

Insured? Not so Sure

By Reg P. Wydeven
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Over the years, I have met with many families who have lost loved ones. We help make sure the loved one's final wishes get carried out and their stuff gets to where it's supposed to go.

Some people will pass away and all of their paperwork is supremely organized. They have binders containing lists of all of their assets, account numbers, the institution where they are located and a contact person there. Other people aren't as organized.

I have learned that folks who have gone through the Great Depression tend to be savers. We have had families come in with boxes of paperwork going back to the 1960s – tax returns, bank statements, documents for loans that have been paid off for 30 years. So we have to play CSI and figure out what documents are helpful and what's junk. On the other end of the spectrum, some families have no paperwork whatsoever.

In either case, many of the family members ask if there is a database we can search to find out what assets their parents' owned, such as life insurance policies. Unfortunately, no such vehicle exists, so without any paperwork to go by, our only bet is to monitor the unclaimed property website.

The government, however, is hoping that if we can't turn up anything, insurance companies will seek us out.

If someone who has a life insurance policy dies, the standard practice is for the beneficiaries to contact the insurance company to file a claim for the death benefit. But if the beneficiaries don't know the life insurance policy exists, they won't know to contact the insurance company. This is a very common occurrence.

And because there is no central database to search, there's no way to find out about the policy. The insurance companies, though, do have a database they can search to determine if their insureds die: the Social Security Administration's Death Master File.

The Life Annuities/Unclaimed Property Task Force, headed by Kevin McCarty, the Florida Commissioner of Insurance, has conducted a multistate investigation into insurance companies' practices in paying out death benefits. The investigation revealed that companies do use the SSA Death Master File to locate deceased insureds. However, they don't use the File to help pay out claims. Instead, they use the database to stop making annuity payments to customers that have died.

In addition, insurance companies use the list to check on deceased insureds who have accumulated cash value in their policies. In these cases, the company dips into the cash value to continue making premium payments.

As a result of the investigation, 25 insurance companies have agreed to pay more than \$7.5 billion in back death benefits in a series of settlements reached with states across the country. Thirty-five companies have not settled and remain under investigation. None of the companies have admitted any wrongdoing.

In light of the investigation, it is likely that many states will soon require insurance companies to check the Death Master File for deceased insureds and reach out to the beneficiaries of record to pay out the claims. McCarty told CBS' '60 Minutes' that he is warning insurance companies that "I'm here to say that you have a responsibility to investigate a claim if you know someone has died."

After learning of the investigation, I showed my wife exactly where all of my life insurance policies are. She was thrilled to learn about them. I now sleep with one eye open.

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