

Keep beneficiary designations current

Think you know who will receive the proceeds of your life insurance benefit? If you didn't designate a beneficiary on your application, don't be so sure.

In the administration of life insurance claims, distributing benefits to the proper beneficiary is paramount. Yet, insured individuals who take the time to determine the right amount of coverage often neglect this most important aspect of buying a policy – who will receive the benefit.

“When an employee passes away and the beneficiary information is up-to-date, we're able to exchange the appropriate information and pay the claim easily and quickly,” says Ross Stedman, manager of Group Claims for Minnesota Life.

When there is no designated beneficiary, the “order of priority” in the policy, also known as the plan default, provides for the distribution of the life insurance benefit based on one's relationship to the insured. Ross Stedman sees firsthand the importance of an up-to-date beneficiary designation. “When it's not up-to-date and an employee's situation has changed before they pass away, we may have the challenge of determining the rightful beneficiary,” he says, “a task made more difficult because the source of the information is no longer living.”

What's the problem with relying on relationships? Like life itself, relationships often change. Over time, events such as marriage, divorce, the birth or adoption of a child, remarriage and death may dramatically change an insurance buyer's original intent of how and to whom benefits are paid.

For example, an employee who enrolled for group life insurance assumed that the plan's 'order of priority' would properly distribute the life insurance benefits to his spouse, then to his three minor children, and didn't bother to fill out a beneficiary designation. Several years later, he divorced and then remarried. Unfortunately, he still did not fill out a beneficiary designation after he remarried. When he passed away, the benefits went to his current spouse. His intentions to care for the children from his first marriage were not met.

“An insured may designate a beneficiary and never give it another thought,” adds Stedman. “As a result, we may end up with multiple parties competing for benefits at claim time.”

If your employer offers life-events counseling as part of its benefit program, a status change – such as marriage, divorce or the birth of a child – presents another opportunity to review your beneficiary designation(s). This simple step may be all that's needed to avoid unnecessary problems at claim time.

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Both companies are headquartered in Saint Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.