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SENATE BILL NO. 86

Offered January 8, 2014

Prefiled December 20, 2013

A BILL to amend and reenact § 38.2-3115 of the Code of Virginia, relating to interest on life insurance and annuity contract proceeds.

Patrons—Watkins and McWaters

Referred to Committee on Commerce and Labor**Be it enacted by the General Assembly of Virginia:****1. That § 38.2-3115 of the Code of Virginia is amended and reenacted as follows:****§ 38.2-3115. Interest on life insurance and annuity contract proceeds.**

A. If an action to recover the proceeds due under a life insurance policy or annuity contract results in a judgment against the insurer, interest on the judgment at the legal rate of interest shall be paid from (i) the date of presentation to the insurer of proof of death on a life insurance policy or annuity contract or (ii) the date of maturity of an endowment policy to the date judgment is entered.

B. If no action is brought, interest upon the principal sum paid to the beneficiary or policyowner shall be computed daily at an annual rate of ~~2 1/2~~ *two and one-half* percent or at the annual rate currently paid by the insurer on proceeds left under the interest settlement option, whichever is greater, commencing (i) from the date of death on a life insurance policy or annuity contract claim ~~and~~; (ii) *from the date of receipt of a completed claim form on a variable annuity contract claim*; or (iii) from the date of maturity of an endowment contract to the date of payment. The interest shall be added to and become a part of the total sum payable.

C. No insurer shall be required to pay interest computed under this section if the total interest is less than five dollars.

D. This section shall not apply to (i) credit life insurance for which the premium is paid wholly from funds of the creditor with no specific identifiable charge being made to insureds for the insurance and upon which post-death interest on the indebtedness is waived by the creditor in an amount at least equal to the amount of interest that would otherwise be payable under this section; (ii) credit life insurance payable in whole or in part to a creditor that is an affiliate, as defined in § 13.1-725, of the insurer and that does not charge interest on the indebtedness from the date of death of the insured; or (iii) policies or contracts issued prior to July 1, 1977, but shall apply to any renewals or reissues of group life insurance policies or contracts occurring after that date.