Nebraska Life and Health
Insurance Guaranty Association

Exhibit A
Financial Statements
December 31, 2008 and 2007

STATEMENTS OF FINANCIAL POSITION (Notes 1 and 2)

	Dec. 31, 2008	Dec. 31, 2007
ASSETS:		
Cash in checking account	$ 708,434	$ 103,636
Cash in money market fund	430,674	1,054,385
Certificates of deposit at market value (Note 3)	571,579	0
U. S. Treasury Notes at market value (Note 4)	525,332	1,088,801
U. S. Government Agency bonds at market value (Note 5)	2,843,746	4,177,660
Corporate bonds at market value (Note 6)	717,777	1,380,852
Accrued interest receivable on investments	60,223	87,184
Equipment – Cost	5,520	5,520
– Accumulated depreciation	(5,520)	(5,520)
TOTAL ASSETS	$ 5,857,765	$7,892,518
LIABILITIES:		
Accounts payable	$ 0	$ 5,522
Estimated claims payable (Note 7)	7,395,709	4,018,883
TOTAL LIABILITIES	$ 7,395,709	$4,024,405
NET ASSETS:		
UNRESTRICTED NET ASSETS:		
Class A net assets for general administration	$ 232,481	$ 213,756
Equipment net assets – Class A	0	0
Total Unrestricted Net Assets	$ 232,481	$ 213,756
TEMPORARILY RESTRICTED NET ASSETS:		
Classes B and C net assets for specific insurance company insolvencies (Exhibit A-1)	$(16,803,233)	$ (788,860)
Contingency reserve for future obligations (Note 8)	15,032,808	4,443,217
Total Temporarily Restricted Net Assets	$ (1,770,425)	$3,654,357
TOTAL NET ASSETS	$ (1,537,944)	$3,868,113
TOTAL LIABILITIES AND NET ASSETS	$ 5,857,765	$7,892,518

See accompanying notes to financial statements.

CLASSES B AND C NET ASSETS FOR SPECIFIC INSURANCE COMPANY INSOLVENCIES

	12/31/08	12/31/07
Class C 7 – First Columbia Life, Louisiana	$ 0	$ (4,479)
Class C 20 – Executive Life, California	(7,094,885)	(6,596,255)
Class C 21 – Mutual Security Life, Indiana	0	6,721,287
Class C 25 – Midwest Life, Louisiana	835,816	690,468
Class C 26 – Guaranty Security Life, Florida	0	2,814,831
Class C 30 – Andrew Jackson Life, Mississippi	(5,539)	(4,916)
Class C 33 – Old Colony Life, Georgia	476,034	437,694
Class C 37 – Kentucky Central Life, Kentucky	1,612,239	1,479,851
Class C 38 – Consumers United, Delaware	(153,728)	(135,430)
Class C 40 – American Integrity, Pennsylvania	1,118,191	1,031,787
Class C 41 – National Heritage Life, Delaware	(201,453)	(177,941)
Class C 42 – Summit National Life, Pennsylvania	733,930	674,818
Class C 43 – Confederation Life, Michigan	(8,481)	(7,797)
Class C 52 – American Standard Life, Oklahoma	(102,490)	(94,228)
Class C 54 – Centennial Life, Kansas	(107,995)	(99,125)
Class C 55 – Universe Life, Idaho	(376,264)	(336,447)
Class C 56 – Fidelity Bankers Life, Virginia	(623,946)	(573,680)
Class C 60 – First National Life Ins. Co. of America, MS (Thunor)	(217,571)	(313,481)
Class C 61 – International Financial Services Life, MO (Thunor)	(13,086)	(11,271)
Class C 62 – National Affiliated Investor Life, Louisiana	(14,545)	(13,374)
Class C 63 – American Chambers Life, Ohio	(1,728,498)	(1,627,243)
Class C 65 – Reliance Insurance Co., Pennsylvania	(12,323)	(10,377)
Class B 66 – Legion & Villanova Insurance Cos., Pennsylvania	(5,790)	(5,935)
Class B 67 – London Pacific Life, North Carolina	(1,897,578)	(1,741,382)
Class B 68 – State General Life, Texas	(53,860)	(48,653)
Class B 69 – Benicorp Insurance, Indiana	(4,570,906)	(2,837,582)
Class B 70 – Lincoln Memorial Life, Texas	(4,382,712)	0
Class B 71 – Medical Saving Insurance, Indiana	(7,793)	0
Total Classes B and C Net Assets for Specific Insurance Company Insolvencies	$(16,803,233)	$ (788,860)

STATEMENTS OF ACTIVITIES (Notes 1 and 2)

	Class A	Classes B & C (Exh. B-1)	Total 2008	Total 2007
REVENUES:				
Estate distributions		$ 1,113,385	$ 1,113,385	$ 107,334
Estate distributions returned			0	(30,303)
Premiums received		11,246	11,246	0
Investment income – Net (Note 9)	$ 18,725	320,725	339,450	607,421
TOTAL REVENUES	$ 18,725	$ 1,445,356	$ 1,464,081	$ 684,452
EXPENSES:				
Policyholder benefit claims		$ 2,924,489	$ 2,924,489	$ 2,029,070
Assumption reinsurance		337,866	337,866	405,210
Assessments by NOLHGA for expenses	$ 18,548	93,728	112,276	67,076
Administration & legal fees, & direct expenses	57,033	12,417	69,450	60,690
Dues to National (NOLHGA)	35,386		35,386	35,620
Meetings and travel expenses	6,225		6,225	560
Auditing and accounting fees	3,600		3,600	4,500
Subscriptions and publications	1,458		1,458	1,426
Bookkeeping fees	1,116		1,116	1,224
Teleconferences	536		536	568
Bank service charges	453		453	180
Computer services and expenses	383		383	352
Printing, postage, supplies	74		74	192
Class A general and administration expenses allocated to Classes B and C (Note 10)	(124,812)	124,812	0	0
TOTAL EXPENSES	$ 0	$ 3,493,312	$ 3,493,312	$ 2,606,668
REVENUES OVER (UNDER) EXPENSES	$ 18,725	$(2,047,956)	$(2,029,231)	$(1,922,216)
Increase in estimated claims payable		(3,376,826)	(3,376,826)	(543,452)
INCREASE (DECREASE) IN NET ASSETS	$ 18,725	$(5,424,782)	$(5,406,057)	$(2,465,668)
NET ASSETS – BEGINNING OF YEAR	213,756	3,654,357	3,868,113	6,333,781
NET ASSETS – END OF YEAR	$ 232,481	$(1,770,425)	$(1,537,944)	$ 3,868,113

See accompanying notes to financial statements.

CLASSES B AND C NET ASSETS – STATEMENTS OF ACTIVITIES

	Balance 12/31/07	1/1 – 12/31/08 Revenues	1/1 – 12/31/08 Expenses	Balance 12/31/08
Class C7 – First Columbia Life, LA	$ (4,479)			
Closed to contingency reserve – Life			$ (4,479)	$ 0
Class C 20 – Executive Life, CA	(6,596,255)			
Estate distributions		$ 65,737		
Interest expense		(306,689)		
Assumption reinsurance			337,866	
Assessments by NOLHGA for expenses			4,220	
Administration & legal fees, & direct expenses			1,425	
Allocated general & administration expenses			14,325	
Estimated claims payable decrease			(100,158)	(7,094,885)
Class C 21 – Mutual Security Life, IN	6,721,287			
Closed to contingency reserve – Life			6,721,287	0
Class C25 – Midwest Life, LA	690,468			
Estate distributions		89,536		
Investment income		61,678		
Assessments by NOLHGA for expenses			436	
Administration & legal fees, & direct expenses			491	
Allocated general & administration expenses			4,939	835,816
Class C26 – Guaranty Security Life, FL	2,814,831			
Closed to contingency reserve – Life			2,814,831	0
Class C30 – Andrew Jackson Life, MS	(4,916)			
Interest expense		(440)		
Administration & legal fees, & direct expenses			17	
Allocated general & administration expenses			166	(5,539)
Class C33 – Old Colony Life, GA	437,694			
Investment income		38,340		476,034
Class C37 – Kentucky Central Life	1,479,851			
Estate distributions		4,990		
Investment income		129,856		
Assessments by NOLHGA for expenses			1,596	
Administration & legal fees, & direct expenses			78	
Allocated general & administration expenses			784	1,612,239

CLASSES B AND C NET ASSETS – STATEMENTS OF ACTIVITIES

	Balance 12/31/07	1/1 – 12/31/08 Revenues	1/1 – 12/31/08 Expenses	Balance 12/31/08
Class C38 – Consumers United, DE	$ (135,430)			
Interest expense		$ (12,283)		
Assessments by NOLHGA for expenses			$ 243	
Administration & legal fees, & direct expenses			522	
Allocated general & administration expenses			5,250	$ (153,728)
Class C40 – American Integrity, PA	1,031,787			
Investment income		90,273		
Assessments by NOLHGA for expenses			3,869	1,118,191
Class C41 – National Heritage, DE	(177,941)			
Interest expense		(15,803)		
Assessments by NOLHGA for expenses			1,559	
Administration & legal fees, & direct expenses			556	
Allocated general & administration expenses			5,594	(201,453)
Class C42 – Summit National Life, PA	674,818			
Investment income		59,112		733,930
Class C43 – Confederation Life, MI	(7,797)			
Interest expense		(683)		
Assessments by NOLHGA for expenses			1	(8,481)
Class C52 – American Standard Life, OK	(94,228)			
Interest expense		(8,254)		
Assessments by NOLHGA for expenses			8	(102,490)
Class C54 – Centennial Life, KS	(99,125)			
Interest expense		(8,686)		
Assessments by NOLHGA for expenses			1	
Administration & legal fees, & direct expenses			17	
Allocated general & administration expenses			166	(107,995)
Class C55 – Universe Life – ID	(336,447)			
Interest expense		(29,874)		
Assessments by NOLHGA for expenses			2,963	
Administration & legal fees, & direct expenses			632	
Allocated general & administration expenses			6,348	(376,264)

CLASSES B AND C NET ASSETS – STATEMENTS OF ACTIVITIES

	Balance 12/31/07	1/1 – 12/31/08 Revenues	1/1 – 12/31/08 Expenses	Balance 12/31/08
Class C56 – Fidelity Bankers Life, VA	$ (573,680)			
Interest expense		$ (50,253)		
Assessments by NOLHGA for expenses			$ 13	$ (623,946)
Class C60 – First National Life Ins. Co. of America, MS (Thunor)	(313,481)			
Estate distributions		120,820		
Interest expense		(23,300)		
Assessments by NOLHGA for expenses			218	
Administration & legal fees, & direct expenses			126	
Allocated general & administration expenses			1,266	(217,571)
Class C61 – International Financial Services Life, MO (Thunor)	(11,271)			
Interest expense		(1,035)		
Administration & legal fees, & direct expenses			71	
Allocated general & administration expenses			709	(13,086)
Class C62 – National Affiliated Investor Life, LA	(13,374)			
Interest expense		(1,171)		(14,545)
Class C63 – American Chambers Life, OH	(1,627,243)			
Estate distributions		40,996		
Interest expense		(139,778)		
Assessments by NOLHGA for expenses			898	
Administration & legal fees, & direct expenses			143	
Allocated general & administration expenses			1,432	(1,728,498)
Class C65 – Reliance Insurance Co., PA	(10,377)			
Interest expense		(968)		
Administration & legal fees, & direct expenses			88	
Allocated general & administration expenses			890	(12,323)
Class B66 – Legion & Villanova Insurance Cos., PA	(5,935)			
Estate distributions		1,292		
Interest expense		(467)		
Administration & legal fees, & direct expenses			62	
Allocated general & administration expenses			618	(5,790)

CLASSES B AND C NET ASSETS – STATEMENTS OF ACTIVITIES

	Balance 12/31/07	1/1 – 12/31/08 Revenues	1/1 – 12/31/08 Expenses	Balance 12/31/08
Class B67 – London Pacific Life, NC	$(1,741,382)			
Interest expense		$ (152,668)		
Assessments by NOLHGA for expenses			$ 46	
Administration & legal fees, & direct expenses			315	
Allocated general & administration expenses			3,167	$(1,897,578)
Class B68 – States General Life, TX	(48,653)			
Estate distributions		583		
Interest expense		(4,307)		
Assessments by NOLHGA for expenses			90	
Administration & legal fees, & direct expenses			126	
Allocated general & administration expenses			1,267	(53,860)
Class B69 – Benicorp Insurance, IN	(2,837,582)			
Estate distributions		788,659		
Premiums received		11,246		
Interest expense		(351,693)		
Policyholder benefit claims			2,638,488	
Assessments by NOLHGA for expenses			37,877	
Administration & legal fees, & direct expenses			2,550	
Allocated general & administration expenses			25,637	
Estimated claims payable decrease			(523,016)	(4,570,906)
Class B70 – Lincoln Memorial Life, TX	0			
Interest expense		(7,228)		
Policyholder benefit claims			286,000	
Assessments by NOLHGA for expenses			39,690	
Administration & legal fees, & direct expenses			4,505	
Allocated general & administration expenses			45,289	
Estimated claims payable increase			4,000,000	(4,382,712)
Class B71 – Medical Savings Insurance, IN	0			
Interest expense		(134)		
Administration & legal fees, & direct expenses			693	
Allocated general & administration expenses			6,966	(7,793)

CLASSES B AND C NET ASSETS – STATEMENTS OF ACTIVITIES

	Balance 12/31/07	1/1 – 12/31/08 Revenues	1/1 – 12/31/08 Expenses	Balance 12/31/08
Class B Contingency Reserve – Life	$2,940,856			
Estate distributions from closed Classes C19, C26		$ 772		
Investment income		925,579		
Closed from Classes C7, C21, C26			$(9,531,639)	$13,398,846
Class B Contingency Reserve – Health	1,502,361			
Investment income		131,601		1,633,962
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$3,654,357	$1,445,356	$6,870,138	$(1,770,425)

Per Exhibit B:

Total expenses	$3,493,312
Increase in estimated claims payable	3,376,826
	$6,870,138

STATEMENTS OF CASH FLOWS (Notes 1 and 2)

	2008	2007
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Decrease in net assets per Exhibit B	$(5,406,057)	$(2,465,668)
Adjustments to reconcile decrease in net assets with net cash used for operating activities:		
Realized net loss from sale of investments	36,287	33,033
Unrealized market gain on investments	(111,433)	(207,726)
Decrease in accrued interest receivable	26,961	28,072
Increase (decrease) in accounts payable	(5,522)	4,026
Increase in estimated claims payable	3,376,826	543,452
NET CASH USED FOR OPERATING ACTIVITIES	$(2,082,938)	$(2,064,811)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	$ 2,953,932	$ 4,037,507
Purchase of investments	(889,907)	(1,751,937)
NET CASH FROM INVESTING ACTIVITIES	$ 2,064,025	$ 2,285,570
CASH AND MONEY MARKET FUND:		
Increase (decrease) during year	$ (18,913)	$ 220,759
Balance at beginning of year	1,158,021	937,262
Balance at end of year	$ 1,139,108	$ 1,158,021
Balance at end of year:	12/31/08	12/31/07
Cash in checking account	$ 708,434	$ 103,636
Cash in money market fund	430,674	1,054,385
	$ 1,139,108	$ 1,158,021

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

Nebraska Life and Health Insurance Guaranty Association is a nonprofit, unincorporated association organized and established by the Nebraska Life and Health Insurance Guaranty Act, Sections 44-2701 through 2720, R.S. Supp. 1975, which provides for the creation of an association of member insurers to enable the guaranty of payment of benefits and the continuance of coverage of life insurance policies, health insurance policies, annuity contracts and supplemental contracts. Any insurer licensed to issue life and health insurance policies, and annuity and supplemental contracts in the State of Nebraska is required to be a member.

Association members may be assessed for assessments as follows:

Class A – Assessments for administration expenses of the Association.

Class B – Assessments to cover insurance benefit claims and expenses of domestic (Nebraska) and foreign (other than Nebraska) insurance companies with policyholders in Nebraska that are declared insolvent by the State Department of Insurance.

Effective September 1, 2001, Class C assessments were eliminated by amendment of Nebraska Revised Statute Section 44-2708. Since September 1, 2001, both domestic and foreign insolvencies are funded by Class B assessments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Separate accounts are maintained by type of assessments and by insurers. Investment income and gains or losses on investments are allocated to the respective accounts based on the average quarterly balances of each respective account. Accounts with average positive balances are credited with their allocable share of investment income, and accounts with average negative balances are charged with interest expense on their average deficit balance.

Class A general and administrative expenses are allocated to Class B and Class C insolvencies based on time spent by administrative personnel on the specific insolvencies.

Cash in the checking account and the cash in the money market fund are maintained at high-quality financial institutions. Management believes the Association is not exposed to any significant credit risk on the cash in the checking account and cash in the money market fund.

Investments in debt securities are measured at fair value in the statements of financial position. Unrealized gains or losses are included in the statements of activities. Fair value is based on quoted market prices.

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of investments. The Association's investments do not represent significant concentrations of credit risk. Financial instruments are not held for trading purposes.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of equipment is capitalized and depreciated over five to seven years by the straight-line method.

The Association is a nonprofit, unincorporated entity of the State of Nebraska, and therefore, no income tax returns or return of organization exempt from income tax are required to be filed.

NOTE 3 – CERTIFICATES OF DEPOSIT OWNED AS OF DECEMBER 31, 2008:

Date Purchased	Quantity	Purchase Cost	Market Value	Maturity Date	Interest Rate
American Trust Bank, Roswell, GA:					
11/20/08	$100,000	$100,000	$100,000	11/20/09	3.650%
Premier Bank, Tallahassee, FL:					
11/19/08	100,000	$100,000	100,000	06/19/09	3.000%
Western Bank, P R:					
11/21/08	90,000	90,000	91,579	05/21/10	4.200%
First Federal Bank CA, Santa Monica:					
12/31/08	100,000	100,000	100,000	10/07/09	2.000%
Imperial Capital Bank, LaJolla, CA:					
12/31/08	90,000	90,000	90,000	01/07/13	3.600%
Toyota Financial Saving Bank, Henderson, NV:					
12/31/08	90,000	90,000	90,000	07/06/10	2.300%
	$570,000	$570,000	$571,579		

NOTE 4 – U. S. TREASURY NOTES OWNED AS OF DECEMBER 31, 2008:

Date Purchased	Quantity	Purchase Cost	Market Value	Maturity Date	Interest Rate
U. S. Treasury Notes:					
5/19/06	$250,000	$257,988	$258,672	8/15/09	6.000%
5/19/06	250,000	263,203	266,660	2/15/10	6.500%
	$500,000	$521,191	$525,332		

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – U. S. GOVERNMENT AGENCY BONDS OWNED AS OF DECEMBER 31, 2008:

Date Purchased	Quantity	Purchase Cost	Market Value	Maturity Date	Interest Rate
Federal Home Loan Banks:					
1/27/04	$ 300,000	$ 333,354	$ 303,468	3/16/09	5.950%
12/13/06	300,000	299,204	327,189	12/09/11	4.750%
Federal Home Loan Mortgage Corp.:					
2/22/07	100,000	99,015	105,603	9/22/10	4.750%
2/09/06	300,000	321,471	330,468	11/15/10	6.625%
5/19/06	300,000	313,576	332,064	3/01/11	6.375%
3/30/07	250,000	254,054	274,140	7/18/11	5.250%
Federal National Mortgage Association:					
6/10/05	250,000	246,675	251,173	2/25/09	3.660%
2/22/07	300,000	298,201	314,157	4/20/10	4.750%
5/19/06	250,000	258,144	276,327	5/15/11	6.000%
2/22/07	300,000	300,703	329,157	2/16/12	5.000%
	$2,650,000	$2,724,397	$2,843,746		

NOTE 6 – CORPORATE BONDS OWNED AS OF DECEMBER 31, 2008:

Date Purchased	Quantity	Purchase Cost	Market Value	Maturity Date	Interest Rate
Bank America Corp. Notes:					
2/26/07	$150,000	$151,407	$152,737	8/15/11	5.375%
General Electric Capital Corp. Notes:					
6/28/07	250,000	246,940	254,078	12/01/10	5.000%
Wells Fargo Bank San Francisco, CA Notes:					
7/21/06	300,000	310,485	310,962	2/01/11	6.450%
	$700,000	$708,832	$717,777		

NOTE 7 – ESTIMATED CLAIMS PAYABLE AS OF DECEMBER 31, 2008 AND 2007

Insolvency	12/31/08	12/31/07
Class C20 – Executive Life, CA	$3,195,709	$3,295,867
Class B69 – Benicorp Insurance, IN	200,000	723,016
Class B70 – Lincoln Memorial Life, TX	4,000,000	0
	$7,395,709	$4,018,883

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CONTINGENCY RESERVE FOR FUTURE OBLIGATIONS

On April 8, 1999, the Board of Directors approved that net asset balances held for certain settled insolvencies be transferred to a contingency reserve for future Class B obligations of the Nebraska Life and Health Insurance Guaranty Association.

Exhibit B-1 (Page 9) presents an accounting of the Class B contingency reserves for the year 2008. The net asset balances of the contingency reserves were as follows:

	12/31/08	12/31/07
Contingency reserve for future obligations – Life	$13,398,846	$2,940,856
Contingency reserve for future obligations – Health	1,633,962	1,502,361
	$15,032,808	$4,443,217

NOTE 9 – INVESTMENT INCOME – NET

	2008	2007
Income received on money market funds	$ 7,191	$ 47,792
Interest earned on debt securities	262,854	394,371
Realized net loss from sale of debt securities	(36,287)	(33,033)
Unrealized market gain	111,433	207,726
Investment management fees	(5,741)	(9,435)
	$339,450	$607,421

NOTE 10 – CLASS A GENERAL AND ADMINISTRATIVE EXPENSES ALLOCATED TO CLASSES B AND C

Class A general and administrative expenses were allocated to Classes B and C insolvencies based on time spent by administrative personnel on the specific insolvencies. This procedure is in accordance with accounting guidelines recommended by the National Organization of Life and Health Insurance Guaranty Associations.

Time spent was determined by the administration and legal fees paid to the Cline, Williams Law Firm, who perform the administration of the Nebraska Life and Health Insurance Guaranty Association. The Cline, Williams Law Firm submits monthly billings for their services for each insolvency.