OFFICE OF ILLINOIS STATE TREASURER

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Illinois State Treasurer Frerichs Calls on Kemper To Detail Plans to Pay Life Insurance Policies

Kemper Declares 'Voluntary' Review Despite Opposition to Law that Now Requires its Compliance

SPRINGFIELD – Illinois State Treasurer Michael Frerichs today called on Kemper to detail its plan for "implementing enhancements to its life insurance claims procedures."

Kemper this week announced it will change how it uses the Death Master File List (DMF) to match unpaid life insurance policies with deceased customers. Kemper said it "is voluntarily undertaking a comprehensive process under which it will cross-reference its life insurance policies against the Social Security Death Master File and other databases to identify potential situations where beneficiaries may not have filed a claim following the death of a loved one, and then begin an outreach process to find beneficiaries and pay claims."

"It appears Kemper wants to treat its customers with dignity. Let's see the details so Kemper's customers and investors as well as regulators and the public at-large can judge for themselves," Frerichs said. "This is the same company that devoted significant corporate resources to defeat legislation and filed lawsuits against laws that require them to do the very same thing for which they are now patting themselves on the back."

"Kemper cannot use the word 'voluntarily' when the law requires them to act responsibly and while they are suing the state to block such laws," Frerichs said.

Kemper has continued to spend considerable resources on lawyers, lobbyists, and litigation to address what it refers to as "reputational exposure." Kemper's opposition was highlighted in a February 2016 article in the *Wall Street Journal* and an April 2016 segment on CBS' *60 Minutes*. In the *60 Minutes* segment, Kemper was singled out for "fighting tooth and nail" against efforts to identify and pay unclaimed life insurance benefits.

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Three insurance companies under Kemper's umbrella are suing Frerichs to block the state treasurer's request to allow independent auditors to confirm that the Chicago-based insurer is complying with Illinois' unclaimed property law. Kemper seeks to block the audit, saying **"life insurers such as (Kemper) have no affirmative obligation to take any steps to determine that an insured has died and/or that benefits are payable**…" and that they "**do not want to … adopt a practice where (Kemper has) an affirmative obligation to identify deceased insureds and escheat policy proceeds five years after the date of a death reported on the DMF**." (Kemper Illinois Complaint pp 9, 20). Kemper also has filed lawsuits against Kentucky, Maryland, Florida, California and Pennsylvania in attempts to stop audits or state laws.

In August, the Governor signed into law Frerichs' legislation requiring life insurance companies to use the Death Master File (DMF) list to determine if a policy holder has died and the death benefits have not been paid. Kemper was the only opponent to this legislation. The Social Security Administration manages the list to make sure recipients are alive and to prevent waste, fraud and abuse in the social security program. Legislation similar to Illinois' Unclaimed Life Insurance Benefits Act was signed into law earlier this year in Florida and West Virginia after passing the respective legislatures with overwhelming bi-partisan majorities. The Florida law passed unanimously and was championed by the elected Chief Financial Officer, a Republican. The West Virginia law was championed by the Democratic state treasurer. New York passed the first law to require DMF matching by life insurance companies in 2011.

Previously, Kemper stated in federal filings that submitting to such audits and state laws would impair its profit margins.

Among the questions that Kemper needs to answer:

Will Kemper drop its lawsuits against Illinois, Maryland, Florida, California and Pennsylvania now that it has agreed to "voluntarily" use the DMF?

Will Kemper allow auditors representing Frerichs, as well as Treasurers and Insurance Commissioners across the country, to examine Kemper's records to ensure compliance with state laws?

When will this voluntary review begin and how long will it take?

Once an unpaid policy is found, how long will it take to pay the family?

Which policies will be covered?

Will this new approach include policies that have lapsed, especially cases where the policy was in-force when the insured died?

What does "evaluate our policies on a regular basis" mean?

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What will constitute a "match" with the DMF? Will Kemper use the standards developed by the National Conference of Insurance Legislators (NCOIL) or the standards used by other life insurance companies representing more than 70 percent of the market that have voluntarily settled with Treasurers? Or will Kemper use its own standards designed to minimize the number of "matches" that it will "voluntarily" follow up on?

Kemper declares: "We've been seeking consensus within the regulatory community on how best to approach the process. We are not willing to wait longer, so we are forging ahead." What was Kemper waiting for? What consensus has yet to be obtained?

Kemper's lawsuit prohibits Frerichs and his office from asking these questions directly.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state's Chief Investment Officer, he actively manages approximately $25 billion. The portfolio includes $13 billion in state funds, $7 billion in college savings plans and $5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns $28 to the state for every $1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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