

Katie M. Hobbs  
 Governor

Barbara D. Richardson  
 Director

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS  
 OF THE  
 ARIZONA PROPERTY AND CASUALTY INSURANCE GUARANTY FUND**

TUESDAY, March 11, 2025

Pursuant to a Public Notice dated March 5, 2025, the Meeting of the Board of Directors of the Arizona Property and Casualty Insurance Guaranty Fund (“APCIGF”) was convened on March 11, 2025, at 10:03 a.m. in a hybrid virtual and live conference format using Google Meet. Noel Cole Young, 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:

Noel Cole Young, Esq. ....	Chair
William P. Melchionni III .....	Vice Chair
Angela Doss, JD .....	Treasurer
Kathleen F. Oster .....	Secretary
Michele Balady .....	Director
John Draftz .....	Director
Nelson Husser .....	Director
Kevin M. Kinross .....	Director
Kristen Seitz .....	Director

Also present at the meeting were:

Lynette Evans .....	Assistant Arizona Attorney General
Rob Absey .....	Head of Insurance Solutions, Allspring Global Investments
Dean Meddaugh, CFA .....	Senior Portfolio Manager, Global Liquidity Solutions, Allspring Global Investments
Liane Kido .....	Deputy Receiver, DIFI
Glen Gabrielson .....	APCIGF Executive Director
Stephanie Martinez .....	APCIGF Claims Manager
Alicia Tellez .....	APCIGF Controller
Robert Bown .....	APCIGF Senior Claims Adjustor
Sharyn Kerr .....	APCIGF 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 BOARD AND GUARANTY FUND STAFF MEMBERS**

The Chair recognized newly appointed Executive Director Glen Gabrielson for the introduction of new APCIGF Board and Staff members. Mr. Gabrielson began by stating that he invited all of the Guaranty Fund staff to today's meeting and invited new and existing staff members to introduce themselves beginning with Alicia Tellez, Controller. Alicia comes to the Guaranty Funds team with a corporate background in accounting. Claims Manager, Stephanie Martinez then introduced herself and provided a short description of her job duties. Claims Adjustor, Robert Bown, then introduced himself to the Board.

New Board Director, Michele Balady, introduced herself. Michele is in her 23<sup>rd</sup> year with Travelers Insurance and also serves on other Guaranty Fund boards. New Director, Nelson Husser introduced himself and is in his 33<sup>rd</sup> year with State Farm. The Chair then had remaining Board Directors introduce themselves including new Director, Kristen Seitz. Kristen is in her 18<sup>th</sup> year working for Liberty Mutual as Director of State Operations for the Arizona auto line and also has served on other state Guaranty Fund boards.

**3. APPROVAL OF PREVIOUS MINUTES**

Upon a motion made by Chair Young and seconded by Director Draftz, the minutes of the Meeting of the Board of Directors held September 10, 2024 were unanimously approved as previously circulated.

**4. FINANCIAL REPORTS AND ANY RELATED MATTERS**

**a. Review of the Performance of the APCIGF Investment Portfolios through January 31, 2025.**

The Chair again recognized Mr. Rob Absey, of Allspring Global Investments, for a report regarding the performance of the APCIGF investment portfolios through January 31, 2025. Mr. Absey manages the insurance practice at Allspring working with Mr. Michael Makuta and Mr. Dean Meddaugh managing the relationship activities associated with the Arizona Guaranty Funds. Mr. Absey began by presenting an overview of the investments and assets that Allspring manages and provided a short history and description of the company and its services.

Mr. Absey then recognized Mr. Meddaugh, who began with the Executive Summary and an overview of the current financial landscape. He indicated that the markets continue to expect the Fed will hold interest rates steady at the upcoming March meeting. Further, while the Fed does want to bring rates further down in the future, inflation needs to drop to the 2% target for that to happen. Treasury yields have been rallying with two-year notes now below 4%. Long duration is

now neutral. Allspring previously recommended locking in higher yields and that strategy proved to be sound with the expectation that ten-year rates will stay at about 4.25%. A review of the Big Six Summary indicates resilient growth of 2 – 3% for the past year. However, Allspring has moved their growth target down to 1% for 2025 due to political uncertainties in the market. There has been no change in the labor market which remains balanced and healthy. With regard to inflation, there are some visible upside risks related to potential market policy with tariffs being the most notable and inflationary. On the fiscal side, it is expected that tax cuts will be extended resulting in pro growth.

The Short Duration review indicates that first quarter growth is expected to continue. A snapshot of the Yield Range by Asset Class shows that U.S. treasuries currently have a mid-range yield of 4.22% as of January 31. If the Fed further cuts interest rates, the yields will move down commensurate by 25 basis points. The market is no longer as attractive as it was the last couple of quarters but yields should still be locked in as they are still attractive though not as much a couple quarters prior. The focus is on the 1 – 2-year front end of the curve with potential for longer ten-year rates to move higher or remain steady all contingent on inflation rates.

The Property and Casualty portfolio performance review shows a focus on the book return with a one-year yield of 4.62 for first quarter to date with an annualized annual rate of 4.78. Portfolio positioning has a duration of just under a year with a book yield of 4.59 that is generating a fair amount of income for the portfolio.

The Workers' Comp Portfolio performance review shows a 3-year max with a 2-year max average with yields being slightly lower but that have normalized. Portfolio positioning with a 3-year max maturity and 2-year max average indicates a longer 1.36-year duration with book yields of 4.28 with the expectation of maintaining this level of yields going forward. Portfolio changes over time show an extended duration of half a year to 1.6 years. Book yields have caught up to market yields with the expectation that book yields will hold at this level and market yields will continue to fall.

A short discussion followed regarding investigating the State of Arizona's investment policies. Mr. Meddaugh stated that Allspring staff are reviewing state statutes to look for investment opportunities. All the Guaranty Funds portfolios operate under the same statutes but depending on liquidity needs, risk tolerances, and claims activity, Allspring staff want to offer the best opportunities for the portfolios. Allspring staff will continue to work with Executive Director Gabrielson to adhere to state regulations in maximizing portfolio yields. Mr. Gabrielson added that the Fund's investment policies have not been reviewed since 2021 and that perhaps a review is timely in light of market changes.

- b. Review of the financial condition of APCIGF through January 31, 2025.

The Chair recognized Executive Director Gabrielson who presented a review of the Schedule of Cash Balances by Fund noting that other financial reports were provided to Board members prior

to the meeting. Mr. Gabrielson commented that despite expenses of nearly \$10 million, cash flow increased due to the investment returns. The balances in the accounts as of January 31 are:

	January 2025	January 2024
Auto Account .....	\$18,483,447.26	\$17,962,759.17
All Other Account .....	\$11,131,301.74	\$10,552,111.08
Administrative Account .....	\$4,939,243.37	\$3,272,830.30
Workers' Compensation Account.....	\$178,920,495.09	\$179,830,024.61

**5. CLAIMS ACTIVITY THROUGH JANUARY 31, 2025 AND ANY RELATED MATTERS**

The Chair recognized APCIGF Claims Manager, Stephanie Martinez, who reported regarding claim related matters.

**a. Auto Account.**

Ms. Martinez reported that there are now only two open claims against this account, one of which is being handled by the Attorney General's office in an attempt to collect. Monitoring of the claim continues, and the claim cannot be closed until all of the debt is collected. The other remaining claim is near closure, hopefully in the next month after lengthy litigation. There are no other known exposures to the account at this time.

**b. Other Account.**

There are currently eight open claims in this account with six being due to the insolvency of Mutual Aid Exchange in 2024. There is no other activity, however, there is a credit in unearned premium due to voiding of Mutual Aid Exchange checks that haven't yet been reissued.

**c. Workers' Compensation Account.**

There are currently 471 open claims with a total reserve of \$67,417,835. All reimbursements were processed to the receiver for prepayment during the transition of Arrowood from November to April when the TPA took over. Arrowood was the newest insolvency and the reserves have been adjusted to approximately \$1.5 million. Executive Director Gabrielson added that Workers' Comp claims comprise the biggest outlay of expenses at approximately \$8 million annually for currently open claims.

**6. REPORT CONCERNING THE DETECTION AND PREVENTION OF INSOLVENCIES**

Executive Director Gabrielson stated that the DIFI Financial Affairs Division (FAD) reported that there were no current concerns on the horizon relative to Arizona-domiciled or national companies. However, Key Insurance Company just went into rehabilitation about a month ago. The company is licensed in Arizona but there appears to be no Arizona policyholders so there should be no exposure to the Fund.

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

Executive Director Gabrielson stated that was not necessary to move into executive session at this time.

**8. REPORT OF EXECUTIVE DIRECTOR**

The Chair recognized Executive Director Gabrielson, who reported on the following matters:

**a. Review and approval of 2025 NCIGF annual dues.**

Mr. Gabrielson provided a short description of the function of the NCIGF for the benefit of new board members who may not have been familiar with it and went on to state that the APCIGF does pay annual dues to NCIGF for its support. Dues for the year 2025 are \$123,930, up from about \$116,000 for 2024. Mr. Gabrielson then asked that the Board ratify payment of the 2025 dues. Chair Young made the motion to approve paying the 2025 dues with a second by Director Balady. There was no further discussion and the motion was carried to approve payment of the dues.

**b. Attendance of upcoming meetings for NCIGF.**

Mr. Gabrielson advised that the APCIGF's executive director has typically attended the NCIGF meeting, so he informed the Board that he will be going next month. He also extended the invitation to Board members that would like to attend this year's meeting in April. Chair Young stated that it wasn't necessary for the Board to approve attendance to which there was no disagreement.

**c. April visit of NCIGF President and CEO.**

Mr. Gabrielson reported that the NCIGF president and CEO is coming to Phoenix in April and has scheduled some time to meet with both himself and DIFI's Director, Barbara Richardson. Mr. Gabrielson extended the invitation to any board members that would like to also meet with the NCIGF president.

**d. Update on NCIGF Claims Software Development Project.**

For the benefit of new board members, Mr. Gabrielson began by providing some background on the current claims information system, LightSpeed, that both Guaranty Funds have been using for several years now. LightSpeed is now over 20 years old and is very antiquated, and the company is not interested in updating their platform to accommodate the needs of the Guaranty Funds. The software was not originally designed for the use of Guaranty Fund associations, but the company has "made it work" as much as possible. The system creates many inefficiencies for the Funds with its lack of capability.

Due to the fact that there are 17 other claim software systems in use across the states, there is an effort underway at the national level to create a more robust information system that is designed by, and for the purpose of, meeting the needs of Guaranty Fund associations (GFAs). This effort is being driven by Guaranty Support Inc. (GSI) which is a for-profit entity owned and operated by the NCIGF. GSI's role to date has largely been to work with receiverships to aid in processing claims for insolvent companies. GSI's approach will be to actively work with GFAs in determining what the new system will do, and how it will operate. Opportunities in collaboration and involvement are coming for the Guaranty Funds. GSI is now at the stage of working on a viable, minimal product and is looking for GFAs that want to be involved in that process including ones that are willing to put a financial stake into the effort.

Current estimated cost is \$1.8 million with expectation of adjustments in about a month when the minimal, viable product is out of design. About 75% percent of the funding is in place leaving a need of about \$500,000. Once built, the funding plans are to offer the system on a subscription basis, rather than to increase annual NCIGF dues. A benefit to joining with GSI to create the new system will be the cost, as GSI does not have the same profit motive as a commercially offered system.

A non-binding letter of intent has been sent to the GFAs and is solely for the purpose of GFAs to indicate that they are interested in the project and want to be involved. Mr. Gabrielson has asked Assistant Attorney General Lynette Evans to investigate to be certain that the Arizona Insurance Guaranty Funds (AIGF) are not making a legal commitment. Also due to the fact that the AIGF operates as part of a State of Arizona government agency, it must adhere to state procurement policies. The AIGF will have to work through state procurement procedures to procure GSI as a preferred vendor per state procurement policies. However, Mr. Gabrielson's intent right now is to inform the Board of the GSI project then discuss cost at a later, appropriate time. He estimates though that the cost to Arizona may be approximately \$150 – \$200 thousand to participate in the early design phases.

Chair Young reiterated that the LightSpeed system currently in use is old and replacing it has previously been discussed in APCIGF meetings for a couple of years or more now. The Board decided to hold off on purchasing a new claims system pending what the NCIGF would produce and at what cost. He stated that if the letter of intent is non-binding then there should be no reason why the AIGF cannot sign it. Secretary Oster inquired if the subscription to the NCIGF system would be based on usage as Arizona is smaller in size than other state GFAs. Executive Director Gabrielson replied that the subscription would be based on usage, not dues. Ms. Oster remarked that a benefit of this project is that it is being driven by guaranty funds interests, not a corporate body mandating the needs. She also stated that there is a problem with receiverships not receiving claim data in a timely manner. The GSI system will be more direct and timelier. Chair Young has asked that Mr. Gabrielson position himself to try to find out what is needed by sitting on a committee and helping with the final design. Director Kinross inquired as to whether the license with Lightspeed is annual and whether there would be termination issues and fees; he also inquired about total cost going forward related to data migration. Mr. Gabrielson replied that

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LightSpeed is an annual contract and that the overall cost of the project still needs to be investigated. Changing to any new system will involve migrating data and moving away from LightSpeed will involve cost. Chair Young inquired as to whether other information systems have been investigated. Mr. Gabrielson replied that should be done but believes that the GSI system makes a lot of sense. Director Draftz remarked that he was working for the AIGF when LightSpeed was implemented and is in favor of moving away from it. There was no further discussion or action taken.

**9. EXECUTIVE SESSION TO CONFER WITH LEGAL COUNSEL**

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

**10. DETERMINATION OF THE DATE, TIME AND PLACE OF FUTURE MEETINGS**

It was decided that the next meeting of the Board of Directors will be held on Tuesday, September 9, 2025, 10:00 a.m.

**11. 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, upon a motion by Chair Young with second by Director Balady, without objection the meeting was adjourned at 11:10 a.m.

Dated this 11<sup>th</sup> day of March, 2025 and respectfully submitted,

**APPROVED:**

NOEL COLE YOUNG, ESQ.

KATHLEEN F. OSTER

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CHAIR OF THE BOARD

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SECRETARY