

---

**Financial Institutions &  
Insurance Committee**

---

**ESHB 1230**

**Brief Description:** Regulating insurable interests and employer-owned life and disability insurance.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Simpson, G., Benson, Schual-Berke, Conway, Cooper, Ruderman and Rockefeller; by request of Insurance Commissioner).

**Brief Summary of Engrossed Substitute Bill**

- Requires an employer to provide an employee with specified disclosures with respect to employer-owned insurance policies.
- Requires that an insured consent in writing before he or she is included in a group life insurance policy.

**Hearing Date:** 1/23/04

**Staff:** Carrie Tellefson (786-7127).

**Background:**

In the last several years, the media has reported on a practice by some corporations of obtaining life insurance on low-level, non-salaried employees without their knowledge or consent. In one reported case, a corporate employer received a large cash benefit upon the death of an insured blue-collar employee, thus causing consternation among the decedent's relatives who neither knew of the policy nor received any benefit from it.

Regulatory authority of the Insurance Commissioner.

The Office of the Insurance Commissioner (OIC) is authorized to regulate both the form and content of life and disability insurance contracts that are either *issued* or *delivered* in Washington.

Contractual restrictions.

A person may enter into an insurance contract in order to insure the life of another, but only if:

- The benefits are payable to the insured person or that person's personal representative; or
- the person procuring the contract has an "insurable interest" in the person insured.

Insurable interest.

The term "insurable interest" includes:

- A substantial personal or emotional interest in an insured stemming from close family ties;
- a substantial economic interest in the continuing life, health, or safety of an insured;
- specified financial interests related to certain contracts, business relationships, and stock option arrangements;
- certain interests of guardians, trustees or other fiduciaries with respect to beneficiaries; and
- the interests of a nonprofit organization with respect to certain life insurance policies.

**Summary of Bill:**

- Within 30 days of purchasing a life or disability policy on an employee, an employer must disclose to the employee the identification of the insurer, the benefit amount, and the identity of the beneficiary.
- An insured must consent in writing to the issuance of a *group* life or disability insurance policy.
- Employers are prohibited from retaliating against an employee who will not consent to inclusion in an employer-owned life insurance policy.
- With respect to employer-owned life insurance policies, the regulatory provisions in the bill apply only to those policies issued and delivered after the effective date of the act.
- The bill clarifies that the authority of the OIC to regulate insurance contracts includes all types of insurance other than ocean marine insurance and foreign trade insurance.
- Numerous non-substantive, technical changes are made, involving the renumbering of statutory sections and editorial revisions that clarify existing language.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.