

1 HB192  
2 147605-3  
3 By Representative Wren  
4 RFD: Insurance  
5 First Read: 07-FEB-13

1 ENGROSSED

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4 A BILL  
5 TO BE ENTITLED  
6 AN ACT  
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8 Relating to insurance; to amend Sections 2, 3, and 4  
9 of Act 2012-424 of the 2012 Regular Session, now appearing as  
10 Sections 27-15-51, 27-15-52, and 27-15-53 of the Code of  
11 Alabama 1975; to provide that the requirement that certain  
12 insurers search the death master file shall apply only to life  
13 insurance policies, annuity contracts, and retained asset  
14 accounts issued and delivered in this state and which are  
15 issued or entered into on or after January 1, 2016, and to  
16 require each insurer who has in-force life insurance policies,  
17 annuity contracts, and retained asset accounts to compare  
18 those items against a death master file, to identify potential  
19 death master file matches of its insureds completed by January  
20 1, 2019.

21 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

22 Section 1. Sections 2, 3, and 4 of Act 2012-424 of  
23 the 2012 Regular Session, now appearing as Sections 27-15-51, 27-15-52,  
24 27-15-52, and 27-15-53 of the Code of Alabama 1975, are  
25 amended to read as follows:

26 "§27-15-51.

1            "(a) This article shall require recognition of the  
2            escheat or unclaimed property statutes of Alabama as they  
3            relate to the method of payment for life insurance death  
4            benefits regulated by the Department of Insurance.

5            "(b) This article shall apply only to life insurance  
6            policies, annuity contracts, and retained asset accounts  
7            issued and delivered in this state and which are issued or  
8            entered into on or after January 1, 2016.

9            "§27-15-52.

10           "The following terms shall have the following  
11           meanings:

12           "(1) COMMERCIALY REASONABLE EFFORT. The plans,  
13           processes, or procedures necessary to confirm the death of the  
14           insured, contract owner or annuitant, or retained asset  
15           account holder against other available records and information  
16           and, as applicable, to locate the beneficiary or beneficiaries  
17           or other person entitled to payment pursuant to the terms of  
18           the policy or contract which have been developed by each  
19           insurer and submitted to and approved by the department.

20           ~~"(1)~~(2) CONTRACT. An annuity contract. The term  
21           contract shall not include an annuity used to fund an  
22           employment-based retirement plan or program where the insurer  
23           is not committed by terms of the annuity contract to pay death  
24           benefits to the beneficiaries of specific plan participants.

25           ~~"(2)~~(3) DEATH MASTER FILE. The United States Social  
26           Security Administration's Death Master File or any other  
27           database or service that is at least as comprehensive as the

1 United States Social Security Administration's Death Master  
2 File for determining that a person has reportedly died.

3 "(3)(4) DEATH MASTER FILE MATCH. A search of the  
4 death master file that results in a match of the Social  
5 Security number or the name and date of birth of an insured,  
6 annuity contract owner, an annuitant, or retained asset  
7 account holder.

8 "(4)(5) INDUSTRIAL LIFE INSURANCE POLICY. A policy  
9 of life insurance with a face amount of two thousand five  
10 hundred dollars (\$2,500), or less, and which provides for  
11 payment of premiums monthly or more often.

12 "(5)(6) INSURER. An insurer, as defined in Section  
13 27-1-2(2), which issues life insurance policies or annuity  
14 contracts.

15 "(6)(7) POLICY. Any policy, as defined in Section  
16 27-14-1, or certificate of life insurance that provides a  
17 death benefit. The term policy shall not include any policy or  
18 certificate of life insurance that provides a death benefit  
19 under: (i) an employee benefit plan subject to the Employee  
20 Retirement Income Security Act of 1974, 29 U.S.C. § 1002, as  
21 periodically amended; (ii) any federal employee benefit  
22 program; (iii) government plans or church plans as defined in  
23 the Employment Retirement Income Security Act of 1974 (29  
24 U.S.C. § 1002 (32) and (33)), as periodically amended; (iv)  
25 any policy or certificate of life insurance that is used to  
26 fund a preneed funeral contract or prearrangement; (v) any  
27 policy or certificate of credit life or accident and health

1 insurance; (vi) any policy of burial insurance, the primary  
2 death benefit of which is to be provided in the form of  
3 tangible merchandise, such as a casket or funeral services; or  
4 (vii) any industrial life insurance policy.

5 "§27-15-53.

6 "(a) An insurer shall perform a comparison of its  
7 insureds' in-force life insurance policies, annuity contracts,  
8 and retained asset accounts against a death master file, to  
9 identify potential death master file matches of its insureds.  
10 Such comparison shall be ~~commenced by July 1, 2014 2016,~~ and  
11 completed by January 1, ~~2017~~ 2019. Thereafter, an insurer  
12 shall maintain a program designed to compare each such policy,  
13 contract, or account with a death master file no less  
14 frequently than every three years, it being the intent that  
15 insurers fashion a program that best fits their business  
16 systems while at the same time protecting consumers by  
17 assuring reasonable checks are being performed to identify  
18 unreported deaths. For those potential death master file  
19 matches identified as a result of a death master file  
20 comparison, the insurer shall do all of the following:

21 "(1) Within 90 days of a death master file match:

22 "a. Complete a commercially reasonable effort, which  
23 shall be documented by the insurer, to confirm the death of  
24 the insured, contract owner or annuitant, or retained asset  
25 account holder against other available records and  
26 information.

1            "b. Determine whether a policy or contract insuring  
2 the insured or annuitant is in force or a retained asset  
3 account exists and whether benefits may be due in accordance  
4 with the applicable policy or contract and if a policy is in  
5 force or a retained asset account exists and benefits may be  
6 due in accordance with the applicable policy or contract:

7            "1. Use commercially reasonable efforts, which shall  
8 be documented by the insurer, to locate the beneficiary or  
9 beneficiaries or other person entitled to payment pursuant to  
10 the terms of the policy or contract.

11           "2. Provide the appropriate claim forms or  
12 instructions to the beneficiary or beneficiaries or other  
13 person entitled to payment pursuant to the terms of the policy  
14 or contract to make a claim, including the need to provide  
15 written evidence of the loss, including, but not limited to,  
16 an official death certificate, medical authorizations, medical  
17 records, or other reasonable evidence of the loss or its  
18 circumstances such as is ordinarily required by the insurer of  
19 similar claimants.

20           "(2) With respect to group life insurance, an  
21 insurer is required only to confirm the possible death of an  
22 insured when the insurer provides full recordkeeping services  
23 to the group policyholder and maintains in the ordinary course  
24 of business at least the following information of those  
25 covered under a policy or certificate:

26           "a. Complete insured information, including Social  
27 Security number and complete name and date of birth.

1            "b. Beneficiary designation information.

2            "c. Coverage eligibility.

3            "d. Benefit amount.

4            "e. Premium payment status.

5            "(b) To the extent permitted by law, the insurer may  
6 disclose minimum necessary personal information about the  
7 insured or beneficiary to a person who the insurer reasonably  
8 believes may be able to assist the insurer to locate the  
9 beneficiary or a person otherwise entitled to payment of the  
10 claims proceeds.

11            "(c) An insurer shall not charge insureds, account  
12 holders, or beneficiaries for any fees or costs associated  
13 with a search or verification conducted pursuant to this  
14 section.

15            "(d) After the insurer has completed the ~~items~~  
16 efforts required in subdivision (1) of subsection (a), any  
17 benefits payable under a life insurance policy, annuity  
18 contract, or a retained asset account, plus any applicable  
19 accrued interest, shall first be payable to the designated  
20 beneficiaries, owners, or other person entitled to payment  
21 pursuant to the terms of the policy or contract, and in the  
22 event the beneficiaries, owners, or other person entitled to  
23 payment pursuant to the terms of the policy or contract cannot  
24 be found after the insurer has completed the efforts required  
25 in subdivision (1) of subsection (b), shall escheat to the  
26 state as unclaimed property in accordance with the provisions  
27 of Article 2A, Chapter 12 of Title 35. Nothing in this section

1 shall be deemed to change the terms of any contract or policy  
2 concerning contestability or requiring the submission of due  
3 proof of loss.

4 "(e) Subject to the provisions of subsection (d), an  
5 insurer shall notify the State Treasurer, in accordance with  
6 the provisions of Section 35-12-76, upon the expiration of the  
7 statutory time period for escheat after all of the following  
8 have occurred:

9 "(1) A positive death master file match has  
10 occurred.

11 "(2) A life insurance policy or annuity contract  
12 beneficiary or retained asset account holder has not submitted  
13 a claim with the insurer.

14 "(3) The insurer has complied with subsection (a)  
15 and has been unable, after commercially reasonable efforts  
16 documented by the insurer, to contact the retained asset  
17 account holder, beneficiary, beneficiaries, or other person  
18 entitled to payment pursuant to the terms of the policy or  
19 contract.

20 "(f) Upon such notice, an insurer shall submit the  
21 unclaimed life insurance or annuity death benefits, or  
22 unclaimed retained asset accounts, plus any applicable accrued  
23 interest, to the State Treasurer, pursuant to Section  
24 35-12-77."

25 Section 2. This act shall become effective on the  
26 first day of the third month following its passage and  
27 approval by the Governor, or its otherwise becoming law.



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House of Representatives

Read for the first time and re-  
ferred to the House of Representa-  
tives committee on Insurance ..... . . . . . 07-FEB-13

Read for the second time and placed  
on the calendar 1 amendment ..... . . . . . 28-FEB-13

Read for the third time and passed  
as amended..... . . . . . 18-APR-13

Yeas 94, Nays 0, Abstains 0

Jeff Woodard  
Clerk