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SENATE FILE 386

By COMMITTEE ON COMMERCE

Passed Senate, Date 3-30-71 Passed House, Date 5-13-71  
Vote: Ayes 40 Nays 0 Vote: Ayes 76 Nays 1  
Approved 5-20-71

## A BILL FOR

1 An Act relating to assignment of group life insurance.

2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

3 Section 1. Chapter five hundred nine (509), Code 1971,  
4 is amended by adding the following new section:

5 "Any person insured under a group life insurance policy  
6 may assign the rights, benefits and all other incidents of  
7 ownership conferred on him by any provision of such policy  
8 or by law, including specifically and not by way of limita-  
9 tion the right, if any, to have issued to him an individual  
10 policy and the right to name a beneficiary. Subject to the  
11 terms of the policy or agreement between the insured, the  
12 group policyholder and the insurer, any such assignment,  
13 whether made before or after the effective date of this Act,  
14 is valid for the purpose of vesting in the assignee, in ac-  
15 cordance with any provisions included therein as to the time  
16 at which it is to be effective, all rights, benefits and  
17 incidents of ownership conferred upon the insured under the  
18 policy and shall entitle the insurer to deal with the as-  
19 signee as the owner of such rights, benefits and incidents  
20 of ownership, provided the insurer shall not be affected by  
21 any assignment until he has received written notice thereof.  
22 This section shall be construed as declaring the law as it  
23 existed prior to its enactment and not modifying it."

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### EXPLANATION

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The Internal Revenue Service does not recognize assignments

1 of rights under a group life insurance policy without enabling  
2 state legislation. The right of assignment may be of concern  
3 to an insured from a federal tax standpoint since if an in-  
4 sured retains any incidents of ownership the value of the  
5 proceeds or a portion of the value of the proceeds of the  
6 insurance paid to a beneficiary may be included in the in-  
7 sured's estate for federal estate tax purposes. Incidents  
8 of ownership, which may result in the proceeds of an insurance  
9 policy being computed in the insured's estate includes the  
10 right to change a beneficiary.

11 Many persons who obtain an individual insurance policy  
12 on their life and provide that the proceeds shall be payable  
13 to their spouse or children, assign all rights in the policy  
14 to the beneficiary or other person in order to develop a good  
15 estate plan which will not reduce the estate through tax  
16 liabilities. The purpose of this bill is to give owners of  
17 group life insurance policies the same privilege for sound  
18 estate planning procedures as owners of individual policies  
19 have.

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