



## Claiming Life Insurance Benefits

Life insurance benefits are not paid automatically, so if you are the beneficiary of a policy, you must file a claim in order to receive any money. However, if this is the only step you take, you may be missing out on other life insurance benefits to which you are entitled if you fail to locate all of the life insurance benefits that the deceased was entitled to.

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However, if this is the only step you take, you may be missing out on other life insurance benefits to which you are entitled if you fail to locate all of the life insurance benefits that the deceased was entitled to. If you spend time uncovering these hidden policies, you may end up with a great deal more money from life insurance than you expected.

## Finding Individually Owned Life Insurance Policies

Your spouse or family member may have owned one or more permanent or term life insurance policies. Individually owned term or permanent policies are what most people think of as life insurance. These policies are purchased by one person and pay benefits when the insured person dies. If your spouse or family member owned one of these policies, he or she probably kept it with his or her important papers in a file or in a safe-deposit box.

However, if you know that your spouse or family member owned an individual policy and you can't find it, call his or her insurance agent or company to check. It may be wise to review canceled checks to see if you can locate any premium payments to insurance companies. If you know that there was a policy but you can't find it, check the Internet or call your state insurance department for the names of



companies that may, for a fee, help you locate a policy.

## **Finding Group Life Insurance Policies**

Group life insurance policies provide coverage to many people under one policy. Group insurance policies may be issued through an employer, bank, credit agency, or other professional or social organizations, and they often pay benefits in specialized circumstances. Because the group holds the actual policy, the insured person receives a certificate of insurance as proof that he or she is insured. Look for these certificates in your spouse's or family member's personal papers, files, and safe-deposit box. If you can't find any certificates, this doesn't mean that your spouse wasn't insured. You should still check with your spouse's or family member's employer, bank, or credit agency, or study loan paperwork or purchase contracts. Read the following sections for information about types of group policies that your spouse or family member may have owned.

## **Employer-Based Group Life Insurance**

If your spouse or family member was employed at the time of his or her death, you may be the beneficiary of a life insurance policy issued through his or her employer. Because some employers offer their employees a certain amount of life insurance at no cost, you may not even be aware that your spouse or family member was insured by a group policy because he or she did not pay his or her own premiums. What's more, your spouse or family member may have had the option of purchasing additional group life insurance through his or her employer, paying the extra premiums himself or herself. So, before assuming that your spouse or family member did not have group life insurance, you should check his or her pay stubs and call his or her employer.

## **Accidental Death and Dismemberment Policy**

Your spouse or family member may have been offered an accidental death and dismemberment policy through an employer, credit card, or bank. These policies pay benefits if an insured individual dies accidentally. This is another type of life insurance you may be unaware that your spouse or family member had because, occasionally, these policies are offered as part of a loan package or even issued as a free benefit by banks or as a rider to an employer-issued insurance policy. If your spouse or family member died accidentally, look for such a policy in his or her files, or contact his or her employer, bank, credit card issuer, or insurance company.

## **Travel Accident Insurance**

If your spouse or family member was killed while traveling by air, boat, or train, you may be eligible to receive the proceeds from a travel accident insurance policy that he or she may have purchased when buying tickets. In addition, if your spouse or family member used a credit card to purchase travel tickets, you may be automatically entitled to a life insurance benefit payable if he or she dies as a result of an accident when using those tickets. Some travel agencies and road and travel clubs also routinely issue travel accident insurance policies, and employers sometimes pay death benefits to employees who are killed while traveling on company business.



## **Mortgage Life Insurance**

If your spouse or family member owned a house, he or she may have purchased mortgage life insurance. A mortgage life insurance policy pays off the balance of the policyholder's mortgage upon his or her death. If you're not sure whether your spouse or family member purchased such a policy, check with the mortgage lender.

## **Credit Life Insurance**

Banks and finance companies routinely offer credit life insurance when someone takes out a loan or is issued a line of credit. This insurance will pay off the outstanding balance of a loan or account if the insured individual dies. A few extra dollars are added to the monthly loan payments to pay the premiums. Because this type of policy is so profitable for the bank or finance company, most institutions try to sell it when someone finances a purchase or signs up for a line of credit, and occasionally they add it to a contract before the individual signs the contract. So, it's likely that you won't find out that your spouse or family member owned such a policy unless you check with credit card companies, banks, or any lenders to whom your spouse or family member owed money at the time of his or her death.

## **How Do You File a Life Insurance Benefit Claim?**

- Notify the insurance company that the policyholder has died: You should contact the insurance company as soon as possible. Call the policyholder services department directly. Or, if the life insurance policy was issued through an agent or an employer, ask them to notify the company for you to begin the claims process.
- File a claim form: You'll begin the claims process by filling out and signing a claimant's statement, and then attaching to it an original or certified copy of the policyholder's death certificate. If you are too distraught to fill out the form yourself, your insurance agent may fill it out for you, although you'll still have to sign it. If another beneficiary is named on the policy, that person must also fill out a claim form. You may also have to fill out IRS Form W-9 (Request for Taxpayer Identification Number and Certification), which will enable the insurance company to notify the IRS of any interest it has paid to you on the value of the policy. To expedite your claim, follow the insurance company's instructions carefully.
- Wait for the company to process the claim: Life insurance claims are usually paid quickly, often within a few days. First, however, the insurance company will ensure that you are the beneficiary of the policy, that the policy is current and in force, and that all conditions of the policy have been met. This is usually a simple matter and does not delay the claims process. Claims are more often delayed because the insurance company has not received a valid death certificate. The insurance company also has a right to contest (and perhaps deny) a claim if the insured died within two years following the purchase of the policy and the insurance company believes that there was fraud or a material misstatement made on the application.

## **How Should You Receive the Life Insurance Proceeds?**



Life insurance proceeds are often paid as lump-sum cash payments. Most people elect this form of payment because it enables them to control how the insurance money is invested or spent. In addition, if you elect to receive a lump-sum payment, you will not owe income tax on the life insurance proceeds.

Another way of receiving the proceeds of a life insurance policy is through a settlement option. Many types of settlement options are available for a beneficiary who is unable or unwilling to manage a lump sum of cash. Either the policyowner chooses the settlement option at the time he or she purchases the policy, or the beneficiary chooses the option at the time the benefit becomes payable (unless the policyowner had chosen an irrevocable option). You will find the available settlement options in the insurance policy.

Note: Some settlement option choices, such as payment as a life annuity, are irreversible. It may be best to take a lump-sum cash payment, put the money in the bank, and contact a qualified financial advisor.

*Source: Broadridge Investor Communication Solutions, Inc.*

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