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Gov. Shumlin signs consumer protection law for unclaimed life insurance benefits

MONTPELIER – Joined by State Treasurer Beth Pearce, Gov. Peter Shumlin today signed into law a consumer protection measure that will require life insurance companies to make a good faith effort to contact beneficiaries when a policy holder has died.

“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,” the Governor said.

Among the provisions of the law:

- It establishes a requirement that twice a year life insurance companies use various data bases to cross-reference against their lists of life insurance policies to determine if policy holders have passed away.
- It requires the insurer to perform a good-faith effort to locate any beneficiaries and provide the necessary claim forms and instructions within 90 days of identifying a match.
- In the event the beneficiary cannot be located, it requires that the monies be sent to the State Treasurer’s Office unclaimed property fund so that efforts may be made to locate the beneficiary.

“This is about consumer protection,” said State Treasurer Pearce. “This law will help expedite payments to beneficiaries before it even reaches unclaimed property. People buy life insurance policies to assist their family members. We want to make sure those funds get into the hands of the beneficiaries as quickly as possible.”

Vermont continues to be a national leader in efforts to enact measures that ensure consumers receive their rightfully due life insurance benefits, including initiating audits of insurance companies and working on model legislation at the national level. Pearce testified last year before the National Council of Insurance Legislators (NCOIL) in their efforts to develop model legislation for states. The Vermont law is based on this model legislation. Pearce is the current President of the National Association of Unclaimed Property Administrators, a non-profit professional organization representing individuals charged with the responsibilities of unclaimed property administration and compliance. NAUPA worked closely with NCOIL and the American Council of Life Insurers to develop this model.

Recently, the State Treasurer’s Office received more than \$2.2 million in unclaimed property as the result of a multi-state initiative to require life insurance companies to pay out on old, sometimes forgotten, policies. As a result of these efforts, more than \$1 billion has already been returned nationally to beneficiaries as a result of reviews and outreach conducted in the process of insurance companies reaching agreement with the states. Another \$820 million has been sent to state unclaimed property programs so that the states can reunite these funds with the rightful owners.

The legislation was introduced by House Commerce Committee members, including Chair Bill Botzow, Rep. Warren Kitzmiller and Rep. Michael Marcotte. The bill was supported in the Senate by Finance Committee Chair Tim Ashe and Sen. Kevin Mullin. House Speaker Shap Smith and Senate President Pro Tem John Campbell helped assure passage in the House and Senate.