



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

DIRECTIVE 180

REVISED AND REISSUED

TO: ALL LIFE INSURERS AUTHORIZED TO DO BUSINESS IN LOUISIANA

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

**RE: POLICY FORMS AND MARKETING PRACTICES
INSURABLE INTEREST**

DATE: April 27, 2016

DIRECTIVE 180 REVISED

Directive 180, issued April 13, 2004, is hereby revised and reissued for the purpose of addressing a concern that life insurers may be marketing insurance policies in a manner that is not authorized under the law of Louisiana. That concern, more particularly, is that corporations are taking out life insurance on the lives of its employees for the benefit of the corporation (an insurance product more popularly referred to as a "janitor policy" and/or "peasant policy"). Directive 180 is not aimed at the traditional uses of life insurance in the business setting, such as, but not limited to:

- "Key man" insurance;
- Insurance to fund buy-sell agreements or deferred compensation arrangements for executives;
- Insurance to fund employee-welfare plans.

AUTHORITY

Please note that pursuant to La. R.S.22:901(A) and the controlling jurisprudence, no person may procure an insurance policy upon the life of another in the absence of an insurable interest. Neither the law in its present configuration nor the jurisprudence of this state recognizes an insurable interest on the part of an employer in the lives of its employees, with certain very limited exceptions, such as those listed above, not at issue here.

La. R.S. 22:12 prohibits the transaction of business in a manner that is not in compliance with the provisions of the Louisiana Insurance Code. Further, under La. R.S. 22:1964(12) violation of a prohibitory law is an unfair trade practice.

The approval of a form filing, whether the intended marketing practices were fully and unequivocally disclosed or not does not negate the requirement that insurers transact business in compliance with the provisions of the Louisiana Insurance Code. Further, the Commissioner is mandated by La. R.S. 22:862(6) to withdraw approval of any policy previously approved "if it is in any respect in violation of or does not fully comply with the law or any rule or regulation promulgated by the commissioner of insurance."

DIRECTIVE REQUIREMENTS

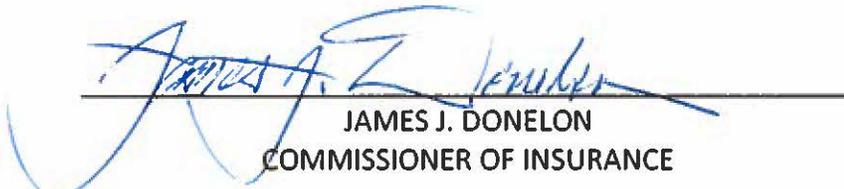
All authorized life insurers are hereby directed to review their marketing practices to make certain they are being conducted in accordance with the law and public policy of this state.

All authorized life insurers are hereby directed to review their policy forms to determine if any forms should be revised and re-filed with the LDI in accordance with Regulation 78 §§ 10109A-10109K. The regulation can be viewed at www.lidi.la.gov.

La. R.S. 22:880 mandates that if a filing is not in compliance with law, it is to be construed and applied as it would if it had been fully in compliance. If a policy names as a beneficiary a person who does not have an insurable interest under the law of this state in the life of the person insured, then, as required by La. R.S. 22:901(A), the benefits are payable to the person upon whose life the policy was procured.

Inquiries regarding this Directive should be made to Ms. Beth O'Quin, Insurance Manager, Life and Annuity, Office of Health, Life and Annuity, by e-mail at boquin@ldi.la.gov or by telephone at (225) 219-0663.

All authorized life insurers are hereby directed to conduct themselves accordingly.



JAMES J. DONELON
COMMISSIONER OF INSURANCE