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By: **Delegates Frank and Morhaim**  
Introduced and read first time: February 16, 1998  
Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Property and Casualty Insurance Guaranty Corporation - Cap**

3 FOR the purpose of altering the amount of the cap on the amount of covered claims  
4 that the Property and Casualty Insurance Corporation is required to pay under  
5 certain circumstances.

6 BY repealing and reenacting, with amendments,  
7 Article - Insurance  
8 Section 9-306(a) and (b)  
9 Annotated Code of Maryland  
10 (1997 Volume)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article - Insurance**

14 9-306.

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

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

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

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

23 (2) Except as provided in paragraph (3) of this subsection, the obligation  
24 of the Corporation under this subsection shall include only that amount of each  
25 covered claim that is in excess of \$100 and less than [~~\$300,000~~] \$750,000.

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

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

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

10           (2)       The obligation of the Corporation under this subsection shall include  
11 only that amount of each covered claim payable to each claimant that is in excess of  
12 \$100 and less than [\$300,000] \$700,000.

13           (3)       The Corporation is not liable for an aggregate amount in excess of  
14 \$1,000,000 under any one surety bond.

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

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

22       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 October 1, 1998.