

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

As Engrossed: H3/3/03
A Bill

HOUSE BILL 1453

5 By: Representative Napper
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For An Act To Be Entitled

9 FOR AN ACT TO AMEND THE ARKANSAS INSURABLE
10 INTEREST RULE TO RESTRICT THE ISSUANCE OF "KEY"
11 AND "NON-KEY EMPLOYEE" LIFE INSURANCE POLICIES;
12 AND FOR OTHER PURPOSES.
13

Subtitle

14 FOR AN ACT TO AMEND THE ARKANSAS
15 INSURABLE INTEREST RULE TO RESTRICT THE
16 ISSUANCE OF "KEY" AND "NON-KEY
17 EMPLOYEE" LIFE INSURANCE POLICIES.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. Arkansas Code § 23-79-103(a) through (c)(1)(D) are amended
24 to read as follows:

25 (a) Any individual of competent legal capacity may procure or effect
26 an insurance contract upon his own life or body for the benefit of any
27 person. However, no person shall procure or cause to be procured any
28 insurance contract upon the life or body of another individual unless the
29 benefits under the contract are payable to the individual insured or his
30 personal representatives, or to a person having, at the time when the
31 contract was made, an insurable interest in the individual insured.

32 (b) If the beneficiary, assignee, or other payee under any contract
33 made in violation of this section receives from the insurer any benefits
34 thereunder accruing upon the death, disablement, or injury of the individual
35 insured, the individual insured or his executor or administrator, as the case
36 may be, may maintain an action to recover the benefits from the person so



1 receiving them.

2 (c)(1) "Insurable interest" with reference to personal insurance
3 includes only interests as follows:

4 (A) In the case of individuals related closely by blood or
5 by law, a substantial interest engendered by love and affection;

6 (B) ~~In the case of other persons,~~ In the case of persons
7 to which subsection (c)(1)(D) of this section does not apply, a lawful and
8 substantial economic interest in having the life, health, or bodily safety of
9 the individual insured continue, as distinguished from an interest which
10 would arise only by, or would be enhanced in value by, the death,
11 disablement, or injury of the individual insured;

12 (C) An individual party to a contract or option for the
13 purchase or sale of an interest in a business partnership or firm, or of
14 shares of stock of a closed corporation or of an interest in such shares, as
15 an insurable interest in the life of each individual party to the contract
16 and for the purposes of the contract only, in addition to any insurable
17 interest which may otherwise exist as to the life of the individual; and

18 ~~(D) A publicly owned corporation has an insurable interest~~
19 ~~in the lives of any of its directors, officers, and employees.~~

20 ~~(e)(1)(D) A publicly owned corporation has an insurable interest in~~
21 ~~the lives of any of its directors, officers, and employees.~~

22 (D)(i)(a) Any employer, corporation, other business
23 entity, or the trustee of a trust providing life, health, disability,
24 retirement, or similar benefits to employees, retired employees, or their
25 dependents or beneficiaries, has an insurable interest in the lives of
26 employees for whom the benefits are to be provided.

27 (b) Any employer, corporation, business
28 entity, or trustee of a trust under subdivision (c)(1)(D)(i)(a) of this
29 section may purchase, accept, or otherwise acquire an interest in personal
30 insurance as a beneficiary or owner.

31 (ii)(a) Employers have a lawful and substantial
32 economic interest in the lives of key employees and in other employees who
33 have a reasonable expectation of benefiting from a pension and welfare
34 benefit plan.

35 (b) Any employer, corporation, business entity
36 or trustee under subdivision (c)(1)(D) of this section shall obtain the

1 consent of any employee for which it obtained personal insurance, if the
2 personal insurance purchased names the employer, corporation, business
3 entity, or the trustee as a beneficiary.

4 (c) Consent required under subdivision
5 (c)(1)(D)(ii)(b) of this section shall include an acknowledgement that the
6 employer may maintain the life insurance coverage after the insured
7 individual's employment has terminated.

8 (d) No employer, corporation, business entity,
9 or trustee may lawfully retaliate against any person for refusing to consent
10 to the issuance of insurance on that person.

11 (e) For a non-key or non-managerial employee,
12 the amount of coverage shall be reasonably related to the benefits provided
13 to the employee.

14 (f) The life insurance coverage purchased to
15 finance employer provided *pension and welfare benefit plans* shall only be
16 allowed on the lives of those employees and retirees who *have a reasonable*
17 *expectation of benefiting from* the plan at the time their lives are first
18 insured under the plan.

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20 /s/ Napper
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