Important Information About Changing The Beneficiary On A Life Insurance Policy

Commonly Asked Questions

IMPORTANT NOTICE

Throughout your life you are likely to experience changes such as birth, adoption and marriage that may result in you wanting to re-examine your choice of beneficiary. It is critical that you review your personal situation regularly to ensure benefits are provided to the people you want to protect financially.

You may wish to seek the advice of a licensed financial advisor or legal representative for your specific financial planning needs.

What Is The Purpose Of A Beneficiary Designation?

The purpose of designating a beneficiary is to instruct Colonial Life how to distribute any payable proceeds of the policy(s) upon the Insured's death.

What Happens If No Beneficiary Is Designated?

In most cases benefits are paid to the insured's estate. However, some insurance policies state who is entitled to benefits if no beneficiary was named or if the named beneficiary predeceased the insured.

Who Must Sign the Change of Beneficiary Form?

The Change of Beneficiary Form must be signed and dated by the person or persons who, under the terms of the policy, have the right to change the beneficiary. This person is usually the Policyowner.

A Witness must sign the form in ink and print their name and address. The Witness must be someone other than the Insured, the designated Beneficiaries listed on the form, or the Policyowner.

If the previous beneficiary was designated as an irrevocable beneficiary, that person's signature is also required.

An individual granted a Durable Power of Attorney (POA) by the Policyowner may designate a Beneficiary on behalf of the Policyowner. A copy of the POA must be returned with the completed Change of Beneficiary Form.

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What Should I Consider When Naming Life Insurance Beneficiaries?

- Always name a **"contingent" or secondary beneficiary** in case the Insured outlives the "primary" or first beneficiary.
- If "**Estate**" is selected as your beneficiary, be aware any proceeds paid will have to go through probate with the rest of the deceased's assets. Benefits cannot be paid directly to the deceased's family. As part of the estate, life insurance proceeds, though normally tax exempt, may incur estate taxes and may be reduced by the claims of creditors.
- **Minor Beneficiaries:** Life Insurance proceeds cannot be paid to a beneficiary who is a minor or to the natural parents of a minor for the child's benefit unless the parent has been appointed by the court as a guardian of the child's interest. If any of the named beneficiaries are minors, a legal guardian or conservator must be appointed by the court in order to pay the policy proceeds. If we do not receive letters of guardianship, Colonial Life can hold the proceeds until the minor beneficiary reaches the age of majority (usually 18, 19 or 21, depending on the state). Interest will be paid on any funds held by Colonial Life for a minor beneficiary.
- If you name a "Trustee" of a Trust as a beneficiary, you must name the Trust and provide the date the Trust was established. Examples:
  - James Edward Doe Trust Agreement date February 1, 2007; Mary Jane Doe, Trustee
  - James Edward Doe Trust created in the instrument admitted to probate as the Last Will and Testament of the Insured; Mary Jane Doe, Trustee
- **Special Notice for Residents of a Community Property State:** A former spouse may have an interest in life insurance proceeds if the policy premiums were paid with community funds. It is your responsibility to consult your legal advisor to 1) ensure that any required consent from a former spouse has been received and 2) ensure that your former spouse will not be able to make a claim against the proceeds in the event any benefits become payable under the policy.
- An individual granted a **Durable Power of Attorney (POA)** by the Policyowner may designate a Beneficiary on behalf of the Policyowner. A copy of the POA must be returned with the completed Change of Beneficiary Form. The person granted POA should sign the form as POA for the Policyowner. Example: Jane M. Doe, POA for John W. Doe, Policyowner.
- **Funeral Homes:** A funeral home may be designated as a Primary Beneficiary. Naming a funeral home as the primary beneficiary means all proceeds will be paid to the funeral home regardless of the cost of the services provided. If you wish, you can also designate another primary beneficiary to receive any remaining benefits available after the funeral home's expenses have been paid. This can be done by listing two primary beneficiaries. One, list the funeral home's name and ["as interest may appear"] as the first primary beneficiary and two, list another primary beneficiary's name and ["for remaining balance"]. The phrase "as interest may appear" indicates to us that this funeral home is expected to perform the funeral and/or memorial services.

Will I receive confirmation of the change in my beneficiary designation?

Yes. We will confirm the change by US Mail once the form has been approved by us.

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Definitions

CHILDREN OF THE INSURED: Includes any lawful children born to or legally adopted by the Insured. Example of this designation: Children of the Insured, equally.

CHILDREN OF THE MARRIAGE: Includes only children born of the marriage of the Insured and spouse named, and those legally adopted by them. It ***does not*** include natural or legally adopted children *of a different marriage (ex: step children).* Example of this designation: Children of the marriage of the Insured and Jane Doe, equally.

CHILDREN BORN OF THE MARRIAGE OF THE INSURED: Includes natural born children of the Insured and named spouse. Excludes legally adopted children. Example of this designation: Children *born* of the marriage of the Insured and John Doe, equally.

CONTINGENT BENEFICIARY: Person or persons to receive any life insurance proceeds if no one listed as the Primary Beneficiary is living at the time of the Insured's death. You may name as many contingent beneficiaries as you want.

COMMUNITY PROPERTY LAWS

In most states, ownership of personal property by married couples is governed by common law rules. That is, the ownership of the property depends on how it is "titled", or held, by the owner or owners. However, a few states have adopted special rules regarding property ownership by married couples. These special rules, known as "community property" laws, change the common law rules that would otherwise govern.

In these community property states, property owned by a spouse consists of the spouse's separate property and a one-half interest in the community property owned by the married couple. The separate property interest and the community property interest can be sold, given as a gift, or transferred under a will.

Community property generally includes the following items:

- Any income that a spouse acquired from his or her job during the marriage;
- Any property a spouse acquires with his or her employment income; and
- Any property, though originally classified as separate property that becomes community property, as defined by the state laws.

If your policy was issued in a community property state and you have questions about Community Property, you should contact your attorney.

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Special Notice for Residents of a Community Property State:

A spouse or former spouse may have an interest in life insurance proceeds if the policy premiums were paid with community funds. It is your responsibility to consult your legal advisor to 1) ensure that any required consent from a spouse or former spouse has been received, and 2) ensure that your spouse or former spouse will not be able to make a claim against the proceeds in the event any benefits become payable under the policy.

ESTATE: Generally, this is all the property owned by the Insured at his death.

GRANDCHILDREN'S CLAUSE (per stirpes): When a son or daughter is named as beneficiary, the clause, in effect, makes your grandchildren beneficiaries as a result of the death of their parent. Check the appropriate box on the Change of Beneficiary Form to request this clause be included in your beneficiary designation.

INSURED: The insured is the person whose life is being insured by the life insurance policy.

IRREVOCABLE BENEFICIARY: An irrevocable beneficiary designation cannot be changed without the consent of that beneficiary. Irrevocable beneficiary designations are sometimes used in business insurance, or other special insurance situations. The irrevocable designation is intended to assure that the policy proceeds go to the intended person for the designated purpose. Example of this designation: John M. Doe, spouse, irrevocable beneficiary.

LEGAL CHILDREN: The Insured's "natural born" children and legally "adopted" children. The Insured's step children and any child(ren) the Insured may have custody of are not considered "legal child(ren)". If your intent is to provide for a step child in the beneficiary designation, you should name the child in addition to naming "Legal Children". Example of beneficiary designation: Jane S. Doe, step-child, and All Legal Children, equally.

LETTERS OF GUARDIANSHIP OR CONSERVATORSHIP: A document issued by the Court certifying that a person has been named Legal Guardian of a child who is a minor. Proceeds for a claim that involves beneficiaries who are under the legal age for the state in which they reside cannot be paid until Letters of Guardianship are issued by the Court and received by Colonial Life.

LIVING TRUST: A trust established during the lifetime of the person creating the trust, rather than under the person's will. Also known as an *inter vivos trust.* Upon the death of the grantor, the trustee follows the grantor's instructions, as set forth in the trust.

POWER OF ATTORNEY (POA): A Power of Attorney is a legal instrument that is used to delegate legal authority to another. The person who signs (executes) a Power of Attorney is called the Principal. The power of Attorney gives legal authority to another person (called an Agent or Attorney-in-Fact) to make property, financial and other legal decisions for the Principal.

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POLICYOWNER: The person who retains all rights to any values or options contained in the policy. This person may or may not be the person who pays the premium. It also may or may not be the Insured.

PRIMARY BENEFICIARY: Person or persons to receive any life insurance proceeds in the event of the death of the Insured. The Primary Beneficiary is the first in line to receive any payable life insurance benefits.

You may name as many primary beneficiaries as you want. If more than one primary beneficiary is named any proceeds are divided equally between all beneficiaries that are living at the time of the Insured's death. However, if a percentage or amount is specified for each primary beneficiary, any benefits will be payable according to this designation.

REVOCABLE BENEFICIARY: If a beneficiary designation is revocable, the policyowner reserves the right to change the beneficiary. A person designated as a revocable beneficiary has only an "expectation" of benefits, because the owner of the policy can exercise any of the policy rights without the consent of the revocable beneficiary.

TRUST: A legal arrangement that one party (grantor or settler) uses to transfer assets to a second party (the trustee). The assets are held and invested for the benefit of one or more parties (the beneficiaries).

TRUSTEE: The institution or individual that is named to hold, manage, and distribute a trust's assets.

WITNESS: A person who observes the Policyowner sign his or her name to this form. The Witness must be someone other than the Insured, a designated Beneficiary or the Owner of the policy.

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Examples of Wording That Can Be Used to Designate a Beneficiary

Type of Beneficiary	Sample Wording
1. Executor or Administrator of last will and testament……	"Insured's Estate"
2. Two or more named persons in equal shares …….	"John Doe, Father, Mary Doe, Mother, in equal shares", or "All Natural Born, Legally Adopted and Step-Children**".**
3. Two or more persons in unequal shares……	"40% to John Doe, Father, 60% to Jane Doe, Mother *(use percentages, not dollars)"*. Must total 100%. Or, John Doe, Father, $12,000 and Jane Doe, Mother, $8,000. If stated in this manner the total stated amounts must equal the total face amount of the policy(s).
4. Unnamed children of a specified marriage (excludes children by a previous marriage, future marriage, foster children and stepchildren)…...	"Children of the marriage of the Insured and Jane Doe, equally".
5. Trustee under Trust Document …….	"[Insert Name of Trustee], Trustee, or successor in Trust of the [Insert Name of Trust] dated [Insert Date of Trust]." (date of trust is required)
6. Other Trust Arrangements……..	"ABC Company, Trustee, or its successor in Trust, under Trust Agreement dated [Insert Date of Trust]." (date of trust is required)
7. Grandchildren's Clause: Makes your grandchildren beneficiaries as a result of the death of their parent. Without this clause, any proceeds that would have gone to your deceased child will be distributed to the other living beneficiaries……...	"Children of the marriage of the Insured and Jane Doe, per stirpes", or "All children, equally, per stirpes"

Please feel free to contact our Life Administration Department at 1-800-325-4368 for additional examples of beneficiary designations.