

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Make Corrections to the Life Settlement Laws

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

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

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

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

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

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

SUMMARY

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