



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB1783

Introduced 2/20/2015, by Sen. William R. Haine

SYNOPSIS AS INTRODUCED:

New Act
215 ILCS 5/424

from Ch. 73, par. 1031

Creates the Unclaimed Life Insurance Benefits Act. Provides that insurers with life insurance policies, annuity contracts, or retained asset accounts shall compare those accounts to the Social Security Administration's Death Master File or similar database on at least a semi-annual basis. Provides that within 90 days of finding a Death Master File match, the insurer shall complete a good faith effort to confirm the death of the insured or retained asset account holder, and to determine whether benefits are due and, if so, to locate beneficiaries and provide the appropriate forms or instructions. Provides that benefits from a policy, annuity contract, or a retained asset account, plus any applicable accrued contractual interest shall first be payable to the designated beneficiaries or owners and, in the event the beneficiaries or owners cannot be found, shall escheat pursuant to the Uniform Disposition of Unclaimed Property Act, and requires insurers to contact the Treasurer pursuant to the Uniform Disposition of Unclaimed Property Act. Provides that failures to meet the requirements of the Act with such frequency as to constitute a general business practice is a violation of provisions of the Illinois Insurance Code concerning unfair methods of competition and unfair or deceptive acts or practices. Makes conforming changes in the Illinois Insurance Code.

LRB099 07630 MLM 27761 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Unclaimed Life Insurance Benefits Act.

6 Section 5. Purpose. This Act shall require recognition of
7 the Uniform Disposition of Unclaimed Property Act and require
8 the complete and proper disclosure, transparency, and
9 accountability relating to any method of payment for life
10 insurance, annuity, or retained asset agreement death
11 benefits.

12 Section 10. Definitions. As used in this Act:

13 "Annuity contract" shall not include an annuity contract
14 used to fund an employment-based retirement plan or program
15 where (1) the insurer does not perform the record keeping
16 services or (2) the insurer is not committed by the terms of
17 the annuity contract to pay death benefits to the beneficiaries
18 of specific plan participants.

19 "Death Master File" means the United States Social Security
20 Administration's Death Master File or any other database or
21 service that is at least as comprehensive as the United States
22 Social Security Administration's Death Master File for

1 determining that a person has reportedly died.

2 "Death Master File match" means a search of the Death
3 Master File that results in a match of the social security
4 number or the name and date of birth of an insured, annuity
5 owner, or retained asset account holder.

6 "Policy" means any policy or certificate of life insurance
7 that provides a death benefit. "Policy" does not include (1)
8 any policy or certificate of life insurance that provides a
9 death benefit under an employee benefit plan subject to the
10 federal Employee Retirement Income Security Act of 1974, as
11 periodically amended, or under any federal employee benefit
12 program, (2) any policy or certificate of life insurance that
13 is used to fund a pre-need funeral contract or prearrangement,
14 (3) any policy or certificate of credit life or accidental
15 death insurance, or (4) any policy issued to a group master
16 policyholder for which the insurer does not provide record
17 keeping services.

18 "Record keeping services" means those circumstances under
19 which the insurer has agreed with a group policy or annuity
20 contract customer to be responsible for obtaining,
21 maintaining, and administering in its own or its agents'
22 systems information about each individual insured under an
23 insured's group insurance contract (or a line of coverage
24 thereunder), at least the following information: (1) social
25 security number or name and date of birth, and (2) beneficiary
26 designation information, (3) coverage eligibility, (4) benefit

1 amount, and (5) premium payment status.

2 "Retained asset account" means any mechanism whereby the
3 settlement of proceeds payable under a policy or annuity
4 contract is accomplished by the insurer or an entity acting on
5 behalf of the insurer depositing the proceeds into an account
6 with check or draft writing privileges, where those proceeds
7 are retained by the insurer or its agent, pursuant to a
8 supplementary contract not involving annuity benefits other
9 than death benefits.

10 Section 15. Insurer conduct.

11 (a) An insurer shall perform a comparison of its insureds'
12 in-force policies, annuity contracts, and retained asset
13 accounts against a Death Master File on at least a semi-annual
14 basis by using the full Death Master File once and thereafter
15 using the Death Master File update files for future comparisons
16 to identify potential matches of its insureds. For those
17 potential matches identified as a result of a Death Master File
18 match, the insurer shall:

19 (1) within 90 days of a Death Master File match:

20 (A) complete a good faith effort, which shall be
21 documented by the insurer, to confirm the death of the
22 insured or retained asset account holder against other
23 available records and information; and

24 (B) determine whether benefits are due in
25 accordance with the applicable policy or contract and,

1 if benefits are due in accordance with the applicable
2 policy or contract:

3 (i) use good faith efforts, which shall be
4 documented by the insurer, to locate the
5 beneficiary or beneficiaries; and

6 (ii) provide the appropriate claims forms or
7 instructions to the beneficiary or beneficiaries
8 to make a claim, including the need to provide an
9 official death certificate, if applicable under
10 the policy or annuity contract; and

11 (2) with respect to group life insurance, confirm the
12 possible death of an insured when the insurers maintain at
13 least the following information of those covered under a
14 policy or certificate: social security number or name and
15 date of birth, beneficiary designation information,
16 coverage eligibility, benefit amount, and premium payment
17 status.

18 (b) Insurers shall implement procedures to account for the
19 following when conducting searches of the Death Master File:

20 (1) common nicknames, initials used in lieu of a first
21 or middle name, use of a middle name, compound first and
22 middle names, and interchanged first and middle names;

23 (2) compound last names, maiden or married names, and
24 hyphens, blank spaces, or apostrophes in last names;

25 (3) transposition of the "month" and "date" portions of
26 the date of birth; and

1 (4) incomplete social security numbers.

2 (c) To the extent permitted by law, an insurer may disclose
3 the minimum necessary personal information about the insured or
4 beneficiary to a person who the insurer reasonably believes may
5 be able to assist the insurer locate the beneficiary or a
6 person otherwise entitled to payment of the claims proceeds.

7 (d) An insurer or its service provider shall not charge any
8 beneficiary or other authorized representative for any fees or
9 costs associated with a Death Master File search or
10 verification of a Death Master File match conducted pursuant to
11 this Act.

12 (e) The benefits from a policy, annuity contract, or a
13 retained asset account, plus any applicable accrued
14 contractual interest shall first be payable to the designated
15 beneficiaries or owners and, in the event the beneficiaries or
16 owners cannot be found, shall escheat pursuant to the Uniform
17 Disposition of Unclaimed Property Act. Interest payable under
18 Article XIV of the Illinois Insurance Code shall not be payable
19 as unclaimed property under the Uniform Disposition of
20 Unclaimed Property Act.

21 (f) An insurer shall notify the Treasurer pursuant to the
22 Uniform Disposition of Unclaimed Property Act upon the
23 expiration of the statutory time period for escheat that:

24 (1) a policy or annuity contract beneficiary or
25 retained asset account holder has not submitted a claim
26 with the insurer; and

1 (2) the insurer has complied with subsection (a) of
2 this Section and has been unable, after good faith efforts
3 documented by the insurer, to contact the retained asset
4 account holder, beneficiary, or beneficiaries.

5 (g) Upon such notice, an insurer shall immediately submit
6 the unclaimed policy, annuity contract benefits, or unclaimed
7 retained asset accounts, plus any applicable accrued interest,
8 to the Treasurer pursuant to the Uniform Disposition of
9 Unclaimed Property Act.

10 (h) Failure to meet any requirement of this Section with
11 such frequency as to constitute a general business practice is
12 a violation of Section 424 of the Illinois Insurance Code.
13 Nothing in this Section shall be construed to create or imply a
14 private cause of action for a violation of this Section.

15 Section 20. The Illinois Insurance Code is amended by
16 changing Section 424 as follows:

17 (215 ILCS 5/424) (from Ch. 73, par. 1031)

18 Sec. 424. Unfair methods of competition and unfair or
19 deceptive acts or practices defined. The following are hereby
20 defined as unfair methods of competition and unfair and
21 deceptive acts or practices in the business of insurance:

22 (1) The commission by any person of any one or more of the
23 acts defined or prohibited by Sections 134, 143.24c, 147, 148,
24 149, 151, 155.22, 155.22a, 155.42, 236, 237, 364, and 469 of

1 this Code.

2 (2) Entering into any agreement to commit, or by any
3 concerted action committing, any act of boycott, coercion or
4 intimidation resulting in or tending to result in unreasonable
5 restraint of, or monopoly in, the business of insurance.

6 (3) Making or permitting, in the case of insurance of the
7 types enumerated in Classes 1, 2, and 3 of Section 4, any
8 unfair discrimination between individuals or risks of the same
9 class or of essentially the same hazard and expense element
10 because of the race, color, religion, or national origin of
11 such insurance risks or applicants. The application of this
12 Article to the types of insurance enumerated in Class 1 of
13 Section 4 shall in no way limit, reduce, or impair the
14 protections and remedies already provided for by Sections 236
15 and 364 of this Code or any other provision of this Code.

16 (4) Engaging in any of the acts or practices defined in or
17 prohibited by Sections 154.5 through 154.8 of this Code.

18 (5) Making or charging any rate for insurance against
19 losses arising from the use or ownership of a motor vehicle
20 which requires a higher premium of any person by reason of his
21 physical handicap, race, color, religion, or national origin.

22 (6) Failing to meet any requirement of the Unclaimed Life
23 Insurance Benefits Act with such frequency as to constitute a
24 general business practice.

25 (Source: P.A. 97-527, eff. 8-23-11.)