

HOUSE BILL 729

Unofficial Copy  
C3

1999 Regular Session  
9r2064  
CF 9r1881

---

By: **Delegates McHale and Minnick**  
Introduced and read first time: February 12, 1999  
Assigned to: Economic Matters

---

Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 26, 1999

---

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  
17 Annotated Code of Maryland  
18 (1997 Volume and 1998 Supplement)

19 BY adding to  
20 Article - Insurance  
21 Section 17-101, 17-201, 17-202, 17-203, 17-204, and 17-206  
22 Annotated Code of Maryland  
23 (1997 Volume and 1998 Supplement)

24 BY repealing and reenacting, with amendments,

1 Article - Insurance  
2 Section 17-205, 17-207, 17-208, ~~and 17-209~~ 17-209, 17-304, and 17-309  
3 Annotated Code of Maryland  
4 (1997 Volume and 1998 Supplement)

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

7 **Article - Insurance**

8 [17-101.

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

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

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

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

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

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

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

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

24 17-101.

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

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

30 (2) IN ANOTHER JURISDICTION UNLESS THE TYPE OF GROUP TO BE  
31 COVERED CONFORMS SUBSTANTIALLY TO A TYPE OF GROUP DESCRIBED IN  
32 SUBTITLE 2 OF THIS TITLE.

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

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

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

12 "THE GROUP INSURANCE POLICE PROVIDING COVERAGE UNDER THIS  
13 CERTIFICATE WAS ISSUED IN A JURISDICTION OTHER THAN MARYLAND AND MAY  
14 NOT PROVIDE ALL OF THE BENEFITS REQUIRED BY MARYLAND LAW."

15 [17-201.

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

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

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

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

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

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

30 (iii) an individual proprietor if the employer is the individual  
31 proprietorship;

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

33 (v) a retired employee.

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

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

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

6 (i) wholly from the funds of the employer or funds contributed by  
7 the employer; or

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

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

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

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

18 (i) all eligible employees; or

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

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

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

24 17-201.

25 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
26 ISSUED TO AN EMPLOYER, OR TO THE TRUSTEES OF A FUND ESTABLISHED BY AN  
27 EMPLOYER, IN WHICH THE EMPLOYER OR TRUSTEES SHALL BE DEEMED THE  
28 POLICYHOLDER, TO INSURE EMPLOYEES OF THE EMPLOYER FOR THE BENEFIT OF  
29 PERSONS OTHER THAN THE EMPLOYER.

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

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

35 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY  
36 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS

1 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR  
2 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER ~~AND IF~~ AND OF THE  
3 AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER  
4 COMMON CONTROL; AND

5 (II) THE INDIVIDUAL PROPRIETOR OR PARTNERS IF THE  
6 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP.

7 (3) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" MAY  
8 INCLUDE RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS OF A  
9 CORPORATE EMPLOYER.

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

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

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

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

23 [17-202.

24 (a) (1) Subject to the requirements of this section, the lives of a group of  
25 individuals may be insured under a policy issued to a labor union to cover members of  
26 the union for the benefit of persons other than the union or its officials,  
27 representatives, or agents.

28 (2) The labor union to which the policy is issued is deemed the  
29 policyholder.

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

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

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

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

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

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

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

10                   (i)     all eligible members; or

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

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

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

16 17-202.

17       (A)     SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
18 ISSUED TO A LABOR UNION, OR SIMILAR EMPLOYEE ORGANIZATION, WHICH SHALL  
19 BE DEEMED TO BE THE POLICYHOLDER, TO INSURE MEMBERS OF THE UNION OR  
20 ORGANIZATION FOR THE BENEFIT OF PERSONS OTHER THAN THE UNION OR  
21 ORGANIZATION OR ANY OF ITS OFFICIALS, REPRESENTATIVES, OR AGENTS.

22       (B)     THE MEMBERS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL BE  
23 ALL OF THE MEMBERS OF THE UNION OR ORGANIZATION, OR ALL OF ANY CLASS OR  
24 CLASSES OF MEMBERS.

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

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

1 [17-203.

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 the trustees of a fund established  
4 by two or more employers in the same industry or by one or more labor unions, or by  
5 one or more employers and one or more labor unions, to cover employees of the  
6 employers or members of the unions for the benefit of persons other than the  
7 employers or unions.

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

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

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

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

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

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

19 (iv) a retired employee.

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

23 (4) A sole proprietor or partner is not eligible for insurance under the  
24 policy unless the sole proprietor or partner is actively engaged in and devotes  
25 substantial time to the conduct of the business of the sole proprietorship or  
26 partnership.

27 (c) (1) The trustees shall pay the premium for the policy:

28 (i) wholly from funds contributed by the employer or employers or  
29 by the union or unions or by both; or

30 (ii) partly from funds contributed by the employer or employers or  
31 union or unions or both, and partly from funds contributed by the insured employees  
32 or members.

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

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

6 (4) A policy on which no part of the premium is paid from funds  
7 contributed by the insured employees or members specifically for their insurance  
8 must insure:

9 (i) all eligible employees or members; or

10 (ii) all eligible employees or members other than those who have  
11 evidence of individual insurability that is unsatisfactory to the insurer.

12 (d) (1) The policy must cover at date of issue at least 100 individuals and not  
13 less than an average of five individuals per employer unit.

14 (2) If the fund is established by members of an association of employers,  
15 the policy may be issued if:

16 (i) either:

17 1. the participating employers constitute at date of issue at  
18 least 60% of those employer members whose employees are not already covered for  
19 group life insurance; or

20 2. the total number of individuals covered at date of issue  
21 exceeds 600; and

22 (ii) the policy may not require that, if a participating employer  
23 discontinues membership in the association, the insurance of the employer's  
24 employees ceases solely because of the discontinuance.

25 (e) The amounts of insurance under the policy must be based on a plan that  
26 precludes individual choice by the employees or members or by the trustees,  
27 employers, or unions.]

28 17-203.

29 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
30 ISSUED TO A TRUST OR TO THE TRUSTEES OF A FUND ESTABLISHED OR ADOPTED BY  
31 TWO OR MORE EMPLOYERS, OR BY ONE OR MORE LABOR UNIONS OR SIMILAR  
32 EMPLOYEE ORGANIZATIONS, OR BY ONE OR MORE EMPLOYERS AND ONE OR MORE  
33 LABOR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, WHICH TRUST OR  
34 TRUSTEES SHALL BE DEEMED THE POLICYHOLDER, TO INSURE EMPLOYEES OF THE  
35 EMPLOYERS OR MEMBERS OF THE UNIONS OR ORGANIZATIONS FOR THE BENEFIT OF  
36 PERSONS OTHER THAN THE EMPLOYEES OR THE UNIONS OR ORGANIZATIONS.



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

4 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL  
5 INCLUDE:

6 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY  
7 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS  
8 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR  
9 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND OF THE AFFILIATED  
10 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON  
11 CONTROL;

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

14 (III) RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS  
15 OF A CORPORATE EMPLOYER; AND

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

18 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
19 CONTRIBUTED BY THE EMPLOYER OR EMPLOYERS OF THE INSURED PERSONS, OR BY  
20 THE UNION OR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, OR BY BOTH, OR  
21 FROM FUNDS CONTRIBUTED BY THE INSURED PERSONS OR FROM BOTH THE  
22 INSURED PERSONS AND THE EMPLOYERS OR UNIONS OR SIMILAR EMPLOYEE  
23 ORGANIZATIONS.

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

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

32 [17-204.

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

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

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

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

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

8                   (i)     wholly from funds contributed by the professional association;  
9 or

10                  (ii)    partly from funds contributed by the professional association  
11 and partly from funds contributed by the insured members.

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

14                  (i)     the policy is issued to the trustees of a professional association;  
15 and

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

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

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

28 17-204.

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

33           (2)     THE ASSOCIATION OR ASSOCIATIONS:

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

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

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

5 (IV) SHALL HAVE A CONSTITUTION AND BYLAWS THAT PROVIDE  
6 THAT:

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

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

11 3. THE MEMBERS HAVE VOTING PRIVILEGES AND  
12 REPRESENTATION ON THE GOVERNING BOARD AND COMMITTEES.

13 (B) THE POLICY MAY INSURE MEMBERS OF THE ASSOCIATION OR  
14 ASSOCIATIONS, EMPLOYEES OF THE ASSOCIATION OR ASSOCIATIONS, OR  
15 EMPLOYEES OF MEMBERS, OR ONE OR MORE OF THE PRECEDING OR ALL OF ANY  
16 CLASS OR CLASSES OF MEMBERS OR EMPLOYEES FOR THE BENEFIT OF PERSONS  
17 OTHER THAN THE EMPLOYEE'S EMPLOYER.

18 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
19 CONTRIBUTED BY THE ASSOCIATION OR ASSOCIATIONS, OR BY EMPLOYER  
20 MEMBERS, OR BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS  
21 OR FROM BOTH THE COVERED PERSONS AND THE ASSOCIATION, ASSOCIATIONS, OR  
22 EMPLOYER MEMBERS.

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

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

31 17-205.

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

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

35 (3) "Public employer" means a county, municipal corporation, association  
36 of counties or municipal corporations, State college or university, or unit of State,  
37 county, or municipal corporation government.

1 (b) (1) Subject to the requirements of this section, the lives of a group of  
2 individuals may be insured under a policy issued to a public employer or public  
3 employees association to cover employees of the public employer or members of the  
4 public employees association for the benefit of persons other than the public employer  
5 or public employees association.

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

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

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

15 (i) a retired employee; and

16 (ii) an elected or appointed official.

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

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

21 (ii) partly from the funds contributed by it as a public employer or  
22 public employees association and partly from funds contributed by the insured  
23 employees or members; or

24 (iii) wholly from funds contributed by the insured employees or  
25 members.

26 (2) A public employer may:

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

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

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

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

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

10 (i) all eligible members; or

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

13 (D) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
14 CONTRIBUTED BY THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES ASSOCIATION, OR  
15 BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS OR FROM  
16 BOTH THE COVERED PERSONS AND THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES  
17 ASSOCIATION.

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

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

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

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

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

33 [17-206.

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

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

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

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

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

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

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

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

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

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

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

21 (iii) partly from the funds of the creditor and partly from charges  
22 collected from insured debtors.

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

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

31 (i) all eligible debtors; or

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

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

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

1 (2) the group of eligible debtors:

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

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

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

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

9 (ii) \$50,000.

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

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

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

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

19 17-206.

20 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
21 ISSUED TO A CREDITOR OR ITS PARENT HOLDING COMPANY OR TO A TRUSTEE OR  
22 TRUSTEES OR AGENT DESIGNATED BY TWO OR MORE CREDITORS, WHICH CREDITOR,  
23 HOLDING COMPANY, AFFILIATE, TRUSTEE, TRUSTEES, OR AGENT SHALL BE DEEMED  
24 THE POLICYHOLDER, TO INSURE DEBTORS OF THE CREDITOR, OR CREDITORS.

25 (B) (1) THE DEBTORS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL  
26 BE ALL OF THE DEBTORS OF THE CREDITOR OR CREDITORS, OR ALL OF ANY CLASS  
27 OR CLASSES OF DEBTORS.

28 (2) THE POLICY MAY PROVIDE THAT THE TERM "DEBTORS" SHALL  
29 INCLUDE:

30 (I) BORROWERS OF MONEY OR PURCHASERS OR LESSEES OF  
31 GOODS, SERVICES, OR PROPERTY FOR WHICH PAYMENT IS ARRANGED THROUGH A  
32 CREDIT TRANSACTION;

33 (II) THE DEBTORS OF ONE OR MORE SUBSIDIARY CORPORATIONS;  
34 AND

1 (III) THE DEBTORS OF ONE OR MORE AFFILIATED CORPORATIONS,  
2 PROPRIETORSHIPS, OR PARTNERSHIPS IF THE BUSINESS OF THE POLICYHOLDER  
3 AND OF THE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS  
4 UNDER COMMON CONTROL.

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

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

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

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

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

19 (II) THE PAYMENT SHALL REDUCE OR EXTINGUISH THE UNPAID  
20 INDEBTEDNESS OF THE DEBTOR TO THE EXTENT OF THE PAYMENT AND ANY EXCESS  
21 OF THE INSURANCE SHALL BE PAYABLE TO THE BENEFICIARY NAMED BY THE  
22 INSURED OTHER THAN THE CREDITOR OR TO THE ESTATE OF THE INSURED.

23 (3) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPHS (1) AND (2)  
24 ~~AND (3)~~ OF THIS SUBSECTION:

25 (I) INSURANCE ON AGRICULTURAL CREDIT TRANSACTION  
26 COMMITMENTS NOT EXCEEDING A TERM OF 1 YEAR MAY BE WRITTEN UP TO THE  
27 AMOUNT OF THE LOAN COMMITMENT ON A NONDECREASING OR LEVEL TERM PLAN;  
28 AND

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

32 17-207.

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

37 (2) The credit union to which the policy is issued is deemed the  
38 policyholder.



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

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

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

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

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

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

15 (4) A policy on which no part of the premium is paid from funds  
16 contributed by the insured members 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 (C) (1) THE PREMIUMS FOR THE POLICY SHALL BE PAID FROM FUNDS  
21 CONTRIBUTED BY THE CREDIT UNION OR INSURED MEMBERS, OR BY BOTH.

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

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

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

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

33 (2) \$5,000.

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

1 17-208.

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 volunteer fire, rescue squad, or  
4 ambulance service organization to cover the registered members of the organization  
5 for the benefit of persons other than the organization.

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

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

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

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

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

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

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

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

27 (i) all eligible members; or

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

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

34 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, A  
35 POLICY ON WHICH NO PART OF THE PREMIUM IS TO BE DERIVED FROM FUNDS  
36 CONTRIBUTED BY THE INSURED MEMBER SPECIFICALLY FOR THE INSURANCE MUST

1 INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE IN  
2 WRITING.

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

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

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

11 17-209.

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

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

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

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

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

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

27 (1) wholly from the funds of the policyholder or funds contributed by the  
28 policyholder;

29 (2) wholly from funds contributed by the insured employees or members;  
30 or

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

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

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

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

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

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

10 17-304.

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

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

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

16 (3) a statement made by an insured may not be used in a contest unless  
17 a copy of the instrument that contains the statement is provided to the insured or, IN  
18 THE EVENT OF DEATH OR INCAPACITY OF THE INSURED, to the insured's beneficiary.  
19 17-309.

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

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

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

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

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

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

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

5           (iii)   the age of the insured attained on the effective date of the  
6 individual policy; AND

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

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

15          (2)     IN NO EVENT SHALL THE ADDITIONAL PERIOD PROVIDED UNDER  
16 PARAGRAPH (1) OF THIS SUBSECTION EXTEND BEYOND 60 DAYS AFTER THE  
17 EXPIRATION OF THE CONVERSION PERIOD PROVIDED FOR IN SUBSECTION (A)(1) OF  
18 THIS SECTION.

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

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