

Collecting the Benefit on a Life Insurance Policy

If you have life insurance, in most cases you will not be around when it comes time to pay off. However, some insurance companies offer policies that allow you to collect at least some of the death benefit on the policy before you die. Typically this occurs when you are faced with an expensive terminal illness, such as cancer or kidney failure. Otherwise, your beneficiaries will collect the death benefit on your policy.

Filing a Claim

To make the process much smoother, inform your spouse or executor of your estate where your policy is located. To file a claim, the beneficiary will need to notify the insurance company's claims department. The claims department then sends a form for the beneficiary to complete and return along with the policy and a certified copy of the insured's death certificate. Keep a copy of the policy and mail everything to the insurer by certified mail, return receipt requested.

Naming a Beneficiary

While still alive, always name a beneficiary on your life insurance policies; the money passes to the beneficiary free of any probate delays or expenses. If you do not name a beneficiary, or if the beneficiary dies before you do, the policy's proceeds are considered part of your probate estate. It could be months before they are distributed. Events such as this one remind us of the importance of taking one day every year to review your affairs and make sure that everything is up to date.

Collecting the Proceeds

In most cases, your beneficiary will receive a check in the mail for the lump-sum amount of the death benefit, unless the beneficiary indicates that he or she wants the money converted into an annuity (which pays a specified sum every year). Some companies make a point of having a company representative deliver the check in person. This may seem like a personal gesture, but sometimes it is a way for the insurer to try to sell its products. As the beneficiary of a life insurance policy, you do not have to accept a visit from a salesperson to get the death benefit paid to you. If you prefer, when a salesperson calls to schedule an appointment,

simply thank him or her politely for the concern and interest and then tell him or her to mail the check.



If the Insurer Denies the Claim

Although most life insurance claims are paid without much fuss on the part of the insurer, there are times when a claim may be delayed or denied. The most common problem occurs when the insured person dies within what is known as the contestability period, typically the first two years that the policy is in force. During this period, if the person named in the policy dies, the company has the right to investigate the cause of death to ensure that the person insured did not misrepresent his or her health in order to obtain the policy. For example, if you were to die of cancer within eight months of buying your policy, and you had known you had the disease at the time you bought the policy, but had lied on the policy application, your beneficiary would not be able to collect on the policy. Your failure to disclose the disease amounts to using fraud to get the coverage. Unfortunately, some insurance companies use the contestability period to deny payment of death benefits when they have only the slightest evidence (or even no real evidence) of a misrepresentation by the insured. They may refuse to pay, hoping that the beneficiary will simply not pursue the claim or agree



CARELINK

FACULTY & STAFF ASSISTANCE PROGRAM

to settle the claim for a smaller amount by suggesting that a court battle for the full amount will take years. If the beneficiary needs the money, he or she may decide to settle and take the smaller amount just to meet mounting expenses. An insurance company that refuses to pay a legitimate claim is acting in bad faith and can be liable not only for paying the benefit but also for punitive damages for its intentional failure to honor its contract. Like other kinds of insurance companies, most life insurance companies are regulated only on the state level. If you have a question or complaint

about the tactics used by a life insurance salesperson, or if you have a problem with the way a life insurer handles your claim, you should contact your state department of insurance. You will find the addresses and telephone numbers of your state's insurance regulators in the government listings of your local telephone directory, or you can visit www.usa.gov. Be aware that some state insurance departments are less than zealous in guarding the rights of consumers, so you may have to file a lawsuit to collect on a life insurance claim that was denied for no legitimate reason.

Resources

- Internal Revenue Service, the United States Department of the Treasury: www.irs.gov

**BENEFITS**

UNIVERSITY of WASHINGTON

Human Resources

Contact UW CareLink

866-598-3978 TDD 800-697-0353

website: <https://hr.uw.edu/benefits/uw-carelink/>