
By: Senator Bromwell

Introduced and read first time: January 30, 1997

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurance - Student Loan Option**

3 FOR the purpose of allowing a person, under certain circumstances, to purchase a life
4 insurance policy that permits certain related persons to obtain a student loan for
5 postsecondary education from the insurer.

6 BY repealing and reenacting, with amendments,
7 Article 48A - Insurance Code
8 Section 224A
9 Annotated Code of Maryland
10 (1994 Replacement Volume and 1996 Supplement)

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 27-211
14 Annotated Code of Maryland
15 (1995 Volume and 1996 Supplement)
16 (As enacted by Chapter ____ (H.B. 11) of the Acts of the General Assembly of 1997)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article 48A - Insurance Code**

20 224A.

21 (a) No insurer shall directly or indirectly, or by any of its agents or
22 representatives, participate in any plan to offer or effect any kind or kinds of life
23 insurance, health insurance, or annuities in this State as an inducement to, or in
24 combination with, the purchase by the public of any goods, securities, commodities,
25 services, or subscriptions to periodicals.

26 (b) (1) This section shall not apply to insurance on the life of a debtor pursuant
27 to or in connection with a specific loan or other credit transaction, or insurance on a
28 debtor to provide indemnity for payments becoming due on a specific loan or other credit
29 transaction while the debtor is disabled as defined in the policy.

2

1 (2) THIS SECTION DOES NOT APPLY TO INSURANCE ON THE LIFE OF A
2 POLICYHOLDER THAT PERMITS THE POLICYHOLDER'S NATURAL CHILD, LEGALLY
3 ADOPTED CHILD, WARD, STEPCHILD, GRANDCHILD, OR OTHER FAMILY MEMBER TO
4 OBTAIN A STUDENT LOAN FROM THE INSURER TO FINANCE THE COST OF
5 POSTSECONDARY EDUCATION IF:

6 (I) THE STUDENT LOAN IS MADE BY THE INSURER WITHOUT
7 CREDIT UNDERWRITING;

8 (II) THE OBLIGATION TO REPAY THE PRINCIPAL AMOUNT OF THE
9 STUDENT LOAN TO THE INSURER IS POSTPONED WHILE THE STUDENT IS IN SCHOOL
10 AND MEETING MINIMUM ACADEMIC STANDARDS OF THE SCHOOL;

11 (III) NO COLLATERAL FOR THE STUDENT LOAN IS REQUIRED
12 OTHER THAN:

13 1. THE COSIGNATURE OF A PARENT OR GUARDIAN;

14 2. THE ASSIGNMENT OF THE POLICY; AND

15 3. THE GUARANTEE OF A STATE AGENCY OR OTHER
16 ENTITY WHOSE GUARANTEE MAKES THE STUDENT LOAN A PERMISSIBLE
17 INVESTMENT UNDER APPLICABLE LAW;

18 (IV) THE MARKETING MATERIALS RELATING TO THE STUDENT
19 LOAN OPTION ARE FILED WITH THE COMMISSIONER AT LEAST 30 DAYS PRIOR TO
20 THEIR FIRST USE IN THE STATE; AND

21 (V) THE POLICYHOLDER PAYS A BONA FIDE PREMIUM TO THE
22 INSURER FOR THE POLICY.

23 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
24 read as follows:

25 **Article - Insurance**

26 27-211.

27 (a) This section does not apply to:

28 (1) insurance on the life of a debtor in connection with a specific loan or
29 other credit transaction; [or]

30 (2) insurance on a debtor that provides indemnity for payments that are due
31 on a specific loan or other credit transaction while the debtor is disabled as defined in the
32 policy; OR

33 (3) INSURANCE ON THE LIFE OF A POLICYHOLDER THAT PERMITS THE
34 POLICYHOLDER'S NATURAL CHILD, LEGALLY ADOPTED CHILD, WARD, STEPCHILD,
35 GRANDCHILD, OR OTHER FAMILY MEMBER TO OBTAIN A STUDENT LOAN FROM THE
36 INSURER TO FINANCE THE COST OF POSTSECONDARY EDUCATION IF:

37 (I) THE STUDENT LOAN IS MADE BY THE INSURER WITHOUT
38 CREDIT UNDERWRITING;

3

1 (II) THE OBLIGATION TO REPAY THE PRINCIPAL AMOUNT OF THE
2 STUDENT LOAN TO THE INSURER IS POSTPONED WHILE THE STUDENT IS IN SCHOOL
3 AND MEETING MINIMUM ACADEMIC STANDARDS OF THE SCHOOL;

4 (III) NO COLLATERAL FOR THE STUDENT LOAN IS REQUIRED
5 OTHER THAN:

6 1. THE COSIGNATURE OF A PARENT OR GUARDIAN;

7 2. THE ASSIGNMENT OF THE POLICY; AND

8 3. THE GUARANTEE OF A STATE AGENCY OR OTHER
9 ENTITY WHOSE GUARANTEE MAKES THE STUDENT LOAN A PERMISSIBLE
10 INVESTMENT UNDER APPLICABLE LAW;

11 (IV) THE MARKETING MATERIALS RELATING TO THE STUDENT
12 LOAN OPTION ARE FILED WITH THE COMMISSIONER AT LEAST 30 DAYS PRIOR TO
13 THEIR FIRST USE IN THE STATE; AND

14 (V) THE POLICYHOLDER PAYS A BONA FIDE PREMIUM TO THE
15 INSURER FOR THE POLICY.

16 (b) An insurer may not directly or indirectly, or by an agent or representative of
17 the insurer, participate in a plan to offer or effect a kind or kinds of life insurance, health
18 insurance, or annuities in the State as an inducement to, or in combination with, the
19 purchase by the public of goods, securities, commodities, services, or subscriptions to
20 periodicals.

21 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act
22 shall take effect June 1, 1997.

23 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act
24 shall take effect October 1, 1997.