

SENATE BILL REPORT

EHB 1366

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,  
APRIL 5, 1991

**Brief Description:** Exempting terrorism from an insurer's limitations of liability.

**SPONSORS:** Representatives Zellinsky, Broback, Dellwo, Paris, R. Johnson, Winsley, Sheldon, Anderson, Inslee, R. Meyers, Schmidt, Dorn, Scott, Wynne, Ferguson, Mielke, Wood, Bowman, May, Betrozoff, Sprenkle, McLean, Lisk, Silver and Wang.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

**Staff:** Meg Jones (786-7416)

**Hearing Dates:** April 4, 1991; April 5, 1991

**BACKGROUND:**

Since 1947, state law has allowed insurers offering life insurance or pure endowment annuity contracts to limit liability on those contracts if payment was due because of war or any act of war, declared or undeclared, service in the military, suicide within two years of issuance of the policy, or from aviation. By statute, group life insurance contracts may also limit payment for the same criteria, except suicide.

Courts interpret insurance policies by using policy definitions, and if a word or phrase is not defined, by using the understanding of an ordinary layperson of the word or phrase. "Terrorism" is defined in the American Heritage Dictionary as "the systematic use of terror, violence and intimidation to achieve an end," while "war" is defined as "(1)(a) a state of open, armed, often prolonged conflict carried on between nations, states, or parties, (b) the period of such conflict; (2) a condition of active antagonism or contention; and (3) the techniques or procedures of war, military science." Some volumes on military science include terrorism as a technique to be used during war, while others exclude it. Therefore, arguably an insurer could deny benefits to a victim of terrorism under the war exclusion.

The recent conflict to restore the government of Kuwait raised concern that individuals who were victims of Saddam Hussein's

call for terrorism against the Allies would fall into one of these insurance policy exclusions and be denied benefits.

**SUMMARY:**

Life insurance policies, pure endowment contracts, group life insurance contracts and accidental death and dismemberment travel policies may not include acts of terrorism in the definition of war or any act of war as a basis for limiting or denying benefits.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

Currently, some life insurance policies do not cover acts of terrorism on the basis that they are acts of war. This bill is necessary to protect citizens who are victims of terrorism, particularly that which arises as a result of activity by terrorist citizens of a nation with which we are at war. Some insurers will offer policies that cover acts of war or terrorism, even for front line soldiers.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Zellinsky, prime sponsor (pro); Representative Paris, sponsor (pro); Basil Badley, AIA (pro)