

**Carolinas Roofing & Sheet Metal Contractors**

**Self-Insurers Fund**

Charlotte, North Carolina

**Report on Examination**

As of December 31, 2018

# TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>SCOPE OF THE EXAMINATION</b> .....   | <b>1</b>  |
| <b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....                                    | <b>3</b>  |
| <b>FUND HISTORY</b> .....   | <b>3</b>  |
| <b>MANAGEMENT AND CONTROL</b> .....   | <b>3</b>  |
| Corporate Governance .....  | 3         |
| Servicing Carrier Agreements .....  | 4         |
| Code of Conduct and Conflict of Interest.....                                   | 5         |
| Corporate Records .....   | 5         |
| Statutory Deposits.....   | 5         |
| Fidelity Bonds .....  | 6         |
| <b>TERRITORY AND PLAN OF OPERATION</b> .....                                    | <b>6</b>  |
| Trends of the Fund.....   | 6         |
| Actuarial Opinion .....   | 6         |
| <b>REINSURANCE PROGRAM OVERVIEW</b> .....                                       | <b>7</b>  |
| Reinsurance Ceded .....   | 7         |
| <b>FINANCIAL STATEMENTS</b> .....   | <b>7</b>  |
| <b>CAROLINAS ROOFING &amp; SHEET METAL CONTRACTORS SELF-INSURERS FUND</b> ..... | <b>16</b> |
| <b>DISTRIBUTION OF REPORT ON EXAMINATION</b> .....                              | <b>16</b> |
| <b>CONCLUSION</b> .....   | <b>17</b> |

October 14, 2019

Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**

(hereinafter referred to as the “Fund”), at its main administrative and statutory home office located at 710 Imperial Court, Charlotte, North Carolina 28273.

**SCOPE OF THE EXAMINATION**

We performed a full-scope statutory examination of the Fund. This examination covers the period from January 1, 2014, to December 31, 2018, including any material transactions and events occurring subsequent to the examination date and noted during this examination. The Department’s most recent prior examination of the Fund was as of December 31, 2013.

The purpose of this examination is to assess the financial condition and controls of the Fund and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Fund, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Fund were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Cash and Investments  
Claims and Reserves  
Premiums and Underwriting

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with Statutory Accounting Principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Fund's financial statements.

This examination report includes significant findings of fact and general information about the Fund and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Fund.

The Fund's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Fund's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Fund management.

The books and records of the Fund are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Dixon Hughes Goodman, LLP of High Point, North Carolina, the designated independent public accountant of the Fund, issued an unqualified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2018.

## SUMMARY OF SIGNIFICANT FINDINGS

1. Conflict of interest forms were not executed annually by all officers and trustees of the Fund for the years 2014, 2015, 2016, and 2018. The Fund is directed to execute conflict of interest forms annually pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117.
2. The Fund did not report and remit unclaimed payments to the Department of State Treasurer on an annual basis after a dormancy period was met in accordance with GS 116B North Carolina Unclaimed Property Act. The Fund is directed to comply with GS 116B.

## FUND HISTORY

The Fund qualified as a self-insurer for workers' compensation on January 27, 1964. The Fund operates as a self-insurer under the regulatory authority of the Department and the South Carolina Workers' Compensation Commission to provide workers' compensation insurance coverage to members of the Carolinas Roofing & Sheet Metal Contractors Association ("Association").

## MANAGEMENT AND CONTROL

### CORPORATE GOVERNANCE

#### Board of Trustees

The business of the Fund is conducted by its management team and subject to review by the Board of Trustees ("Board"). The bylaws for the Fund specify that the number of directors shall be eleven. Each trustee shall hold office for a six-year term. Members of the Board shall hold office until the expiration of their term unless prior to the expiration of that term a trustee ceases to be a member in either the Association or the Fund, or the trustee becomes incapacitated, is replaced by a majority vote of the Board, or retires from business.

The following individuals served as trustees as of December 31, 2018:

| <b>Name</b>               | <b>Location</b> | <b>Principal Occupation</b>                        |
|---------------------------|-----------------|--|
| Glen Mosser Jr.           | Columbia, SC    | President of Space Metal Fabricators, Inc.         |
| Samuel R. Spann Jr.       | Conway, SC      | President of Spann Roofing & Sheet Metal Co., Inc. |
| Roddy M. Piper Jr.        | Greenville, SC  | President of J.A. Piper Roofing Company, Inc.      |
| Patrick A. O'Connor       | Columbia, SC    | President of Watts & Associates Roofing, Inc.      |
| William F. Funderburk Jr. | Pineville, NC   | President of Murr-Laney, Inc.                      |
| Julie Hughes              | Charlotte, NC   | Accountant at Rike Roofing Services, Inc.          |
| Eddie Lloyd               | Greenwood, SC   | President of Lloyd Roofing Company, Inc.           |
| Ronald D. Shafer          | Charlotte, NC   | Owner of R.K. Hydro-Vac, Inc.                      |
| Bert Pickens              | Spartanburg, SC | President of Pickens Roofing, Inc.                 |
| James E. Pickard III      | Durham, NC      | President of Pickard Roofing Company, Inc.         |
| David Brashear            | Fort Mill, SC   | President of Johnson's Roofing Service, Inc.       |

The Board has established six committees to assist with the governance of the Fund. The Claims Committee and the Payroll Audit Committee hold regular annual meetings. The other committees have not established a schedule of meetings but hold meetings when the Board or Fund requires additional oversight.

As of December 31, 2018, directors served on committees established by the Board as follows:

**Executive, Long-Range Planning & Financial Audit Committee**

Samuel R. Spann Jr., Chair  
 Ronald D. Shafer  
 Patrick A. O’Connor  
 William F. Funderburk  
 Glen Mosser Jr.

**Membership Committee**

James E. Pickard III, Chair  
 Ronald D. Shafer  
 Julie Hughes  
 Bert Pickens  
 Julie Hughes

**Claims Committee**

Eddie Lloyd, Chair  
 Patrick A. O’Connor  
 David Brashear  
 Julie Hughes

**Premium Audit Committee**

William F. Funderburk, Chair  
 Glen Mosser Jr.  
 Roddy M. Piper Jr.  
 Bert Pickens

**Safety Committee**

Ronald D. Shafer, Chair  
 Eddie Lloyd  
 Patrick A. O’Connor  
 David Brashear

**Collection Committee**

Glen Mosser Jr., Chair  
 James E. Pickard III  
 Patrick A. O’Connor  
 Roddy M. Piper Jr.

**Ex-Officio of all Committees**

Alan D. Austin, Executive Director

**Officers**

The bylaws provide that the trustees, from their own members, shall elect a Chair, Vice Chair, a Secretary, and a Treasurer.

The following individuals served as officers as of December 31, 2018:

| <b>Name</b>               | <b>Title</b> |
|---------------------------|--------------|
| Samuel R. Spann Jr.       | Chair        |
| William F. Funderburk Jr. | Secretary    |
| Patrick A. O’Connor       | Treasurer    |
| Ronald D. Shafer          | Vice Chair   |

**SERVICING CARRIER AGREEMENTS**

The Fund has no employees. The Fund has a management agreement with Mt. Vista Capital, Inc. (“Mt. Vista”) for the administration of the Fund’s daily business operations. Alan Austin, the Fund’s Executive Director, is the President of Mt. Vista. The services provided under this agreement include, but are not

limited to, day-to-day operations, interface with state regulatory agencies, budget analysis, and representing the Fund as directed by the Board. Under this agreement, the Fund incurred fees totaling \$78,000 in 2018 and 2017, respectively.

The Fund uses a third-party administrator, AssuredPartners NL, LLC (“APN”), to administer workers’ compensation claims for members of the Association. APN provides underwriting, safety and inspection, claims, and other general administration services to the Fund including, financial reporting, premiums calculations and insurance quotes. APN assigned the claims services to Planned Administrators, Inc. Under this agreement, the Fund incurred fees totaling \$437,036 and \$436,590 in 2018 and 2017, respectively.

The Fund has a services agreement with the Association under which the Fund is provided bookkeeping, accounting and various administrative services. Under this agreement, the Fund incurred fees totaling \$46,725 and \$47,912 in 2018 and 2017, respectively.

The Fund has an agency agreement with First Citizens Bank and Trust Company, Inc., under which the Fund is provided custodian and investment management services. Under this agreement, the Fund incurred fees totaling \$58,980 and \$54,263 in 2018 and 2017, respectively.

The Fund has a Medicare second payer compliance services agreement with Gould & Lamb, LLC (“GL”) under which GL ensures the Fund’s claims comply with the Medical Secondary Payers Act. Under this agreement, the Fund incurred fees totaling \$2,500 in both 2018 and 2017.

## **CODE OF CONDUCT AND CONFLICT OF INTEREST**

The Fund’s conflict of interest disclosure policy requires each corporate officer, member of the Board and any other “responsible employee” of the Fund to submit a disclosure statement annually setting forth all dualities of interest and possible conflicts of interest between the individual and the Fund. A review of the signed conflict of interest statements for the examination period revealed that the Fund was not in compliance with its policy and procedures for disclosure of conflicts of interest. (Refer to the Summary of Significant Findings.)

## **CORPORATE RECORDS**

We reviewed the minutes of the Board meetings for the period under examination. Based on our review, it appears that the minutes documented the Fund’s significant transactions and events and that the Board approved these transactions and events.

The Fund’s bylaws were reviewed for any changes during the period under examination. Based on the review, it appears that no changes were made to bylaws during the period under examination.

## **STATUTORY DEPOSITS**

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Fund’s 2018 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company’s statutory deposits by state.

## FIDELITY BONDS

The Fund is the certificate holder of an employee theft policy issued to APN. The Policy provides employee theft coverage up to a limit of \$10,000,000, which exceeds the minimum coverage recommended by the NAIC.

## TERRITORY AND PLAN OF OPERATION

The Fund operates as a workers' compensation insurance provider in North Carolina and South Carolina for employers who are members of the Association. The Association promotes the Fund to its eligible members. Prospective employers must meet specified underwriting criteria before they can become insurable members. Currently, the Fund is not permitted to admit new members from South Carolina.

## TRENDS OF THE FUND

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Fund for the five-year period ended 2018:

| <b>Year</b> | <b>Net Admitted Assets</b> | <b>Surplus</b> | <b>Gross Premiums Written</b> | <b>Net Earned Premiums</b> | <b>Net Income(loss)</b> |
|-------------|----------------------------|----------------|-------------------------------|----------------------------|-------------------------|
| 2018        | \$14,108,109               | \$7,762,287    | \$4,689,034                   | \$4,108,749                | \$861,994               |
| 2017        | \$13,719,070               | \$7,249,639    | \$4,766,780                   | \$4,211,210                | \$(812,967)             |
| 2016        | \$12,234,364               | \$7,644,269    | \$4,599,517                   | \$3,942,822                | \$679,628               |
| 2015        | \$11,480,094               | \$6,992,029    | \$4,474,906                   | \$3,872,475                | \$1,805,517             |
| 2014        | \$11,339,757               | \$5,319,121    | \$4,615,282                   | \$4,050,125                | \$(71,295)              |

## ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2018 were reviewed and certified by the Fund's Appointed Actuary, Ellen Pierce, FCAS, and MAAA. Actuarial opinions regarding the Fund's reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Fund for reasonableness and consistency of the loss and loss adjustment expense reserves. According to the actuarial opinions, the Fund's reserves on the loss and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the Fund.



## **REINSURANCE PROGRAM OVERVIEW**

### **REINSURANCE CEDED**

The Fund has a Specific Excess & Aggregate Excess Workers Compensation and Employers Liability Indemnity Policy (“Reinsurance Policy”) with New York Marine & General Insurance Company (“Reinsurer”). Under the Reinsurance Policy, the Fund retains the first \$1,000,000 of each accident and each employee for disease or cumulative injury and a \$350,000 risk corridor for all claims above \$1,000,000. The Reinsurer is then responsible for workers compensation coverage up to the statutory limit and the next \$1,000,000 for employers’ liability.

The Fund has open claims from the policies issued prior to the examination period for which three additional reinsurers continue to indemnify the Fund under previous reinsurance contracts for those policy years.

The Department approved the Fund’s request for a waiver of the statutorily required aggregate excess insurance coverage for each year under examination and for the period January 1, 2019, to December 31, 2019.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Fund with the Department and present the financial condition of the Fund for the period ending December 31, 2018. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2017, are unexamined and are presented for comparative purposes only.

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**  
**Statutory Statement of Admitted Assets**  
**December 31, 2018**

|   | <b>2018</b>         | <b>2017</b><br><i>(unexamined)</i> |
|---|---------------------|------------------------------------|
| Bonds   | \$8,797,949         | \$8,880,544                        |
| Common stocks   | 1,757,548           | 2,440,598                          |
| Cash and cash equivalents   | 2,734,155           | 1,464,770                          |
| <b>Total cash and invested assets</b>                                   | <b>13,289,652</b>   | <b>12,785,912</b>                  |
| Investment income due and accrued                                       | 74,610              | 75,800                             |
| Uncollected premiums and agents' balances in course of collection       | 470,255             | 526,961                            |
| Amounts recoverable from reinsurers                                     | 10,996              | 19,995                             |
| Current federal and foreign income tax recoverable and interest thereon | 258,941             | 310,402                            |
| Net deferred tax asset  | 3,655               | -                                  |
| <b>Total admitted assets</b>  | <b>\$14,108,109</b> | <b>\$13,719,070</b>                |

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**  
**Statutory Statement of Liabilities and Surplus**  
**December 31, 2018**

|                                      | <b>2018</b>         | <b>2017</b><br><i>(unexamined)</i> |
|--------------------------------------|---------------------|------------------------------------|
| Losses                               | \$5,169,922         | \$5,189,458                        |
| Loss adjustment expenses             | 232,987             | 247,589                            |
| Other expenses                       | 32,744              | 40,371                             |
| Taxes, licenses and fees             | 52,173              | 59,513                             |
| Net deferred tax liability           | -                   | 66,863                             |
| Dividends declared and unpaid        | 147                 | -                                  |
| Ceded reinsurance premiums payable   | 78,013              | 99,312                             |
| Escrow payments held                 | 779,836             | 766,325                            |
| <b>Total Liabilities</b>             | <b>6,345,822</b>    | <b>6,469,431</b>                   |
| Unassigned funds                     | 7,762,287           | 7,249,639                          |
| <b>Total Surplus</b>                 | <b>7,762,287</b>    | <b>7,249,639</b>                   |
| <b>Total Liabilities and Surplus</b> | <b>\$14,108,109</b> | <b>\$13,719,070</b>                |

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**  
**Statutory Statement of Operations**  
**December 31, 2018**

|   | <b>2018</b>      | <b>2017</b><br><i>(unexamined)</i> |
|---|------------------|------------------------------------|
| <b>Underwriting Income</b>                |                  |                                    |
| Premiums Earned                           | \$4,108,749      | \$4,211,210                        |
| <b>Deductions</b>                         |                  |                                    |
| Losses incurred                           | 1,771,739        | 3,845,084                          |
| Loss adjustment expenses incurred         | 557,048          | 589,122                            |
| Other underwriting expenses incurred      | 490,274          | 464,132                            |
| Total underwriting deductions             | 2,819,061        | 4,895,338                          |
| Net underwriting gain (loss)              | 1,289,688        | (684,128)                          |
| <b>Investment Income</b>                  |                  |                                    |
| Net investment income earned              | 124,982          | 109,199                            |
| Net realized capital gains                | 98,778           | 1,551                              |
| Net investment gain                       | 223,760          | 110,750                            |
| <b>Other Income</b>                       |                  |                                    |
| Late payment penalty                      | 1,887            | 3,953                              |
| Other income                              | 4,893            | 3,805                              |
| Total other income                        | 6,780            | 7,758                              |
| Dividends to policyholders                | 500,000          | 500,000                            |
| Federal and foreign income taxes incurred | 158,234          | (252,653)                          |
| <b>Net Income</b>                         | <b>\$861,994</b> | <b>\$(812,967)</b>                 |

**Carolinas Roofing & Sheet Metal Contractors Self-Insures Fund**  
**Statutory Statement of Surplus**  
**December 31, 2018**

|   | <b>2018</b>        | <b>2017</b><br><i>(unexamined)</i> |
|---|--------------------|------------------------------------|
| Surplus, beginning of year                              | \$7,249,639        | \$7,644,269                        |
| Surplus increases (decreases):                          |                    |                                    |
| Net income (loss)                                       | 861,994            | (812,967)                          |
| Change in net unrealized capital gains or (losses)      | (327,234)          | 360,242                            |
| Change in net deferred income tax                       | (16,468)           | 58,078                             |
| Change in non-admitted assets                           | (5,644)            | 17                                 |
| Change in surplus as regards policyholders for the year | 512,648            | (394,630)                          |
| <b>Surplus, end of year</b>                             | <b>\$7,762,287</b> | <b>\$7,249,639</b>                 |

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**  
**Statutory Statement of Cash Flow**  
**December 31, 2018**

|  | <b>2018</b>        | <b>2017</b><br><i>(unexamined)</i> |
|--|--------------------|------------------------------------|
| <b>Cash From Operations</b>                              |                    |                                    |
| Premiums collected net of reinsurance                    | \$4,138,430        | \$4,118,019                        |
| Net investment income                                    | 170,795            | 132,013                            |
| Miscellaneous income                                     | 6,780              | 7,758                              |
| <b>Total</b>   | <b>4,316,005</b>   | <b>4,257,790</b>                   |
| Benefit and loss related payments                        | 1,782,276          | 1,896,515                          |
| Commissions, expenses paid and aggregate write-ins       | 1,076,891          | 1,038,613                          |
| Dividends paid to policyholders                          | 499,853            | 500,000                            |
| Federal and foreign income taxes paid                    | 133,031            | 233,386                            |
| <b>Total</b>   | <b>3,492,051</b>   | <b>3,668,514</b>                   |
| <b>Net cash from operations</b>                          | <b>823,954</b>     | <b>589,276</b>                     |
| <b>Cash From Investments</b>                             |                    |                                    |
| Proceeds from investments sold, matured, or repaid       | 2,964,749          | 2,196,987                          |
| Cost of investments acquired                             | 2,532,911          | 3,398,430                          |
| <b>Net cash from (used by) investments</b>               | <b>431,838</b>     | <b>(1,201,443)</b>                 |
| <b>Cash From Financing and Miscellaneous Sources</b>     |                    |                                    |
| Other cash provided                                      | 13,593             | 285,875                            |
| <b>Net cash from financing and miscellaneous sources</b> | <b>13,593</b>      | <b>285,875</b>                     |
| <b>Reconciliation of Cash and Cash Equivalents</b>       |                    |                                    |
| Net change in cash and cash equivalents                  | 1,269,385          | (326,292)                          |
| Cash and cash equivalents, beginning of year             | 1,464,770          | 1,791,062                          |
| <b>Cash and cash equivalents, end of year</b>            | <b>\$2,734,155</b> | <b>\$1,464,770</b>                 |

## COMMENTS ON FINANCIAL STATEMENTS

### **Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Fund are as follows:

**Bonds:** Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

**Cash equivalents:** Money market mutual funds are carried at fair value or net asset value as a practical expedient.

**Premiums:** Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. Premiums are earned on a pro rata basis.

**Reinsurance:** Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items.

**Non-admitted assets:** Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses are "non-admitted" and are charges against surplus.

**Unpaid loss & loss adjustment expense:** Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverables are deducted from the reserve for losses and loss adjustment expenses.

### Analysis of Assets:

The Fund had \$5,726 in uncollected premiums and agents' balances in the course of collection and \$26,717 in prepaid insurance which were not admitted at December 31, 2018.

### Reinsurance Activity:

The Fund has an excess of loss contract to minimize its exposure to losses. Reinsurance contracts do not relieve the Fund of its primary obligations to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Fund. APN provides the Fund with insurance quotations for excess coverage. If APN is unable to obtain satisfactory excess coverage, the Fund may go into the open market to obtain this coverage. The Fund does not assume reinsurance business.

Direct, assumed, and ceded premiums written and earned are as follows:

|                    | 2018               | 2017               |
|--------------------|--------------------|--------------------|
| Direct written     | \$4,689,034        | \$4,766,780        |
| Ceded written      | (580,285)          | (555,570)          |
| <b>Net written</b> | <b>4,108,749</b>   | <b>4,211,210</b>   |
| Direct earned      | 4,689,034          | 4,766,780          |
| Ceded earned       | (580,285)          | (555,570)          |
| <b>Net earned</b>  | <b>\$4,108,749</b> | <b>\$4,211,210</b> |

The excess of loss contract and retention limit are described under the Reinsurance Program Overview.

### Summary of Reserves:

The following provides a reconciliation of the Fund's reserves for losses and loss adjustment expenses:

|  | 2018              | 2017               |
|--|-------------------|--------------------|
| Reserve for losses and loss adjustment expenses, beginning of year   | \$5,437,047       | \$3,441,756        |
| <b>Add:</b>  |                   |                    |
| Provision for losses and loss adjustment expenses, current year      | 3,753,064         | 4,041,252          |
| Change in estimated losses and loss adjustment expenses, prior years | (1,424,276)       | 389,954            |
| <b>Total incurred</b>  | <b>2,328,788</b>  | <b>4,431,206</b>   |
| <b>Deduct:</b>   |                   |                    |
| Losses and loss adjustment expenses paid, current year               | 887,201           | 664,859            |
| Losses and loss adjustment expenses paid, prior year                 | 1,475,725         | 1,771,056          |
| <b>Total paid</b>  | <b>2,362,926</b>  | <b>2,435,915</b>   |
| Reserve for losses and loss adjustment expenses, end of year         | 5,402,909         | 5,437,047          |
| <b>Increase in reserve for losses and loss adjustment expenses</b>   | <b>\$(34,138)</b> | <b>\$1,995,291</b> |



Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Fund's reinsurance contracts. At December 31, 2018, and 2017, the liability for losses and loss adjustment expenses was reduced by \$5,672,939 and \$5,740,972, respectively, for amounts to be recovered from reinsurers.

**Surplus:**

The following, in conjunction with the Statutory Statement of Surplus (refer to page 11), represents the changes in the Fund's surplus since the Department's last examination as of December 31, 2013:

|   | <b>2016</b>        | <b>2015</b>        | <b>2014</b>        |
|---|--------------------|--------------------|--------------------|
| Surplus, beginning of year                              | \$6,992,029        | \$5,319,121        | \$5,251,516        |
| Surplus increases (decreases):                          |                    |                    |                    |
| Net income (loss)                                       | 679,628            | 1,805,517          | (71,295)           |
| Change in net unrealized capital gain (loss)            | 59,680             | (23,962)           | 52,372             |
| Change in net deferred income tax                       | (87,143)           | (110,576)          | 88,701             |
| Change in nonadmitted assets                            | 75                 | 729                | (973)              |
| Change in provision for reinsurance                     | -                  | 1,200              | (1,200)            |
| Change in surplus as regards policyholders for the year | 652,240            | 1,672,908          | 67,605             |
| <b>Surplus, end of year</b>                             | <b>\$7,644,269</b> | <b>\$6,992,029</b> | <b>\$5,319,121</b> |

**Policyholder Dividends:**

Dividends to policyholders are paid as declared by the Board. Under the insurance regulations of North Carolina, the maximum amount of dividends which the Company may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. The Fund paid dividends totaling \$499,853 and \$500,000 in 2018 and 2017, respectively.

**Contingencies and Commitments:**

The Fund is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Fund.

**Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund**  
**DISTRIBUTION OF REPORT ON EXAMINATION**  
**December 31, 2018**

Alan Austin, Executive Director  
Carolinas Roofing & Sheet Metal Contractors Self-Insurers Fund  
412 Hidden Hills Drive  
Greenville, South Carolina 29605

Patrick O'Connor, Treasurer  
Watts & Associates Roofing  
7416 Fairfield Road  
Columbia, South Carolina 29203

## CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Fund complies with the minimum surplus requirements of GS § 58-47-85 for the kinds of insurance that the Fund has been authorized to write, which is \$418,579.

The courteous cooperation and assistance extended by the officers and employees of the Fund during the examination is hereby acknowledged.

Respectfully submitted,



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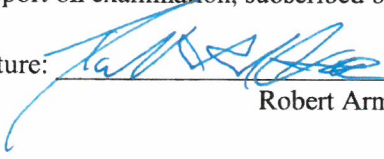
Ke Xu, CPA, CFE  
Chief Financial Examiner  
North Carolina Department of Insurance

October 14, 2019

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Robert Armbruster, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:  Date: 10-14-2019  
Robert Armbruster

Sworn and subscribed before me this 14 day of October, 2019.

Notary Public Signature: Jameka N Bell Notary Public Seal:

