

Bill Aimed At Backlog In Unclaimed Life Insurance Benefits

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In listing his priorities earlier this week for the rest of the legislative session, House Speaker Shap Smith called attention to a small bill that he said provides important protections for consumers. The bill requires life insurance companies to check periodically with a national Social Security data base to see if policyholders have died. They also would be required to make a good faith effort to contact beneficiaries. Smith said companies already use the Social Security data base, but not always to help their customers.

"In fact, the master death data base has often been used to cease the payment of annuity payments but not notify the beneficiary of the life insurance policies," he said. "Now that just doesn't seem like someone acting in good faith, and it doesn't actually seem like you're getting the benefit of your bargain for what you paid for."

According to Smith, some companies have gained financial advantage through the delay in paying out claims.

"Life insurance policies have been booking the fact that they're not going to have to pay out to their beneficiaries, and have been making it accrue to their bottom line instead of to the bottom line of the people who are the beneficiaries of the policies that were purchased," he said.

State Treasurer Beth Pearce said audits of life insurance companies found about 2,500 unpaid claims totaling \$2.2 million owed to Vermonters. The money eventually goes to the unclaimed property division of her office, which then does outreach to get people the money that's owed.

"Our perspective is that we want to get that before it even reaches unclaimed property and get that to the beneficiary. So this is about consumer protection," she said.

Pearce said the legislation is modeled after a law that's now in effect in four other states.

"If a Vermont citizen took out a life insurance policy to protect his or her family, we think that a promise has been made and that the money should be moved to the beneficiary as quickly as possible, when they have bills to pay and are going through some tough times," she said. The American Council of Life Insurers - an industry trade group - said it supports the goal of having companies check the death data base. But a spokesman said in a statement that the council has "some issues" with the bill that it hopes to address with the treasurer and the state Department of Financial Regulation.