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Controller Sues Second Life Insurer for Violating Unclaimed Property Law

SACRAMENTO - State Controller John Chiang today filed a lawsuit against a Missouri-based life insurance company for refusing to turn over records needed to audit the company, which is suspected of failing to pay life insurance benefits to the heirs of deceased policy holders.

"Through a series of audits, my office has seen a harmful and systemic trend in the insurance industry that often robs families of life insurance benefits after their loved ones have passed on," Controller Chiang said. "Kemper has fought to keep its books closed, and refused to show that it has delivered on the company's promises to policyholders and their families. That is simply unacceptable, and my office will hold them accountable to both the law and to their customers."

The [complaint](#) alleges that Kemper failed to turn over data needed for the Controller to conduct audits, which will determine whether the company failed to pay deceased policyholders' beneficiaries or turn the proceeds over to be safeguarded in perpetuity by the State Controller's Unclaimed Property program. This follows a similar complaint the Controller filed against Texas-based ANICO Insurance in May of this year.

Controller Chiang began auditing insurance company practices in 2008, revealing an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies, despite having access to federal records indicating that policyholders had died. This information is contained in the "Death Master File" -- a database maintained by the Social Security Administration and regularly scanned by companies that sell and administer life insurance policies.

Despite having access to these records -- and in many cases, having direct confirmation from family members that the policyholder had passed away -- some companies would instead use the policies' cash reserves to continue paying premiums to the company. Once the cash reserves were depleted, the company would cancel the policy, leaving the beneficiaries empty-handed.

To date, Controller Chiang has reached global settlements with 18 life insurance companies, with an aggregate value of \$266.7 million belonging to California beneficiaries, and an estimated \$2.4 billion nationally. These 18 companies -- which write more than 50% of all the issued and active life insurance policies nationwide -- have agreed to restore the value of expired life insurance policies and payout future benefits more quickly. Kemper, however, has steadfastly refused to even make its records available to the Controller's office.

The Kemper Corporation is the parent company of Mutual Savings and Life Insurance Company, Reliable Life Insurance Company, Reserve National Insurance Company, Union National Insurance Company and United Insurance Company of America.

Unclaimed property laws have been in place in every state since 1959 to protect private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private businesses. Administered by the Controller, the California Unclaimed Property program generally provides that businesses must send lost or abandoned financial accounts to the State after three years of inactivity. The Controller maintains an unclaimed property database accessible by any California resident to identify all unclaimed property the State has collected on their behalf. The database is available at www.claimit.ca.gov.

To read more about the Controller's efforts, [click here](#).

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