

Life Insurer "Death Master" Investigation Leads to Multi-State Regulatory Settlement

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by [Michael Rosenfield](#) & [Dennis Quinn](#)

Insurance regulators across the nation from time-to-time focus their efforts on pursuing the joint investigation of a legal issue (e.g., brokers' fees or title insurance matters) that is perceived by the regulators as representing an industry-wide compliance problem that is common to all states.

The latest subject of such a multi-jurisdiction investigation targets life insurance settlements. Regulators are in the midst of an extensive investigation and prosecution of life insurers' practices with respect to the payment and settlement of life benefits.

The [California Department of Insurance](#) has just announced that it has negotiated a [\\$17 million multi-state Regulatory Settlement Agreement with Prudential Insurance Company of America](#).

The settlement relates to Prudential's alleged failure to pay benefits "even though they had knowledge of policyholder deaths from the Death Master file."

The settlement stems from a joint examination of Prudential's settlement practices that was undertaken by a number of jurisdictions, including California, Florida, Illinois, New Hampshire, New Jersey, North Dakota and Pennsylvania.

State insurance regulators have taken the position that life insurers are required by law to monitor the [United States Social Security Administration's Death Master File](#) and other databases on a regular basis to ensure that beneficiaries receive prompt payment of their contract benefits when the holder of a life insurance policy or annuity dies. It is our understanding that similar settlements are to follow from the [Florida Office of Insurance Regulation](#).

In connection with the settlement, Prudential is required, among other things, to:

- Revise its business practices to better utilize the Death Master File.
- Return monies promptly to beneficiaries when located through revised search efforts.
- Report funds to the Unclaimed Property Bureau of the appropriate state when a beneficiary cannot be located after a thorough search.
- Provide quarterly reports to regulators for the next three years.

We are advising a number of life insurers related to their efforts to revise their settlement practices to comply with these developments. That includes responding to

regulatory inquiries, developing records review procedures, conducting records reviews and handling benefit settlements and payments strategies.

If you have any questions or require any additional information, please contact **Michael Rosenfield** at mrosenfield@bargerwolen.com | (213) 614-7321 or **Dennis C. Quinn** at dquinn@bargerwolen.com | (212) 553-8121.