



Louisiana Insurance Guaranty Association

2009
Annual Report

March 30, 2010

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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

As of
December 31, 2009

Mr. Michael T. Gray
Chairman

The Gray Insurance Company

Mr. Stephen C. Schrempp
Secretary

National Automotive Insurance Company

Mr. Markham R. McKnight
Treasurer

Appointee of the Commissioner of Insurance
as a Consumer Representative

Mr. William D. Hughs, III

Appointee of the Speaker of the House

Mr. Denis Husers

Appointee of the Commissioner of Insurance as a
Consumer Representative

Mr. David A. Ross

State Farm Insurance Companies

Mr. Wayne T. Roussel

Appointee of the President of the Senate

Mr. Keith D. Thompson

Liberty Mutual Insurance Companies

Mr. Aubrey Temple

Louisiana Workers' Compensation Corporation

Executive Staff

JOHN C. WELLS

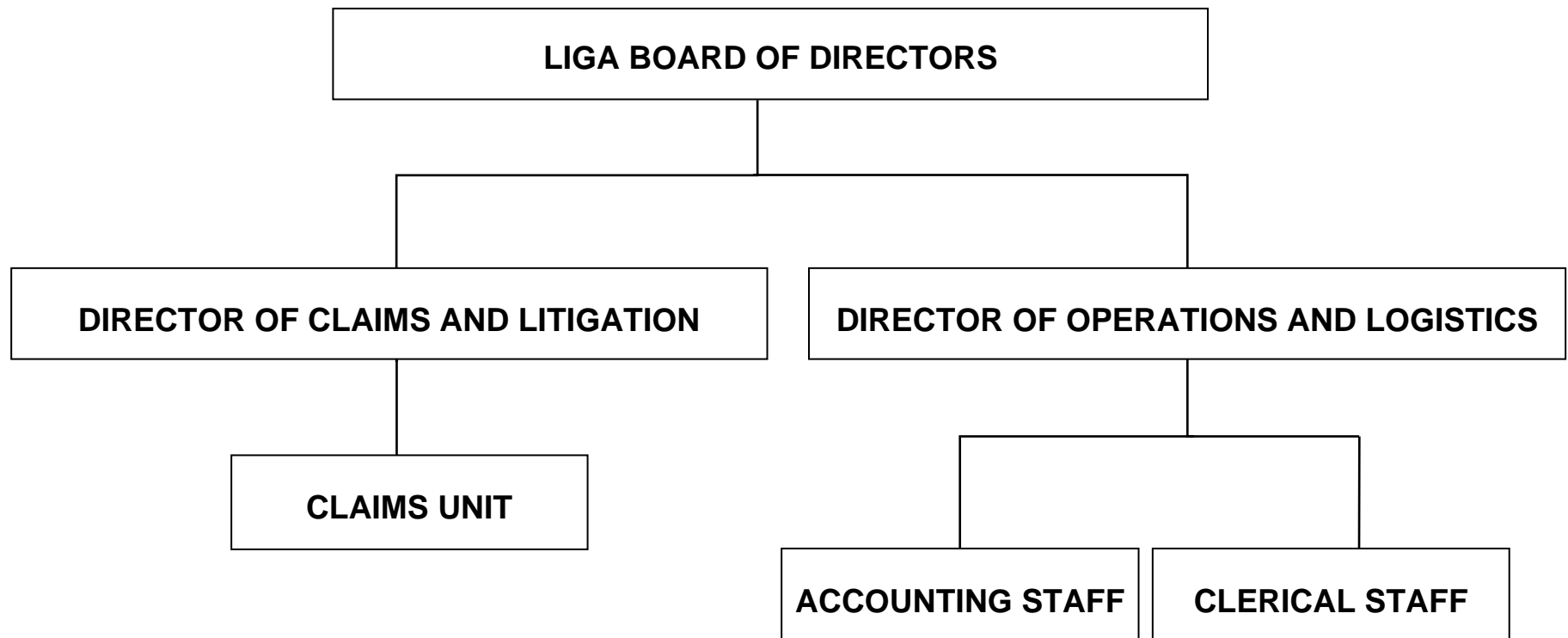
Director of Operations & Logistics

NORMAN REESE

Director of Claims & Litigation

ORGANIZATIONAL CHART

AS OF
MARCH 30, 2010





LOUISIANA INSURANCE GUARANTY ASSOCIATION

March 30, 2010

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

RE: 2009 Annual Financial Report of LIGA

Dear Commissioner:

Pursuant to *La. R.S. 22:2064*, we are pleased to submit to you LIGA's 2009 Annual Financial Report. Please allow me to highlight a few of LIGA's accomplishments during the year.

- LIGA continued to operate on distributions from liquidators and interest income allowing another year that member insurers were not called upon to pay assessments. **Instead LIGA was able to refund to member insurers \$77 million** of the \$201 million assessed earlier in the decade.
- The number of claims pending at year-end fell from 1,605 in 2008 to 1,257 in 2009 a twenty percent decrease. This drop was in spite of 202 additional claims being presented to LIGA.
- Overall reserves were lowered by \$371 million.
- LIGA continued to lower expenses while maintaining the same level of claim payments.
- Operationally LIGA introduced new systems to increase the efficiency and effectiveness of the association. Imaging, work flow, and electronic data interfaces have provided for faster payment, additional security controls and increased disaster preparation. Additionally, LIGA has adopted the NAIC's Uniform Data Standards "D" Record which is becoming the standard for the reporting of summary guaranty fund information to liquidators.
- In November of 2009, LIGA received notice of the insolvency of Park Avenue Property and Casualty, an Oklahoma domiciled company (formerly Providence Property and Casualty). PAPC primarily wrote high deductible compensation policies to professional employer organizations. We have received fewer than twenty claims from this insolvency.

While 2009 was a relatively calm period in the insolvency and guaranty fund sectors, I hope you can see from the above that LIGA is committed to meeting its statutory role in Louisiana's insurance framework. In 2010 and beyond LIGA will continue to meet its obligations and challenges with the same commitment to prompt, fair claims practices, and being effective, efficient stewards of the association's funds.

LIGA would like to again express its appreciation to the Department and the Legislature for their continued support of our mission. Enclosed herein is our 2009 Report on Insolvent Companies, 2009 Company Claims Activity, 2009 Report of LIGA's General Counsel, and our Annual Financial Audit for 2009 prepared by Postlethwaite & Netterville.

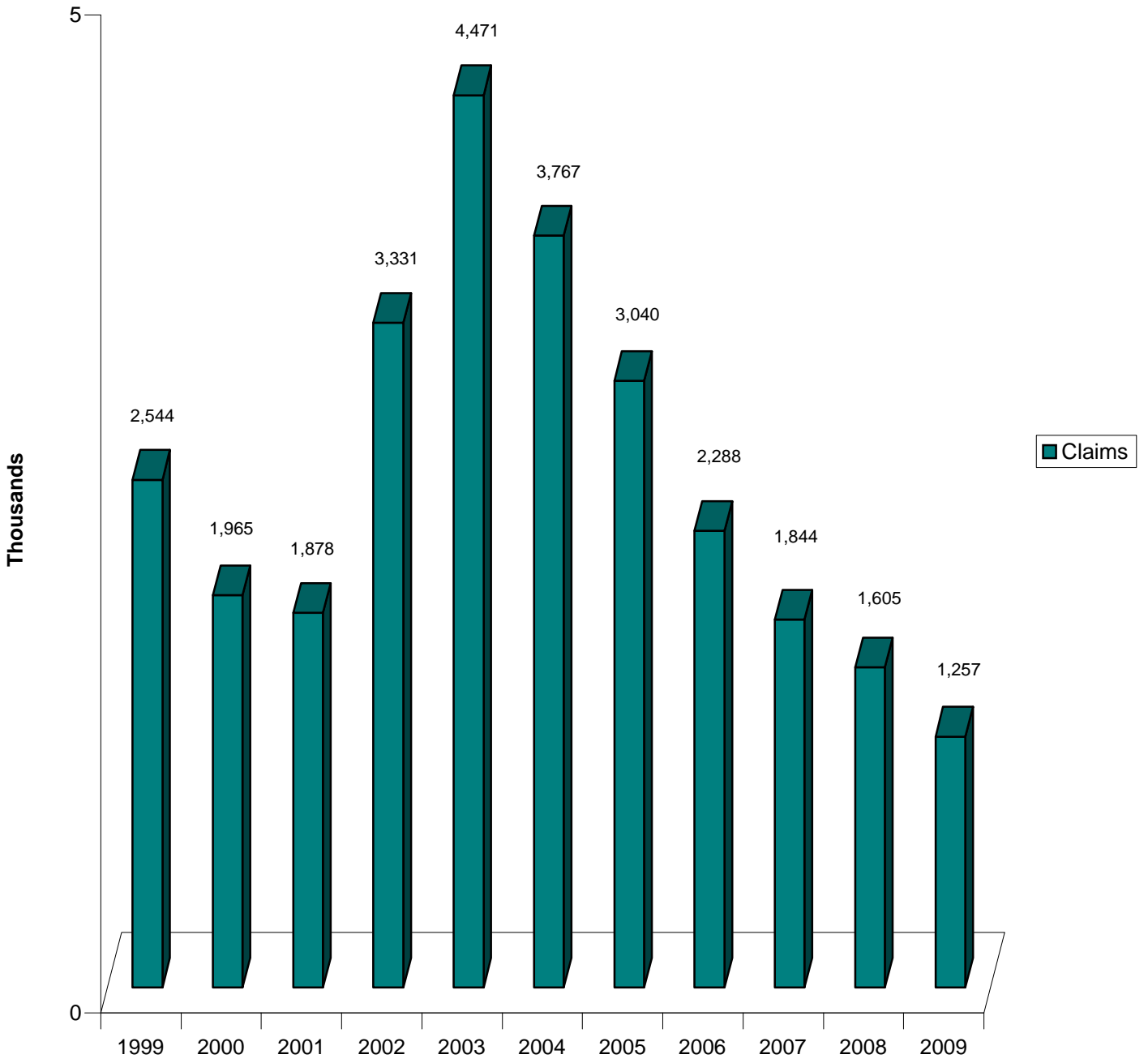
Respectfully submitted,



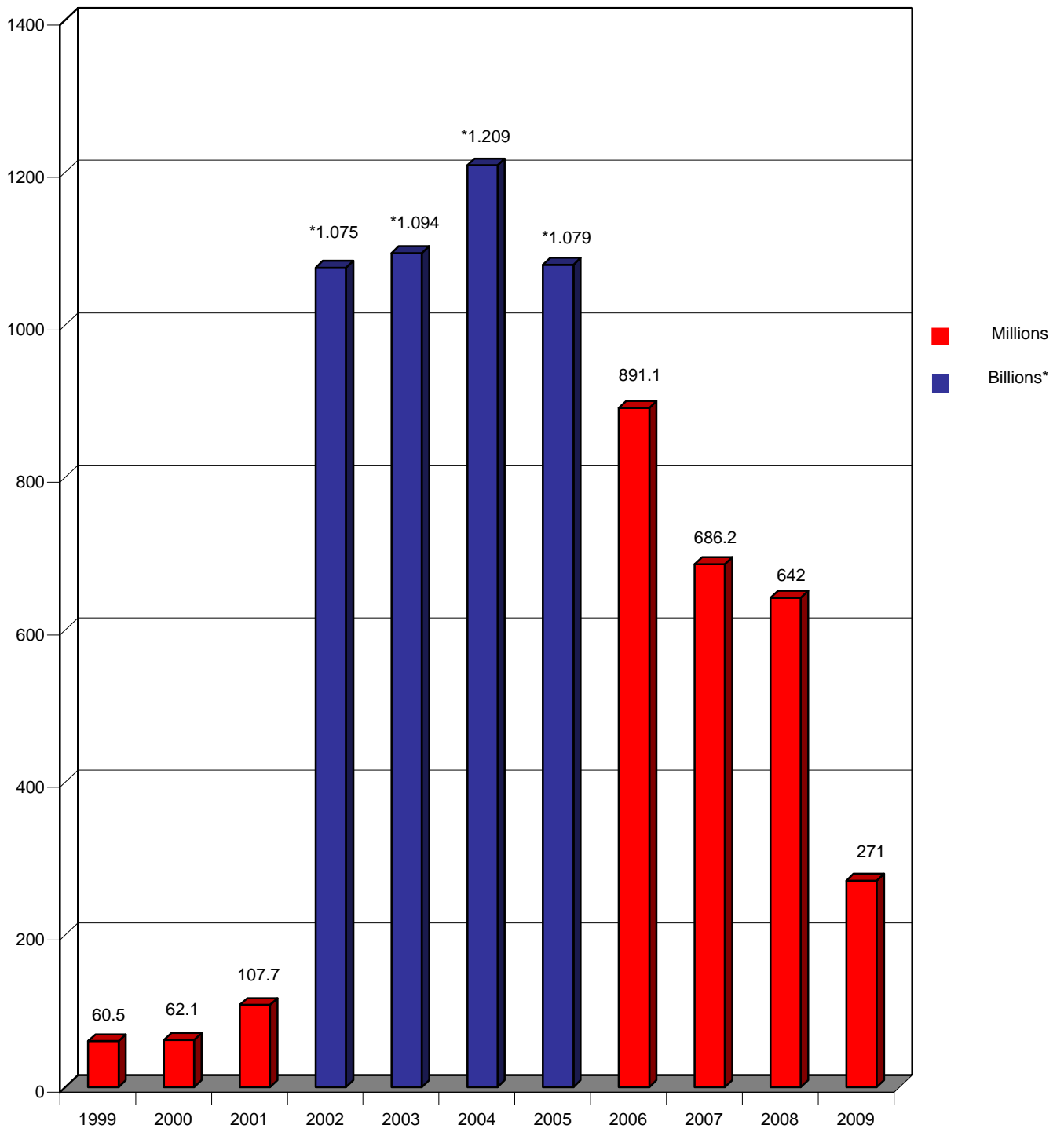
John C. Wells
Director of Operations and Logistics

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

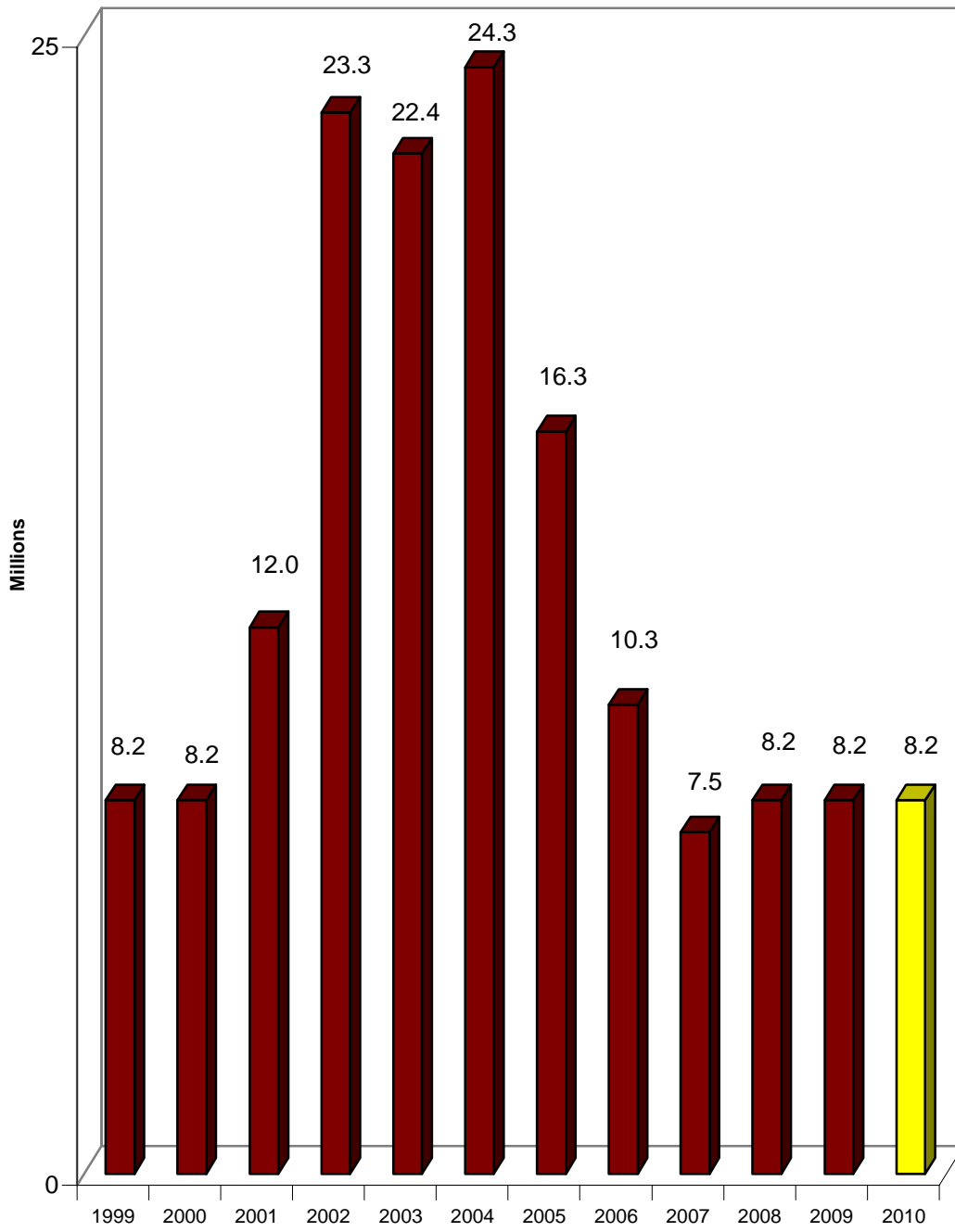
CLAIMS PENDING PER YEAR



Reserves Per Year

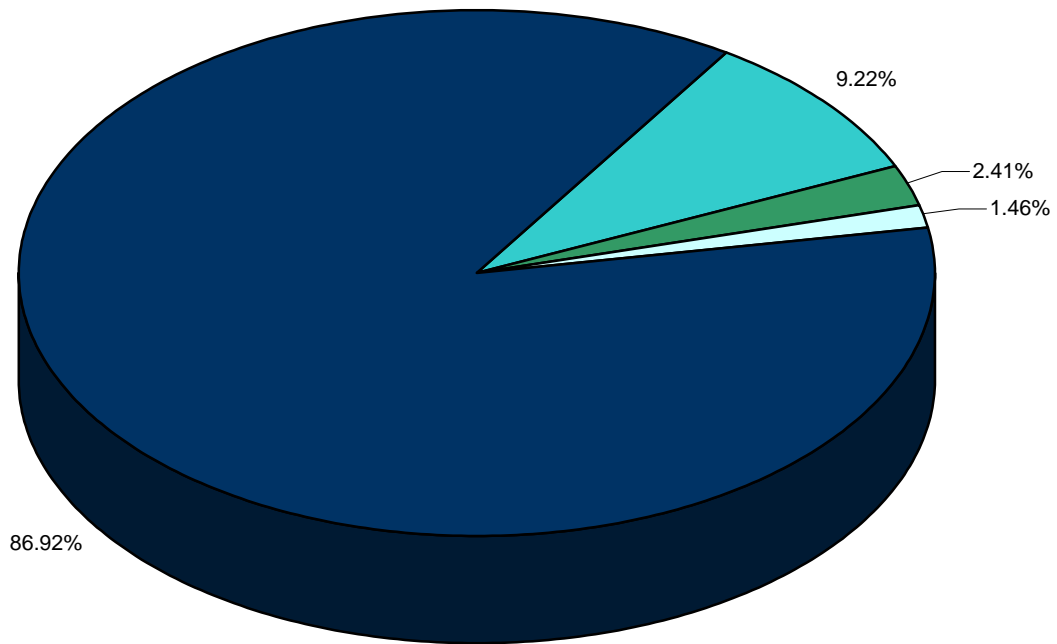


LOSSES PAID PER YEAR



* - Projected

2009 Total Expenditures - \$88,948,316



- Assessment Refund-\$77,311,923.
- Claims Paid - \$8,198,745.
- Allocated Expenses (Claims Handling) - \$2,142,986.
- Unallocated Expenses (Administrative) - \$1,294,662.

LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS

(Cash Basis)

DECEMBER 31, 2009 AND 2008



A Professional Accounting Corporation

www.pncpa.com

LOUISIANA INSURANCE GUARANTY ASSOCIATION

FINANCIAL STATEMENTS

(Cash Basis)

DECEMBER 31, 2009 AND 2008

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 (the Association) as of December 31, 2009 and 2008, and the related statements of activities arising from cash transactions 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 Association'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 accounting principles generally accepted in the United States of America.

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, 2009 and 2008, 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, 15 2010, 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 audits.

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 15, 2010

LOUISIANA INSURANCE GUARANTY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash	\$ -	\$ -
Investments, at cost	<u>194,753,132</u>	<u>257,321,744</u>
	<u>\$ 194,753,132</u>	<u>\$ 257,321,744</u>

LIABILITIES AND NET ASSETS

Outstanding checks in excess of bank balances	\$ 3,235,934	\$ 573,237
Net assets - restricted	<u>191,517,198</u>	<u>256,748,507</u>
	<u>\$ 194,753,132</u>	<u>\$ 257,321,744</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, 2009 AND 2008

	2009	2008
<u>RECEIPTS</u>		
Assessments	\$ 2,315,231	\$ -
Distributions from liquidators	7,552,486	3,430,347
Interest income	12,940,997	12,130,434
Net gain (loss) on disposition of investments	731,872	(2,690,760)
Restitution	13,985	47,155
Other income	162,436	162,032
	23,717,007	13,079,208
<u>DISBURSEMENTS</u>		
Return of assessments	77,311,923	-
Claims paid	8,198,745	8,227,881
Legal fees and expenses	1,749,963	1,798,727
Claims handling costs	393,023	571,220
Professional and bank fees	266,507	329,344
Staff salaries, taxes, and benefits	530,764	434,863
Travel, meetings, and seminars	12,412	20,531
Building expenses	12,932	13,698
Administrative expenses	472,047	448,670
	88,948,316	11,844,934
<u>EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS</u>	(65,231,309)	1,234,274
Net assets - beginning of the year	256,748,507	255,514,233
Net assets - end of the year	\$ 191,517,198	\$ 256,748,507

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 may also contract 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 return of 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 which created 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). During 2009, the Associations' Board authorized the return of assessments previously received from member insurers (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, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Cost</u>	<u>Estimated Fair Value</u>
Short-term repurchase agreements	\$ 4,044,766	\$ 4,044,766	\$ 1,531,577	\$ 1,531,577
Money market accounts invested in U.S. Treasury obligations	1,397,904	1,397,904	614,154	614,154
U.S. Treasury notes and bonds	127,393,114	128,644,403	156,153,070	164,826,013
U.S. Government Agency obligations	61,917,348	61,492,443	99,008,998	101,131,644
Equities	-	-	13,945	14,845
	<u>\$194,753,132</u>	<u>\$195,579,516</u>	<u>\$257,321,744</u>	<u>\$ 268,118,233</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. Equities represent securities received as restitution.

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 investments at December 31, 2009, 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	\$ 45,179,768	\$ 43,431,680
Due after one year through five years	149,573,364	152,147,836
	<u>\$ 194,753,132</u>	<u>\$ 195,579,516</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 2008 and collected \$2,315,231 during 2009 related to resolution of disputed assessments levied to a member insurer in 2004.

5. **Distributions from 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, 2009 and 2008, the Association received \$7,553,030 and \$3,465,492, respectively, of such distributions which are reflected as receipts in these financial statements. During the years ended December 31, 2009 and 2008, the Association also returned \$544 and \$35,145, 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 for the Association's home office. The Association records self occupancy rent expense and other income.

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, 2009, the Association had 1,257 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, 2009, on a modified accrual basis which recognizes management's estimate of the undiscounted 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%) of net direct written premiums annually 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.

<u>ASSETS</u>		December 31, 2009
		<u>Unaudited</u>
Cash		\$ -
Investments, at cost		<u>194,753,132</u>
Total assets		<u>\$ 194,753,132</u>
 <u>LIABILITIES AND NET DEFICIT</u>		
Outstanding checks in excess of bank balances		\$ 3,235,933
Estimated claims and claims administration expenses payable		<u>270,822,523</u> (1)
Total liabilities		274,058,456
Net deficit		<u>(79,305,324)</u> (2)
Total liabilities and net deficit		<u>\$ 194,753,132</u>

(1) Represents management's estimate of claims and claims administration expense reserves related to open claim files at December 31, 2009.

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 insurers' net direct written premiums annually if necessary to pay its obligations. The Association's 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 (the Association) as of and for the year ended December 31, 2009, and have issued our report there on dated, March 15, 2010. 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 the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, and contracts, 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 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 15, 2010

March 29, 2010

REPORT OF GENERAL COUNSEL
January 1, 2009 - December 31, 2009

I. 2009 Legislation

H.B. 369 (Act No. 326): This Bill redefines “kinds of insurance” in the Louisiana Insurance Code, including health and accident, health stop loss, limited benefit, vehicle, liability, workers’ compensation, burglary and forgery, fidelity, fire and allied lines, crop, marine and transportation, credit life, health and accident insurance, surety, and industrial fire. In addition, the capital requirements for domestic stock insurers, domestic mutual insurers, and domestic reciprocal insurers have been revised. Finally, this Bill makes changes with respect to group life insurance, and certain editorial changes to various Sections.

H.B. 407 (Act No. 12): This Bill requires the Commissioner of Administration to establish and maintain a website, posting the following information for boards and commissions who are licensing agencies: meeting notices, minutes of meetings including attachments, statutory citations to provisions creating the board, contact information, membership information, employee information, financial and budget information, and the rules, regulations and procedures of the board. It also requires the boards to submit this information to the Commissioner timely. It does not appear to apply to LIGA.

H.C.S.R. 4: This Concurrent Study Request asks the House Appropriations Committee and the Senate Finance Committee to study specified issues related to compensation and benefits of appointed members of state boards and commissions and like entities, and to report the findings and recommendations to the Legislature prior to the 2010 Regular Session. The report should include a long list of information about current board compensation or reimbursement, and asks for “the most appropriate form and amount of compensation for members of each board or commission, if any, and the appropriate benefits, if any, that should be provided to the members of each board or commission.”

S.B. 130 (Act No. 483): This Bill provides for the determination of rates charged by the Louisiana Citizens Property Insurance Corporation.

MILLING BENSON WOODWARD L.L.P.

2009 Report of General Counsel

March 29, 2010

S.B. 195 (Act No. 238): This Bill requires the disclosure of campaign contributions by persons hired by statewide elected officials to serve as agency heads or appointed to certain boards and commissions. A Board member who is subject to the disclosure requirements of R.S. 42:1124.2.1 (Ethics Code disclosure) and who made a contribution or loan in excess of \$1,000 to a candidate must disclose the date of his appointment, the amount of any compensation provided for the position, the name of the candidate to whom the contribution or loan was made, and the amount of the contribution or loan.

S.B. 318 (Act No. 258): This Bill revises the Louisiana Life and Health Insurance Guaranty Law.

S.C.R. 86: This Concurrent Resolution requests the State Law Institute to study and report to the Legislature before the 2010 Regular Session on the feasibility of instituting multi-district litigation in Louisiana, to study “whether a process for the statewide coordination of complex litigation would benefit the legal system and citizens of Louisiana.”

II. Significant Jurisprudence

Louisiana Safety Association of Timbermen v. Louisiana Insurance Guaranty Association. The Louisiana Safety Association of Timbermen Self Insured Fund filed a claim seeking to recoup funds that it had paid in excess of its own \$200,000 limit of liability, pursuant to a policy provided by Reliance Insurance Company. Cross-Motions for Summary Judgment were filed on the issues of whether the coverage provided by the Fund is “reinsurance”, whether LIGA is liable for claims against a reinsurance policy, and whether LIGA is entitled to documentation concerning the net worth of the member insureds. The trial court granted LSAT’s Motion, which was affirmed by the Second Circuit Court of Appeal. At that point, we took over the handling of this matter and filed an Application for Writs to the Supreme Court. The Supreme Court granted the Writ, on the issue of whether LIGA should be liable for the obligations of an insolvent insurance company that provided reinsurance to a self-insured industry association’s workers’ compensation insurance fund. The Supreme Court reversed the Second Circuit, ruling in LIGA’s favor on these issues. LSAT filed a request for Rehearing, which was denied by the Supreme Court.

Irvin Hadley v. Louisiana Insurance Guaranty Association. Centex Landis was the general contractor of the Harrah’s Casino in New Orleans. Irvin Hadley, a driver of a cement truck, was injured while delivering concrete to this project. He filed a claim against Centex Landis, along with a number of subcontractors, including Gulf South Pilings. Following the insolvency of Reliance, Centex Landis settled the claim with Mr. Hadley for \$350,000, and sought reimbursement from LIGA.

Centex Landis based its claim for reimbursement from LIGA on two arguments. First, it claimed the status of an additional insured under the Reliance policy. Second, it argued that it had a contractual indemnity agreement with Gulf South that required the insured, Gulf South, and/or LIGA in its stead, to pay. LIGA filed a Motion for Summary Judgment, which

MILLING BENSON WOODWARD L.L.P.

2009 Report of General Counsel

March 29, 2010

was granted by the trial court. Centex Landis appealed, and the Fourth Circuit Court of Appeal affirmed the dismissal of LIGA. In expansive language, the Fourth Circuit held that the \$1,000,000 deductible in the Centex Landis policy was in fact self-insurance and therefore it had no claim.

Trial has been set for April 12-14, 2010. Gulf South's counsel filed a motion to clarify the Judgment dismissing the claim against LIGA, to include Gulf South. The Court disagreed, and Gulf South remains a defendant. Gulf South filed Writs, and LIGA filed an amicus brief in support of Gulf South's position that it should be dismissed for the same reasons that LIGA was dismissed. Centex Landis has filed a response. Gulf South has requested that the Trial Date be continued pending the decision on its Writ Application, as a decision on that issue would be dispositive of the issues remaining for trial.

Louisiana Workers' Compensation Corporation v. Louisiana Insurance Guaranty Association. LWCC filed suit against LIGA, contesting the meaning of the provisions in the constitutional and statutory provisions creating and privatizing LWCC, with respect to its participation in LIGA and obligation to pay assessments. LWCC and LIGA filed cross-Motions for Summary Judgment. The trial court denied LIGA's Motion and granted LWCC's Motion, holding that LWCC is only liable to pay those portions of the assessments that relate to claims made after the date LWCC became a private company. LIGA appealed. The First Circuit Court of Appeal reversed on all points, dismissing LWCC's petition and cause of action, with prejudice. Accordingly, LWCC is liable to LIGA for full payment of any and all assessments imposed after the date on which LWCC became eligible to participate in LIGA. LWCC filed an Application for Writs to the Supreme Court, which was denied.

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

In 2009, there was one insolvency, Park Avenue Property and Casualty, an Oklahoma domiciled company, formerly known as Provident Property and Casualty, which was placed into liquidation in mid-November 2009.

One domestic domestic insolvency was concluded in 2009. United Agents Insurance Company closed and made a final distribution to LIGA in the amount of \$4,265,055. The total amount received from the receiver is \$5,915,055 against LIGA's payments from inception to date in the amount of \$7,226,651.

One foreign insolvency (Utah) was concluded in 2009. Southern American Insurance Company closed and made a final distribution to LIGA in the amount of \$81,111. The total amount received from the receiver is \$1,584,043 against LIGA's payments from inception to date in the amount of \$1,830,688.

LIGA received \$7,552,486 in total distributions from Liquidators during the year.

MILLING BENSON WOODWARD, L.L.P.

2009 Report of General Counsel

March 29, 2010

IV. Revisions to the Plan of Operations and Policies and Procedures Manual

At the September 24, 2009 Board Meeting, the Board voted to amend the Plan of Operation to change the minimum quorum requirement for the annual meeting of member insurers from two-fifths (40%) to one-fourth (25%).

V. Significant Board Actions

The Board of Directors had four regular quarterly meetings during 2009 to conduct the business of LIGA. In addition, the December 2008 meeting was reconvened on March 26, 2009. The following Board actions were of significance:

- A. During 2009, the Board welcomed three new members: Keith Thompson of the Liberty Mutual Insurance Companies, Denis Husers, Appointee of the Commissioner of Insurance, and Wayne Roussel, Appointee of the President of the Senate.

David Ross, State Farm Insurance Companies, was re-elected to serve as a member company representative.

Stephen Schrempp resigned in December, 2009. LAFAC selected J. E. Brignac, Jr., as its representative.

- B. At the June 25, 2009 meeting of the Board of Directors, the election of officers was held. Michael Gray was elected Chairman, Stephen C. Schrempp was elected Secretary, and Markham R. McKnight was elected Treasurer.

- C. At the September 24, 2009 meeting, the Board voted to eliminate the Physical Facilities Committee and Licensing Application Committee. The Board further voted to combine the Legal and Legislative Committees.

VI. Assessments

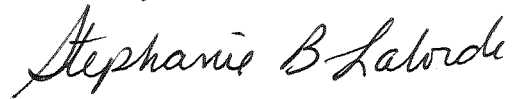
As a result of a substantial decrease in LIGA's claims reserves, the Board authorized a refund of assessment to the Member Insurers during the calendar year 2009 for those portions of the

2002-2004 Assessments that could not yet have been applied toward applicable premium tax credits. Specifically, LIGA refunded 50% of the 2004 assessment, 40% of the 2003 assessment and 30% of the 2002 assessment.

MILLING BENSON WOODWARD, L.L.P.
2009 Report of General Counsel
March 29, 2010

Kindest regards.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie B. Laborde".

Stephanie B. Laborde

SBL/kd

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2009

COMPANY NAME	CLOSED IN 2009	PENDING 12/31/09	DISTRIBUTION	LOSSES	CLAIMS	OUTSTANDING RESERVES
			REFUNDS IN 2009	PAID IN 2009	EXPENSES PAID IN 2009	
ACCELERATION NATIONAL	0	0	0	0	0	0
ALLIANCE CASUALTY	1	1	0	10,221	1,018	79,473
AMERICAN DRUGGIST	0	1	0	25,047	4,736	642,564
AMERICAN EAGLE	0	0	0	0	0	0
AMERICAN FIDELITY	0	0	0	0	0	0
AMERICAN MUTUAL BOSTON	0	5	0	1,769	8,197	637,513
AMERICAN MUTUAL LIABILITY	92	734	21,234	1,757,730	1,207,572	74,354,217
AMERICAN SURETY	0	0	0	0	0	0
ANGLO AMERICAN	0	8	0	94,242	10,816	1,684,302
ARIST NAT'L/CERTIFIED	1	0	0	3,500	2,908	0
CALIFORNIA COMPENSATION	0	1	0	18,457	12,482	459,166
CAR (AUTOMOTIVE CASUALTY)	1	1	0	0	10,327	23,048
CARRIERS	0	0	0	0	0	0
CASCADE	0	0	0	0	0	0
CASUALTY RECIPROCAL	1	13	1,174,478	600,466	86,143	5,281,524
COLONIAL LLOYDS	0	0	0	0	55	0
COMMERCIAL CASUALTY	3	4	0	142,900	59,988	350,437
COMMERCIAL COMPENSATION	0	8	0	112,870	39,972	1,075,870
CREDIT GENERAL	2	24	0	318,594	170,450	5,828,653
DIXIE LLOYDS	0	0	0	0	0	0

LOUISIANA INSURANCE GUARANTY ASSOCIATION
 COMPANY CLAIMS ACTIVITY
 FOR YEAR ENDING 2009

COMPANY NAME	CLOSED IN 2009	PENDING 12/31/09	DISTRIBUTION	LOSSES	CLAIMS	OUTSTANDING RESERVES
			REFUNDS IN 2009	PAID IN 2009	EXPENSES PAID IN 2009	
EARLY AMERICAN	0	0	0	0	0	0
EMPLOYERS CASUALTY	0	10	225,164	(2,757)	1,562	316,145
EMPLOYERS NATIONAL	1	69	0	862,904	223,518	7,244,526
FIDELITY FIRE & CASUALTY	0	0	817	0	0	0
FREMONT INSURANCE CO.	0	1	75,000	72,756	8,728	6,583
GENERAL	1	3	0	0	17,719	23,405
HOME INSURANCE CO.	11	78	202,418	178,543	55,424	11,171,254
IDEAL MUTUAL	0	2	0	507,651	84,250	193,736
IMPERIAL	0	0	0	0	0	0
INSURANCE CORP. OF AMERICA	3	1	0	65,000	23,286	60,489
INTEGRITY	1	1	727	0	460	49,223
LARAMIE	0	1	0	0	6,666	90,982
LEGION INSURANCE CO.	6	22	2,632,681	43,693	97,313	2,238,949
LIBERTY LLOYDS	0	0	0	1,080	0	0
LLOYDS ASSURANCE	0	0	3,055,161	0	0	0
LLOYDS OF LOUISIANA	0	0	556	0	0	0
LUTHERAN BENEVOLENT	2	0	0	0	2,183	0
MAGNOLIA FIRE & CASUALTY	1	0	0	0	1,039	0
MERIT	0	0	8,346	0	0	0
MIDLAND	0	5	0	64,176	23,458	1,130,168

LOUISIANA INSURANCE GUARANTY ASSOCIATION
COMPANY CLAIMS ACTIVITY
FOR YEAR ENDING 2009

COMPANY NAME	CLOSED IN 2009	PENDING 12/31/09	DISTRIBUTION	LOSSES	CLAIMS	OUTSTANDING RESERVES
			REFUNDS IN 2009	PAID IN 2009	EXPENSES PAID IN 2009	
MILLERS INSURANCE CO.	0	0	0	(13,519)	729	0
MISSION	0	4	0	3,380	759	176,118
MISSION NATIONAL	0	3	0	0	3,633	574,469
NATIONAL ALLIED	0	1	0	9,304	10,227	444,351
OLD HICKORY	0	2	0	36,040	4,265	591,045
PACIFIC AMERICAN	0	0	4,377	0	0	0
PACIFIC MARINE	0	2	0	24,575	2,339	727,053
PARK AVENUE P & C INS. CO.	0	11	0	0	0	347,945
PATTERSON INSURANCE CO.	11	18	0	42,700	89,059	146,492
PELICAN STATE MUTUAL	0	2	0	0	12,921	203,238
PETROSURANCE	0	4	0	70,650	32,422	1,235,156
PHICO	0	3	0	0	48,566	203,110
PINNACLE	0	1	0	0	4,432	106,378
PRESIDENTIAL FIRE & CASUALTY	0	4	677	47,786	9,642	547,081
REALM INSURANCE CO.	0	1	0	7,704	2,101	75,447
RECIPROCAL OF AMERICA	0	0	25,000	0	2,272	0
RELIANCE NATIONAL	217	157	0	1,620,352	790,990	137,951,062
ROCKWOOD	4	26	0	1,198,088	(2,500,963)	12,125,283
SAVANT	0	2	0	26,339	11,028	91,384
SECURITY CASUALTY	0	1	0	0	0	147,805

LOUISIANA INSURANCE GUARANTY ASSOCIATION
 COMPANY CLAIMS ACTIVITY
 FOR YEAR ENDING 2009

COMPANY NAME	CLOSED IN 2009	PENDING 12/31/09	DISTRIBUTION REFUNDS IN 2009	LOSSES PAID IN 2009	CLAIMS EXPENSES PAID IN 2009	OUTSTANDING RESERVES
SOUTH CAROLINA INSURANCE CO.	0	0	12,688	0	0	0
SOUTH CENTRAL	0	0	0	0	0	0
SOUTHERN AMERICAN	0	9	81,112	0	60,228	813,137
TRANSIT	1	6	283	79,800	10,893	1,180,551
U.S. CAPITAL	0	0	0	0	0	0
UNITED AGENTS	2	4	0	26,800	39,504	128,608
UNITED COMMUNITY	1	0	0	0	4,967	0
UNITED SOUTHERN ASSURANCE	0	1	0	0	15,312	20,758
VESTA FIRE	0	0	0	0	0	0
VILLANOVA INSURANCE CO.	0	2	31,826	137,500	16,012	43,825
WESTERN PREFERRED	0	0	485	0	0	0

TOTALS	363	1,257	7,553,030	8,196,338	831,606	270,822,523
	=====	=====	=====	=====	=====	=====

**LOUISIANA INSURANCE GUARANTY ASSOCIATION
RETURN PREMIUMS PROCESSED
2009**

<u>COMPANY</u>	<u># OF POLICIES</u>	<u>PAYMENTS</u>
PATTERSON	14	\$ 2,407.13
<hr/>		
TOTALS	14	\$ 2,407.13

**LOUISIANA INSURANCE GUARANTY ASSOCIATION
REPORT ON INSOLVENT COMPANIES
MONIES PAID FROM
DATE OF INSOLVENCY TO 12/31/2009**

COMPANY	LOSSES	EXPENSES	UNEARNED PREMIUMS/ EXPENSES PAID	TOTAL ALL TIME LIGA BILLINGS
ACCELERATION NATIONAL OH 2/28/2001	\$109,200.00	\$70,871.55	\$0.00	\$180,071.55
ALLIANCE LA 6/19/1992	\$5,465,403.26	\$1,305,561.36	\$611,847.69	\$7,382,812.31
AMERICAN DRUGGIST OH 4/30/1986	\$2,326,885.90	\$740,192.43	\$0.00	\$3,067,078.33
AMERICAN EAGLE TX 12/22/1997	\$997,056.18	\$525,345.84	\$8,932.00	\$1,531,334.02
AMERICAN MUTUAL BOSTON MA 3/9/1989	\$6,787,352.91	\$953,410.07	\$0.00	\$7,740,762.98
AMERICAN MUTUAL LIABILITY MA 3/9/1989	\$16,223,282.04	\$17,847,366.73	\$0.00	\$34,070,648.77
ANGLO AMERICAN LA 3/20/1989	\$22,506,707.23	\$4,172,829.70	\$1,035,251.48	\$27,714,788.41
CALIFORNIA COMPENSATION CA 9/26/2001	\$928,681.50	\$378,352.46	\$11,580.00	\$1,318,613.96
CAR (AUTOMOTIVE CASUALTY) LA 1/20/1993	\$29,772,939.19	\$11,623,918.70	\$333,678.75	\$41,730,536.64
CASUALTY RECIPROCAL MO 8/18/2004	\$3,754,438.66	\$859,016.05	\$0.00	\$4,613,454.71
COLONIAL LLOYDS LA 3/27/1992	\$22,166,749.38	\$6,469,606.53	\$5,911,383.05	\$34,547,738.96
COMMERCIAL CASUALTY GA 4/2/2004	\$711,961.53	\$762,191.14	\$0.00	\$1,474,152.67
COMMERCIAL COMPENSATION CA 9/26/2001	\$4,426,400.81	\$1,339,368.21	\$148,830.00	\$5,914,599.02
CREDIT GENERAL OH 1/5/2001	\$12,991,183.11	\$3,842,747.78	\$327,406.94	\$17,161,337.83
EMPLOYERS CASUALTY TX 2/11/1994	\$587,563.62	\$420,717.65	\$0.00	\$1,008,281.27
EMPLOYERS NATIONAL TX 2/11/1994	\$11,840,048.32	\$3,638,276.04	\$7,638.00	\$15,485,962.36

COMPANY	LOSSES	EXPENSES	UNEARNED PREMIUMS/ EXPENSES PAID	TOTAL ALL TIME LIGA BILLINGS
FIDELITY FIRE & CASUALTY LA 9/4/1991	\$11,608,852.54	\$4,917,021.45	\$639,089.05	\$17,164,963.04
FREMONT INSURANCE CO. CA 7/2/2003	\$346,737.53	\$77,210.28	\$0.00	\$423,947.81
HOME INSURANCE CO. NH 6/13/2003	\$1,684,755.72	\$521,197.85	\$0.00	\$2,205,953.57
IDEAL MUTUAL NY 2/7/1985	\$7,557,906.16	\$1,756,885.37	\$5,164.60	\$9,319,956.13
INSURANCE CORP. OF AMERICA TX 4/28/1997	\$3,916,350.21	\$4,379,018.61	\$414,293.43	\$8,709,662.25
LARAMIE WY 2/14/1990	\$6,883,470.38	\$1,945,057.19	\$1,274,804.13	\$10,103,331.70
LEGION INSURANCE CO. PA 7/28/2003	\$6,607,634.73	\$2,498,516.73	\$137,987.44	\$9,244,138.90
LIBERTY LLOYDS LA 5/17/1993	\$42,919,330.92	\$12,101,243.41	\$173,564.46	\$55,194,138.79
LUTHERAN BENEVOLENT MO 12/2/1996	\$1,175,784.26	\$292,644.06	\$103,318.88	\$1,571,747.20
MAGNOLIA FIRE & CASUALTY LA 5/14/1993	\$751,162.78	\$190,109.52	\$79,185.50	\$1,020,457.80
MERIT CASUALTY CO. IL 4/1/1997	\$659,633.89	\$175,728.82	\$0.00	\$835,362.71
MIDLAND NY 4/3/1986	\$10,374,505.62	\$2,665,520.30	\$17,023.59	\$13,057,049.51
MILLERS INSURANCE CO. TX 3/24/2003	\$181,053.85	\$97,358.96	\$0.00	\$278,412.81
MISSION CA 2/24/1987	\$1,650,158.78	\$586,179.83	\$0.00	\$2,236,338.61
MISSION NATIONAL CA 2/24/1987	\$706,469.67	\$580,236.74	\$0.00	\$1,286,706.41
NATIONAL ALLIED TX 10/31/1986	\$1,227,520.01	\$196,209.14	\$0.00	\$1,423,729.15
OLD HICKORY LA 10/31/1991	\$11,045,068.98	\$4,239,407.05	\$2,274,689.75	\$17,559,165.78
PACIFIC MARINE WA 6/7/1989	\$2,690,467.55	\$519,543.61	\$0.00	\$3,210,011.16
PARK AVENUE P & C INS. CO. OK 11/18/2009	\$0.00	\$0.00	\$0.00	\$0.00

COMPANY	LOSSES	EXPENSES	UNEARNED PREMIUMS/ EXPENSES PAID	TOTAL ALL TIME LIGA BILLINGS
PATTERSON INSURANCE CO. LA 3/17/2003	\$6,915,560.99	\$5,574,107.93	\$782,718.75	\$13,272,387.67
PELICAN STATE MUTUAL LA 2/26/1993	\$19,147,364.30	\$5,452,123.93	\$321,366.03	\$24,920,854.26
PETROSURANCE OK 3/14/2002	\$968,963.10	\$272,836.75	\$0.00	\$1,241,799.85
PHICO PA 2/1/2002	\$543,751.91	\$852,920.11	\$14,829.00	\$1,411,501.02
PINNACLE INS. CO. GA 9/20/1999	\$570,378.00	\$250,918.80	\$0.00	\$821,296.80
PRESIDENTIAL FIRE & CASUALTY LA 11/13/1991	\$12,957,227.52	\$2,973,236.62	\$595,841.29	\$16,526,305.43
REALM INSURANCE CO. NY 6/10/2005	\$41,630.48	\$12,344.88	\$0.00	\$53,975.36
RECIPROCAL OF AMERICA VA 6/20/2003	\$654,959.58	\$410,007.11	\$0.00	\$1,064,966.69
RELIANCE NATIONAL PA 10/3/2001	\$48,290,431.49	\$19,310,482.80	\$0.00	\$67,600,914.29
ROCKWOOD PA 8/26/1991	\$28,067,918.92	\$4,558,487.89	\$22,994.25	\$32,649,401.06
SAVANT LA 11/7/2001	\$1,073,406.43	\$280,728.84	\$0.00	\$1,354,135.27
SOUTH CAROLINA INSURANCE CO. SC 3/21/2005	\$0.00	\$12,688.33	\$0.00	\$12,688.33
SOUTHERN AMERICAN UT 3/20/1992	\$902,899.62	\$957,789.10	\$0.00	\$1,860,688.72
TRANSIT CASUALTY CA 12/3/1985	\$23,415,834.39	\$5,914,407.05	\$17,251.46	\$29,347,492.90
U.S. CAPITAL NY 11/20/1997	\$1,959,275.14	\$1,471,939.79	\$0.00	\$3,431,214.93
UNITED AGENTS LA 3/3/2002	\$5,045,954.72	\$2,001,464.39	\$179,232.23	\$7,226,651.34
UNITED COMMUNITY NY 11/10/1995	\$5,802,964.07	\$2,477,350.99	\$166,571.56	\$8,446,886.62
UNITED SOUTHERN ASSURANCE FL 9/18/1997	\$1,304,815.94	\$579,439.67	\$0.00	\$1,884,255.61
VESTA FIRE INSURANCE CO. TX 8/1/2006	\$0.00	\$1,699.95	\$0.00	\$1,699.95

COMPANY	LOSSES	EXPENSES	UNEARNED PREMIUMS/ EXPENSES PAID	TOTAL ALL TIME LIGA BILLINGS
VILLANOVA INSURANCE CO. PA 7/28/2003	\$409,660.59	\$75,589.56	\$0.00	\$485,250.15
INACTIVE COMPANY TOTALS	\$212,654,611.73	\$66,345,923.66	\$21,278,167.54	\$300,278,702.93
TOTALS	\$624,310,326.14	\$212,475,349.31	\$36,894,640.85	\$873,680,316.30