



TEXAS LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION

Antitrust Compliance Policy

Revised July 26, 2011

I. INTRODUCTORY STATEMENT

It is the policy of the Texas Life and Health Insurance Guaranty Association ("Association") to fully comply with all laws that may be applicable to its operations, including federal and state antitrust laws.

The Association's member companies are the life and health insurance companies authorized to conduct business in Texas. Membership in the Association is mandated by the Association Act, Chapter 463 of the Texas Insurance Code (formerly Art 21.28-D), for the purpose of providing a safety net for policyholders of member insurers that are declared impaired or insolvent.

To facilitate the fulfillment of its statutory obligations in multi-state insurer insolvencies, the Association works with other state guaranty associations and the National Organization of Life and Health Guaranty Associations ("NOLHGA").

Congress has provided insurers and those engaged in the "business of insurance," such as the Association and its members, a limited statutory exemption from liability under federal antitrust laws through enactment of the McCarran-Ferguson Act. Pursuant to the McCarran-Ferguson exemption, federal antitrust laws are inapplicable to the business of insurance, to the extent regulated by state law, unless the conduct at issue involves boycott, coercion or intimidation. In addition, there may be arguments available to support limited exemption from state antitrust laws. However, the exact scope of the McCarran-Ferguson and any applicable state law exemptions is subject to interpretation on a case by case basis, and the protections afforded are therefore uncertain. Moreover, the applicability and scope of state immunity statutes have never been judicially tested in the antitrust context.

The antitrust laws are designed to protect free market competition, and to prevent competitors from joining forces to manipulate or restrict fair competition. To this end, the antitrust laws prohibit certain anti-competitive activities, including collusion or conspiracies in restraint of trade, monopolies or attempts to monopolize, and certain other activities which may unreasonably restrain trade such as boycotts, coercion, refusals to deal, price fixing and illegal tying or market allocation arrangements.

The Association's operations are, to the best of its knowledge, currently in full compliance with all such laws. No contrary inference should be drawn from the existence of this Policy. The Association recognizes that violations of antitrust laws can result in severe consequences, including the potential for imposition of civil and criminal penalties. Moreover, antitrust

investigations and actions are very costly, time consuming and disruptive to the operations of any organization. Accordingly, the Association's policy has been adopted to achieve certain goals of a non-remedial nature, including: (1) raising the awareness and understanding of antitrust laws for everyone involved in Association activities; (2) establishing guidelines for the Association's central activities to ensure continuing compliance with such laws in the future; and (3) further minimizing the risk of any antitrust investigation or claims.

II. SCOPE AND APPLICATION OF POLICY

This Policy applies to all directors, officers, employees, agents, representatives and consultants of the Association and to every individual otherwise engaged in any activities on behalf of or sponsored by the Association. Guidelines for implementation of this Policy are attached and incorporated into this Policy.

III. ASSOCIATION ACTIVITIES

The Association's activities are directed toward facilitating the prompt and efficient resolution of life and health insurance company insolvencies by satisfying its statutory obligations and preserving the value of estate assets so as to ensure maximum recovery. The Association performs its core functions through meetings, due diligence to determine the best way to discharge its obligations, and assumption reinsurance of policy obligations.

A. Meetings

Meetings are conducted by the Association's Board of Directors and its committees, its employees, and consultants and service providers. In addition, communications may take place between some of these groups that are necessary to carry out the business of the Association, but are not meetings as that term is defined in the Texas Open Meetings Act. During these meetings and communications, general public market information may be discussed. Association meetings and communications are not intended to provide a forum for discussion of specific competitive information relating to individual solvent insurers. Nevertheless, it is necessary to disclose and discuss certain information, which may technically be competitive information, relating to financially troubled or insolvent insurance companies, and solvent insurance companies which may be interested in purchasing policy blocks of insolvent insurance companies. This is done in order to permit the Association, working with the appropriate insurance regulators and court approved receivers, to evaluate the financial condition of an impaired or insolvent estate; determine the nature and extent of its obligations; prepare recommendations and proposals for policyholder protection and the orderly disposition of assets; and assist with implementation of approved rehabilitation or liquidation plans. In addition, the Association receives financial data about member insurers for the purpose of levying assessments on member companies. All such information shall be maintained in confidence and must not be disclosed, discussed or used for any purpose other than those set forth above. Under no circumstances shall Association meetings be used as a means for individuals affiliated with competing insurance companies to reach or attempt to reach any understanding, express or implied, which tends to restrict competition, or in any way impair their ability to exercise independent business judgment regarding matters affecting competition.

B. Due Diligence Activities

In order for the Association to fulfill its statutory obligations, Association management and employees, and consultants, in cooperation with insurance regulators and court approved receivers, conducts a detailed analysis of the insurance business and policy obligations of insolvent companies. This includes financial, accounting, and actuarial studies, and analysis of coverage and related legal issues affecting the Association. Competitive information obtained as a result of the Association's due diligence shall be maintained in confidence and must not be disclosed, discussed or used for any purpose other than for discharging the Association's statutory obligations.

C. Assumption reinsurance of policy obligations

The Association frequently discharges its statutory obligations regarding an insolvent member insurance company by finding a solvent carrier to assume the business. In this regard the Association may prepare a marketing strategy and solicit bids on blocks of business. To assure the integrity and impartiality of the assumption reinsurance process, this policy prohibits the Association's use of any bidding or contract award process, or any information obtained in connection therewith, in such a way as to restrict or impair fair competition, or establish monopolistic control by any entity in violation of applicable antitrust laws. Member companies are not prohibited from bidding or competing for policy obligations through assumption reinsurance if an employee or officer of that member company is a member of the Association Board of Directors. Such directors shall, however, recuse themselves from all discussions and votes regarding transactions involving their companies.

IV. NOTICE OF ANTITRUST CONCERNS

Anyone having questions about this Policy or any conduct or activities by or on behalf of the Association which may involve this Policy, should notify the Association's Executive Director, who shall immediately inform the Association's counsel, and the Board will be appropriately informed.