

17B:24-1

LEGISLATIVE HISTORY CHECKLIST  
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**NJSA:** 17B:24-1 (Life & Health Insurance Policies—  
definitions)

**LAWS OF:** 1991 **CHAPTER:** 369

**Bill No:** A4957

**Sponsor(s):** Adubato and others

**Date Introduced:** June 10, 1991

**Committee: Assembly:** Insurance

**Senate:** Labor, Industry & Professions

**Amended during passage:** Yes Amendments during passage denoted by  
asterisks

**Date of Passage: Assembly:** August 22, 1991

**Senate:** December 12, 1991

**Date of Approval:** January 9, 1992

**Following statements are attached if available:**

**Sponsor statement:** Yes

**Committee Statement: Assembly:** Yes

**Senate:** Yes

**Fiscal Note:** No

**Veto Message:** No

**Message on signing:** No

**Following were printed:**

**Reports:** No

**Hearings:** No

KBG/dgw

[FIRST REPRINT]  
ASSEMBLY, No. 4957

STATE OF NEW JERSEY

INTRODUCED JUNE 10, 1991

By Assemblymen ADUBATO, FELICE, Haytaian, Zecker,  
Kyrillos, Doria, Villapiano and Cohen

1 AN ACT concerning certain insurable interests, supplementing  
2 chapter 24 of Title 17B of the New Jersey Statutes and  
3 repealing N.J.S.17B:24-1.

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

7 1. a. For the purpose of life insurance or health insurance:

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

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

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

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

Matter enclosed in superscript numerals has been adopted as follows:  
Assembly AIN committee amendments adopted August 1, 1991.

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

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

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

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

41       e. This section shall not apply to group life insurance, group  
42 health insurance or blanket insurance.

43       2. N.J.S.17B:24-1 is repealed.

44       3. This act shall take effect immediately <sup>1</sup>and shall apply to  
45 policies of life or health insurance in force on or after that date<sup>1</sup>.

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#### INSURANCE

48

49       Revises definition of insurable interest for individual life and  
50 health insurance contracts.

1 may look for counsel, guidance, fundraising or assistance in the  
2 execution of its legally established purpose, who join with the  
3 entity in signing the application for insurance, which application  
4 names the entity as the beneficiary of the policy. The trustee of  
5 a trust established by a non-profit, charitable or government  
6 entity providing life, health, disability, retirement, or similar  
7 benefits to employees of the entity or its affiliates and acting in  
8 a fiduciary capacity with respect to those employees, retired  
9 employees, or their dependents or beneficiaries has an insurable  
10 interest in the lives of employees for whom such benefits are to  
11 be provided.

12 b. No person shall procure or cause to be procured any  
13 insurance contract upon the life, health or bodily safety of  
14 another individual unless the benefits under that contract are  
15 payable to the individual insured or his personal representative,  
16 or to a person having, at the time when that contract was made,  
17 an insurable interest in the individual insured.

18 c. If the beneficiary, assignee, or other payee under any  
19 contract made in violation of this section receives from the  
20 insurer any benefits thereunder accruing upon the death,  
21 disablement, or injury of the individual insured, the individual  
22 insured, or his executor or administrator, as the case may be,  
23 may maintain an action to recover those benefits from the person  
24 so receiving them.

25 d. An insurer shall be entitled to rely upon all statements,  
26 declarations and representations made by an applicant for  
27 insurance relating to the insurable interest of the applicant in the  
28 insured and no insurer shall incur legal liability, except as set  
29 forth in the policy, by virtue of any untrue statements,  
30 declarations or representations so relied upon in good faith by the  
31 insurer.

32 e. This section shall not apply to group life insurance, group  
33 health insurance or blanket insurance.

34 2. N.J.S. 17B:24-1 is repealed.

35 3. This act shall take effect immediately.

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38 *Sponsoring* STATEMENT

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40 This bill revises the definition of insurable interest for the  
41 purpose of individual life and health insurance contracts in New  
42 Jersey.

43 Traditionally, the principle of insurable interest was founded on  
44 the idea that the person purchasing the policy should have such a  
45 real and substantial interest in the property or person insured as  
46 would prevent the policy from being a mere wager on the insured  
47 event. Over the years, many states have expanded the concept of  
48 insurable interest for the purpose of life and health insurance to  
49 reflect current trends in investment and the development of  
50 innovative insurance products.

1 By comparison, the New Jersey definition of insurable interest  
2 for life and health insurance purposes has remained unchanged for  
3 at least ten years. Many companies domiciled in New Jersey are  
4 thus forced to establish subsidiaries in other states to take  
5 advantage of their more modern definitions of insurable interest  
6 in order to remain competitive in the national market in this  
7 area. As a result, those states in which the subsidiaries are  
8 established, and from which the insurance products are then sold,  
9 also realize the premium tax revenue generated by the sale of  
10 those products.

11 This bill, then, is not only intended to afford New Jersey  
12 residents greater access to the myriad policy and investment  
13 options already available in other states, but also to increase  
14 revenues to the State's treasury by recapturing premium tax  
15 revenues currently being "lost" to other jurisdictions.

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#### 18 INSURANCE

19

20 Revises definition of insurable interest for individual life and  
21 health insurance contracts.

ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 4957**

with committee amendments

**STATE OF NEW JERSEY**

DATED: JULY 22, 1991

The Assembly Insurance Committee reports favorably and with committee amendments Assembly Bill No. 4957.

This bill revises the definition of insurable interest for individual life and health insurance contracts in New Jersey. It retains the traditional definition of insurable interest as provided by N.J.S.17B:24-1, which is repealed by the bill, and expands that definition with respect to corporations and non-profit, charitable and government entities.

With respect to corporations, it provides that a corporation has an insurable interest in the lives of directors, officers, or employees, or the directors, officers, or employees of subsidiaries or any other person whose death or physical or mental disability might cause financial loss to the corporation; in the life of a shareholder as the result of a contractual arrangement for the reacquisition of shares owned by him at the time of his death or disability; and on the life of a principal obligor under a contract obligating the corporation as part of compensation arrangements or pursuant to a contract obligating the corporation as guarantor or surety. The bill further provides that the trustee of a trust established by a corporation providing life, health, disability, retirement, or similar benefits to employees of the corporation has an insurable interest in the lives of employees, for whom such benefits are to be provided.

With respect to a non-profit, charitable or government entity, the bill provides that there is an insurable interest in the lives of 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. The trustee of a trust established by a non-profit, charitable or government entity providing life, health, disability, retirement, or similar benefits to employees of the entity also has an insurable interest in the lives of employees for whom such benefits are to be provided, as with other corporations.

The committee amended the bill to add the provision that a policy could be subsequently transferred to a non-profit, charitable

or government entity named as the beneficiary. The amendments also specify that the bill's provisions apply only to non-profit entities qualified pursuant to section 501 (c) (3) of the Internal Revenue Code of 1986. Finally, the effective date was amended to make it clear that the bill's provisions will apply to policies in force at the time it takes effect, regardless of when they were issued or delivered, as well as policies written on or after that date.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 4957

STATE OF NEW JERSEY

DATED: DECEMBER 5, 1991

The Senate Labor, Industry and Professions Committee reports favorably Assembly Bill No. 4957 (1R).

This bill revises the definition of insurable interest for individual life and health insurance contracts in New Jersey. It retains the traditional definition of insurable interest as provided by N.J.S.17B:24-1, which is repealed by the bill, and expands that definition with respect to corporations and certain non-profit entities, as well as charitable and government entities.

With respect to corporations, it provides that a corporation has an insurable interest in the lives of directors, officers, or employees, or the directors, officers, or employees of subsidiaries or any other person whose death or physical or mental disability might cause financial loss to the corporation; in the life of a shareholder as the result of a contractual arrangement for the reacquisition of shares owned by him at the time of his death or disability; and on the life of a principal obligor under a contract obligating the corporation as part of compensation arrangements or pursuant to a contract obligating the corporation as guarantor or surety. The bill further provides that the trustee of a trust established by a corporation providing life, health, disability, retirement, or similar benefits to employees of the corporation has an insurable interest in the lives of employees, for whom such benefits are to be provided.

With respect to a non-profit entity qualified pursuant to 26 U.S.C. §501(c)(3), or a charitable or government entity, the bill provides that there is an insurable interest in the lives of 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. The trustee of a trust established by such a non-profit, charitable or government entity providing life, health, disability, retirement, or similar benefits to employees of the entity also has an insurable interest in the lives of employees for whom such benefits are to be provided, as with other corporations.

The provisions of this bill apply to life and health insurance policies in force at the time the bill takes effect, regardless of when they were issued or delivered, as well as policies written on or after that date.