



# OFFICE OF ILLINOIS STATE TREASURER

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## Treasurer Frerichs Fights Insurance Companies that Do Not Pay Death Benefits

**SPRINGFIELD** - Families will no longer be victimized by life insurance companies that refuse to pay death benefits, Illinois Treasurer Michael Frerichs said today. His remarks came after the General Assembly approved legislation pushed by Frerichs that requires insurers to use the federal Death Master File list to confirm if a policy holder has died and the death benefits have not been paid. The legislation is needed because not all life insurance companies pay death benefits when they know or should have known the policy holder has passed away.

“It is clear that the purpose of a life insurance policy is to offer a small bit of help to our families,” Frerichs said. “It also is clear that insurance companies are expected to pay on the policy when the time has come. The General Assembly’s action closes a loophole and helps our families.”

Rep. Robert Martwick, D-Norrridge, and Sen. William Haine, D-Alton, are the chief sponsors of HB4633. After beating back attempts by life insurance lobbyists, the Senate approved the measure 54-0 and the House 118-0. It now goes to the Governor where he could sign it into law or veto the legislation.

Opponents include the Kemper Corporation. Three life insurance companies under Kemper’s umbrella have sued Frerichs. The lawsuit is a result of Frerichs’ request to have an auditor determine if the companies are holding life insurance policies that could have been paid but remain unclaimed. Kemper seeks to block the audit, saying “life insurers such as (Kemper) have no affirmative obligation to take any steps to determine that an insured has died and/or that benefits are payable...” and that they “do not want to ... adopt a practice where (Kemper has) an affirmative obligation to identify deceased insureds and escheat policy proceeds five years after the date of a death reported on the DMF.” (Kemper Complaint pp 9, 20)

The AARP, Veterans of Foreign Wars, and the National Association of Social Workers supported the proposal so the final wishes of the deceased could be fulfilled.

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The Death Master File, or DMF, is used by the Social Security Administration and other government agencies to fight waste, fraud and abuse. More than 20 life insurance companies representing more than 70 percent of the national market routinely check their policies against the DMF. **Since 2011, Illinois has used audits to identify more than \$550 million in life insurance proceeds that should have been paid to beneficiaries in Illinois.**

“There are life insurance companies today that acknowledge in federal regulatory filings that they intentionally avoid paying death benefits to increase their profit margins,” Frerichs said. “We cannot allow this to continue. It hurts real people and stains the life insurance companies that are treating their customers fairly.”

In Illinois, the state treasurer is tasked with safeguarding unclaimed property, such as life insurance benefits, forgotten bank accounts and unused rebate cards. Illinois holds approximately \$2 billion in unclaimed property. Individuals can search a database for their name or the name of their business or non-profit at [www.illinoistreasurer.gov](http://www.illinoistreasurer.gov) Scroll down for the I-Cash button. Frerichs’ office never charges anyone to search the database or return unclaimed property.

HB 4633 requires insurers to periodically match their policies, annuity contracts and retained asset accounts against the DMF. If an insurer runs the DMF more frequently to stop annuity payments, it must do the same for death benefits. If a match is found and the beneficiaries do not file a claim within 120 days, the insurer must make a good-faith effort to locate the beneficiaries. If the insurer locates the beneficiaries, they must provide them with the proper forms to claim the proceeds. If the insurer does not locate the beneficiaries and no one claims the proceeds from the insurer within the statutory five year period, the money must be turned over to the state so the treasurer can continue attempting to locate the beneficiaries.

Legislation similar to HB 4633 was signed into law earlier this year in Florida and West Virginia after passing the respective legislatures with overwhelming bi-partisan majorities. The Florida law passed unanimously and was championed by the elected Chief Financial Officer, a Republican. The West Virginia law was championed by the Democratic state treasurer. New York passed the first law to require DMF matching by life insurance companies in 2011.

### **About the Illinois Treasurer**

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

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