

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6977

BILL NUMBER: HB 1379

NOTE PREPARED: Mar 25, 2008

BILL AMENDED: Feb 21, 2008

SUBJECT: Stranger Originated Life Insurance.

FIRST AUTHOR: Rep. Ripley

FIRST SPONSOR: Sen. Charbonneau

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill defines "stranger originated life insurance". It prohibits:

- (1) an insurer from alleging stranger originated life insurance as a basis for denial of payment of life insurance policy proceeds; and
- (2) the promotion of the purchase of a life insurance policy in connection with stranger originated life insurance.

The bill specifies that an insurer may seek to void a life insurance policy at any time for lack of insurable interest at the time the policy was issued.

Effective Date: July 1, 2008.

Explanation of State Expenditures: Violations of the provisions of the bill are unfair and deceptive acts in the business of insurance which may be subject to a hearing by the Commissioner of Insurance. Adding a violation to the unfair and deceptive acts provisions could increase the number of violations for which a hearing may ensue. However, the Department of Insurance should be able to handle any additional hearings given its current level of budget and resources.

Explanation of State Revenues: As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not be more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected:

Information Sources: Carol Cutter, DOI.

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