

Vernon's Annotated Missouri Statutes

Title XXIV. Business and Financial Institutions [Chs. 361-385]

Chapter 375. Provisions Applicable to All Insurance Companies (Refs & Annos)

Large Deductible Covered Claims of Insolvent Workers' Compensation Insurers

V.A.M.S. 375.1605

375.1605. Insolvent insurers, claims to be handled by guaranty association--definitions--
payment of claims, reimbursement--receiver obligations and utilization of collateral

[Currentness](#)

1. The provisions of this section shall apply to workers' compensation large deductible policies issued by an insurer subject to delinquency proceedings under this chapter. This section shall not apply to first party claims or to claims funded by a guaranty association net of the deductible unless subsection 3 of this section applies. Large deductible policies shall be administered in accordance with their terms, except to the extent such terms conflict with the provisions of this section.

2. For purposes of this section, the following terms mean:

(1) **“Collateral”**, any cash, letters of credit, surety bond, or any other form of security posted by the insured or by a captive insurer or reinsurer to secure the insured's obligation under the large deductible policy to pay deductible claims or to reimburse the insurer for deductible claim payments. Collateral may also secure an insured's obligation to reimburse or pay the insurer as may be required for other secured obligations;

(2) **“Commercially reasonable”**, to act in good faith using prevailing industry practices and making all reasonable efforts considering the facts and circumstances of the matter;

(3) **“Deductible claim”**, any claim, including a claim for loss and defense and cost-containment expense, unless such expenses are excluded, under a large deductible policy that is within the deductible;

(4) **“Delinquency proceeding”**, shall have the same meaning ascribed to it in [section 375.1152](#);

(5) **“Guaranty association”**, the Missouri property and casualty insurance guaranty association created by [sections 375.771](#) to [375.779](#), as amended, and any other similar entities created by the laws of any other state for the payment of claims of insolvent insurers;

(6) **“Large deductible policy”**, any combination of one or more workers' compensation policies and endorsements issued to an insured and contracts or security agreements entered into between an insured and the insurer in which the insured has agreed with the insurer to:

(a) Pay directly the initial portion of any claim under the policy up to a specified dollar amount or the expenses related to any claim; or

(b) Reimburse the insurer for its payment of any claim or related expenses under the policy up to the specified dollar amount of the deductible.

The term large deductible policy also includes policies that contain an aggregate limit on the insured's liability for all deductible claims in addition to a per-claim deductible limit. The primary purpose and distinguishing characteristic of a large deductible policy is the shifting of a portion of the ultimate financial responsibility under the large deductible policy to pay claims from the insurer to the insured, even though the obligation to initially pay claims may remain with the insurer. Large deductible policies do not include policies, endorsements, or agreements which provide that the initial portion of any covered claim shall be self-insured and further that the insurer¹ shall have no payment obligation within the self-insured retention. Large deductible policies also do not include policies that provide for retrospectively rated premium payments by the insured or reinsurance arrangements or agreements, except to the extent such arrangements or agreements assume, secure, or pay the policyholder's large deductible obligations;

(7) **“Other secured obligations”**, obligations of an insured to an insurer other than those under a large deductible policy, such as those under a reinsurance agreement or other agreement involving retrospective premium obligations, the performance of which is secured by collateral that also secures an insured's obligations under a large deductible policy;

(8) **“Receiver”**, shall have the same meaning ascribed to it in [section 375.1152](#).

3. 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, shall be turned over to the guaranty association for handling. To the extent the insured funds or pays the deductible claim pursuant to an agreement by the guaranty fund or otherwise, the insured's funding or payment of a deductible claim will extinguish the obligations, if any, of the receiver or any guaranty association to pay such claim. No charge of any kind shall be made against the receiver or a guaranty association on the basis of an insured's funding or payment of a deductible claim.

4. 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 as provided for under this section to the extent necessary to reimburse the guaranty association. Such reimbursements and collateral shall be subject to any reasonable and actual expenses recovered by the receiver as provided for under subsection 7 of this section. Reimbursements paid to the guaranty association under this subsection shall not be treated as distributions under [section 375.1218](#) or as early access payments under [section 375.1205](#). To the extent that a guaranty association pays a deductible claim that is not reimbursed either from collateral or by insured payments, or incurred expenses in connection with large deductible policies that are not reimbursed under this section, the guaranty association shall be entitled to assert a claim for those amounts in the delinquency proceeding. Nothing in this subsection limits any rights of the receiver or a guaranty association that may otherwise exist under applicable law to obtain reimbursement from insureds for claims payments made by the guaranty association under policies of the insurer or for the guaranty association's related expenses such as those affording the guaranty association the right to recover for claims payments made to or on behalf of high net worth insureds or claimants.

5. (1) The receiver shall have the obligation to collect reimbursements owed for deductible claims as provided for herein and shall take all commercially reasonable actions to collect such reimbursements. The receiver shall promptly bill insureds for reimbursement of deductible claims:

- (a) Paid by the insurer prior to the commencement of delinquency proceedings;
- (b) Paid by a guaranty association upon receipt by the receiver of notice from a guaranty association of reimbursable payments;
or
- (c) Paid or allowed by the receiver.

(2) If the insured does not make payment within the time specified in the large deductible policy, or within sixty days after the date of billing if no time is specified, the receiver shall take all commercially reasonable actions to collect any reimbursements owed.

(3) Neither the insolvency of the insurer, nor its inability to perform any of its obligations under the large deductible policy, shall be a defense to the insured's reimbursement obligation under the large deductible policy.

(4) Except for gross negligence, an allegation of improper handling or payment of a deductible claim by the insurer, the receiver, or any guaranty association shall not be a defense to the insured's reimbursement obligations under the large deductible policy.

6. (1) Subject to the provisions of this subsection, the receiver shall utilize collateral if available to secure the insured's obligation to fund or reimburse deductible claims or other secured obligations or other payment obligations. A guaranty association shall be entitled to collateral as provided for in this subsection to the extent needed to reimburse a guaranty association for the payments of a deductible claim. Any distributions made to a guaranty association under this subsection shall not be treated as distributions under [section 375.1218](#) or as early access payments under [section 375.1205](#).

(2) All claims against the collateral shall be paid in the order received and no claim of the receiver, including those described in this subsection, shall supersede any other claim against the collateral as described in subdivision (4) of this subsection.

(3) The receiver shall draw down collateral to the extent necessary in the event that the insured fails to:

- (a) Perform its funding or payment obligations under any large deductible policy;
- (b) Pay deductible claim reimbursements within the time specified in the large deductible policy or within sixty days after the date of the billing if no time is specified;
- (c) Pay amounts due the estate for preliquidation obligations;

(d) Timely fund any other secured obligation; or

(e) Timely pay expenses.

(4) Claims that are validly asserted against the collateral shall be satisfied in the order in which such claims are received by the receiver; except that, if more than one creditor has a valid claim against the same collateral and the available collateral, along with billing collection efforts and to the extent that the collateral is subject to other known secured obligations, are together insufficient to pay each creditor in full, then the director as rehabilitator or liquidator shall prorate payments to each creditor based upon the relationship the amount of claims each creditor has paid bears to the total of all claims paid by all such creditors.

(5) 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.

7. The receiver shall be entitled 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 under the provisions of this section, subject to the review and approval by the court.

8. The court having jurisdiction over the delinquency proceedings under [section 375.1154](#) shall have jurisdiction to resolve disputes arising under the provisions of this section.

9. The provisions of this section shall apply to all delinquency proceedings that either commence on or after September 14, 2016, or are open and pending on September 14, 2016, provided that, the provisions of this section shall not affect any delinquency proceeding for which a final order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction prior to September 14, 2016.

10. Nothing in this section is intended to 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.

Credits

([L.2016, H.B. No. 1763, § A, eff. Sept. 14, 2016.](#))

Editors' Notes

EFFECTIVE DATE

<**Revisor's note:** Effective 9-14-16. H.B. 1763 was vetoed May 17, 2016. The veto was overridden on September 14, 2016.>

<**Revisor's note:** Article III, Sections 29 and 32 of the Missouri Constitution, and [Sections 1.130](#) and [21.250, RSMo](#), do not specifically address the effective date of a section subject to an emergency clause which is overridden by the general assembly.>

Footnotes

- 1 **Revisor's note:** Word “insured” appears in original rolls. The large deductible model legislation adopted on August 22, 2013, by the National Conference of Insurance Guaranty Funds (NCIGF) contains the word “insurer”.

V. A. M. S. 375.1605, MO ST 375.1605

Statutes are current through the end of the 2024 Second Regular Session of the 102nd General Assembly. Constitution is current through the November 5, 2024 General Election.

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