

Assembly Bill No. 489

Passed the Assembly August 28, 1997

Chief Clerk of the Assembly

Passed the Senate August 11, 1997

Secretary of the Senate

This bill was received by the Governor this ____ day
of _____, 1997, at ____ o'clock __M.

Private Secretary of the Governor

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CHAPTER ____

An act to amend Section 10209.3 of, and to add Section 10113.4 to, the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 489, Figueroa. Life insurance.

(1) Existing law does not generally regulate the inclusion of incontestability clauses in life insurance policies that provide that coverage is incontestable on the grounds of suicide for a period of time after the policy is in effect, except in the case of fraternal benefit societies. Existing law provides for viatical settlements in which the owner of life insurance transfers rights in exchange for compensation less than the death benefit.

This bill would provide that if a group life insurance policy contains a provision that makes a certificate holder's coverage contestable on the grounds of suicide for a period following commencement of coverage, only the unexpired portion of that period shall be applied to a certificate holder's individual conversion policy of an equal or lesser amount of coverage.

(2) Existing law provides that a person insured under a group life insurance policy may make to any person, other than the policyholder, an assignment of all or any part of the incidents of ownership conferred on him by the policy or by law, but existing law provides that this right is subject to the terms of the policy, or an agreement between the insured, the group policyholder, and the insurer.

This bill would provide that a person diagnosed with a terminal illness has a right to make an absolute assignment for value of his or her interest in life insurance.

The bill would require the viatical broker to notify the spouse of a terminally ill viator of the viatication.



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

SECTION 1. Section 10113.4 is added to the Insurance Code, to read:

10113.4. If a group life insurance policy contains a provision that makes a certificate holder's coverage contestable on the grounds of suicide for a period following commencement of coverage, only the unexpired portion of that period shall be applied to a certificate holder's individual conversion policy of an equal or lesser amount of coverage.

SEC. 2. Section 10209.3 of the Insurance Code is amended to read:

10209.3. (a) Subject to the terms of the policy, or pursuant to an agreement between the insured, the group policyholder, and the insurer, any person insured under a group life insurance policy may make to any person, other than the policyholder, an assignment of all or any part of the incidents of ownership conferred on him or her by the policy or by law, including specifically, but not by way of limitation, the right to exercise the conversion privilege and the right to name a beneficiary.

The enactment of this section made at the 1969 Regular Session of the Legislature does not constitute a change in, but is declaratory of, the existing law.

(b) Notwithstanding subdivision (a), any person who has been diagnosed with a terminal illness shall have the right to make an absolute assignment for value of his or her interest in a policy or certificate of life insurance.

(c) The right of assignment in subdivision (b) shall not extend to situations in which the benefits of the policy or certificate of life insurance are used as collateral for a loan.

(d) The viatical broker shall notify the spouse of a terminally ill viator of the viatication.



Approved _____, 1997

Governor

