

HCS HB 2397 -- FEDERAL HOME LOAN BANKS

SPONSOR: Hough

COMMITTEE ACTION: Voted "Do Pass with Amendments" by the Standing Committee on Banking by a vote of 9 to 1. Voted "Do Pass with HCS" by the Select Committee on Financial Institutions and Taxation by a vote of 9 to 0.

The bill modifies the Uniform Insurer's Liquidation Act to provide rights to Federal Home Loan Bank (FHLB) members when insurance companies fall into delinquency proceedings and creates procedures in conjunction with the establishment of a receiver during a delinquency proceeding. The bill provides that a FHLB is neither stayed nor prohibited from exercising its rights regarding collateral pledged to it by an insurer-member. If the FHLB exercises its rights to the collateral, the FHLB is obligated to repurchase any outstanding stock that exceeds the amount of bank stock the insurer-member is required to hold as a minimum investment. An FHLB must establish a time line to govern the handling of collateral within ten days after a receiver's appointment. The time line will establish the release of certain collateral, redemption or repurchase of FHLB stock and payment of fees owed by insurers regarding FHLB accounts. The bill specifies that a receiver cannot void transfers or obligations to transfer any property associated with any FHLB security agreement. The bill allows an exception for when any transfer is made with intent to hinder, delay or defraud the insurer, the receiver or creditors.

PROPONENTS: Supporters say that this bill provides clarity and brings Missouri in line with federal law for Federal Home Loan Banks that go into receiverships for an insurance company insolvency.

Testifying for the bill were Representative Hough; Husch Blackwell; Missouri Bankers Association; and the Missouri Insurance Coalition.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say the bill is specific to insurance insolvency in receivership and clarifies what is already in federal home loan law.

Testifying on the bill was Rich Weaver, FHLB of Des Moines.