

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 641

(Senator Astle)

Finance

Life Insurance - Insurable Interests

This bill authorizes an organization to which a tax deductible contribution may be made under provisions of the Internal Revenue Code governing contributions to a government, a veteran's organization, or a charitable corporation (or a business entity approved in writing by the organization) to procure or cause to be procured an insurance policy on the life of an individual if: (1) the individual whose life is to be insured consents in writing; and (2) the application for the policy is signed by the individual whose life is to be insured or the individual's guardian. The bill grants the institution, organization, or entity an insurable interest in the life of the insured whether it originally purchased the policy or the policy is later transferred to it by the insured or another person.

Fiscal Summary

State Effect: The bill would not directly affect the finances or operations of the Maryland Insurance Administration.

Local Effect: Local governments would not be directly affected.

Small Business Effect: Minimal.

Analysis

Current Law: An individual of competent legal capacity may procure or effect an insurance contract on the individual's own life or body for the benefit of any person. Generally, a person may not procure or cause to be procured an insurance contract on the life or body of another individual unless the benefits under the contract are payable to the

insured, the insured's personal representative, or a person with an insurable interest in the insured at the time the contract was made.

A charitable, benevolent, educational, governmental, or religious institution that meets the requirements established under the Internal Revenue Code or a trust for the benefit of that institution that qualifies as a pooled income fund under the Internal Revenue Code may procure or cause to be procured an insurance policy on the life of an individual if: (1) the institution or trust is designated irrevocably as the beneficiary of the policy; and (2) the application for the insurance policy is signed by the individual whose life is to be insured or the individual's legal guardian. These provisions do not prohibit the institution or individual from being the beneficiary or owner of the policy or paying the premiums for the policy.

Additional Comments: The bill would authorize a governmental entity, a charitable organization, or a veterans organization to transfer the right to receive life insurance proceeds under the policy, whereas the entities authorized to purchase a life insurance policy on an individual currently must be irrevocably designated as the beneficiary.

The Securities Commissioner in the Office of the Attorney General has jurisdiction to regulate the sale of a right to receive life insurance proceeds if it is sold to a third party as an investment opportunity.

Additional Information

Prior Introductions: None.

Cross File: HB 1109 (Delegate Hammen) – Health and Government Operations.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2004
ncs/jr

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510