
By: **Delegates Bromwell and Haynes**
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CHAPTER_____

1 AN ACT concerning

2 **Life Insurance - Insurable Interests - Trustees, Partnerships, Limited**
3 **Partnerships, and Limited Liability Companies**

4 FOR the purpose of providing that the trustee of a trust has an insurable interest in
5 the life of an individual insured under a life insurance policy owned by the trust
6 or the trustee if, on the date on which the policy is issued, certain conditions are
7 met; providing that a partnership, limited partnership, or limited liability
8 company has an insurable interest in the life of an individual insured under a
9 life insurance policy owned by the partnership, limited partnership, or limited
10 liability company if, on the date on which the policy is issued, certain conditions
11 are met; providing that this Act shall apply to all trusts existing before, on, or
12 after a certain date, regardless of the effective date of a certain governing
13 instrument, but only as to certain life insurance policies; and generally relating
14 to insurable interests in the life of an individual insured under a life insurance
15 policy.

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 12-201(b)
19 Annotated Code of Maryland
20 (2003 Replacement Volume and 2005 Supplement)

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

1 **Article - Insurance**

2 12-201.

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

5 (2) (i) For individuals related closely by blood or law, a substantial
6 interest engendered by love and affection is an insurable interest.

7 (ii) For the prospective parent of a prospective adoptive child, an
8 insurable interest exists in the life of the child as of the date of the earlier of:

9 1. a placement for adoption, as defined in § 5-301 of the
10 Family Law Article, provided that:

11 A. any consents required under § 5-311 of the Family Law
12 Article have been given; or

13 B. a decree awarding guardianship has been granted under §
14 5-317 of the Family Law Article; or

15 2. an interlocutory or final decree of adoption.

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

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

24 1. a private corporation; or

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

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

29 1. a key employee of a private corporation or a public
30 corporation described in subparagraph (i) of this paragraph; and

31 2. a nonkey employee of a public corporation described in
32 subparagraph (i) of this paragraph if:

33 A. the employee has been employed by the public corporation
34 for at least 12 consecutive months and consents in writing to the insurance contract;

35 and

1 B. the amount of insurance coverage on the nonkey employee
2 does not exceed an amount commensurate with employer-provided benefits.

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

- 5 1. an interest in a business partnership or firm; or
- 6 2. stock shares, or an interest in stock shares, of a close
7 corporation.

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

11 (iii) The insurable interest specified in subparagraph (ii) of this
12 paragraph:

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

16 (6) THE TRUSTEE OF A TRUST HAS AN INSURABLE INTEREST IN THE
17 LIFE OF AN INDIVIDUAL INSURED UNDER A LIFE INSURANCE POLICY OWNED BY THE
18 TRUST OR THE TRUSTEE IF, ON THE DATE ON WHICH THE POLICY IS ISSUED:

19 (I) THE INSURED IS:

- 20 1. THE GRANTOR OF THE TRUST;
- 21 2. AN INDIVIDUAL RELATED CLOSELY BY BLOOD OR LAW TO
22 THE GRANTOR; OR
- 23 3. AN INDIVIDUAL IN WHOM THE GRANTOR OTHERWISE HAS
24 AN INSURABLE INTEREST; AND

25 (II) THE LIFE INSURANCE PROCEEDS ARE PRIMARILY FOR THE
26 BENEFIT OF TRUST BENEFICIARIES HAVING AN INSURABLE INTEREST IN THE LIFE
27 OF THE INSURED.

28 (7) A PARTNERSHIP, LIMITED PARTNERSHIP, OR LIMITED LIABILITY
29 COMPANY HAS AN INSURABLE INTEREST IN THE LIFE OF AN INDIVIDUAL INSURED
30 UNDER A LIFE INSURANCE POLICY OWNED BY THE PARTNERSHIP, LIMITED
31 PARTNERSHIP, OR LIMITED LIABILITY COMPANY IF, ON THE DATE ON WHICH THE
32 POLICY IS ISSUED:

33 ~~(I)~~ SUBSTANTIALLY ALL OF THE OWNERS OF THE PARTNERSHIP,
34 LIMITED PARTNERSHIP, OR LIMITED LIABILITY COMPANY ARE:

35 ~~1.~~ (I) THE INSURED;

