

**House Bill 4704**

**Sponsor: Rep. Gerald H. Law**

**Committee: Corporations & Finance**

**Complete to 6-7-91**

**A SUMMARY OF HOUSE BILL 4704 AS INTRODUCED 4-16-91**

The bill would create a new act to allow a person to purchase a life insurance policy from an insured person for full value of the death benefit or at a discount prior to the insured person's death if the insured person had one or more specific life-threatening medical conditions, as certified by a licensed physician, and if certain other conditions were met. Life-threatening conditions would include:

- \* a malignant tumor;
- \* a condition requiring an organ transplant;
- \* coronary artery disease resulting in acute infarction or requiring surgery;
- \* permanent brain damage caused by a head injury;
- \* endstage renal failure; or
- \* other medical conditions certified by a physician to be life-threatening.

A life insurance policy could not be purchased in this way unless 1) each beneficiary to the policy waived his or her rights to the death benefit, 2) the insured person was given 15 days after receipt of the proceeds to cancel the sale and return the proceeds, and 3) the purchaser of the policy provided to the insured person a written explanation of the possible income tax consequences from selling the policy. A person who violated the bill would be guilty of a misdemeanor and could be imprisoned for up to one year or fined up to \$500, or both.

The bill would not apply to a lump sum disbursement under a policy that provides partial prepayment (up to 25 percent) of the death benefit for the purpose of covering medical costs.