

**MINUTES OF THE SENATE BUSINESS & LABOR  
STANDING COMMITTEE  
MONDAY, FEBRUARY 5, 2007, 8:30 A.M.  
ROOM W015, WEST OFFICE BUILDING  
STATE CAPITOL COMPLEX**

Members Present: Sen. Kevin VanTassell, Chair  
Sen. Dan Eastman  
Sen. Bill Hickman  
Sen. Wayne Niederhauser  
Sen. Carlene Walker  
Sen. Ed Mayne

Members Excused: Sen. Gene Davis

Staff Present: Allison Nicholson, Policy Analyst  
Karen Allred, Committee Secretary

Public Speakers Present: Mark Dykes, Attorney, Parsons Behle & Latimer  
Alan Spriggs, Summit County Recorder  
Paul Newton, President, Utah Land Title Association  
Burt Matthews, Vice President, Sales, eGlobal ATM

A list of visitors and a copy of handouts are filed with the committee minutes.

Chair VanTassell called the meeting to order at 8:35 a.m.

**Approval of Minutes**

**MOTION:** Sen. Hickman moved to approve the minutes of February 1, 2007.

The motion passed unanimously with Sen. Mayne absent for the vote.

**1. S.B. 77 Insurable Interest Amendments (R. Romero)**

Sen. Romero introduced the bill and the following amendments were distributed:

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 3, Lines 59 through 62:*

59            ~~{(ii) Policyholders}~~ (e) A policy holder in a group insurance ~~[contracts do]~~  
                 ~~{contract}~~    policy  
60            does not need an insurable interest if a certificate ~~[holders] holder~~ or ~~[persons] a person~~  
                 other  
61            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 .

3. *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)]  
79 (3) ~~{(c)}~~ (d) (i)(A):  
80 (I) on an individual or group basis; and  
81 (II) with the written consent of the insured.  
82 [~~(b) "Insurable interest" in property or liability means any lawful and substantial~~  
83 ~~economic interest in the nonoccurrence of the event insured against.]~~  
84 [~~(c) "Viatical settlement" is as defined in Section 31A-36-102.]~~  
85 (ii) (A) A trustee of a trust established by an employer for the sole benefit of the  
86 employer has the same insurable interest in the life and health of any person as does the  
87 employer.  
88 (B) Without limiting the general principle in Subsection (3) ~~{(c)}~~ (d) (ii)(A),  
89 a trustee of a  
90 trust established by an employer that provides life, health, disability, retirement, or similar  
91 benefits has an insurable interest in the lives of the following individuals if the individual  
92 is to  
93 be provided life, health, disability, retirement, or similar benefits from the trust:  
94 (I) an individual described in Subsection (3) ~~{(c)}~~ (d) (i)(A); or  
95 (II) a dependent or beneficiary of an individual described in Subsection  
96 (3) ~~{(c)}~~ (d) (i)(A).  
97 (iii) (A) For the purpose of exchanging life insurance, the individuals described in  
98 Subsection (3) ~~{(c)}~~ (d) (i)(A) include an individual who was formerly included  
99 under Subsection  
100 (3) ~~{(c)}~~ (d) (i)(A) if the life insurance to be exchanged:  
101 (I) is purchased or acquired while the individual is a current director, officer,  
102 manager,  
103 or employee; and  
104 (II) is exchanged for life insurance in an amount that does not exceed the amount of  
105 the  
106 insurance being exchanged.  
107 (B) Written consent of an individual described in this Subsection  
108 (3) ~~{(c)}~~ (d) (iii) is not  
109 required at the time of the exchange of the life insurance.  
110 (C) This Subsection (3) ~~{(c)}~~ (d) (iii) shall be interpreted in a manner  
111 consistent with  
112 Subsection (2)(c).  
113 (iv) (A) If an employer or trustee establishes an insurable interest as provided in this

105 Subsection (3) ~~{(c)}~~ (d) and all of the employer's business is acquired, purchased,  
106 merged into, or  
107 otherwise transferred to a subsequent employer, the insurable interest of the original  
108 employer  
109 or trustee in an individual described in Subsection (3) ~~{(c)}~~ (d) (i)(A) is  
110 automatically transferred to:  
111 (I) the subsequent employer; or  
112 (II) the trustee of a trust established by the subsequent employer for the subsequent  
113 employer's sole benefit.  
114 (B) A subsequent employer or a trustee of a trust described in Subsection  
115 (3) ~~{(c)}~~ (d) (iv)(A)(II) may exchange life insurance that is purchased or acquired  
116 in an individual  
117 described in Subsection (3) ~~{(c)}~~ (d) (i)(A) by the original employer or trustee  
118 without establishing a  
119 new insurable interest at the time of the exchange of the insurance.  
120 (v) The extent of an employer's or employer sponsored trust's insurable interest for a  
121 nonmanagement ~~{and}~~ or retired employee under Subsection  
122 (3) ~~{(c)}~~ (d) (i) is limited to an amount  
123 commensurate with the employer's unfunded liabilities at the time insurance on the  
124 nonmanagement or retired employee is procured .

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

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

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

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

**MOTION:** Sen. Walker moved to adopt the amendments.

The motion passed unanimously with Sen. Mayne absent for the vote.

Sen. Romero proposed to further amend the bill as follows:

On line 46, delete "or" and insert "and"

**MOTION:** Sen. Hickman moved to adopt the amendment.

The motion passed unanimously with Sen. Mayne absent for the vote.

Mark Dykes, attorney, Parsons Behle & Lattimer, further clarified the bill.

**MOTION:** Sen. Walker moved to pass the bill out favorably as amended.

The motion passed unanimously with Sen. Mayne absent for the vote.

Chair Van Tassell and Sen. Hickman declared a conflict of interest.

**2. S.B. 219 Real Estate Modifications (D. Stowell)**

Sen. Stowell introduced the bill and proposed to amend the bill as follows:

*1. Page 3, Lines 84 through 85:*

84        (9) {~~Neither~~} Subject to federal bankruptcy law, neither the recordation  
          of an affidavit under Subsection (8) nor the reexecution and  
85        rerecording of a document under Subsection (7) shall ;

**MOTION:** Sen. Hickman moved to adopt the amendment.

The motion passed unanimously.

Alan Spriggs, Summit County Recorder, further clarified the bill and answered questions from the committee.

Paul Newton, President, Utah Land Title Association, spoke in support of the bill.

**MOTION:** Sen. Neiderhauser moved to pass the bill out favorably as amended.

The motion passed unanimously.

**MOTION:** Sen. Hickman moved to place **S.B. 219** on the Consent Calendar.

The motion passed unanimously.

**3. H.B. 88 Automated Teller Machine Changes for International Accounts** (*Julie Fisher*)

Rep. Julie Fisher introduced the bill.

Burt Matthews, Vice President, Sales, eGlobal ATM, spoke in support of the bill and answered questions from the committee.

**MOTION:** Sen. Eastman moved to pass the bill out favorably.

The motion passed unanimously.

**MOTION:** Sen. Hickman moved to adjourn.

The motion passed unanimously at 9:17 a.m.

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Sen. Kevin VanTassell, Committee Chair