



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**EXECUTIVE SUMMARY**

**DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE  
UNCLAIMED LIFE INSURANCE BENEFITS  
July 1, 2014 to September 28, 2016**

We found that twenty-three states have adopted legislation expanding the insurance companies' responsibilities regarding the use of the Social Security Administration's Death Master File or similar databases to identify deceased policyholders. We observed that New Jersey's current laws and regulations do not require insurance companies to routinely identify unclaimed death benefits and, absent notification of a claim by a claimant, locate beneficiaries and make prompt payments to ensure that New Jersey consumers' interests are fully protected.

**AUDIT HIGHLIGHTS**

Insurance companies are currently being examined by several states for their use of the Social Security Administration's Death Master File (DMF) or other similar databases to identify deceased policyholders to stop annuity payments but not expand its use to include identifying unclaimed life insurance benefits. It is also a practice of insurance companies to terminate life insurance policies once they stop receiving premiums from the deceased policyholders or once the accumulated cash value of the policy has been depleted, without attempting to contact the beneficiary. As a result of these examinations, many of the major insurance companies have entered into settlement agreements. The companies covered under these agreements are working on providing the insurance proceeds to the beneficiaries or if they cannot be located, the proceeds may be escheated to the appropriate state's Unclaimed Property Administration.

New Jersey has signed Regulatory Settlement Agreements (RSAs) with 77 companies, resulting in \$183 million in previously unclaimed life insurance benefits being disbursed to New Jersey beneficiaries. Agreements are currently pending with an additional 62 companies. These RSAs cover 70 percent of the average premiums collected in the state's market for individual life insurance.

While these RSAs address a significant portion of the individual life insurance market, these agreements can only be used to require a company to perform DMF comparisons if it sells annuities and is found to engage in the uneven use of the DMF. Absent defining laws or regulations, the remaining insurance companies may unfairly and knowingly retain unclaimed life insurance benefits due to beneficiaries.

As of July 2016, twenty-three states have enacted legislation, and another six states have introduced bills requiring insurance companies to perform DMF comparisons on a routine basis for their annuity, life insurance, and retained asset accounts. New Jersey is among the six states that currently have legislation pending regarding this matter.

**AUDITEE RESPONSE**

The department states it lacks statutory authority to adopt regulations requiring insurance companies to routinely identify unclaimed death benefits.

For the complete audit report, click [here](#).