RULE 105
VERIFICATION OF LIFE INSURANCE BENEFITS

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Section 1. Authority


Section 2. Purpose

The purpose of this Rule is to establish the process by which an insurer who has issued a whole life insurance policy or annuity which funds a prepaid funeral benefits contract, must verify benefits for a contract beneficiary.

Section 3. Requirements

An insurer who has issued a whole life insurance policy or annuity which funds a prepaid funeral benefits contract shall verify the benefits of the contract beneficiary within three (3) business days from the receipt of a notification of death of a contract beneficiary and a request for verification of benefits. The three (3) day timeframe applies whether the request for verification of benefits is made by an owner, beneficiary, or assignee, or the authorized representative of the owner, beneficiary, or assignee.

The insurer is required to verify benefits, without limitation, in the following circumstances:

A. Whether the deceased is a covered person under the policy or annuity;
B. The death benefit amount under the policy or annuity; and
C. Whether the policy or annuity is in the contestability period.

Section 4. Penalties

The commissioner may impose a fine not to exceed five hundred dollars ($500) for each failure to provide the verification required by this Rule and Ark. Code Ann. § 23-40-112(h), and not more than five thousand dollars ($5,000) in the aggregate.
Section 5. Effective Date

This Rule shall apply to all insurers who have issued whole life insurance policies and annuities which fund prepaid funeral benefits contracts. This Rule is effective after review and approval by the Arkansas Legislative Council, ten (10) days after filing of the approved Rule with the Arkansas Secretary of State.

ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS

DATE
State of Arkansas  

92nd General Assembly  

Regular Session, 2019  

By: Representative Capp  

By: Senator D. Wallace  

For An Act To Be Entitled  

AN ACT TO AMEND THE ARKANSAS PREPAID FUNERAL BENEFITS LAW; TO CLARIFY THAT CERTAIN LIFE INSURANCE BENEFITS ARE TO BE VERIFIED WITHIN A CERTAIN AMOUNT OF TIME; AND FOR OTHER PURPOSES.  

Subtitle  

TO AMEND THE ARKANSAS PREPAID FUNERAL BENEFITS LAW; AND TO CLARIFY THAT CERTAIN LIFE INSURANCE BENEFITS ARE TO BE VERIFIED WITHIN A CERTAIN AMOUNT OF TIME.  

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  

SECTION 1. Arkansas Code § 23-40-104 is amended to read as follows:  


Nothing-in Except as provided in § 23-40-112(h)(2), this chapter shall not apply to any licensed insurance company or alter or affect any provisions of the Arkansas Insurance Code.  

SECTION 2. Arkansas Code § 23-40-112(h), concerning prepaid funeral benefits contracts that are funded by a whole life insurance policy or annuity, is amended to read as follows:  

(h)(1) Each seller shall provide advance written notice to the prepaid contract purchaser that the seller intends to procure a single payment whole life insurance policy or annuity on the contract beneficiary to fund the prepaid funeral benefit contract for less money than the total amount of the
cash payment if:

(1)(A) The prepaid funeral benefits contract was
originally intended by the contract purchaser to be fully paid in cash; and

(2)(B) The amount of the single premium payment to the
insurer by the seller is less than the cash payment provided to the seller by
the contract purchaser.

(2)(A) Within three (3) business days from the receipt of
a notification of death of a contract beneficiary and a request for
verification of benefits by an owner, beneficiary, or assignee, or the
authorized representative of the owner, beneficiary, or assignee, an insurer
shall verify the benefits for a contract beneficiary under a whole life
insurance policy or annuity.

(B) The verification of benefits under subdivision
(h)(2)(A) of this section shall include without limitation:

(i) Whether the deceased is a covered person under
the policy or annuity;

(ii) The death benefit amount under the policy or
annuity; and

(iii) Whether the policy or annuity is in the
contestability period.

(C) The commissioner shall promulgate rules regarding
verification of benefits under subdivision (h)(2)(A) of this section.

(D) The commissioner may impose a fine not to exceed five
hundred dollars ($500) for each failure to provide the verification required
under this subdivision (h)(2) and not more than five thousand dollars
($5,000) in the aggregate.

/s/Capp

APPROVED: 3/18/19