

*ENROLLED BILL*  
-- Health and Government Operations/Finance --

Introduced by **Delegates Bromwell and Haynes**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

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

16 BY repealing and reenacting, with amendments,

1 Article - Insurance  
2 Section 12-201(b)  
3 Annotated Code of Maryland  
4 (2003 Replacement Volume and 2005 Supplement)

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

7 **Article - Insurance**

8 12-201.

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

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

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

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

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

19 B. a decree awarding guardianship has been granted under §  
20 5-317 of the Family Law Article; or

21 2. an interlocutory or final decree of adoption.

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

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

30 1. a private corporation; or

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

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

- 1                                   1.       a key employee of a private corporation or a public  
2 corporation described in subparagraph (i) of this paragraph; and
- 3                                   2.       a nonkey employee of a public corporation described in  
4 subparagraph (i) of this paragraph if:
- 5                                   A.       the employee has been employed by the public corporation  
6 for at least 12 consecutive months and consents in writing to the insurance contract;  
7 and
- 8                                   B.       the amount of insurance coverage on the nonkey employee  
9 does not exceed an amount commensurate with employer-provided benefits.

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

- 12                                   1.       an interest in a business partnership or firm; or
- 13                                   2.       stock shares, or an interest in stock shares, of a close  
14 corporation.

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

18                   (iii)   The insurable interest specified in subparagraph (ii) of this  
19 paragraph:

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

23                   (6)    THE TRUSTEE OF A TRUST HAS AN INSURABLE INTEREST IN THE  
24 LIFE OF AN INDIVIDUAL INSURED UNDER A LIFE INSURANCE POLICY OWNED BY THE  
25 TRUST OR THE TRUSTEE *OF A TRUST* IF, ON THE DATE ON WHICH THE POLICY IS  
26 ISSUED:

27                   (I)     THE INSURED IS:

- 28                                   1.       THE GRANTOR OF THE TRUST;
- 29                                   2.       AN INDIVIDUAL RELATED CLOSELY BY BLOOD OR LAW TO  
30 THE GRANTOR; OR
- 31                                   3.       AN INDIVIDUAL IN WHOM THE GRANTOR OTHERWISE HAS  
32 AN INSURABLE INTEREST; AND

33                   (II)    THE LIFE INSURANCE PROCEEDS ARE PRIMARILY FOR THE  
34 BENEFIT OF TRUST BENEFICIARIES HAVING AN INSURABLE INTEREST IN THE LIFE  
35 OF THE INSURED.

1 (7) A PARTNERSHIP, LIMITED PARTNERSHIP, OR LIMITED LIABILITY  
 2 COMPANY HAS AN INSURABLE INTEREST IN THE LIFE OF AN INDIVIDUAL INSURED  
 3 UNDER A LIFE INSURANCE POLICY OWNED BY THE PARTNERSHIP, LIMITED  
 4 PARTNERSHIP, OR LIMITED LIABILITY COMPANY IF, ON THE DATE ON WHICH THE  
 5 POLICY IS ISSUED:

6 (4) , SUBSTANTIALLY ALL OF THE OWNERS OF THE PARTNERSHIP,  
 7 LIMITED PARTNERSHIP, OR LIMITED LIABILITY COMPANY ARE:

8 1- (I) THE INSURED;

9 2- (II) INDIVIDUALS RELATED CLOSELY BY BLOOD OR LAW  
 10 TO THE INSURED; OR

11 3- (III) ~~INDIVIDUALS~~ PERSONS HAVING AN INSURABLE  
 12 INTEREST IN THE LIFE OF THE INSURED; ~~OR.~~

13 (H) ~~THE PARTNERSHIP, LIMITED PARTNERSHIP, OR LIMITED~~  
 14 ~~LIABILITY COMPANY OTHERWISE HAS AN INSURABLE INTEREST IN THE LIFE OF THE~~  
 15 ~~INSURED.~~

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
 17 trusts existing before, on, or after June 1, 2006, regardless of the effective date of the  
 18 governing instrument under which the trust was created, but only as to life insurance  
 19 policies that are in force and for which the insured is alive on or after June 1, 2006.

20 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 21 June 1, 2006.