
SUBSTITUTE SENATE BILL 6241

State of Washington

52nd Legislature

1992 Regular Session

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

Read first time 02/07/92.

1 AN ACT Relating to life insurance for the benefit of certain tax
2 exempt organizations; and amending RCW 48.18.030.

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

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

6 (1) Any individual of competent legal capacity may procure or
7 effect an insurance contract upon his own life or body for the benefit
8 of any person. But no person shall procure or cause to be procured any
9 insurance contract upon the life or body of another individual unless
10 the benefits under such contract are payable to the individual insured
11 or his personal representatives, or to a person having, at the time
12 when such contract was made, an insurable interest in the individual
13 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) Subject to rules adopted under subsection (4) of this section,
28 upon joint application with a nonprofit organization for, or transfer
29 to a nonprofit organization of, an insurance policy on the life of a

1 person naming the organization as owner and beneficiary, a nonprofit
2 organization's interest in the life of a person if:

3 (i) The nonprofit organization was established exclusively for
4 religious, charitable, scientific, literary, or educational purposes,
5 or to promote amateur athletic competition, to conduct testing for
6 public safety, or to prevent cruelty to children or animals; and

7 (ii) The nonprofit organization:

8 (A) Has existed for a minimum of five years; or

9 (B) Has been issued a certificate of exemption to conduct a
10 charitable gift annuity business under RCW 48.38.010, or is authorized
11 to conduct a charitable gift annuity business under RCW 28B.10.485; or

12 (C) Has been organized, and at all times has been operated,
13 exclusively for benefit of, to perform the functions of, or to carry
14 out the purposes of one or more nonprofit organizations described in
15 (e)(ii)(A) or (B) of this subsection and is operated, supervised, or
16 controlled by or in connection with one or more such nonprofit
17 organizations; and

18 (iii) For a joint application, the person is not an employee,
19 officer, or director of the organization who receives significant
20 compensation from the organization and who became affiliated with the
21 organization in that capacity less than one year before the joint
22 application.

23 (4) The commissioner may adopt rules governing joint applications
24 for, and transfers of, life insurance under subsection (3)(e) of this
25 section. The rules may include:

26 (a) Standards for full and fair disclosure that set forth the
27 manner, content, and required disclosure for the sale of life insurance
28 issued under subsection (3)(e) of this section; and

29 (b) For joint applications, a grace period of thirty days during
30 which the insured person may direct the nonprofit organization to

1 return the policy and the insurer to refund any premium paid to the
2 party that, directly or indirectly, paid the premium; and

3 (c) Standards for granting an exemption from the five-year
4 existence requirement of subsection (3)(e)(ii)(A) of this section to a
5 private foundation that files with the insurance commissioner
6 documents, stipulations, and information as the insurance commissioner
7 may require to carry out the purpose of subsection (3)(e) of this
8 section.

9 (5) Nothing in this section permits the personal representative of
10 the insured's estate to recover the proceeds of a policy on the life of
11 a deceased insured person that was applied for jointly by, or
12 transferred to, an organization covered by subsection (3)(e) of this
13 section, where the organization was named owner and beneficiary of the
14 policy.

15 This subsection applies to all life insurance policies applied for
16 by, or transferred to, an organization covered by subsection (3)(e) of
17 this section, regardless of the time of application or transfer and
18 regardless of whether the organization would have been covered at the
19 time of application or transfer.