State Treasurer Frerichs Calls on Gov. Rauner to Sign Life Insurance Reform Act that Requires Life Insurers to Pay Death Benefits

Insurance Lobby Turned Commonsense into Partisan Fight

Illinois State Treasurer Michael Frerichs today called on Gov. Bruce Rauner to sign The Life Insurance Reform Act. It would require life insurance companies to search their records and confirm they are not holding death benefits that should have been paid to grieving families.

Some life insurance companies acknowledge the unpaid death benefits have been used to increase their profit margins.

“I’ve never met a mom or dad who purchased life insurance with the hopes of helping an insurance executive make a profit or earn a bonus,” Frerichs said. “These life insurance policies keep a family in a home and make sure that a son or daughter does not have to drop out of school after the unexpected death of a loved one.”

The insurance lobby was hired to rally House and Senate Republicans to oppose HB302 and needlessly created mostly party-line votes on a non-partisan issue. The House passed the bill 65-47 and the Senate 36-19. GOP-led legislatures in Florida and West Virginia have passed legislation similar to HB302 by overwhelming margins.

Among those fighting this commonsense legislation are the Illinois Chamber of Commerce and Kemper Corporation. After failing to block the legislation, their efforts now turn to Gov. Rauner and his potential veto.

“Dragging this through partisan waters is not productive,” Frerichs said. “This legislation requires life insurance companies to police themselves rather than forcing the state to conduct audits to make sure these companies keep their promise and pay the survivors after a loved one has passed away.”

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The legislation would require life insurance companies to look backward 17 years, to the year 2000, and compare their searchable electronic records of customers with the names on the Death Master File list to confirm a policyholder is not dead. The list is a respected anti-fraud database used to stop waste, fraud, and abuse in the Social Security system. Many life insurance companies already use such Death Master File comparisons to identify annuity holders who have died to prevent survivors from improperly receiving payments.

The legislation is the logical next step to protect life insurance customers from the bad actors in the industry. Last year, with strong bi-partisan support, Gov. Rauner signed legislation that requires life insurers to conduct Death Master File comparisons on polices in good standing from January 2017 forward.

In Illinois, unpaid life insurance benefits are considered unclaimed property and returning unclaimed property to owners is among the duties of the Illinois State Treasurer. Since 2011, the treasurer’s office has identified more than $550 million in death benefits that were not paid to grieving families in Illinois. The Wall Street Journal reports that nationally the figure is more than $7.4 billion. Illinois holds unclaimed property in perpetuity until the items or funds are claimed by the owner or heirs. There is more than $2 billion in unclaimed property such as life insurance benefits, forgotten bank accounts, and unclaimed rebate checks from retailers. Individuals can search a database for their name or the name of their business or non-profit at www.illinoistreasurer.gov/ICASH. Frerichs’ office never charges anyone to search the database or return unclaimed property.

Rep. Robert Martwick, D-Chicago, was the chief House sponsor and Sen. Jacqueline Collins, D-Chicago, was the chief Senate sponsor. Among those supportive of the effort are the Catholic Conference of Illinois, the AARP, the Illinois Funeral Directors Association, Heartland Alliance for Human Needs and Human Rights, and the National Association of Social Workers Illinois Chapter.

**Frerichs is still involved in a lawsuit with the Kemper Corporation**, which sued to block a limited review of records by three of its life insurance companies to ensure they are not holding death benefits that should have been paid. In their original legal filing Kemper stated that “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).

United Insurance Company of America in Illinois, Reserve National Insurance Company in Oklahoma and The Reliable Life Insurance Company of Missouri each are part of the Kemper family of companies that collectively filed the lawsuit in Sangamon County, case no. 2015MR998.

**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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