

CF 7r2249

By: Senator Bromwell

Introduced and read first time: January 30, 1997

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 18, 1997

CHAPTER ____

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; specifying certain requirements of a
6 certain kind of life insurance policy; providing that a life insurance policy may
7 include the granting of a benefit that provides an option to obtain a student loan;
8 requiring the Insurance Commissioner to submit a certain report to certain persons
9 by a certain date; and generally relating to allowing certain persons, under certain
10 circumstances, to purchase a life insurance policy that permits certain related
11 persons to obtain a student loan.

12 BY repealing and reenacting, with amendments,13 Article 48A - Insurance Code14 Section 63(2)15 Annotated Code of Maryland16 (1994 Replacement Volume and 1996 Supplement)

17 BY repealing and reenacting, with amendments,

18 Article 48A - Insurance Code

19 Section 224A

20 Annotated Code of Maryland

21 (1994 Replacement Volume and 1996 Supplement)

22 BY repealing and reenacting, with amendments,23 Article - Insurance24 Section 1-101(x)(2)

2

1 Annotated Code of Maryland
2 (1995 Volume and 1996 Supplement)
3 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

4 BY repealing and reenacting, with amendments,
5 Article - Insurance
6 Section 27-211
7 Annotated Code of Maryland
8 (1995 Volume and 1996 Supplement)
9 (As enacted by Chapter ____ (H.B. 11) of the Acts of the General Assembly of 1997)

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

12 **Article 48A - Insurance Code**

13 63.

14 (2) "Life insurance" includes the granting of:

15 (i) Endowment benefits;

16 (ii) Additional benefits in the event of death by accident or accidental
17 means;

18 (iii) Additional disability benefits in the event of dismemberment or
19 loss of sight;

20 (iv) Additional disability benefits operating to safeguard the contract
21 from lapse, or to provide a special surrender value, or special benefit, or annuity, in the
22 event of total and permanent disability;

23 (v) Benefits that provide reimbursement or payment for:

24 1. Long-term home health care; and

25 2. Long-term care in a nursing home or other related
26 institution;

27 (vi) Optional modes of settlement of proceeds of life insurance; [and]

28 (vii) Burial insurance; AND

29 (VIII) A BENEFIT THAT PROVIDES AN OPTION TO OBTAIN A
30 STUDENT LOAN.

31 224A.

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

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

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

10 (I) THE STUDENT LOAN IS MADE BY THE INSURER WITHOUT
11 CREDIT UNDERWRITING;

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

15 (III) NO COLLATERAL FOR THE STUDENT LOAN IS REQUIRED
16 OTHER THAN:

17 1. THE COSIGNATURE OF A PARENT OR GUARDIAN;

18 2. THE ASSIGNMENT OF THE POLICY; AND

19 3. THE GUARANTEE OF A STATE AGENCY OR OTHER
20 ENTITY WHOSE GUARANTEE MAKES THE STUDENT LOAN A PERMISSIBLE
21 INVESTMENT UNDER APPLICABLE LAW;

22 ~~(IV) THE MARKETING MATERIALS RELATING TO THE STUDENT~~
23 ~~LOAN OPTION ARE FILED WITH THE COMMISSIONER AT LEAST 30 DAYS PRIOR TO~~
24 ~~THEIR FIRST USE IN THE STATE; AND~~

25 (IV) THE MARKETING MATERIALS RELATING TO THE STUDENT
26 LOAN OPTION:

27 1. ARE APPROVED BY THE COMMISSIONER PRIOR TO THEIR
28 FIRST USE IN THE STATE; AND

29 2. CLEARLY STATE THAT THE STUDENT LOAN IS NOT
30 GUARANTEED BY THE FEDERAL OR STATE GOVERNMENT OR MADE IN
31 ACCORDANCE WITH ANY FEDERAL OR STATE STUDENT LOAN PROGRAM;

32 (V) THE TERMS AND CONDITIONS OF THE STUDENT LOAN ARE
33 COMMERCIALLY REASONABLE AND FULLY COMPLY WITH ALL FEDERAL AND STATE
34 LAWS THAT GOVERN STUDENT LOANS;

35 (VI) THE STUDENT LOAN IS NOT GUARANTEED BY THE FEDERAL
36 OR STATE GOVERNMENT OR MADE IN ACCORDANCE WITH ANY FEDERAL OR STATE
37 PROGRAM; AND

38 ~~(V)~~ (VII) THE POLICYHOLDER PAYS A BONA FIDE PREMIUM TO
39 THE INSURER FOR THE POLICY.

4

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

3 **Article - Insurance**

4 1-101.

5 (x) (2) "Life insurance" includes the granting of:

6 (i) endowment benefits;

7 (ii) additional benefits in the event of death by accidental means;

8 (iii) additional disability benefits in the event of dismemberment or loss
9 of sight;

10 (iv) additional disability benefits that:

11 1. safeguard the insurance contract from lapse; or

12 2. provide a special surrender value, special benefit, or annuity,
13 in the event of total and permanent disability;

14 (v) benefits that provide payment or reimbursement for:

15 1. long-term home health care; or

16 2. long-term care in a nursing home or other related institution;

17 (vi) benefits for burial; [and]

18 (vii) optional modes of settlement of proceeds of life insurance; AND

19 (VIII) A BENEFIT THAT PROVIDES AN OPTION TO OBTAIN A STUDENT
20 LOAN.

21 27-211.

22 (a) This section does not apply to:

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

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

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

32 (I) THE STUDENT LOAN IS MADE BY THE INSURER WITHOUT
33 CREDIT UNDERWRITING;

5

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 (IV) THE MARKETING MATERIALS RELATING TO THE STUDENT
15 LOAN OPTION:

16 1. ARE APPROVED BY THE COMMISSIONER PRIOR TO THEIR
17 FIRST USE IN THE STATE; AND

18 2. CLEARLY STATE THAT THE STUDENT LOAN IS NOT
19 GUARANTEED BY THE FEDERAL OR STATE GOVERNMENT OR MADE IN
20 ACCORDANCE WITH ANY FEDERAL OR STATE STUDENT LOAN PROGRAM;

21 (V) THE TERMS AND CONDITIONS OF THE STUDENT LOAN ARE
22 COMMERCIALLY REASONABLE AND FULLY COMPLY WITH ALL FEDERAL AND STATE
23 LAWS THAT GOVERN STUDENT LOANS;

24 (VI) THE STUDENT LOAN IS NOT GUARANTEED BY THE FEDERAL
25 OR STATE GOVERNMENT OR MADE IN ACCORDANCE WITH ANY FEDERAL OR STATE
26 PROGRAM; AND

27 ~~(V)~~ (VII) THE POLICYHOLDER PAYS A BONA FIDE PREMIUM TO
28 THE INSURER FOR THE POLICY.

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

34 SECTION 3. AND BE IT FURTHER ENACTED, That, on or before October 1,
35 2000, the Insurance Commissioner shall submit a report to the Senate Finance
36 Committee and the House Economic Matters Committee concerning the number of
37 companies that have filed for use in the State a life insurance policy with a student loan
38 option and the number and nature of complaints, if any, filed with the Insurance
39 Commissioner in regard to such a policy.

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1 SECTION ~~3.~~ 4. AND BE IT FURTHER ENACTED, That Section 1 of this Act
2 shall take effect June 1, 1997.

3 SECTION ~~4.~~ 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act
4 shall take effect October 1, 1997.