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NCOIL SEEKS PROTECTIONS FOR UNCLAIMED LIFE INSURANCE BENEFITS

Newport, RI, July 17, 2011—Members of a key National Conference of Insurance Legislators (NCOIL) Committee resolved here on Friday to incorporate a targeted legislative response to life insurers' unclaimed property practices in its 2010 *Beneficiaries' Bill of Rights*.

The Life Insurance & Financial Planning Committee, after extensive discussion, determined there was a need for greater transparency and accountability in how companies seek out beneficiaries to pay unclaimed death benefits. Committee members unanimously decided to draft language during interim conference calls in hopes of finishing a final product in time for November Annual Meeting consideration.

Immediate Past NCOIL President Rep. Damron (KY)—sponsor of the 2010 Bill of Rights and also of new amendments to target unclaimed property concerns—asserted that “Updating the model will ensure that carriers fulfill their obligations to policyholders and payments to beneficiaries. We’ve heard that companies are using a Social Security Death Master File to find any deceased annuity owners and stop payments but not searching to find and pay life insurance beneficiaries.”

Rep. Damron added that “Abandoned property issues emerged during NCOIL discussions on the model last year. Rather than draft a new model, NCOIL can achieve efficiencies by addressing two inter-related claims payment issues of retained asset accounts and unclaimed property. These amendments will compliment and strengthen the existing model.”

Following the vote, NCOIL President Rep. George Keiser (ND) said “An ongoing nationwide audit of life insurers by the states is showing that potentially billions of dollars could be owed to beneficiaries. There obviously is a need for more transparency. Contracts should be honored and, where possible, beneficiaries should be located and notified of benefits that are rightfully theirs.”

Rep. Damron’s proposed amendments would require insurers to periodically check a national Social Security database to identify deceased life insurance policy holders/RAA owners in order to find beneficiaries and pay any unclaimed benefits. Changes would also require insurers to use the same review procedures for both annuities and life insurance and—if a beneficiary isn’t found within 45 days—to remit unclaimed proceeds to states, subject to a dormancy period that begins when a deceased owner/account holder is first identified.

The Committee heard from consumer and industry representatives, including the Center for Insurance Research and the American Council of Life Insurers (ACLI). During a Thursday afternoon dialogue between NCOIL and National Association of Insurance Commissioners (NAIC) members, legislators also heard from NAIC President Commissioner Susan Voss (IA) and President-Elect Commissioner Kevin McCarty (FL) on state regulator efforts.

The 2010 model act, as originally adopted, requires extensive written insurer disclosures to consumers and reporting requirements about, among other things, life insurer methods of paying death benefits through controversial retained asset accounts instead of through lump-sums. Indiana, Kentucky, Rhode Island, and Virginia adopted the model during 2010.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

For further details or to be added to an e-mail list for upcoming conference call information, please contact the NCOIL National Office at 518-687-0178 or by email at jestey@ncoil.org.

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