

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 477 (Senator Bromwell)
Finance

Referred to Economic Matters

Life Insurance - Student Loan Option

This amended bill provides that a life insurance policy may permit the policyholder's family member to obtain a student loan from the insurer if (1) the loan is made without credit underwriting; (2) the obligation to repay the principle amount is postponed while the student is in school and meeting minimum academic standards of the school; (3) no collateral is required, except the cosignature of a parent or guardian, the assignment of the policy, and the guarantee of an entity whose guarantee makes the loan a permissible investment under applicable law; (4) marketing materials relating to the student loan option are approved by the Insurance Commissioner prior to use, and clearly state that the loan is not guaranteed by the federal or State government or made in accordance with any federal or State student loan program; (5) the terms and conditions of the loan are commercially reasonable and comply with federal and State laws governing student loans; (6) the loan is not guaranteed by the federal or State government or made in accordance with any federal or State program; and (7) the policyholder pays a bona fide premium to the insurer for the policy. The Commissioner must submit a report to the Senate Finance and House Economic Matters Committees concerning the student loan option by October 1, 2000. Under current law, insurers may not offer life insurance as an inducement to or in combination with the purchase by the public of any goods, securities, commodities, services, or subscriptions to periodicals.

This bill takes effect June 1, 1997.

Fiscal Summary

State Effect: None. Any increased workload for the Maryland Insurance Administration as a result of the bill could be handled with existing resources. The bill would not directly affect the Maryland Higher Education Commission or the institutions of higher education in the State.

Local Effect: None.

Small Business Effect: None. The bill would not directly affect small businesses.

Information Source(s): Maryland Higher Education Commission, Maryland Insurance Administration, Department of Fiscal Services

Fiscal Note History: First Reader - February 20, 1997
Revised - Senate Third Reader - March 21, 1997

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