

ASSEMBLY BILL

No. 1734

Introduced by Assembly Member Hagman

February 16, 2012

An act to add Section 1035.1 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1734, as introduced, Hagman. Insurance: Conservation and Liquidation Office.

Existing law authorizes the Insurance Commissioner to petition the superior court of the county in which an insurer has its principal office for an order vesting title of all assets of that insurer in the commissioner, in his or her official capacity, under specified circumstances. Upon taking possession of the property and business, the commissioner is authorized to act, except as specified, as either conservator or liquidator. Existing law provides that there is associated with the Department of Insurance a Conservation and Liquidation Office with certain duties and obligations.

This bill would require the Conservation and Liquidation Office to report and publish corporate claims on a quarterly basis through a public filing with the court in which an insurer's liquidation proceeding is pending. The bill would require the office to contact the claimants whose claims have been allowed, as provided. The bill would require the receiver, the Insurance Commissioner, or the Conservation and Liquidation Office, as applicable, upon receipt of notice that an allowed claim has been assigned to another party, to take specified actions within 30 days. The bill would prohibit the office from accepting a claim assignment request 30 days or less before distribution of the claim or

60 days after the claim distribution has been made, and would allow the office to charge a fee to the party requesting the reassignment of the claim to cover the reasonable costs of administering the reassignment, not to exceed \$250. The bill would also provide that the office be held harmless from and indemnified against any harm or economic loss suffered by the claim purchaser due to misrepresentation by the assignor.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1035.1 is added to the Insurance Code,
 2 to read:

3 1035.1. (a) The Conservation and Liquidation Office shall,
 4 on a quarterly basis, report and publish all corporate claims allowed
 5 in a proceeding under this article. The reporting and publication
 6 shall be made through a public filing with the court in which the
 7 liquidation proceeding is pending. Claims covered by the California
 8 Insurance Guarantee Association that are worth less than five
 9 hundred thousand dollars (\$500,000) and claims that relate to
 10 workers' compensation shall not be reported and published.

11 (b) After a claim has been allowed in a proceeding under this
 12 article, the Conservation and Liquidation Office shall contact the
 13 claimant via a written notice of determination that shall include a
 14 best time estimate as to when a distribution will be made on the
 15 claim. The notice shall provide an opt-out clause to the reporting
 16 and publication process described in subdivision (a), with
 17 instructions for exercising that clause for those corporations that
 18 choose not to have their allowed claims reported and published.
 19 A corporation that chooses to opt-out of the reporting and
 20 publication process may retract that decision at any time and
 21 thereafter have the claim information reported and published
 22 pursuant to subdivision (a).

23 (c) Upon receipt of notice that a claim, allowed in a proceeding
 24 under this article, has been assigned to another party, the receiver,
 25 the commissioner, or the Conservation and Liquidation Office, as
 26 applicable, shall, within 30 days, change the payee designation to
 27 reflect the claim purchaser, request further information relating to
 28 the claim assignment request, or reject the claim.

1 (d) The Conservation and Liquidation Office shall not accept a
2 claim assignment request 30 days or less before distribution of the
3 claim or 60 days after the claim distribution has been made.

4 (e) The claim purchaser shall be responsible for ensuring that
5 the assignor from whom it purchases the claim has the legal
6 authority to assign the claim. The Conservation and Liquidation
7 Office shall be held harmless from and indemnified against any
8 harm or economic loss suffered by the claim purchaser due to
9 misrepresentation by the assignor.

10 (f) The office may charge a fee to the party requesting
11 reassignment of the claim for the processing of the reassignment.
12 The fee shall be in an amount not to exceed the reasonable costs
13 of administering the reassignment, and in no case shall the fee
14 exceed two hundred fifty dollars (\$250).

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