

SENATE BILL REPORT

SB 6206

AS OF FEBRUARY 3, 1992

Brief Description: Defining insurable interest for employers.

SPONSORS: Senator West

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Tom Fender (786-7414)

Hearing Dates: February 4, 1992

BACKGROUND:

Many citizens fund their long-term personal interests through life insurance proceeds. All life insurance policies must include an "insurable interest" as a provision of their contractual terms. The definition in current law of insurable interest has been interpreted narrowly.

There is a desire to fund employer trusts from the proceeds of life insurance employee beneficiaries. This use of life insurance is currently proscribed. Accordingly, certain employers and insurance carriers desire to include an employer under certain circumstances as a person having an insurable interest under a life insurance contract.

Further, there is a requirement to make employee participation in this process totally consensual. Such language would limit employers from imposing an employer trust on an employee as a condition of employment.

SUMMARY:

The definition of a life insurance contract insurable interest is extended to employer sponsored trusts.

Appropriation: none

Revenue: none

Fiscal Note: none requested