

Article - Insurance

§9-227.

(a) In this section, “preferred claim” means a claim that is given priority of payment from the general assets of an insurer under the law of the State or the United States.

(b) (1) The first \$500 of compensation or wages owed to an officer or employee of an insurer for services rendered within 3 months before the commencement of a delinquency proceeding against the insurer shall be paid before payment of any other debt or claim.

(2) Subject to paragraph (3) of this subsection, the Commissioner may pay the compensation required to be paid under this subsection as soon as practicable after commencement of the delinquency proceeding.

(3) At all times, the Commissioner shall reserve funds that the Commissioner believes are sufficient for expenses of administration.

(4) The priority required under this subsection is instead of any other similar priority that may be authorized by law as to wages or compensation.

(c) Priority over all other claims in a liquidation proceeding, other than claims for wages specified in subsection (b) of this section, expenses of administration, and taxes, shall be given to:

(1) claims by policyholders, beneficiaries, insureds, or holders of funding agreements issued under § 16-113 of this article, that arise from and within the coverage of and are not in excess of the applicable limits of policies and insurance contracts issued by the insurer;

(2) liability claims against insureds that are within the coverage of and are not in excess of the applicable limits of policies and insurance contracts issued by the insurer; and

(3) claims of:

(i) the Property and Casualty Insurance Guaranty Corporation;

(ii) the Life and Health Insurance Guaranty Corporation; and

(iii) any similar organization in another state.

(d) Notwithstanding the provisions of subsections (b) and (c) of this section, if there are known or potential claims due the federal government, the following shall be the priority of distribution:

(1) expenses of administration;

(2) the following claims without priority among them:

(i) claims made by policyholders, beneficiaries, insureds, or holders of funding agreements issued under § 16-113 of this article, that arise from and within the coverage of and are not in excess of the applicable limits of policies and insurance contracts issued by the insurer;

(ii) liability claims against insureds that are within the coverage of and are not in excess of the applicable limits of policies and insurance contracts issued by the insurer; and

(iii) claims of:

1. the Property and Casualty Insurance Guaranty Corporation;
2. the Life and Health Insurance Guaranty Corporation; and
3. any similar organization in another state;

(3) claims of the federal government not included in item (2) of this subsection;

(4) the first \$500 of compensation or wages owed to an officer or employee of an insurer for services rendered within 3 months before the commencement of a delinquency proceeding against the insurer, which shall be instead of any other similar priority that may be authorized by law as to wages or compensation;

(5) claims for taxes and debts due any state or local government; and

(6) all other claims of general creditors not falling within any other priority under this subsection.

(e) (1) The owners of special deposit claims against an insurer for which a receiver is appointed in this State or another state have priority against their special deposits as provided by the law that governs the creation and maintenance of special deposits.

(2) If there is a deficiency in a special deposit so that the claims secured by the special deposit are not fully discharged, the claimants may share in the general assets after general creditors, and claimants against other special deposits who have received smaller percentages from their respective special deposits, have been paid percentages of their claims equal to the percentage paid from the special deposit.

(f) (1) The owner of a secured claim against an insurer for which a receiver has been appointed in this State or another state may:

(i) surrender the security and file the claim as a general creditor; or

(ii) have the claim discharged by resort to the security.

(2) If the owner of a secured claim has the claim discharged by resort to the security, any deficiency shall be treated as a claim against the general assets of the insurer on the same basis as the claims of unsecured creditors.

(3) The amount of a deficiency is conclusive if adjudicated:

(i) in an ancillary proceeding under this subtitle; or

(ii) by a court of competent jurisdiction in a proceeding in which the domiciliary receiver has had notice and an opportunity to be heard.

(4) If the amount of a deficiency is not conclusive, the amount shall be determined in a delinquency proceeding in the domiciliary state.

(g) (1) Current financing moneys that, in accordance with regulations adopted by the Health Services Cost Review Commission, are provided by an insurer, nonprofit health service plan, or health maintenance organization to a hospital for discounted hospital rates are deemed to be security for the amount of outstanding charges owed by the insurer, nonprofit health service plan, or health maintenance organization to the hospital for bills or claims for services provided by the hospital before the delinquency proceeding.

(2) A hospital that retains any current financing moneys as security under this subsection:

(i) is deemed to be the owner of a secured claim against the insurer, nonprofit health service plan, or health maintenance organization for which a receiver has been appointed; and

(ii) may discharge its claim against the insurer, nonprofit health service plan, or health maintenance organization as provided under subsection (f) of this section.

(h) (1) In a delinquency proceeding against an insurer domiciled in the State, claims owing to residents of ancillary states are preferred claims if similar claims are preferred under the law of this State.

(2) All claims owing to residents of ancillary states or nonresidents have equal priority of payment from general assets regardless of where the general assets are located.

(i) In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this State are preferred claims if similar claims are preferred under the law of that state.