

17B:24-1.1

LEGISLATIVE HISTORY CHECKLIST
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(Life and health insurance--
modifications--contracts)

NJSA: 17B:24-1.1

LAWS OF: 1992 CHAPTER: 190

BILL NO: A1495

SPONSOR(S) Derman

DATE INTRODUCED: May 28, 1992

COMMITTEE: ASSEMBLY: Insurance
SENATE: ---

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: November 16, 1992
SENATE: November 30, 1992

DATE OF APPROVAL: December 18, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes
SENATE: No

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

P.L.1992, CHAPTER 190, approved December 18, 1992
1992 Assembly No. 1495

1 AN ACT concerning certain insurable interests and amending
2 P.L.1991, c.369.

3
4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. Section 1 of P.L.1991, c.369 (C.17B:24-1.1) is amended to
7 read as follows:

8 1. a. For the purpose of life insurance [or] , health insurance
9 or annuities:

10 (1) An individual has an insurable interest in his own life,
11 health and bodily safety.

12 (2) An individual has an insurable interest in the life, health
13 and bodily safety of another individual if he has an expectation of
14 pecuniary advantage through the continued life, health and bodily
15 safety of that individual and consequent loss by reason of his
16 death or disability.

17 (3) An individual has an insurable interest in the life, health
18 and bodily safety of another individual to whom he is closely
19 related by blood or by law and in whom he has a substantial
20 interest engendered by love and affection. An individual liable
21 for the support of a child or former wife or husband may procure
22 a policy of insurance on that child or former wife or husband.

23 (4) A corporation has an insurable interest: (a) in the life or
24 physical or mental ability of any of its directors, officers, or
25 employees, or the directors, officers, or employees of any of its
26 subsidiaries or any other person whose death or physical or
27 mental disability might cause financial loss to the corporation; (b)
28 pursuant to any contractual arrangement with any shareholder
29 concerning the reacquisition of shares owned by him at the time
30 of his death or disability, [on] in the life or physical or mental
31 ability of that shareholder for the purpose of carrying out that
32 contractual arrangement; [or] (c) pursuant to any contract
33 obligating the corporation as part of compensation arrangements,
34 in the life of the individual for whom compensation is to be
35 provided; or (d) pursuant to a contract obligating the corporation
36 as guarantor or surety, [on] in the life of the principal obligor.
37 The trustee of a trust established and fully funded by a
38 corporation providing solely life, health, disability, retirement, or
39 similar benefits to employees of the corporation or its affiliates
40 and acting in a fiduciary capacity with respect to those
41 employees, retired employees, or their dependents or
42 beneficiaries, has an insurable interest in the lives of employees
43 for whom such benefits are to be provided.

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 (5) A non-profit or charitable entity qualified pursuant to
2 section 501 (c) (3) of the Internal Revenue Code of 1986
3 (26 U.S.C. §501(c)(3)), or a [charitable or] government entity has
4 an insurable interest in the life or physical or mental ability of its
5 directors, officers, employees, supporters or their designees or
6 others to whom it may look for counsel, guidance, fundraising or
7 assistance in the execution of its legally established purpose, who
8 either: (a) join with the entity in signing the application for
9 insurance, which application names the entity as the owner and
10 irrevocable beneficiary of the policy; or (b) after having been
11 listed as owner, subsequently transfer ownership of the insurance
12 to the entity and name the entity as the irrevocable beneficiary
13 of the policy. The trustee of a trust established and fully funded
14 by a non-profit or charitable entity qualified pursuant to section
15 501 (c) (3) of the Internal Revenue Code of 1986 (26 U.S.C.
16 §501(c)(3)), or a [charitable or] government entity providing solely
17 life, health, disability, retirement, or similar benefits to
18 employees of the entity or its affiliates and acting in a fiduciary
19 capacity with respect to those employees, retired employees, or
20 their dependents or beneficiaries, has an insurable interest in the
21 lives of employees for whom such benefits are to be provided.

22 b. No person shall procure or cause to be procured any
23 insurance contract upon the life, health or bodily safety of
24 another individual unless the benefits under that contract are
25 payable to the individual insured or his personal representative,
26 or to a person having, at the time when that contract was made,
27 an insurable interest in the individual insured.

28 c. If the beneficiary, assignee, or other payee under any
29 contract made in violation of this section receives from the
30 insurer any benefits thereunder accruing upon the death,
31 disablement, or injury of the individual insured, the individual
32 insured, or his executor or administrator, as the case may be,
33 may maintain an action to recover those benefits from the person
34 so receiving them.

35 d. An insurer shall be entitled to rely upon all statements,
36 declarations and representations made by an applicant for
37 insurance relating to the insurable interest of the applicant in the
38 insured and no insurer shall incur legal liability, except as set
39 forth in the policy, by virtue of any untrue statements,
40 declarations or representations so relied upon in good faith by the
41 insurer.

42 e. This section shall not apply to group life insurance, group
43 health insurance [or] , blanket insurance or group annuities.
44 (cf: P.L.1991, c.369, s.1)

45 2. This act shall take effective immediately.

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48 *SPONSOR'S* STATEMENT

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50 This bill makes modifications in the recently enacted definition
51 of insurable interest for individual life and health insurance
52 contracts.

53 P.L.1991, c.369 (C.17B:24-1.1) revised the definition of
54 insurable interest for individual life and health insurance

1 contracts in New Jersey. Among other provisions, it provided
2 that the trustee of a trust established by a corporation or
3 non-profit, charitable or government entity providing life, health,
4 disability, retirement or similar benefits to employees of the
5 entity has an insurable interest in the lives of employees for
6 whom such benefits are to be provided. This bill modifies that
7 provision by providing that the trust must be fully funded and
8 must be providing solely life, health, disability, retirement, or
9 similar benefits.

10 P.L.1991, c.369 (C.17B:24-1.1) applied to life and health
11 insurance. Under the provisions of this bill, annuities would also
12 be included.

13 Another part of that 1991 law provided that a non-profit entity
14 qualified pursuant to 26 U.S.C. §501(c)(3) or a charitable or
15 government entity has an insurable interest in the lives of its
16 directors, officers, employees, supporters or others to whom the
17 entity may look for counsel, guidance, fundraising or assistance in
18 the execution of its legally established purpose, if they jointly
19 sign the application for insurance with the entity and the
20 application names the entity as the beneficiary of the policy, or,
21 if after having purchased the policy, they subsequently transfer
22 ownership to the entity and name it as beneficiary. This bill
23 provides that charitable entities, like non-profit entities under
24 the 1991 law, must be qualified pursuant to section 501(c)(3) of
25 the Internal Revenue Code of 1986 to have an insurable interest.
26 It also provides that a nonprofit, charitable or government entity
27 must be the owner and irrevocable beneficiary of the policy in
28 those circumstances and that those entities would also have an
29 insurable interest in designees of the directors, officers,
30 employees and supporters of such entities.

31 The bill also makes some technical amendments to that 1991
32 law.

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37 Makes modifications in definition of insurable interest for
38 individual life and health insurance contracts.

ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1495

STATE OF NEW JERSEY

DATED: OCTOBER 19, 1992

The Assembly Insurance Committee reports favorably Assembly No. 1495.

This bill makes modifications in the recently enacted definition of insurable interest for individual life and health insurance contracts.

P.L.1991, c.369 (C.17B:24-1.1) revised the definition of insurable interest for individual life and health insurance contracts in New Jersey. Among other provisions, it provided that the trustee of a trust established by a corporation or non-profit, charitable or government entity providing life, health, disability, retirement or similar benefits to employees of the entity has an insurable interest in the lives of employees for whom such benefits are to be provided. This bill modifies that provision by providing that the trust must be fully funded and must be providing solely life, health, disability, retirement, or similar benefits.

P.L.1991, c.369 (C.17B:24-1.1) applied to life and health insurance. Under the provisions of this bill, annuities would also be included.

Another part of that 1991 law provided that a non-profit entity qualified pursuant to 26 U.S.C. §501(c)(3) or a charitable or government entity has an insurable interest in the lives of its directors, officers, employees, supporters, or others to whom the entity may look for counsel, guidance, fundraising or assistance in the execution of its legally established purpose, if they jointly sign the application for insurance with the entity and the application names the entity as the beneficiary of the policy, or, if after having purchased the policy, they subsequently transfer ownership to the entity and name it as beneficiary. This bill provides that charitable entities, like non-profit entities under the 1991 law, must be qualified pursuant to section 501(c)(3) of the Internal Revenue Code of 1986 to have an insurable interest. It also provides that a nonprofit, charitable or government entity must be the owner and irrevocable beneficiary of the policy in those circumstances and that those entities would also have an insurable interest in designees of the directors, officers, employees and supporters of such entities.

The bill also makes some technical amendments to that 1991 law.