

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 255

(Senator Middleton)

Finance

Health and Government Operations

---

**Life Insurance - Definition and Permitted Riders and Provisions**

---

This bill expands the definition of “life insurance” to include additional benefits for a second opinion for specified health conditions and additional benefits that meet specified requirements and provide a lump-sum benefit for a specified disease. A life insurance policy may include a rider or supplemental policy provision that operates to safeguard the contract from lapse in the event of involuntary unemployment. The bill also requires the Maryland Insurance Administration (MIA), in consultation with the life insurance industry, to conduct an analysis and report its findings, by December 1, 2011, on the appropriate scope of health insurance products that may be sold in light of the expanded definition of life insurance and determine any necessary legislative changes.

---

**Fiscal Summary**

**State Effect:** The required report can be handled with the existing budgeted resources of MIA. Special fund revenues, from the \$125 filing fee collected by MIA, increase minimally in FY 2012 and future years to the extent that insurers offer additional products and must amend their contracts and forms. The number of any such filings cannot be accurately estimated.

**Local Effect:** None.

**Small Business Effect:** None.

---

**Analysis**

**Current Law:** “Life insurance” is defined as any insurance for which the probabilities of the duration of human life or the rate of mortality are an element or condition of the insurance. Life insurance includes the granting of:

- endowment benefits;
- additional benefits in the event of death by accident or accidental means;
- additional disability benefits in the event of dismemberment or loss of sight;
- additional disability benefits that operate to safeguard the contract from lapse or to provide a special surrender value, special benefit, or annuity in the event of total and permanent disability;
- benefits for long-term home health care or long-term care in a nursing home or related institutions;
- burial insurance; and
- optional modes of settlement of proceeds of life insurance.

Life insurance does not include workers' compensation insurance.

**Background:** The bill allows insurers to offer optional additional benefits for specified health conditions or specified diseases in a life insurance policy. It is assumed that insurers could choose which health conditions or diseases are included in a policy. Additional benefits, known commonly as "riders," are supplemental benefits that an insurer may offer at an additional charge. Some common additional benefit options are a waiver of premiums, disability income, a child rider, and accelerated death premium.

---

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 496 (Delegate A. Kelly, *et al.*) - Health and Government Operations.

**Information Source(s):** Maryland Insurance Administration, New York State Insurance Department, Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2011  
ncs/ljm Revised - Senate Third Reader - March 18, 2011

---

Analysis by: Michael F. Bender

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