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INSURANCE LAW BULLETIN

Re: Insurance Commissioner Rules Agent Lacks Standing To Request Hearing On Life Insurance Policy Owned By Insurance Trust

After initially finding in favor of an insurer in connection with the lapse of a life insurance policy owned by an insurance trust, the Maryland Insurance Administration scheduled a hearing at the request of the insurance producer involved in procuring the policy and advising the trustees. The insurer moved for a summary decision arguing the insurance producer (“agent”) lacked standing to request a hearing. The Insurance Commissioner agreed.

The Commissioner determined the agent was not aggrieved within the meaning of Section 2-210 of the Maryland Insurance Article because the agent had no personal stake in the policy and lacked legal authority to act for the trust. Rather, the trustees were responsible for the trust and could not delegate their fiduciary duty to the agent.

The Commissioner aptly recognized: “Serving as a trustee is more than simply providing one’s signature on a legal document. Too often, however, it is clear that trusts are established to hold life insurance policies and/or other assets and that the trustees are completely unaware of the nature of the trust or of their obligations as trustees.”

If you have any questions about or want a copy of the Insurance Commissioner’s decision, then please contact **Bryan D. Bolton**, who represented the insurer in this matter. You can reach Bryan at bbolton@fblaw.com or 410.659.7754.

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