

## **Guest Blog: Unpaid Life Insurance Benefits Investigation Passes 1 billion dollars (yes, billion!)**

The New York Department of Financial Services has issued a final report on their investigation into unpaid benefits for consumers at life insurance companies. The report showed that the investigation recovered more than \$1.1 billion in unpaid life insurance benefits for consumers nationwide and that life insurance payments have been made to more than 100,000 consumers nationwide. In November, I posted a blog entry titled: [“Insurance Companies Continue to Settle With States on Unclaimed Life Insurance Policies – Could One Be Yours? \(click to read\)”](#) which discussed the issue in detail.

While New York has finalized its investigation, the question remains of insurance company compliance in the future. California is continuing to look into this and California Controller John Chiang has sued a second suit against the Kemper Corporation (formerly known as Unitrin) for refusing to comply with requests for data needed to determine whether the insurance companies’ subsidiaries are complying with California’s unclaimed property laws.

“Through a series of audits, my office has seen a harmful and systemic trend in the insurance industry that often robs families of life insurance benefits after their loved ones have passed on,” Chiang said. “Kemper has fought to keep its books closed, and refused to show that it has delivered on the company’s promises to policyholders and their families. That is simply unacceptable, and my office will hold them accountable to both the law and to their customers,” Chang said.

It is the second lawsuit filed against an insurer for failing to allow auditors delegated by the comptroller to determine if its insurance subsidiaries are complying with state unclaimed property laws. The first suit was filed in May against the American National Insurance Company of Galveston, Texas. That company is arguing that currently “in-force policies” are not subject to the controller’s audit and that such data

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would not be produced “because it has made its own determination that such data will not lead to reportable property,” according to the complaint.

A spokesman for Chiang said proceedings in the American National Insurance Company cases are just starting, and the two sides have had only one court date. He also said that most insurance companies are complying with the controller’s request for data and are settling with the comptroller in cases where it is deemed the companies had not complied with state escheat laws.

At the same time, a Kentucky judge in May ruled that Kemper and its five subsidiaries must comply with a law enacted by the state in 2012 that requires life insurance companies to check their lists of insureds against the Social Security Administration’s Death Master File. It also requires insurance companies to take “good faith steps to notify beneficiaries,” according to the court decision.

Meanwhile back to New York – the DFS investigation found that many insurance companies regularly received a list of recent deaths from the Social Security Administration but were not using that list to determine if a policyholder had died. That means if a family member did not know there was a life insurance policy or simply forgot to file a claim to the insurance company, that policy went unpaid. As a result, thousands of families did not receive life insurance benefits to which they were entitled. Meanwhile, the investigation found that insurance companies often used the list of recent deaths to verify the status of people getting annuity checks, and, when death was verified, the insurance company stopped the annuity payment. As a result of its investigation, DFS directed insurers to use the U.S. Social Security Administration’s Death Master File to investigate policies for which no claims have been made and to find beneficiaries who are eligible for benefits but have not filed claims. New York was the first state to order the cross-check policy and issued a regulation to mandate this action in the future. In December 2012, Governor Cuomo signed into law legislation that makes permanent regular searches of records to identify when a policyholder died and to locate beneficiaries so that life insurance proceeds can be paid.

If you are interested in finding out if you are the beneficiary on an old policy, consider unclaimed property laws are in place to protect private property from being drawn down by service or storage fees, lost during mergers or bankruptcies or hoarded unlawfully by the business to use for its own purposes. Administered by individual states, the unclaimed property program generally provides that businesses send financial property and accounts to the State after three years of inactivity. The State maintains an unclaimed property database accessible by the resident to identify all unclaimed property the State has



collected on their behalf. Visit the National Unclaimed Property Administrators website [here](#).