

Louisiana Insurance Guaranty
Association

2007 Annual Report

March 30, 2008

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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 2007

Mr. W. Jay Luneau
Chairman

Appointee of the Speaker of the House

Mr. Michael Reid
Secretary

Liberty Mutual Insurance Company

Mr. David Ross
Treasurer

State Farm Insurance Companies

Mr. J.E. Brignac, Jr.

Appointee of the President of the Senate

Mr. Michael T. Gray

The Gray Insurance Company

Mr. Markham McKnight

Appointee of the Commissioner of Insurance
as a Consumer Representative

Mr. Barry Mitchell

Appointee of the Commissioner of Insurance
as a Consumer Representative

Mr. Stephen C. Schrempp

National Automotive Insurance Company

Mr. Aubrey Temple

Louisiana Workers' Compensation Corporation



Executive Staff

JOHN C. WELLS

Director of Operations & Logistics

NORMAN REESE

Director of Claims & Litigation



LOUISIANA INSURANCE GUARANTY ASSOCIATION

March 28, 2008

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

RE: 2007 Annual Financial Report of LIGA

Dear Commissioner:

Pursuant to *La. R.S. 22:1388*, we are pleased to submit to you LIGA's 2007 Annual Financial Report. A continued decrease in insolvencies and new claims continued the window of opportunity for LIGA to aggressively manage its case load.

- The number of claims pending at year-end fell from 2,288 in 2006 to 1,844 in 2007, nearly a twenty percent reduction.
- Overall reserves were lowered over two hundred million dollars (a twenty-three percent reduction), and more impressively, this was done with only seven and a half million dollars of loss payments.
- Total expenditures decreased from \$16,657,457 in 2006 to \$12,791,967 in 2007, also a twenty- three percent reduction.
- Recoveries from liquidators totaled \$11,814,115 in 2007. However, the national settlement of the large deductible dispute caused LIGA to return \$300,912 to the receiver of Reliance National.
- Investment income totaled \$9,595,843. LIGA's funds available to pay currently reserved and future claims increased three and a half percent or \$8,704,127.
- As a result of the above, no assessment was necessary in 2007.

As you can see LIGA is better poised than ever to face the financial challenges before it. Likewise LIGA continues to look for more effective and efficient methods to carry out its statutory obligations. Currently LIGA employs a three tier approach to ensure that it has both the expertise and capacity to meet its obligations. Using direct employees, temporary employees and TPAs places the association in the perfect position to expand and contract as insolvencies, and their claims, come and go. Additionally the association is exploring the additional efficiencies that might exist by partnering with funds in other states.

Furthermore, it is our committed goal to operate LIGA with minimal or no assessment of our member insurers whenever possible. For the third year in a row, LIGA has not assessed its member insurers.

LIGA would like to express its appreciation to the Department and the Legislature for their continued support of our mission. Enclosed herein is our 2007 Report on Insolvent Companies, 2007 Company Claims Activity, 2007 Report of LIGA's General Counsel, and our Annual Financial Audit for 2007 prepared by Postlethwaite & Netterville.

Respectfully submitted,



John C. Wells
Director of Operations and Logistics

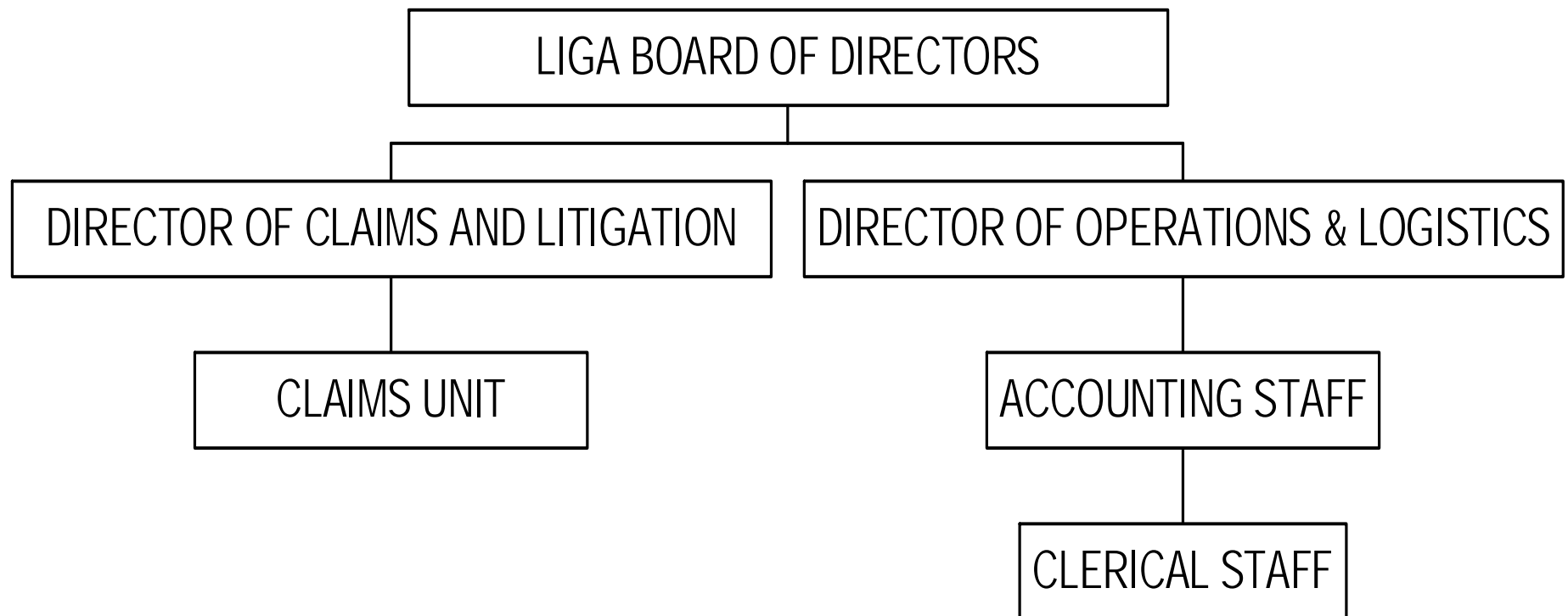
*Receipt acknowledged this _____ day of _____, 2008
by _____ of the Louisiana Department of Insurance*

**C: Board of Directors, LIGA
Chairman Kleckley, House Insurance Committee
Chairman Cravins, Senate Insurance Committee
General Counsel, LIGA**

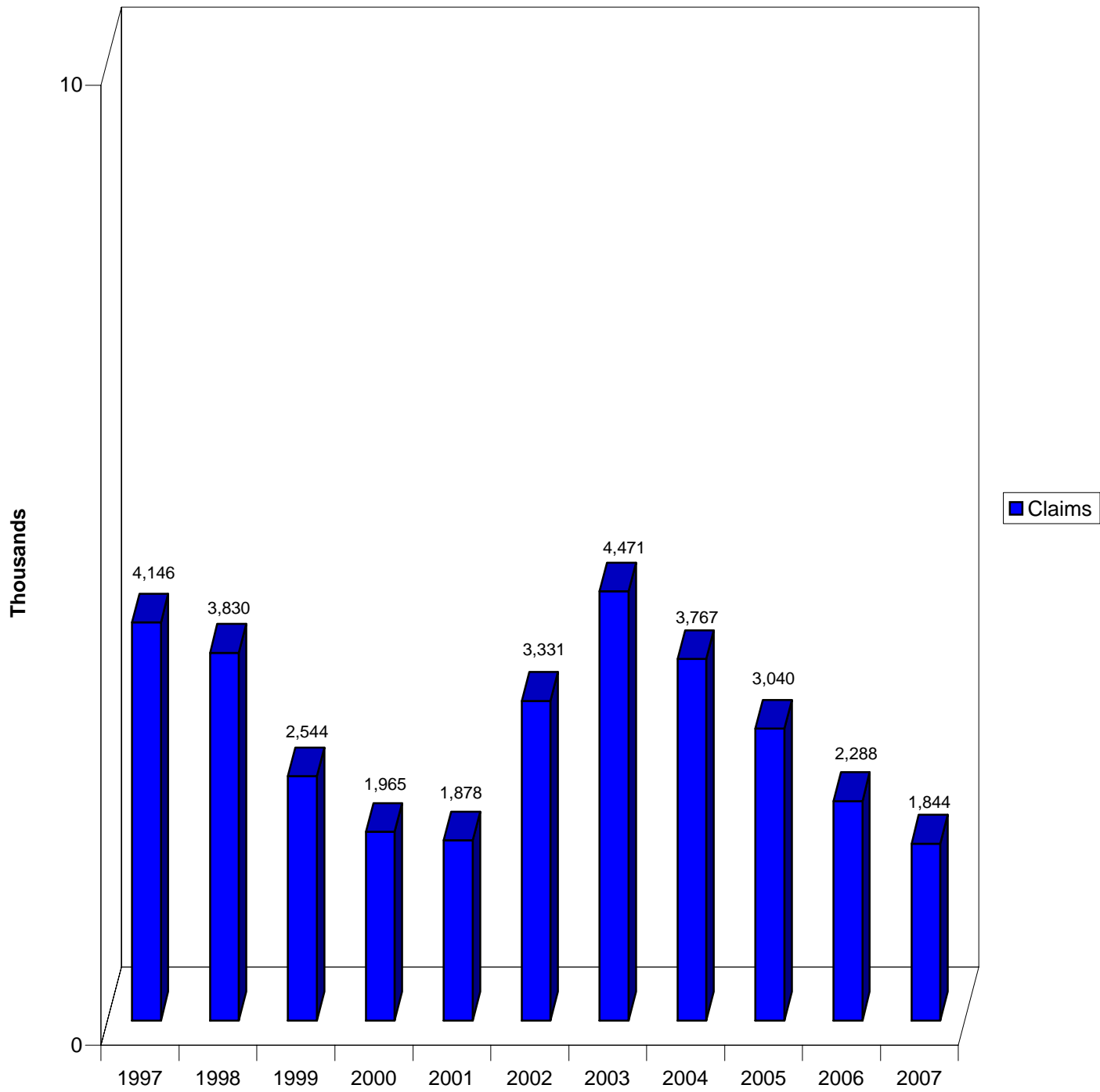
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ORGANIZATIONAL CHART

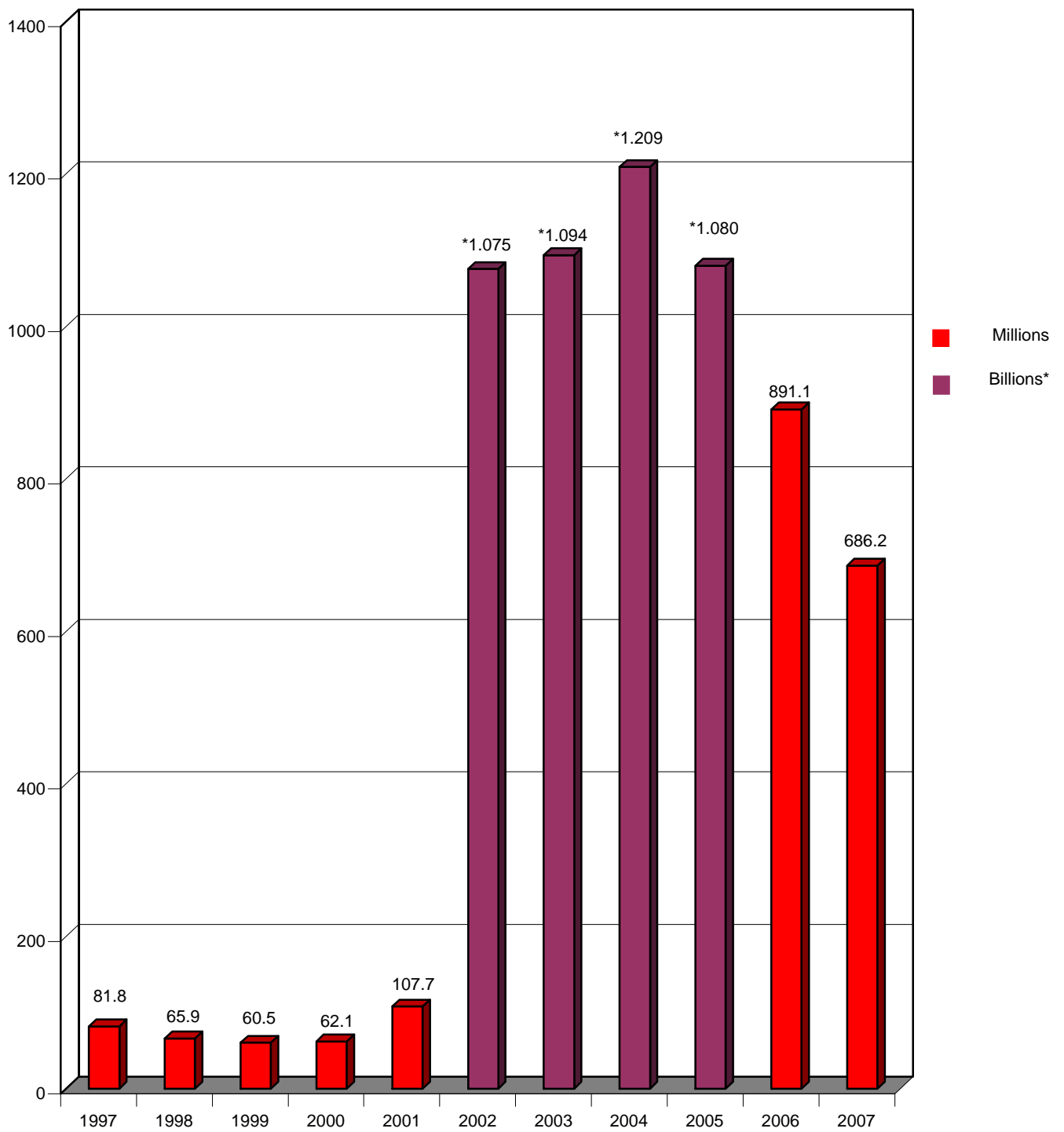
AS OF
MARCH 30, 2008



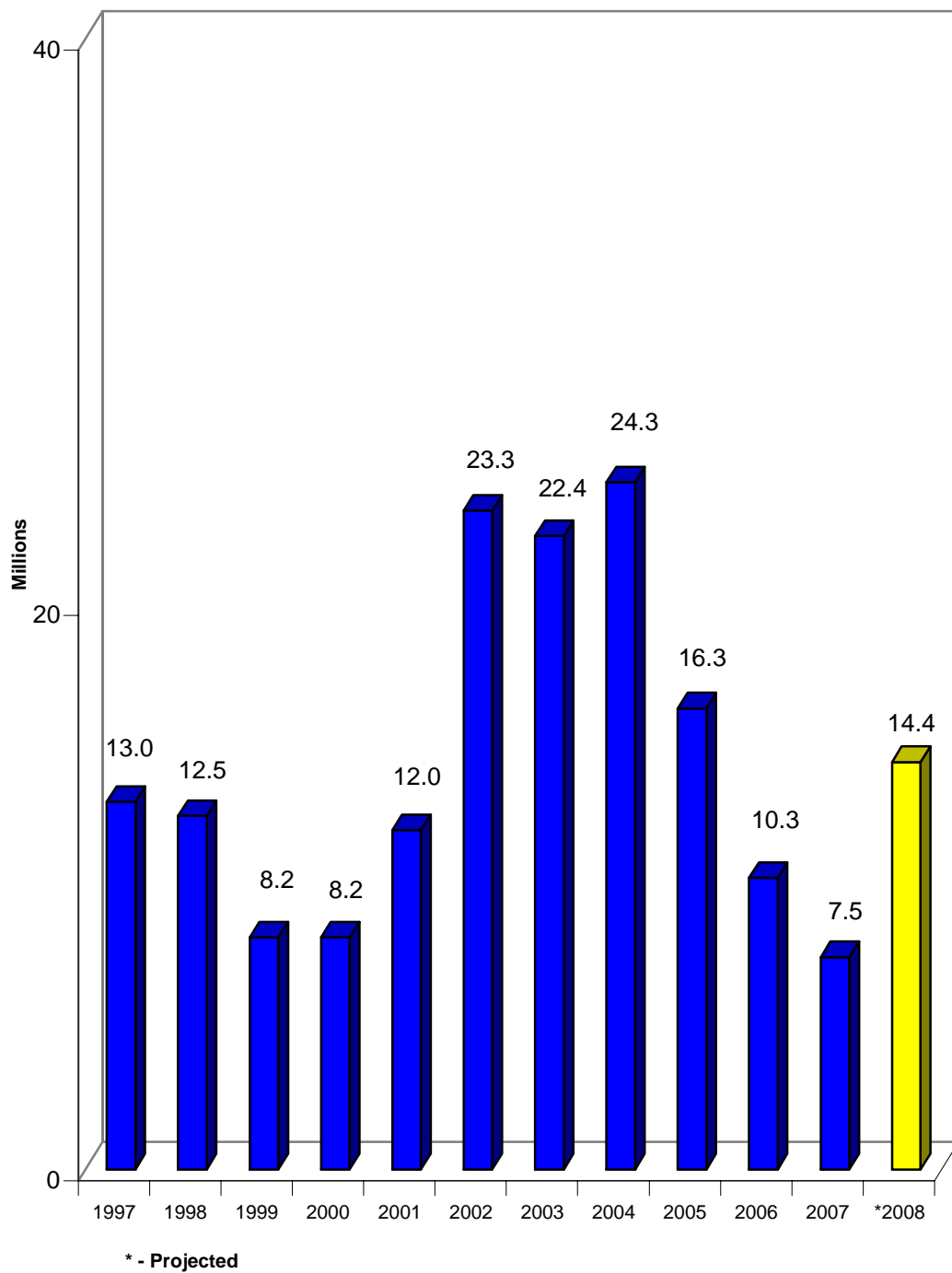
CLAIMS PENDING PER YEAR



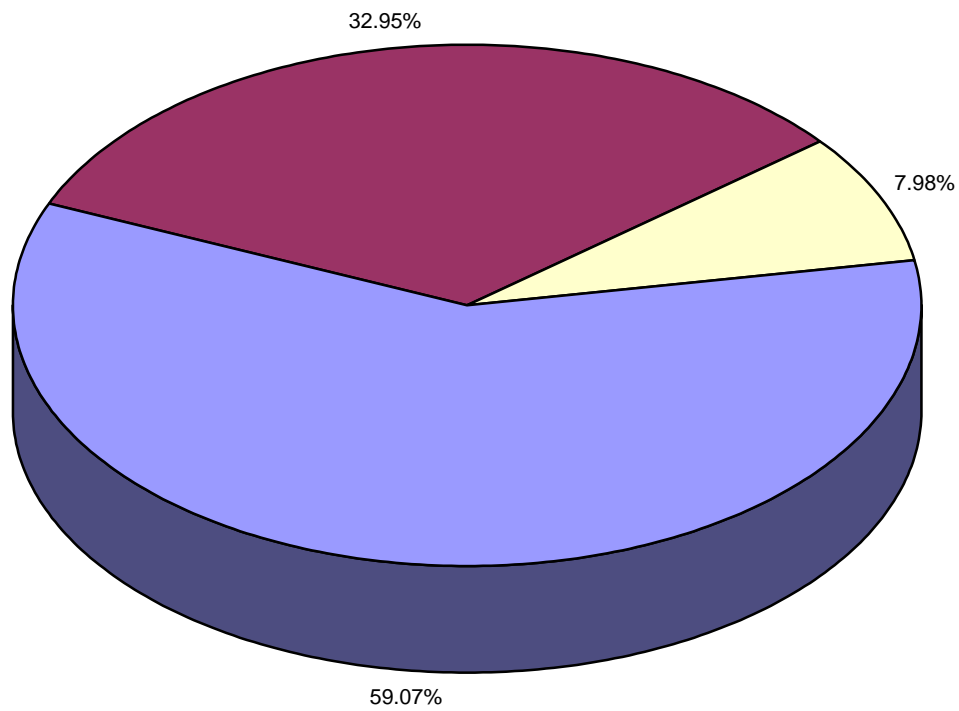
Reserves Per Year



LOSSES PAID PER YEAR



2007 Total Expenditures - \$12,791,967



- Claims Paid - \$7,555,638.
- Allocated Expenses (Claims Handling) - \$4,215,123.
- Unallocated Expenses (Administrative) - \$1,021,206.

LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS
(Cash Basis)

DECEMBER 31, 2007 AND 2006

LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS

(Cash Basis)

DECEMBER 31, 2007 AND 2006

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, 2007 and 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the cash basis 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 United States 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, 2007 and 2006 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 24, 2008, 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 claims obligations. 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 24, 2008

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 1,098,372	\$ 176
Investments, at cost	<u>254,838,667</u>	<u>247,481,055</u>
	<u>\$ 255,937,039</u>	<u>\$ 247,481,231</u>

LIABILITIES AND NET ASSETS

Outstanding checks in excess of bank balances	\$ 422,806	\$ 671,125
Net assets	<u>255,514,233</u>	<u>246,810,106</u>
	<u>\$ 255,937,039</u>	<u>\$ 247,481,231</u>

The accompanying notes are an integral part of these statements.

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>RECEIPTS</u>		
Assessments	\$ -	\$ -
Distributions from liquidators	11,814,115	9,944,363
Interest income	11,967,885	11,365,557
Net loss on disposition of investments	(2,372,042)	(2,021,582)
Restitution	81,611	117,063
Other income	4,525	5,833
	<u>21,496,094</u>	<u>19,411,234</u>
<u>DISBURSEMENTS</u>		
Claims paid	7,555,638	10,330,558
Unearned premiums paid	137,208	13,156
Legal fees and expenses	2,509,495	3,629,203
Claims handling costs	1,267,508	1,423,727
Return of early access distribution from liquidator	300,912	416,375
Professional and bank fees	489,665	360,431
Staff salaries, taxes, and benefits	243,385	237,423
Travel, meetings, and seminars	23,521	33,460
Building and renovations	39,183	16,643
Administrative expenses	225,452	196,481
	<u>12,791,967</u>	<u>16,657,457</u>
<u>EXCESS OF RECEIPTS OVER DISBURSEMENTS</u>	8,704,127	2,753,777
Net assets - beginning of the year	<u>246,810,106</u>	<u>244,056,329</u>
Net assets - end of the year	<u>\$ 255,514,233</u>	<u>\$ 246,810,106</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.

2. 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

3. Investments

The Association's investments are recorded at cost and consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Short-term repurchase agreements	\$ 1,414,862	\$ 1,414,862	\$ 1,421,771	\$ 1,421,771
Money market accounts invested in U.S. Treasury obligations	874,103	874,103	1,825,754	1,825,754
U.S. Treasury notes and bonds	150,403,853	151,273,153	140,478,199	140,057,408
U.S. Government Agency obligations	<u>102,145,849</u>	<u>101,549,948</u>	<u>103,755,331</u>	<u>94,843,422</u>
	<u>\$254,838,667</u>	<u>\$255,112,066</u>	<u>\$247,481,055</u>	<u>\$ 238,148,355</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 represents the contractual interest payments received under the investment securities.

The cost and estimated fair value of debt securities at December 31, 2007 by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 51,587,279	\$ 49,255,759
Due after one year through five years	<u>203,251,388</u>	<u>205,856,307</u>
	<u>\$ 254,838,667</u>	<u>\$ 255,112,066</u>

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 2007 and 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, 2007 and 2006, the Association received \$11,814,115 and \$9,944,363, respectively, of such distributions which are reflected as receipts in these financial statements. During the years ended December 31, 2007 and 2006, the Association also returned \$300,912 and \$416,375, 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 or that may be required to be returned to liquidators due to the inherent 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 2). These claims are pursuant to the Louisiana Insurance Guaranty Law, La. R.S. 22:1375-1394. As of December 31, 2007, the Association had 1,844 open claims files outstanding, a substantial portion of which are involved in litigation. 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, 2007, 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, accruals for restitution recoveries, 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 \$68 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, 2007
	<u>Unaudited</u>
Cash	\$ 1,098,372
Investments, at cost	<u>254,838,667</u>
 Total assets	 <u>\$ 255,937,039</u>

LIABILITIES AND NET ASSETS

Outstanding checks in excess of bank balances	\$ 422,806	
Estimated claims and claims administration expenses payable	<u>686,230,835</u>	(1)
Total liabilities	686,653,641	
 Net assets (deficit)	 <u>(430,716,602)</u>	 (2)
 Total liabilities and net assets	 <u>\$ 255,937,039</u>	

(1) Represents management's estimate of claims and claims administration expense reserves related to open claim files at December 31, 2007.

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.

**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 cash basis financial statements of Louisiana Insurance Guaranty Association as of and for the year ended December 31, 2007, and have issued our report there on dated March 24, 2008. 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 24, 2008



Allen & Gooch

A Law Corporation

March 4, 2008

REPORT OF GENERAL COUNSEL
Year Ending December 31, 2007

I. 2007 Legislation.

The 2007 Legislative Session was a fiscal session in accordance with the Louisiana Constitution of 1974, as amended. "General" sessions are held in even-numbered years and "fiscal" sessions are held in odd-numbered years. In 2007, there was no legislation passed which affected LIGA law, but there was legislation which passed which placed an obligation on LIGA to review proposed takeout plans approved by the Department of Insurance as it relates to the transfer of the Louisiana Citizens Property Insurance Corporation's enforce policies for removal to the voluntary market. Senate Bill 153, authored by Senators Dupre and Nevers moved to enact LSA-R.S. 22:1430.23 as it relates to the policy takeout program. Contained in this legislation, under Section D, if the takeout plan was approved by the Department of Insurance, the takeout plan was to be submitted to the governing board of Citizens and the Louisiana Insurance Guaranty Association for approval.

II. Significant Jurisprudence.

In 2007, 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 in 2007.

Huggins v. Gerry Lane, No. 2005 CA 2665. This is a case addressing the application of LSA-R.S. 22:1386, dealing with non-duplication of recovery. In this matter, LIGA maintained that insurance issued by RLI, as an excess policy, would drop down before LIGA would have an obligation to provide defense and indemnity. LIGA and RLI filed cross motions for summary judgment. At the trial court, the trial court refused to follow the Second Circuit's *Freeman* decision, which had previously held that the RLI policy would drop down and would be primary, and held that the RLI policy did not drop down. LIGA appealed this decision to the First Circuit Court of Appeal, wherein the First Circuit, addressing the Second Circuit's *Freeman* decision,

1015 St. John Street
Lafayette LA 70501-6711
P O Box 3768
Lafayette LA 70502-3768
Phone 337.291.1000
Fax 337.291.1200

Offices in

Lafayette LA
New Orleans LA

confirmed that the Second Circuit was wrong. The First Circuit pointed out that the provisions relied upon by the Second Circuit to find coverage, i.e. RLI was liable for claims above the retained limit (which was zero in this policy) was limited to situations where no other insurance applied. When other insurance applied, then the RLI policy was purely an excess policy. The appellate court upheld the finding of the trial court.

Following the ruling from the First Circuit, LIGA applied for writs with the Louisiana Supreme Court, which adopted the reasoning of the First Circuit and affirmed the decision that the RLI policy does not drop down. This ruling has had a significant impact on all claims wherein RLI provided excess coverage. Based on this ruling, LIGA is now going to have first dollar coverage up to its statutory limits and the insured will be unprotected in the “gap” between LIGA’s coverage and the extent of the Reliance policy. The decision will also result in precluding those claims where LIGA attempted to recover from RLI on settlements paid by LIGA and thereafter pursued reimbursement from RLI under the same legal theory.

Southern Silica of Louisiana, Inc. v. Louisiana Ins. 966 So.2d 45, (1st Cir. 2007). This appeal arose from a suit for declaratory judgment filed by Southern Silica of Louisiana and Mid State Sand and Gravel Company (hereinafter collectively referred to as "Southern Silica" or "appellants") on February 1, 2004, seeking a declaration that the Louisiana Insurance Guaranty Association (hereinafter referred to as "LIGA") owes appellants indemnity and defense in approximately 500 silicosis suits filed against them in Louisiana, Texas, and Mississippi. The plaintiffs in the silicosis suits claim they were exposed to silica dust over long periods of time, with some exposure dates ranging from 1965 to 2003.

During the years 1977 through 1982, Southern Silica was insured by Reliance Insurance Company (hereinafter referred to as "Reliance") under a number of commercial general liability and excess/umbrella liability policies. In May of 2001, Reliance was placed in rehabilitation by the Pennsylvania Department of Insurance.

Thus, Southern Silica filed a suit for declaratory judgment, seeking a judicial decree that LIGA was statutorily obligated: (1) to provide them with a defense and indemnity for those years in the pending suits and (2) to indemnify Southern Silica for payment of the prior settled claims. As such, Southern Silica contended that LIGA had a statutory obligation and duty to provide Southern Silica with a defense and/or indemnity for the exposure claims allegedly occurring during the period of 1977-1982.

On March 26, 2004, LIGA filed a dilatory exception of prematurity and

answer to the petition asserting "all affirmative defenses" available to LIGA pursuant to LSA-R.S. 22:1375, et seq.

On March 13, 2006, LIGA filed a motion for summary judgment contending that pursuant to the 2004 amendments to LSA-R.S. 22:1386(A), Southern Silica must first exhaust any and all other insurance available for any policy period for which insurance is available before recovering from LIGA, even if an insolvent insurer (Reliance) provided the only coverage for a certain period of the alleged exposure. LIGA further contended that "Southern Silica's other solvent insurers must first absorb Reliance's share of defense and indemnity to the extent of their policies." The trial court granted LIGA's Motion for Summary Judgment and dismissed LIGA from the matter.

However, the Louisiana First Circuit Court of Appeals overturned the trial court's ruling. The appellate court held that amendment to LSA-R.S. 22:1386(A) should not be applied retroactively, even though the statute reads that the changes should be applied to all cases pending at the time of the amendment.

Prior to its amendment in 2004, Louisiana Revised Statute 22:1386, entitled, "Nonduplication of recovery," provided in part, as follows:

A. Any person having a claim against an insurer under any provision in an insurance policy, other than a policy of an insolvent insurer which is also a covered claim, shall be required first to exhaust his rights under such policy. Such other policies of insurance shall include but shall not be limited to liability coverage, uninsured or underinsured motorist liability coverage, or both, hospitalization, coverage under self-insurance certificates, coverage under a health maintenance organization or plan, preferred provider organization or plan, or similar plan, and any and all other medical expense coverage. All entities that are prohibited from recovering against the association, as specified in R.S. 22:1379(3)(b), shall also be considered insurers for purposes of this Subsection. As to the association, any amount payable by such other insurance shall act as a credit against the damages of the claimant, and the association shall not be liable for such portion of the damages of the claimant.

According to the pre-amended statute, the Supreme Court in *Hall v. Zen-Noh Grain Corporation*, 2001-0324 (La.4/27/01), 787 So.2d 280, ruled that if an insured alleges that he has no claim against an insurer during the policy period the liquidated insurer provided coverage, this is sufficient to meet the requirements provided for under pre-amended LSA-R.S. 22:1386(A).

By Acts 2004, No. 108, §1, which became effective on August 15, 2004, LSA-R.S. 22:1386 was amended to include the following additional language:

In the case of a claimant alleging personal injury or death caused by exposure to asbestos fibers or other claim resulting from exposure to, release of, or contamination from any environmental pollutant or contaminant, such claimant must first exhaust any and all other insurance available to the insured for said claim for any policy period for which insurance is available before recovering from the association, even if an insolvent insurer provided the only coverage for one or more policy periods of the alleged exposure.

Section 3 of Act 108 further provides that "[t]his Act shall apply to all covered claims, as defined in R.S. 22:1379, pending or arising after the effective date of the Act." This amendment overruled the Supreme Court's decision in *Hall v. Zen-Noh Grain Corporation*, 2001-0324 (La.4/27/01), 787 So.2d 280 meaning that a mere allegation that the plaintiff has no claim against any other insurer during the time period when the insolvent insurer provided coverage is not sufficient. The plaintiff must actually exhaust all claims against solvent insurers before pursuing a cause of action against LIGA, meaning that the plaintiff must exhaust claims against insurers even if the insurer did not provide coverage for the policy period in question.

The First Circuit ruled that the amendment was a substantive change which the legislature intended to apply retroactively. The court referred to the four-step analysis applied by *Segura v. Frank*, 93-1271, 93-1401 (La.1/14/94), 630 So.2d 714, *cert. denied sub nom*, 511 U.S. 1142, 114 S. Ct. 2165, 128 L.Ed.2d 887 (1994), that is used to determine whether an amended statute which makes a substantive change in the law and is clear as to its retroactive affect should actually be applied retroactively. The four step analysis is as follows:

First, the court must determine whether the state law would, in fact, impair a contractual relationship; **second**, if an impairment is found, the court must determine whether the impairment is of constitutional dimension; **third**, if the state regulation constitutes a substantial impairment, the court must determine whether a significant and legitimate public purpose justifies the regulation; and **fourth**, if a significant and legitimate public purpose exists, the court must determine whether the adjustment of the rights and responsibilities of the parties is based upon reasonable conditions and is of a character appropriate to the public purpose justifying the legislation's adoption.

With regard to the **first step**, the First Circuit held:

The amendments to LSA-R.S. 22:1386 would seemingly require any plaintiff asserting a claim to go through the formalities of exhausting any and all other insurance available to Southern Silica for exposure claims for any policy period for which insurance is available before recovering from LIGA, even if the insolvent insurer, *i.e.*, Reliance,

provided the only coverage for one or more policy periods of the alleged exposure. Thus, for any claims alleging exposure from 1977 through 1982, those solvent insurers providing coverage to Southern Silica for other policy periods would be required under the amended version of the statute to provide coverage for the policy periods of the insolvent insurer, and the plaintiff may not proceed against LIGA until all solvent insurers' policies are exhausted.

This amendment undoubtedly creates a new obligation or liability vis-à-vis Southern Silica's solvent insurers by requiring that they provide coverage and pay claims for periods of alleged exposure for Reliance policy years when they had no contractual obligation or statutory duty to provide coverage. Thus, the amendments clearly effect a substantive change in the law with regard to payment of claims. See *American Waste and Pollution Control Company*, 597 So.2d at 1128.

Thus, First Circuit found that this creation of coverage constitutes an impairment of the contractual relationship between Southern Silica and its liability insurers providing coverage before 1977 and after 1982.

With regard to the **second step** the court held that requiring Southern Silica to demand that an insurer "step up" and provide liability coverage for a gap created by an insolvent insurer for up to thirty years from the time that the policy contracted for by the insurer was in effect and premiums had been paid for that policy, constitutes severe constitutional impairment of rights that had been statutorily granted to Southern Silica prior to the amendment. *Cf. Segura*, 630 So.2d 730-731 and *State*, 937 So.2d 324-325.

With regard to the **third step** the First Circuit held that the protection of LIGA funds, which was one of the reasons for the amendment to the statute, is a significant and legitimate public purpose, which the court stated it was bound to consider protecting.

However, in addressing the **fourth** and final step the court reasoned as follows:

Nonetheless, although we find a significant and legitimate public purpose supports the legislation, the final inquiry requires us to determine whether this adjustment of the rights and responsibilities of contracting parties is based upon reasonable conditions and is of a character appropriate to the public purpose justifying the legislation's adoption.

Unless the state itself is a contracting party, as is customary in reviewing economic and social regulation, courts properly defer to legislative judgment as to the necessity and reasonableness of a particular measure. *Segura*, 630 So.2d 732. However, even when the law addresses a legitimate end, it may not be used to burden a

politically defenseless or easy target group with the imposition of costs without fair attention to its interests. Segura, 630 So.2d at 732.

In the *Southern Silica* case, the contractual relationships at issue involve both public and private entities. The private contractual relationships impaired are between Southern Silica and those solvent insurers who provided liability coverage to Southern Silica over the course of a thirty-eight year time span, from 1965 to 2003. Accordingly, in balancing Southern Silica's and LIGA's competing interests, as set forth above, in examining the necessity and reasonableness of applying Act 108 retroactively, the court recognized that the legislature's judgment is entitled to proper deference. However, by retroactive application of Act 108, the legislature impaired the private contractual rights of Southern Silica and its insurers by requiring Southern Silica to now assert such claims against their solvent insurers, who could have provided insurance up to thirty years from the date of the alleged exposure for a brief period of time, and to demand coverage for claims for a period where insurers had no contract in effect and did not receive premiums during this period. Unlike the instant case, in both *Segura* and *State*, the insurers collected a premium for the pertinent policies, which were in effect at all pertinent times. Thus, by virtue of the coverage provided through the policies in effect at the time, those insurers were already subject to some risk.

In addition to the improper financial burden that would be placed on Southern Silica's solvent insurers in responding to such demands, the court found no reasonable purpose would be served in expecting Southern Silica's solvent insurers to cover such claims, when they had no policy in effect and were not bound by a contractual relationship at the time the claim arose, or in requiring Southern Silica to seek indemnity, payment or defense from subsequent insurers for claims arising, asserted, or related to time periods occurring years before or after these contracts were in effect, and which clearly were not contemplated by the written terms of such contracts.

Moreover, the court found retroactive application of Act 108 would deprive Southern Silica of vested property rights acquired, asserted, and accrued as well as duties owed by LIGA prior to the passage of this subsequent legislation.

In essence the court ruled that since the amendment would place too great a financial burden on the plaintiff and because the plaintiff had a right against LIGA prior to the amendment, the amendment should not be applied retroactively even though the legislature intended retroactive application.

LIGA applied for writs to the Louisiana Supreme Court, which were granted. On February 26, 2008, the Supreme Court heard oral arguments. A decision is forthcoming.

Ilene Ried v. New Orleans Hilton Riverside, et al, Docket No. 2007-C-0300, Fourth Circuit Court of Appeal. LIGA has been arguing with the New Orleans Hilton (International Rivercenter Partnership) with respect to the claim of Ilene Ried. The original plaintiff worked for Jack Sutton that had leased space for its jewelry store inside the hotel. The plaintiff injured herself while using one of the public bathrooms in the lobby and sued the Hilton for damages.

A claim was made by the Hilton against Jack Sutton for defense and indemnity under the language of the lease agreement.

When Reliance was placed in liquidation, Hilton asserted a claim directly against Sutton for defense and indemnity. LIGA has opposed all efforts made by the Hilton for reimbursement since they were insured at the time of the accident and actually settled the claim of Ilene Ried.

After the claim was settled, Hilton filed a summary judgment arguing that it had a direct action against Jack Sutton because of the contractual indemnity language in the lease agreement. LIGA opposed the summary judgment on the basis of there being other insurance. Hilton tried to raise the constitutionality of the "other insurance" statute but did not do so in a timely fashion. Nevertheless, the trial court denied Hilton's summary judgment motion on the basis that they had other insurance. A writ was taken to the 4th Circuit and the writ application was denied. From there, Hilton applied to the Louisiana Supreme Court for writs. The Supreme Court has denied the writ application by a vote of 5-0. Thus, the contractual indemnity claim of Hilton has been rejected by every court that has looked at it.

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 2007, there were no new insolvencies and none are anticipated.

There were no estate closures.

LIGA received \$11,814,115.00 in distributions of assets from liquidators during the year.

IV. Plan of Operations Revisions.

In the calendar year 2007, there were no amendments to the Plan of Operation.

V. Significant Board Actions.

The Board of Directors met four times during 2007 to conduct the regular business of LIGA. There was one special meeting of the Board of Directors in 2007. The following Board actions were of significance:

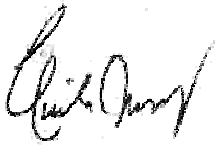
- a. The Board moved to amend the 2007 budgeting, reducing the "claims paid" by \$7 million for a total budget amount of \$16.5 million.
- b. The Board took an aggressive posture with regard to document retention in light of the changes to the Federal Rules of Civil Procedure, and moved to amend the Policies & Procedures Manual and the Examiner's Best Practices Policy Manual to reflect these changes in order to insure that LIGA was in compliance with the changes to the Federal Rules of Civil Procedure concerning electronically stored data.
- c. In the calendar year 2007, the Board welcomed three new members, namely David Ross, with State Farm Insurance Company, to fill the Member Insurer Representative seat number four; Michael Reid, with Liberty Mutual Insurance Company, to fill the Member Representative seat number five; Michael Gray, who was re-elected to serve as one of two Member Insurer Representatives on the Board, with Stephen Schrempp being re-elected to serve the Louisiana Association of Fire and Casualty's position on the Board. Further, the Commissioner of Insurance appointed Markham McKnight to serve as the appointee of the Commissioner of Insurance on the Board.

- d. At the June 28, 2007 meeting of the Board of Directors, the election of officers was held. Jay Luneau was elected Chairman, Michael Reid was elected Secretary, and David Ross was elected Treasurer.
- e. At the December 18, 2007 meeting of the Board of Directors, the Board engaged Postlethwaite & Netterville to conduct the financial audit of LIGA as of and for the year ending December 2007.
- f. In the special meeting of the Board of Directors held on November 13, 2007, the Board contracted the services of Postlethwaite & Netterville for the purpose of reviewing and testing of the 2007 claims activity.

VI. Assessments.

In the June 2007 Board of Directors meeting, by unanimous vote, the Board voted not to assess Member Insurers for the calendar year 2007.

Allen & Gooch
A Law Corporation



Emile Joseph, Jr.
Direct Dial #337.291.1310
Direct Fax #337.291.1315
Email: EmileJoseph@AllenGooch.com

EJjr.mel

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2007

COMPANY NAME	CLOSED IN 2007	PENDING 12/31/07	DISTRIBUTION REFUNDS IN 2007	LOSSES PAID IN 2007	CLAIMS EXPENSES PAID IN 2007	OUTSTANDING RESERVES
ACCELERATION NATIONAL	0	1	0	1,500	998	10,605
ALLIANCE CASUALTY	0	2	0	10,221	148	102,361
AMERICAN DRUGGIST	0	1	0	23,157	4,762	157,755
AMERICAN EAGLE	0	1	0	0	2,307	118,459
AMERICAN FIDELITY	0	1	6,420	0	0	66,724
AMERICAN MUTUAL BOSTON	0	6	0	33,518	10,035	1,171,308
AMERICAN MUTUAL LIABILITY	94	926	0	1,377,060	1,555,451	112,224,725
ANGLO AMERICAN	1	7	231	102,616	12,027	1,731,494
ARIST NAT'L/CERTIFIED	0	1	0	(3,500)	0	11,694
CALIFORNIA COMPENSATION	1	2	48,318	79,623	21,164	188,288
CAR (AUTOMOTIVE CASUALTY)	1	2	0	0	3,095	17,577
CASUALTY RECIPROCAL	9	19	0	565,497	173,567	1,586,858
CHAMPION	0	0	15,154	0	0	0
COLONIAL LLOYDS	0	3	0	4,900	6,704	15,709
COMMERCIAL CASUALTY	13	13	0	130,117	94,689	670,879
COMMERCIAL COMPENSATION	1	9	43,444	229,578	59,709	994,521
CREDIT GENERAL	5	29	0	304,987	166,358	5,169,452
EMPLOYERS CASUALTY	2	10	0	0	6,164	220,314
EMPLOYERS NATIONAL	4	69	0	379,827	170,349	8,639,728

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2007

COMPANY NAME	CLOSED IN 2007	PENDING 12/31/07	DISTRIBUTION REFUNDS IN 2007	LOSSES PAID IN 2007	CLAIMS EXPENSES PAID IN 2007	OUTSTANDING RESERVES
FIDELITY FIRE & CASUALTY	0	1	359	0	2,000	2,327
FREMONT INSURANCE CO.	0	2	0	13,044	13,802	57,370
GENERAL	0	5	0	0	15,232	21,358
HOME INSURANCE CO.	4	105	385,573	275,259	93,181	11,632,353
IDEAL MUTUAL	0	2	0	21,659	48,027	957,840
INSURANCE CORP. OF AMERICA	5	5	0	55	74,184	437,769
INTEGRITY	0	1	31,584	0	243	49,223
LARAMIE	0	1	0	0	1,537	93,568
LEGION INSURANCE CO.	22	53	121,133	338,050	175,921	3,927,954
LIBERTY LLOYDS	1	1	0	9,800	2,747	9,622
LUTHERAN BENEVOLENT	0	3	0	0	17,322	65,281
MAGNOLIA FIRE & CASUALTY	0	1	0	0	1,260	10,587
MERIT	0	1	3,575	0	0	5,561
MIDLAND	4	6	585,092	87,510	27,907	1,277,740
MILLERS INSURANCE CO.	2	1	169,706	4,412	2,331	500
MISSION	1	4	0	8,168	1,503	182,934
MISSION NATIONAL	0	2	0	0	1,540	174,980
NATIONAL ALLIED	0	1	0	9,516	0	100,021
NORTH AMERICAN INDEMNITY	0	0	941,355	0	0	0

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2007

COMPANY NAME	CLOSED IN 2007	PENDING 12/31/07	DISTRIBUTION REFUNDS IN 2007	LOSSES PAID IN 2007	CLAIMS EXPENSES PAID IN 2007	OUTSTANDING RESERVES
OLD HICKORY	0	3	0	42,092	7,404	316,542
PACIFIC MARINE	0	3	0	45,747	5,878	830,278
PATTERSON INSURANCE CO.	70	52	0	131,025	260,048	658,751
PELICAN STATE MUTUAL	1	2	0	54,300	31,557	103,208
PETROSURANCE	0	4	0	48,885	42,230	1,338,154
PHICO	3	3	187	0	49,361	145,707
PINNACLE	0	1	0	0	3,821	157,527
PRESIDENTIAL FIRE & CASUALTY	0	5	0	37,588	11,423	1,308,265
REALM INSURANCE CO.	0	1	0	9,356	3,951	97,861
RECIPROCAL OF AMERICA	6	3	828,909	72,500	47,606	144,875
RELIANCE NATIONAL	177	397	6,198,160	1,854,428	1,049,666	516,868,158
ROCKWOOD	5	32	0	728,601	108,402	8,168,643
SAVANT	2	2	0	28,629	14,170	149,784
SECURITY CASUALTY	0	1	0	0	0	147,805
SOUTH CAROLINA INSURANCE CO.	0	1	0	0	1,454	66,293
SOUTHERN AMERICAN	0	9	772,927	0	25,967	1,097,953
TRANSIT	0	10	1,077,488	(21,820)	30,189	1,580,260
U.S. CAPITAL	0	1	0	0	1,023	151,100
UNITED AGENTS	10	13	0	107,500	68,321	533,228

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2007

COMPANY NAME	CLOSED IN 2007	PENDING 12/31/07	DISTRIBUTION REFUNDS IN 2007	LOSSES PAID IN 2007	CLAIMS EXPENSES PAID IN 2007	OUTSTANDING RESERVES
UNITED COMMUNITY	3	1	533,404	0	13,991	1,685
UNITED SOUTHERN ASSURANCE	0	1	0	0	3,318	25,192
VESTA FIRE	0	0	15,175	0	1,672	0
VILLANOVA INSURANCE CO.	0	2	35,921	(18,315)	9,907	234,128
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TOTALS	447	1,844	11,814,115	7,127,087	4,557,621	686,230,835
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**LOUISIANA INSURANCE GUARANTY ASSOCIATION
RETURN PREMIUMS PROCESSED
2007**

<u>COMPANY</u>	<u># OF POLICIES</u>	<u>PAYMENTS</u>
LEGION	108	\$137,208.06
<hr/>		
TOTALS	108	\$ 137,208.06

**LOUISIANA INSURANCE GUARANTY ASSOCIATION
REPORT ON INSOLVENT COMPANIES
MONIES PAID FROM
DATE OF INSOLVENCY TO 12/31/2007**

<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	109,200.00	69,537.00	0.00	\$178,737.00
ALLIANCE LA 6/19/1992	5,444,567.90	1,304,086.86	611,847.69	\$7,360,502.45
* 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	2,275,162.29	722,181.56	0.00	\$2,997,343.85
AMERICAN EAGLE TX 12/22/1997	914,656.18	518,743.81	8,932.00	\$1,442,331.99
* AMERICAN EXCEL TX 5/31/1988	62,754.68	30,734.41	0.00	\$93,489.09
* AMERICAN FIDELITY NY 3/14/1986	287,611.04	266,147.99	174,150.75	\$727,909.78
* 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	6,725,982.84	932,929.60	0.00	\$7,658,912.44
AMERICAN MUTUAL LIABILITY MA 3/9/1989	12,289,980.94	15,438,322.64	0.00	\$27,728,303.58
* 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	22,324,641.78	4,143,100.02	1,035,251.48	\$27,502,993.28
* ARIST LA 5/4/1992	10,796,278.00	2,399,165.51	414,376.85	\$13,609,820.36
* 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	889,410.34	353,874.66	11,580.00	\$1,254,865.00
CAR (AUTOMOTIVE CASUALTY) LA 1/20/1993	29,772,939.19	11,606,749.82	333,678.75	\$41,713,367.76
* 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	2,907,244.06	696,961.78	0.00	\$3,604,205.84
* 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	22,166,749.38	6,467,373.10	5,911,383.05	\$34,545,505.53
* 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	520,026.45	619,690.68	0.00	\$1,139,717.13
COMMERCIAL COMPENSATION CA 9/26/2001	4,144,073.78	1,239,578.89	148,830.00	\$5,532,482.67
* 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	12,221,178.97	3,461,072.12	327,406.94	\$16,009,658.03
* DIXIE LLOYDS LA 12/20/1990	9,538,487.97	4,230,916.04	2,103,022.53	\$15,872,426.54
* 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	409,807.35	0.00	\$1,012,304.26
EMPLOYERS NATIONAL TX 2/11/1994	10,516,719.71	3,230,365.27	7,638.00	\$13,754,722.98
* 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	4,908,453.95	639,089.05	\$17,136,595.54
* 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	282,167.40	66,776.13	0.00	\$348,943.53
GENERAL 12/30/1899	220,283.30	196,209.96	0.00	\$416,493.26
* 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	1,221,811.93	399,909.96	0.00	\$1,621,721.89
* 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	7,016,669.45	1,607,467.46	5,164.60	\$8,629,301.51
* 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	3,886,350.21	4,287,094.79	414,293.43	\$8,587,738.43
* INTEGRITY NJ 3/24/1987	2,689,202.10	812,424.26	2,522.55	\$3,504,148.91
* 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	1,935,744.83	1,274,804.13	\$10,094,019.34
LEGION INSURANCE CO. PA 7/28/2003	6,115,742.46	2,207,537.26	137,316.06	\$8,460,595.78
LIBERTY LLOYDS LA 5/17/1993	42,918,250.92	12,098,878.15	173,564.46	\$55,190,693.53
* 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	278,419.04	103,318.88	\$1,407,622.18
* 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	186,696.34	79,185.50	\$1,017,044.62
* 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 12/30/1899	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	10,230,280.50	2,615,602.51	17,023.59	\$12,862,906.60
MILLERS INSURANCE CO. TX 3/24/2003	194,892.97	96,353.91	0.00	\$291,246.88
MISSION CA 2/24/1987	1,643,398.78	584,711.23	0.00	\$2,228,110.01
* 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	576,604.01	0.00	\$1,283,073.68
* 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	1,207,756.10	180,294.62	0.00	\$1,388,050.72
* 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	10,983,037.14	4,228,752.05	2,274,689.75	\$17,486,478.94
* 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	2,640,774.49	513,596.13	0.00	\$3,154,370.62
PATTERSON INSURANCE CO. LA 3/17/2003	6,633,279.43	5,317,866.46	780,203.62	\$12,731,349.51
* PAXTON PA 6/26/1989	12,000.00	16,757.82	0.00	\$28,757.82
PELICAN STATE MUTUAL LA 2/26/1993	19,147,364.30	5,432,329.23	321,366.03	\$24,901,059.56
PETROSURANCE OK 3/14/2002	804,679.61	205,994.01	0.00	\$1,010,673.62
PHICO PA 2/1/2002	543,751.91	776,238.91	14,829.00	\$1,334,819.82
PINNACLE INS. CO. GA 9/20/1999	570,378.00	243,774.41	0.00	\$814,152.41
* PREMIER ALLIANCE CA 8/2/1994	199,218.00	132,983.22	0.00	\$332,201.22
PRESIDENTIAL FIRE & CASUALTY LA 11/13/1991	12,904,000.51	2,947,079.39	595,841.29	\$16,446,921.19
* 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	24,593.28	7,392.03	0.00	\$31,985.31
RECIPROCAL OF AMERICA VA 6/20/2003	654,959.58	404,291.44	10,000.00	\$1,069,251.02
* REGAL 12/30/1899	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 12/30/1899	5,000.00	0.00	0.00	\$5,000.00
RELIANCE NATIONAL PA 10/3/2001	44,879,568.08	17,794,723.53	0.00	\$62,674,291.61
* RESERVE IL 5/7/1979	985,483.29	209,197.16	317,544.14	\$1,512,224.59
ROCKWOOD PA 8/26/1991	26,106,747.34	6,938,065.98	22,994.25	\$33,067,807.57

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
* S & H CA 4/16/1985	0.00	32.50	0.00	\$32.50
SAVANT LA 11/7/2001	1,016,561.41	263,895.80	0.00	\$1,280,457.21
* 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	11,695.86	0.00	\$11,695.86
* 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	757,944.22	0.00	\$1,650,768.16
* 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 12/30/1899	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	23,262,980.88	5,889,590.29	17,251.46	\$29,169,822.63
U.S. CAPITAL NY 11/20/1997	1,959,275.14	1,472,882.18	0.00	\$3,432,157.32
* 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	4,807,956.81	1,882,098.31	179,232.23	\$6,869,287.35
* 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	2,463,524.50	166,571.56	\$8,433,060.13
* UNITED SAVINGS LIFE 12/30/1899	0.00	273.75	0.00	\$273.75
UNITED SOUTHERN ASSURANCE FL 9/18/1997	1,304,815.94	559,968.03	0.00	\$1,864,783.97

<u>COMPANY</u>	<u>LOSSES</u>	<u>EXPENSES</u>	<u>UNEARNED PREMIUMS/ EXPENSES PAID</u>	<u>TOTAL ALLTIME LIGA BILLINGS</u>
* 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	1,699.95	0.00	\$1,699.95
VILLANOVA INSURANCE CO. PA 7/28/2003	250,575.54	50,965.66	0.00	\$301,541.20
* 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	\$607,963,625.49	\$207,873,829.71	\$36,901,454.34	\$852,738,909.54
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* - INACTIVE INSOLVENCY