C4 5lr3455 CF 5lr3454

By: Delegate Simmons

Rules suspended

Introduced and read first time: March 24, 2005 Assigned to: Rules and Executive Nominations

	A BILL ENTITLED
1	AN ACT concerning
2	Insurance Contracts - Insurable Interest - Individuals Related Closely by Blood or Law
4 5 6 7 8 9 0 1 2 3 4 5 6	in the life of an insured under a contract of life insurance owned by the entity under certain circumstances; establishing that the trustee of a trust has an insurable interest in the disability of an insured under a contract of disability insurance owned by the trustee under certain circumstances; providing for the application of this Act; and generally relating to insurable interests in insureds
.7 .8 .9 20 21	Section 12-201 Annotated Code of Maryland (2003 Replacement Volume and 2004 Supplement)
	MARYLAND, That the Laws of Maryland read as follows:
24	Article - Insurance
25	12-201.

26 (a) (1) An individual of competent legal capacity may procure or effect an 27 insurance contract on the individual's own life or body for the benefit of any person.

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	procure or cause to be	procured	l an insur	ed in subsection (c) of this section, a person may not rance contract on the life or body of another insurance contract are payable to:
4		(i)	the indiv	vidual insured;
5		(ii)	the indiv	vidual insured's personal representative; or
6 7	the time the insurance	(iii) contract		with an insurable interest in the individual insured at le.
8 9	(b) (1) only the interests desc			personal insurance, an insurable interest includes ection.
12	RELATED CLOSEL THE SPOUSE, DESC	CENDAN	LOOD OI	URPOSES OF THIS SUBSECTION, THE INDIVIDUALS R LAW TO AN INSURED INDIVIDUAL SHALL INCLUDE CESTORS, AND SIBLINGS OF THE INSURED ANTS OF A SIBLING OF THE INSURED INDIVIDUAL.
	INSURED INDIVID		PRESUM	DIVIDUAL RELATED CLOSELY BY BLOOD OR LAW TO AN MED TO HAVE A SUBSTANTIAL INTEREST PECTION IN THE INSURED INDIVIDUAL.
17 18				viduals related closely by blood or law, a substantial on is an insurable interest.
19 20				prospective parent of a prospective adoptive child, an e child as of the date of the earlier of:
21 22	Family Law Article, p	provided	1. that:	a placement for adoption, as defined in § 5-301 of the
23 24	Article have been give	en; or	A.	any consents required under § 5-311 of the Family Law
25 26	5-317 of the Family L	aw Artic	B. le; or	a decree awarding guardianship has been granted under §
27			2.	an interlocutory or final decree of adoption.
30 31	law, a lawful and subsor bodily safety of the	individu enhanced	conomic al is an i in value	ons other than individuals closely related by blood or interest in the continuation of the life, health, insurable interest but an interest that arises by, the death, disablement, or injury of the
	whom the corporate e			This paragraph applies only to employees with respect to aployer sponsored trust for the benefits of insurance contract, if the employer is:
36			1.	a private corporation; or

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	recognized stock exchar Securities Dealers Auto	nge or tr	aded in a	a public corporation, the stock of which is traded on a accordance with the National Association of (NASDAQ) Systems.			
4	(i	ii) .	A lawful	and substantial economic interest exists in:			
5 6	corporation described in			a key employee of a private corporation or a public) of this paragraph; and			
7 8	subparagraph (i) of this			a nonkey employee of a public corporation described in			
	for at least 12 consecutand			the employee has been employed by the public corporation consents in writing to the insurance contract;			
12 13				the amount of insurance coverage on the nonkey employee ate with employer-provided benefits.			
14 15	[(5)] (0 purchase or sale of:	6)	(i)	This paragraph applies only to a contract or option for the			
16			1.	an interest in a business partnership or firm; or			
17 18	corporation.		2.	stock shares, or an interest in stock shares, of a close			
	O (ii) An individual party to a contract or option described in Subparagraph (i) of this paragraph has an insurable interest in the life of each I individual party to the contract or option.						
22 23	paragraph:	iii) '	The insu	rable interest specified in subparagraph (ii) of this			
24			1.	is only for the purposes of the contract or option; and			
25 26	exist on the life of an ir			is in addition to any other insurable interest that may the contract or option.			
	LIFE OR LIVES OF A	PERSC	ON OR P	OF A TRUST HAS AN INSURABLE INTEREST IN THE ERSONS INSURED UNDER A CONTRACT OF LIFE STEE IF, AT THE TIME THE CONTRACT IS PROCURED:			
				SURED LIFE OR LIVES ARE THAT OR THOSE OF THE VIDUALS RELATED CLOSELY BY BLOOD OR LAW TO			
33 34	\			ANTOR OF THE TRUST OTHERWISE HAS AN INSURABLE OF THE INSURED; OR			

ONE OR MORE BENEFICIARIES OF THE TRUST OTHERWISE 1 (III)2 HAVE AN INSURABLE INTEREST IN THE LIFE OR LIVES OF THE INSURED. 3 A PARTNERSHIP, LIMITED PARTNERSHIP, LIMITED LIABILITY 4 COMPANY, OR OTHER LEGAL ENTITY HAS AN INSURABLE INTEREST IN THE LIFE OR 5 LIVES OF A PERSON OR PERSONS INSURED UNDER A CONTRACT OF LIFE INSURANCE 6 OWNED BY THE ENTITY IF, AT THE TIME THE CONTRACT IS PROCURED: THE INSURED OR ANY INDIVIDUALS RELATED CLOSELY BY 7 (I) 8 BLOOD OR LAW TO THE INSURED IS AN OWNER OF AN EOUITY INTEREST IN THE 9 ENTITY: THE ENTITY OTHERWISE HAS AN INSURABLE INTEREST IN THE 10 (II)11 LIFE OR LIVES OF THE INSURED; OR (III)ONE OR MORE OF THE OTHER EQUITY OWNERS OF THE ENTITY 13 OTHERWISE HAVE AN INSURABLE INTEREST IN THE LIFE OR LIVES OF THE INSURED. 14 THE TRUSTEE OF A TRUST HAS AN INSURABLE INTEREST IN THE 15 DISABILITY OF A PERSON INSURED UNDER A CONTRACT OF DISABILITY INSURANCE 16 OWNED BY THE TRUSTEE IF, AT THE TIME THE CONTRACT IS PROCURED: THE DISABILITY INSURED AGAINST IS THAT OF THE GRANTOR 17 (I) 18 OF THE TRUST OR ANY INDIVIDUAL RELATED CLOSELY BY BLOOD OR LAW TO THE 19 GRANTOR: 20 (II)THE GRANTOR OF THE TRUST OTHERWISE HAS AN INSURABLE 21 INTEREST IN THE DISABILITY INSURED AGAINST; OR ONE OR MORE BENEFICIARIES OF THE TRUST OTHERWISE 22 (III) 23 HAVE AN INSURABLE INTEREST IN THE DISABILITY INSURED AGAINST. 24 This subsection applies only to a charitable, benevolent, educational, 25 governmental, or religious institution that is described in § 170(b)(1)(A) or § 501(c)(3) 26 of the Internal Revenue Code, or a trust for the benefit of that institution that is 27 qualified as a pooled income fund under § 642(c)(5) or a charitable remainder trust 28 under § 664 of the Internal Revenue Code. 29 An institution or trust described in paragraph (1) of this subsection 30 may procure or cause to be procured an insurance policy on the life of an individual if: the institution or trust is designated irrevocably as the 31 (i) 32 beneficiary of the insurance policy; and 33 (ii) the application for the insurance policy is signed by the 34 individual whose life is to be insured or the individual's legal guardian. 35 (3) This subsection does not prohibit the institution or individual from 36 being the beneficiary or owner of the policy or paying the premiums for the policy.

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- 1 (d) If a beneficiary, assignee, or other payee under an insurance contract made
- 2 in violation of this section receives from the insurer benefits that accrue on the
- 3 insured's death, disablement, or injury, the insured or the insured's executor or
- 4 administrator may bring an action to recover benefits from the payee that receives
- 5 them.
- 6 (e) Notwithstanding subsection (b)[(4)](5) of this section, a corporate
- 7 employer with an insurable interest in employees described in subsection (b)[(3)] (4)
- 8 or [(4)] (5) of this section may not retaliate against an employee who refuses to
- 9 consent to an insurance contract being purchased in the employee's name.
- SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
- 11 insurance contracts that are issued, delivered, or renewed in the State on or after
- 12 October 1, 2005.
- SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
- 14 October 1, 2005.