

By: Hancock S.B. No. 561  
(Smithee, Thompson of Brazoria, Anderson of Dallas)

A BILL TO BE ENTITLED

AN ACT

relating to the identification and handling of unclaimed life insurance and annuity contract proceeds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 1109, Insurance Code, is amended by adding Subchapter A-1 to read as follows:

SUBCHAPTER A-1. DEATH MASTER FILE SEARCH; IDENTIFICATION OF UNCLAIMED PROCEEDS

Sec. 1109.010. DEFINITIONS. In this subchapter:

(1) "Annuity contract" means an annuity contract issued in this state. The term does not include an annuity used to fund an employment-based retirement plan or program for which the insurer:

(A) does not perform the recordkeeping services;

or

(B) is not committed by the terms of the annuity contract to pay death benefits to the beneficiaries of specific plan participants.

(2) "Death Master File" means:

(A) the United States Social Security Administration's Death Master File; or

(B) any other database or service that is at least as comprehensive as the United States Social Security Administration's Death Master File for determining whether a person

1 is dead.

2 (3) "Death Master File match" means a match of the  
3 social security number or the name and date of birth of an insured  
4 or retained asset account holder resulting from a search of the  
5 Death Master File.

6 (4) "Life insurance policy" means a policy or  
7 certificate of life insurance issued in this state that provides a  
8 death benefit. The term does not include:

9 (A) a policy or certificate of life insurance  
10 that provides a death benefit under an employee benefit plan that  
11 is:

12 (i) subject to the Employee Retirement  
13 Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.); or

14 (ii) under any federal employee benefit  
15 program;

16 (B) a policy or certificate of life insurance  
17 that is used to fund a pre-need funeral contract or prearrangement;

18 (C) a policy or certificate of credit life or  
19 accidental death insurance; or

20 (D) a policy issued to a group master  
21 policyholder for which the insurer does not provide recordkeeping  
22 services.

23 (5) "Recordkeeping services" means services provided  
24 by an insurer, under an agreement with a group policy or contract  
25 holder, to obtain, maintain, and administer in the insurer's or the  
26 insurer's agents' systems the following information about each  
27 individual insured under the group policy or contract or a line of

1 coverage under that policy or contract:

2 (A) the social security number or name and date  
3 of birth of the insured;

4 (B) beneficiary designation information;

5 (C) coverage eligibility;

6 (D) benefit amount; and

7 (E) premium payment status.

8 (6) "Retained asset account" means a mechanism by  
9 which the proceeds payable under a life insurance policy or annuity  
10 contract are settled by the insurer or an entity acting on behalf of  
11 the insurer by depositing the proceeds into an account with check or  
12 draft writing privileges, where those proceeds are retained by the  
13 insurer or the insurer's agent, under a supplementary contract not  
14 involving annuity contract benefits other than death benefits.

15 Sec. 1109.011. IDENTIFICATION OF DEATH MASTER FILE MATCHES.

16 (a) An insurer shall compare its in-force life insurance policies,  
17 annuity contracts, and retained asset accounts against a Death  
18 Master File at least semiannually to identify potential Death  
19 Master File matches. The insurer shall perform the first  
20 comparison of a policy, contract, or account against a full Death  
21 Master File and thereafter against Death Master File update files  
22 to identify potential Death Master File matches.

23 (b) An insurer shall first conduct the comparison required  
24 by Subsection (a) electronically to the extent the insurer's  
25 records are available in electronic format, and then use the most  
26 easily accessible insurer records for any records that are not  
27 available electronically.

1       (c) Each subsequent comparison made under this section  
2 shall include all in-force life insurance policies, annuity  
3 contracts, and retained asset accounts and any policies, contracts,  
4 or accounts that have lapsed since the previous comparison.

5       (d) An insurer shall implement procedures for conducting  
6 comparisons under this section to account for:

7           (1) common nicknames, initials used in lieu of a first  
8 or middle name, use of a middle name, compound first and middle  
9 names, and interchanged first and middle names;

10          (2) compound last names, maiden or married names, and  
11 hyphens, blank spaces, or apostrophes in last names;

12          (3) transposition of the month and date portions of  
13 the date of birth; and

14          (4) an incomplete social security number.

15       Sec. 1109.012. DUTIES REGARDING DEATH MASTER FILE MATCH.

16       (a) For each Death Master File match, the insurer shall, not later  
17 than the 90th day after the date the insurer identifies the match:

18           (1) complete a documented good faith effort to confirm  
19 the death of the insured or retained asset account holder against  
20 other available records and information;

21           (2) review the insurer's records to determine whether  
22 the deceased individual had purchased or was otherwise covered by  
23 any of the insurer's other products; and

24           (3) determine whether proceeds may be due in  
25 accordance with the applicable policy or contract or terms  
26 governing the applicable account.

27       (b) For group life insurance or a group annuity contract, an

1 insurer is required to confirm the possible death of an insured or  
2 retained asset account holder under this section only if the  
3 insurer provides recordkeeping services for the group policy or  
4 group annuity contract.

5 (c) If the insurer determines under Subsection (a)(3) that  
6 proceeds may be due and a beneficiary or other authorized  
7 representative has not communicated with the insurer on or before  
8 the 90th day after the date the insurer identifies a Death Master  
9 File match, the insurer shall:

10 (1) complete a documented good faith effort to locate  
11 and contact each beneficiary or other authorized representative on  
12 the relevant policy, contract, or account; and

13 (2) provide to the beneficiary or authorized  
14 representative the appropriate claim forms, instructions, or  
15 information to make a claim, including information about any need  
16 to provide an official death certificate or show proof of death  
17 under the applicable policy or contract or terms governing the  
18 applicable account.

19 (d) If an insurer is unable to confirm the death of an  
20 insured or retained asset account holder after the insurer  
21 identifies a Death Master File match, the insurer may consider the  
22 relevant policy, contract, or account to remain in force according  
23 to its terms.

24 (e) To the extent permitted by law, the insurer may disclose  
25 minimum necessary personal information about the insured, retained  
26 asset account holder, or beneficiary to a person the insurer  
27 reasonably believes may be able to assist the insurer in locating a

1 person entitled to payment of the claim proceeds.

2 (f) An insurer or the insurer's service provider may not  
3 charge an insured, retained asset account holder, beneficiary, or  
4 authorized representative any fees or costs associated with  
5 conducting a Death Master File comparison under this subchapter or  
6 verifying a Death Master File match under this subchapter.

7 Sec. 1109.013. PRESUMPTION OF UNCLAIMED PROCEEDS; REPORT  
8 AND DELIVERY OF PROCEEDS. (a) The proceeds of a life insurance  
9 policy, annuity contract, or retained asset account, and any  
10 accrued contractual interest, are first payable to each designated  
11 beneficiary or owner as provided by the applicable policy or  
12 contract or terms governing the applicable account.

13 (b) If a Death Master File match is confirmed, the proceeds  
14 of the relevant policy, contract, or account are considered  
15 unclaimed proceeds for purposes of this chapter on the third  
16 anniversary of the date on which, according to the insurer's  
17 records, the insurer completed a good faith effort as required by  
18 Section 1109.012(c) that failed to locate a beneficiary or  
19 authorized representative if the proceeds remain unpaid and no  
20 beneficiary or authorized representative has submitted a claim for  
21 the proceeds to the insurer before that date.

22 (c) An insurer shall report unclaimed proceeds as required  
23 by Section 1109.051.

24 (d) An insurer shall deliver unclaimed proceeds to the  
25 comptroller as required by Section 1109.052.

26 (e) For purposes of this section, unclaimed proceeds do not  
27 include any statutory interest under Section 1103.104.

1       Sec. 1109.014. RULEMAKING AUTHORITY. The commissioner may  
2 adopt rules to implement this subchapter.

3       Sec. 1109.015. AUTHORITY TO ISSUE CERTAIN ORDERS. The  
4 commissioner may issue an order:

5           (1) limiting the Death Master File comparisons  
6 required by this subchapter to only those files the insurer  
7 maintains in searchable electronic format or approving a plan and  
8 timeline for an insurer to convert the insurer's files to  
9 searchable electronic format;

10          (2) exempting an insurer from the Death Master File  
11 comparisons required by this subchapter or permitting an insurer to  
12 perform the comparisons less frequently than required by this  
13 subchapter on a showing of hardship to the insurer; or

14          (3) permitting an insurer to phase in compliance with  
15 this subchapter according to a plan and timeline approved by the  
16 commissioner.

17       Sec. 1109.016. AUTHORITY TO REQUEST DEATH CERTIFICATE.  
18 Nothing in this subchapter limits an insurer's right to request a  
19 death certificate as part of a claim validation process.

20       SECTION 2. Subchapter A-1, Chapter 1109, Insurance Code, as  
21 added by this Act, applies only to an insurance policy or annuity  
22 contract delivered, issued for delivery, or renewed on or after  
23 January 1, 2018, or a retained asset account established in  
24 connection with the insurance policy or annuity contract. An  
25 insurance policy or annuity contract delivered, issued for  
26 delivery, or renewed before that date, or a retained asset account  
27 established in connection with the insurance policy or annuity

1 contract, is governed by the law as it existed immediately before  
2 the effective date of this Act, and that law is continued in effect  
3 for that purpose.

4 SECTION 3. This Act takes effect September 1, 2017.