

054180824

## SENATE BILL NO. 1227

Offered January 13, 2005

A BILL to amend and reenact § 38.2-301 of the Code of Virginia, relating to life insurance contracts procured by an individual other than the insured.

Patrons—Stosch, Blevins and Chichester; Delegate: Griffith

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That § 38.2-301 of the Code of Virginia is amended and reenacted as follows:**

§ 38.2-301. Insurable interest required; life, accident and sickness insurance.

A. Any individual of lawful age may ~~procure or effect~~ take out an insurance contract upon himself for the benefit of any person. 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 beneficiary designated by the insured, or (iii) a person having an insurable interest in the insured at the time when the contract was made.

B. As used in this section and § 38.2-302, "insurable interest" means:

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

2. In the case of other persons, a lawful and substantial economic interest in the life, health, and bodily safety of the insured. "Insurable interest" shall not include an interest which arises only or is enhanced by the death, disability or injury of the insured;

3. In the case of employees of corporations, with respect to whom the corporate employer or an employee benefit trust is the beneficiary under an insurance contract, the lawful and substantial economic interest required in subdivision 2 of this subsection shall be deemed to exist in (i) key employees; and (ii) other employees who have been employed by the corporation for ~~twelve~~ 12 consecutive months, provided that the amount of insurance coverage on such other employees shall be limited to an amount which is commensurate with employer-provided benefits to such employees; and

4. In the case of an organization described in § 501 (c) of the Internal Revenue Code, the lawful and substantial economic interest required in subdivision 2 of this subsection shall be deemed to exist where (i) the insured or proposed insured has either assigned all or part of his ownership rights in a policy or contract to such an organization or has executed a written consent to the issuance of a policy or contract to such organization and (ii) such organization is named in the policy or contract as owner or as beneficiary.

INTRODUCED

SB1227