

Louisiana Insurance Guaranty Association

2006
Annual Report

March 30, 2007

Table of Contents

<u>Subject</u>	<u>Page</u>
Letter to Commissioner	1
Audit Report	7
General Counsel's Report	18
2006 Claims Activity	26
2006 Return Premium Activity	30
Report on All Time Payments by Insolvency	31

Our Mission

To pay covered claims of insolvent property and casualty insurance companies in a prompt, courteous and caring manner at a fair and equitable cost, and also aid the Insurance Department in the detection and prevention of insurer insolvencies.

Board of Directors

2006

Mr. W. Jay Luneau
Chairman

Appointee of the Speaker of the House

Mr. J.E. Brignac, Jr.
Secretary

Appointee of the President of the Senate

Mr. Stephen C. Schrempp
Treasurer

National Automotive Insurance Company
Louisiana Fire and Casualty Insurance Cos.

Mr. James Davison

Appointee of the Commissioner of Insurance
as a Consumer Representative

Mr. Michael T. Gray

The Gray Insurance Company

Mr. Terrence Hardin

State Farm Mutual Automobile Insurance Co.
National Association of Mutual Insurance Cos.

Ms. Ann Metrailler

Louisiana Farm Bureau Mutual Insurance
National Association of Independent Insurers

Mr. Barry Mitchell

Appointee of the Commissioner of Insurance
as a Consumer Representative

Mr. Aubrey Temple

Louisiana Workers' Compensation Corporation

Executive Staff

DESIREE WORSLEY

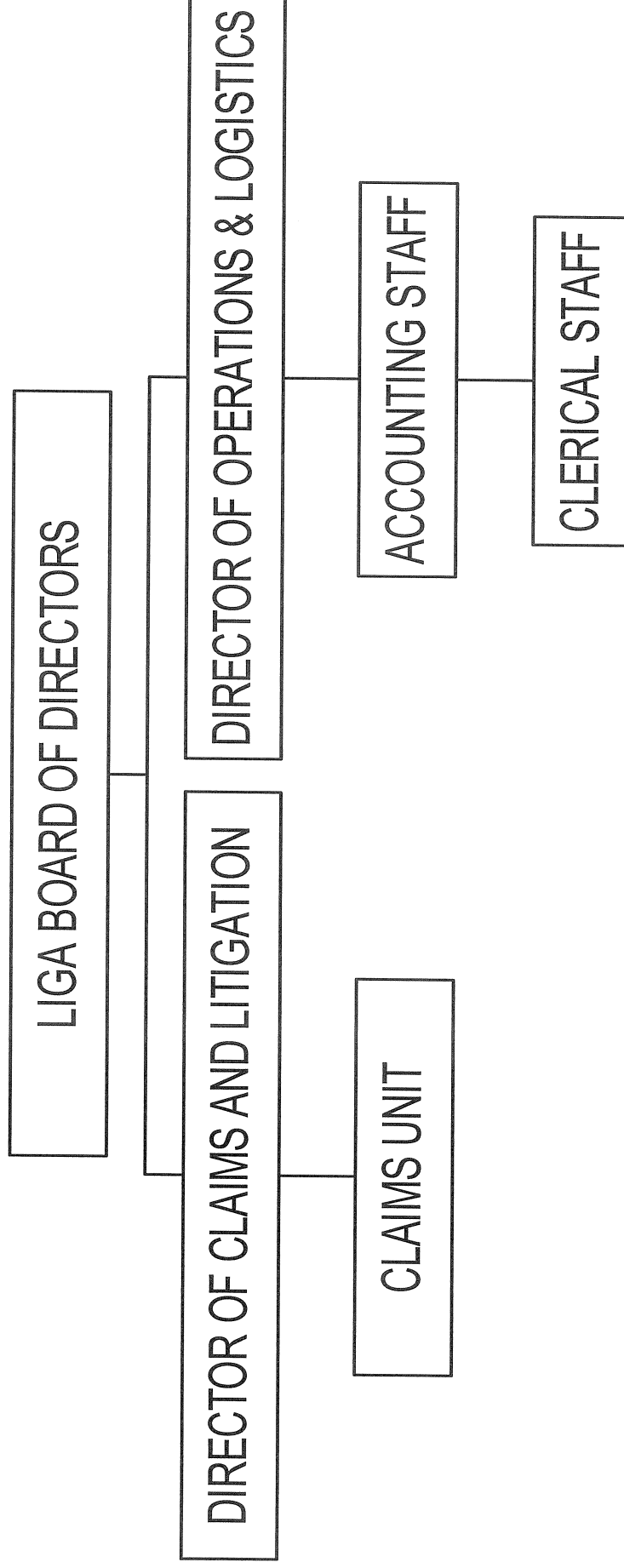
Director of Operations & Logistics

NORMAN REESE

Director of Claims & Litigation

ORGANIZATIONAL CHART

AS OF
MARCH 30, 2007



March 30, 2007

Hon. James J. Donelon, Commissioner
Department of Insurance
State of Louisiana
P.O. Box 94214
Baton Rouge, Louisiana
70804-9214

RE: 2006 Annual Financial Report of LIGA

Dear Commissioner:

Pursuant to *La. R.S. 22:1388*, we are pleased to submit to you LIGA's 2006 Annual Financial Report.

2006 was another highly productive year for LIGA, as a continued decrease in insolvencies/new claims created the window of opportunity for LIGA to reach a number of goals:

settle a record number of worker compensation claims;
reduce a large number of environmental reserves;
collect early access distributions from insolvent estates;
pursue and collect delinquent payments of restitution debtors;
implement downsizing of staff and further streamline operations;
operate without the need of a 1% assessment of the member insurer companies;
streamline claims handling forms, processes, and payment procedures;
complete an independent, comprehensive claims audit per our Policies & Procedures;
implement our Examiner's Best Practices Policy Manual;
focus on network computing issues, back-up and recovery of data, and software upgrades for increased staff productivity;
re-write our disaster recovery plan and locate a server offsite with real-time replication of our data;
initiate paperless filing of invoices and stored records to CD and DVD;
streamline our attorney litigation procedures, grading and qualifications; and
complete our headquarters renovation.

LIGA received only one new insolvency in 2006 (Vesta Fire Insurance Company of Texas). We anticipate a minimum of two insolvencies in 2007 which have been pending since 2005, but it remains extremely difficult to predict any number of insolvencies that may occur in light of the major disaster that affected our area.

Recoveries from liquidators reached \$9,944,363. collected in 2006.
Unfortunately, the Statutory Liquidator deemed it necessary and prudent to request the

(Page 2, Commissioner Donelon)

return of excess Early Access Distributions in accordance with the terms and conditions of the Mission and Mission National Insurance Company Refunding Agreement LIGA entered into on June 18, 1991. The refund in distribution amount was \$416,375.00.

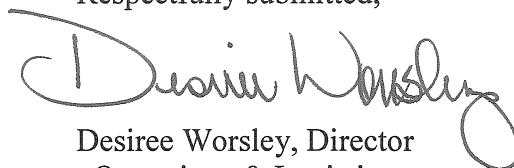
Total expenditures decreased from \$26,838,371. in 2005 to \$16,657,457. in 2006. The number of claims pending at year-end fell from 3,040 in 2005 to 2,288 in 2006.

During 2006, LIGA's reserves fell below \$1,000,000,000. for the first time since November 2002, and will expectantly continue to reduce throughout this year absent the arrival of a new insolvency. Our non-environmental reserves are currently \$77,365,242., while the environmental reserve posting is \$813,766,304. for a total of \$891 million.

Forecasting future insolvencies, their volume, and the ever-growing environmental litigation files remain our biggest challenges at LIGA in the coming year. LIGA remains committed to operating at its' peak of efficiency through the use of temporary employees and TPA's, enabling us to downsize when the opportunity presents itself for further savings. Our paid for facility eliminates escalating rental payments and will meet LIGA's needs for decades to come. Finally, it is our committed goal to operate LIGA with minimal or no assessment of our member insurers whenever possible. We believe we have initiated the progressive reform and operational strategy that will enable LIGA to meet these ideals in the foreseeable future.

LIGA would like to express its appreciation to the Department and the Legislature for their continued support of our constant reform movement. Enclosed herein is our 2006 Report on Insolvent Companies, 2006 Company Claims Activity, 2006 Report of LIGA's General Counsel, and our Annual Financial Audit for 2006 prepared by Postlethwaite & Netterville.

Respectfully submitted,



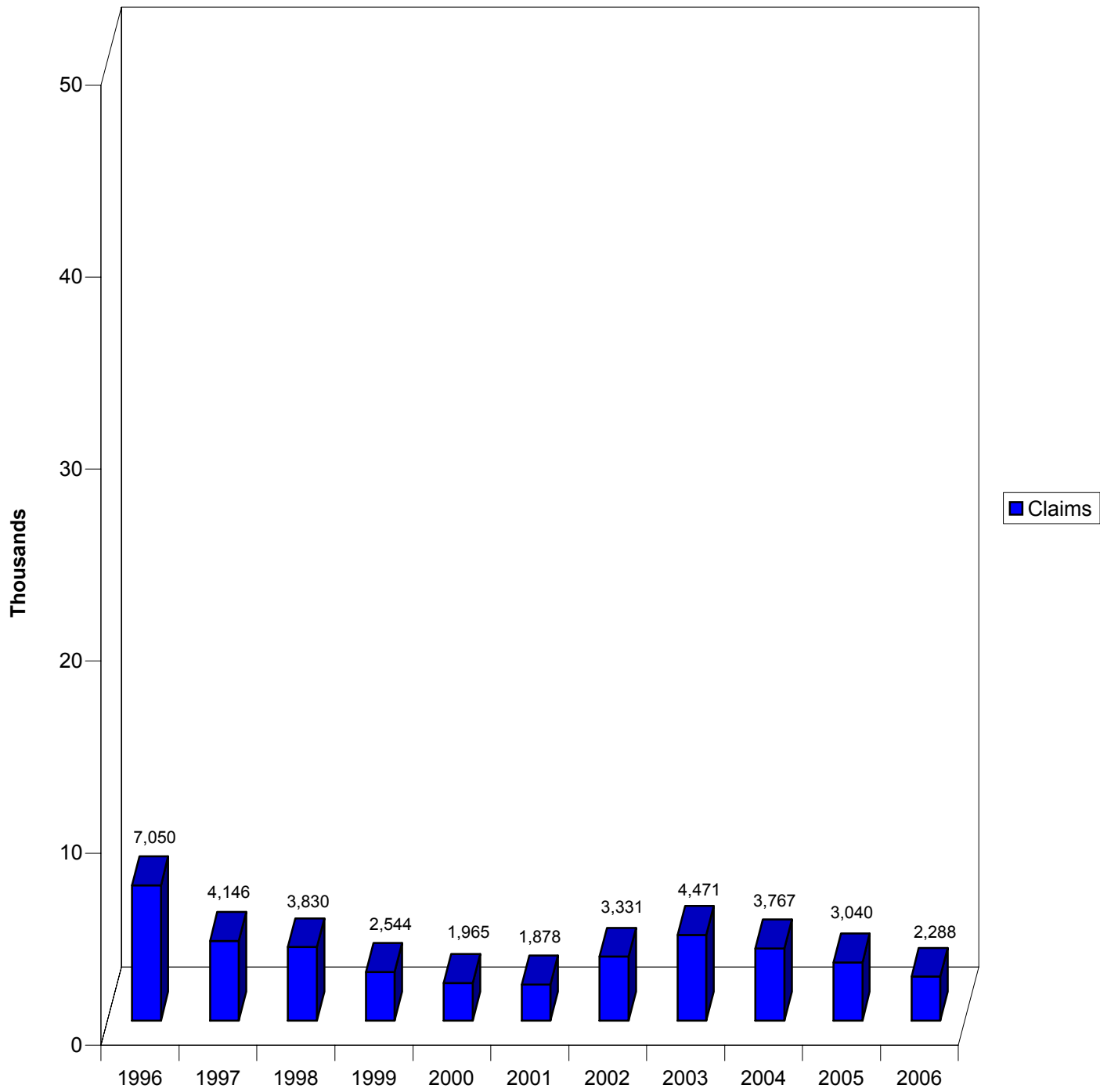
Desiree Worsley, Director
Operations & Logistics

*Receipt acknowledged this _____ day of _____, 2007
by _____ of the Louisiana Department of Insurance*

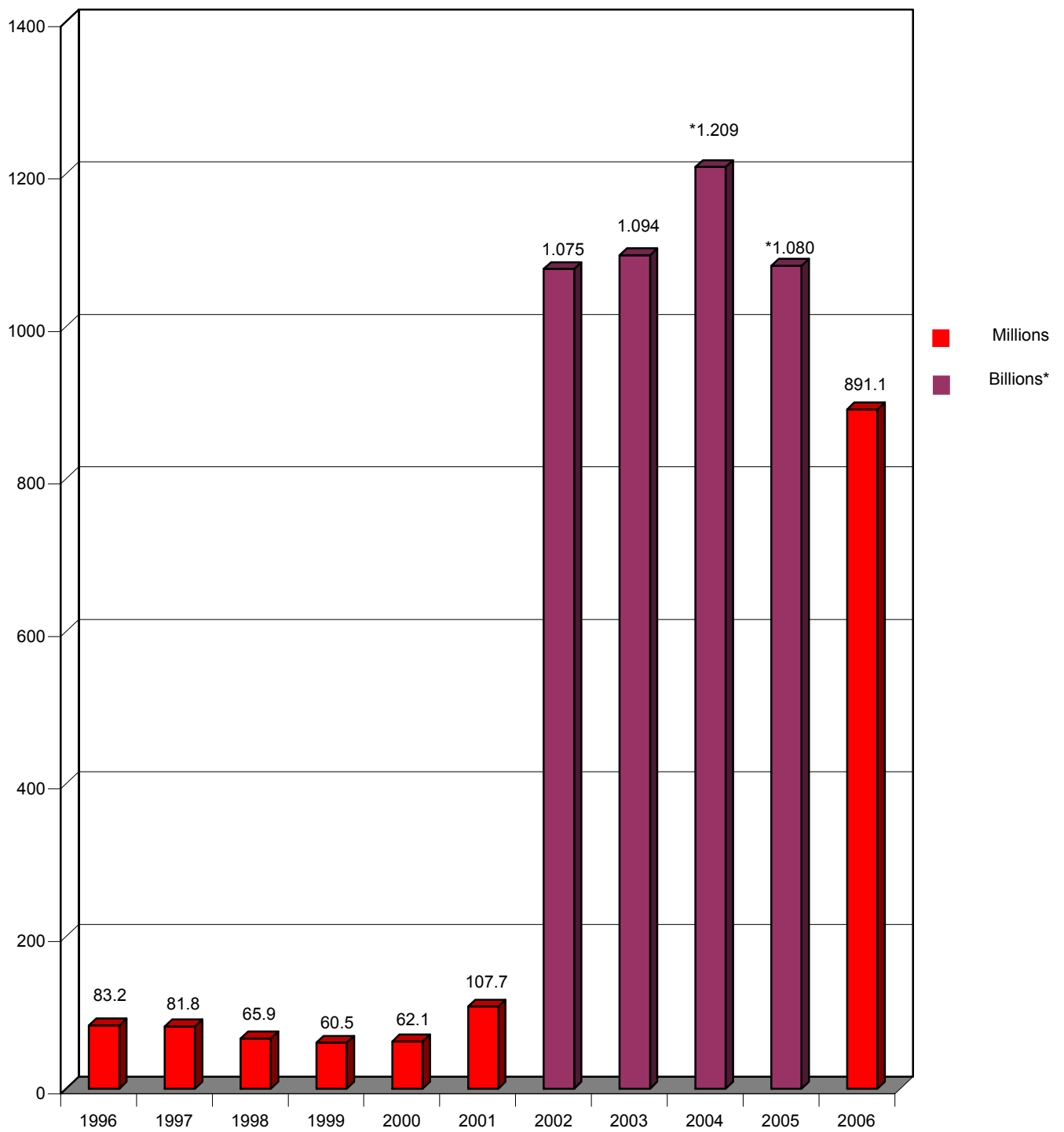
C: Board of Directors, LIGA
Chairman Carter, House Insurance Committee
Chairman Cain, Senate Insurance Committee
General Counsel, LIGA

DW/lb

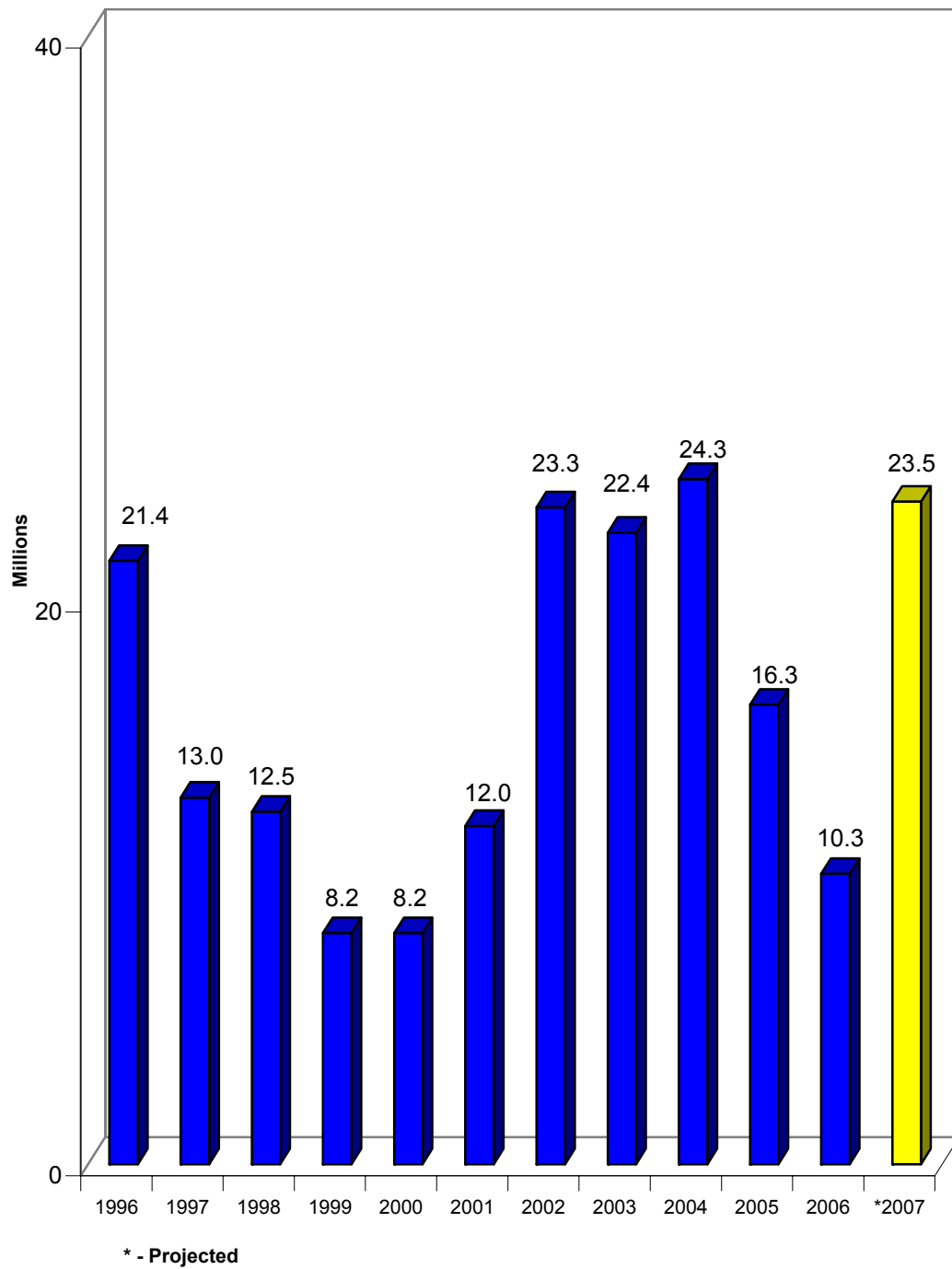
CLAIMS PENDING PER YEAR



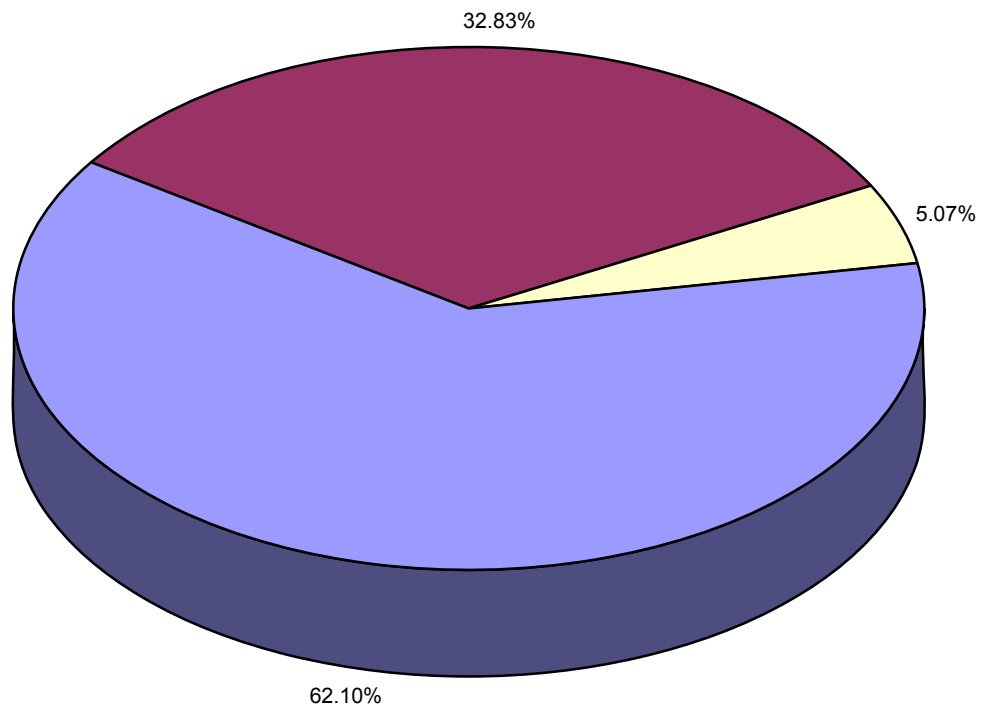
Reserves Per Year



LOSSES PAID PER YEAR



2006 Total Expenditures - \$16,657,457



- Claims Paid - \$10,343,714.
- Allocated Expenses (Claims Handling) - \$5,469,305.
- Unallocated Expenses (Administrative) - \$844,438.

LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS
(Cash Basis)

DECEMBER 31, 2006 AND 2005



LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS

(Cash Basis)

DECEMBER 31, 2006 AND 2005



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Members and Directors
Louisiana Insurance Guaranty Association
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position arising from cash transactions of Louisiana Insurance Guaranty Association as of December 31, 2006 and 2005, and the related statements of activities for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Insurance Guaranty Association as of December 31, 2006 and 2005 and its changes in net assets during the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2007 on our consideration of Louisiana Insurance Guaranty Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Since these financial statements are prepared on a cash basis, no liability is recorded for future payments for return of unearned premiums or claims. However, as discussed in Note 7 to the financial statements, the Association regularly estimates liabilities for such losses. These estimated losses have not been audited by us and accordingly we express no opinion or any other form of assurance on them.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 5, 2007

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ 176	\$ 1,585
Investments, at cost	<u>247,481,055</u>	<u>244,912,924</u>
	<u>\$ 247,481,231</u>	<u>\$ 244,914,509</u>

LIABILITIES AND NET ASSETS

Outstanding checks in excess of bank balances	\$ 671,125	\$ 858,180
Net assets	<u>246,810,106</u>	<u>244,056,329</u>
	<u>\$ 247,481,231</u>	<u>\$ 244,914,509</u>

The accompanying notes are an integral part of these statements.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>RECEIPTS</u>		
Assessments	\$ -	\$ 10,327,986
Distributions from liquidators	9,944,363	20,668,867
Interest income	11,365,557	10,404,861
Net loss on disposition of investments	(2,021,582)	(1,975,812)
Restitution	117,063	24,455
Other income	5,833	4,183
	<u>19,411,234</u>	<u>39,454,540</u>
<u>DISBURSEMENTS</u>		
Claims paid	10,330,558	16,259,937
Unearned premiums paid	13,156	16,116
Legal fees and expenses	3,629,203	5,078,292
Claims handling costs	1,423,727	1,914,987
Return of early access distribution from liquidator	416,375	2,606,041
Professional and bank fees	360,431	365,730
Staff salaries, taxes, and benefits	237,423	225,982
Travel, meetings, and seminars	33,460	20,020
Building and renovations	16,643	37,861
Administrative expenses	196,481	313,404
	<u>16,657,457</u>	<u>26,838,370</u>
<u>EXCESS OF RECEIPTS OVER DISBURSEMENTS</u>	<u>2,753,777</u>	<u>12,616,170</u>
Net assets - beginning of the year	<u>244,056,329</u>	<u>231,440,159</u>
Net assets - end of the year	<u>\$ 246,810,106</u>	<u>\$ 244,056,329</u>

The accompanying notes are an integral part of these statements.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization

The Louisiana Insurance Guaranty Association (the Association) is an organization created by the Louisiana Insurance Guaranty Act to pay for the claims against insolvent member insurance companies. Funds are provided for the payment of the claims by the assessment of the remaining member insurance companies. All admitted insurance companies doing business in Louisiana are required to be members of the Association (excluding the following lines of business: life, health and accident, title, disability, mortgage guaranty, and ocean marine insurance as well as all types of reinsurance).

The Association's day-to-day operations and management are performed by the Association's staff under the direction of the Board of Directors. The Association also contracts with outside staffing services, claims service providers, and other professionals to carry out these functions.

Accounting Method

The Association's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, revenue and related assets are recognized when received, and expenses and related liabilities are recognized when paid. Accordingly, no liabilities are recorded for future payments for unearned premiums, loss claims or related expenses. As discussed in Note 7, the Association regularly estimates amounts for such liabilities.

Equipment and Facilities

The Association recognizes equipment and facilities as cash disbursements when incurred. These items are not capitalized and depreciated under the Association's cash basis of accounting.

Income Taxes

The Association is exempt from income taxes under Internal Revenue Code Section 501(c)(6); therefore, no provision for income taxes has been made.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Investments

The Association's investments are recorded at cost and consisted of the following at December 31, 2006 and 2005:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
U.S. Government securities under agreement to sell	\$ 1,421,771	\$ 1,421,771	\$ 1,439,606	\$ 1,439,606
Money market accounts invested in U.S. Treasury obligations	1,825,754	1,825,754	638,234	638,234
U.S. Treasury notes and bonds	140,478,199	140,057,408	139,630,449	133,958,960
U.S. Government Agency obligations	<u>103,755,331</u>	<u>94,843,422</u>	<u>103,204,635</u>	<u>99,644,494</u>
	<u>\$247,481,055</u>	<u>\$238,148,355</u>	<u>\$244,912,924</u>	<u>\$ 235,681,294</u>

The Association's policy is to purchase securities issued by the U.S. Treasury and obligations issued or guaranteed by the U.S. Government and its Agencies. The estimated fair value of these securities is based on quoted market prices. The Association enters into short-term repurchase agreements with financial institutions whereby the Association purchases U.S. Government securities with an agreement to resell the securities to the financial institution at cost. The Association also deposits funds in money market accounts invested in U.S. Treasury obligations.

The Association purchases securities at premiums or discounts from the contractual maturity amount of the security. Due to the use of the cash basis of accounting, these premiums and discounts are not amortized over the holding period of the security. Instead, these differences are reported as gains or losses upon maturity or sale of the respective security. Accordingly, interest income reflects the contractual interest payments received under the investment securities.

3. Restricted Net Assets

Net assets represent funds collected from member insurance companies, distributions from liquidators, interest income, and other receipts in excess of funds disbursed to pay claims and expenses of the Association. All assets are considered restricted under the Act creating the Association. Excess funds are to be used for the payment of claims, return of unearned premiums and reimbursement of expenses incurred for the insolvent member insurance companies (See Note 7).

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Assessments

Louisiana Revised Statute 22:1382 gives the Association the authority to assess member insurance companies the amount necessary to pay the obligations and expenses of the Association. Beginning January 1, 2003, and thereafter, the assessment to member insurance companies is not to exceed an amount equal to one percent (1%) of net direct written premiums during the preceding calendar year, unless changed by the Louisiana Legislature.

The Association has determined that six member companies qualify for earned credits of up to 80% of their annual assessments. Member companies can also qualify for assessment reductions by investing in qualifying Louisiana securities. The Association collected no assessments from members during 2006.

5. Early Access Distributions by Liquidators

The Association files claims against the estates of insolvent insurers in an effort to recover a portion of the policyholders' claims paid and related expenses from the assets of the insolvent insurers. During the years ended December 31, 2006 and 2005, the Association received \$9,944,363 and \$20,668,867, respectively, of such distributions which are reflected as receipts in these financial statements. During the years ended December 31, 2006 and 2005, the Association also returned \$416,375 and \$2,606,041, respectively, of early access distributions previously received from liquidators under the terms of those agreements. No estimate is available of future potential distributions from liquidations due to the uncertainty and difficulty in accurately estimating these amounts.

6. Building

On December 3, 2002, the Association purchased land and a building in Baton Rouge, Louisiana to be used as a new headquarters site. The building underwent renovations and was occupied and placed into service during 2003. The cost of the building and related improvements were reflected as building expenditures during 2003 as a result of the building being put into use.

7. Estimate of Future Return of Unearned Premiums and Claims Payments (Not Audited)

The funds of the Association are used to pay insurance claims of insolvent member insurance companies (See Note 3). These claims are pursuant to the Louisiana Insurance Guaranty Law, La. R.S. 22:1375-1394. As of December 31, 2006, the Association had 2,288 open claims files outstanding, a substantial portion of which are involved in litigation. The Association is also in the process of identifying and quantifying recent insolvencies for which estimated claims liability information is considered uncertain and or incomplete. Additionally, other member insurance companies may be declared insolvent subsequent to the date of these financial statements.

Due to the uncertainty involved in accepting and administering insolvent companies, as well as the difficulty in determining reliable estimates, the Association maintains its financial records on a cash basis. However, the Association regularly attempts to estimate the amount of claims and claims administration expenses related to insolvent member insurance companies. This "reserve setting" practice is a common function of managing and administering those losses.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. **Estimate of Future Return of Unearned Premiums and Claims Payments** (Not Audited) (continued)

Provided below is an unaudited condensed balance sheet of the Association at December 31, 2006, on a modified accrual basis which recognizes management's estimate of claims and related liabilities. This information is intended to reflect only certain estimated assets and liabilities of the Association and is not intended to represent the financial position of the Association in accordance with accounting principles generally accepted in the United States of America. These estimates are expected to vary as additional information becomes available.

The condensed unaudited balance sheet below does not provide for accruals of amounts due from liquidators of insolvent insurance companies, billed but uncollected member assessments due, capitalization and depreciation of property and equipment, adjustments of investments to estimated fair value, and accruals of operating costs owed at year end not included in the reserves for claims administration expenses.

As described in Note 4, the Association has been granted the authority to assess member insurers at a rate of one percent (1%) beginning January 1, 2003, which, if assessed, is estimated to produce approximately \$63 million annually. Additionally, La. R.S. 22:1382 provides that if the maximum assessment and other assets available to the Association are insufficient to make all necessary payments, the Association may borrow additional funds or payments can be reduced on a prorated basis and unpaid balances are to be paid as funds become available.

ASSETS

	December 31, 2006
	<u>Unaudited</u>
Cash	\$ 176
Investments, at cost	<u>247,481,055</u>
Total assets	<u>\$ 247,481,231</u>

LIABILITIES AND NET ASSETS

Outstanding checks in excess of bank balances	\$ 671,125	
Estimated claims and claims administration expenses payable	<u>891,621,365</u>	(1)
Total liabilities	892,292,490	
Net assets (deficit)	<u>(644,811,259)</u>	(2)
Total liabilities and net assets	<u>\$ 247,481,231</u>	

(1) Represents management's estimate of claims and claims administration expense reserves related to open claim files at December 31, 2006.

The Association has been notified of claims, as well as threatened claims, by certain large insureds of insolvent insurance companies relating to the use and production of asbestos, silica, tobacco, and environmentally hazardous materials. The Association continues to evaluate the merits of these claims, the appropriateness of coverage under the Act, and the amount of potential liability to the Association.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. Estimate of Future Return of Unearned Premiums and Claims Payments (Not Audited) (continued)

Management includes in the reserve for claims and claims administration expense amounts estimated as the Association's liability for these claims based on present statutes and based on the best information available at this time. However, there are numerous and significant uncertainties regarding the amount of ultimate liability the Association may be responsible for under these claims and when amounts ultimately determined as owed by the Association become due and payable. As facts and circumstances develop, management intends to revise its estimates of these claims liabilities. Revisions in these estimates could result in significant increases or decreases in these estimates.

- (2) Due to the uncertainty of the timing and amount of claims to be paid by the Association, it is unknown whether the Association can meet its claims obligations as they become due. As described in Note 4, the Association has the statutory authority to assess up to 1% of member insureds' net direct written premiums annually if necessary to pay its obligations. The Association financial resources also include receipt of investment earnings and the continued receipt of proceeds from liquidators of insolvent insurance companies.



Postlethwaite & Netterville

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Members and Directors
Louisiana Insurance Guaranty Association
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Insurance Guaranty Association as of and for the year ended December 31, 2006, and have issued our report there on dated March 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Insurance Guaranty Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Insurance Guaranty Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management of the Louisiana Insurance Guaranty Association, the Commissioner of Insurance, State of Louisiana, and the Legislative Auditor, State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 5, 2007



Allen & Gooch
A Law Corporation

February 28, 2007

REPORT OF GENERAL COUNSEL
Year Ending December 31, 2006

I. 2006 Legislation.

The 2006 Legislative Session was once again a general session, and in accordance with the Louisiana Constitution of 1974, as amended. General Sessions are now held in even-numbered years and "fiscal" sessions are held in odd-numbered years. However, legislators are now authorized to file up to five general bills a piece during the fiscal session. This will result in bills of general interest to LIGA in every legislative year.

During the 2006 Legislative Session, LIGA monitored several bills. The following are the bills which were monitored, and the results of each bill.

HB313

Summary: Modifies the authority of the commissioner relative to the board of directors of the Insurance Guaranty Association.

This legislation proposes to amend LSA-R.S. 22:1384(A)(3) by removing the obligation of the commissioner to consult with the board of directors of LIGA with regard to all applications to do business in this state made by domestic or foreign insurers, or an application for modification of existing certificates of authority to do business in this state made by a member insurer. The proposed legislation mandates that the commissioner only notify the board of directors with regard to such an application. This legislation was authorized by Representative Bowler and passed the House. LIGA did not oppose this legislation. However, this bill did not come before the Senate Committee on Insurance, and accordingly was not introduced in the Senate. As a consequence, this bill failed.

HB327

Summary: Deletes superseded provisions relative to the board of directors of the Insurance Guaranty Association.

This legislation proposes to delete superseded provisions relative to the board of Louisiana Insurance Guaranty Association, and in particular LSA-R.S. 22:1381(A)(2). This legislation has been proposed by Representative Bowler. This bill was passed before the House and was assigned to the Senate Insurance Committee. However, as a result of time limitations, this bill did not come before the Senate Insurance Company and, as a result, failed.

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Lafayette LA 70502-3768
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Offices in
Lafayette LA
New Orleans LA

HB1301

Summary: Excludes self-insured state agencies from non-duplication of recovery requirements under Louisiana Insurance Guaranty Association Law.

This legislation is designed to exclude self-insured state agencies from non-duplication of recovery requirements under Louisiana Insurance Guaranty Association Law, and in particular, LSA-R.S. 22:1386. This legislation passed the House and was assigned to the Senate Insurance Committee. LIGA opposed this legislation and appeared before the Senate Committee on Insurance to voice its opposition. LIGA was successful in defeating this legislation.

II. Significant Jurisprudence.

In 2006, many matters which LIGA was monitoring have now been decided and concluded. There are still several matters pending albeit at the appellate court level, which may have a significant impact on the application of LIGA law.

a. Matters which have been monitored over the past several years.

Richie, Richie & Oberle v. Louisiana Insurance Guaranty Association, Docket #: 2006-C-183; Louisiana Supreme Court. In connection with this matter, prior to placing Patterson Insurance Company in liquidation, Richie, Richie & Oberle served as defense counsel to Patterson Insurance Company. At the time of Patterson's insolvency, Richie had pending approximately 630 active claim files out of a total of approximately 1077 active Patterson litigation files. As a result of the Order of Liquidation, the Richie law firm was discharged as counsel of record for Patterson. Subsequently, the Office of Receivership and the Department of Insurance took possession of all Patterson litigation files and forwarded them to LIGA for further handling. Since Richie, Richie & Oberle were not on the approved list to handle LIGA files, the 630 files being handled by Richie were reassigned. Subsequent thereto, Richie applied for approval to serve as LIGA counsel. Such application was reviewed in the ordinary course of business and was approved. In the meantime, LIGA reassigned the Patterson files to LIGA approved counsel. As a consequence, Richie filed suit against LIGA seeking damages. Richie contended that LIGA failed to follow LIGA law, its Plan of Operation, and its Legal Defense Services Policies & Procedures in the approval of Richie as defense counsel for LIGA. In response to the suit filed by Richie, LIGA filed a number of exceptions which were granted by the trial court. Thereafter, Richie appealed the dismissal of its suit to the First Circuit Court of Appeal. The court found that the statutory immunity provided to the guaranty association at LSA-R.S. 22:1391 was absolute and dispositive of the claim made by Richie. The First Circuit affirmed the trial court's ruling. Richie then

sought a writ of certiorari to the Louisiana Supreme Court, which was denied on April 24, 2006. No further action has been taken by Richie, Richie & Oberle.

LIGA/Computer Sciences Corporation. This is a dispute which arose out of the purchase of Riskmaster Software by LIGA. Threats of litigation were asserted against LIGA and, as a result, mediation was held in December 2005 between LIGA and Computer Sciences Corporation. At the mediation, Computer Sciences Corporation maintained that its claim against LIGA would exceed \$300,000. As a result of the mediation, and negotiations which followed, LIGA was able to settle this matter for considerably less. The terms of the settlement are subject to a confidentiality agreement. A Mutual Receipt and Release Agreement was entered into between LIGA and Computer Sciences Corporation. This dispute has now been concluded.

Duania Jones v. Bobby Smith, et al, Docket No. 98-479, 4th JDC, Morehouse Parish, Louisiana. In this case, LIGA and Celadon Group entered into a settlement with the plaintiff which was funded by LIGA and Celadon Group. LIGA contributed \$22,428.86 toward the settlement. Counsel for Celadon Group and prior counsel for LIGA, Stephanie Laborde, agreed in principle that if it was ultimately determined that the claims against Celadon were not “covered claims”, then Celadon would reimburse LIGA for its contribution toward the settlement. The agreement was confirmed generally or “in principle” by correspondence exchanged between counsel. The letter from David Gold, counsel for Celadon reads in pertinent part:

“As we recently discussed, Celadon is willing to enter into the agreement outlined in your prior correspondence to resolve this case. Perhaps we should draw up a formal Joint Defense Agreement to memorialize the parties’ intent”.

Unfortunately, a formal agreement was never executed.

The issue in Jones is whether or not Celadon Trucking can be considered an “affiliate” under LSA-R.S. 22:1379. If so, then the company’s net worth would exceed \$25 million and LIGA would have no liability. In another Celadon case, *Sheila Hopkins v. Celadon Trucking*, we presented the exact issue to the Fourth Circuit Court of Appeal and the court ruled that the term “affiliate” under LSA-R.S. 22:1379 was broad enough to include parent companies. After LIGA prevailed in the *Hopkins* case, demand was made on counsel for Celadon in the Jones case for recovery of the \$22,428.86 settlement contribution. Counsel for Celadon has refused to honor the earlier agreement. A decision has been made to hold off on pursuing a contractual claim against Celadon until after the last Celadon case is

resolved, *Bobby Temple v. Debra Bryant, et al.*

Southern Silica of Louisiana, Inc. and Mid State Sand and Gravel Company, LLC v. Louisiana Insurance Guaranty Association, Docket No. 517,372, 19th Judicial District Court, East Baton Rouge Parish, Louisiana. LIGA filed a motion for summary judgment contending that the amendment to LSA-R.S. 22:1386 did require other solvent insurers to indemnify and defend for the period of time that coverage would have been provided by an insolvent insurer. Southern Silica maintained that the statute was unconstitutional. On May 15, 2006, Judge Kay Bates, with the 19th Judicial District Court, granted LIGA's motion for summary judgment. In accordance with Judge Bates' ruling, the Judgment of Dismissal included language which made it clear that Southern Silica would not be prevented from filing another claim against LIGA once all other insurance for all policy periods had been exhausted. The Judgment of Dismissal was signed on June 19, 2006. On August 21, 2006 Southern Silica filed a Motion for Devolutive Appeal. The plaintiff filed its brief to the First Circuit Court of Appeal on November 2, 2006. LIGA filed its brief to the First Circuit on November 22, 2006. The matter is now before the First Circuit Court of Appeal.

Lillian Russell et al v. New Prime, Inc. d/b/a Prime Inc., et al, Docket No. 206,617, 9th Judicial District Court, Rapides Parish, Louisiana. This is a motor vehicle accident that occurred in Arkansas when a driver for New Prime lost control of his truck on a downhill curve and ran off the road. After Reliance was declared insolvent, New Prime admitted it had a net worth in excess of \$25,000,000. A summary judgment to get LIGA out of the case was denied by Judge Davidson. Thereafter, cross motions for summary judgment filed by New Prime/LIGA and RLI were heard on the drop down issue. Judge Davidson followed the Freeman decision and ruled RLI provided first dollar coverage. A writ was taken by RLI on this issue that was denied by the Third Circuit and the Supreme Court. RLI's subsequent appeal was dismissed by the Third Circuit since it was not from a final judgment. This case was recently settled with LIGA being dismissed without contributing any money. RLI has filed a cross claim against New Prime to recover the proceeds it paid to settle the case.

Irvin Hadley v. Centex Landis Construction Company, Inc., et al, Docket No. 9605450; Orleans Civil District Court, Parish of Orleans, State of Louisiana. This is a personal injury action arising from the construction of Harrah's Casino in New Orleans. The plaintiff, Irvin Hadley, stepped in a hole and injured his back. The general contractor for the project was Centex Landis who had sub-contracts with numerous parties that had contractual indemnity language and other insurance language. Gulf South Pilings was insured by Reliance and when Reliance was declared insolvent claims were made against LIGA by Centex Landis as an

additional insured under the Reliance policy and under the contractual indemnity clause. Centex Landis eventually settled with plaintiff and filed a motion for summary judgment against LIGA on the contractual indemnity issue. Judge Reese in New Orleans denied Centex Landis' motion for summary judgment and granted LIGA's cross motion for summary judgment. Centex Landis has now appealed the court's ruling.

Ilene Ried v. New Orleans Hilton Riverside, et al, Docket No. 95-352; Section: E-9, Orleans Civil District Court, Parish of Orleans, State of Louisiana. This case involves a personal injury action by an employee of Jack Sutton Jeweler who allegedly injured herself on a hook in one of the public restrooms at the New Orleans Hilton. Jack Sutton leased space in the New Orleans Riverside Hilton and had a hold harmless indemnity provision and another insurance provision in its contract. Hilton made demand on LIGA to pay half of the settlement it had reached with plaintiff. LIGA refused. Hilton eventually settled with plaintiff and filed a summary judgment on the contractual indemnity issue. Hilton raised a new issue on this claim concerning the constitutionality of the LIGA statute claiming it improperly impaired Hilton's contract with Jack Sutton. The contractual indemnity issue was the same as raised by Centex Landis in the Hadley case and Judge Reese who had both cases denied Hilton's motion for summary judgment rejecting the constitutionality challenge. Hilton has filed its notice of intent to apply for writs but nothing has been filed at this time.

Sheila Hopkins v. Celadon Trucking, 4th Circuit Court of Appeal, Docket No.2005-CA-0732. In this case, LIGA took the position that it had no liability for the defense or indemnity as a result of Celadon's net worth exceeding \$25 million. LIGA maintained that Celadon Trucking is a subsidiary of Celadon Group. LIGA maintained that the net worth of Celadon Group, Inc. was in excess of \$25 million. Celadon argued that Celadon Trucking, Inc. was not an affiliate or subsidiary of Celadon Group; accordingly, the net worth of Celadon Group could not be used for the purpose of determining the net worth of Celadon Trucking. Celadon argued that the amendments to LSA-R.S. 22:1379, which provided a very broad definition of the term "affiliate" to include any entity that is controlled by another entity, whether through the ownership of voting securities, by contract or otherwise, could not be applied retroactive. LIGA maintained that the statute should be applied retroactive and filed a motion for summary judgment asserting same. The Fourth Circuit avoided the retroactivity issue and ruled that the term affiliate in the prior version of Section 1379 was broad enough to include parent companies. The trial court granted LIGA's motion and, on appeal, the Fourth Circuit affirmed the trial court's ruling. Writs were denied by the Louisiana Supreme Court. The Fourth Circuit's ruling did not allow LIGA's claim for fees/expenses.

III. New and Anticipated Insolvencies; Estate Closures and Distributions of Assets from the Estate of Liquidated Insurers.

In 2006, one (1) domestic insolvency, North American Indemnity Insurance Company was closed on 12/09/06. LIGA received \$9,944,363.49 in distributions from insolvent estates during the year.

Vesta Fire Insurance Company, a Texas insurer, was declared insolvent on August 1, 2006. This insolvency generated only one (1) claim for LIGA which was a general liability claim. As of the end of the year, this claim is still pending. The outstanding reserve for the Vesta Fire claim is \$15,000.00 as of 2006 year end.

IV. Plan of Operations Revisions.

In the calendar year 2006, the Plan of Operation was amended on two occasions in the calendar year 2006, resulting from a meeting of the Board of Directors held on September 14, 2006 and December 14, 2006.

As a result of the September 14, 2006 meeting of the Board of Directors, there were five motions passed affecting the Plan of Operation. A summary of the motions which were passed during the September 2006 Board of Directors meeting is as follows:

- a. Proposed Amendment to Article III.C to the Plan of Operation prescribing a new proxy form that would be the approved proxy form that a member insurer would be required to use to appoint a proxy at the annual meeting of the member insurers.
- b. Proposed Amendment to Article III.E to the Plan of Operation requiring member insurers to execute the prescribed proxy form enclosed with the notice of the annual meeting in order for a member insurer to vote by proxy.
- c. Proposed Amendment to Article IV.A.1.a to the Plan of Operation, deleting the following language: "by a majority vote of those present at the meeting in person or by proxy."
- d. Proposed Amendment to Article IV.A.6 to the Plan of Operation allowing Committee Chairpersons and Committee Members to be designated by the Chairman of the Board annually within 45 days of the date of the Annual meeting. The designation will be submitted for approval by the majority of the Board of Directors at their next regular board meeting. If the majority of the Board of Directors rejects any designation, the Chairman shall redesignate the Committee Chairman or Committee Member for approval by the Board of Directors within 30 days. The Board further confirms that the current standing committee shall serve until ratified by the Board of Directors.

- e. Proposed Amendment to Article V.F to the Plan of Operation wherein LIGA shall utilize the cash basis of accounting, but may amortize cost of any long-term fiscal assets over the expected useful life of those assets.

With regard to the proposed changes to the Plan of Operation, the Commissioner of Insurance, on October 24, 2006, addressed the five separate Amendments to the Plan of Operation, rejected, in part, the proposed Amendment to Article III.C as it relates to establishing a prescribed proxy form, but approved the remaining amendatory provisions to Article III.C that provides that LIGA shall issue notice of the annual meeting to all member insurers by mailing to the address as it appears on the records of the Association as provided to LIGA by the Commissioner of Insurance. The Commissioner did not approve the proposed Amendment to Article III.E or the proposed Amendment to Article IV.A.1.a. The Commissioner did approve the proposed Amendment to Article IV.A.6 and Article V.F.

As a result of a December 2006 meeting of the Board of Directors, there were two motions passed affecting the Plan of Operation. A summary of the motions passed during the December 2006 Board of Directors meeting is as follows:

- a. Proposed Amendment to Article III.E requiring member insurers, voting by proxy, to properly execute and return the proxy to the office of the Louisiana Insurance Guaranty Association or deliver in person by a member insurer or its designee prior to the meeting.
- b. Proposed Amendment to Article IV.A.1.a clarifying that the Chairman of the Board may appoint nominating committees to nominate member insurer representatives.

With regard to the proposed changes to the Plan of Operation, the Commissioner of Insurance approved both Amendments on February 21, 2007.

V. Significant Board Actions.

The Board of Directors met four times during 2006 to conduct the regular business of LIGA. There was one special Board of Directors meeting in 2006. The following Board actions were of significance:

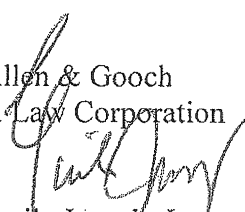
- a. The Board filled the position of Director of Claims and Litigation created as a result of the resignation of Kenneth Schnauder.
- b. The Board established a proxy form to be used by member insurers in connection with voting by proxy at the annual meeting of the Association.

- c. The Board took an aggressive policy with regard to pursuing collection of restitution orders, and has engaged General Counsel to pursue collection on the outstanding restitution orders which were nonperforming.
- d. The Board authorized the Director of Claims to proceed with negotiations of a global settlement with Taylor-Seidenbach environmental lawsuits.

VI. Assessments.

The Board voted not to assess Member Insurers one (1%) percent of net direct written premiums at its August 4, 2005 Special meeting.

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LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2006

COMPANY NAME	CLOSED IN 2006	PENDING 12/31/06	DISTRIBUTION REFUNDS IN 2006	LOSSES PAID IN 2006	CLAIMS EXPENSES PAID IN 2006	OUTSTANDING RESERVES
ACCELERATION NATIONAL	1	1	0	0	1,230	12,540
ALLIANCE CASUALTY	0	2	0	10,221	284	112,582
AMERICAN DRUGGIST	0	1	316,877	21,174	428	123,096
AMERICAN EAGLE	0	1	0	0	4,281	119,408
AMERICAN FIDELITY	0	1	0	0	0	66,724
AMERICAN MUTUAL BOSTON	1	6	0	43,781	10,140	1,206,789
AMERICAN MUTUAL LIABILITY	282	1,020	0	1,119,284	1,793,478	133,085,900
AMERICAN SURETY & FIDELITY	1	0	0	9,500	123	0
ANDREW JACKSON	0	0	2,025,395	0	0	0
ANGLO AMERICAN	3	8	0	241,211	10,714	2,041,253
ARIST NAT'L/CERTIFIED	1	1	0	0	260	8,194
CALIFORNIA COMPENSATION	1	3	0	43,979	20,724	265,196
CAR (AUTOMOTIVE CASUALTY)	2	3	0	9,900	14,025	40,008
CASCADE	1	0	0	0	222	0
CASUALTY RECIPROCAL	14	28	0	646,909	208,941	2,366,117
COLONIAL LLOYDS	0	3	0	0	3,077	16,101
COMCO	0	0	0	0	540	0
COMMERCIAL CASUALTY	10	26	0	248,966	185,903	845,793
COMMERCIAL COMPENSATION	3	10	0	188,706	55,848	1,377,842

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2006

COMPANY NAME	CLOSED IN 2006	PENDING 12/31/06	DISTRIBUTION REFUNDS IN 2006	LOSSES PAID IN 2006	CLAIMS EXPENSES PAID IN 2006	OUTSTANDING RESERVES
CREDIT GENERAL	13	34	0	210,667	91,984	5,621,496
EMPLOYERS CASUALTY	3	12	0	49,605	11,627	232,909
EMPLOYERS NATIONAL	12	73	0	346,243	144,333	8,989,366
ENTERPRISE	0	0	65,344	0	0	0
FIDELITY FIRE & CASUALTY	1	1	269	0	6,683	5,523
FIRST SOUTHERN	0	0	0	0	21	0
FREMONT INSURANCE CO.	0	2	117,026	13,097	10,535	43,306
GENERAL	0	4	0	0	594	9,196
GREAT GLOBAL	0	0	2,773	0	0	0
HAMILTON INSURANCE CO.	1	0	0	0	1,289	0
HOME INSURANCE CO.	7	109	507,917	229,859	71,233	12,205,188
IDEAL MUTUAL	0	2	0	39,777	20,724	997,266
INSURANCE CORP. OF AMERICA	1	10	0	98,000	59,708	734,628
INTEGRITY	0	1	44	0	641	49,223
LARAMIE	0	1	0	0	2,320	93,802
LEGION INSURANCE CO.	31	75	1,546,557	874,369	457,210	4,893,618
LIBERTY LLOYDS	0	2	1,361	0	1,814	14,823
LLOYDS ASSURANCE	2	0	0	9,900	981	0
LUTHERAN BENEVOLENT	0	2	0	0	4,894	16,217

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2006

COMPANY NAME	CLOSED IN 2006	PENDING 12/31/06	DISTRIBUTION REFUNDS IN 2006	LOSSES PAID IN 2006	CLAIMS EXPENSES PAID IN 2006	OUTSTANDING RESERVES
MAGNOLIA FIRE & CASUALTY	0	1	0	0	277	10,587
MERIT	0	1	33,418	0	271	5,561
MIDLAND	8	10	1,170,183	275,191	36,790	1,948,916
MILLERS INSURANCE CO.	3	3	75,750	(29,932)	7,093	183,706
MISSION	4	5	705,740	13,233	1,747	359,807
MISSION NATIONAL	0	2	215,729	0	2,320	175,814
NATIONAL ALLIED	0	1	0	9,516	0	109,537
OLD HICKORY	0	3	0	36,106	7,426	280,018
PACIFIC MARINE	0	3	0	41,680	800	841,490
PATTERSON INSURANCE CO.	124	122	0	441,579	527,528	1,252,412
PELICAN STATE MUTUAL	0	3	0	0	10,931	138,900
PETROSURANCE	2	4	138,033	118,888	32,605	1,512,716
PHICO	3	6	0	0	80,442	385,726
PINNACLE	2	1	0	0	2,379	158,763
PRESIDENTIAL FIRE & CASUALTY	1	5	0	60,044	17,388	1,293,141
REALM INSURANCE CO.	0	1	0	9,845	1,337	106,122
RECIPROCAL OF AMERICA	5	9	88,903	0	33,517	334,692
RELIANCE NATIONAL	190	574	50,811	3,463,727	1,314,686	690,590,425
ROCKWOOD	4	37	0	658,046	64,619	9,152,883

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2006

COMPANY NAME	CLOSED IN 2006	PENDING 12/31/06	DISTRIBUTION REFUNDS IN 2006	LOSSES PAID IN 2006	CLAIMS EXPENSES PAID IN 2006	OUTSTANDING RESERVES
SAVANT	3	4	0	39,366	12,871	171,660
SECURITY CASUALTY	0	1	0	0	0	147,805
SOUTH CAROLINA INSURANCE CO.	0	1	0	0	7,978	66,364
SOUTHERN AMERICAN	1	9	0	0	22,158	3,534,932
TRANSIT	0	8	0	155,125	16,993	1,551,843
U.S. CAPITAL	0	1	776,166	0	10,873	151,548
UNITED AGENTS	9	23	1,650,000	427,869	97,334	744,781
UNITED COMMUNITY	4	4	0	35,000	21,850	68,396
UNITED SOUTHERN ASSURANCE	1	1	0	44,700	29,078	26,044
VESTA FIRE	0	1	0	0	106	15,000
VILLANOVA INSURANCE CO.	0	2	39,693	81,156	6,268	217,851
TOTALS	755	2,288	9,527,988	10,336,288	5,564,470	891,131,546
	=====	=====	=====	=====	=====	=====

**LOUISIANA INSURANCE GUARANTY ASSOCIATION
RETURN PREMIUMS PROCESSED
2006**

<u>COMPANY</u>	<u># OF POLICIES</u>	<u>PAYMENTS</u>
PATTERSON	51	\$ 6,572.75
UNITED AGENTS	60	\$ 6,583.54
<hr/>		
TOTALS	111	\$ 13,156.29

**LOUISIANA INSURANCE GUARANTY ASSOCIATION
REPORT ON INSOLVENT COMPANIES
MONIES PAID FROM
DATE OF INSOLVENCY TO 12/31/2006**

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
* A.N.A LA 5/17/1993	10,580,868.00	2,644,479.04	1,464,539.41	\$14,689,886.45
ACCELERATION NATIONAL OH 2/28/2001	107,700.00	68,539.42	0.00	\$176,239.42
ALLIANCE LA 6/19/1992	5,434,346.78	1,303,938.51	611,847.69	\$7,350,132.98
* ALLIED FIDELITY IN 7/15/1986	1,151,896.75	684,836.19	14,865.30	\$1,851,598.24
* AMBASSADOR VT 3/10/1987	0.00	4,474.11	0.00	\$4,474.11
AMERICAN DRUGGIST OH 4/30/1986	2,252,005.79	717,419.84	0.00	\$2,969,425.63
AMERICAN EAGLE TX 12/22/1997	914,656.18	516,429.38	8,932.00	\$1,440,017.56
* AMERICAN EXCEL TX 5/31/1988	62,754.68	30,734.41	0.00	\$93,489.09
* AMERICAN FIDELITY NY 3/14/1986	328,458.62	262,122.02	189,538.09	\$780,118.73
* AMERICAN GUARANTY LA 2/26/1988	30,335.99	21,939.89	73,358.82	\$125,634.70
* AMERICAN LLOYDS LA 6/21/1989	9,480,353.77	1,951,866.78	632,508.49	\$12,064,729.04
AMERICAN MUTUAL BOSTON MA 3/9/1989	6,692,464.95	922,884.48	0.00	\$7,615,349.43
AMERICAN MUTUAL LIABILITY MA 3/9/1989	10,912,921.30	13,882,031.85	0.00	\$24,794,953.15
* AMERICAN RESERVE RI 6/12/1979	0.00	8,672.73	0.00	\$8,672.73
* AMERICAN SURETY & FIDELITY LA 7/8/1992	8,582,647.25	2,524,605.85	996,485.67	\$12,103,738.77
* AMERICAN UNIVERSAL IL 1/8/1991	335,335.00	22,368.85	0.00	\$357,703.85
* ANDREW JACKSON MS 4/4/1992	3,696,783.16	1,310,264.59	1,308,505.76	\$6,315,553.51
* ANDREW JACKSON PROPERTY MS 4/4/1992	52,248.80	3,290.90	20,877.85	\$76,417.55

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
ANGLO AMERICAN LA 3/20/1989	22,222,025.94	4,131,072.73	1,035,251.48	\$27,388,350.15
* ARIST LA 5/4/1992	10,799,778.00	2,399,165.51	414,376.85	\$13,613,320.36
* ASPEN CO 9/6/1984	792,587.37	268,847.18	111.10	\$1,061,545.65
* BONNEVILLE OF OREGON OR 10/22/1993	450,638.63	159,163.80	0.00	\$609,802.43
* CADILLAC MI 1/2/1990	956,259.45	116,084.73	1,492,435.20	\$2,564,779.38
CALIFORNIA COMPENSATION CA 9/26/2001	809,786.99	332,692.74	11,580.00	\$1,154,059.73
CAR (AUTOMOTIVE CASUALTY) LA 1/20/1993	29,772,939.19	11,603,655.14	333,678.75	\$41,710,273.08
* CARRIERS IA 1/16/1986	1,271,512.16	269,012.67	0.00	\$1,540,524.83
* CASCADE LA 8/12/1993	2,511,225.27	611,082.48	3,131.16	\$3,125,438.91
CASUALTY RECIPROCAL MO 8/18/2004	2,341,747.20	523,192.01	0.00	\$2,864,939.21
* CHAMPION LA 6/5/1989	90,375,345.26	31,130,754.34	4,604,419.47	\$126,110,519.07
* CITIZENS NY 6/14/1971	0.00	24,975.51	0.00	\$24,975.51
COLONIAL LLOYDS LA 3/27/1992	22,161,849.38	6,460,669.45	5,911,383.05	\$34,533,901.88
* COMCO TX 1/13/1992	2,319,545.42	1,106,446.12	120,636.04	\$3,546,627.58
COMMERCIAL CASUALTY GA 4/2/2004	389,909.33	524,969.82	0.00	\$914,879.15
COMMERCIAL COMPENSATION CA 9/26/2001	3,914,495.98	1,179,702.25	148,830.00	\$5,243,028.23
* COMMERCIAL STANDARD TX 10/4/1985	23,249.13	3,863.14	793.36	\$27,905.63
* COMMODORE TX 12/20/1990	16,566.66	1,298.27	0.00	\$17,864.93
* COMMONWEALTH GENERAL MO 9/1/1995	11,500.00	2,751.79	0.00	\$14,251.79
* CONSOLIDATED UNDERWRITERS MO 3/24/1978	0.00	800.48	0.00	\$800.48
* COTTON BELT TN 7/9/1982	0.00	820.00	0.00	\$820.00

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
CREDIT GENERAL OH 1/5/2001	11,916,192.16	3,294,665.37	327,406.94	\$15,538,264.47
* DIXIE LLOYDS LA 12/20/1990	9,202,792.23	4,115,686.36	2,103,022.53	\$15,421,501.12
* DOMINION NY 8/19/1986	0.00	1,932.62	0.00	\$1,932.62
* EARLY AMERICAN AL 2/1/1985	3,542,520.19	1,216,289.05	460,371.68	\$5,219,180.92
* EASTERN INDEMNITY MD 1/11/1985	1,737,078.10	454,309.81	0.00	\$2,191,387.91
EMPLOYERS CASUALTY TX 2/11/1994	602,496.91	403,643.21	0.00	\$1,006,140.12
EMPLOYERS NATIONAL TX 2/11/1994	10,136,892.69	3,059,904.63	7,638.00	\$13,204,435.32
* ENTERPRISE CA 2/24/1987	116,628.80	52,462.58	0.00	\$169,091.38
* EXCALIBUR TX 9/5/1984	658,030.74	244,240.25	0.00	\$902,270.99
FIDELITY FIRE & CASUALTY LA 9/4/1991	11,589,052.54	4,906,453.68	639,089.05	\$17,134,595.27
* FIRST SOUTHERN FL 10/31/1992	1,659,631.00	298,690.82	299,295.45	\$2,257,617.27
FREMONT INSURANCE CO. CA 7/2/2003	269,123.55	52,974.50	0.00	\$322,098.05
GENERAL	220,283.30	180,978.36	0.00	\$401,261.66
* GLACIER GENERAL ASSURANCE MN 11/12/1985	0.00	784.25	0.00	\$784.25
* GREAT GLOBAL AZ 4/27/1987	224,848.26	109,147.30	12,286.04	\$346,281.60
* GREAT PLAINS NE 3/4/1992	0.00	429.58	0.00	\$429.58
* GULF AMERICAN FL 3/3/1984	54,042.46	12,151.02	0.00	\$66,193.48
* GULF COAST CASUALTY LA 4/2/1993	3,622,007.42	799,048.46	629,221.01	\$5,050,276.89
* HAMILTON INSURANCE CO. PA 8/3/2000	4,550.00	4,498.26	0.00	\$9,048.26
* HERITAGE IL 2/26/1986	276,838.34	41,196.52	0.00	\$318,034.86
* HOLLAND-AMERICA MO 3/6/1987	0.00	1,288.98	0.00	\$1,288.98

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
HOME INSURANCE CO. NH 6/13/2003	946,552.67	306,700.56	0.00	\$1,253,253.23
* HOME OWNERS IL 4/8/1979	34,836.44	26,039.29	0.00	\$60,875.73
* HORIZON NY 1/11/1985	228,917.73	46,132.60	1,367.25	\$276,417.58
IDEAL MUTUAL NY 2/7/1985	6,995,010.31	1,559,380.92	5,164.60	\$8,559,555.83
* IMPERIAL CA 1/10/1978	133,091.51	47,699.87	0.00	\$180,791.38
* IMPERIAL LLOYDS LA 7/8/1991	1,806,692.05	719,220.67	0.00	\$2,525,912.72
* INDUSTRIAL FIRE & CASUALTY IL 3/6/1991	0.00	264.58	0.00	\$264.58
INSURANCE CORP. OF AMERICA TX 4/28/1997	3,851,295.66	4,247,896.48	414,293.43	\$8,513,485.57
* INTEGRITY NJ 3/24/1987	2,984,050.26	930,564.14	2,648.55	\$3,917,262.95
* INTERCONTINENTAL IL 1/12/1990	0.00	758.25	142.00	\$900.25
* INTERNATIONAL SERVICE TX 7/30/1991	25,000.00	357.64	0.00	\$25,357.64
* INTERSTATE NJ 10/1/1975	0.00	1,481.96	0.00	\$1,481.96
LARAMIE WY 2/14/1990	6,883,470.38	1,934,186.36	1,274,804.13	\$10,092,460.87
LEGION INSURANCE CO. PA 7/28/2003	5,777,726.01	2,031,149.09	108.00	\$7,808,983.10
LIBERTY LLOYDS LA 5/17/1993	42,908,450.92	12,096,131.39	173,564.46	\$55,178,146.77
* LLOYDS ASSURANCE LA 6/21/1994	4,374,711.80	966,308.30	74,106.70	\$5,415,126.80
* LLOYDS OF LOUISIANA LA 3/6/1986	4,374,711.80	966,308.30	74,106.70	\$5,415,126.80
LUTHERAN BENEVOLENT MO 12/2/1996	1,025,884.26	261,068.82	103,318.88	\$1,390,271.96
* M.C.A. OK 10/23/1992	0.00	3,915.54	0.00	\$3,915.54
MAGNOLIA FIRE & CASUALTY LA 5/14/1993	751,162.78	185,436.47	79,185.50	\$1,015,784.75
* MANCHESTER OH 2/13/1976	1,647,092.78	385,961.89	132,507.56	\$2,165,562.23

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
* MARKET IL 12/16/1980	0.00	41.25	0.00	\$41.25
* MARYLAND INDEMNITY MD 11/10/1977	36,714.22	45,576.17	0.00	\$82,290.39
* MEDALLION MO 9/12/1975	205,134.51	126,821.40	493,223.25	\$825,179.16
* MENTOR	0.00	1,112.50	0.00	\$1,112.50
MERIT CASUALTY CO. IL 4/1/1997	659,633.89	174,653.42	0.00	\$834,287.31
* MID-AMERICAN CASUALTY LA 11/7/1990	280,140.00	85,311.90	271,502.07	\$636,953.97
MIDLAND NY 4/3/1986	10,142,770.89	2,587,681.80	17,023.59	\$12,747,476.28
MILLERS INSURANCE CO. TX 3/24/2003	190,480.76	94,008.55	0.00	\$284,489.31
MISSION CA 2/24/1987	1,635,230.78	583,197.63	0.00	\$2,218,428.41
* MISSION AMERICA CA 2/24/1987	0.00	2,760.92	0.00	\$2,760.92
MISSION NATIONAL CA 2/24/1987	706,469.67	575,064.46	0.00	\$1,281,534.13
* MISSION REINSURANCE CORP. CA 2/24/1987	115,000.00	1,964.45	0.00	\$116,964.45
* MUTUAL FIRE, MARINE & INLAND PA 12/8/1986	0.00	707.42	0.00	\$707.42
NATIONAL ALLIED TX 10/31/1986	1,198,240.10	180,294.62	0.00	\$1,378,534.72
* NEW ENGLAND LA 9/22/1989	6,929,966.48	1,652,851.02	366,194.09	\$8,949,011.59
* NORTH AMERICAN INDEMNITY LA 5/26/1992	2,655,886.09	540,596.93	231,362.47	\$3,427,845.49
* NORTH-WEST OR 12/4/1984	0.00	3,958.97	0.00	\$3,958.97
* NORTHEASTERN FIRE PA 6/1/1984	0.00	105.00	0.00	\$105.00
* OHIO GENERAL OH 3/28/1990	185,374.74	56,061.74	24,688.00	\$266,124.48
OLD HICKORY LA 10/31/1991	10,940,944.84	4,221,253.76	2,274,689.75	\$17,436,888.35
* OPTIMUM IL 5/5/1986	0.00	2,120.41	0.00	\$2,120.41

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
* PACIFIC AMERICAN DE 1/23/1985	234,705.95	52,183.07	0.00	\$286,889.02
PACIFIC MARINE WA 6/7/1989	2,595,027.54	507,714.57	0.00	\$3,102,742.11
PATTERSON INSURANCE CO. LA 3/17/2003	6,502,254.79	5,057,499.62	780,203.62	\$12,339,958.03
* PAXTON PA 6/26/1989	12,000.00	16,757.82	0.00	\$28,757.82
PELICAN STATE MUTUAL LA 2/26/1993	19,093,064.30	5,400,772.43	321,366.03	\$24,815,202.76
PETROSURANCE OK 3/14/2002	748,830.47	170,640.74	0.00	\$919,471.21
PHICO PA 2/1/2002	543,751.91	726,801.26	14,829.00	\$1,285,382.17
PINNACLE INS. CO. GA 9/20/1999	570,378.00	239,925.38	0.00	\$810,303.38
* PREMIER ALLIANCE CA 8/2/1994	199,218.00	132,983.22	0.00	\$332,201.22
PRESIDENTIAL FIRE & CASUALTY LA 11/13/1991	12,866,412.78	2,935,656.34	595,841.29	\$16,397,910.41
* PROFESSIONAL NY 4/12/1974	67,589.75	90,023.05	0.00	\$157,612.80
* PROPRIETORS OH 8/5/1981	144,658.25	40,673.03	7,648.00	\$192,979.28
* PROTECTIVE CASUALTY MO 5/24/1991	5,265,558.30	1,272,342.98	632,627.81	\$7,170,529.09
REALM INSURANCE CO. NY 6/10/2005	15,237.65	3,437.35	0.00	\$18,675.00
RECIPROCAL OF AMERICA VA 6/20/2003	582,459.58	356,643.69	0.00	\$939,103.27
* REGAL	0.00	15,618.90	0.00	\$15,618.90
* RELIABLE OH 1/29/1988	112,140.01	23,087.38	0.00	\$135,227.39
* RELIANCE	5,000.00	0.00	0.00	\$5,000.00
RELIANCE NATIONAL PA 10/3/2001	43,024,889.82	16,768,054.99	0.00	\$59,792,944.81
* RESERVE IL 5/7/1979	985,483.29	209,197.16	302,030.80	\$1,496,711.25
ROCKWOOD PA 8/26/1991	25,378,146.46	6,829,436.90	22,994.25	\$32,230,577.61
* S & H CA 4/16/1985	0.00	32.50	0.00	\$32.50

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
SAVANT LA 11/7/2001	987,932.91	249,725.77	0.00	\$1,237,658.68
* SECURITY CASUALTY IL 12/4/1981	9,651.11	27,178.79	0.00	\$36,829.90
SOUTH CAROLINA INSURANCE CO. SC 3/21/2005	0.00	10,234.40	0.00	\$10,234.40
* SOUTH CENTRAL LA 1/5/1989	1,496,640.55	356,707.26	387,532.96	\$2,240,880.77
SOUTHERN AMERICAN UT 3/20/1992	892,823.94	731,977.00	0.00	\$1,624,800.94
* SOVEREIGN FIRE & CASUALTY LA 5/29/1991	7,825,397.25	2,913,123.82	3,382,524.64	\$14,121,045.71
* ST. LOUIS FIRE & MARINE	1,500.00	652.30	0.00	\$2,152.30
* STANDARD FIRE AL 3/5/1985	0.00	13,737.86	0.00	\$13,737.86
* SUMMIT NY 5/28/1975	527,145.12	98,467.34	0.00	\$625,612.46
* SUNBELT SOUTHERN LA 12/2/1988	296,126.70	296,507.48	0.00	\$592,634.18
* TEXAS FIRE & CASUALTY TX 11/25/1986	0.00	2,950.08	0.00	\$2,950.08
TRANSIT CASUALTY CA 12/3/1985	23,284,800.42	5,859,310.67	17,251.46	\$29,161,362.55
U.S. CAPITAL NY 11/20/1997	1,959,275.14	1,471,859.66	0.00	\$3,431,134.80
* U.S. INDEMNITY LA 10/13/1989	2,192,153.64	428,503.71	38,849.76	\$2,659,507.11
* UNION INDEMNITY NY 6/16/1985	683,366.39	209,907.69	5,553.00	\$898,827.08
UNITED AGENTS LA 3/3/2002	4,700,456.81	1,813,706.99	179,232.23	\$6,693,396.03
* UNITED BONDING IN 2/18/1971	62,054.83	39,152.58	0.00	\$101,207.41
UNITED COMMUNITY NY 11/10/1995	5,802,964.07	2,449,526.98	166,571.56	\$8,419,062.61
* UNITED SAVINGS LIFE	0.00	273.75	0.00	\$273.75
UNITED SOUTHERN ASSURANCE FL 9/18/1997	1,304,815.94	556,639.85	0.00	\$1,861,455.79
* UNIVERSAL SECURITY TN 10/13/1991	1,145,779.85	280,761.14	8,772.65	\$1,435,313.64
VESTA FIRE INSURANCE CO. TX 8/1/2006	0.00	105.81	0.00	\$105.81

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
VILLANOVA INSURANCE CO. PA 7/28/2003	268,890.10	40,981.62	0.00	\$309,871.72
* WESTERN EMPLOYERS CA 4/19/1991	10,583.52	32,401.82	0.00	\$42,985.34
* WESTERN PREFERRED CASUALTY CO 4/16/1986	0.00	0.00	0.00	\$0.00
* YORKTOWN IL 2/7/1989	174,800.00	7,457.76	0.00	\$182,257.76
TOTALS	\$600,794,356.54	\$203,377,136.56	\$36,754,246.28	\$840,925,739.38
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* - INACTIVE INSOLVENCY