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Vermont passes law on unclaimed life insurance

By Dave Gram, The Associated Press

MONTPELIER — Retired bus driver Rodger Brassard says he didn't know he had more than \$5,000 coming from his late mother's life insurance policy, but found plenty of uses for the money — including a visit to his daughter in Alaska.

Brassard, 67, of Burlington, was one of the beneficiaries of an audit of insurance companies done by a Connecticut company at the request of several states.

Auditors found that many life insurance companies were not being aggressive enough about tracking down beneficiaries when people with life insurance died. Several large companies, including Prudential, AIG, Lincoln Financial and others, have entered settlements with states to improve their practices.

Now legislatures are joining in, with Vermont and several other states passing laws spelling out the steps that companies must take to find the people owed money when one of their policyholders dies.

Since last year, eight states have passed legislation, according to the National Conference of State Legislatures. They are Alabama, Kentucky, Maryland, Montana, New Mexico, New York, North Dakota and Vermont.

Under the Vermont version of the law, the companies must:

Check databases of their policyholders against a Social Security master database that records deaths around the country to ascertain when a policyholder has died and the policy should be paid off.

Make a "good-faith effort" to find the policyholder within 90 days.

Send the policy payout to the unclaimed property division of the state treasurer's office if the beneficiaries cannot be found immediately, so the state can continue the search.

"This law will help ensure that Vermonters receive their rightful benefits promptly, instead of discovering much later that proceeds were turned over to unclaimed property or being held by the insurance company itself," Gov. Peter Shumlin said in a statement.

State Treasurer Beth Pearce said recently that life insurance companies already use the Social Security database to determine when they can discontinue annuity payments, so the twice-yearly check of the database for payouts would not pose an undue burden.

She said that last year, the unclaimed property division received payouts from about 2,500 life insurance policies with a total value of about \$2.2 million.

Whit Cornman, spokesman for the American Council of Life Insurers, an industry group, said

the industry paid out more than \$200 million in life insurance benefits in Vermont in 2011.

“While the amount of unclaimed life insurance benefits at issue represents a very small percentage of total claims paid, we know the percentages represent real people,” Cornman said in an email.

Brassard, in an interview Thursday, said of the \$5,000 he got last year, “It got put into the general funds. We used it for just about everything.” Then he added that it enabled the trip to Alaska during the holidays. “It was the first Christmas I got to spend with my daughter in 18 years,” he said.