

§2404. Insurable interest -- personal insurance

1. Any individual of competent legal capacity may procure or effect an insurance contract upon the individual's own life or body for the benefit of any person. But a person may not procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or the individual insured's personal representatives, or to a person having, at the time when such contract was made, an insurable interest in the individual insured.

[RR 2021, c. 1, Pt. B, §207 (COR).]

2. If the beneficiary, assignee, or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement or injury of the individual insured, the individual insured or the individual insured's executor or administrator, as the case may be, may maintain an action to recover such benefits from the person so receiving them.

[RR 2021, c. 1, Pt. B, §208 (COR).]

3. "Insurable interest" as to such personal insurance means that every individual has an insurable interest in the individual's own life, body, and health, and that a person has an insurable interest in other individuals as follows:

A. In the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection; [PL 1969, c. 132, §1 (NEW).]

B. In the case of other persons, a lawful and substantial economic interest in having the life, health or bodily safety of the individual insured continue, as distinguished from an interest which would arise only by, or would be enhanced in value by, the death, disablement or injury of the individual insured; [PL 1989, c. 353, §1 (AMD).]

C. A party to a contract or option for the purchase or sale, including a redemption, of an interest in a business proprietorship, partnership or firm, or of shares of stock of a corporation or of an interest in these shares, has an insurable interest in the life, body and health of each individual party to that contract or option, and for the purposes of that contract or option only, in addition to any insurable interest that may otherwise exist as to that individual; [PL 1993, c. 320, §1 (AMD); PL 1993, c. 320, §4 (AFF).]

D. A corporation has an insurable interest in the lives of its employees, former employees and retirees for the purpose of funding, in the aggregate, all or part of the corporation's cost for preretirement and postretirement medical, death, disability and pension benefits to its employees, former employees, retirees or their beneficiaries, as long as an insurance program used to finance these employee benefits includes former employees, retirees or a broad class of employees selected by objective standards related to age, service, sex or category of employment and that the proceeds created by that insurance program are used for the sole purpose of funding the corporation's preretirement or postretirement benefit programs covering at least a broad class of employees; and [RR 2011, c. 2, §30 (COR).]

E. Any revocable or irrevocable trust has an insurable interest, provided any settlor or any beneficiary of the trust has an insurable interest as provided in paragraph A, B, C or D. A partnership has an insurable interest provided any partner has an insurable interest. [PL 2003, c. 173, §1 (AMD).]

[RR 2011, c. 2, §30 (COR).]

4. An insurer shall be entitled to rely upon all statements, declarations and representations made by an applicant for insurance relative to the insurable interest of the applicant in the insured; and no insurer shall incur legal liability except as set forth in the policy, by virtue of any untrue statements, declarations or representations so relied upon in good faith by the insurer.

[PL 1969, c. 132, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1989, c. 353, §§1,2 (AMD). PL 1991, c. 548, §§C1-3 (AMD). PL 1993, c. 320, §§1,2 (AMD). PL 1993, c. 320, §4 (AFF). PL 2003, c. 173, §1 (AMD). RR 2011, c. 2, §30 (COR). RR 2021, c. 1, Pt. B, §§207, 208 (COR).

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