

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1481

H.P. 1086

House of Representatives, March 31, 2003

An Act To Clarify Provisions Governing Corporate-owned Life Insurance Policies

Submitted by the Department of Professional and Financial Regulation pursuant to Joint Rule 204.

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative O'NEIL of Saco.
Cosponsored by Senator LaFOUNTAIN of York.

Be it enacted by the People of the State of Maine as follows:

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Sec. 1. 24-A MRSA §2404, sub-§3, as amended by PL 1993, c. 320, §§1 and 2 and affected by §4, is further amended to read:

3. "Insurable interest" as to such personal insurance means that every individual has an insurable interest in the individual's own life, body, and health of-himself, and of-other persons that a person has an insurable interest in other individuals as follows:

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

B. In the case of other persons, a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue, as distinguished from an interest which would arise only by, or would be enhanced in value by, the death, disablement or injury of the individual insured;

C. A party to a contract or option for the purchase or sale, including a redemption, of an interest in a business proprietorship, partnership or firm, or of shares of stock of a corporation or of an interest in these shares, has an insurable interest in the life, body and health of each individual party to that contract or option, and for the purposes of that contract or option only, in addition to any insurable interest that may otherwise exist as to that individual;

D. A corporation has an insurable interest in the lives of its employees, former employees and retirees for the purpose of funding, in the aggregate, all or part of the corporation's cost for preretirement and postretirement medical, death, disability and pension benefits to its employees, former employees, retirees or their beneficiaries, provided that an insurance program used to finance these employee benefits includes former employees, retirees or a broad class of employees selected by objective standards related to age, service, sex or category of employment and that the proceeds created by that insurance program are used for the sole purpose of funding the corporations's preretirement or postretirement benefit programs covering at least a broad class of employees; and

E. Any revocable or irrevocable trust has an insurable interest, provided any settlor or any beneficiary of the trust has an insurable interest as provided in paragraph A,

2 B, ~~or~~ C or D. A partnership has an insurable interest
provided any partner has an insurable interest.

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6 SUMMARY

8 This bill adds 3 technical amendments to provisions
governing a corporation's insurable interest in the lives of its
10 employees, the Maine Revised Statutes, Title 24-A, section 2404,
subsection 3.

12 1. It clarifies that a corporation may have an insurable
interest in individuals, such as certain key officers and
14 directors.

16 2. It clarifies that the proceeds created by a life
insurance funded employee benefit program must benefit at least a
18 broad class of employees.

20 3. It would expressly permit a trust to act as policyholder
for corporate-owned life insurance plans.