

State Corporation Commission 2005 Fiscal Impact Statement

1. Bill Number SB1227

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Stosch

3. Committee: Passed Senate; Communicated to House

4. Title Life insurance; insurable interests.

5. Summary/Purpose: Deletes the provision allowing a person to procure a contract on another person when there is "a beneficiary designated by the insured".

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

Other comments: Senate Bill 1227 would prevent investor-owned life insurance and insurance arbitrage transactions. As a result of the bill, an entity with no real insurable interest in the life of an individual, such as a charity, would be prohibited from taking out a life insurance policy on that individual for the benefit of the entity. Proponents of Senate Bill 1227 believe that investor-owned life insurance transactions are contrary to the basic concepts of life insurance and insurable interest. Opponents of the bill will argue that charities benefit from these types of transactions, and the insured is aware of how the proceeds will be payable.

House Bill 2766 is identical to Senate Bill 1227. On January 20, 2005, Senate Bill 1227 was amended on the Senate floor to clarify that the provisions of the bill shall not apply to policies or contracts of life insurance where: (i) a charitable organization headquartered in Virginia executed a nondisclosure and exclusivity agreement prior to December 31, 2004, (ii) such charitable organization was the holder of a Charity Certificate issued by a business trust prior to December 31, 2004, and (iii) the policies or contracts are written pursuant to such agreement on the lives of individuals who, prior to December 31, 2004, were donors to such charitable organization, or an organization under common control with such organization.

Date: 01/24/05 / V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources