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**SUBSTITUTE HOUSE BILL 2306**

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**State of Washington**

**52nd Legislature**

**1992 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representative Inslee)

Read first time 02/03/92.

1       AN ACT Relating to life insurance for the benefit of certain tax  
2 exempt organizations; and amending RCW 48.18.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4       **Sec. 1.** RCW 48.18.030 and 1973 1st ex.s. c 89 s 3 are each amended  
5 to read as follows:

6       (1) Any individual of competent legal capacity may procure or  
7 effect an insurance contract upon his own life or body for the benefit  
8 of any person. But no person shall procure or cause to be procured any  
9 insurance contract upon the life or body of another individual unless  
10 the benefits under such contract are payable to the individual insured  
11 or his personal representatives, or to a person having, at the time  
12 when such contract was made, an insurable interest in the individual  
13 insured.

1 (2) If the beneficiary, assignee or other payee under any contract  
2 made in violation of this section receives from the insurer any  
3 benefits thereunder accruing upon the death, disablement or injury of  
4 the individual insured, the individual insured or his executor or  
5 administrator, as the case may be, may maintain an action to recover  
6 such benefits from the person so receiving them.

7 (3) "Insurable interest" as used in this section and in RCW  
8 48.18.060 includes only interests as follows:

9 (a) In the case of individuals related closely by blood or by law,  
10 a substantial interest engendered by love and affection; and

11 (b) in the case of other persons, a lawful and substantial economic  
12 interest in having the life, health or bodily safety of the individual  
13 insured continue, as distinguished from an interest which would arise  
14 only by, or would be enhanced in value by, the death, disablement or  
15 injury of the individual insured.

16 (c) An individual heretofore or hereafter party to a contract or  
17 option for the purchase or sale of an interest in a business  
18 partnership or firm, or of shares of stock of a close corporation or of  
19 an interest in such shares, has an insurable interest in the life of  
20 each individual party to such contract and for the purposes of such  
21 contract only, in addition to any insurable interest which may  
22 otherwise exist as to the life of such individual.

23 (d) A guardian, trustee or other fiduciary has an insurable  
24 interest in the life of any person for whose benefit the fiduciary  
25 holds property, and in the life of any other individual in whose life  
26 such person has an insurable interest.

27 (e) Subject to rules adopted under subsection (4) of this section,  
28 upon joint application with a nonprofit organization for, or transfer  
29 to a nonprofit organization of, an insurance policy on the life of a

1 person naming the organization as owner and beneficiary, a nonprofit  
2 organization's interest in the life of a person if:

3 (i) The nonprofit organization was established exclusively for  
4 religious, charitable, scientific, literary, or educational purposes,  
5 or to promote amateur athletic competition, to conduct testing for  
6 public safety, or to prevent cruelty to children or animals; and

7 (ii) The nonprofit organization:

8 (A) Has existed for a minimum of five years; or

9 (B) Has been issued a certificate of exemption to conduct a  
10 charitable gift annuity business under RCW 48.38.010, or is authorized  
11 to conduct a charitable gift annuity business under RCW 28B.10.485; or

12 (C) Has been organized, and at all times has been operated,  
13 exclusively for benefit of, to perform the functions of, or to carry  
14 out the purposes of one or more nonprofit organizations described in  
15 (e)(ii)(A) or (B) of this subsection and is operated, supervised, or  
16 controlled by or in connection with one or more such nonprofit  
17 organizations; and

18 (iii) For a joint application, the person is not an employee,  
19 officer, or director of the organization who receives significant  
20 compensation from the organization and who became affiliated with the  
21 organization in that capacity less than one year before the joint  
22 application.

23 (4) The commissioner may adopt rules governing joint applications  
24 for, and transfers of, life insurance under subsection (3)(e) of this  
25 section. The rules may include:

26 (a) Standards for full and fair disclosure that set forth the  
27 manner, content, and required disclosure for the sale of life insurance  
28 issued under subsection (3)(e) of this section; and

29 (b) For joint applications, a grace period of thirty days during  
30 which the insured person may direct the nonprofit organization to

1 return the policy and the insurer to refund any premium paid to the  
2 party that, directly or indirectly, paid the premium; and

3 (c) Standards for granting an exemption from the five-year  
4 existence requirement of subsection (3)(e)(ii)(A) of this section to a  
5 private foundation that files with the insurance commissioner  
6 documents, stipulations, and information as the insurance commissioner  
7 may require to carry out the purpose of subsection (3)(e) of this  
8 section.

9 (5) Nothing in this section permits the personal representative of  
10 the insured's estate to recover the proceeds of a policy on the life of  
11 a deceased insured person that was applied for jointly by, or  
12 transferred to, an organization covered by subsection (3)(e) of this  
13 section, where the organization was named owner and beneficiary of the  
14 policy.

15 This subsection applies to all life insurance policies applied for  
16 by, or transferred to, an organization covered by subsection (3)(e) of  
17 this section, regardless of the time of application or transfer and  
18 regardless of whether the organization would have been covered at the  
19 time of application or transfer.