



**TLHIGA**

Texas Life & Health Insurance  
Guaranty Association



***2025  
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 2025.  
The information is general in nature and is not legal advice.*

# TABLE OF CONTENTS

Report from the Chair .....	2
Description of the TLHIGA and Its Board of Directors .....	3
Board of Directors and Committees.....	4
Corporate Governance.....	5
Overview of Operations	
<i>General</i> .....	6
<i>NOLHGA Activities</i> .....	6
<i>Active Receiverships</i> .....	7
<i>Policy Benefit Payments</i> .....	7
<i>Remaining Policy Benefit Obligations</i> .....	8
<i>Summary of Recoveries</i> .....	9
<i>Consumer Services</i> .....	9
Activities on Insolvencies	
<i>Bright Healthcare Insurance Company of Texas</i> .....	10
<i>Southland National Insurance Corporation</i> .....	10
<i>Bankers Life and Colorado Bankers Life Insurance Companies</i> .....	11
<i>Friday Health Insurance Company, Inc.</i> .....	12
<i>Penn Treaty and American Network Insurance Companies</i> .....	13
<i>Executive Life Insurance Company</i> .....	14
<i>Additional Insolvency Activity</i> .....	15
Litigation.....	15
Assessments and Refunds .....	16
Financial Reporting and Audit .....	18
Independent Auditor’s Report and Financial Statements .....	19

## REPORT FROM THE CHAIR

I am pleased to submit the 2025 Annual Report for the Texas Life and Health Insurance Guaranty Association (“TLHIGA”). This is the 33rd annual report since the Texas Legislature privatized the TLHIGA’s operations from within the Texas Department of Insurance.

The TLHIGA was not activated to provide protection to any additional member companies during 2025. There are ongoing statutory protections being provided to policyholders for nine member companies that were placed into liquidated in prior years. As of year-end 2025, the TLHIGA estimates aggregate future costs of approximately \$10.8 million to provide protection to Texas policyholders of these nine insolvencies.

The Board of Directors continued to meet quarterly. Director Pati McCandless resigned from the Board of Director on April 29, 2025. Blake Brodersen of Blue Cross Blue Shield of Texas was appointed to fill Ms. McCandless’ seat on the Board of Directors. Two directors, James Lewis and Dean Frigo, did not seek reappointment to the Board when their terms expired on September 30, 2025. Both had served on the Board for more than seventeen years. Their exemplary service has been appreciated.

An ad hoc Executive Director Search Committee was formed in January 2025 to conduct the process to identify a candidate to assume the position. Their work concluded and Jan Graeber was selected to be the Executive Director when Bart Boles retires at year-end 2026.

The TLHIGA continued its high level of participation in the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”). TLHIGA staff chair or serve 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 E. Huckaby*

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

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 directed 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.

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.

Director Pati McCandless resigned from the Board of Directors on April 29, 2025. Blake Brodersen was appointed on this same date to fill her seat on the Board.

Directors James Lewis and Dean Frigo chose not to seek reappointment to the Board when their terms expired on September 30, 2025. Director Lewis served more than seventeen years on the Board, including nine years as the Chair and service on several Board committees. Director Frigo served more than eighteen years on the Board including as an officer and seventeen years as chair of the Audit Committee. Their seats on the Board remained vacant at year-end 2025.

## BOARD OF DIRECTORS

*as of December 31, 2025*

### **James E. Huckaby, Chair**

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

### **James M. Harrison, Vice-Chair**

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

### **Ted Kennedy, Secretary**

Vice President, Co-Head State Government  
Affairs  
American International Group, Inc.  
Houston, Texas. Director since 2015  
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, 2031

### **Frank L. Beaman**

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

### **Blake Brodersen**

Sr. Associate General Counsel  
Blue Cross Blue Shield of Texas  
Richardson, Texas. Director since 2025  
Current term expires September 30, 2029

### **Vacant**

Public Representative

### **Vacant**

Small Company Representative

### ***Legal Counsel to the Association***

#### **Dan Price**

Shanley Price, LLP  
Austin, Texas

### ***Executive Director***

#### **Bart A. Boles**

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## BOARD COMMITTEES

*as of December 31, 2025*

### ***Executive Committee***

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

### ***Audit Committee***

Mark Williams, Chair  
Frank Beaman  
Blake Brodersen

### ***Assessment/Investment Committee***

James M. Harrison, Chair  
Ted Kennedy  
Mark Williams

### ***Personnel Committee***

David Sommer, Chair  
Frank Beaman  
James Harrison  
James Huckaby

### ***Executive Director Search Committee***

Ted Kennedy, Chair  
Frank Beaman  
James M. Harrison  
James Huckaby

# 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, and
- Texas Public Information Act.

Specific corporate governance activities during 2025 included:

- General Counsel conducted annual training on Board of Director fiduciary duties,

- Adopted revisions to the Board of Directors Corporate Governance Guidelines,
- Reviewed and adopted revisions to the Business Continuity Plan,
- Reviewed and adopted revisions to the Critical Functions Report,
- Reviewed and approved the 2024 Annual Report,
- Reviewed and adopted 2024 financial audit,
- Adopted the 2025 Audit Plan,
- Reviewed draft IRS Form 990 for 2024,
- Reviewed the commercial insurance coverages,
- Conducted annual review of the charters for all standing committees,
- Personal Financial Statements were 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 not activated to provide its statutory protection of policyholders for any additional member companies in 2025. It conducted substantial work on operations and eleven other 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, Assessment Data Task Force, Members' Participation Council Executive Committee, and several special issues committees.

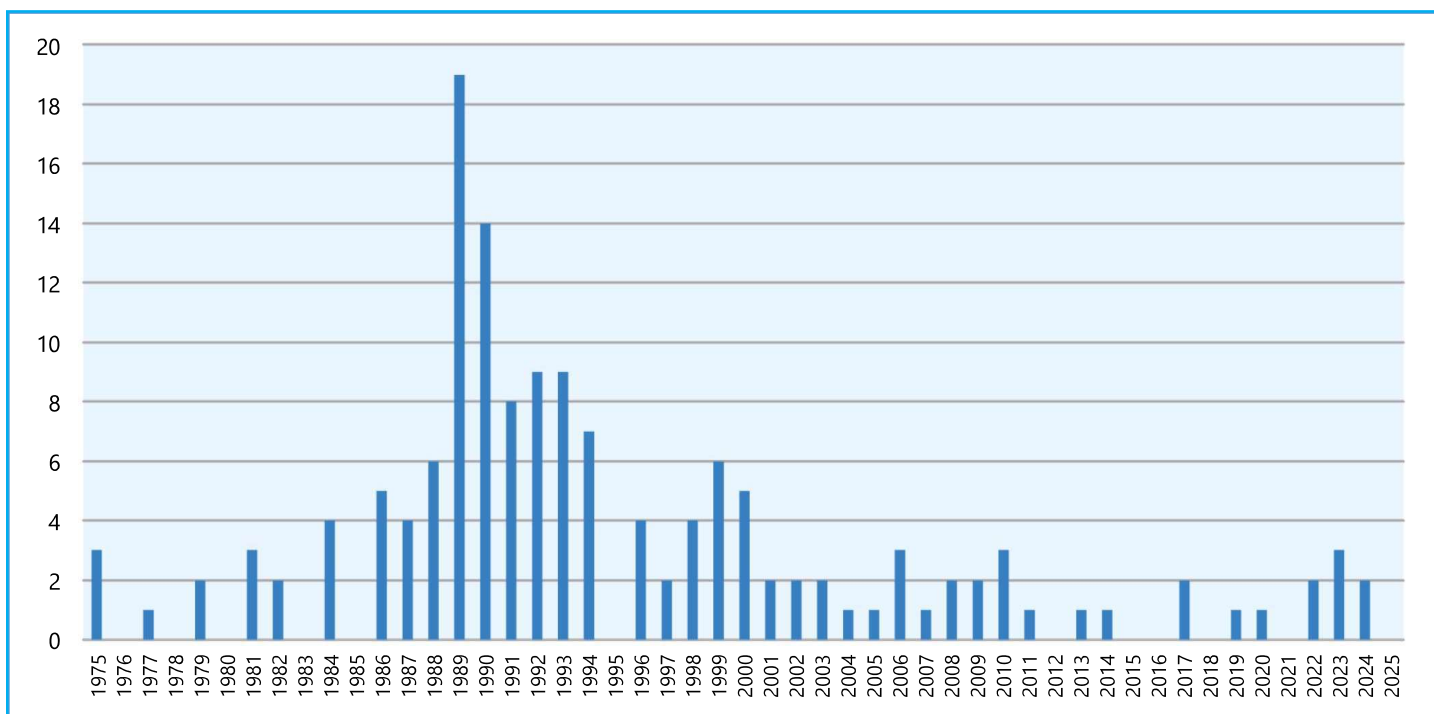
Being a member of NOLHGA is another tool the TLHIGA uses to better protect the Texas residents who own life, health, and annuity policies with insolvent member companies.

## ACTIVE RECEIVERSHIPS

At the beginning of 2025, there were 16 active receiverships of foreign and domestic member insurance companies that had been found to be insolvent and ordered to be liquidated by a court.

There were two receiverships closed in 2025. There remain 14 open receivership estates, 10 of which are foreign-domiciled member companies and 4 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 10,102 direct claims, totaling approximately \$84,194,424 during 2025. These claims were from nine different insolvent companies. Claims from seven were processed and paid by third-party administrators under service agreements with funding from the TLHIGA, and two 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

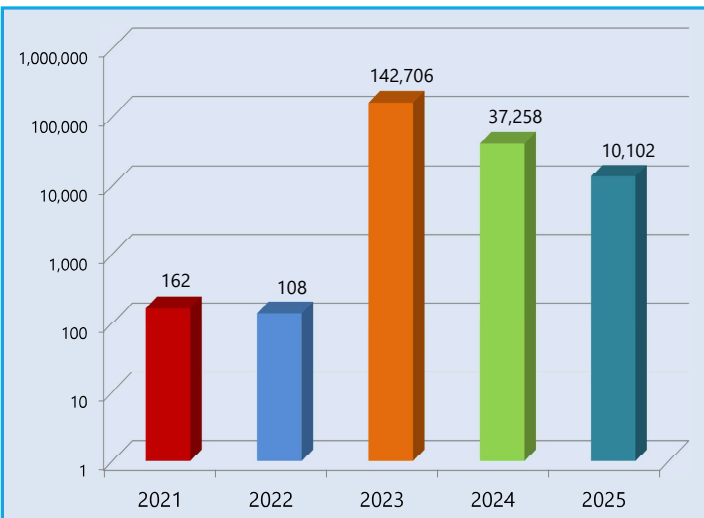
The TLHIGA is a party to both assumption and coinsurance reinsurance transactions. During 2025, the TLHIGA paid \$25,023 under an ongoing, multi-year assumption reinsurance agreement that transferred the covered insurance policy obligations of Executive Life Insurance Company to another company and \$128,350 to defease the remaining payment obligations under this multi-year agreement.

Also in 2025, the TLHIGA authorized the release of \$18,513,287 to a solvent insurance company in an

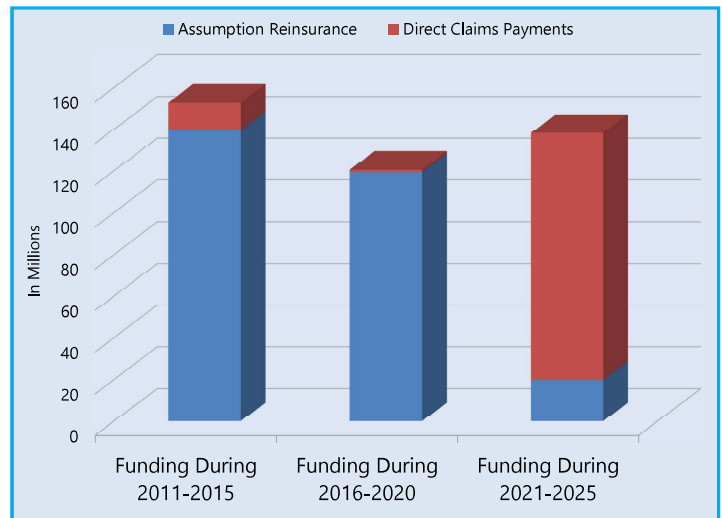
assumption reinsurance transaction to cede a large majority of its obligations for the Bankers Life Insurance and Colorado Bankers Life Insurance companies. The funding transfer will be in early 2026.

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 reinsurance company in 2017. During 2025, the captive paid benefits to the Texas resident policyholders of these two insolvent companies totaling \$9,901,262 with the funding provided by the TLHIGA in 2017.

**NUMBER OF DIRECT CLAIMS PAYMENTS 2021-2025**



**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. These estimates are updated monthly based on the best information available

and are subject to change. The methodology used to produce the estimates are reviewed annually by an independent, third-party actuary.

As of year-end 2025, the TLHIGA estimates its aggregate future policy benefit obligations to be approximately \$10.82 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 state-

ments as a receivable. The amount of any anticipated 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.

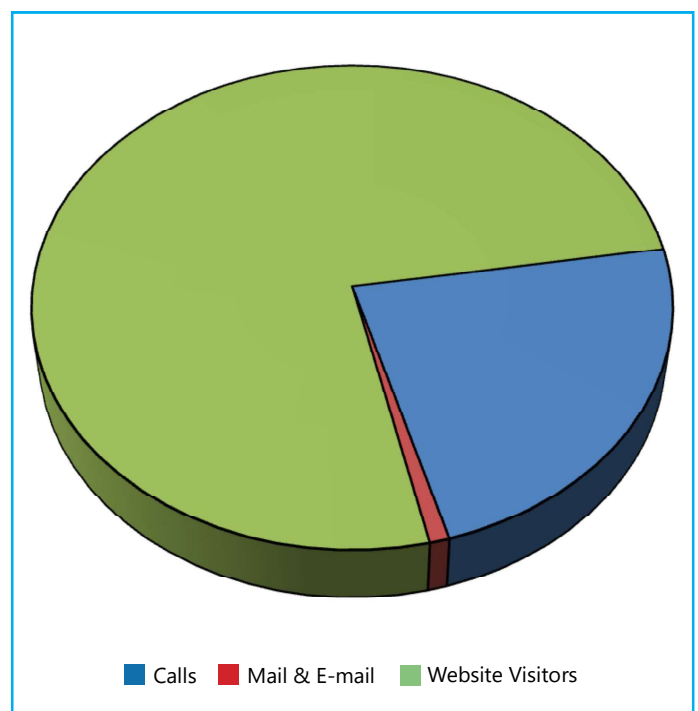
The TLHIGA has continued to file updated proofs of claim with receiverships. As of year-end 2025, the TLHIGA had filed outstanding claims totaling approximately \$517 million with receivership estates that remain open as active court proceedings. It is not possible to project what amount of recoveries 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 2025 totaled approximately \$65,320,053.

## 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](http://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 2025, the TLHIGA received a total of 2,363 phone calls through its direct or toll-free phone numbers, logged 7,813 visitors to its website, and fielded 95 e-mail and mail requests for information.

### 2025 CONSUMER SERVICES



# ACTIVITIES ON INSOLVENCIES

During 2025, the TLHIGA provided ongoing coverage and/or paid policy benefits for ten insolvencies. The following eight insolvencies are specifically mentioned since they had significant activities during 2025.

## 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, almost eleven months prior to the entry of the liquidation order. The TLHIGA became responsible for conducting the runoff administration to evaluate the remaining claims and appeals on these terminated policies for possible coverage.

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.

The TLHIGA initiated its processing and funding of covered insurance policy obligations under the service agreement with Evolent. During 2023, 2024 and 2025, the TLHIGA addressed 11,424 claims and paid benefits totaling \$4,740,922 through this process. The TLHIGA also researched, evaluated, and resolved over 1,600 claims appeals and disputes submitted by insureds and providers. As of year-end 2025, the TLHIGA staff has completed the processing of all claims and appeals. Additional policy and claims research may be necessary to support the Special Deputy Receiver's ongoing evaluation of Proofs of Claim that were filed against the receivership.

The TLHIGA received an \$8,659,686 early access distribution from the Special Deputy Receiver of the BHICOT receivership estate on February 25, 2025. A request for another early access distribution is being assembled for submission to the Special Deputy Receiver in the first quarter of 2026. It is anticipated that BHICOT receivership distributions will be sufficient to meet the TLHIGA's expenses and claims obligations related to BHICOT without the need for a Class B assessment.

## SOUTHLAND NATIONAL INSURANCE CORPORATION

Southland National Insurance Corporation ("SNIC") was a North Carolina domiciled insurance company that sold pre-need funeral policies. SNIC was part of a group of insurance companies owned by GBIG Holdings LLC (GBIG Holdings), which in turn is part of a larger group of companies known as Global Growth (f/k/a Eli Global). The Superior Court of Wake County, North Carolina, placed SNIC 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 are paid by the guaranty associations as they come due. The TLHIGA funded policy benefits totaling approximately \$405,710 in 2023, \$870,596 in 2024 and \$591,735 in 2025 for a total since being activated for SNIC of \$1,868,041.

On October 1, 2024, the TLHIGA and the other guaranty associations providing protection for the SNIC policy obligations distributed a Request for

Proposals for Assumption Reinsurance for the remaining covered life insurance policy obligations. At the time of the RFP distribution, there were 65,988 active life insurance policies with reserves totaling \$119.9 million. Of these policies, 3,034 with reserves of \$10.7 million are protected by the TLHIGA. After a number of extensions to permit all interested parties access to the policy data, several proposals were submitted. One proposal has been accepted and the assumption reinsurance agreement is being developed. It is anticipated an assumption transaction will be finalized to transfer the covered insurance policy obligations in the first half of 2026.

## **BANKERS LIFE AND COLORADO BANKERS LIFE INSURANCE COMPANIES**

Bankers Life Insurance Company ("BLIC") and Colorado Bankers Life Insurance Company ("CBLIC") were North Carolina domiciled insurance companies that were part of a group of insurance companies owned by GBIG Holdings LLC (GBIG Holdings), which in turn is part of a larger group of companies known as Global Growth (f/k/a Eli Global). The insurance obligations of BLIC and CBLIC were primarily annuities with some life and health insurance.

BLIC and CBLIC had been placed in rehabilitation on June 27, 2019.

On November 1, 2022, the Rehabilitator filed a petition in the Receivership Court seeking to place BLIC and CBLIC into liquidation. After a protracted period of discovery and hearings, the Receivership Court issued an Order on December 30, 2022 granting the petition for liquidation of BLIC and CBLIC. Per the terms of the Order, the Order would become effective the first month-end occurring on or after ninety (90) days after the favorable conclusion of all appeals. On January 27, 2023, GBIG Holdings filed a Notice of Appeal of the Order of Liquidation with the North Carolina Court of Appeals. GBIG Holdings later filed a motion to withdraw its Petition for Discretionary Review of the Liquidation Order, and on August 23, 2024, the Court of Appeals granted GBIG's motion.

As a result, the Liquidation Order became effective on November 30, 2024. The Liquidation Order activated the guaranty associations in all fifty states to provide the statutory coverage for the policy obligations owned by residents of their states.

In 2024, the NOLHGA task force on behalf of the guaranty associations affected by the BLIC/CBLIC liquidations entered into a Service Agreement with the third-party administrator, Actuarial Management Resources ("AMR"). Effective November 30, 2024, AMR began servicing BLIC's and CBLIC's policy obligations covered by the guaranty associations.

During 2025, the TLHIGA funded \$82,937,549 of covered annuity contract and life insurance benefits through AMR. The remaining covered annuity and life obligations were included in assumption reinsurance agreement with Continental General Insurance Company. The assumption agreement closed on December 15, 2025 with the TLHIGA's share of the transfer cost being \$18,416,328. The transfer cost for all of the guaranty associations totaled \$332,519,232. There are a small number of policies with reported but incomplete claims totaling approximately \$170,000 that did not transfer and will remain the TLHIGA's responsibility. It is anticipated the processing of these claims will be completed and the payments made in early 2026.

## 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 and all exchange policies were terminated on or before December 31, 2022.

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 entered into an administration agreement with 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 2025, the TLHIGA had processed 167,819 claims with benefit payments totaling approximately \$27.6 million, with \$435,631 of that amount being paid in 2025. The TLHIGA continues to negotiate a settlement of a \$5 million payment demand submitted by one provider group. The final amount that may be necessary to settle this demand remains unknown.

The TLHIGA received an initial early access distribution of \$25 million from the Special Deputy Receiver of the FHIC receivership estate on December 9, 2023. A second early access distribution of \$21.5 million was requested and received on February 25, 2025.

As of year-end 2025, the TLHIGA has paid \$15.1 million of administration expenses and \$27.6 million of FHIC insurance policy obligations. It is anticipated that FHIC receivership distributions will be sufficient to meet the TLHIGA's obligations related to FHIC without the need for a Class B assessment.



## 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 shareholders, agents, guaranty associations, and a small number of large health insurance companies. Ultimately, the rehabilitation petitions were converted to 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 asso-

ciations equal to 90% of the discounted liability at 4.25%. The TLHIGA funded \$126,402,822 to LTC RE, including \$9,353,174 of early access distributions from the receivership estates. The TLHIGA has no amounts currently owed to LTC Re.

Oversight of policy and claims administration activity continued in 2025. Davies Life & Health ("Davies") is the third-party administrator that administers Penn Treaty and ANIC policies covered by the 45 guaranty associations that are members of LTC Re and two guaranty associations that access Davies' administration services through NOLHGA. The Policy and Claims Administration ("PACA") Working Group, chaired by the TLHIGA Executive Director, and the Coordination and Strategy ("C&S") Committee, on which the TLHIGA Executive Director serves, oversee policy and claims administration activities.

On January 1, 2025, a realignment in the oversight of Davies was implemented. The PACA Working Group and the C&S Committee were dissolved and the TPA Oversight Committee ("TOC") created to take their place. The TLHIGA Executive Director was asked to serve on TOC. Other steps are being developed to streamline the oversight of policy and claims administration activities.

An ancillary program related to the policy and claims administration continued during 2025. The electronic visit verification ("EVV") program for home healthcare claims that was launched in 2023 continued in 2025. The EVV program is administered by Davies and an outside vendor, AssuriCare (now operating under the name "Wellcove"). It was designed to help identify fraud/waste/abuse, promote efficiencies in the claims submission process, and improve the policyholder experience for claims involving home health care services provided by private and family caregivers. Guaranty association and LTC Re representatives are working closely with Wellcove and Davies to monitor the EVV program and to review possible instances of fraud/waste/abuse.

Benefit payments from March 1, 2017, through December 31, 2025, under the policies protected by the TLHIGA and paid with the funds provided

by the TLHIGA to LTC Re, totaled \$102,703,157 (\$1,918,260,875 by all of guaranty associations). An additional \$6,489,189 of cash buyout payments (\$133,102,987 by all guaranty associations) 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 \$109,192,346 (\$2,051,363,862 by all guaranty associations). Premiums totaling \$347,498,670 have been collected for the Texas policies protected by the TLHIGA (\$671,027,225 by all guaranty associations). There remain 1,405 Texas policies in force (298,839 for all guaranty associations) with 230 open/pending Texas claims (3,444 for all guaranty associations) as of December 31, 2025.

The TLHIGA continues to monitor the ongoing runoff 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.

## EXECUTIVE LIFE INSURANCE COMPANY

Executive Life Insurance Company ("ELIC") was a California domiciled insurance company that wrote life insurance, structured settlement annuities, group annuities and guaranteed investment contracts. ELIC invested heavily in the junk bond market, seeking returns to offset the very competitive rates of return it guaranteed under its insurance contracts. When the junk bond market collapsed in late 1990 and early 1991, ELIC faced a liquidity crisis because of substantial increases in policyholder withdrawals. The California court placed ELIC under a conservation order on April 11, 1991. A liquidation order was entered on December 6, 1991.

The covered insurance policy obligations, for the affected guaranty associations, were transferred to Aurora National Life Assurance Company ("Aurora") in 1993 as part of the court-approved Rehabilitation Plan. Through the Enhancement Agreement to the Rehabilitation Plan, the TLHIGA made annual payments to Aurora to satisfy their obligations to policyholders. Since 1992, the TLHIGA has continued to fund its annual installment payment obligations to Aurora. In May 2012, the TLHIGA made a defeasance payment of \$39,231,008 to eliminate \$73,758,402 of estimated remaining aggregate installment payment obligations. The TLHIGA remained obligated for annual installments under

Articles 22 and 23 of the Enhancement Agreement, since these were not included in the defeasance mechanism of the Agreement.

In 2025, the NOLHGA Task Force, chaired by the TLHIGA's Executive Director, negotiated a defeasance of the remaining annual installment obligations under Articles 22 and 23. The TLHIGA paid \$153,373 to Aurora to eliminate its estimated remaining installment obligations that totaled \$190,863. The defeasance payments for all of the guaranty associations totaled \$1,437,529. The defeasance transaction was closed and funded on October 1, 2025.

The TLHIGA made direct payments to Aurora of \$252,207,050 through the annual installments and the defeasance payments. In addition, the TLHIGA's share of distributions from the Executive Life Insurance Company trusts and the receivership estate totaling approximately \$31,232,433 were paid to Aurora through the installment mechanism. The total paid to Aurora by the TLHIGA through both the direct payments and distributions totaled \$283,439,483. The TLHIGA also paid administration expenses for ELIC that totaled \$5,554,516. The TLHIGA has now finalized its obligations for this insolvency for which it was activated in 1991, more than thirty-four years ago.

## ADDITIONAL INSOLVENCY ACTIVITY

The TLHIGA continues to provide coverage of policy benefits for the following six insolvencies (listed alphabetically) through ongoing administration of active policies:

- Calanthe Mutual Life Insurance Company,
- Golden State Mutual Life Insurance Company
- Lincoln Memorial Life Insurance Company,

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

In 2025, the TLHIGA paid a total of \$133,494 in life and health policy benefits 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 2025, 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 investigated one claims related lawsuit that had been filed against Bright Healthcare Insurance Company of Texas ("BHICOT") prior to the entry of the liquidation order against BHICOT. The investigation revealed that there was a covered claim for benefits due under the BHICOT policy. TLHIGA resolved the covered claims dispute and obtained a release of the Association from any potential litigation.

# ASSESSMENTS AND REFUNDS

## *Assessments*

The TLHGIA 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 TLHGIA's Class A assessments total approximately \$10.74 million. In 2025, the TLHGIA's Board of Directors did not authorize a Class A assessment. Investment earnings, allocation of expenses attributable to receivership estates, receivership estate recoveries, and retention of certain amounts from closed receivership estates have been sufficient to eliminate the need for Class A assessments. The TLHGIA'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. The Board of Directors did not authorize a Class A assessment in 2025.

Class B assessments may be authorized and called to obtain the funds needed to fulfill the TLHGIA's administrative expenses and covered 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. In 2025, the Board of Directors did not authorize a Class B assessment.

Member companies and HMOs may protest TLHGIA assessments to the Texas Commissioner of Insurance in accordance with the TLHGIA's governing statute. As of year-end 2025, there remains one unresolved member company protest of their October 2024 Class B assessment.

The total Class B assessments since the formation of the TLHGIA is approximately \$1.023 billion. The chart on the next page reflects the amounts assessed by account since inception, in five-year groupings.

## *Refunds*

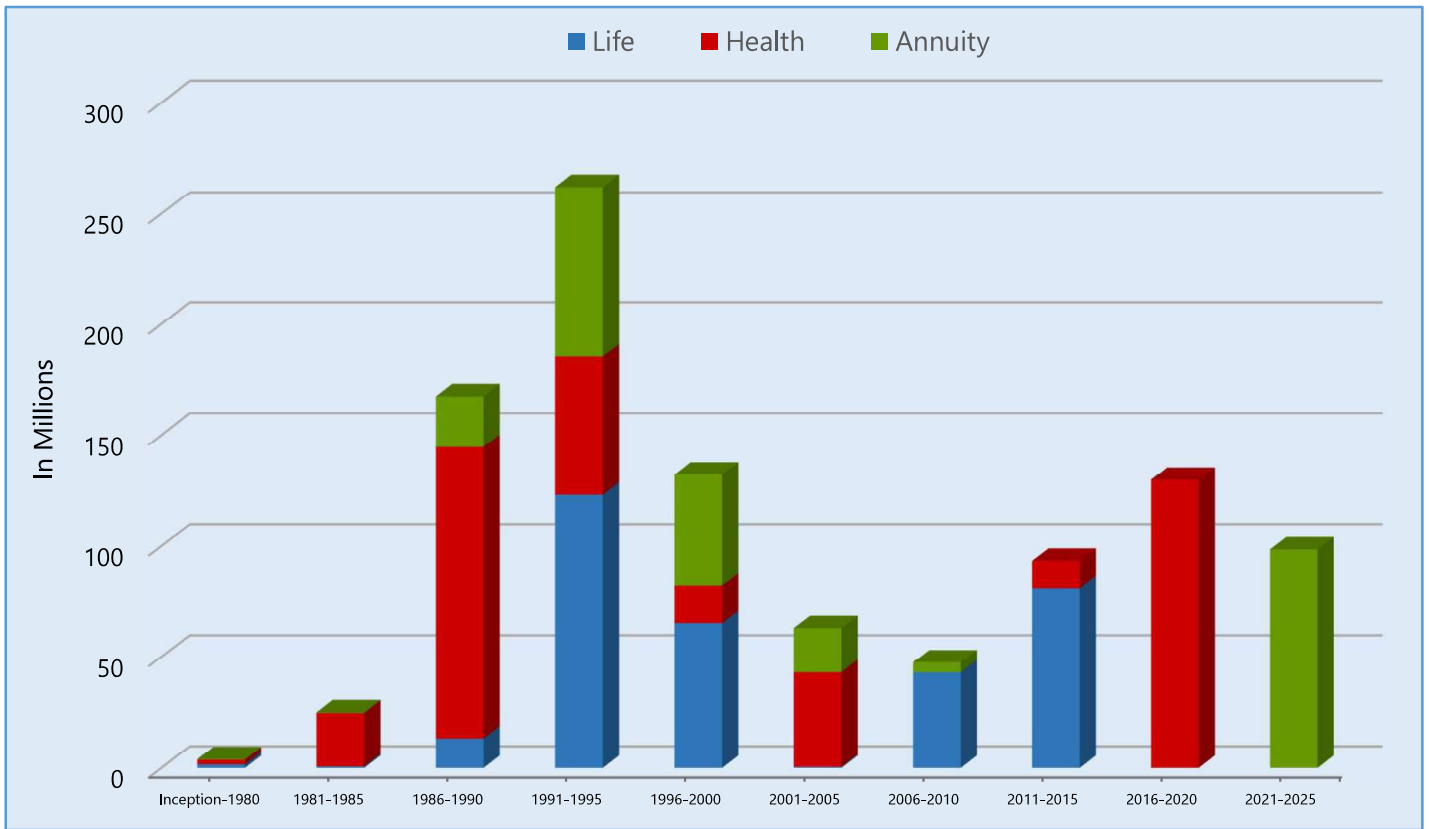
On occasion, the total funds received from premium collections, distributions from receivership estates, investment earnings, recoveries from other third-party sources, and Class B assessments exceed the TLHGIA's total expenses related to a specific insolvency. These excess funds result from timing in 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 TLHGIA's Board of Directors to retain a reasonable amount of these excess accumulated funds for future expenses or to refund, if practical. The TLHGIA's Board of Directors has adopted a refund methodology that complies with the TLHGIA's enabling statute regarding refunds.

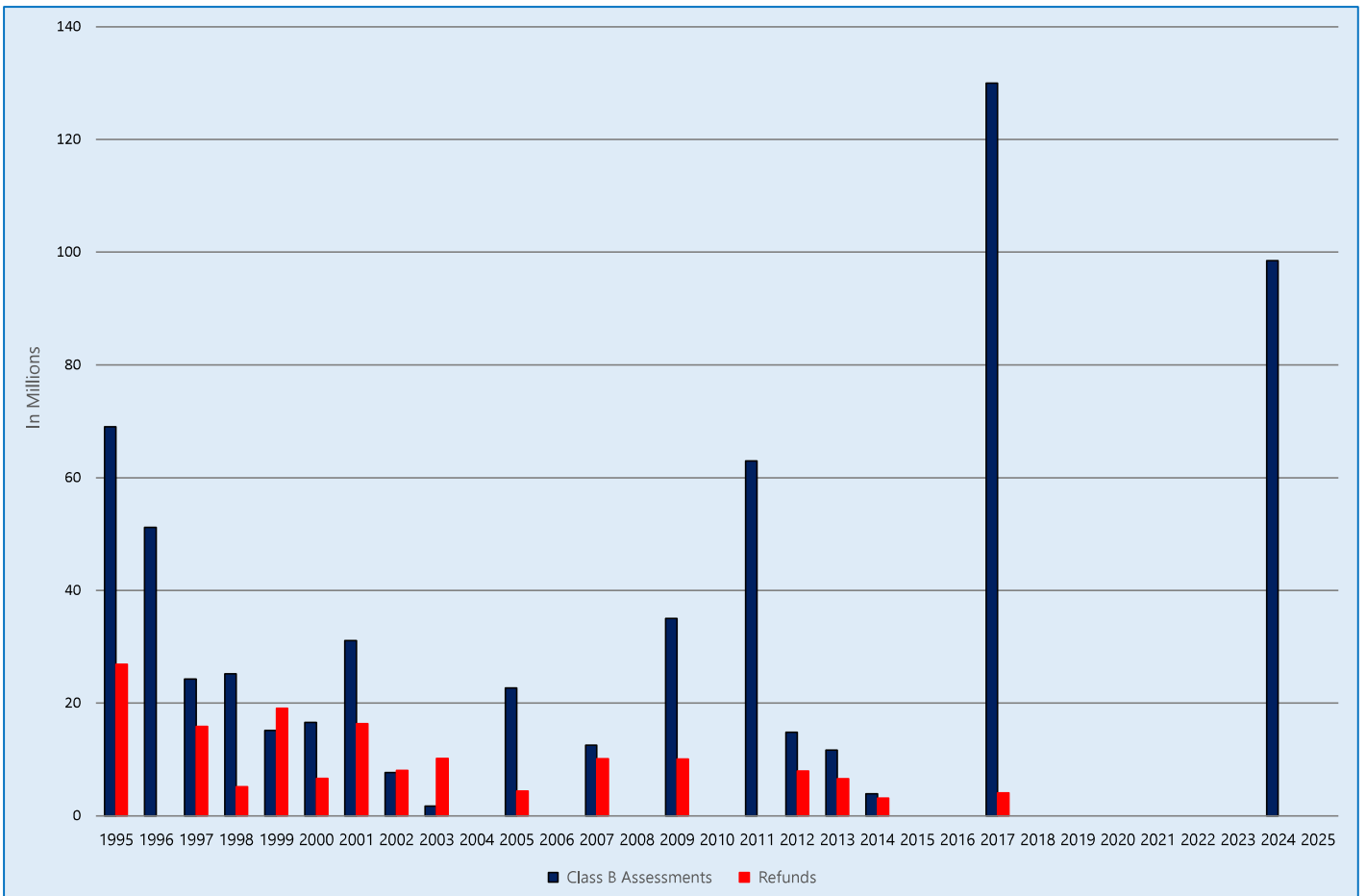
Beginning in 1995, the TLHGIA has refunded excess funds related to specific insolvent insurers to member insurers or the Commissioner of the Texas Department of Insurance after determining there was no reasonable expectation of additional expenses or recoveries related to those insolvent insurers. In 2025, the Board of Directors did not authorize a refund. The TLHGIA 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



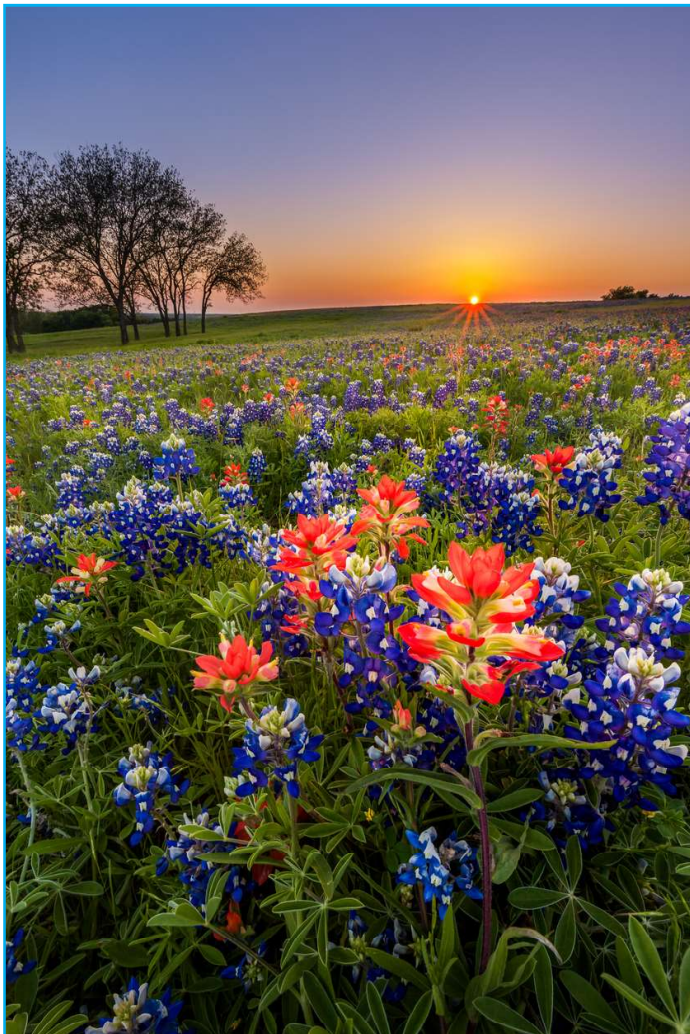
# FINANCIAL REPORTING AND AUDIT

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 extensively reviewed 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, 2025, including a Management Discussion and Analysis, the auditor's report, and financial statements with footnote disclosures, are shown on pages 19 through 51.



# INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

## TABLE OF CONTENTS

Independent Auditor's Report.....	20
Management's Discussion and Analysis .....	23
Financial Statements	
Statements of Net Position.....	32
Statements of Revenues, Expenses, and Changes in Net Position .....	33
Statements of Cash Flow.....	34
Notes to Financial Statements.....	35



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Texas Life and Health Insurance Guaranty Association  
Austin, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Texas Life and Health Insurance Guaranty Association, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Texas Life and Health Insurance Guaranty Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Texas Life and Health Insurance Guaranty Association as of December 31, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Texas Life and Health Insurance Guaranty Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Report from the Chair, Board of Directors information, and the information on the entity's operations and financial reporting but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



**CliftonLarsonAllen LLP**

Austin, Texas  
April 21, 2026

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

The Management's Discussion and Analysis is a narrative overview and analysis of the financial activities of the Texas Life and Health Insurance Guaranty Association (the "TLHIGA") as of and for the years ended December 31, 2025 and 2024 and should be read in conjunction with the basic financial statements. The discussion is based on the TLHIGA's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The TLHIGA is considered a governmental organization for accounting, financial reporting, and auditing purposes pursuant to definitions in Governmental Accounting Standards Board statements. Organizations other than public corporations and bodies corporate and politic are classified as governmental organizations if they have one or more of the following characteristics:

- Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments.
- The potential for unilateral dissolution by a government with the net assets reverting to the government; or
- The power to enact and enforce a tax levy.

The TLHIGA's entire governing body (Board of Directors) is appointed by the Commissioner of Insurance for the State of Texas. Therefore, the TLHIGA exhibits one of the characteristics and is considered a governmental organization.

The TLHIGA presents the following financial statements:

- Statement of Net Position: This statement includes all the TLHIGA's assets and liabilities. The difference between the TLHIGA's assets and liabilities is its net position. The net position is presented in two components: net investment in capital assets and unrestricted assets. The TLHIGA does not have any net position that qualifies as restricted.
- Statement of Revenues, Expenses and Changes in Net Position: This statement measures the results of the TLHIGA's operations and reports all the TLHIGA's revenues and expenses.
- Statement of Cash Flows: This statement supplements the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position by providing relevant information about cash receipts and payments of the TLHIGA.
- Notes to the Financial Statements: The notes are an integral part of the basic financial statements and present information essential for the fair presentation of the financial statements that is not displayed on the face of the financial statements.

During fiscal year 2025, the TLHIGA was advised that the reserve calculations provided to the TLHIGA and relied upon to estimate the insurance contractual obligations ("obligations") of one of the TLHIGA's insolvencies, were incorrect as of December 31, 2024. The reserve error resulted in the estimated

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

obligations being overstated by \$3.9 million, and the unbilled assessment receivable overstated by the same amount. The change in unbilled assessment revenue and the change in obligations expense were both overstated by the same amount. This resulted in no change to the TLHIGA's net position as of December 31, 2024. The obligations and unbilled assessment estimates presented for December 31, 2024 are corrected to account for the error.

**FINANCIAL SUMMARY**

**Table 1  
Net Position**  
*(In thousands of dollars)*

	2025		2024		2023	
	Amount	Percent	Amount	Percent	Amount	Percent
Current assets	\$ 130,342	91.6%	\$ 148,184	78.0%	\$ 74,869	74.6%
Noncurrent assets	11,977	8.4%	41,894	22.0%	25,483	25.4%
Total assets	142,319	100.0%	190,078	100.0%	100,352	100.0%
Current liabilities	31,380	88.9%	112,976	96.5%	25,454	65.6%
Noncurrent liabilities	3,908	11.1%	4,104	3.5%	13,341	34.4%
Total liabilities	35,288	100.0%	117,080	100.0%	38,796	100.0%
Net position						
Unrestricted	107,123	100.0%	73,075	100.0%	61,605	100.0%
Invested in capital assets	(92)	0.0%	(77)	0.0%	(49)	0.0%
Total net position	\$ 107,031	100.0%	\$ 72,998	100.0%	\$ 61,556	100.0%
Unrestricted						
TLHIGA operations	\$ 8,454		\$ 1,307		\$ (512)	
Insolvent estates	98,669		71,768		62,117	
	\$ 107,123		\$ 73,075		\$ 61,605	

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

**Table 2  
Covered Insurance Policy Obligations**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current covered insurance policy obligations	\$ 8,054,735	\$ 108,444,417	\$ 20,497,226
Noncurrent covered insurance policy obligations	2,764,318	2,916,934	12,153,982
Total covered insurance policy obligations	<u>\$ 10,819,053</u>	<u>\$ 111,361,351</u>	<u>\$ 32,651,208</u>

**Table 3  
Results of Operations – Change in Net Position**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b><u>Revenues:</u></b>			
Billed assessments	\$ -	\$ 98,499,932	\$ -
Change in unbilled assessments	(29,850,262)	16,481,506	19,190,141
Estate recoveries	65,320,053	1,185,387	34,420,510
Premiums	57,727	198,575	258,630
Total operating revenues	<u>35,527,518</u>	<u>116,365,400</u>	<u>53,869,281</u>
<b><u>Expenses</u></b>			
Change in covered insurance policy obligations	(100,542,298)	78,710,143	26,582,437
Cost of covered policy claims	102,861,084	14,239,794	20,533,673
Refund of prior year assessments	-	-	-
National task forces	1,195,619	583,937	585,194
Administrative costs	3,067,961	14,483,650	6,147,556
Total operating expenses	<u>6,582,366</u>	<u>108,017,524</u>	<u>53,848,860</u>
Operating income (loss)	28,945,152	8,347,876	20,421
Net nonoperating revenues (expenses)	5,087,929	3,093,966	2,760,083
Change in net position	34,033,081	11,441,842	2,780,504
Net position, beginning of year	72,997,675	61,555,833	58,775,329
Net position, end of year	<u>\$ 107,030,756</u>	<u>\$ 72,997,675</u>	<u>\$ 61,555,833</u>

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**  
Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

**Table 4**  
**2025 Change in Net Position by Estates and Administration**

	<u><b>Estates</b></u>	<u><b>Administration</b></u>	<u><b>Total</b></u>
Revenues:			
Billed assessments	\$ -	-	\$ -
Estate recoveries	65,320,053	-	65,320,053
Premiums	57,727	-	57,727
Change in unbilled assessments	(29,850,262)	-	(29,850,262)
Total revenues	<u>35,527,518</u>	<u>-</u>	<u>35,527,518</u>
Expenses:			
Administration	2,971,520	1,292,060	4,263,580
Claims cost	102,861,084	-	102,861,084
Change in insurance policy obligations	(100,542,298)	-	(100,542,298)
Total expenses	<u>5,290,306</u>	<u>1,292,060</u>	<u>6,582,366</u>
Operating income (loss)	30,237,212	(1,292,060)	28,945,152
Interest income (net of interest expense)	1,637,957	2,565,682	4,203,639
Unrealized gain (loss) on investments	<u>779,187</u>	<u>105,103</u>	<u>884,290</u>
Increase (decrease) in net position	\$ 32,654,356	1,378,725	\$ 34,033,081

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**  
Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

**2024 Change in Net Position by Estates and Administration**

	<u>Estates</u>	<u>Administration</u>	<u>Total</u>
Revenues:			
Billed assessments	\$ 98,499,932	-	\$ 98,499,932
Estate recoveries	1,185,387	-	1,185,387
Premiums	198,575	-	198,575
Change in unbilled assessments	16,481,506	-	16,481,506
Total revenues	<u>116,365,400</u>	<u>-</u>	<u>116,365,400</u>
Expenses:			
Administration	14,011,979	1,055,608	15,067,587
Claims cost	14,239,794	-	14,239,794
Change in insurance policy obligations	78,710,143	-	78,710,143
Total expenses	<u>106,961,916</u>	<u>1,055,608</u>	<u>108,017,524</u>
Operating income (loss)	9,403,484	(1,055,608)	8,347,876
Interest income (net of interest expense)	451,284	1,559,451	2,010,735
Unrealized gain (loss) on investments	<u>(234,159)</u>	<u>1,317,390</u>	<u>1,083,231</u>
Increase (decrease) in net position	\$ 9,620,609	1,821,233	\$ 11,441,842

**DETAILED ANALYSIS OF THE TLHIGA**

Total assets decreased by \$47.76 million in 2025, primarily due to the payment of policy claims and assumption payments. Total assets increased by \$89.73 million in 2024 due to the Class B annuity assessment levied and called by the TLHIGA. In 2023, the total assets increased by \$29.80 million mostly from the \$34.42 million in estate recoveries.

*Current assets:* Cash and cash equivalents, which include cash on deposit, money market funds, an escrow account, and United States Treasury Bills with original maturities of three months or less at the time of acquisition, make up 73%, 70%, and 47% of the current assets of the TLHIGA in 2025, 2024, and 2023, respectively.

The TLHIGA's cash position decreased in 2025 by \$9.77 million or 9.38% from \$104.25 million to \$94.48 million from the payment of policy obligations. In 2024, the TLHIGA's cash position increased by \$69.46 million or 199.64% from \$34.79 million to \$104.25 million due to the collection of the Class B annuity assessment that was authorized and called by the Board to fund the obligations of two new insolvencies.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

In 2023, the increase was \$32.78 million or 1625.60% to \$34.79 million due to the TLHIGA's need for cash to fund the claims of one of the new insolvencies.

Investments, which include United States Treasury securities with original maturities of greater than three months, at year end were 27%, 24%, and 53% of current assets in 2025, 2024, and 2023, respectively. In 2025, investments had a small decrease from the reinvestment of treasuries as they matured. Investments decreased in 2024 due to the funding of the TLHIGA's operations and the timing of certain investments maturing at year end and are re-invested at the beginning of the following year. In 2023, investments decreased significantly to convert to cash in preparation to pay policy obligations.

Proofs of claim are filed by the TLHIGA against active receivership estates to recover claims expenses, claims handling expenses and administrative expenses incurred by the TLHIGA as well as unpaid assessments from the estate. These proofs of claim may be amended, and updates are filed periodically as additional costs are incurred and paid by the TLHIGA. The proofs of claim are recorded as receivables, net of allowances which serve to estimate the ultimate collectability of the claim from the receivership estate distributions. Proofs of claim, net of collectability allowances, were \$0, \$0, and \$455,707 at year end 2025, 2024, and 2023, respectively.

*Noncurrent assets:* The TLHIGA has statutory authority to assess its member companies as necessary to provide funds to pay administration expenses and covered policy obligations related to each insolvent company for which the TLHIGA has been activated. Unbilled assessments are recorded in the financial statements for each individual insolvent company in an amount sufficient to eliminate any deficit (negative) net position that may arise with the recognition of all assets and liabilities pertaining to the insolvent company. Unbilled assessments at year end 2025, 2024, and 2023 were \$10,882,693, \$40,732,955, and \$24,251,449, respectively.

In 2025, unbilled assessments decreased by \$29.85 million from the combination of estate recoveries and the payment of policy claims and assumption payments. Unbilled assessments increased by \$16.48 million in 2024 due primarily to the increase in policy obligations recognized that year. In 2023, unbilled assessments increased by \$19.11 million also due to an increase in policy obligations recognized by the TLHIGA.

The TLHIGA owns various investments as part of a deferred compensation plan that totaled \$249,927, \$203,954, and \$153,078 at year end 2025, 2024, and 2023, respectively.

The TLHIGA capitalizes certain leases. Capital assets consisting of immaterial capital leases, furniture, computer systems and equipment reported net of accumulated depreciation make up the remaining balance of noncurrent assets.

*Liabilities:* 31%, 95%, and 84%, of the total obligations for the years ending December 31, 2025, 2024, and 2023, respectively, are the estimated covered insurance policy obligations for all impaired or court ordered insolvent companies for which the TLHIGA has been activated. The obligation amounts reflect the estimated amount of future payments and are adjusted periodically to reflect more accurate and

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

current projections of cost for existing and new insolvencies. Obligations are included in the liabilities as current and noncurrent. In 2025, covered policy obligations decreased by \$100.54 million or 90.28 % to \$10.82 million from \$111.36 million as the TLHIGA paid the claims and ceded its obligations in an assumption for two significant estates. Covered insurance policy obligations increased by \$78.71 million or 241.06% from \$32.65 million to \$111.36 million in 2024. Obligations also increased \$26.58 million or 438.02% from \$6.07 million to \$32.65 million in 2023. The TLHIGA was not activated to provide policyholder protection in 2025 but was for two new insolvencies in 2024 and three new insolvencies in 2023 which resulted in the substantial increase in obligations in those years.

The TLHIGA carries a liability for a deferred compensation plan that was \$249,927, \$203,954, and \$153,078, at year end 2025, 2024, and 2023, respectively.

The TLHIGA has historically refunded excess insolvency-specific funds to member companies that are not statutorily required to be paid to the Texas Commissioner of Insurance. When the refund exceeds the amount of the assessment levied against a member company, the remaining amount due to a member company is reflected in the financial statements as a liability ("Assessment Credit Balance"). This excess is either held by the TLHIGA to offset future assessments or is refunded to member companies and/or the Texas Commissioner of Insurance as statutorily required. As of December 31, 2025, 2024, and 2023, the remaining credit balances were \$3.95 million, each year end.

The TLHIGA carries a liability for its leases that meet the reporting requirements of GASB 87. The liability is separated into a short-term component of \$102,761 and a long-term component of \$833,721 at year end 2025. In 2024, the amounts were \$97,718 and \$936,482 and in 2023, those amounts were \$92,854 and \$1,034,200, respectively. The liability is amortized over the life of the lease.

The balance of current liabilities consists of accounts payable and accrued expenses incurred in the normal course of operations. In 2025, accrued expenses increased \$149,963 or 32%. Accrued expenses decreased by \$442,856 or 49% in 2024 and increased by \$483,715 or 114% in 2023. The increase in 2025 was primarily due to the accrual of the TLHIGA's share of the NOLHGA insolvency task force for 2025. The decrease in 2024 was mostly due to the resolution of prior year accruals of health claims from one of the 2023 insolvencies. In 2025, the TLHIGA recognized a substantial payable for the funding of an assumption reinsurance agreement for two estates that participation was approved by the Board in 2025 but funded at the beginning of 2026. The remaining changes are the result of the TLHIGA's normal operations.

*Net position:* The net position of the TLHIGA is separated into two categories: Net Investment in Capital Assets and Unrestricted, as detailed in Note 10 to the Financial Statements. Excess insolvent company specific net assets may be refunded, or a reasonable amount may be retained to provide funds for the continuing expenses of the TLHIGA.

In 2025, net position increased \$34,033,081 or 46.62% largely due to the estate recoveries received in 2025 and the assumption of certain policy obligations. Net position increased by \$11,441,842 or 18.59% in 2024, primarily due to the Class B assessment levied by the TLHIGA and the reduction in contractual obligations. In 2023, the net position increased by \$2,780,504 or 4.73% largely due to the recoveries from

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

insolvent estates offset by the claims and administrative expenses of the new insolvencies. The 2025 change in net position was affected by the net results in administration operations, \$32.65 million and estate operations, \$1.38 million as shown in Table 4.

The amount by which the net assets of individual estates exceed the amount necessary to carry out the obligations of the TLHIGA, including assets accruing from net realized gains and income from investments, may be refunded in accordance with the TLHIGA's governing statute. The TLHIGA's Board of Directors did not authorize a refund in 2025, 2024, or 2023.

*Revenues:* In 2025, operating revenues were \$35.5 million due to significant recoveries in 2025 offset by the changes in unbilled assessments. Operating revenues were \$116.4 million in 2024 primarily from the \$98.5 million Class B annuity assessment for two new insolvencies and the change in the unbilled assessments recognized in that year. In 2023, operating revenues were \$53.9 million mostly due to the \$34.4 million distribution to the TLHIGA from an insolvent estate and the change in unbilled assessments for that year TLHIGA did not authorize either a Class A or Class B assessment in 2025 or 2023.

Nonoperating revenues consist of interest income on cash and investments net of interest expense and the unrealized gain or loss on investments. In 2025, due to the amount of cash and investments held by the TLHIGA and the relatively high interest rate environment of the year, the TLHIGA earned \$4.2 million in net interest income and recognized \$884 thousand in unrealized gains. In 2024, the same factors resulted in the TLHIGA earning \$2.0 million in net interest and recognizing \$1.1 million in unrealized gains. For 2023, the net interest revenue was \$1.3 million, and the unrealized gain was \$1.5 million for the same reasons as 2025 and 2024, but to a lesser extent from lower cash and investment funds to invest.

*Expenses:* In 2025, operating expenses decreased \$101.44 million, primarily from the changes in contractual obligations and the claims paid and assumption funding payments. Operating expenses increased by \$54.2 million in 2024 due mostly to the increase in contractual obligations, the claims paid for the two new insolvencies and ongoing insolvencies and the third-party administrator expenses incurred during the year. In 2023, operating expenses increased by \$49.2 million also from the increase in policy obligations, claims paid for active insolvencies and the third-party administration expenses.

**SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY**

The TLHIGA purchased capital assets in the amount of \$7,958 in 2025. The TLHIGA did not purchase capital assets in 2024. The TLHIGA purchased capital assets in the amount of \$4,080 in 2023. All asset purchases were paid with cash, without any financing. The TLHIGA recognizes the office lease as a capital asset and amortizes the lease as prescribed by GASB 87, *Leases*. The TLHIGA recognizes no other leases. The TLHIGA did not dispose of any significant capital assets in 2025, 2024 or 2023.

The TLHIGA did not use long-term financing in 2025, 2024 or 2023 other than the office lease. The TLHIGA did not enter into any subscription-based information technology arrangements that require disclosure in 2025, 2024 and 2023.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**  
Management's Discussion and Analysis (Unaudited)  
For the Years Ended December 31, 2025 and 2024

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

In 2025, the TLHIGA Board approved the participation in an assumption reinsurance agreement for the policy obligations of two insolvencies. The funding of the assumption occurred on January 2, 2026, but the TLHIGA was obligated in 2025. The TLHIGA recognized the assumption expense and the resulting liability in 2025.

The TLHIGA is not aware of any other facts, decisions or conditions that would have a material impact on the accompanying financial statements through April 21, 2026, the date the financial statements were available for issuance.

**CONTACTING THE TLHIGA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the TLHIGA's finances. If you have questions about this report or need additional financial information, please contact the TLHIGA's Executive Director at 1717 West 6<sup>th</sup> Street, Suite 230, Austin, Texas 78703 or call (512) 476-5101.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Statements of Net Position  
December 31, 2025 and 2024

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 53,222,326	74,249,747
Escrow	41,252,853	30,000,000
Investments	35,667,322	35,754,618
Receivables:		
Billed assessments, net of allowance of \$0 at December 31, 2025 and 2024	4,745	7,939,580
Other receivables	21,184	21,209
Accrued interest	158,748	203,897
Proofs of claim, net of allowance of \$814,557,953 and \$773,872,200 at December 31, 2025 and 2024	-	-
Pre-paid expenses	14,974	14,695
Total current assets	130,342,152	148,183,746
Noncurrent assets:		
Unbilled assessments	10,882,693	40,732,955
Investments in deferred compensation plans	249,927	203,954
Capital assets		
Furniture & equipment	423,315	415,357
Right-of-use lease assets	1,331,009	1,331,009
Accumulated depreciation and amortization	(910,115)	(789,060)
Total noncurrent assets	11,976,829	41,894,215
Total assets	\$ 142,318,981	190,077,961
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 18,642,432	5,200
Accrued expenses	616,266	466,303
Compensated Absences	12,189	11,442
Assessment credit balance	3,951,258	3,951,258
Lease liabilities, current portion	102,761	97,718
Insurance contractual obligations, current portion	8,054,735	108,444,417
Total current liabilities	31,379,641	112,976,338
Noncurrent liabilities:		
Compensated Absences	60,618	46,578
Deferred compensation plan liabilities	249,927	203,954
Lease liabilities, less current portion	833,721	936,482
Insurance contractual obligations, less current portion	2,764,318	2,916,934
Total liabilities	35,288,225	117,080,286
Net position:		
Unrestricted	107,123,029	73,074,569
Net investment in capital assets	(92,273)	(76,894)
Total net position	107,030,756	72,997,675
Total liabilities and net position	\$ 142,318,981	190,077,961

The accompanying notes are an integral part of these financial statements.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31, 2025 and 2024

	<b>2025</b>	<b>2024</b>
Operating revenues:		
Membership assessments:		
Billed assessments	-	98,499,932
Change in unbilled assessments	(29,850,262)	16,481,506
Net membership assessments	(29,850,262)	114,981,438
Estate recoveries	65,320,053	1,185,387
Premiums	57,727	198,575
Total operating revenues	35,527,518	116,365,400
Operating expenses:		
Net claims	\$ 84,194,424	13,198,080
Change in insurance contractual obligations	(100,542,298)	78,710,143
Refund of prior year's assessment	-	-
Reinsurance agreements	18,666,660	1,041,714
Third-party administrators	1,430,700	12,697,986
National task forces	1,195,619	583,937
Total claims	4,945,105	106,231,860
Administrative costs:		
Legal and professional	165,388	333,508
Salaries and benefits	839,594	842,778
Building and equipment expenses	75,694	71,328
Depreciation and amortization	121,056	121,010
National organization dues and meetings	113,740	109,364
Other	321,789	307,676
Total administrative costs	1,637,261	1,785,664
Total operating expenses	6,582,366	108,017,524
Operating income (loss)	28,945,152	8,347,876
Nonoperating revenues:		
Interest income (net of interest expense)	4,203,639	2,010,735
Unrealized gain (loss) on investments	884,290	1,083,231
Net nonoperating revenues	5,087,929	3,093,966
Change in net position	\$ 34,033,081	11,441,842
Net position, beginning of year	72,997,675	61,555,833
Net position, end of year	107,030,756	72,997,675

The accompanying notes are an integral part of these financial statements.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Statements of Cash Flow  
For the Years Ended December 31, 2024 and 2023

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Receipts from assessments	\$ 8,136,318	90,565,019
Receipts from estate recoveries	65,320,053	1,641,094
Receipts from premiums	57,866	198,575
Receipts from other sources	4,722	-
Payments for reinsurance agreements	(153,373)	(1,041,714)
Payments for direct claims	(84,069,941)	(13,196,431)
Payments to suppliers for goods and services	(3,248,446)	(14,601,855)
Payments to employees	(735,081)	(730,830)
Assessment refund payments	(201,384)	-
Net cash used in operating activities	(14,889,266)	62,833,858
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(7,958)	-
Lease payments	(113,978)	(110,390)
Net cash used in capital and related financing activities	(121,936)	(110,390)
<b>Cash flows from investing activities:</b>		
Purchase of U.S. Treasuries	(112,893,381)	(105,356,663)
Maturity of U.S. Treasuries	113,865,000	110,060,000
Receipt of interest on investments	4,621,909	2,702,084
Payment of interest on investments	(356,895)	(670,733)
Net cash provided by investing activities	5,236,633	6,734,688
Net increase (decrease) in cash and cash equivalents	(9,774,569)	69,458,156
Cash and cash equivalents, beginning of year	104,249,747	34,791,591
Cash and cash equivalents, end of year	\$ 94,475,178	104,249,747
<b>Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:</b>		
Operating income (loss)	\$ 28,945,151	8,347,875
Adjustment to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	121,056	121,010
Unbilled assessments	29,850,262	(16,481,506)
Effect of changes in operating assets and liabilities:		
Billed assessments receivable, net of allowance	7,934,835	(7,934,835)
Other receivables	25	(81)
Proofs of claim, net of allowance	-	455,707
Pre-paid rent	(279)	(555)
Accounts payable	18,637,232	936
Compensated absences	14,787	58,020
Accrued expenses	149,963	(442,856)
Insurance contractual obligations	(100,542,298)	78,710,143
Net cash provided by (used) in operating activities	\$ (14,889,266)	62,833,858

The accompanying notes are an integral part of these financial statements.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024

**1. Nature of Operations and Reporting Entity**

The Texas Life and Health Insurance Guaranty Association ("TLHIGA") was created by the Texas legislature with the adoption of the Texas Life, Accident, Health and Hospital Service Insurance Guaranty Act ("Act") in 1973. The TLHIGA was created as a not-for-profit legal entity to protect, subject to certain limitations, persons specified in the Act against failure in the performance of contractual obligations under a member insurer or health maintenance organization's life insurance policies, accident and health insurance policies, and annuity contracts, because of the impairment or insolvency of the member insurer. To provide this protection, this association of insurers was created to pay benefits and to continue coverage as limited in the Act. The TLHIGA's operations were privatized by the Texas Legislature in 1992.

Membership in the TLHIGA is mandatory for any insurance company or health maintenance organization authorized in Texas to transact any kind of insurance policies or contract protected under the Act. 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. Any amount in excess of the amounts necessary to carry out the statutory obligations and continuing expenses of the TLHIGA may be refunded by an equitable method at the discretion of the Board of Directors or retained to provide funds for the continuing expenses of the TLHIGA.

Pursuant to the Act, the TLHIGA is governed by a nine-member Board of Directors appointed by the Texas Commissioner of Insurance. Five directors must be chosen from member companies, three from the fifty member companies having the largest total direct premium income and two from other member companies. Four of the directors must be representatives of the general public. Directors serve six-year terms and are eligible to succeed themselves in office through reappointment.

The TLHIGA is considered to be a primary government entity according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. No component units were identified for which the TLHIGA is considered financially accountable under GASB Statement No. 14, as amended.

The TLHIGA is reported as a special-purpose government entity engaged in business-type activities. The significant accounting policies followed by the TLHIGA in preparing these financial statements conforms to generally accepted accounting principles applicable to government units. The TLHIGA has adopted all applicable GASB pronouncements.

**2. Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, except for premium income, which is recognized when collected because of the immaterial amount of premiums to be accrued. Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred. Operating revenues and expenses generally result from providing services in connection with the TLHIGA's principal ongoing operations, as described in Note 1. All revenues and

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

expenses not meeting this definition are reported as nonoperating revenues and expenses. Assessment revenue (billed and unbilled) is recognized when insurance policy or contract obligations are incurred. Claim liabilities are recognized using estimates of insurance policy and contract obligations for each insurer for which the TLHIGA has been activated at the date of impairment designation or issuance of an order of liquidation based on a finding of insolvency by a court of competent jurisdiction. Projected claim liabilities are reviewed and revised periodically as information related to the obligations of the individual insolvent member companies is obtained.

**(b) Tax Exempt Status**

The TLHIGA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Under Texas Insurance Code, Annotated, Chapter 463.107, 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.

**(c) Cash Equivalents**

For purposes of the statements of cash flows, the TLHIGA considers all highly liquid investments with original maturities, at the time of acquisition, of three months or less to be cash equivalents.

**(d) Investments**

All investments of the TLHIGA shall meet the following objectives: (1) maximum safety of funds invested and preservation of principal, (2) maintain sufficient liquidity to meet the TLHIGA's anticipated cash flow needs, and (3) achieve the highest possible yield. Funds of the TLHIGA may be invested in bonds, notes or 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. With unanimous Board approval, funds may be invested and reinvested in the following ways: letters of credit of the United States; the IntraFi Network Deposits program if the full amount of each certificate of deposit is guaranteed or insured by the FDIC or its successor; obligations, including letters of credit, of agencies or instrumentalities of the United States; 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 or instrumentalities; and certificates of deposit and share certificates if each certificate is issued by a depository institution that is located 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 the TLHIGA's investment policy. 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. Purchases of investment securities are made with the intent to hold such securities to maturity. Investments are recorded at fair value and marked to market at the end of each reporting period.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**(e) Fair Value Measurement and Application**

The TLHIGA follows GASB No. 72, *Fair Value Measurement and Application*. GASB No. 72 applies to all assets and liabilities that are measured and reported on a fair value basis. It establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. GASB No. 72 enables the reader to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values and requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

The impact of adopting GASB No. 72 is reflected in Note 4 of the financial statements.

**(f) Allowances for Uncollectible Proofs of Claim Receivable**

Allowances for uncollectible proofs of claim are insolvent estate specific. The allowance for each estate is based on evaluations of the receivership estate's financial statements and records, reports from the estate's receiver, and information from other third parties.

Uncollected proofs of claim are written off by the Board of Directors only after the receivership estate is closed in the domestic state and ancillary state, if applicable, and there is no reasonable expectation that any additional funds will be recovered from the receivership estate or other third parties.

**(g) Allowances for Uncollectible Assessments**

An allowance for an assessment collection may be established if it is determined by the TLHIGA that the assessment is not collectible due to a variety of reasons, including but not limited to, the member company has withdrawn from Texas, ceased business operations, been declared insolvent and ordered liquidated, or provided other evidence that the assessment is not due. In 2023, the TLHIGA wrote off all outstanding assessment receivables and allowances that were established prior to 2005, as they were deemed uncollectible. Since all these assessment receivables were fully reserved, there was no impact to the financial statements.

**(h) Assessment Deferrals and Reallocation**

The TLHIGA's enabling statute grants the Board of Directors the authority to wholly or partially defer an assessment of a member company if the TLHIGA believes the payment of the assessment would endanger the

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

ability of the member company to fulfill its obligations. The deferred amount may be assessed against the other member companies.

**(i) Capital Assets**

Capital assets are stated at cost. The TLHIGA capitalizes all assets with estimated useful lives greater than one year and an individual acquisition cost greater than \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally five years. In 2021, the TLHIGA adopted GASB No. 87, *Leases*. Under this standard, the TLHIGA treats all leases that meet the criteria of GASB No. 87, including materiality, as lease liabilities and a right-to-use lease capital asset is established. The amortization of the asset is included in the accumulated depreciation of all capital assets. The impact of adopting GASB No. 87 is reflected in Note 11 of the financial statements.

**(j) Premium Revenue**

Premiums received from a policyholder for policy coverage periods after an order of liquidation is entered, belong to the TLHIGA. Premium revenue is recognized as the premiums are received by the TLHIGA, both for direct bill and premiums collected by third party agents.

**(k) Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**(l) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The TLHIGA did not have any items that qualified for reporting in this category as of December 31, 2025, or 2024.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The TLHIGA did not have any items that were required to be reported in this category as of December 31, 2025, or 2024.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**(m) Net Position**

The government-wide statements utilize a net position presentation categorized as follows:

- Net investment in capital assets — This category reflects the portion of net position that is associated with capital assets less depreciation and amortization and outstanding capital asset related liabilities.
- Restricted net position — Net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position — This category reflects net position of the TLHIGA not restricted for any project or other purpose. The net position reflected in the financial statements of the TLHIGA are deemed to be unrestricted. Any estate-specific net position may be refunded, or a reasonable amount may be retained to provide funds for the continuing expenses of the TLHIGA.
- The TLHIGA only presents net investment in capital assets and unrestricted net position as there are no constraints placed on the net position of the TLHIGA, outside of that invested in capital assets, that would qualify as a restricted net position.

**(n) Reclassification**

Certain amounts previously reported have been reclassified to conform with current year presentation. The reclassifications had no effect on the total net position or changes in net position previously reported.

**(o) Current Year GASB Implementations**

In 2025, the TLHIGA adopted GASB No. 102 *Certain Risk Disclosures*. The TLHIGA has assessed its operations to determine whether a concentration or constraint exists that could have a substantial impact on its financial statements. As of year end 2025, the TLHIGA has not identified any vulnerabilities due to a concentration or constraint and no disclosure is required.

The TLHIGA adopted GASB No. 103, *Financial Reporting Model Improvements* in 2025. The TLHIGA revised its Management's Discussion and Analysis (MD&A) statement to provide a more easily readable analysis of the TLHIGA's financial activities. The TLHIGA also reviewed its activities for any unusual or infrequent transactions and did not identify any other than those disclosed in Notes 17 and 19.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**3. Deposits and Investments**

The TLHIGA's deposits and investments as of December 31, 2025, and 2024 are as follows:

	<b>Fair Value</b>	
	<b>2025</b>	<b>2024</b>
<i>Cash and cash equivalents</i>		
Cash on deposit	\$ 204,114	197,768
Escrow account	41,252,853	30,000,000
Money market mutual funds	53,018,212	74,051,979
Total cash and cash equivalents	\$ 94,475,179	104,249,747
<i>Investments</i>		
Investments in Deferred Compensation Plans	\$ 249,927	203,954
Bonds – U.S. Treasury Debt	35,667,322	35,754,618
Total Investments	\$ 35,917,249	35,958,572

*Custodial Risk.* Cash and cash equivalents consist of bank demand deposit and money market investment accounts and escrow accounts for the benefit of the TLHIGA. The TLHIGA's amount of bank demand deposit accounts at December 31, 2025 and 2024, respectively, was \$204,114 and \$197,768. The TLHIGA makes every effort to manage its cash balances to not exceed the \$250,000 FDIC protection. Periodic deviation is necessary at times due to the liquidity needs of the TLHIGA to meet its financial obligations.

*Credit Risk.* Money market investments at December 31, 2025 and 2024 were \$53,018,212 and \$74,051,979, respectively. The decrease in 2025 was due to the liquidation of investments to pay claims and assumption reinsurance agreement payments. These mutual fund portfolios are comprised of United States government obligations backed by the full faith and credit of the United States. These mutual fund investments are not insured by the Federal Deposit Insurance Corporation nor are they a deposit of, other obligation of, or guaranteed by a bank or other depository institution. The TLHIGA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

*Interest rate risk.* As of December 31, 2025, the TLHIGA invested \$35,400,489 in US Treasury debt with a maturity value of \$35,802,000 and a \$35,667,322 market value. At December 31, 2024, the TLHIGA had invested \$35,529,683 in U.S. Treasury debt, with a maturity value of \$35,802,000 and market value of \$35,754,618. The TLHIGA, upon the direction of its Board of Directors, reviews the cash flow projections, the interest rate environment and the allowed investments, upon the maturity of an investment, to determine the best course of action with the proceeds. The TLHIGA recognizes the accrued interest on this debt as an asset.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

*Investment in deferred compensation plans.* The TLHIGA maintains ownership of the invested assets of the deferred compensation plans that are carried at fair market value until the assets are distributed to the participants. See Note 13 for more information.

As of December 31, 2025, the TLHIGA had the following U.S. Treasury maturity schedule:

<b>Maturity</b>	<b>Fair value</b>
2026	\$ 35,667,322
Total	<u>\$ 35,667,322</u>

**4. Investments and Fair Value Measurements**

The estimated fair values of the TLHIGA's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period between their origination and expected realization.

The TLHIGA has the following recurring fair value measurements as of December 31, 2025, and 2024:

- U.S. Treasury securities of \$35,667,322 and \$35,754,618, respectively, are valued using quoted market prices (Level 1 inputs)
- Investments in deferred compensation plans of \$249,927 and \$203,954 thousand, respectively, are valued at quoted market prices (Level 1 inputs)

The tables below present the assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

		<b>As of December 31, 2025</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Investments:					
U.S. Treasury Securities	\$	35,667,322	35,667,322	-	-
Investments in Deferred Comp Plans:					
Small Cap Mutual Funds	\$	70,375	70,375	-	-
Large Cap Mutual Funds		90,364	90,364	-	-
Bond Mutual Funds		86,188	86,188	-	-
Total Investments in Deferred Comp Plans		<u>249,927</u>	<u>249,927</u>	-	-
Total Assets at Fair Value	\$	<u>35,917,249</u>	<u>35,917,249</u>	-	-

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

<b>As of December 31, 2024</b>					
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets:</b>					
Investments:					
U.S. Treasury Securities	\$	35,754,618	35,754,618	-	-
Investments in Deferred Comp Plans:					
Small Cap Mutual Funds	\$	67,522	67,522	-	-
Large Cap Mutual Funds		114,894	114,894	-	-
Bond Mutual Funds		21,538	21,538	-	-
Total Investments in Deferred Comp Plans		203,954	203,954	-	-
 Total Assets at Fair Value	 \$	 35,958,572	 35,958,572	 -	 -

**5. Membership Assessments**

The TLHIGA is authorized by the Texas Insurance Code, Annotated, Chapter 463.151 to assess member companies in amounts necessary to pay both administrative expenses and insurance contractual claim obligations of the TLHIGA. There are two classes of assessments: Class A, which may be levied to meet administrative general expenses not related to a specific insolvency, and Class B, which may be levied to meet the administrative expenses and insurance contractual obligations associated with specific insolvent or impaired member companies.

The amount of Class A assessments is prorated to individual member companies, taking into consideration annual premium receipts reflected in the annual statements for the year preceding the assessment year for individual member companies.

The line-of-business amount of a Class B assessment, life, accident and health, or annuity, is allocated to a member insurer based on the proportion of (a) its corresponding line-of-business premiums received for the three most recent calendar years for which information is available preceding the year in which the insolvent member company necessitating the assessment was designated as impaired or insolvent to (2) the total premiums received on that same line of business by all member companies in the same three year period.

The total of all assessments to a member company in a calendar year may not exceed two percent of the member company's average annual premiums for the preceding three years.

The Board of Directors did not authorize or call a Class A assessment in 2025 or 2024.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

The Board of Directors did not authorize a Class B assessment in 2025 but authorized a \$102.2 million Class B assessment in April 2024 for the annuity line of business, contingent upon the finalization of the estimated obligations for the two involved insolvencies and final approval by the Board and Assessment Committee chairs. In October 2024, the Board of Directors called \$98.5 million of the authorized assessment. The assessment invoices were distributed to 233 member companies. The final assessment was \$98,499,932 due to de minimis invoices not being distributed per TLHIGA policy. This assessment was fully collected.

The TLHIGA may refund assets, the amount by which accumulated assets exceed the amount necessary to meet its obligations with regard to a particular insolvent member company, in accordance with its governing statute. The Board of Directors did not authorize such a refund in 2025 or 2024.

Billed assessments receivable as of December 31, 2025, and 2024 was \$4,745 and \$7,939,580, respectively. These unpaid assessments were levied in years 1991 through 2021. An allowance for uncollectible billed assessments has been recorded for \$0 as of December 31, 2025, and December 31, 2024. The TLHIGA writes off all outstanding assessment receivables and allowances when they are deemed uncollectible. There is one exception for a member company that has requested a deferral of its assessments due to its precarious financial condition. The Board has historically granted this deferral request.

Unbilled assessments receivable of \$10,882,693 and \$40,732,955 at December 31, 2025 and 2024, respectively, represents the statutory ability of the TLHIGA to assess member companies as required to meet its statutory obligations. This amount may be assessed in future periods as necessary to fund liabilities for insolvent member companies.

## **6. Proofs of Claim**

The TLHIGA files proofs of claim against individual receivership estates to recover claims expenses, claims handling expenses, and other administrative expenses incurred by the TLHIGA related to the specific insolvent company, as well as unpaid assessments from the estate. These proofs of claim may be amended as updates are filed periodically and additional costs are incurred and paid by the TLHIGA. At December 31, 2025 and 2024, proofs of claim receivable on open estates (before an allowance) were \$814,557,953 and \$773,872,200, respectively.

An allowance related to the collectability of proofs of claim is recorded based on management's evaluation of net assets held by the receiver and other potential recoveries for each receivership estate. The amounts to be received by the TLHIGA in early access distributions or final distributions are often not readily determinable; therefore, recoveries due to the TLHIGA are necessarily estimates and subject to change as the estates are closed. Based on the TLHIGA's estate-specific review, the allowances for uncollectible proofs of claim as of December 31, 2025, and 2024 were \$814,557,953 and \$773,872,200, respectively.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**7. Capital Assets**

Capital asset activity for the years ended December 31, 2025, and 2024 was as follows:

	<b>Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>End of Year</b>
2025:				
Capital assets, being depreciated or amortized:				
Furniture, computer systems and equipment	\$415,357	7,958	-	\$423,315
Right-of-use lease-Buildings	1,331,009	-	-	1,331,009
Less: accumulated depreciation & amortization				
Furniture, computer systems and equipment	394,571	11,946	-	406,517
Right-of-use lease-Buildings	394,489	109,109	-	503,598
	<u>\$957,306</u>	<u>113,097</u>	<u>-</u>	<u>\$844,209</u>

	<b>Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>End of Year</b>
2024:				
Capital assets, being depreciated or amortized:				
Furniture, computer systems and equipment	\$415,357	-	-	\$415,357
Right-of-use lease-Buildings	1,331,009	-	-	1,331,009
Less: accumulated depreciation & amortization				
Furniture, computer systems and equipment	382,670	11,901	-	394,571
Right-of-use lease-Buildings	285,380	109,109	-	394,489
	<u>\$1,078,316</u>	<u>121,010</u>	<u>-</u>	<u>\$957,306</u>

Depreciation expense for 2025 and 2024 was \$121,056 and \$121,010, respectively.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**8. Interaccount Loans and Borrowings**

The Board of Directors of the TLHIGA adopted a resolution that allows for intra-TLHIGA short-term loans from the funds the TLHIGA is holding for a specific insolvency to another insolvency. Interest is paid by the borrowing insolvency to the insolvency making the short-term loan at a rate which approximates the rate earned on short-term government securities. For the years ended December 31, 2025 and 2024, the following transactions occurred, which are not reflected in the financial statements since they are eliminated at the Association level.

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Repayments</u>	<u>End of Year</u>
<b>2025:</b>				
Interaccount loans	\$ 19,206,266	658,720	18,258,385	\$ 1,606,601
Interaccount borrowings	\$(19,206,266)	(658,720)	(18,258,385)	\$(1,606,601)
<b>2024:</b>				
Interaccount loans	\$ 0	19,206,266	0	\$ 19,206,266
Interaccount borrowings	\$ 0	(19,206,266)	0	\$(19,206,266)

Internal interest of \$99,640 and \$582,071 was charged on these loans for the years ended December 31, 2025 and 2024, respectively. The interest expense was charged to the individual borrowing insolvencies and is netted against interest income on the TLHIGA's financial statements.

**9. Compensated Absences**

In 2024, the TLHIGA adopted GASB No. 101, *Compensated Absences* to account for the employee's time off and/or leave benefits. The liability for compensated absences reported in the financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. As of December 31, 2025 and 2024, the change in the compensated absences was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
December 31, 2025	\$ 58,020	26,339	11,552	72,807	\$12,189
December 31, 2024	\$ -	74,694	16,674	58,020	\$11,442

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements

December 31, 2025 and 2024

(Continued)

**10. Insurance Contractual Obligations**

The liability for insurance contractual obligations is management's estimated amount of future cash payments for all impaired or insolvent member companies. The amounts are 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 such as receivers, third-party administrators, and insolvency task force consultants. As of December 31, 2025, and 2024, activity in the insurance contractual obligations was as follows:

	<b>Beginning of Year</b>	<b>Net Change</b>	<b>End of Year</b>	<b>Current Portion</b>
December 31, 2025	\$111,361,351	(\$100,542,298)	\$10,819,053	\$8,054,735
December 31, 2024	\$32,651,208	78,710,143	\$111,361,351	\$108,444,417

At year end 2025 four open estates comprise 94.37% of the insurance contractual obligations and, as of December 31, 2024, five open estates make up 94.98% of the insurance contractual obligations. During 2025, the TLHIGA paid a significant amount of claims and funded an assumption reinsurance agreement transfer of policy obligations which substantially reduced its obligations. There were no new insolvencies in 2025. In 2024, the TLHIGA was activated for two large insolvencies with primarily annuity contract obligations that significantly increased the obligations for the year.

The obligations of the two new insolvencies, Bankers Life Insurance Company and Colorado Bankers Life Insurance Company were substantially adjudicated in 2025. The obligations of Friday Health Insurance Company is based on the known remaining health claims to be paid. The insolvency, Southland National Insurance Corporation, has life insurance obligations based on the reserves of the policies owned by Texas residents. The obligations of North Carolina Mutual Life Insurance Company, are based on the reserves of the TLHIGA's policies. The obligations of National States Insurance Company, Calanthe Mutual Life Insurance Company, and Universal Life Insurance Company are based on actuarial reserve calculations.

Revisions to estimates of the insurance contractual obligations are reflected in the statements of revenues, expenses and changes in net position as "changes in insurance contractual obligations."

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**11. Net Position**

As of December 31, 2025, and 2024, the net position reflected in the financial statements of the TLHIGA consisted of the following:

	<b>2025</b>	<b>2024</b>
Unrestricted net position:		
Insolvent estate assets allocated to pay the ongoing claims and expenses of specific insolvencies	\$ 98,669,164	\$ 71,767,256
TLHIGA operational assets	8,453,865	1,307,313
	107,123,029	73,074,569
Net investment in capital assets	(92,273)	(76,894)
Total net position	\$ 107,030,756	\$ 72,997,675

**12. Leases**

The TLHIGA adopted and follows the standards promulgated by GASB No. 87 in classifying and accounting for leases.

**Long-Term Lease**

In 2021, the TLHIGA signed an eighty-six-month, non-cancelable lease for offices with an option to extend for sixty additional months. The TLHIGA included the option period in the calculation of the lease asset and liability as it determined that it is reasonably certain that the TLHIGA will exercise that option. The TLHIGA used the internal borrowing rate, adjusted for the lease term, to calculate the lease liability. The lease does not contain any variable payments, short term lease payments, termination penalties, sublease income, or residual values not included in the measurement of the lease liability. The lease does not include any sale-leaseback transactions. The following table shows the lease liability for 2025 and 2024:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>2025</b>				
Lease Liability	\$1,034,200	-	97,718	\$936,482
Total Lease Liability	\$1,034,200	-	97,718	\$936,482

The following table shows the lease asset for 2024:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>2024</b>				
Lease Liability	\$1,127,054	-	92,854	\$1,034,200
Total Lease Liability	\$1,127,054	-	92,854	\$1,034,200

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

A maturity analysis of the lease is displayed in the following table:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	102,761	14,347	117,108
2027	108,000	12,628	120,628
2028	115,014	10,816	125,830
2029	122,310	8,873	131,183
2030	128,288	6,830	135,118
2031-2033	360,110	7,474	367,584
Total	<u>\$936,483</u>	<u>60,968</u>	<u>\$997,451</u>

### 13. Employee Benefit Plans

The TLHIGA sponsors a safe harbor defined contribution retirement plan, TLHIGA 401(k) Plan (“the Plan”), covering substantially all its employees. Employees are generally eligible to participate in the Plan after completing six months of service and attaining the age of 21. Employees may contribute to the Plan through elective deferrals of salary up to an annual maximum as set by law. Further, the TLHIGA contributes 4% of each employee’s salary irrespective of the employee’s participation and may make a safe harbor matching contribution equal to 50% of employee-elective deferrals of salary that do not exceed 6% of annual compensation, in order to maintain safe harbor status. The TLHIGA may also make additional employer matching contributions and discretionary profit-sharing contributions as determined annually.

Employees become fully vested in the Plan after completing five years of service. Provisions of the Plan and contribution requirements may be amended at any time by the Plan administrator.

Contributions to the Plan for 2025 by the TLHIGA totaled \$41,644. Contributions to the Plan for 2024 by the TLHIGA totaled \$39,231.

In 2018, the TLHIGA entered into an Executive Employment and Deferred Compensation Contract (“EEDCC”) with the Executive Director, which covers nine years. The EEDCC established a 457(b) retirement plan (“the 457(b) Plan”) for the Executive Director with contributions subject to certain milestones being met. The TLHIGA deposited \$23,500 in 2025 and \$23,000 in 2024 into an investment account which will remain in effect until the assets are distributed in accordance with the 457(b) Plan. Investment decisions involving those assets are controlled by the Executive Director. The income, gains, losses and investment results of such deemed assets shall be credited to, or debited from, the accounts as of the end of each period. The cumulative amount held in the account is \$249,927 and \$203,954 for the years ending 2024 and 2024 along with the corresponding liability of the same amount.



**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements  
December 31, 2025 and 2024  
(Continued)

**18. Commitments and Contingencies**

Penn Treaty Network America ("Penn Treaty") and American Network ("American Network") Insurance Companies – The future insurance policy obligations of these two companies to 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 (the Liquidation Date), totaled approximately \$137.01 million. The TLHIGA, and forty-three 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 combination of a cash payment and a promissory note 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. With the payoff of the notes, the TLHIGA has no amounts currently owing to LTC Re. The remaining early access distributions were credited to the TLHIGA's notional account used by LTC Re to track the necessity for additional TLHIGA funds.

The TLHIGA will continue to monitor the multiple decade runoff administration of its Penn Treaty and American Network obligations, through the LTC Re notional account reporting each April, 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 American Network asset distributions, and the financial impact of the ongoing implementation of the premium rate increase that was approved by the Texas Commissioner of Insurance on July 2, 2018. The TLHIGA's exposure for additional funding, if any, may not be known for several decades.

Recoveries Subject to Return - A liquidator or special deputy receiver for the estate of an insolvent insurer may, as assets become available, make disbursements out of marshaled assets to a guaranty association(s) having claims against the estate of the insolvent insurer prior to a distribution to other creditors or the closing of the estate. The liquidator or special deputy receiver prior to such disbursement shall also secure from each guaranty association entitled to disbursements an agreement to return to the liquidator upon request and with court approval such assets, together with income on assets previously disbursed as may be required. As of December 31, 2025, the TLHIGA has received approximately \$130.7 million, since its inception, that remain subject to such agreements.

**TEXAS LIFE AND HEALTH  
INSURANCE GUARANTY ASSOCIATION**

Notes to Financial Statements

December 31, 2025 and 2024

(Continued)

Ongoing Claims - The TLHIGA, by its nature, is subject to various ongoing claims by insurance companies, policyholders, receiverships and creditors of the receiverships. Some of these claims are in the form of litigation against the TLHIGA. It is the opinion of management that any losses which may be sustained would not be material to the TLHIGA and, in all foreseeable instances, the TLHIGA would have the statutory authority to assess member insurance companies for any losses sustained.

**19. Subsequent Events**

In 2025, the TLHIGA Board approved the participation in an assumption reinsurance agreement for the policy obligations of two insolvencies. The funding of the assumption occurred on January 2, 2026, but the TLHIGA was obligated in 2025. The TLHIGA recognized the assumption expense and the resulting liability of \$18.5 million in 2025.

The TLHIGA is not aware of any other facts, decisions or conditions that would have a material impact on the accompanying financial statements through April 21, 2026, the date the financial statements were available for issuance.



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