CCIA
CONSUMER CREDIT INDUSTRY ASSOCIATION

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Via katie.robinson@uniformlaws.org

Rex Blackburn and Michael Houghton, Co-Chairs
Charles A. Trost, Reporter
Drafting Committee to Revise the Uniform Unclaimed Property Act
c/o Katie Robinson, Uniform Law Commission Drafting Committee

RE: Life Insurance Revisions to the Uniform Unclaimed Property Act

Dear Messrs. Blackburn, Houghton, Trost & Members of the Committee:

The Consumer Credit Industry Association (CCIA) and its member insurance companies thank you for the opportunity to provide comments to the Uniform Law Commission's Committee (the "Committee") to revise the Uniform Unclaimed Property Act.

As a national trade association of providers engaged in the business of insuring consumer credit transactions, for over 60 years CCIA has been working to enhance consumer financial security by preserving the availability, value and integrity of these important consumer protection products.

CCIA supports the Committee's intent to assure life insurers comply with all relevant state laws and regulations in the processing of life insurance claims prior to the escheatment of any unpaid life benefits to the state. However, the Uniform Unclaimed Property Act need not apply to credit life policies. The credit life business model is so distinct and different from the traditional life insurance model that it is almost unheard of that its benefits ever go unpaid and become subject to unclaimed property. Insurance commissioners and legislators have already recognized this by codifying a carve-out for credit life through industry settlements and through the NCOIL Unclaimed Life Insurance Benefits Model Act. Such actions are a testament to the credit life insurance business model that has inured to the benefit of beneficiaries for decades.

Key Intermediary Benefits Consumers

The credit life insurance model is unique and distinct from standard individual life insurance products. Similar to employee group life insurance programs, there is an intermediary in the process that becomes aware of a consumer death: the lender. Generally, credit insurance is a contract between the insured consumer, lender and insurer. The lender has an insurable interest as a beneficiary of the insurance. <u>Upon the death of the insured borrower, credit life pays the</u>

outstanding amount of an active loan *to the lender*.

The lender, typically the group policyholder, has a contractual obligation with the insurer and the insured to file a claim when the insured borrower dies. To that end, the lender works with the individual(s) responsible for settling the estate or handling the deceased individual's personal affairs. The lender, not the insurance company, has the necessary claims information through its loan documents, including the insured's social security number, coverage eligibility, benefit amount, and premium payment status.

The lender as a beneficiary of a credit insurance policy has an insurable and vested interest in obtaining any policy benefits on behalf of their customer(s). The lender mitigates credit risk by immediately eliminating the outstanding debt for a customer household. The lender also enhances its relationship with the borrower's household by sharing the good news that the debt will be extinguished.

Because the lender has a contractual obligation, insurable interest and knowledge of credit insurance coverage for an insured to ensure that policy benefits pay off the debt of the insured borrower, credit life benefits do not pose a risk of becoming unclaimed property.

Since the insurer does not typically maintain the insured information required to conduct a Social Security Death Master File (DMF), requiring such credit life insurers to conduct DMF searches in the Revised Unclaimed Property Act is not feasible.

Due to its unique and distinct business model, credit life insurance should be exempt from the Revised Unclaimed Property Act.

Multi-State Settlements Do Not Include Credit Life Policies

Insurance Commissioners for California, North Dakota, Florida, Illinois, New Hampshire, and Pennsylvania have lead the national investigation of life insurers to ensure industry compliance with state unfair insurance practices acts and the payment of life insurance benefits. As a result of the national investigation and settlements obtained by state insurance commissioners, nearly 70 percent of the life insurance market by premium volume has been found in compliance with the law, or agreed to comply by using the DMF to determine whether there are unclaimed death benefits and assist in a search for beneficiaries to whom unclaimed benefits may be owed.

The Committee should take notice that by excluding credit life policies in these settlements with life insurers, insurance regulators have recognized that credit life benefits do not pose a risk of going unpaid. Credit life insurance should therefore be exempt from the Revised Unclaimed Property Act.

NCOIL Model Act Exempts Credit Life

The NCOIL Unclaimed Life Insurance Benefits Model Act was developed over three years of thoughtful negotiations and research with various interested parties involved. The Model Act is law in almost 40% of the states (19), including five (5) states represented directly on the

Committee or as Advisors (Idaho, North Carolina, Tennessee, Utah and Vermont).

The NCOIL Model Act specifically exempts credit life insurance policies.

Statutory and regulatory consistency is a core goal of the Uniform Law Commission (ULC), as noted in the description of the ULC Drafting Process: "…to promote uniformity in the law among the states." Likewise, uniformity should be a considered a core goal for the Committee to avoid conflicting requirements for insurers from possibly competing laws. Thus, the Committee should adopt the approach as outlined in the NCOIL Model Act by exempting credit life from the Revised Unclaimed Property Act.

Conclusion

The Committee is strongly encouraged to recognize the fact that the credit life business model is so distinct and different from the traditional life insurance model that it is almost unheard of that its benefits ever go unpaid and become subject to unclaimed property. This fact was recognized by state insurance commissioners excluding credit life insurance from significant settlements that require DMF searches and by insurance-focused legislators exempting credit life insurance from the NCOIL Unclaimed Life Insurance Benefits Model Act.

CCIA urges the Committee to exempt credit life insurance from the Revised Unclaimed Property Act. Specifically, CCIA proposes the following changes to the draft dated February 17, 2016:

Under Section 102. Definitions (11) Insurance Company, remove "credit life"

Under Section 102. Definitions (22) Property (B), which describes what is not included under the definition of "property," add:

"(v) credit life insurance policies."

Thank you again for the opportunity to provide commentary. We look forward to working with the Committee. Please let us know if you have any questions or we can provide you with further information.

Sincerely,

Tom Keepers

Tom Keepers
Executive Vice President | Consumer Credit Industry Association