

CHAPTER 256

INSURANCE

HOUSE BILL 99-1344

BY REPRESENTATIVES King, Fairbank, Johnson, Kester, Larson, Lee, May, Mitchell, Sinclair, Spradley, Swenson, Vigil, Webster, T. Williams, and McKay;
also SENATOR Teck.

AN ACT

CONCERNING THE CALCULATION OF AMOUNTS TRANSFERRED FROM A LIFE INSURER TO A BENEFICIARY OR POLICYHOLDER.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 10-7-112 (1), Colorado Revised Statutes, is amended to read:

10-7-112. Interest payable on benefits or proceeds. (1) Notwithstanding any other provision of law, each insurer admitted to transact the business of life insurance in this state shall pay interest ~~at the rate of at least eight percent per annum computed from the date of death~~ ON THE DEATH BENEFITS USING AN INTEREST RATE THAT IS NOT LESS THAN THE RATE OF INTEREST FOR PROCEEDS LEFT ON DEPOSIT WITH THE INSURER AND SUBJECT TO WITHDRAWAL ON DEMAND FOR THE PERIOD BEGINNING AT THE DATE OF DEATH THROUGH THIRTY DAYS FOLLOWING THE DATE OF RECEIPT BY THE INSURER OF A COMPLETE REQUEST FOR PAYOUT INCLUDING DUE PROOF OF DEATH. FROM THAT DATE until the date of settlement of the claim, THE ANNUAL RATE OF INTEREST SHALL BE TWO PERCENTAGE POINTS ABOVE THE FEDERAL DISCOUNT RATE, WHICH RATE SHALL BE THE RATE OF INTEREST A COMMERCIAL BANK PAYS TO THE FEDERAL RESERVE BANK OF KANSAS CITY USING A GOVERNMENT BOND OR OTHER ELIGIBLE PAPER AS SECURITY AND SHALL BE ROUNDED TO THE NEAREST FULL PERCENT. IF THE CLAIM IS DENIED AND A JUDGMENT IS RENDERED AGAINST THE INSURER, THE ANNUAL RATE OF INTEREST FROM THE DATE THE ACTION WAS FILED UNTIL PAYMENT OF THE CLAIM SHALL BE FOUR PERCENTAGE POINTS ABOVE THE FEDERAL DISCOUNT RATE, EXCEPT TO THE EXTENT SUCH PROCEEDS WERE DEPOSITED WITH THE COURT IN AN INTERPLEADER ACTION. Any other life insurance policy or contract benefits shall accrue interest at a rate of at least ~~eight percent per annum~~ TWO PERCENTAGE POINTS ABOVE THE FEDERAL DISCOUNT RATE when any such benefits are not paid more than thirty days after the date of receipt by an insurer of a complete request for payment

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

from an insured. THE RATES REFERRED TO IN THIS SUBSECTION (1) SHALL BE DETERMINED USING A WEIGHTED AVERAGE OF THE RATES IN EFFECT DURING THE APPLICABLE PERIOD BASED UPON THE NUMBER OF DAYS THE RATE WAS IN EFFECT.

SECTION 2. 10-7-302 (1) (g), Colorado Revised Statutes, is amended to read:

10-7-302. Compulsory policy provisions. (1) On and after the operative date of this part 3, no policy of life insurance, except as stated in section 10-7-307, shall be delivered or issued for delivery in this state by any foreign or domestic life insurance company unless it contains in substance the following provisions or corresponding provisions which, upon findings of fact by the commissioner, are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified in this section, and are essentially in compliance with section 10-7-306.1:

(g) A notice prominently printed on the first page of the policy or attached thereto stating in substance that the policyholder shall have the right to return the policy within fifteen days of its delivery and to have any premium refunded if, after examination of the policy, the policyholder is not satisfied for any reason AND, IN THE CASE OF A VARIABLE LIFE INSURANCE POLICY, THE AMOUNT REFUNDED SHALL BE THE ACCOUNT VALUE CALCULATED AS OF THE DATE THE POLICY IS RETURNED PLUS ANY POLICY FEE OR CHARGE DEDUCTED FROM THE POLICY. Any refund made pursuant to this paragraph (g) shall be paid directly to the policyholder by the insurer in a timely manner.

SECTION 3. Effective date - applicability. (1) This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

(2) The provisions of this act shall apply to the calculation of amounts transferred from life insurers to beneficiaries or policyholders on or after the applicable effective date of this act.

Approved: May 29, 1999