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## DIGEST

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HB 609 Reengrossed

2018 Regular Session

Seabaugh

**Abstract:** Provides for the right of the receiver or a guaranty association to pursue collateral.

Proposed law defines "collateral", "commercially reasonable", "deductible claim", "large deductible policy", and "other secured obligations".

Proposed law requires, unless otherwise agreed by the responsible guaranty association, all large deductible claims, which are also covered claims as defined by the applicable guaranty association law, including those that may have been funded by an insured before liquidation, to be turned over to the guaranty association for handling.

Proposed law provides that, to the extent a guaranty association pays any deductible claim for which the insurer would have been entitled to reimbursement from the insured, a guaranty association shall be entitled to the full amount of the reimbursement and available collateral.

Proposed law requires the receiver to collect reimbursements owed for deductible claims, take all commercially reasonable actions to collect the reimbursements, and promptly bill insureds for reimbursement of deductible claims.

Proposed law requires the receiver to use collateral, when available, to secure the insured's obligation to fund or reimburse deductible claims or other secured obligations or other payment obligations. Proposed law further provides that a guaranty association is entitled to collateral to the extent needed to reimburse a guaranty association for the payment of a deductible claim.

Proposed law requires claims that are validly asserted against the collateral to be satisfied in the order in which the claims are received by the receiver and provides that excess collateral may be returned to the insured as determined by the receiver after a periodic review of claims paid, outstanding case reserves, and a factor for incurred but not reported claims.

Proposed law authorizes the receiver to deduct from the collateral or from the deductible reimbursements reasonable and actual expenses incurred in connection with the collection of the collateral and deductible reimbursements.

Proposed law shall not limit or adversely affect any rights or powers a guaranty association may have under applicable state law to obtain reimbursement from certain classes of policyholders for claims payments made by the guaranty association under policies of the insolvent insurer, or for related expenses the guaranty association incurs.

Effective Jan. 1, 2019.

(Adds R.S. 22:2013.1)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Insurance to the original bill:

1. Delete proposed law requiring the prorating of payments for claims against the collateral.
2. Make technical changes.