

**SENATE BILL REPORT**

**SB 6241**

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,  
FEBRUARY 7, 1992**

**Brief Description:** Allowing certain nonprofit organizations to insure the life of a person.

**SPONSORS:** Senators von Reichbauer, Moore and Newhouse

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** That Substitute Senate Bill No. 6241 be substituted therefor, and the substitute bill do pass.

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

**Staff:** Tom Fender (786-7414)

**Hearing Dates:** February 4, 1992; February 7, 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 of insurable interest has been interpreted narrowly.

There is interest on the part of many citizens to make a testamentary gift funded through life insurance proceeds to nonprofit charities of their selection. Currently charities may not own such policies, and an opportunity for the nonprofit community to benefit is therefore foreclosed. This type of gift is employed extensively in other states by university systems and larger charitable organizations as part of their fundraising/endowment process.

The effect of such legislation is to benefit charitable organizations and limit legal challenges under wills in that a life insurance contract may be fully funded during the lifetime of the insured.

**SUMMARY:**

The definition of a life insurance contract insurable interest is extended to certain qualifying nonprofit organizations.

**EFFECT OF PROPOSED SUBSTITUTE:**

The Insurance Commissioner is granted rule-making authority to exempt 501 C-3 corporations existing less than five years.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

This bill will free existing policies from the threat of litigation and encourage testamentary gifts using life insurance as funding.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Michael Carrico, Washington State Bar Association (pro); Henry C. Neilsen, Washington State Association of Life Underwriters (pro); Randolph Stime, Camp Brotherhood (pro)