TLHIGA | Texas Life & Health Insurance Guaranty Association

Assessment/Investment Committee Meeting
July 21, 2026

Briefing Material

Assessment/Investment Committee Meeting Agenda

Tuesday, July 21, 2026
1:00 P.M. Central Time
Video/Audio Conference Call Only
Audio Toll Free Dial In Number: 1.346.248.7799
Meeting ID: 2222127774   Password: 537081973

1. Consideration and possible action on consent agenda items:
   A. Summary of the official minutes of the January 20, 2026 meeting*

2. Consideration and possible action on obligations, expenses and net position for active insolvencies.

3. Consideration and possible action on the TLHIGA's investments:
   A. Summary of current investments and maturity schedule
   B. Investment options

4. Consideration and possible action on assessments and refunds
   A. Class B Assessment in 2026
   B. Refunds
   C. Protest of 2024 Class B Assessment

5. Consideration and possible action regarding the annual review of the responsibilities and duties in the Committee's Charter*

6. Executive Session:
   A. Potential and pending litigation
   B. Advice from Counsel

7. Consideration and possible action on items discussed in Executive Session

8. Consideration and possible action regarding the Committee's 2026 Calendar of Activities and next meeting date

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

Open Meeting Information

Status	Accepted
TRD	2026004106
Related TRD	2026004076
Submitted Date/Time	07/13/2026 07:37 AM CDT
Agency	Texas Life and Health Insurance Guaranty Association
Committee	Assessment/Investment
Meeting Date	07/21/2026
Meeting Time	01:00 PM
Address	1717 West 6th Street
City	Austin
State	TX
Additional Information	Call TLHIGA at (800) 982-6362 or go to www.txlifega.org

Agenda

The Assessment/Investment Committee meeting will be held as a videoconference/teleconference. Attendees also have the option to attend the meeting in-person at 1717 West 6th Street, Suite 230, Austin, TX 78703.

Teleconference meeting access information:
Dial in Number (Toll Free): 1.346.248.7799
Meeting ID: 222 212 7774
Password: 537081973

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

Consideration and possible action on:
1) Consent agenda;
2) Obligations, expenses and net position for active insolvencies;
3) TLHIGA's investments;
4) Assessments and refunds;
5) Annual review of the responsibilities and duties in the Committee's Charter;
6) Executive Session;
7) Items discussed in Executive Session;
8) Committee's 2026 Calendar of Activities and next meeting date.

Item 1

Consideration and possible action on consent agenda items:

A. Summary of the official minutes of the January 20, 2026 meeting

CONSENT AGENDA

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

1. The summary of the official minutes of the January 20, 2026 Assessment/Investment Committee meeting shown on pages 1-2 through 1-5.

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

> **RESOLVED,** that the Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of the January 20, 2026 Assessment/Investment Committee meeting.

SUMMARY OF THE OFFICIAL MINUTES OF THE
JANUARY 20, 2026, MEETING OF THE
ASSESSMENT/INVESTMENT COMMITTEE OF THE BOARD OF DIRECTORS

A meeting of the Assessment/Investment Committee (the “Committee”) of the Board of Directors (the “Board of Directors” or the “Board”) of the Texas Life and Health Insurance Guaranty Association (the “Association,” “Guaranty Association,” or “TLHIGA”) was called to order by its Chair, James Harrison, at 1:01 PM Central Time on January 20, 2026. The meeting was held as a videoconference and teleconference meeting in accordance with Section 463.059 of the Texas Insurance Code and was conducted in accordance with the Texas Open Meetings Act.

The Assessment/Investment Committee members whose names are set forth below were present for all or part of the meeting and a quorum was present for all votes:

James Harrison
Mark Williams
Ted Kennedy

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

Employees:	Bart Boles	Jarett Terry	Topping Haggerty
General Counsel:	Dan Price		

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

David Ashton, Texas Department of Insurance (“TDI”)

Chair Harrison noted that proper notice of the meeting was filed on January 9, 2026 and published in the Texas Register in accordance with the Texas Open Meetings Act. He directed that a copy of such notice be attached hereto and be made a part of this written summary of the official minutes of the meeting. Chair Harrison declared that a quorum of the Committee was present in accordance with the Texas Open Meetings Act.

Item 1 Consideration and possible action on consent agenda items

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

> **RESOLVED,** that the Assessment/Investment Committee of the Board of Directors of the Texas Life and Health Insurance Guaranty Association approves the written summary of the official minutes of the July 21, 2025 Assessment/Investment Committee meeting.

Item 2 Consideration and possible action on obligations, expenses and net position for active insolvencies

Mr. Boles reviewed, in detail, the Net Position Schedule with the Committee, which was formerly called the Cash Available/Needs Schedule. He reminded the Committee the schedule has been modified, along with the written material, to provide the Committee with a more succinct presentation on the financial position of active insolvencies.

Item 3 Consideration and possible action on the TLHIGA investments

Mr. Terry reported to the Committee the TLHIGA funds are held in a cash account with JP Morgan Chase Bank, US Treasury Bills and Notes, Money Market mutual funds of US Treasuries in the Morgan Stanly Bank Deposit Program for Brokerage Accounts or JP Morgan 100% US Treasury Money Market Fund, and the NOLHGA escrow accounts for Bankers Life and Colorado Bankers Life Insurance Companies (BLIC/CBLIC).

Mr. Terry reviewed the current schedule of investments for the TLHIGA and discussed the investment maturity schedule and how it impacts the funding of the TLHIGA obligations.

Item 4 Consideration and possible action regarding the TLHIGA's Investment Policy

Mr. Boles reviewed the TLHIGA Investment Policy, Section 7(b) of the TLHIGA Plan of Operation, which was included in the meeting's briefing material.

The Committee reviewed the TLHIGA's Investment Policy and did not recommend any changes at this time.

Item 5 Consideration and possible action on assessments and refunds

Mr. Boles reminded the Committee that Class A assessments are to provide funds to meet administrative and general expenses not related to specific insolvencies. He reported the TLHIGA has minimized Class A assessments by using recoveries of administration expenses from receivership estates, investment earnings and the allocation of funds retained from closed insolvent estates to fund the ongoing administrative and general expenses of the TLHIGA. Mr. Boles reported the TLHIGA last called a Class A assessment in 2021.

Mr. Boles reviewed the resolutions the Board of Directors adopted in 2022, 2023, and 2024, at the recommendation of the Committee, regarding the use of the LMLIC/MSLIC funds which related to the paying of administrative and general expenses.

Mr. Boles, while referencing the meeting material, reminded the Committee about the Committee's recommendations, that were adopted by the Board, regarding the TLHIGA Insolvency Expense Account ("IEA").

Mr. Boles reviewed what the IEA funds have paid in Class A expenses between January 1, 2022 to November 20, 2025.

Mr. Boles stated the staff does not recommend a Class A assessment at this time.

Mr. Boles reviewed the TLHIGA's ongoing obligations, early access distributions, and potential funding from estate assets for the active insolvencies.

Mr. Boles stated the staff does not recommend a Class B assessment, or any refunds at this time.

Mr. Boles reported the assessment protest submitted regarding the 2024 Class B Assessment is still open and pending.

Item 6 Executive Session

Chair Harrison did not call an Executive Session.

Item 7 Consideration and possible action on items discussed in Executive Session

Not applicable.

<u>Item 8 Consideration and possible action regarding the Committee's 2026 Calendar of Activities and next meeting date</u>

The Committee confirmed that its next meeting will be held on Tuesday, July 21, 2026.

There being no further business, Chair Harrison stated the time to be 1:32 P.M. and the regular meeting of the Assessment/Investment Committee of the Texas Life and Health Insurance Guaranty Association that was held pursuant to the Texas Open Meetings Act was adjourned.

<u>Certification</u>

The undersigned hereby certifies the foregoing is a true and accurate written summary of the proceedings of the January 20, 2026 meeting of the Assessment/Investment Committee, approved by the Committee at its meeting held on July 21, 2026.

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James Harrison, Chair, Assessment/Investment Committee

Item 2

Consideration and possible action on obligations, expenses and net position for active insolvencies

OBLIGATIONS, EXPENSES AND NET POSITION OF ACTIVE INSOLVENCIES

The Net Position Schedule ("Schedule") is presented on page 2-2 for the Committee's review. The Schedule was formerly called the Cash Available/Needs Schedule, however it has been modified, along with the written material, to provide the Committee with a more succinct presentation on the financial position of active insolvencies.

The Schedule displays all the insolvencies that are either (1) still active with ongoing contractual obligations to be paid and/or potential recoveries that are being pursued or (2) have a net position balance as of May 31, 2026. The Schedule has been expanded to provide the Committee with a financial presentation of the financial standing of each insolvency to consider, along with items three and four, whether a Class B assessment or a refund should be recommended at this time. It provides the following financial information development of the Projected Net Position for each insolvency:

- BEGINS with the current cash, cash equivalents, and investment holdings,
- ADDS any additional receivables such as anticipated estate asset distributions and accrued interest,
- DEDUCTS other payables, including repayment of loans from other insolvencies, loans from the Insolvency Expense Account, or loans from the Admin Expense Account for MPC expenses,
- DEDUCTS the estimates of remaining insurance policy contractual obligations the TLHIGA expects to pay (segregated between the Current obligations that may be paid within the next twelve months and the Non-Current obligations that may be paid after one year), and
- ARRIVES at the Projected Net Position, either a projected excess or deficit.

Management will provide more information, as needed, during the Committee's July 21st meeting.

TLHIGA

NET POSITION SCHEDULE
AS OF MAY 31, 2026

Estate Name	Estate Number	Year of TLHIGA Activation	Last Year Assessed	Line of Business	Total Cash, Cash Equiv, & Investments	PLUS Total Receivables & Other Assets	LESS Other Payables & Liabilities	Insurance Contractual		Projected Net Position	Recommended	
								Current	Non-Current		Class B Assessment	Refund
American Medical & Life[1]	094			H	6,846.46	0.00	0.00	0.00	0.00	6,846.46		
AMS	009	1992	1994	LH	68.78	0.00	0.00			68.78		
Bankers Life	099	2024	2024	LA	28,381,410.00	0.00	(125,457.00)	0.00	0.00	28,255,953.00		
Benicorp	076	2007	2013	H	4,862.04	0.00	0.00	0.00	0.00	4,862.04		
Bright Healthcare[2]	104	2023		H	0.00	0.00	(1,771,848.96)	0.00	0.00	(1,771,848.96)		
Calanthe Mutual[3]	095	2020		L	0.00	0.00	0.00	(30,000.00)	(704,732.00)	(734,732.00)		
Colorado Bankers	100	2024	2024	LA	13,422,943.00	0.00	(40,124.00)	(667,836.00)	0.00	12,714,983.00		
Columbian Mutual	108				0.00	0.00	(726.00)			(726.00)		
Executive Life	003	1991	2007	LA	132,696.84	0.00	(562.00)	0.00	0.00	132,134.84		
Friday HealthCare[2]	105	2023		H	3,880,902.97	0.00	(1,576.00)	(2,000,000.00)	0.00	1,879,326.97		
Golden State[3]	085	2011	2013	L	(3,596.05)	0.00	0.00	0.00	(20,000.00)	(23,596.05)		
Heritage National	055	2001	2002	H	10,981.86	0.00	0.00			10,981.86		
Imerica	086	2010	2013	H	58,723.09	0.00	0.00	0.00	0.00	58,723.09		
Lumbermans	091	2013	2014	H	289,856.21	0.00	(4,504.00)	0.00	0.00	285,352.21		
National Heritage[3]	029	1995	1997	LA	0.00	0.00	(36,336.00)	0.00	0.00	(36,336.00)		
National State	090	2010	2013	LH	2,015,098.76	0.00	0.00	(2,000.00)	(1,622,900.00)	390,198.76		
North Carolina Mutual[3]	097	2022		L	244,962.70	0.00	(46,095.00)	(10,000.00)	(255,515.00)	(66,647.30)		
Northwestern Natl[3]	096	2019		H	122,823.96	0.00	0.00	0.00	0.00	122,823.96		
Penn Treaty	054	2017		H	11,384,235.22	3,524.06	(1,551.00)	0.00	0.00	11,386,208.28		
PHL[1]	106		2017	A	0.00	0.00	(106,510.00)			(106,510.00)		
Sentinel Security[1]	109				0.00	0.00	(1,584.00)	0.00	0.00	(1,584.00)		
SHIP[1]	98			H	0.00	0.00	(264,595.00)			(264,595.00)		
Southland National[3]	101	2023		L	0.00	0.00	(272,992.00)	0.00	0.00	(272,992.00)		
Time Ins Co[3]	102	2022		LHA	38,023.59	0.00	(638.00)	0.00	0.00	37,385.59		
Universal Life	084	2010	2012	L	476,971.82	0.00	(439.00)	(6,000.00)	(327,625.00)	142,907.82		
Insolvency Expense Acct	001				46,051,705.81	1,796,639.90	(110.00)	(1,000.00)	(46,654.00)	47,800,581.71		
TOTAL					**106,519,517.11**	**1,800,163.96**	**(2,675,647.96)**	**(2,716,836.00)**	**(2,977,426.00)**	**99,949,771.11**		

[1] TLHIGA Not Activated
[2] Early Access Full Recovery Anticipated
[3] Full Payment Of Claims And Expenses From Insolvency Expense Account Authorized

<u>Item 3</u>

Consideration and possible action on the TLHIGA's investments:

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

TLHIGA INVESTMENTS

TLHIGA Investment Practices - Currently, the TLHIGA's funds are currently held in four ways:

1. Cash accounts with JP Morgan Chase Bank,
2. US Treasury Bills and Notes, and
3. Money Market mutual funds of US Treasuries in the Morgan Stanley Bank Deposit Program for Brokerage Accounts or JP Morgan 100% US Treasury Money Market Fund.
4. NOLHGA escrow accounts for Bankers Life and Colorado Bankers Life Insurance Companies (BLIC/CBLIC).

The TLHIGA has followed an investment plan of holding $250,000 in cash, approximately $2 million in money market funds, and the remainder in US Treasuries, with $2 million of these Treasuries maturing each quarter.

To accommodate funding needs and anticipated recoveries for the various active insolvencies, the TLHIGA opened a JP Morgan Money Market account that allows the TLHIGA to invest an unlimited amount of money in the same JP Morgan US Treasury Money Market Fund used for sweeps, but the investment and redemption is on demand and is used to manage daily cash flows. The use of sweeps was no longer necessary so that service was turned off on all but one TLHIGA bank account. The TLHIGA attempts to maintain no more than $250,000 in cash with the remaining cash held in JP Morgan and Morgan Stanley money market funds, but that is dependent on the cash flow needs to pay claims for insolvencies.

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

Specific Board of Directors Investment Directions - At its October 24, 2023 meeting, the Board authorized the transfer of the Lincoln Memorial Life Insurance Company/Memorial Service Life Insurance Company (LMLIC/MSLIC) excess funds to the Insolvency Expense Account ("IEA") and to continue to pay certain insolvency expenses, admin expenses through 2023, and intercompany borrowings. Staff made the necessary adjustments in the records to accomplish the transfer. Any future LMLIC/MSLIC expenses will be paid from the IEA.

The TLHIGA received a $25 million early access distribution from the FHIC receivership estate in December 2023 and $21.4 million distribution in February 2025. The TLHIGA also received an early access distribution from the BHICOT estate in February 2025 of $8.6 million. The TLHIGA used the proceeds of Treasury maturities and liquidated Treasuries to pay FHIC and BHICOT claims while waiting on these distributions. The Treasury proceeds have been held in the new JP Morgan Money account and transferred to the TLHIGA bank accounts, as necessary, to pay claims. The TLHIGA has, on occasion, held more than $250,000 in cash due to the logistics of paying the FHIC and BHICOT claims. All the funds used for FHIC and BHICOT expenses have been either paid or borrowed from the distributions from the receivership estates or the Insolvency Expense Account.

<u>Investment of October 2024 Class B Assessment Collections</u> - On October 15, 2024, the TLHIGA distributed a Class B annuity assessment in the amount of $98,499,932 that was due December 2, 2024. All amounts were collected and invested in the JP Morgan Money account until needed to pay the annuity contract obligations of Bankers Life Insurance Company and Colorado Bankers Life Insurance Company.

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

As of April, and May 31, 2026, the TLHIGA's investments are shown below:

Cash and Money Market Funds

	April 30	May 31
Morgan Stanley Bank Deposit Program		
Expense funds	(9,124)	(9,124)
Insolvency Expense Account funds	28,429	28,862
Other Estate funds	(19,208)	(19,209)
Total Invested in Money Market Funds	**$97**	**$529**
Money Market Funds at JP Morgan		
Expense funds	230,113	1,034,282
Insolvency Expense Account funds	2,654,269	3,569,155
Other Estate funds	(849,794)	2,164,854
Total Invested in Money Market Funds	**2,034,588**	**$6,768,291**
Money Market Funds at Morgan Money		
Expense funds	2,901,974	4,892,914
Insolvency Expense Account funds	21,937,082	15,226,386
Other Estate funds	46,930,430	46,857,739
Total Invested in Money Market Funds	**71,769,486**	**$66,977,039**
Cash in Bank Accounts		
Collection account	25,000	25,000
Expense funds	129,061	123,191
Claims account	21,257	21,257
Cash in NOLHGA BLIC/CBLIC Escrow Accounts	10,682,868	11,592,909
Total Cash	**$10,858,186**	**$11,762,357**
Total in Cash and Money Market Funds	**$84,662,357**	**$85,508,216**

Investments in US Treasuries

	April 30	May 31
Morgan Stanley		
Expense	1,306,093	1,310,129
Insolvency Expense Account	27,130,387	27,201,445
Other Estates	2,859,035	2,866,053
Total Treasuries in Morgan Stanley	**$31,295,515**	**$31,377,627**
JP Morgan Securities		
Expense	4,208,461	1,337,097
Insolvency Expense Account	1,494,468	0
Other Estates	1,550,184	936,325
Total Treasuries in JP Morgan Securities	**$7,253,113**	**$2,273,422**
Total US Treasuries	**$38,548,62**	**$33,651,049**
Total Cash and Investments	**$123,210,985**	**$119,159,265**

Treasury Bills (as of 7/8/26)

Maturity Dates	30 days	90 days	180 days	1yr	2yr
Yield	3.67%	3.87%	3.99%	4.06%	4.21%

JP Morgan Money Account Current Yield as of 7/8/26: 3.50%
JP Morgan Money Account Weighted Average Maturity as of 7/8/26: 45 days

As of May 31, 2026, the TLHIGA has purchased US Treasuries as shown below:

Maturity Date	Par Value	Market Value	Broker Account	Yield to Maturity (YTM)	Weighted Average YTM
6/16/2026	26,568,000	26,527,798	Morgan Stanley	3.692	2.8056
9/26/2026	2,300,000	2,273,422	JPM Securities	3.691	0.2494
9/30/2026	4,854,000	4,849,829	Morgan Stanley	3.762	0.5422
	$33,722,000	$33,651,049			3.5972

Item 4

Consideration and possible action on assessments and refunds

A. Class B Assessment in 2026
B. Refunds
C. Protest of 2024 Class B Assessment

ASSESSMENTS AND REFUNDS

CLASS A ASSESSMENT IN 2026

Class A Assessment History - Class A assessments may be authorized and called to pay administrative and general expenses not related to a particular insolvent member company. The TLHIGA has levied six Class A assessments totaling approximately $10.74 million since it was created in 1973. The TLHIGA has minimized Class A assessments by using recoveries of administration expenses from receivership estates, investment earnings, and the allocation of funds retained from closed receiverships to fund the ongoing non-insolvency specific, administrative and general expenses of the TLHIGA.

Based on the Committee's recommendation in July 2020, the Board of Directors adopted a practice of annually comparing the TLHIGA's financial position to the projected administration and general expenses in the Operating Budget during its first meeting of each calendar year. If necessary, a Class A assessment would be recommended in the amount needed to pay administration and general expenses for the calendar year. Previously, the TLHIGA had a practice to levy Class A assessments every 3-5 years to meet the projected expenses for those time periods.

Board Actions to Fund Class A Expenses From Lincoln Memorial Life Insurance Company/Memorial Service Life Insurance Company (LMLIC/MSLIC) Funds - The Board adopted the following recommendations from the Committee for the use of the LMLIC/MSLIC excess funds obtained through litigation recoveries and receivership distributions:

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

Board Action on Use of IEA Funds – The Board adopted the following recommendations from the Committee for the use of the IEA funds:

- At its January 30, 2024 meeting, authorized funding the 2024 administrative and general expenses from IEA funds. Since the Board provided for this funding of the Class A expenses, a Class A assessment was not needed in 2024.
- At its January 28, 2025 meeting, authorized funding the 2025 administrative and general expenses from IEA funds, so a Class A assessment was not needed in 2025.

To date, the IEA funds have paid $4,423,799 in Class A expenses. Due to the higher interest rates in 2025 and 2026, the TLHIGA has been able to offset administrative expenses with interest earned on cash in its accounts. Since the last A/I Committee Report, the administrative expenses totaled $847,479 and the interest allocated to the OEA was $965,301. At this time, the OEA has a surplus of $8,688,489 due to the interest earned in 2026 and prior periods.

The estimated remaining administrative expenses for 2026 are $1,586,353. The TLHIGA has estimated that it will earn $1,693,675 in interest over the remaining year using the current US Treasury yields and expected cash outflows and inflows. Due to the OEA balance and the expected earnings, management does not recommend a Class A assessment in 2026. Administrative and general expenses will be paid from the OEA as originally intended.

CLASS B ASSESSMENT IN 2026

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

At its July 25, 2023 meeting, the Board adopted the recommendation from the Committee to authorize the payment of the administration expenses and covered insurance policy obligations from the IEA for seven specific insolvencies: Northwestern National Insurance Company, Calanthe Mutual Life Insurance Company, Time Insurance Company, North Carolina Mutual Life Insurance Company, Southland National Life Insurance Company, Bankers Life Insurance Company (life only), and Colorado Bankers Life Insurance Company (life only). The TLHIGA will continue to use the IEA to pay those obligations until instructed otherwise by the Board, the IEA is completely exhausted, or there are no more expenses for those insolvencies. To date, the TLHIGA has paid $7,381,263 from the IEA for these insolvencies including a $4.94 million payment to fund the assumption of the TLHIGA's life insurance policy obligations for Southland National Life Insurance Company. That payment fulfilled all the TLHIGA's policy obligations for Southland National.

Based on the review of the net position for active insolvencies under agenda item 2, there is no anticipated need for the TLHIGA to authorize and call a Class B assessment in 2026.

CLASS B ASSESSMENT FORECAST FOR 2027

The TLHIGA has not identified any potential needs for a 2027 Class B assessment to meet any of its obligations for active insolvencies. However, one rehabilitation is being monitored that may result in a liquidation in 2027 with immediate needs for funding to meet statutory obligations.

PHL Variable Insurance Company ("PHL") – PHL is a Connecticut-domiciled insurance company that issued life insurance, annuity products, and related supplemental contracts to policyholders nationwide. On May 20, 2024, the Connecticut Superior Court, Hartford Judicial District, entered an order placing PHL Variable Insurance Company (PHL) and its subsidiaries, Concord Re, Inc., and Palisado Re, Inc. (collectively, the Companies), into rehabilitation.

On December 31, 2025, the Rehabilitator for PHL publicly reported that a pure rehabilitation plan structure as originally contemplated is not feasible and that a liquidation order will be needed and is expected. The Rehabilitator continues to administer PHL's business until an order is issued.

The TLHIGA continues to monitor the rehabilitation and is working through the NOLHGA PHL Task Force to obtain the data necessary to forecast estimates of the covered PHL life insurance policy and annuity contract obligations. The amount and timing of a Class B assessment for the TLHIGA's obligations and expenses for PHL is not known but a liquidation order activating the TLHIGA and the other guaranty associations is expected to be entered in 2027. The TLHIGA has begun its preparation for such an assessment with the evaluation of a reallocation of excess Class B assessment funds from a prior annuity assessment to fund a portion of the PHL obligations. The TLHIGA has also been monitoring assessable annuity premium reporting and possible disparities in member's assessable premium that would be used for this assessment. A discussion of these planning issues will be held in Executive Session.

REFUNDS

For each insolvency, the Board of Directors evaluates whether to refund any funds collected through Class B assessments, receivership asset distributions, and recoveries from other sources that exceed its remaining administration costs and payments for obligations under covered insurance policies. The Net Position Schedule on page 2-2 provides the Committee with the current net position of each estate. Management continually monitors these positions and reviews them with the Committee twice annually, to determine if there are funds that should be considered for refund. This schedule has been updated to reflect the Board's creation of the IEA and the transfer of specific funds into that account as authorized by the Board of Directors. Management does not recommend a refund in 2026.

Bankers Life Insurance Company ("BLIC") and Colorado Bankers Life Insurance Company ("CBLIC") – Due to the substantial resolution of the BLIC and CBLIC covered life insurance policy and annuity contract obligations, the TLHIGA will have funds remaining from the Class B assessment, interest, and recoveries. As of May 31, 2026, the combined remaining funds total

$41,804,354. The amount is due to the following:

Class B Assessment (called amount plus past due fees)	$	98,506,708
Interest Earned		620,670
Recoveries		45,999,758
Administration Expenses		(1,532,034)
Claims/Assumption Expenses		(101,790,748)
Remaining Excess Funds	$	41,804,354

The Committee will discuss in Executive Session the options for dealing with the remaining BLIC and CBLIC funds which are subject to claw back under the Early Access Agreement with the BLIC/CBLIC Liquidator.

REFUND CREDIT BALANCES

Credit Balances-The TLHIGA is currently holding $3,951,258.32 in credit balances. These funds represent the past refunds authorized by the Board of Directors that were in excess of the assessment due for the affected members when the refund was applied. The TLHIGA has historically refunded when an assessment was called so that the refund would be applied against the assessment due and the member would only pay the net amount. In some cases, the member either had no assessment or the assessment was less than the refund, so the net refund amount has been maintained as a credit balance by the TLHIGA for offset against future assessments resulting in a credit balance. The TLHIGA has on a few occasions authorized a cash refund where the credit balances were refunded directly to the member.

The TLHIGA's enabling statute requires the TLHIGA to allocate any cash refund between the member and the Texas Commissioner of Insurance. Any amount taken as a premium tax offset for the assessment that produced the refund must be paid to the Texas Commissioner of Insurance and the remainder paid to the member. The member's premium tax offset schedule administered by the Texas Comptroller of Public Accounts must be adjusted for any refund payments to the member. Due to the prohibitive complexity of these allocation and reporting requirements, the TLHIGA has historically used the credit refund process rather than a direct refund process.

The last refund authorized by the Board was in 2017 in the amount of $4.1 million for two insolvencies that were last assessed in 2001 and 2013. These assessments involved both the current statutory premium tax offset of 20% per year beginning in the year following the assessment and a prior statutory version with a 10% per year premium tax offset. In either case, it is highly likely that most, if not all, of the premium tax offsets for past assessments have been taken. Most of any direct refunds would likely be paid to the Texas Commissioner of Insurance. To determine the precise allocation, the TLHIGA would have to request the premium tax offset schedules for all impacted members from the Comptroller, determine which prior assessments make up each member's credit balance and review the offset schedules to see what portion of the last assessment has been taken and what remains and allocate the refund in the same proportion. The TLHIGA has over 1,000 members and some of these credit balances are comprised of 20 or 30 assessments over the past 30 years. The TLHIGA may not be able to obtain all of the data necessary to identify the portion of the credit balances taken through premium tax offset.

The Committee will review all options on how to resolve the credit balances in Executive Session.

2024 CLASS B ASSESSMENT PROTEST

On Friday, November 29, 2024, the TLHIGA received an email from a member company protesting their assessment. They stated the grounds for their protest are material overstatements in the assessable premiums. The company had reported the premiums on their Texas Life, Health, and Annuity Guaranty Association Assessable Premium Exhibits to their Annual Statement for 2021, 2022, and 2023 ("Assessable Premium Exhibits"), which were then used by the TLHIGA to calculate the assessment. After receiving instructions on statutory requirements, the company properly submitted its protest to the Texas Commissioner of Insurance Cassie Brown. Subsequently, the company supplemented its protest with revised Assessable Premium Exhibits for 2021, 2022, and 2023.

At its July 29, 2025 meeting the Board instructed the TLHIGA to draft a letter to the Texas Department of Insurance considering 1) it is not the TLHIGA's authority to accept or deny the appeal from Empower but it is the opinion of the TLHIGA Board that the appeal be denied; 2) the TLHIGA will offer information on the implications associated with any alternative decision made by TDI, as it respects not only Empower but also the rest of the industry and how these assessments are treated; 3) the implications for Empower should their appeal be accepted and their historical use of the statutory disclaimer for products not covered by the TLHIGA, and whether they were in violation of that statutory provision; 4) irrespective of how TDI and Empower proceed with this appeal, the issue of disparate reporting of the allocated vs unallocated assessable premiums is something that will not go away, so TDI unilaterally, or through the NAIC, should pursue an initiative to determine if any changes need to be made in the assessable premium reporting to provide clarity for all. The appeal is still pending.

An update on this assessable premium issue will be provided and discussed during the Executive Session.

<u>Item 5</u>

Consideration and possible action regarding the annual review of the responsibilities and duties in the Committee’s Charter

ASSESSMENT/INVESTMENT COMMITTEE CHARTER

The Committee's Charter is included on page 5-2 through page 5-4. The Committee annually reviews the Charter and will recommend changes, if any, for consideration by the Board of Directors at its August 5, 2026, meeting.

A sample resolution is provided on page 5-5 to recommend to the Board of Directors that they adopt the minor revisions to the Committee's Charter.

Board of Directors
Charter of the Assessment/Investment Committee
Amended and Restated August 5, 2026

I. Purpose

The Assessment/Investment Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities in respect of assessments and investments. This Charter does not alter the provisions of the Association's Act, Bylaws, Plan of Operation, Policies and Procedures, the Texas Open Meeting Act, or the Texas Public Information Act. The Assessment/Investment Committee's primary responsibilities are to:

- Provide recommendations to the Board of Directors regarding Class A and B assessments and refunds.
- Monitor and oversee assessments levied upon the member insurers.
- Provide recommendations to the Board of Directors regarding the investment policy and strategy of Association funds.
- Monitor and oversee investments of Association funds in accordance with the investment policy and strategy.

II. Committee Composition and Meetings

The Assessment/Investment Committee shall be comprised of three or more directors, each of whom shall be free from any relationship that would interfere with the exercise of his/her independent judgment. All members of the Committee shall have a basic understanding of assessments and investments, and at least one member of the Committee should have investment or related financial management experience.

The chair and members of the Assessment/Investment Committee shall be appointed by the Board of Directors. If the chair or a committee member is absent from a committee meeting, the Board Chair may appoint a temporary, substitute chair or member in accordance with the Bylaws.

The Committee shall meet at least once annually, or more frequently as circumstances dictate. The Assessment/Investment Committee Chair shall prepare and/or approve an agenda in advance of each meeting. Written materials shall be received from management and others, if appropriate, in advance of meeting dates. Assessment/Investment Committee members are responsible for reviewing written materials in sufficient depth before a meeting in order to meaningfully participate in Committee dialogue.

Unless other arrangements are made, the Assessment/Investment Committee requires Association management and the Association's General Counsel to attend all meetings of the Committee. The Committee may request other professionals to attend a Committee meeting, or to meet with any members of, or consultants to, the Committee. The Assessment/Investment Committee shall report to the Board of Directors after each meeting and shall make recommendations, as necessary, to the Board of Directors. The Assessment/Investment Committee only has the power to act on behalf of the Board of Directors with specific prior approval granted in a resolution of the Board.

III. Responsibilities and Duties

<u>Assessments</u>

1. Review the future insurance policy and annuity contractual obligations requiring funding by the Association and related assessment needs.

2. Review and recommend to the Board the amount and character of every assessment, and review and recommend to the Board the treatment of assessment refunds, if any.

3. Monitor collection of assessments and enforcement actions.

4. Monitor deferrals, reallocations, and refunds of assessments.

5. Make recommendations to the Board as necessary regarding assessments.

<u>Investments</u>

6. Make recommendations to the Board regarding the Association's investment policy and strategy.

7. Oversee implementation and management of the Association's investment policy, investment strategies, and investments of the Association.

8. Review the Association's relationships with financial institutions, including bank accounts, safekeeping accounts, and custodial accounts.

9. Review records of financial investments, as necessary.

10. Make recommendations to the Board as necessary regarding investments.

Other Responsibilities

11. Perform any other activities consistent with this Charter, the Association's Act, Bylaws, Plan of Operation, Policies and Procedures, the Texas Open Meetings Act, and the Texas Public Information Act, and as the Assessment/Investment Committee and Board of Directors deem necessary or appropriate.

12. Maintain minutes of meetings and report to the Board of Directors on significant results of the foregoing activities.

13. Review and reassess the adequacy of this charter at least annually and recommend any proposed changes to the Board for approval.

RESOLUTION RECOMMENDING THE AMENDMENT
OF THE ASSESSMENT/INVESTMENT COMMITTEE CHARTER

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

RESOLVED, that the Board of Directors of the Texas Life and Health Insurance Guaranty Association amends the Assessment/Investment Committee Charter as presented.

Item 6

Executive Session:

A. Potential and pending litigation
B. Advice from Counsel

Item 7

Consideration and possible action on items discussed in Executive Session

Item 8

Consideration and possible action regarding the Committee’s 2026 Calendar of Activities and next meeting date

COMMITTEE'S 2026 CALENDAR OF ACTIVITIES AND NEXT MEETING DATE

Included on pages 8-2 to 8-3 are the portions of the 2026 Calendar of Activities relating to the Assessment/Investment Committee. It reflects meeting dates and related activities based on those meeting dates, including the items known at this time that may be addressed. The items shown in red are specific responsibilities for the Assessment/Investment Committee Chair.

The next Committee meeting is tentatively scheduled for **Tuesday, January 19, 2027**.

TLHIGA

2026

2026 Calendar of Activities (ASSESSMENT/INVESTMENT COMMITTEE) updated as of 7/15/26

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
4	ED		1/13/26	**EXECUTIVE DIRECTOR** (or staff) will file the final agendas for the January 20, 2026 Personnel and A-I Committees' meetings with the Texas Secretary of State's office.	1/9/26
7	A-I	CH	1/20/26 1:00 PM virtual	**Assessment/Investment Committee Meeting** - Consideration of prior meeting's minutes - Review the TLHIGA's cash flow projections - Review the TLHIGA's investments - Review the net cash available/needs position of all insolvencies - Consider the necessity for a Class A and/or a Class B Assessment and/or refund in 2026	1/20/26
10	BOD A-I PER	CH CH CH	1/27/26 8:30 AM	**Board of Directors Meeting** Consideration and possible action on the following: - Election of Officers - Appointment of Committee Chairs and Members - Review of Board of Directors corporate goverannce comments - Review the compilation of evaluations of General Counsel - Review and possible actions on various active member company receiverships - Executive Director's report on operations - Adoption of 2026 Operating and Capital Expenditure Budgets - Regular operational and financial approvals (minutes, NOLHGA invoice, future meetings, financial statements, etc.) **A-I COMM CHAIR** will report on the Committee's discussions regarding the necessity for Class A or Class B assessments in 2026 **PERS COMM CHAIR** will report on the Committee's discussion regarding: - Review of benefits, compensation and training components in 2026 Operating Budget, including staff compensation - Report from compensation consultant - Review Board Counsel's compilation of all directors' performance evaluations of the Executive Director - Evaluation and possible action on elements of Executive Employment and Deferred Compensation Contract with the Executive Director	1/27/26
30	A-I	CH	7/2/26	**A-I COMM CHAIR and counsel** will be provided the draft agenda for the July 21, 2026 Committee meeting for review with the Executive Director and/or Controller to determine the order of items and items to be added or deleted.	7/2/26
32	ED		7/14/26	**EXECUTIVE DIRECTOR** (or staff) will file the final agendas for the July 21, 2026 A-I Committee meeting and the July 22, 2026 Personnel Committee meeting with the Texas Secretary of State's office.	7/14/26
34	A-I	CH	7/21/26 1:00 PM virtual	**Assessment/Investment Committee Meeting** - Review the TLHIGA's cash flow projections - Review the TLHIGA's investments - Review the TLHIGA's investment policy - Review the net cash available/needs position of all insolvencies - Review the necessity for a Class B assessment and/or refund in 2026 - Review of the Committee's Charter	

TLHIGA

2026

2026 Calendar of Activities (ASSESSMENT/INVESTMENT COMMITTEE) updated as of 7/15/26

Activity Reference No.	Board, Committee or Executive Director (BOD, A-I, PER, AUD, LEG, CORP GOV or ED)	Chair - CH (If applicable)	Activity Target Date	Activity Description	Date Completed
38	BOD A-I PER	CH CH CH	8/5/26 8:30 AM	**Board of Directors Meeting** **A-I COMM CHAIR** will provide a report to the Board of Directors that includes the following: - Necessity for a Class B assessment or refund in 2026 - Any recommended revisions to the Investment Policy - Any recommended changes to investments - Any recommended changes to the A/I Committee Charter **PERS COMM CHAIR** will provide a report to the Board of Directors that includes the following: - Any actions on the benefits provided to TLHIGA employees - Review elements of the Executive Director's Executive Employment and Deferred Compensation Contract - Revisions to succession plans Executive Session confidential discussion of financially troubled member insurance companies Review and possible actions on various active member company receiverships Executive Director's report on operations Review of IRS Form 990 Corporate governance enhancements Regular operational and financial approvals (i.e. minutes, NOLHGA invoice, future meetings, financial statements, etc.)	
53	A-I	CH	1/5/27	**A-I COMM CHAIR** will review the draft agenda for the January 19, 2027 Committee meeting with the Executive Director to determine the order of the items and whether additional items should be added or deleted.	