

CHAPTER 91

AN ACT concerning payment of proceeds under certain life insurance policies, amending N.J.S.17B:25-11 and N.J.S.17B:27-10 and supplementing Title 17B of the New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. N.J.S.17B:25-11 is amended to read as follows:

Payment of claims.

17B:25-11. a. There shall be a provision that when benefits under the policy shall become payable by reason of the death of the insured, settlement shall be made within 60 days after receipt of due proof of death and, at the insurer's option, surrender of the policy or proof of the interest of the claimant or both.

b. If a claim or a portion of a claim for benefits under a policy requires additional investigation or is denied by the insurer, the claimant shall be notified in writing no later than the 45th calendar day following receipt by the insurer of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer under the terms of the policy, that the claim, or a portion thereof, is subject to additional investigation or denied, and the reason the claim is being investigated or denied. Notwithstanding the provisions of this subsection b. to the contrary, the notice to the claimant for any claim which the insurer concludes, based upon its investigation and which conclusion is reasonably based upon the contents of the insurer's claim file, constitutes probable cause for fraud shall not be required to contain the specific reasons for the investigation. A conclusion of fraud that is not reasonably based upon the contents of the insurer's claim file, notwithstanding that the violation did not occur with such frequency as to indicate a general business practice, shall be a violation of section 1 of P.L. 1975, c. 101 (C. 17B:30-13.1). Any uncontested portion of a claim shall be paid no later than the 60th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer under the terms of the policy.

c. The insurer, upon receipt of any document or information requested relating to a claim or portion of a claim under investigation, shall pay the benefits for which the claim is made or deny the claim no later than the 90th calendar day following the receipt of the document or information.

d. Payment of a claim or a portion thereof that is not under investigation by the insurer shall be overdue if not remitted to the claimant by the insurer on or before the 60th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer pursuant to the policy. Payment of a claim or a portion of a claim under investigation or denied that becomes eligible for payment shall be overdue if not remitted to the claimant by the insurer on or before the 90th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer. Overdue payments shall bear an annual rate of interest equal to the average rate of return of the State of New Jersey Cash Management Fund, established pursuant to section 1 of P.L.1977, c.281 (C.52:18A-90.4), for the preceding fiscal year, rounded to the nearest one-half percent.

2. N.J.S.17B:27-10 is amended to read as follows:

Standard provisions.

17B:27-10. No policy of group life insurance shall be delivered or issued for delivery in this State unless it contains in substance the provisions in N.J.S.17B:27-11 to N.J.S.17B:27-21, inclusive, and section 3 of P.L.2001, c.91 (C.17B:27-10.1), provided, however, a. that N.J.S.17B:27-17 to N.J.S.17B:27-21, inclusive, shall not apply to policies issued in accordance with N.J.S.17B:27-3, but N.J.S.17B:27-22 and N.J.S.17B:27-23 shall be applicable to such policies, and that N.J.S.17B:27-19 to N.J.S.17B:27-21, inclusive, shall not apply to policies issued in accordance with N.J.S.17B:27-7; b. that the provisions required for individual life insurance policies shall not apply to group life insurance policies; and c. that if the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture

provision or provisions which in the opinion of the commissioner is or are equitable to the insured persons and to the policyholder, but nothing herein shall be construed to require that group life insurance policies contain the same form of nonforfeiture provisions as are required for individual life insurance policies. Any policy of group life insurance may be delivered in this State which in the opinion of the commissioner contains provisions as favorable to the persons insured and to the policyholder as the following provisions and may be issued by any insurer of this State for delivery outside of this State when containing provisions in addition to or differing from the following provisions; provided, such policy conforms to the laws of the state or country in which it is delivered.

C.17B:27-10.1 Payment or denial of claim, time limits.

3. a. Notwithstanding any policy provision to the contrary, benefits under the policy shall become payable by reason of the death of the insured within 60 days after receipt of due proof of death and, at the insurer's option, proof of the interest of the claimant.

b. If a claim or a portion of a claim for benefits under a policy requires additional investigation or is denied by the insurer, the claimant shall be notified in writing no later than the 45th calendar day following receipt by the insurer of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer under the terms of the policy, that the claim, or a portion thereof, is subject to additional investigation or denied, and the reason the claim is being investigated or denied. Notwithstanding the provisions of this subsection b. to the contrary, the notice to the claimant for any claim which the insurer concludes, based upon its investigation and which conclusion is reasonably based upon the contents of the insurer's claim file, constitutes probable cause for fraud shall not be required to contain the specific reasons for the investigation. A conclusion of fraud that is not reasonably based upon the contents of the insurer's claim file, notwithstanding that the violation did not occur with such frequency as to indicate a general business practice, shall be a violation of section 1 of P.L.1975, c.101 (C.17B:30-13.1). Any uncontested portion of a claim shall be paid no later than the 60th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer under the terms of the policy.

c. The insurer, upon receipt of any document or information requested relating to a claim or portion of a claim under investigation, shall pay the benefits for which the claim is made or deny the claim no later than the 90th calendar day following the receipt of the document or information.

d. Payment of a claim or a portion thereof that is not under investigation by the insurer shall be overdue if not remitted to the claimant by the insurer on or before the 60th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer pursuant to the policy. Payment of a claim or a portion of a claim under investigation or denied that becomes eligible for payment shall be overdue if not remitted to the claimant by the insurer on or before the 90th calendar day following receipt of due proof of death, proof of the interest of the claimant, or any other document or information requested by the insurer. Overdue payments shall bear an annual rate of interest equal to the average rate of return of the State of New Jersey Cash Management Fund, established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4), for the preceding fiscal year, rounded to the nearest one-half percent.

4. This act shall take effect on the 90th day after enactment.

Approved May 10, 2001.