



UTAH STATE SENATE

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February 5, 2007

Mr. President:

The Business and Labor Committee reports a favorable recommendation on **S.B. 77**, INSURABLE INTEREST AMENDMENTS, by Senator R. Romero, with the following amendments:

1. *Page 2, Lines 28 through 37:*

28 (1) As used in this chapter:

(a) For purposes of this section, "exchange" means an exchange made pursuant to Section 1035, Internal Revenue Code, as may be amended.

29 ~~(a)~~ **(b)** "Insurable interest" in a person means the following, including a
circumstance

30 described in Subsection (3):

31 (i) for persons closely related by blood or by law, a substantial interest engendered by
32 love and affection; or

33 (ii) in the case of other persons, a lawful and substantial interest in having the life,
34 health, and bodily safety of the person insured continue.

35 ~~(b)~~ **(c)** "Insurable interest" in property or liability means any lawful and
substantial

36 economic interest in the nonoccurrence of the event insured against.

37 ~~(c)~~ **(d)** "Viatical settlement" is as defined in Section 31A-36-102.

2. *Page 2, Lines 45 through 48:*

45 (i) are satisfied if the requirements are met:

46 (A) at the effective date of the insurance policy; ~~or~~ and

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47 (B) at the time of a later procurement of an interest in the proceeds of an insurance
48 policy; and

3. *Page 3, Lines 59 through 62:*

59 ~~[(ii) Policyholders]~~ (e) A policy holder in a group insurance ~~[contracts do]~~
60 {~~contract~~} policy
61 does not need an insurable interest if a certificate ~~[holders]~~ holder or ~~[persons]~~ a person other
62 than the group ~~{~~policyholders who are~~}~~ policyholder who is specified by the certificate
~~[holders are the recipients]~~
62 holder is the recipient of the proceeds of the ~~[policies]~~ group insurance
{~~contract~~} policy .

4. *Page 3, Line 69 through Page 4, Line 117:*

69 ~~[interest]~~ interests in the business.
= **(c) A trust has an insurable interest in the subject of the insurance to the extent that a beneficiary of the trust has the insurable interest.**
70 ~~[(v)]~~ ~~{~~(c)~~}~~ (d) (i) Subject to Subsection ~~[(9)]~~ (3) ~~{~~(c)~~}~~ (d) (v), an employer
or an employer
71 sponsored trust ~~[for the benefit of the employer's employees]:~~
72 (A) has an insurable interest in the lives of the employer's:
73 (I) directors;
74 (II) officers;
75 (III) managers;
76 (IV) nonmanagement employees; and
77 (V) retired employees; and
78 (B) may insure the lives listed in Subsection ~~[(2)(a)(v)(A)]~~ (3) ~~{~~(c)~~}~~ (d) (i)(A):
79 (I) on an individual or group basis; and
80 (II) with the written consent of the insured.
81 ~~[(b) "Insurable interest" in property or liability means any lawful and substantial~~
82 ~~economic interest in the nonoccurrence of the event insured against.]~~
83 ~~[(c) "Viatical settlement" is as defined in Section 31A-36-102.]~~

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84 (ii) (A) A trustee of a trust established by an employer for the sole benefit of the
85 employer has the same insurable interest in the life and health of any person as does the
86 employer.

87 (B) Without limiting the general principle in Subsection (3) ~~(c)~~ (d) (ii)(A), a
trustee of a
88 trust established by an employer that provides life, health, disability, retirement, or similar
89 benefits has an insurable interest in the lives of the following individuals if the individual is to
90 be provided life, health, disability, retirement, or similar benefits from the trust:

91 (I) an individual described in Subsection (3) ~~(c)~~ (d) (i)(A); or

92 (II) a dependent or beneficiary of an individual described in Subsection
93 (3) ~~(c)~~ (d) (i)(A).

94 (iii) (A) For the purpose of exchanging life insurance, the individuals described in
95 Subsection (3) ~~(c)~~ (d) (i)(A) include an individual who was formerly included under
96 Subsection

97 (3) ~~(c)~~ (d) (i)(A) if the life insurance to be exchanged:

98 (I) is purchased or acquired while the individual is a current director, officer, manager,
99 or employee; and

100 (II) is exchanged for life insurance in an amount that does not exceed the amount of the
101 insurance being exchanged.

102 (B) Written consent of an individual described in this Subsection (3) ~~(c)~~ (d) (iii) is
103 not
104 required at the time of the exchange of the life insurance.

105 (C) This Subsection (3) ~~(c)~~ (d) (iii) shall be interpreted in a manner consistent
106 with

107 Subsection (2)(c).

108 (iv) (A) If an employer or trustee establishes an insurable interest as provided in this
109 Subsection (3) ~~(c)~~ (d) and all of the employer's business is acquired, purchased,
110 merged into, or

111 otherwise transferred to a subsequent employer, the insurable interest of the original employer
112 or trustee in an individual described in Subsection (3) ~~(c)~~ (d) (i)(A) is automatically
113 transferred to:

114 (I) the subsequent employer; or



109 (II) the trustee of a trust established by the subsequent employer for the subsequent
110 employer's sole benefit.
111 (B) A subsequent employer or a trustee of a trust described in Subsection
112 (3) ~~{(c)}~~ (d) (iv)(A)(II) may exchange life insurance that is purchased or acquired in an
individual
113 described in Subsection (3) ~~{(c)}~~ (d) (i)(A) by the original employer or trustee without
establishing a
114 new insurable interest at the time of the exchange of the insurance.
115 (v) The extent of an employer's or employer sponsored trust's insurable interest for a
116 nonmanagement ~~{and}~~ or retired employee under Subsection (3) ~~{(c)}~~ (d) (i) is
limited to an amount
117 commensurate with the employer's unfunded liabilities at the time insurance on the
nonmanagement or retired employee is procured .

5. *Page 6, Lines 156 through 157:*

156 ~~{(5)}~~ (6) (a) An insurance policy is not invalid because ~~{the policyholder lacks~~
insurable
157 interest or because} :
(i) the insurance policy is issued or procured in violation of Subsection (2); or
(ii) consent has not been given.

6. *Page 7, Lines 198 through 199:*

198 (iii) ~~{is}~~ are not in lieu of an insurable interest that is not expressly
included in this section
199 but exists in common law.

Respectfully,

Kevin T. VanTassell
Committee Chair

Voting: 5-0-2

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