

ALASKA INSURANCE GUARANTY ASSOCIATION

Combined Balance Sheets December 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 5,867,121	\$ 5,805,755
Investment securities (note 3)	26,744,734	22,851,400
Assessment receivable (notes 2 and 5)	—	1,438,260
Interest receivable	262,893	242,814
	<u> </u>	<u> </u>
Total assets	<u>\$32,874,748</u>	<u>\$30,338,229</u>

Liabilities and Members' Deficit

Assessment refunds payable (notes 2 and 5)	\$ —	\$ 610,329
Reserve for claims and claim adjustment expenses (note 2)	40,802,270	38,929,326
Members' deficit (note 4)	(7,927,522)	(9,201,426)
	<u> </u>	<u> </u>
Total liabilities and members' deficit	<u>\$32,874,748</u>	<u>\$30,338,229</u>

See accompanying notes to combined financial statements.

Combined Statements of Changes in Members' Deficit Years ended December 31, 2007 and 2006

	2007	2006
Assessments (note 5)	\$ 2,502	1,439,460
Distributions from liquidators	7,598,230	7,737,308
Investment income (note 3)	1,518,848	1,061,147
Total	<u>9,119,580</u>	<u>10,237,915</u>
Change in claims and claim adjustment expense reserves	1,872,944	(1,422,344)
Claims paid	4,761,033	5,411,656
Claim adjustment expenses paid	612,173	513,868
Assessment refunds	—	610,329
Administrative (note 7)	599,526	648,920
Other	—	48,941
	<u> </u>	<u> </u>
Total	<u>7,845,676</u>	<u>5,811,370</u>
Net change in members' deficit during the year	1,273,904	4,426,545
Members' deficit at beginning of year	<u>(9,201,426)</u>	<u>(13,627,971)</u>
Members' deficit at end of year	<u>\$ (7,927,522)</u>	<u>\$ (9,201,426)</u>

See accompanying notes to combined financial statements.

ALASKA INSURANCE GUARANTY ASSOCIATION

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in members' deficit	\$ 1,273,904	\$ 4,426,545
Adjustments to reconcile net change in members' deficit to net cash provided by operating activities:		
Net accretion of bond discount	(71,098)	(54,247)
Unrealized gain on investments	(168,108)	—
Changes in assets and liabilities that provided (used) cash:		
Decrease (increase) in assessments receivable	1,438,260	5,481,772
Increase in interest receivable	(20,079)	(242,814)
Increase (decrease) in assessment refunds payable	(610,329)	(274,534)
Decrease in reserves for claims and claim adjustment expense	1,872,944	(1,422,344)
Net cash provided by operating activities	<u>3,715,494</u>	<u>7,914,378</u>
Cash flows from investing activities:		
Purchase of investment securities	(21,654,128)	(22,797,153)
Sale of investment securities	18,000,000	—
Net cash used in investing activities	<u>(3,654,128)</u>	<u>(22,797,153)</u>
Increase (decrease) in cash and cash equivalents	61,366	(14,882,775)
Cash and cash equivalents, beginning of year	<u>5,805,755</u>	<u>20,688,530</u>
Cash and cash equivalents, end of year	<u>\$ 5,867,121</u>	<u>5,805,755</u>

See accompanying notes to combined financial statements.

ALASKA INSURANCE GUARANTY ASSOCIATION

All Insolvencies by Statutory Account Combining Balance Sheet Information December 31, 2007

ASSETS	Auto	Other	Workers Compensation	Administrative	Eliminations	Total
Cash and cash equivalence	64,085	765,815	5,037,221	—	—	5,867,121
Investment securities	291,091	3,478,512	22,975,131	—	—	26,744,734
Interest receivable	2,863	34,215	225,815	—	—	262,893
Due from administrative account	22,005	629,930	—	—	(651,935)	—
Total assets	380,044	4,908,472	28,238,167	—	(651,935)	32,874,748
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LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	Auto	Other	Workers Compensation	Administrative	Eliminations	Total
Reserve for claims and claim adjustment expenses	99,137	650,458	39,845,897	206,778	—	40,802,270
Due to administrative account	—	—	618,073	—	(618,073)	—
Due to statutory accounts	—	—	—	33,862	(33,862)	—
Members' equity (deficit)	280,907	4,258,014	(12,225,803)	(240,640)	—	(7,927,522)
Total Liabilities and members' equity (deficit)	380,044	4,908,472	28,238,167	—	(651,935)	32,874,748

See accompanying independent auditors' report

Combining Schedule of Changes in Members' Equity (Deficit) Year ended December 31, 2007

Assets	Auto	Other	Workers Compensation	Administrative	Total
Assessments	—	—	302	2,200	2,502
Distributions from liquidators	33,698	121,661	7,442,655	216	7,598,230
Investment Income	18,664	204,600	1,295,584	—	1,518,848
	52,362	326,261	8,738,541	2,416	9,119,580
Change in claims and claim adjustment expense reserves	12,976	(27,307)	1,730,031	157,244	1,872,944
Claims paid	23	59,391	4,701,619	—	4,761,033
Claim adjustment expenses paid	68,674	—	543,499	—	612,173
Administrative costs	5,048	581	526,199	67,698	599,526
Allocation of administration costs	(2,919)	(8,314)	(54,049)	65,282	—
	83,802	24,351	7,447,299	290,224	7,845,676
Changes in members' equity (deficit) during the year	(31,440)	301,910	1,291,242	(287,808)	1,273,904
Members' equity (deficit) at beginning of year	312,347	3,956,104	(13,517,045)	47,168	(9,201,426)
Members' equity (deficit) at end of year	280,907	4,258,014	(12,225,803)	(240,640)	(7,927,522)

See accompanying independent auditors' report

ALASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

Balance Sheets
December 31, 2007 and 2006

ASSETS	2007	2006
Cash and cash equivalents	\$ 1,213,660	\$ 837,943
Assessments receivable, net of allowance for doubtful accounts of \$19,988 at December 31, 2007 and 2006	29,534	193,334
Other Assets	—	119
	\$ 1,243,194	\$ 1,031,396
LIABILITIES AND MEMBERS' DEFICIT		
Estimated insurance contractual obligations payable	\$ 1,536,000	\$ 1,580,000
Deferred revenue from members	30,467	23,014
Accounts payable and accrued liabilities	3,695	22,279
	1,570,162	1,625,293
Members' deficit	(326,968)	(593,897)
Commitments and contingencies	—	—
	\$ 1,243,194	\$ 1,031,396

See accompanying notes to financial statements.

ALASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

Statements of Activities Years Ended December 31, 2007 and 2006

	2007			2006		
	Administrative Fund	Insolvency Funds	Total	Administrative Fund	Insolvency Funds	Total
REVENUES:						
Member assessments	\$ 173,250	\$ 250,000	\$ 423,250	\$ 178,000	\$ —	\$ 178,000
Funds received from liquidators	—	14,319	14,319	—	134,492	134,492
Net investment income	3,121	38,867	41,988	(297)	35,965	35,668
Total revenues	176,371	303,186	479,557	177,703	170,457	348,160
EXPENSES:						
Claims and claims handling:						
Assumption reinsurance payments	—	125,825	125,825	—	129,719	129,719
Change in estimated insurance contractual obligations payable	—	(44,000)	(44,000)	—	(90,000)	(90,000)
Total claims and claims handling	—	81,825	81,825	—	39,719	39,719
Accounting and auditing fees	46,943	—	46,943	57,676	—	57,676
Executive director fee	31,895	6,914	38,809	41,780	2,112	43,892
NOLHGA dues and assessments	31,448	6,732	38,180	29,077	24,684	53,761
Uncollectible member assessments	(11,099)	—	(11,099)	2,250	139	2,389
Travel	11,184	1,243	12,427	16,187	—	16,187
General and administrative	5,543	—	5,543	6,093	—	6,093
Total expenses	115,914	96,714	212,628	153,063	66,654	219,717
Decrease in members' deficit	60,457	206,472	266,929	24,640	103,803	128,443
Members' equity (deficit) beginning of year	57,475	(651,372)	(593,897)	32,835	(755,175)	(722,340)
Members' equity (deficit) end of year	\$ 117,932	\$ (444,900)	\$ (326,968)	\$ 57,475	\$ (651,372)	\$ (593,897)

See accompanying notes to financial statements.

ALASKA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

Statements of Cash Flows Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from member company assessments and estate distributions, net	\$ 619,921	\$ 437,667
Cash paid for policyholder obligations	(125,825)	(129,719)
Cash paid to consultants and suppliers	(160,366)	(161,715)
Interest received	41,987	34,914
Net cash provided by operating activities	375,717	181,147
Cash and cash equivalents, beginning of year	837,943	656,796
Cash and cash equivalents, end of year	1,213,660	837,943
Cash flows from operating activities:		
Decrease in members' deficit	\$ 266,929	\$ 128,443
Adjustments to reconcile decrease in members' deficit to net cash provided by operating activities:		
Depreciation expense	119	137
Decrease in assessments receivable	163,800	125,021
Increase (decrease) in:		
Estimated insurance contractual obligations payable	(44,000)	(90,000)
Deferred revenue from members	7,453	1,788
Accounts payable and accrued liabilities	(18,584)	15,758
Net cash provided by operating activities	\$ 375,717	\$ 181,147

See accompanying notes to financial statements.