

8544

2009-2010 Regular Sessions

I N A S S E M B L Y

May 27, 2009

Introduced by M. of A. MORELLE -- read once and referred to the Committee on Insurance

AN ACT to amend the insurance law, in relation to the treatment of qualified financial contracts in an insurance insolvency proceeding affecting a domestic, foreign or alien insurer

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The insurance law is amended by adding a new section 7437
2 to read as follows:

3 S 7437. QUALIFIED FINANCIAL CONTRACTS. (A) AS USED IN THIS SECTION:

4 (1) "ACTUAL DIRECT COMPENSATORY DAMAGES" MEANS AND INCLUDES NORMAL AND
5 REASONABLE COSTS OF COVER OR OTHER REASONABLE MEASURES OF DAMAGES
6 UTILIZED IN THE DERIVATIVES, SECURITIES OR OTHER MARKET FOR THE CONTRACT
7 AND AGREEMENT CLAIMS BUT DOES NOT INCLUDE PUNITIVE OR EXEMPLARY DAMAGES,
8 DAMAGES FOR LOST PROFIT OR LOST OPPORTUNITY OR DAMAGES FOR PAIN AND
9 SUFFERING.

10 (2) "BUSINESS DAY" MEANS A DAY OTHER THAN A SATURDAY, A SUNDAY OR ANY
11 DAY ON WHICH EITHER THE NEW YORK STOCK EXCHANGE OR THE FEDERAL RESERVE
12 BANK OF NEW YORK IS CLOSED.

13 (3) "COMMODITY CONTRACT" MEANS: (A) A CONTRACT FOR THE PURCHASE OR
14 SALE OF A COMMODITY FOR FUTURE DELIVERY ON, OR SUBJECT TO THE RULES OF,
15 A BOARD OF TRADE OR CONTRACT MARKET UNDER THE COMMODITY EXCHANGE ACT (7
16 U.S.C. S 1, ET SEQ.) OR A BOARD OF TRADE OUTSIDE THE UNITED STATES; (B)
17 AN AGREEMENT THAT IS SUBJECT TO REGULATION UNDER SECTION 19 OF THE
18 COMMODITY EXCHANGE ACT (7 U.S.C. S 1, ET SEQ.) AND THAT IS COMMONLY
19 KNOWN TO THE COMMODITIES TRADE AS A MARGIN ACCOUNT, MARGIN CONTRACT,
20 LEVERAGE ACCOUNT OR LEVERAGE CONTRACT; (C) AN AGREEMENT OR TRANSACTION
21 THAT IS SUBJECT TO REGULATION UNDER SECTION 4C(B) OF THE COMMODITY
22 EXCHANGE ACT (7 U.S.C. S 1, ET SEQ.) AND THAT IS COMMONLY KNOWN TO THE
23 COMMODITIES TRADE AS A COMMODITY OPTION; (D) ANY COMBINATION OF THE
24 AGREEMENTS OR TRANSACTIONS REFERRED TO IN THIS PARAGRAPH; (E) ANY OPTION

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 TO ENTER INTO AN AGREEMENT OR TRANSACTION REFERRED TO IN THIS PARAGRAPH;
2 OR (F) ANY OTHER CONTRACT THAT IS INCLUDED FROM TIME TO TIME AS A
3 COMMODITY CONTRACT AS DEFINED IN THE FEDERAL DEPOSIT INSURANCE ACT, 12
4 U.S.C. S 1821(E)(8)(D).

5 (4) "CONTRACTUAL RIGHT" MEANS AND INCLUDES ANY RIGHT SET FORTH IN A
6 RULE OR BYLAW OF A DERIVATIVES CLEARING ORGANIZATION (AS DEFINED IN THE
7 COMMODITY EXCHANGE ACT), A MULTILATERAL CLEARING ORGANIZATION (AS
8 DEFINED IN THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF
9 1991), A NATIONAL SECURITIES EXCHANGE, A NATIONAL SECURITIES ASSOCI-
10 ATION, A SECURITIES CLEARING AGENCY, A CONTRACT MARKET DESIGNATED UNDER
11 THE COMMODITY EXCHANGE ACT, A DERIVATIVES TRANSACTION EXECUTION FACILITY
12 REGISTERED UNDER THE COMMODITY EXCHANGE ACT, OR A BOARD OF TRADE (AS
13 DEFINED IN THE COMMODITY EXCHANGE ACT) OR IN A RESOLUTION OF THE GOVERN-
14 ING BOARD THEREOF AND ANY RIGHT, WHETHER OR NOT EVIDENCED IN WRITING,
15 ARISING UNDER STATUTORY OR COMMON LAW, OR UNDER LAW MERCHANT, OR BY
16 REASON OF NORMAL BUSINESS PRACTICE.

17 (5) "FORWARD CONTRACT" SHALL HAVE THE MEANING SET FORTH IN THE FEDERAL
18 DEPOSIT INSURANCE ACT, 12 U.S.C. S 1821(E)(8)(D).

19 (6) "NETTING AGREEMENT" MEANS: (A) A CONTRACT OR AGREEMENT (INCLUDING
20 THE TERMS AND CONDITIONS INCORPORATED BY REFERENCE IN SUCH AGREEMENT),
21 INCLUDING A MASTER AGREEMENT (WHICH MASTER AGREEMENT, TOGETHER WITH ALL
22 SCHEDULES, CONFIRMATIONS, DEFINITIONS AND ADDENDA THERETO AND TRANS-
23 ACTIONS UNDER ANY THEREOF, SHALL BE TREATED AS ONE NETTING AGREEMENT),
24 THAT DOCUMENTS ONE OR MORE TRANSACTIONS BETWEEN THE PARTIES TO THE
25 AGREEMENT FOR OR INVOLVING ONE OR MORE QUALIFIED FINANCIAL CONTRACTS AND
26 THAT PROVIDES FOR THE NETTING, OFFSET, LIQUIDATION, TERMINATION, ACCEL-
27 ERATION OR CLOSE OUT, UNDER OR IN CONNECTION WITH ONE OR MORE QUALIFIED
28 FINANCIAL CONTRACTS OR PRESENT OR FUTURE PAYMENT OR DELIVERY OBLIGATIONS
29 OR PAYMENT OR DELIVERY ENTITLEMENTS THEREUNDER (INCLUDING LIQUIDATION OR
30 CLOSE-OUT VALUES RELATING TO SUCH OBLIGATIONS OR ENTITLEMENTS) AMONG THE
31 PARTIES TO THE NETTING AGREEMENT; (B) ANY MASTER AGREEMENT OR BRIDGE
32 AGREEMENT FOR ONE OR MORE MASTER AGREEMENTS DESCRIBED IN SUBPARAGRAPH
33 (A) OF THIS PARAGRAPH; OR (C) ANY SECURITY ARRANGEMENT RELATED TO ONE OR
34 MORE CONTRACTS OR AGREEMENTS DESCRIBED IN SUBPARAGRAPH (A) OR (B) OF
35 THIS PARAGRAPH; PROVIDED THAT ANY CONTRACT OR AGREEMENT DESCRIBED IN
36 SUBPARAGRAPH (A) OR (B) OF THIS PARAGRAPH RELATING TO AGREEMENTS OR
37 TRANSACTIONS THAT ARE NOT QUALIFIED FINANCIAL CONTRACTS SHALL BE DEEMED
38 TO BE A NETTING AGREEMENT ONLY WITH RESPECT TO THOSE AGREEMENTS OR TRAN-
39 SACTIONS THAT ARE QUALIFIED FINANCIAL CONTRACTS.

40 (7) "QUALIFIED FINANCIAL CONTRACT" MEANS ANY COMMODITY CONTRACT,
41 FORWARD CONTRACT, REPURCHASE AGREEMENT, SECURITIES CONTRACT, SWAP AGREE-
42 MENT AND ANY SIMILAR AGREEMENT THAT THE SUPERINTENDENT DETERMINES BY
43 REGULATION TO BE A QUALIFIED FINANCIAL CONTRACT FOR THE PURPOSES OF THIS
44 ARTICLE.

45 (8) "REPURCHASE AGREEMENT" SHALL HAVE THE MEANING SET FORTH IN THE
46 FEDERAL DEPOSIT INSURANCE ACT, 12 U.S.C. S 1821(E)(8)(D).

47 (9) "SECURITIES CONTRACT" SHALL HAVE THE MEANING SET FORTH IN THE
48 FEDERAL DEPOSIT INSURANCE ACT, 12 U.S.C. S 1821(E)(8)(D).

49 (10) "SECURITY ARRANGEMENT" MEANS ANY SECURITY AGREEMENT OR ARRANGE-
50 MENT OR OTHER CREDIT ENHANCEMENT OR GUARANTEE OR REIMBURSEMENT OBLI-
51 GATION, INCLUDING A PLEDGE, SECURITY, COLLATERAL OR GUARANTEE AGREEMENT
52 OR CREDIT SUPPORT DOCUMENT.

53 (11) "SEPARATE ACCOUNT" MEANS AN ACCOUNT ESTABLISHED PURSUANT TO
54 SECTION FOUR THOUSAND TWO HUNDRED FORTY OF THIS CHAPTER.

55 (12) "SWAP AGREEMENT" SHALL HAVE THE MEANING SET FORTH IN THE FEDERAL
56 DEPOSIT INSURANCE ACT, 12 U.S.C. S 1821(E)(8)(D).

1 (13) "WALKAWAY CLAUSE" MEANS A PROVISION IN A NETTING AGREEMENT OR A
2 QUALIFIED FINANCIAL CONTRACT THAT, AFTER CALCULATION OF A VALUE OF A
3 PARTY'S POSITION OR AN AMOUNT DUE TO OR FROM ONE OF THE PARTIES IN
4 ACCORDANCE WITH ITS TERMS UPON TERMINATION, LIQUIDATION OR ACCELERATION
5 OF THE NETTING AGREEMENT OR QUALIFIED FINANCIAL CONTRACT, EITHER DOES
6 NOT CREATE A PAYMENT OBLIGATION OF A PARTY OR EXTINGUISHES A PAYMENT
7 OBLIGATION OF A PARTY IN WHOLE OR IN PART SOLELY BECAUSE OF THE PARTY'S
8 STATUS AS A NON-DEFAULTING PARTY.

9 (B)(1) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, INCLUDING
10 ANY OTHER PROVISION OF THIS ARTICLE PERMITTING THE MODIFICATION OF
11 CONTRACTS, OR OTHER LAW OF THIS STATE, NO PERSON SHALL BE STAYED OR
12 PROHIBITED FROM EXERCISING: (A) A CONTRACTUAL RIGHT TO CAUSE THE TERMI-
13 NATION, LIQUIDATION, ACCELERATION OR CLOSE OUT OF ANY OBLIGATION UNDER
14 OR IN CONNECTION WITH A NETTING AGREEMENT OR QUALIFIED FINANCIAL
15 CONTRACT WITH AN INSURER BECAUSE OF: (I) THE INSOLVENCY, FINANCIAL
16 CONDITION OR DEFAULT OF THE INSURER AT ANY TIME, PROVIDED THAT THE RIGHT
17 IS ENFORCEABLE UNDER APPLICABLE LAW OTHER THAN THIS ARTICLE; OR (II) THE
18 COMMENCEMENT OF ANY PROCEEDING UNDER THIS ARTICLE; (B) ANY RIGHT UNDER A
19 SECURITY ARRANGEMENT RELATING TO ONE OR MORE NETTING AGREEMENTS OR QUAL-
20 IFIED FINANCIAL CONTRACTS; OR (C) SUBJECT TO ANY PROVISION OF SUBSECTION
21 (B) OF SECTION SEVEN THOUSAND FOUR HUNDRED TWENTY-SEVEN OF THIS CHAPTER,
22 ANY RIGHT TO OFFSET OR NET OUT ANY TERMINATION VALUE, PAYMENT AMOUNT, OR
23 OTHER TRANSFER OBLIGATION ARISING UNDER OR IN CONNECTION WITH ONE OR
24 MORE QUALIFIED FINANCIAL CONTRACTS WHERE THE COUNTERPARTY OR ITS GUARAN-
25 TOR IS ORGANIZED UNDER THE LAWS OF THE UNITED STATES, A STATE, OR A
26 FOREIGN JURISDICTION APPROVED BY THE SECURITIES VALUATION OFFICE OF THE
27 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS AS ELIGIBLE FOR NETTING.

28 (2) IF A COUNTERPARTY TO A MASTER NETTING AGREEMENT OR A QUALIFIED
29 FINANCIAL CONTRACT WITH AN INSURER SUBJECT TO A PROCEEDING UNDER THIS
30 ARTICLE TERMINATES, LIQUIDATES, CLOSES OUT OR ACCELERATES THE AGREEMENT
31 OR CONTRACT, DAMAGES SHALL BE MEASURED AS OF THE DATE OR DATES OF TERMI-
32 NATION, LIQUIDATION, CLOSE OUT OR ACCELERATION. THE AMOUNT OF A CLAIM
33 FOR DAMAGES SHALL BE ACTUAL DIRECT COMPENSATORY DAMAGES.

34 (C) UPON TERMINATION OF A NETTING AGREEMENT OR QUALIFIED FINANCIAL
35 CONTRACT, THE NET OR SETTLEMENT AMOUNT, IF ANY, OWED BY A NONDEFAULTING
36 PARTY TO AN INSURER AGAINST WHICH AN APPLICATION HAS BEEN FILED UNDER
37 THIS ARTICLE SHALL BE TRANSFERRED TO OR ON THE ORDER OF THE SUPERINTEN-
38 DENT, AS LIQUIDATOR, REHABILITATOR OR CONSERVATOR FOR THE INSURER, EVEN
39 IF THE INSURER IS THE DEFAULTING PARTY, NOTWITHSTANDING ANY WALKAWAY
40 CLAUSE IN THE NETTING AGREEMENT OR QUALIFIED FINANCIAL CONTRACT. ANY
41 LIMITED TWO-WAY PAYMENT OR FIRST METHOD PROVISION IN A NETTING AGREEMENT
42 OR QUALIFIED FINANCIAL CONTRACT WITH AN INSURER THAT HAS DEFAULTED SHALL
43 BE DEEMED TO BE A FULL TWO-WAY PAYMENT OR SECOND METHOD PROVISION AS
44 AGAINST THE DEFAULTING INSURER. ANY SUCH PROPERTY OR AMOUNT SHALL,
45 EXCEPT TO THE EXTENT IT IS SUBJECT TO ONE OR MORE SECONDARY LIENS OR
46 ENCUMBRANCES OR RIGHTS OF NETTING OR SETOFF, BE AN ASSET OF THE INSURER.

47 (D) IN MAKING ANY TRANSFER OF A NETTING AGREEMENT OR QUALIFIED FINAN-
48 CIAL CONTRACT OF AN INSURER SUBJECT TO A PROCEEDING UNDER THIS ARTICLE,
49 THE SUPERINTENDENT, AS LIQUIDATOR, REHABILITATOR OR CONSERVATOR FOR THE
50 INSURER, SHALL EITHER:

51 (1) TRANSFER TO ONE PARTY (OTHER THAN AN INSURER SUBJECT TO A PROCEED-
52 ING UNDER THIS ARTICLE) ALL NETTING AGREEMENTS AND QUALIFIED FINANCIAL
53 CONTRACTS BETWEEN A COUNTERPARTY OR ANY AFFILIATE OF SUCH COUNTERPARTY
54 AND THE INSURER THAT IS THE SUBJECT OF THE PROCEEDING, INCLUDING: (A)
55 ALL RIGHTS AND OBLIGATIONS OF EACH PARTY UNDER EACH SUCH NETTING AGREE-
56 MENT AND QUALIFIED FINANCIAL CONTRACT; AND (B) ALL PROPERTY, INCLUDING

1 ANY GUARANTEES OR OTHER CREDIT ENHANCEMENT, SECURING ANY CLAIMS OF EACH
2 PARTY UNDER EACH SUCH NETTING AGREEMENT AND QUALIFIED FINANCIAL
3 CONTRACT; OR

4 (2) TRANSFER NONE OF THE NETTING AGREEMENTS, QUALIFIED FINANCIAL
5 CONTRACTS, RIGHTS, OBLIGATIONS OR PROPERTY REFERRED TO IN PARAGRAPH ONE
6 OF THIS SUBSECTION (WITH RESPECT TO SUCH COUNTERPARTY AND ANY AFFILIATE
7 OF SUCH COUNTERPARTY).

8 (E) IF THE SUPERINTENDENT, AS LIQUIDATOR, REHABILITATOR OR CONSERVATOR
9 FOR AN INSURER, MAKES A TRANSFER OF ONE OR MORE NETTING AGREEMENTS OR
10 QUALIFIED FINANCIAL CONTRACTS, THEN THE SUPERINTENDENT SHALL USE HIS OR
11 HER BEST EFFORTS TO NOTIFY ANY PERSON WHO IS PARTY TO THE NETTING AGREE-
12 MENTS OR QUALIFIED FINANCIAL CONTRACTS OF THE TRANSFER BY 12:00 NOON,
13 NEW YORK TIME, ON THE BUSINESS DAY FOLLOWING THE TRANSFER.

14 (F) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, THE SUPER-
15 INTENDENT, AS LIQUIDATOR, REHABILITATOR OR CONSERVATOR FOR AN INSURER,
16 MAY NOT AVOID A TRANSFER OF MONEY OR OTHER PROPERTY ARISING UNDER OR IN
17 CONNECTION WITH A NETTING AGREEMENT OR QUALIFIED FINANCIAL CONTRACT, OR
18 ANY SECURITY ARRANGEMENT RELATING TO A NETTING AGREEMENT OR QUALIFIED
19 FINANCIAL CONTRACT, THAT IS MADE BEFORE THE COMMENCEMENT OF A LIQUI-
20 DATION, REHABILITATION OR CONSERVATION PROCEEDING UNDER THIS ARTICLE,
21 EXCEPT THAT A TRANSFER MAY BE AVOIDED UNDER SECTION SEVEN THOUSAND FOUR
22 HUNDRED TWENTY-FIVE OF THIS CHAPTER IF THE TRANSFER WAS MADE WITH ACTUAL
23 INTENT TO HINDER, DELAY OR DEFRAUD THE INSURER, THE SUPERINTENDENT, AS
24 LIQUIDATOR, REHABILITATOR OR CONSERVATOR OF THE INSURER, ANY OTHER
25 RECEIVER APPOINTED FOR THE INSURER, OR EXISTING OR FUTURE CREDITORS.

26 (G)(1) IN EXERCISING ANY RIGHTS OF DISAFFIRMANCE OR REPUDIATION OF A
27 LIQUIDATOR, REHABILITATOR OR CONSERVATOR WITH RESPECT TO ANY NETTING
28 AGREEMENT OR QUALIFIED FINANCIAL CONTRACT TO WHICH AN INSURER IS A
29 PARTY, THE SUPERINTENDENT, AS LIQUIDATOR, REHABILITATOR OR CONSERVATOR
30 FOR THE INSURER SHALL EITHER: (A) DISAFFIRM OR REPUDIATE ALL NETTING
31 AGREEMENTS AND QUALIFIED FINANCIAL CONTRACTS BETWEEN A COUNTERPARTY OR
32 ANY AFFILIATE OF SUCH COUNTERPARTY AND THE INSURER THAT IS THE SUBJECT
33 OF THE PROCEEDING; OR (B) DISAFFIRM OR REPUDIATE NONE OF THE NETTING
34 AGREEMENTS AND QUALIFIED FINANCIAL CONTRACTS REFERRED TO IN SUBPARAGRAPH
35 (A) OF THIS PARAGRAPH (WITH RESPECT TO SUCH PERSON OR ANY AFFILIATE OF
36 SUCH PERSON).

37 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, ANY CLAIM OF
38 A COUNTERPARTY AGAINST THE ESTATE ARISING FROM THE SUPERINTENDENT'S
39 DISAFFIRMANCE OR REPUDIATION OF A NETTING AGREEMENT OR QUALIFIED FINAN-
40 CIAL CONTRACT THAT HAS NOT BEEN PREVIOUSLY AFFIRMED IN THE LIQUIDATION
41 PROCEEDING OR IN THE IMMEDIATELY PRECEDING REHABILITATION PROCEEDING
42 SHALL BE DETERMINED AND SHALL BE ALLOWED OR DISALLOWED: (A) AS IF THE
43 CLAIM HAD ARISEN BEFORE THE DATE OF THE FILING OF THE APPLICATION FOR
44 LIQUIDATION; OR (B) IF A REHABILITATION PROCEEDING IS CONVERTED TO A
45 LIQUIDATION PROCEEDING, AS IF THE CLAIM HAD ARISEN BEFORE THE DATE OF
46 THE FILING OF THE APPLICATION FOR REHABILITATION.

47 (3) THE AMOUNT OF THE CLAIM IDENTIFIED IN PARAGRAPH TWO OF THIS
48 SUBSECTION SHALL BE THE ACTUAL DIRECT COMPENSATORY DAMAGES DETERMINED AS
49 OF THE DATE OF THE DISAFFIRMANCE OR REPUDIATION OF THE NETTING AGREEMENT
50 OR QUALIFIED FINANCIAL CONTRACT.

51 (H) ALL RIGHTS OF A COUNTERPARTY UNDER THIS ARTICLE SHALL APPLY TO A
52 NETTING AGREEMENT AND A QUALIFIED FINANCIAL CONTRACT ENTERED INTO ON
53 BEHALF OF OR ALLOCATED TO: (1) THE GENERAL ACCOUNT OF THE INSURER; OR

54 (2) A SEPARATE ACCOUNT OF THE INSURER IF THE ASSETS OF THE SEPARATE
55 ACCOUNT ARE AVAILABLE ONLY TO A COUNTERPARTY TO A NETTING AGREEMENT AND

1 A QUALIFIED FINANCIAL CONTRACT ENTERED INTO ON BEHALF OF, OR ALLOCATED
2 TO, THAT SEPARATE ACCOUNT.

3 S 2. Subsection (e) of section 7709 of the insurance law, as added by
4 chapter 802 of the laws of 1985, is amended to read as follows:

5 (e) (1) The total assessment against all member insurers for all
6 impairments and insolvencies, less the amount of refunds (not including
7 interest) to member insurers pursuant to subsection (f) of this section,
8 shall not exceed [five hundred million] ONE BILLION dollars.

9 (2) The total of all assessments upon a member insurer for each
10 account shall not in any one calendar year exceed two percent of such
11 insurer's premiums received in this state during the calendar year
12 preceding the assessment on the policies covered by the account. If the
13 maximum assessment, together with the other assets of the corporation in
14 either account, does not provide in any one year in either account an
15 amount sufficient to carry out the responsibilities of the corporation,
16 the necessary additional funds shall be assessed as soon thereafter as
17 permitted by this article.

18 (3) EFFECTIVE FEBRUARY FIRST, TWO THOUSAND ELEVEN, THE TOTAL ASSESS-
19 MENT MAXIMUM SET FORTH IN PARAGRAPH ONE OF THIS SUBSECTION SHALL BE
20 ADJUSTED ANNUALLY BASED ON THE INCREASE IN THE CONSUMER PRICE INDEX FOR
21 ALL URBAN CONSUMERS, PUBLISHED BY THE U.S. DEPARTMENT OF LABOR, BUREAU
22 OF LABOR STATISTICS, FOR THE MOST RECENT ONE-YEAR PERIOD ENDING ON
23 DECEMBER THIRTY-FIRST PRECEDING THE ADJUSTMENT, WITH EACH ADJUSTED
24 AMOUNT ROUNDED TO THE NEAREST MILLION DOLLARS, EXCEPT THAT NO ADJUSTMENT
25 SHALL BE MADE IF, ON THE DECEMBER THIRTY-FIRST PRECEDING THE DATE ON
26 WHICH THE ADJUSTMENT OTHERWISE WOULD OCCUR, THE TOTAL ASSESSMENT AGAINST
27 ALL MEMBER INSURERS FOR ALL IMPAIRMENTS AND INSOLVENCIES, LESS THE
28 AMOUNT OF REFUNDS (NOT INCLUDING INTEREST) TO MEMBER INSURERS PURSUANT
29 TO SUBSECTION (F) OF THIS SECTION, WAS EQUAL TO THE MAXIMUM SET FORTH IN
30 PARAGRAPH ONE OF THIS SUBSECTION, AFTER TAKING INTO ACCOUNT ANY PRIOR
31 ADJUSTMENT PURSUANT TO THIS PARAGRAPH. IN NO EVENT SHALL AN ANNUAL
32 ADJUSTMENT RESULT IN A REDUCTION FROM THE PRECEDING YEAR IN THE TOTAL
33 ASSESSMENT MAXIMUM.

34 S 3. This act shall take effect immediately; provided, however, the
35 provisions of section 7437 of the insurance law, as added by section one
36 of this act shall only apply to a liquidation, rehabilitation or conser-
37 vation proceeding that commences under article 74 of the insurance law
38 on or after such effective date.