



OFFICE OF ILLINOIS STATE TREASURER

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Treasurer Frerichs Asks Court to Force Kemper Corp. to Allow State Audit of Life Insurance Policies

Kemper Drops Lawsuit Against Frerichs; Still Refuses to Open Books to Confirm Money is Not Owed to Illinois Residents

SPRINGFIELD – As Illinois lawmakers consider an override of Governor Bruce Rauner’s amendatory veto of House Bill 302, Chicago-based Kemper Corporation still refuses to allow an audit to confirm it is paying death benefits owed to Illinois residents. Illinois State Treasurer Michael Frerichs today resumed litigation in a Sangamon County court to force the examination of Kemper’s books.

In November 2015, three companies, which are part of Kemper, sued Frerichs to challenge his authority to perform audits. The lawsuit by Kemper was withdrawn earlier this year, but the issue remains unresolved because Kemper still has not allowed the Treasurer’s auditors to examine the Illinois policies at issue.

“My hope was to settle this out of court, but Kemper refuses to do the right thing and simply allow our auditors to make sure Illinois residents are not owed money that belongs to them,” Frerichs said. “I have yet to meet a man or woman who purchased a life insurance policy with the intent to help a billion dollar company rather than their own family.”

Unpaid death benefits are considered unclaimed property. In Illinois, unclaimed property is the responsibility of the state treasurer’s office.

Between 2011 and 2016, the state treasurer’s office used audits to identify more than \$550 million in unpaid life insurance benefits. Nationally, the Wall Street Journal estimates the amount of unpaid death benefits identified by state auditors to be more than \$7.4 billion. Some companies, including Kemper, have previously stated in federal regulatory filings that submitting to audits and paying these unpaid benefits would have “material adverse” effects on their profits.

The Treasurer’s auditors requested data on Kemper policies dating from 1996. In response, Kemper alleged its three companies were not required to provide the state treasurer access to their records so that unpaid life insurance benefits could be identified. In their previous legal filings Kemper took the position that it was under no obligation to consider death benefits as unclaimed unless it had either received a payment request and proof of death from a beneficiary; or the insured, if still living, would have been 99

years old or older. This would have allowed Kemper to disregard compelling evidence that an individual has been dead, sometimes for decades.

United Insurance Company of America in Illinois, Reserve National Insurance Company in Oklahoma and The Reliable Life Insurance Company of Missouri were the Kemper companies that fought the treasurer's audit. The three companies claim 160,000 active life insurance policies in Illinois. Collectively, the companies filed the lawsuit in Sangamon County, case no. 2015MR998.

Separately, Frerichs championed legislation in 2016 that requires life insurance companies to use the Death Master File (DMF) to determine if a policy holder has died and the death benefits have not been paid. The Social Security Administration manages the list to make sure recipients are alive and to prevent waste, fraud and abuse in the social security program. The 2016 legislation considers policies that are in-force on January 1, 2017 or later, which is why Frerichs worked to introduce legislation (House Bill 302) that would look backward.

Frerichs is now calling on the Illinois General Assembly this week during veto session to override an amendatory veto by Governor Bruce Rauner of House Bill 302. The legislation as passed by the General Assembly would require insurers to evaluate their electronic records concerning policies in-force since 2000 using the DMF.

Illinois holds unclaimed property forever 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.

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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