

**Vermont Department of Banking, Insurance, Securities
and Health Care Administration**

Insurance Division Bulletin 159

INTEREST ON LIFE INSURANCE DEATH BENEFITS

In the course of exercising its market conduct examination responsibilities, the Insurance Division has continued to discover instances where insurers have failed to pay interest on life insurance death benefits in accordance with the requirements of Vermont law. The purpose of this bulletin is to remind insurers of their statutory obligation to pay interest on life insurance policy death claims and to provide guidance about the specific circumstances in which that statutory obligation is applicable.

Section 3665(c)(2) of Title 8 V.S.A. provides that "all payments of claims under policies of life insurance shall include interest accrued from the date of death of the insured." The statutory interest rate for life insurance proceeds is six percent per annum or the rate that the insurance company establishes for proceeds left on deposit, whichever is higher.

In light of Section 3665's broad reference to "all payments of claims under policies of life insurance," it is the Department's position that the statutory interest rate is required to be paid in all of the following situations:

- 1) When the individual or group policy was delivered or issued for delivery in Vermont, regardless of whether the beneficiary resides in Vermont at the time of the death of the owner or certificate holder;
- 2) When the beneficiary resides in Vermont at the time of the death of the owner or certificate holder, regardless of where the group or individual policy was issued; and
- 3) When the group policy was issued outside of Vermont, but the certificate was delivered or issued for delivery to a Vermont resident who is also a resident of this state at the time of his or her death.

Insurers are also advised that life insurance policy filings made with the Division must specifically set forth Section 3665(c)(2)'s requirement that interest be paid from the date of death at the greater of six percent per year or the rate applicable to proceeds left on deposit with the insurer. The Department will continue to reject policy filings which contain a general statement that interest on death benefits will be paid in accordance with state law, since interest requirements vary from state to state and such a general statement fails to inform policyholders of their specific rights under Vermont law.

Inquiries concerning this bulletin should be referred to Phil Keller, Director of Insurance Rates and Forms, at (802) 828-1464, or to Robert LaRose, Esq., Assistant General Counsel, at (802) 828-2921.

Dated at Montpelier, Vermont this 30th day of November, 2010.


Michael S. Bertrand, Commissioner