

Counselor's Corner



Does A Policy Pay Where the Insured Is Murdered?

Situation: The topic for this month's *Counselor's Corner* reminded me of the television crime drama series from the 1980-90s "Murder She Wrote." That show revolved around the daily life of Jessica Fletcher, a successful mystery writer, who proves to be better at solving murders by carefully piecing together clues. Researching this issue provided some fascinating reading – as interesting as trying to solve the murder before Ms. Fletcher.

Solution: In many cases life insurance benefits are paid if an insured is murdered, but the circumstances must be examined as well as the provisions of the specific insurance contract. Following are some situations:

Death During the Contestability Period. One of the most common life insurance provisions permits an insurance carrier to investigate an insured's death for any reason during the contestability period. The objective of this provision is to catch fraud and suicide to avoid payment of the death benefit claim.

The suicide of the insured automatically voids the policy when the suicide occurs during the contestability period. However, if suicide occurs after the period the insurance company is obligated to pay the claim. It's not always easy to prove suicide so when its questionable carriers typically pay the benefit.

Likewise, if death occurs during the contestability period and the insurance carrier determines that intentionally inaccurate or misleading information was provided to acquire the policy no benefits will be paid. Providing false information on an insurance application is considered fraud and voids the policy if the misinformation is detected during the contestability period and the misinformation must be material.

Murder by Beneficiary. The law has long frowned on people profiting off murder. So, if an insured is murdered a claims representative by the carrier will investigate to determine if the beneficiary is a suspect.

Under the Slayer laws in effect it states if the beneficiary murdered the insured s/he will not receive the death benefit. However, unlike the above situation in this case the death benefit will be paid. Typically, the death benefit passes to the policy's contingent beneficiary. If there are no contingent beneficiaries a court will decide. Often it will go to the insured's estate.

What if the Insured Dies While Committing a Crime? To determine whether a death benefit will be paid if the insured is killed while committing a crime you need to look at the specific contract language.

If the policy itself does not exclude it, it's covered and the death benefit will be paid. Even if death occurs during a heinous act like terrorism, if the policy does not contain an exclusion the benefit is paid. After all, the proceeds benefit the beneficiary not the insured. An argument can be made that the beneficiary who may be a spouse or child should not be punished for the insured's sins.

Some policies stipulate that a policy is void and death benefits will not be paid if the insured's death occurs as the result of his/her participation in a criminal activity/felony. In this case the carrier claims department will conduct an investigation to determine if a criminal behavior resulted in the insured's death.

In summary. In many situations life insurance benefits are paid when the insured is murdered. However, there are some circumstances where benefits will be denied or not paid.

This material has been prepared to assist our licensed financial professionals and clients' advisors. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that we are not rendering legal, accounting or tax advice. Such services must be provided by the client's own advisors. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding penalties under the Internal Revenue Code.

**Securities and Insurance Products:
Not Insured by FDIC or Any Federal Government Agency. May Lose Value.
Not a Deposit of or Guaranteed by Any Bank or Bank Affiliate.**

©2018 Diversified Brokerage Services, Inc.
5501 Excelsior Blvd., Minneapolis, MN 55416-5153
www.DBS-LifeMark.com

