

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 25 (Delegate Brown)
Economic Matters

Finance

Life Insurance - Insurable Interest in Adopted Child

This bill provides that a prospective parent of a prospective adoptive child has an insurable interest in the life of the child as of the date of the earlier of: (1) a placement for adoption, provided that: (a) any required consents have been given; or (b) a decree awarding guardianship has been granted; or (2) an interlocutory or final decree of adoption.

Fiscal Summary

State Effect: None. The bill pertains to private sector activities and would not directly affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A beneficiary must have an insurable interest in the insured at the time life insurance is procured. Under *Beard v. American Agency Life Ins. Co.*, 314 Md. 235 (1988), an insurance contract in which the beneficiary has no insurable interest is void as against public policy. For individuals related closely by blood or law, a substantial interest engendered by love and affection is an insurable interest. For persons other than individuals closely related by blood or law, a lawful and substantial economic interest in the continuation of the life, health, or bodily safety of the individual is an insurable

interest. However, an interest that arises only by, or would be enhanced in value by, the death, disablement, or injury of the individual is not an insurable interest.

Background: Health insurance benefits for children or grandchildren are payable for a newly born or newly adopted child from the moment of birth or date of adoption of the child or grandchild. For health insurance coverage only, the date of adoption means the earlier of: (1) a judicial decree of adoption; or (2) the assumption of custody, pending adoption, by the prospective parent.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader – January 29, 2001
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