

HOUSE BILL 231

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2004 Regular Session
4r1524
CF 4r1523

By: ~~Delegate Hammen~~ Delegates Hammen, Benson, Boteler, Boutin,
Bromwell, Costa, Donoghue, Elliott, Goldwater, Hubbard, Hurson,
Kach, Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Oaks,
Pendergrass, Rosenberg, Rudolph, Smigiel, V. Turner, and Weldon

Introduced and read first time: January 23, 2004
Assigned to: Health and Government Operations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: February 24, 2004

CHAPTER _____

1 AN ACT concerning

2 **Life Insurers - Funding Agreements - Priority in Liquidation Proceedings**

3 FOR the purpose of stating expressly the priority of certain claims made by holders of
4 certain funding agreements in liquidation proceedings against certain insurers;
5 and generally relating to the priority of claims in liquidation proceedings.

6 BY repealing and reenacting, without amendments,
7 Article - Insurance
8 Section 9-227(a) and (b)
9 Annotated Code of Maryland
10 (2003 Replacement Volume)

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 9-227(c) and (d)
14 Annotated Code of Maryland
15 (2003 Replacement Volume)

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

1

Article - Insurance

2 9-227.

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

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

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

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

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

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

20 (1) claims by policyholders, beneficiaries, [or] insureds, OR HOLDERS OF
21 FUNDING AGREEMENTS ISSUED UNDER § 16-113 OF THIS ARTICLE, that arise from
22 and within the coverage of and are not in excess of the applicable limits of policies and
23 insurance contracts issued by the insurer;

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

27 (3) claims of:

28 (i) the Property and Casualty Insurance Guaranty Corporation;

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

30 (iii) any similar organization in another state.

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

34 (1) expenses of administration;

35 (2) the following claims without priority among them:

1 (i) claims made by policyholders, beneficiaries, [or] insureds, OR
2 HOLDERS OF FUNDING AGREEMENTS ISSUED UNDER § 16-113 OF THIS ARTICLE, that
3 arise from and within the coverage of and are not in excess of the applicable limits of
4 policies and insurance contracts issued by the insurer;

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

8 (iii) claims of:

9 1. the Property and Casualty Insurance Guaranty
10 Corporation;

11 2. the Life and Health Insurance Guaranty Corporation; and

12 3. any similar organization in another state;

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

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

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

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

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 October 1, 2004.