

***Assessment/Investment Committee Meeting
January 14, 2024***

Briefing Material



Assessment/Investment Committee Meeting Agenda

Tuesday, January 14, 2025

1:00 P.M. Central Time

Video/Audio Conference Call Only

Audio Toll Free Dial In Number: 1.346.248.7799

Meeting ID: 222127774 Password: 537081973

1. Consideration and possible action on consent agenda items:
 - A. Summary of the official minutes of the July 16, 2024 meeting*
2. Consideration and possible action on cash flow projections of policy obligations and expenses for active insolvencies
3. Consideration and possible action on the TLHIGA's investments:
 - A. Summary of current investments and maturity schedule
 - B. Investment options
4. Consideration and possible action regarding the TLHIGA's Investment Policy
5. Consideration and possible action on assessments and refunds*
 - A. Class A Assessment in 2025
 - B. Class B Assessment in 2025
 - C. Refunds
 - D. Update on 2024 Class B Assessment
 - E. Protest of 2024 Class B Assessment
6. Executive Session:
 - A. Potential and pending litigation
 - B. Advice from Counsel
7. Consideration and possible action on items discussed in Executive Session
8. Consideration and possible action regarding the Committee's 2025 Calendar of Activities and next meeting date

* 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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Open Meeting Information

Agency Name: Texas Life and Health Insurance Guaranty Association
Date of Meeting: 01/14/2025
Time of Meeting: 01:00 PM (Local Time)
Board: Texas Life and Health Insurance Guaranty Association
Committee: Assessment/Investment
Status: Accepted
Street Location: 1717 West 6th Street
City Location: Austin
Meeting State: TX
TRD: 2025000018
Submit Date: 01/02/2025
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 Assessment/Investment 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 230, Austin, TX 78703.

Teleconference meeting assess information:
Dial in Number (Toll Free): 1.346.248.7799
Meeting ID: 2222127774
Password: 537081973

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

Consideration and possible action on:

- 1) Consent agenda;
- 2) Cash flow projections of policy obligations and expenses for active insolvencies;
- 3) TLHIGA's investments;
- 4) TLHIGA's Investment Policy;
- 5) Assessments and refunds;
- 6) Executive Session;
- 7) Items discussed in Executive Session;
- 8) Committee's 2025 Calendar of Activities and next meeting date.

Item 1

Consideration and possible action on consent agenda items:

- A. Summary of the official minutes of the July 16, 2024 meeting



CONSENT AGENDA

The following routine, recurring item has been placed on the consent agenda and the associated materials distributed in advance to the Assessment/Investment Committee for its review:

1. The summary of the official minutes of the July 16, 2024 Assessment/Investment Committee meeting shown on pages 1-2 through 1-5.

The following is a draft resolution to approve the consent item.

RESOLVED, that the Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of the July 16, 2024 Assessment/Investment Committee meeting.



**SUMMARY OF THE OFFICIAL MINUTES OF THE
JULY 16, 2024, MEETING OF THE
ASSESSMENT/INVESTMENT COMMITTEE OF THE BOARD OF DIRECTORS**

A meeting of the Assessment/Investment Committee (the “Committee”) of the Board of Directors (the “Board of Directors” or the “Board”) of the Texas Life and Health Insurance Guaranty Association (the “Association,” “Guaranty Association” or “TLHIGA”) was called to order by its Chair, James Harrison, at 1:33 PM Central Time on July 16, 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 Assessment/Investment Committee 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 Harrison
Dean Frigo
Ted Kennedy

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:

Shawn Martin, Texas Department of Insurance (“TDI”)
Mandy Vasquez, TDI

Chair Harrison noted that proper notice of the meeting was filed on July 3, 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 Harrison declared that a quorum of the Committee was present in accordance with the Texas Open Meetings Act.

This is a written summary of the proceedings of the meeting of the Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association held on July 16, 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 Committee 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 Committee should be deemed an attachment to this summary.

Item 1 Consideration and possible action on consent agenda items

Upon a motion made by Director Kennedy and seconded by Director Frigo, the Committee unanimously adopted the following resolution:

RESOLVED, that the Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of the April 16, 2024 Assessment/Investment Committee meeting.

Item 2 Consideration and possible action on cash flow projections of policy obligations and expenses for active insolvencies

Mr. Boles provided an update of the TLHIGA's cash flow for obligations. He specifically summarized the remaining obligation amounts for Penn Treaty Network America/American Network Insurance Companies, Insolvency Expense Account, National States Insurance Company, Executive Life Insurance Company, Northwestern National Life Insurance Company, Calanthe Mutual Life Insurance Company, Universal Life Insurance Company, Time Insurance Company, North Carolina Mutual Life Insurance Company, Friday Health Insurance Company, Bright Healthcare Insurance Company of Texas, and Southland National Insurance Company.

Mr. Boles reminded the Committee a liquidation order was entered against two member companies, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company, on December 30, 2022, and is being appealed. The liquidation order will not become effective until the end of the month, ninety days after the appeals are resolved. Mr. Boles stated the North Carolina Court of Appeals affirmed the Liquidation Order on March 5, 2024, and then a Petition for Discretionary Review was filed with the North Carolina Supreme Court.

Ms. Rixen reported that it is the understanding of the NOLHGA Task Force that the Petition for Discretionary Review will be withdrawn from the North Carolina Supreme Court. She stated that if it is withdrawn, the North Carolina Supreme court will need to recognize the withdrawal and 90 days later the Liquidation Order will take effect, thereby activating the Association.

Mr. Boles reported the TLHIGA is projected to have approximately \$102 million in covered annuity obligations. He stated he anticipates the vast majority of annuities will be surrendered shortly after the TLHIGA is activated.

Item 3 Consideration and possible action on the TLHIGA's investments

Mr. Terry reviewed the current schedule of investments for the TLHIGA and discussed the investment maturity schedule and how it impacts the funding of the TLHIGA obligations. He stated management has temporarily altered the way the TLHIGA manages its cash and cash equivalents, as approved by the Board at its April 2023 meeting, due to the needs of the Friday

Health Insurance Company (“FHIC”) insolvency, and now includes the needs of Bright Healthcare Insurance Company of Texas (“BHICOT”) insolvency.

Mr. Terry reminded the Committee that to accommodate FHIC claims the TLHIGA opened a JP Morgan Money account that allows the TLHIGA to invest an unlimited amount of money in the JP Morgan US Treasury Money Fund that is used to sweep funds overnight that are in excess of FDIC coverage, but the investment and redemption is on demand and is used to manage daily cash flows.

Item 4 Consideration and possible action on assessments and refunds in 2024

Mr. Boles reported on the TLHIGA’s operating expense account, which is comprised of investment earnings, recoveries of the TLHIGA’s administrative expenses from receiverships, the allocation of funds obtained from closed insolvent estates, and Class A assessments. He reminded the Committee that Class A assessments are for expenses not attributable to a specific insolvency.

Mr. Boles stated the staff does not recommend a Class B assessment, or any refunds, in 2024.

Mr. Boles reviewed the resolutions the Board adopted in 2022 and 2023, at the recommendation of the Committee, regarding the use of the Lincoln Memorial Life Insurance Company/Memorial Service Life Insurance Company (“LMLIC/MSLIC”) funds which related to the paying of administrative and general expenses.

Mr. Boles stated the TLHIGA continues to pay the overhead expenses that would be considered Class A expenses from the LMLIC/MSLIC funds.

Mr. Boles reported on a misstatement found by Ms. Rixen in the Committee’s Class B assessment recommended resolution that the Board of Directors adopted on April 22, 2023, for Bankers Life Insurance Company (“BLIC”) and Colorado Bankers Life Insurance Company (“CBLIC”). He stated the resolution states the assessment would be called “against all member companies” which is not accurate as the TLHIGA does not intend to assess all member companies. Mr. Boles stated the process for the BLIC and CBLIC assessment will be review of the assessable premium for life and annuity business of member companies, and the member companies that only sell health insurance will not be included in this assessment.

Mr. Boles requested the Committee recommend to the Board of Directors that they amend their April 22, 2024 resolution and remove the words “against all member companies.”

Ms. Rixen stated there does not need to be a resolution voted on during this meeting to make the recommendation to the Board.

The Committee agreed to recommend to the Board of Directors that they amend the language of their April 22, 2024 assessment resolution by removing the four words “against all member companies”.

Item 5 Executive Session

Chair Harrison did not call an Executive Session.

Item 6 Consideration and possible action on items discussed in Executive Session

Not applicable.

Item 7 Consideration and possible action regarding the annual review of the responsibilities and duties of the Committee's Charter

The Committee reviewed its Charter and did not recommend any changes at this time.

Item 8 Consideration and possible action regarding the Committee's 2024 Calendar of Activities and next meeting date

The Committee confirmed that its next meeting will be held on Tuesday, January 14, 2025.

There being no further business, Chair Harrison stated the time to be 2:14 P.M. and the regular meeting of the Assessment/Investment Committee of the Texas Life and Health Insurance Guaranty Association that was held pursuant to the Texas Open Meetings Act was adjourned.

Certification

The undersigned hereby certifies the foregoing is a true and accurate written summary of the proceedings of the July 16, 2024 meeting of the Assessment/Investment Committee, approved by the Committee at its meeting held on January 14, 2025.

James Harrison, Chair, Assessment/Investment Committee

Item 2

Consideration and possible action on cash flow projections of policy obligations and expenses for active insolvencies



CASH FLOW PROJECTIONS

The TLHIGA’s anticipated cash flow projections for insurance policy obligations from insolvencies for which the TLHIGA has been activated are shown in the table below. The November 30, 2024 liquid assets with the Association, the policy benefits paid from January 2024 through November 2024, the cash flow projections for policy benefits for the remainder of 2024, and the projected benefit payments after 2024 for each of these insolvent estates are provided in the table. This information is relevant to the larger discussion of assessments, refunds, and investments in the overall strategy to fund the expenses and obligations of the TLHIGA that will take place under agenda item 5.

Insolvency	January Through November 2024 Benefits	Liquid Assets as of November 30, 2024	Projected Benefit Payments After November 2024
Penn Treaty/ANIC	0	11,367,243	0
Insolvency Exp Account**	0	33,493,673	47,654
National States	54,861	2,103,265	1,598,800
Executive Life	7,260	364,338	155,348
Bankers Life*	0	9,508,371	53,638,885
Colorado Bankers Life*	0	7,847,763	44,271,033
Northwestern National*	80	106,702	0
Calanthe Mutual*	23,354	10,211	760,894
Universal Life	7,000	362,565	325,134
Time Ins Co*	0	103,293	388
North Carolina Mutual*	1,178,328	0	2,434,840
Friday Health***	7,281,134	0	2,442,216
Bright Healthcare***	4,504,159	0	1,750,000
Southland National*	819,222	6,351	7,232,283
Other	0	N/A	20,000
TOTAL	\$ 13,875,318	\$ 65,273,775	\$ 114,677,475

*These administration expenses and claims for these seven insolvencies were partially or fully funded with Insolvency Expense Account funds as authorized by the Board of Directors at its January 24, 2023 meeting.

**LMLIC/MSLIC obligations and assets were transferred to the Insolvency Expense Account by action of the Board of Directors at its July 25, 2023 meeting.

***It is anticipated the TLHIGA's expenses and claims obligations will be fully recovered from distributions from the Friday Health and Bright Healthcare receivership estates.

Item 3

Consideration and possible action on the TLHIGA's investments:

- A. Summary of current investments and maturity schedule
- B. Investment options



TLHIGA'S INVESTMENTS

Currently, the TLHIGA's funds are held in three ways:

1. Cash accounts with JP Morgan Chase Bank,
2. US Treasury Bills and Notes, and
3. Money Market mutual funds of US Treasuries in the Morgan Stanley Bank Deposit Program for Brokerage Accounts or JP Morgan 100% US Treasury Money Market Fund.

The money market funds invested in the Morgan Stanley Bank Deposit Program for Brokerage Accounts are deposited first at Morgan Stanley Bank to the FDIC deposit limit and then at Morgan Stanley Private Bank to the FDIC deposit limit. Excess funds are deposited into the sweep account at Morgan Stanley Bank. This provides the TLHIGA with \$500,000 in FDIC protection. Management actively monitors these accounts to ensure that the balances do not exceed the FDIC limit, except when necessary.

On September 30, 2023, \$34.45 million of LMLIC/MSLIC excess funds that were invested in US Treasuries matured. A portion, \$13.5 million, was moved to the JP Morgan Money account to fund intercompany loans to other insolvencies to pay expenses and claims and the remainder was reinvested to mature on January 31, 2024. This maturity date provided the TLHIGA with the highest interest rate return while maintaining the necessary liquidity.

At its October 24, 2023 meeting, the Board authorized the transfer of the LMLIC/MSLIC funds to the Insolvency Expense Account and to continue to pay certain insolvency expenses, admin expenses through 2023, and intercompany borrowings. Staff made the necessary adjustments in the records to accomplish the transfer. Any future LMLIC/MSLIC expenses will be paid from the Insolvency Expense Account.

The TLHIGA has followed an investment plan of holding \$250,000 in cash, another approximately \$2 million in money market funds, and the rest in US Treasuries, with \$2 million of these Treasuries maturing each quarter. In response to funding needs and anticipating early access distributions in the Friday Health Insurance Company ("FHIC") insolvency, the Committee and management made certain recommendations for investment changes to the Board of Directors at its April 18, 2023 meeting. Those recommendations were approved by the Board and implemented after the meeting. These actions have altered the way the TLHIGA manages its cash and equivalents would be used to pay FHIC claims until the anticipated receipt of a large early access distribution from the FHIC receivership estate. To accommodate these funding needs and recoveries from the FHIC insolvency, the TLHIGA opened a JP Morgan Money Market account that allows the TLHIGA to invest an unlimited amount of money in the same JP Morgan US

Treasury Money Market Fund used for sweeps, but the investment and redemption is on demand and could be used to manage daily cash flows. The use of sweeps was no longer necessary so that service was turned off on all but one TLHIGA bank account. The TLHIGA attempts to maintain no more than \$250,000 in cash with the remaining cash held in JP Morgan and Morgan Stanley money market funds, but that is dependent on the cash flow needs to pay claims for insolvencies.

The TLHIGA received a \$25 million early access distribution from the FHIC receivership estate on December 19, 2023. The TLHIGA used the proceeds of Treasury maturities and liquidated Treasuries to pay FHIC claims while waiting on this distribution. The Treasury proceeds have been held in the new JP Morgan Money account and transferred to the TLHIGA bank accounts, as necessary, to pay claims. The TLHIGA has, on occasion, held more than \$250,000 in cash due to the logistics of paying the FHIC claims. All the funds used for FHIC expenses have been either paid or borrowed from the LMLIC/MSLIC excess funds and the Insolvency Expense Account.

On October 15, 2024, the TLHIGA distributed a Class B annuity assessment in the amount of \$98,499,932 that was due December 2, 2024. As of the drafting of this report, \$90,076,072 has been collected. The proceeds have been invested in the JP Morgan Money account in anticipation of the need for liquid funds to pay the obligations of BLIC and CBLIC that are expected to be substantial at the beginning of 2025.

The TLHIGA's current investments comply with the TLHIGA's investment policy. A schedule of cash and investments is presented on pages 3-3 and 3-4.

As of October 31, and November 30, 2024, the TLHIGA's investments are shown below:

Cash and Money Market Funds

	October 31	November 30
Morgan Stanley Bank Deposit Program		
Expense funds	(5,894)	(5,894)
Insolvency Expense Account funds	22,984	22,984
Other Estate funds	(11,358)	(11,358)
Total Invested in Money Market Funds	\$5,732	\$5,732

Money Market Funds at JP Morgan		
Expense funds	(24,232,025)	(26,660,070)
Insolvency Expense Account funds	35,567,171	35,592,171
Other Estate funds	(6,465,320)	(6,747,872)
Total Invested in Money Market Funds	\$4,870,372	\$2,184,229

Money Market Funds at Morgan Money		
Expense funds	24,555,116	27,025,919
Insolvency Expense Account funds	(2,098,193)	(2,158,784)
Other Estate funds	26,608,144	67,846,456
Total Invested in Money Market Funds	\$49,065,067	\$92,713,591

Cash at Chase Bank		
Collection account	37,302	37,302
Expense funds	169,887	385,088
Claims account	40,996	(161,989)
Total Cash	\$248,185	\$260,401

Total in Cash and Money Market Funds	\$54,189,356	\$95,163,953
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Investments in US Treasuries

Morgan Stanley		
Expense	1,208,792	1,209,501
Insolvency Expense Account	25,319,098	25,336,137
Other Estates	2,668,030	2,669,868
Total Treasuries in Morgan Stanley	\$29,195,920	\$29,215,506

JP Morgan Securities		
Expense	1,693,628	3,741,576
Insolvency Expense Account	1,413,328	1,417,531
Other Estates	858,604	1,298,487
Total Treasuries in JP Morgan Securities	\$3,965,560	\$6,457,594

Total US Treasuries	\$33,161,480	\$35,673,100
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Total All Investments	\$87,350,836	\$130,837,053
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Treasury Bills (as of 1/3/25)

Maturity Dates	30 days	90 days	180 days	1yr	2yr
Yield	4.44%	4.35%	4.25%	4.18%	4.28%

JP Morgan Money Account Current Yield as of 1/3/25: 4.27%

JP Morgan Money Account Weighted Average Life as of 1/3/25: 97 days

As of November 30, 2024, the TLHIGA has purchased US Treasuries as shown below:

Maturity Date	Par Value	Market Value	Broker Account	Yield to Maturity (YTM)	Weighted Average YTM
12/31/2024	2,450,000	2,444,162	Morgan Stanley	4.529	0.3235
1/15/2025	2,000,000	1,991,514	JPM Securities	3.326	0.1857
1/30/2025	2,500,000	2,481,778	JPM Securities	4.374	0.3043
1/31/2025	24,685,000	24,667,643	Morgan Stanley	4.542	3.1406
3/15/2025	1,500,000	1,488,294	JPM Securities	3.490	0.1456
6/15/2025	500,000	496,008	JPM Securities	4.044	0.0562
6/30/2025	2,125,000	2,105,701	Morgan Stanley	4.330	0.2556
	\$35,760,000	\$35,675,100			4.398

Item 4

Consideration and possible action regarding the TLHIGA's Investment Policy



January 14, 2025 Assessment/Investment Committee Meeting

INVESTMENT POLICY

The TLHIGA's Investment Policy, Section 7(b) of the Plan of Operation, is included on pages 4-2 through page 4-5. The Committee will review the policy and recommend any changes, if deemed necessary, for consideration during the January 28, 2025, Board of Directors meeting.

Section 7. Operations.

(b) Assets, Deposits, and Investment Policy.

1. Investment objectives. All investments of the Association shall meet the following objectives in the order listed: (i) assuring maximum safety of funds invested and preservation of principal; (ii) maintaining sufficient liquidity to meet the Association's anticipated cash flow needs; and (iii) achieving the highest possible yield, net of any fees or early liquidation penalties. The Association shall attempt to match the maturity of its investments with its known and projected obligations. Association management shall report to the Board at the Board's regular quarterly meetings regarding the Association's investments.
2. Permitted Investment Entities. The Association may open and maintain accounts for funds of the Association in banks, savings and loan associations, other financial institutions, and the Texas Treasury Safekeeping Trust Company. Except for the Texas Treasury Safekeeping Trust Company, funds maintained in these financial institutions must be insured by a federal agency that provides for deposit insurance, or SIPC or a similar entity, and all investments must be in accordance with this policy.
3. Diversification, Limits, and Maturities. At all times the Association shall hold investments through at least two different entities or affiliates. Limits on particular types of investments, limits on investments per entity, and maturities of investments shall be determined by Association management and reviewed quarterly by the Board, taking into account the benefits, costs, and risks of holding investments in multiple entities and accounts.
4. Permitted Investments. Permitted investments may be made directly or through mutual funds, so long as all assets of the mutual fund meet the requirements for a permitted investment.

Investments not Requiring Board Approval. Funds of the Association may be invested and reinvested by the authorized representative of the Board, without prior Board approval in:

- (i) bonds, notes, securities or other evidences of indebtedness of the United States that are supported by the full faith and credit of the United States or that are guaranteed as to principal and interest by the United States.

Investments Requiring Board Approval. Funds of the Association may be invested and reinvested by the authorized representative of the Board with prior unanimous Board approval:

(ii) Letters of credit of the United States;

(iii) Obligations, including letters of credit, of agencies or instrumentalities of the United States;

(iv) Other obligations if the principal and interest are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities;

(v) Certificates of deposit and share certificates if each certificate is issued by a depository institution that has a main branch or branch office in the State of Texas, is guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor) or the National Credit Union Share Insurance Fund (or its successor), and is secured by the obligations permitted in 29.507(b)(4)(i-iv).

(vi.) Participation in the Certificate of Deposit Account Registry Service ("CDARS") through a CDARS network member that arranges for the deposit of funds in certificates of deposits in one or more federally insured depository institutions. The full amount of each of the certificates of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation (or its successor).

5. Prohibited Investments. The Association shall not invest in any investments not specifically identified and authorized in this policy.
6. Settlement. The settlement of all transactions, except for investment pool funds and mutual funds, shall be on a delivery versus payment basis.
7. In-kind Distributions from Receiverships. The Association may hold non-cash assets it receives as a distribution from a receivership estate in the form the asset is delivered without violating this investment policy. The Board shall approve all such distributions prior to delivery or distribution to the Association, and shall approve liquidation of such assets.
8. Authority. The Board may delegate deposit and withdrawal authority relating to its accounts to specified Association officers and employees and shall require those officers and employees to be covered by appropriate bonds or insurance. Money may be withdrawn from any of the Association accounts. Signatures of at least two persons authorized by the Board shall

be required on any withdrawals and transfers to accounts of third parties. Withdrawals or transfers between Association accounts shall require the written approval of the Association Executive Director and Senior Accountant.

9. Accounts. All assets of the Association deposited in accounts under this policy shall be deposited in the name of the Association and all other assets of the Association must be owned or held in the name of the Association. An up-to-date, current inventory of the assets of the Association, describing the type and location of assets, shall be kept as a part of the financial records of the Association, properly accounting for the cost or value of the assets and their depreciation, if any. The Board, from time to time may establish any additional procedures consistent with the Act for the handling of any assets of the Association.
10. Records. A record of all assets and deposits of the Association and all financial transactions of the Association, its agents, and the Board relating to the Association and documentation relating to all such assets, deposits, and transactions shall be made and maintained by the Association in accordance with generally accepted accounting standards.
11. Investment Income. Income from the investment of funds of the Association shall be allocated to the member insolvency to which it relates unless (i) there are no current or future projected claims or expense obligations related to that member insolvency, (ii) the amount of investment income is so small that it is impractical to allocate it to the member insolvency to which it relates, or (iii) it is otherwise impractical to allocate the investment income to the member insolvency to which it relates, then the investment income shall be allocated or transferred to the Association's Insolvency Expense Account.
12. Insolvency Expense Account. The Insolvency Expense Account shall be used to pay Association expenses for insolvencies (i) when the Board of Directors determines a Class B assessment is not cost effective because the Association's obligations for the insolvency are *de minimus*, or when an assessment would be imprudent or impractical, (ii) before a Class B assessment is made, (iii) when a Class B assessment cannot be made because the member insurer is never impaired, or (iv) as determined by the Board of Directors. Any amounts paid from the Insolvency Expense Account that are recovered by the Association in a Class B assessment or estate asset recoveries shall be repaid to the Insolvency Expense Account. Investment income earned on the Insolvency Expense Account shall be allocated to the Insolvency Expense Account.

13. Operating Expense Account. The Operating Expense Account is comprised of funds that are received through Class A assessments, and any other funds of the Association that are not allocable to a specific insolvency or the Insolvency Expense Account. The Association shall use funds in the Operating Expense Account to pay administrative expenses that are not related to insolvencies. Investment income earned on the Operating Expense Account shall be allocated to the Operating Expense Account.

Item 5

Consideration and possible action on assessments and refunds:

- A. Class A Assessment in 2025
- B. Class B Assessment in 2025
- C. Refunds
- D. Update on 2024 Class B Assessment
- E. Protest of 2024 Class B Assessment



ASSESSMENTS AND REFUNDS

CLASS A ASSESSMENT IN 2025

The TLHIGA has levied six Class A assessments totaling approximately \$10.74 million since it was created in 1973. Class A assessments are to provide funds to meet administrative and general expenses not related to a specific insolvency. The TLHIGA has minimized Class A assessments by using recoveries of administration expenses from receivership estates, investment earnings and the allocation of funds retained from closed insolvent estates to fund the ongoing administrative and general expenses of the TLHIGA.

Based on the Committee's recommendation, the Board of Directors adopted a practice of annually comparing the TLHIGA's financial position to the projected administration and general expenses in the Operating Budget during its first meeting of each calendar year. If necessary, a Class A assessment would be recommended in the amount needed to pay administration and general expenses for the calendar year. Previously, the TLHIGA had a practice to levy larger Class A assessments every 3-5 years to meet the projected expenses.

The Board adopted the following recommendations from the Committee for the use of the LMLIC/MSLIC funds:

- At its July 26, 2022 meeting, to authorize the use of the LMLIC/MSLIC funds to fund the 2021 shortfall and the 2022 administrative and general expenses rather than levying a Class A assessment. Staff implemented those instructions which resulted in the Administrative Expense fund being fully reimbursed for all general and administrative expenses.
- At its January 24, 2023 meeting, to authorize the use of the LMLIC/MSLIC funds to pay the 2023 administrative and general expenses.
- At its July 25, 2023 meetings, to authorize the transfer of the LMLIC/MSLIC excess funds to the Insolvency Expense Account ("IEA") to continue to fund the Class A expenses and pay LMLIC/MSLIC obligations, previously authorized obligations, and the life insurance obligations of seven specific insolvencies.

The Board adopted the following recommendations from the Committee for the use of the IEA funds:

- At its January 30, 2024 meeting, to authorize the use of the IEA funds to pay the 2024 administrative and general expenses.

From January 1, 2022 to November 30, 2024, the IEA funds have paid \$3,090,712 in Class A expenses. Since the Board has provided for the funding of the Class A expenses, a Class A assessment was not needed in 2024. Due to the higher interest rates for much of 2024, the TLHIGA has been able to offset many expenses with interest earned on cash in its accounts. Since the last A/I Committee Report, the administrative expenses totaled \$510,919 and the interest allocated to the administrative account was \$633,999. At this time, the administrative account has a surplus of \$745,043 due to the interest earned in 2024.

The estimated administrative expenses for 2025 are \$1,818,058. The TLHIGA has estimated that it will earn \$2,054,990 in interest over the year using the current US Treasury yields and expected cash outflows and inflows. Management does not anticipate that a Class A assessment will be necessary in 2025; however, management must caution that due to the unpredictable nature of life, health, and annuity insolvencies, circumstances may arise that will substantially change the factors used in the estimates. The Committee may choose to address those as they arise or recommend a resolution to the Board to pay any necessary Class A expenses from the Insolvency Expense Account as needed. A draft resolution is presented on page 5-5 should the Committee choose to recommend it to the Board.

CLASS B ASSESSMENT IN 2025

Similar to the Class A assessment expenses, the Board authorized the use of the IEA funds to pay the insolvency related expenses for certain insolvencies that borrowed funds in 2022 and for their ongoing 2023 expenses. These Class B expenses were paid from the IEA funds in lieu of a Class B assessment in 2022 or 2023.

At its July 25, 2023 meeting, the Board adopted the recommendation from the Committee to authorize the payment of certain insolvency expenses from the IEA. The TLHIGA will continue to use the IEA to pay those obligations until instructed otherwise by the Board, the IEA is completely exhausted, or there are no more expenses for those insolvencies.

Friday Health Insurance Company ("FHIC") - A liquidation order was entered against FHIC on March 23, 2023, activating the TLHIGA to provide protection for the covered policy obligations. Due to the scope of the insolvency, the potential for both the administration expense and covered policy obligations to be fully funded from estate assets, and the Board's actions, FHIC was not included in the insolvencies/estates that are being funded by the IEA funds. FHIC is currently borrowing funds from IEA with the expectation that the loans will be repaid from estate asset distributions.

On December 19, 2023, the TLHIGA received \$25 million in early access distributions from the FHIC estate. These funds repaid the intercompany borrowings, and the excess was used to fund the TLHIGA's continuing FHIC obligations. The FHIC obligations have exceeded the \$25 million early access distribution, so intercompany loans have been made to FHIC from the IEA. The TLHIGA submitted a request for a second early access distribution of \$21.4 million. It is

anticipated the distribution will be made in the first quarter of 2025 and will repay any Friday intercompany loans and fund future FHIC expenses.

Bright Healthcare Insurance Company of Texas (“BHICOT”) - A liquidation order was entered against BHICOT on November 29, 2023, activating the TLHIGA to provide protection for the covered BHICOT policy obligations. The TLHIGA has funded the BHICOT obligations and expenses from existing funds using the intercompany loan process authorized by the Board. The TLHIGA submitted a request for an early access distribution of \$8.7 million. It is anticipated the distribution will be made in the first quarter of 2025 and will repay any BHICOT intercompany loans and fund future BHICOT expenses. Based on the scope of the insolvency and the potential for both the administration expense and covered policy obligations to be fully funded from estate asset distributions, management does not recommend a Class B assessment for BHICOT.

Bankers Life Insurance Company (“BLIC”) and Colorado Bankers Life Insurance Company (“CBLIC”) - A liquidation order was entered against BLIC and CBLIC on December 30, 2022. The liquidation order stated it would be effective 90 days after a final resolution of any challenges to the liquidation order. GBIG Holdings, owner of BLIC and CBLIC, appealed the order and the North Carolina Court of Appeals affirmed the Liquidation Order on March 5, 2024. GBIG Holdings then filed a Petition for Discretionary Review with the North Carolina Supreme Court, further delaying the possible effective date of the Liquidation Order. On August 23, 2024, the North Carolina Supreme Court granted the holding company’s Motion to Withdraw the Petition for Discretionary Review of the Liquidation Order against CBLIC and BLIC. As a result, the Liquidation Order Effective Date was November 30, 2024.

The estimated covered cash surrender values for the life insurance policies and annuity contracts held by Texas residents for BLIC and CBLIC are projected to total \$102,183,422 as of June 30, 2024. The Committee held a special meeting on April 16, 2024 to discuss these two insolvencies and recommended the Board of Directors authorize a \$102.2 million Class B assessment. At its April 22, 2024 meeting, the Board authorized the \$102.2 million Class B assessment. After refining the obligations, and in consultation with the Board Chair and the A/I Committee Chair, it was agreed to call \$98.5 million of the authorized Class B annuity assessment. The assessment invoices were distributed on October 15, 2024 with a due date of December 2, 2024.

At this time, management does not recommend either calling the remainder of the authorized Class B assessment or authorizing an additional Class B assessment. The Committee will review the funding needs again in July 2025.

As always, management presents the Cash Available/Need schedule on page 5-6 for the Committee’s review.

REFUNDS

For each insolvency, the Board of Directors evaluates whether to refund any funds collected through Class B assessments, receivership asset distributions, and recoveries from other sources that exceed its remaining administration costs and payments for obligations under covered

insurance policies. The Cash Available/Need Schedule provides the Committee with the current net position of each estate. Management continually monitors these positions and reviews them with the Committee twice annually, to determine if there are funds that should be considered for refund. This schedule has been updated to reflect the Board's creation of the IEA and the transfer of specific funds into that account as authorized by the Board of Directors.

Management reviewed the Cash Available/Needs Schedule and did not find any material amounts the Committee should recommend be refunded in 2025.

2024 CLASS B ASSESSMENT UPDATE

The TLHIGA Board of Directors authorized a \$102.2 million Class B assessment for BLIC and CBLIC of \$102.2 million. Bart Boles and Jarett Terry reviewed updated coverage estimates with Board Chair James Huckaby and Assessment/Investment Committee Chair Jim Harrison on October 2, 2024 and it was agreed to call \$98.5 million of the authorized assessment. The assessment invoices were distributed on October 15, 2024 to 233 member companies with a due date of December 2, 2024. The largest assessment amount was \$11,563,488. As of December 12, 2024, 25 member companies have not paid their assessments totaling \$9,132,386.

2024 CLASS B ASSESSMENT PROTEST

On Friday, November 29, 2024, the TLHIGA received an email from a member company protesting their assessment. They stated the grounds for their protest are material overstatements in the assessable premiums. The company had reported the premiums on their Texas Life, Health, and Annuity Guaranty Association Assessable Premium Exhibits to their Annual Statement for 2021, 2022, and 2023 ("Assessable Premium Exhibits"), which were then used by the TLHIGA to calculate the assessment. The company stated they are working to correct, and file corrected assessable premium exhibits. Executive Director Boles sent an email confirming receipt of the assessment appeal letter. The email stated that the TLHIGA's acknowledgement did not constitute the filing of the appeal with the Commissioner of Insurance as required by Tex. Ins. Code § 463.401(a) and specifically noted in the Notice of Class B Assessment. The company subsequently submitted their appeal to Commissioner Brown. It should be noted that this company also filed assessment appeals/protests with 17 other guaranty associations. NOLHGA is coordinating communications among the guaranty associations regarding the appeals. The Committee will discuss this matter during the Executive Session of the meeting.



RESOLUTION ON CLASS A ASSESSMENT

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

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 2025 general and administrative expenses from the Insolvency Expense Account funds.



**CASH AVAILABLE/NEED SCHEDULE
AS OF NOVEMBER 30, 2024**

Estate Name	Estate Number	Year of Activation	Last Year Assessed	Line of Business	Total Cash, Cash Equiv & Investmnt	Plus	Less	Total Net Position	Potential Class B Assessment	Available For Refund
						Total Receivables & Other Assets	Total Payables & Contractual Obligations			
American Medical & Life ¹	094			H	6,780.94	(9.62)	0.00	6,771.32		
AMS	009	1992	1994	LH	68.12	(0.10)	0.00	68.03		
Bankers Life	099	2024		LA	44,260,800.14	9,508,370.57	(53,816,027.00)	(46,856.29)		
Benicorp	076	2007	2013	H	9,938.63	145.62	0.00	10,084.26		
Bright Healthcare ²	104	2023		H	(716,560.62)	0.00	(11,180,434.91)	(11,896,995.53)		
Calanthe Mutual	095	2020		LH	10,210.97	(276.09)	(760,894.00)	(750,959.12)		
Colorado Bankers	100	2024		LA	36,586,417.22	7,847,763.43	(44,327,688.00)	106,492.65		
Executive Life	003	1991	2007	LA	364,337.63	844.27	(158,240.00)	206,941.90		
Friday HealthCare ²	105	2023		H	(1,462,382.25)	2,021.92	(12,238,455.52)	(13,698,815.85)		
Golden State	085	2011	2013	L	(3,596.05)	0.00	(20,000.00)	(23,596.05)		
Heritage National	055	2001	2002	H	9,758.69	(16.72)	0.00	9,741.97		
Imerica	086	2010	2013	H	236,115.00	5,088.54	0.00	241,203.54		
Interntnl Fin. Srvc	048	1999	2000	LH	0.00	0.00	(913.00)	(913.00)		
Lumbermans	091	2013	2014	H	294,069.11	(195.59)	0.00	293,873.52		
National Heritage	029	1995	1997	LA	0.00	(0.00)	(26,530.00)	(26,530.00)		
National State	090	2010	2013	LH	2,103,264.57	219.47	(1,676,800.00)	426,684.04		
North Carolina	097	2022		L	(992,264.13)	16.28	(2,465,036.00)	(3,457,283.85)		
Northwestern Natl	096	2019		H	106,702.11	(37.71)	(134.00)	106,530.40		
Penn Treaty	054	2017	2017	H	11,367,242.68	25,794.23	(22,824.00)	11,370,212.91		
PHL ¹	106			A	(4,033.74)	0.00	0.00	(4,033.74)		
SHIP ¹	098			H	(0.00)	0.00	(95,294.00)	(95,294.00)		
Southland National	101	2023		L	6,350.73	63.63	(7,400,416.00)	(7,394,001.64)		
Time Ins Co	102	2022		LHA	103,293.20	(212.40)	(99,990.23)	3,090.57		
Universal Life	084	2010	2012	L	362,565.30	363.85	(325,518.00)	37,411.15		
Insolvency Expense Acct	001				33,493,673.27	19,197,241.40	(82,877.00)	52,608,037.67		
TOTAL					126,142,751.56	36,587,184.98	(134,698,071.66)	28,031,864.88		

¹TLHIGA Not Activated

²Early Access Full Recovery Anticipated

Item 6

Executive Session:

- A. Potential and pending litigation
- B. Advice from Counsel

Item 7

Consideration and possible action on items discussed in Executive Session

Item 8

Consideration and possible action regarding the Committee's 2025
Calendar of Activities and next meeting date



COMMITTEE'S 2025 CALENDAR OF ACTIVITIES AND NEXT MEETING DATE

Included on pages 8-2 to 8-3 are the portions of the 2025 Calendar of Activities relating to the Assessment/Investment Committee. It reflects meeting dates and related activities based on those meeting dates, including the items known at this time that may be addressed. The items shown in red are specific responsibilities for the Assessment/Investment Committee Chair.

The next Committee meeting is tentatively scheduled for **Monday, July 21, 2025**.



2025 Calendar of Activities (ASSESSMENT/INVESTMENT COMMITTEE) updated as of 12/15/24

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
5	A-I	CH	1/14/25 1:00 PM virtual	Assessment/Investment Committee Meeting - 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 - Consider the necessity for a Class A and/or a Class B Assessment and/or refund in 2025	
8	BOD A-I PER	CH CH CH	1/28/25 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 2025 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 2025 PERS COMM CHAIR will report on the Committee's discussion regarding: - Review of benefits, compensation and training components in 2025 Operating Budget, including staff compensation - Report from 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	
27	A-I	CH	7/2/25	A-I COMM CHAIR and counsel will be provided the draft agenda for the July 21, 2025 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.	
30	ED		7/10/25	EXECUTIVE DIRECTOR (or staff) will file the final agendas for the July 21, 2025 Personnel and A-I Committees' meetings with the Texas Secretary of State's office.	
33	A-I	CH	7/21/25 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 2025 - Review of the Committee's Charter	



2025 Calendar of Activities (ASSESSMENT/INVESTMENT COMMITTEE) updated as of 12/15/24

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
35	BOD A-I PER	CH CH CH	7/29/25 8:30 AM	<p>Board of Directors Meeting</p> <p>A-I COMM CHAIR will provide a report to the Board of Directors that includes the following:</p> <ul style="list-style-type: none"> - Necessity for a Class B assessment or credit refund in 2025 - Any recommended revisions to the Investment Policy - Any recommended changes to investments - Any recommended changes to the A/I Committee Charter <p>PERS COMM CHAIR will provide a report to the Board of Directors that includes the following:</p> <ul style="list-style-type: none"> - Any actions on the benefits provided to TLHIGA employees - Review elements of the Executive Director's Executive Employment and Deferred Compensation Contract - Revisions to succession plans <p>Executive Session confidential discussion of financially troubled member insurance companies</p> <p>Review and possible actions on various active member company receiverships</p> <p>Executive Director's report on operations</p> <p>Review of IRS Form 990</p> <p>Corporate governance enhancements</p> <p>Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)</p>	
51	A-I	CH	1/5/26	<p>A-I COMM CHAIR will review the draft agenda for the January 20, 2026 Committee meeting with the Executive Director to determine the order of the items and whether additional items should be added or deleted.</p>	