



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
25 BEAVER STREET  
NEW YORK, NEW YORK 10004

Andrew M. Cuomo  
Governor

James J. Wrynn  
Superintendent

July 5, 2011

**Re: Request for Special Report Pursuant to Section 308 of the New York Insurance Law**

Dear

The Department is investigating allegations of unfair claims and trade practices by authorized life insurers and fraternal benefit societies (collectively, "life insurers"). The Department is concerned that life insurers may not be adopting and implementing reasonable standards for investigating claims and locating beneficiaries with respect to death benefits under life insurance policies, annuity contracts and retained asset accounts. In particular, there may be instances where a death has occurred and no claim has been filed, but premiums continue to be deducted from the account value or cash value until the policy lapses. In other instances the life insurance policies, annuity contracts, or retained asset accounts may simply remain dormant after death. In these instances, a valid death benefit is either not paid or the payment is delayed.

The Department has already met with a number of life insurers with substantial writings in New York to discuss past and current practices with regard to claim and death benefit payment practices. Some life insurers have utilized the U. S. Social Security Administration's Death Master File ("SSA Master File") to stop annuity payments once a contract holder dies, but do not use SSA Master File to determine if any death benefit payments are due under life insurance policies, annuity contracts, or retained asset accounts.

The Department expects life insurers to identify any death benefits that may be due under life insurance policies, annuity contracts or retained asset accounts that have not been previously reported through the historical claim reporting processes, implement procedures to locate the appropriate beneficiaries, and make prompt payments as necessary.

The Department is in the process of amending the unfair claims practices regulation to require life insurers to perform regular SSA Master File cross-checks and to require life insurers to request more detailed beneficiary information (e.g., social security number, address) to facilitate locating and making payments to beneficiaries in the future.

To address the Department's concerns, life insurers should cross-check all life insurance policies, annuity contracts and retained asset accounts on their administration data files, including group policies for which a life insurer maintains detail insured records, with the latest updated version of the SSA Master File, or another database or service that is at least as comprehensive as the SSA Master File, to identify any death benefit payments that may be due under life insurance policies, annuity contracts, or retained asset accounts as a result of the death of an insured or contract or account holder. Life insurers should perform the cross-check of life insurance policies, annuity contracts and retained asset accounts based on a match of the social security number maintained in the life insurer's administration data files. If the social security number is not maintained in the life insurer's administration data files for certain life insurance policies, annuity contracts or retained asset accounts, then the life insurer should perform the cross-check based on a match of both the insured's name and date of birth.

### First Stage Request

Pursuant to Insurance Law § 308, every life insurer is directed to report to the Superintendent the results of this First Stage initial cross-check by no later than September 30, 2011. The report shall include the following information:

- a narrative summary of the SSA Master File cross-check procedures implemented by the life insurer including the earliest year that cross-check procedures were performed on the life insurer's data and the extent to which data files that are maintained by third party vendors were encompassed by the cross-check procedures;
- the overall results of the SSA Master File cross-check, including the number of matches; the number of matches eliminated because the life insurance policies, annuity contracts, or retained asset accounts were previously paid or not in-force at the time of death; the number of matches where the life insurer is attempting to locate the beneficiary; and the number of matches still being reviewed;
- the current procedures utilized by the life insurer to locate beneficiaries; and
- a seriatim listing of any death benefits paid as a result of the SSA Master File cross-check sorted by the payee's state of residence, which shall also include:
  - name and address of the payee;
  - type of life insurance policy, annuity contract or retained asset account matched to the SSA Master File;
  - face amount or account value; and
  - amount paid including interest.

The period covered by the initial SSA Master File cross-check should extend back in time as far as the life insurer's electronic records will permit through the date of this letter. Life insurance policies, annuity contracts and retained asset accounts maintained and administered by third party vendors are to be encompassed within the SSA Master File cross-checks and reports made to the Superintendent.

## Second Stage Request

Further pursuant to Insurance Law § 308, after matches are identified each life insurer is directed to provide to the Superintendent a final report updating the actions that it has taken to investigate the matches to determine if a death benefit payment is due, and the procedures that have been implemented to locate the beneficiaries and make payments where appropriate. The final report called for by the Second Stage Request shall be filed when all matches are investigated, beneficiary searches are completed and death benefits paid. A life insurer shall file its final report as soon as it is completed, but no later than March 31, 2012, with progress updates reported to the Superintendent due on the last day of each month from and including October 2011 through February 2012 until the final report is filed. The final report as well as any progress update report, shall include the following information, as appropriate:

- any updates to the initial narrative summary and overall results provided in response to the First Stage Request;
- any updated procedures utilized by the life insurer to locate beneficiaries; and
- a seriatim listing of any additional death benefits paid, with the same detail information described above for the initial report in the First Stage Request.

Each report and update submitted to the Superintendent shall be subscribed and affirmed as true under penalty of perjury by a senior officer of the life insurer.

A life insurer that has already completed a cross-check of its life insurance policies, annuity contracts and retained asset accounts with the SSA Master File shall include in its initial report, due September 30, 2011, a summary description, including the scope of the prior SSA Master File cross-check procedures, the overall results, the procedures used to locate beneficiaries, and a seriatim listing of any death benefits paid, as described above. In addition, to the extent that a life insurer has done a prior SSA Master File cross-check, but it is not as comprehensive as the process described above, or does not cover the full period as described above, then the life insurer shall report the results of its SSA Master File cross-check on the remaining records and/or for the remaining period not covered by the prior SSA Master File cross-check, and provide to the Superintendent the information indicated above.

For a domestic life insurer, the life insurer shall report information with respect to all life insurance policies, annuity contracts and retained asset accounts regardless of the state of issue, unless another regulator that lawfully asserts its authority directs the life insurer to do otherwise with respect to life insurance policies, annuity contracts and retained asset accounts delivered or issued for delivery in that regulator's jurisdiction. If another regulator asserts its authority and directs a domestic life insurer to do something different than what is contained in this letter with respect to life insurance policies, annuity contracts, or retained asset accounts delivered or issued for delivery in that regulator's jurisdiction, then the life insurer shall provide to the Superintendent any information that it provides to the other regulator.

A foreign life insurer shall report information with respect to all life insurance policies, annuity contracts and retained asset accounts delivered or issued for delivery in New York State.

All records that support the initial, final, and progress reports submitted to the Superintendent, are subject to examination by the Department and shall be retained by the life insurer in accordance with 11 NYCRR 243 (Regulation No. 152). In addition, life insurers are to preserve all documents and records related to the subject matter of this letter until notified otherwise.

To expedite the review of the reports, all reports should be submitted to the Superintendent electronically. Information regarding the format for the reports and a secure delivery method will be provided at a later date.

Acknowledgment of receipt of this letter should be sent to [specialreport@ins.state.ny.us](mailto:specialreport@ins.state.ny.us) within five business days of receipt. Please include the name(s) of the insurer(s) to which the acknowledgment applies in the subject of the email.

All questions regarding this letter should be directed to Dennis Fernez, Assistant Chief, Life Bureau, at (212) 480-5032 or by email at [dfernez@ins.state.ny.us](mailto:dfernez@ins.state.ny.us).

Very truly yours,

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**JAMES J. WRYNN**  
Superintendent  
Insurance Department