

ASSEMBLY BILL

No. 546

Introduced by Assembly Member Stone

February 20, 2013

An act to amend Section 10110.1 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 546, as introduced, Stone. Insurance: life and disability insurance: insurable interest.

Existing law provides, among other things, that an insurable interest, with reference to life and disability insurance, is an interest based upon a reasonable expectation of pecuniary advantage through the continued life, health, or bodily safety of another person and consequent loss by reason of that person's death or disability or a substantial interest engendered by love and affection in the case of individuals closely related by blood or law.

This bill would make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10110.1 of the Insurance Code is
2 amended to read:
3 10110.1. (a) An insurable interest, with reference to life and
4 disability insurance, is an interest based upon a reasonable
5 expectation of pecuniary advantage through the continued life,

1 health, or bodily safety of another person and consequent loss ~~by~~
2 ~~reason of that person's~~ *person by reason of* death or disability or
3 a substantial interest engendered by love and affection in the case
4 of individuals closely related by blood or law.

5 (b) An individual has an unlimited insurable interest in his or
6 her own life, health, and bodily safety and may lawfully take out
7 a policy of insurance on his or her own life, health, or bodily safety
8 and have the policy made payable to whomsoever he or she pleases,
9 regardless of whether the beneficiary designated has an insurable
10 interest.

11 (c) Except as provided in Section 10110.4, an employer has an
12 insurable interest, as referred to in subdivision (a), in the life or
13 physical or mental ability of any of its directors, officers, or
14 employees or the directors, officers, or employees of any of its
15 subsidiaries or any other person whose death or physical or mental
16 disability might cause financial loss to the employer; or, pursuant
17 to ~~any a~~ contractual arrangement with ~~any a~~ shareholder concerning
18 the reacquisition of shares owned by the shareholder at the time
19 of his or her death or disability, on the life or physical or mental
20 ability of that shareholder for the purpose of carrying out the
21 contractual arrangement; or, pursuant to ~~any a~~ contract obligating
22 the employer as part of compensation arrangements or pursuant
23 to a contract obligating the employer as guarantor or surety, on
24 the life of the principal obligor. The trustee of an employer or
25 trustee of a pension, welfare benefit plan, or trust established by
26 an employer providing life, health, disability, retirement, or similar
27 benefits to employees and retired employees of the employer or
28 its affiliates and acting in a fiduciary capacity with respect to those
29 employees, retired employees, or their dependents or beneficiaries
30 has an insurable interest in the lives of employees and retired
31 employees for whom those benefits are to be provided. The
32 employer shall obtain the written consent of the individual being
33 insured.

34 (d) Trusts and special purpose entities that are used to apply for
35 and initiate the issuance of policies of insurance for investors,
36 where one or more beneficiaries of those trusts or special purpose
37 entities do not have an insurable interest in the life of the insured,
38 violate the insurable interest laws and the prohibition against
39 wagering on life.

- 1 (e) ~~Any~~A device, scheme, or artifice designed to give the
2 appearance of an insurable interest where there is no legitimate
3 insurable interest violates the insurable interest laws.
- 4 (f) An insurable interest shall be required to exist at the time
5 the contract of life or disability insurance becomes effective, but
6 need not exist at the time the loss occurs.
- 7 (g) ~~Any~~A contract of life or disability insurance procured or
8 caused to be procured upon another individual is void unless the
9 person applying for the insurance has an insurable interest in the
10 individual insured at the time of the application.
- 11 (h) Notwithstanding subdivisions (a), (f), and (g), a charitable
12 organization that meets the requirements of Section 214 or 23701d
13 of the Revenue and Taxation Code may effectuate life or disability
14 insurance on an insured who consents to the issuance of that
15 insurance.
- 16 (i) This section shall not be interpreted to define all instances
17 in which an insurable interest exists.