



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of NCHE Workers' Compensation Fund, Inc. as of December 31, 2023 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 20th day of December, 2024.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

NCHE Workers' Compensation Fund, Inc.

Raleigh, North Carolina

Report on Examination

As of December 31, 2023

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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

NCHE Workers' Compensation Fund, Inc.

(hereinafter referred to as the “Fund”), acknowledging that its main administrative and statutory office is located at 5440 Wade Park Boulevard, Suite 410, Raleigh, North Carolina 27607. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Fund. This examination covers the period from January 1, 2019, to December 31, 2023, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Fund was as of December 31, 2018.

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:

Capital and Surplus
Claims and Reserves Handling
Investments
Premiums and Underwriting
Reinsurance Ceding
Related Parties

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 insurer 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). Forvis, LLP of Fort Worth, Texas, the designated independent public accountant of the Fund, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2023.

REPORT ACRONYMS

Allied Claims Administration, Inc.	“Allied”
Arthur J. Gallagher Risk Management Services, Inc.	“AJG”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology Planning Questionnaire	“ITPQ”
Information Technology General Controls	“ITGCs”
Managing General Agent	“MGA”
National Association of Insurance Commissioners	“NAIC”
NCHE Workers’ Compensation Fund, Inc.	“Fund”
North Carolina Department of Insurance	“Department”
North Carolina Hospital Association, Inc.	“NCHA”
Safety National Casualty Corporation	“SNCC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. The Fund did not properly disclose Arthur J. Gallagher Risk Management Services, Inc. (“AJG”) and Allied Claims Administration, Inc. (“Allied”) as related parties in Note 10 of its Annual Statements for 2020 through 2023 as required by the NAIC Property & Casualty Annual Statement Instructions, which require information to be disclosed regarding relationships, types of transactions, and amounts charged to/from related parties. AJG and Allied are not considered affiliates of the Fund; however, each have been determined to be a related party as defined in SSAP No. 25, paragraph 4(g) due to their significant influence. The Fund is directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).
- b. The Fund reported inaccurate information in its 2023 Annual Statement Schedule F filed with the Department. The Fund incorrectly reported amounts related to an inactive excess of loss reinsurer, State National Insurance Company, Inc.; however, all amounts reported should have been for the current excess of loss reinsurer, Safety National Casualty Corporation (“SNCC”). The Fund is directed to provide accurate information in all future filings to the Department pursuant to GS § 58-2-165(c).

FUND HISTORY

The Fund was incorporated on September 9, 1993, and commenced business on October 1, 1993. The Fund is licensed as a self-insured group fund to provide workers' compensation insurance coverage to member-employers of the North Carolina Hospital Association ("NCHA") throughout the State of North Carolina.

The Fund is sponsored by North Carolina Healthcare Enterprises, Inc., a wholly owned subsidiary of NCHA. NCHA is a statewide trade association representing over 100 hospitals and healthcare networks. Pursuant to GS § 58-47-65(c), all the Fund's participants are members of NCHA. North Carolina Healthcare Enterprises, Inc. operates under the trade name of North Carolina Hospital Association Strategic Partners.

The Fund is managed by AJG, a Managing General Agent ("MGA"), which provides administrative services including marketing, underwriting, loss control services, management, accounting and placement of excess insurance coverage. Allied, a third-party administrator, owned equally by AJG and Healthcare Insurance Resources, Inc., a wholly owned subsidiary of Georgia Hospital Association, provides claims administration services to the Fund. The Fund changed its MGA from McNeary, Inc. in May 2016 when AJG purchased McNeary, Inc. and Allied.

DIVIDENDS TO MEMBERS

Dividends are paid as declared by the Fund's Board of Directors ("Board") and are subject to the Department's approval. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Fund may pay to members is limited to the greater of 10% of the most recent year-end members' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. As approved by the Department, the Fund paid the following dividends to its members during the period under examination:

<u>Year</u>	<u>Amount</u>
2023	\$2,158,393
2022	\$1,717,518
2021	\$1,253,999
2020	\$2,127,948
2019	\$1,822,017

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

Special meetings of the members may be called at any time by the chairman of the Board, by a majority of the Board, or upon demand of at least 10% of the Fund's members. Meetings can be held at such times and at such places, within or without the State of North Carolina, as the chairman shall designate.

Board of Directors

The property, affairs and business of the Fund are managed by the Board. The bylaws of the Fund provide that the Board meet at least annually at such time and place as the Board may appoint. The bylaws specify that the number of directors shall be not less than seven (7) or no more than twelve (12). Directors are elected annually, at the annual meeting of members or by the written consent of the members, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2023:

Name	Location	Principal Occupation
Larry Chewning	Rocky Mount, NC	Independent Health Consultant
John Green	Statesville, NC	President and Chief Executive Officer, Iredell Memorial Hospital
Chris Lumsden	Mount Airy, NC	President and Chief Executive Officer, Northern Regional Hospital
Jody Fleming	Cary, NC	President and Senior Vice President, North Carolina Healthcare Association
Tammy Jensen	Newton, NC	Senior Vice President, Carolina Caring, Inc.
David Pope	Laurinburg, NC	Chief Executive Officer, Scotland Health Care
Michelle Fortune	Columbus, NC	Chief Executive Officer, Atrium Health
Steve Lawler	Cary, NC	Chief Executive Officer, NCHA

The Board established an Audit Committee and an Underwriting Committee to act on behalf of the Fund. The following individuals served on the Board's committees as of December 31, 2023:

Audit Committee

Jody Flemming
Chris Lumsden
Larry Chewning

Underwriting Committee

Jody Flemming
Chris Lumsden
John Green
David Pope

Officers

The bylaws provide that the Board will elect the officers of the Fund. The officers of the Fund consist of a chairman, a secretary, a treasurer and any other officers, including a president, deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required, and neither the chairman nor president may hold the office of secretary.

The following individuals served as officers of the Fund as of December 31, 2023:

Name	Title
Chris Lumsden	Chairman
Jody Fleming	Secretary and Treasurer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Fund has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Fund requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Fund acted in accordance with its policies and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees 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 directors approved these transactions and events.

The Fund's articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on the review, there were no changes to the Fund's articles of incorporation or bylaws during the examination period.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. At December 31, 2023, the Fund only maintains a North Carolina statutory deposit totaling \$821,100.

ACCOUNTS AND RECORDS

The Fund's books and records are maintained at the main administrative office at 5440 Wade Park Boulevard, Suite 410, Raleigh, North Carolina 27607.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of AJG and Allied's IT General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of AJG and Allied's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C"). AJG and Allied's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. AJG and Allied had a process in place to effectively identify, mitigate and manage its IT risks;
- b. AJG and Allied's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. AJG and Allied were compliant with those policies and procedures.

The objectives above were achieved through a combination of reviewing AJG and Allied's policies and procedures, testing in key areas related to Exhibit C, interviewing AJG and reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Forvis, LLP.

Based upon the risk-based assessment and review, AJG and Allied's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The Fund has directors and officers' fidelity bond coverage totaling \$1,000,000 in aggregate, which exceeds the \$175,000 minimum amount of coverage recommended by the Handbook.

In addition, the Fund is a named insured on a directors and officers' liability policy and a cyber-security policy, which appears to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Fund has no employees nor any employee benefit or pension plans for the period under examination.

RELATED PARTY AGREEMENTS

The Fund has no employees; therefore, the types of services provided to the Fund by AJG and its affiliates create a related party relationship based on SSAP No. 25, paragraph 4(g), which states that a related party is a party which can directly or indirectly significantly influence the management or operating policies of the reporting entity and may include a provider who is contracting with the reporting entity. (Refer to Summary of Significant Findings)

Effective May 18, 2016, the Fund entered into a MGA agreement with AJG to provide marketing, management, underwriting and loss control/prevention services to the Fund. Under this agreement, the Fund pays fees to AJG consisting of 11% of the paid premium, which includes 6% for marketing services, 2% for loss prevention/control, and 3% for underwriting and management services. Under this agreement, the Fund incurred fees totaling \$738,298 and \$718,326 in 2023 and 2022, respectively.

Effective May 18, 2016, the Fund entered into a contract for reinsurance with AJG whereby AJG may solicit, place reinsurance, and coordinate activities between the Fund and any contracted insurers as approved by the Board. In consideration for the services provided, AJG may receive a commission or fee as agreed upon by the Fund and AJG from insurers that enter into such contracts with the Fund. Any commissions or fees received by AJG for services provided under this agreement must be disclosed to the Board annually.

Effective January 1, 2018, the Fund entered into a Claims Service Agreement with Allied, a related party due to its partial ownership by AJG. Allied provides claims management services on behalf of the Fund in exchange for compensation equal to 0.115% of the annual audited fund payroll plus other transactional services fees related to cost containment and managed care. Under this agreement, the Fund incurred fees totaling \$828,316 and \$804,613 in 2023 and 2022, respectively.

TERRITORY AND PLAN OF OPERATION

The Fund provides workers' compensation insurance coverage to participating members of the NCHA and NCHA Strategic Partners who seek to self-insure. The Fund operates only in the state of North Carolina and is sponsored by the North Carolina Healthcare Enterprises, Inc., a for-profit subsidiary of the NCHA. There are 21 healthcare institutions, including NCHA, which purchase workers' compensation coverage from the Fund.

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 December 31, 2023:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$11,650,392	\$5,240,284	\$5,923,753	\$5,313,804	\$71,543
2022	\$11,739,727	\$4,995,605	\$5,911,849	\$5,302,424	\$(74,860)
2021	\$12,636,370	\$5,896,151	\$5,825,287	\$5,355,807	\$(48,739)
2020	\$12,359,192	\$5,402,841	\$5,696,793	\$5,233,683	\$125,673
2019	\$13,353,038	\$5,221,015	\$6,689,893	\$6,136,819	\$38,727

ACTUARIAL OPINION

Every self-insured group fund 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 2023 were reviewed and certified by the Fund's Appointed Actuary, J. Edward Costner, ACAS, MAAA, President of Casualty Actuarial Consultants, Inc. 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 reserve. According to the actuarial opinions, the Fund's reserve 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.

EXCESS INSURANCE PROGRAM OVERVIEW

Specific Excess Insurance

The Fund has an excess workers' compensation and employer liability insurance contract with SNCC effective January 1, 2023, whereby the Fund cedes excess worker's compensation and employer's liability to SNCC. The Fund retains the first \$500,000 of loss each and every occurrence during the policy period. The Fund is also responsible for an additional \$200,000 of total loss per policy period in excess of the self-

insured retention of \$500,000 per occurrence, and the additional one-time deductible of \$200,000 for each annual period may be satisfied by losses stemming from one or several occurrences. SNCC is liable for the losses in excess of the Fund's retention up to the statutory limit for workers' compensation coverage and \$1,000,000 for each occurrence for employer liability written.

The Fund ceded premiums totaling \$609,949 and \$609,425 to SNCC in 2023 and 2022, respectively, under this contract.

Aggregate Excess Insurance

The Fund was granted an exemption from the Department for all years under examination to purchase aggregate excess insurance for workers' compensation and employer liability due to its prohibitive cost.

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, 2023. 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, 2022, are unexamined and are presented for comparative purposes only.

NCHE Workers' Compensation Fund, Inc.
Statutory Statement of Admitted Assets
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Bonds	\$5,689,491	\$6,419,068
Common stocks	3,101,176	2,825,967
Cash and short-term investments	1,811,213	2,045,657
Total cash and invested assets	10,601,880	11,290,693
Investment income due and accrued	31,844	35,784
Premiums and agents' balances in course of collection	-	77,517
Premiums and agents' balances booked but deferred and not yet due	447,178	260,000
Reinsurance recoverable	(17,727)	-
Federal income tax recoverable	474,120	37,737
Aggregate write-ins for other than invested assets	113,097	37,996
Total admitted assets	\$11,650,392	\$11,739,727

NCHE Workers' Compensation Fund, Inc.
Statutory Statement of Liabilities and Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Losses	\$3,802,995	\$3,795,939
Loss adjustment expenses	604,320	508,844
Other expenses	120,960	154,610
Taxes, licenses and fees	334	3,761
Advance premium	35,244	28,397
Dividends declared and unpaid to policyholders	1,782,433	2,158,393
Ceded reinsurance premiums payable	63,822	94,178
Total liabilities	6,410,108	6,744,122
Unassigned funds	5,240,284	4,995,605
Total surplus	5,240,284	4,995,605
Total liabilities and surplus	\$11,650,392	\$11,739,727

NCHE Workers' Compensation Fund, Inc.
Statutory Statement of Operations
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$5,313,804	\$5,302,424
Deductions		
Losses incurred	1,389,333	1,408,119
Loss adjustment expenses incurred	1,328,645	1,110,490
Other underwriting expenses incurred	1,009,567	978,525
Total underwriting deductions	3,727,545	3,497,134
Net underwriting gain	1,586,259	1,805,290
Investment Income		
Net investment income earned	340,552	231,771
Net realized capital gains (losses)	(114,058)	95,852
Net investment gain	226,494	327,623
Other Income		
Dividends to policyholders	1,782,434	2,158,393
Federal income taxes incurred	(41,224)	49,380
Net income (loss)	\$71,543	\$(74,860)

NCHE Workers' Compensation Fund, Inc.
Statutory Statement of Surplus
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Surplus, beginning of year	\$4,995,605	\$5,896,151
Surplus increases (decreases):		
Net income (loss)	71,543	(74,860)
Change in net unrealized capital gains or (losses)	234,720	(652,292)
Change in net deferred income tax	62,394	(173,394)
Change in non-admitted assets	(123,978)	-
Change in surplus	244,679	(900,546)
Surplus, end of year	\$5,240,284	\$4,995,605

NCHE Workers' Compensation Fund, Inc.
Statutory Statement of Cash Flow
December 31, 2023

	2023	2022 <i>(unexamined)</i>
Cash from (used by) operations		
Premiums collected net of reinsurance	\$5,056,656	\$5,187,848
Net investment income	439,329	370,558
Total	5,495,985	5,558,406
Benefit and loss related payments	1,364,550	1,834,995
Commissions, expenses paid and aggregate write-ins	2,279,813	2,146,499
Dividends paid to policyholders	2,158,393	1,717,518
Federal income taxes paid	364,840	(68,508)
Total	6,167,596	5,630,504
Net cash from (used by) operations	(671,611)	(72,098)
Cash from (used by) investments		
Proceeds from investments sold, matured, or repaid	3,327,693	5,267,403
Cost of investments acquired	2,815,425	4,392,346
Net cash from (used by) investments	512,268	875,058
Cash from (used by) financing and miscellaneous sources		
Other cash (applied)provided	(75,101)	(12,674)
Net cash from (used by) financing and miscellaneous sources	(75,101)	(12,674)
Reconciliation of cash and short-term investment		
Net change in cash and short-term investments	(234,444)	790,286
Cash and short-term investments, beginning of year	2,045,657	1,255,371
Cash and short-term investments, end of year	\$1,811,213	\$2,045,657

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Fund's financial statements, and there were no proposed adjustments to surplus as a result of this examination.

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: Bonds not backed by other loans are stated at amortized cost using the interest method. The Fund has no non-investment grade bonds.

Common stocks: Common stocks are stated at fair value.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. 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.

Loan-backed securities: Stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities. The Fund has no non-investment grade loan-backed securities.

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 recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Fund reported non-admitted assets for premiums and agents' balances in course of collection totaling \$123,978 as of December 31, 2023.

Excess of Loss Insurance Activity:

The Fund has an excess of loss insurance contract to minimize its exposure to losses. This contract does not relieve the Fund of its primary obligation to policyholders. Failure of the insurer to discharge their obligations could result in losses to the Fund. The Fund utilizes AJG as an insurance broker to negotiate and obtain contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2023	2022
Direct and written	\$5,923,753	\$5,911,849
Ceded written	609,949	609,425
Net written	5,313,804	5,302,424
Direct and earned	5,923,753	5,911,849
Ceded earned	609,425	609,425
Net earned	\$5,313,804	\$5,302,424

The type of contract and retention limits are described under the Excess Insurance Program Overview.

Summary of Reserves:

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

	2023	2022
Reserve for losses and loss adjustment expenses, beginning of year	\$4,304,783	\$4,846,745
Add:		
Provision for losses and loss adjustment expenses, current year	3,528,000	3,193,000
Change in estimated losses and loss adjustment expenses, prior years	(810,022)	(674,391)
Total incurred	2,717,978	2,518,609
Deduct:		
Losses and loss adjustment expenses paid, current year	1,350,000	1,187,000
Losses and loss adjustment expenses paid, prior year	1,827,785	2,196,460
Total paid	3,177,785	3,383,460
Reserve for losses and loss adjustment expenses, end of year	4,407,315	4,304,783
Increase in reserve for losses and loss adjustment expenses	\$(459,807)	\$(864,851)

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Fund's excess of loss contract. At December 31, 2023 and 2022, the liability for losses and loss adjustment expenses was decreased by \$62,990 and \$76,438, respectively, for amounts to be recovered from SNCC.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Fund's surplus since the Department's last examination as of December 31, 2018:

	2021	2020	2019
Surplus, beginning of year	\$5,402,841	\$5,221,015	\$4,566,559
Capital and surplus increases (decreases):			
Net income(loss)	(48,739)	125,673	38,727
Change in net unrealized capital gains (losses)	404,810	16,747	308,260
Change in net deferred income tax	119,241	4,452	81,942
Change in nonadmitted assets	17,998	34,954	225,527
Change in surplus as regards policyholders for the year	493,310	181,826	654,456
Surplus, end of year	\$5,896,151	\$5,402,841	\$5,221,015

SUBSEQUENT EVENTS

On February 21, 2024, Kyle Marek was elected to the Board.

On March 1, 2024, Tammy Jensen resigned from the Board.

On March 15, 2024, William Yaeger retired from AJ Gallagher and his role as the Fund Administrator was transitioned to Patrick Marlow.

NCHE Workers' Compensation Fund, Inc.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2023

Jannette Mullis, Financial Analysis Manager
Arthur J. Gallagher Risk Management Services
4250 Congress Street, Suite 200
Charlotte, North Carolina 28209

Jody Fleming, Secretary
c/o NCHE Workers' Compensation Fund, Inc.
dba NCHA Strategic Partners Workers' Compensation Fund
5440 Wade Park Blvd, Suite 410
Raleigh, North Carolina 27519

Patrick Marlow, Area Vice President
Arthur J. Gallagher Risk Management Services
1050 Crown Pointe Parkway, Suite 600
Atlanta, Georgia 30338

Carol Beato, Senior Underwriter
Arthur J. Gallagher Risk Management Services
4250 Congress Street, Suite 200
Charlotte, North Carolina 28209

CONCLUSION

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

We conclude that the Fund complies with the minimum capital and surplus requirements of GS § 58-47-85 for the kinds of insurance that the Fund has been authorized to write, which is \$357,098.

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

Respectfully submitted,



Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

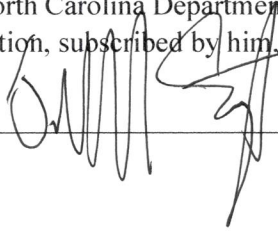
November 21, 2024

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, 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: 11/21/24

Sworn and subscribed before me this 21 day of November, 2024.

Notary Public Signature: Isaiah N Brown Notary Public Seal:

