

Regular Session, 2012

SENATE BILL NO. 742

BY SENATOR BROWN

LIFE INSURANCE. Provides relative to payment of life insurance proceeds. (8/1/12)

1 AN ACT

2 To amend and reenact R.S. 22:1811 and to enact R.S. 22:1812, relative to payment of death  
3 benefits; to provide with respect to investigations of preexisting conditions; to  
4 provide for payment of certain benefits pending an investigation; to provide for  
5 prescription of an insurer's right to contest payment due to a preexisting condition;  
6 and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 22:1811 is hereby amended and reenacted and R.S. 22:1812 is hereby  
9 enacted to read as follows:

10 §1811. Payment of claims; life policies; penalty

11 All death claims arising under policies of insurance issued or delivered  
12 within this state shall be settled by the insurer within sixty days after the date of  
13 receipt of due proof of death, and if the insurer fails to do so without just cause, the  
14 amount due shall bear interest at the rate of eight percent per annum from date of  
15 receipt of due proof of death by the insurer until paid, **except as provided in R.S.**

16 **22:1812.**

17 **§1812. Payment of death benefits pending determination of preexisting**

1 condition

2 A. Any death claim arising under a policy of insurance issued or  
3 delivered within this state in which the insurer has reason to believe that the  
4 death was caused by a preexisting condition that was not disclosed by the  
5 insured at the time of issuance of the policy shall be subject to the provisions of  
6 this Section.

7 B.(1) If the insurer contests the payment of death benefits due to the  
8 possibility of a preexisting condition, the insurer shall conduct an investigation  
9 to determine whether or not the preexisting condition caused the death of the  
10 decedent. This investigation shall be completed within a reasonable time after  
11 the insurer receives a valid certificate of death of the insured but in no case shall  
12 the investigation extend more than one year from the insurer's receipt of this  
13 certificate.

14 (2) The right of the insurer to contest payment of death claim benefits  
15 based upon a preexisting condition of the decedent, absent a finding of fraud,  
16 shall prescribe one year from the date of receipt of the certificate of death of the  
17 insured.

18 C. Within ten days after receipt of a valid death certificate and pending  
19 the outcome of an investigation conducted pursuant to this Section, the insurer  
20 shall pay to the beneficiary or beneficiaries under the insurance policy, an  
21 amount equal to the policy premiums paid under the policy from its issuance  
22 until the decedent's death plus interest at the rate provided by law. If the  
23 insurer fails to pay the amounts due under this Subsection within six months  
24 after receipt of the death certificate, then interest on the amounts due after this  
25 six month period shall be computed at an annual rate of twenty-five percent  
26 until the total amount due is paid.

27 D. If the insurer determines that a preexisting condition caused the death  
28 of the decedent, which preexisting condition was not disclosed at the time of  
29 issuance of the insurance policy, and the insurer denies payment of the death

1           **benefits, then within thirty days after completion of the investigation, the**  
 2           **insurer shall provide the named beneficiary or beneficiaries with a clear and**  
 3           **concise statement of its findings with all evidence supporting its findings and the**  
 4           **reasons for denying payment of death benefits under the terms of the insurance**  
 5           **policy.**

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Laura Gail Sullivan.

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#### DIGEST

Present law requires insurers to settle payment of death claims within 60 days after the date of receipt of due proof of death. Requires the insurer who fails to make payment without just cause to also pay interest at 8% per year from date of receipt of proof of death until paid.

Proposed law retains these provisions but provides for payment of certain benefits pending a determination of whether an undisclosed preexisting condition caused the decedent's death.

Proposed law authorizes an insurer to contest payment of death benefits due to the possibility of a preexisting condition. Requires that the investigation be completed within a reasonable time after receipt of a valid certificate of death but in no case more than one year from the insurer's receipt of a valid death certificate. Requires that the right of an insurer to payment of death benefits based upon a preexisting condition, absent a finding of fraud, prescribes one year from the date of receipt of the certificate of death of the insured.

Proposed law further requires that within ten days after receipt of the valid certificate and pending the outcome of an preexisting condition investigation, the insurer to pay to the beneficiary or beneficiaries an amount equal to the policy premiums paid from issuance of the policy until the decedent's death plus interest at the rate provided by law. Provides that if the insurer fails to pay these amounts due within six months after receipt of the death certificate, then interest on the amounts due after this six month period is to be computed at an annual rate of 25% until the total amount due is paid.

Proposed law provides that if the insurer determines that a preexisting condition caused the decedent's death and the condition was not disclosed at the time of issuance of the policy, and the insurer denies payment of the death benefits, then within 30 days after completion of the investigation, the insurer is to provide the named beneficiary or beneficiaries with a clear and concise statement of its findings with all evidence supporting its findings and the reasons for denying payment of death benefits under the terms of the insurance policy.

Effective August 1, 2012.

(Amends R.S. 22:1811; adds R.S. 22:1812)