

AMENDED IN ASSEMBLY APRIL 19, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**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 amended, 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 *Insurance Commissioner, through the Conservation and Liquidation Office, to develop a report and publish* ~~corporate of allowed claims on a quarterly basis through a public filing with the court in which an insurer's liquidation proceeding is pending for corporations, limited liability companies, limited liability partnerships, and partnerships.~~ 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, *including changing the payee designation to reflect the claim purchaser*. 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 *commissioner, through the Conservation and*  
 4 *Liquidation Office shall, on a quarterly basis, develop a report and*  
 5 ~~publish all corporate claims allowed in a proceeding under this~~  
 6 ~~article. The reporting and publication shall be made through a~~  
 7 ~~public filing with the court in which the liquidation proceeding is~~  
 8 ~~pending of allowed claims for corporations, limited liability~~  
 9 ~~companies, limited liability partnerships, and partnerships. The~~  
 10 ~~report shall include the name and address of the claimant and the~~  
 11 ~~amount of the allowed claim. The commissioner shall, upon receipt~~  
 12 ~~of a written request, provide this report to any bona fide investment~~  
 13 ~~company seeking to purchase claims. Claims covered by the~~  
 14 ~~California Insurance Guarantee Association or the California Life~~  
 15 ~~and Health Insurance Guarantee Association that are worth less~~  
 16 ~~than five hundred thousand dollars (\$500,000) and claims that~~  
 17 ~~relate to workers' compensation shall not be reported and published~~  
 18 ~~included in the report.~~  
 19 (b) After a claim has been allowed in a proceeding under this  
 20 article, the Conservation and Liquidation Office shall contact the  
 21 claimant via a written notice of determination that shall include a  
 22 ~~best time estimate as to when a distribution will be made on the~~  
 23 ~~claim statement of the average time from when a claim is allowed~~  
 24 ~~to when a claim is paid in the liquidation process.~~ The notice shall

1 provide an opt-out clause to the reporting and publication process  
2 described in subdivision (a), with instructions for exercising that  
3 clause for those corporations, *limited liability companies, limited*  
4 *liability partnerships, and partnerships* that choose not to have  
5 their allowed claims reported and published. A corporation that  
6 chooses to ~~opt-out~~ *opt out* of the reporting and publication process  
7 may retract that decision at any time and thereafter have the claim  
8 information reported and published pursuant to subdivision (a).

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

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

18 (e) The claim purchaser shall be responsible for ensuring that  
19 the assignor from whom it purchases the claim has the legal  
20 authority to assign the claim. The Conservation and Liquidation  
21 Office shall be held harmless from and indemnified against any  
22 harm or economic loss suffered by the claim purchaser due to  
23 misrepresentation by the assignor.

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

O