

By: **Senators Stone and Astle**

Constitutional Requirements Complied with for Introduction in the last 35 Days of Session

Introduced and read first time: March 12, 1999

Assigned to: Rules

Re-referred to: Finance, March 18, 1999

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 1, 1999

CHAPTER _____

1 AN ACT concerning

2 **Life Insurance - ~~Cancellation~~ Lapse of Policy**

3 FOR the purpose of ~~prohibiting an insurer from canceling a policy of life insurance for~~
4 ~~nonpayment of premiums if the policyholder is a certain age under certain~~
5 ~~circumstances; requiring the insurer to give the holder certain notice under~~
6 ~~certain circumstances; allowing the holder to make certain missed premium~~
7 ~~payments within a certain period of time; prohibiting the insurer from requiring~~
8 ~~certain additional medical information to keep the policy in effect~~ requiring the
9 Maryland Insurance Administration to study certain issues related to the lapse
10 of life insurance policies and to report any findings and recommendations to the
11 General Assembly on or before a certain date; and generally relating to
12 ~~cancellation~~ the lapse of policies of life insurance.

13 ~~BY adding to~~
14 ~~Article Insurance~~
15 ~~Section 27-912~~
16 ~~Annotated Code of Maryland~~
17 ~~(1997 Volume and 1998 Supplement)~~

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That ~~the Laws of Maryland read as follows:~~ the Maryland Insurance
20 Administration shall study, in consultation with interested parties, the feasibility,
21 potential benefits, and potential costs of requiring a life insurance carrier to provide
22 an option to a holder of a life insurance policy when the holder achieves a certain age
23 to select a third party to be notified in case the life insurance policy is about to lapse

1 for nonpayment of premiums. On or before December 1, 1999, the Maryland
2 Insurance Administration shall report, subject to § 2-1246 of the State Government
3 Article, to the General Assembly on any findings and recommendations resulting
4 from the study required in this section.

5 **~~Article—Insurance~~**

6 ~~27-912.~~

7 ~~(A) IF THE HOLDER OF A POLICY OF LIFE INSURANCE IS AT LEAST 70 YEARS~~
8 ~~OLD, AN INSURER MAY NOT CANCEL THE POLICY FOR NONPAYMENT OF PREMIUMS~~
9 ~~UNLESS THE INSURER COMPLIES WITH THIS SECTION.~~

10 ~~(B) IF THE HOLDER OF THE POLICY OF LIFE INSURANCE FAILS TO MAKE SIX~~
11 ~~PREMIUM PAYMENTS, THE INSURER SHALL GIVE THE HOLDER WRITTEN NOTICE~~
12 ~~THAT:~~

13 ~~(1) THE HOLDER HAS FAILED TO MAKE SIX PREMIUM PAYMENTS; AND~~

14 ~~(2) UNLESS THE HOLDER MAKES THE MISSED PREMIUM PAYMENTS~~
15 ~~WITHIN 4 MONTHS AFTER THE DATE OF RECEIPT OF THE NOTICE, THE INSURER WILL~~
16 ~~CANCEL THE POLICY.~~

17 ~~(C) THE INSURER MAY NOT:~~

18 ~~(1) CANCEL THE POLICY OF LIFE INSURANCE IF THE HOLDER MAKES~~
19 ~~THE MISSED PREMIUM PAYMENTS WITHIN 4 MONTHS AFTER THE DATE OF RECEIPT~~
20 ~~OF THE NOTICE; OR~~

21 ~~(2) REQUIRE THE HOLDER TO PROVIDE ANY ADDITIONAL MEDICAL~~
22 ~~REPORTS OR TO SUBMIT TO A PHYSICAL TO KEEP THE POLICY IN EFFECT.~~

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