

SENATE BILL 461

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1999 Regular Session  
9r1881  
CF 9r2064

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By: **Senator Della**

Introduced and read first time: February 5, 1999

Assigned to: Finance

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A BILL ENTITLED

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; making stylistic  
10 changes; and generally relating to policies of group life insurance.

11 BY repealing

12 Article - Insurance

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

14 Annotated Code of Maryland

15 (1997 Volume and 1998 Supplement)

16 BY adding to

17 Article - Insurance

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

19 Annotated Code of Maryland

20 (1997 Volume and 1998 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article - Insurance

23 Section 17-205, 17-207, 17-208, and 17-209

24 Annotated Code of Maryland

25 (1997 Volume and 1998 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

27 MARYLAND, That the Laws of Maryland read as follows:

1

**Article - Insurance**

2 [17-101.

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

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

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

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

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

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

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

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

18 17-101.

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

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

24 (2) IN ANOTHER JURISDICTION UNLESS THE TYPE OF GROUP TO BE  
25 COVERED CONFORMS SUBSTANTIALLY TO A TYPE OF GROUP DESCRIBED IN  
26 SUBTITLE 2 OF THIS TITLE.

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

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

1 [17-201.

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 an employer or to the trustees of  
4 a fund established by an employer to cover employees of the employer for the benefit  
5 of persons other than the employer.

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

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

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

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

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

16 (iii) an individual proprietor if the employer is the individual  
17 proprietorship;

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

19 (v) 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 the usual duties of a director.

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

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

28 (i) wholly from the funds of the employer or funds contributed by  
29 the employer; or

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

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

34 (3) A policy on which the premium is to be paid partly from funds  
35 contributed by the insured employees may be placed in force only if at least 75% of the

1 eligible employees, other than those who have evidence of individual insurability that  
2 is unsatisfactory to the insurer, elect to make the required contributions.

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

5 (i) all eligible employees; or

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

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

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

11 17-201.

12 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
13 ISSUED TO AN EMPLOYER, OR TO THE TRUSTEES OF A FUND ESTABLISHED BY AN  
14 EMPLOYER, WHICH EMPLOYER OR TRUSTEES SHALL BE DEEMED THE  
15 POLICYHOLDER, TO INSURE EMPLOYEES OF THE EMPLOYER FOR THE BENEFIT OF  
16 PERSONS OTHER THAN THE EMPLOYER.

17 (B) (1) THE EMPLOYEES ELIGIBLE FOR INSURANCE UNDER THE POLICY  
18 SHALL BE ALL OF THE EMPLOYEES OF THE EMPLOYER, OR ALL OR ANY CLASS OR  
19 CLASSES OF EMPLOYEES.

20 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL  
21 INCLUDE:

22 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY  
23 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS  
24 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR  
25 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND IF THE AFFILIATED  
26 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON  
27 CONTROL; AND

28 (II) THE INDIVIDUAL PROPRIETOR OR PARTNERS IF THE  
29 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP.

30 (3) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" MAY  
31 INCLUDE RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS OF A  
32 CORPORATE EMPLOYER.

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

1 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID EITHER FROM THE  
2 EMPLOYER'S FUNDS, OR FROM FUNDS CONTRIBUTED BY THE INSURED EMPLOYEES,  
3 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 EMPLOYEES MUST INSURE ALL ELIGIBLE  
7 EMPLOYEES, EXCEPT THOSE WHO REJECT THE COVERAGE IN WRITING.

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

11 [17-202.

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

16 (2) The labor union to which the policy is issued is deemed the  
17 policyholder.

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

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

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

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

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

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

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

35 (i) all eligible members; or

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

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

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

6 17-202.

7 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
8 ISSUED TO A LABOR UNION, OR SIMILAR EMPLOYEE ORGANIZATION, WHICH SHALL  
9 BE DEEMED TO BE THE POLICYHOLDER, TO INSURE MEMBERS OF THE UNION OR  
10 ORGANIZATION FOR THE BENEFIT OF PERSONS OTHER THAN THE UNION OR  
11 ORGANIZATION OR ANY OF ITS OFFICIALS, REPRESENTATIVES, OR AGENTS.

12 (B) THE MEMBERS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL BE  
13 ALL OF THE MEMBERS OF THE UNION OR ORGANIZATION, OR ALL OF ANY CLASS OR  
14 CLASSES OF MEMBERS.

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

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 INSURED MEMBERS SPECIFICALLY FOR THEIR INSURANCE  
21 MUST INSURE ALL ELIGIBLE MEMBERS, 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 [17-203.

27 (a) (1) Subject to the requirements of this section, the lives of a group of  
28 individuals may be insured under a policy issued to the trustees of a fund established  
29 by two or more employers in the same industry or by one or more labor unions, or by  
30 one or more employers and one or more labor unions, to cover employees of the  
31 employers or members of the unions for the benefit of persons other than the  
32 employers or unions.

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

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

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

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

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

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

6                   (iv)   a retired employee.

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

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

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

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

17                   (ii)    partly from funds contributed by the employer or employers or  
18 union or unions or both, and partly from funds contributed by the insured employees  
19 or members.

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 or members specifically for their  
22 insurance.

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

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

31                   (i)     all eligible employees or members; or

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

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

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

3 (i) either:

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

7 2. the total number of individuals covered at date of issue  
8 exceeds 600; and

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

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

15 17-203.

16 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
17 ISSUED TO A TRUST OR TO THE TRUSTEES OF A FUND ESTABLISHED OR ADOPTED BY  
18 TWO OR MORE EMPLOYERS, OR BY ONE OR MORE LABOR UNIONS OR SIMILAR  
19 EMPLOYEE ORGANIZATIONS, OR BY ONE OR MORE EMPLOYERS AND ONE OR MORE  
20 LABOR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, WHICH TRUST OR  
21 TRUSTEES SHALL BE DEEMED THE POLICYHOLDER, TO INSURE EMPLOYEES OF THE  
22 EMPLOYERS OR MEMBERS OF THE UNIONS OR ORGANIZATIONS FOR THE BENEFIT OF  
23 PERSONS OTHER THAN THE EMPLOYEES OR THE UNIONS OR ORGANIZATIONS.

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

27 (2) THE POLICY MAY PROVIDE THAT THE TERM "EMPLOYEES" SHALL  
28 INCLUDE:

29 (I) THE EMPLOYEES OF ONE OR MORE SUBSIDIARY  
30 CORPORATIONS, AND THE EMPLOYEES, INDIVIDUAL PROPRIETORS, AND PARTNERS  
31 OF ONE OR MORE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR  
32 PARTNERSHIPS IF THE BUSINESS OF THE EMPLOYER AND OF THE AFFILIATED  
33 CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS UNDER COMMON  
34 CONTROL;

35 (II) THE INDIVIDUAL PROPRIETORSHIP OR PARTNERS IF THE  
36 EMPLOYER IS AN INDIVIDUAL PROPRIETORSHIP OR PARTNERSHIP;

37 (III) RETIRED EMPLOYEES, FORMER EMPLOYEES, AND DIRECTORS  
38 OF A CORPORATE EMPLOYER; AND



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

3 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
4 CONTRIBUTED BY THE EMPLOYER OR EMPLOYERS OF THE INSURED PERSONS, OR BY  
5 THE UNION OR UNIONS OR SIMILAR EMPLOYEE ORGANIZATIONS, OR BY BOTH, OR  
6 FROM FUNDS CONTRIBUTED BY THE INSURED PERSONS OR FROM BOTH THE  
7 INSURED PERSONS AND THE EMPLOYERS OR UNIONS OR SIMILAR EMPLOYEE  
8 ORGANIZATIONS.

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

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

17 [17-204.

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

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

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

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

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

32 (i) wholly from funds contributed by the professional association;  
33 or

34 (ii) partly from funds contributed by the professional association  
35 and partly from funds contributed by the insured members.

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

1 (i) the policy is issued to the trustees of a professional association;  
2 and

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

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

9 (i) all eligible members; or

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

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

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

15 17-204.

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

20 (2) THE ASSOCIATION OR ASSOCIATIONS:

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

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

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

26 (IV) SHALL HAVE A CONSTITUTION AND BYLAWS THAT PROVIDE  
27 THAT:

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

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

32 3. THE MEMBERS HAVE VOTING PRIVILEGES AND  
33 REPRESENTATION ON THE GOVERNING BOARD AND COMMITTEES.

1 (B) THE POLICY MAY INSURE MEMBERS OF THE ASSOCIATION OR  
2 ASSOCIATIONS, EMPLOYEES OF THE ASSOCIATION OR ASSOCIATIONS, OR  
3 EMPLOYEES OF MEMBERS, OR ONE OR MORE OF THE PRECEDING OR ALL OF ANY  
4 CLASS OR CLASSES OF MEMBERS OR EMPLOYEES FOR THE BENEFIT OF PERSONS  
5 OTHER THAN THE EMPLOYEE'S EMPLOYER.

6 (C) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
7 CONTRIBUTED BY THE ASSOCIATION OR ASSOCIATIONS, OR BY EMPLOYER  
8 MEMBERS, OR BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS  
9 OR FROM BOTH THE COVERED PERSONS AND THE ASSOCIATION, ASSOCIATIONS, OR  
10 EMPLOYER MEMBERS.

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

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

19 17-205.

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

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

23 (3) "Public employer" means a county, municipal corporation, association  
24 of counties or municipal corporations, State college or university, or unit of State,  
25 county, or municipal corporation government.

26 (b) (1) Subject to the requirements of this section, the lives of a group of  
27 individuals may be insured under a policy issued to a public employer or public  
28 employees association to cover employees of the public employer or members of the  
29 public employees association for the benefit of persons other than the public employer  
30 or public employees association.

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

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

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

1 (i) a retired employee; and

2 (ii) an elected or appointed official.

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

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

7 (ii) partly from the funds contributed by it as a public employer or  
8 public employees association and partly from funds contributed by the insured  
9 employees or members; or

10 (iii) wholly from funds contributed by the insured employees or  
11 members.

12 (2) A public employer may:

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

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

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

22 (4) A policy issued to insure members of a public employees association  
23 on which the premium is to be paid wholly or partly from funds contributed by the  
24 insured members specifically for their insurance may be placed in force only if at least  
25 75% of the eligible members, other than those who have evidence of individual  
26 insurability that is unsatisfactory to the insurer, or at least 600 of the eligible  
27 members, elect to make the required contributions.

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

31 (i) all eligible members; or

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

34 (D) (1) THE PREMIUM FOR THE POLICY SHALL BE PAID FROM FUNDS  
35 CONTRIBUTED BY THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES ASSOCIATION, OR  
36 BY BOTH, OR FROM FUNDS CONTRIBUTED BY THE COVERED PERSONS OR FROM

1 BOTH THE COVERED PERSONS AND THE PUBLIC EMPLOYER OR PUBLIC EMPLOYEES  
2 ASSOCIATION.

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

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

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

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

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

18 [17-206.

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

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

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

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

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

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

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

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

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

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

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

6 (iii) partly from the funds of the creditor and partly from charges  
7 collected from insured debtors.

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

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

16 (i) all eligible debtors; or

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

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

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

22 (2) the group of eligible debtors:

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

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

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

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

30 (ii) \$50,000.

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

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

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

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

7 17-206.

8 (A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A POLICY MAY BE  
9 ISSUED TO A CREDITOR OR ITS PARENT HOLDING COMPANY OR TO A TRUSTEE OR  
10 TRUSTEES OR AGENT DESIGNATED BY TWO OR MORE CREDITORS, WHICH CREDITOR,  
11 HOLDING COMPANY, AFFILIATE, TRUSTEE, TRUSTEES, OR AGENT SHALL BE DEEMED  
12 THE POLICYHOLDER, TO INSURE DEBTORS OF THE CREDITOR, OR CREDITORS.

13 (B) (1) THE DEBTORS ELIGIBLE FOR INSURANCE UNDER THE POLICY SHALL  
14 BE ALL OF THE DEBTORS OF THE CREDITOR OR CREDITORS, OR ALL OF ANY CLASS  
15 OR CLASSES OF DEBTORS.

16 (2) THE POLICY MAY PROVIDE THAT THE TERM "DEBTORS" SHALL  
17 INCLUDE:

18 (I) BORROWERS OF MONEY OR PURCHASERS OR LESSEES OF  
19 GOODS, SERVICES, OR PROPERTY FOR WHICH PAYMENT IS ARRANGED THROUGH A  
20 CREDIT TRANSACTION;

21 (II) THE DEBTORS OF ONE OR MORE SUBSIDIARY CORPORATIONS;  
22 AND

23 (III) THE DEBTORS OF ONE OR MORE AFFILIATED CORPORATIONS,  
24 PROPRIETORSHIPS, OR PARTNERSHIPS IF THE BUSINESS OF THE POLICYHOLDER  
25 AND OF THE AFFILIATED CORPORATIONS, PROPRIETORSHIPS, OR PARTNERSHIPS IS  
26 UNDER COMMON CONTROL.

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

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 THE FUNDS  
32 CONTRIBUTED BY INSURED DEBTORS SPECIFICALLY FOR THEIR INSURANCE MUST  
33 INSURE ALL ELIGIBLE DEBTORS.

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

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

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

6 (II) THE PAYMENT SHALL REDUCE OR EXTINGUISH THE UNPAID  
7 INDEBTEDNESS OF THE DEBTOR TO THE EXTENT OF THE PAYMENT AND ANY EXCESS  
8 OF THE INSURANCE SHALL BE PAYABLE TO THE BENEFICIARY NAMED BY THE  
9 INSURED OTHER THAN THE CREDITOR OR TO THE ESTATE OF THE INSURED.

10 (3) NOTWITHSTANDING THE PROVISIONS OF PARAGRAPHS (2) AND (3) OF  
11 THIS SUBSECTION:

12 (I) INSURANCE ON AGRICULTURAL CREDIT TRANSACTION  
13 COMMITMENTS NOT EXCEEDING A TERM OF 1 YEAR MAY BE WRITTEN UP TO THE  
14 AMOUNT OF THE LOAN COMMITMENT ON A NONDECREASING OR LEVEL TERM PLAN;  
15 AND

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

19 17-207.

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

24 (2) The credit union to which the policy is issued is deemed the  
25 policyholder.

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

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

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

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

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

35 (3) A policy on which the premium is to be paid partly from funds  
36 contributed by the insured members specifically for their insurance may be placed in



1 force only if at least 75% of the eligible members, other than those who have evidence  
2 of individual insurability that is unsatisfactory to the insurer, elect to make the  
3 required contributions.

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

6 (i) all eligible members; or

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

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

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

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

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

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

22 (2) \$5,000.

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

24 17-208.

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

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

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

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

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

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

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

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

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

15 (i) all eligible members; or

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

18 (C) (1) THE PREMIUMS FOR THE POLICY SHALL BE PAID FROM FUNDS  
19 CONTRIBUTED BY THE VOLUNTEER FIRE, RESCUE SQUAD, OR AMBULANCE SERVICE  
20 ORGANIZATION OR FUNDS CONTRIBUTED BY THE INSURED MEMBERS OR FROM  
21 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 SPECIFICALLY FOR THE INSURANCE MUST  
25 INSURE ALL ELIGIBLE PERSONS, EXCEPT THOSE WHO REJECT THE COVERAGE IN  
26 WRITING.

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

30 [(d) The policy must cover at least 15 registered members per volunteer fire,  
31 rescue squad, or ambulance service organization 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 members or by the volunteer fire, rescue squad, or  
34 ambulance service organization.]

35 17-209.

36 (a) (1) Insurance under a policy of group life insurance issued in accordance  
37 with §§ 17-201 through 17-205 of this subtitle may be extended to cover the spouse

1 and minor children of each insured employee or member who elects to obtain the  
2 coverage [if 75% of the insured employees or members or any class or classes of  
3 employees or members make the election].

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

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

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

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

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

14 (1) wholly from the funds of the policyholder or funds contributed by the  
15 policyholder;

16 (2) wholly from funds contributed by the insured employees or members;  
17 or

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

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

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

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

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

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

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