

HOUSE BILL 25

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2001 Regular Session  
11r0498

(PRE-FILED)

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By: **Delegate Brown**  
Requested: September 22, 2000  
Introduced and read first time: January 10, 2001  
Assigned to: Economic Matters

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: February 13, 2001

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Life Insurance - Insurable Interest in Adopted Child**

3 FOR the purpose of clarifying that an insurable interest in the life of a prospective  
4 adoptive child exists for the prospective parent of the child as of a certain date;  
5 and generally relating to insurable interests in adopted children under life  
6 insurance.

7 BY repealing and reenacting, with amendments,  
8 Article - Insurance  
9 Section 12-201  
10 Annotated Code of Maryland  
11 (1997 Volume and 2000 Supplement)

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

14 **Article - Insurance**

15 12-201.

16 (a) (1) An individual of competent legal capacity may procure or effect an  
17 insurance contract on the individual's own life or body for the benefit of any person.

18 (2) Except as provided in subsection (c) of this section, a person may not  
19 procure or cause to be procured an insurance contract on the life or body of another  
20 individual unless the benefits under the insurance contract are payable to:

- 1 (i) the individual insured;
- 2 (ii) the individual insured's personal representative; or
- 3 (iii) a person with an insurable interest in the individual insured at  
4 the time the insurance contract was made.

5 (b) (1) With reference to personal insurance, an insurable interest includes  
6 only the interests described in this subsection.

7 (2) (I) For individuals related closely by blood or law, a substantial  
8 interest engendered by love and affection is an insurable interest.

9 (II) FOR THE PROSPECTIVE PARENT OF A PROSPECTIVE ADOPTIVE  
10 CHILD, AN INSURABLE INTEREST EXISTS IN THE LIFE OF THE CHILD AS OF THE DATE  
11 OF THE EARLIER OF:

12 ~~1. A JUDICIAL DECREE OF ADOPTION; OR~~

13 ~~2. THE ASSUMPTION OF CUSTODY, PENDING ADOPTION, OF~~  
14 ~~THE PROSPECTIVE ADOPTIVE CHILD BY THE PROSPECTIVE ADOPTIVE PARENT.~~

15 1. A PLACEMENT FOR ADOPTION, AS DEFINED IN § 5-301 OF  
16 THE FAMILY LAW ARTICLE, PROVIDED THAT:

17 A. ANY CONSENTS REQUIRED UNDER § 5-311 OF THE FAMILY  
18 LAW ARTICLE HAVE BEEN GIVEN; OR

19 B. A DECREE AWARDING GUARDIANSHIP HAS BEEN  
20 GRANTED UNDER § 5-317 OF THE FAMILY LAW ARTICLE; OR

21 2. AN INTERLOCUTORY OR FINAL DECREE OF ADOPTION.

22 (3) For persons other than individuals closely related by blood or law, a  
23 lawful and substantial economic interest in the continuation of the life, health, or  
24 bodily safety of the individual is an insurable interest but an interest that arises only  
25 by, or would be enhanced in value by, the death, disablement, or injury of the  
26 individual is not an insurable interest.

27 (4) (i) This paragraph applies only to employees with respect to whom  
28 the corporate employer or an employer sponsored trust for the benefits of employees  
29 is the beneficiary under an insurance contract, if the employer is:

30 1. a private corporation; or

31 2. a public corporation, the stock of which is traded on a  
32 recognized stock exchange or traded in accordance with the National Association of  
33 Securities Dealers Automated Quotation (NASDAQ) Systems.

34 (ii) A lawful and substantial economic interest exists in:

- 1                                   1.       a key employee of a private corporation or a public  
2 corporation described in subparagraph (i) of this paragraph; and
- 3                                   2.       a nonkey employee of a public corporation described in  
4 subparagraph (i) of this paragraph if:
- 5                                   A.       the employee has been employed by the public corporation  
6 for at least 12 consecutive months and consents in writing to the insurance contract;  
7 and
- 8                                   B.       the amount of insurance coverage on the nonkey employee  
9 does not exceed an amount commensurate with employer-provided benefits.

10                   (5)   (i)       This paragraph applies only to a contract or option for the  
11 purchase or sale of:

- 12                                   1.       an interest in a business partnership or firm; or
- 13                                   2.       stock shares, or an interest in stock shares, of a close  
14 corporation.

15                   (ii)    An individual party to a contract or option described in  
16 subparagraph (i) of this paragraph has an insurable interest in the life of each  
17 individual party to the contract or option.

18                   (iii)   The insurable interest specified in subparagraph (ii) of this  
19 paragraph:

- 20                                   1.       is only for the purposes of the contract or option; and
- 21                                   2.       is in addition to any other insurable interest that may  
22 exist on the life of an individual party to the contract or option.

23   (c)   (1)       This subsection applies only to a charitable, benevolent, educational,  
24 governmental, or religious institution that is described in § 170(b)(1)(A) or § 501(c)(3)  
25 of the Internal Revenue Code, or a trust for the benefit of that institution that is  
26 qualified as a pooled income fund under § 642(c)(5) or a charitable remainder trust  
27 under § 664 of the Internal Revenue Code.

28                   (2)       An institution or trust described in paragraph (1) of this subsection  
29 may procure or cause to be procured an insurance policy on the life of an individual if:

30                                   (i)       the institution or trust is designated irrevocably as the  
31 beneficiary of the insurance policy; and

32                                   (ii)      the application for the insurance policy is signed by the  
33 individual whose life is to be insured or the individual's legal guardian.

34                   (3)       This subsection does not prohibit the institution or individual from  
35 being the beneficiary or owner of the policy or paying the premiums for the policy.

1 (d) If a beneficiary, assignee, or other payee under an insurance contract made  
2 in violation of this section receives from the insurer benefits that accrue on the  
3 insured's death, disablement, or injury, the insured or the insured's executor or  
4 administrator may bring an action to recover benefits from the payee that receives  
5 them.

6 (e) Notwithstanding subsection (b)(4) of this section, a corporate employer  
7 with an insurable interest in employees described in subsection (b)(3) or (4) of this  
8 section may not retaliate against an employee who refuses to consent to an insurance  
9 contract being purchased in the employee's name.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 October 1, 2001.