

**FINAL BILL REPORT**

**SSB 6241**

**C 51 L 92**

**SYNOPSIS AS ENACTED**

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

**SPONSORS:** Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators von Reichbauer, Moore and Newhouse)

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**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.

Allowing a life insurance contract to be fully funded during the lifetime of the insured would benefit charitable organizations and limit legal challenges under wills.

**SUMMARY:**

The definition of a life insurance contract insurable interest is extended to certain qualifying nonprofit organizations.

The Insurance Commissioner is granted rule-making authority to exempt 501 C-3 corporations existing less than five years.

**VOTES ON FINAL PASSAGE:**

Senate	46	0
House	95	0

**EFFECTIVE:** June 11, 1992