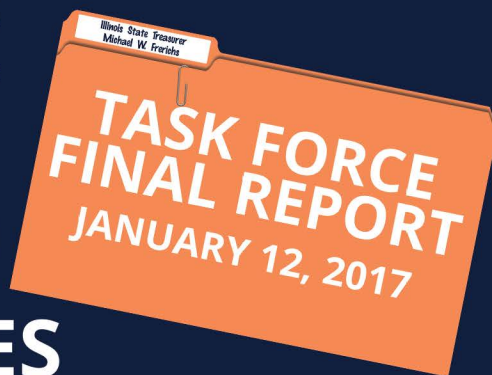
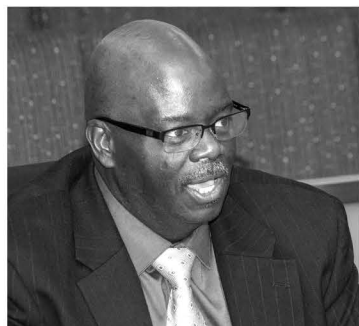




Michael W. Frerichs  
ILLINOIS STATE TREASURER



# UNCLAIMED LIFE INSURANCE POLICIES



**“They could not have advocated more for their citizens.  
It was astonishing to see government in action...  
It was life changing.”**

**– Lynn Lucchese-Soto, Task Force Hearing, Chicago**

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# From the Treasurer's Pen

Some life insurance companies choose not to pay death benefits when they know or should have known that a policy holder passed away.

This was the stunning realization I confronted in 2015 when I was sworn-in as Illinois State Treasurer. It served as the catalyst to changes in state law and the creation of the Task Force on Unclaimed Life Insurance Policies.

Many know that the treasurer serves as the state's chief investment and banking officer. However, few realize the state treasurer also safeguards unclaimed property until it can be returned to its owner. Unpaid life insurance policies are considered unclaimed property. Since 2011, we identified more than \$550 million in death benefits that were not paid to grieving families in Illinois. The Wall Street Journal reports that \$7.4 billion has been identified nationally.

Clearly, this is unacceptable. That is why I worked with Democrats and Republicans in 2016 to change the way insurance companies use modern technology and trusted data to identify unpaid life insurance policies. The legislation means a more timely payment for thousands of Illinois families.

While that legislation was an important first step, more needs to be done. Last year's legislation ensures life insurance companies will identify current policies that should be paid out. But, what about older policies? What about those cases where the policy holder stopped paying premiums because they passed away? Currently, these so-called "lapsed" policies are not covered. But, they should be.

That is why we convened the Task Force on Unclaimed Life Insurance Policies to identify issues in this complex area that need to be addressed. The invited task force members reflect the great racial, regional, and economic diversity of our state. It also included experts in the business and insurance industry. Testimony was received from individuals affected by unpaid life insurance benefits, many of whom had no idea that a policy existed.

Their stories, and the task force's findings, are in this report. I anticipate the conclusion that further legislation is needed will be met with equal amounts of appreciation and contempt. While most life insurance companies accept outside help to identify unpaid policies, a vocal and well-financed minority do not.


Today, after legislative action and hours of public hearings, my initial reaction remains: I've never met a man or woman who purchased life insurance with the expectation that the death benefits would stay with the insurance company rather than the family.

Respectfully,



Michael W. Frerichs  
Illinois State Treasurer



A man with a beard and glasses, wearing a dark suit, white shirt, and orange tie, is speaking at a wooden podium. A microphone is positioned in front of him. A nameplate on the podium identifies him as Treasurer Michael Frerichs, Chairman. The background is a dark wood-paneled wall.

**“I’ve never met a man or woman  
who purchased life insurance  
with the expectation that the  
death benefits would stay  
with the insurance company  
rather than their family.”**

**- Treasurer Michael W. Frerichs**

**Treasurer Michael Frerichs**  
*Chairman*



# Executive Summary

This final report will be issued to the Illinois General Assembly to recommend legislation to further protect Illinois consumers who purchase life insurance policies. Illinois Treasurer Michael Frerichs championed the Unclaimed Life Insurance Benefits Act to ensure that life insurance companies pay beneficiaries in a timely manner and not use those monies to increase their profit margins. The law becomes effective January 1, 2017.

On August 3, 2016, Treasurer Frerichs signed Executive Order 16-01 establishing the Task Force on Unclaimed Life Insurance Policies to gather information and recommend legislation to improve life insurance policies in Illinois. In addition to the Treasurer, the Task Force is comprised of members of the Illinois General Assembly, as well as representatives of the insurance industry, consumers, senior citizens and the public.

Seven public hearings were held throughout the state to allow task force members to hear testimony from beneficiaries regarding life insurance benefits they were owed. Members also were informed of the practices certain life insurance companies use to avoid paying death benefits.

As a result of the public hearings, the task force recommends the following:

## **Recommendation #1**

- **The Unclaimed Life Insurance Benefits Act should be amended to cover lapsed policies.**

The Task Force recommends that the Unclaimed Life Insurance Benefits Act (Public Act 99-0893) be amended to cover lapsed policies by enacting language similar to that used by New York and Florida in their Death Master File (DMF) laws. Generally, a “lapsed” policy is something that commonly occurs when a policy owner stops making premium payments, voluntarily or involuntarily, towards their life insurance policy. This occurs, for example, when an insured dies and the benefits are not paid out. This action will add protections against life insurance companies depleting the value of life insurance policies following the death of policy owners by paying themselves premiums out of the cash value of the policy. It will also make sure that when a beneficiary did not claim the benefits, the insurance company cannot simply “lapse” or “terminate” the policy and avoid paying altogether.

## **Recommendation #2**

- **The Unclaimed Life Insurance Benefits Act should be amended to require life insurance companies to update policy holder and beneficiary contact information.**

The Task Force recommends that the Unclaimed Life Insurance Benefits Act (Public Act 99-0893) be amended to require life insurance companies to regularly request and update policy and contact information to ensure beneficiaries can be found similar to the National Association of Insurance Commissioner’s exposure draft requirements. Additionally, it is recommended to require companies to run checks against the DMF following their acquisition of policies from another insurer and to notify affiliated companies of the death of a policy holder.

### **Recommendation #3**

- **The Unclaimed Property Act should be amended to strengthen regulations against private finder companies.**

The Task Force recommends that the Uniform Disposition of Unclaimed Property Act (765 ILCS 1025) be amended to strengthen regulation of so-called finders in Illinois by expanding the prohibition on finders charging fees to recover property so that it begins when property is presumptively abandoned as provided for in Section 25 of the 1995 Uniform Unclaimed Property Act. Currently the prohibition only applies to the 24-month period following the remittance of the property to the treasurer (765 ILCS 1025/20(c)).

Additionally, it is the conclusion of the Task Force that the continued use of contingency fee auditors by the Illinois State Treasurer is in the best interest of consumers in Illinois. The practice has resulted in hundreds of millions of unclaimed life insurance dollars being identified for beneficiaries of Illinois policy holders. Stopping the use of external auditors could result in life insurance companies not voluntarily reporting and/or checking their records for unpaid policies. Unclaimed property data shows that 80% of the life insurance money remitted to the Treasurer's office over the last 5 years has been identified through audits, while only 20% was reported voluntarily by life insurance companies.

The State Treasurer holds property reported and remitted as a result of an audit as a custodian forever. The State never takes ownership of the property. And importantly, unlike a private finder, the State Treasurer will pay the owner 100% of their funds. The State Treasurer does not charge a fee and the auditor's fees do not reduce the amount returned to the owner.

### **Recommendation #4**

- **The Treasurer's office should work with funeral directors to communicate resources available to families for locating unclaimed property and life insurance policies.**

The Task Force recommends that the Treasurer's office work in cooperation with the Illinois Funeral Directors Association (IFDA) and funeral directors to develop an education strategy for communicating resources available during the funeral arrangement process. Funeral directors should make families aware of the Treasurer's I-Cash website ([illinoistreasurer.gov/ICASH](http://illinoistreasurer.gov/ICASH)) to search for unclaimed property, and the Life Policy Locator Service available through the Illinois Department of Insurance to search for any existing life insurance policies ([insurance.illinois.gov/Applications/LifePolicyLocator/](http://insurance.illinois.gov/Applications/LifePolicyLocator/)).

### **Recommendation #5**

- **The Vital Records Act should be amended to allow access to the Illinois Treasurer's Office for processing claims and locating owners.**

The Task Force recommends that the Vital Records Act (410 ILCS 535) be amended to allow the Treasurer's office to have access to the electronic reporting system for death registrations (410 ILCS 535/18.5) and to any information contained in the vital records as it is provided to other agencies (410 ILCS 535/24). Having access to vital records will improve the ability of the Treasurer's office to serve the general public in locating beneficiaries and heirs of unclaimed

property, having access to documents necessary in processing claims, and reducing the time and cost to the public in obtaining necessary documents such as death, marriage, and birth certificates.

## Task Force Members

Treasurer Michael Frerichs – Chairman

### General Assembly Members

State Representative Dan Brady (R-Bloomington)

State Senator Jacqueline Collins (D-Chicago)

State Senator William Haine (D-Alton)

State Representative Robert Martwick (D-Chicago)

### Insurance Industry Representative

Kemper Corporation – Invited

### Consumer Advocate Representative

William McNary, Citizen Action Illinois

### Senior Citizen Advocate Representative

Ryan Gruenfelder, AARP

### Public Representative

Teresa Haley, NAACP

The Task Force would like to thank General Assembly members Sen. Sam McCann, Sen. John Mulroe, Sen. Gary Forby, Sen. Steve Stadelman, Rep. Sue Scherer, Rep. Pat Verschoore, and Rep. Litesa Wallace along with Lori Hendren and Laurinda Dodgen from AARP, and Jerry James, Phyllis Logan, Michael Diggs, Tanya Young, Sr., Berlinda Tyler-Jamison and Dion Simpon from the NAACP for their time and participation in the hearings. Task Force members were temporarily substituted when unavailable to attend a hearing.



Rep. Brady



Sen. Collins



Sen. Haine



Rep. Martwick



McNary



Gruenfelder



Haley

# Hearing Locations & Schedule



- 1** Wednesday, August 17, 2016  
Normal City Council Chambers  
Normal, IL
- 2** Wednesday, August 24, 2016  
Bilandic Building  
Chicago, IL
- 3** Thursday, August 25, 2016  
Richland Community College  
Decatur, IL
- 4** Monday, August 29, 2016  
John A. Logan College  
Carterville, IL
- 5** Tuesday, September 6, 2016  
Western Illinois University  
Moline, IL
- 6** Wednesday, September 14, 2016  
Zeke Giorgi Center  
Rockford, IL
- 7** Wednesday, November 30, 2016  
State Capitol  
Springfield, IL



**Frerichs fights for more access  
to death benefits**  
*Herald & Review*

**Why life insurance benefits have  
gone unpaid in Illinois**  
*Chicago Tribune*

**Our View: Make insurers  
pay out death benefits**  
*Daily Chronicle*

**Our View: Get loved ones  
benefits they deserve**  
*The Times*

**Editorial: Sign bill to ensure  
loved ones receive benefits**  
*Dispatch • Argus, QConline.com*

**Frerichs promotes new  
life insurance rules**  
*Pantagraph*

**Treasurer visits Rockford  
to educate  
people on life insurance**  
*WREX.com*

**Frerichs fights for more access  
to death benefits**  
*insuranceneutral.com*



# Recommendation #1

## Coverage of Lapsed Policies

### Beneficiary Profile Pastor Mark Henton



**Pastor Mark Henton**  
**Resident of Chicago, IL**  
**Pastor of Monument of Faith Church**  
**Testified at Chicago Task Force hearing**  
**Video Feature: [youtu.be/amsISEUbHIE](https://youtu.be/amsISEUbHIE)**

Two unclaimed life insurance policies valued at approximately \$38,000 were discovered by a church administrator searching the Treasurer's I-Cash website ([illinoistreasurer.gov/ICASH](http://illinoistreasurer.gov/ICASH)). These policies were considered lapsed or out-of-force on the insurer's books and were found as a result of an audit.

The church was listed as a beneficiary on two separate life insurance policies held by elderly parishioners. Unaware of being listed as the beneficiary and having never been contacted by the life insurance companies, the two policies went unclaimed for 14 and 15 years.

The funds allowed the church to make repairs to the parking lot, sink holes and other needed improvements that would not have been possible otherwise.

"If you gave me money and I held it with the intent that I would give it back at some point in time, and I said to you that I didn't give you your money back simply because you forgot to ask, you would question my integrity."

– Pastor Mark Henton, Task Force Hearing, Chicago

"This is not money that belongs to insurance companies; this is money that belongs to American citizens. And for it not to happen is just a great injustice against its own people. Why would you hold back something that can help somebody help their mentally disabled children? Why would you hold back something that could help somebody complete college or a down payment on a new house for a young married couple? To hold that money and to try and put a cause up for it can only be classified as an injustice."

– Pastor Mark Henton, Task Force Hearing, Chicago



## The Issue

"I want to reiterate that this task force is designed to educate people about the loophole that is lapsed policies. We have to be diligent...to make sure that we press forward on this issue and ensure that all consumers are protected, not just going forward but everyone that bought a policy and whose loved ones need that benefit."

– Representative Robert Martwick, Task Force Hearing, Chicago

An important issue arose at every hearing of the Task Force on Unclaimed Life Insurance Policies. We need to deal with so-called "lapsed" life insurance policies. This topic, and how to address it, is one that has received much attention from insurance associations, policy makers, and even the national media.

A drafting group of the National Association of Insurance Commissioners (NAIC) defined a lapsed policy as the "termination of a policy resulting from the nonpayment of premiums or, in the case of variable life and universal life insurance policies, the depletion of cash value below the amount needed to keep the policy in force."<sup>1</sup>

In general, a lapsed policy is something that commonly occurs when a policy owner stops making premium payments, voluntarily or involuntarily, towards their life insurance policy. Some policies, such as whole life, have cash value and nonpayment may lead to the use of the cash value by the company to cover the premiums until the cash value is exhausted. This can be beneficial to protect consumers who may not be able to make a payment during a difficult time and the cash value allows their policy to stay in force or active. This practice can also be easily abused.

What happens when a policy owner dies and the policy goes unclaimed? What does an insurance company do when a loyal policy owner who has never missed a payment over decades abruptly stops making payments?

Treasurer Michael Frerichs (Opening Remarks, Task Force Hearings) – "Some life insurance companies choose to remain silent when it comes time to pay a life insurance claim.

We know of examples where a life insurance company stops paying on an investment annuity after using federal data to confirm a person has died and is no longer eligible to receive that investment income. However, that same company will not take the reasonable next step and begin the process of paying a life insurance benefit. They stop paying on the annuity, their retirement benefit, but they keep the life insurance money, they keep the death benefit money.

We also know of instances where a life insurance company will routinely accept that monthly premium. A premium paid faithfully and on time for years. And when that payment mysteriously stops and isn't received for months, what does the life insurer do? Call a faithful customer to make sure everything is ok? Find out if they have died?"

<sup>1</sup> Unclaimed Life Insurance and Annuities Model Act 7/29/16 exposure draft, National Association of Insurance Commissioners, ([http://www.naic.org/documents/committees\\_a\\_unclaimed\\_life\\_benefits\\_wg\\_exposure\\_unclaimed\\_life\\_ins\\_proceeds\\_model\\_act.pdf](http://www.naic.org/documents/committees_a_unclaimed_life_benefits_wg_exposure_unclaimed_life_ins_proceeds_model_act.pdf))

This specific issue was recently highlighted in the 60 Minutes segment titled “Not Paid”<sup>2</sup>. What was found in many instances was that insurers were utilizing the Social Security Death Master File (DMF), an updated list of people who have died, selectively “when it was to their advantage to cut off annuity or retirement payments once the policyholder died, but they didn’t then notify the life insurance side of the company.” Life insurance companies were aware policy holders with cash value policies had died and it was found “that when a beneficiary did not come forward, the company continued to pay themselves premiums out of the dead person’s nest egg” and “when the cash value was all used up the companies cancelled the policy.” This practice by life insurance companies depletes the value of policies to their benefit while leaving no death benefit to be claimed by the policy holder’s beneficiary. “I think it’s tantamount to stealing when you know in your books and records the person is dead and you drain the policy,” said Florida Insurance Commissioner Kevin McCarty in the 60 Minutes segment.

In addition to draining the cash value of policies, of equal importance is the lapsing of term life insurance policies after the death of the insured. If a life insurance policy was in force when the insured died, but the benefits are not quickly claimed by the beneficiaries, then the life insurance company may terminate the policy (i.e. declare it a “lapsed” policy) when the now-deceased insured fails to make premium payments.

Two beneficiaries who testified at Task Force hearings had policies that were lapsed or out-of-force. Pastor Mark Henton’s Monument of Faith Church in Chicago was the beneficiary of two policies totaling around \$38,000 that had lapsed due to the death of the parishioners who owned the policies. Neither parishioner informed Pastor Henton that his church was listed as the beneficiary and the policies were terminated and went unclaimed. Janet Malmberg, whose spouse Connie Rounds testified in Rockford, was the beneficiary of a life insurance policy owned by her mother worth over \$5,000. Unaware that her mother had the policy, it went unclaimed and was terminated by the insurance company. If not for the audits arranged by the Treasurer’s office that uncovered these policies, it is unlikely that Pastor Henton or Mrs. Malmberg would have ever received the death benefits owed to them.

### **What We Can Do**

Using data from life insurance policies examined as part of the Treasurer’s audits, an estimated 15%-65%<sup>3</sup> of the policies were not in-force or lapsed at the time of the audits, but should have previously been paid out by the insurance companies. This data shows that lapsed policies represent a significant portion of unpaid policies being held by insurance companies and should be included in the statutory protections.

It was made abundantly clear at the hearings by both members of the Task Force and witnesses who testified that coverage of lapsed policies is a priority. The next step will be introducing legislative changes to put consumer protections in place to ensure life insurance policies that lapsed due to a holder’s death are paid in full to the proper beneficiary, including any cash value that was drawn down.

<sup>2</sup> “Not Paid.” 60 Minutes. CBS 17 Apr. 2016. Web. Transcript. (<http://www.cbsnews.com/news/60-minutes-life-insurance-investigation-lesley-stahl/>)

<sup>3</sup> A sample of over 30,000 policies was reviewed by auditors to determine the amount of policies that were not in-force at the time the audits took place (meaning the policies were listed on the companies’ systems as being expired without a benefit having been paid or escheated, even though the insured died at a time when the policy remained in force). These are policies that should have been paid out or reported to the state as unclaimed property prior to the audit, but the companies had not done so.

HB 4633 as introduced included language covering lapsed life insurance policies. As part of the negotiation process, changes to the handling of lapsed policies by insurance companies were dropped from the final bill with a commitment to consider the issue in 2017 after the National Association of Insurance Commissioners (NAIC) had time to consider and make recommendations on the issue. The goal of the Treasurer's office has always been to include protections for policies that lapsed after the death of the policy owner. The practice of lapsing policies that were in force when the insured died is unfair and consumers in Illinois deserve to know that their life insurance investment will be protected if such a circumstance occurs.

This point was made by Representative Robert Martwick at the Task Force on Unclaimed Life Insurance Policies hearing in Chicago. "One thing that we were not able to accomplish with this legislation (HB 4633) is what happens to these lapsed policies. And that's why we need to make sure that as we move forward, we are crafting laws and continuing to advocate making sure that all policies that insurance companies have go through this audit and are checked against the Death Master File because this is a very important issue and that is our mission."

Phyllis Logan, NAACP-Chicago Westside Branch – "The lapsed policies are the loopholes, correct? If the insurance companies were doing their due diligence to match the records or notify potential beneficiaries or give notice that they can't locate anyone, is there an opportunity for language to be made to state...make this person whole and not state that this policy no longer exists?" "Something has got to be put in the middle there, there's got to be some middle ground."

– Task Force Hearing, Chicago



NEW YORK STATE  
DEPARTMENT of  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

July 13, 2016

Lisbeth Landsman-Smith, Chair  
Unclaimed Benefits Model Drafting (A) Subgroup  
c/o Jolie H. Matthews  
Senior Health and Life Policy Counsel  
National Association of Insurance Commissioners  
Hall of the States Building, Suite 700  
444 North Capitol Street, N.W.  
Washington, DC 20001-1512

RE: Draft Unclaimed Life Insurance and Annuities Model Act –  
Comments of the New York State Department of Financial Services

## Coverage of Lapsed Policies in the NAIC Model Act and in Other States

The NAIC tasked a subgroup with drafting an Unclaimed Life Insurance and Annuities Model Act to serve as a national policy model for unclaimed life insurance benefits. An exposure draft was submitted on July 29, 2016 for approval by the association.

The foundation for the Model Act drafted by NAIC comes from the National Conference of Insurance Legislators' (NCOIL) Model Unclaimed Life Insurance Act.<sup>4</sup>

However, unlike the NCOIL model acts, the NAIC exposure draft covers certain lapsed policies along with "all in-force and future policies, annuity contracts and retained asset accounts as of the effective date of this Act..."

In addition to the NAIC exposure draft, DMF matching legislation in several other states already covers lapsed policies. West Virginia's law requires insurers to compare all policies that were issued since 1986 against the DMF (W. Va. Code § 33-13D-2). Florida's law requires a comparison of policies that have been in force any time on or after January 1, 1992 (Fla. Stat. Ann. § 717.107). The New York law defines "policy" to include policies that have "lapsed or been terminated" and requires insurers to compare all policies against the DMF (NY CLS Ins § 3240).

The New York Department of Financial Services, in a letter to the NAIC Model Drafting Subgroup, detailed their state's approach to lapsed policies.<sup>5</sup> The intent of the letter was to present NAIC with suggested protections for consideration that have been effective in New York. The letter outlined the following in regards to lapsed policies:

- "The Model Act would exclude policies that lapsed more than 18 months prior to the effective date of the Act and those policies that lapsed after the effective date of the Act."
- "The exclusion of such lapsed or terminated policies would not address one of the primary concerns in establishing this Model Act. In particular, there may be instances where a death has occurred and no claim has been filed, but premiums continue to be deducted from the account value or cash value until the policy lapses..."
- "We learned from discussions with insurers that the electronic records were maintained as far back as the 1980s...By including only the in-force policies, contracts and accounts in the Model Act, there will be a large population of beneficiaries who will not receive benefit payments that they deserve on policies that were improperly lapsed or expired."
- "The promulgation of the New York statutes for the subsequent DMF searches takes into account the lapsed and terminated policies that have not been searched in prior cross-checks. Conversely, the Model Act does not take into account the policies that have lapsed or terminated during and after the first year of its adoption. This would have a significant impact on the unclaimed benefits being recovered since there will be an infinite number of years where numerous policies would lapse or expire under extended term insurance for which death occurred but was not reported."


<sup>4</sup> Model Unclaimed Life Insurance Benefits Act (2011, rev. 2014), National Conference of Insurance Legislators (NCOIL), (<http://ncoil.org/wp-content/uploads/2016/04/UnclaimedPropertyModel12042014.pdf>)

<sup>5</sup> Regalbuto, James V. "Draft Unclaimed Life Insurance and Annuities Model Act - Comments of The New York State Department of Financial Services." Letter to Lisbeth Landsman-Smith, NAIC Subgroup Chair. 13 July 2016. [http://www.naic.org/documents/committees\\_a\\_unclaimed\\_benefits\\_sg\\_exposure\\_ny\\_state\\_comments.pdf](http://www.naic.org/documents/committees_a_unclaimed_benefits_sg_exposure_ny_state_comments.pdf)



The passage and signing into law of HB 4633 (Public Act 99-0893) on August 26, 2016 started the implementation of numerous features of the Model Act in Illinois, including requirements for insurance companies to use the Death Master File to determine if a policy holder has died and to provide notice to beneficiaries on how to make a claim. However, as pointed out by members of the Task Force during hearings, the exclusion of lapsed policies from the current law is a loophole that needs to be closed.

It is the recommendation of this Task Force to strengthen the statutory protections put in place by Public Act 99-0893 by proposing legislation to cover lapsed policies. The General Assembly should use language similar to that used by New York and Florida in their DMF laws.



**“If it was not for your office,  
and I’m not just saying this  
because I’m testifying, and  
the extraordinary efforts  
that they made, we would  
never have known.  
They had to find us.  
We don’t even have the  
same last name.”**

**- Lynn Lucchese-Soto**

# Recommendation #2

## Updating Contact Information by Insurance Companies

"It's an honorable contract you make with the insurance companies and you would think they would be honorable about giving it back to you ... that's what it's all about."

"Good insurance doesn't cost, it pays."

– Connie Rounds, Task Force Hearing, Rockford

### The Issues

"There are some companies out there that sold these smaller policies, sold industrial policies.

They sold them in certain neighborhoods with the understanding that the people will be transient, their salesman would move on, and a significant portion would never be cashed."

– Treasurer Michael Frerichs, Task Force Hearing, Rockford

The public testimony of life insurance beneficiaries at the Task Force hearings provided a window into the personal stories behind the dollars and statistics of the policies. Every individual who testified had a unique situation and set of circumstances regarding their unclaimed life insurance policies. There were also commonalities between each of the policies. For example, every policy was uncovered by external audits conducted for the Treasurer's office, each beneficiary was unaware of or unable to confirm the existence of the policies and none of the beneficiaries were contacted by the life insurance company following the death of their loved one who owned the policy.

### **Issue #1 – Insurance companies not contacting beneficiaries**

Not being aware of a policy's existence and not being contacted by the insurance company would make it very difficult for anyone to claim a policy. Yet some insurance companies have contended that it is solely the responsibility of the beneficiary to contact the company and make a claim, even if the company has evidence that the policy holder is deceased.<sup>6</sup>

Testimony at the hearings specifically addressed this fundamental issue.

The following is an exchange between Treasurer Frerichs and beneficiary Lynn Lucchese-Soto in Chicago:

**Treasurer Michael W. Frerichs** – "I have been told by insurance companies that it is the responsibility of the beneficiaries to know about the policies. Can you tell us about the status of your sons at the time of their mother's death?"

<sup>6</sup> Insurance conglomerate Kemper Corporation contended in a legal filing that "the life insurer's role is a passive one and that 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 unless and until the life insurer 'receives' a claim and due proof of death.... Rather, it is the insured's estate and/or beneficiaries that have the legal obligation to notify the life insurer that the insured is deceased and to provide proof of death" (Kemper Complaint, Sangamon County Court, case no. 2015MR998, pp 8-9)



**Lynn Lucchese-Soto** – “The boys were involved in the car accident with their mother and sister. Their mother was a single parent number one, and their mother and sister died in front of their very eyes. I don’t think they were in any shape at that point to even think about insurance, they were teenagers at the time and they both were broken and heartbroken. And nobody knew as far as I know. I don’t even know how you would know, certainly children in that position had no idea. The family that they had, that they were close to, had no idea...”

**Lynn Lucchese-Soto** – “If it was not for your office, and I’m not just saying this because I’m testifying, and the extraordinary efforts that they made, we would never have known. They had to find us. We don’t even have the same last name.”

**Treasurer Michael W. Frerichs** – “So the insurance companies expected recently grieving minors with learning disabilities to go through this process to collect what their mother wanted them to have?”

**Lynn Lucchese-Soto** – “Apparently.”

An unclaimed life insurance policy beneficiary had this assessment at the Decatur hearing:

“For one thing, if the people don’t know that they have the policy, how the heck can they come to them (insurance company) and produce a death certificate? They are preying on people who they know have a likelihood that they are never going to be able to get this money. They are making it very difficult for them and that just makes no sense.”

– Doris McGee

*Life Insurance Beneficiaries Who Provided Testimony to Task Force*

| Name                    | Policy Holder          | Year of Policy Holder Death | Year Benefit Received | # Years to Receive Benefit | Received Benefit From               |
|-------------------------|------------------------|-----------------------------|-----------------------|----------------------------|-------------------------------------|
| Charlene Clark          | Mother                 | 2003                        | 2016                  | 13 years                   | Treasurer                           |
| Pastor Marvin Hightower | Aunt                   | 2005                        | 2016                  | 11 years                   | Treasurer                           |
| Anthony Visnesky, Jr.   | Father                 | 1998                        | 2012                  | 14 years                   | Insurance Company (following audit) |
| Lynn Lucchese-Soto      | Mother of adopted sons | 2007                        | 2016                  | 9 years                    | Treasurer                           |
| Deborah Molina          | Mother                 | N/A                         | 2016                  | 3 years                    | Treasurer                           |
| Pastor Mark Henton      | Parishioner            | 2000                        | 2016                  | 16 years                   | Treasurer                           |
| Pastor Mark Henton      | Parishioner            | 2003                        | 2016                  | 13 years                   | Treasurer                           |
| Donsanell Nash          | Grandmother            | 2010                        | 2016                  | 6 years                    | Treasurer                           |
| Sherry Maberry          | Mother                 | 2009                        | 2016                  | 7 years                    | Treasurer                           |
| Doris McGee             | Mother                 | N/A                         | 2016                  | 3 years                    | Treasurer                           |
| Gayle Klam              | Father-in-Law          | 1999                        | 2012                  | 13 years                   | Insurance Company (following audit) |
| Lynne Meeske            | Father                 | 1996                        | 2015                  | 19 years                   | Treasurer                           |
| William VanBrunt        | Wife                   | 2005                        | 2012                  | 7 years                    | Insurance Company (following audit) |
| Larry Storey            | Mother                 | 1993                        | 2013                  | 20 years                   | Treasurer                           |
| Connie Rounds           | Mother-in-Law          | 2003                        | 2014                  | 11 years                   | Treasurer                           |
| Jeffrey Kolkey          | Father                 | 1997                        | 2014                  | 17 years                   | Treasurer                           |

Average amount of time for these beneficiaries to receive death benefit payment was 11.4 years



**Life insurance companies not promptly paying death benefits is not just a bad business practice; failing to do so also has a very human cost to it.**

“My parent’s Temple donated the money to have them cremated and buried because we didn’t have the money for a casket and that sort of thing. We basically had a donated burial and there were all sorts of expenses...At the time that they died, I really could have actually used it.”

– Jeffrey Kolkey, Task Force Hearing, Rockford

The Unclaimed Life Insurance Benefits Act (Public Act 99-893) addresses this by requiring insurers to perform periodic checks of their policies against the Death Master File (DMF) and to use good faith efforts to locate the beneficiaries if they do not come forward within 120 days to claim benefits they are owed.

**Beneficiary Profile**  
**Larry Storey**

**Larry Storey**  
**Resident of Pecatonica, IL**  
**Testified at Rockford Task Force hearing**

Mr. Storey shared with the Task Force his experience in claiming two life insurance policies. The first was an unclaimed policy belonging to his mother worth approximately \$7,000 that he discovered by searching the Treasurer’s I-Cash website ([illinoistreasurer.gov/ICASH](http://illinoistreasurer.gov/ICASH)). His mother passed away in 2005 and the policy benefits were returned to him by the Treasurer in 2013, 8 years after the insurance company could have originally paid it out. The policy was found by the Treasurer’s external auditors. He had no prior knowledge of the policy existing.

The second was a paid up policy taken out by he and his wife worth \$500. Mr. Storey encountered a common problem when trying to claim the policy after his wife’s death; the policy had been sold by the company he had originally bought it from.

Below is the story he shared with the Task Force in Rockford:

“In 1964 we had taken out paid up life insurance...It was only a \$500 policy with Rockford Life Insurance...but when I contacted Rockford Life Insurance, I called the number on the insurance policy; I was informed that Rockford Life had closed up. Luckily, there was a lady working for this company that had worked for Rockford Life and they were the ones that bought out Rockford Life... I gave her the numbers and she said well that it’s been sold as a batch file to such and such a company... I called the second company and gave her my wife’s policy number and she said we sold that to such and such a company, so I called that company and gave her my wife’s policy number and they said they had no record of it. So I called back to the second company again and I said that they have to have record of it. They gave me the batch number that time, so then I called back to the third company and gave them the batch number. Now, “oh, we sold that as soon as we got it.” They sold it as a batch number without taking into account the number of the policy. So I called the fourth company that they sold it as a batch to and I finally got the money. I had to chase that \$500 and it really wasn’t worth it.” When asked why he went through the difficult process of tracking down the policy, he said “It wasn’t the money, it was the principle.”

## **Issue #2 – Insurance policies are re-sold and companies are bought out, closed, or change names**

It's a common practice in the insurance industry for policies to be bought and sold. Much like stocks, companies assess the value and risk associated with the life insurance policies in their portfolios and make transactions based on this. The same is true for the insurance businesses themselves. Companies open and close, there are mergers and buyouts, and companies change their names. The one variable that remains consistent is the policies that have been purchased by their customers. No matter what business decisions are made by the companies, the active policies of the consumers still exist.

Many policy holders and beneficiaries are never notified when their policies are sold or changes are made to the companies that hold them. Poor communication between companies and policy holders (and beneficiaries) further complicates an already difficult process of claiming death benefits.

In addition to requiring life insurance companies to contact beneficiaries, the National Association of Insurance Commissioners (NAIC) recommends protections in its exposure draft Model Act to improve the updating and sharing of information. The Act requires insurers to run DMF checks when policies are acquired from another insurer (Sec. 5, A (3)(a) and (b)) and further requires that companies notify their affiliates, parent, or subsidiaries upon learning of a policy holder's death, including newly acquired policies, and that their affiliates perform a check of their records for additional policies.

*"A lot of older people don't realize that these companies are bought out by larger companies, so how would you know to go to another company. ... And if you've got a limited education and you don't ask a lot of questions and you don't have anyone to be an advocate for you it's simply unfair – hopefully we can get it changed."*

*– Donsanell Nash, Task Force Hearing, Chicago*

*"We're familiar in central Illinois with companies like State Farm and Country Financial and they've been around for a long time. But there have been probably over a thousand different companies selling life insurance in the state of Illinois. Many of which are purchased or bought by someone else, their names change over time, and they can make it really difficult for grieving families when a policy was purchased 40-50 years ago and that company has changed hands or changed ownership two or three times, it's difficult to track down."*

*– Treasurer Frerichs, Task Force Hearing, Normal*

## **Issue #3 – Policies contain incorrect information (misspelled name, wrong address, etc.)**

A sample of unclaimed life insurance policy claims that were paid by the Treasurer's office was examined to determine the number that had a payee address different from the address provided by the holder. Of the over 900 policies examined, only 11% were paid out to the address that was on file when reported to the Treasurer by the company. This suggests that the contact information of most policies was not regularly updated, if ever.<sup>7</sup>

<sup>7</sup> An examination of a random sample of 939 life insurance policies paid by the Treasurer's office discovered that only 102 (10.9%) had the correct address of the payee when it was reported by the insurer.

Before having digital and online copies of business records and transactions, nearly all life insurance policies were either typed or handwritten. Many still have old insurance payment books and paper contracts with the names of policy holders written in. This led to misspellings, errors in names and policy numbers, and illegible information. Unfortunately, these past errors can make it more difficult for the beneficiary of a life insurance policy to claim those same policies today and lead to policies going unclaimed.

Public Act 99-893 took steps to correct part of this problem by requiring insurers to have procedures in place during their DMF searches to account for common nicknames, use of initials, and other such common name use variations. It also requires compound last names, married or maiden names, and the use of hyphens, spaces and apostrophes in last names to be accounted for in DMF checks, along with a transposed date and month in birthdays and incomplete social security numbers.

However, misspellings, outdated beneficiaries, incorrect addresses, and other errors in contact information can make it difficult for insurers and beneficiaries to connect.

“I think it was just difficult to find them and in the case of the policy that I got from my mother, her first name was misspelled. Just by one letter it was misspelled, so that was a reason it was more difficult to find.”

– Doris McGee, Task Force Hearing, Normal

“My father often spoke of an insurance policy that he had taken out when he was very young... When my father passed away, we looked and looked and looked, but could find no record of the policy and of course because my mother wasn’t his wife when he took out the policy, she wasn’t obviously identified as a beneficiary. And the people who were identified as his beneficiaries that being his parents were long deceased, so there was no trail back to my mother.

– Anthony Visnesky, Jr., Task Force Hearing, Normal

## **What We Can Do**

The proactive efforts of the Treasurer’s office have produced positive developments towards the issue of companies not contacting beneficiaries. Provisions in Illinois’ Uniform Disposition of Unclaimed Property Act<sup>8</sup> and Public Act 99-893 (HB 4633) already require holders to conduct due diligence in an effort to contact beneficiaries. In addition, audits being conducted on participating life insurance companies also require due diligence to be performed on the unpaid policies that are discovered. These audits over the last five years have uncovered billions of dollars of unpaid policies nationwide and \$550 million for beneficiaries in Illinois alone. Of the \$550 million, over \$200 million was escheated to the Treasurer’s office as unclaimed property because the insurers were unable to make contact with or locate the beneficiaries.<sup>9</sup> This underscores the need for insurers to keep their policy holder and beneficiary contact information updated.

8 765 ILCS 1025 (<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2228&ChapterID=62>)

9 \$550 million is an estimate from the auditing company utilized by the Treasurer’s office. The figure is based on data obtained during the examinations of life insurance policies belonging to Illinois residents. According to unclaimed property records of the Treasurer’s office, over \$200 million identified by the audits has been escheated by life insurance companies since 2011.

Of the unclaimed policy beneficiaries who provided testimony at the statewide hearings, three of the fifteen (20%) were contacted by and paid directly by the insurance companies through due diligence efforts. It is important to note, however, that the average time between the death of the policy holder and the death benefit payout by the insurance companies in those three cases was approximately 11.3 years. If these companies had in place due diligence practices from the outset, rather than being compelled to do so through the Treasurer's audits, these payments could have been received by the beneficiaries soon after the policy holder passed away.

To address the three issues laid out above, life insurance companies need to have active dialogue with policy holders and beneficiaries. Imagine when you go to a doctor's office and upon arrival you are handed a form asking you to update or confirm the basic personal and contact information they have on file. If a similar practice was required of life insurance companies to request updates upon any changes to a policy, fewer death benefits would go unclaimed and unpaid. Regular communication between insurers and the insured can verify general policy details, allowing for corrections and changes to names, addresses, and other information. As testimony has shown throughout the Task Force hearings, it is common for beneficiaries to not know of a policy's existence or their being listed as the beneficiary. This is why the Unclaimed Life Insurance Benefits Act (Public Act 99-893) requires life insurance companies to use good faith efforts to contact beneficiaries when the insured is listed on the DMF and the beneficiaries have not contacted the insurer. But, if the insurer has up-to-date contact information for the beneficiaries, this would improve the chances of the insurer and beneficiaries connecting after the death of the insured.

The NAIC's exposure draft Model Act proposes this requirement:

“at no later than the policy delivery or the establishment of an account and upon any change of insured or beneficiary, an insurer shall request information sufficient to ensure that all benefits or proceeds are distributed to the appropriate persons upon the death of the insured including, at a minimum, the name, address, date of birth, social security number, and telephone number of every insured and beneficiary of such policy or account” (Sec. 5, I (1)).

Additional provisions require companies to run checks against the DMF following the acquisition of policies from another insurer (Sec. 5, A (3)(a) and (b)) and to notify any “affiliate, parent or subsidiary...and any entity with which the insurer contracts that may maintain or control records related to policies” upon “knowledge of death of an insured” (Sec. 5, C (2)(a)).

It is the recommendation of this Task Force to propose requirements similar to what is found in the NAIC's exposure draft that requires life insurance companies to regularly request and update policy and contact information to ensure beneficiaries can be found, to run checks against the DMF when policies are acquired from other companies, and to notify affiliated parties of the death of a policy holder.

# **Recommendation #3**

## **Strengthen Regulations on Private Finder Companies**

"I want to make clear for the record, the Treasurer's Office never charges anything, no percent, no fees, to return property that belongs to Illinois residents. If someone is out there doing that, we can do that for free. We think that is not an acceptable industry practice."

– Treasurer Michael Frerichs, Task Force Hearing, Rockford

Finders are individuals or businesses that offer to reunite the apparent owner or heirs with unclaimed property for a fee, as defined by Unclaimed Property Professionals Organization.<sup>10</sup> The fee is usually a percentage of the total value of the unclaimed property. There are two types of finders: pre-escheatment and post-escheatment. Pre-escheatment finders focus on properties that have not yet been remitted (escheated) to the state as unclaimed property. When unpaid life insurance policies have not yet reached the required age to be reported as unclaimed property, companies can utilize pre-escheatment finders to identify beneficiaries at a fee, which can significantly drain the value of the death benefit. Post-escheatment finders target properties that have been transferred to the custody of the state (typically after 5 years of going unclaimed) and the beneficiary has not yet been located by the state, usually after a specified amount of time (24 months in Illinois).

Private finders are different from third-party auditors. The State Treasurer contracts with third-party auditors to audit companies, including life insurance companies, to make sure that they are following Illinois laws concerning unclaimed property. The State Treasurer pays these auditors on a contingency basis. The State Treasurer holds property reported and remitted as a result of an audit as a custodian forever. The State never takes ownership of the property. And importantly, unlike a private finder, the State Treasurer will pay the owner 100% of their funds. The State Treasurer does not charge a fee and the auditor's fees do not reduce the amount returned to the owner.

### **The Issue**

The business of finders and the controversy around them is not a new one. Even as the original version of the Uniform Unclaimed Property Act was being drafted in 1954, there was already discussion as to the questionable fees charged by finders and whether they should be limited (NAUPA). The basic business model of a finder is to acquire information of individuals who are an unknowing owner (or heir) of unclaimed property and offer to help them recover the property for a percentage of its value. While this could be viewed as a convenient service, finders at times ask for fees of 50% or more of the value, even when the owner could claim the same property from the holder or state for no cost at all. This practice went unregulated for many years.

<sup>10</sup> <http://www.uppo.org/?page=GlossaryofTerm2013>



Updates to the Uniform Unclaimed Property Act in 1981 and 1995 included new consumer protections aimed at providing states with a better chance to locate owners of unclaimed property without charge, while not having to compete with finder companies. During the 1995 process it was argued that “states have noticed the practice in some instances where as soon as the reports are made, they are flooded with requests from heir finders who then take the state's records and go out and attempt to locate the owners for a fee...The states would like the opportunity to publish, as the law requires, their notices and let owners come forward and claim this property without being assessed a fee at all”.<sup>11</sup>The 1981 Act established a 24-month period following a state receiving a property where finder agreements were void to allow for states to locate the property owners.<sup>12</sup>The 1995 update to the Act increased that period to commence on the date the property was presumed abandoned and extending 24 months after the date the property is paid to the administrator. Also, included in the 1995 update was required language to be included in finder agreement contracts to better inform the consumer.<sup>13</sup>

Illinois is a custodial state that holds unclaimed property assets indefinitely for the owner or legal heir to claim at no cost.

Unclaimed property statutes of numerous states have aimed to address the finder issue by adding additional protections such as capping the fees finders are able to collect. The Uniform Disposition of Unclaimed Property Act (765 ILCS 1025) in Illinois clearly defines the statutory requirements of finders operating in the state. The protections in Illinois include a 24-month period upon the state gaining custody of a property where finders cannot charge a fee. After the 24-month period, finders, who must be licensed as a private detective, may charge no more than a 10% fee and must provide specific written disclosure language to owners.

The current debate is whether restrictions suggested by the Uniform Law Commission on post-escheatment finders should be reduced or removed, how that would affect unclaimed property at the state level, and if pre-escheatment finders should be regulated with similar consumer protections.

## **What We Can Do**

The regulation of pre-escheatment and post-escheatment finders varies widely. Post-escheatment finders are subject to the regulations in the Uniform Unclaimed Property Act and individual state statutes. Most states limit the fees charged by the finder to 10%-30% of the value of the property following the 24-month restricted period. Court rulings have also upheld a state's ability to set maximum fees charged and scrutinized unconscionable compensation by finders.<sup>14</sup>

Pre-escheatment finders on the other hand operate relatively unregulated. The 2013 article “For a Fee, Seeking Owners of Unclaimed Money” in *The New York Times* surmised “there is a gray area of time between when a company realizes an account is dormant and when it has to turn

11 Uniform Unclaimed Property Act Revision Committee, NAUPA. "Opposing Reducing Restrictions on Contracts to Locate Unclaimed Property." Memo to Drafting Committee to Revise the Uniform Unclaimed Property Act, Uniform Law Commission. 9 May 2014. (<https://www.unclaimed.org/uploads/resources/286/naupa-opposing-reducing-restrictions-on-lc-whitepaper2.pdf>)

12 Uniform Unclaimed Property Act (rev. 1981), Sec. 35. National Conference of Commissioners on Uniform State Laws. (<http://www.uniformlaws.org/shared/docs/unclaimed%20property/uupa81.pdf>)

13 Uniform Unclaimed Property Act (rev. 1995), Sec. 25. National Conference of Commissioners on Uniform State Laws. (<http://www.uniformlaws.org/shared/docs/unclaimed%20property/uupa95.pdf>)

14 *International Tracers of Am. v. Hard*, 89 Wash. 2d 140, 570 P.2d 131 (1977), *Crown Mortg. Co. v. Young*, 2013 IL App (1st) 122363, and *In re Taylor*, 216 B.R. 515 (Bankr. E.D. Pa. 1998)

Pre-escheatment finders on the other hand operate relatively unregulated. The 2013 article "For a Fee, Seeking Owners of Unclaimed Money" in *The New York Times*<sup>15</sup> surmised "there is a gray area of time between when a company realizes an account is dormant and when it has to turn the money over to the state, typically three to five years. This is where locator companies operate with little regulation on the fees they can charge". During that "gray period", unsuspecting consumers may be solicited by finders who charge unregulated fees to identify and recover unclaimed property.

"Reducing or removing the requirements for locators would overturn sixty years' evolution of consumer protection provisions balancing owners' interests with locators' rights."

- National Association of Unclaimed Property Administrators

It is the recommendation of this Task Force that current regulations of post-escheatment finders not be reduced, but be maintained at the state level. This includes maintaining the 24-month restricted period.

Further, the Task Force also recommends that the prohibition on finders charging fees to recover property be extended to when property is first considered presumptively abandoned. This is the period of the prohibition in Section 25 of the 1995 Uniform Unclaimed Property Act. Currently the prohibition only applies to the 24-month period following the remittance of the property to the treasurer (765 ILCS 1025/20(c)).

### **The Difference Between Finders and Contingency Fee Auditors**

"Governor Rauner and Director Dowling called on the General Assembly and the Treasurer to stop contingency arrangements with private finder companies."

- Office of the Governor, Press Release (8/26/16)

When discussing private finders who seek out owners of unclaimed property, it is necessary to differentiate those finders from contingency fee auditors. These auditors are utilized by state unclaimed property administrators to conduct large-scale audits of multi-state companies, such as life insurance, to identify unpaid policies. The uncovered policies are then either paid by the company directly to the owner/beneficiary or reported and remitted to the state. With policies found by auditors, the owner of the property receives 100% of the benefit due to them, unlike with finders who take a large percentage of the death benefits as their fee.

Since 2011, contingency fee auditors have been working on behalf of the Illinois Treasurer to identify death benefits that were not paid to grieving families in Illinois. In that time, the external auditors have identified over \$550 million in benefits due to Illinoisans, while according to *The Wall Street Journal* more than \$7.4 billion has been identified nationally.<sup>16</sup> Without the assistance and expertise of the auditors, this money may never have been returned by life insurance companies to beneficiaries across the state. The National Association of Unclaimed Property Administrators wrote in a memo on the state's utilization of private auditors, "Contract

15 Sullivan, Paul. "For a Fee, Seeking Owners of Unclaimed Money." *The New York Times*. The New York Times, 21 June 2013. Web. 23 Sept. 2016. (<http://www.nytimes.com/2013/06/22/your-money/seeking-owners-of-unclaimed-money-for-a-fee.html>)

16 Scism, Leslie. "Why Decades Old Life Insurance Benefits May Still Go Unpaid." *The Wall Street Journal*. 26 Feb. 2016. Web. (<http://www.wsj.com/articles/why-decades-old-life-insurance-benefits-may-still-go-unpaid-1456507761>).



# Unclaimed death benefits identified to date

A dark blue silhouette of the state of Illinois.

**\$550**

MILLION  
IN  
ILLINOIS

A dark blue silhouette of the United States, including Alaska and Hawaii.

**\$7.4**

BILLION  
NATIONALLY

examiners have proven highly effective, collecting billions in unreported property, which the states have in many cases been able to pay to missing owners".<sup>17</sup>

"If contingent fee examinations are eliminated, it would be detrimental to many state unclaimed property programs and their ability to most effectively enforce the very laws that they are charged with administering."

– National Association of Unclaimed Property Administrators

The Uniform Disposition of Unclaimed Property Act in Illinois (765 ILCS 1025) and its governing rules clearly outline the statutory requirements and process for holders of unclaimed property to report and turn over property to the Illinois Treasurer if the owner cannot be found. Unfortunately the holders do not always comply, which compels the Treasurer's office to utilize external auditors to pursue unpaid life insurance benefits. As highlighted in NAUPA's memo, "voluntary unclaimed property reporting and participation in voluntary amnesty programs is low, especially when compared to other compliance laws. Consequently, states are forced to utilize other means...to ensure compliance."

According to the Unclaimed Property Division of the Treasurer's office, in Illinois over the past five years 136,597 unclaimed life insurance policies were reported by companies (voluntarily and from audits) totaling \$234,539,563 in benefits remitted. To further illustrate this issue, only 31,336 of those policies (23%), totaling \$46,299,712 (20%), were turned over via voluntary reporting by the life insurance companies. The other 105,261 (77%) totaling \$188,239,851 (80%) were uncovered and turned over only as a result of the audits. If not for the Treasurer's office utilizing external auditors, over 105,000 policies and \$188 million since 2011 would have been left unreported in the accounts of life insurance companies in Illinois alone.<sup>18</sup>

When unclaimed life insurance policies go unreported by the insurance companies,



**100%** of the death benefits go unpaid and stay with the company

while **0%** goes to the beneficiary of the deceased policy owner.



According to Illinois' unclaimed property records, over the last 5 years

only **20%** of the money remitted by life insurance companies

was reported voluntarily while **80%** of the money was recovered

only because of the Treasurer's audits.



<sup>17</sup> Uniform Unclaimed Property Act Revision Committee, NAUPA. "The States' Effective Utilization of Private Auditors for the Identification of Unclaimed Property." Memo to Drafting Committee, Revision of the Uniform Unclaimed Property Act, Uniform Law Commission. 9 May 2014. (<https://www.unclaimed.org/uploads/resources/257/naupa-states-effective-utilization-of-private-auditors-whitepaper.pdf>)

<sup>18</sup> The Unclaimed Property Division of the Treasurer's office compiled data from its records to determine the number of life insurance policies that were reported, both voluntarily and following audits, in Illinois over the last five years. This data is to illustrate the impact external audits have on the amount of unclaimed life insurance reports received by the Treasurer's office.

## Beneficiary Profile Anthony Visnesky, Jr.



**Anthony Visnesky, Jr.**  
**Resident of Springfield, IL**  
**Testified at Normal and Springfield**  
**Task Force hearings**  
**Video Link: [youtu.be/h7X-1W77bOU](https://youtu.be/h7X-1W77bOU)**

Mr. Visnesky was the beneficiary of a life insurance policy belonging to his father valued at approximately \$4,000.

External audits conducted on behalf of the Treasurer's office uncovered his father's unpaid policy and Mr. Visnesky received the death benefit from the policy 14 years after his father had passed. If not for the external auditors performing exams of insurance companies, Mr. Visnesky says he would have never found or received this money.

"He worked in the coal mine at night while he was going to high school so that he could help his family make ends meet. And I believe he took out the insurance policy as an indemnification against any cost they may incur if there was an accident in the mine."  
– Anthony Visnesky, Task Force Hearing, Normal

"I think that an insurance policy is essentially a contract between the purchaser of the policy who pays the premiums and the insurance company...they earn money, large sums of money, on what they don't have to pay out, and the longer they keep that payout from occurring, it (is) to their benefit. It's a benefit not to the insured, but to the shareholder." – Anthony Visnesky, Task Force Hearing, Normal

## **Success of Unclaimed Life Insurance Audits in Illinois**

Once the widespread practice of life insurance companies not paying death benefits came to light, over 30 life insurance companies representing more than 70% of the market cooperated with the Treasurer's third party auditors.<sup>19</sup> Only a few major players from the life insurance industry fought allowing the practice to occur. The result in Illinois was evident with an increase of reported property from the audits. Rick Cory, Unclaimed Property's Deputy Director for Compliance, was asked at the Chicago hearing about the impact audits have on the amount of unclaimed life insurance benefits reported to the Treasurer's office. "We have steadily set records every single year on our payments of unclaimed property from audits," said Cory. "In 1999 we were returning below \$50 million and over the years, through these examinations, we are now returning well over \$100 million a year to individuals in Illinois. It's made an enormous difference."

The life insurance companies being reviewed could have voluntarily reported this information prior to the external audits or had an internal audit process to find unpaid policies. If the holders

<sup>19</sup> 31 life insurance companies, making up 70%+ of the market, have signed Global Resolution Agreements allowing audits to be conducted on behalf of states to identify and report unpaid life insurance policies. Additional companies continue to be added to the list.

were paying the benefits directly, there would be no need for states to have auditors. However, too many were not doing this, which resulted in those companies keeping 100% of the benefits with 0% going to the beneficiary. With the unpaid policies uncovered by the audits, 100% of the benefit will be returned to the rightful beneficiaries. The audit findings resulted in the companies either using due diligence to locate and pay a beneficiary directly or remitting the benefits to the Treasurer as unclaimed property. In cases where the policy is paid directly and never turned over to the state as unclaimed property, the external auditors do not receive any compensation. Treasurer Frerichs asserted at the hearing in Rockford, "The insurance companies had the names of the beneficiaries, had their addresses, and after we identified someone that had died, they just wrote the checks themselves. That's something they could have done at any time...if they had chosen to look at the Death Master File."

The following is a list of Life Insurance Companies who signed Global Resolution Agreements (GRAs) with state unclaimed property administrators, including the Illinois State Treasurer, specifying procedures and standards for reporting unclaimed property. This represents over 70% of the national market.

### **Life Insurance Companies with Signed GRAs**

- 1 Allianz Life Insurance Company of North America
- 2 American Family
- 3 American Financial Group, Inc.
- 4 American International Group
- 5 Aviva USA Corporation
- 6 AXA Financial, Inc.
- 7 Cincinnati Financial
- 8 Forethought Financial
- 9 Genworth Financial, Inc.
- 10 Guardian Life Insurance Company of America
- 11 Hartford Financial Services Group, Inc.
- 12 ING America Insurance Holdings, Inc.
- 13 Jackson National Life Insurance Company
- 14 John Hancock
- 15 Lincoln National Corporation
- 16 MetLife, Inc.
- 17 Minnesota Mutual Companies, Inc.
- 18 Nationwide Mutual Insurance Company
- 19 New York Life Insurance Company
- 20 Northwestern Mutual
- 21 Pacific Mutual Holding Company
- 22 Penn Mutual
- 23 Prudential Financial, Inc.
- 24 Sammon Financial (Midland and United)
- 25 StanCorp Financial Group, Inc.
- 26 Sun Life Financial, Inc.
- 27 Symetra Financial Corporation
- 28 Teachers Insurance and Annuity Association of America (TIAA)
- 29 Transamerica Corporation
- 30 United Heritage
- 31 Western & Southern Financial Group

## **Insurance Companies Complying**

“We first became aware of the beneficiary notification issues when concerns surfaced in the life insurance industry six years ago. At that time, we began to review and improve how we locate unreported deaths where the life insurance beneficiaries had not presented a claim. This effort helped us locate and provide policy benefits to nearly all beneficiaries...We support this recently introduced legislation.”

– State Farm media statement concerning Task Force hearing in Normal<sup>20</sup>

It is important to note that there are some insurance companies, like State Farm, who do internal checks on these policies and attempt to contact beneficiaries. They are not among those participating in the audits under the GRAs because they are conducting a similar process and complying on their own. If all life insurance companies were to voluntarily do internal checks and due diligence, then the audits would not be as necessary to return death benefits to beneficiaries.

### **Why Audits Are Done Externally**

The Treasurer’s office does not have the necessary resources to conduct large scale audits of life insurance corporations. Smaller Illinois-based audits are conducted internally by staff examiners. However, audits of national companies pose a much greater challenge, so states pool their resources. This saves money for Illinois taxpayers and is more efficient for the companies being audited.

Rick Cory stated during testimony in Decatur, “we only have 2 (internal auditors) so it would be hard to send them out to these national companies that are located outside of Illinois. We use external auditors that we contract with and it makes more sense, especially for examinations of large insurance companies, to send one group of examiners in that will do a multi-state examination versus sending examiners in from all 50 states to do separate examinations.”

Without external auditors, the Treasurer’s office would need to recruit and hire dozens of more employees as auditors and then pay to send them around the country to audit these large corporations. This would be incredibly expensive and inefficient. NAUPA in their 2015 memo on auditors points out that, “states lack sufficient resources and cannot conduct audits of large, complex, multi-state companies on their own...As a result, for the states to conduct meaningful collection programs...third party auditors have become a necessary component of this compliance effort. States have successfully utilized outside audit firms for 30 years and the states can only meet their goal of protecting consumer rights if this option remains available to them.”

The Task Force recommends that the use of contingency fee auditors be continued by the Illinois State Treasurer. The practice has resulted in hundreds of millions of unclaimed life insurance dollars being identified for beneficiaries of Illinois policy holders. There is concern that stopping the use of external auditors could result in some life insurance companies again not voluntarily reporting and/or checking their records for unpaid policies.

20 Beigh, Derek. "Frerichs promotes new life insurance rules." The Pantagraph. 18 Aug. 2016. Web. ([http://www.pantagraph.com/business/frerichs-promotes-new-life-insurance-rules/article\\_14e64051-f38b-5047-a9f2-0806b69bddc0.html](http://www.pantagraph.com/business/frerichs-promotes-new-life-insurance-rules/article_14e64051-f38b-5047-a9f2-0806b69bddc0.html)).



## Recommendation #4

### Work with Funeral Directors

“Technology today could be extremely helpful. When a family comes in contact with a funeral home provider, for that funeral home to be able to inform the family that they should go to the website, they should look for that type of thing that this information is possibly out there to help them.”

– Rep. Dan Brady, Task Force Hearing, Normal

#### The Issue

A primary goal of the Task Force on Unclaimed Life Insurance Policies was to receive feedback from beneficiaries, industry experts, task force members and the public on how life insurance consumers in Illinois can be better served. The issue of life insurance companies not contacting beneficiaries resulting in policies going unclaimed was discussed earlier in this report. From the discussion on that topic during the hearing in Normal came another recommendation. Specifically, the enlisting of funeral directors to play a role in notifying families of possible unclaimed properties, including life insurance, belonging to the deceased.

Representative  
Dan Brady  
speaking at the  
Task Force hearing  
in Normal



Task Force member State Representative Dan Brady (R-Bloomington), a licensed funeral director, was able to share his unique insight on this topic. Rep. Brady advocated that when funeral directors and family members are making arrangements, this would be a logical time to also communicate to the family what resources are available regarding property of the deceased. Rep. Brady explained:

“This doesn’t take legislation...the funeral home provider says ‘this is contact information to a website of the Treasurer’s office, you should go on this website and see if mom, dad, grandma, grandpa had anything that they (Treasurer’s office) already have knowledge of... This is a little more initial than waiting on audits and insurance companies and so on. I offer any type of help along those lines trying to streamline from the individual families involved with the death and dealing with what assets, benefits, and policies might be out there that your office is aware of.”





**Treasurer Frerichs met with the Illinois Funeral Directors Association (IFDA) to discuss working together to help educate families on possible unclaimed property and life insurance policies.**

Treasurer Frerichs met with representatives of the Illinois Funeral Directors Association (IFDA) on November 2, 2016 to discuss the potential value of working together to educate families of resources available to them through the State of Illinois.

Another resource available to assist in this process is the Life Policy Locator Service launched by the Illinois Department of Insurance.<sup>21</sup> In addition to utilizing the Treasurer's I-Cash website<sup>22</sup>, funeral directors would be able to assist family members with using the Life Policy Locator Service to track down life insurance policies for which their family member was the insured.

A press release for the Office of the Governor explained, "The Life Policy Locator Service through the Dept. of Insurance (DOI) helps executors, legal representatives, or members of the deceased person's immediate family find a life insurance policy or annuity contract left by the deceased loved one and serves to bridge the gap between insurance companies and Illinois citizens who think they may be listed as a beneficiary".<sup>23</sup>

21 <https://insurance.illinois.gov/Applications/LifePolicyLocator/>

22 <https://illinoistreasurer.gov/ICASH>

23 Office of the Governor. Rauner Administration Takes Action to Help Illinoisans Find Lost Life Insurance Money. [www.illinois.gov](http://www.illinois.gov). 26 Aug. 2016. Web. <http://www3.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=1&RecNum=13779>



## What We Can Do

It is the recommendation of this Task Force that the Treasurer's office work in cooperation with the IFDA and funeral directors across the state to develop an education strategy for communicating resources available to families during the funeral arrangement process. This information can be communicated both verbally by the funeral directors and by distributing a fact sheet containing the necessary details.

Funeral directors would play a central role in making families aware of 1) the Treasurer's I-Cash website ([illinoistreasurer.gov/ICASH](http://illinoistreasurer.gov/ICASH)) to search for unclaimed life insurance and other unclaimed property that may belong to their deceased loved one, and 2) the Life Policy Locator Service ([insurance.illinois.gov/Applications/LifePolicyLocator/](http://insurance.illinois.gov/Applications/LifePolicyLocator/)) available through the Illinois Department of Insurance to search for any existing life insurance policy.

In discussing such a collaboration of funeral directors during the Task Force hearing in Normal, Rep. Brady stated "it doesn't take anything other than communication and networking with colleagues across the State of Illinois which might be something you want to look into a little bit more and I'd be happy to help you with that...It gets back to education and letting people know that these types of things are out there. The more we do these types of things to try and do that from an education standpoint, I think is very important."

# **Recommendation #5**

## **Amend the Vital Records Act**

“I’m just looking for some way to help the Treasurer’s Office with data that may exist if other state agencies have been able to utilize that data to help them in the performance of their duties that we continue to explore the same for the Treasurer’s office.”

– Rep. Dan Brady, Task Force Hearing, Normal

### **The Issue**

Information from the vital records of Illinois citizens is utilized for various purposes across state and federal government. The Vital Records Act (410 ILCS 535)<sup>24</sup> allows specific state agencies to access data from the Office of Vital Records within the Illinois Department of Public Health (IDPH) to update their own records and complete their duties. For example, under the Election Code (10 ILCS 5/4-14.1 and 5/5-9.1) death records are used by state and local election authorities to maintain an accurate voter registration database and remove deceased individuals from the active voter rolls. The Death Master File (DMF), administered by the Social Security Administration, which is what life insurance companies should use to check if policy holders have passed away, relies on IDPH’s vital records as one of its data sources ([www.ssa.gov](http://www.ssa.gov)). Rep. Dan Brady referenced the use of vital records data when speaking at the Task Force hearing in Normal saying, “when we have a system for electronic filing of death certificates in the state and we have a section on that certificate that lists an informant...and they list the contact information of the informant who made these arrangements. I can’t believe that would not be extremely helpful somehow to the Treasurer’s office, as it’s been helpful to the Secretary of State’s office and Medicaid office and purging voter records.”

“I want to compliment Representative Brady, who is one of the Task Force members, who 12 years ago led the fight to get electronic death certificates...Those predecessor steps are what makes this possible today.”

– G. Allen Mayer, Deputy General Counsel for Treasurer Frerichs, Task Force Hearing, Normal

Currently the access to and sharing of vital record information is limited by the Vital Records Act. While the restricted access is necessary for the security of the records, there are additional government agencies, such as the Office of the Illinois State Treasurer, which could benefit from access to the information. “The success of the Treasurer’s office being able to return unclaimed property to Illinois citizens is dependent on our having accurate and detailed information available,” said Roxanna Hollenstine, Deputy Chief of Staff of Unclaimed Property and Compliance. “Having direct access to vital records would benefit both the individuals trying to claim property and the daily operations of the Treasurer’s office.”

24 410 ILCS 535 (<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1573&ChapterID=35>)

The Unclaimed Property Division of the Treasurer's office utilizes vital records information on a daily basis in the investigation and processing of claims, including death, marriage, and birth certificates. Often vital records are required to be provided by the individual making an unclaimed property claim. This comes at a cost to the citizen who has to pay IDPH or a local county clerk for a copy of the death or other certificate. While the Treasurer's office charges no cost at all to citizens in returning unclaimed property, the claimant may incur fees elsewhere in obtaining necessary documentation to complete the claim.

### **Cost of Obtaining a Death Certificate Copy**

IDPH - \$19 (certified), \$10 (uncertified)

Cook County - \$17

Sangamon County - \$29

McLean County - \$17

Rock Island County - \$20

Williamson County - \$19

If the Treasurer's office had direct access to information through the Vital Records Act for unclaimed property claims, it would help remove the cost and burden of securing this paperwork from the claimant. Additionally, access to long form death certificates and other data (that include information such as name of informant/reporter on the certificate, name of parents, etc.) could be used to help determine and locate the proper beneficiary of unclaimed life insurance policies and other property.

Recent legislation that coordinated vital record resources between Illinois agencies was Public Act 99-087 that was signed into law on July 21, 2015. This legislation, co-sponsored by Task Force member Rep. Dan Brady, allows the Illinois Department of Human Services to access death records to check them against its roster of public aid recipients to remove those no longer eligible. Other coordinated sharing of vital records in Illinois includes the Department of Healthcare and Family Services having access to the electronic death registration system to update its roster of Medicaid recipients and the Department of Financial and Professional Regulation having the same access for its enforcement of the Cemetery Oversight Act.<sup>25</sup> Also under the Vital Records Act, pension funds and retirement systems have access to the records for their administrative purposes.<sup>26</sup>

<sup>25</sup> 410 ILCS 535/18.5 (<http://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=041005350K18.5>)

<sup>26</sup> 410 ILCS 535/24.5 (<http://www.ilga.gov/legislation/ilcs/documents/041005350K24.5.htm>)

# STATE OF ILLINOIS CERTIFICATE OF DEATH

|   |                                  |  |  |  |  |
|---|----------------------------------|--|--|--|--|
| REGISTRATION DISTRICT NO.   |                                  | LOCAL FILE NUMBER  |  | STATE FILE NUMBER  |  |
| 1. DECEDENT'S LEGAL NAME (Include AKAs if any) (First, Middle, Last)  |                                  |  | 2. SEX   | 3. DATE OF DEATH (Month/Day/Year) (Spell Month)  |  |
| 4. COUNTY OF DEATH  | 5a. AGE AT LAST BIRTHDAY (Years) | 5b. UNDER 1 YEAR<br>Months      Days   | 5c. UNDER 1 DAY<br>Hours      Minutes  | 6. DATE OF BIRTH (Month/Day/Year)  |  |
| 7a. CITY OR TOWN  |                                  | 7b. HOSPITAL OR OTHER INSTITUTION NAME (if not in either, give street and number)  |  |  |  |
| 7c. PLACE OF DEATH (Check only one: see Instructions)   |                                  |  |  |  |  |
| IF DEATH OCCURRED IN A HOSPITAL<br><input type="checkbox"/> Inpatient <input type="checkbox"/> Emergency Room/Outpatient <input type="checkbox"/> Dead on Arrival   |                                  |  | IF DEATH OCCURRED SOMEWHERE OTHER THAN A HOSPITAL<br><input type="checkbox"/> Hospice facility <input type="checkbox"/> Nursing Home/Long-term care facility <input type="checkbox"/> Decedent's home   Other (Specify): |  |  |
| 8. BIRTHPLACE<br>(City and State or Foreign Country)  | 9. SOCIAL SECURITY NUMBER        | 10. MARITAL STATUS AT TIME OF DEATH<br><input type="checkbox"/> Married <input type="checkbox"/> Married but separated <input type="checkbox"/> Widowed<br><input type="checkbox"/> Divorced <input type="checkbox"/> Never Married <input type="checkbox"/> Unknown   |  | 11. SURVIVING SPOUSE'S NAME<br>(If wife, give full name prior to first marriage)   | 12. EVER IN U.S. ARMED FORCES?<br><input type="checkbox"/> Yes <input type="checkbox"/> No |
| 13a. RESIDENCE (Street and Number)  |                                  | 13b. APT. NO.  | 13c. CITY OR TOWN  |  | 13d. INSIDE CITY LIMITS?<br><input type="checkbox"/> Yes <input type="checkbox"/> No       |
| 13e. COUNTY   | 13f. STATE                       | 13g. ZIP CODE  | 14. FATHER'S NAME (First, Middle, Last)  |  | 15. MOTHER'S NAME PRIOR TO FIRST MARRIAGE (First, Middle, Last)                            |
| 16a. INFORMANT'S NAME   |                                  | 16b. RELATIONSHIP  | 16c. MAILING ADDRESS (Street and No., City or Town, State, Zip Code)   |  |  |
| 17. METHOD OF DISPOSITION: <input type="checkbox"/> Burial<br><input type="checkbox"/> Cremation <input type="checkbox"/> Donation <input type="checkbox"/> Entombment<br>Other (Specify):  |                                  | 18. PLACE OF DISPOSITION (Name of cemetery, crematory, other)  |  | 19. LOCATION - CITY, TOWN AND STATE  | 20. DATE OF DISPOSITION (Month/Day/Year)   |
| 21a. FUNERAL HOME   |                                  | NAME   | STREET AND NUMBER  | CITY OR TOWN   | STATE      ZIP   |
| 21b. FUNERAL DIRECTOR'S SIGNATURE   |                                  |  | 21c. FUNERAL DIRECTOR'S ILLINOIS LICENSE NUMBER  |  |  |
| 22. LOCAL REGISTRAR'S SIGNATURE   |                                  |  | 23. DATE FILED WITH LOCAL REGISTRAR (Month/Day/Year)   |  |  |
| <b>CAUSE OF DEATH (See instructions and examples)</b>   |                                  |  |  |  | APPROXIMATE INTERVAL BETWEEN ONSET AND DEATH   |
| 24. PART I. Enter the chain of events - diseases, injuries or complications - that directly caused the death. DO NOT enter terminal events such as cardiac arrest, respiratory arrest or ventricular fibrillation without showing etiology. If the decedent had a dementia related disease, Parkinson's Disease, or Parkinson Dementia Complex, indicate in Part I or Part II. DO NOT ABBREVIATE. Enter only one cause on a line. Add additional lines if necessary.  |                                  |  |  |  |  |
| IMMEDIATE CAUSE (Final disease or condition resulting in death) → a. _____  |                                  |  |  |  |  |
| Due to (or as a consequence of):  |                                  |  |  |  |  |
| Sequentially list conditions, if any, leading to the cause listed on line a. Enter the UNDERLYING CAUSE (disease or injury that initiated the events resulting in death) LAST   |                                  |  |  |  |  |
| b. _____  |                                  |  |  |  |  |
| Due to (or as a consequence of):  |                                  |  |  |  |  |
| c. _____  |                                  |  |  |  |  |
| Due to (or as a consequence of):  |                                  |  |  |  |  |
| PART II. Enter other significant conditions contributing to death but not resulting in the underlying cause given in PART I.  |                                  |  |  | 25. WAS AN AUTOPSY PERFORMED? <input type="checkbox"/> Yes <input type="checkbox"/> No   |  |
|   |                                  |  |  | 26. WERE AUTOPSY FINDINGS USED TO COMPLETE CAUSE OF DEATH? <input type="checkbox"/> Yes <input type="checkbox"/> No  |  |
| 27. DID TOBACCO USE CONTRIBUTE TO DEATH?<br><input type="checkbox"/> Yes <input type="checkbox"/> Probably <input type="checkbox"/> No <input type="checkbox"/> Unknown   |                                  | 28. IF FEMALE:<br><input type="checkbox"/> Not pregnant within past 12 months <input type="checkbox"/> Pregnant at time of death<br><input type="checkbox"/> Not pregnant, but pregnant within 42 days of death <input type="checkbox"/> Pregnant within one year of death but time unknc<br><input type="checkbox"/> Not pregnant, but pregnant 43 days to 1 year before death <input type="checkbox"/> Unknown if pregnant within the past 12 months                               |  | 29. MANNER OF DEATH<br><input type="checkbox"/> Natural <input type="checkbox"/> Suicide <input type="checkbox"/> Could not be determine<br><input type="checkbox"/> Accident <input type="checkbox"/> Homicide <input type="checkbox"/> Pending investigation   |  |
| 30. DATE OF INJURY (Month/Day/Year)   |                                  | 31. TIME OF INJURY<br><input type="checkbox"/> A.M. <input type="checkbox"/> P.M.  |  | 32. PLACE OF INJURY (e.g. Decedent's home; construction site; restaurant; wooded area)   |  |
| 33. INJURY AT WORK?<br><input type="checkbox"/> Yes <input type="checkbox"/> No   |                                  |  |  |  |  |
| 34. LOCATION OF INJURY  |                                  |  | Street and Number  | Apartment Number   | City or Town      State      ZIP Code  |
| 35. DESCRIBE HOW INJURY OCCURRED:   |                                  |  |  | 36. IF TRANSPORTATION INJURY, SPECIFY:<br><input type="checkbox"/> Driver/Operator <input type="checkbox"/> Pedestrian<br><input type="checkbox"/> Passenger      Other (Specify):   |  |
| 37. I (DID) (DID NOT) ATTEND THE DECEASED AND LAST SAW HIM/HER ALIVE ON (Month/Day/Year)  |                                  | 38. WAS MEDICAL EXAMINER OR CORONER CONTACTED? <input type="checkbox"/> Yes <input type="checkbox"/> No  |  | 39. DATE PRONOUNCED (Month/Day/Year)   |  |
| 40. TIME OF DEATH<br><input type="checkbox"/> A.M. <input type="checkbox"/> P.M.  |                                  |  |  |  |  |
| 41. CERTIFIER (Check only one):<br><input type="checkbox"/> Physician in charge of patient's care: To the best of my knowledge, death occurred due to the cause(s) and manner stated.<br><input type="checkbox"/> Physician in attendance at the time of death only: To the best of my knowledge, death occurred at the time, date, and place, and due to the cause(s) and manner stated.<br><input type="checkbox"/> Medical Examiner/Coroner: On the basis of examination and/or investigation, in my opinion, death occurred at the time, date and place, and due to the cause(s) and manner stated.   |                                  |  |  |  |  |
| 42. NAME, ADDRESS AND ZIP CODE OF PERSON COMPLETING CAUSE OF DEATH (Item 24)  |                                  |  |  |  | 43. PHYSICIAN'S LICENSE NUMBER   |
| 44. TITLE OF CERTIFIER  |                                  | 45. DATE CERTIFIED (Month/Day/Year)  |  | 46. SIGNATURE OF CERTIFIER   |  |
| 47. DECEDENT'S EDUCATION - Check the box that best describes the highest degree or level of school completed at the time of death.<br><input type="checkbox"/> 8th grade or less<br><input type="checkbox"/> 9th - 12 grade; no diploma<br><input type="checkbox"/> High school graduate or GED completed<br><input type="checkbox"/> Some college credit, but no degree<br><input type="checkbox"/> Associated degree (e.g. AA, AS)<br><input type="checkbox"/> Bachelor's degree (e.g. BA, AB, BS)<br><input type="checkbox"/> Master's degree (e.g. MA, MS, MEng, MEd)<br><input type="checkbox"/> Doctorate (e.g. PhD, EdD) or Professional d<br><input type="checkbox"/> Unknown |                                  | 48. DECEDENT OF HISPANIC ORIGIN? - Check the box that best describes whether the decedent is Spanish/Hispanic/Latino. Check the "No" box if decedent is not Spanish/Hispanic/Latino.<br><input type="checkbox"/> No, not Spanish/Hispanic/Latino<br><input type="checkbox"/> Yes, Mexican, Mexican American, Chicano<br><input type="checkbox"/> Yes, Puerto Rican<br><input type="checkbox"/> Yes, Cuban<br><input type="checkbox"/> Yes, other Spanish/Hispanic/Latino<br>Specify: |  | 49. DECEDENT'S RACE - Check one or more races to indicate what the decedent considered himself or herself to be.<br><input type="checkbox"/> White <input type="checkbox"/> Black or African American<br><input type="checkbox"/> American Indian or Alaskan Native<br>(Name of the enrolled or principle tribe)<br><input type="checkbox"/> Asian Indian <input type="checkbox"/> Chinese <input type="checkbox"/> Filipino <input type="checkbox"/> Japanese <input type="checkbox"/> Korean<br><input type="checkbox"/> Vietnamese <input type="checkbox"/> Other Asian (Specify)<br><input type="checkbox"/> Native Hawaiian <input type="checkbox"/> Guamanian or Chamorro <input type="checkbox"/> Samoan<br><input type="checkbox"/> Other Pacific Islander (Specify)<br><input type="checkbox"/> Other (Specify) |  |
| 50. DECEDENT'S USUAL OCCUPATION (Indicate type of work done during most of working life. DO NOT USE RETIRED).   |                                  |  |  | 51. BUSINESS/INDUSTRY (Enter type of business or industry, NOT COMPANY NAME)   |  |

Illinois Department of Public Health - Division of Vital Records  
VR200 (Rev. 1/08)

## **What We Can Do**

It is important that vital records information be securely shared to allow for streamlined access of information to be utilized for both state agencies and Illinois citizens. It is the recommendation of this Task Force that the Vital Records Act be amended to allow for:

- 1) The Office of the Treasurer to have access to the electronic reporting system for death registrations (410 ILCS 535/18.5); and
- 2) The Office of the Treasurer to have access to any information contained in the vital records, as it is to other agencies in 410 ILCS 535/24.

Allowing the Treasurer's office to have access to vital records will improve its ability to serve the general public in locating beneficiaries and heirs of unclaimed property, having available additional documents necessary in the claims process, and reducing the time and cost to the public in obtaining necessary documents such as death, marriage, and birth certificates.



# Conclusion

The Unclaimed Life Insurance Benefits Act becoming law is a victory for Illinois. Families now have more protection from life insurance companies that use loopholes to avoid paying death benefits. Under the new law, life insurance companies are required to use the Death Master File to determine if a policy holder has died and the death benefits have not been paid. Insurers also must make a good-faith effort to locate the beneficiaries.

This is good policy, but the task force hearings confirmed the law needs to go even further to protect consumers. New legislation should be considered to cover lapsed policies and require insurers to update policy holder and beneficiary contact information.

Additionally, strengthening regulations against private finder companies, continuing the use of contingency fee auditors, working with funeral homes to communicate resources available to families, and amending the Vital Records Act to allow access to the Office of the State Treasurer for processing claims and locating owners are also important to consider.

We are extremely proud of the bi-partisan effort to help ensure grieving families no longer will be victimized by unscrupulous life insurance companies. We must continue to work together to put these recommendations into action and protect Illinois consumers.

# EXECUTIVE ORDER 16-01

## EXECUTIVE ORDER FOR THE CREATION OF A TASK FORCE ON UNCLAIMED LIFE INSURANCE POLICIES

**WHEREAS**, reuniting Illinoisans with unclaimed moneys held and owing by life insurance companies is a fundamental responsibility of the Illinois State Treasurer and Treasurer Michael W. Frerichs, pursuant to the Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/0.05 et seq.);

**WHEREAS**, in May 2016, during the 99th Illinois General Assembly, both houses passed House Bill 4633, the Unclaimed Life Insurance Benefits Act, to require insurers to undertake good faith efforts to locate and pay beneficiaries' proceeds under unclaimed life insurance policies issued in Illinois or remit such proceeds as unclaimed property if the beneficiaries are unable to be located or paid;

**WHEREAS**, the Unclaimed Benefits Model Drafting (A) Subgroup of the National Association of Insurance Commissioners (NAIC) is currently revising a draft Unclaimed Life Insurance and Annuities Model Act to provide additional standards for (1) identifying deceased individuals whose deaths may require insurers to pay benefits or proceeds to beneficiaries in accordance with the terms of life insurance policies and (2) locating beneficiaries of such deceased individuals and providing appropriate claims forms or instructions to such beneficiaries to make a claim;

**WHEREAS**, on July 13, 2016, subsequent to the passage of House Bill 4633, the National Conference of Commissioners on Uniform State Laws (ULC) adopted a Revised Uniform Unclaimed Property Act (ROUPA), which clarified the circumstances under which an insurer would be deemed to have knowledge of the death of an insured to include when the insurer performed due diligence under an applicable state law or regulation;

**WHEREAS**, over 20 life insurance companies representing over 70% of the national market have entered into detailed Global Resolution Agreements (GRAs) with state unclaimed property administrators, including the Illinois State Treasurer, specifying procedures and standards for reporting unclaimed property;

**THEREFORE**, I, Michael W. Frerichs, Treasurer of the State of Illinois, pursuant to the power vested in me by the Illinois Constitution and the laws of the State of Illinois, hereby order as follows:

### **I. CREATION**

There is hereby established the Task Force on Unclaimed Life Insurance Policies (the "Task Force") as an advisory body having the duties and powers set forth herein. The Task Force shall be appointed by the Treasurer and consist of no more than nine (9) members, including: the Treasurer or his designee; four (4) members representing the Illinois General Assembly; one (1) member representing the insurance industry; one (1) member representing consumer advocates; one (1) member representing an organization that advocates on behalf of senior citizens; and one (1) member representing the public. The Treasurer, or his designee, shall be the Chairman of the Task Force.

All members of the Task Force shall serve at the discretion of the Treasurer, and the Treasurer may fill any vacancies when they occur. The Treasurer reserves the right to temporarily replace or substitute a member on the Task Force due to illness or if the member is otherwise unavailable. Members of the Task Force shall serve without compensation, but upon request may be reimbursed for reasonable expenses incurred as a result of their duties.

## **II. PURPOSE**

The purpose of the Task Force shall be to gather information and recommend legislation, including amendments to the language of House Bill 4633, concerning unclaimed life insurance policies.

## **III. DUTIES**

The Task Force shall:

1. Review provisions concerning unclaimed life insurance policies in the laws of other states and in Global Resolution Agreements entered into between life insurance companies and state insurance and unclaimed property administrators.
2. Consider the work and research of the National Association of Insurance Commissioners Unclaimed Benefits Model Drafting (A) Subgroup, the National Conference of Insurance Legislators, and the National Conference of Commissioners on Uniform State Laws.
3. Seek input and review information, as appropriate, from insurers, the Illinois Department of Insurance, experts in the field of unclaimed property audits, and the Treasurer's Division of Unclaimed Property.
4. Recommend how to treat various types of life insurance policies identified in the records of life insurance companies as lapsed, especially when the policy was not lapsed, had not been cancelled, and had not been terminated at the time of death of the insured.
5. Research and analyze existing methods used by insurance companies to collect and update current contact information for the beneficiaries of life insurance companies, and consider potential improvements so as to reduce the amount of life insurance benefits that are reported to the Treasurer as unclaimed property.
6. Prepare and submit a final report to the Treasurer and the General Assembly making specific recommendations to improve House Bill 4633 and other recommendations or reports it deems appropriate concerning unclaimed life insurance policies.

## **IV. FUNCTION**

1. Staff support services shall be provided to the Task Force by the Office of the State Treasurer and paid for out of appropriations made by the General Assembly for the operations of the Office of the State Treasurer.
2. The Task Force shall hold at least 4 meetings throughout the State, but otherwise shall meet at the call of the Chairman.
3. The Task Force shall submit a final report to the Treasurer and the General Assembly no later than February 1, 2017.
4. Upon its submission of its final report the Task Force shall be dissolved, unless otherwise extended or abolished by the Treasurer.



**V. TRANSPARENCY**

In addition to whatever policies or procedures it may adopt, all operations of the Task Force will be subject to the provisions of the Illinois Freedom of Information Act (5 ILCS 140/1 et seq.) and the Illinois Open Meetings Act (5 ILCS 120/1 et seq.).

**VI. SEVERABILITY**

If any provision of this Executive Order is found invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

**VII. EFFECTIVE DATE**

This Executive Order shall take effect immediately upon execution by State Treasurer Michael W. Frerichs.



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Michael W. Frerichs  
Illinois State Treasurer

Dated: 8-3-16

# House Bill 4633/ Public Act 99-893<sup>27</sup>

## **Purpose of House Bill 4633**

- Improved disclosure, transparency, and accountability relating to payments of life insurance and other death benefits
- Requires insurance companies to:
  - use the Social Security Administration’s Death Master File (DMF) to determine if a policy holder has died, and
  - provide notice to beneficiaries on how to make a claim

## **DMF Matching Provisions**

- Require insurers to initially compare policies against the complete DMF by December 31, 2017
  - Thereafter, insurers must match their in-force policies against any updates to the DMF on a semi-annual basis
  - Insurers that run DMF matching more frequently for annuities must run matches at least as frequently for life insurance policies

## **What Happens with DMF Matches?**

- If a match is found and the insurer has not been contacted by a beneficiary within 120 days after the date of death then,
  - the insurer must use good faith efforts to attempt to locate the beneficiaries, and
  - provide them with appropriate claims forms and instructions for making a claim
- The Department of Insurance will establish by rule what constitutes “good faith” efforts

## **If Beneficiaries Cannot Be Found**

- If the insurer does not locate the beneficiaries and no one claims the proceeds from the insurer within the statutory 5-year period, then, the proceeds must be turned over to the State Treasurer as unclaimed property
- The Treasurer holds the proceeds as a perpetual custodian and
  - continues attempting to locate the owners and
  - pays 100% of the proceeds to the owners when found

<sup>27</sup> <http://www.ilga.gov/legislation/billstatus.asp?DocNum=4633&GAID=13&GA=99&DocTypeID=HB&LegID=93845&SessionID=88>

## **Lost Policy Finder**

- Department of Insurance (DOI) will implement a lost policy finder to assist consumers in locating unclaimed life insurance benefits
- The lost policy finder will be available online and by other means
- DOI will assist a requester with using the lost policy finder, including informing the requester of the information that an insurer may need to facilitate responding to the request
- DOI forwards request to insurers, and insurers are required to search their records and respond to requestor and DOI



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