

By Mr. Connolly of Everett, petition of Edward G. Connolly for legislation to require an insurable interest for the insurance of life and accident insurance policies. Insurance.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Ninety-Five.

AN ACT TO REQUIRE AN INSURABLE INTEREST FOR THE ISSUANCE OF LIFE AND ACCIDENT INSURANCE.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 175 of the General Laws, as appearing in  
2 the 1992 Official Edition, is hereby amended by inserting after  
3 Section 123 the following section: —

4 Section 123A. (1) An insurable interest must exist at the time a  
5 contract of life or accident and sickness insurance becomes effec-  
6 tive but need not exist at the time the loss occurs.

7 (2) For purposes of this section, an insurable interest is an  
8 interest based upon a reasonable expectation of pecuniary advan-  
9 tage through the continued life, health, or bodily safety of another  
10 person and consequent loss by reason of his or her death or dis-  
11 ability or a substantial interest engendered by love and affection  
12 in the case of individuals closely related by blood or by law.

13 (3) An individual has an insurable interest in his or her own  
14 life, health, and bodily safety and may lawfully take out a policy  
15 of insurance on his or her own life, health, or bodily safety.

16 (4) A corporation, foreign or domestic, has an insurable  
17 interest, as referred to in paragraph (2), in the life or physical or  
18 mental ability of: (i) any of its directors, officers, or employees or  
19 the directors, officers, or employees of any of its subsidiaries;  
20 (ii) any other person whose death or physical or mental disability  
21 might cause financial loss to the corporation; (iii) any contractual  
22 arrangement with that shareholder concerning the reacquisition of  
23 shares owned by him or her at the time of his or her death or dis-

24 ability; or (iv) the principal obligor pursuant to a contract oblig-  
25 ating the corporation as part of compensation arrangements or  
26 pursuant to a contract obligating the corporation as guarantor or  
27 surety. The trustee of a trust established by a corporation for the  
28 sole benefit of the corporation has the same insurable interest in  
29 the life of physical or mental ability of any person as does the cor-  
30 poration. The trustee of a trust established by a corporation pro-  
31 viding life, health, disability, retirement, or similar benefits to  
32 employees of the corporation and/or its subsidiaries and acting in  
33 a fiduciary capacity with respect to such employees, retired  
34 employees, or their dependents or beneficiaries has an insurable  
35 interest in the lives of employees or retired employees for whom  
36 such benefits are to be provided.

37 (5) A charitable institution as defined under Sections 501(c)(3),  
38 501(c)(6), 501(c)(8), and 501(c)(9) of the Internal Revenue Code  
39 of 1986 shall have an insurable interest, as referred to in para-  
40 graph (2), in the life of any donor.

41 (6) Any contract of life or accident and sickness insurance pro-  
42 cured or caused to be procured upon another individual is void  
43 unless the benefits under the contracts are payable to the indi-  
44 vidual insured or his or her personal representative or to a benefi-  
45 ciary having, at the time when the contract was made, an insurable  
46 interest in the individual insured. In the case of a void contract,  
47 the insurer shall not be liable on the contract but shall be liable to  
48 refund to the policy owner all premium payments without interest.

49 (7) Paragraphs (4) and (5) shall not be interpreted to define all  
50 instances in which an insurable interest exists.

1 SECTION 2. Section 24C of Chapter 175, as inserted by  
2 Chapter 107 of the Acts of 1992 is hereby repealed.

1 SECTION 3. This Act shall apply to all policies of life or acci-  
2 dent and sickness insurance issued on or after its effective date.