

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS

Before The
House Judiciary Committee

March 17, 2021

Senate Bill 2048 – An Act Relating to the Uniform Unclaimed Property Law

Chairman Klemin and members of the House Judiciary Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments on Senate Bill 2048, which would update North Dakota law to incorporate, in substantial part, the most recent version of the Uniform Law Commission's Revised Uniform Unclaimed Property Act (RUUPA).

ACLI members are the leading writers of life insurance, annuities, disability income insurance, long-term care insurance and supplemental benefit insurance here in North Dakota and across the country. Life insurers are also among the many holders of unclaimed property that would be governed and impacted by this legislation.

Under existing North Dakota law, both the unclaimed property code (Chapter 47) and the insurance code (Chapter 26.1) contain provisions governing the treatment of unclaimed life insurance benefits. When Senate Bill 2048 was introduced, ACLI worked with the Senate sponsor, Senator Hogue, Land Commissioner Smith and Insurance Commissioner Godfread to resolve inconsistencies and incongruities between the two codes. Amendments were agreed to in the Senate, and ACLI supported the Senate-passed version when it came before this Committee on March 3rd.

Mr. Chairman, following this Committee's approval of Senate Bill 2048, and due to an oversight on my part, we identified another inconsistency we respectfully ask that this Committee consider. The amendments we propose bring North Dakota's unclaimed property law and insurance code further in line with the respective uniform model laws on which they are based.

For the Committee's convenience, below please find the additional amendments we propose along with their rationale. We plan to be available at the hearing to answer any questions the Committee may have.

Once again, we appreciate your consideration of our views and sincerely apologize for not having brought these issues to the Committee's attention at its March 3rd public hearing.

PROPOSED AMENDMENT TO SENATE BILL NO. 2048 *by the American Council of Life Insurers*

Amendment to Insurance Code to Recognize Dormancy Period in Unclaimed Property Code

Page 3, line 18 overstrike "Within twelve months following a potential match identified as a result of a death"

Page 3, line 19 overstrike "master file or revised death master file match" and before the comma insert "Upon the expiration of the time period provided in 47-30.2-04(9)"

TO READ:

8. Upon the expiration of the time period provided in 47-30.2-04(9), an insurer shall:
- a. *Notify the state abandoned property office that a life insurance policy beneficiary or retained asset accountholder has not submitted and completed a claim with the insurer and that the insurer has complied with subsections 2 and 3 and has been unable, after good-faith efforts documented by the insurer, to contact the retained asset accountholder, beneficiary, or beneficiaries and unable to complete the necessary payment; and*
 - b. *Submit any unclaimed life insurance benefits or unclaimed retained asset accounts, plus applicable accrued interest, to the state abandoned property office under chapter 47-30.2.*

Rationale

This amendment brings the North Dakota insurance code in line with the NCOIL Model law on which it is based. The NCOIL Model (Section 4D) was not intended to establish or revise the dormancy period that must expire before unclaimed life insurance benefits are escheated to the state. Rather, the NCOIL Model simply cross references the dormancy time period for life insurance unclaimed property in the unclaimed property statute. Our proposed amendment harmonizes those time periods.

Amendment to Unclaimed Property Law Revising Dormancy Period from One Year to Three Years

Page 15, line 30 replace “one year” with “three years”

Page 16, line 3 replace “one” with “three”

Page 16, line 4 replace “year” with “years”

Page 16, line 8 replace “one year” with “three years”

Renumber accordingly

Rationale:

The Revised Uniform Unclaimed Property Act, upon which Senate Bill 2048 is based, establishes a three-year dormancy period before unclaimed life insurance benefits are escheated to the state (Section 201 (7)). According to the National Association of Unclaimed Property Administrators (NAUPA), 42 states plus DC have at least a 3-year dormancy period for life insurance; 6 states have a 2-year dormancy period and 2 states plus PR have something that is unique/complicated. Thus, keeping the dormancy period at three years, as recommended in our amendment, is in line with the prevailing standard across the nation and as recognized by RUUPA.

A three-year dormancy period is an appropriate time period for beneficiaries to file a claim as they deal with the emotional loss of a loved one and settle what in many instances can be a complicated estate of the deceased. Meanwhile, the insurer acts as custodian of the unclaimed benefits, which typically earn applicable accrued interest during the pendency of the claim before escheating the benefits to the state.

Chairman Klemin and members of the Committee, I appreciate the second opportunity you have given us to provide our comments on Senate Bill 2048 and stand ready to answer any questions you may have.

Respectfully submitted,

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