

HOUSE BILL 729

Unofficial Copy
C3

1999 Regular Session
(9r2064)

ENROLLED BILL
-- Economic Matters/Finance --

Introduced by **Delegates McHale and Minnick**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Group Life Insurance**

3 FOR the purpose of altering certain general requirements relating to issuance of
4 policies of group life insurance; altering the groups of individuals who are
5 eligible for insurance under certain policies of group life insurance; altering the
6 requirements relating to funds from which the premium for certain policies of
7 group life insurance must be paid; authorizing an insurer to exclude or limit
8 coverage on certain individuals; altering certain requirements for policies of
9 group life insurance covering spouses and minor children; providing for a certain
10 condition on the conversion of certain life insurance policies from group to
11 individual under certain circumstances; providing for the extension of a certain
12 conversion period under certain circumstances; making stylistic and clarifying
13 changes; and generally relating to policies of group life insurance.

14 BY repealing

15 Article - Insurance

16 Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206

1 Annotated Code of Maryland
2 (1997 Volume and 1998 Supplement)

3 BY adding to
4 Article - Insurance
5 Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206
6 Annotated Code of Maryland
7 (1997 Volume and 1998 Supplement)

8 BY repealing and reenacting, with amendments,
9 Article - Insurance
10 Section 17-205, 17-207, 17-208, ~~and 17-209~~ 17-209, 17-304, and 17-309
11 Annotated Code of Maryland
12 (1997 Volume and 1998 Supplement)

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

15 **Article - Insurance**

16 [17-101.

17 (a) A policy of life insurance that insures the lives of more than one individual
18 may not be delivered in the State unless the policy:

19 (1) is delivered to a group described in Subtitle 2 of this title; and

20 (2) complies with the other applicable provisions of this title.

21 (b) Subsection (a) of this section does not apply to policies of life insurance
22 that insure only individuals who:

23 (1) are related by blood, marriage, or adoption;

24 (2) are actively engaged in the management of a business enterprise, and
25 have a common interest through ownership of the enterprise or a substantial legal
26 interest or equity in the enterprise; or

27 (3) otherwise have an insurable interest in each other's lives.

28 (c) Unless approved by the Commissioner, solicitation of coverage in the State
29 under a policy of group life insurance issued in another jurisdiction may not be made
30 unless the type of group to be covered conforms substantially to a type of group
31 described in Subtitle 2 of this title.]

1 17-101.

2 (A) UNLESS APPROVED BY THE COMMISSIONER, A GROUP LIFE INSURANCE
3 POLICY MAY NOT BE OFFERED TO A RESIDENT OF THE STATE UNDER A GROUP LIFE
4 INSURANCE POLICY ISSUED:

5 (1) TO A GROUP OTHER THAN ONE DESCRIBED IN SUBTITLE 2 OF THIS
6 TITLE; OR

7 (2) IN ANOTHER JURISDICTION UNLESS THE TYPE OF GROUP TO BE
8 COVERED CONFORMS SUBSTANTIALLY TO A TYPE OF GROUP DESCRIBED IN
9 SUBTITLE 2 OF THIS TITLE.

10 (B) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE
11 POLICYHOLDER'S FUNDS OR FROM FUNDS CONTRIBUTED BY THE COVERED
12 PERSONS, OR FROM BOTH.

13 (C) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY PERSON AS
14 TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT SATISFACTORY TO THE
15 INSURER.

16 (D) AN INSURER WHO SEEKS TO SOLICIT COVERAGE FOR MARYLAND
17 RESIDENTS UNDER A GROUP LIFE INSURANCE POLICY ISSUED IN ANOTHER
18 JURISDICTION SHALL INCLUDE IN THE CERTIFICATE FORM USED IN CONNECTION
19 WITH THE COVERAGE A NOTICE ON THE FIRST PAGE IN 12 POINT BOLD TYPE THAT
20 STATES:

21 "THE GROUP INSURANCE ~~POLICE~~ POLICY PROVIDING COVERAGE UNDER THIS
22 CERTIFICATE WAS ISSUED IN A JURISDICTION OTHER THAN MARYLAND AND MAY
23 NOT PROVIDE ALL OF THE BENEFITS REQUIRED BY MARYLAND LAW."

24 [17-201.

25 (a) (1) Subject to the requirements of this section, the lives of a group of
26 individuals may be insured under a policy issued to an employer or to the trustees of
27 a fund established by an employer to cover employees of the employer for the benefit
28 of persons other than the employer.

29 (2) The employer or trustees to which the policy is issued are deemed the
30 policyholder.

31 (b) (1) All employees of the employer, or all of any class or classes of
32 employees determined by conditions pertaining to their employment, are eligible for
33 insurance under a policy issued in accordance with this section.

34 (2) The policy may provide that the term "employee" includes:

35 (i) an employee of one or more subsidiary corporations;

1 (ii) an employee, individual proprietor, or partner of one or more
2 affiliated corporations, proprietorships, or partnerships if the business of the
3 employer and of the affiliates is under common control;

4 (iii) an individual proprietor if the employer is the individual
5 proprietorship;

6 (iv) a partner if the employer is a partnership; and

7 (v) a retired employee.

8 (3) A director of a corporate employer is not eligible for insurance under
9 the policy unless the director is otherwise eligible as an employee of the corporation
10 by performing services other than the usual duties of a director.

11 (4) An individual proprietor or partner is not eligible for insurance under
12 the policy unless the individual proprietor or partner is actively engaged in and
13 devotes substantial time to the conduct of the business of the proprietorship or
14 partnership.

15 (c) (1) The employer or trustees shall pay the premium for the policy:

16 (i) wholly from the funds of the employer or funds contributed by
17 the employer; or

18 (ii) partly from the funds of the employer or funds contributed by
19 the employer and partly from funds contributed by the insured employees.

20 (2) A policy may not be issued on which the entire premium is to be paid
21 from funds contributed by the insured employees.

22 (3) A policy on which the premium is to be paid partly from funds
23 contributed by the insured employees may be placed in force only if at least 75% of the
24 eligible employees, other than those who have evidence of individual insurability that
25 is unsatisfactory to the insurer, elect to make the required contributions.

26 (4) A policy on which no part of the premium is paid from funds
27 contributed by the insured employees must insure:

28 (i) all eligible employees; or

29 (ii) all eligible employees other than those who have evidence of
30 individual insurability that is unsatisfactory to the insurer.

31 (d) The policy must cover at least ten employees at date of issue.

32 (e) The amounts of insurance under the policy must be based on a plan that
33 precludes individual choice by the employees or by the employer or trustees.]

1 17-201.

2 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE
3 ISSUED TO AN EMPLOYER, OR TO THE TRUSTEES OF A FUND ESTABLISHED BY AN
4 EMPLOYER, IN WHICH THE EMPLOYER OR TRUSTEES SHALL BE DEEMED THE
5 POLICYHOLDER, TO INSURE EMPLOYEES OF THE EMPLOYER FOR THE BENEFIT OF
6 PERSONS OTHER THAN THE EMPLOYER.

7 (B) (1) THE EMPLOYEES ELIGIBLE FOR INSURANCE UNDER THE POLICY
8 SHALL BE ALL OF THE EMPLOYEES OF THE EMPLOYER, OR ALL OR ANY CLASS OR
9 CLASSES OF EMPLOYEES.

10 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL
11 INCLUDE:

12 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY
13 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS
14 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR
15 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER ~~AND IF~~ AND OF THE
16 AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER
17 COMMON CONTROL; AND

18 (II) THE INDIVIDUAL PROPRIETOR OR PARTNERS IF THE
19 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP.

20 (3) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" MAY
21 INCLUDE RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS OF A
22 CORPORATE EMPLOYER.

23 (4) A POLICY ISSUED TO INSURE THE EMPLOYEES OF A PUBLIC BODY
24 MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL INCLUDE ELECTED OR
25 APPOINTED OFFICIALS.

26 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE
27 EMPLOYER'S FUNDS, OR FROM FUNDS CONTRIBUTED BY THE INSURED EMPLOYEES,
28 OR FROM BOTH.

29 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
30 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
31 CONTRIBUTED BY THE INSURED EMPLOYEES MUST INSURE ALL ELIGIBLE
32 EMPLOYEES, EXCEPT THOSE WHO REJECT THE COVERAGE IN WRITING.

33 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
34 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
35 SATISFACTORY TO THE INSURER.

36 [17-202.

37 (a) (1) Subject to the requirements of this section, the lives of a group of
38 individuals may be insured under a policy issued to a labor union to cover members of

1 the union for the benefit of persons other than the union or its officials,
2 representatives, or agents.

3 (2) The labor union to which the policy is issued is deemed the
4 policyholder.

5 (b) All members of the labor union, or all of any class or classes of members
6 determined by conditions pertaining to their employment or membership in the union
7 or both, are eligible for insurance under a policy issued in accordance with this
8 section.

9 (c) (1) The labor union shall pay the premium for the policy:

10 (i) wholly from the funds of the union; or

11 (ii) partly from the funds of the union and partly from funds
12 contributed by the insured members specifically for their insurance.

13 (2) A policy may not be issued on which the entire premium is to be paid
14 from funds contributed by the insured members specifically for their insurance.

15 (3) A policy on which the premium is to be paid partly from funds
16 contributed by the insured members specifically for their insurance may be placed in
17 force only if at least 75% of the eligible members, other than those who have evidence
18 of individual insurability that is unsatisfactory to the insurer, elect to make the
19 required contributions.

20 (4) A policy on which no part of the premium is paid from funds
21 contributed by the insured members specifically for their insurance must insure:

22 (i) all eligible members; or

23 (ii) all eligible members other than those who have evidence of
24 individual insurability that is unsatisfactory to the insurer.

25 (d) The policy must cover at least 25 members at date of issue.

26 (e) The amounts of insurance under the policy must be based on a plan that
27 precludes individual choice by the members or by the union.]

28 17-202.

29 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE
30 ISSUED TO A LABOR UNION, OR SIMILAR EMPLOYEE ORGANIZATION, WHICH SHALL
31 BE DEEMED TO BE THE POLICYHOLDER, TO INSURE MEMBERS OF THE UNION OR
32 ORGANIZATION FOR THE BENEFIT OF PERSONS OTHER THAN THE UNION OR
33 ORGANIZATION OR ANY OF ITS OFFICIALS, REPRESENTATIVES, OR AGENTS.

34 (B) THE MEMBERS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL BE
35 ALL OF THE MEMBERS OF THE UNION OR ORGANIZATION, OR ALL OF ANY CLASS OR
36 CLASSES OF MEMBERS.

1 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM
2 FUNDS OF THE UNION OR ORGANIZATION, OR FROM FUNDS CONTRIBUTED BY THE
3 INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE, OR FROM BOTH.

4 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
5 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
6 CONTRIBUTED BY THE INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE
7 MUST INSURE ALL ELIGIBLE MEMBERS, EXCEPT THOSE WHO REJECT THE COVERAGE
8 IN WRITING.

9 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
10 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
11 SATISFACTORY TO THE INSURER.

12 [17-203.

13 (a) (1) Subject to the requirements of this section, the lives of a group of
14 individuals may be insured under a policy issued to the trustees of a fund established
15 by two or more employers in the same industry or by one or more labor unions, or by
16 one or more employers and one or more labor unions, to cover employees of the
17 employers or members of the unions for the benefit of persons other than the
18 employers or unions.

19 (2) The trustees to which the policy is issued are deemed the
20 policyholder.

21 (b) (1) All employees of the employers or all members of the unions, or all of
22 any class or classes of employees or members determined by conditions pertaining to
23 their employment or membership in the union or both, are eligible for insurance
24 under a policy issued in accordance with this section.

25 (2) The policy may provide that the term "employee" includes:

26 (i) a trustee or employee of the trustee or both if the duties of the
27 trustee or employee are principally connected with the trusteeship;

28 (ii) a sole proprietor if the employer is a sole proprietorship;

29 (iii) a partner if the employer is a partnership; and

30 (iv) a retired employee.

31 (3) A director of a corporate employer is not eligible for insurance under
32 the policy unless the director is otherwise eligible as an employee of the corporation
33 by performing services other than usual duties of a director.

34 (4) A sole proprietor or partner is not eligible for insurance under the
35 policy unless the sole proprietor or partner is actively engaged in and devotes
36 substantial time to the conduct of the business of the sole proprietorship or
37 partnership.

- 1 (c) (1) The trustees shall pay the premium for the policy:
- 2 (i) wholly from funds contributed by the employer or employers or
3 by the union or unions or by both; or
- 4 (ii) partly from funds contributed by the employer or employers or
5 union or unions or both, and partly from funds contributed by the insured employees
6 or members.
- 7 (2) A policy may not be issued on which the entire premium is to be paid
8 from funds contributed by the insured employees or members specifically for their
9 insurance.
- 10 (3) A policy on which the premium is to be paid partly from funds
11 contributed by the insured employees or members specifically for their insurance may
12 be placed in force only if at least 75% of the eligible employees or members, other than
13 those who have evidence of individual insurability that is unsatisfactory to the
14 insurer, elect to make the required contributions.
- 15 (4) A policy on which no part of the premium is paid from funds
16 contributed by the insured employees or members specifically for their insurance
17 must insure:
- 18 (i) all eligible employees or members; or
- 19 (ii) all eligible employees or members other than those who have
20 evidence of individual insurability that is unsatisfactory to the insurer.
- 21 (d) (1) The policy must cover at date of issue at least 100 individuals and not
22 less than an average of five individuals per employer unit.
- 23 (2) If the fund is established by members of an association of employers,
24 the policy may be issued if:
- 25 (i) either:
- 26 1. the participating employers constitute at date of issue at
27 least 60% of those employer members whose employees are not already covered for
28 group life insurance; or
- 29 2. the total number of individuals covered at date of issue
30 exceeds 600; and
- 31 (ii) the policy may not require that, if a participating employer
32 discontinues membership in the association, the insurance of the employer's
33 employees ceases solely because of the discontinuance.
- 34 (e) The amounts of insurance under the policy must be based on a plan that
35 precludes individual choice by the employees or members or by the trustees,
36 employers, or unions.]

1 17-203.

2 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE
3 ISSUED TO A TRUST OR TO THE TRUSTEES OF A FUND ESTABLISHED OR ADOPTED BY
4 TWO OR MORE EMPLOYERS, OR BY ONE OR MORE LABOR UNIONS OR SIMILAR
5 EMPLOYEE ORGANIZATIONS, OR BY ONE OR MORE EMPLOYERS AND ONE OR MORE
6 LABOR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, WHICH TRUST OR
7 TRUSTEES SHALL BE DEEMED THE POLICYHOLDER, TO INSURE EMPLOYEES OF THE
8 EMPLOYERS OR MEMBERS OF THE UNIONS OR ORGANIZATIONS FOR THE BENEFIT OF
9 PERSONS OTHER THAN THE EMPLOYEES OR THE UNIONS OR ORGANIZATIONS.

10 (B) (1) THE PERSONS ELIGIBLE FOR INSURANCE SHALL BE ALL OF THE
11 EMPLOYEES OF THE EMPLOYERS OR ALL OF THE MEMBERS OF THE UNIONS OR
12 ORGANIZATIONS, OR ALL OF ANY CLASS OR CLASSES OF EMPLOYEES OR MEMBERS.

13 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL
14 INCLUDE:

15 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY
16 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS
17 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR
18 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND OF THE AFFILIATED
19 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON
20 CONTROL;

21 (II) THE INDIVIDUAL ~~PROPRIETORSHIP~~ PROPRIETOR OR PARTNERS
22 IF THE EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP;

23 (III) RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS
24 OF A CORPORATE EMPLOYER; AND

25 (IV) TRUSTEES OR THEIR EMPLOYEES, OR BOTH, IF THEIR DUTIES
26 ARE PRINCIPALLY CONNECTED WITH THE TRUSTEESHIP.

27 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS
28 CONTRIBUTED BY THE EMPLOYER OR EMPLOYERS OF THE INSURED PERSONS, OR BY
29 THE UNION OR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, OR BY BOTH, OR
30 FROM FUNDS CONTRIBUTED BY THE INSURED PERSONS OR FROM BOTH THE
31 INSURED PERSONS AND THE EMPLOYERS OR UNIONS OR SIMILAR EMPLOYEE
32 ORGANIZATIONS.

33 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
34 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
35 CONTRIBUTED BY THE INSURED PERSONS SPECIFICALLY FOR THEIR INSURANCE
36 MUST INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE
37 IN WRITING.

38 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
39 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
40 SATISFACTORY TO THE INSURER.

1 [17-204.

2 (a) In this section, "professional association" means an association of persons
3 licensed by the State or otherwise authorized by law to engage in a recognized
4 profession.

5 (b) (1) Subject to the requirements of this section, the lives of a group of
6 individuals may be insured under a policy issued to the trustees of a fund established
7 by a professional association to cover members of the professional association for the
8 benefit of persons other than the professional association.

9 (2) The trustees to which the policy is issued are deemed the
10 policyholder.

11 (c) All members of the professional association, or all of any class or classes of
12 members determined by conditions pertaining to their employment or membership in
13 the professional association or both, are eligible for insurance under a policy issued in
14 accordance with this section.

15 (d) (1) The trustees shall pay the premium for the policy:

16 (i) wholly from funds contributed by the professional association;
17 or

18 (ii) partly from funds contributed by the professional association
19 and partly from funds contributed by the insured members.

20 (2) The premiums may be paid by the insured members specifically for
21 their insurance if:

22 (i) the policy is issued to the trustees of a professional association;
23 and

24 (ii) the total number of individuals covered at date of issue who
25 elect to make the required contribution, other than those who have evidence of
26 individual insurability that is unsatisfactory to the insurer, exceeds the lesser of 600
27 or 75% of the eligible members.

28 (3) A policy on which no part of the premium is paid from funds
29 contributed by the insured members specifically for their insurance must insure:

30 (i) all eligible members; or

31 (ii) all eligible members other than those who have evidence of
32 individual insurability that is unsatisfactory to the insurer.

33 (e) The policy must cover at least 100 members at date of issue.

34 (f) The amounts of insurance under the policy must be based on a plan that
35 precludes individual choice by the members or by the trustees.]

1 17-204.

2 (A) (1) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY
3 BE ISSUED TO AN ASSOCIATION OR TO A TRUST OR TO THE TRUSTEES OF A FUND
4 ESTABLISHED, CREATED, OR MAINTAINED FOR THE BENEFIT OF MEMBERS OF ONE
5 OR MORE ASSOCIATIONS.

6 (2) THE ASSOCIATION OR ASSOCIATIONS:

7 (I) SHALL HAVE AT THE OUTSET A MINIMUM OF 100 PERSONS;

8 (II) SHALL HAVE BEEN ORGANIZED AND MAINTAINED IN GOOD
9 FAITH FOR PURPOSES OTHER THAN THAT OF OBTAINING INSURANCE;

10 (III) SHALL HAVE BEEN IN ACTIVE EXISTENCE FOR AT LEAST 2
11 YEARS; AND

12 (IV) SHALL HAVE A CONSTITUTION AND BYLAWS THAT PROVIDE
13 THAT:

14 1. THE ASSOCIATION OR ASSOCIATIONS HOLD REGULAR
15 MEETINGS NOT LESS THAN ANNUALLY TO FURTHER PURPOSES OF THE MEMBERS;

16 2. EXCEPT FOR CREDIT UNIONS, THE ASSOCIATION OR
17 ASSOCIATIONS COLLECT DUES OR SOLICIT CONTRIBUTIONS FROM MEMBERS; AND

18 3. THE MEMBERS HAVE VOTING PRIVILEGES AND
19 REPRESENTATION ON THE GOVERNING BOARD AND COMMITTEES.

20 (B) THE POLICY MAY INSURE MEMBERS OF THE ASSOCIATION OR
21 ASSOCIATIONS, EMPLOYEES OF THE ASSOCIATION OR ASSOCIATIONS, OR
22 EMPLOYEES OF MEMBERS, OR ONE OR MORE OF THE PRECEDING OR ALL OF ANY
23 CLASS OR CLASSES OF MEMBERS OR EMPLOYEES FOR THE BENEFIT OF PERSONS
24 OTHER THAN THE EMPLOYEE'S EMPLOYER.

25 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS
26 CONTRIBUTED BY THE ASSOCIATION OR ASSOCIATIONS, OR BY EMPLOYER
27 MEMBERS, OR BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS
28 OR FROM BOTH THE COVERED PERSONS AND THE ASSOCIATION, ASSOCIATIONS, OR
29 EMPLOYER MEMBERS.

30 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
31 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
32 CONTRIBUTED BY THE COVERED PERSONS SPECIFICALLY FOR THE INSURANCE
33 MUST INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE
34 IN WRITING.

35 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
36 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
37 SATISFACTORY TO THE INSURER.

1 17-205.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) "Public employees association" means an association of federal, State,
4 county, or municipal corporation employees.

5 (3) "Public employer" means a county, municipal corporation, association
6 of counties or municipal corporations, State college or university, or unit of State,
7 county, or municipal corporation government.

8 (b) (1) Subject to the requirements of this section, the lives of a group of
9 individuals may be insured under a policy issued to a public employer or public
10 employees association to cover employees of the public employer or members of the
11 public employees association for the benefit of persons other than the public employer
12 or public employees association.

13 (2) The public employer or public employees association to which the
14 policy is issued is deemed the policyholder.

15 (c) (1) All employees of the public employer, all members of the public
16 employees association, or all of any class or classes of employees or members
17 determined by conditions pertaining to their employment or membership in the public
18 employees association or both are eligible for insurance under a policy issued in
19 accordance with this section.

20 (2) A policy issued to insure employees of a public employer may provide
21 that the term "employee" includes:

22 (i) a retired employee; and

23 (ii) an elected or appointed official.

24 [(d) (1) Subject to paragraph (2) of this subsection, the public employer or
25 public employees association shall pay the premium for the policy:

26 (i) wholly from funds contributed by it as a public employer or
27 public employees association;

28 (ii) partly from the funds contributed by it as a public employer or
29 public employees association and partly from funds contributed by the insured
30 employees or members; or

31 (iii) wholly from funds contributed by the insured employees or
32 members.

33 (2) A public employer may:

34 (i) on written authorization from an employee, deduct from the
35 employee's salary the required contribution for the premiums; and

1 (ii) pay the premium for the policy wholly or partly from funds
2 contributed by a municipal corporation that is a public employer as authorized by the
3 charter of the municipal corporation or as otherwise authorized by law.

4 (3) A policy issued to insure employees of a public employer may be
5 placed in force only if at least 75% of the eligible employees, other than those who
6 have evidence of individual insurability that is unsatisfactory to the insurer, elect to
7 make the required contributions.

8 (4) A policy issued to insure members of a public employees association
9 on which the premium is to be paid wholly or partly from funds contributed by the
10 insured members specifically for their insurance may be placed in force only if at least
11 75% of the eligible members, other than those who have evidence of individual
12 insurability that is unsatisfactory to the insurer, or at least 600 of the eligible
13 members, elect to make the required contributions.

14 (5) A policy issued to insure members of a public employees association
15 on which no part of the premium is paid from funds contributed by insured members
16 specifically for their insurance must insure:

17 (i) all eligible members; or

18 (ii) all eligible members other than those who have evidence of
19 individual insurability that is unsatisfactory to the insurer.]

20 (D) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS
21 CONTRIBUTED BY THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES ASSOCIATION, OR
22 BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS OR FROM
23 BOTH THE COVERED PERSONS AND THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES
24 ASSOCIATION.

25 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
26 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
27 CONTRIBUTED BY THE COVERED PERSONS SPECIFICALLY FOR THE INSURANCE
28 MUST INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE
29 IN WRITING.

30 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
31 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
32 SATISFACTORY TO THE INSURER.

33 (4) A PUBLIC EMPLOYER MAY REQUIRE WRITTEN AUTHORIZATION
34 FROM AN EMPLOYEE TO DEDUCT FROM THE EMPLOYEE'S SALARY THE REQUIRED
35 CONTRIBUTIONS FOR THE PREMIUM.

36 [(e) (1) A policy issued to insure employees of a public employer must cover
37 at least ten employees at date of issue.

38 (2) A policy issued to insure members of a public employees association
39 must cover at least 100 members at date of issue.]

1 [17-206.

2 (a) (1) Subject to the requirements of this section, the lives of a group of
3 individuals may be insured under a policy issued to a creditor to cover debtors of the
4 creditor.

5 (2) The creditor to which the policy is issued is deemed the policyholder.

6 (b) (1) All debtors of the creditor whose indebtedness is repayable in
7 installments or in one sum at the end of a period not exceeding 18 months after the
8 initial date of the debt, or all of any class or classes of debtors determined by
9 conditions pertaining to the indebtedness or the purchase giving rise to the
10 indebtedness, are eligible for insurance under a policy issued in accordance with this
11 section.

12 (2) The policy may provide that the term "debtor" includes:

13 (i) a debtor of one or more subsidiary corporations; and

14 (ii) a debtor of one or more affiliated corporations, proprietorships,
15 or partnerships if the business of the creditor and of the affiliates is under common
16 control.

17 (3) A debtor is not eligible for insurance under the policy unless the
18 indebtedness is an irrevocable obligation to repay and is binding on the debtor during
19 the debtor's lifetime on and after the date the insurance becomes effective on the
20 debtor's life.

21 (4) The policy may exclude from the classes eligible for insurance classes
22 of debtors determined by age.

23 (c) (1) The creditor shall pay the premium for the policy:

24 (i) wholly from the funds of the creditor;

25 (ii) wholly from charges collected from insured debtors; or

26 (iii) partly from the funds of the creditor and partly from charges
27 collected from insured debtors.

28 (2) A policy on which the premium is to be paid wholly or partly from the
29 collection from insured debtors of identifiable charges not required of uninsured
30 debtors may not include, in the class or classes of debtors eligible for insurance,
31 debtors under obligations outstanding at its date of issue without evidence of
32 individual insurability unless at least 75% of the eligible debtors elect to pay the
33 required charges.

34 (3) A policy on which no part of the premium is paid from the collection
35 of identifiable charges not required of uninsured debtors must insure:

36 (i) all eligible debtors; or

1 (ii) all eligible debtors other than those who have evidence of
2 individual insurability that is unsatisfactory to the insurer.

3 (d) The policy may be issued only if:

4 (1) the policy reserves to the insurer the right to require evidence of
5 individual insurability if less than 75% of the new entrants become insured; and

6 (2) the group of eligible debtors:

7 (i) is receiving new entrants at the rate of at least 100 individuals
8 yearly; or

9 (ii) may reasonably be expected to receive at least 100 new entrants
10 during the first policy year.

11 (e) (1) The amount of insurance on the life of a debtor may not exceed the
12 lesser of:

13 (i) the amount the debtor owes to the creditor; and

14 (ii) \$50,000.

15 (2) Except as provided in paragraph (3) of this subsection, if the
16 indebtedness is repayable in one sum to the creditor, the insurance on the life of a
17 debtor may not be in effect for more than 18 months.

18 (3) On default, extension, or recasting of the debt, the insurance may be
19 continued for up to 6 months beyond the 18 months specified in paragraph (2) of this
20 subsection.

21 (f) (1) The insurance shall be payable to the creditor.

22 (2) The payment shall be used to reduce or extinguish the unpaid
23 indebtedness of the debtor to the extent of the payment.]

24 17-206.

25 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE
26 ISSUED TO A CREDITOR OR ITS PARENT HOLDING COMPANY OR TO A TRUSTEE OR
27 TRUSTEES OR AGENT DESIGNATED BY TWO OR MORE CREDITORS, WHICH CREDITOR,
28 HOLDING COMPANY, AFFILIATE, TRUSTEE, TRUSTEES, OR AGENT SHALL BE DEEMED
29 THE POLICYHOLDER, TO INSURE DEBTORS OF THE CREDITOR, OR CREDITORS.

30 (B) (1) THE DEBTORS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL
31 BE ALL OF THE DEBTORS OF THE CREDITOR OR CREDITORS, OR ALL OF ANY CLASS
32 OR CLASSES OF DEBTORS.

33 (2) THE POLICY MAY PROVIDE THAT THE TERM "DEBTORS" SHALL
34 INCLUDE:

1 (I) BORROWERS OF MONEY OR PURCHASERS OR LESSEES OF
2 GOODS, SERVICES, OR PROPERTY FOR WHICH PAYMENT IS ARRANGED THROUGH A
3 CREDIT TRANSACTION;

4 (II) THE DEBTORS OF ONE OR MORE SUBSIDIARY CORPORATIONS;
5 AND

6 (III) THE DEBTORS OF ONE OR MORE AFFILIATED CORPORATIONS,
7 PROPRIETORSHIPS, OR PARTNERSHIPS IF THE BUSINESS OF THE POLICYHOLDER
8 AND OF THE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS
9 UNDER COMMON CONTROL.

10 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE
11 CREDITOR'S FUNDS, OR FROM CHARGES COLLECTED FROM THE INSURED DEBTORS,
12 OR FROM BOTH.

13 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
14 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM THE FUNDS
15 CONTRIBUTED BY INSURED DEBTORS SPECIFICALLY FOR THEIR INSURANCE MUST
16 INSURE ALL ELIGIBLE DEBTORS.

17 (3) AN INSURER MAY EXCLUDE ANY DEBTORS AS TO WHOM EVIDENCE
18 OF INDIVIDUAL INSURABILITY IS NOT SATISFACTORY TO THE INSURER.

19 (D) (1) THE AMOUNT OF INSURANCE ON THE LIFE OF ANY DEBTOR SHALL
20 AT NO TIME EXCEED THE GREATER OF THE SCHEDULED OR ACTUAL AMOUNT OF
21 UNPAID INDEBTEDNESS TO THE CREDITOR.

22 (2) (I) THE INSURANCE MAY BE PAYABLE TO THE CREDITOR OR ANY
23 SUCCESSOR TO THE RIGHT, TITLE, AND INTEREST OF THE CREDITOR.

24 (II) THE PAYMENT SHALL REDUCE OR EXTINGUISH THE UNPAID
25 INDEBTEDNESS OF THE DEBTOR TO THE EXTENT OF THE PAYMENT AND ANY EXCESS
26 OF THE INSURANCE SHALL BE PAYABLE TO THE BENEFICIARY NAMED BY THE
27 INSURED OTHER THAN THE CREDITOR OR TO THE ESTATE OF THE INSURED.

28 (3) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPHS (1) AND (2)
29 ~~AND (3)~~ OF THIS SUBSECTION:

30 (I) INSURANCE ON AGRICULTURAL CREDIT TRANSACTION
31 COMMITMENTS NOT EXCEEDING A TERM OF 1 YEAR MAY BE WRITTEN UP TO THE
32 AMOUNT OF THE LOAN COMMITMENT ON A NONDECREASING OR LEVEL TERM PLAN;
33 AND

34 (II) INSURANCE ON EDUCATIONAL CREDIT TRANSACTION
35 COMMITMENTS MAY BE WRITTEN UP TO THE AMOUNT OF THE LOAN COMMITMENT
36 LESS THE AMOUNT OF ANY REPAYMENTS MADE ON THE LOAN.

1 17-207.

2 (a) (1) Subject to the requirements of this section, the lives of a group of
3 individuals may be insured under a policy issued to a credit union organized in
4 accordance with State law or the Federal Credit Union Act to cover members of the
5 credit union for the benefit of persons other than the credit union or its officials.

6 (2) The credit union to which the policy is issued is deemed the
7 policyholder.

8 (b) All members of the credit union, or all of any class or classes of members
9 determined by conditions pertaining to their age or membership in the credit union or
10 both, are eligible for insurance under a policy issued in accordance with this section.

11 [(c) (1) The credit union shall pay the premium for the policy:

12 (i) wholly from the funds of the credit union; or

13 (ii) partly from the funds of the credit union and partly from funds
14 contributed by the insured members specifically for their insurance.

15 (2) A policy may not be issued on which the entire premium is to be paid
16 from funds contributed by the insured members specifically for their insurance.

17 (3) A policy on which the premium is to be paid partly from funds
18 contributed by the insured members specifically for their insurance may be placed in
19 force only if at least 75% of the eligible members, other than those who have evidence
20 of individual insurability that is unsatisfactory to the insurer, elect to make the
21 required contributions.

22 (4) A policy on which no part of the premium is paid from funds
23 contributed by the insured members specifically for their insurance must insure:

24 (i) all eligible members; or

25 (ii) all eligible members other than those who have evidence of
26 individual insurability that is unsatisfactory to the insurer.]

27 (C) (1) THE PREMIUMS FOR THE POLICY SHALL BE PAID FROM FUNDS
28 CONTRIBUTED BY THE CREDIT UNION OR INSURED MEMBERS, OR BY BOTH.

29 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
30 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
31 CONTRIBUTED BY THE INSURED MEMBER FOR THE INSURER MUST INSURE ALL
32 ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE IN WRITING.

33 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
34 PERSONS AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
35 SATISFACTORY TO THE INSURER.

1 [(d) The amount of insurance on the life of a member may not exceed the lesser
2 of:

3 (1) the total amount of the member's shares and deposits in the credit
4 union; and

5 (2) \$5,000.

6 (e) The policy must cover at least 25 members at date of issue.]

7 17-208.

8 (a) (1) Subject to the requirements of this section, the lives of a group of
9 individuals may be insured under a policy issued to a volunteer fire, rescue squad, or
10 ambulance service organization to cover the registered members of the organization
11 for the benefit of persons other than the organization.

12 (2) The volunteer fire, rescue squad, or ambulance service organization
13 to which the policy is issued is deemed the policyholder.

14 (b) All registered members of a volunteer fire, rescue squad, or ambulance
15 service organization are eligible for insurance under a policy issued in accordance
16 with this section.

17 [(c) (1) The volunteer fire, rescue squad, or ambulance service organization
18 shall pay the premium for the policy:

19 (i) wholly from the funds of the volunteer fire, rescue squad, or
20 ambulance service organization; or

21 (ii) partly from the funds of the volunteer fire, rescue squad, or
22 ambulance service organization and partly from funds contributed by the insured
23 members of that organization specifically for their insurance.

24 (2) A policy may not be issued on which the entire premium is to be paid
25 from funds contributed by the insured members specifically for their insurance.

26 (3) A policy on which the premium is to be paid partly from funds
27 contributed by the insured members specifically for their insurance may be placed in
28 force only if at least 75% of the eligible members, other than those who have evidence
29 of individual insurability that is unsatisfactory to the insurer, elect to make the
30 required contributions.

31 (4) A policy on which no part of the premium is paid from funds
32 contributed by the insured members specifically for their insurance must insure:

33 (i) all eligible members; or

34 (ii) all eligible members other than those who have evidence of
35 individual insurability that is unsatisfactory to the insurer.]

1 (C) (1) THE PREMIUMS FOR THE POLICY SHALL BE PAID FROM FUNDS
2 CONTRIBUTED BY THE VOLUNTEER FIRE, RESCUE SQUAD, OR AMBULANCE SERVICE
3 ORGANIZATION OR FUNDS CONTRIBUTED BY THE INSURED MEMBERS OR FROM
4 BOTH.

5 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A
6 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS
7 CONTRIBUTED BY THE INSURED MEMBER SPECIFICALLY FOR THE INSURANCE MUST
8 INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE IN
9 WRITING.

10 (3) AN INSURER MAY EXCLUDE OR LIMIT THE COVERAGE ON ANY
11 PERSON AS TO WHOM EVIDENCE OF INDIVIDUAL INSURABILITY IS NOT
12 SATISFACTORY TO THE INSURER.

13 [(d) The policy must cover at least 15 registered members per volunteer fire,
14 rescue squad, or ambulance service organization at date of issue.

15 (e) The amounts of insurance under the policy must be based on a plan that
16 precludes individual choice by the members or by the volunteer fire, rescue squad, or
17 ambulance service organization.]

18 17-209.

19 (a) (1) Insurance under a policy of group life insurance issued in accordance
20 with §§ 17-201 through 17-205 of this subtitle may be extended to cover the spouse
21 and ~~minor~~ DEPENDENT children of each insured employee or member who elects to
22 obtain the coverage [if 75% of the insured employees or members or any class or
23 classes of employees or members make the election].

24 (2) The policy may provide that the term "minor children" includes:

25 (i) an insured employee's or member's child under 18 years of age;
26 and

27 (ii) an insured employee's or member's child 18 years of age or older
28 who attends an educational institution and relies on the insured employee or member
29 for financial support.

30 (3) The insurance on the life of a spouse or child may not exceed [50%]
31 THE AMOUNT of the insurance on the life of the insured employee or member.

32 (b) The policyholder shall pay the premium for the insurance on the spouse or
33 child:

34 (1) wholly from the funds of the policyholder or funds contributed by the
35 policyholder;

36 (2) wholly from funds contributed by the insured employees or members;
37 or

1 (3) partly from the funds of the policyholder or funds contributed by the
2 policyholder and partly from funds contributed by the insured employees or members.

3 (c) A spouse or dependent child insured under this section is entitled to:

4 (1) the rights of conversion under § 17-309 of this title, if employment of
5 the employee or membership in the class or classes eligible for insurance under the
6 policy is terminated; and

7 (2) the rights of conversion under § 17-310 of this title, if the policy of
8 group life insurance terminates or is amended to terminate the insurance of the
9 spouse or dependent child.

10 (d) Notwithstanding § 17-308 of this title, only one certificate must be issued
11 for each family unit if a statement about a dependent's coverage is included in the
12 certificate.

13 [(e) The amounts of insurance under the policy must be based on a plan that
14 precludes individual choice by the employees or members or by the employer or
15 trustees.]

16 17-304.

17 Each policy of group life insurance shall contain a provision that:

18 (1) requires a copy of any application of the policyholder to be attached to
19 the policy when issued;

20 (2) the statements made by the policyholder or the insured are
21 considered representations and not warranties; and

22 (3) a statement made by an insured may not be used in a contest unless
23 a copy of the instrument that contains the statement is provided to the insured or, IN
24 THE EVENT OF DEATH OR INCAPACITY OF THE INSURED, to the insured's beneficiary.
25 17-309.

26 (a) Each policy of group life insurance shall contain a provision that if the
27 insurance or any part of it on an insured ceases under the policy because of
28 termination of employment or membership in the class or classes eligible for coverage
29 under the policy, the insured is entitled to have issued by the insurer, without
30 evidence of insurability, an individual policy of life insurance without disability or
31 other supplementary benefits, subject to the following conditions:

32 (1) SUBJECT TO SUBSECTION (B) OF THIS SECTION, application for the
33 policy must be made and the first premium must be paid to the insurer within 31
34 days after the termination of employment or membership;

1 (2) the individual policy is, at the option of the insured, on any form,
2 except term insurance, customarily issued by the insurer at the age and for the
3 amount applied for;

4 (3) the individual policy is in an amount that does not exceed the amount
5 of life insurance that ceases because of the termination of employment or
6 membership, less the amount of life insurance for which the insured is eligible under
7 the same or another group policy within 31 days after the termination of employment
8 or membership; [and]

9 (4) the premium on the individual policy is at the insurer's customary
10 rate applicable to:

11 (i) the form and amount of the individual policy;

12 (ii) the class of risk to which the insured belongs; and

13 (iii) the age of the insured attained on the effective date of the
14 individual policy; AND

15 (5) THE INSURED IS ENTITLED TO WRITTEN NOTICE OF THE INSURED'S
16 RIGHTS UNDER THIS SECTION AT LEAST 15 DAYS PRIOR TO THE EXPIRATION OF THE
17 CONVERSION PERIOD PROVIDED FOR IN ITEM (1) OF THIS SUBSECTION.

18 (B) (1) IF THE INSURED IS NOT PROVIDED WITH THE NOTICE
19 REQUIRED UNDER SUBSECTION (A)(5) OF THIS SECTION, THE INSURED SHALL HAVE
20 AN ADDITIONAL 15 DAYS FROM THE DATE ON WHICH WRITTEN NOTICE IS RECEIVED
21 TO MAKE APPLICATION FOR THE INDIVIDUAL POLICY AND PAY THE FIRST PREMIUM
22 TO THE INSURER.

23 (2) IN NO EVENT SHALL THE ADDITIONAL PERIOD PROVIDED UNDER
24 PARAGRAPH (1) OF THIS SUBSECTION EXTEND BEYOND 60 DAYS AFTER THE
25 EXPIRATION OF THE CONVERSION PERIOD PROVIDED FOR IN SUBSECTION (A)(1) OF
26 THIS SECTION.

27 [(b)] (C) For purposes of subsection (a)(3) of this section, insurance that
28 matures on or before the date of the termination of employment or membership as an
29 endowment payable to the insured, whether in one sum, in installments, or in the
30 form of an annuity, may not be included in the amount of life insurance that is
31 considered to cease because of the termination of employment or membership.

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
33 October 1, 1999.

