

SENATE BILL REPORT

SHB 2306

AS OF FEBRUARY 20, 1992

Brief Description: Allowing certain tax-exempt organizations to insure the life of a person.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representative Inslee)

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Tom Fender (786-7414)

Hearing Dates: February 21, 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.

Appropriation: none

Revenue: none

Fiscal Note: none requested