



Agency #054.00

RULE 105
VERIFICATION OF LIFE INSURANCE BENEFITS

Table of Contents

Section 1. Authority
Section 2. Purpose
Section 3. Requirements
Section 4. Penalties
Section 5. Effective Date

Section 1. Authority

This Rule is promulgated pursuant to Section Two (2) of Act 500 of 2019 of the Arkansas General Assembly, codified in Ark. Code Ann. § 23-40-112(h); authority is also found in Ark. Code Ann. § 23-61-108, Ark. Code Ann. § 25-15-204, and other applicable laws or rules.

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

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019
4

As Engrossed: H2/20/19 H2/28/19

A Bill

HOUSE BILL 1391

5 By: Representative Capp
6 By: Senator D. Wallace
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE ARKANSAS PREPAID FUNERAL BENEFITS
10 LAW; TO CLARIFY THAT CERTAIN LIFE INSURANCE BENEFITS
11 ARE TO BE VERIFIED WITHIN A CERTAIN AMOUNT OF TIME;
12 AND FOR OTHER PURPOSES.
13

Subtitle

14
15
16 TO AMEND THE ARKANSAS PREPAID FUNERAL
17 BENEFITS LAW; AND TO CLARIFY THAT CERTAIN
18 LIFE INSURANCE BENEFITS ARE TO BE
19 VERIFIED WITHIN A CERTAIN AMOUNT OF TIME.
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21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 *SECTION 1. Arkansas Code § 23-40-104 is amended to read as follows:*
25 *23-40-104. Arkansas Insurance Code not affected.*

26 *~~Nothing in~~ Except as provided in § 23-40-112(h)(2), this chapter shall*
27 *not apply to any licensed insurance company or alter or affect any provisions*
28 *of the Arkansas Insurance Code.*
29

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

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



1 cash payment if:

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

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

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

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

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

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

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

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

23 (D) The commissioner may impose a fine not to exceed five
24 hundred dollars (\$500) for each failure to provide the verification required
25 under this subdivision (h)(2) and not more than five thousand dollars
26 (\$5,000) in the aggregate.

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28
29 /s/Capp

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32 APPROVED: 3/18/19