
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**
3 **Blood or Law**

4 FOR the purpose of providing that, for purposes of an insurable interest in an insured
5 under a contract of personal insurance, the individuals related closely by blood
6 or law to the insured shall include certain individuals; establishing a certain
7 presumption as to an individual related closely by blood or law to an insured;
8 establishing that the trustee of a trust has an insurable interest in the life of an
9 insured under a contract of life insurance owned by the trustee under certain
10 circumstances; establishing that certain legal entities have an insurable interest
11 in the life of an insured under a contract of life insurance owned by the entity
12 under certain circumstances; establishing that the trustee of a trust has an
13 insurable interest in the disability of an insured under a contract of disability
14 insurance owned by the trustee under certain circumstances; providing for the
15 application of this Act; and generally relating to insurable interests in insureds
16 under contracts of life insurance and disability insurance.

17 BY repealing and reenacting, with amendments,
18 Article - Insurance
19 Section 12-201
20 Annotated Code of Maryland
21 (2003 Replacement Volume and 2004 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 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.

1 (III) ONE OR MORE BENEFICIARIES OF THE TRUST OTHERWISE
2 HAVE AN INSURABLE INTEREST IN THE LIFE OR LIVES OF THE INSURED.

3 (8) 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:

7 (I) THE INSURED OR ANY INDIVIDUALS RELATED CLOSELY BY
8 BLOOD OR LAW TO THE INSURED IS AN OWNER OF AN EQUITY INTEREST IN THE
9 ENTITY;

10 (II) THE ENTITY OTHERWISE HAS AN INSURABLE INTEREST IN THE
11 LIFE OR LIVES OF THE INSURED; OR

12 (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 (9) 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:

17 (I) THE DISABILITY INSURED AGAINST IS THAT OF THE GRANTOR
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

22 (III) ONE OR MORE BENEFICIARIES OF THE TRUST OTHERWISE
23 HAVE AN INSURABLE INTEREST IN THE DISABILITY INSURED AGAINST.

24 (c) (1) 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 (2) 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:

31 (i) the institution or trust is designated irrevocably as the
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.

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.

10 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.

13 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 October 1, 2005.