



# SENATE BILL 665: Unclaimed Life Insurance Benefits

2015-2016 General Assembly

**Committee:**  
**Introduced by:** Sen. Apodaca  
**Analysis of:** Fourth Edition

**Date:** August 24, 2015  
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**SUMMARY:** *Senate Bill 665 would require insurance companies authorized to transact life insurance business in North Carolina to determine, semi-annually, if that insurer's records of in-force policies, annuities, and account owners cross-match with any record in the United States Social Security Administration's death master file or a similar database, with some exceptions. Upon a match, the insurer would be required to engage in a good-faith effort to verify the death and locate any beneficiaries.*

**CURRENT LAW AND BACKGROUND:** The North Carolina Unclaimed Property Act ("the Act") is found in Article 4 of Chapter 116B of the General Statutes. An amount due and payable under a life insurance policy is considered property under the Act. The Act addresses when property is presumed abandoned, rules for taking custody, and notification and reporting requirements. All property escheated or abandoned under the Act must be paid into the Escheat Fund, which is administered by the State Treasurer.

The North Carolina Department of Insurance has a "Lost Life Insurance and Annuity Inquiry Service" to help consumers locate benefits from life insurance policies or annuity contracts purchased in North Carolina. According to the Department's website, possible beneficiaries, as well as executors and legal representatives, may submit an inquiry form that will be forwarded to North Carolina-licensed life insurance companies, who will then contact the individual if a policy is located.<sup>1</sup>

**BILL ANALYSIS:** Senate Bill 665 would do all of the following:

1. Require, with some exceptions, companies authorized to transact life insurance business in North Carolina to conduct a semi-annual comparison of its policies, annuities, and account owners with the death master file (DMF) from the U.S. Social Security Administration (or a similar database) to determine potential matches.

Exceptions to the cross matching requirement are:

- o Policies or annuities for which the insurer has received active premium payment (premiums from outside the policy value, by check, bank draft, payroll deduction) within the 18 months immediately preceding the death master file comparison.
- o Group life insurance policies for which the insurer does not perform record keeping services.
- o Any policies, annuities, or retained asset accounts issued or delivered prior to October 1, 2015, if the insurer attests in a sworn statement subject to perjury, signed by an officer or director of the insurer, that upon information and belief, all of the following are true:

<sup>1</sup> [http://www.ncdoi.com/consumer/Consumer\\_Life\\_Lost\\_Policy.aspx](http://www.ncdoi.com/consumer/Consumer_Life_Lost_Policy.aspx)

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- The insurer has not engaged in asymmetric conduct. Asymmetric conduct is defined as an insurer's selective use of the DMF prior to October 1, 2015, to identify if persons are deceased to terminate benefits but not to pay benefits.
- The insurer has historically practiced acted in compliance with the requirements of G.S. 58-63-15(11) with respect to the investigation, handling and payment of policy proceeds.
- The insurer monitors the limiting age of each person, as stated in the policy, and performs its obligations under Chapter 116B of the General Statutes when an insured has reached limiting age.

An insurer may comply with the cross-matching requirements by using the full death master file once and thereafter using the death master file update files for future comparisons. Any insurer that is exempted from the cross-matching requirements due to not engaging in asymmetric conduct must comply with the cross-matching requirements for all policies, annuities, or retained asset accounts issued after October 1, 2015.

2. Within 90 days of the insurer learns of a possible death, whether through the cross-match or otherwise, the insurer would be required to complete a good-faith effort to confirm the death, determine what benefits may be due, and to locate and instruct the beneficiaries on how to submit a claim. An insurer would not be allowed to charge a beneficiary for any fees or costs associated with a DMF search or the cross-match. If beneficiaries cannot be found, the benefits would escheat to the State as unclaimed property.
3. A pattern of failures to meet the requirements above may constitute an unfair claims settlement practice under Chapter 58 of the General Statutes.
4. The Commissioner of Insurance would be authorized to adopt rules to implement the act, effect when the act becomes law.

**EFFECTIVE DATE:** Except as otherwise noted, the act is effective October 1, 2015.

*Kristen Harris substantially contributed to this summary.*