

Katie M. Hobbs
 Governor

Barbara D. Richardson
 Director

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
 OF THE
 ARIZONA LIFE AND DISABILITY INSURANCE GUARANTY FUND**

MONDAY, JANUARY 27, 2025

Pursuant to a Public Notice dated January 23, 2025, the Meeting of the Board of Directors of the Arizona Life and Disability Insurance Guaranty Fund (“ALDIGF”) was convened on January 27, 2025, at 9:03 a.m. in a virtual conference format using Google Meet. Germaine L. Marks, Esq., Chair of the Board, determined that a quorum was present and called the meeting to order.

Present at the meeting were the following members of the Board of Directors:

Germaine L. Marks, Esq.	Chair
Mark A. Haydukovich, ChFC, CLU, CPA, FLMI, CFA	Vice Chair
Elizabeth “Betsy” A. Heisler	Secretary/Treasurer
Robert C. Corn	Director
John R. Mathews, Esq., CPA.....	Director
Shelby Cuevas	Director
Tod D. Lashway, CLU, ChFC, LUTCF	Director
Paul Matson, CFA, FCSI	Director
Michael Tobin	Director

Also present at the meeting were:

Glen Gabrielson	ALDIGF Executive Director
Lori D. Nestor	ALDIGF Executive Director (Retiring)
Alicia Tellez	ALDIGF Controller
Sharyn Kerr	ALDIGF Administrative Support Specialist

The following matters were discussed, considered and decided at the meeting:

1. ANNOUNCEMENT CONCERNING ALDIGF’S ANTI-TRUST POLICY AND CONFLICT OF INTEREST COMPLIANCE

The Chair announced that the meeting would be conducted in accordance with the Fund’s Anti-Trust Policy and in compliance with Arizona law concerning the disclosure of conflicts of interest with regard to any matter before the Board for consideration.

The Chair recognized Executive Director Nestor who began by introducing and welcoming Mr. Glen Gabrielson, the new Executive Director of the Guaranty Funds as of December 23, 2024. Ms. Nestor has been working with Mr. Gabrielson since he began, introducing him to as many key people and conveying as much information as possible. Mr. Gabrielson greeted the Board stating that he is excited to be working with the Guaranty Funds and looks forward to getting to know the Board members.

Ms. Nestor then introduced and welcomed the new Guaranty Fund Controller, Ms. Alicia Tellez, replacing Ms. Marie Souza who retired earlier in January. Ms. Tellez also greeted the Board and stated that she is excited to be working with the Guaranty Funds.

2. REVIEW, DISCUSSION AND POSSIBLE ACTION REGARDING PRE-FUNDING THE ALDIGF OBLIGATIONS RELATIVE TO THE COLORADO BANKERS LIFE INSURANCE COMPANY AND BANKERS LIFE INSURANCE COMPANY INSOLVENCIES.

The Chair again recognized Executive Director Nestor who began by providing an update regarding the Global Bankers insolvency. Processing of claims has begun. AMR was retained by the NOHLGA Task Force to handle this insolvency on behalf of the Guaranty Fund. It was a slower start than anticipated with the original goal of having statements sent to annuity holders by the beginning of December, however, personalized statements were not fully sent until mid-January. Processing of claim batches didn't actually begin until then. As anticipated, a tremendous amount of activity is occurring. AMR has already processed a significant number of claims totalling \$109 million in benefits thus far and has realized the need for additional staff including approving overtime. AMR is working hard to ensure that batches are being processed as quickly as possible.

Part of the role of the Guaranty Fund is ensuring that funding is available to pay claims as quickly as possible. The current schedule for processing annuity surrenders, required minimum distributions and supplemental payments is that batches are processed as soon as they are received then sent to Risk and Regulatory Associates on Monday of each week. The batch is then reviewed by RRA and released to Guaranty Funds on Tuesday. The batch is then due back to NOLHGA by Thursday close of business Eastern Time or 3:00 p.m. Phoenix time. This only allows from Tuesday to Thursday afternoon to review the claims batch, ask any necessary questions, approve the batch, then fund the NOHLGA escrow account in time. The ALDIGF has not prefunded the escrow account and as a result the NOHLGA Task Force has requested that the Fund consider prefunding. Both Ms. Nestor and Mr. Gabrielson agree that prefunding should be done. The ALDIGF is one of only three Funds that has not been prefunded for these obligations.

Ms. Nestor noted that batches are on a short turn-around and the recommendation to the Board is to prefund into the NOHLGA escrow account. She then provided an opportunity to the Board to ask questions or provide any comments. Chair Marks inquired as to whether prefunding should be done one time or on a sequential basis and what the dollar amount would be. Ms. Nestor replied that either is an option. She also stated that the total exposure to the ALDIGF is \$25 million in annuity value if all annuities are surrendered. The first batch totaled approximately \$250,000 with the second batch near \$500,000, and that surrenders are now exceeding the processing capability. Ms. Marks inquired as to whether Ms. Nestor would recommend prefunding just under the full amount to prevent additional burden of labor

including holding additional meetings of the Board to obtain authorizations as needed. Ms. Nestor replied in the affirmative.

Director Matson inquired as to what the process would be to repatriate the Fund's money if overfunding occurs and whether or not another party may have legal claim on the pool of funds. Ms. Nestor replied that the amount of overfunded money would be returned to the Fund with interest at the current rate of about 4%. The Fund would receive statements regularly that indicate how much the ALDIGF funded and paid; this would provide the ability to track the money. Ms. Nestor confirmed that prefunded monies are pooled in the NOHLGA escrow account. She addressed Mr. Matson's concern that another party could lay claim to the Fund's portion of the pool, citing the section of the NOHLGA accounting manual that governs escrow accounts of this nature. It requires that NOHLGA monitor and present statements according to its guidance and principles. Mr. Matson again stated his concern about the Fund's money being comingled with other monies and asked if Chair Marks might consider prefunding in batches. Ms. Marks replied that when the Fund has done this in the past, NOHLGA has kept track of what state and how much money and doesn't believe that repatriation of funds should be a concern. Director Lashway confirmed that, historically, NOHLGA has always done a good job of tracking and truing up funds when necessary. Mr. Matson stated his concern isn't based on the accounting capability, but that his concern is another party interceding and making a claim on the asset. Chair Marks and Director Lashway stated that the funds are solely policyholder funds for the purpose of paying claims, but Ms. Marks said she would inquire of someone at the upcoming NOHLGA meeting.

Chair Marks stated that she thinks the Board should prefund more than \$5 million. She doesn't want to create more work or hold up processes and thinks it advisable to prefund a bigger chunk upfront and less later with surrenders arriving at the current rate that they are. Director Lashway inquired as to the current balance of the annuity account to which Executive Director Nestor responded the balance is nearly \$30 million currently. Director Mathews asked if the ALDIGF prefunds \$15 million, would Executive Director Gabrielson be able to provide a monthly update to the Board. Mr. Gabrielson replied in the affirmative also noting that the matter can be discussed at the upcoming May meeting if necessary. Ms. Marks suggested prefunding a specific amount now with future authorizations to act as necessary without further Board approval. Mr. Gabrielson replied that Ms. Nestor and he have discussed that and would like for the Board to approve that plan allowing discretion and judgment of the Fund to act as necessary followed by an update to the Board either as necessary or at the May meeting.

Chair Marks asked if the Board was comfortable with that plan and then made the motion to authorize the funding of \$15 million now and also authorize Executive Director Gabrielson to prefund additional amounts as necessary before either a special or May meeting of the Board. Director Cuevas then asked if rather than authorizing a definitive amount, authorize 75% prefunding now with authorized discretion to pay up to 90% without additional Board approval. Executive Director Nestor recommended prefunding a third today with discretion to prefund the remaining funds as necessary. Chair Marks then made a motion to authorize prefunding of one-third of the Guaranty Fund's obligation relative to the Global Bankers insolvency with authorization to prefund at the discretion of the Executive Director as necessary. Director Mathews moved to pass the motion followed with a second by Director Cuevas. The motion was carried.

3. CALL TO THE PUBLIC

The Chair made a call to the Public to which there was no response.

There being no further business to come before the Board, without objection the meeting was adjourned at 9:21 a.m.

Dated this 27th day of January, 2025 and respectfully submitted,

APPROVED:

GERMAINE L. MARKS, ESQ.

ELIZABETH "BETSY" A. HEISLER

CHAIR OF THE BOARD

SECRETARY/TREASURER