

1 HB126
2 139002-4
3 By Representative Wren
4 RFD: Insurance
5 First Read: 07-FEB-12
6 PFD: 02/02/2012

1 ENGROSSED

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4 A BILL
5 TO BE ENTITLED
6 AN ACT
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8 To establish the Unclaimed Life Insurance Benefits
9 Act; to require the insurer to search the death master file;
10 to require that no fee is to be charged associated with the
11 search; to require the insurer to notify the State Treasurer;
12 and to require the insurer to submit the unclaimed life
13 insurance benefits or unclaimed retained asset account, plus
14 interest, to the State Treasurer.

15 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

16 Section 1. This act shall be known and may be cited
17 as the Unclaimed Life Insurance Benefits Act.

18 Section 2. This act shall require recognition of the
19 escheat or unclaimed property statutes of Alabama as they
20 relate to the method of payment for life insurance death
21 benefits regulated by the Department of Insurance.

22 Section 3. The following terms shall have the
23 following meanings:

24 (1) CONTRACT. An annuity contract. The term contract
25 shall not include an annuity used to fund an employment-based
26 retirement plan or program where the insurer is not committed

1 by terms of the annuity contract to pay death benefits to the
2 beneficiaries of specific plan participants.

3 (2) DEATH MASTER FILE. The United States Social
4 Security Administration's Death Master File or any other
5 database or service that is at least as comprehensive as the
6 United States Social Security Administration's Death Master
7 File for determining that a person has reportedly died.

8 (3) DEATH MASTER FILE MATCH. A search of the death
9 master file that results in a match of the Social Security
10 number or the name and date of birth of an insured, annuity
11 contract owner, an annuitant, or retained asset account
12 holder.

13 (4) INDUSTRIAL LIFE INSURANCE POLICY. A policy of
14 life insurance with a face amount of two thousand five hundred
15 dollars (\$2,500), or less, and which provides for payment of
16 premiums monthly or more often.

17 (5) INSURER. An insurer, as defined in Section
18 27-1-2(2), Code of Alabama 1975, which issues life insurance
19 policies or annuity contracts.

20 (6) POLICY. Any policy, as defined in Section
21 27-14-1 of the Code of Alabama 1975, or certificate of life
22 insurance that provides a death benefit. The term policy shall
23 not include any policy or certificate of life insurance that
24 provides a death benefit under: (i) an employee benefit plan
25 subject to the Employee Retirement Income Security Act of
26 1974, 29 U.S.C. § 1002, as periodically amended; (ii) any
27 federal employee benefit program; (iii) government plans or

1 church plans as defined in the Employment Retirement Income
2 Security Act of 1974 (29 U.S.C. 1002 (32) and (33)), as
3 periodically amended; (iv) any policy or certificate of life
4 insurance that is used to fund a preneed funeral contract or
5 prearrangement; (v) any policy or certificate of credit life
6 or accident and health insurance; (vi) any policy of burial
7 insurance, the primary death benefit of which is to be
8 provided in the form of tangible merchandise, such as a casket
9 or funeral services; or (vii) any industrial life insurance
10 policy.

11 Section 4. (a) An insurer shall perform a comparison
12 of its insureds' in-force life insurance policies, annuity
13 contracts, and retained asset accounts against a death master
14 file, ~~not less frequently than semi-annually,~~ to identify
15 potential death master file matches of its insureds. Such
16 comparison shall be commenced within six months after the
17 effective date of this act and completed within three years
18 after the effective date of this act. Thereafter, an insurer
19 shall maintain a program designed to compare each such policy,
20 contract, or account with a death master file no less
21 frequently than every three years, it being the intent that
22 insurers fashion a program that best fits their business
23 systems while at the same time protecting consumers by
24 assuring reasonable checks are being performed to identify
25 unreported deaths. For those potential death master file
26 matches identified as a result of a death master file ~~match~~
27 comparison, the insurer shall do all of the following:

1 (1) Within 90 days of a death master file match:

2 a. Complete a commercially reasonable effort, which
3 shall be documented by the insurer, to confirm the death of
4 the insured, contract owner or annuitant, or retained asset
5 account holder against other available records and
6 information.

7 b. Determine whether a policy or contract insuring
8 the insured or annuitant is in force or a retained asset
9 account exists and whether benefits may be due in accordance
10 with the applicable policy or contract and if a policy is in
11 force or a retained asset account exists and benefits may be
12 due in accordance with the applicable policy or contract:

13 1. Use commercially reasonable efforts, which shall
14 be documented by the insurer, to locate the beneficiary or
15 beneficiaries or other person entitled to payment pursuant to
16 the terms of the policy or contract.

17 2. Provide the appropriate claim forms or
18 instructions to the beneficiary or beneficiaries or other
19 person entitled to payment pursuant to the terms of the policy
20 or contract to make a claim, including the need to provide
21 written evidence of the loss, including, but not limited to,
22 an official death certificate, medical authorizations, medical
23 records, or other reasonable evidence of the loss or its
24 circumstances such as is ordinarily required by the insurer of
25 similar claimants.

26 (2) With respect to group life insurance, an insurer
27 is required only to confirm the possible death of an insured

1 when the insurer provides full recordkeeping services to the
2 group policyholder and maintains in the ordinary course of
3 business at least the following information of those covered
4 under a policy or certificate: a. Complete insured
5 information, including Social Security number and complete
6 name and date of birth; b. beneficiary designation
7 information; c. coverage eligibility; d. benefit amount; and
8 e. premium payment status.

9 (b) To the extent permitted by law, the insurer may
10 disclose minimum necessary personal information about the
11 insured or beneficiary to a person who the insurer reasonably
12 believes may be able to assist the insurer to locate the
13 beneficiary or a person otherwise entitled to payment of the
14 claims proceeds.

15 (c) An insurer shall not charge insureds, account
16 holders, or beneficiaries for any fees or costs associated
17 with a search or verification conducted pursuant to this
18 section.

19 (d) After the insurer has completed the items
20 required in subdivision (1) of subsection (a), any benefits
21 payable under a life insurance policy, annuity contract, or a
22 retained asset account, plus any applicable accrued interest,
23 shall first be payable to the designated beneficiaries,
24 owners, or other person entitled to payment pursuant to the
25 terms of the policy or contract, and in the event the
26 beneficiaries, owners, or other person entitled to payment
27 pursuant to the terms of the policy or contract cannot be

1 found, shall escheat to the state as unclaimed property in
2 accordance with the provisions of Article 2A, Chapter 12 of
3 Title 35 of the Code of Alabama 1975. Nothing in this section
4 shall be deemed to change the terms of any contract or policy
5 concerning contestability or requiring the submission of due
6 proof of loss.

7 (e) Subject to the provisions of subsection (d), an
8 insurer shall notify the State Treasurer, in accordance with
9 the provisions of Section 35-12-76 of the Code of Alabama
10 1975, upon the expiration of the statutory time period for
11 escheat after all of the following have occurred:

12 (1) A positive death master file match has occurred.

13 (2) A life insurance policy or annuity contract
14 beneficiary or retained asset account holder has not submitted
15 a claim with the insurer.

16 (3) The insurer has complied with subsection (a) and
17 has been unable, after commercially reasonable efforts
18 documented by the insurer, to contact the retained asset
19 account holder, beneficiary, beneficiaries, or other person
20 entitled to payment pursuant to the terms of the policy or
21 contract.

22 (f) Upon such notice, an insurer shall submit the
23 unclaimed life insurance or annuity death benefits, or
24 unclaimed retained asset accounts, plus any applicable accrued
25 interest, to the State Treasurer, pursuant to Section 35-12-77
26 of the Code of Alabama 1975.

1 Section 5. This act shall become effective on
2 January 1, 2014, following its passage and approval by the
3 Governor, or its otherwise becoming law.

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House of Representatives

Read for the first time and re-
ferred to the House of Representa-
tives committee on Insurance 07-FEB-12

Read for the second time and placed
on the calendar with 1 substitute
and 1 amendment..... 05-APR-12

Read for the third time and passed
as amended..... 17-APR-12

Yeas 97, Nays 0, Abstains 0

Greg Pappas
Clerk