

HOUSE BILL NO. 1286

Introduced by

Representatives Kasper, Keiser, K. Koppelman, Louser, Rohr, D. Ruby

Senators Casper, Dever, Klein, Kreun, Laffen, Roers

1 A BILL for an Act to amend and reenact section 26.1-29-09.1 of the North Dakota Century
2 Code, relating to insurable interests in personal insurance.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 26.1-29-09.1 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **26.1-29-09.1. Insurable interest in personal insurance.**

- 7 1. An individual of competent legal capacity may procure or effect an insurance contract
8 upon that individual's own life or body for the benefit of any person. ~~No~~A person may
9 not procure or cause to be procured an insurance contract upon the life or body of
10 another ~~person~~individual unless the benefits under the contract are payable to the
11 individual insured or that individual's personal representatives, or to a person having,
12 at the time the contract was made, an insurable interest in the individual insured.
- 13 2. If the beneficiary, assignee, or other payee under a contract made in violation of this
14 section receives from the insurer any benefits from the contract upon the death,
15 disablement, or injury of the individual insured, the individual insured or that
16 individual's executor or administrator may maintain an action to recover the benefits
17 from the person receiving ~~them~~the benefits.
- 18 3. "Insurable interest", with reference to personal insurance, includes only the following
19 interests:
- 20 a. In the case of ~~individuals~~an individual related closely by blood or by law, a
21 substantial interest engendered by love and affection.
- 22 b. In the case of ~~persons~~a person other than ~~these~~an individual described in
23 subdivision a, a lawful and substantial economic interest in having the life, health,
24 or bodily safety of the individual insured continue, as distinguished from an

- 1 interest that would arise only by, or would be enhanced in value by, the death,
2 disablement, or injury of the individual insured.
- 3 c. In the case of an individual partiesparty to a contract or option for the purchase or
4 sale of an interest in a business partnership or firm, of a membership interest in a
5 limited liability company, or of shares of stock of a closed corporation or of an
6 interest in the shares, an interest in the life of each individual party to the contract
7 for the purpose of the contract only, in addition to an insurable interest that may
8 otherwise exist as to the life of the individual.
- 9 d. In the case of a religious, educational, eleemosynary, charitable, or benevolent
10 organizationsorganization, a lawful interest in the life of the individual insured if
11 that individual has executed a written consent to the insurance contract.
- 12 e. In the case of a corporationan employer or the trustee of a trust providing life,
13 health, disability, retirement, or similar benefits to employees~~service providers~~ of
14 one or more corporationsemployers, and acting in a fiduciary capacity with
15 respect to the employees~~service providers~~, retired employees~~service providers~~,
16 or ~~their~~the service providers' or retired service providers'employees' dependents
17 or beneficiaries, a corporationan employer or the trustee of a trust has an
18 insurable interest in the lives of employees~~service providers~~ for whom the
19 benefits are to be provided and the corporationemployer or trustee of a trust may
20 purchase, accept, or otherwise acquire an interest in personal insurance as a
21 beneficiary or owner. Written consent of the insured individual is required if the
22 personal insurance purchased names the corporationemployer or the trustee of a
23 trust as a beneficiary. As used in this subdivision:
- 24 ~~(1) "Employer" means a service recipient that compensates the service provider~~
25 ~~for the service provider's services to or for the benefit of that service-~~
26 ~~recipient.~~
- 27 ~~(2) "Service provider" means:~~
- 28 ~~(a) An employee;~~
- 29 ~~(b) An individual who provides services to an employer; or~~
- 30 ~~(c) A key employee, partner, or member who provides such services for~~
31 ~~an entity that provides services to an employer.~~

- 1 f. In the case of a service recipient or the trustee of a trust providing a nonqualified
2 deferred compensation plan, as defined by section 409A(d)(1) of the Internal
3 Revenue Code [26 U.S.C. 409A(d)(a)], to a service provider, an insurable interest
4 in the life of the service provider for whom the nonqualified deferred
5 compensation plan is provided. The service recipient or the trustee of a trust may
6 purchase, accept, or otherwise acquire an interest in personal insurance with the
7 trust as a beneficiary or owner. Written consent of the insured individual is
8 required. As used in this subdivision:
- 9 (1) "Service provider" means an individual, other than an employee, who
10 provides significant services to a service recipient.
- 11 (2) "Service recipient" means the entity for which services are performed by a
12 service provider.