

## CHAPTER 58

( HB 135 )

AN ACT relating to unclaimed life insurance benefits.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF SUBTITLE 15 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *The General Assembly declares the purpose of this section shall be to require recognition of the escheat statute, as found in KRS 393.062, and to require complete and proper disclosure, transparency, and accountability relating to any method of payment for life insurance death benefits regulated by the Department of Insurance.*
- (2) *As used in this section:*
  - (a) *"Contract" means an annuity contract. The term "contract" shall not include an annuity used to fund an employment-based retirement plan or program where the insurer is not committed by terms of the annuity contract to pay death benefits to the beneficiaries of specific plan participants;*
  - (b) *"Death Master File" means the United States Social Security Administration's Death Master File or any other database or service that is at least as comprehensive as the United States Social Security Administration's Death Master File for determining that a person has reportedly died;*
  - (c) *"Death Master File Match" means a search of the Death Master File that results in a match of the Social Security number or the name and date of birth of an insured, annuity owner, or retained asset account holder; and*
  - (d) *"Policy" means any policy or certificate of life insurance that provides a death benefit. The term "policy" shall not include:*
    1. *Any policy or certificate of life insurance that provides a death benefit under:*
      - a. *An employee benefit plan, subject to the Employee Retirement Income Security Act of 1974, as defined by 29 U.S.C. sec. 1002(3);*
      - b. *A governmental plan as defined by 29 U.S.C. sec. 1002(32);*
      - c. *A church plan as defined by 29 U.S.C. sec. 1002(33); or*
      - d. *Any federal employee benefit program;*
    2. *Any policy or certificate of life insurance that is used to fund a preneed funeral contract or prearrangement as defined in KRS 304.12-240(1)(a); or*
    3. *Any policies or certificates of insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction, or any group policy issued to a creditor to insure the lives of the creditor's debtors and any certificates issued under such policies.*

*All other terms used in this section shall be interpreted in a manner consistent with the definitions used in KRS Chapter 304.*

- (3) (a) *An insurer shall perform a comparison of its insureds' in-force life insurance policies and retained asset accounts against a Death Master File, on at least a quarterly basis, to identify potential matches of its insureds.*
- (b) *For those potential matches identified as a result of a Death Master File match, the insurer shall:*
  1. *Within ninety (90) days of a Death Master File match:*
    - a. *Complete a good faith effort, which shall be documented by the insurer, to confirm the death of the insured or retained asset account holder against other available records and information; and*
    - b. *Determine whether benefits are due in accordance with the applicable policy or contract, and if benefits are due in accordance with the applicable policy or contract:*

- i. Use good faith efforts, which shall be documented by the insurer, to locate the beneficiary or beneficiaries; and*
  - ii. Provide the appropriate claims forms or instructions to each beneficiary to make a claim, including the need to provide an official death certificate if applicable under the policy or contract.*
- (c) With respect to group life insurance, insurers are required only to confirm the possible death of an insured when the insurers provide full record-keeping services to the group policy holder.*
- (d) To the extent permitted by law, the insurer may disclose minimum necessary personal information about the insured or beneficiary to a person who the insurer reasonably believes may be able to assist the insurer locate the beneficiary or a person otherwise entitled to payment of the claims proceeds.*
- (4) An insurer shall not charge insureds, account holders, or beneficiaries for any fees or costs associated with a search or verification conducted pursuant to this section.*
- (5) The benefits from a life insurance policy or a retained asset account, plus any applicable accrued interest, shall first be payable to the designated beneficiaries or owners and in the event those beneficiaries or owners cannot be found, shall escheat to the state as unclaimed property pursuant to KRS 393.062.*
- (6) An insurer shall notify the State Treasurer upon the expiration of the statutory time period for escheat that:*
  - (a) A life insurance policy beneficiary or retained asset account holder has not submitted a claim with the insurer; and*
  - (b) The insurer has complied with subsection (3) of this section and has been unable, after good faith efforts, documented by the insurer, to contact the retained asset account holder or any beneficiary.*
- (7) Upon such notice, an insurer shall immediately submit the unclaimed life insurance benefits or unclaimed retained asset accounts, plus any applicable accrued interest, to the State Treasurer.*
- (8) Failure to meet any requirement of this section shall constitute a violation of Subtitle 12 of KRS Chapter 304.*
- (9) This section shall be known as the Unclaimed Life Insurance Benefits Act.*

➔Section 2. This Act takes effect January 1, 2013.

**Signed by Governor April 11, 2012.**