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An Act To Allow an Insured To Terminate Life Insurance Coverage under a Policy Owned by Another

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

Sec. 1. 24-A MRSA §2514-A is enacted to read:

§ 2514-A. Cancellation for lack of insurable interest

1. Notice of ability to terminate coverage; options for owner. An individual life insurance policy must contain a provision, either in the policy itself or in a separate rider attached to the policy upon delivery of the policy, stating that the insured, if not the owner of the policy, may terminate the coverage under the policy upon written notification to the insurer and compliance with this section. The policy also must state that if coverage is terminated pursuant to this section, the only nonforfeiture options available to the owner of the policy are those that do not provide for continued insurance on the life of the insured.

2. Right to terminate coverage. The right to terminate coverage under this section is available only when the insured is able to show that the circumstances establishing the insurable interest existing at the time the policy was issued no longer exist, including, but not limited to, a copy of a final divorce decree of the owner and the insured.

SUMMARY

This bill allows an insured to request that coverage under an individual life insurance policy not owned by the insured be cancelled if the circumstances establishing the original insurable interest no longer exist. One form of proof of termination of the original insurable interest is a copy of the final divorce decree of the owner of the policy and the insured.