

Legislative Proposals of Interest to Guaranty Associations

| Proposal | Statement of Interest |
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| Dodd Frank State Law Amendment | Guaranty funds have an interest in the actual and perceived ability of the state-based system to handle a Title II receivership. |
| Priority Distribution for Insurance Liquidation | Guaranty funds and liquidators have had frequent, litigious, and expensive disputes regarding classification of administrative expenses. Litigation expenses in these cases can easily run to several million dollars. This provision would 1) provide for liquidator expenses to be paid first out of remaining estate assets and 2) clarify distribution priority for guaranty fund expenses. |
| Large Deductible Liquidation Act Amendment | Insurance companies frequently offer large deductible workers compensation products to their customers. These products are complex. Rights and obligations of the guaranty fund and liquidator for an insolvent company are unclear in most states. In four recent liquidations projected payouts exceed \$600 million and deductible recoveries have been approximately \$20 million with little expected additional recovery. |
| Model Statute on Collateral Requirements for Large Deductible Programs | Insurance companies frequently offer large deductible workers compensation products to their customers. These products are complex. The programs contemplated call for the insured to ultimately bear a significant portion of the risk in exchange for reduced premium. In many recent cases collateral has been insufficient, co-mingled with other assets, and/or under the control of a third party. Often, insureds responsible for within deductible reimbursement to the insurance company become insolvent themselves. In four recent liquidations projected payouts exceed \$600 million and deductible recoveries have been approximately \$20 million with little expected additional recovery. |
| Statutory Deposit Liquidation Act Amendment | In some states antiquated law calls for a policyholder claimant to relinquish rights to a policyholder claim from estate general assets if the claimant takes from a special deposit. Often the largest claimant for the deposit is the guaranty association. |
| Financial Reporting | In some recent insolvencies little financial information is available as receivers take the position that there is no statutory requirement to file this information with the court. |