

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

TUESDAY, MAY 13, 2025

Pursuant to a Public Notice dated April 21, 2025, the Meeting of the Board of Directors of the Arizona Life and Disability Insurance Guaranty Fund (“ALDIGF”) was convened on May 13, 2025, at 10:00 a.m. in a hybrid virtual and live 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
Michael Hickey	Director
Tod D. Lashway, CLU, ChFC, LUTCF	Director
Gregg Martino	Director
Paul Matson, CFA, FCSI	Director
Michael Tobin	Director

Also present at the meeting were:

Joel A. Glover, J.D.	Partner, Faegre Drinker Biddle & Reath, LLP
Rob Absey	Managing Director, Head of Insurance Solutions, Allspring Global Investments
Michael Makuta	Client Advisor, Allspring Global Investments
Dean Meddaugh	Senior Portfolio Manager, Global Liquidity Solutions, Allspring Global Investments
Jeff Weaver	Senior Portfolio Manager, Global Liquidity Solutions, Allspring Global Investments
Jennifer Tewhill, CPA	John C. Todd II, P.C. Certified Public Accountants
Zach Howard.	Assistant Arizona Attorney General
Liane Kido, Esq.	DIFI Deputy Receiver
Glen Gabrielson	ALDIGF Executive Director

Stephanie Martinez	ALDIGF Claims Manager
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.

2. INTRODUCTION OF NEW GUARANTY FUND STAFF AND BOARD MEMBERS

The Chair recognized and introduced to the Board, Executive Director Glen Gabrielson, who has taken over with the retirement of previous Executive Director Lori Nestor. Mr. Gabrielson introduced and welcomed Alicia Tellez who joined as the Guaranty Fund Controller in January following the retirement of previous Controller, Marie Souza. Ms. Tellez provided a short summary of her background to the Board. Mr. Gabrielson recognized Claims Manager Stephanie Martinez, noting that she is about to complete her first year serving the Guaranty Funds.

Chair Marks then introduced and welcomed newly appointed Director Michael Tobin, who is with New York Life.

3. APPROVAL OF PREVIOUS MINUTES

Upon a motion made by Director Lashway and seconded by Director Cuevas, the minutes of the meeting of the Board of Directors held November 6, 2024 and on January 27, 2025 were unanimously approved as previously circulated.

4. FINANCIAL REPORTS AND ANY RELATED MATTERS

a. Report of investment activity of ALDIGF through March 31, 2025.

The Chair again recognized Executive Director Gabrielson, who introduced Mr. Rob Absey, Managing Director, Head of Insurance Solutions, Allspring Global Investments, for a report regarding the performance of the ALDIGF investment portfolios through March 31, 2025. Mr. Absey began by introducing his colleagues in attendance and provided an overview of the firm and the services provided and the assets it manages.

Mr. Absey then recognized Mr. Dean Meddaugh and Mr. Jeff Weaver. Mr. Weaver began by providing a review of the Executive Summary noting great returns in the first quarter with falling rates in anticipation of a slow-down driven by tariffs, however, yield spreads did widen. The Big Six Summary shows a decline in growth in the first quarter. There are concerns about slowing

growth and a concern of recession caused by tariffs. Employment is holding steady, with 4.2% unemployment considered to be full employment. There is concern that tariffs will be inflationary as price increases are passed on to consumers. As a result, The Fed is currently in a holding pattern waiting to see what effect there will be on inflation and the economy with the new trade policies. It is expected, though, that they will cut rates by the end of the year.

Short Duration Review indicates good returns due to falling rates in the first quarter. Yield Range by Asset Class shows lower yields over the last 12 months. Portfolio Strategy and Market Outlook indicates that both short term rates and longer rates should maintain a duration close to the benchmarks.

Regarding tariffs, the original increase in reciprocal tariffs was aggressive and based on trade deficits and higher than expected. This resulted in decreased yields and wider spreads due to concerns of slowed economy. The administration has since backed off with expected tariffs of 10% or so for most of the world with China being higher.

Mr. Weaver then recognized Mr. Meddaugh who began with a review of portfolio performance, reiterating that returns have been good with a nearly 5% return despite decreased rates and yields over the last year. Portfolio positioning is somewhat short of the benchmark duration due to liquidity needs that represent about 25% of the portfolio, however, once those needs are met, positioning should be back at the benchmark duration. Credit quality stands at AA+ being just below AAA quality. Portfolio changes over time (past five years) shows a shorter duration as liquidity needs have increased. Book and market yields have decreased somewhat.

Executive Director Gabrielson commented that Mr. Absey and he had discussed the current Investment Policy of the Fund to insure that the guidelines are not placing any negative restraints on Allsprings investment choices at this time. Mr. Absey then stated that the guidelines are flexible enough to optimize the portfolio. Mr. Meddaugh also stated that the guidelines aren't restrictive with respect to meeting liquidity needs.

b. Update concerning the financial audit of ALDIGF for the year ended December 31, 2024.

The Chair recognized Director Mathews, Audit Committee Chair, who stated that in his opinion, after reviewing the audit report, the audit went very well. He then recognized Ms. Jennifer Tewhill, of John C. Todd II, P.C., for an overview of the audit findings. Ms. Tewhill stated that the audit resulted in a clean opinion. The biggest change of note from 2023 was the two insolvencies of Colorado Bankers Life Insurance Company (CBLIC) and Bankers Life Insurance Company (BLIC) that resulted in additional claims liability. Ms. Tewhill then went on to state that there were no new financial standards enacted in 2024. There were no new findings or deficiencies in operations. She then referred to the Communications with Those Charged with Governance portion of the audit noting that there was nothing noteworthy.

Director Matson inquired about the lack of inclusion of OPEB and whether the Board should include it going forward. Ms. Tewhill stated that the pension and liabilities that were recorded are

in relation to state retirement and are required by government auditing and accounting standards. DIFI has also wanted it included in the financial statements, however, the auditors would prefer to exclude it as immaterial. It is there for the purpose of showing the liability related to state retirement and those benefits. Certain schedules are required for recording in relation to that particular disclosure that aren't included in the audit report as they are detailed and encumbersome. The disclosures provided for Life and Disability are enough for the Auditor General as they pull the financial statements of the Guaranty Fund into DIFI to indicate that the schedules have been recorded and are fair.

Director Matson then inquired about the order of magnitude of corrections. Ms. Tewhill stated that the biggest need lies in that the Fund works mostly on a cash basis throughout the year and has to convert books to accrual-based accounting at the end of the year. Director Mathews then stated that having an assessment receivable account would be desirable even with a zero balance. Ms. Tewhill stated that one already exists but it hadn't been adjusted at year's end. She then stated that there were no other corrections of note.

Director Lashway then inquired about how to handle the write-off of uncollectible assessment receivables. Ms. Tewhill replied that the audit report footnotes contain the policy for handling uncollectible assessment receivables. In the past, uncollected amounts in relation to the amount of the assessment have typically been a very small percentage. If they are not collected and then written off, they are disclosed as a bad debt expense of which none existed for 2024. Mr. Lashway then inquired as to whether or not policy exists that governs how long to carry uncollected assessment debt to which Ms. Tewhill stated she believes that they can be written off after 90 days. Executive Director Gabrielson then stated that of the \$18.5 million assessment for BLIC and CBLIC, less than \$1,000 is left unpaid. Of the \$7.5 million Penn Treaty assessment, approximately \$20,000 remains unpaid. He went on to say that when he took over as Executive Director, many companies had not yet paid their assessment, and that he and Fund staff spent considerable time in attempting to obtain payment rather than accepting a 90-day uncollectible. It was discovered in the process of trying to collect the overdue funds that many companies didn't realize they owed the money as our electronic notice and assessment statements (sent via email) were not received for multiple reasons mainly cyber security blocks and restraints.

The Chair then entertained a motion to accept the audit report as presented to the Board that was made by Director Mathews, seconded by Director Martino and carried.

c. Review of the financial condition of ALDIGF through March 31, 2025.

The Chair recognized Executive Director Gabrielson, who presented a report of Cash Balances by Fund as compared to a year ago. Current balances reflect collected assessment funds to date that haven't yet been disbursed and income generated by investments.

March 2025

March 2024

Administrative Account	\$3,529,480.61	\$2,768,684.33
Annuity Account	\$12,819,646.90	\$11,557,455.22
Disability Account	\$9,828,995.28	\$9,173,099.05
Life Account	\$2,907,818.40	\$3,221,025.31

5. REPORT OF EXECUTIVE DIRECTOR

- a. Report regarding the status of claims, liabilities and other matters with regard to the following companies for which ALDIGF has been activated:
- i. Bankers Life Insurance Company (BLIC)
 - ii. Colorado Bankers Life Insurance Company (CBLIC)
 - iii. Executive Life Insurance Company (ELIC)
 - iv. Executive Life Insurance Company of New York (ELNY)
 - v. Life and Health Insurance Company of America (LHICA)
 - vi. Lincoln Memorial Life Insurance Company
 - vii. National States Insurance Company
 - viii. Penn Treaty/ANIC
 - ix. North Carolina Mutual Insurance Company
 - x. Senior American Insurance Company
 - xi. Southland National Insurance Company

Executive Director Gabrielson presented a report of claims activity that indicates a total of \$6,335,782 paid for 2024 and noted an anticipation of approximately \$28 million to be paid in 2025 mostly due to the CBLIC and BLIC insolvencies but also including Penn Treaty at approximately \$7.5 million. The report also shows estimated liabilities for the insolvencies currently being handled by the Fund. Director Martino inquired as to the reason for the increase in Penn Treaty claims when the number of policyholders should be decreasing. Mr. Gabrielson replied that potentially more aging policyholders are needing to submit claims for long term care. Mr. Gabrielson then presented a report of claims activity for just BLIC and CBLIC which represents the largest current liability of the Fund. To date, approximately \$5.9 million in claims has been paid for BLIC, and approximately \$5.4 million in claims has been paid for CBLIC. The Board voted in January to prefund \$8.3 million with a second prefunding taking place in March of \$8 million. The assessed amount of \$18.5 million is being spent down and it will soon be necessary, barring other action, to begin drawing on the Annuity Investment Account which was anticipated by the Board in earlier discussions. No action has been taken by the

Board to address the life portion of the CBLIC insolvency. Chair Marks stated that the Board should table for now any discussion of conducting another assessment.

- b. Discussion and possible action concerning ratification of the Executive Director's decision to pay the National Organization of Life and Health Insurance Guaranty Association (NOLHGA) 2025 annual dues of \$76,685, and NOLHGA assessments for the fourth quarter of 2024 in the amount of \$64,222.

Chair Marks entertained a motion to pay NOLHGA annual dues and 2024 fourth quarter dues that was moved by Director Martino, seconded by Director Lashway and carried.

- c. Report regarding the status of the 2024 assessment called for the Annuity Account.

Executive Director Gabrielson stated that he has already addressed this under item 5a.

- d. Report regarding the status of the 2024 assessment called for the Disability Account.

Executive Director Gabrielson reported stated that he has already addressed this under item 5a.

- e. Report regarding a change in the structure of the Chase bank accounts.

Executive Director Gabrielson reported that at the end of 2024, the Fund began conducting banking business with Chase, moving away from Wells Fargo, at which time he and Controller, Alicia Tellez, began looking at how much money is held in the accounts. A hybrid account has been created that will essentially be used for paying bank charges and will earn approximately 3.05% on the account until the point where the bank charges are covered. All accounts will now earn 2.95% once the bank fees have been satisfied. This will have a positive impact on particularly the Annuity Account as it will now generate some interest while being held for future claims.

- f. Review of last NOHLGA meeting held on April 30.

Executive Director Gabrielson reported that NOHLGA is currently working on a database called Assess Connect which will be a source contact information for assessments at an annual cost of approximately \$750. A second feature of the database will be the capability to do assessments at a cost of approximately \$3500 annually but increases to \$5500 if the system is used to invoice, collect and forward assessment funds. The current system in use by the Fund, Lightspeed, costs \$11,000 annually. Chair Marks stated that this system will enable Guaranty Fund associations to directly access company information for the purpose of conducting assessments.

6. REPORT CONCERNING THE DETECTION AND PREVENTION OF INSOLVENCIES

Executive Director Gabrielson reported that there was nothing from the DIFI Financial Affairs Division to report at this time.

7. EXECUTIVE SESSION TO RECEIVE INFORMATION ABOUT THE FINANCIAL CONDITION OF ONE OR MORE MEMBER INSURERS.

Upon a motion made by Director Martino and seconded by Director Cuevas, the Board voted unanimously to move into Executive Session at approximately 11:15 a.m. to receive information and discuss the financial condition of one or more member insurers for which the Arizona Life and Disability Insurance Guaranty Fund (ALDIGF) has not been activated, at which time the Public was excused. Upon a motion made by Director Lashway with second by Director Martino, the Chair moved out of Executive Session at approximately 12:00 p.m.

8. EXECUTIVE SESSION TO CONFER WITH LEGAL COUNSEL

It was decided and agreed that an additional Executive Session was not necessary at this time.

9. ANNOUNCEMENT OF THE NEXT 2025 ALDIGF MEETING

The next meeting of the Board of Directors will be held on Wednesday, November 12, 2025, 10:00 a.m.

10. 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 12:01 p.m.

Dated this 13th day of May, 2025 and respectfully submitted,

APPROVED:

GERMAINE L. MARKS, ESQ.

ELIZABETH "BETSY" A. HEISLER

CHAIR OF THE BOARD

SECRETARY/TREASURER