

# GOVERNOR'S AMENDATORY VETO OF HB 302

## THE LIFE INSURANCE REFORM ACT

### SUMMARY OF HB 302

House Bill 302 requires insurers to evaluate policies in lapsed or terminated status since 2012 to determine if the policyholder died when the policy was still in force and, if so, whether death benefits have been paid. The legislation also requires insurers with electronic searchable files to evaluate policies in lapsed or terminated status since 2000 to determine if the policyholder has died and death benefits have been paid.

### CHANGES MADE BY THE GOVERNOR

The Governor's amendatory veto eliminates the provision requiring insurers with electronic searchable files to evaluate policies in lapsed or terminated status since 2000 to determine if the policy holder has died and death benefits should have been paid to grieving families. It also prohibits the use of contingency fee auditors to help the Treasurer's office identify unpaid life insurance policies and other unclaimed property that belongs to Illinois residents.

### REASONS WE OPPOSE THE GOVERNOR'S AMENDATORY VETO

#### LAPSED POLICIES:

- Shortening the look back period to 5 years allows life insurance companies to hold on to millions of dollars in benefits that should have been paid out to grieving families.
- For insurance companies with electronic searchable files, it should be fairly simple to compare lapsed policies dating back to 2000 against the Social Security Administration's Death Master File.
- Under the terms of the settlement agreements with the treasurer's office, insurance companies representing more than 70 percent of the life insurance market have agreed to search their electronic records dating back to 1992.
- Limiting the search of lapsed policies to only the previous 5 years is fundamentally unfair to consumers, as well as insurance companies that have already done the right thing and voluntarily paid beneficiaries the amounts they were owed.

#### CONTINGENCY FEE AUDITORS:

- Contingency fee auditors are used in all 50 states to conduct large-scale audits of multi-state companies, such as life insurance companies, to identify policies that should have been paid to the beneficiaries or turned over to the state as unclaimed property.
- No other state bans the use of contingency fee auditors for all unclaimed property exams.
- External audits are the most effective tool the state has to ensure that large national corporations and insurance companies comply with unclaimed property laws and turn over property that belongs to Illinois residents.
- Since 2011, contingency fee auditors working on behalf of the treasurer's office identified over \$550 million in insurance benefits due to Illinoisans that were being held by life insurance companies; over \$350 million of this amount was paid directly to the beneficiaries by insurers and the auditors did not receive any fees for their work.
- Without the assistance of these auditors, this money likely would not have ever been returned by life insurance companies to beneficiaries across the state.
- Over the last 5 years, only 20 percent of the money remitted by life insurance companies was reported voluntarily, while 80 percent of the money was identified and recovered through external audits.



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