

April 21, 2009

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The Honorable Edmund Brown
Attorney General, State of California
Office of the Attorney General
ATTN: Krystal Paris, Initiative Coordinator
1300 I Street
Sacramento, California 95814

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Dear General Brown:

Pursuant to Elections Code §9002, I hereby request that your office prepare a title and summary of the chief purpose and points of the attached proposed initiative measure. I am registered to vote in the State of California. Included is a check for \$200 as required by §9002. Attached is a signed statement certifying that I will not willfully allow initiative signatures to be used for purposes other than qualification of the measure as required by §9608. Also attached is the address at which I am registered to vote.

Please direct any questions regarding this submission to the following email address:
lifeinsuranceparityact@gmail.com .

Thank you.

Gregory Smith

Section 1. Title.

This measure shall be known as the Life Insurance Investment Parity Act.

Section 2. Findings and Declarations.

The People of the State of California find and declare that:

1. California law requires that a life insurance policy be issued only to a person or entity with an insurable interest in the continued life and health of the individual whose life will be the subject of a life insurance policy.

2. California law permits an employer to obtain and maintain life insurance policies on certain employees and retired employees, provided the employer has an insurable interest in the life or physical or mental ability of employees whose death or physical or mental disability might cause financial loss to the employer.

3. California law permits employers to obtain and maintain "corporate-owned life insurance" on certain employees and former employees.

4. An employer's insurable interest in an employee is extinguished when that employee separates from that employer through involuntary or voluntary termination, as the death or physical or mental disability of a former or retired employee would not cause financial loss to the employer.

5. Current California law exempts from state income taxation the proceeds of a life insurance policy paid to an employer on the death of a former or retired employee.

6. There are circumstances where proceeds of a life insurance policy are paid to a recipient that does not have an insurable interest in the life of the individual whose life is the subject of such policy at the time of such individual's death.

7. The public interest of California would be better served by requiring that proceeds of a life insurance policy be included in the recipient's gross income if, at the time of death of the insured, the recipient does not have an insurable interest in the insured, or if the recipient is an employer and the insured is a former or retired employee of such employer.

Section 3. Section 24305 of the Revenue and Taxation Code is amended to read:

24305. (a) Except as provided in subdivision (b), amounts received under life insurance policies and contracts paid by reason of the death of the insured but if such amounts are held by the insurer under an agreement to pay interest thereon, the interest payments shall be included in gross income.

(b) Proceeds of flexible premium contracts payable by reason of death shall be excluded from gross income only in accordance with the provisions of Section 101(f) of the Internal Revenue Code.

(c) Notwithstanding any other provision of law, proceeds of a life insurance policy shall be included in the gross income of a recipient of such proceeds if, at the time of the death of the insured under such policy, all of the following apply:

(1) The recipient did not have an insurable interest in the insured, pursuant to Sections 101101 and 10110.1(a) and 101101(b) of the Insurance Code;

(2) The recipient was an employer and the insured was a retired employee of the recipient of the proceeds, pursuant to Section 1011.01(c) of the Insurance Code;

or

(3) The recipient was an employer and the insured was a former employee of the recipient of the proceeds, pursuant to Section 1011.01.4.

(d) Subsection (c) shall not apply to any recipient that is a charitable organization that meets the requirements of Section 214 or 23701d of the Revenue and Taxation Code.