

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 168

(Senator Feldman, *et al.*)

Finance

Health and Government Operations

Life Insurance - Life of a Minor - Underwriting Standards and Procedures

This bill establishes additional obligations and requirements for life insurers when they consider, underwrite, or issue a life insurance policy on the life of a minor. **The bill takes effect January 1, 2019, and applies to all policies of life insurance on the life of a minor issued or delivered in the State on or after that date.**

Fiscal Summary

State Effect: Minimal increase in Maryland Insurance Administration (MIA) special fund revenues in FY 2019 due to \$125 rate and form filings. Review of filings can likely be handled using existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Any application for a life insurance policy on a minor must include the signature of the applicant and the signature and consent of the minor's parent or legal guardian (unless the minor is married or emancipated). The application for a policy or an endorsement to the policy must include a specified message warning that a beneficiary involved in the killing of the insured is not entitled to benefits under the policy.

The insurer must (1) request that the applicant identify the amount of other life insurance policies on the minor being insured; (2) document the applicant's response to this inquiry; and (3) take reasonable steps to verify the amount of the other policies that are reported. If

such a policy has a benefit of \$50,000 or less and is issued without underwriting, the insurer must also document the steps it takes to verify the total amount of the policies on the minor.

A life insurer may refuse an application for a life insurance policy on a minor only if the refusal is due to standards that are reasonably related to the insurer's economic and business purposes and the refusal does not violate other Insurance Law requirements that prohibit discrimination in underwriting. If an application for a policy is rejected, the life insurer must maintain a complete file with specified information related to the application for at least three years.

Current Law: There is no differentiation between the life of a minor and the life of an adult with respect to issuance of life insurance policies; the same requirements apply for policies of either type. All life insurance policies in the State must contain each provision and meet each requirement specified by law. For example, each policy must contain a provision that the policy is incontestable, except for nonpayment of a premium, and each policy must have the name of the beneficiary designated, with a reservation of the right to change the beneficiary after the policy is issued.

Generally, an insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk unless the insurer is applying standards that are reasonably related to the insurer's economic and business purposes. Even so, an insurer or insurance producer is required to meet other requirements and prohibitions of Insurance Law. For example, an insurer may not require special conditions, facts, or situations as a condition to its acceptance or renewal of a particular insurance risk or class of risks in an arbitrary, capricious, unfair, or discriminatory manner based wholly or partly on race, creed, color, sex, religion, national origin, place of residency, blindness, or other physical handicap or disability.

Background: The State of Washington requires life insurers to develop and implement underwriting standards and procedures designed to detect and prevent the purchase of juvenile life insurance for speculative or fraudulent purposes. Insurers must also maintain records of any application rejections of a policy on the life of a juvenile for 10 years. New York sets a maximum life insurance limit for juveniles at \$25,000 or 25% of the life insurance policy in effect for the life of the applicant that is applying for the juvenile.

Additional Information

Prior Introductions: None.

Cross File: HB 27 (Delegate Barron) - Health and Government Operations.

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

Fiscal Note History: First Reader - January 19, 2018
mag/jc Third Reader - March 20, 2018
Revised - Amendment(s) - March 20, 2018

Analysis by: Richard L. Duncan

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