

FINAL BILL REPORT

SSB 6317

C 310 L 08

Synopsis as Enacted

Brief Description: Requiring the payment of interest upon failure to pay death benefits that are payable under the terms of a group life insurance policy.

Sponsors: Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators Berkey and Kline).

Senate Committee on Financial Institutions & Insurance
House Committee on Insurance, Financial Services & Consumer Protection

Background: Individual life insurance policies are required to pay interest on death benefits that are payable under the terms of the policy. The interest begins to accrue on the date of death of the insured at the rate then paid by the insurer on other withdrawable policy proceeds left with the company or 8 percent, whichever is greater. Interest increases an additional 3 percent if benefits have not been paid to the beneficiary within 90 days of receipt of proof of death. In contrast, group life insurance policies do not require the payment of interest on death benefits.

Summary: No interest is due to the payee of a group life insurance policy if the insurer pays the death benefits within 30 days of receipt of satisfactory proof of death. If the insurer fails to make this payment within this 30-day period, then interest is charged from the date of death until payment is made. If the delay in payment extends 90 days from the receipt of proof of death, interest accrues from the 91st day until payment is made at the previous interest rate plus 3 percent. The base interest rate is calculated as the rate then paid by the insurer on other withdrawable policy proceeds left with the company or 8 percent, whichever is greater.

Votes on Final Passage:

Senate	48	0
House	94	0

Effective: June 12, 2008