

# State Corporation Commission

## 2014 Fiscal Impact Statement

**1. Bill Number:** HB1077

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Rush

**3. Committee:** Commerce and Labor

**4. Title:** Insurable interest requirement; annuity contracts.

**5. Summary/Purpose:** Revises the requirements to obtain an insurance contract on another person to include annuity contracts. Language is added to prohibit knowingly procuring or causing to be procured an annuity contract on another individual if the annuity includes a guaranteed return of premiums or benefit payable when the annuitant dies except when the annuity benefits are paid to either (i) the annuitant or his personal representative or (ii) a person with an insurable interest when the annuity contract was made. Revises the definition of insurable interest for the section to add "or annuitant" to "insured" in the definition of insurable interest for other persons where there is a lawful and substantial economic interest. Also adds an annuity contract with a death benefit on employees of corporations to insurance contracts where a lawful and substantial economic interest may be deemed to exist. Adds annuity contract with a death benefit to a life insurance policy in the case of a trustee where a lawful and substantial economic interest may be deemed to exist.

**6. Budget amendment necessary:** No

**7. Fiscal Impact Estimates:** No Fiscal Impact on the State Corporation Commission

**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

**11. Other comments:** House Bill 1077 addresses annuity contracts that use as the measuring life an individual annuitant in whom the person purchasing the annuity has no insurable interest. The definition of an insurable interest tracks the existing definition that applies to life insurance contracts. The bill broadens the definition of insurable interest so that under certain circumstances, the potential exists for persons, including a trust or employer, to lawfully procure annuity benefits upon another individual without the individual's knowledge or consent.

House Bill 1077 is identical to Senate Bill 401.

**Date:** 01/21/14/V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources