A bill to be entitled

An act relating to restrictions on employer-owned life insurance policies; creating s. 627.4635, F.S.; providing definitions; authorizing employer-owned life insurance policies covering certain key persons of business entities, organizations, companies, and corporations under specified circumstances; requiring certain disclosures to such key persons; prohibiting employer-owned life insurance policies covering certain employees; providing that policies covering such employees are void as against public policy; requiring insurer notice to the Office of Insurance Regulation of employer-owned life insurance policies; requiring the office to maintain a registry and to publish an annual report; requiring certain employer disclosures relating to employer-owned life insurance policies; providing that premiums, loan interests, and expenses related to employer-owned life insurance are not tax deductible; subjecting death benefits received by employers to corporate income tax; providing an exception; providing penalties; requiring the office to adopt certain standard forms by a specified date; providing applicability and retroactive applicability; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 627.4635, Florida Statutes, is created to read:

627.4635 Restrictions on employer-owned life insurance policies.—

(1) DEFINITIONS.—As used in this section, the term:

(a) "Employer-owned life insurance" means a life insurance policy owned by, or payable to, an employer on the life of a current or former employee. The term also includes company-owned life insurance or corporate-owned life insurance, a life insurance policy owned by, or payable, to a company or corporation, rather than an individual, on the life of a current or former employee.

(b) "Key person" means an owner, senior executive, director, officer, partner, or manager of a business entity, organization, company, or corporation whose death would cause direct, material financial harm to the business entity, organization, company, or corporation.

(c) "Rank-and-file employee" means any employee who is not a key person.

(2) EMPLOYER-OWNED LIFE INSURANCE POLICIES COVERING KEY PERSONS.—

(a) An employer may purchase, maintain, or be a beneficiary of an employer-owned life insurance policy covering

<u>a key person only if all the following conditions are met:</u>

<u>1. The employer has obtained the key person's informed, written, and revocable consent before purchasing the policy.</u>

<u>2. The employer has provided written notice of the policy to the key person's spouse, next of kin, or estate representative within 30 days after issuance of the policy.</u>

<u>3. The employer does not maintain more than five key person policies at any one time without prior approval of the office. The five key persons must be the five highest ranking persons in the employer's business, organization, company, or corporation, based on their seniority, salaries, and benefits.</u>

<u>4. The death benefit of any key person's policy does not exceed five times that key person's average annual compensation for the 3 years immediately preceding issuance.</u>

<u>5. Upon the key person's termination of employment, the employer either cancels the policy or, with the key person's written consent, transfers ownership to the key person or his or her family.</u>

<u>(b)1. If an employer-owner life insurance policy is issued before July 1, 2026, and all the conditions in paragraph (a) are met, the employer must, by January 1, 2027, provide to the key person whose life is covered by the employer-owner life insurance policy the standard form described in subsection (7), which informs the key person that the policy does not benefit the key person, but fully benefits the employer, and that the</u>

key person has the option to opt out of the policy.

2. If an employer-owner life insurance policy is issued on or after July 1, 2026, and before October 1, 2026, the employer must, before purchasing the policy, inform the key person whose life is covered by the employer-owner life insurance policy that the policy does not benefit the key person, but fully benefits the employer, and that the key person has the option to reject the policy.

3. If an employer-owner life insurance policy is issued on or after October 1, 2026, the employer must, before purchasing the policy, provide to the key person the standard form described in subsection (7), which informs the key person that the policy does not benefit the key person, but fully benefits the employer, and that the key person has the option to reject the policy.

(3) CERTAIN EMPLOYER-OWNED LIFE INSURANCE POLICIES PROHIBITED.—

(a) Except as provided in paragraph (7)(b), an employer may not purchase, maintain, or be a beneficiary of an employer-owned life insurance policy if the policy covers a rank-and-file employee or if any of the conditions described in subsection (2) are not met.

(b) Any insurance policy purchased or maintained in violation of paragraph (a) is void as against public policy.

(4) NOTICES; REGISTRY AND REPORTING.—

(a) Each insurer issuing an employer-owned life insurance policy shall file notice with the office. The notice must include the employer's name, the number of employees insured, and the aggregate face value of the policies.

(b) The office shall maintain a publicly searchable online registry of the filings under paragraph (a) and shall publish an annual report of such filings.

(c) An employer that purchases, maintains, or is a beneficiary of an employer-owned life insurance policy shall inform all key persons and shall publicly disclose, such as through publication on the employer's publicly available Internet website, that the employer has met all the requirements of this section.

(5) TAX TREATMENT.—

(a) Premiums, loan interest, or related expenses for employer-owned life insurance are not deductible under the law of this state.

(b) Any death benefit received by an employer under an employer-owned life insurance policy is subject to corporate income tax unless paid directly to the employee's estate or family.

(6) ENFORCEMENT AND PENALTIES.—

(a) An employer that violates this section is liable for civil penalties up to five times the death benefit collected.

(b) An employee's family has a private right of action to

<u>recover the full value of any benefit collected in violation of this section.</u>

<u>(c) An insurer that knowingly issues or administers a policy in violation of this section is subject to an administrative fine of up to $1 million per violation and may have its authority to transact insurance in this state suspended or revoked.</u>

<u>(7) STANDARD FORM.—By October 1, 2026, the office shall adopt a standard form, written in plain and simple language, informing a key person that an employer-owned life insurance policy does not benefit the key person, but fully benefits the employer, and that the key person has the option to reject or opt out of the policy.</u>

<u>(8) APPLICABILITY.—</u>

<u>(a) This section applies to all new policies issued on or after July 1, 2026.</u>

<u>(b) The restrictions on and the prohibitions against employer-owned life insurance policies under subsections (2) and (3), respectively, apply retroactively to existing policies unless the insured employee or the insured employee's family affirmatively opts to maintain the policy and is named as the sole beneficiary, in which case all death benefits shall be paid to the employee's estate or designated family beneficiary.</u>

<u>(c) If any provision of this section is in conflict with any other law, the provisions of this section shall govern.</u>

Section 2. This act shall take effect July 1, 2026.