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HOUSE BILL 2306

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State of Washington

52nd Legislature

1992 Regular Session

By Representative Inslee

Read first time 01/14/92. Referred to Committee on Financial  
Institutions & Insurance.

1 AN ACT Relating to life insurance for the benefit of certain tax  
2 exempt organizations; amending RCW 48.18.030; and adding a new section  
3 to chapter 48.18 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 48.18.030 and 1973 1st ex.s. c 89 s 3 are each amended  
6 to read as follows:

7 (1) Any individual of competent legal capacity may procure or  
8 effect an insurance contract upon his own life or body for the benefit  
9 of any person. But no person shall procure or cause to be procured any  
10 insurance contract upon the life or body of another individual unless  
11 the benefits under such contract are payable to the individual insured  
12 or his personal representatives, or to a person having, at the time  
13 when such contract was made, an insurable interest in the individual  
14 insured.

1 (2) If the beneficiary, assignee or other payee under any contract  
2 made in violation of this section receives from the insurer any  
3 benefits thereunder accruing upon the death, disablement or injury of  
4 the individual insured, the individual insured or his executor or  
5 administrator, as the case may be, may maintain an action to recover  
6 such benefits from the person so receiving them.

7 (3) "Insurable interest" as used in this section and in RCW  
8 48.18.060 includes only interests as follows:

9 (a) In the case of individuals related closely by blood or by law,  
10 a substantial interest engendered by love and affection; and

11 (b) in the case of other persons, a lawful and substantial economic  
12 interest in having the life, health or bodily safety of the individual  
13 insured continue, as distinguished from an interest which would arise  
14 only by, or would be enhanced in value by, the death, disablement or  
15 injury of the individual insured.

16 (c) An individual heretofore or hereafter party to a contract or  
17 option for the purchase or sale of an interest in a business  
18 partnership or firm, or of shares of stock of a close corporation or of  
19 an interest in such shares, has an insurable interest in the life of  
20 each individual party to such contract and for the purposes of such  
21 contract only, in addition to any insurable interest which may  
22 otherwise exist as to the life of such individual.

23 (d) A guardian, trustee or other fiduciary has an insurable  
24 interest in the life of any person for whose benefit the fiduciary  
25 holds property, and in the life of any other individual in whose life  
26 such person has an insurable interest.

27 (e) An organization described in section 501(c)(3), 501(e), or  
28 501(f) of the internal revenue code has an insurable interest in the  
29 life of an insured if the organization (i) purchases or receives by  
30 assignment life insurance on an insured and the person insured consents

1 in writing to the purchase or assignment, or (ii) the person insured  
2 purchases the insurance contract and designates irrevocably the  
3 organization as beneficiary.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.18 RCW  
5 to read as follows:

6 The provisions of RCW 48.18.030 apply to all insurance contracts  
7 entered into under this chapter.