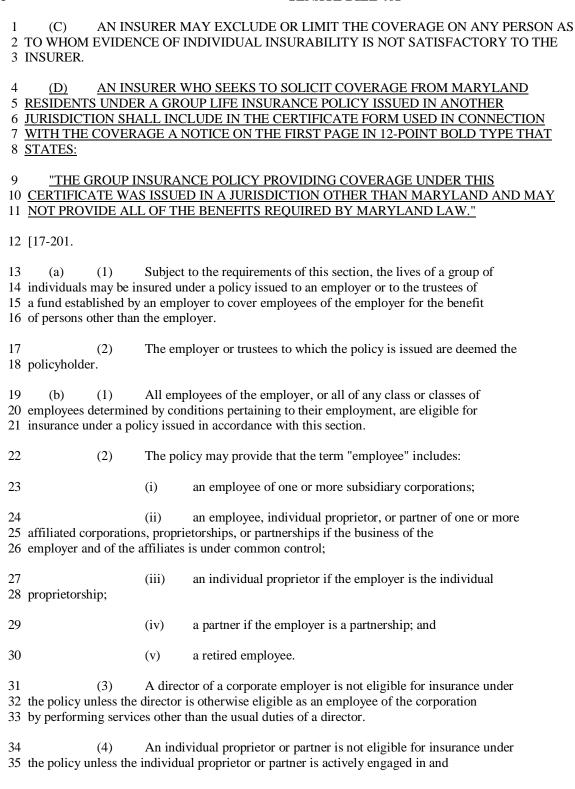
Unofficial Copy C3 1999 Regular Session 9lr1881 CF 9lr2064

By: Senator Della					
Introduced and read first time: February 5, 1999 Assigned to: Finance					
	mittee Report: Favorable with amendments te action: Adopted				
	second time: March 19, 1999				
	second unic. Water 15, 1777				
	CHAPTER				
1 4	AN ACT concerning				
2	Group Life Insurance				
3 I	FOR the purpose of altering certain general requirements relating to issuance of				
4	policies of group life insurance; altering the groups of individuals who are				
5	eligible for insurance under certain policies of group life insurance; altering the				
6	requirements relating to funds from which the premium for certain policies of				
7	group life insurance must be paid; authorizing an insurer to exclude or limit				
8	coverage on certain individuals; altering certain requirements for policies of				
9 10	group life insurance covering spouses and minor children; making stylistic changes; and generally relating to policies of group life insurance.				
10	changes, and generally relating to policies of group me insurance.				
	BY repealing				
12	Article - Insurance				
13	Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206				
14	Annotated Code of Maryland				
15	(1997 Volume and 1998 Supplement)				
16	BY adding to				
17	Article - Insurance				
18	Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206 17-206, and				
19	<u>17-312</u>				
20	Annotated Code of Maryland				
21	(1997 Volume and 1998 Supplement)				
22	BY repealing and reenacting, with amendments,				
23	Article - Insurance				

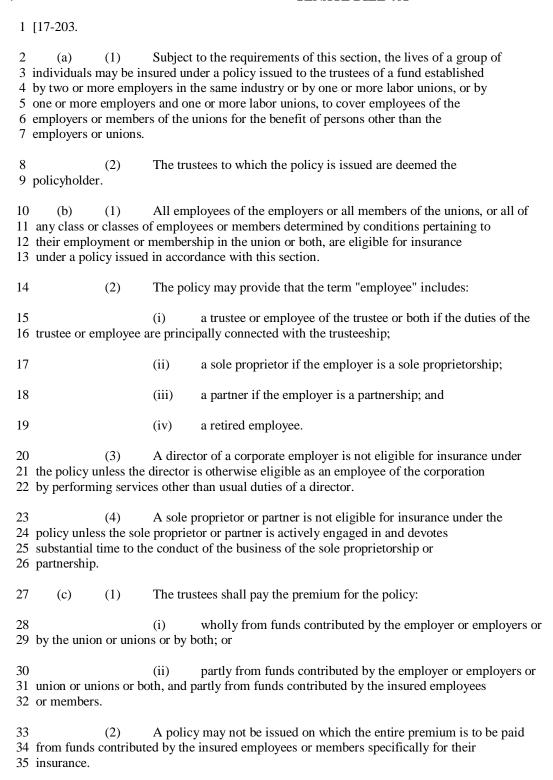
- **SENATE BILL 461** 1 Section 17-205, 17-207, 17-208, and 17-209 17-209, and 17-304 Annotated Code of Maryland 2 3 (1997 Volume and 1998 Supplement) 4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF 5 MARYLAND, That the Laws of Maryland read as follows: 6 **Article - Insurance** 7 [17-101. 8 A policy of life insurance that insures the lives of more than one individual (a) 9 may not be delivered in the State unless the policy: 10 (1) is delivered to a group described in Subtitle 2 of this title; and 11 (2) complies with the other applicable provisions of this title. 12 Subsection (a) of this section does not apply to policies of life insurance 13 that insure only individuals who: 14 are related by blood, marriage, or adoption; (1) 15 are actively engaged in the management of a business enterprise, and 16 have a common interest through ownership of the enterprise or a substantial legal 17 interest or equity in the enterprise; or 18 otherwise have an insurable interest in each other's lives. (3) 19 Unless approved by the Commissioner, solicitation of coverage in the State 20 under a policy of group life insurance issued in another jurisdiction may not be made 21 unless the type of group to be covered conforms substantially to a type of group 22 described in Subtitle 2 of this title.] 23 17-101. UNLESS APPROVED BY THE COMMISSIONER, A GROUP LIFE INSURANCE 24 (A) 25 POLICY MAY NOT BE OFFERED TO A RESIDENT OF THE STATE UNDER A GROUP LIFE **26 INSURANCE POLICY ISSUED:** 27 TO A GROUP OTHER THAN ONE DESCRIBED IN SUBTITLE 2 OF THIS (1) 28 TITLE; OR IN ANOTHER JURISDICTION UNLESS THE TYPE OF GROUP TO BE 29 30 COVERED CONFORMS SUBSTANTIALLY TO A TYPE OF GROUP DESCRIBED IN 31 SUBTITLE 2 OF THIS TITLE. 32 (B)
- THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE
- 33 POLICYHOLDER'S FUNDS OR FROM FUNDS CONTRIBUTED BY THE COVERED
- 34 PERSONS, OR FROM BOTH.

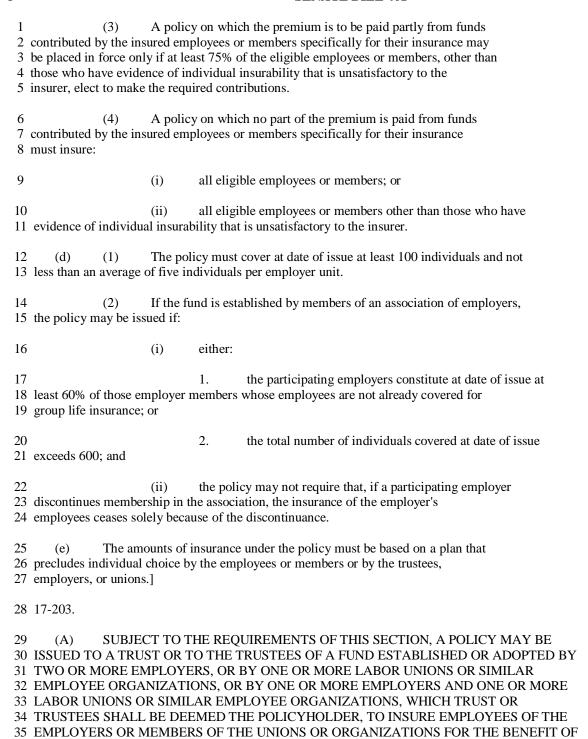


1 devotes substantial time to the conduct of the business of the proprietorship or 2 partnership. 3 (c) (1) The employer or trustees shall pay the premium for the policy: wholly from the funds of the employer or funds contributed by (i) 5 the employer; or partly from the funds of the employer or funds contributed by 6 (ii) 7 the employer and partly from funds contributed by the insured employees. 8 A policy may not be issued on which the entire premium is to be paid 9 from funds contributed by the insured employees. 10 A policy on which the premium is to be paid partly from funds 11 contributed by the insured employees may be placed in force only if at least 75% of the 12 eligible employees, other than those who have evidence of individual insurability that 13 is unsatisfactory to the insurer, elect to make the required contributions. 14 A policy on which no part of the premium is paid from funds 15 contributed by the insured employees must insure: 16 (i) all eligible employees; or all eligible employees other than those who have evidence of 17 (ii) 18 individual insurability that is unsatisfactory to the insurer. 19 (d) The policy must cover at least ten employees at date of issue. 20 The amounts of insurance under the policy must be based on a plan that 21 precludes individual choice by the employees or by the employer or trustees.] 22 17-201. 23 SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE 24 ISSUED TO AN EMPLOYER, OR TO THE TRUSTEES OF A FUND ESTABLISHED BY AN 25 EMPLOYER, IN WHICH THE EMPLOYER OR TRUSTEES SHALL BE DEEMED THE 26 POLICYHOLDER, TO INSURE EMPLOYEES OF THE EMPLOYER FOR THE BENEFIT OF 27 PERSONS OTHER THAN THE EMPLOYER. 28 THE EMPLOYEES ELIGIBLE FOR INSURANCE UNDER THE POLICY (B) 29 SHALL BE ALL OF THE EMPLOYEES OF THE EMPLOYER, OR ALL OR ANY CLASS OR 30 CLASSES OF EMPLOYEES. 31 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL 32 INCLUDE: 33 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY 34 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS 35 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR 36 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND IF OF THE AFFILIATED

1 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON 2 CONTROL; AND (II)THE INDIVIDUAL PROPRIETOR OR PARTNERS IF THE 4 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP. THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" MAY 6 INCLUDE RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS OF A 7 CORPORATE EMPLOYER. A POLICY ISSUED TO INSURE THE EMPLOYEES OF A PUBLIC BODY 8 9 MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL INCLUDE ELECTED OR 10 APPOINTED OFFICIALS. 11 (C) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE 12 EMPLOYER'S FUNDS, OR FROM FUNDS CONTRIBUTED BY THE INSURED EMPLOYEES, 13 OR FROM BOTH. 14 EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A (2) 15 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS 16 CONTRIBUTED BY THE INSURED EMPLOYEES MUST INSURE ALL ELIGIBLE 17 EMPLOYEES, EXCEPT THOSE WHO REJECT THE COVERAGE IN WRITING. AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY 18 19 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT 20 SATISFACTORY TO THE INSURER. 21 [17-202. 22 (a) (1) Subject to the requirements of this section, the lives of a group of 23 individuals may be insured under a policy issued to a labor union to cover members of 24 the union for the benefit of persons other than the union or its officials, 25 representatives, or agents. The labor union to which the policy is issued is deemed the 26 (2) 27 policyholder. All members of the labor union, or all of any class or classes of members 29 determined by conditions pertaining to their employment or membership in the union 30 or both, are eligible for insurance under a policy issued in accordance with this 31 section. 32 The labor union shall pay the premium for the policy: (c) (1) 33 (i) wholly from the funds of the union; or 34 partly from the funds of the union and partly from funds (ii) 35 contributed by the insured members specifically for their insurance.

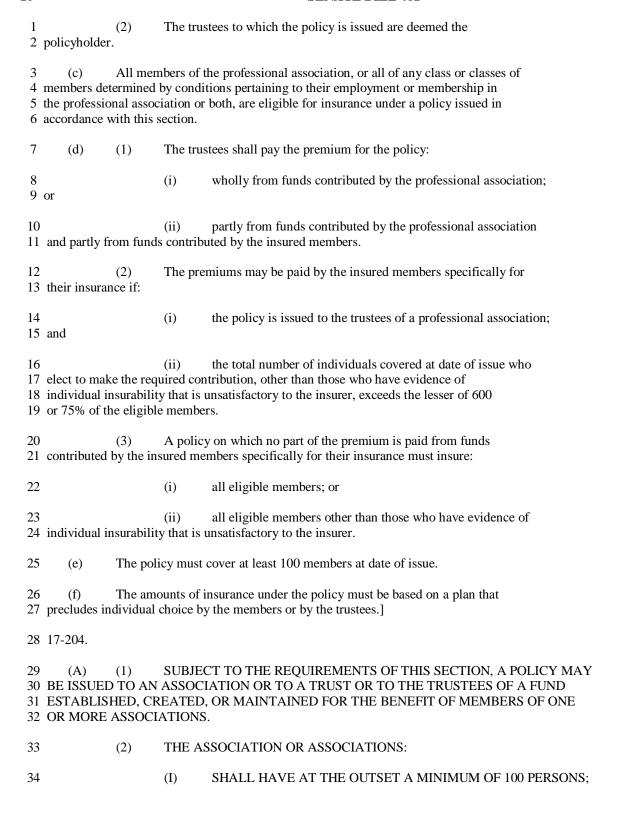
- 1 (2) A policy may not be issued on which the entire premium is to be paid 2 from funds contributed by the insured members specifically for their insurance.
- 3 (3) A policy on which the premium is to be paid partly from funds
- 4 contributed by the insured members specifically for their insurance 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.
- 8 (4) A policy on which no part of the premium is paid from funds
- 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 (e) The amounts of insurance under the policy must be based on a plan that
- 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 (B) 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.
- 25 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM
- 26 FUNDS OF THE UNION OR ORGANIZATION, OR FROM FUNDS CONTRIBUTED BY THE
- 27 INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE, OR FROM BOTH.
- 28 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
- 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.





36 PERSONS OTHER THAN THE EMPLOYEES OR THE UNIONS OR ORGANIZATIONS.

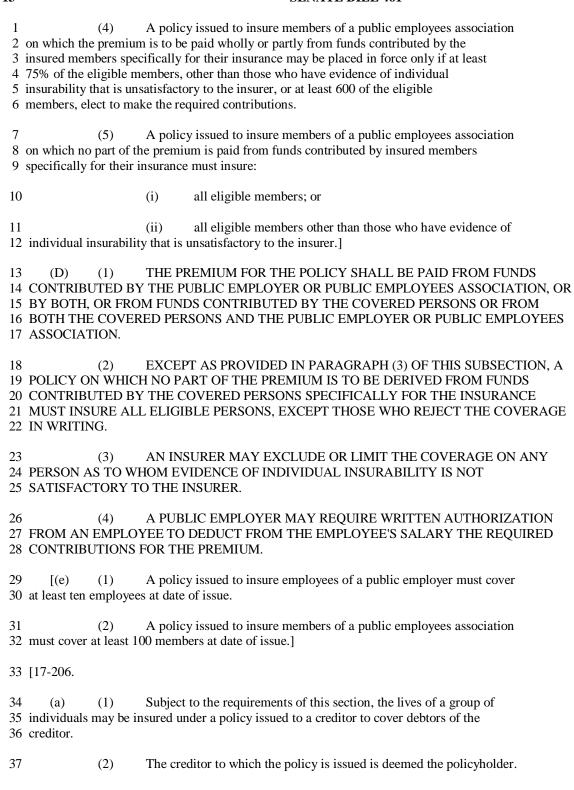
- 1 (B) (1) THE PERSONS ELIGIBLE FOR INSURANCE SHALL BE ALL OF THE 2 EMPLOYEES OF THE EMPLOYERS OR ALL OF THE MEMBERS OF THE UNIONS OR
- 3 ORGANIZATIONS, OR ALL OF ANY CLASS OR CLASSES OF EMPLOYEES OR MEMBERS.
- 4 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL 5 INCLUDE:
- 6 (I) THE EMPLOYEES 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 <u>PROPRIETOR</u> 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.



SENATE BILL 461 1 (II)SHALL HAVE BEEN ORGANIZED AND MAINTAINED IN GOOD 2 FAITH FOR PURPOSES OTHER THAN THAT OF OBTAINING INSURANCE; (III) SHALL HAVE BEEN IN ACTIVE EXISTENCE FOR AT LEAST 2 4 YEARS; AND (IV) SHALL HAVE A CONSTITUTION AND BYLAWS THAT PROVIDE 6 THAT: THE ASSOCIATION OR ASSOCIATIONS HOLD REGULAR 7 8 MEETINGS NOT LESS THAN ANNUALLY TO FURTHER PURPOSES OF THE MEMBERS: EXCEPT FOR CREDIT UNIONS. THE ASSOCIATION OR 10 ASSOCIATIONS COLLECT DUES OR SOLICIT CONTRIBUTIONS FROM MEMBERS; AND 3. THE MEMBERS HAVE VOTING PRIVILEGES AND 12 REPRESENTATION ON THE GOVERNING BOARD AND COMMITTEES. 13 THE POLICY MAY INSURE MEMBERS OF THE ASSOCIATION OR (B) 14 ASSOCIATIONS, EMPLOYEES OF THE ASSOCIATION OR ASSOCIATIONS, OR 15 EMPLOYEES OF MEMBERS, OR ONE OR MORE OF THE PRECEDING OR ALL OF ANY 16 CLASS OR CLASSES OF MEMBERS OR EMPLOYEES FOR THE BENEFIT OF PERSONS 17 OTHER THAN THE EMPLOYEE'S EMPLOYER. THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS 18 (C)(1) 19 CONTRIBUTED BY THE ASSOCIATION OR ASSOCIATIONS, OR BY EMPLOYER 20 MEMBERS, OR BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS 21 OR FROM BOTH THE COVERED PERSONS AND THE ASSOCIATION, ASSOCIATIONS, OR 22 EMPLOYER MEMBERS. 23 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A 24 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS 25 CONTRIBUTED BY THE COVERED PERSONS SPECIFICALLY FOR THE INSURANCE 26 MUST INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE 27 IN WRITING. 28 AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY 29 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT 30 SATISFACTORY TO THE INSURER. 31 17-205. 32 (a) (1) In this section the following words have the meanings indicated. "Public employees association" means an association of federal, State, 33 (2) 34 county, or municipal corporation employees. 35 (3) "Public employer" means a county, municipal corporation, association 36 of counties or municipal corporations, State college or university, or unit of State,

37 county, or municipal corporation government.

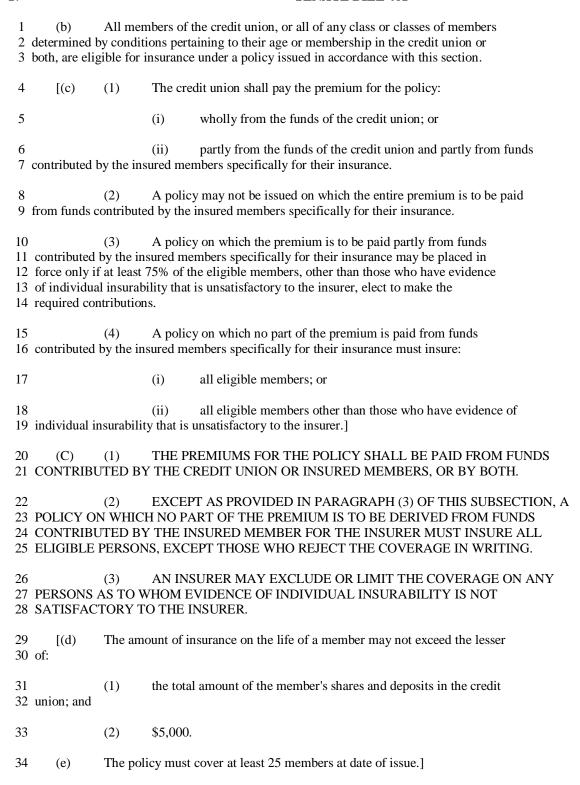
3 4	(b) (1) Subject to the requirements of this section, the fives of a group of individuals may be insured under a policy issued to a public employer or public employees association to cover employees of the public employer or members of the public employees association for the benefit of persons other than the public employer or public employees association.					
6 7	(2) policy is issued is dee	(2) The public employer or public employees association to which the is issued is deemed the policyholder.				
10 11	determined by condit employees associatio	(c) (1) All employees of the public employer, all members of the public imployees association, or all of any class or classes of employees or members etermined by conditions pertaining to their employment or membership in the public imployees association or both are eligible for insurance under a policy issued in eccordance with this section.				
13 14	3 (2) A policy issued to insure employees of a public employer may provide 4 that the term "employee" includes:					
15		(i)	a retired employee; and			
16		(ii)	an elected or appointed official.			
17 18	[(d) (1) public employees ass		to paragraph (2) of this subsection, the public employer or shall pay the premium for the policy:			
19 20	public employees ass	(i) ociation;	wholly from funds contributed by it as a public employer or			
	public employees ass employees or membe	ociation a	partly from the funds contributed by it as a public employer or and partly from funds contributed by the insured			
24 25	members.	(iii)	wholly from funds contributed by the insured employees or			
26	(2)	A public	employer may:			
27 28	employee's salary the		on written authorization from an employee, deduct from the contribution for the premiums; and			
		icipal cor	pay the premium for the policy wholly or partly from funds reporation that is a public employer as authorized by the ration or as otherwise authorized by law.			
34	2 (3) A policy issued to insure employees of a public employer may be 3 placed in force only if at least 75% of the eligible employees, other than those who 4 have evidence of individual insurability that is unsatisfactory to the insurer, elect to 5 make the required contributions.					



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		(3) A debtor is not eligible for insurance under the policy unless the indebtedness is an irrevocable obligation to repay and is binding on the debtor during the debtor's lifetime on and after the date the insurance becomes effective on the debtor's life.				
16 17	of debtors d	(4) The policy may exclude from the classes eligible for insurance classes ebtors 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 aired of uninsured debtors must insure:		
31			(i)	all eligible debtors; or		
32 33	individual in	nsurabilit	(ii) y that is u	all eligible debtors other than those who have evidence of nsatisfactory to the insurer.		
34	(d)	The poli	cy may b	e issued only if:		
35 36	individual ir	(1) nsurabilit		y reserves to the insurer the right to require evidence of nan 75% of the new entrants become insured; and		

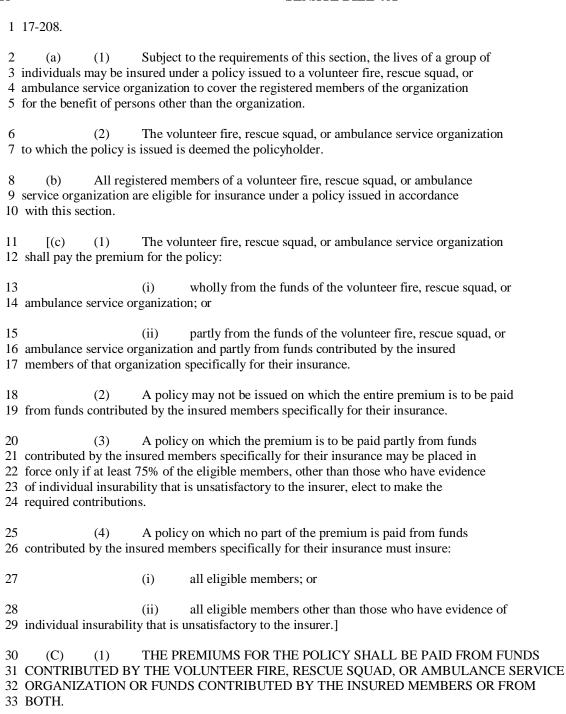
1	((2)	the group of eligible debtors:		
2	yearly; or		(i)	is receiving new entrants at the rate of at least 100 individuals	
4 5	during the firs		(ii) year.	may reasonably be expected to receive at least 100 new entrants	
6 7	(e) (elesser of:	(1)	The amo	ount of insurance on the life of a debtor may not exceed the	
8			(i)	the amount the debtor owes to the creditor; and	
9			(ii)	\$50,000.	
	indebtedness	is repaya	able in or	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.	
				alt, 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	•			ment shall be used to reduce or extinguish the unpaid he extent of the payment.]	
19	17-206.				
22 23	ISSUED TO TRUSTEES (HOLDING C	A CREI OR AGE OMPAN	OITOR O ENT DES NY, AFF	HE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE OR ITS PARENT HOLDING COMPANY OR TO A TRUSTEE OR SIGNATED BY TWO OR MORE CREDITORS, WHICH CREDITOR, ILIATE, TRUSTEE, TRUSTEES, OR AGENT SHALL BE DEEMED INSURE DEBTORS OF THE CREDITOR, OR CREDITORS.	
	, ,	THE DE	BTORS	BTORS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL OF THE CREDITOR OR CREDITORS, OR ALL OF ANY CLASS	
28 29	INCLUDE:	(2)	THE PO	LICY MAY PROVIDE THAT THE TERM "DEBTORS" SHALL	
		RVICES	, OR PRO	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	

- 16 **SENATE BILL 461** 1 (III)THE DEBTORS OF ONE OR MORE AFFILIATED CORPORATIONS, 2 PROPRIETORSHIPS, OR PARTNERSHIPS IF THE BUSINESS OF THE POLICYHOLDER 3 AND OF THE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS 4 UNDER COMMON CONTROL. THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE 5 (C) (1) 6 CREDITOR'S FUNDS, OR FROM CHARGES COLLECTED FROM THE INSURED DEBTORS, 7 OR FROM BOTH. EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION. A 8 (2) 9 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM THE FUNDS 10 CONTRIBUTED BY INSURED DEBTORS SPECIFICALLY FOR THEIR INSURANCE MUST 11 INSURE ALL ELIGIBLE DEBTORS. 12 (3) AN INSURER MAY EXCLUDE ANY DEBTORS AS TO WHOM EVIDENCE 13 OF INDIVIDUAL INSURABILITY IS NOT SATISFACTORY TO THE INSURER. 14 THE AMOUNT OF INSURANCE ON THE LIFE OF ANY DEBTOR SHALL 15 AT NO TIME EXCEED THE GREATER OF THE SCHEDULED OR ACTUAL AMOUNT OF 16 UNPAID INDEBTEDNESS TO THE CREDITOR. THE INSURANCE MAY BE PAYABLE TO THE CREDITOR OR ANY 17 (I) 18 SUCCESSOR TO THE RIGHT, TITLE, AND INTEREST OF THE CREDITOR. THE PAYMENT SHALL REDUCE OR EXTINGUISH THE UNPAID 19 (II)20 INDEBTEDNESS OF THE DEBTOR TO THE EXTENT OF THE PAYMENT AND ANY EXCESS 21 OF THE INSURANCE SHALL BE PAYABLE TO THE BENEFICIARY NAMED BY THE 22 INSURED OTHER THAN THE CREDITOR OR TO THE ESTATE OF THE INSURED. NOTWITHSTANDING THE PROVISIONS OF PARAGRAPHS (2) (1) AND (3) 23 (3) 24 (2) OF THIS SUBSECTION: 25 INSURANCE ON AGRICULTURAL CREDIT TRANSACTION (I) 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; **28 AND** 29 (II)INSURANCE ON EDUCATIONAL CREDIT TRANSACTION 30 COMMITMENTS MAY BE WRITTEN UP TO THE AMOUNT OF THE LOAN COMMITMENT 31 LESS THE AMOUNT OF ANY REPAYMENTS MADE ON THE LOAN. 32 17-207. 33 Subject to the requirements of this section, the lives of a group of
- 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.
- The credit union to which the policy is issued is deemed the policyholder.



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

- 20 **SENATE BILL 461** 1 the rights of conversion under § 17-310 of this title, if the policy of (2) 2 group life insurance terminates or is amended to terminate the insurance of the spouse or dependent child. 4 Notwithstanding § 17-308 of this title, only one certificate must be issued 5 for each family unit if a statement about a dependent's coverage is included in the 6 certificate. 7 The amounts of insurance under the policy must be based on a plan that [(e) 8 precludes individual choice by the employees or members or by the employer or 9 trustees.] 10 17-304. 11 Each policy of group life insurance shall contain a provision that: 12 requires a copy of any application of the policyholder to be attached to **(1)** 13 the policy when issued; 14 the statements made by the policyholder or the insured are (2) 15 considered representations and not warranties; and 16 a statement made by an insured may not be used in a contest unless (3)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. 19 17-312. 20 IF ANY INDIVIDUAL INSURED UNDER A GROUP LIFE INSURANCE POLICY 21 DELIVERED IN THIS STATE BECOMES ENTITLED UNDER THE TERMS OF THE POLICY 22 TO HAVE AN INDIVIDUAL POLICY OF LIFE INSURANCE ISSUED WITHOUT EVIDENCE 23 OF INSURABILITY, SUBJECT TO MAKING OF APPLICATION AND PAYMENT OF THE 24 FIRST PREMIUM WITHIN THE PERIOD SPECIFIED IN THE POLICY, AND IF THE 25 INDIVIDUAL IS NOT GIVEN NOTICE OF THE EXISTENCE OF THE RIGHT AT LEAST 15 26 DAYS PRIOR TO THE EXPIRATION DATE OF THE PERIOD, THEN IN THAT EVENT THE 27 INDIVIDUAL SHALL HAVE AN ADDITIONAL PERIOD WITHIN WHICH TO EXERCISE THE 28 RIGHT, BUT THIS SECTION MAY NOT BE CONSTRUED TO CONTINUE ANY INSURANCE 29 BEYOND THE PERIOD PROVIDED IN THE POLICY. THIS ADDITIONAL PERIOD SHALL EXPIRE 15 DAYS AFTER THE INDIVIDUAL 30 31 IS GIVEN THE NOTICE BUT IN NO EVENT SHALL THE ADDITIONAL PERIOD EXTEND 32 BEYOND 60 DAYS AFTER THE EXPIRATION DATE OF THE PERIOD PROVIDED IN THE
- 37 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 38 October 1, 1999.

36 CONSTITUTE NOTICE FOR THE PURPOSE OF THIS PARAGRAPH.

33 POLICY. WRITTEN NOTICE PRESENTED TO THE INSURER TO THE LAST KNOWN 34 ADDRESS OF THE INDIVIDUAL OR MAILED BY THE INSURER TO THE LAST KNOWN 35 ADDRESS OF THE INDIVIDUAL AS FURNISHED BY THE POLICYHOLDER SHALL