



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB2404

Introduced 2/19/2009, by Rep. Lou Lang

SYNOPSIS AS INTRODUCED:

New Act

Creates the Insurable Interests Act. Provides that any individual of lawful age may take out an insurance contract upon himself for the benefit of any person. Provides that no person shall knowingly procure or cause to be procured any insurance contract upon another individual unless the benefits under the contract are payable to (i) the insured or his personal representative; or (ii) a person having an insurable interest in the insured at the time when the contract was made. With respect to trusts, the Act applies to trusts existing before, on, or after the Act's effective date. Contains other provisions. Effective immediately.

LRB096 08727 RPM 18859 b

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Insurable Interests Act.

6 Section 5. Insurable interest. Any individual of lawful age
7 may take out an insurance contract upon himself for the benefit
8 of any person. No person shall knowingly procure or cause to be
9 procured any insurance contract upon another individual unless
10 the benefits under the contract are payable to (i) the insured
11 or his personal representative; or (ii) a person having an
12 insurable interest in the insured at the time the contract was
13 made.

14 Section 10. Definitions. In this Act:

15 "Insurable interest" means:

16 (a) in the case of individuals related closely by blood
17 or by law, or who would be, but for the individuals being
18 of the same gender and a marriage between them not then
19 recognized by this State, a substantial interest
20 engendered by love and affection;

21 (b) in the case of other persons, a lawful and
22 substantial economic interest in the life, health, and

1 bodily safety of the insured. "Insurable interest" shall
2 not include an interest that arises only upon the death,
3 disability, or injury of the insured;

4 (c) an employer providing life, health, disability,
5 retirement, or similar benefits to some or all of its
6 employees or the employees of its affiliates, or their
7 dependents or beneficiaries has an insurable interest in
8 the lives of all its employees or the employees of its
9 affiliates. The trustees of a trust established by an
10 employer substantially for the benefit of the employer, or
11 for the benefit of some or all of the employees in which
12 such employer has an insurable interest, or the dependents
13 or beneficiaries of such employees has the same insurable
14 interest in the life of such employees as does the
15 employer;

16 (d) in the case of a party to a contract or option for
17 the purchase or sale, including a redemption of an interest
18 in a business proprietorship, partnership, or firm or of
19 shares of stock of a corporation or of an interest in such
20 shares, the lawful and substantial economic interest
21 required in subsection (b) of this Section shall be deemed
22 to exist in each individual party to such contract or
23 option and for the purpose of such contract or option only,
24 in addition to any insurable interest that may otherwise
25 exist as to the life of such individual;

26 (e) in the case of a trustee, the lawful and

1 substantial economic interest required in subsection (b)
2 of this Section shall be deemed to exist in (i) the
3 individual insured who established the trust, (ii) each
4 individual in whose life the owner of the trust for federal
5 income tax purposes has an insurable interest, and (ii)
6 each individual in whose life a beneficiary of a trust has
7 an insurable interest;

8 (f) in the case of an organization described in
9 paragraph (3), (4), (5), (9), or (10) of subsection (c) of
10 Section 501 of the Internal Revenue Code, the lawful and
11 substantial economic interest required in subsection (b)
12 of this Section shall be deemed to exist where (i) the
13 insured or proposed insured has either assigned all or part
14 of his ownership rights in a policy of contract to such an
15 organization or has executed a written consent to the
16 issuance of a policy or contract to such organization and
17 (ii) such organization is named in the policy or contract
18 as owner or as beneficiary.

19 "Employee" includes any and all directors, officers,
20 partners, employees, and retired employees and it shall include
21 any other former employees, but only for the purpose of
22 replacing existing life insurance policies that will be
23 surrendered in exchange for new life insurance policies in an
24 amount not exceeding the insurance being surrendered, except
25 that the amount of new life insurance may exceed the insurance
26 being surrendered to the extent the application of the cash

1 surrender value from the old insurance as a premium under the
2 new life insurance contract requires a larger amount of
3 insurance to qualify as life insurance, and not be treated as a
4 modified endowment contract for federal income tax purposes.

5 "Employer" includes corporations, limited liability
6 companies or partnerships, statutory trusts, business trusts,
7 and other business entities, including associations of
8 employers and their affiliates.

9 Section 15. Application. This Act shall apply to all trusts
10 existing before, on, or after its enactment, regardless of the
11 effective date of the governing instrument under which the
12 trust was created.

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.