

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

SECOND REGULAR SESSION-2010

Legislative Document

No. 1523

H.P. 1073

House of Representatives, December 21, 2009

An Act To Make Corrections to the Life Settlement Laws

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 204.

Received by the Clerk of the House on December 17, 2009. Referred to the Committee on Insurance and Financial Services pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative PRIEST of Brunswick.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 24-A MRSA §6802-A, sub-§12-A**, as amended by PL 2009, c. 376, §5,
3 is further amended to read:

4 **12-A. Stranger-originated life insurance.** "Stranger-originated life insurance"
5 means an act or practice to initiate a life insurance policy for the benefit of a person who,
6 at the time of the origination of the policy, has no insurable interest in the insured.
7 "Stranger-originated life insurance" includes, but is not limited to, cases in which life
8 insurance is purchased with resources or guarantees from or through a person who, at the
9 time of the inception of the policy, could not lawfully initiate the policy and when, at the
10 time of policy inception, there is an arrangement or agreement to directly or indirectly
11 transfer the ownership of the policy or the policy benefits to another person. "Stranger-
12 originated life insurance" also includes the creation of a trust to give the appearance of
13 insurable interest and the use of such a trust in order to initiate policies for investors in
14 circumvention or violation of insurable interest laws and the prohibition against wagering
15 on life. ~~"Stranger-originated life insurance" does not include those practices set forth in~~
16 ~~subsection 9-A, paragraphs A to J or other lawful settlement transactions.~~

17 **Sec. 2. 24-A MRSA §6808-A, sub-§4, ¶D**, as enacted by PL 2009, c. 376, §12,
18 is amended to read:

19 D. If the insured under an individual life insurance policy, other than a policy of
20 credit life insurance as defined in section 2853, is 60 years of age or older, or is
21 known by the insurer to be terminally ill or chronically ill, and the policy has a death
22 benefit of at least \$100,000, exclusive of any accidental death benefit or other benefit
23 limited to death by specified causes, the insurer shall send notice to the policyowner
24 that there may be alternative transactions available, including a copy of the
25 superintendent's brochure, ~~whenever:~~

- 26 (1) ~~The~~ If the policyowner has requested the surrender of the policy in whole or
27 in part;
- 28 (2) ~~The~~ If the policyowner has requested an accelerated death benefit;
- 29 (3) ~~The insurer sends an initial notice that the policy may lapse~~ At least 20 days
30 before the lapse of the policy and the expiration of any applicable grace period
31 for reinstatement; or
- 32 (4) As the superintendent may require by rule.

33 **SUMMARY**

34 This bill clarifies the definition of "stranger-originated life insurance" in the laws
35 governing life settlements by removing an extraneous reference to settlement transactions
36 and adds standards clarifying which types of life insurance coverage are subject to the
37 consumer notification requirement.