

SENATE BILL REPORT

SB 5267

AS OF FEBRUARY 6, 1991

Brief Description: Restricting the limitations of insurance liability.

SPONSORS: Senator Moore.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Meg Jones (786-7416)

Hearing Dates: February 7, 1991

BACKGROUND:

The war against Iraq commenced January 16, 1991 and involves allied forces from various western nations. The United States has posted over 450,000 troops in the area and leads the coalition forces.

Insurance policies are contracts between the company and the policyholder. The contracts may contain exclusions listing circumstances or risks that the policy will not cover. Courts in Washington have recognized that the premiums charged for insurance coverage are calculated based on the risk of loss insurers have agreed to cover. Exclusions and limits of liability have been judicially recognized as a legitimate means for insurance companies to limit their risks and calculate the premiums charged, as long as the clauses are written in clear and unambiguous language.

The insurance statutes authorize limits on liability that life insurers may place, identifying a cap that can be applied if a claim is made as the result of one of three circumstances: 1) war, any act of war or from any cause while a member of the armed forces of a country at war; (2) suicide within two years of the policy issue; and (3) aviation under conditions specified in the policy. The Legislature enacted these permissible "caps" on liability in 1947.

SUMMARY:

No life insurance policy, annuity or pure endowment contract may limit its liability for death claims occurring as a result of war or any act of war. Neither may an insurer limit its liability for the death of an insured for any cause while a member of the armed forces of any country at war.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect immediately.