

Bill Summary

<u>COMMITTEE:</u>	Banking and Insurance	<u>DATE:</u>	9/12/14
<u>PRIME SPONSOR:</u>	Evankovich	<u>BILL NO:</u>	HB 2353
<u>PREPARED BY:</u>	Carlton Logue	<u>PRINTER'S NO:</u>	3854

A. Synopsis:

Amends the Insurance Department Law of 1921 to establish parity with state and federal law, which will give Federal Home Loan Banks (FHLB) special collateral protections during insurance company insolvencies.

B. Summary:

HB 2353 would provide greater certainty to the FHLB with regard to how their collateral would be treated in the event of an insurer insolvency. The proposed changes in HB 2353 would enable insurance companies to offer different types of assets as collateral, namely commercial real estate holdings. Currently, FHLBs will only accept U.S. treasuries and agency securities as collateral from their insurer-members. This increased certainty is intended to eliminate any need for a FHLB to increase collateral requirements on its insurer borrowers and result in continued, and possibly expanded, lending to insurers.

Specifically, HB 2353 amends §503 by adding definitions of “FHLBank”, "Federal Home Loan Bank Act", “FHLBank security agreement” and “Insurer-member.”

The bill also amends §505 relating to “Injunctions and Orders” to prohibit a receiver from obtaining an injunction or a stay order that prevents an FHLB from exercising its rights to collateral under a valid FHLB security agreement.

The bill amends §528, relating to “Fraudulent Transfers Prior to Petition” by limiting the ability of a receiver to avoid transfers of money or property to an FHLBank that occurred before an insolvent insurance company files for liquidation. Any transfer made to an FHLBank pursuant to a security agreement would be valid unless the transfer was made in bad faith.

Finally, the bill amends §530 relating to “Voidable Preferences and Liens.” This section creates special collateral protections for FHLBanks. Specifically, it prohibits a receiver from voiding any prior good-faith transfer from an insurer-member to an FHLBank that was made in relation to a perfected security agreement. It also prohibits a receiver from voiding an FHLBank's redemption or repurchase of its stock or securities that occurred prior to the insurer-member's delinquency.

Effective Date: 60 Days