

— M I S S O U R I —
LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION

2025

Annual Report

ANNUAL REPORT OF THE
MISSOURI LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION
FOR FISCAL YEAR ENDING DECEMBER 31, 2025

Prepared for

The Director of the Missouri Department of Commerce and Insurance

Prepared by

Tamara W. Kopp, Executive Director
Missouri Life and Health Insurance Guaranty Association

BOARD OF DIRECTORS
of the

**Missouri Life and Health Insurance
Guaranty Association**

COMPANY

REPRESENTATIVE

American Family Life Insurance Company

Chelsea Chaney

Blue Cross/Blue Shield of Kansas City

Coni Fries

Everlake Life Insurance Company

Sonya Ekart

Farm Bureau Life Insurance Company of Missouri

Joel Schroer

HMO Missouri

Christine Cappiello

Kansas City Life Insurance Company

Malika Simmons

Metropolitan Tower Life Insurance Company

Kerri Cutry

Ozark National Life Insurance Company

David R. Melton

Shelter Life Insurance Company

Teresa Magruder

UnitedHealthcare

David Hill

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ANNUAL REPORT OF THE MISSOURI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION FOR THE YEAR ENDING DECEMBER 31, 2025

The Annual Report of the Missouri Life and Health Insurance Guaranty Association (the "Association") for the year ending December 31, 2025, is herewith submitted to the Director of the Missouri Department of Commerce and Insurance ("DCI") and the Board of Directors.

ABOUT

The Association was created to protect against the failure in performance of contractual obligations under life, health, and annuity policy, plans, or contracts because of the impairment or insolvency of a member insurer that issued the policies or contracts. To provide this protection, the Association was created to pay benefits and continue coverage. Association members are subject to assessment to provide funds to carry out the purposes of the Association.

The Association was established by House Committee Substitute for Senate Bill 430 as truly agreed to and finally passed by the Second Session of the 84th General Assembly and signed by the Governor of the State of Missouri on June 28, 1988. (430 §§ 1, 2, A.L. 2018 H.B. 1690). Member insurers elected an initial board of directors at the Association's organizational meeting on August 17, 1988.

As of December 31, 2025, there are 871 companies licensed to sell life, health, or annuity contracts and by the terms of §§ 376.715 to 376.758, RSMo, are deemed to be members of the Association. Of the member companies, 480 have authority to sell life insurance, 431 have authority to sell health insurance, and there is one health service corporation.

Members of the Association meet annually in person, virtually, or by proxy, typically in May of each year to elect Directors. Immediately following the Annual Meeting of the Membership, the newly elected Board of Directors meets to elect officers. Directors and officers receive no compensation for their service to the Board and Association but are entitled to reimbursement of expenses related to Association activities.

BOARD OF DIRECTORS

The Board of Directors consists of not less than seven nor more than 11 member insurers. At the end of 2025 the Board consisted of 10 member insurers. Directors are elected each year by the member insurers at the Annual Meeting of the Membership and serve three-year terms.

The Annual Meeting of the Membership was held in Kansas City, Missouri, on May 14, 2025. Four member insurers were elected to serve on the Board of Directors for terms that will expire in 2028. Immediately following the Annual Meeting of the Membership, during the Annual Meeting of the Board of Directors, the Board of Directors elected officers to serve for a one-year term, or until a successor is duly elected.

The Board of Directors and their designated representatives as of December 31, 2025, are listed below.

Three-year term ending 2026

HMO Missouri	Christine Cappiello
Kansas City Life Insurance Company	Malika Simmons (Sec./Treas.)
Ozark National Life Insurance Company	David R. Melton

Three-year term ending 2027

American Family Life Insurance Company	Chelsea Chaney
Blue Cross/Blue Shield of Kansas City	Coni Fries
Shelter Life Insurance Company	Teresa Magruder (Chair)

Three-year term ending 2028

Everlake Life Insurance Company	Sonya Ekart
Farm Bureau Life Insurance Company of MO	Joel Schroer
MetLife	Kerri Cutry ¹
UnitedHealthcare	David Hill (Vice-Chair)

OFFICERS & EXECUTIVE COMMITTEE

The Officers elected at the May 14, 2025, Annual Meeting of the Board of Directors are listed below. In accordance with Article III.B.2. of the Plan of Operation (the "Plan"), the officers of the Association constitute the Executive Committee.

Teresa Magruder, Chair	Shelter Life Insurance Company
David Hill, Vice-Chair	UnitedHealthcare
Malika Simmons, Secretary/Treasurer	Kansas City Life Insurance Company

During 2025, the Executive Committee continued the practice of meeting on a quarterly basis. Under Article III.B.2. of the Plan, the Executive Committee is involved with the ongoing functions and the administrative duties of the Association as may occur between meetings of the Board of Directors. Minutes of all meetings of the member insurers, the Board of Directors, and the Executive Committee are on file at the office of the Association in Jefferson City, Missouri. The Executive Committee also represents the Board on the Joint Administrative Committee pursuant to the Joint Administrative Agreement with the Missouri Property and Casualty Insurance Guaranty Association.

NOMINATING COMMITTEE

The Nominating Committee is appointed by the Board each year as provided by the Plan, Article III.A.3. The Nominating Committee is responsible for the selection of member insurer nominees to succeed Board members whose terms expire at the Annual Meeting of the Membership. The member insurer nominees and their representatives are submitted to the Director of the Department of Commerce and Insurance for approval prior to being elected by member insurers, in accordance with § 376.722, RSMo.

¹ Via email on November 14, 2025, the Director of the Missouri Department of Commerce and Insurance approved James Regalbutto as Metropolitan Life Insurance Company's representative effective January 1, 2026, replacing Kerri Cutry.

ATTORNEYS

Legal Counsel for the Association is English & Monaco, P.C., 2701 West Main Street, Suite 201, Jefferson City, MO 65102. The primary contacts are Ann Warren and Mark Warren.

LITIGATION

As of December 31, 2025, there was no active litigation where the Association is a defendant.

AUDITORS

The audit of the Association's financial statement for the year ended December 31, 2025, was performed by Wipfli of St. Charles, Missouri. Detailed financial information for the Association for the year ended December 31, 2025, is shown in the audited financial report prepared by Wipfli.

OFFICE OF THE EXECUTIVE DIRECTOR

Tamara W. Kopp continues as the Executive Director for the Association under a Joint Administrative Agreement with the Missouri Property and Casualty Insurance Guaranty Association. The Association remains engaged with the National Organization for Life and Health Guaranty Associations ("NOLHGA") to monitor potential insolvencies and engages with regulators and troubled company practitioners on the International Association of Insurance Receivers ("IAIR"). The Association is further engaged by serving on the following NOLHGA task forces for the following insolvencies:

Senior American Insurance Company
Global Bankers
Lincoln Memorial Life Insurance Company (Chair)
National States Insurance Company

Like most state guaranty associations, the Association funds many of its obligations by contracting with various third-party administrators through NOLHGA-facilitated agreements. The Association also handles some of its obligations in-house with six employees shared with the Missouri Property and Casualty Insurance Guaranty Association. The Association continued its administrative responsibilities for approximately 156 long-term care ("LTC") policies that were issued by two insolvent insurers: Life and Health Insurance Company of America and National States Insurance Company. Local Association staff also collect premium and pay claims on 47 small-value life insurance policies and administer the remaining Missouri policies for Lincoln Memorial Life Insurance Company. In addition to being able to more closely control the expenses of providing administrative services, handling the administration with local staff provides for more precise and timely responses to Missouri consumers.

FINANCIAL REPORTS

The Association's financial records are the subject of an annual independent audit. The Board of Directors and committees review interim financial reports and transactions. The audited financial statements as of and for the year ending December 31, 2025, are included with this report. Further, the notes to the financial statements are also included as an integral part of the report. Wipfli conducted the independent audit of the financial records of the Association.

ASSESSMENTS

2025 Class A Assessment

The Board is authorized under § 376.735, RSMo, to make either a pro-rata or a non-pro-rata Class A assessment of the member insurers for the purpose of providing funding to cover Association administrative expenses. The Association allocates administrative expenses among all insolvencies. Pro-rata Class A assessments may be credited against future Class B assessments. It was not necessary to levy a Class A assessment during 2025.

2025 Class B Assessment

The Board is authorized under § 376.735, RSMo, to make a Class B assessment, to the extent necessary to carry out the Association's powers and duties regarding an impaired or insolvent insurer. Assessments for funds to meet the Association's duties regarding an impaired or insolvent insurer are not made until necessary to implement the purposes of §§ 376.715 to 376.758, RSMo. It was not necessary to levy a Class B assessment during 2025.

INSOLVENCIES

The following insolvent estates were open at the end of 2025. The year indicates the year of insolvency and the abbreviation following the company name identifies the domestic regulator. This report includes a narrative for those estates, either open or closed, that generated material Association activity during the report year.

1999

First National Life Insurance Company of America (MS)

2010

National States Insurance Company (MO)

2013

Lumbermens Mutual Casualty Company (IL)

2022

North Carolina Mutual Life Insurance Company (NC)

2024

Colorado Bankers Life Insurance Company (NC)

Bankers Life Insurance Company (NC)

Opticare of Utah, Inc. (UT)

Continental Security (Peoples Mutual Assessment Business)

The Association continues to handle the administration of this block of business. As of the end of 2025, there were 35 active policies representing approximately 56 insured lives. The Association paid 5 death claims. The block volume continues to decline. Administrative expenses for handling this block of business exceed the policyholder assessments.

Executive Life Insurance Company

Executive Life Insurance Company (“ELIC”) was a large issuer of life insurance, structured settlement annuities, group annuities, and guaranteed investment contracts issued to pension plans and municipalities. The products were aggressively marketed and guaranteed at very competitive rates of return. To enhance its competitive position, ELIC was heavily invested in junk bonds. When the junk bond market collapsed in the early 1990s, policyholder withdrawals at ELIC accelerated dramatically, creating a liquidity crisis at the company, and ultimately leading to a conservation order on April 11, 1991, followed by a liquidation order on December 6, 1991.

2025 Activity

Defeasance of PGAs’ Article 22 and 23 Obligations

Following the defeasance in 2014 of the remaining PGAs’ obligations under Section 5.1.2 of the Enhancement Agreement, the PGAs’ only remaining obligations in ELIC were for annual payments under Article 22 and 23 of the Enhancement Agreement. During 2025, the task force negotiated and documented a defeasance transaction with Aurora whereby the PGAs’ remaining Article 22 and 23 obligations would be fully paid, discharged, and satisfied.

Following an opt-out process under the MPC Rules and Procedures, all affected PGAs participated in the defeasance transaction, which closed on October 1, 2025, and resulted in the affected PGAs paying Aurora an aggregate defeasance amount of \$1,532,551 (calculated as of January 1, 2025) to satisfy their remaining Article 22 and 23 obligations. After accounting for interest from the calculation date to the payment date, and amounts owed by Aurora to the affected PGAs under the Enhancement Agreement, the net aggregate defeasance amount paid by the PGAs was \$1,227,379.

Estate Closure

The California Insurance Commissioner filed a Request for Dismissal with the Superior Court of California on August 9, 2022, which resulted in the ELIC estate being closed effective August 15, 2022.

Outlook

With the defeasance of the remaining PGA obligations under the Enhancement Agreement and the prior close-out of the ELIC receivership estate in 2022, there are no further activities contemplated for the task force and the PGAs in the ELIC case.

Global Bankers Insurance Group

Four insurers—Colorado Bankers Life Insurance Company (CBLIC), Bankers Life Insurance Company (BLIC), Southland National Insurance Corporation (SNIC), and Pavonia Life Insurance Company of Michigan (Pavonia)—are part of a group of insurance companies known as Global Bankers Insurance Group (GBIG), which in turn is part of a larger group of companies known as Global Growth (f/k/a Eli Global), which is owned by Greg Lindberg. The Global Bankers Task Force has primarily focused its attention on activities related to the three North Carolina–domiciled insurers: SNIC, BLIC, and CBLIC.

Pavonia

Pavonia had positive capital and surplus, did not have troubled affiliated investments, and therefore was not expected to trigger guaranty associations. However, it was placed in rehabilitation to facilitate a sale of the company by GBIG Holdings to Aspida Holdco LLC. Following GBIG Holdings’ refusal to close on the sale, the Rehabilitation Court issued orders approving the rehabilitation plan providing for the sale of Pavonia to Aspida pursuant to a stock purchase agreement, and granting Aspida’s subsequent motion for

specific enforcement of the stock purchase agreement. In response, GBIG Holdings filed an appeal with the Michigan Court of Appeals and a separate lawsuit in New York seeking to block the sale.

On March 25, 2021, the Michigan Court of Appeals issued its opinion and order reversing the decision of the trial court granting specific performance, vacating the orders memorializing the trial court's rulings, and remanding the matter to the trial court for further proceedings to resolve certain issues raised in the appeal.

After the remand, the Receiver for Pavonia, GBIG Holdings, and Aspida negotiated a settlement. As part of the settlement, Pavonia sold Global Bankers Insurance Group, LLC (GBIG, LLC)—a direct subsidiary of Pavonia that provided all executive management, regulatory oversight review, and administrative services for Pavonia's operations—to Aspida. Another part of the settlement granted GBIG Holdings time to refinance the debt that it owed to Aspida. With that time, GBIG Holdings successfully refinanced the Aspida debt through Axar Capital, LLC. GBIG also proposed a sale of Pavonia to Axar Capital LLC and filed a Form A for the proposed sale with the Michigan Insurance Department, which subsequently approved the transaction.

In September 2022, the Rehabilitation Court approved the sale of Pavonia to Axar Capital, LLC. The rehabilitation was terminated on September 14, 2022. As a result, guaranty associations were not triggered with respect to Pavonia.

The North Carolina Insurers

Insurance Business: SNIC's insurance obligations are primarily small value life insurance policies, generally related to burials. The insurance obligations of BLIC and CBLIC are primarily annuities with some life and health insurance.

Receivership Proceedings: Each of the three insurers has substantial affiliated investments. Due to concerns over the liquidity and value of those affiliated investments, the North Carolina Insurers were placed in rehabilitation on June 27, 2019. (On July 26, 2019, a change in North Carolina law applied limits to the affiliated investments, causing the vast majority of \$1.2 billion in loans held by the three insurers to be non-admitted. The Receiver has reported that with the application of the law, there was a negative surplus (as of June 30, 2023) for all three companies as follows: SNIC, negative \$143 million; BLIC, negative \$126 million; and CBLIC, negative \$1.178 billion.)

As discussed further below, the Rehabilitator (on behalf of the North Carolina Insurers) entered into a Memorandum of Understanding and an Interim Amendment to Loan Agreement with Lindberg and certain affiliated entities of Global Growth in furtherance of seeking to maximize the value of and generate liquidity from the affiliated investments. As further described below, Lindberg refused to close the agreements and the Rehabilitator filed an action to enforce the terms of the agreements.

On March 12, 2021, the Rehabilitator filed a petition seeking to place SNIC into liquidation. Initially, the petition was stayed pursuant to a settlement under which GBIG Holdings agreed to pay monthly claims and expenses. After GBIG Holdings stopped paying the invoices on several occasions, the Rehabilitator renewed the petition for liquidation. The company was placed into liquidation on May 2, 2023. On October 1, 2024, a Request-For-Proposal (RFP) Notice was issued seeking companies interested in assuming the covered obligations of SNIC.

On November 1, 2022, the Rehabilitator filed a petition seeking to place BLIC and CBLIC into liquidation. The Receivership Court responded by scheduling a hearing on the petition on November 21, 2022. During the hearing, the court denied GBIG Holdings, as stockholder, of standing but allowed the company to participate in the hearing for the purpose of presenting opposing arguments. The court also denied GBIG Holdings' request for discovery and request for continuance and indicated the court would grant the Rehabilitator's petition and issue a liquidation order for BLIC and CBLIC.

On December 30, 2022, the Receivership Court issued an Order granting the petition for liquidation of BLIC and CBLIC. Per the terms of the Order, the Order will 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 Holdings' motion. As a result, the Liquidation Order became effective on November 30, 2024, and the guaranty associations started providing coverage.

Based on the current circumstances, Lindberg and/or the Global Insurers are parties to several active proceedings that may result in recoveries for the guaranty associations, including:

- The Receivership Court
- Lindberg's Criminal Lawsuits
- The Memorandum of Understanding Litigation
- The Global Insurers' Civil RICO/Fraud Lawsuit

Receivership Court: Pursuant to the North Carolina Liquidation Act, the Receivership Court will serve as the principal forum for the distribution of the Global Insurers' assets pursuant to the statutory priority system (for more information, see the *Litigation* heading in the **2025 Activity** section).

Lindberg's Criminal Lawsuits: The United States Government/Department of Justice brought two lawsuits against Lindberg in the United States District Court for the Western District of North Carolina, case numbers 5:19-cr-22 (the "Criminal Bribery Suit") and 3:23-cr-48 (the "Criminal Fraud Suit") (collectively, the "Criminal Lawsuits").

NOLHGA submitted a Victim's Statement to the Government. In the Victim's Statement, NOLHGA explained that the guaranty associations have provided more than \$1.8 billion in continuing coverage to the Global Insurers' policyholders as a result of the crimes; that the funds necessary to provide such coverage were raised primarily through assessments on the insurance industry; and that, under similar circumstances in the past, the estate of an insolvent insurance company has been designated as a crime victim and received restitution recoveries that flow to the guaranty associations through the statutory priority system.

In November 2024, Lindberg entered into a Plea Agreement under which he agreed to pay full restitution to the victims of his crimes, including the Global Insurers. Lindberg also agreed to the appointment of a Special Master to identify, receive, apportion, and distribute funds for restitution (for more information, see the *Litigation* heading in the **2025 Activity** section).

MOU & IALA Litigation: On June 27, 2019, the three North Carolina Insurers entered into a Memorandum of Understanding (MOU) and an Interim Amendment to Loan Agreement (IALA) with Lindberg; Academy Association, Inc.; and Edwards Mill Asset Management, LLC (the "Counterparties") regarding approximately \$1.2 billion in affiliated loans and related agreements. The MOU and IALA included, but were not limited to, the following: (1) the immediate partial amendment of, among other things, the interest rate and repayment terms of various affiliated loans through the IALA; (2) the global restructuring of various affiliated companies through the formation of a new holding company; and (3) the global restructuring and modifications of all affiliated loans, including assignment of the loans to the new holding company.

The Receiver filed the MOU Litigation in October 2019, asserting that Lindberg breached the MOU and committed fraud in the negotiation of the MOU. The MOU Litigation resulted in the following events, among others:

- A holding that Lindberg breached the MOU and an award of specific performance, such that Lindberg has now transferred his interests in the special affiliated companies (SACs) to a new holding company (New Hold Co., or NHC), which is now seeking to manage the SACs.
- A holding that Lindberg committed fraud in the negotiation of the MOU. The amount of fraud damages that the Global Insurers are entitled to is to be determined by the MOU Court. Based on the pleadings, it appears that the fraud damages award could be up to \$350 million, representing three times the \$116.7 million in damages that the Global Insurers allegedly incurred in relation to the revolving line of credit (Revolver) and the IALA.
- Entry of a Temporary Restraining Order (TRO) that prohibits, among other things, any further breach of the MOU, any actions that would harm the value of the SACs or hinder their ability to repay their obligations, and any transactions that are inconsistent with the MOU.
- Appointment of a Limited Receiver, Bill Janvier, to ensure compliance with the MOU and the defendants' compliance with the TRO, including the requirement that Lindberg obtain the Limited Receiver's prior written approval of any transaction of more than \$5,000, even if the relevant funds originate from non-SAC entities.
- Various revenue generating SACs were contributed to grantor trusts pursuant to MOU Court orders. The terms of the trusts vary. Some but not all of the trusts are expressly subject to the MOU.

NHC has now been formed and is managing the SACs to the extent permitted by the terms of the trusts. Neither the Receiver nor NHC have generated significant monetary recoveries, whether through the sale of the revenue-generating SACs or otherwise. The Receiver has represented that NHC's ability to monetize the revenue-generating SACs is limited due to the structure of the trusts that the revenue-generating SACs are held in.

Nevertheless, the MOU Litigation remains significant, as it appears to have the potential to generate recoveries that could flow through the estates to the guaranty associations, whether through fraud damages or transactions completed by NHC, including SAC sales or loan repayments. The Limited Receiver also appears to have the potential to control Lindberg's ability to dispose of assets, whether held by the SACs or otherwise.

The task force previously authorized NOLHGA to intervene in the MOU Litigation, subject to the final direction of the Task Force Working Group

The Global Insurers' Civil RICO/Fraud Lawsuit: On June 23, 2023, the Receiver filed a civil lawsuit against Lindberg and 39 other defendants in the Eastern District of North Carolina on behalf of the Global Insurers, including civil RICO claims and fraud claims under state and federal law (the "Civil RICO Action"). Through the action, the Global Insurers seek more than \$1 billion in actual damages, treble and punitive damages, pre- and post-judgment interest, attorneys' fees and costs, and an order divesting the defendants of any interest they hold in the racketeering enterprise and dissolving or reorganizing said enterprise.

The Civil RICO Action is currently stayed pending Lindberg's sentencing in the Criminal Lawsuits.

Reinsurance Agreements

There were multiple reinsurance agreements involving each of the North Carolina Insurers. Among those, SNIC, as reinsurer, had entered into a reinsurance agreement relating to approximately \$100 million in insurance obligations with an unaffiliated North Carolina insurer, North Carolina Mutual Life Insurance Company, which is in liquidation. The agreement was modified in 2020 to eliminate a trust agreement; at the end of 2020, SNIC provided notice that it would no longer honor its obligations under the reinsurance agreement.

For BLIC and CBLIC, the task force completed its review of the reinsurance agreements in force and identified a Co-Insurance Agreement relating to guaranty association coverage obligations in which BLIC

ceded obligations under certain of its annuity contracts to Clear Springs Life and Annuity Company (formerly Guggenheim Life and Annuity Company). Upon liquidation, the affected associations elected to succeed to the rights of BLIC and/or the BLIC Receiver under the Coinsurance Agreement.

To effectuate the assumption transaction with CGIC, as described above, the affected guaranty associations needed to enter into a Reinsurance Termination Agreement to terminate the Coinsurance Agreement with Clear Springs. Under the Reinsurance Termination Agreement, no termination fee was assessed, and Clear Springs paid covered reserves of approximately \$6 million to NOLHGA on behalf of the participating associations.

2025 Task Force Activity

During 2025, the task force focused on (1) implementing guaranty association coverage under the BLIC and CBLIC administrative agreements; (2) communicating with the Receiver and North Carolina regulators regarding BLIC and CBLIC; (3) preparing final calculations of guaranty association coverage amounts for CBLIC and BLIC; (4) providing ongoing guidance to guaranty associations on coverage determinations for CBLIC and BLIC as they arose, including with respect to the Moody's adjustment, annuities with multiple owners, non-individually owned annuities, and residency issues; (5) providing support on guaranty association assessment issues for CBLIC and BLIC; (6) communicating with guaranty associations and participating at guaranty association Board meetings; (7) responding to inquiries from certain regulators, the press, and policyholders; (8) negotiating Assumption Reinsurance Agreements with CGIC for the assumption of guaranty association-covered obligations in CBLIC and BLIC; (9) monitoring and analyzing the North Carolina rehabilitation proceedings and various other litigation matters; and (10) negotiating early access agreements with the BLIC and CBLIC Receiver and arranging for an early access distribution to affected guaranty associations.

Outlook

There are various litigation matters with the potential to impact guaranty association recoveries, whether directly or through the Global Insurers' estates. The task force is continuing efforts to protect guaranty association interests in potential asset recovery matters, including in connection with the criminal restitution proceedings. The task force will also continue to oversee the administration of the participating guaranty associations' retained covered obligations. In addition, the task force hopes to enter into an assumption transaction for the SNIC obligations in 2026.

Lincoln Memorial Life Insurance Company

Lincoln Memorial Life Insurance Company and its parent, Memorial Service, sold life insurance policies to fund pre-need funeral home service arrangements. The pre-need funeral contracts were marketed primarily through an affiliated company—National Prearranged Services, Inc. (“NPS”). NPS was also brought under the oversight of the Texas Department of Insurance as part of the 2008 rehabilitation and liquidation orders. Both insurance companies were domiciled in Texas, while NPS was a Missouri-based company. As of the liquidation date, the insurance companies were owned directly or indirectly by Forever Enterprises, Inc., which in turn was owned by National Heritage Enterprises, Inc. National Heritage was controlled by the RBT Trust II, a family-owned trust controlled by the Cassity family.

A Liquidation Plan was developed for the guaranty associations to essentially run off the insurance business using the Special Deputy Receiver (“SDR”) as their third-party administrator for claims (“TPA”). The plan was approved by the Texas Receivership Court and became effective on September 22, 2008. It calls for the policies to be allocated between Standard Policies (those owned by an individual, with the beneficiary being an estate or funeral home, etc.) and Disputed Policies (those in which NPS and various trusts associated with NPS listed themselves as the owner, took policy loans, issued replacement term policies for whole-life policies, or where certain other specified activities took place).

As of the liquidation date, the insurance companies combined had approximately 200,000 policies in force, with \$600 million (not including assumption treaties discussed below) in face amounts.

Assumption Reinsurance

A small block of business (approximately \$52 million face amount) was discovered that had been transferred to North America Life Insurance Company under an indemnity reinsurance treaty. All records and administration of the business were also transferred. In turn, North America retroceded a portion of the block to North Carolina Mutual Life Insurance Company along with all administrative functions. The guaranty associations negotiated a Service Agreement during the fall of 2008 to provide for administration of the policies.

Subsequent to those agreements, an Assumption Reinsurance Agreement was negotiated in which each company assumed the policies that it was administering. The Assumption Agreement closed on December 30, 2008, with no guaranty association funding since assets transferred under the original reinsurance treaties supported the covered obligations. Final closing occurred by March 2009, with the approvals received from the various insurance departments and assumption certificates being issued.

A request for proposal (“RFP”) was undertaken during the summer of 2010 for the in-force blocks of both Lincoln Memorial and Memorial Service. Solicitation letters were mailed to 235 entities, with 2 companies submitting proposals. This resulted in the assumption of the Memorial Service block of business by Investors Heritage Life Insurance Company. That transaction closed on July 6, 2011. Assumption funding for this transaction by the Texas Life and Health Insurance Guaranty Association was approximately \$94.6 million. The only proposal received on the Lincoln Memorial block was not accepted.

Liberty Bankers Block: In 2017, certain remaining life insurance policies and the related pre-need contracts were assumed by Liberty Bankers Life/The Capitol Life Insurance Companies. The initial closing of the transaction took place on November 1, 2017, with the final accounting taking place on November 30, 2018. Total funding was \$118.3 million.

In 2019, an additional assumption transaction was completed with Liberty Bankers/Capitol Life for the Reduced Paid-Up block of business. The initial closing took place on May 1, with a final accounting on October 1. Total funding was \$5.9 million.

Remaining Block: After the assumptions, there was one remaining block of business. Known as the MTW block, it had an estimated face amount of \$3.5 million. Cleanup efforts on the remaining in-force policies were completed during 2021 to prepare for eventual administration by the guaranty associations. The SDR continued to administer this block under the Service Agreement until August 31, 2023.

The Missouri Life and Health Insurance Guaranty Association took over administration of Missouri resident policies in September 2023.

Estate Distributions

Guaranty associations have received \$77.7 million in early access distributions (\$75 million cash and \$2.7 million from deposits held in various states).

Legal Activity

Civil Litigation: On August 6, 2009, the SDR, NOLHGA, and certain individual guaranty associations filed an action in the federal district court in St. Louis, Missouri. The original complaint asserted more than 30 claims for relief (including a federal RICO claim) and named over 40 defendants, including Cassity family members, related companies, professional advisors, banks, and an accounting firm. All affected states participated in this third-party litigation except Alabama, Alaska, Connecticut, Delaware, Florida, Hawaii,

Maine, North Carolina, Pennsylvania, South Carolina, Vermont, and Virginia. Alabama, North Carolina, South Carolina, and Virginia have deposits exceeding their obligations.

In July 2011, the court granted the government's request for a partial stay of the civil proceedings in light of then-pending criminal indictments against a number of the individual defendants (described below). As a result of the stay, all testimonial discovery (except written discovery between the plaintiffs and the Bank Defendants) was postponed until the criminal proceedings were completed in late 2013. Documentary discovery involving any defendants was unaffected by the stay and remained ongoing throughout 2012 and 2013.

In addition to the usual activity occurring between the parties, on September 13, 2013, the court ordered the U.S. Marshals to seize and oversee the transfer of records that were hidden in crypts at two cemeteries associated with the Forever Defendants. Additionally, plaintiffs needed to file additional discovery and deposition requests to certain defendants to get them to produce documents and witnesses.

Due to the completion of the criminal trial activities (see below), activity in the civil litigation increased during 2013 and 2014. On April 16, 2013, the court issued the Case Management Order, setting a jury trial to begin on February 2, 2015, and last up to 11 weeks. The discovery process continued throughout 2014 and into 2015, and both the SDR and NOLHGA continued to respond to interrogatories and requests by certain Bank Defendants to produce documents that were received during the year. Additionally, plaintiffs had served numerous discovery requests on various defendants, including the Bank Defendants. Various hearings were held during December 2014 and January 2015 to resolve any remaining issues.

Prior to the 2015 trial, the plaintiffs settled with all defendants except for two: PNC Bank and Forever Enterprises. The trial with the remaining defendants began on February 2 and lasted almost six weeks. The jury awarded the plaintiffs damages of \$355 million, plus punitive damages of \$35.55 million, against PNC Bank and \$100 million against Forever Enterprises (because Forever has no assets, the latter judgment is considered uncollectable). Post-trial, PNC Bank successfully moved to reduce the damage award against it by \$101.6 million due to settlements entered into by the plaintiffs with other defendants in the case. PNC Bank appealed the judgment to the Eighth Circuit Court of Appeals. The plaintiffs in turn cross-appealed on several issues. See below for further discussion.

In August 2017, the United States Court of Appeals for the Eight Circuit reversed the judgment and remanded it to the District Court for retrial to the bench on a more limited damage theory. The remanded bench trial began in St. Louis on November 28, 2018, and was concluded in March 2019. On July 3, 2019, final judgment was entered in favor of the plaintiffs in the amount of \$99,497,290 (the order was issued on December 4 after numerous appeals to correct mathematical errors). On February 21, 2020, attorney fees and expenses of \$7,144,502 were awarded to the plaintiffs in addition to the July 2019 judgment of \$99.5 million. Various appeals were filed by both defendants and plaintiffs regarding the judgment and fee award. All briefings were completed during July 2020.

Oral argument took place in January 2021 in the Eighth Circuit Court of Appeals. On August 30, 2021, the Appellate Court affirmed the district court's rulings in favor of the plaintiffs (judgment in the amount of \$72,287,615; punitive damages in the amount of \$15,000,000; revised interest in the amount of \$12,209,675; and attorney fees and costs in the amount of \$7,144,502). In September 2021, PNC paid \$111,031,594 (which includes post-judgment interest) to the plaintiffs, settling all further litigation.

A settlement involving BMO/Winner Road and certain trusts was concluded, approved by the court, and funded in 2022 in the amount of approximately \$1 million for eventual distribution under the Joint Prosecution Agreement. To date, the plaintiffs have received approximately \$259.3 million in settlement, forfeiture, and restitution payments from certain defendants. The guaranty associations' share of this is approximately \$200.5 million.

Criminal Prosecutions: Federal authorities indicted six individuals (all of whom were also named defendants in the civil proceeding involving guaranty associations). The indictments alleged 50 counts

against those defendants and sought recoupment of their assets. The criminal trial was scheduled to last 12 weeks, commencing August 5, 2013. Prior to commencement of the trial, five defendants (Province, D. Cassity, B. Cassity, Wittner, and Sutton) accepted plea agreements. One defendant (David Wulf) went to trial and was convicted on all counts.

Below is a summary of the criminal cases. All defendants began serving their sentences in January 2014.

	Result	Sentence	Forfeitures	Restitution Award	Status	Approximate Number of Months Served
Doug Cassity	Pled guilty	115 months	\$3.7 million plus PLICA shares	\$435 million	Released May 2020 due to COVID; passed away on May 31, 2020	77 months
Randy Sutton	Pled guilty	84 months	None	\$435 million	Passed away in prison on Dec. 9, 2014	11 months
Howard Wittner	Pled guilty	36 months	\$1.9 million	\$10.5 million	Released Oct. 2014 due to health	9 months
David Wulf	Convicted	120 months	None	\$435 million	Released in May 2020 due to COVID	77 months
Brent Cassity	Pled guilty	60 months	\$3.7 million plus PLICA shares	\$435 million	Released in May 2017	41 months
Nicki Province	Pled guilty	18 months	None	\$435 million	Released in Jan. 2015	12 months

Claims & Premium Administration

Participating guaranty associations terminated the service agreement with the SDR effective August 31, 2023. Staff at JoAnn Howard and Associates (the SDR) provided transition services through March 30, 2024. Policy records for each of the guaranty associations were transferred to QUEST.

As of August 31, 2023, guaranty associations had funded approximately \$485.7 million for death claims (this includes the \$94.6 million funding by the Texas guaranty association for the Memorial Service block assumed by Investors Heritage Life and \$124.1 million for the Lincoln Memorial block assumed by Liberty Bankers/Capitol Life). In-force policy counts have decreased from an initial count of 211,957 (both Lincoln and Memorial) at liquidation to under 7,000 (Lincoln only) at the end of December 2023.

Premium collections made by the SDR on behalf of the guaranty associations continued through late 2017, when premiums ceased as a result of the first assumption agreement with Liberty Bankers. Through December 2019, approximately \$32 million had been received. Premiums were forwarded to NOLHGA on a quarterly basis and were subsequently disbursed to the guaranty associations or held in an escrow account used to fund claims. Bank accounts held by the TPA and by NOLHGA for claims funding and TPA fees were closed in 2024.

Since the termination of the service agreement in August 2023, guaranty associations have funded approximately \$613,000 in claims and have approximately 5,000 policies remaining. Several guaranty associations have plans to conduct research to identify insured deaths that have never been reported.

Closing of the Estate

The estate has reserved approximately \$700,000 for the SDR and subcontractor administration costs and to close the receivership. At this time, the SDR estimates that the NPS estate will have approximately \$22 million to distribute according to claim classification. The NPS estate has Class 1 claims for final administration costs relating to closing of the estate (estimated to be approximately \$700,000). There are no Class 2 claims because NPS was not an insurance company, no known Class 3 (U.S. government) claims, and no approved Class 4 claims. There is \$30,634,353 in approved Class 5 claims, from NPS's obligation to pay (1) "growth" or inflation protection to funeral homes that sold NPS pre-need contracts and (2) "orphan" pre-need contract claims not eligible for guaranty association coverage. The SDR does not anticipate significant future litigation recoveries.

Before the SDR filed an application to terminate the estate and be discharged, the SDR had to file evidence they were preparing a final tax return, together with the final accounting of all funds in the estate. The SDR has entered into an agreement with the United States Department of Justice releasing certain potential claims of the United States.

2025 Activity

On February 5, 2025, the District Court of Travis County, Texas, granted the SDR's Final Report and Application to make a final distribution for Lincoln Memorial. NOLHGA received and distributed to affected guaranty associations \$2,458,183 for its Class 1 claim and \$4,345,810.53 for its Class 2 claim. In June, NOLHGA received an additional \$3,052.24, which was subsequently allocated and distributed.

On March 24, 2025, the Receivership Court entered its *Order Granting Final Accounting and Application to Terminate Memorial Service Life Insurance Company Receivership Proceeding Only and Discharge Receiver and Special Deputy Receiver*. The delinquency proceeding under Chapter 443 against Memorial Service Life Insurance Company has been terminated. The Liquidator and SDR have been discharged. There was no distribution to creditors from the Memorial Service estate due to lack of assets.

On August 4, 2025, the Receivership Court entered its *Order Granting Final Accounting and Application to Terminate Lincoln Memorial Life Insurance Company Receivership Proceeding Only and Discharge Receiver and Special Deputy Receiver*. The delinquency proceeding under Chapter 443 against Lincoln Memorial Life Insurance Company has been terminated. The Liquidator and SDR have been discharged.

NOLHGA received \$120,720 in federal restitution and settlement payments and distributed those funds to affected guaranty associations during the year.

Outlook

The estate is now closed. The task force will continue to accept any federal restitution and settlement payments and distribute them to affected guaranty associations.

National States Insurance Company

National States Insurance Company wrote life, accident and health, long-term care (LTC), home healthcare, and Medicare Supplement insurance policies and was licensed in 37 states (Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin). A large part of the LTC business was concentrated in Florida, where National States experienced adverse financial results due to inadequate rates and an inability to gain regulatory approval for rate increases.

On April 1, 2010, the Circuit Court of Cole County, Missouri, issued a consent Judgment of Rehabilitation based on the hazardous financial condition of National States Insurance Company. John Huff, Director of the Department of Insurance, Financial Institutions and Professional Registration,² was appointed Rehabilitator, and Bruce Baty was named Special Deputy Receiver.

An assumption transaction with United Security Assurance (“USA”) covering approximately 5,700 non-Florida, non-return-of-premium LTC policies was executed and approved pre-receivership. On August 31, 2010, the Receiver filed his First Semiannual Report with the supervising court and advised the court that rehabilitation was not feasible. In mid-September, the Receiver accepted a bid from Oxford Life Insurance Company for the Medicare Supplement block and proceeded to negotiate a transfer of the business, which was approved by the supervising court on October 8, 2010. The transfer encompassed approximately 33,300 policies, with an effective date of September 1, 2010, and included a 25% reduction in agent commissions.

On October 28, 2010, the Receiver filed a petition for the liquidation of National States. On November 15, the court entered an order of liquidation with a finding of insolvency against the company and approved the Early Access Agreement and Service Agreement between NOLHGA and the Receiver. The task force executed a Joint and Common Interest Agreement with the Receiver on January 21, 2011. NOLHGA filed an appearance in the receivership proceedings.

On May 23, 2011, the MPC authorized an Assumption Reinsurance Agreement with Family Life Insurance Company and the National States Liquidator concerning National States’s life policies. National States’s life block comprised approximately 60,000 simple-issue burial life policies with average face amounts of around \$8,700, which were primarily whole life policies with an average annual premium per policy of \$450. The business was 90% reinsured under treaties with four reinsurers. The agreement was approved by the Receivership Court on July 15, 2011.

In October 2011, an opt-out package was sent to the affected guaranty associations concerning the Northstar reinsurance treaty, in which RGA replaced Northstar. There were no opt-outs. This agreement was approved by the court on October 31, 2011. The Family Life assumption agreement opt-out package was sent to the guaranty associations on December 29, 2011, with a January 28, 2012, deadline. There were no opt-outs.

On October 20, 2011, NOLHGA, on behalf of the guaranty associations, filed an Omnibus Proof of Claim with the Receiver. The life policy Assumption Agreement with Family Life was closed on February 16, 2012, with an effective date of October 1, 2011.

In June 2012, Swanson & Associates and Strohm Ballweg performed an audit on the LTC claims. Return-of-premium (“ROP”) issues were reviewed and evaluated, with new procedures for handling post-liquidation ROP being instituted. The task force tested the waters to see if there was any interest for the non-LTC health business. This small block of business consisted of approximately 3,100 guaranteed renewable policies.

Family Life tendered an offer to assume these non-LTC health policies, excluding approximately 410 policies that might be subject to the Patient Protection and Affordable Care Act if assumed by Family Life. On October 1, 2012, an MPC resolution was adopted authorizing the task force to finalize the Assumption Reinsurance Agreement with Family Life. An opt-out package was sent to the guaranty associations on October 8, 2012, with a November 7, 2012, deadline. There were no opt-outs. On October 26, 2012, the court approved the agreement. The transaction closed on November 30, 2012, with an effective date of December 1, 2012. The 410 policies that were not assumed continued to be administered by National States along with the LTC policies.

² The Department of Insurance, Financial Institutions and Professional Registration is now known as the Department of Commerce and Insurance.

A review of ROP provisions was completed during 2013. Ongoing guaranty association funding continues for those obligations deemed covered by the applicable guaranty association. An updated Proof of Claim was filed with the Receiver in November 2017. An interim distribution of \$8.4 million (\$4.9 million of estate cash and \$3.5 million in deposits) was made during 2018. A final estate distribution in the amount of \$4 million was received in December 2020 and distributed in January 2021. Overall, 8.81% of expense and policy-level claims were recovered from estate distributions.

Biweekly claims funding and monthly premium collections on the remaining business continued throughout 2024. The task force approved an amended TPA service agreement with Davies Life & Health, Inc., that included an annual administrative fee rate increase structure. The joint claims audit of the TPA in conjunction with the Life and Health Insurance Company of America and Senior American Insurance Company Task Forces was successful, as the audit uncovered no issues with the underlying process and controls. Lastly, using the latest available in-force policy count, the task force approved an update to the policy reserves by state to be used to calculate TPA fees and the task force expense allocation by state.

2025 Activity

Claims funding and monthly premium collections on the remaining policies continued. The task force approved a 2026 budget that included an annual administrative fee increase for Davies Life and Health, Inc., according to the updated 2024 service agreement. The in-force policy count has been gradually decreasing: an annual runoff average of 8–12% for approximately the past 3 years. The total claims paid to policyholders were approximately \$4.4 million. The task force is also monitoring efforts to close the liquidation estate.

Outlook

The task force will continue to oversee claims funding and monthly premium collections by Davies, as well as any new liquidation court filings. Additionally, in partnership with the TPA, the task force approved further engagement of an outside firm to assist with various escheat/unclaimed property tasks for guaranty associations that elect to use that assistance.

The Association will continue administering LTC policies for Missouri insureds.

North Carolina Mutual Life Insurance Company

North Carolina Mutual Life Insurance Company (NCM), based in Durham, North Carolina, was founded in 1898 and offered life insurance and annuities as well as accident and health products to individuals and groups. On December 3, 2018, NCM was placed into rehabilitation with the consent of the company's Board of Directors. Although the rehabilitation proceedings were initially confidential and sealed by court order, on February 1, 2019, an order was entered to unseal the court file. Among other things, the Rehabilitation Order included a moratorium on surrenders and loans subject to a case-by-case review. Don Roof of Examination Resources, Inc., was appointed as the Special Deputy Receiver (SDR). According to the Schedule T of the 2019 Annual Statement, NCM was licensed in 23 states. There are 25 affected guaranty associations.

The bulk of the business (administered at the NCM office) consisted of small whole life face amount policies utilized in the pre-need and final expense markets, FEGLI, annuities, and a very small block of health policies. There is also a small block of universal life policies being administered by an unrelated third-party, Selman.

As of the liquidation date, the life block had approximately \$529 million in death benefits, of which \$525 million appeared to be covered by the guaranty associations. Net cash values were approximately \$131 million, of which over \$130 million appeared to be covered. In addition, there is a very small block of annuities with a cash surrender value of \$3.2 million, of which almost \$2.8 million appeared to be covered.

The health insurance reserves were less than \$84,000. Over 70% of death benefits are covered by 6 states (Alabama, Georgia, Maryland, North Carolina, Pennsylvania, and Virginia).

Two reinsurance agreements had a significant negative impact on NCM's financial status. The SDR sued to recover approximately \$34 million from Port Royal Reassurance; the assets securing the agreement appear to have been misappropriated (in 2020, Bradley Reifler, the owner of Port Royal, pled guilty to one count of wire fraud in relation to the agreement; he was sentenced to 5 years in prison and ordered to pay NCM \$20.3 million, and the SDR sought additional damages in civil court). The reserve credit taken by NCM at year-end 2017 for this agreement was approximately \$28 million.

The other reinsurance agreement involved Southland National Insurance Corporation. Reserve credits taken by NCM were approximately \$102 million. However, performing assets backing the treaty were lacking, leaving an approximate shortfall of \$50 million. Provisions for both treaties were made in NCM's financial statements, leading to an approximate surplus deficit of \$76 million at year-end 2020.

On September 24, 2021, the Commissioner filed a petition for liquidation with a finding of insolvency. In anticipation of a liquidation order, Service and Early Access Agreements were finalized and a 30-day opt-out process was undertaken with affected guaranty associations. All guaranty associations elected to participate in both agreements. The Receivership Court had scheduled a hearing on December 20, 2021, to consider the liquidation petition, but that hearing was delayed to 2022.

Early in 2022, the Receiver notified the task force of a ransomware attack on NCM that occurred in December 2021. This delayed for weeks not only the hearing on the liquidation petition but also policy administration and claims payments as the company's IT system had to be rebuilt. The task force engaged Mandiant (a cybersecurity firm) to confirm that there was no loss or theft of data and that the rebuilt system was secure.

Ongoing monitoring of the estate, litigation, and reinsurance activities continued throughout the year by NOLHGA and representatives from the North Carolina Department. Analysis of policy-level data began mid-year to prepare for a liquidation effective date.

On October 11, 2022, a hearing took place before Judge Graham Shirley of the Superior Court of Wake County, North Carolina, regarding the petition filed by the Receiver for an order of liquidation with a finding of insolvency. Judge Shirley entered a verbal order granting the petition on the basis that liquidation was necessary for the protection of the company's policyholders. The order was drafted with an effective date of October 31, 2022.

Beginning in mid-December 2022, administration of covered obligations had been accomplished through the Service Agreement with the Receiver. Administrative expenses have been allocated to guaranty associations but paid with estate assets as early access distributions. Premiums had been collected and delivered to the guaranty associations as coordinated through NOLHGA and the GA Coordinator (Mark Femal). Claims had been paid by the guaranty associations as coordinated through NOLHGA and the GA Coordinator. Coverage limits were being applied.

NCM was a party to several reinsurance agreements. The task force and affected guaranty associations decided not to pursue succession to the rights of the Receiver to the Opt Re and Wilton Re reinsurance agreements. NCM is also the ceding insurer under 7 reinsurance agreements with Minnesota Life, 14 with Securian Life, and 1 with North American Life. Because NCM did not issue the policies that it ceded to those companies, the obligations would be covered by the issuing insurers. The guaranty associations would not succeed to these reinsurance agreements, and the Receiver anticipates terminating them as part of the liquidation.

Negotiations with MetLife regarding reinsurance of the group of FEGLI policies (conversion life insurance policies issued by NCM when federal employees left the MetLife group coverage) concluded in 2023. The task force's plan funds covered obligations with estate reserves, which are treated as early access. The

agreement and opt-out package were sent to all affected guaranty associations in December 2023. All affected associations are participating. A 100% Coinsurance agreement was signed in the spring of 2024.

NCM had issued a group life policy for employees and retirees. Settlements have been entered into between the guaranty associations and the employees and retirees related to insurance benefits.

In May 2023, the task force sent out a Request for Proposal (RFP) seeking bids to assume the majority of NCM's business (those policies with reliable policyholder information), but there were no bids. In August 2023, the task force sent out another RFP for assumption reinsurance and/or long-term administration. That RFP produced five responses, and the task force evaluated an assumption reinsurance bid first.

The Omnibus Proof of Claim was filed timely by October 31, 2023.

On September 24, 2024, the Superior Court in Wake County, North Carolina, approved the Assumption Reinsurance Agreement for covered obligations and an Administrative Services Agreement for retained obligations between EquiTrust and participating guaranty associations, including an early access distribution of \$60 million. Closing on the two agreements occurred on October 4, 2024, with a transfer of approximately \$121 million to EquiTrust; this included the early access distribution of \$60 million. There was 100% participation from the affected guaranty associations for both agreements. EquiTrust and the NCM Liquidator entered into an Asset Purchase Agreement for Administration, which closed on October 31, 2024.

On November 7, 2024, a Joint Motion for Consent Judgment was filed with respect to Bradley Reifler, the owner of Port Royal Reassurance Company. Under the proposed Consent Judgment, Reifler consented to judgment in the amount of \$60,966,060 in damages; \$2,693,000 in attorneys' fees; and post-judgment interest at the legal rate. The roughly \$60 million judgment represents treble damages for the \$20,322,220 in compensatory damages—i.e., the remainder of the \$34 million in assets that was placed in the reinsurance trust and not recovered. At this time, we are not aware whether or to what extent Reifler would be able to satisfy the criminal restitution (\$20.3 million) or the civil judgment (roughly \$60 million).

2025 Activity

The task force's main focus during the year was the transition and implementation of the assumption and administrative service agreements with EquiTrust. Because of data and administrative issues, both the guaranty associations and EquiTrust agreed that the universal life block (formerly administered by Selman) would not be subject to assumption reinsurance and that the Service Agreement did not address administration of the block. On September 30, 2025, the service agreement was amended so that EquiTrust will provide limited services specifically for implementing settlements related to the universal life block.

As part of the transition and implementation process, EquiTrust discovered that the amount of assumed policies (those with good addresses so that policyholders could be sent an assumption certificate) was much smaller than expected, resulting in the retained obligations being much larger than expected. As part of the final accounting procedure, EquiTrust returned approximately \$79 million (with interest) to the guaranty associations because the applicable reserves related to policies for which an assumption certificate could not be issued. The Final Accounting closed on October 31, 2024, and was completed in early December 2025. EquiTrust continues to administer the retained obligations of participating guaranty associations under the Service Agreement.

The order granting the Liquidator's Motion for Court Approval of Fixed Claim Agreement with Guaranty Associations occurred on December 15, 2025. The agreement fixed claims as of the October 11, 2022, liquidation date and also included the following provisions: fixed administrative expense ceiling of \$5 million with guaranty association administrative expenses above the ceiling subordinated to other Class 2 claims; covered policyholder claims of \$147.9 million; and uncovered policyholder claims of \$226,655.

Throughout 2025, the Liquidator and NOLHGA collaborated on strategies and remaining tasks necessary to close the NCM estate, including the potential for assignment of remaining non-cash assets and pending litigation.

Outlook

In 2026, the task force will focus on continued implementation of the Service Agreement as well as policy resolution for the universal life (Selman) policies with EquiTrust. The task force will also continue to monitor any ongoing litigation and collaborate with the Liquidator to facilitate closing the estate in 2026, if possible.

Penn Treaty/American Network

Penn Treaty Network America Insurance Company (www.penntreaty.com) and its wholly owned subsidiary, American Network Insurance Company (“ANIC”), both Pennsylvania domestic life insurance companies, were placed in rehabilitation on January 6, 2009, and in liquidation on March 1, 2017. (For a complete history of the receiverships of the Companies, please see the annual reports from prior years.)

Run-Off of Guaranty Association Liabilities in Liquidation

LTC Reinsurance PCC (LTC Re), the captive insurance company established by the guaranty associations to serve as the vehicle to run off guaranty association-covered liabilities, began operations in early 2017 and reinsured the covered obligations of most affected guaranty associations on March 1, 2017. LTC Re manages the collective asset management and oversees the administration of the covered policies on behalf of its 45 member guaranty associations.

After an interim period during which Penn Treaty staff under the direction of the Receiver provided policy and claims administration services for the guaranty associations, NOLHGA and LTC Re entered into a long-term servicing agreement with TriPlus Services, Inc. At the same time, in the fall of 2019, TriPlus acquired most of Penn Treaty’s infrastructure, including its IT platform, and made offers of employment to most Penn Treaty employees. In September 2020, TriPlus was acquired by Davies.

When the liquidation was discharged in December 2024, the Receiver held back approximately \$1 million for remaining administrative expenses. If holdback assets in excess of \$50,000 remain in late 2026, the Receiver will distribute such excess assets to the affected guaranty associations.

2025 Activity

Policy & Claims Administration

The task force continued to provide oversight of policy and claims administration activity in 2023. Davies 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’ services through NOLHGA. (Three guaranty associations administer their covered policies in-house.) Effective January 1, 2025, LTC Re and NOLHGA formed the TPA Oversight Committee (TOC) to oversee policy and claims administration activities. TOC met with Davies every quarter in 2025 and received monthly written reports. TOC focuses on Davies’ compliance with the Service Agreement, including Service Level Standards, and works with Davies on strategic initiatives.

Outlook

In 2025, the task force will continue to monitor the performance of LTC Re and collaborate with LTC Re on issues of common interest. The task force also will continue to coordinate with LTC Re and Davies on policy and claims administration matters and oversee the final stages of rate increase implementation.

Senior Health Insurance Company of Pennsylvania

The Senior Health Insurance Company of Pennsylvania (SHIP), under various names, has existed as a Pennsylvania-domiciled insurer since 1887. The company grew by merging with other insurers and acquiring blocks of business through assumption reinsurance. In 2008, the company (then known as Conseco Senior Insurance Company) was transferred by its owner, Conseco, Inc., to the Senior Health Care Oversight Trust (the Trust) and was renamed Senior Health Insurance Company of Pennsylvania. The transfer was subject to the approval and oversight of the Pennsylvania Insurance Department (PID). SHIP and its liabilities were severed from Conseco so that SHIP could complete a solvent runoff of its long-term care (LTC) insurance policies. At the time SHIP was transferred to the Trust, it had 152,000 LTC policies in force. As of year-end 2019, SHIP had 45,000 LTC policies in force.

From 2008 through 2019, SHIP's governance and operations were controlled by the Trust. A majority of the five trustees were former insurance regulators. SHIP outsourced its operational and policy/claims administrative functions; LTCG serves as TPA for SHIP. In addition, SHIP's affiliate, Fuzion Analytics, provides block management, fraud mitigation, data analytics, and claims management services. SHIP's employees and operational assets were transferred to Fuzion in 2014. Fuzion was a wholly owned subsidiary of the Trust until 2019, when the PID approved the Trust's contribution of Fuzion to SHIP.

As of December 31, 2018, SHIP reported negative capital and surplus of \$467 million. In light of this financial disclosure, NOLHGA formed the SHIP Monitoring Group in 2019. The group established communications with the PID and its advisors and monitored publicly available information about SHIP. Each quarter in 2019, SHIP reported decreases in its capital and surplus and ultimately disclosed that it was working with the PID on a corrective action plan. That corrective action plan was never released to the public.

Pennsylvania Commonwealth Court—Rehabilitation Proceedings

Rehabilitation Order: On January 29, 2020, the Pennsylvania Commonwealth Court placed SHIP in rehabilitation, appointed Commissioner Altman as Rehabilitator, and appointed Patrick Cantilo as Special Deputy Rehabilitator. The Order of Rehabilitation required the Rehabilitator to file a plan of rehabilitation by April 22, 2020. NOLHGA's SHIP Task Force officially was constituted shortly after SHIP was placed under the Order of Rehabilitation.

The Rehabilitator filed a proposed Rehabilitation Plan (the Plan) on April 22, 2020. The core of Phase One of the Plan involves providing policyholders with options to increase premium rates or reduce policy benefits so that all policyholders are paying at least the "If Knew" premium for their benefits (basically, the "If Knew" premium is the premium the insurer would have charged from inception, had it known then what it knows now, to produce a target loss ratio of 60%). Depending on the results of Phase One, a second phase may be necessary.

After a contested hearing with objections primarily from the insurance regulators from Maine, Massachusetts, and Washington, the court issued an order and opinion approving the Second Amended Plan on August 25, 2021. The objecting insurance regulators appealed the approval to the Pennsylvania Supreme Court. After briefing and oral argument, the Pennsylvania Supreme Court issued a *per curiam* order affirming the Commonwealth Court's Approval of the SHIP Rehabilitation Plan on June 20, 2023, and issued opinions regarding the order on January 24, 2024.

Rehabilitation Plan Implementation

The Rehabilitator completed Policyholder Election Package mailings to most policyholders in January and May 2022. By the end of 2024, Rehabilitation Plan elections had been implemented for all policyholders except those in Iowa and North Dakota, where litigation regarding the Rehabilitation Plan was pending.

Related Court Proceedings

In addition to the opposition in Pennsylvania, insurance regulators also filed court actions in their own states seeking injunctions that would prevent the Rehabilitator from implementing the Plan with respect to policies issued or policyholders resident in their states. By the end of 2024, litigation in Louisiana, North Carolina, and South Carolina had been resolved and litigation remained pending in Iowa, New Jersey, North Dakota, and Washington.

The Rehabilitator also engaged in asset recovery litigation involving former officers, consultants, and counterparties to SHIP in the Pennsylvania Commonwealth Court and federal courts in Indiana and Minnesota.

In 2020, Louisiana Commissioner James Donelon filed a Complaint for Declaratory Relief and Permanent Injunction against the Rehabilitator with the U.S. District Court for the Middle District of Louisiana. That complaint ultimately was dismissed, and in late 2021, Commissioner Donelon filed a petition for a preliminary injunction, permanent injunction, and declaratory relief in Louisiana state court against implementation of the Plan in Louisiana. The state court issued a preliminary injunction against Plan implementation on February 3, 2022. The Rehabilitator's appeal of the issuance of the preliminary injunction was pending as of year-end 2023.

In late 2020, South Carolina Director of Insurance Raymond Farmer filed a Complaint for Declaratory and Injunctive Relief against the Rehabilitator, Patrick Cantilo as Special Deputy Rehabilitator, and SHIP (the Defendants) with the Court of Common Pleas in the Fifth Judicial Circuit of South Carolina. In early 2021, the defendants removed the matter to the U.S. District Court for the District of South Carolina and then filed a motion to dismiss. The matter was remanded to the state court, which granted Director Farmer's motion for a preliminary injunction. The Rehabilitator appealed. The Rehabilitator's appeal of the issuance of the preliminary injunction was pending as of year-end 2023.

Following the Plan approval, actions were brought by insurance commissioners in four other state courts—Iowa, New Jersey, North Carolina, and North Dakota—seeking to stop implementation of the Plan. The Rehabilitator removed all actions to the federal court and applied for consolidation and transfer with the U.S. Judicial Panel on Multidistrict Litigation. On June 1, 2022, the transfer was denied. All four cases were remanded to state courts. The status of the actions as of year-end 2023 was:

- Iowa: State court issued a temporary injunction, and the Rehabilitator appealed.
- New Jersey: The Commissioner's Application for a preliminary injunction was pending.
- North Carolina: The state court denied the Commissioner's application for a preliminary injunction in January, and the Commissioner appealed.
- North Dakota: The court issued a preliminary injunction, and the Rehabilitator filed a Motion for Reconsideration or Clarification.

Cease & Desist Orders: In addition to seeking recourse through the courts, some insurance regulators issued cease and desist orders against implementation of the Plan in their states. Cease and desist orders were issued in the following 11 jurisdictions: Alaska, Arkansas, Connecticut, District of Columbia, Maine, Maryland, Montana, Ohio, Utah, Vermont, and Washington.

2025 Activity

Pennsylvania Supreme Court Opinions

On January 24, 2024, the Pennsylvania Supreme Court issued its opinions regarding the Order affirming the approval of the Rehabilitation Plan. The majority and dissenting opinions both found that several issues raised by the Regulators were issues raised on behalf of policyholders and because the Regulators were not appearing on behalf of policyholders, the Regulators did not have standing to raise these issues. The

majority opinion evaluated whether the Plan unlawfully displaces regulatory authority of other state regulators and whether the Full Faith and Credit clause was violated. The majority found that the Rehabilitator has sweeping and unqualified power in rehabilitation and that the Full Faith and Credit clause was not violated. The dissenting opinion agreed that the Rehabilitator had broad authority but found the rehabilitation statutes do not give the Rehabilitator the right to violate other state laws. The dissenting justices would have held that the court abused its discretion by approving the Plan.

2025 Activity

Pennsylvania Commonwealth Court Proceedings

SHIP Annual Report: On March 28, 2025, the Rehabilitator filed SHIP's Annual Report. The Annual Report provided updates on SHIP's Funding Gap (\$1.3 billion as of December 31, 2024); pending litigation; SHIP's rehabilitation expenses (\$12.3 million in 2024; \$55.1 million through year-end 2024); asset recovery efforts; and policyholder elections under the Plan. The Annual Report stated that Phase One of the Rehabilitation Plan was expected to continue for at least another two years.

Rule to Show Cause Actions: In furtherance of the Rule to Show Cause actions, on March 11, 2025, the Commonwealth Court issued Orders Directing Modification of SHIP Policies Issued in Iowa and North Dakota directing the Rehabilitator to communicate with Iowa and North Dakota policyholders about benefit/premium modifications by April and implement any elections made by the end of September. The Rehabilitator complied with these orders, arguably in violation of injunctions issued in those states (see below).

Other State Court Proceedings

As of December 2025, the status of the state court actions was:

- Iowa: The Iowa District Court denied Commissioner Ommen's Motion for Summary Judgment in March 2025, and the Iowa Supreme Court denied Commissioner Ommen's Application for Interlocutory Appeal. The District Court scheduled a trial on Commissioner Ommen's Application for Permanent Injunction for June 2026. Commissioner Ommen filed two contempt motions alleging that the Rehabilitator violated the District Court's preliminary injunction by offering benefit/premium modifications to Iowa policyholders in compliance with the Pennsylvania Commonwealth Court's Order (discussed above). The District Court issued one contempt order against Commissioner Humphreys and Special Deputy Rehabilitator Cantilo in August (which has been stayed while a Motion to Reconsider is pending), and the second contempt motion remains pending.
- New Jersey: Several status conferences were held in 2025, and a status conference was scheduled for January 2026. The Commissioner's application for an injunction remains pending.
- North Dakota: The District Court issued an Order granting Commissioner Godfreed's Motion for Summary Judgment and granting a permanent injunction in March 2025. In June, Commissioner Godfreed filed a contempt motion against SHIP similar to the contempt motions filed in Iowa. In December 2025, the District Court issued a contempt order against SHIP.
- Washington: In June 2025, the court issued an Order of Default Declaratory Judgment against SHIP because SHIP failed to participate in the court proceedings. The court held that the Cease and Desist Order issued by the Washington Commissioner was valid and enforceable.

Rehabilitation Plan Implementation

The Rehabilitator confirmed that all Phase One elections were implemented by year-end 2025. Endorsements have been sent to policyholders.

Estate Asset Recovery Litigation

The Rehabilitator initiated three pieces of asset recovery litigation in 2022, all of which continue:

- *Humphreys v. Wegner, et. al.*: In this action filed in the Commonwealth Court in January 2022 against certain of SHIP's former officers and consultants, the Rehabilitator makes claims of breach of fiduciary duty, civil conspiracy, negligence, breach of contract, and negligent misrepresentation. The Rehabilitator is requesting judgment in excess of \$500 million. The parties are engaged in mediation and discovery. A trial is scheduled to begin in January 2027. The Rehabilitator has indicated that he has reached a settlement with some of the parties, but the settlement has not been made public.
- *Humphreys v. Vanbridge, et. al.*: In this action filed in the Commonwealth Court in January 2022 against parties involved with the reinsurance transaction between SHIP and Roebing Re, the Rehabilitator makes claims of breach of contract, breach of fiduciary duty, civil conspiracy, and negligence. The Rehabilitator is requesting judgment in excess of \$10 million. A trial is scheduled to begin in November 2026.
- *SHIP v. XL Specialty Ins. Co.*: This action filed in federal court in Indiana (Southern District) in September 2022 involved a D&O insurance dispute related to coverage of SHIP's payment of former President/CEO Wegner's defense costs in *Humphreys v. Wegner*.

The following action was filed by SHIP's former outside auditors:

- *Eide Bailly v. Humphreys*: This action was filed in the U.S. District Court for the District of Minnesota. Motions to dismiss are pending; the parties are in discovery disputes and mediation. The parties have been engaged in discovery disputes and mediation.

Actuarial Analysis

In June 2025, the task force provided to the guaranty associations potentially affected by the SHIP receivership updated liability estimates as of year-end 2024, prepared by illumifin using its models and assumptions based on data provided by the Rehabilitator.

Pursuit of Reinsurance Transaction

In late 2024 and early 2025, task force representatives met with reinsurers to discuss their interest in a possible assumption reinsurance agreement for the SHIP liabilities. Three reinsurers provided indicative non-binding pricing proposals in the spring, and the task force selected one reinsurer for further discussion and possible negotiation of a transaction. For much of the year, task force representatives, under the direction of the Liquidation Planning Subgroup, worked with the selected reinsurer and the Rehabilitator on the possible assumption of guaranty association-covered liabilities plus an additional layer of liabilities funded by the estate. In late 2025, the Rehabilitator determined not to move forward with this three-party transaction. The task force and the selected reinsurer shifted their focus to a possible transaction for the assumption of guaranty association-covered liabilities at liquidation. Liquidation is expected sometime in 2027.

Other Task Force Activities

In 2025, the task force engaged in the following activities in addition to those set forth above:

- Met by teleconference; issued reports; and kept the MPC informed on developments, including through presentations or task force meetings at each MPC meeting.
- Coordinated and communicated with the PID and Rehabilitator on developments.
- Monitored and reported on receivership court proceedings, the Pennsylvania Supreme Court proceedings, and the state court proceedings in seven states.

- Monitored and reported on the Rehabilitator's asset recovery litigation.
- Monitored and reported on the implementation of the Rehabilitation Plan.
- Continued to focus on liquidation planning.

Outlook

The task force will continue coordination and communication with the PID and Rehabilitator on developments and will continue to monitor and report on receivership court proceedings, the state court proceedings, and the asset recovery litigation. An updated actuarial analysis based on year-end 2025 data will be prepared in the first half of the year.

The task force expects to work with the reinsurer and the Rehabilitator on necessary diligence in the first half of 2026 and, subject to Task Force approval, to negotiate an assumption reinsurance agreement in the second half of 2026 for an expected liquidation and closing in 2027. Task force subgroups will continue to be active as necessary during 2026 with respect to the matters assigned to them, including appropriate liquidation planning matters. The task force will continue to keep the affected guaranty associations informed of developments.



**Independent
Auditor's Report
for the year ending
December 31, 2025**

WIPFLI

Missouri Life and Health Insurance Guaranty Association

Financial Statements

For the Years Ended December 31, 2025 and 2024

Independent Auditor's Report

To the Board of Directors of the
Missouri Life and Health Insurance Guaranty Association
Jefferson City, Missouri

Opinion

We have audited the accompanying financial statements of Missouri Life and Health Insurance Guaranty Association (the "Association"), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Missouri 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 Missouri Life and Health Insurance Guaranty Association's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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 Missouri 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 Missouri 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.

Wipfli LLP

Wipfli LLP

St. Louis, Missouri

February 25, 2026

Missouri Life and Health Insurance Guaranty Association

Statements of Financial Position

<i>As of December 31,</i>	2025			2024	
Class A	Class B	Total	(Memorandum Only)		
ASSETS					
Cash and cash equivalents	\$ 54,458	\$ 643,003	\$ 697,461	\$	29,611,630
Investments	-	45,267,286	45,267,286		29,385,063
Accounts receivable	99,301	239,171	338,472		222,268
Interclass receivable	(48,031)	48,031	-		-
Unbilled assessments	-	1,336,319	1,336,319		1,336,319
Advance to receivers	-	11,706,006	11,706,006		9,971,456
Furniture and equipment, net of accumulated depreciation of \$113,181 and \$71,414, respectively	89,131	-	89,131		84,671
Operating lease right-of-use asset	114,190	-	114,190		128,507
Other assets	7,487	-	7,487		6,557
Total assets	\$ 316,536	\$ 59,239,816	\$ 59,556,352	\$	70,746,471
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 44,530	\$ -	\$ 44,530	\$	40,870
Claims payable for unbilled assessments	-	1,336,319	1,336,319		1,336,319
Accrued liabilities	57,465	-	57,465		78,295
Operating lease liability	114,190	-	114,190		128,507
Reserves for claims payable	-	8,876,208	8,876,208		30,497,645
Total liabilities	216,185	10,212,527	10,428,712		32,081,636
Net assets - without restrictions	100,351	49,027,289	49,127,640		38,664,835
Total liabilities and net assets	\$ 316,536	\$ 59,239,816	\$ 59,556,352	\$	70,746,471

The notes to the financial statements are an integral part of these financial statements.

Missouri Life and Health Insurance Guaranty Association

Statement of Activities

<i>Years Ended December 31, 2025 and 2024</i>	2025			2024
	Class A	Class B	Total	(Memorandum Only)
SUPPORT AND REVENUES				
Liquidation distributions	\$ -	\$ 10,039,343	\$ 10,039,343	\$ 743,602
Net investment return	1,931	2,324,856	2,326,787	2,399,650
Allocations to Class B	364,930	-	364,930	300,865
Premium income	-	181,894	181,894	212,485
Assessment income	-	-	-	19,997,610
Miscellaneous income	223	-	223	240
Total support and revenues	367,084	12,546,093	12,913,177	23,654,452
EXPENSES				
Claims benefits and processing, net of changes in revenues	-	1,972,570	1,972,570	24,284,978
Reinsurance recovered	-	(609,023)	(609,023)	-
Assumption reinsurance ceding costs	-	(46,006)	(46,006)	421,434
Litigation fees	-	-	-	9,732
National Organization of Life and Health Insurance Guaranty Associations	-	400,817	400,817	166,451
General and administrative	367,084	-	367,084	303,915
Allocations from Class A	-	364,930	364,930	300,865
Total expenses, net of changes in reserves	367,084	2,083,288	2,450,372	25,487,375
Change in net assets	-	10,462,805	10,462,805	(1,832,923)
Net assets, beginning of year	100,351	38,564,484	38,664,835	40,497,758
Net assets, end of year	\$ 100,351	\$ 49,027,289	\$ 49,127,640	\$ 38,664,835

The notes to the financial statements are an integral part of these financial statements.

Missouri Life and Health Insurance Guaranty Association

Statements of Functional Expenses

Years Ended December 31, 2025 and 2024	2025		2024		Total	
	General and		General and			
	Program	Administrative	Program	Administrative		
	Expenses	Expenses	Expenses	Expenses	Expenses	
Claims benefits and processing, net of changes in reserves	\$ 1,972,570	\$ -	\$ 1,972,570	\$ 24,284,978	\$ -	\$ 24,284,978
National Organization of Life and Health Insurance Guaranty Associations	400,817	-	400,817	166,451	-	166,451
Reinsurance recovered	(609,023)	-	(609,023)	-	-	-
Assumption reinsurance ceding costs	(46,006)	-	(46,006)	421,434	-	421,434
Litigation fees	-	-	-	9,732	-	9,732
Salaries and benefits	-	201,767	201,767	-	177,267	177,267
Professional fees	-	42,909	42,909	-	44,535	44,535
Other	-	42,504	42,504	-	13,208	13,208
Travel	-	19,566	19,566	-	18,380	18,380
Rent and utilities	-	23,274	23,274	-	22,555	22,555
Equipment and supplies	-	2,775	2,775	-	2,454	2,454
Depreciation	-	30,215	30,215	-	21,618	21,618
Dues, fees, and subscriptions	-	4,074	4,074	-	3,898	3,898
Total	\$ 1,718,358	\$ 367,084	\$ 2,085,442	\$ 24,882,595	\$ 303,915	\$ 25,186,510

The notes to the financial statements are an integral part of these financial statements.

Missouri Life and Health Insurance Guaranty Association

Statement of Cash Flows

<i>Years Ended December 31, 2025 and 2024</i>	2025			2024
	Class A	Class B	Total	Memorandum Only
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ -	\$ 10,462,805	\$ 10,462,805	\$ (1,832,923)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	41,767	-	41,767	28,343
Realized gain on investments, net of change in unrealized gain	-	(1,116,426)	(1,116,426)	(1,432,478)
Change in accounts receivable	(28,719)	(87,485)	(116,204)	219,313
Change in advance to receivers		(1,734,550)	(1,734,550)	(9,967,058)
Change in other assets	(930)	-	(930)	(915)
Change in interclass receivable and payable	26,845	(26,845)	-	-
Change in accounts payable	3,660	-	3,660	(544)
Change in accrued liabilities	(20,831)	-	(20,831)	(11,430)
Change in reserves for claims payable	-	(21,621,436)	(21,621,436)	23,667,844
Net cash provided (used) by operating activities	21,792	(14,123,937)	(14,102,145)	10,670,152
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	45,340,000	45,340,000	47,515,000
Purchase of investments	-	(60,105,797)	(60,105,797)	(29,681,232)
Purchase of furniture and equipment	(46,227)	-	(46,227)	(18,626)
Net cash provided (used) by investing activities	(46,227)	(14,765,797)	(14,812,024)	17,815,142
Net change in cash and cash equivalents	(24,435)	(28,889,734)	(28,914,169)	28,485,294
Cash and cash equivalents, beginning of year	78,893	29,532,737	29,611,630	1,126,336
Cash and cash equivalents, end of year	\$ 54,458	\$ 643,003	\$ 697,461	\$ 29,611,630

The notes to the financial statements are an integral part of these financial statements.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization

The Missouri Life and Health Insurance Guaranty Association Act (“Act”) was passed by the Missouri Legislature in 1988 to protect policy owners, beneficiaries, annuitants, payees and assignees of life insurance policies, health insurance policies, annuity contracts and supplemental contracts, subject to certain limitations, against failure in the performance of contractual obligations due to the impairment or insolvency of the insurer issuing such policies or contracts. To provide this protection, the Missouri Life and Health Insurance Guaranty Association (the “Association”) was created by Missouri Revised Statute 376.715 to guarantee payment of benefits and continuation of coverage. Any insurer or health services corporation licensed or holding a certificate of authority to transact in Missouri any kind of insurance for which coverage is provided under Missouri Revised Statute 376.717 is a member insurer of the Association. All member insurers are and must remain members of the Association as a condition of their authority to transact business in Missouri. Members of the Association are subject to assessments to provide funds to carry out the purpose of the Act.

The Association performs its functions under a plan of operation approved by the Missouri Director of Department of Commerce and Insurance and exercises its powers through a Board of Directors. The Association is subject to the immediate supervision of the Missouri Director of Department of Commerce and Insurance and the insurance laws of the State of Missouri.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Association uses the American Institute of Certified Public Accountants’ not-for-profit model for accounting and financial reporting. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets with restrictions and net assets without restrictions. The Association had only net assets without restrictions during 2025 and 2024.

Summarized Comparative Total

The financial statements include prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, it should be read in conjunction with the Association’s financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include certain interest-bearing bank accounts and overnight repurchase agreements, which invest in various highly liquid investments. The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentration of credit risk consist primarily of cash on deposit, overnight repurchase agreements and investments. Periodically, the Association maintains cash on deposit at financial institutions in excess of amounts insured by the U.S. Federal Deposit Insurance Corporation (FDIC).

The Association held an overnight repurchase agreement balance of approximately \$692,000 at December 31, 2025 and \$28,595,000 at December 31, 2024. Overnight repurchase agreements are not secured. However, the Association requires that U.S. government and agency securities underlying the repurchase agreements must have a fair value of at least 100% of the cost of the repurchase agreement. The fair values of U.S. government and agency securities underlying repurchase agreements are determined daily.

Investments

Investments consist primarily of U.S. Government backed securities and are reported on the statement of financial position at fair value. Fair value is determined by quoted market prices for securities listed on national exchanges or over-the-counter markets. Purchases and sales of securities are recorded on a trade date basis. Realized investment gains and losses are determined on the specific identification basis. Dividends are recorded on the declaration date. Interest is recorded when earned.

Accounts Receivable

Accounts receivable consist of amounts due from the Missouri Property and Casualty Insurance Guaranty Association and investment interest receivable. The Association considers all receivables at December 31, 2025 and 2024 to be fully collectible and has not recorded an allowance for credit losses.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Unbilled Assessments

Unbilled assessments represent an accumulation of all future assessments that may be made in order to cover the estimated claims and loss adjustment expenses of current insolvencies. The potential future assessment amount is estimated at the beginning of the liquidation of an insurer and is subsequently reduced as assessments are billed, as changes occur to estimated claims and loss adjustment expenses, or when a block of business is purchased by a third party.

Furniture and Equipment

Purchases of furniture and equipment are recorded at cost. The costs of normal maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related assets on a straight-line basis over three to ten years. Depreciation expense for the years ended December 31, 2025 and 2024 totaled \$41,767 and \$28,343, respectively, however, a portion of depreciation expense is allocated to the Missouri Property and Casualty Insurance Guaranty Association pursuant to the contractual agreement described in Note 8. For the years ended December 31, 2025 and 2024, \$11,552 and \$6,725, respectively, of depreciation expense was allocated to the Missouri Property and Casualty Insurance Guaranty Association, for a net depreciation expense of \$30,215 and \$21,618, respectively.

ASC 842 Lease Accounting

The Association is a lessee in a noncancelable operating lease. If the contract provides the Association the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. A right-of-use (ROU) asset and lease liability are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Association has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

For all underlying classes of assets, the Association has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Association recognizes short-term lease cost on a straight-line basis over the lease term.

The Association made an accounting policy election to not separate the lease components of a contract and its associated non-lease components. For all other underlying classes of assets, the Association separates lease and non-lease components to determine the lease payment.

Assessments

For purposes of assessment, the Association maintains three accounts: (1) the accident and health insurance account; (2) the life insurance account; and (3) the annuity account. In order to provide funds necessary to carry out the powers and duties of the Association, the Board of Directors (Board) is authorized to assess the member insurers, in a combined assessment or separately for each account, at such time and for such amounts as the Board deems necessary.

Class A assessments are made for the purpose of meeting administrative costs and other general expenses and examinations not related to a particular impaired or insolvent insurer. The amount of any Class A assessment is determined by the Board and may be made on either a non-pro rata or pro rata basis. Non-pro rata assessments may not exceed \$150 per member company in any one calendar year. Class A assessments are made to the extent necessary to carry out the powers and duties of the Association.

Class B assessments against member insurers for each account are in the proportion that the average premiums received on business in Missouri by each assessed member insurer on policies covered by each account for the three calendar years preceding the insolvent company's date of insolvency bears to the average of such premiums received on business in the state for the three calendar years preceding the insolvent company's date of insolvency by all assessed member insurers.

Revenue is recognized at the time the Board approves the assessments to its members.

Liquidation Distributions

Liquidation distributions represent distributions made by the receivers of insolvent estates to the Association based on claims paid and current claims being paid. Distributions occur when the insolvent insurer has funds available and at the discretion of the receiver. Due to the unpredictability of the timing of distributions, revenue is recognized when the distribution is received.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Premium Income

Premium income represents premiums that are received from insolvent companies. The Association collects premium payments on in-force policies that have not been transferred to another insurer. Due to the unpredictability of the timing of premiums received, revenue is recognized when the premium is received.

Expense Classification

The Association classifies expenses as Class A or Class B based upon the statutory provisions of the Act. Class A expenses are administrative costs, legal costs and other costs not allocated to a particular impaired or insolvent insurer. Class B expenses are costs incurred to the extent necessary to carry out the powers and duties of the Association as it relates to the payment of the obligations of an impaired or an insolvent insurer.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The natural classification detail of those expenses has been summarized in the Statements of Functional Expenses. Certain costs that are attributable to more than one function have been allocated among the program and supporting services benefited using a single-rate method consistently applied based on a study of time and effort by employees.

Income Taxes

The Association is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. Interest and penalties incurred, if any, related to annual Form 990 are reported within general and administration expenses on the accompanying statement of activities.

Reclassifications

Certain reclassifications have been made to the 2024 financial statement to conform to the 2025 classifications.

Subsequent Events

Events that have occurred subsequent to December 31, 2025 have been evaluated through February 25, 2026, which represents the date the Association's financial statements were approved by management and, therefore, were available to be issued.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Assets

The Association's financial assets available within one year from December 31, 2025 and 2024 for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 697,461	\$ 29,611,630
Investments due in one year or less	30,044,545	22,223,526
Accounts receivable	338,472	222,268
Total	\$ 31,080,478	\$ 52,057,424

As more fully described in Note 6, the Association maintains a line of credit of \$5,000,000 with a bank, which it could draw upon in the event of an unanticipated liquidity need. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3: Investments

Investments consisted of the following at December 31, 2025 and 2024:

	2025	Cost	Unrealized Gain (Loss)	Fair Value
Class B Fund				
U.S. agency bonds and notes		\$ 4,489,492	\$ (124,016)	\$ 4,365,476
U.S. Treasury securities		40,509,733	392,077	40,901,810
Total Class B investment securities		\$ 44,999,225	\$ 268,061	\$ 45,267,286

	2024	Cost	Unrealized Gain (Loss)	Fair Value
Class B Fund				
U.S. agency bonds and notes		\$ 16,322,192	\$ (579,957)	\$ 15,742,235
U.S. Treasury securities		13,294,418	348,410	13,642,828
Total Class B investment securities		\$ 29,616,610	\$ (231,547)	\$ 29,385,063

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 3: Investments (Continued)

Contractual maturities of investment securities at December 31, 2025 are as follows, based on the expected call date:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Class B Fund			
Due in one year or less	\$ 29,661,724	\$ 382,821	\$ 30,044,545
Due in one to five years	15,337,501	(114,760)	15,222,741
Total Class B investment securities	\$ 44,999,225	\$ 268,061	\$ 45,267,286

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The three levels of the fair value hierarchy as prescribed by GAAP are as follows:

Level I - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access.

Level II: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

Level III: Inputs that are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 3: Investments (Continued)

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value. There have been no changes in the methodologies used during the years ended December 31, 2025 and 2024.

U.S. agency bonds and notes: U.S. agency bonds and notes are valued at the closing price reported in the market in which the individual security is traded. Other U.S. government bonds are valued at the closing price reported in the inactive market in which the bond is traded or valued based on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Treasury securities: U.S. treasury securities are valued at the closing price reported in the market in which the individual security is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the Association's assets measured at fair value as of December 31, aggregated by the level in the fair value hierarchy within which those measurements fall:

December 31, 2025	Level I	Level II	Level III	Total
<u>Assets</u>				
U.S. agency bonds and notes	\$ -	\$ 4,365,476	\$ -	\$ 4,365,476
U.S. Treasury securities	40,901,810	-	-	40,901,810
Total	\$ 40,901,810	\$ 4,365,476	\$ -	\$ 45,267,286

December 31, 2024	Level I	Level II	Level III	Total
<u>Assets</u>				
U.S. agency bonds and notes	\$ -	\$ 15,742,235	\$ -	\$ 15,742,235
U.S. Treasury securities	13,642,828	-	-	13,642,828
Total	\$ 13,642,828	\$ 15,742,235	\$ -	\$ 29,385,063

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 3: Investments (Continued)

Net investment return consisted of the following for the years ended December 31:

2025	Class A	Class B	Total
Change in unrealized gain (loss) on investments	\$ -	\$ 499,608	\$ 499,608
Net realized gain on sales	-	616,818	616,818
Interest income	1,931	1,208,430	1,210,361
Net investment return	\$ 1,931	\$ 2,324,856	\$ 2,326,787

2024	Class A	Class B	Total
Change in unrealized gain (loss) on investments	\$ -	\$ 555,597	\$ 555,597
Net realized gain on sales	-	876,881	876,881
Interest income	2,810	1,432,478	1,432,478
Net investment return	\$ 2,810	\$ 2,396,840	\$ 2,399,650

Note 4: Reserves for Claims Payable

The Association receives claims expense estimates from the National Organization of Life and Health Insurance Guaranty Association ("NOLHGA") and other entities. Management analyzes the information received from NOLHGA and other entities, industry trends and the effects of statute limitations on the estimates prior to arriving at the recorded estimated reserves for claims payable. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments of estimates are reflected in claims benefits and processing expenses in the accompanying statement of activities.

The total reserves for claims payable were approximately \$8,900,000 and \$30,500,000 at December 31, 2025 and 2024, respectively. These reserves are based on estimates and, while management presently believes the estimate of reserves for claims payable at December 31, 2025 is adequate, the actual liability could vary considerably from the amount presented in the accompanying statement of financial position. The decrease in the reserves balances year over year was mainly due to a large amount of claims payments made during the year ended December 31, 2025.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 5: Program Expenses

As explained in Note 1, the Association is statutorily required to account for transactions directly related to administration of the various insolvencies in one fund (Class B) and general and administrative expenses in another fund (Class A). By the very nature of the fund, all expenses recorded in Class B are program expenses. However, management and general expenses initially recorded in Class A are allocated to Class B based on periodic time and expense studies. Such allocations totaled \$364,930 and \$300,865 for the years ended December 31, 2025 and 2024, respectively.

Note 6: Line of Credit

The Association maintains a \$5,000,000 unsecured revolving line-of-credit which bears interest at the greater of 0.50% plus prime (6.75% and 7.50% at December 31, 2025 and 2024, respectively) or 5.00%. There were no borrowings under this agreement during 2025 or 2024. The agreement expires on June 9, 2026.

Note 7: Employee Benefit Plans

The Association sponsors a 401(k) Safe Harbor Pension Plan. Employees are eligible to participate in the plan after completion of twelve consecutive months of employment and 1,000 hours of service. Employees are vested in the plan immediately. The Association's contribution is based on a percentage of salaries as approved by the Board of Directors.

Contributions to the plan totaled \$76,546 and \$74,781, for the years ended December 31, 2025 and 2024, respectively. Of the totals contributed for 2025 and 2024, the Missouri Property and Casualty Insurance Guaranty Association (MPCIGA) was allocated \$58,758 and \$61,074, respectively, pursuant to the contractual agreement described in Note 8.

The Association also sponsored a 457 Pension Plan. Employees were eligible to participate in the plan immediately upon hire and were also vested in the plan immediately. During 2024, the Association terminated this plan and transferred the funds to the respective participants' IRA accounts.

Note 8: Affiliate Agreement

The Association maintains a joint administration agreement with MPCIGA whereby the Association provides common administration and management of both associations. The agreement is cancelable by either party by giving six months' notice and continues in existence until terminated. Each association is responsible for its proportionate share of employee and overhead expenses. Such expenses are allocated at cost in proportion to the estimated utilization by each association and the Association is reimbursed by MPCIGA accordingly. Allocation methods are reviewed periodically based on current operations and resources utilized by the associations. The Association allocated expenses of \$969,722 and \$988,949 to MPCIGA for the years ended December 31, 2025 and 2024, respectively. On occasion, MPCIGA makes direct payments to the Association's vendors for expenses that are directly related to MPCIGA operations.

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 9: Allocation of Expense Among Program and Supporting Services

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The natural classification detail of those expenses has been summarized in the statement of functional expenses. The Association’s policy is to not allocate any portion of general and administrative expenses to program expense.

Note 10: Lease Commitment

The Association has a noncancelable operating lease for office space located in Jefferson City, Missouri, requiring monthly rental payments of \$6,363. The lease commenced July 1, 2023 and expires June 30, 2033. Lease expense paid totaled \$19,090 for both years ended December 31, 2025 and 2024. An amendment to the lease required 25% of the monthly rent payment to be made by the Association. MPCIGA, the Association’s affiliate organization, is responsible for the remaining 75% of the monthly payment.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if it has obtained substantially all the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights, which may require significant judgment.

Operating lease right-of-use (ROU) assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The discount rate used to measure the ROU asset and lease liability is explicitly stated in the lease agreements. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The operating lease ROU asset also includes any consideration of the tenant improvement allowance amortized as a lease expense on the straight-line basis.

The Association’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Other information related to the previously described leases are as follows for the year ended December 31:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 19,090	\$ 19,090
Weighted-average remaining lease term in years for operating leases	7.50	8.50
Discount rate for operating lease	5.00%	5.00%

Missouri Life and Health Insurance Guaranty Association

Notes to Financial Statements

Note 10: Lease Commitment (Continued)

Minimum future lease payments for the operating leases at December 31, 2025 are as follows:

2026	\$	19,090
2027		19,090
2028		19,090
2029		19,090
2030		19,090
Thereafter		47,721
Total undiscounted cash flows		143,171
Less: present value discount		(28,981)
Total lease liabilities		\$ 114,190

Note 11: Contingencies

The Association is involved in litigation arising in the normal course of its business. In the opinion of management, the Association's recovery or liability, if any, under any pending litigation or administrative proceeding would not materially affect its financial position.