Article - Insurance

[Previous][Next]

§9–306.

(a) (1) Except as to surety bonds, the Corporation shall be obligated to the extent of the covered claims existing on or before the determination of insolvency or arising:

(i) within 30 days after the determination of insolvency;

(ii) before the policy expiration date, if that date is less than 30 days after the determination of insolvency; or

(iii) before the insured replaces the policy or causes its cancellation, if the insured does so within 30 days after the determination of insolvency.

(2) Except as provided in paragraph (3) of this subsection, the obligation of the Corporation under this subsection shall include only that amount of each covered claim that is in excess of $100 and less than $300,000.

(3) The Corporation shall pay the full amount of any covered claim arising out of a workers' compensation policy.

(4) The Corporation is not obligated to a policyholder or claimant in an amount in excess of the obligation of the insolvent insurer under the policy out of which the claim arises.

(b) (1) As to surety bonds, the Corporation shall be obligated to the extent of the covered claims existing on or before the determination of insolvency, or arising within 18 months after the determination of insolvency, whether or not the surety bonds are issued with no stated period or for a stated period.

(2) The obligation of the Corporation under this subsection shall include only that amount of each covered claim payable to each claimant that is in excess of $100 and less than $300,000.

(3) The Corporation is not liable for an aggregate amount in excess of $1,000,000 under any one surety bond.

(4) If the covered claims are in excess of $1,000,000 under any one surety bond, the Corporation shall make a prorated payment on account of each covered claim in the ratio that the covered claim bears to the total amount of all covered claims under the surety bond.

(5) The Corporation is not obligated to a claimant in an amount in excess of the obligation of the insolvent insurer under the surety bond out of which the claim arises.

(c) The Corporation shall be deemed the insurer to the extent of the Corporation's obligation on the covered claims and, to that extent, shall have the rights, duties, and obligations that the insolvent insurer would have had if the insurer had not become insolvent.

(d) (1) The Corporation shall:

(i) allocate claims paid and expenses incurred among the four accounts separately; and

(ii) assess member insurers separately for each account in amounts necessary to pay:

1. the obligation of the Corporation under subsection (a) or (b) of this section after an insolvency;

2. the expense of handling covered claims after an insolvency; and

3. other expenses authorized by this subtitle.

(2) The Corporation shall assess each member insurer in the proportion that the net direct written premiums of the member insurer for the preceding calendar year on the kinds of insurance covered by the account bears to the net direct written premiums of all member insurers for the preceding calendar year on the kinds of insurance covered by the account.

(3) The Corporation shall give each member insurer at least 30 days' notice of an assessment before it is due.

(4) The Corporation may not assess a member insurer in any year on an account in an amount greater than 2% of that member insurer's net direct written premiums for the preceding calendar year on the kinds of insurance covered by the account.

(5) In any 1 year, if the sum of the maximum assessment for an account and the other assets of the Corporation in the account does not provide an amount sufficient to make all necessary payments from that account, the funds available shall be prorated and the unpaid part shall be paid as soon as funds are available.

(6) The Corporation may exempt or defer, wholly or partly, the assessment of a member insurer if the assessment would cause the member insurer's financial statement to reflect amounts of capital or surplus less than the minimum amounts required for a certificate of authority by any jurisdiction in which the member insurer is authorized to transact insurance business.

(7) A member insurer may set off against an assessment the authorized payments made on covered claims and expenses incurred in paying those covered claims

if they are chargeable to the account for which the assessment is made.

(e) (1) The Corporation:

(i) shall investigate claims brought against the Corporation and adjust, compromise, settle, and pay covered claims to the extent of the Corporation's obligation and deny all other claims;

(ii) may review settlements, releases, and judgments to which the insolvent insurer or its insureds were parties to determine the extent to which the settlements, releases, and judgments may be properly contested;

(iii) shall notify persons as the Commissioner directs under § 9-308(b)(1) of this subtitle;

(iv) shall handle claims through its employees or through one or more insurers or other persons designated as servicing facilities;

(v) shall reimburse each servicing facility for obligations of the Corporation paid by the facility and for expenses incurred by the facility while handling claims on behalf of the Corporation; and

(vi) shall pay other expenses of the Corporation that are authorized by this subtitle.

(2) (i) Designation of a servicing facility by the Corporation is subject to the approval of the Commissioner.

(ii) A member insurer may decline designation as a servicing facility.

(f) The Corporation may:

(1) employ or retain persons necessary to handle claims and perform other duties of the Corporation;

(2) borrow money necessary to carry out the purposes of this subtitle in accordance with the plan of operation;

(3) sue or be sued;

(4) negotiate and become a party to contracts necessary to carry out the purposes of this subtitle;

(5) perform any other act necessary or proper to carry out the purposes of this subtitle; and

(6) refund to the member insurers in proportion to the contribution of each member insurer to an account, the amount by which the assets of the account at the end of any calendar year exceed the liabilities of that account as estimated by the Board

of Directors for the coming year.

(g) (1) To the extent appropriate or necessary for the Corporation, or a similar association or corporation in another state, to carry out its duties under this subtitle, the Corporation may bring an action against a third party administrator, producer, agent, attorney, or other representative of an insolvent insurer to obtain custody and control of all files and records, regardless of format, related to claims information that involves the insolvent insurer.

(2) In an action brought under this subsection, the Corporation:

(i) has the absolute right through emergency equitable relief to obtain custody and control of all claims information in the custody or control of the third party administrator, producer, agent, attorney, or other representative of the insolvent insurer, regardless of where the claims information is physically located; and

(ii) is not subject to any defense, lien, or other legal or equitable ground that might be asserted against the liquidator of the insolvent insurer for refusal to surrender claims information.

(3) If an action is required under this subsection after refusal to provide claims information in response to a written demand for the claims information, the court shall award the Corporation its costs, expenses, and reasonable attorney fees incurred in bringing the action.

(4) This subsection does not affect the rights and remedies that the custodian of the applicable claims information may have against the insolvent insurer if those rights and remedies do not conflict with the right of the Corporation to custody and control of the claims information under this subsection.

[Previous][Next]