

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**

**Act 472 of 2003**  
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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23 APPROVED: 3/18/2003  
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