

**SUBJECT:** Using a death master list to verify unclaimed life insurance and annuities

**COMMITTEE:** Insurance — committee substitute recommended

**VOTE:** 9 ayes — Phillips, Muñoz, R. Anderson, Gooden, Oliverson, Paul, Sanford, Turner, Vo

0 nays

**WITNESSES:** For — Jennifer Cawley, Texas Association of Life and Health Insurers; (*Registered, but did not testify:* Deborah Polan, AIG; John Marlow, Chubb; Tim Von Kennel, NAIFA Texas; Jay Thompson, Talhi, Prudential, American National; Amanda Martin, Texas Association of Business; Lee Manross, Texas Association of Health Underwriters; Kandice Sanaie, UnitedHealthcare; Miles Mathews, Voya Financial Services)

Against — None

On — (*Registered, but did not testify:* Joe Matetich, Opic; Philip Reyna, Texas Department of Insurance)

**BACKGROUND:** The U.S. Social Security Administration's Death Master File is used by financial and credit firms as well as government agencies to match records and prevent identity fraud. It includes millions of records of deaths that have been reported to the Social Security Administration. Interested observers say insurers could use the Death Master File to search for and identify deceased persons and to connect their beneficiaries with unclaimed life insurance and annuity contract proceeds.

**DIGEST:** CSHB 1243 would require an insurance company to compare its in-force life insurance policies, annuity contracts, and retained asset accounts against a Death Master File at least semiannually to identify potential matches. The bill would define a "Death Master File" to mean the U.S. Social Security Administration's Death Master File or any other database or service that was at least as comprehensive for determining whether a

person is dead. A "match" would mean a match of the Social Security number or the name and date of birth of an insured or retained asset account holder resulting from a search of the Death Master File.

CSHB 1243 would specify how the insurer would conduct the comparison. The bill would specify what a comparison would include and would require an insurer to implement procedures for conducting comparisons to account for common nicknames, compound last names, transposition of the month and date of a date of birth, an incomplete Social Security number, and other issues. Group life or group annuity contract insurers would be required to confirm the possible death of an insured or retained asset account holder only if the insurer provided recordkeeping services for the group policy or group annuity contract.

Within 90 days of finding a match, an insurer would:

- complete and document a good faith effort to confirm the death of the insured or retained asset account holder;
- review the insurer's records to determine whether the deceased had bought or was covered under any of the insurer's other products; and
- determine whether proceeds were due.

If an insurer determined that proceeds could be due and a beneficiary or other authorized representative had not communicated with the insurer within 90 days after the date the insurer identified a Death Master File match, the bill would require an insurer to:

- make a good faith effort to locate and contact each beneficiary or other authorized representative of the policy, contract, or account; and
- provide the beneficiary or authorized representative with the appropriate claim forms, instructions, information to make a claim, and information about any need to provide a death certificate or proof of death.

If the insurer was unable to confirm the death of the insured or retained asset account holder, the insurer would consider the policy, contract, or account to remain in force. The insurer could disclose minimum necessary personal information about the insured or account holder to a person the insurer reasonably believed to be able to assist the insurer in locating a person entitled to payment of claim proceeds.

The proceeds of a life insurance policy, annuity contract, or retained asset account, and any accrued contractual interest would first be payable to each designated beneficiary or owner as provided by the policy, contract, or account terms. If a Death Master File match was confirmed, the proceeds of the policy, contract, or account would be considered unclaimed proceeds on the third anniversary of the insurer completing and failing in a good faith effort to find the beneficiary or authorized representative and neither the beneficiary nor the authorized representative having submitted a claim for the proceeds. Unclaimed proceeds would be reported and delivered and would not include any statutory interest, according to relevant Texas law.

The bill would allow the commissioner of insurance to adopt rules to implement the bill's provisions and would allow the commissioner to issue certain orders related to limiting Death Master File comparisons, exempting an insurer from conducting the comparisons, and permitting an insurer to phase-in compliance with the bill.

The insurer or the insurer's service provider could not charge an insured, retained asset account holder, beneficiary, or authorized representatives any fees or costs associated with conducting or verifying a Death Master File comparison. Nothing in the bill would limit an insurer's right to request a death certificate as part of a claim validation process.

Certain provisions in the bill would apply only to an insurance policy or annuity contract delivered, issued for delivery, or renewed on or after January 1, 2018, or a retained asset account established in connection with the insurance policy or annuity contract. Before that date, applicable insurance policies and annuity contracts would be governed by the law as

it existed immediately before the bill's effective date of September 1, 2017.

**NOTES:**

A companion bill, SB 561 by Hancock, was approved by the Senate on April 19 and referred to the House Insurance Committee on May 4.