

# SENATE BILL REPORT

## SB 5495

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As of February 5, 2025

**Title:** An act relating to limitation of liability in life insurance policies.

**Brief Description:** Adjusting a limitation of liability in life insurance policies.

**Sponsors:** Senators Saldaña, Warnick, Nobles and Valdez.

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 2/06/25.

**Brief Summary of Bill**

- Reduces, from two years to one year, the suicide exclusion period in individual, industrial, and credit life insurance policies issued or renewed on or after January 1, 2026.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Staff:** John Kim (786-7453)

**Background:** Life Insurance. Life insurance is a contract between an insurer and a policyholder in which the insurer, in exchange for the payment of premiums, guarantees to pay a sum of money to one or more named beneficiaries when the insured person dies. Life insurance may be sold in individual or group policies and different types of life insurance products include term life insurance, which lasts for a certain number of years, versus permanent life insurance, which includes subtypes of whole, universal, indexed, and variable life insurance.

*Credit Life Insurance.* Credit life insurance covers a specific loan or other credit transaction owed by a debtor. If the debtor dies under a credit life insurance policy, the policy provides indemnity for payments becoming due.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

*Industrial Life Insurance.* Industrial life insurance is life insurance provided by an individual insurance contract issued in a face amount of less than \$1,000, under which premiums are payable at least monthly.

Suicide Exclusion Period. Under current law, an insurer issuing an individual, industrial, or credit life insurance policy may limit its liability to a determinable amount not less than the full reserve of the policy and of dividend additions thereto in event only of death occurring under specified circumstances, with one such circumstance being the suicide of the insured, whether sane or insane, within two years from the date of issue of the policy.

In other words, the insurer may limit its liability to refunding premiums paid, rather than paying the death benefit of the policy, if the insured dies of suicide within the first two years of the policy.

Other States and the Interstate Insurance Product Regulation Compact. A majority of states adopt a two-year suicide exclusion period, while Colorado, Minnesota, Missouri, and North Dakota adopt a one-year suicide exclusion period.

Since 2007, Washington is a member of the Interstate Insurance Product Regulation Commission (commission) after adopting the Interstate Insurance Product Regulation Compact (compact) in a 2005 state law. The commission currently includes 46 member states plus Puerto Rico and the District of Columbia. Under the compact, member states delegate to the commission a limited function to accept, review, and approve or disapprove individual and group annuity, life insurance, disability income, and long-term care insurance products submitted by insurers for use in compact member states.

A state may opt out of a uniform standard in the compact by enacting legislation, or by regulation subject to certain requirements.

Current uniform standards in the compact for individual and group life insurance products provide for a maximum suicide exclusion period of up to two years, with an exception requiring a shorter maximum suicide exclusion period where required by state law.

**Summary of Bill:** The suicide exclusion period for individual, industrial, or credit life insurance policies is reduced from two years to one year. The change applies to life insurance policies issued or renewed on or after January 1, 2026.

**Appropriation:** None.

**Fiscal Note:** Requested on January 31, 2025.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill takes effect on January 1, 2026.