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Frerichs, Martwick Fight Insurance Companies that Do Not Pay Death Benefits

Insurance Industry Offers Weaker Version to Mollify Critics

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 Illinois House passed a measure pushed by Frerichs that requires insurers to use the federal Death Master File list to confirm if an inactive policy holder has died and the death benefits have not been paid.

The House passed the proposal 75-34. The proposal now goes to the Senate, where insurance companies are lobbying for a weaker version.

“I have never met a man or woman who did not have a very good reason to purchase life insurance,” Frerichs said. “This common-sense approach to helping families is clearly needed because this is an issue that touches each of us.”

Rep. Robert Martwick, D-Norridge, is the chief sponsor of the proposal. “These life insurance policies are intended to help take care of survivors when their loved ones pass. Thanks to the leadership of Treasurer Frerichs and other advocates who worked with me on this issue, we are an important step closer to following through on that promise to Illinois citizens,” Martwick said.

Several organizations, including those who support veterans and senior citizens, fought for the proposal so the final wishes of the deceased could be fulfilled.

“Caregivers invest in life insurance to ensure their loved ones who need the support will have the financial security to acquire that care on their own. It’s an unnecessary burden life insurance should prevent when dependents are already suffering through a tragic loss,” said Ryan Gruenenfelder, AARP Illinois Advocacy and Outreach Manager. “House Bill 4633 is sensible legislation that will help beneficiaries from life insurance policies receive the claims they are due without further stress or hassle. We urge support of this bill, and we commend State Treasurer Michael W. Frerichs for his support on this issue.”

The Death Master File (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.

“If you look at public regulatory findings, there are life insurance companies that intentionally avoid paying benefits to increase their profit margins,” Frerichs said. “That is simply not right. The vast majority of life insurance policies are sold by companies that are doing the right thing by their customers. We need this legislation to make sure that everyone in Illinois receives the benefits to which they are legally entitled.”

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 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 other 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 six months, the insurer must conduct a thorough search for 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 month 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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