
By: **Chairman, Finance Committee (By Request - Departmental - Insurance Administration, Maryland)**

Introduced and read first time: February 13, 2003

Rules suspended

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurance - Prohibited Use of Terrorism Exclusions**

3 FOR the purpose of prohibiting the delivery or issuance for delivery in the State of a
4 group policy of life insurance if the policy, under certain circumstances, excludes
5 or restricts liability for death that is the result of terrorism; clarifying the
6 prohibition on the delivery or issuance for delivery in the State of a policy of life
7 insurance if the policy, under certain circumstances, excludes or restricts
8 liability for death that is the result of terrorism; requiring the Maryland
9 Insurance Commissioner to adopt certain regulations; and generally relating to
10 the prohibited use of certain exclusions in policies of life insurance.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 16-215 and 17-101
14 Annotated Code of Maryland
15 (2002 Replacement Volume and 2002 Supplement)

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

18 **Article - Insurance**

19 16-215.

20 (a) Except as otherwise provided in this section, a policy of life insurance may
21 not be delivered or issued for delivery in the State if the policy excludes or restricts
22 liability for death that is caused in a specified manner or occurs while the insured has
23 a specified status.

24 (b) (1) [A] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
25 A policy of life insurance may contain a provision that excludes or restricts coverage
26 for death under any of the following circumstances:

1 (i) death as a direct or indirect result of:
2 1. a declared or undeclared war;
3 2. action by military forces;
4 3. an act or hazard of a declared or undeclared war or of an
5 action by military forces;
6 4. service in the military forces or in civilian forces auxiliary
7 to the military forces; or
8 5. any cause while the insured is a member of the military
9 forces of any country at war, declared or undeclared, or of any country engaged in an
10 action by military forces;

11 (ii) death as a result of aviation or air travel;

12 (iii) death that occurs within 2 years after the date of issue of the
13 policy as a result of a specified hazardous occupation or avocation;

14 (iv) death that occurs within 2 years after the date of issue of the
15 policy while the insured resides outside of the continental United States and Canada;
16 or

17 (v) death that occurs within 2 years after the date of issue of the
18 policy as a result of suicide while sane or insane.

19 (2) A POLICY OF LIFE INSURANCE MAY NOT BE DELIVERED OR ISSUED
20 FOR DELIVERY IN THE STATE IF THE POLICY EXCLUDES OR RESTRICTS LIABILITY
21 FOR DEATH THAT IS THE RESULT OF AN ACT OF TERRORISM THAT THE COVERED
22 PERSON DID NOT COMMIT AND IN WHICH THE COVERED PERSON DID NOT
23 PARTICIPATE.

24 [(2)] (3) If a policy contains an exclusion or restriction listed in this
25 subsection, the policy also shall provide that, for death under the circumstances to
26 which the exclusion or restriction applies, the insurer shall pay a determinable
27 amount of at least:

28 (i) the reserve calculated in accordance with the Commissioner's
29 reserve valuation method on the basis of the mortality table and interest rate
30 specified in the policy for the calculation of nonforfeiture benefits; or

31 (ii) if the policy does not provide nonforfeiture benefits, the reserve
32 calculated in accordance with a mortality table and interest rate determined by the
33 insurer and specified in the policy.

34 [(3)] (4) The table and interest rate used under paragraph [(2)] (3) of
35 this subsection must be acceptable as a standard for the valuation of the policy in

1 accordance with Title 5, Subtitle 3 of this article with adjustment for indebtedness or
2 dividend credit.

3 (c) This section does not apply to:

4 (1) group life insurance;

5 (2) reinsurance; or

6 (3) a provision in a policy of life insurance that relates to additional
7 disability benefits or to additional benefits for death by accident or accidental means.

8 (d) This section does not prohibit any policy provision that in the opinion of
9 the Commissioner is more favorable to the policyholder than a provision allowed by
10 this section.

11 (e) Notwithstanding any other provision of law, in any newly issued policy of
12 life insurance, the 2-year exclusion for death as a result of suicide allowed in
13 subsection (b)(1)(v) of this section is deemed to begin on the date on which the insurer
14 first issued a life insurance policy to the insured except that:

15 (1) the exclusion for death as a result of suicide may begin on the date of
16 issue of the new policy if the prior policy terminates:

17 (i) before the date of issue of the new policy; or

18 (ii) more than 12 months after the date of issue of the new policy;

19 (2) if the newly issued policy provides death benefits in excess of the
20 amount of death benefits payable under the prior policy, the exclusion for death as a
21 result of suicide as to the excess amount of death benefits only may begin on the date
22 of issue of the new policy; and

23 (3) for purposes of the exclusion for death as a result of suicide, if more
24 than one prior policy is terminated within the 12-month period specified in item (1) of
25 this subsection, the suicide exclusion period for the amount of death benefits
26 represented by the terminated policies is deemed to have begun on the dates of issue
27 of those policies.

28 17-101.

29 (a) Unless approved by the Commissioner, a group life insurance policy may
30 not be offered to a resident of the State under a group life insurance policy issued:

31 (1) to a group other than one described in Subtitle 2 of this title; or

32 (2) in another jurisdiction unless the type of group to be covered
33 conforms substantially to a type of group described in Subtitle 2 of this title.

34 (b) The premium for the policy shall be paid either from the policyholder's
35 funds or from funds contributed by the covered persons, or from both.

1 (c) An insurer may exclude or limit the coverage on any person as to whom
2 evidence of individual insurability is not satisfactory to the insurer.

3 (D) A POLICY OF GROUP LIFE INSURANCE MAY NOT BE DELIVERED OR ISSUED
4 FOR DELIVERY IN THE STATE IF THE POLICY EXCLUDES OR RESTRICTS LIABILITY
5 FOR DEATH THAT IS THE RESULT OF AN ACT OF TERRORISM THAT THE COVERED
6 PERSON DID NOT COMMIT AND IN WHICH THE COVERED PERSON DID NOT
7 PARTICIPATE.

8 [(d)] (E) An insurer who seeks to solicit coverage for Maryland residents
9 under a group life insurance policy issued in another jurisdiction shall include in the
10 certificate form used in connection with the coverage a notice on the first page in
11 12-point bold type that states:

12 "The group insurance policy providing coverage under this certificate was issued
13 in a jurisdiction other than Maryland and may not provide all of the benefits required
14 by Maryland law."

15 SECTION 2. AND BE IT FURTHER ENACTED, That the Maryland Insurance
16 Commissioner shall adopt regulations that define terrorism in a manner that is
17 consistent with the definition used or recommended by the National Association of
18 Insurance Commissioners.

19 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
20 effect July 1, 2003.