

SENATE BILL 129

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2004 Regular Session
4r1523
CF 4r1524

By: **Senator Astle**

Introduced and read first time: January 22, 2004

Assigned to: Finance

A BILL ENTITLED

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:

18 **Article - Insurance**

19 9-227.

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

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

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

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

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

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

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

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

18 (3) claims of:

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

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

21 (iii) any similar organization in another state.

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

25 (1) expenses of administration;

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

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

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

34 (iii) claims of:

- 1
2 Corporation;
- 3
4
- 5 (3) claims of the federal government not included in item (2) of this
6 subsection;
- 7 (4) the first \$500 of compensation or wages owed to an officer or
8 employee of an insurer for services rendered within 3 months before the
9 commencement of a delinquency proceeding against the insurer, which shall be
10 instead of any other similar priority that may be authorized by law as to wages or
11 compensation;
- 12 (5) claims for taxes and debts due any state or local government; and
- 13 (6) all other claims of general creditors not falling within any other
14 priority under this subsection.

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