

TITLE 4: ECONOMIC RESOURCES
DIVISION 7: INSURANCE

§ 7501. Parties, Events, and Interests.

(a) *Capacity to Insure.* Any person capable of making a contract may be an insurer, subject to the restrictions imposed by this division.

(b) *Events Subject of Insurance.* Except as provided in this section, any contingent or unknown event, whether past or future, which may indemnify a person having an insurable interest, or create a liability against him, may be insured against, subject to the provisions of this division.

(c) *Insurable Interest.*

(1) Every interest in property, or any relation thereto, or any liability in respect thereto, of such a nature that a contemplated peril might directly indemnify the insured, is an insurable interest. A mere contingent or expectant interest in anything, not founded upon an actual right to or in the thing, nor upon any valid contract for it, is not insurable.

(2) Every person has an insurable interest in the life and health of:

(A) Himself;

(B) Any person upon whom he or she depends wholly or in part for education or support;

(C) Any person under a legal obligation to him or her for the payment of money or respecting property or services, of which death or illness might delay or prevent performance;

(D) Any person upon whose life any estate or interest vested in the person depends.

(3) If the insured has no insurable interest, the contract is void.

(d) *Insurable Interests: Measure.* Except in the case of property held by the insured as a carrier or depository, the measure of an insurable interest in property is the extent to which the insured might be indemnified by loss of, or injury to, the property.

(e) *Insurable Interest: Carrier or Depository.* A carrier or depository of any kind has an insurable interest in a thing held by him as such to the extent of its value.

(f) *Insurable Interests: Type of Existence.* An interest in property insured must exist when the insurance takes effect and when the loss occurs but need not exist in the meantime; an interest in the life or health of a person insured must exist when the insurance takes effect but need not exist thereafter or when the loss occurs.

(g) *Insurable Interests: Change.* Except in the cases herein specified, and in the cases of life and disability insurance, a change of interest in any part of a subject insured, unaccompanied by a corresponding change of interest in the insurance, suspends the insurance to an equivalent extent until the interest in the subject and the interest in the insurance are vested in the same person.

(1) A change of interest in a subject insured after the occurrence of an injury which results in a loss does not affect the right of the insured to indemnity for the loss.

(2) A change of interest in one or more of several distinct subjects separately insured by one policy does not avoid the insurance as to the others.

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(3) A change of interest by will or succession, on the death of the insured, does not avoid insurance, and his interest in the insurance passes to the person taking his interest in the subject matter insured.

(4) In the case of partners, joint owners, or owners in common, who are joint insured, a transfer of interest by one to another does not avoid insurance, even though it has been agreed that the insurance shall cease upon an alienation of the subject insured.

(h) *Insurable Interests: Transfer.* The mere transfer of subject matter insured does not transfer the insurance, but suspends it until the same person becomes the owner of both the insurance and the subject matter insured.

Source: PL 3-107, § 24.