Unofficial Copy C3 1999 Regular Session 9lr2064 CF 9lr1881

By: Delegates McHale and Minnick Introduced and read first time: February 12, 1999 Assigned to: Economic Matters					
House	Committee Report: Favorable with amendments House action: Adopted Read second time: March 26, 1999				
	CHAPTER				
1 A	AN ACT concerning				
2	Group Life Insurance				
3 F 4 5 6 7 8 9 10 11 12 13	FOR the purpose of altering certain general requirements relating to issuance of policies of group life insurance; altering the groups of individuals who are eligible for insurance under certain policies of group life insurance; altering the requirements relating to funds from which the premium for certain policies of group life insurance must be paid; authorizing an insurer to exclude or limit coverage on certain individuals; altering certain requirements for policies of group life insurance covering spouses and minor children; providing for a certain condition on the conversion of certain life insurance policies from group to individual under certain circumstances; providing for the extension of a certain conversion period under certain circumstances; making stylistic and clarifying changes; and generally relating to policies of group life insurance.				
14 1 15 16 17 18	BY repealing Article - Insurance Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206 Annotated Code of Maryland (1997 Volume and 1998 Supplement)				
19 1 20 21 22 23	BY adding to Article - Insurance Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206 Annotated Code of Maryland (1997 Volume and 1998 Supplement)				

24 BY repealing and reenacting, with amendments,

28

30

29 TITLE; OR

(1)

(2)

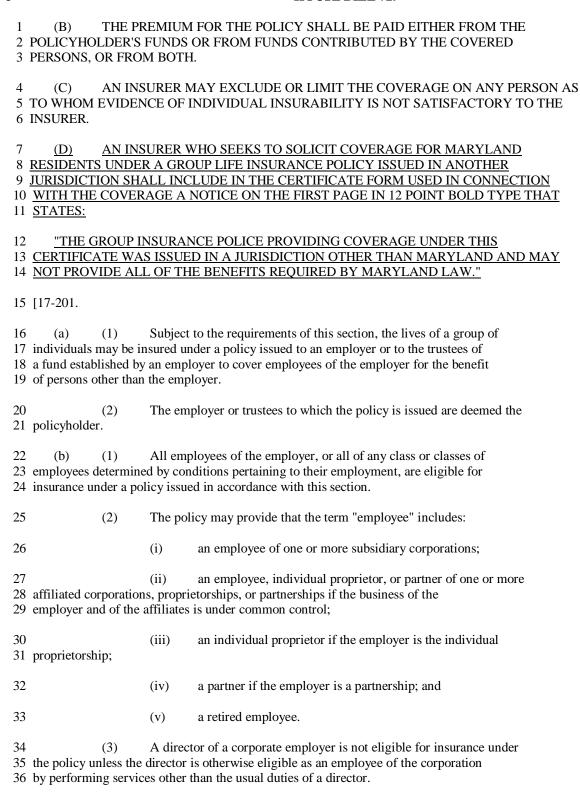
32 SUBTITLE 2 OF THIS TITLE.

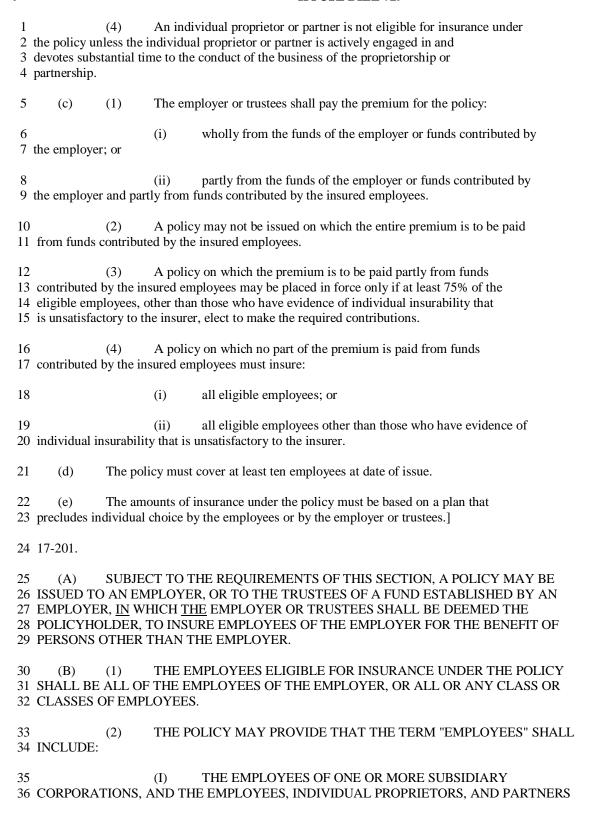
2	HOUSE BILL 729						
1 2 3 4	Article - Insurance Section 17-205, 17-207, 17-208, and 17-209 17-209, 17-304, and 17-309 Annotated Code of Maryland (1997 Volume and 1998 Supplement)						
5 6	5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF 6 MARYLAND, That the Laws of Maryland read as follows:						
7	Article - Insurance						
8	[17-101.						
9 10	(a) A policy of life insurance that insures the lives of more than one individual may not be delivered in the State unless the policy:						
11	(1) is delivered to a group described in Subtitle 2 of this title; and						
12	(2) complies with the other applicable provisions of this title.						
13 14	(b) Subsection (a) of this section does not apply to policies of life insurance that insure only individuals who:						
15	(1) are related by blood, marriage, or adoption;						
	(2) are actively engaged in the management of a business enterprise, and have a common interest through ownership of the enterprise or a substantial legal interest or equity in the enterprise; or						
19	(3) otherwise have an insurable interest in each other's lives.						
22	Unless approved by the Commissioner, solicitation of coverage in the State under a policy of group life insurance issued in another jurisdiction may not be made unless the type of group to be covered conforms substantially to a type of group described in Subtitle 2 of this title.]						
24	17-101.						
	(A) UNLESS APPROVED BY THE COMMISSIONER, A GROUP LIFE INSURANCE POLICY MAY NOT BE OFFERED TO A RESIDENT OF THE STATE UNDER A GROUP LIFE INSURANCE POLICY ISSUED:						

TO A GROUP OTHER THAN ONE DESCRIBED IN SUBTITLE 2 OF THIS

IN ANOTHER JURISDICTION UNLESS THE TYPE OF GROUP TO BE

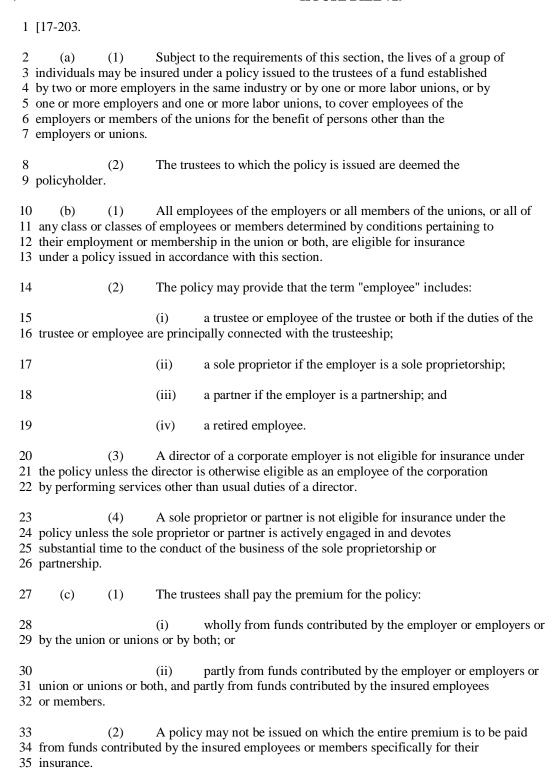
31 COVERED CONFORMS SUBSTANTIALLY TO A TYPE OF GROUP DESCRIBED IN

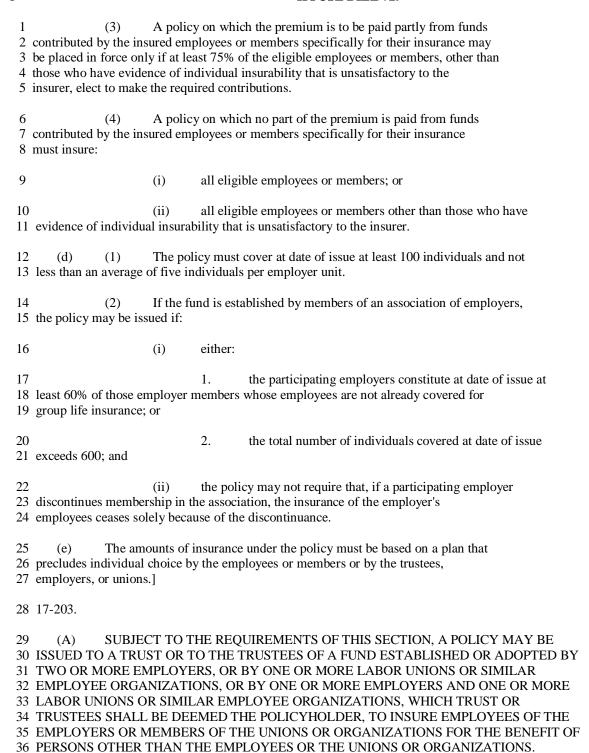




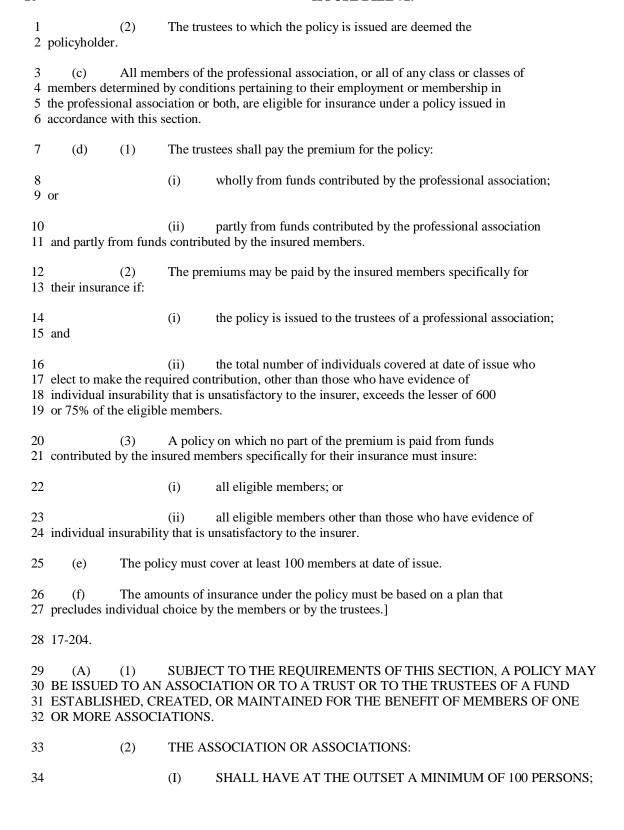
1 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR 2 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND IF AND OF THE 3 AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER 4 COMMON CONTROL; AND THE INDIVIDUAL PROPRIETOR OR PARTNERS IF THE (II) 6 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP. THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" MAY 7 8 INCLUDE RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS OF A 9 CORPORATE EMPLOYER. A POLICY ISSUED TO INSURE THE EMPLOYEES OF A PUBLIC BODY 10 11 MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL INCLUDE ELECTED OR 12 APPOINTED OFFICIALS. THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE 13 (C) (1) 14 EMPLOYER'S FUNDS, OR FROM FUNDS CONTRIBUTED BY THE INSURED EMPLOYEES, 15 OR FROM BOTH. EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A 16 (2)17 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS 18 CONTRIBUTED BY THE INSURED EMPLOYEES MUST INSURE ALL ELIGIBLE 19 EMPLOYEES, EXCEPT THOSE WHO REJECT THE COVERAGE IN WRITING. 20 AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY 21 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT 22 SATISFACTORY TO THE INSURER. 23 [17-202. 24 (a) (1) Subject to the requirements of this section, the lives of a group of 25 individuals may be insured under a policy issued to a labor union to cover members of 26 the union for the benefit of persons other than the union or its officials, representatives, or agents. 28 (2) The labor union to which the policy is issued is deemed the 29 policyholder. 30 All members of the labor union, or all of any class or classes of members 31 determined by conditions pertaining to their employment or membership in the union 32 or both, are eligible for insurance under a policy issued in accordance with this 33 section. 34 (c) (1) The labor union shall pay the premium for the policy: 35 (i) wholly from the funds of the union; or partly from the funds of the union and partly from funds 36 (ii) 37 contributed by the insured members specifically for their insurance.

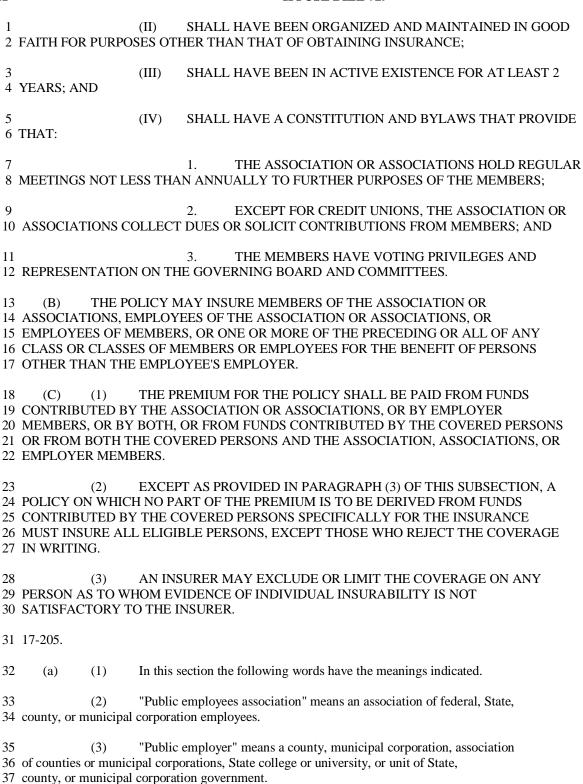
- 1 A policy may not be issued on which the entire premium is to be paid (2) 2 from funds contributed by the insured members specifically for their insurance. 3 A policy on which the premium is to be paid partly from funds 4 contributed by the insured members specifically for their insurance may be placed in 5 force only if at least 75% of the eligible members, other than those who have evidence 6 of individual insurability that is unsatisfactory to the insurer, elect to make the 7 required contributions. A policy on which no part of the premium is paid from funds 8 9 contributed by the insured members specifically for their insurance must insure: 10 (i) all eligible members; or 11 (ii) all eligible members other than those who have evidence of 12 individual insurability that is unsatisfactory to the insurer. 13 (d) The policy must cover at least 25 members at date of issue. 14 The amounts of insurance under the policy must be based on a plan that (e) 15 precludes individual choice by the members or by the union.] 16 17-202. 17 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE 18 ISSUED TO A LABOR UNION, OR SIMILAR EMPLOYEE ORGANIZATION, WHICH SHALL 19 BE DEEMED TO BE THE POLICYHOLDER, TO INSURE MEMBERS OF THE UNION OR 20 ORGANIZATION FOR THE BENEFIT OF PERSONS OTHER THAN THE UNION OR 21 ORGANIZATION OR ANY OF ITS OFFICIALS, REPRESENTATIVES, OR AGENTS. 22 THE MEMBERS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL BE 23 ALL OF THE MEMBERS OF THE UNION OR ORGANIZATION, OR ALL OF ANY CLASS OR 24 CLASSES OF MEMBERS. THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM 25 (C) (1)26 FUNDS OF THE UNION OR ORGANIZATION, OR FROM FUNDS CONTRIBUTED BY THE 27 INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE, OR FROM BOTH. 28 EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A (2) 29 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS 30 CONTRIBUTED BY THE INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE 31 MUST INSURE ALL ELIGIBLE MEMBERS, EXCEPT THOSE WHO REJECT THE COVERAGE 32 IN WRITING.
- 33 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
- 34 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
- 35 SATISFACTORY TO THE INSURER.



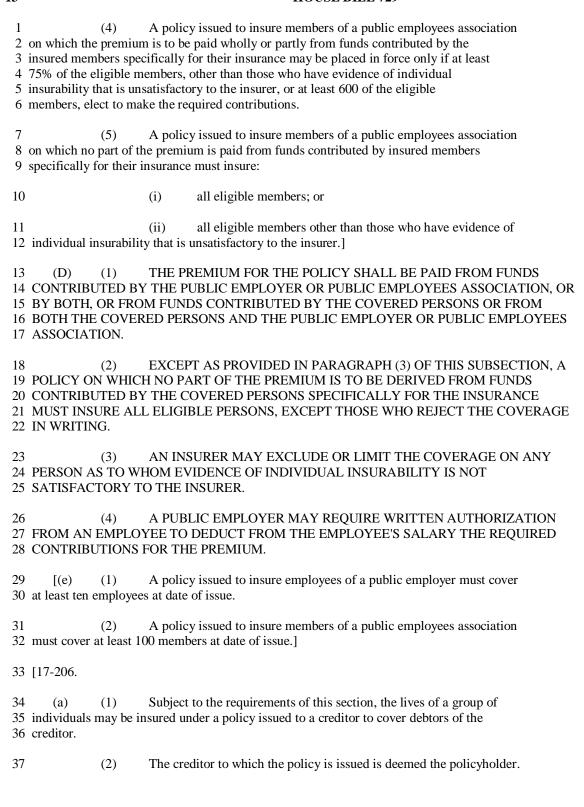


- 1 (B) (1) THE PERSONS ELIGIBLE FOR INSURANCE SHALL BE ALL OF THE 2 EMPLOYEES OF THE EMPLOYERS OR ALL OF THE MEMBERS OF THE UNIONS OR
- 3 ORGANIZATIONS, OR ALL OF ANY CLASS OR CLASSES OF EMPLOYEES OR MEMBERS.
- 4 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL 5 INCLUDE:
- 6 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY
- 7 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS
- 8 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR
- 9 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND OF THE AFFILIATED
- 10 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON
- 11 CONTROL;
- 12 (II) THE INDIVIDUAL PROPRIETORSHIP PROPRIETOR OR PARTNERS
- 13 IF THE EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP;
- 14 (III) RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS
- 15 OF A CORPORATE EMPLOYER; AND
- 16 (IV) TRUSTEES OR THEIR EMPLOYEES, OR BOTH, IF THEIR DUTIES
- 17 ARE PRINCIPALLY CONNECTED WITH THE TRUSTEESHIP.
- 18 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS
- 19 CONTRIBUTED BY THE EMPLOYER OR EMPLOYERS OF THE INSURED PERSONS, OR BY
- 20 THE UNION OR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, OR BY BOTH, OR
- 21 FROM FUNDS CONTRIBUTED BY THE INSURED PERSONS OR FROM BOTH THE
- 22 INSURED PERSONS AND THE EMPLOYERS OR UNIONS OR SIMILAR EMPLOYEE
- 23 ORGANIZATIONS.
- 24 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
- 25 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
- 26 CONTRIBUTED BY THE INSURED PERSONS SPECIFICALLY FOR THEIR INSURANCE
- 27 MUST INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE
- 28 IN WRITING.
- 29 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
- 30 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
- 31 SATISFACTORY TO THE INSURER.
- 32 [17-204.
- 33 (a) In this section, "professional association" means an association of persons
- 34 licensed by the State or otherwise authorized by law to engage in a recognized
- 35 profession.
- 36 (b) Subject to the requirements of this section, the lives of a group of
- 37 individuals may be insured under a policy issued to the trustees of a fund established
- 38 by a professional association to cover members of the professional association for the
- 39 benefit of persons other than the professional association.





3 4	(b) (1) Subject to the requirements of this section, the lives of a group of individuals may be insured under a policy issued to a public employer or public employees association to cover employees of the public employer or members of the public employees association for the benefit of persons other than the public employer or public employees association.				
6 7	(2) The public employer or public employees association to which the policy is issued is deemed the policyholder.				
10 11	3 (c) (1) All employees of the public employer, all members of the public employees association, or all of any class or classes of employees or members 0 determined by conditions pertaining to their employment or membership in the public 1 employees association or both are eligible for insurance under a policy issued in 2 accordance with this section.				
13 14	(2) A that the term "employee		issued to insure employees of a public employer may provide des:		
15	(i	i) a	a retired employee; and		
16	, (i	ii) a	an elected or appointed official.		
17 18			o paragraph (2) of this subsection, the public employer or nall pay the premium for the policy:		
19 20	public employees assoc		wholly from funds contributed by it as a public employer or		
	,	ciation ar	partly from the funds contributed by it as a public employer or nd partly from funds contributed by the insured		
24 25	i members.	iii) v	wholly from funds contributed by the insured employees or		
26	(2) A	A public	employer may:		
27 28	,		on written authorization from an employee, deduct from the contribution for the premiums; and		
	contributed by a munic	ipal corp	pay the premium for the policy wholly or partly from funds poration that is a public employer as authorized by the ation or as otherwise authorized by law.		
34	placed in force only if a	at least 7 idual ins	issued to insure employees of a public employer may be 15% of the eligible employees, other than those who urability that is unsatisfactory to the insurer, elect to s.		



3 4 5	(b) (1) All debtors of the creditor whose indebtedness is repayable in installments or in one sum at the end of a period not exceeding 18 months after the initial date of the debt, or all of any class or classes of debtors determined by conditions pertaining to the indebtedness or the purchase giving rise to the indebtedness, are eligible for insurance under a policy issued in accordance with this section.			
7		(2)	The poli	cy may provide that the term "debtor" includes:
8			(i)	a debtor of one or more subsidiary corporations; and
	or partnersh control.	ips if the	(ii) business	a debtor of one or more affiliated corporations, proprietorships, of the creditor and of the affiliates is under common
14		lifetime o	evocable	is not eligible for insurance under the policy unless the obligation to repay and is binding on the debtor during er the date the insurance becomes effective on the
16 17	The policy may exclude from the classes eligible for insurance classes of debtors determined by age.			
18	(c)	(1)	The cred	litor shall pay the premium for the policy:
19			(i)	wholly from the funds of the creditor;
20			(ii)	wholly from charges collected from insured debtors; or
21 22	collected fro	om insure	(iii) d debtors	partly from the funds of the creditor and partly from charges .
25 26 27	A policy on which the premium is to be paid wholly or partly from the collection from insured debtors of identifiable charges not required of uninsured debtors may not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of individual insurability unless at least 75% of the eligible debtors elect to pay the required charges.			
29 30	of identifiab	(3) le charge		on which no part of the premium is paid from the collection uired of uninsured debtors must insure:
31			(i)	all eligible debtors; or
32 33	individual ir	nsurabilit	(ii) y that is u	all eligible debtors other than those who have evidence of insatisfactory to the insurer.
34	(d)	The poli	cy may b	e issued only if:
35 36	individual ir	(1) surabilit		by reserves to the insurer the right to require evidence of the new entrants become insured; and

1		(2)	the grou	p of eligible debtors:		
2 3	yearly; or		(i)	is receiving new entrants at the rate of at least 100 individuals		
4 5	during the fir	st policy	(ii) year.	may reasonably be expected to receive at least 100 new entrants		
6 7	(e) lesser of:	(1)	The amo	ount of insurance on the life of a debtor may not exceed the		
8			(i)	the amount the debtor owes to the creditor; and		
9			(ii)	\$50,000.		
	indebtedness		able in o	as provided in paragraph (3) of this subsection, if the ne sum to the creditor, the insurance on the life of a more than 18 months.		
		(3) or up to 6		ult, extension, or recasting of the debt, the insurance may be beyond the 18 months specified in paragraph (2) of this		
16	(f)	(1)	The insu	rance shall be payable to the creditor.		
17 18		(2) s of the d		ment shall be used to reduce or extinguish the unpaid he extent of the payment.]		
19	17-206.					
22 23	(A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE I ISSUED TO A CREDITOR OR ITS PARENT HOLDING COMPANY OR TO A TRUSTEE OR TRUSTEES OR AGENT DESIGNATED BY TWO OR MORE CREDITORS, WHICH CREDITOR, HOLDING COMPANY, AFFILIATE, TRUSTEE, TRUSTEES, OR AGENT SHALL BE DEEMED THE POLICYHOLDER, TO INSURE DEBTORS OF THE CREDITOR, OR CREDITORS.					
	` '		EBTORS	EBTORS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL OF THE CREDITOR OR CREDITORS, OR ALL OF ANY CLASS S.		
28 29	INCLUDE:	(2)	THE PC	DLICY MAY PROVIDE THAT THE TERM "DEBTORS" SHALL		
				BORROWERS OF MONEY OR PURCHASERS OR LESSEES OF OPERTY FOR WHICH PAYMENT IS ARRANGED THROUGH A		
33 34	AND		(II)	THE DEBTORS OF ONE OR MORE SUBSIDIARY CORPORATIONS;		

26 COMMITMENTS NOT EXCEEDING A TERM OF 1 YEAR MAY BE WRITTEN UP TO THE 27 AMOUNT OF THE LOAN COMMITMENT ON A NONDECREASING OR LEVEL TERM PLAN;

30 COMMITMENTS MAY BE WRITTEN UP TO THE AMOUNT OF THE LOAN COMMITMENT

Subject to the requirements of this section, the lives of a group of

The credit union to which the policy is issued is deemed the

31 LESS THE AMOUNT OF ANY REPAYMENTS MADE ON THE LOAN.

34 individuals may be insured under a policy issued to a credit union organized in 35 accordance with State law or the Federal Credit Union Act to cover members of the 36 credit union for the benefit of persons other than the credit union or its officials.

INSURANCE ON AGRICULTURAL CREDIT TRANSACTION

INSURANCE ON EDUCATIONAL CREDIT TRANSACTION

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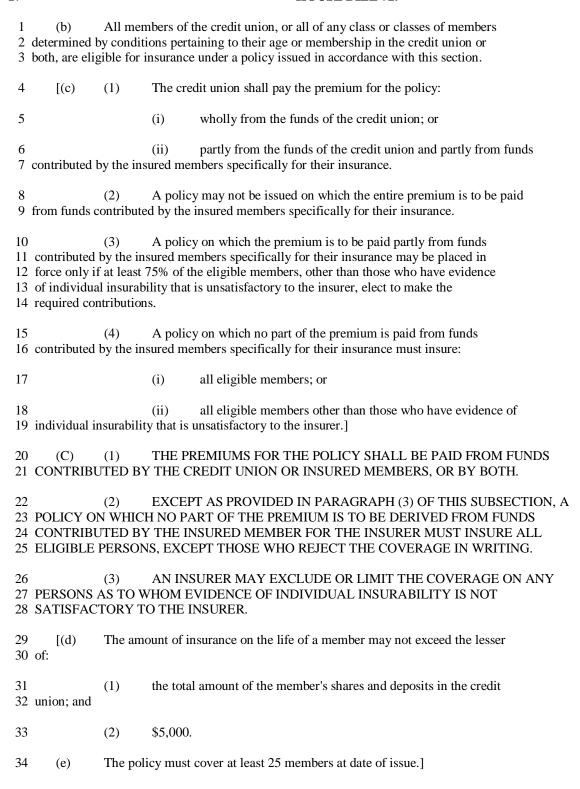
28 AND

32 17-207.

38 policyholder.

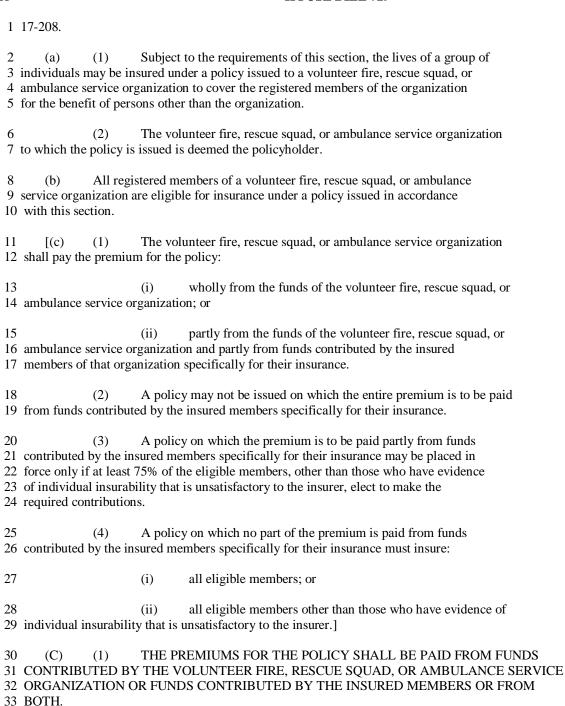
(I)

(II)



34

(2)



EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A

35 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS 36 CONTRIBUTED BY THE INSURED MEMBER SPECIFICALLY FOR THE INSURANCE MUST

1 INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE IN 2 WRITING. 3 AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY 4 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT 5 SATISFACTORY TO THE INSURER. The policy must cover at least 15 registered members per volunteer fire, 6 [(d)]7 rescue squad, or ambulance service organization at date of issue. The amounts of insurance under the policy must be based on a plan that precludes individual choice by the members or by the volunteer fire, rescue squad, or 10 ambulance service organization.] 11 17-209. 12 (a) (1) Insurance under a policy of group life insurance issued in accordance 13 with §§ 17-201 through 17-205 of this subtitle may be extended to cover the spouse 14 and minor DEPENDENT children of each insured employee or member who elects to 15 obtain the coverage [if 75% of the insured employees or members or any class or 16 classes of employees or members make the election]. 17 The policy may provide that the term "minor children" includes: (2)18 (i) an insured employee's or member's child under 18 years of age; 19 and 20 an insured employee's or member's child 18 years of age or older (ii) 21 who attends an educational institution and relies on the insured employee or member 22 for financial support. 23 The insurance on the life of a spouse or child may not exceed [50%] 24 THE AMOUNT of the insurance on the life of the insured employee or member. The policyholder shall pay the premium for the insurance on the spouse or 25 (b) 26 child: wholly from the funds of the policyholder or funds contributed by the 27 (1) 28 policyholder; wholly from funds contributed by the insured employees or members; 29 (2) 30 or partly from the funds of the policyholder or funds contributed by the 31 32 policyholder and partly from funds contributed by the insured employees or members. 33 A spouse or dependent child insured under this section is entitled to: (c) the rights of conversion under § 17-309 of this title, if employment of 34 35 the employee or membership in the class or classes eligible for insurance under the 36 policy is terminated; and

	(2) the rights of conversion under § 17-310 of this title, if the policy of group life insurance terminates or is amended to terminate the insurance of the spouse or dependent child.
	(d) Notwithstanding § 17-308 of this title, only one certificate must be issued for each family unit if a statement about a dependent's coverage is included in the certificate.
	[(e) The amounts of insurance under the policy must be based on a plan that precludes individual choice by the employees or members or by the employer or trustees.]
10	<u>17-304.</u>
11	Each policy of group life insurance shall contain a provision that:
12 13	(1) requires a copy of any application of the policyholder to be attached to the policy when issued;
14 15	(2) the statements made by the policyholder or the insured are considered representations and not warranties; and
18	(3) a statement made by an insured may not be used in a contest unless a copy of the instrument that contains the statement is provided to the insured or, IN THE EVENT OF DEATH OR INCAPACITY OF THE INSURED, to the insured's beneficiary. 17-309.
22 23 24	(a) Each policy of group life insurance shall contain a provision that if the insurance or any part of it on an insured ceases under the policy because of termination of employment or membership in the class or classes eligible for coverage under the policy, the insured is entitled to have issued by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, subject to the following conditions:
	(1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, application for the policy must be made and the first premium must be paid to the insurer within 31 days after the termination of employment or membership;
	(2) the individual policy is, at the option of the insured, on any form, except term insurance, customarily issued by the insurer at the age and for the amount applied for;
34 35	(3) the individual policy is in an amount that does not exceed the amount of life insurance that ceases because of the termination of employment or membership, less the amount of life insurance for which the insured is eligible under the same or another group policy within 31 days after the termination of employment or membership; [and]

1 2	(4) rate applicable to:	the pren	nium on the individual policy is at the insurer's customary
3		<u>(i)</u>	the form and amount of the individual policy;
4		<u>(ii)</u>	the class of risk to which the insured belongs; and
5 6	individual policy; AN	<u>(iii)</u> ID	the age of the insured attained on the effective date of the
		IIS SECT	SURED IS ENTITLED TO WRITTEN NOTICE OF THE INSURED'S TION AT LEAST 15 DAYS PRIOR TO THE EXPIRATION OF THE OVIDED FOR IN ITEM (1) OF THIS SUBSECTION.
10 11 12 13 14	AN ADDITIONAL TO MAKE APPLIC.	15 DAYS	IF THE INSURED IS NOT PROVIDED WITH THE NOTICE SCTION (A)(5) OF THIS SECTION, THE INSURED SHALL HAVE SFROM THE DATE ON WHICH WRITTEN NOTICE IS RECEIVED FOR THE INDIVIDUAL POLICY AND PAY THE FIRST PREMIUM
17		F THIS S	EVENT SHALL THE ADDITIONAL PERIOD PROVIDED UNDER SUBSECTION EXTEND BEYOND 60 DAYS AFTER THE IVERSION PERIOD PROVIDED FOR IN SUBSECTION (A)(1) OF
23	endowment payable form of an annuity, r considered to cease b	the date to the ins nay not b because o	poses of subsection (a)(3) of this section, insurance that of the termination of employment or membership as an ured, whether in one sum, in installments, or in the e included in the amount of life insurance that is f the termination of employment or membership.
24 25	October 1, 1999.	ID BE II	FURTHER ENACTED, That this Act shall take effect