



Senate

General Assembly

File No. 141

February Session, 2004

Substitute Senate Bill No. 484

Senate, March 18, 2004

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING CORPORATE-OWNED LIFE INSURANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-291 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2004*):

3 (a) (1) The trustee of any voluntary employees' beneficiary
4 association trust, as defined in Section 501(c)(9) of the Internal Revenue
5 Code of 1986, as from time to time amended, to provide life, health or
6 similar benefits to employees or retired employees and acting in a
7 fiduciary capacity with respect to those employees or retired
8 employees may procure insurance on the lives of those employees or
9 retired employees if the trustee obtains the consent of the employee or
10 retired employee prior to procuring the insurance. Such consent shall
11 include an acknowledgement from the employee that the trustee may
12 maintain the life insurance coverage after the employee's employment
13 has terminated.

14 (2) No person may retaliate against any employee or retired
15 employee for refusing to consent to the issuance of insurance on the
16 life of such employee.

17 (3) For nonkey or nonmanagerial employees, the amount of
18 coverage shall be reasonably related to the benefits provided to the
19 employees.

20 (4) Life insurance coverage purchased to finance employer-provided
21 pension and welfare benefit plans shall be allowed only on the lives of
22 those employees and retirees who are eligible to participate in the plan
23 at the time their lives are first insured under the plan.

24 (b) The provisions of this section shall apply to policies or contracts
25 delivered or issued for delivery in this state.

26 (c) This section shall not be [interpreted] construed to affect or
27 prohibit any person, trust or corporation from procuring insurance
28 upon the life or health of another person in whom it has an insurable
29 interest at common law.

This act shall take effect as follows:	
Section 1	October 1, 2004

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Insurance Dept.	IF - None	None	None

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill makes various changes to corporate-owned life insurance laws and has no fiscal impact.

OLR Bill Analysis

sSB 484

AN ACT CONCERNING CORPORATE-OWNED LIFE INSURANCE**SUMMARY:**

This bill adds conditions to a voluntary employees' beneficiary association (VEBA) trust's purchase of life insurance on employees or retirees. It requires the VEBA trust to obtain the employee's or retiree's consent before buying the insurance. The consent must include an acknowledgment that the insurance can remain in force after the person's employment has ended.

The bill also (1) prohibits retaliation against any person who does not consent; (2) requires the amount of life insurance coverage taken out on non-key or non-managerial employees to be reasonably related to the amount of benefits provided to the employees; and (3) requires that when life insurance is purchased to finance an employer-provided employee benefit plan, it can only be taken out on the lives of employees and retirees who are eligible to participate in the benefit plan at the time their lives are first insured under it. The bill applies to policies and contracts delivered or issued for delivery in this state after September 30, 2004.

EFFECTIVE DATE: October 1, 2004

BACKGROUND***Corporate-Owned Life Insurance***

Business entities have traditionally been found to have an insurable interest in the lives of their officers, managers, and key employees because a business can reasonably expect to benefit from its employees' lives and suffer a loss if they die. Corporate-owned life insurance (COLI) is life insurance that a corporate employer buys covering one or more employees. The employer is the applicant, owner, premium payer, and beneficiary of the policy. A variation of COLI is trust-owned life insurance (TOLI), where a trust, typically a VEBA established under Section 501(c)(9) of the Internal Revenue

Code, purchases the insurance. COLI and TOLI plans have become a way of financing employee welfare benefit plans, such as health care plans. The life insurance cash values and death benefits can be used to pay health care premiums. Additionally, the employer's contributions to a VEBA are tax deductible.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 16 Nay 1