

By Senator Martin

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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; specifying that employees' families have a specified private right of action under certain circumstances; specifying that insurers that violate certain provisions are subject to a fine of up to \$1 million per violation and may have its authority to transact insurance suspended or revoked; requiring the office to adopt certain standard forms by a specified date; providing applicability and retroactive applicability; providing

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construction; 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 a key person only if all the following conditions are met:

1. The employer has obtained the key person's informed,

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59 written, and revocable consent before purchasing the policy.

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

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

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

71 5. Upon the key person's termination of employment, the
72 employer either cancels the policy or, with the key person's
73 written consent, transfers ownership to the key person or his or
74 her family.

75 (b)1. If an employer-owner life insurance policy is issued
76 before July 1, 2026, and all the conditions in paragraph (a) are
77 met, the employer must, by January 1, 2027, provide to the key
78 person whose life is covered by the employer-owned life
79 insurance policy the standard form described in subsection (7),
80 which informs the key person that the policy does not benefit
81 the key person, but fully benefits the employer, and that the
82 key person has the option to opt out of the policy.

83 2. If an employer-owned life insurance policy is issued on
84 or after July 1, 2026, and before October 1, 2026, the employer
85 must, before purchasing the policy, inform the key person whose
86 life is covered by the employer-owned life insurance policy that
87 the policy does not benefit the key person, but fully benefits

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the employer, and that the key person has the option to reject the policy.

3. If an employer-owned 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 subsection (7), 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

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117 through publication on the employer's publicly available
118 Internet website, that the employer has met all the requirements
119 of this section.

120 (5) TAX TREATMENT.—

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

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

128 (6) ENFORCEMENT AND PENALTIES.—

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

131 (b) An employee's family has a private right of action to
132 recover the full value of any benefit collected in violation of
133 this section.

134 (c) An insurer that knowingly issues or administers a
135 policy in violation of this section is subject to an
136 administrative fine of up to \$1 million per violation and may
137 have its authority to transact insurance in this state suspended
138 or revoked.

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

145 (8) APPLICABILITY.—

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146 (a) This section applies to all new policies issued on or
147 after July 1, 2026.

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

155 (c) If any provision of this section is in conflict with
156 any other law, the provisions of this section shall govern.

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