

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 4, 2017**

**TO:** Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB561 by Hancock (Relating to the identification and handling of unclaimed life insurance and annuity contract proceeds.), **Committee Report 1st House, Substituted**

**The number of policies that would be affected under the bill's provisions is unknown; therefore, the bill would have an indeterminate fiscal impact to the state beginning in FY2021.**

The bill would amend Chapter 1109 of the Insurance Code, regarding unclaimed life insurance and annuity contract proceeds.

The bill would add new Subchapter A-1, regarding death master file search and identification of unclaimed proceeds, to require insurers to compare, at least semiannually, its in-force life insurance policies, annuity contracts, and retained asset accounts against the U.S. Social Security Administration's Death Master File (DMF) to identify potential DMF matches. The bill would establish requirements for these comparisons. Not later than 90 days after identifying a DMF match, the insurer would be required to confirm the death, verify if the deceased had other products with the insurer, determine if benefits are due, and attempt to locate and contact beneficiaries. If the insurer is unable to confirm the death of the insured, the insurer may consider the relevant policies to remain in force. If the DMF match is confirmed, the policy, contract, or account proceeds would be considered unclaimed property three years after the date the insurer attempted and failed to locate a beneficiary or authorized representative.

The bill would allow the Texas Department of Insurance Commissioner to issue orders limiting DMF comparisons to insurer files available in electronic formats, exempting an insurer showing hardship, or allowing an insurer to phase in compliance. The bill would only apply to an insurance policy or annuity contract that is delivered, issued for delivery, or renewed on or after January 1, 2018.

Based on information provided by the Texas Department of Insurance, it is assumed that the duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

The bill would allow three years from the time a DMF match is confirmed and an attempt and failure to locate a beneficiary before proceeds would be considered unclaimed property; therefore, there would be no revenue implications prior to fiscal 2021.

According to the Comptroller's Unclaimed Property Division, there have been a number of audits of insurance companies that use the DMF to determine whether a policy holder has passed away,

which have resulted in an average of \$37 million in unclaimed property being remitted annually from fiscal 2013 to 2016. As the bill only would apply to policies delivered on or after January 1, 2018, it is possible that there could be a reduction in remittances as a result of companies not being required to compare earlier policies to the DMF. In addition, there would be an increase in remittances as insurers become subject to the bill's provisions. The number of policies that would be affected is unknown; therefore, the fiscal impact cannot be estimated.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 454 Department of Insurance

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