Unclaimed Life Insurance Benefits Update – NCOIL Model Law Impacts

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Unclaimed Life Insurance Benefits

NCOIL has protected the interests of consumers owed unclaimed life insurance funds by creating and adopting two essential model acts:

- Model Unclaimed Life Insurance Benefits Act (originally adopted in 2011 and re-adopted most recently in 2024).
- Beneficiaries' Bill of Rights (originally adopted in 2010 and re-adopted in most recently in 2026).

Unclaimed Life Insurance Benefits

Background

- The amount of unclaimed funds held by abandoned property funds is massive – totaling $70 billion.
- Overall, states return about one-third of this property to consumers, but in some cases states return less than 5% of the unclaimed property.
- In these difficult economic times, taking steps to help return unclaimed accounts to consumers could help millions of families.

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- CIR became aware of the abandoned property issue working on demutualizations. During a demutualization, converting mutual insurers are required to distribute shares or cash to participating policyholders. But large life insurers found they had hundreds of thousands of “missing” policyholders.
- Because of the poor record-keeping and search procedures, billions of dollars in demutualization compensation went unclaimed.

Unclaimed Life Insurance Benefits

I once located a demutualization payout in the name of the deceased father of a friend who had passed away while his children were in grade school, but unknown to his widow there was a life insurance policy gifted to the deceased as a newborn. When she contacted the state to claim the fund – she received both the death benefit and demutualization payment. This was money a family coping with the loss of a parent could have benefitted from long ago – over two decades after his death.

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- Absent the demutualization, the unclaimed policy would have never been discovered. Under law in most jurisdictions, a life insurance policy will not be transferred into the abandoned property fund until three years after the insured would have reached his 100th birthday – the limiting age.
- If a person perishes at the age of 80, an unclaimed life policy won't appear in abandoned property records for another 23 years – long after the family will have ceased searching. In the interim, the insurer retains the funds and thus has little incentive to make contact with paid up policyholders.

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- Adequate data regarding unclaimed property held by insurers are lacking. A volunteer working at the Center sent a detailed survey to the abandoned property funds of the 50 states several years ago, asking (among other things):
  - How much money the abandoned property funds held;
  - How much of these funds came from insurance companies;
  - The identity of the 10 largest companies by amount of accounts turned over;
  - The identity of the 10 largest insurance companies by the amount of accounts turned over; and
  - The requirements and nature of unclaimed property reports required to be submitted by insurers.

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- The response was, to say the least, underwhelming. We received only 4 responses, all of which provided only the total amount of funds held and no additional details.
- Taking steps to reduce the amount of insurance related funds that go unclaimed and providing tools for consumers to more readily locate and claim insurance benefits ensures policyholders get the insurance benefits they have paid for, and NCOIL's model acts have already benefitted tens of thousands of consumers.

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The Model Acts Help Protect Low and Moderate Income Families

- NCOIL's Model Unclaimed Life Insurance Benefits Act helps protect middle class families by requiring insurers to use the Social Security Death Master File (DMF).
- In 2010, one company took 1 million policies and used the DMF to identify 5600 policyholder deaths.
- There were 263 leftover policies with benefits totaling $950,000 = or a $3,612 average death benefit, showing this is an issue that particularly impacts families who purchase policies to cover death and funeral expenses.

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NCOIL's Model Unclaimed Life Insurance Benefits Act:

- Requires proper disclosure, transparency, and accountability relating to the payment of life insurance death benefits;
- Requires insurers to semi-annually compare in-force Policies against the DMF and develop search mechanisms to address potential typos; and
- Requires the company to confirm or verify the status of an insured one a potential match is made.

Death Records are Not Locating All Beneficiaries of Unclaimed Benefits

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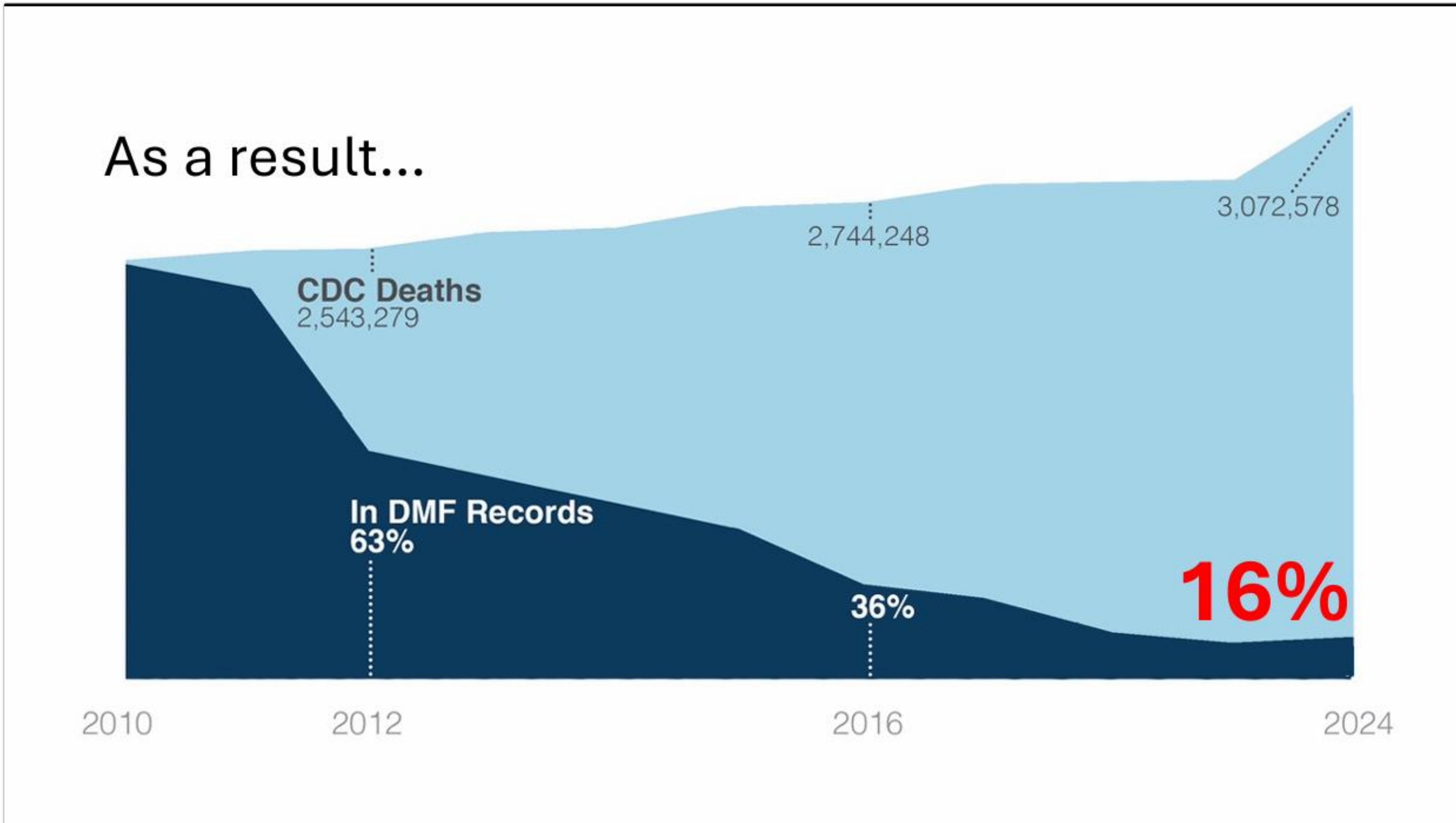
Each year in the US ~3 million people die, but not all are captured in the federal database insurers rely on.

As a result – benefits are delayed or never received by beneficiaries.


As a result...
CDC Deaths
2,543,279
2,744,248
3,072,578
In DMF Records
63%
36%
16%
2010
2012
2016
2024

DMF Changes since the Adoption of the Model have reduced its effectiveness:

- In 2011 the SSA removed 4.2M state death records from the publicly available DMF in response to privacy and identify theft concerns;
- The Bipartisan Budget Act of 2013 restricted access to the Full DMF, so insurers can only use the Limited Access DMF;
- Coverage completeness fell from ~95% in 2010 to 16% today;

- Coverage completeness relates to the % of deaths captured in the DMF which are ultimately captured by the CDC;
- States supplied death records are largely excluded from the Limited Access DMF, because several states stopped supplying them and the SSA has a strict interpretation of section 205 of the Social Security Act and their ability to share those records; and
- Some sources (families, funeral directors, hospitals, etc.) delay or simply no longer report to the SSA.

Other Potential Tools Are Available, but have limits:

- There are 40,000 news outlets today providing 67% of the needed death data via obituaries on top of the DMF's 16% and State Records'17%.
- But obituary sources are unwieldy and inconsistent to be used for tracking, and it is becoming less customary for families to post (and pay for) a published obituary.
- The investment and time required to build an obituary tracking system is prohibitive for any one company to develop effective and efficiently.

NCOIL's Model Unclaimed Life Insurance Benefits Act (ULIBA)

Scope: Applies to life insurance policies, annuity contracts, and retained asset accounts.

Standard: Defines "**knowledge of death**" (death certificate or validated DMF match).

90-day duties: Validate death, determine whether benefits are due, locate beneficiaries, provide claim forms/instructions.

Unclaimed Property: Escheat only after statutory dormancy period; notice at dormancy.

Tools the NAIC could promote via a Model Regulation

1. Require insurers to to search the states that sell vital records data
2. Require standardized validation protocols with evidence that all sources have been tapped
3. Establish annual metrics
4. Tighten the timeframe for locating beneficiaries and paying benefits to 60 days
5. Require carriers to 1) document searches of all sources, and 2) perform this monthly

The time to act is NOW

- **$14 trillion** in individual life insurance coverage in force.

- **$8.1 trillion** in group life insurance coverage in force.
  Together, that's approximately **$22 trillion** in total life insurance face value currently active.

- **Another $16 trillion sits in retirement plans, pensions and annuity contracts**

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NCOIL's Beneficiaries' Bill of Rights and Retained Asset Accounts:

- In 2010, press accounts emerged about the use of Retained Asset Accounts (RAAs) as a default settlement option for military families, and the difficulties those families sometime faced in accessing those insurance funds.
- Prudential eventually settled a class action for $39.2 million for the practice.

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- An RAA is one of the potential options for the settlement of a death benefit – an alternative to taking a lump sum cash disbursement.
- RAA’s operate like a checking account, with insurers distributing their own check-books that can be used to draw upon the funds.
- However, unlike a licensed banking institution, there is no FDIC protection for RAAs.

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- In light of these reports, NCOIL began investigating and developing its Beneficiaries' Bill of Rights, which was adopted in 2010. (I participated in the working group NCOIL assembled to review the topic).
- Bill of Rights Section 5 established important new consumer protections for RAAs – including disclosures about how they differed from a bank account (i.e. no FDIC protection), interest rates, fees, and any limitations on withdrawals.

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- Bill of Rights Section 6 also required – for the first time – data collection and disclosure about the amount of funds held in RAAs by insurers each year.
- This was accomplished via an addition to the NAIC Annual Statement Blank. (A later effort to remove it was opposed by CIR and NCOIL, as the reporting was required by law in the states that adopted the NCOIL Beneficiaries' Bill of Rights).

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- These RAA disclosures included the number of contracts and total value of RAA accounts turned over to abandoned property funds each year.
- Transfers of RAAs to abandoned property funds appears to be the first, and only, data collection and disclosure requirement applied to unclaimed insurance benefits.
- While RAAs represent only a tiny portion of the life insurance benefits distributed each year, a review of the data shows the scope of unclaimed benefits is enormous.

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- During the last year, I have requested and been granted by the NAIC access to the RAA data reported on insurer annual statements from 2020 to 2025.
- I sorted and analyzed the RAA data specifically to determine the number and value of RAAs turned over to abandoned property funds for this period (which is only a small segment of the overall life insurance market).
- I also plan to present some of my findings to at the upcoming August NAIC meeting in Columbus.

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RAAs Turned Over to Abandoned Property Funds from 2020 to 2025 – Key Findings:

- During this timeframe, insurers reporting data in their annual statements turned over 8,233 individual and 4,995 group insurance RAA accounts to abandoned property funds.
- The total value of accounts turned over amounted to $105,208,544 during this period.
- The average per contract was $7,953.

RAAs Turned Over to Abandoned Property Funds from 2020 to 2025 – Key Findings:

- One insurer accounted for 15.6% of all abandoned RAAs ($16.4 million), and a second for 13.4% ($14.2 million).
- The top 3 insurers (by RAA surrender volume) accounted for over 1/3rd of the total abandoned RAAs.
- The top 20 insurers (again by RAA surrender volume) turned over 90% of all abandoned RAAs to unclaimed property funds during those years.

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RAAs Turned Over to Abandoned Property Funds from 2020 to 2025 – Key Findings:

- A total of 64 insurers turned over RAA accounts to abandoned property funds, but a handful of companies accounted for much of that.
- The biggest insurer (15.6% of RAAs) turned over accounts averaging $365,000 – and these large accounts may attract insurance fraudsters (as my colleague Brent Walker will address at the upcoming NAIC meeting).

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Recommendations and Next Steps

- The NCOIL Model Acts have already benefited tens of thousands with families and should be maintained and updated. As alternatives to the DMF emerge, NCOIL should consider adding alternative search options.
- More data collection and disclosure is necessary, as a review of RAAs shows. I plan to ask the NAIC to expand collection beyond RAAs and welcome any support NCOIL or its members may offer for the proposal.