

17:30C-26; 17:30C-31

LEGISLATIVE HISTORY CHECKLIST

HWSA 17:30C-26; 17:30C-31 (Insurance liquidation, proceedings--  
claims priorities)

LAWS OF 1979 CHAPTER 470

Bill No. A1115

Sponsor(s) Stewart

Date Introduced April 20, 1978

Committee: Assembly Banking & Insurance

Senate Labor, Industry & Professions

Amended during passage Yes ~~xxx~~ Amendments during passage  
denoted by asterisks

Date of Passage: Assembly June 21, 1979

Senate Jan. 5, 1980

Date of approval Feb. 27, 1980

Following statements are attached if available:

Sponsor statement Yes ~~Yes~~

Committee Statement: Assembly Yes ~~Yes~~

Senate Yes ~~No~~

Fiscal Note Yes ~~No~~

Veto message Yes ~~No~~

Message on signing Yes ~~No~~

Following were printed:

Reports Yes ~~No~~

Hearings Yes ~~No~~

8/1/78  
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CHAPTER 470 LAWS OF N. J. 19 79  
APPROVED, 2-27-80

[OFFICIAL COPY REPRINT]  
ASSEMBLY, No. 1115

# STATE OF NEW JERSEY

INTRODUCED APRIL 20, 1978

By Assemblyman STEWART

Referred to Committee on Banking and Insurance

AN ACT to amend and supplement "An act concerning the rehabilitation and liquidation of certain insurers, supplementing Title 17 of the Revised Statutes, and repealing chapter 30 of Title 17 of the Revised Statutes," approved June 3, 1975 (P. L. 1975, c. 113, C. 17:30c-1 et seq.).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 26 of P. L. 1975, c. 113 (C. 17:30c-26) is amended to  
2 read as follows:

3 26. Priority of claims for compensation.

4 a. Compensation actually owing to employees other than officers  
5 of an insurer, for services rendered within 3 months prior to the  
6 commencement of a proceeding against the insurer under this act,  
7 but not exceeding \$1,000.00 for each such employee, shall be paid  
8 prior to the payment of any other debt or claim, and in the dis-  
9 cretion of the commissioner, may be paid as soon as practicable  
10 after the proceeding has been commenced; except, that at all times  
11 the commissioner shall reserve such funds as will, in his opinion,  
12 be sufficient for the expenses of administration.

13 b. Such priority shall be in lieu of any other similar priority  
14 which may be authorized by law as to the wages or compensation  
15 of such employees.

16 c. *The priorities of distribution in a liquidation proceeding shall*  
17 *be in the following order:*

18 (1) *Expenses of administration;*

19 (2) *Compensation of employees as provided in subsection (a)*  
20 *of this section;*

21 (3) *Claims for taxes and debts due to Federal or any state or*  
22 *local government which are secured by liens perfected prior to the*  
23 *commencement of delinquency proceedings;*

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

24 (4) Claims by policyholders, beneficiaries and insurers arising  
 25 from and within the coverage of and not in excess of the applicable  
 26 limits of insurance policies and insurance contracts issued by the  
 27 company and liability claims against insurers which claims are  
 28 within the coverage of and not in excess of the applicable limits of  
 29 insurance policies and insurance contracts issued by the com-  
 30 pany\***[.]**\* \*and\* \***[(5) Claims]**\* \*claims\* presented by the New  
 31 Jersey Property-Liability Insurance \***[Guraanty]**\* \*Guaranty\*  
 32 Association and \*claims presented by\* any similar organization in  
 33 another state\***[,** which represent covered claims as defined in  
 34 section 5 of P. L. 1974, c. 17 (C. 17:30A-56)**]**\*.

35 \***[(6)]**\* \*(5)\* All other claims.

1 2. (New section) a. Within 120 days of a final determination of  
 2 insolvency of a company by a court of competent jurisdiction of this  
 3 State, the \***[receiver]**\* \*commissioner\* shall make application to  
 4 the court for approval of a proposal to disburse assets out of such  
 5 company's marshaled assets, from time to time as such assets  
 6 become available, to the New Jersey Property-Liability Insurance  
 7 Guaranty Association and to any similar organization in another  
 8 state \*having substantially the same provision of law\*.

8A b. Such proposals shall at least include provision for:

9 (1) Reserving amounts for the payment of the expenses of  
 10 administration and the claims falling within priorities established  
 11 in section 26 of the act to which this act is amendatory.

12 (2) Disbursement of the assets marshaled to date and subse-  
 13 quent disbursements of assets as they become available.

14 (3) Equitable allocation of disbursements to the New Jersey  
 15 Property-Liability Guaranty Association and similar associations  
 16 established in other states which are entitled thereto; and

17 (4) The securing by the receiver from each of such associations  
 18 entitled to disbursements pursuant to this section of an agreement  
 19 to return to the receiver such assets previously disbursed as may be  
 20 required to pay claims of secured creditors and claims falling  
 21 within the priorities established in section 26 of P. L. 1975, c. 113  
 22 (C. 17:30C-26), in accordance with such priorities. No bonds shall  
 23 be required of any such association.

24 c. The receiver's proposal shall provide for disbursements to the  
 25 associations in amounts at least equal to the payments made or  
 26 to be made thereby for which such association could assert claims  
 27 against the receiver and shall further provide that if the assets  
 28 available for disbursement from time to time do not equal or exceed  
 29 the amounts of such payments made or to be made by the associa-  
 30 tions then disbursements shall be in the amount of available assets.

31 d. Notice of intention to apply for approval of a disbursement of  
32 assets shall be given to the associations in and to the commissioners  
33 of insurance of each of the states. Any such notice shall be deemed  
34 to have been given when deposited in the United States certified  
35 mails, first class postage fee paid, at least 30 days prior to submis-  
36 sion of such application to the court. Action on the application  
37 may be taken by the court provided the above required notice has  
38 been given and provided further that the receiver's proposal  
39 complies with subsection (b) (1) and (b) (4) of this section.

1 3. This act shall take effect immediately.

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# ASSEMBLY, No. 1115

## STATE OF NEW JERSEY

INTRODUCED APRIL 20, 1978

By Assemblyman STEWART

Referred to Committee on Banking and Insurance

AN ACT to amend and supplement "An act concerning the rehabilitation and liquidation of certain insurers, supplementing Title 17 of the Revised Statutes, and repealing chapter 30 of Title 17 of the Revised Statutes," approved June 3, 1975 (P. L. 1975, c. 113, C. 17:30c-1 et seq.).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 26 of P. L. 1975, c. 113 (C. 17:30c-26) is amended to  
2 read as follows:

3 26. Priority of claims for compensation.

4 a. Compensation actually owing to employees other than officers  
5 of an insurer, for services rendered within 3 months prior to the  
6 commencement of a proceeding against the insurer under this act,  
7 but not exceeding \$1,000.00 for each such employee, shall be paid  
8 prior to the payment of any other debt or claim, and in the dis-  
9 cretion of the commissioner, may be paid as soon as practicable  
10 after the proceeding has been commenced; except, that at all times  
11 the commissioner shall reserve such funds as will, in his opinion,  
12 be sufficient for the expenses of administration.

13 b. Such priority shall be in lieu of any other similar priority  
14 which may be authorized by law as to the wages or compensation  
15 of such employees.

16 c. *The priorities of distribution in a liquidation proceeding shall*  
17 *be in the following order:*

18 (1) *Expenses of administration;*

19 (2) *Compensation of employees as provided in subsection (a)*  
20 *of this section;*

21 (3) *Claims for taxes and debts due to Federal or any state or*  
22 *local government which are secured by liens perfected prior to the*  
23 *commencement of delinquency proceedings;*

24 (4) Claims by policyholders, beneficiaries and insurers arising  
25 from and within the coverage of and not in excess of the applicable  
26 limits of insurance policies and insurance contracts issued by the  
27 company and liability claims against insurers which claims are  
28 within the coverage of and not in excess of the applicable limits of  
29 insurance policies and insurance contracts issued by the company.

30 (5) Claims presented by the New Jersey Property-Liability  
31 Insurance Guaranty Association and any similar organization in  
32 another state, which represent covered claims as defined in section 5  
33 of P. L. 1974, c. 17 (C. 17:30A-56).

34 (6) All other claims.

1 2. (New section) a. Within 120 days of a final determination of  
2 insolvency of a company by a court of competent jurisdiction of this  
3 State, the receiver shall make application to the court for approval  
4 of a proposal to disburse assets out of such company's marshaled  
5 assets, from time to time as such assets become available, to the  
6 New Jersey Property-Liability Insurance Guaranty Association  
7 and to any similar organization in another state.

8 b. Such proposals shall at least include provision for:

9 (1) Reserving amounts for the payment of the expenses of  
10 administration and the claims falling within priorities established  
11 in section 26 of the act to which this act is amendatory.

12 (2) Disbursement of the assets marshaled to date and subse-  
13 quent disbursements of assets as they become available.

14 (3) Equitable allocation of disbursements to the New Jersey  
15 Property-Liability Guaranty Association and similar associations  
16 established in other states which are entitled thereto; and

17 (4) The securing by the receiver from each of such associations  
18 entitled to disbursements pursuant to this section of an agreement  
19 to return to the receiver such assets previously disbursed as may be  
20 required to pay claims of secured creditors and claims falling  
21 within the priorities established in section 26 of P. L. 1975, c. 113  
22 (C. 17:30C-26), in accordance with such priorities. No bonds shall  
23 be required of any such association.

24 c. The receiver's proposal shall provide for disbursements to the  
25 associations in amounts at least equal to the payments made or  
26 to be made thereby for which such association could assert claims  
27 against the receiver and shall further provide that if the assets  
28 available for disbursement from time to time do not equal or exceed  
29 the amounts of such payments made or to be made by the associa-  
30 tions then disbursements shall be in the amount of available assets.

31 d. Notice of intention to apply for approval of a disbursement of  
32 assets shall be given to the associations in and to the commissioners

33 of insurance of each of the states. Any such notice shall be deemed  
34 to have been given when deposited in the United States certified  
35 mails, first class postage fee paid, at least 30 days prior to submis-  
36 sion of such application to the court. Action on the application  
37 may be taken by the court provided the above required notice has  
38 been given and provided further that the receiver's proposal  
39 complies with subsection (b) (1) and (b) (4) of this section.

1 3. This act shall take effect immediately.

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#### STATEMENT

This legislation, amending P. L. 1975, c. 113, establishes certain priorities of claims for compensation involving insurers in liquidation proceedings.

The legislation also provides that a receiver may make application to a court for approval of a proposal to disburse assets of an insolvent company within 120 days of a final determination of insolvency by such court.

The proposals for such disbursement would be required to make provision for reserving amounts for the payment of expenses of administration, equitable allocation of disbursements to the New Jersey Property-Liability Guaranty Association, and the securing of an agreement by out-of-state associations to return certain assets to the receiver.

Disbursements to other associations would be in amounts at least equal to the payments made for which such association could assert claims against the receiver.

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ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1115

STATE OF NEW JERSEY

DATED: MAY 21, 1979

This law amends section 26 of the law providing for the liquidation and rehabilitation of insolvent insurers, establishing priorities of distribution in a liquidation proceeding. The priorities would be established as follows: (1) expenses of administration; (2) compensation of employees; (3) claims for taxes and debts due to any branch of government, either State or Federal; (4) claims by policyholders, beneficiaries and insurers generated by the policies of the insolvent insurer, as well as claims presented by the guaranty association. This legislation also provides that the receiver may make a proposal to disburse assets out of the insolvent insurer's marshaled assets to the guaranty association and to similar organizations in other states. Such a proposal would have to include provisions for reserving amounts for the payment of the expenses of administration and claims, disbursing assets marshaled to date and subsequent disbursements of assets as they become available, and the equitable allocation of disbursements to the guaranty association and similar associations.

The law establishing the procedures for the rehabilitation or liquidation of insurers makes no provision for the priorities for distributing the assets of the insolvent insurer. The purpose of this legislation is to make such priorities statutory, and therefore undisputed.

The Assembly Banking and Insurance Committee has made technical amendments to the bill, as well as an amendment which would provide for reciprocal arrangements between states.



ASSEMBLY COMMITTEE AMENDMENTS TO

**ASSEMBLY, No. 1115**

**STATE OF NEW JERSEY**

ADOPTED MAY 21, 1979

Amend page 2, section 1, line 29, omit “.”, insert “and”.

Amend page 2, section 1, line 30, omit “(5) Claims”, insert “claims”.

Amend page 2, section 1, line 31, omit “Guraanty”, insert “Guaranty”; after “and”, insert “claims presented by”.

Amend page 2, section 1, line 32, after “state”, omit rest of line, insert “.”.

Amend page 2, section 1, line 33, omit in entirety.

Amend page 2, section 1, line 34, omit “(6)”, insert “(5)”.

Amend page 2, section 2, line 3, omit “receiver”, insert “commissioner”.

Amend page 2, section 2, line 7, after “state”, insert “having substantially the same provision of law”.

February 27, 1980

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This bill takes effect 60 days after enactment.

A-887, sponsored by former Assemblyman Peter Shapiro (D-Essex), which removes the current \$7,500 salary ceiling on the position of councilman's aide and allows the salary to be determined by municipal ordinance in certain municipalities.

A-1115, sponsored by Assemblyman Donald H. Stewart (D-Gloucester), which amends the law concerning the liquidation and rehabilitation of insolvent insurers. This bill establishes the priorities to be followed in a liquidation proceeding.

This bill establishes priorities as follows:

- (1) expenses of administration
- (2) employee claims authorized by current law;
- (3) governmental claims secured by perfected liens;
- (4) claims by insureds and by the New Jersey Property-Liability Insurance Guaranty Association and similar organizations in other states; and
- (5) all other claims.

S-3162, sponsored by Senator Eugene J. Bedell (D-Monmouth) which amends the "Bulk Commodities Transportation Act of 1977" to exempt solid waste haulers from its regulation.

The 1977 act empowered the Division of Motor Vehicles to regulate the transportation of bulk commodities in intrastate commerce. The collection, transportation and disposal of solid waste is thoroughly regulated by both the Board of Public Utilities and the Department of Environmental Protection.

S-3250, also sponsored by Senator Bedell, which amends the "Local Public Contracts Law".

Under the law, a contractor may elect to deposit negotiable bearer bonds on projects for municipalities which exceed a price of \$100,000 or he can elect to permit the withholding of case payments by the municipality.

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#### STATEMENT

This legislation amends the Joint Underwriting Association Act to provide that there shall be no liability on the part of and no