

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1403 Session of 2015

INTRODUCED BY QUINN, DeLUCA, PICKETT, BROWNLEE, COHEN, COX, EVERETT, GILLEN, HARHAI, JAMES, MAHONEY, READSHAW, SAMUELSON, SAYLOR, THOMAS AND WATSON, JUNE 25, 2015

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 29, 2015

AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated
2 Statutes, providing for unclaimed life insurance benefits.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Title 40 of the Pennsylvania Consolidated
6 Statutes is amended by adding a chapter to read:

7 CHAPTER 37

8 UNCLAIMED LIFE INSURANCE BENEFITS

9 Sec.

10 3701. Purpose of chapter.

11 3702. Definitions.

12 3703. Death master file comparison.

13 3704. Notice of unclaimed policy benefits.

14 3705. Applicability.

15 3706. Enforcement.

16 § 3701. Purpose of chapter.

17 The purpose of this chapter is to require the complete and

1 proper disclosure, transparency and accountability relating to a
2 method of payment for life insurance death benefits regulated by
3 the Insurance Department.

4 § 3702. Definitions.

5 The following words and phrases when used in this chapter
6 shall have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Beneficiary." A person designated to receive the proceeds
9 from a life insurance policy or retained asset account.

10 "Commissioner." The Insurance Commissioner of the
11 Commonwealth.

12 "Contract." An annuity contract. The term shall not include
13 an annuity used to fund an employment--based retirement plan or
14 program where:

15 (1) the insurer does not perform the recordkeeping
16 services; or

17 (2) the insurer is not committed by terms of the annuity
18 contract to pay death benefits to the beneficiaries of
19 specific plan participants.

20 "Death master file." The Social Security Administration's
21 Death Master File or any other database or service that is at
22 least as comprehensive for determining that an individual has
23 reportedly died.

24 "Death master file match." A search of the death master file
25 that results in a match of the Social Security number or the
26 name and date of birth of an insured, annuity owner or retained
27 asset account holder.

28 "Department." The Insurance Department of the Commonwealth.

29 "Insured." An individual covered by a life insurance policy.

30 "Insurer." A person licensed in this Commonwealth to sell

1 life insurance policies or annuity contracts as any of the
2 following:

3 (1) A single insurance entity.

4 (2) An insurer under a parent organization that sells
5 annuities using a different charter.

6 The term as used in this chapter shall not include a fraternal
7 benefit society.

8 "Knowledge of death." Either of the following:

9 (1) receipt of an original or valid copy of a certified
10 death certificate; or

11 (2) a death master file match validated by the insurer
12 in accordance with section 3703(a)(1) (relating to death
13 master file comparison).

14 "Policy." A policy or certificate of life insurance that
15 provides a death benefit. The term shall not include:

16 (1) a policy or certificate of life insurance that
17 provides a death benefit under an employee benefit plan
18 subject to The Employee Retirement Income Security Act of
19 1974 (Public Law 93-406, 88 Stat. 829), as periodically
20 amended, or under any Federal employee benefits program;

21 (2) a policy or certificate of life insurance that is
22 used to fund PURCHASED IN CONJUNCTION WITH a preneed funeral <--
23 contract or prearrangement;

24 (3) a policy or certificate of credit life or accidental
25 death insurance; or

26 (4) a policy issued to a group master policyholder for
27 which the insurer does not provide recordkeeping services.

28 "Recordkeeping services." Those circumstances under which an
29 insurer has agreed with a group policy or contract customer to
30 be responsible for obtaining, maintaining and administering in

1 its own or its agents' systems at least the following
2 information about each individual insured under an insured's
3 group insurance contract, or a line of coverage under the
4 contract:

- 5 (1) Social Security number or name and date of birth;
- 6 (2) beneficiary designation information;
- 7 (3) coverage eligibility;
- 8 (4) benefit amount; and
- 9 (5) premium payment status.

10 "Retained asset account." A mechanism whereby the settlement
11 of proceeds payable under a policy or contract is accomplished
12 by the insurer or an entity acting on behalf of the insurer
13 depositing the proceeds into an account with check or draft
14 writing privileges, where those proceeds are retained by the
15 insurer or its agent, pursuant to a supplementary contract not
16 involving annuity benefits other than death benefits.
17 § 3703. Death master file comparison.

18 (a) Comparison.--An insurer shall implement procedures for
19 performing a comparison of its insureds' in-force life insurance
20 policies, contracts and retained asset accounts against the same
21 death master file, on at least a semiannual basis, by using the
22 full death master file once and thereafter using the death
23 master file update files for future comparison to identify
24 potential matches of its insureds. For a potential match
25 identified as a result of a death master file match, all of the
26 following shall apply:

27 (1) Within 90 days of a death master file match the
28 insurer shall:

- 29 (i) complete a good faith effort to confirm the
30 death of the insured or retained asset account holder

1 against other available records and information. The
2 effort shall be documented by the insurer; and

3 (ii) determine whether benefits are due in
4 accordance with the applicable policy or contract, and if
5 benefits are due:

6 (A) use good faith efforts to locate the
7 beneficiary or beneficiaries, which shall be
8 documented by the insurer; and

9 (B) provide the appropriate claims forms or
10 instructions to the beneficiary or beneficiaries to
11 make a claim, including instructions on the need to
12 provide an official death certificate, if applicable
13 under the policy or contract.

14 (2) The insurer shall implement procedures to account
15 for:

16 (i) common nicknames, initials used in lieu of a
17 first or middle name, use of a middle name, compound
18 first and middle names and interchanged first and middle
19 names;

20 (ii) compound last names, maiden or married names
21 and hyphens, blank spaces or apostrophes in last names;

22 (iii) transposition of the month and date portions
23 of the date of birth; and

24 (iv) incomplete Social Security number.

25 (3) To the extent permitted by law, the insurer may
26 disclose minimum necessary personal information about the
27 insured or beneficiary to a person who the insurer reasonably
28 believes may be able to assist the insurer with locating the
29 beneficiary or a person otherwise entitled to payment of the
30 claims proceeds.

1 (b) Costs.--An insurer or its service provider may not
2 charge an insured, a retained asset account holder, a
3 beneficiary or other authorized representative for costs
4 associated with a search or verification conducted in accordance
5 with subsection (a).

6 (c) Payment.--The benefits from a policy, contract or
7 retained asset account, plus applicable accrued contractual
8 interest, shall first be paid to the designated beneficiaries or
9 owners. If the beneficiary cannot be found, the benefits shall
10 escheat to the Commonwealth as unclaimed property pursuant to
11 Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176),
12 known as The Fiscal Code.

13 (d) Group life insurance.--An insurer shall confirm the
14 possible death of an insured if the insurer maintains at least
15 the following information regarding those covered under a policy
16 or certificate:

- 17 (1) Social Security number or name and date of birth;
18 (2) beneficiary designation information;
19 (3) coverage eligibility;
20 (4) benefit amount; and
21 (5) premium payment status.

22 § 3704. Notice of unclaimed policy benefits.

23 (a) Notice.--An insurer shall notify the State Treasurer
24 upon the expiration of the statutory time period for escheat
25 that:

- 26 (1) the beneficiary has not submitted a claim with the
27 insurer; or
28 (2) the insurer has complied with section 3703 (relating
29 to death master file comparison) and has been unable, after a
30 good faith effort documented by the insurer, to contact the

1 beneficiary.

2 (b) Submission.--Upon issuing notice under subsection (a),
3 an insurer shall immediately submit the unclaimed policy, plus
4 any applicable accrued contractual interest, to the State
5 Treasurer.

6 § 3705. Applicability.

7 This chapter shall not apply to all of the following:

8 (1) An annuity contract that does not require the
9 insurer to pay benefits to the beneficiary of the policy.

10 (2) A policy that provides a death benefit under the
11 Employee Retirement Income Security Act of 1974 (Public Law
12 93-406, 88 Stat. 829).

13 (3) A Federal employee benefit program.

14 (4) A policy to fund funeral or burial services.

15 (5) A policy of credit life insurance or health and
16 accident insurance.

17 § 3706. Enforcement.

18 (a) Actions.--Upon a determination by hearing that an
19 insurer has violated this chapter, the commissioner may pursue
20 one or more of the following courses of action:

21 (1) issue an order requiring the insurer to cease and
22 desist from engaging in the violation or suspend, revoke or
23 refuse to issue the certificate of qualification or license
24 of the offending insurer.

25 (2) impose a civil penalty of not more than \$5,000 for
26 each violation.

27 (b) Additional remedies or penalties.--The enforcement
28 remedies imposed under this section shall be in addition to any
29 other remedies or penalties imposed by statute.

30 (c) Administrative procedure.--An action or adjudication of

1 the commissioner under this section shall be preceded by a
2 hearing in accordance with 2 Pa.C.S. Ch. 5 Subch. A (relating to
3 practice and procedure of Commonwealth agencies) and shall be
4 subject to review and appeal in accordance with 2 Pa.C.S. Ch. 7
5 Subch. A (relating to judicial review of Commonwealth agency
6 action).

7 Section 2. This act shall take effect in 360 days.