

Department of Legislative Services  
Maryland General Assembly  
2017 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 697

(Senator Feldman)

Finance

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Insurance - Property and Casualty Insurance Guaranty Corporation - Covered  
Claims

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This bill expands the definition of “covered claim” for the Property and Casualty Insurance Guaranty Corporation (PCIGC), thereby requiring PCIGC to cover a claim resulting from an injury or damage that took place, wholly or partly, before the earlier of (1) the date of the order of liquidation of an insolvent insurer or (2) the final date set by the court for the filing of claims against the liquidator or receiver of an insolvent insurer.

The bill takes effect July 1, 2017, and applies retroactively to claims for injury or damage that occurred on or before that date.

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Fiscal Summary

**State Effect:** The bill does not directly affect State operations or finances.

**Local Effect:** The bill does not directly affect local governmental operations or finances.

**Small Business Effect:** Minimal.

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Analysis

**Current Law/Background:** PCIGC is a private, nonstock, and nonprofit organization created by the Maryland General Assembly in 1971 and the insurer of last resort for property and casualty insurance in the State. Its statutory purpose is to provide (1) a mechanism for the prompt payment of covered claims under policies and to avoid financial loss to residents of the State who are claimants or policyholders of an insolvent insurer and (2) for the assessment of the cost of payments of covered claims and protection among

insurers. All licensed property and casualty insurers in the State are required to be members of PCIGC.

PCIGC is obligated to pay the covered claim of an insolvent insurer within a certain timeframe. Specifically, for a claim that is not a surety bond, the claim must have existed on or before the date the insurer was determined to be insolvent or (1) within 30 days after the determination of insolvency; (2) before the policy expiration date, if that date is less than 30 days after the determination of insolvency; or (3) before the insured replaces the policy or causes its cancellation, if the insured does so within 30 days after the determination of insolvency.

A “covered claim” means an insolvent insurer’s unpaid obligation that (1) generally arises out of a policy of the insolvent insurer; (2) is presented on or before the last date fixed for the filing of claims in the domiciliary delinquency proceeding as a claim to the corporation or to the receiver in the State; (3) except for a surety bond, was incurred or existed before, on, or within 30 days after the determination of insolvency; and (4) that arises out of a policy or surety bond of the insolvent insurer issued for a kind of insurance authorized by Maryland law.

Related to the timing of when a claim is filed, a “covered claim” does not include a claim filed with PCIGC after the earlier of (1) 18 months after the date of the order of liquidation or (2) the final date set by the court for the filing of claims against the liquidator or receiver of an insolvent insurer.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1332 (Delegate Frick) - Economic Matters.

**Information Source(s):** Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2017  
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