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Illinois Families Win as Senate Overrides Gov. Rauner's Veto Of Life Insurance Reform Act

Treasurer Frerichs' Signature Initiative to Protect Grieving Families Becomes Law

SPRINGFIELD – Illinois families are the winners today after the Senate voted to override Gov. Rauner's veto of the Life Insurance Reform Act, State Treasurer Michael Frerichs said today. The act will require life insurance companies to pay death benefits in a timely manner. Some benefits had gone decades without payment.

"This override vote means a countless number of our families will keep their home and a child will not be forced to drop out of school to support their family after a loved one dies," Frerichs said. "Today's action makes it clear that the people of Illinois will no longer tolerate loopholes that allow greedy life insurance companies to pad their bottom line using death benefits that should have been paid to grieving families."

"I offer a special thanks to Senate Sponsor Jacqueline Collins, House Sponsor Robert Martwick, the AARP, NAACP, Citizen Action Illinois, and the many beneficiaries who stood with us to share their personal stories," Frerichs said. "I also thank the Senate and House Republicans who followed common sense and set aside partisanship to override this veto and do the right thing."

The Illinois Senate vote to override Governor Rauner's amendatory veto of House Bill 302 passed 38-16. The Senate vote follows the House vote to override, which passed 71-40. The bill becomes state law effective January 1, 2018, despite the Governor's attempt to veto.

House Bill 302 requires life insurance companies to compare electronic records of policies in force since 2000 with the Social Security Administration's Death Master File (DMF) to determine if policies should have been paid to grieving families.

With Governor Rauner's proposed amendments to the legislation, life insurance companies would pocket millions of dollars rather than pay death benefits to grieving families.

Currently, some life insurance companies do not pay death benefits when they know, or should have known, a customer died. Between 2011 and 2015, treasurer's office audits found more than \$550 million

in death benefits that were not paid to grieving families in Illinois. Nationally, the figure is more than \$7.4 billion, according to the Wall Street Journal.

Opponents argued that life insurance companies would lose money if required to pay death benefits and that they are not required under the terms of the contract to notify beneficiaries. However, not every survivor knows about a policy, such as a spouse suffering from dementia, or has the capacity to determine if a policy exists, such as a child with a disability. There have also been instances of a person leaving money to a church or charity without telling the recipient, so the recipient would not know to pursue a claim.

In August, Governor Rauner issued an amendatory veto that outlawed the type of audits that found the billions that were owed to grieving families in Illinois and across America. Without this enforcement tool, life insurers would be able to act with almost complete impunity.

The use of contingency fee auditors ensures families receive every cent they are owed. Without the audits, insurance companies keep 100 percent of the death benefits.

With this veto override, the treasurer's office retains its ability to effectively look at the books of large banks, such as Wells Fargo, to confirm it did not inappropriately keep funds from bank customers. It also allows for the treasurer's office to preserve its ability to look at large retailers, like Sprint and Radio Shack, to confirm they actually paid out rebates.

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. Illinois hold unclaimed property until the items or funds are claimed by the owner or heir.

Treasurer Frerichs' office never charges money to search for, and return, unclaimed property.

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.