0.000
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	24,458,868	13.616	24,458,868		24,458,868	13.616
1.06 Industrial and miscellaneous	89,395,350	49.766	89,395,350		89,395,350	49.766
1.07 Hybrid securities		0.000				0.000
1.08 Parent, subsidiaries and affiliates		0.000				0.000
1.09 SVO identified funds		0.000				0.000
1.10 Unaffiliated bank loans		0.000				0.000
1.11 Unaffiliated certificates of deposit		0.000				0.000
1.12 Total long-term bonds	136,306,264	75.881	136,306,264		136,306,264	75.881
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)		0.000				0.000
2.02 Parent, subsidiaries and affiliates		0.000				0.000
2.03 Total preferred stocks		0.000				0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)		0.000				0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)		0.000				0.000
3.03 Parent, subsidiaries and affiliates Publicly traded		0.000				0.000
3.04 Parent, subsidiaries and affiliates Other		0.000				0.000
3.05 Mutual funds		0.000				0.000
3.06 Unit investment trusts		0.000				0.000
3.07 Closed-end funds		0.000				0.000
3.08 Exchange traded funds		0.000				0.000
3.09 Total common stocks		0.000				0.000
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages		0.000				0.000
4.02 Residential mortgages		0.000				0.000
4.03 Commercial mortgages		0.000				0.000
4.04 Mezzanine real estate loans		0.000				0.000
4.05 Total valuation allowance		0.000				0.000
4.06 Total mortgage loans		0.000				0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company		0.000				0.000
5.02 Properties held for production of income		0.000				0.000
5.03 Properties held for sale		0.000				0.000
5.04 Total real estate		0.000				0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	33,669,849	18.744	33,669,849		33,669,849	18.744
6.02 Cash equivalents (Schedule E, Part 2)	938,196	0.522	938,196		938,196	0.522
6.03 Short-term investments (Schedule DA)	8,717,691	4.853	8,717,691		8,717,691	4.853
6.04 Total cash, cash equivalents and short-term investments	43,325,736	24.119	43,325,736		43,325,736	24.119
7. Contract loans		0.000				0.000
8. Derivatives (Schedule DB)		0.000				0.000
9. Other invested assets (Schedule BA)		0.000				0.000
10. Receivables for securities		0.000		XXX	XXX	XXX
11. Securities Lending (Schedule DL, Part 1)		0.000				0.000
12. Other invested assets (Page 2, Line 11)		0.000				0.000
13. Total invested assets	179,632,000	100.000	179,632,000		179,632,000	100.000