

HOUSE BILL REPORT

SSB 6317

As Reported by House Committee On:

Insurance, Financial Services & Consumer Protection

Title: An act relating to the payment of interest upon failure to pay death benefits that are payable under the terms of a group life insurance policy.

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).

Brief History:

Committee Activity:

Insurance, Financial Services & Consumer Protection: 2/26/08 [DP].

Brief Summary of Substitute Bill

- Requires insurers to pay the proceeds of any benefits under a policy of group life insurance within 30 days of receiving satisfactory proof of the insured's death.
- Requires insurers to pay interest on the proceeds if they are not paid within the 30-day period.

HOUSE COMMITTEE ON INSURANCE, FINANCIAL SERVICES & CONSUMER PROTECTION

Majority Report: Do pass. Signed by 8 members: Representatives Kirby, Chair; Kelley, Vice Chair; Roach, Ranking Minority Member; Loomis, Rodne, Santos, Simpson and Smith.

Staff: Alison Hellberg (786-7152).

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

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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. Group life insurance policies do not require the payment of interest on death benefits.

Summary of Bill:

Insurers are required to pay the proceeds of any benefits under a policy of group life insurance within 30 days of receiving satisfactory proof of the insured's death. If the proceeds are not paid within this 30-day period, the insurer is additionally required to pay interest on the proceeds from the date of death to the date when the proceeds are paid.

The interest rate is calculated as the rate paid by the insurer on other withdrawable policy proceeds left with the company or 8 percent, whichever is greater. 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.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is truly democracy in action. Most bills in this committee are brought by the regulators or the regulated. This bill was brought to the Senator by a constituent. All of the affected parties were brought together to remedy the problem in the law.

(Opposed) None.

Persons Testifying: Representative Kirby.

Persons Signed In To Testify But Not Testifying: None.