

February 25, 2016

Via Electronic Mail: Katie.Robinson@uniformlaws.org

Rex Blackburn, Co-Chair
Michael Houghton, Co-Chair
Charles A. Trost, Reporter & Draftsman
Drafting Committee to Revise the *Uniform Unclaimed Property Act*
c/o Katie Robinson
Uniform Law Commission Drafting Committee
11 N. Wabash Avenue, Suite 1010
Chicago, IL 60602

RE: *Uniform Unclaimed Property Act* Revision

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

In our capacities as Insurance Commissioners for Florida and California, we have served on the National Association of Insurance Commissioner's Investigation of Life/Annuities Claims Settlement Practices Task Force (the Task Force) for the past several years. Over that period, the Task Force has examined life settlement practices of many of the largest life insurance companies in the industry. Those examinations have led to Regulatory Settlement Agreements with 20 Companies, representing close to 70% of the industry by premium volume. Those agreements have been signed by insurance regulators of up to 48 states.

As you may be aware, the Task Force was formed as a result of concerns over the adequacy and consistency of life insurance companies' policies and procedures for identifying deceased insureds and annuitants who have died with policies and contracts in force but for whom no benefit has been paid. Although it is difficult to quantify the exact amount, it is reasonably estimated that 8 billion dollars in unclaimed benefits has now been paid to beneficiaries or remitted to the states as unclaimed property, either directly or indirectly as a result of the work of the Task Force and the multistate unclaimed property audits. This is money that otherwise would have remained in the possession of insurance companies long after the death of the insureds, resulting in an unjust windfall. Moreover, every day insurance companies as well as state unclaimed property authorities are continuing to locate beneficiaries and pay them these previously unclaimed death benefits. This process has resulted in the identification of well over a million unclaimed properties. The return of these funds to the rightful owners has had a meaningful impact on the lives of individuals throughout this country.

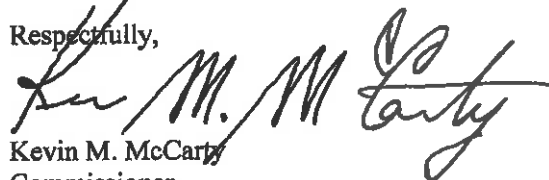
Conversely, the failure to identify unclaimed death benefits can have a number of adverse consequences. If beneficiaries are not located and paid, the built-up cash surrender value of policies is depleted after the death of the insured. Such policies then improperly lapse or terminate as a result of application of non-forfeiture clauses, and death benefits are not properly reported and remitted to the appropriate state as unclaimed property.

We have reviewed the Drafting Committee's current draft and we are concerned about the provisions relating to life insurance. These provisions appear to undermine the beneficial results that have been achieved for hundreds of thousands of insurance consumers to date. Notably, the current draft contains a definition of "knowledge of a death" that is both vague and unduly restrictive and could be relied on by insurance companies to refrain from taking action even when they have reliable information that an insured is deceased. Additionally, the current draft would prevent states and/or their auditors from comparing a company's records against the Social Security's Death Master File (DMF) in states that have not enacted a DMF statute or that have enacted a DMF statute that only applies to newly issued policies. The DMF is an important tool for state regulators to use to identify policies belonging to deceased insureds that have not been paid or escheated. Examinations conducted by the Task Force have found that regardless of a company's use (or non use) of the DMF, insurance companies often have knowledge that an insured has died and have not paid or escheated those policies. It is important for examiners to have a tool to identify such policies.

Adoption of the current draft by the Uniform Law Commission would undermine the work of the Task Force and negatively impact perhaps millions of consumers across this country. It is critical to the success of our initiatives and the protection of consumers that the Commission adopts a draft that makes "Date of Death" the dormancy trigger, provides that a DMF hit is prima facie proof of death, and allows the DMF to be used by auditors and examiners as a tool in all states without restriction. If the Commission adopts the current draft we would recommend that Florida and California not adopt this version.

Thank you for allowing us to comment on the revised draft.

Respectfully,



Kevin M. McCarty
Commissioner
Florida Office of Insurance Regulation



Dave Jones
Commissioner
California Department of Insurance