

SENATE BILL 697

C4

71r2708
CF 71r2709

By: **Senator Feldman**

Introduced and read first time: February 3, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Property and Casualty Insurance Guaranty Corporation – Covered**
3 **Claims**

4 FOR the purpose of altering the definition of “covered claims” for purposes of the Property
5 and Casualty Insurance Guaranty Corporation to include claims resulting from an
6 injury or damage that took place before the earlier of certain dates; providing for the
7 application of this Act; and generally relating to the Property and Casualty
8 Insurance Guaranty Corporation and covered claims.

9 BY repealing and reenacting, with amendments,
10 Article – Insurance
11 Section 9–301(d)
12 Annotated Code of Maryland
13 (2011 Replacement Volume and 2016 Supplement)

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

16 **Article – Insurance**

17 9–301.

18 (d) (1) “Covered claim” means an insolvent insurer’s unpaid obligation,
19 including an unearned premium:

20 (i) that:

21 1. A. for insurance other than insurance that covers
22 members of a purchasing group, arises out of a policy of the insolvent insurer issued to a
23 resident or payable to a resident on behalf of an insured of the insolvent insurer; or

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 B. for insurance that covers members of a purchasing group,
2 arises out of insurance that covers the members of the purchasing group to the extent that
3 the insurance is obtained by the purchasing group, the insurance is written by an
4 authorized insurer, and the claim is made by a person residing or located in the State; or

5 2. arises out of a surety bond issued by the insolvent insurer
6 for the protection of a third party that is a resident;

7 (ii) that is presented on or before the last date fixed for the filing of
8 claims in the domiciliary delinquency proceeding as a claim to the corporation or to the
9 receiver in the State;

10 (iii) that:

11 1. except for a surety bond claim, was incurred or existed
12 before, on, or within 30 days after the determination of insolvency; or

13 2. for a surety bond claim that arises out of a surety bond
14 issued by a domestic insurer, was incurred or existed before, on, or within 18 months after
15 the determination of insolvency, whether or not the surety bond is issued for no stated
16 period or for a stated period; and

17 (iv) that arises out of a policy or surety bond of the insolvent insurer
18 issued for a kind of insurance to which this subtitle applies.

19 (2) "Covered claim" does not include:

20 (i) an amount due a reinsurer, insurer, insurance pool, or
21 underwriting association, as a subrogation recovery or otherwise; or

22 (ii) an amount due that arises out of insurance covering the members
23 of a purchasing group if the insurance obtained by the purchasing group is written by an
24 unauthorized insurer.

25 (3) (i) "Covered claim" does not include a first party claim by an insured
26 whose net worth exceeds \$50,000,000 on December 31 of the year before the year in which
27 the insurer becomes an insolvent insurer.

28 (ii) For purposes of this paragraph, the net worth of an insured is
29 deemed to include the aggregate net worth of the insured and all of its subsidiaries
30 calculated on a consolidated basis.

31 (4) (I) [Notwithstanding] **EXCEPT AS PROVIDED IN SUBPARAGRAPH**
32 **(II) OF THIS PARAGRAPH, AND NOTWITHSTANDING** any other provision of this subtitle,
33 "covered claim" does not include:

34 [(i)] 1. a claim filed with the Corporation after the earlier of:

1 [1.] A. 18 months after the date of the order of liquidation;
2 or

3 [2.] B. the final date set by the court for the filing of claims
4 against the liquidator or receiver of an insolvent insurer; or

5 [(ii)] 2. a claim filed with the Corporation or a liquidator for
6 protection afforded under the insured's policy for losses that are incurred but not reported.

7 (II) "COVERED CLAIM" INCLUDES A CLAIM RESULTING FROM
8 AN INJURY OR DAMAGE THAT TOOK PLACE, WHOLLY OR PARTLY, BEFORE THE
9 EARLIER OF:

10 1. THE DATE OF THE ORDER OF LIQUIDATION OF AN
11 INSOLVENT INSURER; OR

12 2. THE FINAL DATE SET BY THE COURT FOR THE FILING
13 OF CLAIMS AGAINST THE LIQUIDATOR OR RECEIVER OF AN INSOLVENT INSURER.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
15 apply retroactively and shall be applied to and interpreted to affect claims for injury or
16 damage that occurred on or before the effective date of this Act.

17 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
18 1, 2017.