Summary of Supervisions: September 1, 1999 – August 31, 2000

	Existing	New	FY 2000 Year-end Balances
Domestic			
Stock Life	2	4	3
Stipulated Premium			
Surplus Lines Insurers			
Local Mutual Aid Associations			
Fire and/or Casualty	0	1	0
Lloyds			
Title			
Title Agent	0	1	1
Unauthorized Insurers			
Managing General Agents	0	2	0
Local Recording Agent			
Reciprocal			
Fraternal			
Third Party Administrator	0	1	1
Health Maintenance Organization	1	0	0
Premium Finance Company	0	1	0
Foreign			
Totals	***3***	***10***	***5***

Summary of Conservatorships: September 1, 1999 – August 31, 2000

	Existing	New	FY 2000 Year-end Balances
Domestic			
Stock Life	1	2	1
Stipulated Premium			
Surplus Lines Insurers			
Managing General Agents			
Fire and/or Casualty			
Lloyds			
Title			
Unauthorized Insurers			
Title Agents			
Agencies			
Burial			
Fraternal			
Local Recording Agents			
Health Maintenance Organization			
Foreign			
Totals	***1***	***2***	***1***

Summary of Insurers under Court-Directed/Special Administrative Action: September 1, 1999 – August 31, 2000

	Existing	New	FY 2000 Year-end Balances
Domestic			
Stock Life	9	8	6
Stipulated Premium			
Fire and/or Casualty	9	2	8
Lloyds	3	0	3
Burial	1	0	1
Title	1	0	0
Premium Finance Company	0	1	0
Reciprocal	1	0	1
Title Agent			
Agency			
Local Recording Agent			
Managing General Agent	1	2	2
Local Mutual Aid	1	0	0
Health Maintenance Organization	3	2	4
Foreign	2	1	1
Totals	***31***	***16***	***26***

Insurance Companies in Supervision, Conservatorship or under Court-Directed/Special Administrative Action by Fiscal Year

FY	Number At 1st of Year	Number Received During Year	Reinsured Dissolved	Ceased Business Dissolved	In Receiver-ship	Released to Manage-ment	Other Changes	Year-end Balances
1995	34	32	2	4	1	11	6	42
1996	42	26	1	5	1	9	11	41
1997	41	36	1	7	4	14	14	37
1998	37	31	2	3	5	7	16	35
1999	35	30	2	8	4	8	8	35
2000	35	28	3	8	2	7	11	32

Note: *FY 2000/Other Changes: 1 entity moved from Supervision to Conservatorship; 3 entities moved from Supervision to Article 1.32; 3 entities moved from Supervision to Administrative Oversight; 1 entity moved from Conservatorship to Article 1.32; 2 entities moved from Administrative Oversight to Supervision; and 1entity moved from Administrative Oversight to Confidential Conservatorship.*

Companies in Supervision at Beginning of Fiscal Year 2000

Commissioner's Order Number	Dated	Company Name
99-0972	07-09-99	Confidential
99-1050	07-22-99	Confidential
99-1150	08-13-99	Certus HealthCare, L.L.C.

**Confidential pursuant to Texas Statute*

Companies in Conservatorship at Beginning of Fiscal Year 2000

Commissioner's Order Number	Dated	Company Name
99-0182	01-28-99	Confidential

**Confidential pursuant to Texas Statute*

Art. 1.32/Insurers under Court-Directed/Special Administrative Action at Beginning of Fiscal Year 2000

Action	Dated	Company Name
Amended Agreement	04-01-91	Commodore Claim Service
Art. 1.32/92-0903	09-16-92	Provident American Ins. Co.
Agreement Letter	01-13-95	Special Lloyds Ins. Co.
Letter	11-02-95	Bankers Life Ins. Co. of America
Art. 1.32/96-0402	04-11-96	Commercial Indemnity Insurance Co.
Letter	03-12-97	Universal Insurance Exchange
Letter	06-24-97	Empire Lloyds Ins. Co.
Letter	08-26-97	Unistar Ins. Co./International Surety & Casualty
Art. 1.32/97-1005	10-07-97	Gramercy Insurance Co.
Art. 1.32/98-0185	02-13-98	American Chamber Life Ins. Company
Art. 1.32/98-0518	05-07-98	American Insurance Company of Texas
Art. 1.32/98-0520	05-07-98	National Financial Ins. Co.
Letter	05-22-98	Jefferson Life Ins. Co.
Art. 1.32/98-0692	06-15-98	N. A. of Texas, Inc.
Letter	09-28-98	Dallas Fire Ins. Co.
Art. 1.32/98-1131	10-05-98	United Benefit Life Ins. Co.
Letter	10-12-98	American Title Company of Brazos County
Letter	12-07-98	DentiCare, Inc.
Letter	02-23-99	MNM-1997, Inc,/Dorsey Dental
Letter	03-22-99	Mack H. Hannah Life Ins. Co.
Letter	07-12-99	Magnolia Relief Fund
Agreement Letter	07-16-99	Highlands Insurance Co.
Agreement Letter	07-16-99	Highlands Underwriters Insurance Co.
Agreement Letter	07-16-99	Highlands Casualty Company
Agreement Letter	07-16-99	Aberdeen Insurance Company
Agreement Letter	07-16-99	Highland Lloyd
Art. 1.32/99-1046	07-22-99	International Financial Service Insurance Co.
Letter	08-18-99	AECC Total Vision Health Plan
Art. 1.32/99-1179	08-20-99	Franklin Protective Life Insurance Company
Art. 1.32/99-1180	08-20-99	First National Life Insurance Co. of America
Letter	08-24-99	People Funeral Service Insurance Co.

Companies Placed in Supervision Between September 1, 1999 and August 31, 2000

Commissioner's Order Number	Dated	Company Name
99-1254	09-07-99	Confidential
99-1372	10-04-99	Unistar Insurance Company
99-1373	10-04-99	U. S. Fidelity Insurance Services, Inc.
99-1374	10-04-99	Great Southern General Agency
99-1375	10-04-99	Eagle Premium Finance Company
00-0232	02-29-00	Confidential
00-0400	04-10-00	Confidential
00-0538	05-17-00	Confidential
00-0674	06-12-00	Confidential
00-1008	08-31-00	IPA Management Associates, L.P.

**Confidential pursuant to Texas Statute*

Companies Placed in Conservatorship between September 1, 1999 and August 31, 2000

Commissioner's Order Number	Dated	Company Name
99-1330	09-27-99	Confidential
00-0532	05-15-00	Confidential

**Confidential pursuant to Texas Statute*

Insurers under Court-Directed/Special Administrative Action between September 1, 1999 and August 31, 2000

Action	Dated	Company Name
Letter	09-14-99	Universal Health Plan, Inc.
Art. 1.32/99-1436	10-18-99	Eagle Premium Finance Co.
Art. 1.32/99-1437	10-18-99	Great Southern General Agency
Art. 1.32/99-1438	10-18-99	U. S. Fidelity Insurance Service, Inc.
Art. 1.32/99-1559	11-18-99	Mercantile Life Insurance Company
Letter	12-14-99	Liberty Standard Life Insurance Co.
Letter	12-16-99	Champions Life Insurance Co.
Letter	12-16-99	Western American Life Insurance Co.
Letter	12-16-99	Central Security Life Insurance Co.
Letter	12-22-99	Texas Savings Life Insurance Co.
Letter	03-09-00	Benefit Life Insurance Company
Art. 1.32/00-0490	05-04-00	Superior Pacific Casualty Co.
Letter	01-13-00	Dallas General Life Insurance Co.
Letter	01-25-00	Certus HealthCare, L.L.C.
Letter	08-23-00	Western Indemnity Insurance Co.
Letter	08-28-00	Petrosurance Casualty Company

Companies Released from Supervision between September 1, 1999 and August 31, 2000

Commissioner's Order Number	Dated	Company Name
00-0494	05-05-00	Unistar Insurance Company

Companies Released from Conservatorship between September 1, 1999 and August 31, 2000

Commissioner's Order Number	Dated	Company Name
00-0644	06-06-00	Bankers Commercial Life Ins. Co.

Insurers Released from Court-Directed/Special Administrative Action between September 1, 1999 and August 31, 2000

Commissioner's Order Number	Dated	Company Name
Letter	10-15-99	American Title Company of Brazos County
Letter	11-03-99	Dallas Fire Insurance Company
Art. 1.32/00-0209	02-22-00	United Benefit Life Insurance Co.
Letter	03-14-00	DentiCare, Inc.
Letter	04-07-00	Magnolia Relief Fund
Art. 1.32/00-0399	04-10-00	Mercantile Life Insurance Co.
Art. 1.32/00-0641	06-06-00	International Financial Service Life Insurance Co.
Art. 1.32/00-0642	06-06-00	Franklin Protective Life Insurance Co.
Art. 1.32/00-0643	06-06-00	First National Life Insurance Co. of America
Art. 1.32/00-0783	06-30-00	American Chambers Life Insurance Co.
Art. 1.32/00-0784	06-30-00	Great Southern General Agency
Art. 1.32/00-0785	06-30-00	Eagle Premium Finance Company
Letter	07-19-00	Liberty Standard Life Insurance Co.
Letter	07-31-00	Texas Savings Life Insurance Co.
Letter	08-31-00	Central Security Life Insurance Co.
Letter	08-31-00	Champions Life Insurance Co.
Letter	08-31-00	Western American Life Insurance Co.
Art. 1.32/00-1009	08-31-00	Gramercy Insurance Company

Insurance Companies and Affiliates in Receivership as of August 31, 2000

No.	Receivership Name	Cause No.	District Court
329	Dexter Lloyd's Insurance Company	405,847	345th
375	First Service Life Insurance Company	454,774	53rd
442	Commodore Life Insurance Company	490,005	201st
447	American Guardian Ins. Underwriters Lloyds, et al	492,413	53rd
450	Texas Employers Ins. Association	91-1681	201st
461C	Sir Lloyd's Insurance Company	91-12765	200th
462C	Standard Financial Indemnity Corp.	91-12766	201st
465	Comco Insurance Company	91-14077	345th
473C	Members Mutual Insurance Company	92-10489	299th
485C	Eagle Insurance Company	93-12483	250th
487C	Employers Casualty Company	92-02133	353rd
489C	Employers of Texas Lloyd's, et al	94-00949	353rd
490C	Employers National Insurance Company	94-00950	53rd
492C	International Lloyds Insurance Company	96-02960	126th
495C	United Republic Insurance Company	97-07775	126th
496C	American Eagle Insurance Company	97-13405	201st
498C	Gulf Atlantic Life Insurance Company	97-12317	126th
499C	Professional Benefits Insurance Company	98-04500	201st
500C	Comprehensive Health Services of TX., Inc.	99-01313	353rd
501C	Legal Security Life Insurance Company	99-03277	98th
503C	The Statesman National Life Insurance Co.	99-02772	250th
504C	Unistar Insurance Company	GV000639	390th
505C	Bankers Commercial Life Insurance Co.	GV000750	353rd
506C	Medical Community Insurance Company	GV002304	353rd

Receiverships by Fiscal Year: New Receiverships/Receiverships Closed

Fiscal Year	Balance Receiverships Beginning	New Receiverships	Receiverships Closed
1980	52	1	4
1981	49	8	7
1982	50	11	19
1983	42	13	0
1984	55	3	3
1985	55	20	1
1986	74	19	2
1987	91	18	1
1988	108	25	2
1989	131	40	14
1990	157	33	28
1991	162	18	26
1992	154	15	36
1993	133	9	40
1994	102	7	25
1995	84	1	32
1996	53	1	17
1997	37	3	8
1998	32	*6	6
1999	32	†3	5
2000	30	3	9

As of August 31, 2000 — 24 Active Receiverships

** These numbers reflect that two receiverships that had previously closed, Gibson National Life Insurance Company and Commodore Life Insurance Company, were reopened.*

† Not included in this number was one third party administrator that was placed in receivership.

CONSOLIDATED RECEIVERSHIPS
BALANCE SHEET

	08/31/2000	08/31/1999
Cash Assets		
Operating Account	$3,346,485	$ 3,861,375
Texas Treasury Account	148,422,515	173,101,787
Court Approved Deposits	4,004,024	4,055,147
Early Access / Texas GA	282,984,254	282,820,145
Early Access / Other GAs	80,475,154	50,243,058
Assets/for recovery		
Funds Restricted	(1,499,716)	(649,031)
Premiums	49,422,724	51,870,158
Agent Balances	3,083,561	3,001,580
Reinsurance	52,116,180	54,493,165
Subrogation	9,767,086	11,582,329
Other	44,260,374	41,105,243
Allowance for Recovery	(73,217,545)	(81,595,503)
Stocks/Bonds	10,114,769	10,591,072
Real Estate	13,424	1,100
Mortgages/Notes	387,999	426,763
Other	22,573,378	17,502,075
Allowance for Recovery	(19,268,864)	(17,327,750)
Furniture & Fixtures	134,475	84,570
Computers/Software	3,000	3,000
Home Office Building	1,780,000	7,000
Allowance for Recovery	0	0
TOTAL ASSETS	***618,903,275***	***605,177,282***

	08/31/2000	08/31/1999
Company Liabilities		
Class I Reserves - G/A	$11,142,825	$11,137,145
Class II Claims Reserves - G/A	562,908,125	603,636,362
Class II Claims Reserves - Non-G/A	144,365,809	144,444,809
Other Liabilities	76,064,678	76,094,041
Class I Creditors		
SDR Fees	458,157	391,790
SDR Sub-Contractors	339,090	254,750
Receivers Allocation	60,244	54,751
GA - Claims Expense	68,959,049	61,510,328
Other Class I	4,534,351	4,080,606
Class II Creditors		
Policyholder Claims	87,448,183	96,152,358
GA – Policyholder Claims Paid	452,976,664	456,296,844
Other Class II	31,096,909	26,939,452
Class III Creditors		
IRS Payable	512,812	852,768
General Creditors	10,888,652	49,934,370
Reinsurance Payable	41,437,292	54,426,273
Other Class III	67,880,245	69,333,911
Class IV Creditors		
Surplus Debentures	0	0
Ownership Interests	0	0
Other Class IV	1,853,812	1,080,073
Total Company Liabilities	1,562,926,898	1,656,620,632
Accumulated (Loss) Equity	(937,641,978)	(1,051,443,351)
Unrealized Recovery	(6,381,645)	0
TOTAL LIABILITIES AND EQUITY	***618,903,275***	***605,177,282***

	08/31/2000	08/31/1999
Funds Held		
Funds Held for Others	0	78,559
Funds Held for Others Expense	0	(6,560)
Premium		
Collections	4,912,879	6,572,923
Collection Expense	(735,982)	(860,228)
Litigation Expense	(187,565)	(210,106)
Receivable		
Agents Balance Receipts	92,649	289,043
Agents Balance Expense	(33,522)	(89,093)
Reinsurance Recovery	4,741,334	18,675,968
Reinsurance Expense	(1,895,486)	(1,718,639)
Subrogation Recovery	1,758,508	3,533,522
Subrogation Expense	(588,285)	(1,274,248)
Intercompany Receivable Receipts	65,256	1,132,869
Intercompany Receivable Expenses	(1,883)	(1,129,743)
Other Receivable Receipts	1,216,875	520,664
Other Receivable Expenses	(44,104)	(71,317)
Litigation Receivable		
D & O Litigation Recovery	0	0
D & O Litigation Expense	(183,421)	(1,772)
Judgment/Settlement Collections	88	2,613,408
Judgment/Settlement Expense	0	(505)
Investment Account Receipts	6	0
Investment Account Expense	0	0
Other Litigation Receipts	0	436,000
Other Litigation Expense	(365,002)	(453,870)

	08/31/2000	08/31/1999
Sale/Conversion of Investment Assets		
Securities/Bonds Sales Receipts	1,060,473	1,450,672
Securities/Bonds Sales Expense	(15,550)	(17,501)
Statutory Deposit Receipts	1,191,513	11,733,851
Statutory Deposit Expense	(22,381)	(45,561)
Real Estate Sales Receipts	46,351	0
Real Estate Sales Expense	(33,830)	(425)
Mortgage Note Expense	(401)	(2,652)
Subsidiary Affiliate Receipts	944,702	0
Subsidiary Affiliate Expense	(22,488)	(41,143)
Other Assets Receipts	70,444	1,331,318
Other Assets Sales Expense	(131,825)	(305,034)
Sale of Company Fixed Assets		
Charter Sales Receipts	3,000	5,000
Charter Sales Expense	(2,245)	(5,791)
Furniture, Fixtures & Equipment Receipts	81,598	79,051
Furniture, Fixtures & Equipment Expense	(4,696)	(15,141)
Company Real Estate Receipts	0	380,200
Company Real Estate Expense	0	(35,568)
Other Fixed Asset Receipts	1,893	625
Other Fixed Asset Expense	(700)	0
Net Income from Assets/Receivable	**11,918,203**	**42,548,776**
Passive Income		
Investments Interest/Dividends	145,162	90,897
Cash Deposit Interest Income	8,298,019	13,711,503
Early Access Imputed Interest Income	1,696,087	1,449,120
Net Income/Including Passive	**22,057,471**	**57,800,297**

CONSOLIDATED RECEIVERSHIPS
STATEMENT OF RECEIPTS AND EXPENDITURES

	08/31/2000	08/31/1999
Claims Expenses:		
Covered Claims Expense		
G/A Expense	(4,833,035)	(11,320,172)
SDR Fees	(674,341)	(708,180)
SDR Subcontractor Fees	(129,690)	(231,816)
Other Covered Claims	(66,999)	(117,747)
Non Covered Claims Expenses		
SDR Fees	(844,813)	(804,350)
SDR Subcontractor Fees	(364,160)	(261,800)
Other Non Covered Claims	(25,235)	(41,035)
Claims Paid/Distribution:		
Covered Claims Funded - G/A	25,256,798	38,437,522
Covered Claims Paid - G/A	(24,720,239)	(37,646,499)
Early Access - G/A	(16,025,166)	(28,616,287)
Non-Covered Claims Paid/Receivership Distribution	(20,217,541)	(23,299,078)
Total Claims Expenses	***(42,644,420)***	***(64,609,442)***
Class I General Administration Expenses		
Liquidation Division Expense	(11,091)	(121,962)
Bank/Miscellaneous Charges	(41,072)	(45,664)
Building/Utilities	(360,228)	(245,303)
Contract/Employee	(228,515)	(190,138)
Equipment/Lease/Maintenance	(358,756)	(401,221)
Employee - Payroll, PRTax, Benefits	(76,105)	(51,984)
Equipment Lease/Inventory/Storage/Moving	(281,071)	(269,579)
Mailing/Printing/Postage/Publication	(65,576)	(46,204)
Office Supplies/Miscellaneous	23,410	(31,199)
Telephone	(27,428)	(17,787)
Receivership Allocation	(826,549)	(705,144)
Class I General Administration Expenses	**(2,252,980)**	**(2,126,185)**

	08/31/2000	08/31/1999
Class I Subcontractor Administration Expenses		
Accounting/Auditing/Federal Income Tax Service	(102,372)	(154,640)
Consulting Fees/Services	(103,201)	(214,923)
Legal Fees/Services	(186,041)	(222,968)
Class I SDR Administration Expenses		
SDR Administration	(891,435)	(902,523)
SDR Accounting	(442,196)	(399,838)
SDR Special Services	(290,101)	(86,369)
SDR Legal Services	(139,393)	(125,991)
Total Receivership Administrative Expense	***(4,407,718)***	***(4,233,438)***
Net Increase (Decrease) to Receivership Cash	**(24,994,668)**	**(11,042,582)**
FY 2000 Reconciliation Adjustments	313,995	(6,978,738)
CASH AVAILABLE as of 8/31/00	***155,774,124***	***180,454,797***

TEXAS PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

Audited Financial Statements

December 31, 1999

Disclaimer: *The state's three insurance guaranty associations now report receivership activity on a calendar year basis. The latest data available is for Calendar Year 1999. As a result, the data provided by the guaranty associations no longer correspond directly to data in the receivership report prepared by TDI's Liquidation Oversight. TDI's report is for the state's Fiscal Year 2000 that runs from September 1, 1999 through August 31, 2000.*

Texas Property & Casualty Insurance Guaranty Association

Statement of Financial Position

December 31

	1999	1998
ASSETS		
Cash and Cash Equivalents (Notes 1 and 2)	$ 7,405,757	$ 17,089,423
Investments, at Fair Value (Note 3)	320,478,597	296,460,193
Accounts Receivable - Other	128,524	132,613
Assessments Receivable	-0-	12,000,000
Loans Receivable (Note 5):		
Administrative	$ 40,285,394	$ 42,492,132
Auto	115,355,290	122,840,505
Other Lines	73,162,437	71,155,343
Workers' Compensation	155,730,788	146,736,561
Total Loans Receivable	384,533,909	383,224,541
Allowance for Doubtful Accounts (Notes 1 and 5)	(384,533,909)	(383,224,541)
Net Loans Receivable	--	--
Property and Equipment (Note 1):		
Furniture and Equipment	648,616	648,616
Computer Systems	1,223,491	1,196,441
Telephone Systems	167,778	156,383
Company Vehicle	16,319	16,319
Leasehold Improvements	81,191	81,191
Accumulated Depreciation	(1,464,925)	(1,278,364)
Net Property and Equipment	672,470	820,586
TOTAL ASSETS	$ 328,685,348	$ 326,502,815

The accompanying notes are an integral part of these financial statements.

Texas Property & Casualty Insurance Guaranty Association

Statement of Financial Position

(Continued)

December 31

	1999	1998
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 413,380	$ 451,712
Employee Health Claims	7,505	10,964
Outstanding Checks	1,910,992	2,386,453
Current Portion of Claims Payable (Note 6)	29,000,000	45,000,000
Total Current Liabilities	31,331,877	47,849,129
Long-term Liabilities:		
Claim Liabilities (Note 6):		
Loss Adjustment Expense	22,722,854	26,563,792
Auto	1,620,821	3,165,782
Other Lines	18,494,324	31,972,332
Workers' Compensation	274,107,365	285,353,151
Total Long-term Claim Liabilities	316,945,364	347,055,057
Other Long Term Liabilities:		
Early Access Distribution (Note 6)	28,185,807	23,198,226
Total Other Long Term Liabilities	28,185,807	23,198,226
TOTAL LIABILITIES	$ 376,463,048	$ 418,102,412
Net Assets (Deficit), Permanently Restricted (Note 7)	(47,777,700)	(91,599,597)
TOTAL LIABILITIES AND NET ASSETS	$328,685,348	$ 326,502,815

The accompanying notes are an integral part of these financial statements.

Texas Property & Casualty Insurance Guaranty Association

Statement of Activities and Changes in Net Assets

For the Year Ended December 31

	1999	1998
Revenues:		
Distributions	$ 37,217,993	$ 86,183,676
Assessments	(237,357)	12,000,000
Investment Income, Net (Note 10)	1,662,976	21,941,147
Interest on Accounts	580,235	162,481
Subrogation and Salvage Recoveries	504,036	558,983
Miscellaneous Income	13,254	97,544
Total Revenues	39,741,137	120,943,831
Claims Activity:		
Claims Payments:		
Claims Administration	6,577,170	10,066,946
Auto	1,348,355	2,179,889
Other Lines	8,584,057	19,476,658
Workers' Compensation	16,092,466	19,115,456
Total Claims Payments	32,602,048	50,838,949
Change in Claims Liabilities	(41,217,701)	(15,183,482)
Total Claims Activity	8,615,653	(35,655,467)
Excess (Deficiency) of Revenues over Claims Activity and Refunds	$ 48,356,790	$ 85,288,364

The accompanying notes are an integral part of these financial statements.

Texas Property & Casualty Insurance Guaranty Association

Statement of Activities and Changes in Net Assets

(Continued)

For the Year Ended December 31

	1999	1998
Operating Expenses:		
Employment Expenses	$ 2,901,098	$ 2,993,305
Employee Relations	7,014	7,699
Education and Staff Development	42,954	60,045
Contract Labor	780	12,885
Legal Fees	39,650	39,651
Audit Fees	14,850	13,944
Consulting	52,625	3,813
Leasehold Improvements	650	349
Office Rent and Overhead	482,347	543,316
Insurance	67,717	65,459
Furniture & Equipment	2,537	2,827
Equipment Rental	51,763	99,250
Computer Systems	366,289	423,993
Telephone	77,348	82,207
Office Supplies	30,434	32,471
Postage & Delivery	49,290	59,945
Printing	5,800	8,593
Advertising-Employee Procurement	-	23
Travel	38,020	60,658
Professional Meetings	28,281	38,383
Reference Materials	12,615	10,890
Subscriptions & Professional Dues	59,785	65,772
Property Taxes	16,125	19,016
Bank Charges	360	360
Depreciation Expense	186,561	282,790
Total Operating Expenses	4,534,893	4,927,644
Increase (Decrease) in Net Assets	43,821,897	80,360,720
Losses on Sale of Property and Equipment	--	(7,666)
Beginning Net Assets (Deficit) at January 1	(91,599,597)	(171,952,651)
Net Assets (Deficit) at December 31	$ (47,777,700)	$ (91,599,597)

The accompanying notes are an integral part of these financial statements.

Texas Property & Casualty Insurance Guaranty Association

Statement of Cash Flows

for the Year Ended December 31

	1999	1998
Cash flows from Operating Activities:		
Decrease in Net Assets	$43,821,897	$80,360,720
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	186,561	282,790
Unrealized Gains on Investments	10,830,144	1,417,942
Change in Assets and Liabilities:		
(Increase) Decrease in Assessments Receivable	12,000,000	(12,000,000)
(Increase) Decrease in Other Assets	4,089	6,721
Increase (Decrease) in Claims Liabilities	(41,217,701)	(15,183,482)
Increase (Decrease) in Other Liabilities	(517,252)	776,845
Total Adjustments	(18,714,159)	(24,699,184)
Net Cash (Used) Provided by Operating Activities	25,107,738	55,661,536
Cash flows from Investing Activities:		
Capital Expenditures	(38,445)	(282,734)
Sale of Property and Equipment	--	18,865
Losses on Sale of Property and Equipment	--	(7,666)
Purchase of Investments	(840,346,399)	(878,119,816)
Proceeds from Sales and Maturity of Investments	805,593,440	837,004,897
Net Cash (Used) Provided by Investing Activities	(34,791,404)	(41,386,454)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,683,666)	14,275,082
Cash and Cash Equivalents at January 1	17,089,423	2,814,341
Cash and Cash Equivalents at December 31 (Note 2)	$ 7,405,757	$ 17,089,423

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

December 31, 1999

1. Summary of Significant Accounting Policies

Organization - Texas Property and Casualty Insurance Guaranty Association (the Association) is a nonprofit organization formed under the Texas Property and Casualty Insurance Guaranty Act (the Act) to protect holders of covered claims, contracts of reinsurance, assumption of liabilities or otherwise.

Membership in the Association is mandatory for any insurance company authorized in Texas to transact any kind of insurance business to which the Act applies. Membership assessments are made by the Board of Directors of the Association based on estimates of amounts necessary to provide funds to carry out the purposes of the Act with respect to impaired insurers. Any amount in excess of guaranty obligations and continuing expenses of the Association may be refunded by an equitable method at the discretion of the Board of Directors.

Basis of Accounting - The financial statements are presented on the accrual basis of accounting; consequently, revenue is recognized when earned, and expenses are recognized when the obligations are incurred. Assessment revenue is recognized when billed. Claims liability is recognized using estimates of claims outstanding for each impaired insurer at the date of impairment.

Tax Exempt Status - The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association is also exempt from payment of all fees and taxes levied by the state of Texas or any of its subdivisions, except taxes levied on real and personal property.

Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments to be cash equivalents. This includes checking account balances and mutual fund investments.

Investments - Investments are carried at fair value.

Derivatives - Mortgage-backed Pass-through Securities are used to enhance the Association's investment rate of return and are recorded at market value. The Association's involvement in derivatives is limited with the level of investment not to exceed 20% of the portfolio. The balance of derivatives at December 31, 1999 and 1998 represented 16.0% and 14.3%, respectively of the portfolios fair value.

Furniture, Equipment and Leasehold Improvements - Fixed assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets, ranging from five to ten years.

1. Summary of Significant Accounting Policies, Continued

Allowances for Uncollectible Loans - The Association fully reserves for all such loans; therefore, loan repayments are recorded as revenue when received in cash.

2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, consisted of the following:

	1999	1998
Cash in Bank	$ 651,099	$ 4,630,326
Commercial Paper	1,985,463	0
Mutual Funds	4,769,195	12,459,097
	$ 7,405,757	$ 17,089,423

The Association's mutual fund investments are not insured by the Federal Deposit Insurance Corporation nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution. Mutual fund investing is subject to investment risks, including possible loss of the principal amount invested.

At December 31, 1999 and 1998, the Association maintained demand accounts with bank balances in excess of federally insured limits of $1,095,563 and $4,844,872. The carrying value of these demand accounts, resulting from outstanding checks, was $651,099 in 1999 and $4,630,326 in 1998.

3. Investments

The Association's investment policy sets guidelines and parameters through which investment managers have full discretion. Securities must have maturity dates within ten years of the date of purchase, with the exception of Mortgage-backed Pass-through Securities. The following securities and investment transactions are acceptable for investment if they meet the restrictions set forth in the Investment Policy:

A. direct security repurchase agreements (underlying security must be U.S. Treasury securities);
B. reverse security repurchase agreements (underlying security must be U.S. Treasury securities);
C. direct obligations of or obligations where the principal and interest of which are guaranteed by the United States;
D. direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government;

3. <u>Investments, Continued</u>

E. bankers' acceptances that:
   - _ are eligible for purchase by the Federal Reserve System;
   - _ do not exceed 270 days to maturity; and
   - _ are issued by a bank that has received the highest short term credit rating by a nationally recognized investment rating firm;

F. commercial paper that:
   - _ does not exceed 270 days to maturity; and
   - _ has received the highest short term credit rating by a nationally recognized investment rating firm;

G. direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, and the International Finance Corporation that have received the highest credit rating by a nationally recognized investment rating firm;

H. direct obligations of a state or an agency, county, city, or other political subdivision of a state (the municipal securities shall be rated A or better on long term debt and A-1 or SP-1 for short term maturity assets or the equivalent by a nationally recognized rating service). Investments shall be limited to no more than 1% investment in any one single issuer's debt.

I. mutual funds which invest only in direct obligations of a state or an agency, county, city or other political subdivision of a state (no M.U.D.s allowed);

J. bank certificates of deposit; must be purchased from domestic and foreign banking institutions with U.S. branches ("Yankee CDs") that have ratings similar to those used for purchasing commercial paper and bankers' acceptances. Investments shall be limited to no greater than 10% of an individual bank's total capital, surplus and undivided profits.

K. mutual funds which invest only in investments described in some or all of the items (A) through (J) above.

L. Mortgage-backed Pass-through Securities must be AAA rated by Standard & Poor's or Moody's and have prepayment assumptions of ten years or less if they have price liquidity characteristics documentably similar to ten year or shorter investments. The total aggregate of Mortgagee-backed Pass-through Securities cannot exceed 20% of the manager's total portfolio. Inverse floaters are not allowed. Investments are limited to GNMA, FNMA or FHLMC obligations, although investments in FHLMC obligations are limited to the lesser of $5 million or 5% of the total portfolio of the Association.

M. Security lending is authorized through the investment custodian, but the collateral accepted must meet the following guidelines: a) collateral is maintained at a minimum level of 102% of market value or greater; b) the collateral is valued daily to assure the required collateral level; c) the collateral is held by the Association or its third party custodian; and d) collateral is always cash, U.S. government securities or U.S. government agency or instrumentality securities. Securities lending activities must be governed by a Master Agreement.

3. Investments, Continued

Investments at December 31, were as follows:

1999	Fair Value	% of Fair Value
Commercial Paper	$ 6,655,807	2.1%
U. S. Treasury Issues	148,752,042	46.4%
Federal Agency Issues	88,623,149	27.7%
Mortgage-backed Pass-through Securities (Derivatives)	51,241,651	16.0%
Cash Equivalents	13,873,811	4.3%
Short Term Notes and Bonds	8,007,762	2.5%
Accrued Interest	3,324,375	1.0%
Total at December 31, 1999	$ 320,478,597	100.0%

1998	Fair Value	% of Fair Value
Commercial Paper	$ 8,000,000	2.7%
U. S. Treasury Issues	154,622,215	52.1%
Federal Agency Issues	86,211,694	29.1%
Mortgage-backed Pass-through Securities (Derivatives)	42,522,621	14.3%
Cash Equivalents	(3,970,766)	(1.3)%
Short Term Notes and Bonds	5,927,045	2.0%
Accrued Interest	3,147,384	1.1%
Total at December 31, 1998	$ 296,460,193	100.0%

3. Investments, Continued

The following methods and assumptions were used to estimate the fair value of each class of investment:

Short Term Promissory Notes, Outside Managed Treasury Mutual Funds and Accrued Interest: The cost of these investments approximates fair value because of the short maturity of those instruments.

U.S. Treasury Bills, Notes, Government Agency Bonds, U.S. Government Agency Discount Notes, Government National Mortgage Association, African Development Bank and Asian Development Bank: The fair values of debt securities are based on quoted market prices at the reporting date for those investments.

Mortgage-backed Pass-through Securities (Derivatives): The fair value of these investments is estimated by obtaining quotes from brokers.

4. Membership Assessments

The Association is authorized by the Texas Insurance Code, Annotated Article 21.28-C, Section 18 to assess member insurers in amounts necessary to pay both claims and administrative expenses of the Association.

Annual assessment ability is estimated below using the most recent premium information available (1998):

Line-of-Business	Premium Base	Assessment Capability
Automobile	$ 9,707,946,049	$ 194,158,921
Other Lines	6,813,364,146	136,267,283
Workers' Compensation	2,959,063,649	59,181,273
	$19,480,373,844	$ 389,607,477

In the event of a natural disaster or other catastrophic event, the Association may apply to the Governor for authority to assess each member insurer that writes insurance coverage other than motor vehicle coverage or workers' compensation coverage, an additional amount not to exceed 2% of the insurer's net direct written premium for the preceding calendar year.

5. Loans Receivable

Loans receivable consist of advances to and claims payments made and expenses paid on behalf of impaired insurers. An allowance is made for these loans in total; therefore, these loans are expensed when made. Any repayments of the loans are recorded as revenue when received in cash.

6. Claims Liability

The liability for claims payable is an estimated amount for all impaired companies. No provision is made for repayments or recoveries; such recoveries are recognized when received in cash. Early access distributions are recorded as long term liabilities until those estates are closed.

7. Permanently Restricted Net Assets (Deficit)

As a result of recording estimates of claims payable at the date of impairment, the Association has a deficit in net assets of $47,777,700 and $91,599,597 at December 31, 1999 and 1998, respectively. The Association has the authority to assess members as necessary in subsequent years to meet its responsibility to pay claims of these impaired companies. Assessment ability and recorded claims liability at December 31, 1999, are as follows:

Line-of-Business	Claims Payable	Annual Assessment Capability
Automobile	$ 1,620,821	$194,158,921
Other Lines	18,494,324	136,267,283
Workers' Compensation	274,107,365	59,181,273
Loss Adjustment Expenses	22,722,854	No Limit
Total	316,945,364	
Current	29,000,000	
Long Term	$345,945,364	

As mentioned in Note 4, the Association, in the event of a natural disaster or other catastrophic event, may have additional assessment capability.

Assessments are made annually based on annual cash flow needs to meet claims liabilities as paid in cash. No provision has been made for recoveries from company assets to meet these obligations.

All assets are considered permanently restricted under the Act creating the Association.

8. Commitments and Contingencies

The Association leases certain office space. This lease expires in November, 2004. The Association is obligated for the following minimum lease payments:

	Minimum Lease Payment
2000	$ 514,659
2001	515,569
2002	525,581
2003	526,188
2004	488,458
	$ 2,570,455

The Association, by its nature, is subject to various ongoing claims by insurance companies, policyholders, receiverships and creditors of the receiverships. Some of these claims are in the form of litigation against the Association.

9. Significant Group Concentrations of Risk

Most of the Association's business activity, assessment revenue and advances are with concerns in the insurance industry in the state of Texas. At year end, all of the Association's advances receivable are from companies that are operating or have operated in Texas.

The Association, as described in Note 2, has a significant concentration of credit risk arising from cash deposits in excess of federally insured limits.

10. Investment Income

Investment income is reported net of realized losses on investment sales, custodian fees and investment manager’s fees realized throughout the year. Gross earnings for 1999 were $11,494,865 (including $10,830,144 in unrealized losses, $5,370,697 in realized gains and security lending income of $255,216), net of realized losses of $9,476,461, custodian fees of $21,932, and investment manager’s fees of $333,496, resulting in net investment income of $1,662,976. Gross earnings for 1998 were $30,319,106 (including $1,417,942 in unrealized gains, $15,407,839 in realized gains and security lending income of $151,273), net of realized losses of $8,022,129, custodian fees of $25,074, and investment manager’s fees of $330,756, resulting in net investment income of $21,941,147.

11. Deferred Compensation Plan

The Association has established a defined contribution retirement plan (the plan) (a "profit sharing" plan under IRS Section 401(a) Plan. The plan is open to all employees. The employer made a discretionary contribution of 3% of all employees' compensation for the plan year. The employer will make a "matching contribution" to the plan on behalf of the employees in the amount of 100% of the employees' elective deferral, up to 3% of total compensation for the plan year. The employee may make discretionary before tax contribution to the plan not to exceed Internal Revenue Service limitations. The Association's contribution for the years ended December 31, 1999 and 1998, were $133,655 and $141,650 respectively. The employees contributed $163,930 and $149,524 for 1999 and 1998 respectively. The employees are fully vested in their own contributions to the plan and become vested in the employer contributions to the plan as follows based on years of service: 1 year - 20%; 2 years - 40%; 3 years - 60%; 4 years - 80%; and 5 years - 100%.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE INSURANCE GUARANTY ASSOCIATION

Audited Financial Statements

December 31, 1999 and 1998

Disclaimer: *The state's three insurance guaranty associations now report receivership activity on a calendar year basis. The latest data available is for Calendar Year 1999. As a result, the data provided by the guaranty associations no longer corresponds directly to data in the receivership report prepared by TDI's Liquidation Oversight. TDI's report is for the state's Fiscal Year 2000 that runs from September 1, 1999 through August 31, 2000.*

LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE
INSURANCE GUARANTY ASSOCIATION

Statement of Financial Position

December 31, 1999 and 1998

	1999	1998
ASSETS		
Cash and Cash Equivalents (Note 2)	$ 95,761,297	$ 91,918,422
Investments (Note 3)	785,368	901,115
Receivable:		
Billed Assessments, (Net of Allowance of $1,713,616 and $1,863,162 (Note 4):	1,253,219	537,066
Inter-account Loans (Note 6)	13,337,429	17,659,898
Other Receivables	43,376	40,865
Unbilled Assessments (Note 4)	86,112,734	104,826,901
Loans & Proofs of Claims, (Net of Allowance of $299,790,628 and $273,839,762 (Note 5)	7,265,500	27,091,522
Lawsuit Settlement	543,765	1,197,857
Total Assets	$205,102,688	$244,173,646
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	$ 412,697	$ 429,737
Accrued Expenses	387,307	243,363
Inter-account Borrowings (Note 6)	13,337,429	17,659,898
Refunds Payable	11,884,404	4,648,094
Insurance Contractual Obligations (Note 8)	146,923,266	171,548,342
Total Liabilities	172,945,103	$194,529,434
Commitments and Contingencies (Note 9)	--	--
Net Assets (Note 11):		
Permanently Restricted	32,157,585	49,644,212
Total Liabilities and Net Assets	$205,102,688	$244,173,646

The accompanying notes are an integral part of these financial statements.

LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE

INSURANCE GUARANTY ASSOCIATION

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 1999 and 1998

	1999	1998
REVENUES		
Assessments (Note 4)	$ 15,231,151	$ 23,200,548
Changes in Unbilled Assessments	(18,714,167)	(28,049,344)
Recoveries from Estates	(503,055)	17,761,215
Interest	4,861,853	6,167,061
Premiums	1,302,921	1,981,297
Other	903	4,719
Total Revenues	2,179,606	21,065,496
EXPENSES		
Claims:		
Changes in Insurance Contractual Obligations	(24,625,076)	(97,474,768)
Claims Paid	4,388,433	6,283,890
Assumptive Reinsurance Agreements	18,068,785	95,946,438
Third Party Administrators	246,628	63,680
Interest	591,172	1,078,310
National Task Forces	714,078	379,840
	(615,980)	6,277,390
Refunds of Prior Years' Assessments (Note 4)	18,790,117	4,831,749
Administrative Costs:		
Salaries and Benefits	--	94,116
Legal and Professional	157,770	325,432
Management Service Contract	1,149,000	1,056,000
Other	185,326	185,766
	1,492,096	1,661,314
Total Expenses	19,666,233	12,770,453
Revenues over (under) Expenses	(17,486,627)	8,295,043
Net Assets - Beginning	49,644,212	41,349,169
Net Assets - Ending	$32,157,585	$49,644,212

The accompanying notes are an integral part of these financial statements.

LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE

INSURANCE GUARANTY ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 1999 and 1998

	1999	1998
Cash Flows from Operating Activities:		
Excess of Revenues over (under) Expenses	$ (17,486,627)	$ 8,295,043
Adjustments to Reconcile Excess of Revenue over (under) Expenses to Net Cash Provided by Operating Activities:		
Allowance for Assessment Receivable	(149,546)	(39,467)
Amortization of Bond Discount	--	(625,243)
Change in Assets and Liabilities:		
(Increase) Decrease in Unbilled Assessments Receivable	18,714,167	28,049,344
(Increase) Decrease in Assessments Receivable	(566,608)	(186,835)
(Increase) Decrease in Lawsuit Settlement Receivable	654,092	655,064
(Increase) Decrease in Other Receivables	(2,510)	(31,563)
Increase (Decrease) in Accounts Payable	(17,040)	(57,132)
Increase (Decrease) in Accrued Expenses	143,944	(107,403)
Increase (Decrease) in Refunds Payable	7,236,311	(1,477,027)
Increase (Decrease) in Insurance Contractual Obligations	(24,625,076)	(97,474,768)
Total Adjustments	1,387,734	(71,295,030)
Net Cash (Used) Provided by Operating Activities	(16,098,893)	(62,999,987)
Cash Flows from Financing Activities		
Principal Reduction in Notes Payable	--	(19,900,000)
Inter-account Loans – Made	(14,210,618)	(17,080,101)
Inter-account Loans – Collected	18,533,087	441,911
Inter-account Borrowings – Repaid	(18,533,087)	(441,911)
Inter-account Borrowing – Received	14,210,618	17,080,101
Net Cash (Used) Provided by Financing Activities	--	(19,900,000)
Cash Flows from Investing Activities:		
Maturities of Government Securities	--	28,989,000
Investments in Escrowed Funds - MBL	646,940	(29,480)
Investment in Escrowed Funds - Kentucky Central Life	(531,193)	1,275,975
Increase in Allowance for Uncollectible POC and Loans	25,950,865	86,257,331
Proofs of Claim Filed	(25,331,844)	(103,860,285)
Sale of Furniture and Equipment	--	69,294
Recoveries from Estates	19,207,000	20,881,062
Net Cash (Used) Provided by Investing Activities	19,941,768	33,582,897
Net Increase (Decrease) in Cash and Cash Equivalents	3,842,875	(49,317,090)
Cash and Cash Equivalents at January 1	91,918,422	141,235,512
Cash Equivalents at December 31	$ 95,761,297	$ 91,918,422

The accompanying notes are an integral part of these financial statements.

LIFE, ACCIDENT, HEALTH AND HOSPITAL SERVICE
INSURANCE GUARANTY ASSOCIATION

Notes to Financial Statements

December 31, 1999 and 1998

1. Summary of Significant Accounting Policies

Organization - The Life, Accident, Health and Hospital Service Insurance Guaranty Association (the Association) is a nonprofit entity created by the Life, Accident, Health and Hospital Service Insurance Guaranty Act (the Act) to protect, subject to certain limitations, persons specified in the Act against failure in the performance of contractual obligations under life, accident and health insurance policies and annuity contracts, because of the impairment or insolvency of the member insurer who issued the policy or contracts. To provide this protection, this association of insurers was created to pay benefits and to continue coverage as limited in the Act.

Membership in the Association is mandatory for any insurance company authorized in Texas to transact any kind of insurance business to which the Act applies. Membership assessments are made by the Board of Directors of the Association based on estimates of amounts necessary to provide funds to carry out the purposes of the Act with respect to impaired insurers. Any amount in excess of statutory obligations and continuing expenses of the Association may be refunded by an equitable method at the discretion of the Board of Directors.

Pursuant to the Act, the Association is governed by a nine member Board of Directors appointed by the Commissioner of Insurance. Five members of the Board must be chosen from industry member companies, three from the fifty member companies having the largest total direct premium income and two from other member companies. Four of the Directors shall be representatives of the general public. Board members serve for six-staggered terms and are eligible to succeed themselves in office.

Association Management - Effective January 1, 1998, the Association entered into a contract for management of the Association. Annual compensation under this contract is classified as "Management Service Contract" in the accompanying statement of activities and changes in net assets. Equipment owned by the Association as well as all outstanding facility and equipment lease obligations were purchased and assumed by the management company. During 1998, the employee pension plans were terminated and distribution made to the former employees. In January 1999 the Association renewed the management contract for a three-year period ending December 31, 2001.

Basis of Accounting - The financial statements are presented on the accrual basis of accounting; consequently, revenue is recognized when earned, and expenses are recognized when the obligations are incurred. Assessment revenue (billed and unbilled) is recognized when insurance contractual obligations are incurred. Claims liability is recognized using estimates of contractual obligations for each impaired insurer at the date of impairment or issuance of an order of liquidation based on a finding of insolvency by a court of competent jurisdiction.

Tax Exempt Status - The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Association is also exempt from payment of all fees and taxes levied by the state of Texas or any of its subdivisions, except taxes levied on real and personal property.

Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

1. Summary of Significant Accounting Policies, continued

Investments - Investments are recorded at fair value.

Reclassifications - Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's financial statements.

Allowances for Uncollectible Loans and Proofs of Claim Receivable - Allowances for uncollectible loans and proofs of claim are estate specific. The allowance for each estate is based on evaluations of estate financial statements and records, reports from estate receivers, and information from other third parties.

Uncollected loans and proofs of claim are written off by the Board of Directors only after an estate is closed in both the domestic and ancillary state and there is no reasonable expectation that any additional funds will be recovered from the estate or other third party.

Net Assets - The net assets reflected in the financial statements of the Association are deemed to be permanently restricted, because they may be used only to carry out the purposes established in the Act. The amounts by which estate specific assets exceed the amount necessary to carry out the obligations related to that insolvency are further restricted in that they may be refunded to member insurers or a reasonable amount may be retained to provide funds for the continuing expenses of the Association, thereby reducing future assessments.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposits and mutual fund investments.

Cash on deposit with the Association’s bank exceeded federally insured limits by $35,174 at December 31, 1999 and $51,968 and December 31, 1998.

3. Investments

Funds of the Association may be invested in bonds, notes or securities or other evidences of indebtedness of the United States that are supported by the full faith and credit of the United States or that are guaranteed as to principal and interest by the United States. Investments at December 31, 1999 and 1998 were as follows:

	1999	1998
Stocks & Bonds	$ 26,000	$ 26,000
Mutual Funds	$ 96,603,770	$ 92,860,802
	$ 96,629,770	$ 92,886,802

3. Investments, continued

The Association invests in a managed mutual fund. This mutual fund's portfolio is comprised of U.S. Government obligations backed by the full faith and credit of the United States and repurchase agreements backed by such instruments. These mutual fund investments are not insured by the Federal Deposit Insurance Corporation nor are they a deposit of, other obligation of, or guaranteed by a bank or other depository institution. Mutual fund investing is subject to investment risks, including possible loss of the principal amount invested.

4. Membership Assessments

The Association is authorized by the Texas Insurance Code, Annotated Article 21.28-D. Section 9 to assess member insurers in amounts necessary to pay both contractual claim obligations and administrative expenses of the Association. There are two classes of assessments: Class A assessments which may be levied to meet administrative costs; and Class B assessments which may be levied to meet the contractual obligations associated with specific insolvent or impaired insurers.

The total of all Class B assessments levied against a member insurer for each line-of-business account (life, accident and health and annuity) may not exceed one percent of the member insurer's premiums on the policies covered by the line-of-business account in any one calendar year. Annual assessment ability is estimated below using the most recent premium information available (1998 and 1997):

Line of Business	1998 Assessable Premium Base	1998 Assessment Capability	1997 Assessable Premium Base	1997 Assessment Capability
Life	$ 5,217,470,879	$ 52,174,709	$ 5,126,424,132	$ 51,264,241
Accident & Health	7,159,771,033	71,597,710	8,988,520,654	89,885,206
Annuity	3,849,982,287	38,499,823	4,042,712,994	40,427,130
	$16,227,224,199	$162,272,242	$18,157,657,780	$181,576,577

Class B assessment revenue for 1999 and 1998 was $15,231,151 and $23,200,548 respectively. Credit refunds in 1999 and 1998 of $18,790,117 and $4,831,749.

Billed assessments receivable as of December 31, 1999 and 1998 were $2,966,835 and $2,400,228, respectively, and represent the balance of billed and unpaid assessments. These unpaid assessments were levied in years 1991 through 1999. An allowance for uncollectible billed assessments in the amount of $1,713,616 and $1,863,162 has been recorded as of December 31, 1999 and 1998, respectively.

Unbilled assessments, $86,112,734 and $104,826,901 at December 31, 1999 and 1998, respectively, represent the statutory ability of the Association to assess member insurers as required to meet corresponding insurance contractual obligations.

5. Loans and Proofs of Claim

The Association files proofs of claim against individual receivership estates to recover claims and claims handling costs incurred by the Association related to the estate. These proofs of claim may be amended and are updated and filed periodically as additional cost are incurred and paid by the Association. At December 31, 1999 and 1998, loans and proofs of claim receivable totaled $307,056,128 and $300,931,284 and respectively.

An allowance related to the collectibility of loans and proofs of claim is recorded based on estate specific evaluations of net assets held by the receiver and other potential recoveries. The amounts to be received by the Association in early access distributions or final distributions are often not readily determinable; therefore, recoveries due to the Association are necessarily estimates and subject to change as the estate is closed out. Based on the Association’s estate specific review, the allowances for uncollectible loans and proofs of claim at December 31, 1999 and 1998, were $299,790,628 and $273,839,762.

6. Inter-account Loans and Borrowings

The Board of Directors of the Association has adopted a resolution that allows for short-term loans from the account of one estate to another estate. Interest is paid by the borrowing account to the account making the short-term loan.

Interest charged on these loans approximates that earned on short-term government securities. For the year ended December 31, the following transactions occurred:

	Balance	------------Activity----------		Balance
	January 1	Debits	Credits	December 31
1999				
Inter-account Loans	$ 17,659,898	$ 14,210,618	$ 18,533,087	$ 13,337,429
Inter-account Borrowings	$(17,659,898)	$ 8,533,0871	$ 14,210,618	$(13,337,429)
1998				
Inter-account Loans	$ 1,021,708	$ 17,080,102	$ 441,911	$ 17,659,898
Inter-account Borrowings	$(1,021,708)	$ 441,911	$ 17,080,101	$ (17,659,898)

7. Note Payable - Bank

The Association may borrow funds to affect the purposes of the Act. The following is a recapitulation of loan transactions for the years ended December 31:

	Balance			Balance
	January 1	Borrowings	Repayments	December 31
1999	$ 0	$ 0	$ 0	$ 0
1998	$ 19,900,000	$ 0	$ 19,900,000	$ 0

7. Note Payable - Bank, continued

These notes payable were due in annual installments of $9.9 million through December 31, 2000. Interest accrues at a variable rate represented by the lower of the London Interbank Offered Rate (LIBOR) or the bank's prime rate plus 75 basis points. During 1999 distributions from the NHL Liquidation Trust and available NHL funds totaling $8,400,000 were used to reduce the outstanding obligation. In October 1999, an inter-account loan for $11,500,000 was made. The proceeds of this inter-account loan were used to payoff the balance of the note payable.

8. Insurance Contractual Obligations

The liability for insurance contractual obligations is an estimated amount for all impaired or court ordered insolvent estates. The amounts are necessarily based on estimates, and the ultimate liability may vary significantly from the estimate. In addition, the liability is based on information supplied principally by third parties (receivers, third party administrators and member participation task forces). Such information is not subject to control of the Association and may change.

9. Commitments and Contingencies

A liquidator or special deputy receiver for the estate of an insolvent insurer may as assets become available make disbursements out of marshaled assets to a guaranty association(s) having claims against the estate of the insolvent insurer prior to a distribution to other creditors or the closing of the estate. The liquidator or special deputy receiver prior to such disbursement shall also secure from each guaranty association entitled to disbursements an agreement to return to the liquidator upon request and with court approval such assets, together with income on assets previously disbursed as may be required. As of December 31, 1999 the Association had received approximately $57 million subject to such agreements.

Investment earnings attributable to the distributions received are not included in the amount cited above. As of December 31, 1999 no refund of early access distributions has ever been required of the Association by a liquidator or special deputy receiver.

The Association, by its nature, is subject to various ongoing claims by insurance companies, policyholders, receiverships and creditors of the receiverships. Some of these claims are in the form of litigation against the Association.

10. Significant Group Concentrations of Risk

The Association's business activity, assessment revenues and advances are with entities in the insurance industry in the state of Texas. As of December 31, the Association's receivables are from companies that are licensed or were licensed to conduct business in Texas.

11. Net Assets - Permanently Restricted

As of December 31, the net assets reflected in the financial statements of the Association consisted of the following:

	1999	1998
Association’s Continuing Administrative Expenses	$ 12,082,970	$ 8,082,270
Self Insurance Restricted Funds	39,375	37,697
Insolvent Estates	20,035,240	41,524,245
Net Assets	$ 32,157,585	$ 49,644,212

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Changes in the Classification of Assessment Refunds

Refund of Prior Years' Assessments are now classified separately in the Statement of Activities and Changes in Net Assets.

TEXAS TITLE INSURANCE
GUARANTY ASSOCIATION

Audited Financial Statements

December 31, 1999 and 1998

Disclaimer: *The state's three insurance guaranty associations now report receivership activity on a calendar year basis. The latest data available is for Calendar Year 1999. As a result, the data provided by the guaranty associations no longer corresponds directly to data in the receivership report prepared by TDI's Liquidation Oversight. TDI's report is for the state's Fiscal Year 2000 that runs from September 1, 1999 through August 31, 2000.*

TEXAS TITLE INSURANCE GUARANTY ASSOCIATION

Balance Sheet

December 31, 1999 and 1998

	1999	1998
ASSETS		
Cash and Cash Equivalents (Notes 2)	$ 4,766,810	$ 9,473,752
Other Assets	89,883	123,345
Total Assets	$ 4,856,693	$ 9,597,097
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Expenses	$ 256,892	$ 77,144
Total Liabilities	256,892	77,144
Commitments and Contingencies (Note 3)	--	--
Net Assets:		
Permanently Restricted	4,599,801	9,519,953
Total Liabilities and Net Assets	$ 4,856,693	$ 9,597,097

The accompanying notes are an integral part of these financial statements.

TEXAS TITLE INSURANCE GUARANTY ASSOCIATION

Statement of Revenue, Expenses and Changes in Fund Balance

For the Year Ended December 31, 1999and 1998

	1999	1998
REVENUE		
Recoveries	$ 4,848	$ 359,377
Interest	267,966	395,785
Title Guaranty Fees	--	4,042
Gain on Sale of Land	45,930	--
Rents	5,760	--
Recoupment Fees	--	163
Total Revenue	324,504	759,367
EXPENSES		
Examiners' Fees	758,996	786,741
Refund of Premium Tax Offset to Comptroller	4,416,352	--
Administrative Costs:		
Legal and Professional	27,581	32,268
Accounting and Auditing	11,050	10,500
Board Members' Expense	2,811	1,085
Other	866	2,087
	42,308	45,940
Total Expenses	5,244,656	832,681
Revenue over (under) Expenses	(4,920,152)	(73,314)
Net Assets - Beginning	9,519,953	9,593,267
Net Assets - Ending	$ 4,599,801	$ 9,519,953

The accompanying notes are an integral part of these financial statements.

TEXAS TITLE INSURANCE GUARANTY ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 1999 and 1998

	1999	1998
Cash Flows from Operating Activities:		
Excess of Revenues over (under) Expenses	$ (4,920,152)	$ (73,314)
Adjustments to Reconcile or Revenues over Expenses to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
(Increase) Decrease in Other Assets	--	(123,345)
Increase (Decrease) in Accounts Payable	179,748	6,794
Total Adjustments	179,748	(116,551)
Net Cash (Used) Provided by Operating Activities	(4,740,404)	(189,865)
Cash Flows from Investing Activities:		
(Increase) Decrease in Loans Receivable	--	3,360,000
Land Sold	33,462	--
Net Cash (Used) Provided by Investing Activities	33,462	3,360,000
Net Increase (Decrease) in Cash and Cash Equivalents	(4,706,942)	3,170,135
Cash Equivalents, Beginning of Year	9,473,752	6,303,617
Cash Equivalents, End of Year	$ 4,766,810	$ 9,473,752

The accompanying notes are an integral part of these financial statements.

TEXAS TITLE INSURANCE GUARANTY ASSOCIATION

Notes to Financial Statements

December 31, 1999 and 1998

1. Summary of Significant Accounting Policies

Organization - The Texas Title Insurance Guaranty Association (the Association) is a nonprofit organization formed under the Texas Title Insurance Guaranty Act (the Act) to protect holders of covered claims as defined by the Act through payment of claims, contracts of reinsurance, assumption of liabilities or otherwise.

Membership in the Association is mandatory for any insurance company authorized in Texas to transact any kind of insurance business to which the Act applies. Title guaranty fees may be collected based on a fixed fee applied to each title insurance policy written in the state. The fee is to provide funds for title examinations under the supervision of the Commissioner of Insurance and to pay covered claims with respect to impaired agents. These fees are no longer being collected except for late filings by title agents. Assessments may be levied on the individual insurers to pay covered claims arising from impaired underwriters.

Recoupment fees are collected by the Association based on a fee set by the Commissioner of Insurance. The recoupment fees are used to reimburse member companies, on a pro rata basis, for a portion of the assessment paid. All assessments have been fully recovered.

Accrual Basis of Accounting - The financial statements are presented on the accrual basis of accounting; consequently, revenues are recognized when earned, and expenses are recognized when the obligations are incurred. Assessment revenue is recognized when claims liability is incurred. Claims liability is recognized using estimates of claims outstanding for each impaired insurer at the date of impairment.

Tax Exempt Status - The Association considers itself to be a governmental entity and as such, does not file a federal income tax return. The Association is also exempt from payment of all fees and taxes levied by the state of Texas or any of its subdivisions, except taxes levied on real property.

Investments - Investments as of December 31, are carried at cost, which approximates market value.

Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31.

	1999	1998
Cash on Deposit	$ 164,899	71,067
Mutual Funds	4,601,911	9,402,685
	$4,766,810	$9,473,752

Cash on Deposit exceeded federally insured limits by approximately $65,000 at December 31, 1999.

The Association's temporary investments are comprised of investments in a U.S. Government mutual fund. These mutual fund investment securities are not insured by the Federal Deposit Insurance Corporation, nor are they a deposit or other obligation of, or guaranteed by a bank or other depository institution. Mutual fund investing is subject to investment risks, including possible loss of the principal amount invested. These amounts are recorded at fair value.

3. Commitments and Contingencies

The Association, by its nature, is subject to various ongoing claims by insurance companies, policyholders, receiverships and creditors of the receiverships. Some of these claims may result in litigation against the Association.

4. Significant Group Concentrations of Risk

Most of the Association's business activity, assessment revenue and advances are with concerns in the title insurance industry in the state of Texas.

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