

SENATE BILL REPORT

SB 5205

AS OF FEBRUARY 6, 1991

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

SPONSORS: Senators Moore, Wojahn, Gaspard, Snyder and Rasmussen.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Mark Hutson (786-7488)

Hearing Dates: February 7, 1991

BACKGROUND:

The insurance business is based on a number of calculated risks. Some types of coverage have greater risks associated with the nature of their coverage. One such area of high risk is military life insurance policies that serve military personnel and their families. In addition, Washington law permits insurers to exclude coverage for death related to acts of war as to all insurance policies. This means that the recovery from an insurance policy, annuity or pure endowment contract can legally be limited for any citizen, not just soldiers, if the claim is related to war.

Due to the unpredictable outcome of the Iraq conflict some insurance companies refuse to insure military personnel with orders or knowledge of pending order for duty in the Persian Gulf. Saddam Hussein has demanded acts of terrorism occur on Iraq's behalf against the West. Insurance companies could conceivably deny claims that resulted from terrorist acts on the basis that they were "acts of war." This perceived gap in coverage prompted the National Association of Insurance Commissioners to respond last fall with a resolution urging insurers to re-examine the practice of denying military coverage even for non-military situations.

Two major military life insurers say that, with careful planning and setting aside sufficient reserves should enable companies to provide coverage without a war exclusion clause.

SUMMARY:

Insurers may not limit liability under life insurance, annuity or pure endowment contracts under a "war" exclusion if the death for which the claim is made is the result of an act of terrorism.

Appropriation: none

Revenue: none

Fiscal Note: none requested