

**Board of Directors Meeting
April 22, 2024**

Briefing Material



Board of Directors Meeting Agenda

Monday, April 22, 2024

8:30 A.M. Central Time

Video/Audio Conference Call

Audio Toll Free Dial In Number: 1.346.248.7799

Meeting ID: 2222127774 Password: 537081973

1. Consideration and possible action on consent agenda items *
 - A. Summary of the official minutes of the January 30, 2024 meeting of the Board of Directors and
 - B. Ratification of the payment of NOLHGA's fees and expense billing for 4th quarter of 2023

2. Consideration and possible action on reports and recommendations from the Audit Committee regarding:
 - A. Financial audit for the year ending December 31, 2023*
 - B. Review and possible expansion of 2024 Audit Plan
 - C. Introduce report on network penetration testing
 - D. Review of the TLHIGA's final 2023 expenses and budget variance report
 - E. Responsibilities and duties in the Audit Committee's charter

3. Consideration and possible action on reports and recommendations from the General Counsel Search Committee regarding:
 - A. Committee charge, timeline, and search process
 - B. Requirements and expectations of new General Counsel
 - C. Role and job description of new General Counsel
 - D. Process to identify potential General Counsel candidates
 - E. Application process, receipt and review of applications, and interviews

4. Consideration and possible action on reports and recommendations from the Assessment/Investment Committee regarding:
 - A. Class B Assessment in 2024*

5. Consideration and possible action regarding any matters presented by the Texas Department of Insurance

* denotes items the Executive Director recommends actions be taken at this meeting

All Texas Life and Health Insurance Guaranty Association Board of Directors and Committee meetings are to be conducted in accordance with its Antitrust Compliance Policy and applicable laws.
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6. Quarterly report from Executive Director on TLHIGA activities
7. Consideration and possible action on corporate governance issues
 - A. Report on the annual Conflict of Interest/Business Ethics Questionnaires and Antitrust Certifications
 - B. Texas Ethics Commission Personal Financial Statement filings
 - C. Directors' feedback
8. Consideration and possible action regarding the impaired/insolvent member insurers or matters related thereto:
 - A. Estate Summary
 - B. Bright HealthCare Insurance Company of Texas
 - C. Friday Health Insurance Company, Inc.
 - D. Bankers Life Insurance Company*
 - E. Colorado Bankers Life Insurance Company*
 - F. Penn Treaty Network America/American Network Insurance Companies
 - G. North Carolina Mutual Life Insurance Company
 - H. Southland National Insurance Corporation
 - I. Other
9. Executive Session:
 - A. Confidential report of the Texas Department of Insurance Office of Supervisory Interventions to the Board of Directors on troubled or insolvent insurance companies and related discussion
 - B. Potential and pending litigation
 - C. Discussion of financial audit activities
 - D. Review and discuss report on network penetration testing (Tx Gov't Code 551.089)
 - E. Any personnel matters – with management present
 - F. Any personnel matters – without management present
 - G. Advice from Counsel
 - i. Discussion of possible change to coverage of jointly owned annuities
 - ii. Legal issues arising from other agenda items
10. Consideration and possible action on items discussed in Executive Session
11. Consideration and possible action regarding the 2023 Annual Report*
12. Consideration and possible action regarding the following financial and accounting matters:
 - A. Review and acceptance of current financial statements
13. Consideration and possible action regarding the 2024 Calendar of Activities and confirmation of the next meeting date

* denotes items the Executive Director recommends actions be taken at this meeting

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Open Meeting Information

Agency Name: Texas Life and Health Insurance Guaranty Association
Date of Meeting: 04/22/2024
Time of Meeting: 08:30 AM (Local Time)
Board: Texas Life and Health Insurance Guaranty Association
Status: Accepted
Street Location: 1717 West 6th Street
City Location: Austin
Meeting State: TX
TRD: 2024002054
Submit Date: 04/11/2024
Emergency Mtg: No
Additional Information Obtained From: Bart A. Boles, Executive Director
1717 West 6th Street, Suite 230
Austin, TX 78703
Tel: 800-982-6362

The Board of Directors Meeting will be held as a videoconference/teleconference. Attendees also have the option to attend the meeting in person at 1717 West 6th Street, Suite 105, Austin, TX 78703.

Teleconference meeting access information:
Dial in Number (Toll Free): 1-346-248-7799
Meeting ID: 2222127774
Password: 537081973

Additionally - to obtain a complete PDF copy of the meeting material please go to www.txlifega.org.

Agenda: Consideration and possible action on:

- 1) Consent agenda;
- 2) Reports and recommendations from the Audit Committee;
- 3) Reports and recommendations from the General Counsel Search Committee;
- 4) Reports and recommendations from the Assessment/Investment Committee;
- 5) Matters presented by the Texas Department of Insurance;
- 6) Quarterly report from Executive Director;
- 7) Corporate governance;
- 8) Impaired/insolvent member insurers;
- 9) Executive Session;
- 10) Items discussed in Executive Session;
- 11) 2023 Annual Report;
- 12) Financial and accounting matters;
- 13) 2024 Calendar of Activities and confirmation of the next meeting date.

Item 1

Consideration and possible action on consent agenda items:

- A. Summary of the official minutes of the January 30, 2024 meeting of the Board of Directors and
- B. Ratification of the payment of NOLHGA's fees and expense billing for 4th quarter of 2023



CONSENT AGENDA

The following routine, recurring items have been placed on the consent agenda for consideration.

1. The summaries of the official minutes of the January 30, 2024 Board of Directors meeting shown on pages 1-2 through 1-13 and
2. Ratification of the payment of the fourth quarter 2024 NOLHGA MPC Fees and Expenses shown in the draft resolution below.

The following are draft resolutions to approve the consent agenda items.

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summaries of the official minutes of the January 30, 2024, meeting.

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association ratifies the payment of the NOLHGA invoice for Members' Participation Council and Assessment Data Survey expenses and fees, from October 1, 2023 through December 31, 2023, totaling \$190,029 as shown in the following list:

Assessment Data Survey	\$	2,193
American Medical & Life Insurance Company		937
Executive Life of California		608
Friday Health		81,956
Global Bankers-Bankers Life Insurance Company		27,315
Global Bankers-Colorado Bankers Life Insurance Company		8,736
Global Bankers -Southland National Insurance Company		26,636
Lincoln Memorial Life Insurance Company		218
Lincoln Memorial Life Insurance Company Litigation		26
Memorial Service Life Insurance Company		8,906
Memorial Service Life Insurance Company Litigation		1,001
National Heritage Life Insurance Company		5,263
National States Insurance Company TPA Fees		2,679
National States Insurance Company		510
North Carolina Mutual Life Insurance Company		4,543
Penn Treaty/ ANIC		4,515
Penn Treaty/ANIC LTC Re Board		860
Senior Health Insurance Company of Pennsylvania (SHIP)		6,849
Time Insurance Company (L/H/Annuity)		1,204
Time Insurance Company (LTC)		4,328
Thunor Trust Companies		599
Universal Life Insurance Company		147
	\$	190,029



**SUMMARY OF THE OFFICIAL MINUTES OF THE
JANUARY 30, 2024 MEETING OF THE BOARD OF DIRECTORS**

A regular quarterly meeting of the Texas Life and Health Insurance Guaranty Association (the “Association”, “Guaranty Association” or “TLHIGA”) Board of Directors (the “Board of Directors” or the “Board”) was called to order by Chair James Lewis, at 8:31 A.M. central time on January 30, 2024. The meeting was held as a videoconference and teleconference meeting in accordance with Section 463.059 of the Texas Insurance Code and was conducted in accordance with the Texas Open Meetings Act.

The Board members whose names are set forth below were present for all or part of the meeting and, a quorum was present for all votes.

James Lewis	Ted Kennedy	Mark Williams
James Harrison	Pati McCandless	Frank Beaman
James Huckaby	David Sommer	

Also, in attendance for all, or part, of the meeting were the following employees of the TLHIGA or contractors of the TLHIGA:

Employees: Bart Boles Jarett Terry Topping Haggerty Brandy Nichols
General Counsel: Jacqueline Rixen

Also, in attendance for all, or part, of the meeting were:

Vane Hugo, Texas Department of Insurance (“TDI”)
Shawn Martin, TDI
Sandra Salazar, TDI

Chair Lewis noted that proper notice of the meeting was filed on January 18, 2024 and published in the Texas Register in accordance with the Texas Open Meetings Act. He directed that a copy of such notice be attached hereto and be made a part of this written summary of the official minutes of the meeting. Chair Lewis declared a quorum of the Board was present in accordance with the Texas Open Meetings Act.

This is a written summary of the proceedings of the regular quarterly Board of Directors meeting of the Texas Life and Health Insurance Guaranty Association held on January 30, 2024. The official minutes are recorded digitally. The compact disc(s) or digital recordings relating to the open portion of the meeting and all related non-confidential written materials provided to the Board of Directors for such meeting are kept in secure storage at the Association’s office. The compact disc(s) or digital recordings relating to the Executive Session portion of the meeting and all related confidential written material related to the Executive Session portion of the meeting are custodied with the Association’s bank. Details regarding matters described in this summary can be obtained by reviewing the official minutes. The non-confidential written material related to the meeting provided to the Board of Directors should be deemed an attachment to this summary.

Item 1 Consideration and possible action on consent agenda items

The Board addressed the two consent agenda items: (1) the summary of the official minutes of the October 24, 2023 meeting and (2) ratification of the NOLHGA fees and expenses billing for the third quarter of 2023.

Upon a motion made by Director Huckaby and seconded by Director Beaman, and an amendment to correct the date for the January meeting in the minutes, the Board of Directors unanimously adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summaries of the official minutes of the October 24, 2023, meeting.

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association ratifies the payment of the NOLHGA invoice for Members’ Participation Council and Assessment Data Survey expenses and fees, from July 1, 2023 through September 30, 2023, totaling \$ 149,034 as shown in the following list:

Assessment Data Survey	\$	6,221
Friday Health		12,989
Global Bankers-Bankers Life Insurance Company		23,262
Global Bankers-Colorado Bankers Life Insurance Company		7,440
Global Bankers -Southland National Insurance Company		30,419
Lincoln Memorial Life Insurance Company		476
Lincoln Memorial Life Insurance Company Litigation		64
Memorial Service Life Insurance Company		19,466
Memorial Service Life Insurance Company Litigation		2,478
National Heritage Life Insurance Company		10,687
National States Insurance Company TPA Fees		2,943
National States Insurance Company		1,205
North Carolina Mutual Life Insurance Company		3,680
Penn Treaty/ ANIC		3,791
Penn Treaty/ANIC LTC Re Board		548
Senior Health Insurance Company of Pennsylvania (SHIP)		11,381
Time Insurance Company (L/H/Annuity)		2,612
Time Insurance Company (LTC)		9,631
Time Insurance Company (AMR TPA)		(70)
Universal Life Insurance Company		201
	\$	<u>149,034</u>

Item 2 Consideration and possible action on election of officers and the appointment of members to committees of the Board of Directors

Mr. Boles reported he sent an email on October 26, 2023, to all Board Members requesting confidential nominations for the four officer positions: Chair, Vice-Chair, Secretary and Treasurer.

The Guidelines for Nomination and Election of Officers were provided with the email. Mr. Boles stated he received several nominations and contacted each nominee to confirm their willingness to serve. The Board discussed the nominations.

Upon a motion made by Director McCandless and seconded by Director Sommer, the Board of Directors adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association conducted a process to nominate and elect the four officer positions in accordance with its Guidelines for Nomination and Election of Officers of the Board of Directors.

FURTHER RESOLVED, the Board of Directors elects the following officers for 2024:

James Huckaby to the office of Chair,
James Harrison to the office of Vice-Chair,
Ted Kennedy to the office of Secretary, and
Dean Frigo to the office of Treasurer.

The Board next discussed committee appointments and chairs.

The Board decided to dissolve the Corporate Governance Committee (ad hoc) as the duties as stated at its first meeting on December 16, 2020 were complete and no additional issues had arisen.

Upon a motion made by Director Harrison and seconded by Director Kennedy, the Board of Directors unanimously adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association appoints the following directors as chairs and members of its standing and ad hoc committees for calendar year 2024.

ASSESSMENT/INVESTMENT COMMITTEE

James Harrison, CHAIR
Dean Frigo
Ted Kennedy

AUDIT COMMITTEE

Dean Frigo, CHAIR
Pati McCandless
Mark Williams

PERSONNEL COMMITTEE

David Sommer, CHAIR
James Lewis
Frank Beaman

Item 3 Consideration and possible action on reports and recommendations from the Personnel committee

Personnel Committee Chair Huckaby reported that the Committee met on Tuesday, January 9, 2024.

Mr. Boles reported on the Committee's review of the TLHIGA's current health and dental insurance plans, staff training, and other non-salary benefits provided to the employees, including the Health Reimbursement Arrangement (HRA), as reflected in the 2024 Operating Budget. The Committee recommended no changes to these benefits.

Mr. Boles stated he reviewed staff compensation changes with the Committee which are also part of the 2024 Operating Budget. Mr. Boles requested any further discussion of these changes be conducted in Executive Session.

Director Huckaby reported that the Committee discussed Mr. Boles' performance evaluation for 2023, along with Mr. Boles' self-evaluation. He stated he compiled the evaluation, that it was anonymous, and it reflected the evaluation of almost all directors. Director Huckaby reported that some of the directors were unable to complete the evaluation due to end-of-year travel, and the committee may propose distributing the evaluation earlier in the fall. Director Huckaby noted that both the compilation of the Board's evaluation and Mr. Boles' self-evaluation were distributed to the Board in advance of the Board meeting.

Mr. Boles reported that the Committee reviewed certain employment and compensation elements under the Executive Director's Executive Employment and Deferred Compensation Contract ("EEDCC"). He reported that the Committee confirmed, in July of 2023, that he had met the requirements of the EEDCC, and a longevity bonus was paid to him in December 2023, as provided in the EEDCC. He stated that the automatic annual cost of living adjustment, based on the Social Security Administration's cost of living adjustment of 3.2% for 2024, had been made to his salary on January 1, 2024 per the terms of the EEDCC.

Mr. Boles reported on the Committee's discussion regarding the engagement of a Compensation Consultant to conduct a study on the salary ranges for the TLHIGA staff positions, excluding the Executive Director. He stated the Committee instructed staff to distribute a Request for Proposal and the Committee would consider proposals during its July 16, 2024 meeting, with the goal of concluding the study and providing it to the Committee before year end.

Mr. Boles reported that the Committee reviewed a draft action plan of the steps that could be taken in 2024, 2025, and 2026 to conduct searches, interviews, and engagements for a new General Counsel by the end of 2024 and a new Executive Director by the end of 2026.

Ms. Rixen stated that although her General Counsel service with TLHIGA will end no later than December 31, 2024, she is willing to be available on an agreed upon basis to assist the new General Counsel, if needed.

The Board discussed the many aspects of finding a new General Counsel and decided to create an Ad Hoc Committee to assist the Board in finding qualified candidates.

Upon a motion made by Director McCandless and seconded by Director Harrison, the Board of Directors adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association authorize the creation of an ad hoc General Counsel Search Committee consisting of Ted Kennedy (Chair), Pati McCandless, and James Harrison to assist the Board in expediting the search for qualified candidates to fill the position of General Counsel to the TLHIGA.

Director Huckaby requested that further discussion on this item be conducted in Executive Session.

Item 4 Consideration and possible action on reports and recommendations from the Assessment/Investment Committee

Assessment/Investment Committee Chair James Harrison reported that the Committee met on Tuesday, January 9, 2024.

Director Harrison stated that the Committee reviewed the TLHIGA's cash flow projections for existing insolvencies, current investments, the investment policy and the potential need for Class A and Class B assessments. He stated the Committee is not recommending any changes to the investment policy or a Class B assessment at this time.

Director Harison reported on the Committee's review and discussion of the need for a Class A assessment. He reminded the Board that Class A assessments are for expenses not related to a specific insolvency. He stated that the Committee recommends, in leu of calling a Class A assessment, that the Insolvency Expense account be used to fund the TLHIGA's 2024 general and administrative expenses. Director Harrison stated this was the same account used to fund the general and administrative expenses in 2022 and 2023.

Upon a motion made by Director Beaman and seconded by Director Huckaby, the Board of Directors adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association ("the TLHIGA") directs the Executive Director and Senior Accountant to fund the TLHIGA's 2024 general and administrative expenses from the Insolvency Expense Account funds.

Item 5 Consideration and possible action regarding any matters presented by the Texas Department of Insurance

There was nothing discussed under this item.

Item 6 Quarterly report from Executive Director on TLHIGA Activities

Mr. Boles commented on the following items in his written report in the meeting briefing book:

- Access to TDI's ICAN system,
- IAIR 2024 Resolution Workshop,
- NAIC's Fall National Meeting,
- NAIC's Spring National Meeting,
- ILTCI Conference,
- NOLHGA MPC Meetings,
- Western States GA Administrators Meeting.

Item 7 Consideration and possible action on the annual review of the Board of Directors' fiduciary duties and the role and contact information for General Counsel

Ms. Rixen stated the fiduciary duties of the Board, which have not changed since last reviewed in 2023, are grounded in non-profit corporation law in Texas as opposed to the TLHIGA governing statute which does not mention fiduciary duties. She stated that the Board has a statutory requirement regarding conflicts of interest which coincides with these fiduciary duties. Ms. Rixen stated that it is likely, were a court to be looking at the fiduciary duties of a Board similar to the TLHIGA Board, it would impose the duties that are found in the non-profit corporation law in Texas.

Ms. Rixen stated the Board's fiduciary duty is to act in the interest of the TLHIGA rather than in their own interest, the interest of their company, or the interest of their employer.

Ms. Rixen reviewed, in detail, the three fiduciary duties identified in non-profit corporation law in Texas: the duty of due care, the duty of loyalty, and the duty of obedience. She stated the duty of due care requires directors to stay informed and exercise ordinary care and prudence in the management of the organization. She stated the duty of loyalty requires the directors to act for the benefit of the organization not for their own personal benefit. She stated the duty of obedience requires directors to remain faithful to and pursue the goals of the organization and avoid ultra vires acts (acting outside the scope of authority as defined by the organization's statute and its governing documents).

Ms. Rixen reported that if there is an allegation that a director has breached a fiduciary duty or other obligation under the TLHIGA Governing Act, there are three shields available to protect the director from personal liability:

- Directors have statutory immunity protecting them from liability for any *good faith act or omission* when exercising the powers or duties of the TLHIGA (Tex. In. Code §463.005);
- TLHIGA's Plan of Operation, Section 8(a), provides indemnification for Directors, including TLHIGA paying legal fees and expenses for the Director's defense; however, this indemnification does not extend to conduct that is intentional, not in good faith, or criminal activity.
- TLHIGA maintains a Directors and Officers liability policy with a \$5 million annual aggregate limit and a \$5,000 retention.

Ms. Rixen reviewed her duties as General Counsel, and how those duties have expanded since the retirement of the Board Counsel.

Mr. Boles reminded the Board that they have been provided the direct contact information for Ms. Rixen and are free to contact her at any time.

Item 8 Consideration and possible action regarding annual evaluation of General Counsel and engagement

Mr. Boles stated he distributed the General Counsel evaluation form to all directors via email on December 22, 2023 and emailed a compilation of the anonymous responses to all directors on January 26, 2024.

Mr. Boles reported that the annual evaluation of General Counsel will be reviewed during the Executive Session of this meeting.

Mr. Boles reported that since Ms. Rixen has advised the Board that she intends to retire at the end of 2024, the engagement proposal she submitted will end as of December 31, 2024.

Chair Lewis directed further discussion on this item be conducted in Executive Session.

Item 9 Consideration and possible action corporate governance

Mr. Boles stated that at every regularly schedule Board of Directors meeting there is a sub item on the agenda called "Directors Feedback", and a reminder is sent out in advance to directors to contact the Board Chair, General Counsel, or Executive Director, before the meeting, regarding any issue or concern a director would like to discuss with the Board. He emphasized that any issues or concerns should be mentioned before the meeting so it can be reviewed to determine whether the discussion should be held in open or Executive Session.

Mr. Boles reported that there were no issues or concerns submitted for discussion at this meeting. He asked if any director had an issue they want addressed at this time, and there were none.

Mr. Boles reported that the annual review of the Business Continuity Plan has been completed and no material changes were identified.

Mr. Boles reported that the annual review of the Critical Functions report has been completed and there are no recommended changes or edits to the document at this time.

Item 10 Consideration and possible action regarding the impaired/insolvent member insurers or matters related thereto

Mr. Boles reviewed the projected policy obligations report and general metrics on claims payments, premium collections, and recoveries. He then summarized the TLHIGA's recent activities since the October 24, 2023 Board meeting for the following five impaired/insolvent member insurers that were specifically discussed in the Board of Directors meeting material:

- Bright Healthcare Insurance Company of Texas
- Friday Health Insurance Company,
- Penn Treaty Network America/American Network Insurance Companies,
- North Carolina Mutual Life Insurance Company, and
- Southland National Insurance Company

Ms. Rixen reported that the TLHIGA received an Open Records request from an attorney regarding Friday Health Insurance Company (FHIC) on December 5, 2023. The request was for all FHIC payments made by the TLHIGA for provider claims, and for all underpaid and unpaid claims. Per the Public Information Act (a/k/a Open Records Act), the TLHIGA had 10 business days to respond. Ms. Rixen reported that she recommended, and Mr. Boles agreed, to engage an attorney specializing in Open Records issues to assist with correctly and accurately responding to the request, including seeking guidance from the Attorney General of Texas' office. She stated that the request has now been resolved, and the TLHIGA is working with the attorney and her out-of-network provider clients to review claims determinations.

The Board next adopted a series of resolutions regarding insolvent member insurers.

Upon a motion made by Director McCandless and seconded by Director Beaman the Board of Directors unanimously adopted the following resolutions:

WHEREAS, a liquidation order with a finding of insolvency was entered against Bright HealthCare Insurance Company of Texas ("BHICOT") on November 29, 2023, thus activating the Texas Life and Health Insurance Guaranty Association ("TLHIGA") to provide its statutory protection for the BHICOT policyholders; and

WHEREAS, TLHIGA does not have the staff or expertise to provide the administration services required to process and pay claims and perform other services necessary to carry out its statutory obligations; it is therefore

RESOLVED, the Board of Directors ratifies the administration runout services agreement between TLHIGA and Evolent Health to provide ongoing policy and claims administration for the TLHIGA's covered BHICOT insurance policy obligations, and

FURTHER RESOLVED, the Board of Directors authorizes the Executive Director to enter into an agreement with ClearHealth Strategies, LLC to provide ongoing pricing of the TLHIGA's covered BHICOT out-of-network claims, and to enter into other agreements with vendors as deemed necessary by the Executive Director for TLHIGA to carry out its statutory obligations.

Upon a motion made by Director Beaman and seconded by Director Huckaby the Board of Directors unanimously adopted the following resolutions:

WHEREAS, some or all of the services provided under the Master Service Agreement TLHIGA entered into with UST Healthproof, Inc., may no longer be required after March 31, 2024; and

WHEREAS, the Executive Director is investigating other means to accomplish claims administration after March 31, 2024; it is therefore

RESOLVED, the Board of Directors authorizes the Executive Director to enter into one or more alternative administration arrangements as deemed appropriate by the Executive Director to provide ongoing policy and claims administration for the TLHIGA's covered FHIC insurance policy obligations after March 31, 2024.

Upon a motion made by Director Harrison and seconded by Director Williams the Board of Directors unanimously adopted the following resolutions:

WHEREAS, a liquidation order with a finding of insolvency was entered against North Carolina Mutual Life Insurance Company ("NCMLIC") on October 31, 2022, thus activating the Texas Life and Health Insurance Guaranty Association ("TLHIGA") to provide its statutory protection for the NCMLIC policyholders;

WHEREAS, prior to the entry of the liquidation order, NCMLIC issued policies directly to federal employees and retirees as part of the Federal Employee Group Life Insurance ("FEGLI") Program, which included a Conversion Pool Agreement and the Reinsurance Agreement with Metropolitan Life Insurance Company;

WHEREAS, as part of NCMLIC's termination in the FEGLI Program, a 100% Coinsurance Agreement ("Agreement") was negotiated by and among the Liquidator, Metropolitan Tower Life Insurance Company ("MetLife"), NOLHGA and the Participating Associations; and

WHEREAS, the Agreement provides for 100% coinsurance by MetLife of all the NCMLIC FEGLI Program policy obligations with the necessary funding provided by an Early Access Distribution from the NCMLIC receivership estate; therefore it is;

RESOLVED, that the Board of Directors of the TLHIGA agrees to participate in the Agreement for the NCMLIC FEGLI policy obligations and authorizes the Executive Director to execute any documents necessary to complete this participation.

Mr. Boles stated that the Board would review coverage of jointly owned deferred annuities during Executive Session, as noted in the briefing materials.

Item 11 Executive Session

Chair Lewis stated the time to be 10:36 A.M. on January 30, 2024, and that he was recessing the regular Open Session of the meeting for the TLHIGA Board of Directors to meet in Executive Session, pursuant to the Texas Open Meetings Act.

At 12:44 P.M. Chair Lewis closed the Executive Session and reconvened the regular Open Session of the meeting of the TLHIGA Board of Directors pursuant to the Texas Open Meetings Act.

Item 12 Consideration and possible action on items discussed in Executive Session

Upon a motion made by Director Beaman and seconded by Director Harrison the Board of Directors unanimously adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association acknowledges the Personnel Committee's report that the Executive Director has fully complied with the terms and conditions of the Executive Employment and Deferred Compensation Contract during 2023 and

FURTHER RESOLVED, that the Board of Directors, consistent with the recommendation from the Personnel Committee, and pursuant to the terms of the Executive Employment and Deferred Compensation Contract, authorizes a payment in January 2024 to the 457(b) plan established for the Executive Director in the amount of \$23,000.

Upon a motion made by Director Huckaby and seconded by Director McCandless the Board of Directors unanimously adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association hereby authorizes the Association's Board of

Directors Chair or Executive Director to enter into an agreement with Jackie Rixen, as per the engagement letter, to provide general counsel services for the TLHIGA.

Upon a motion made by Director Harrison and seconded by Director Williams the Board of Directors unanimously adopted the following resolutions:

WHEREAS, liquidation orders with findings of insolvency have been entered, but are being appealed, against Bankers Life Insurance Company (“BLIC”) and Colorado Bankers Life Insurance Company (“CBLIC”),

WHEREAS, the Texas Life and Health Insurance Guaranty Association (“TLHIGA”) will be activated to provide its statutory protection for the BLIC and CBLIC policyholders should the liquidation orders become final and effective,

RESOLVED, the TLHIGA Board of Directors, in anticipation of TLHIGA activation for BLIC and CBLIC, authorizes the Executive Director to take the necessary actions to participate in the Early Access Agreement with the Liquidator and the Administrative Service Agreement with Actuarial Management Resources, Inc. to provide for the continuing policy administration and benefit processing functions.

Item 13 Consideration and possible action regarding the following financial and accounting matters

Mr. Terry, Senior Accountant, summarized highlights of the financial statements for the periods September, October, and November of 2023.

Mr. Terry reviewed the proposed Operating Budget for calendar year 2024.

Upon a motion made by Director Williams and seconded by Director Harrison the Board of Directors unanimously adopted the following resolutions:

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the 2024 Operating Budget and the 2024 Capital Expenditure Budget as presented.

FURTHER RESOLVED, that the 2024 Operating Budget and 2024 Capital Expenditure Budget may be amended by the Board of Directors at a future date to include the financial impact of decisions made related to salary, payroll taxes, employee benefits or other items which may arise.

Item 14 Consideration and possible action regarding the 2024 Calendar of Activities and confirmation of the next meeting date

The Board confirmed that its next regular quarterly meeting will be held at 8:30 A.M. central time on Monday, April 22, 2024.

Adjourn

There being no further business, Chair Lewis stated the time to be 12:58 P.M. and that he was adjourning the regular meeting of the TLHIGA Board of Directors that was held as described in the first paragraph of this summary.

Certification

The undersigned certifies that the foregoing is a true and accurate written summary of the proceedings of the January 30, 2024, meeting of the Board of Directors, approved by the Board of Directors at its meeting held on April 22, 2024.

James E. Huckaby, Chair

Ted Kennedy, Secretary

DRAFT

Item 2

Consideration and possible action on reports and recommendations from the Audit Committee regarding:

- A. Financial audit for the year ending December 31, 2023
- B. Review and possible expansion of 2024 Audit Plan
- C. Introduce report on network penetration testing
- D. Review of the TLHIGA's final 2023 expenses and budget variance report
- E. Responsibilities and duties in the Audit Committee's charter



April 22, 2024 Board of Directors Meeting

REPORT FROM THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors met on April 9, 2024. Committee Chair Frigo will report on, and provide recommendations related to, the following matters that were discussed during the Committee's meeting:

- Reviewed the draft reports for the 2023 audit of the financial statements with Bhakti Patel, principal with CliftonLarsonAllen, LLP, the TLHIGA's independent auditors,
- Reviewed the 2024 Audit Plan for possible expansion after evaluating the results of the 2023 financial audit,
- Reviewed the reports on the internal and external network penetration testing and phishing testing,
- Reviewed the final 2023 expenses and budget variance report, and
- Reviewed its Charter.

Chair Frigo's report to the Board of Directors will include a presentation by Ms. Patel. The Committee recommends the resolution shown on page 2-2 to accept the year-end 2023 financial audit. The Board of Directors will consider the resolution after the Executive Session discussion of any confidential audit activities.

Confidential copies of the drafts of the audited financial statements, including the auditor's opinion, management discussion and analysis (MD&A) and footnote disclosures were distributed through the portal to the Board of Directors and General Counsel.



April 22, 2024 Board of Directors Meeting

The Audit Committee recommends the following resolution to the Board of Directors for consideration and possible adoption.

RESOLUTION ON ACCEPTANCE OF THE 2023 FINANCIAL AUDIT

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association accepts the year-end 2023 financial audit report as presented.

Item 3

Consideration and possible action on reports and recommendations from the General Counsel Search Committee regarding:

- A. Committee charge, timeline, and search process
- B. Requirements and expectations of new General Counsel
- C. Role and job description of new General Counsel
- D. Process to identify potential General Counsel candidates
- E. Application process, receipt and review of applications, and interviews



April 22, 2024 Board of Directors Meeting

REPORT FROM THE GENERAL COUNSEL SEARCH COMMITTEE

The General Counsel Search Committee of the Board of Directors met on March 25, 2024. Committee Chair Kennedy will report on, and provide recommendations related to, the following matters that were discussed during the Committee's meeting:

- Reviewed the draft timeline, process, and Committee's charge for the General Counsel search,
- Reviewed the background and historical roles of the General Counsel,
- Reviewed the job description and role for a new General Counsel,
- Considered the pros and cons of an employee, solo practitioner, or firm as General Counsel,
- Considered the various approaches for distributing notices regarding the General Counsel position,
- Review the General Counsel application process, including the receipt and review,
- Reviewed the interview process,
- Discussed the reporting to the Board of Directors, and
- Identified a tentative timeframe for the Committee's next meeting.

Item 4

Consideration and possible action on reports and recommendations from the Assessment/Investment Committee regarding:

A. Class B Assessment in 2024



April 22, 2024 Board of Directors Meeting

REPORT FROM THE ASSESSMENT/INVESTMENT COMMITTEE

The Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association (“TLHIGA”) met on April 16, 2024.

The meeting was a single issue meeting necessary to consider authorizing a Class B assessment in preparation for the possible activation and immediate funding requirements related to Bankers Life Insurance Company and Colorado Bankers Life Insurance Company. Committee Chair Harrison will report on the Committee’s discussions and any recommendations.

The Committee has a recommended resolution for the Boards’s consideration on page 4-2.



January 30, 2024 Board of Directors Meeting

The Assessment/Investment Committee recommends that the following resolution be presented to the Board of Directors for consideration and possible adoption.

RESOLUTION ON CLASS B ASSESSMENT

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association (“the TLHIGA”) authorizes Class B assessments against all member companies to cover the TLHIGA’s projected expenses for Bankers Life Insurance Company of \$57.2 million and for Colorado Bankers Life Insurance Company of \$45 million, after final review and approval of the Assessment/Investment Committee Chair and the Board of Directors Chair.

FURTHER RESOLVED, that the Board of Directors authorizes the Executive Director to call the Class B assessments at such a time to be able to timely fund the Association’s covered annuity obligations.

Item 5

Consideration and possible action regarding any matters presented by the Texas Department of Insurance

Item 6

Quarterly report from Executive Director on TLHIGA activities



April 22, 2024 Board of Directors Meeting

EXECUTIVE DIRECTOR'S QUARTERLY REPORT

The following provides an update on the activities taken on behalf of the TLHIGA since the Board of Directors meeting held on January 30, 2024, that are not discussed under other agenda items.

MEETINGS AND ACTIVITIES WITH OTHER ORGANIZATIONS

IAIR Resolution Workshop – I served as chair of the 2024 IAIR Resolution Workshop that was held April 10-12, 2024 at the Royal Sonesta Hotel in New Orleans, LA. The Workshop's theme was "The Roles and Realities of Rehabilitations", focusing on the various responsibilities of stakeholders involved in supervisions/rehabilitations of troubled insurance companies and the techniques/tools used during these activities.

NAIC Meetings – I attended the NAIC's Spring National Meeting on March 16-18, 2024 in Phoenix, AZ. In addition to attending a number of NAIC committee meetings, I attended the NOLHGA/NCIGF luncheon and IAIR events, including chairing several IAIR committee meetings, presenting at the Issues Forum on the Lincoln Memorial Joint Prosecution Agreement, moderating the IAIR roundtable, and attending an IAIR Board of Directors meeting. The NAIC's Summer National Meeting will be held August 12-16, 2024 in Chicago, IL.

Western States GA Administrators – The next Western States GA Administrators meeting will be held August 19-21, 2024 at the Alyeska Resort in Girdwood, AK.

Item 7

Consideration and possible action on corporate governance issues:

- A. Report on the annual Conflict of Interest/Business Ethics Questionnaires and Antitrust Certifications
- B. Texas Ethics Commission Personal Financial Statement filings
- C. Directors' feedback



April 22, 2024 Board of Directors Meeting

CORPORATE GOVERNANCE ISSUES

ANTITRUST AND CONFLICT OF INTEREST/BUSINESS ETHICS QUESTIONNAIRES

The Association's Board of Directors adopted the Policy Statement on Conflicts of Interest and Business Ethics ("Conflicts Policy") and Antitrust Compliance Policy ("Antitrust Policy") at its July 18, 2006 regular meeting. The policies articulate the Board of Director's philosophy and expectations regarding conflicts of interest and compliance with antitrust policies. Annually, the Association employees, board members, and consultants are required to confirm that they have read these policies, they are in compliance with these policies, and to disclose any deviations from the policies.

On March 1, 2024, Topping Haggerty distributed the annual Conflicts of Interest and Business Ethics questionnaires and the Antitrust certification forms to all directors, employees and vendors. The completed questionnaires and certification forms were due on Friday, March 29th. Executive Director Bart Boles reviewed the submissions and will report on them during the April 22, 2024 Board of Directors meeting.

TEXAS ETHICS COMMISSION – PERSONAL FINANCIAL STATEMENT FILINGS

On January 23, 2024, Bart Boles received the annual survey from the Texas Ethics Commission (TEC) requesting confirmation of the Board of Directors' contact information to be used for distribution of the Personal Financial Statement filing notices and materials. After emails were sent to all directors requesting confirmations of their individual information, an update was assembled and submitted to the TEC on January 24, 2024.

Bart Boles monitors the Texas Ethics Commission website and has noted that the due date for filing the Personal Financial Statements covering the January 1, 2023 through December 31, 2023 period is April 30, 2024. Mr. Boles sent a reminder email to all directors on April 3, 2024.

BOARD OF DIRECTORS FEEDBACK

During the April 18, 2023 Board of Directors meeting, an alternative to the annual Board of Directors self-evaluation process was adopted that involves a two-part approach to reduce the assembly and submission burdens for directors.

The first part of the new process involves including a subitem called “Directors Feedback” on the agenda for each Board of Directors meeting. A reminder will be sent with the materials for each meeting stating that any director has the opportunity to contact, before the upcoming meeting, either the Board Chair, General Counsel, or Executive Director to propose a specific issue, concern, or comment be discussed at the upcoming meeting. The purpose of the discussion would be to determine whether the director’s issue warranted revision of governance practices or processes.

Any issue raised before the meeting will be evaluated to determine whether the discussion should be held in Open or Executive Session. The discussion of the issue will occur at the meeting during the appropriate part of the meeting. To facilitate Open Meetings Act compliance and avoid any inappropriate discussion during any session of the meeting, an issue not raised by a director before the start of the meeting ordinarily will not be considered until the next Board meeting.

The second part of the approach involves a discussion at each October Board of Directors meeting about the evaluation topics and corporate governance irrespective of whether any concerns, issues, or comments are made in advance.

This new approach provides the opportunity for any director to bring up an issue, possibly anonymously, throughout the year, without the need to complete a form, and as issues occur so they are dealt with promptly, and not lost as time passes and memories fade.

Item 8

Consideration and possible action regarding the impaired/insolvent member insurers or matters related thereto:

- A. Estate Summary
- B. Bright HealthCare Insurance Company of Texas
- C. Friday Health Insurance Company, Inc.
- D. Bankers Life Insurance Company
- E. Colorado Bankers Life Insurance Company
- F. Penn Treaty Network America/American Network Insurance Companies
- G. North Carolina Mutual Life Insurance Company
- H. Southland National Insurance Corporation
- I. Other



April 22, 2024 Board of Directors Meeting

ESTATE ADMINISTRATION SUMMARY

This is a report of general insolvency activities since the January 30, 2024, Board of Directors regular quarterly meeting. Specific reports on key estates follow this summary.

Active Receivership Estates

On page 8-2 is a list of the twenty-one (21) active receivership estates for which the TLHIGA has been activated to provide protection to Texas resident policyholders. This list does not include receivership proceedings that have been closed but for which the TLHIGA has continuing obligations to policyholders. There are three additional companies that are being monitored since they are subject to ongoing rehabilitation proceedings or a petition for liquidation is pending against them.

Contractual Obligation Funding and Projected Obligations

The TLHIGA's funding to fulfill insurance policy obligations for the first two months of 2024 totaled approximately \$1.38 million. The projected remaining policy obligations covered by the TLHIGA are approximately \$32.8 million as of February 29, 2024. The Projected Policy Obligations report, which provides the details of these remaining obligations by estate, is included on page 8-3 (these are aggregate payment estimates, not present values).

Estate Distributions, Recoveries & Premium Collections

The TLHIGA received approximately \$991 in distributions of estate assets from either foreign or Texas domiciled estates, restitution payments, or litigation recoveries in the first two months of 2024. Premiums collected during the first two months of 2024 totaled approximately \$43,959.

Miscellaneous Reports

The first quarter 2024 Summary of Communications Activity Report is included on page 8-4.

The 2024 complaint log is included with this report on page 8-5.



**Active Receivership Estate Listing
(as of March 31, 2024)**

Status	Estate Name	Reference Number	State of Domicile	Activation Date
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ESTATES CLOSED DURING 2024

None

21 ACTIVE ESTATES (7-TX DOMICILED, 14-FOREIGN)

American Network Ins Co	054	PA	03/01/17
Andrew Jackson Life Ins Co	015	MS	07/26/93
Bright Healthcare Ins Co of Texas	104	TX	11/29/23
Calanthe Mutual Life Insurance Company	095	TX	10/09/20
Executive Life Ins Co	003	CA	12/19/91
First National Life Ins Co of America	046	MS	07/01/99
Friday Health Insurance Co	105	TX	03/23/23
Good Samaritan Life Ins Co	064	TX	07/22/03
Heritage National Ins Co	055	OK	12/18/01
Lincoln Memorial Life Ins Co	078	TX	10/23/08
Lone Star Life Ins Co	072	TX	05/18/06
Lumbermens Mutual Casualty Company	091	IL	05/10/13
Memorial Service Life Ins Co	077	TX	10/23/08
National Heritage Ins Co	029	DE	12/29/94
National States Ins Co	090	MO	11/15/10
North Carolina Mutual Life Insurance Company	097	NC	10/31/22
Northwestern National Mutual Ins Co	096	WI	05/02/19
Penn Treaty Network America Ins Co	054	PA	03/01/17
Security General Life Ins Co	073	OK	11/13/06
Southland National Insurance Corporation	101	NC	05/02/23
Time Insurance Company	102	WI	09/01/22

3 BEING MONITORED (All FOREIGN)

Senior Health Insurance Company of Pennsylvania	098	PA	
Bankers Life Insurance Company	099	NC	
Colorado Bankers Life Insurance Company	100	NC	



Prepared by *B. H. Be* February 29, 2024

TX GA REF NO	ESTATE NAME	IMPAIRMENT YEAR	PROJECTED CLAIMS OBLIGATIONS	CURRENT	LONG-TERM	March-24	April-24	May-24	June-24	July-24	August-24
104	BRIGHT HEALTHCARE INS CO OF TEXAS	2023	6,646,313	6,646,313	0	1,700,000	2,500,000	2,446,313	0	0	0
095	CALANTHE MUTUAL LIFE INS CO	2020	769,552	24,000	745,552	2,000	2,000	2,000	2,000	2,000	2,000
003	EXECUTIVE LIFE INS CO	1991	183,830	28,032	155,798		28,032	0	0		
105	FRIDAY HEALTH INS CO	2023	13,272,493	13,272,493	0	700,000	2,000,000	4,000,000	5,000,000	1,000,000	572,493
085	GOLDEN STATE MUTUAL LIFE INS CO	2011	20,000	0	20,000						
078	LINCOLN MEMORIAL/MEMORIAL SERVICE LIFE INS CO'S	2008	47,654	4,000	43,654	1,000			1,000		
090	NATIONAL STATES INS CO	2010	1,725,461	78,000	1,647,461	6,500	6,500	6,500	6,500	6,500	6,500
097	NORTH CAROLINA MUTUAL LIFE INS CO	2022	2,445,675	120,000	2,325,675	10,000	10,000	10,000	10,000	10,000	10,000
101	SOUTHLAND NATIONAL INS CORP	2023	7,358,650	420,000	6,938,650	35,000	35,000	35,000	35,000	35,000	35,000
102	TIME INSURANCE CO	2022	388	388	0		388				
084	UNIVERSAL LIFE INS CO	2010	322,296	4,000	318,296	1,000			1,000		
TOTAL ESTIMATED OBLIGATIONS			32,792,312	20,597,226	12,195,086	2,455,500	4,581,920	6,499,813	5,055,500	1,053,500	625,993

TX GA REF NO	ESTATE NAME	IMPAIRMENT YEAR	September-24	October-24	November-24	December-24	January-25	February-25	>February 2025
104	BRIGHT HEALTHCARE INS CO OF TEXAS	2023							
095	CALANTHE MUTUAL LIFE INS CO	2020		2,000	2,000	2,000	2,000	2,000	745,552
003	EXECUTIVE LIFE INS CO	1991							155,798
105	FRIDAY HEALTH INS CO	2023							0
085	GOLDEN STATE MUTUAL LIFE INS CO	2011							20,000
078	LINCOLN MEMORIAL/MEMORIAL SERVICE LIFE INS CO'S	2008		1,000		1,000			43,654
090	NATIONAL STATES INS CO	2010	6,500	6,500	6,500	6,500	6,500	6,500	1,647,461
097	NORTH CAROLINA MUTUAL LIFE INS CO	2022	10,000	10,000	10,000	10,000	10,000	10,000	2,325,675
101	SOUTHLAND NATIONAL INS CORP	2023		35,000	35,000	35,000	35,000	35,000	6,938,650
102	TIME INSURANCE CO	2022							
084	UNIVERSAL LIFE INS CO	2010		1,000		1,000			318,296
TOTAL ESTIMATED OBLIGATIONS			55,500	53,500	53,500	55,500	53,500	53,500	12,195,086



Summary of Communications Activity (First Quarter 2024)

Phone Calls	Active Companies	Not GA Related (referred by TDI)	Insolvencies	Insolvencies (referred by TDI)	Miscellaneous	Totals
January						
1-5	27		6	1	9	43
8-12	35	1	5	1	11	53
15-19	22		10		5	37
22-26	18	1	5	2	16	42
29-31	13	1	6		10	30
Month total	115	3	32	4	51	205
February						
1-2	7		2		1	10
5-9	24		13		8	45
12-16	20	7	10		8	45
19-23	29		11		10	50
26-29	28		5		2	35
Month total	108	7	41	0	29	185
March						
1	4				3	7
4-8	16	1	7		14	38
11-15	21	1	14		16	52
18-22	23		11		8	42
25-29	20	2	12		11	45
Month total	84	4	44	0	52	184
Totals for 1st Qtr	307	14	117	4	132	574

	January	February	March	1st Quarter 2024 Totals
E-Mail/Mail Requests Received	12	11	10	33
Website Visitors	723	811	791	2,325



BRIGHT HEALTHCARE INSURANCE COMPANY OF TEXAS (“BHICOT”)

STATE OF DOMICILE: TX
STATE LICENSES: TX Only
DATE OF LIQUIDATION ORDER: November 29, 2023 (TLHIGA activation date)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$ 3,459,310
Direct Policy Benefit Payments	0
Assumption Reinsurance Payments	0
Premium Collections	(0)
Distributions & Recoveries	(0)
Net Cost	\$ <u>3,459,310</u>

Class B Assessments to Date \$ 0

This report will summarize the TLHIGA’s activities on this Texas domiciled insolvency since the January 30, 2024 Board of Directors meeting.

Background

Bright HealthCare Insurance Company of Texas (“BHICOT”) was placed into liquidation in a receivership proceeding on November 29, 2023. BHICOT consented to the liquidation. This Texas domiciled insurance company is only licensed in Texas. BHICOT is owned by Bright Health Management, Inc. (“Bright Health Mgmt”), which is owned by Bright Health Group, Inc. (“BHP Holding”). There are twelve other affiliated insurance companies that are continuing in operation. All thirteen insurance entities were managed and controlled by Bright Health Mgmt in Minneapolis, MN. BHICOT is a virtual company with all operations being performed by Bright Health Mgmt.

The vast majority of BHICOT’s policies were written on the health insurance exchange and were terminated on December 31, 2022. Approximately 1,000 non-exchange individual policies terminated on July 31, 2023. It appears that there are approximately 5,000 claims left to adjudicate, not including any appeals.

Administration

Administration of BHICOT’s business was provided by Evolent Health, (“Evolent”) a third-party administrator, that also administers the business for five of the affiliated companies under a contract with Bright Health Mgmt. The Texas Department of Insurance required the services

provided for BHICOT by Evolent be contracted through BHICOT, rather than Bright Health Mgmt, and a Runout Addendum covering all of calendar year 2023 was executed in February 2023 between BHICOT and Evolent. Under this Addendum, Evolent was paid \$19.75 million upon execution and \$3.95 million on June 1, 2023. The final payment of \$2.37 million was due on December 31, 2023.

TLHIGA and Evolent signed a service agreement extending from January 1, 2024 through June 30, 2024. Evolent also accumulates the data, prepares, and distributes/files the required 1099s.

Revisions have been developed to the mechanism with Evolent to approve, fund, and distribute claims batches, including ERAs, EOPs, and EOBs. The former structure for funding benefits cannot be continued since it comingled claims funding from other Bright affiliates. The TLHIGA, Evolent and its payment processing contractor, InstaMed, and the TLHIGA's bank officer have been developing an alternative process, including a new TLHIGA bank account for funding BHICOT benefit payments. After a few coordinating glitches among the various parties, it appears the testing of all the processes involving the new account structure will be completed and benefit payments will resume the week of April 22nd.

TLHIGA has also negotiated and executed agreements with other vendors for services that are required for TLHIGA to perform its statutory obligations. These include ClearHealth Services, LLC to initially adjudicate out of network claims, and Availity, LLC for provider web portal services and electronic claims data interchange.

Forecast of Obligations

While the revisions to the claims adjudication and funding processes have been underway, the TLHIGA has been working with Evolent to identify and forecast the exposure for policy obligation benefit submissions. These are summarized below:

Reissuance of Voided Benefit Payments	\$ 562,787
Estimated Benefits for 5,600 in processing queue	4,900,000
Estimated Benefits for 203 Provider Disputes	<u>,200,000</u>
	<u>\$6,662,787</u>



FRIDAY HEALTH INSURANCE COMPANY, INC. (“FHIC”)

STATE OF DOMICILE: TX
STATE LICENSES: TX Only
DATE OF LIQUIDATION ORDER: March 23, 2023 (TLHIGA activation date)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$	7,270,477
Direct Policy Benefit Payments		20,090,173
Assumption Reinsurance Payments		0
Premium Collections		(0)
Distributions & Recoveries		<u>(25,000,000)</u>
Net Cost	\$	<u>2,360,650</u>

Class B Assessments to Date \$ 0

This report will summarize the TLHIGA’s activities on this Texas domiciled insolvency since the January 22, 2024 Board of Directors meeting.

Background

Friday Health Insurance Company, Inc. (“FHIC”) was placed into liquidation by a Travis County court on March 23, 2023. FHIC consented to the liquidation. This Texas domiciled insurance company is only licensed in Texas. FHIC was owned by Friday Health Plans Management Services Company, Inc. (“FHP Mgmt”), which is owned by Friday Health Plans, Inc. (“FHP Holding”). All of the affiliates in other states are now in liquidation: three HMOs owned by FHP Mgmt domiciled in Georgia, North Carolina, and Oklahoma and an insurance company domiciled in Nevada. An additional HMO domiciled in Colorado, owned by FHP Holding, is also in liquidation. All six of the insurance entities were managed and controlled by FHP Mgmt in Alamosa, Colorado.

FHIC was removed from the exchange as of December 31, 2022. Eight small employer group policies continued into 2023. Termination notices had been sent to these groups prior to the TLHIGA’s activation with the last group terminating on June 30, 2023.

Original and Replacement Administration Solutions - On July 6, 2023, FHP Mgmt terminated all its employees and ceased operations. This ended the Administrative Services Agreement the TLHIGA had executed with FHP Mgmt on May 16, 2023. The TLHIGA and the receivers in the five other states participated in a Letter of Intent, effective as of July 7, 2023 with UST Global, Inc. (“UST”), a third-party administrator that was the vendor providing the administration platform to FHP Mgmt. A Master Service Agreement (MSA) and two Statements of Work were developed

under which UST provides the services, platform, and staff to administer the business. Most of the staff were former FHP Mgmt employees who were involved in administering the business before insolvency. The parties have performed under these agreements while the final agreements were being developed and executed.

The Statement of Work 2 under the UST MSA, dealing with staffing, expired on March 31, 2024. TLHIGA and the other affected guaranty associations coordinated to develop a process to address the remaining claims and appeals. Eight key UST staff were identified to be necessary to complete the administration. These individuals were not offered positions with UST after March 31, 2024 so the special deputy receivers and guaranty associations offered independent contractor agreements to them. Additional contracts may be offered as additional needs are evaluated.

The receivers in the other five states and the TLHIGA contracted directly with numerous vendors for certain services that FHP Mgmt had in place to administer the business, including equipment, facilities, cloud storage, telephone system, internet service providers, basic resources, and other vendor services. The costs for these services are allocated among the five receiverships in the other states and the TLHIGA based on their pro rata share of the activities involving each vendor.

Claims Batches and Remaining Obligations – As of the date of this report, thirty-five (35) claim batches have been approved and funded by the TLHIGA. These batches included over 146,000 claims with benefits totaling approximately \$21.2 million.

During the review of a claims batch on February 5th, several thousand claims were identified that had been previously adjudicated and closed. There had been no recent processing on these claims. A glitch in the underlying adjudication software on the processing platform inadvertently pulled in these closed claims for reprocessing with an erroneous rate change. The processing of all TLHIGA claims was halted while a ticket was opened with the software firm to investigate the error. This issue was not resolved, and another batch prepared for funding until April 5th.

The TLHIGA has 792 pending appeals and less than 100 claims to be researched and resolved. In addition, a large number of benefit payments that had been issued prior to the beginning of the receivership proceeding were not deliverable and were voided by the outside payment vendor, Zelis. Finally, there have been eleven high dollar claims, those claims with billed charges in excess of \$250,000, approved for processing. The estimate of the benefits that may be payable from these obligations categories total approximately \$8.2 million.

Provider Overpayments – FHIC has over 200 providers with overpayments totaling in excess of \$25.6 million. FHP Mgmt used the industry standard to address these overpayments by deducting them from future payments to providers. TDI and the SDR determined those overpayments were estate assets and could not properly be deducted from future benefit payments made by TLHIGA, although the TLHIGA argued the deductions could be treated as early access distributions. TLHIGA has implemented the necessary programming to remove the overpayment deductions from its claims adjudication and payment, and the SDR will pursue separate recoveries of the overpayments from providers.

TLHIGA staff worked with the UST team, including their programmers in India, to identify the overpayments that may have been recouped since the beginning of the receivership proceeding. A report was provided identifying \$5,030,986 of recoupments that had been taken as offsets in the payment of the TLHIGA obligations. The TLHIGA staff researched these recoupments and could not verify they had been taken. This research has been reviewed with the SDR and the UST team. A joint call of the TLHIGA, SDR, and UST has been scheduled for April 23rd to discuss issues with the reports.

Assignment for the Benefit of Creditors - FHP Mgmt and FHP Holding (collectively “Assignor”) filed an Assignment for Benefit of Creditors (ABC) in Delaware on July 24, 2023. An ABC is a state-law alternative (but not equivalent) of a federal bankruptcy. Important differences are the lack of required notice to creditors and no statutory process to govern the distribution of assets. Instead, the Assignor first assigns the assets in a separate document (“Assignment”) to an assignee, usually a new Delaware entity, (“Assignee”) created by the Assignor solely for the purpose of receiving the assignment of the assets. The Assignee powers and duties, as outlined in the Assignment, are broad and virtually unchecked.

On August 3, 2023, the Vice Chancellor (judge) for the court in which the ABC was filed, on his own motion entered an “Order Governing the Assignment for the Benefit of Creditors.” In this order the Vice Chancellor essentially required the Assignee to file additional information in the proceeding including the Assignee’s relationship to the Assignor, more details about the assets and debts involved, and filing an inventory. The order also prohibits the Assignee from exercising various powers purportedly assigned to the Assignee in the Assignment, such as granting security interests in any of the assets and entering into agreements to sell any of the business entity assets. The order also requires the Assignee to file a motion for appointment of an appraiser.

On August 11, 2023, the Texas SDR filed a motion to dismiss or stay the ABC proceedings. Among other things, the motion seeks dismissal because the ABC interferes with the permanent injunction in the Texas liquidation, the court lacks jurisdiction over property of FHIC that is included in the Assignment, the ABC is inconsistent with Delaware policy regarding insurance insolvency proceedings, the ABC involves many of the same issues as the Texas liquidation, which was filed before the ABC, and because the ABC has no independent fiduciary. The other receivership estates have either joined in the Texas SDR’s motion or filed similar motions.

The court entered a briefing schedule on the motion to dismiss and the final briefs were filed October 13, 2023.

Early Access – The TLHIGA received \$25 million as an early access distribution from the estate on December 9, 2023. TLHIGA is gathering information to request an additional \$20 million early access distribution.



BANKERS LIFE INSURANCE COMPANY (“BLIC”)

STATE OF DOMICILE: NC
STATE LICENSES: AL, AK, AZ, AR, CO, DE, FL, GA, HI, ID, IL, IN, KS, KY, LA, MD, MI, MN, MS, MO, MT, NE, NV, NM, NC, ND, OH, OK, PA, SC, SD, TN, TX, UT, VA, WA, WV, WY and District of Columbia (45 total jurisdictions)
DATE OF LIQUIDATION ORDER: (has not yet occurred)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$	198,348
Direct Policy Benefit Payments		0
Assumption Reinsurance Payments		0
Premium Collections		(0)
Distributions & Recoveries		(0)
Net Cost	\$	<u>198,348</u>
Class B Assessments to Date		\$ 0

This is the initial report on this member company.

Background

Bankers Life Insurance Company (BLIC), domiciled in North Carolina, and three other insurers—Colorado Bankers Life Insurance Company (CBLIC), Southland National Insurance Corporation (SNIC), and Pavonia Life Insurance Company of Michigan (Pavonia)—are part of a group of insurance companies known as Global Bankers Insurance Group (GBIG), which in turn is part of a larger group of companies known as Global Growth (f/k/a Eli Global). Bankers Life sold annuity products and some life insurance, and it was placed in rehabilitation by order of the Superior Court of Wake County, North Carolina, on June 27, 2019.

On December 30, 2022, the Receivership Court issued an Order of Liquidation against CBLIC and BLIC, but the Order is not yet effective. On January 27, 2023, GBIG Holdings, which owns CBLIC and BLIC, filed an appeal of the Liquidation Order. As a result of GBIG’s appeal, the Liquidation Order will not become effective until the first month-end occurring 90 days after GBIG’s appeal is fully and finally resolved and the Liquidation Order is affirmed on appeal. Until the Liquidation Order becomes effective, CBLIC and BLIC will remain in Rehabilitation subject to a Moratorium prohibiting surrenders, loans, and annuitizations, and guaranty association coverage obligations will not be triggered by the order.

On March 5, 2024, the North Carolina Court of Appeals affirmed the Liquidation Order. GBIC Holding, the shareholder, filed a Petition for Discretionary Review, asking the North Carolina Supreme Court to review the Appeals Court decision. The NOLHGA Task Force continues to monitor the proceedings.

Policy Obligations Estimate

The following table reflects the NOLHGA Task Force’s coverage estimates for the BLIC annuity contracts as of June 30, 2024.

	ANNUITY Count	ANNUITY Covered CSV
All States	8,921	\$512,186,236
TLHIGA	930	\$57,188,081



COLORADO BANKERS LIFE INSURANCE COMPANY (“CBLIC”)

STATE OF DOMICILE: NC
STATE LICENSES: All states except NT (51 total jurisdictions)
DATE OF LIQUIDATION ORDER: (has not yet occurred)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$	65,812
Direct Policy Benefit Payments		0
Assumption Reinsurance Payments		0
Premium Collections		(0)
Distributions & Recoveries		(0)
Net Cost	\$	<u>65,812</u>

Class B Assessments to Date \$ 0

This is the initial report on this member company.

Background

Colorado Bankers Life Insurance Company (CBLIC), domiciled in North Carolina, and three other insurers—Bankers Life Insurance Company (BLIC), Southland National Insurance Corporation (SNIC), and Pavonia Life Insurance Company of Michigan (Pavonia)—are part of a group of insurance companies known as Global Bankers Insurance Group (GBIG), which in turn is part of a larger group of companies known as Global Growth (f/k/a Eli Global). Colorado Bankers Life sold annuity products and some life insurance, and it was placed in rehabilitation by order of the Superior Court of Wake County, North Carolina, on June 27, 2019.

On December 30, 2022, the Receivership Court issued an Order of Liquidation against CBLIC and BLIC, but the Order is not yet effective. On January 27, 2023, GBIG Holdings, which owns CBLIC and BLIC, filed an appeal of the Liquidation Order. As a result of GBIG’s appeal, the Liquidation Order will not become effective until the first month-end occurring 90 days after GBIG’s appeal is fully and finally resolved and the Liquidation Order is affirmed on appeal. Until the Liquidation Order becomes effective, CBLIC and BLIC will remain in Rehabilitation subject to a Moratorium prohibiting surrenders, loans, and annuitizations, and guaranty association coverage obligations will not be triggered by the order.

On March 5, 2024, the North Carolina Court of Appeals affirmed the Liquidation Order. GBIC Holding, the shareholder, filed a Petition for Discretionary Review, asking the North Carolina Supreme Court to review the Appeals Court decision. The NOLHGA Task Force continues to monitor the proceedings.

Policy Obligations Estimate

The following table reflects the NOLHGA Task Force’s coverage estimates for the CBLIC annuity contracts as of June 30, 2024.

	ANNUITY Count	ANNUITY Covered CSV
All States	51,371	\$1,217,953,176
TLHIGA	2,464	\$44,995,341

Life Block

There is a block of CBLIC life insurance business. I was asked to serve on a subgroup of the NOLHGA Global Companies Task Force to develop and distribute an assumption reinsurance offering for the block. This work is progressing as the likelihood and timing of the liquidator order becoming effective is more imminent.

	LIFE Count	LIFE Covered CSV
All States	84,781	\$75,787,544
TLHIGA	3,124	\$2,927,825



PENN TREATY NETWORK AMERICA INSURANCE COMPANY (“PENN TREATY”)

STATE OF DOMICILE: PA

STATE LICENSES: AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KY, LA, MD, MI, MN, MS, MO, MT, NE, NV, NH, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WI, WY and District of Columbia (45 total jurisdictions)

AMERICAN NETWORK INSURANCE COMPANY (“ANIC”)

STATE OF DOMICILE: PA

STATE LICENSES: AL, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, KS, KY, LA, ME, MD, MA, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WY and District of Columbia (46 total jurisdictions)

DATE OF REHABILITATION ORDER: April 6, 2009
DATE OF LIQUIDATION ORDER: March 1, 2017
DATE OF IMPAIRMENT ORDER: March 1, 2017 (TLHIGA activation date)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$	3,250,548
Direct Policy Benefit Payments		0
Reinsurance Payments to LTC Re		117,917,474
Premium Collections		0
Distributions & Recoveries		<u>(18,423,067)</u>
Net Cost	\$	<u>102,744,955</u>
Class B Assessments to Date	\$	123,704,152

This report is an update on these two companies since the January 30, 2023, Board of Directors meeting.

Administration Activities and Metrics

The following table summarizes the collected premiums and benefit payments over the 85 months since entry of the Liquidation Order (March 1, 2017-March 31, 2024). It also provides the inforce policy count and open and pending claims as of March 31, 2024.

	All Guaranty Associations (excluding IL, WI & HI)	TLHIGA Only
Collected Premiums	\$ 580,551,404	\$ 32,797,141
Claims Payments	\$ 1,533,030,402	\$ 84,829,992
Cash Buyout Payments	\$ 133,102,987	\$ 6,489,189
Inforce Policies	33,853	1,725
Open/Pending Claims	3,849	271

Service Level Standards - The Services Agreement with Davies establishes 25 Service Level Standards (SLSs) for targeted levels of accuracy, quality, timeliness, responsiveness and efficiency across claims operations, policyholder services and the Call Center. If Davies fails to meet a SLS in any calendar quarter, they must provide a written explanation for the Coordination & Strategy (C&S) Committee to evaluate for possible imposition of penalties. PACA monitors the SLS performance of Davies monthly, follows up on deficiencies, and prepares analyses for the C&S Committee to consider.

After PACA provided its analysis of the two SLSs that were missed in Q3 and Q4 2021 and Q1 2022 related to customer satisfaction surveys for claims management and claims payment, the C&S Committee decided in November 2022, in lieu of assessing any penalties, to require Davies to work with PACA and industry experts to redesign the surveys. That work was completed and approved by PACA on December 6, 2023. The prior hard copy mailed surveys were simplified to only three questions and their use was implemented on April 1, 2024. PACA also revised the SLS measurement process to fit the revised surveys.

Davies met all SLSs for the first quarter of 2024.

Wellness Pilot Program – The wellness pilot program with Assured Allies was implemented in December 2021 with mailings offering participation in the program to 6,373 Penn Treaty/ANIC policyholders. There has been a 30.5% engagement rate with 1,935 of the offered policyholders completing the initial onboarding questionnaires. The policyholders opting-in are classified as low risk (62.07%) or rising risk (37.93%). There have been 2,481 personalized interventions offered to 383 policyholders with 2,156 of the interventions being fully completed. The interventions range from home modifications to connecting with local assistance programs to coaching.

The gap year that began on May 23, 2023 will be concluding soon. The past year has included continued support to policyholders who contact Assured Allies for additional needs, follow up on all open or in progress cases, the introduction of signal triggers to identify policyholders that should be contacted for possible interventions, and additional engagement with policyholders that responded to initial outreach but did not receive any intervention, and outreach efforts to

the policyholders that did not respond to the initial outreach. LTC Re representatives have initiated discussions with Assured Allies regarding post-pilot program proposals. It is anticipated the post-pilot program proposal will be finalized and a recommendation presented for consideration by the LTC Re Board of Directors at its May meeting.

Electronic Visit Verification (EVV) – The EVV launched on March 27, 2023. The initial phase of the program will introduce EVV for new home health care claimants involving private and family caregivers, not agency caregivers, and any existing claimant adding a new caregiver. The next phase began on June 26, 2023 by expanding the offering of the EVV program to existing home health care claimants with private caregivers on their re-certification dates.

As of the end of February, there have been 663 cases referred to Wellcove. Of these cases, 273 have accepted the program, completed all the documentation, and have begun receiving EVV services. There are 290 cases in the pipeline for setup in the program.

Monthly calls are held to review the status of the program including any potential fraud, waste, and abuse issues identified through the EVV application's time, ADL/IADL, and geo-fencing reporting. Several cases have been referred to the individual guaranty associations to consider ordering surveillance to follow up on unusual GPS locations of the caregivers during care shifts.

Artificial Intelligence (AI) Initiatives – The Davies team has proposed two AI initiatives to introduce intelligent automation, machine learning, and virtual workers into the Penn Treaty/ANIC administration processes.

One proposed initiative would utilize machine learning to enhance two processes. The first process involves introducing machine learning into the current fraud, waste, and abuse (FWA) program to identify suspect claim activity through the expansion of the current 9 static features flagged in claims to over 100 data input items. After claims data receives a FWA likelihood score, high scores are referred to Davies' internal Special Investigation Unit (SIU) where it is reviewed by humans for further action. The second process involves the claims quality assurance program. The platform that would be used in the new initiative identifies which claims and policy attributes have significant exposure to human error and refers high scoring exposures to the claims audit team for further review.

The second initiative involves the use of intelligent automation and a robotic virtual worker to automate aspects of the claims process. Unique identifiers and optical character recognition would be used to automatically index incoming claims documents (via fax, email, or mail) to the type of document and to whom it belongs. This indexing should reduce the document routing time by eliminating the work currently being performed by humans. A virtual worker would be used to review claims submissions to determine if the established rules and requirements have been met and the submission is in good order to proceed claims payment. With this virtual worker initiative operating 24 hours a day, 7 days a week, the time to receive and index documents, review and input claims submissions, and calculate and distribute a payment will be reduced from 10-12 days to within the same day.

PACA is reviewing these two initiatives. Final approval will require the C&S Committee to approve two new vendors and specific software.

Exhaustion of GA Coverage – PACA also monitors policies approaching, or that have reached, their respective covering guaranty association’s statutory coverage limit for LTC (based on the total of claims and rate increase buyout option payments). As of March 31, 2024, 1,545 policies in 38 states have reached either 75%, 90% or 100% of the respective guaranty association’s statutory limit, 801 of these have fully exhausted their guaranty association coverage. For Texas, 72 policies have reached at least the 75% level and 35 of these have fully exhausted TLHIGA coverage.



NORTH CAROLINA MUTUAL LIFE INSURANCE COMPANY (“NCM”)

STATE OF DOMICILE: NC
STATE LICENSES: AL, AZ, CA, FL, GA, ID, IL, IN, KY, LA, MD, MI, MS, MO, NV, NJ, NC, OH, OK, PA, SC, TN, TX, VA and District of Columbia (25 total jurisdictions)

DATE OF REHABILITATION ORDER: December 3, 2018
DATE OF LIQUIDATION ORDER: October 31, 2022 (TLHIGA activation date)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$ 43,253
Direct Policy Benefit Payments	172,652
Assumption Reinsurance Payments	0
Premium Collections	(237,274)
Distributions & Recoveries	<u>0</u>
Net Cost	\$ <u>(21,369)</u>
Class B Assessments to Date	\$ 0

This report will summarize the TLHIGA’s activities on this North Carolina domiciled insolvency since the January 30, 2024 Board of Directors meeting.

Background

An order of liquidation with a finding of insolvency was entered against North Carolina Mutual Life Insurance Company (“NCM”) with an October 31, 2022 effective date. The twenty-five affected guaranty associations, including the TLHIGA, contracted with the Liquidator to continue the administration of the policies and claims using the NCM resources. Claims batches are distributed twice each month. As of the date of this report, thirty (30) batches have been distributed and the TLHIGA has funded \$206,807 of benefits.

The table on the next page summarizes the initial values and reserves for the NCM covered policy obligations for all the guaranty associations and then only the TLHIGA.

	LIFE Count	LIFE Covered Death Benefit	LIFE Covered CSV	ANNUITY Count	ANNUITY Covered CSV	A&H Count	A&H Covered Reserves
All States	239,726	\$572,253,049	\$133,631,713	513	\$2,780,269	358	\$19,783
TLHIGA	1,178	\$10,677,180	\$1,152,967	8	\$82,387	4	(\$163)



SOUTHLAND NATIONAL INSURANCE CORPORATION (“SNIC”)

STATE OF DOMICILE: NC
STATE LICENSES: AL, AZ, AR, CO, FL, GA, IN, KY, LA, MS, NM, NC, OH, OK, SC, TN, TX, and VA (18 total jurisdictions)
DATE OF REHABILITATION ORDER: June 27, 2019
DATE OF LIQUIDATION ORDER: May 2, 2023 (TLHIGA activation date)

Financial Summary (as of February 29, 2024)

Administration Expenses	\$ 181,566
Direct Policy Benefit Payments	557,888
Assumption Reinsurance Payments	0
Premium Collections	(6,094)
Distributions & Recoveries	<u>(0)</u>
Net Cost	\$ <u>733,360</u>

Class B Assessments to Date \$ 0

This report will summarize the TLHIGA’s activities on this North Carolina domiciled insolvency since the January 30, 2024 Board of Directors meeting.

Background

Southland National Insurance Company, domiciled in North Carolina, sold pre-need funeral policies. It is part of the Global Bankers Insurance Group, which in turn is part of a larger group of companies known as Global Growth (formerly known as Eli Global), which is owned by Greg Lindberg. The company was placed in rehabilitation by order of the Superior Court of Wake County, North Carolina, on June 27, 2019. On May 2, 2023, Southland National was placed into Liquidation.

Administration

Continuing administrative services are being provided on behalf of the Guaranty Associations for two separate blocks of Southland National’s insurance policies, including by Southland Benefit Services (SBS) and by Universal Fidelity Life Insurance Company (UFLIC).

Claims batches are distributed by the two claims processing firms twice each month. As of the date of this report, the TLHIGA has received and funded twenty-nine (29) batches with benefits totaling \$633,485. The SNIC cash surrender values covered by the TLHIGA are estimated to be \$12,469,379 and the covered death benefits are \$24,132,930.

Item 9

Executive Session:

- A. Confidential report of the Texas Department of Insurance Office of Supervisory Interventions to the Board of Directors on troubled or insolvent insurance companies and related discussion
- B. Potential and pending litigation
- C. Discussion of financial audit activities
- D. Review and discuss report on network penetration testing (Tx Gov't Code 551.089)
- E. Any personnel matters – with management present
- F. Any personnel matters – without management present
- G. Advice from Counsel
 - i. Discussion of possible change to coverage of jointly owned annuities
 - ii. Legal issues arising from other agenda items

Item 10

Consideration and possible action on items discussed in Executive Session

Item 11

Consideration and possible action regarding the 2023 Annual Report



April 22, 2024 Board of Directors Meeting

2023 ANNUAL REPORT

The draft of the proposed 2023 Annual Report of the TLHIGA is attached on page 11-2 through 11-19. The current report continues to use most of the format implemented in 2008.

Upon approval by the Board, the Independent Auditor's Report of the financial statements for the year ending December 31, 2023, will be added and then the entire 2023 Annual Report will be assembled and submitted to the Texas Commissioner of Insurance prior to the statutory deadline of April 30, 2024.

An electronic version of the 2023 Annual Report will then be posted on the TLHIGA's website and electronic notifications sent to the usual recipients in early June.

A proposed resolution approving the 2023 Annual Report is included on page 11-20.



***2023
Annual
Report***

*This annual report provides financial information and a summary report of the activities of the Texas Life & Health Insurance Guaranty Association for fiscal year 2023.
The information is general in nature and is not legal advice.*

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REPORT FROM THE CHAIR

I am pleased to submit the 2023 Annual Report for the Texas Life and Health Insurance Guaranty Association (“TLHIGA”). This is the 31st annual report since the Texas Legislature privatized the TLHIGA’s operations from within the Texas Department of Insurance.

The TLHIGA was activated to provide protection for the policyholders of three member companies during 2023. Two of these companies were domiciled in Texas while the other was domiciled in another state. There are ongoing statutory protections being provided to policyholders for nine additional member companies that were ordered liquidated in prior years. As of year-end 2023, the TLHIGA estimates remaining aggregate future costs of approximately \$32.65 million to provide protection to Texas policyholders of these twelve insolvencies.

The Board of Directors continued to meet quarterly and board committees met as needed throughout the year. Frank Beaman, CEO of Faith Community Health System was appointed to the Board as a public representative on May 22, 2023. Board Counsel Shelby Baetz retired after twenty-five years of exemplary service and counsel to the TLHIGA.

The TLHIGA continued its high level of participation in the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”). The TLHIGA chairs or serves on a number of insolvency task forces and other special issue committees. The coordination of efforts and sharing of resources afforded through our membership in NOLHGA are vital to the efficient and timely delivery of the TLHIGA’s statutory protection to Texas policyholders.

The TLHIGA continues to actively protect Texas policyholders. We continue to meet the challenges of any economic, governmental, or legislative changes or issues that may arise, and we perform the responsibilities entrusted to us with due diligence, transparency, and full disclosure. The TLHIGA uses all the tools at its disposal to protect Texas policyholders in the event of the insolvency and liquidation of a member company.

Respectfully,



James G. Lewis, Chair of the Board of Directors

DESCRIPTION OF THE TLHIGA AND ITS BOARD OF DIRECTORS

The Texas Life and Health Insurance Guaranty Association (“TLHIGA”) was created in 1973 by the Texas legislature as a nonprofit legal entity. It is governed by Chapter 463 of the Texas Insurance Code.

The purpose of the TLHIGA is to protect Texas resident policyholders and their beneficiaries in the event a member insurance company or Health Maintenance Organization (HMO) licensed to write life, accident and health, or annuity business in Texas is declared insolvent and liquidated by court order.

The TLHIGA is responsible for continuing insurance policy coverage for Texas policyholders, including paying claims and other policy benefits. The amount of protection for each type of policy benefit is subject to limitations in accordance with Texas law.

When a court finds an insurance company or HMO insolvent and orders it liquidated, a receiver takes over the insurer and liquidates the assets under the court’s supervision. The TLHIGA is a claimant against the estate of the insolvent insurance company or HMO for its administration expenses and the benefits it pays to, or on behalf of, policyholders. The TLHIGA may recover a portion of these costs as the assets of the insolvent company or HMO are liquidated. If further funds are needed, the TLHIGA’s Board of Directors determines the amount and levies an assessment, or bill, to the other member companies.

Membership with the TLHIGA

An insurance company or HMO becomes a member when it is granted a certificate of authority, or license, by the Texas Department of Insurance. Membership is mandatory for all insurance companies and HMOs licensed in Texas to write the types of life, accident and health, HMO, or annuity business protected by the TLHIGA.

A company is excluded from membership if it is licensed by the Texas Department of Insurance as

one of the following: (1) a fraternal benefit society, (2) a reciprocal or interinsurance exchange, (3) a mandatory state pooling plan, (4) a charitable gift-only annuity company, or (5) a program or entity similar to any of the other four excluded entities.

Supervision of the TLHIGA

The TLHIGA’s business and affairs are supervised by the Board of Directors. There are regular quarterly meetings of the Board of Directors each year plus special meetings as may be required. Meetings are noticed and held in compliance with applicable open meetings law.

The primary governing documents of the Board and the TLHIGA are its Plan of Operation, Bylaws, and Chapter 463 of the Texas Insurance Code.

The nine members of the TLHIGA’s Board of Directors are appointed by the Texas Commissioner of Insurance. Five directors must be officers or employees of member companies—three that are from the top fifty premium writers in Texas and two from smaller companies. The remaining four directors are “public” and must be independent of the insurance industry. Directors are appointed to staggered six-year terms, and three directors’ terms expire each odd-numbered year. A director can be appointed to unlimited terms.

Frank Beaman, CEO of Faith Community Health System, was appointed to the Board of Directors as a public representative on May 22, 2023 to a term that will expire on September 30, 2027.

Board Counsel Shelby Baetz retired on December 31, 2023 after providing legal counsel to the TLHIGA’s Board of Directors for twenty-five years.

Directors receive no compensation but are entitled to reimbursement of their expenses when involved with TLHIGA activities. Each director must file a personal financial statement annually with the Texas Ethics Commission on a prescribed form. Board Counsel and the Executive Director of the TLHIGA are compensated for their services.

BOARD OF DIRECTORS

as of December 31, 2023

James G. Lewis, Chair

President & CEO
Central Security Life Insurance Company
Dallas, Texas. Director since 2008
Current term expires September 30, 2025

James M. Harrison, Vice-Chair

Counsel, Government Relations
Principal Financial Group
Des Moines, Iowa. Director since 2007
Current term expires September 30, 2027

James E. Huckaby, Secretary

Retired School District Executive Director
Mesquite, Texas. Director since 2013
Current term expires September 30, 2029

Dean Frigo, Treasurer

Retired City Government Executive
Amarillo, Texas. Director since 2007
Current term expires September 30, 2025

Ted Kennedy

Vice President, Co-Head State Government
Affairs
American International Group, Inc.
Houston, Texas. Director since 2015
Current term expires September 30, 2029

Pati McCandless

Vice President, State Health Policy
Blue Cross Blue Shield of Texas
Austin, Texas. Director since 2017
Current term expires September 30, 2029

David W. Sommer

Professor of Risk Management
St. Mary's University
San Antonio, Texas. Director since 2017
Current term expires September 30, 2027

Mark Williams

COO, Treasurer, Sr. VP of Investments and
Chief Compliance Officer
National Farm Life Insurance Company
Fort Worth, Texas. Director since 2022
Current term expires September 30, 2025

Frank L. Beaman

CEO
Faith Community Health System
Jacksboro, Texas. Director since 2023
Current term expires September 30, 2027

Legal Counsel to the Board of Directors

B. Shelby Baetz

The Baetz Law Firm
Houston, Texas.

Legal Counsel to the Association

Jacqueline Rixen

Law Office of Jacqueline Rixen
Austin, Texas

Executive Director

Bart A. Boles

BOARD COMMITTEES

as of December 31, 2023

Executive Committee

James G. Lewis, Chair
James M. Harrison
James E. Huckaby
Dean Frigo

Audit Committee

Dean Frigo, Chair
Pati McCandless
Mark Williams

Assessment/Investment Committee

James M. Harrison, Chair
Dean Frigo
Ted Kennedy

Personnel Committee

James E. Huckaby, Chair
David Sommer
James G. Lewis

Corporate Governance Committee

Ted Kennedy, Chair
James E. Huckaby
Pati McCandless
James M. Harrison

CORPORATE GOVERNANCE

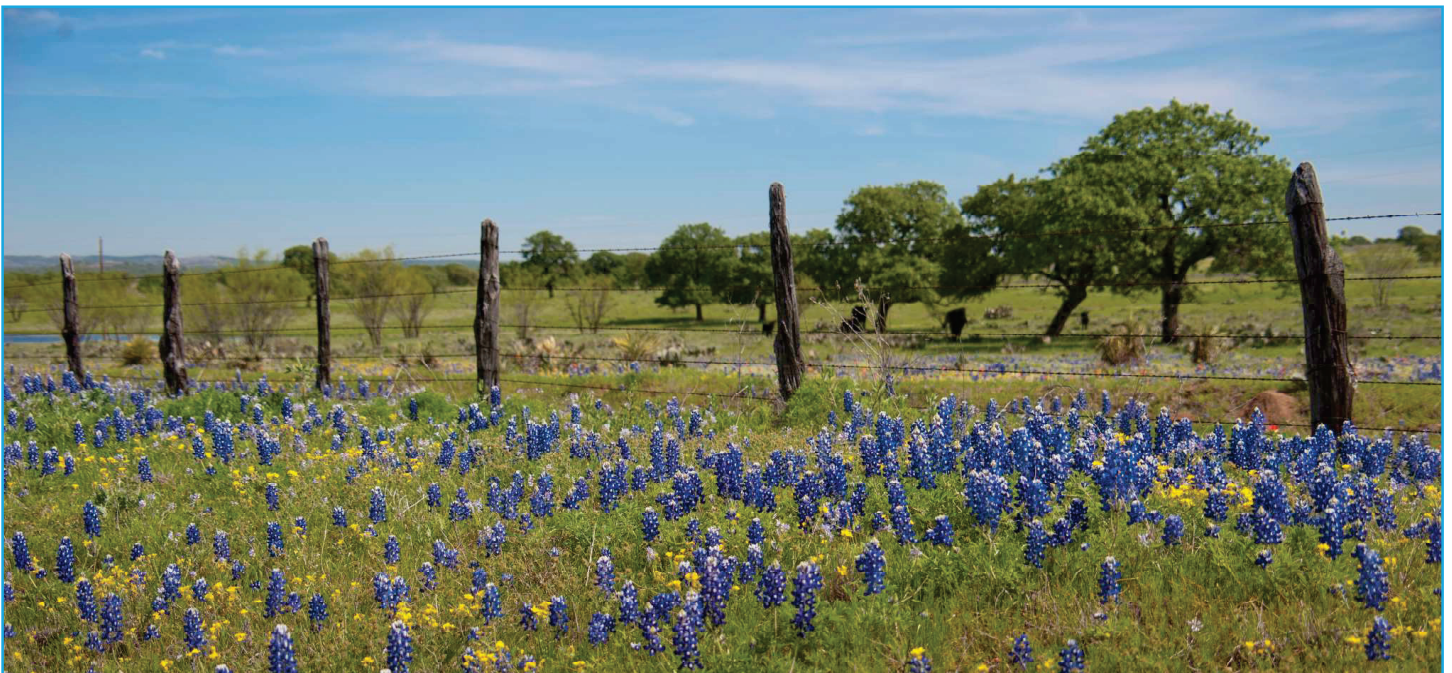
The TLHIGA's corporate governance policies continue to be monitored and reviewed by the Board of Directors and its committees to maintain the integrity and transparency of the TLHIGA's activities. The governance documents include:

- Governing statute, Chapter 463 of the Texas Insurance Code
- Plan of Operation
- Bylaws
- Board of Directors Corporate Governance Guidelines
- Antitrust Compliance Policy and Annual Certification Form
- Policy Statement on Conflicts of Interest and Business Ethics and Annual Questionnaire
- Charters of the Audit, Assessment/Investment and Personnel Committees
- Business Continuity Plan
- Critical Functions Report
- Policy and Procedures Manual
- Privacy Policy
- Texas Open Meetings and Open Records Acts

Specific corporate governance activities during 2023 included:

- Conducted orientation session for new director,

- Adopted revisions to the Board of Directors Corporate Governance Guidelines,
- Updated the Business Continuity Plan,
- Reviewed and approved the 2022 Annual Report,
- Reviewed and adopted 2022 financial audit,
- Adopted the 2023 Audit Plan,
- Reviewed the commercial insurance coverages,
- Reviewed and updated the Critical Functions Report,
- Revised annual Board of Directors self-evaluation process,
- Evaluated Board Counsel and General Counsel performance,
- Conducted annual review of the charters for all standing committees,
- Reviewed draft IRS Form 990 for 2022,
- Personal Financial Statements filed by all directors with the Texas Ethics Commission,
- Reviewed annual conflict of interest/business ethics questionnaire responses and antitrust certifications, and
- Maintained all corporate governance documentation on the Board of Directors online portal.



OVERVIEW OF OPERATIONS

GENERAL

The TLHIGA was activated to provide its statutory protection of policyholders for three member companies in 2023. It also conducted substantial work on operations and ongoing member company insolvencies that began in prior years.

The TLHIGA continues to monitor troubled companies subject to rehabilitation proceedings to be prepared should liquidation become necessary. The Board of Directors prefers to transfer insurance policies protected by the TLHIGA to a solvent carrier through an assumption reinsurance transaction. This has been the most frequently used method for the TLHIGA to fulfill its statutory obligation to continue the coverage under the life insurance policies and annuity contracts. Only in cases where no company is willing to assume the policies or the transfer funding cost associated with such an assumption transaction would be dramatically more expensive does the TLHIGA continue the administration of the covered policies, such as companies with various health insurance lines of business, including long-term care insurance. This ongoing administration of covered policies may be performed through a third-party administrator or in-house by the TLHIGA.

We believe the TLHIGA is in sound fiscal condition and has in place the appropriate policies and procedures to fulfill its statutory obligations to policyholders and member companies in a cost-efficient manner.



NOLHGA ACTIVITIES



National Organization of Life & Health
Insurance Guaranty Associations

The TLHIGA is a member of the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"), a voluntary association consisting of the life and health insurance guaranty associations in all 50 states and the District of Columbia.

NOLHGA facilitates insolvency task forces and special issues committees to properly support its member associations in resolving multi-state insolvencies and addressing issues affecting the entire guaranty association system.

TLHIGA representatives serve on, or chair, a num-

ber of insolvency task forces and other NOLHGA committees working to coordinate and improve the effectiveness and efficiency of the life and health insurance guaranty association system. This service includes NOLHGA's Communications Committee, Coverage Claims Committee, Security Advisory Committee, Legal Committee, Members' Participation Council Executive Committee, and several special issues committees.

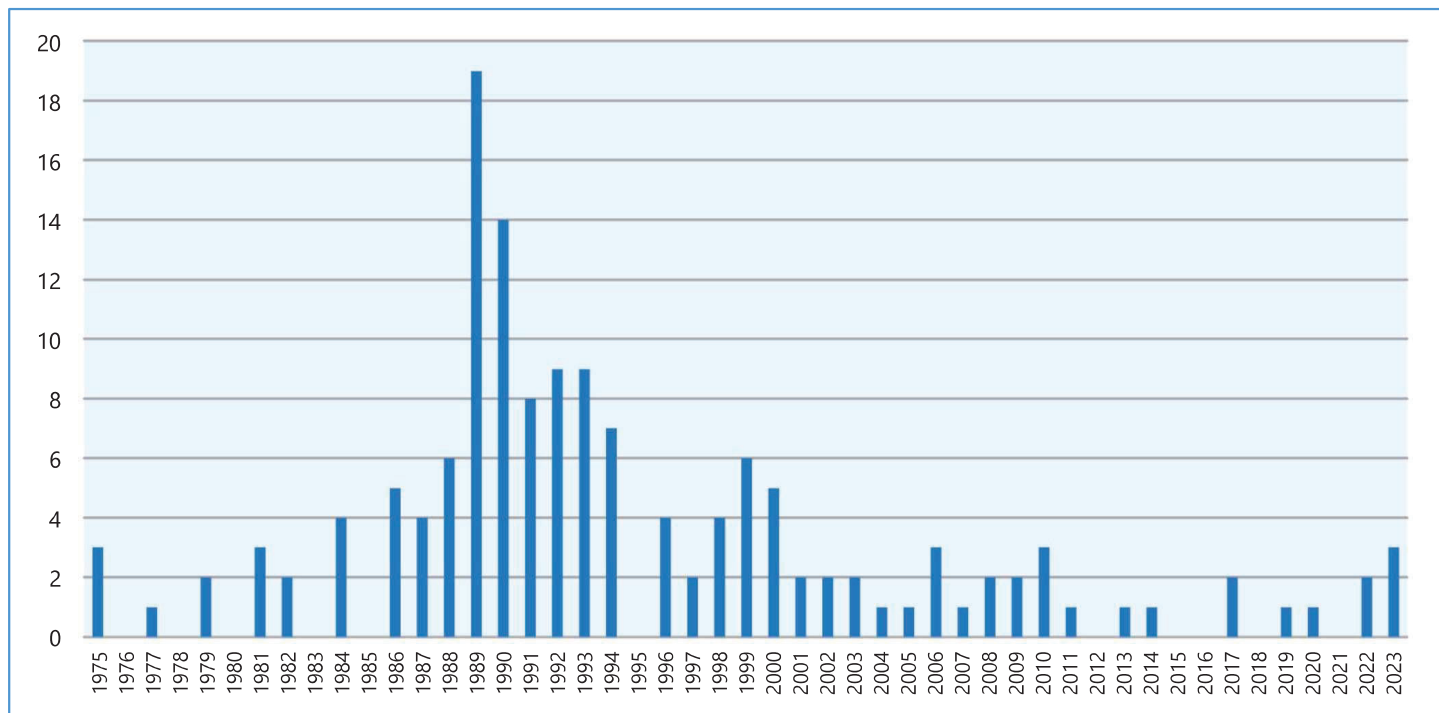
Being a member of NOLHGA is another tool the TLHIGA uses to better protect the Texas residents who hold life, health, and annuity policies with insolvent member companies.

ACTIVE RECEIVERSHIPS

At the beginning of 2023, there were 18 active receiverships of foreign and domestic member insurance companies that had also been designated as “impaired insurers” by the Texas Commissioner of Insurance. There were three new insolvencies

and no receiverships were closed in 2023. There remain 21 open receivership estates, 14 of which are foreign-domiciled member companies and 7 of which are Texas domestics.

NEW ACTIVATIONS BY YEAR



POLICY BENEFIT PAYMENTS

Summary of Policy Benefit Payments

The TLHIGA met its statutory obligations to continue coverage and pay the policy benefit claims for Texas resident policyholders, either by:

1. Directly paying claims as they became due or
2. Funding the transfer of the policies to a solvent member company through a coinsurance or an assumption reinsurance agreement. Some of these assumption reinsurance agreements were part of continuing court-approved, multi-year plans.

Direct Claims Payments

The TLHIGA funded 142,706 direct claims, totaling approximately \$20,490,414 during 2023. These claims were from eight different insolvent companies. Claims from five were processed and paid by third-party administrators under service agreements with funding from the TLHIGA, and three were administered directly by the TLHIGA staff.

The charts on the next page reflect the number of direct claims payments for each of the last five years and the division of the TLHIGA’s funding between direct claims payments and assumption reinsurance transactions.

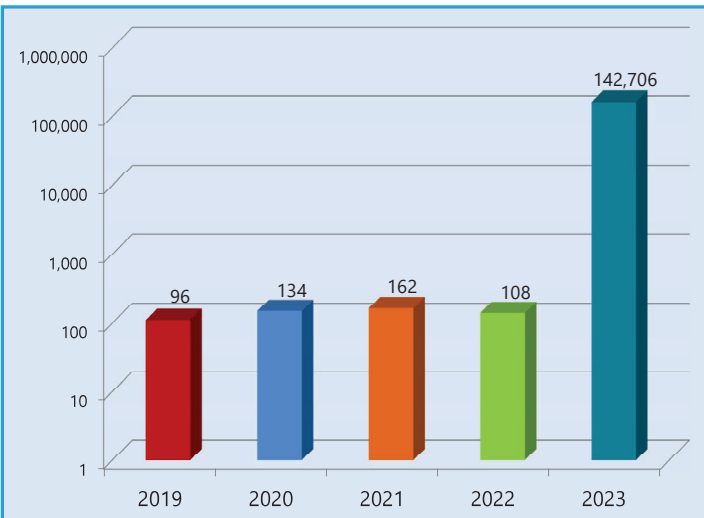
Reinsurance Agreements

The TLHIGA is a party to both assumption and co-insurance reinsurance transactions.

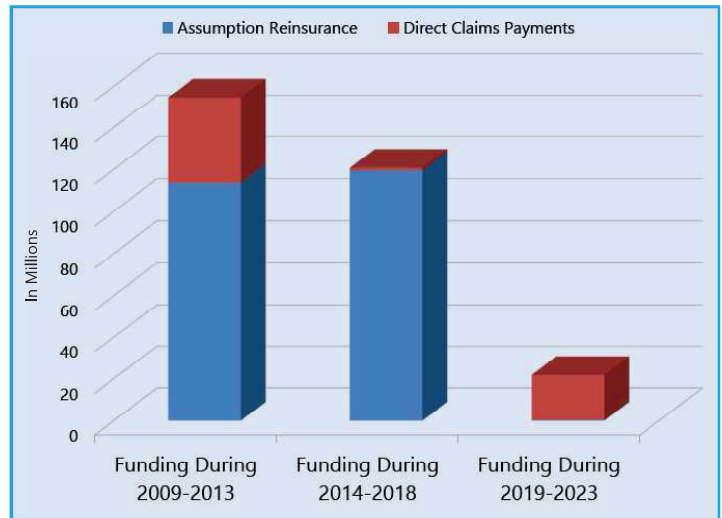
During 2023, the TLHIGA paid \$43,259 under an ongoing, multi-year assumption reinsurance agreement that transferred the covered insurance policy obligations of Executive Life Insurance Company to another company.

The TLHIGA entered into 100% coinsurance reinsurance agreements for its covered policy obligations in the Penn Treaty Network American and American Network Insurance Companies insolvencies with a captive insurance company in 2017. During 2023, the captive paid benefits to the Texas resident policyholders of these two insolvent companies totaling \$9,508,299 with the funding provided by the TLHIGA in 2017.

NUMBER OF DIRECT CLAIMS PAYMENTS 2019-2023



DIRECT CLAIMS AND ASSUMPTION REINSURANCE PAYMENTS



REMAINING POLICY BENEFIT OBLIGATIONS

The TLHIGA projects its future insurance policy obligations for existing insolvencies based on claims experience, actuarial estimates of runoff policy liabilities, scheduled payments under court-approved multi-year plans, and negotiated reinsurance transfer costs. The methodology used to produce the estimates are reviewed annually by an independent, third-party actuary. These estimates

are updated monthly based on the best information available and are subject to change.

As of year-end 2023, the TLHIGA estimates its aggregate future policy benefit obligations to be approximately \$32.65 million.

SUMMARY OF RECOVERIES

The TLHIGA, along with the other affected guaranty associations, is a creditor in the receivership estate of an insolvent member company. Generally, the guaranty associations represent the largest creditor class in any insurance company insolvency. In most states' receivership statutes, the administrative expenses of a receiver and the guaranty associations are in the highest priority creditor classes and receive the first distributions as assets are liquidated. The guaranty associations' claims for the benefits paid to policyholders or payments to transfer covered policies under a reinsurance agreement, along with policyholders' claims for benefits in excess of the guaranty associations' statutory coverage limits, are usually the next creditor class and ahead of the other classes, such as federal or local governments, unsecured creditors, agents, bond or note holders, and shareholders.

The amount of the TLHIGA's claims filed with receivership estates is reflected in its financial statements as a receivable. The amount of any an-

ticipated recovery is contingent on the efficient operations of the receiver to maximize the value realized as assets are liquidated and the value of claims of creditors in the same class. The estimated amount that may be received is reduced by an allowance for collectability.

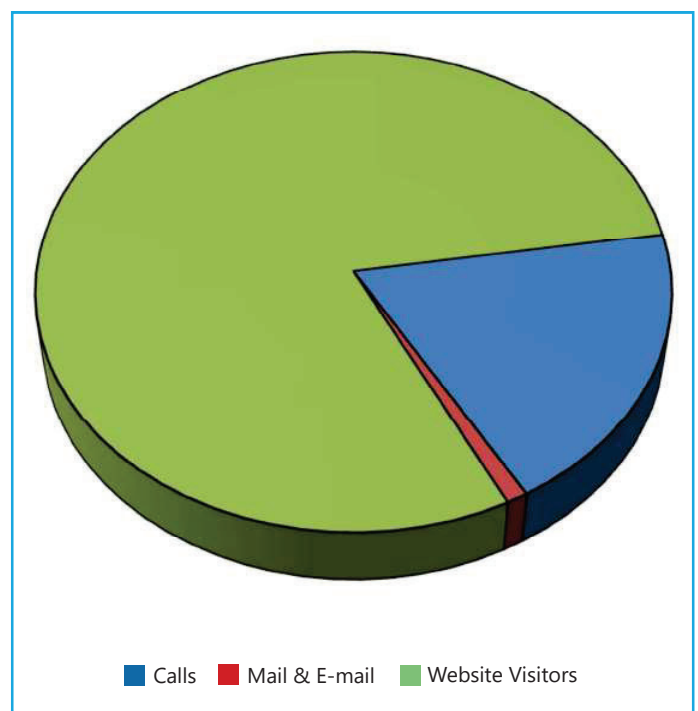
The TLHIGA has continued to file updated proofs of claim with receiverships. As of year-end 2023, the TLHIGA had filed outstanding claims totaling approximately \$448 million with receivership estates that remain open as active court proceedings. It is not possible to project what amount of recoveries the TLHIGA may realize on these claims without final financial information from these estates, including the adjusted amount of assets liquidated and the creditor claims by class. Recoveries in the form of asset distributions from receivership estates to the TLHIGA during 2023 totaled approximately \$33,964,803.

CONSUMER SERVICES

The TLHIGA's staff provides general coverage and operational information about the TLHIGA to Texas resident inquiries by telephone, e-mail, and mail. The TLHIGA's website (www.txlifega.org) provides visitors with a large amount of information, including the meeting schedules, frequently asked questions on TLHIGA coverage, the Board of Directors roster, the summary of policyholder protections policy attachment, and specific insolvency-related notices.

During 2023, the TLHIGA received a total of 2,251 phone calls through its direct or toll-free phone numbers, logged 9,416 visitors to its website, and fielded 119 e-mail and mail requests for information.

2023 CONSUMER SERVICES



ACTIVITIES ON INSOLVENCIES

During 2023, the TLHIGA provided ongoing coverage and/or paid policy benefits for twelve insolvencies. The following four insolvencies are specifically mentioned because they represent three member companies the TLHIGA was activated for in 2023 and one that is a complex insolvency with significant financial impact.

BRIGHT HEALTHCARE INSURANCE COMPANY OF TEXAS

Bright Healthcare Insurance Company of Texas ("BHICOT") was a Texas domiciled insurance company licensed only in Texas. BHICOT consented to being placed into liquidation, and a liquidation order was entered against it, on November 29, 2023.

BHICOT was owned by Bright Health Management, Inc. ("Bright Health Mgmt"), which is owned by Bright Health Group, Inc. ("BHP Holding"). There are twelve other affiliated insurance companies that are continuing in operation. All thirteen insurance entities were managed and controlled by Bright Health Mgmt in Minneapolis, MN. BHICOT is a virtual company with all operations being performed by Bright Health Mgmt.

The vast majority of BHICOT's policies were written on the health insurance exchange and were terminated on December 31, 2022. Approximately 1,000 non-exchange individual policies terminated

on July 31, 2023. It appears that there are approximately 5,000 claims left to adjudicate, not including any appeals.

Administration of BHICOT's business was provided by Evolent Health, ("Evolent") a third-party administrator, that also administers the business for five of the affiliated companies under a contract with Bright Health Mgmt. The TLHIGA entered into a service agreement with Evolent to administer the runoff of the TLHIGA's obligations for the remaining claims and appeals. This arrangement required the TLHIGA to enter into agreements with other vendors that provide claims pricing and electronic data interchange services.

As of year-end 2023, the processes were still being implemented for the processing and payment of the BHICOT claims covered by the TLHIGA.

SOUTHLAND NATIONAL INSURANCE CORPORATION

Southland National Insurance Corporation ("SNIC") was a North Carolina domiciled insurance company that sold pre-need funeral policies. The Superior Court of Wake County, North Carolina, placed it under an order of rehabilitation on June 27, 2019. SNIC was then placed into liquidation on May 2, 2023.

The entry of the liquidation order formally activated eighteen guaranty associations, including the TLHIGA, to provide protection for 72,096 policies, primarily life insurance. There were 3,270 policies active on the liquidation date that were owned by

Texas residents and being protected by the TLHIGA.

The guaranty associations contracted with Southland Benefit Services and Universal Fidelity Life Insurance Company for continuing administrative services for two separate blocks of SNIC's insurance policies. Benefits will be paid by the guaranty associations as they come due. The TLHIGA's estimated covered policy benefits are approximately \$7.6 million.

FRIDAY HEALTH INSURANCE COMPANY, INC.

Friday Health Insurance Company, Inc. ("FHIC") was a Texas domiciled insurance company licensed only in Texas. FHIC consented to being placed into liquidation, and a liquidation order was entered against it, on March 23, 2023.

FHIC was owned by Friday Health Plans Management Services Company, Inc. ("FHP Mgmt"), which is owned by Friday Health Plans, Inc. ("FHP Holding"). All of the insurance affiliates in other states are now in liquidation: three HMOs owned by FHP Mgmt domiciled in Georgia, North Carolina, and Oklahoma and an insurance company domiciled in Nevada. An additional HMO domiciled in Colorado, owned by FHP Holding, is also in liquidation. All six of the insurance entities were managed and controlled by FHP Mgmt in Alamosa, Colorado.

FHIC was removed from the exchange as of December 31, 2022. Eight small employer group policies continued into 2023. Termination notices had been sent to these groups prior to the TLHIGA's activation with the last group terminating on June 30, 2023.

The TLHIGA entered into an Administrative Services Agreement with FHP Mgmt on May 16, 2023 to provide ongoing policy and claims administration. These activities continued until July 6, 2023

when FHP Mgmt terminated all its employees and ceased operations. This ended TLHIGA's Administrative Services Agreement with FHP Mgmt.

The TLHIGA and the receivers in the five other states engaged UST Global, Inc. ("UST"), a third-party administrator that was the vendor providing the administration platform to FHP Mgmt. UST hired most of the former FHP Mgmt employees who were involved in administering the business to provide the ongoing services. This administration arrangement required the receivers and the TLHIGA to contract directly with numerous vendors for certain services that FHP Mgmt had in place to administer the business, including equipment, facilities, cloud storage, telephone system, internet service providers, basic resources, and vendor services. The costs for these UST and vendor services are allocated among the five receiverships and the TLHIGA.

As of year-end 2023, the TLHIGA had processed approximately 143,000 claims with benefit payments totaling approximately \$19.83 million. It is projected the remaining claims and appeals to be processed could result in another \$13.17 million of benefit payments.

PENN TREATY AND AMERICAN NETWORK INSURANCE COMPANIES

Penn Treaty Network America Insurance Company ("Penn Treaty") and American Network Insurance Company ("ANIC"), its insurance company subsidiary, are Pennsylvania domestic life insurance companies that wrote long-term care ("LTC") insurance beginning in 1972.

Penn Treaty and ANIC were placed in rehabilitation on January 6, 2009. After evaluating several rehabilitation alternatives, the Pennsylvania Commissioner filed petitions for liquidation on October 2, 2009 with the Commonwealth Court of Pennsylvania. Penn Treaty's statutory capital and surplus was reported to be negative by more than \$1.3 billion as of June 30, 2009, and ANIC's statutory capital

and surplus was negative by more than \$45 million.

After a hearing on the liquidation petitions that spanned more than a year, on May 3, 2012, the Court issued an order denying the liquidation petitions and ordering the rehabilitator to file a plan of rehabilitation that addressed and eliminated the inadequate and discriminatory premium rates for the policies issued prior to 2002. For the following four years, various rehabilitation plans were developed through meetings with representatives of interested parties, including the shareholders, agents, guaranty associations, and a small number of large health insurance companies. Ultimately, the rehabilitation petitions were converted to liq-

liquidation petitions in July 2016. Liquidation orders against Penn Treaty and ANIC were entered by the Court on March 1, 2017 (the Liquidation Date).

The Penn Treaty and ANIC coverage obligations for Texas resident policyholders, for which the TLHIGA became statutorily obligated to protect, were calculated through an actuarial model to be approximately \$202.03 million on an aggregate basis. The present value of these coverage obligations, discounted at a 4.25% interest rate as of March 1, 2017, totaled approximately \$137 million. The TLHIGA, and 43 other guaranty associations, participated in the formation of LTC Reinsurance PCC ("LTC Re"), a captive insurance company, and then 100% coinsured their obligations to LTC Re. The coinsurance agreements with LTC Re required payments from each of the ceding guaranty associations equal to 90% of the discounted liability through a 20% cash payment within 90 days after the Liquidation Date, and the remaining 70% through promissory notes with up to five equal annual installments plus interest at 4.25%. In May 2017, the TLHIGA made the 20% cash payments for both companies totaling \$27,402,654 and executed two promissory notes with LTC Re with face amounts totaling \$95,909,289.

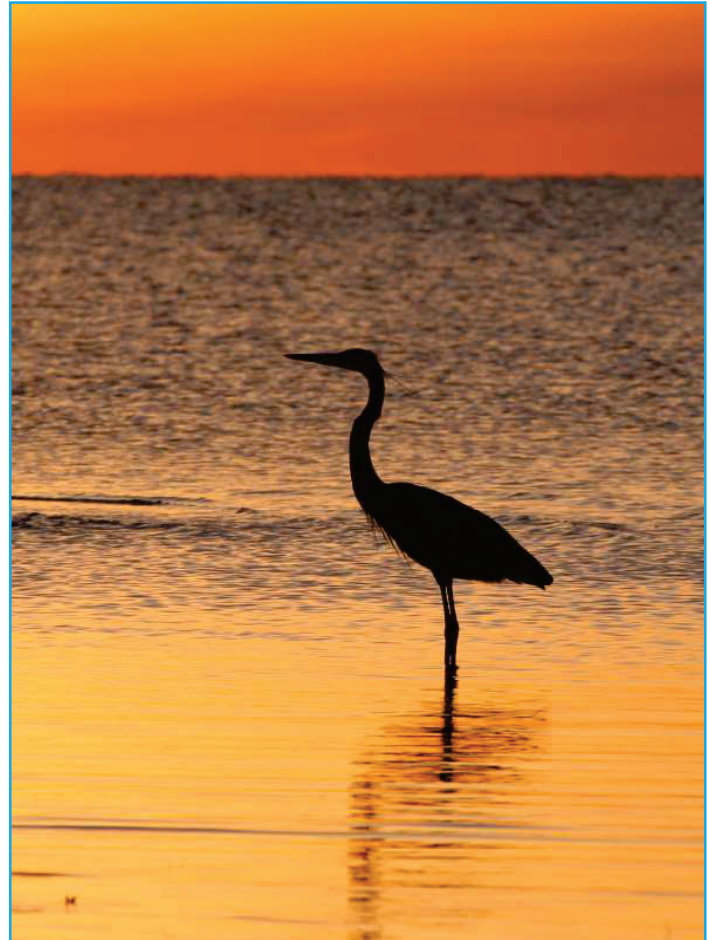
The TLHIGA paid off both promissory notes with LTC Re on December 15, 2017 with payments totaling approximately \$89,646,994. The note payoff amounts reflected the deduction of approximately \$9,353,174 of early access funding credits as of the December 15, 2017 payoff date. There was no penalty for the prepayment of the notes in full. The TLHIGA has no amounts currently owed to LTC Re.

During 2023, the TLHIGA continued to monitor the administration of its Penn Treaty and ANIC obligations to determine whether any additional funding will be required for the 10% of the discounted obligations amount that was not required in the initial funding to LTC Re or whether additional funding is otherwise required under the coinsurance agreements. The need for additional funding will be impacted by the actual experience of the block of business when compared to the assumptions in the actuarial model, the TLHIGA's share of the investment returns realized by LTC Re, the ultimate allocation and distribution of Penn Treaty

and ANIC assets, and the financial impact of premium rate increases. The TLHIGA's exposure for additional funding, if any, may not be known for several decades.

The TLHIGA's Executive Director serves on a number of committees and working groups that conduct ongoing oversight of policy and claims administration for Penn Treaty and ANIC. This work included serving as the primary contact with the third-party administrator for all administration matters.

Benefit payments from March 1, 2017 through December 31, 2023, under the policies protected by the TLHIGA and paid with the funds provided by the TLHIGA to LTC Re, totaled \$82,410,124. An additional \$6,489,189 of cash buyout payments have been made as part of the options under the rate increase implemented after the approval in 2018. These two types of benefits bring the total paid by LTC Re to Texas resident policyholders since the Liquidation began to \$88,899,313. There remain 1,785 Texas policies in force with 265 open/pending claims as of December 31, 2023.



ADDITIONAL INSOLVENCY ACTIVITY

The TLHIGA continues to provide coverage of policy benefits for the following seven other insolvencies (listed alphabetically) through ongoing administration of active policies or funding obligations under multi-year workout plans:

- Calanthe Mutual Life Insurance Company,
- Executive Life Insurance Company,
- Lincoln Memorial Life Insurance Company,

- National States Insurance Company,
- North Carolina Mutual Life Insurance Company,
- Northwestern National Insurance Company, and
- Universal Life Insurance Company.

In 2023, the TLHIGA paid a total of \$324,449 in life and health benefits and assumption expenses for these insolvencies.

LITIGATION

It remains the belief of the TLHIGA's Board of Directors that litigation is a remedy of last resort. Since 1992, the TLHIGA has either settled claims or litigation on terms favorable to the TLHIGA or prevailed in the courts in all cases.

During 2023, no new lawsuits were brought against the TLHIGA by any person covered by the TLHIGA, and no adverse judgments were entered against the TLHIGA.

Claims Litigation

The TLHIGA continues to be involved as a defendant in two claims-related lawsuits which are dormant or not being prosecuted by the plaintiffs. As of December 31, 2023, both of these lawsuits are inactive.

ASSESSMENTS AND REFUNDS

Assessments

The TLHIGA is authorized to assess its member companies and HMOs for the purpose of providing the funds necessary to meet its obligations. The governing statute provides for two classes of assessments, Class A and Class B.

Class A assessments may be authorized and called to pay administrative and general expenses not related to a particular insolvent member company. Since it was created in 1973, the TLHIGA's Class A assessments total approximately \$10.74 million. In 2023, the TLHIGA's Board of Directors did not authorize a Class A assessment. Investment earnings, allocation of expenses attributable to receivership estates, receivership estate recoveries, and reten-

tion of certain amounts from closed receivership estates have been sufficient to eliminate the need for Class A assessments. The TLHIGA's Board of Directors has implemented a strategy to use recoveries, in excess of the amounts obtained to pay the expenses and obligations of certain receivership estates, to fund ongoing administrative and general expenses as needed.

Class B assessments may be authorized and called to obtain the funds needed to fulfill the TLHIGA's statutory administrative expenses and obligations for insurance policies for a specific insolvent member company. The Assessment/Investment Committee of the Board of Directors meets periodically to review the financial position and projected cash flow for each insolvent company to determine

whether a Class B assessment will be recommended to be authorized and called. The Board of Directors did not authorize a Class B assessment in 2023.

Member companies and HMOs may protest assessments levied by the TLHIGA in accordance with the TLHIGA's governing statute.

The total Class B assessments since the formation of the TLHIGA is approximately \$924.3 million. The chart at the bottom of this page reflects the amounts assessed by account since inception, in five-year groupings.

Refunds

On occasion, the total funds received from premium collections, distributions from receivership estates, investment earnings, recoveries from other third-party sources, and Class B assessments exceed the TLHIGA's total expenses related to a specific insolvency. These excess funds result from timing in the cash flow of the expenses and recoveries. In the normal course of an insolvency, Class B assessments are levied early in the insolvency process to provide the funding for the payment of

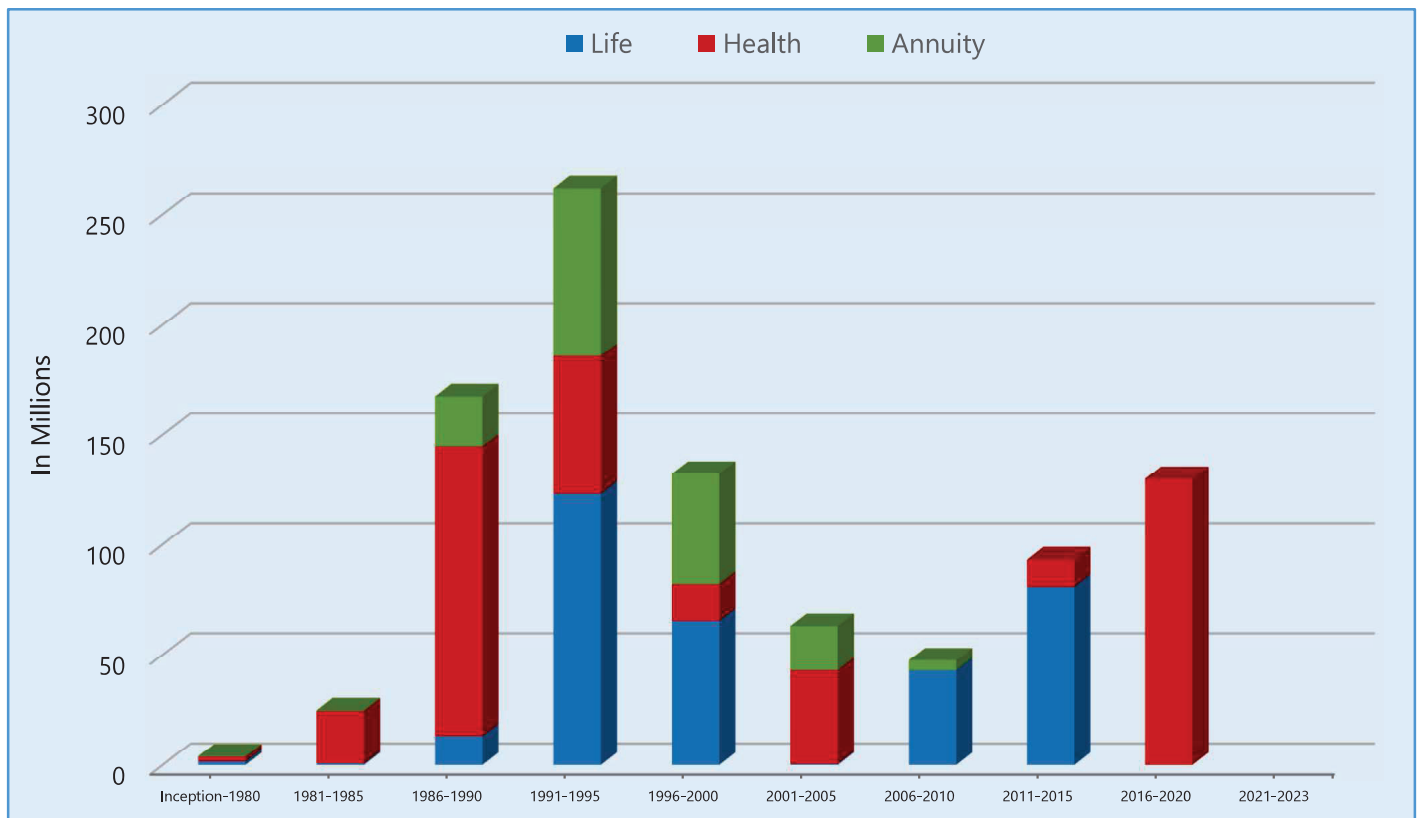
insurance contractual obligations and related administrative costs. Estate distributions and recoveries from third parties often are received much later near the closing of the insolvent company's receivership.

Texas law authorizes the TLHIGA's Board of Directors to retain a reasonable amount of these excess accumulated funds for future expenses or to refund, if practical. The TLHIGA's Board of Directors has adopted a refund methodology that adheres to the TLHIGA's enabling statute regarding refunds.

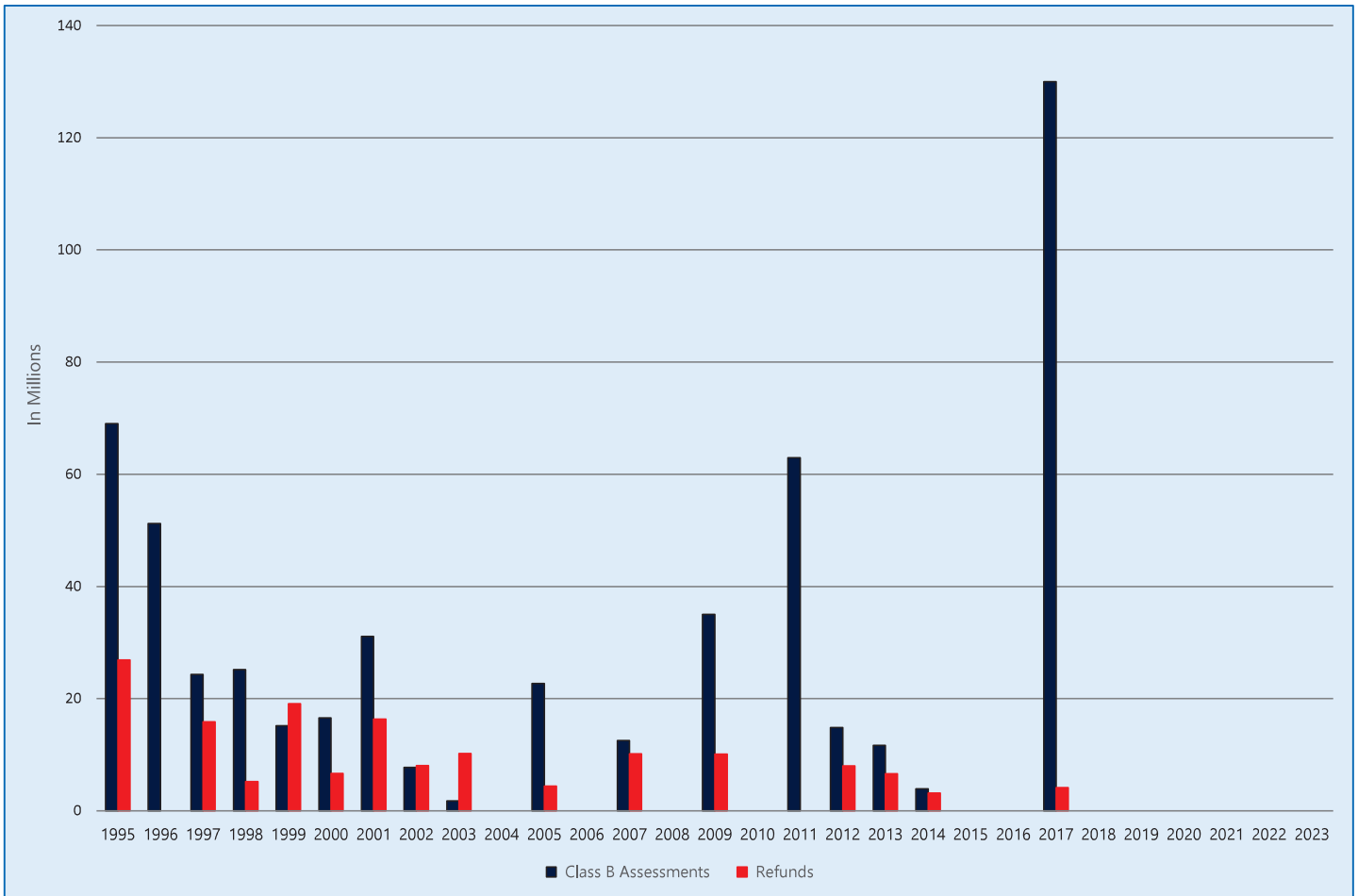
For 15 of the last 27 years beginning in 1995, the TLHIGA refunded excess funds related to specific insolvent insurers to member insurers or the Commissioner of the Texas Department of Insurance after determining there was no reasonable expectation of additional expenses or recoveries related to those insolvent insurers. In 2023, the Board of Directors did not authorize a refund. The TLHIGA's refunds since its inception have totaled approximately \$154.7 million.

The chart on the next page reflects the Class B assessments and refunds.

CLASS B ASSESSMENTS



CLASS B ASSESSMENTS AND REFUNDS



FINANCIAL REPORTING AND AUDIT

The TLHIGA is considered a governmental organization for accounting, financial reporting, and auditing purposes. As such, the TLHIGA is subject to the authoritative literature promulgated by the Governmental Accounting Standards Board ("GASB"). The TLHIGA, as a financial-reporting entity, is considered a primary government entity as defined in GASB Statement No. 14, as amended, and is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the TLHIGA in preparing its financial statements conform to generally accepted accounting principles applicable to government units and accepted in the United States of America.

The TLHIGA does not have any component units and is not a component unit of any other entity.

The TLHIGA is reported as a related entity by the Texas Department of Insurance ("TDI") in accordance with GASB Statement No. 14.

The TLHIGA's financial records and operations are audited annually. Interim financial reports and transactions are reviewed extensively during the course of the year by the Board of Directors and committees of the Board. The TLHIGA's audited financial statements as of and for the year ended December 31, 2023, including a Management Discussion and Analysis, the auditor's report, and financial statements with footnote disclosures, are shown herein on pages 16 through 47.



Texas Life & Health
Insurance Guaranty Association

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www.txlifega.org



April 22, 2024 Board of Directors Meeting

RESOLUTION ON THE 2023 ANNUAL REPORT

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association hereby approves the 2023 Annual Report of the Association as presented and instructs the Executive Director to submit it to the Texas Commissioner of Insurance as required in Chapter 463.110 of the Texas Insurance Code.

Item 12

Consideration and possible action regarding the following financial and accounting matters:

- A. Review and acceptance of current financial statements



FINANCIAL AND ACCOUNTING MATTERS

The following financial and accounting matters are currently being addressed or have been fully addressed and are reported to the Board of Directors for its consideration.

REVIEW AND ACCEPTANCE OF CURRENT FINANCIAL STATEMENTS

On pages 12-2 through 12-8 are the TLHIGA's financial statements for the periods ended December 31, 2023, January 31, and February 29, 2024. Included in the financial statements for these periods are the Statement of Net Position, Statement of Activities and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements.

Texas Life and Health Insurance Guaranty Association

Statement of Net Position

As of February 29, 2024

	<u>Month Ending</u> <u>12/31/2023</u>	<u>Month Ending</u> <u>01/31/2024</u>	<u>Month Ending</u> <u>02/29/2024</u>	<u>Month Ending</u> <u>02/28/2023</u>
Assets				
Current Assets				
Cash & Cash Equivalents				
Cash & Money Market Funds	34,791,590.81	50,682,798.51	28,788,445.84	32,168,411.62
Treasury Bills	39,374,723.79	18,522,878.87	39,929,258.01	31,706,130.60
Total Cash & Cash Equivalents	<u>74,166,314.60</u>	<u>69,205,677.38</u>	<u>68,717,703.85</u>	<u>63,874,542.22</u>
Receivables				
Billed Assessment, Net of Allowance	4,745.10	4,745.10	4,745.10	74,659.16
Deposits & Other	21,127.47	21,127.47	21,127.47	21,081.02
Accrued Interest	206,976.52	45,151.49	246,971.84	126,947.67
Proof of Claims, Net of Allowance	455,707.00	455,707.00	455,707.00	0.00
Total Receivables	<u>688,556.09</u>	<u>526,731.06</u>	<u>728,551.41</u>	<u>222,687.85</u>
Pre-Paid Expenses	14,140.26	14,140.26	14,140.26	27,763.47
Total Current Assets	<u>74,869,010.95</u>	<u>69,746,548.70</u>	<u>69,460,395.52</u>	<u>64,124,993.54</u>
Noncurrent Assets				
Unbilled Assessments	24,251,449.47	29,105,034.20	29,382,406.75	3,384,670.80
Investments in Deferred Compensation Plans	153,077.60	175,296.22	183,175.35	136,702.63
Capital Assets				
Furniture & Equipment	415,357.27	415,357.27	415,357.27	411,277.27
Right-of-Use Lease Assets	1,331,009.30	1,331,009.30	1,331,009.30	1,331,009.30
Accumulated Depreciation & Amortization	668,050.48	678,386.47	688,722.46	564,093.78
Total Capital Assets	<u>1,078,316.09</u>	<u>1,067,980.10</u>	<u>1,057,644.11</u>	<u>1,178,192.79</u>
Total Noncurrent Assets	<u>25,482,843.16</u>	<u>30,348,310.52</u>	<u>30,623,226.21</u>	<u>4,699,566.22</u>
Total Assets	<u>100,351,854.11</u>	<u>100,094,859.22</u>	<u>100,083,621.73</u>	<u>68,824,559.76</u>
Liabilities and Net Position				
Liabilities				
Current Liabilities				
Accounts Payable	4,264.26	6,168.12	907.32	14,050.43
Accrued Expense	909,158.74	988,184.99	1,042,211.24	528,987.22
Assessment Credit Balance	3,951,258.32	3,951,258.32	3,951,258.32	3,955,218.23
Lease Liabilities-Current Portion	92,853.71	93,252.01	93,650.85	88,927.96
Insurance Contractual Obligations	20,497,226.00	20,597,226.00	20,597,226.00	517,738.00
Total Current Liabilities	<u>25,454,761.03</u>	<u>25,636,089.44</u>	<u>25,685,253.73</u>	<u>5,104,921.84</u>
Noncurrent Liabilities				
Insurance Contractual Obligations	12,153,982.00	12,210,406.00	12,195,086.00	5,379,832.00
Deferred Compensation Plan Liabilities	153,077.60	175,296.22	183,175.35	136,702.63
Lease Liabilities-Less Current Portion	1,034,200.44	1,026,280.20	1,018,349.20	1,112,000.05
Total Noncurrent Liabilities	<u>13,341,260.04</u>	<u>13,411,982.42</u>	<u>13,396,610.55</u>	<u>6,628,534.68</u>
Total Liabilities	<u>38,796,021.07</u>	<u>39,048,071.86</u>	<u>39,081,864.28</u>	<u>11,733,456.52</u>
Net Position				
Unrestricted	61,604,571.11	61,098,339.48	61,056,113.40	57,113,838.47
Net Investment in Capital Assets	<u>(48,738.07)</u>	<u>(51,552.12)</u>	<u>(54,355.95)</u>	<u>(22,735.23)</u>
Total Net Position	<u>61,555,833.04</u>	<u>61,046,787.36</u>	<u>61,001,757.45</u>	<u>57,091,103.24</u>
Total Liabilities and Net Position	<u>100,351,854.11</u>	<u>100,094,859.22</u>	<u>100,083,621.73</u>	<u>68,824,559.76</u>

In January, \$21.3 million in US Treasuries matured that were reinvested in February.

In January, the TLHIGA paid out about \$4 million in TPA expenses and \$1 million in claims for the Friday and Bright insolvencies

Texas Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Position
As of February 29, 2024

	Month Ending 12/31/2023	Month Ending 01/31/2024	Month Ending 02/29/2024	Year To Date 02/29/2024
Change in Net Position	Increase in unbilled assessment mostly due to the \$3.7 million payment for Bright TPA fees.			
Operating Income (Loss)				
Operating Revenues				
Assessment	0.00	0.00	0.00	0.00
Changes in Unbilled Assessment	(10,107,263.73)	4,853,584.73	277,372.55	5,130,957.28
Estate Recoveries	26,157,391.19	990.88	0.00	990.88
Premium Net of Refunds	28,455.58	23,230.04	20,728.56	43,958.60
Total Operating Revenues	<u>16,078,583.04</u>	<u>4,877,805.65</u>	<u>298,101.11</u>	<u>5,175,906.76</u>
Operating Expenses				
Claims Expenses				
Changes in Insurance Contractual Obligations	13,717,983.00	156,424.00	(15,320.00)	141,104.00
Refunds of Prior Year's Assessment	0.00	0.00	0.00	0.00
Claims Paid	1,354,624.17	1,002,540.70	381,992.29	1,384,532.99
Assumption Reinsurance Agreements	0.00	0.00	0.00	0.00
Third Party Administrative Operations	1,203,848.96	4,195,083.38	948.88	4,196,032.26
National Task Force	(965.77)	50,000.00	50,000.00	100,000.00
Total Claims Expenses	<u>16,275,490.36</u>	<u>5,404,048.08</u>	<u>417,621.17</u>	<u>5,821,669.25</u>
Administrative Expenses				
Legal & Professional	98,924.60	33,914.55	38,217.09	72,131.64
Salaries & Benefits	62,018.66	104,921.98	96,652.84	201,574.82
Building & Equipment Expenses	6,262.45	3,105.86	6,106.22	9,212.08
Depreciation & Amortization	10,422.32	10,335.99	10,335.99	20,671.98
Other	23,561.86	119,695.14	14,929.67	134,624.81
Total Administrative Expenses	<u>201,189.89</u>	<u>271,973.52</u>	<u>166,241.81</u>	<u>438,215.33</u>
Total Operating Expenses	<u>16,476,680.25</u>	<u>5,676,021.60</u>	<u>583,862.98</u>	<u>6,259,884.58</u>
Total Operating Income (Loss)	<u>(398,097.21)</u>	<u>(798,215.95)</u>	<u>(285,761.87)</u>	<u>(1,083,977.82)</u>
Nonoperating Revenues (Expenses)				
Interest Income	115,151.45	150,640.77	339,637.13	490,277.90
Unrealized Gain/Loss-US Treasury	195,462.27	124,733.58	56,097.66	180,831.24
Interest Expense	1,528.84	(13,795.92)	155,002.83	141,206.91
Total Nonoperating Revenues (Expenses)	<u>309,084.88</u>	<u>289,170.27</u>	<u>240,731.96</u>	<u>529,902.23</u>
Total Change in Net Position	<u>(89,012.33)</u>	<u>(509,045.68)</u>	<u>(45,029.91)</u>	<u>(554,075.59)</u>

**TEXAS LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION
Statement of Cash Flows
For the Year-to-Date Ended February 29, 2024**

	February 29, 2024	Prior Year February 28, 2023
Cash Flows from Operating Activities:		
Excess of Revenues Over (Under) Expenses	\$ <u>(554,076)</u>	\$ <u>(1,684,226)</u>
Adjustments to Reconcile Excess of Revenue Over (Under)		
Expenses to Net Cash Provided by Operating Activities:		
Allowance for Assessments Receivable		
Depreciation & Amortization	20,672	20,737
Change in Assets and Liabilities:		
(Increase) Decrease in Unbilled Assessments Receivable	(5,130,957)	1,676,637
Increase (Decrease) in Accounts Payable	(3,357)	132
Increase (Decrease) in Accrued Expenses	133,053	103,544
Increase (Decrease) in Insurance Contractual Obligations	141,104	(171,201)
TOTAL ADJUSTMENTS	<u>(4,839,486)</u>	<u>1,629,849</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 (5,393,561)	 (54,377)
	Interco loans increased due to Bright insolvency expenses including TPA fees	
Cash Flows from Financing Activities:		
Inter Account Loans (Net)	3,455,725	(502,369)
Inter Account Borrowing (Net)	(3,455,725)	502,369
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:		
(Increase) Decrease - Investment in Long Term Investments	(554,534)	30,060,193
(Increase) Decrease - Accrued Interest	(39,995)	160,683
Capital Lease Payments	(15,054)	(14,288)
Increase in Allowance for Uncollectible POC and Loans	5,748,312	107,718
Proofs of Claim Filed	(5,748,312)	(107,718)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(609,584)</u>	<u>30,206,588</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (6,003,145)	 30,152,211
Cash and Cash Equivalents at Beginning of Year	34,791,591	2,016,200
Cash and Cash Equivalents at February 29	\$ <u><u>28,788,446</u></u>	\$ <u><u>32,168,411</u></u>

**TEXAS LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements

February 29, 2024

1. Summary of Significant Accounting Policies

Organization - The Texas Life and Health Insurance Guaranty Association (TLHIGA) is a nonprofit entity created by Chapter 463 of the Texas Insurance Code (the Act) to protect, subject to certain limitations, persons specified in the Act against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts, because of the impairment or insolvency of the member insurer that issued the policy or contract. To provide this protection an association of insurers was created to pay benefits and to continue coverage as limited in the Act.

Membership in the TLHIGA is mandatory for any company authorized in Texas to transact any kind of insurance business to which the Act applies. Membership assessments are made by the Board of Directors of the TLHIGA based on estimates of amounts necessary to provide funds to carry out the purposes of the Act with respect to impaired insurers. Any amount in excess of statutory obligations and continuing expenses of the TLHIGA may be refunded by an equitable method at the discretion of the Board.

Basis of Accounting - The financial statements are presented on the accrual basis of accounting; consequently, revenue is recognized when earned, and expenses are recognized when the obligations are incurred. Assessment revenue (billed and unbilled) is recognized when insurance contractual obligations are incurred. Claims liability is recognized using estimates of contractual obligations for each impaired insurer at the date of impairment or issuance of an order of liquidation based on a finding of insolvency by a court of competent jurisdiction.

Tax Exempt Status - The TLHIGA is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The TLHIGA is also exempt from payment of all fees and taxes levied by the state of Texas or any of its subdivisions, except taxes levied on real and personal property.

Cash Equivalents - For purposes of the statement of cash flows, the TLHIGA considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments in obligations of the United States government are recorded at cost and marked to market each period. All investments are designated as "held to maturity".

Allowances for Uncollectible Proofs of Claim and Loans Receivable - Allowances for uncollectible proofs of claim and loans are estate specific. The allowance for each estate is based on evaluations of estate financial statements and records, reports from estate receivers, and information from other third parties.

GASB 87 - Beginning January 1, 2021, the TLHIGA adopted and implemented GASB 87- Leases. Under GASB 87, the TLHIGA is required to recognize a lease liability and an intangible right-to-use lease asset for all but short-term leases (12 month term or less). The Statement of Net Position presents the new lease asset and liability and the Statement of Activities and Changes in Net Position presents the lease asset depreciation and lease liability amortization. The Statement of Cash Flows recognizes the capital leases payments.

2. Membership Assessments

The TLHIGA is authorized by The Texas Insurance Code to assess member companies in amounts necessary to pay both contractual claim obligations and administrative expenses of the TLHIGA. There are two classes of assessments: Class A assessments may be levied to meet administrative costs and Class B assessments which may be levied to meet the contractual obligations associated with specific insolvent or impaired companies.

Assessments are levied based on a member company’s “market share” (ratio of assessable premiums by line-of-business to total assessable premiums by line-of-business) as a percentage of the total assessment need by line-of-business. The annual total for all Class B assessments levied against a member insurer for each line-of-business account (life, accident and health, and annuity) may not exceed two percent of the company’s premiums on the policies covered by the line-of-business account during the three calendar years preceding the year of impairment. The most recent assessable premium data available is for calendar years 2020, 2021 and 2022.

Line of Business	Premium Base Average Annual Premium 2020-2022	2% Annual Assessment Limit
Life	\$13,587,644,208	\$271,752,884
Accident & Health	36,251,079,625	725,021,592
Annuity	18,688,933,762	373,778,675
Total	\$68,527,657,595	\$1,370,553,151

Net Assessments Receivable, as of February 29,2024 totaled \$4,745.10. In 1996 the TLHIGA deferred approximately \$6.3 million in assessments for certain member companies whose 1996 Class B assessment exceeded 1% of those companies’ 1994 premiums. The deferred assessments were reallocated to those member companies that had excess capacity. A portion of the 1996 deferral by member companies has been collected from available capacity and credit refunds in 1997 through 2007 and credited

to those member companies that paid a portion of the reallocated deferral in 1996. The deferral balances receivable and reallocation balances payable has been offset against Assessment Receivables. In October 2023, the Board authorized the write-off of the uncollectible assessment receivable balances, allowances and the remaining 1996 assessment deferral and reallocation balances.

Unbilled Assessments of \$29,382,406.75 as of February 29,2024, represent the statutory ability of the TLHIGA to assess member companies as required to meet corresponding insurance contractual obligations.

3. Proofs of Claim

The TLHIGA files proofs of claim against individual receivership estates to recover claims and claims handling costs incurred by the TLHIGA related to the estate. These proofs of claim may be amended and are updated and filed periodically as additional costs are incurred and paid by the TLHIGA. As of February 29,2024, proofs of claim totaled \$454,258,285.96.

An allowance related to the collectibility of proofs of claim are recorded based on estate specific evaluations of assets and liabilities held by the receiver. The amounts to be received by the TLHIGA in early access distributions or final distributions are often not readily determinable; therefore, estimated recoveries due the TLHIGA are necessarily estimates and subject to change as the estate is closed out. Based on the TLHIGA’s estate specific review the allowance for uncollectible proofs of claim as of February 29,2024, was \$453,802,578.96.

Uncollected proofs of claim are written off by the Board of Directors only after an estate is closed and there is no reasonable expectation that any additional funds will be recovered from the estate or other third party. For any foreign estate, the domestic estate and the Texas ancillary estate, if any, must both have been closed before any receivable amount may be written off.

4. Inter Account Loans and Borrowings

The Board of Directors of the TLHIGA has adopted a resolution that allows for short term loans from the account of one estate to another estate. Interest is paid by the borrowing account to the account making the short term loan. Interest charged on these loans approximates that earned on short term government securities. For the year-to-date ending February 29,2024, the following had occurred:

Balance January 1, 2024	Borrowings	Repayments	Balance February 29, 2024
\$0	\$3,455,725.26	\$0	\$3,455,725.26

Interaccount receivable and payable balances are offset for financial statement reporting purposes.

5. Promissory Notes

The TLHIGA may choose to execute promissory notes to fund its statutory obligations through reinsurance with an insurance company. The Board of Directors weighs the financial implications of such a decision and may instruct the TLHIGA to use this option if it is available. For the year-to-date ending February 29,2024, the TLHIGA has no promissory notes.

6. Refunds

The Board of Directors, may, by an equitable method, refund to member companies, in proportion to the contribution of each member company, the amount by which assets exceed the amount necessary to carry out the obligations of the TLHIGA. The TLHIGA will pay to the Texas Commissioner of Insurance any amount owed as a refund that was written off and used as a premium tax credit by a member insurer.

7. Insurance Contractual Obligations

This liability is an estimated amount for all impaired or court ordered insolvent estates. The amount is necessarily based on estimates, and the ultimate liability may vary significantly from the estimate. In addition, the liability is based on information supplied principally by third parties (receivers, third party administrators and member participation task forces). Such information is not subject to control of the TLHIGA and may change.

Item 13

Consideration and possible action regarding the 2024 Calendar of Activities and confirmation of the next meeting date



April 22, 2024 Board of Directors Meeting

CALENDAR OF ACTIVITIES AND NEXT MEETING DATE

The TLHIGA's Board of Directors Corporate Governance Guidelines adopted in 2006 contain the following provision under Board Responsibilities:

11. Meeting Schedule; Planning

At the January meeting each year, the Board Chair will establish a schedule of regular meetings for the Board of Directors and the audit and assessment/investment committees for that year and a plan for addressing subjects to be discussed during the year (to the degree this can be foreseen). Each director is free to suggest the inclusion of items to be discussed by the board or the committees during the year.

In addition, the TLHIGA's Plan of Operation states "The Board shall hold a regular meeting each quarter at the TLHIGA offices in Austin, Texas, unless the notice of said meeting designates otherwise."

Included on pages 13-2 through 13-8 is the TLHIGA 2024 Calendar of Activities which provides the activities completed and those remaining in 2024. The items shown in red are specific responsibilities for the Chairs of Committees and the Board.

We have tentatively scheduled the next Board of Directors meeting to be held at **8:30 AM Central Time on Tuesday, July 23, 2024.**



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
1	ED		12/29/23	EXECUTIVE DIRECTOR (or staff) will file the final agendas for the January 9, 2026 Personnel and A-I Committees' meetings with the Texas Secretary of State's office.	12/29/23
2	BOD		1/5/24	EXECUTIVE DIRECTOR will contact the directors nominated for one of the four officer positions on the Board of Directors for 2024 to confirm their willingness to serve	1/5/24
3	BOD	CH	1/9/24	BOD CHAIR will conduct the following in preparation for the January 30, 2024 Board of Directors videoconference meeting: <ul style="list-style-type: none"> - Review the draft agenda with the Executive Director to identify action items including any anticipated recommendations for Board action from the A-I or Personnel Committees - Review the responses the Guidelines for Nominations and Election of Officers of the Board of Directors - Consider the qualifications of Directors for service as either a Chair or a member of one of the Standing Committees, including making phone calls or emails to specific Directors to determine their interest in service in a particular capacity. 	1/9/24
4	PER	CH	1/9/24 9:00 AM	Personnel Committee Meeting <ul style="list-style-type: none"> - Review of prior meeting's minutes - Review of benefits, compensation and training components in 2024 Operating Budget, including staff compensation - Engagement of a compensation consultant - Review Board Counsel's compilation of all directors' performance evaluations of the Executive Director - Evaluation and possible action on elements of Executive Employment and Deferred Compensation Contract with the Executive Director - Annual review of Committee's Charter 	1/9/24
5	A-I	CH	1/9/24 1:00 PM	Assessment/Investment Committee Meeting <ul style="list-style-type: none"> - Consideration of prior meeting's minutes - Review the TLHIGA's cash flow projections - Review the TLHIGA's investments - Review the net cash available/needs position of all insolvencies - Review the options for handling the LMLIC/MSLIC funds - Consider the necessity for a Class A and/or a Class B Assessment and/or refund in 2024 	1/9/24
6	ED		1/11/24 through 1/12/24	EXECUTIVE DIRECTOR will attend the NOLHGA MPC Meeting in Tampa, FL	1/11/24 through 1/12/24
7	ED		1/19/24	EXECUTIVE DIRECTOR (or staff) will file the final agenda for the January 30, 2024 Board of Director meeting with the Texas Secretary of State's office.	1/19/24
8	ED		1/23/24	EXECUTIVE DIRECTOR will distribute a request for a confirmation or change of contact information with the Texas Ethics Commission for each Director with responses due on or January 29, 2024.	1/24/24
9	BOD		1/29/24	RESPONSES DUE FROM BOD – The confirmations or changes to each Director's contact information for the Texas Ethics Commission must be returned to the Executive Director.	



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
10	BOD A-I PER	CH CH CH	1/30/24 8:30 AM	Board of Directors Meeting Consideration and possible action on the following: - Election of Officers - Appointment of Committee Chairs and Members - Review of Board of Directors corporate governance comments - Review the compilation of evaluations of General Counsel - Review and possible actions on various active member company receiverships - Executive Director's report on operations - Adoption of 2024 Operating and Capital Expenditure Budgets - Regular operational and financial approvals (minutes, NOLHGA invoice, future meetings, financial statements, etc.) A-I COMM CHAIR will report on the Committee's discussions regarding the necessity for Class A or Class B assessments in 2024 PERS COMM CHAIR will report on the Committee's discussion regarding: - Review of benefits, compensation and training components in 2024 Operating Budget, including staff compensation - Engagement of a compensation consultant - Review Board Counsel's compilation of all directors' performance evaluations of the Executive Director - Evaluation and possible action on elements of Executive Employment and Deferred Compensation Contract with the Executive Director	1/30/24
11	ED		2/2/24	RESPONSES DUE TO TEC – The Executive Director will send the Director's contact information to the Texas Ethics Commission.	1/24/24
12	ED		3/1/24	EXECUTIVE DIRECTOR (or staff) will distribute the 2024 Conflict of Interest Policy/Questionnaires and the 2024 Antitrust Policy/Certifications of Compliance for 2023 activities with responses from all Directors by March 29, 2024.	3/1/24
13	AUD	CH	3/15/24	AUD COMM CHAIR will review the draft agenda for the April 9, 2024 Audit Committee meeting with the Executive Director and/or Senior Accountant to determine the order of items and whether items should be added or deleted.	3/15/24
14	ED		3/15-18/24	EXECUTIVE DIRECTOR and some BOD will attend the NAIC Spring Meeting in Phoenix, AZ	3/15-18/24
15	ED		3/18-20/24	EXECUTIVE DIRECTOR will attend the Intercompany Long-Term Care Insurance Conference (ILTCI) in San Diego, CA (Town & Country Resort)	3/18-20/24
16	GEN-CNSL		3/25/24	General Counsel Search Committee Meeting - Timeline and Process to identify a new General Counsel - Requirements and expectations - Process to identify candidates - Application process, receipt and review of applications, interviews - Next meeting date	3/25/24
17	ED		3/28/24	EXECUTIVE DIRECTOR (or staff) will file the final agenda for the April 9, 2024 Audit Committee meeting with the Texas Secretary of State's office.	3/28/24
18	BOD		3/29/24	RESPONSES DUE FROM BOD – The completed 2024 Conflict of Interest Questionnaires and 2024 Antitrust Certifications of Compliance for 2023 activities are due back from all Directors to the Executive Director.	4/8/24



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
19	BOD	CH	3/29/24	<p>BOD CHAIR will conduct the following in preparation for the April 23, 2024 Board of Directors meeting:</p> <ul style="list-style-type: none"> - Review the draft agenda with the Executive Director to identify action items including any anticipated recommendations for Board action from the Audit and Corporate Governance Committees - Review any issues identified in preparation of the 2023 Annual Report - Review any exception identified in the annual business ethics and antitrust responses - Conduct the annual review of the BOD Corporate Governance Guidelines 	3/29/24
20	AUD	CH	4/5/24	<p>AUD COMM CHAIR will meet with the outside financial auditor after the audit process has concluded to discuss significant audit findings, difficulties conducting the audit, disagreements with management, sufficiency of TLHIGA internal controls, possible expansion of the 2024 Audit Plan.</p>	4/5/24
21	AUD		4/9/24 1:30 PM	<p>Audit Committee Meeting</p> <ul style="list-style-type: none"> - Receive annual financial audit report from outside auditor - Meet confidentially with outside auditor - Prepare recommendation to Board of Directors regarding annual financial audit - Evaluate the necessity to revise the 2024 (current year's) Audit Plan based on findings in the annual financial audit - Review the necessity to select a new auditor - Review the actual expenses for the prior year, including final budget variance report, segregation of fixed and variable expenses, and allocation of expenses to insolvencies - Annual review of the Committee's Charter 	4/9/24
22	ED		4/10-12/24	<p>EXECUTIVE DIRECTOR will attend the IAIR INSURANCE RESOLUTION WORKSHOP</p>	4/10-12/24
23	AUD	CH	4/12/24	<p>AUD COMM CHAIR will ask staff to distribute the draft Audit Report to all Directors after the Audit Committee meeting in preparation for consideration during the April 23, 2024 Board of Directors meeting</p>	4/12/24



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
24	BOD AUD	CH CH	4/22/24 8:30 AM	<p>Board of Directors Meeting AUD COMM CHAIR will provide a report to the Board of Directors that includes the following:</p> <ul style="list-style-type: none"> - A recommendation regarding the annual financial audit - A recommendation on whether the current year's Audit Plan should be revised - Any revision to the Committee's Charter - A report on the other matters discussed by the Committee <p>CORP GOV COMM CHAIR will provide a report to the Board of Directors that includes the following:</p> <ul style="list-style-type: none"> - A recommendation regarding revisions to corporate governance policies and practices - A recommended response to the TDI corporate governance letter - Executive Session confidential discussion of financially troubled member insurance companies - Review and possible actions on various active member company receiverships - Executive Director's report on operations - Regular operation and financial approvals (i.e. minutes, NOLHGA quarterly invoice, future meetings, financial statements, etc.) - Corporate governance items, i.e. conflicts and antitrust statements and review review of the BOD Corporate Governance Guidelines 	4/22/24
25	BOD		4/30/24	TEC FILINGS DUE FROM BOD – All Directors must file their Personal Financial Statements with the Texas Ethics Commission. DO NOT SEND THEM TO THE TLHIGA'S OFFICE.	
26	ED		5/?/24	EXECUTIVE DIRECTOR will attend the NOLHGA MPC Meeting	
27	GEN-CNSL		6/??/2024	<p>General Counsel Search Committee Meeting</p> <ul style="list-style-type: none"> - Revise General Counsel Job Description - Revise general corporate and Board of Director responsibilities - Finalize notice distribution channels - Review draft application requirements and application process - Update timeline - Next meeting date 	
28	A-I	CH	6/28/24	A-I COMM CHAIR and counsel will be provided the draft agenda for the July 16, 2024 Committee meeting for review with the Executive Director and/or Senior Accountant to determine the order of items and items to be added or deleted.	
29	PER	CH	6/28/24	PERS COMM CHAIR and counsel will be provided the draft agenda for the July 16, 2024 Committee meeting for review with the Executive Director to determine the order of the items and whether additional items should be added or deleted.	
30	BOD	CH	7/2/24	BOD CHAIR and counsel will be provided the draft agenda for the July 23, 2024 BOD meeting for review with the Executive Director to determine the order of the items and whether additional items should be added or deleted, including any anticipated recommendations for Board action from the Personnel or A-I Committees.	
31	ED		7/5/24	EXECUTIVE DIRECTOR (or staff) will file the final agendas for the July 16, 2024 Personnel and A-I Committees' meeting with the Texas Secretary of State's office.	
32	ED		7/12/24	EXECUTIVE DIRECTOR (or staff) will file the final agendas for the 7/23/24 Board of Director meeting with the Texas Secretary of State's office.	



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
33	PER	CH	7/16/24 9:00 AM virtual	Personnel Committee Meeting - Review the non-salary benefits provided to TLHIGA employees, including renewal of employee insurance benefit plans - Review filling the vacant staff position - Review elements of the Executive Director's Executive Employment and Deferred Compensation Contract - Revisions to succession plans - Review the training for employees for the year to date and planned training for the remainder of the year - Meet in Executive Session for the Committee to discuss confidential personnel matters and receive advice from counsel - Review the Committee's Charter	
34	A-I	CH	7/16/24 1:00 PM virtual	Assessment/Investment Committee Meeting - Review the TLHIGA's cash flow projections - Review the TLHIGA's investments - Review the TLHIGA's investment policy - Review the net cash available/needs position of all insolvencies - Review the necessity for a Class B assessment and/or refund in 2024 - Review of the Committee's Charter	
35	BOD A-I PER	CH CH CH	7/23/24 8:30 AM	Board of Directors Meeting A-I COMM CHAIR will provide a report to the Board of Directors that includes the following: - Necessity for a Class B assessment or credit refund in 2024 - Any recommended revisions to the Investment Policy - Any recommended changes to investments - Any recommended changes to the A/I Committee Charter PERS COMM CHAIR will provide a report to the Board of Directors that includes the following: - Any actions on the benefits provided to TLHIGA employees - Any recommended changes to the Personnel Committee Charter Executive Session confidential discussion of financially troubled member insurance companies Review and possible actions on various active member company receiverships Executive Director's report on operations Review of IRS Form 990 Corporate governance enhancements Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)	
36	ED		7/24-26/24	EXECUTIVE DIRECTOR, COUNSEL and some BOD and staff will attend the NOLHGA MPC Meeting and 32nd Legal Seminar in Boston, MA	
37	ED		8/12-16/24	EXECUTIVE DIRECTOR and some BOD will attend the NAIC Summer Meeting in Chicago, IL	
38	AUD	CH	9/27/24	AUD COMM CHAIR will review the draft agenda for the October 15, 2024 Audit Committee Meeting with the Executive Director and/or Senior Accountant to determine the order of items and whether additional items should be added or current items deleted.	



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
39	BOD	CH	10/4/24	BOD CHAIR will review the draft agenda for the October 29, 2024 BOD meeting with the Executive Director to determine the order of the items and whether additional items should be added or deleted, including any anticipated recommendations for Board action from the Audit Committee.	
40	ED		10/4/24	EXECUTIVE DIRECTOR (or staff) will file the final agenda for the October 15, 2024 Audit Committee meeting with the Texas Secretary of State's office.	
41	AUD		10/15/24 1:30 PM virtual	Audit Committee Meeting - Consider the scope of the financial statements audit as of December 31, 2024. - Develop a recommendation for engagement of auditor for audit of financial statements as of December 31, 2024 - Develop the 2025 Audit Plan and prepare recommendation to the Board of Directors for adopting and filing it with the Commissioner of Insurance - Review the TLHIGA's commercial insurance program to confirm the adequacy to mitigate anticipatable risks - Review the assumptions that will be used for developing the 2025 budgets that will be presented to the Board of Directors at its January 21, 2025 meeting.	
42	ED		10/18/24	EXECUTIVE DIRECTOR (or staff) will file the final agenda for the October 29, 2024 Board of Directors meeting with the Texas Secretary of State's office.	
43	ED		10/23-25/24	EXECUTIVE DIRECTOR and some BOD will attend the NOLHGA MPC Meeting & Annual Meeting in [TBD]	
44	BOD AUD	CH CH	10/29/24 8:30 AM	Board of Directors Meeting AUD COMM CHAIR will provide a report to the Board of Directors that includes the following: - A recommendation regarding the engagement of an auditor to conduct the annual financial audit as of YE 2024 - A recommendation on scope of YE 2024 audit - A recommendation to adopt the 2025 Audit Plan and to file it with the Commissioner of Insurance - A recommendation to engage a consulting firm to perform network penetration and social media testing - Annual review of commercial insurance coverages - Review of assumptions for development of 2025 Operating and Capital Expenditure Budgets - A report on the other matters discussed by the Committee - Executive Session confidential discussion of financially troubled member insurance companies - Consider revisions to Board of Directors Corporate Governance Guidelines - Review and possible actions on various active member company receiverships - Executive Director's report on operations - Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)	
45	AUD		10/30/24	EXECUTIVE DIRECTOR will notify selected audit firm of the Board of Directors' engagement decision.	
46	ED		10/30/24	EXECUTIVE DIRECTOR will distribute the Guidelines for Nomination and Election of Officers of the Board of Directors to all directors via email in preparation for the January 21, 2025 Board of Directors meeting	



2024 Calendar of Activities (MASTER COMPILATION) updated as of 4-15-24

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
47	PER	CH	11/1/24	PERS COMM CHAIR will ask General Counsel, Jacqueline Rixen, to distribute the blank Executive Director performance evaluation form to all Directors and to the Executive Director. The completed evaluation forms must be returned to the General Counsel on or before Friday, January 3, 2025.	
48	ED		11/16-20/24	EXECUTIVE DIRECTOR and some BOD will attend the NAIC Fall Meeting in Denver, CO	
49	ED		12/6/24	EXECUTIVE DIRECTOR will distribute the annual evaluation forms for General Counsel to all Directors. Responses will be due to the ED on or before January 3, 2024.	
50	BOD		12/20/24	RESPONSES DUE FROM BOD - Nominations from the Directors for the four officer positions on the Board of Directors are due to the Executive Director	
51	PER	CH	12/20/24	PERS COMM CHAIR will review the draft agenda for the January 14, 2025 Committee meeting with the Executive Director to determine the order of the items and whether additional items should be added or deleted.	
52	A-I	CH	12/20/24	A-I COMM CHAIR will review the draft agenda for the January 14, 2025 Committee meeting with the Executive Director to determine the order of the items and whether additional items should be added or deleted.	
53	BOD	CH	12/27/24	BOD CHAIR and counsel will be provided the draft agenda for the January 21, 2025 BOD meeting for review with the Executive Director to determine the order of the items and whether additional items should be added or deleted, including any anticipated recommendations for Board action from the Personnel or A-I Committees.	