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Texas Insurers Working with State to Help Consumers Locate Lost or Unknown Policies

TEXAS INSURANCE INSIGHT

The life insurance industry employs approximately 61,000 people in Texas in addition to supporting 105,000 non-insurance jobs.

Many people avoid talking about death often resulting in their financial records not being in order. Life insurance policyholders frequently don't tell their beneficiary of a policy's existence, which means the death benefits for many life insurance policies may go unclaimed.

To aid consumers in locating lost or unknown policies, insurers are partnering with state regulators to create online databases that will allow people to search for individual life insurance and annuity plans. Five states -- Louisiana, Missouri, New York, Ohio and Oregon -- currently operate free life and annuity policy locator programs. Massachusetts, Rhode Island and Puerto Rico are currently considering a life policy locator service.

Until now Texas did not have a life insurance policy locator, but under the leadership of state Insurance Commissioner Eleanor Kitzman, planning is underway for the creation of a locator service in Texas.

Melissa Hield of the Texas Department of Insurance (TDI) said that after Commissioner Kitzman expressed an interest in TDI having a program to help Texas consumers locate lost life insurance and annuity benefits, the TDI Compliance Division hosted stakeholder meetings to gather recommendations and identify best practices for a Texas program.

As a result of Kitzman's initiative, the Department of Insurance is working with insurers and other stakeholders in developing a policy locator service for Texas consumers who are searching for individual life and annuity plans.

Under the TDI proposal, a consumer searching for lost policies would complete a request form on a secure website, attaching a certified copy of a death certificate to the form and submitting it electronically to TDI.

TDI would provide a secure website for companies to view the requests and provide password-protected access to a monthly data file that companies can upload. Companies would be asked to search their records back seven years and report matches within 30 days. TDI staff would update the database with match information provided by the companies and provide reports.

"Texas consumers have not previously had this level of assistance in locating lost policies," said TALHI executive director Jennifer Cawley. "We applaud the state's effort in making this possible and we're pleased TALHI can offer its support to help make it happen."

Cawley continued, "This public/private collaboration will allow for millions of dollars to be provided to the individuals and families for whom they were intended, funds that might not otherwise have been found."

It is difficult to determine how much money is at stake. While no breakdown of unclaimed insurance policies is available for Texas, the state is currently holding more than \$2.6 billion from forgotten bank accounts, uncashed checks, security deposits, utility refunds and unclaimed life insurance waiting for the rightful owners to claim. In 2012, the state has returned more than \$159 million to its owners.



Cost Concerns Dominate as States Develop Essential Benefits Packages for Exchanges

TEXAS INSURANCE INSIGHT

Health care spending is expected to reach \$4.6 trillion by 2020.

Beginning in January 2014, individuals and small employers with up to 100 employees will have the option to shop for insurance coverage in a health insurance exchange operating in their state. The Affordable Care Act (ACA) provides states the option of establishing their own exchange or choosing to let the federal government operate it for them.

The exchanges are to be designed as organized and competitive markets with the intent of making buying insurance easier. To assist consumers in comparing coverage within an exchange, a standardized set of essential health benefits will be offered at four levels of coverage: bronze, silver, gold and platinum. The different tier of coverage and cost will be determined by the level of medical expenses estimated to be paid by the insurer. In other words, the greater the share of costs (co-pays/co-insurance/deductibles) borne by the individual that is insured, the less expensive the plan.

The federal government has provided states the ability to define and customize for its citizens the essential benefits to be offered within the four plan tiers as long as they include coverage for the 10 categories listed in the table below.

States would have the flexibility to set the "benchmark" for the items and services to be included in its essential health benefits package from a model plan it selects among the top health plans currently offered in the state. The benefits and services included in the selected plan would be the essential health benefits package as long as the required categories are covered. If the plan selected does not cover all 10 categories, states have the flexibility to examine other top plans to determine which benefits should be added. If a state does not select a benchmark plan, the small group plan with the highest enrollment in the state becomes the default benchmark.

The Texas Department of Insurance is currently in the process of identifying the benchmark plan that will determine the coverage to be offered by all individual and small group plans in and out of its state's Exchange in 2014 and 2015.

Across the country, employer and medical groups concerned about the affordability of the benefits to be offered have weighed in on the national debate cautioning against putting the cost of coverage beyond the reach of small businesses, their employees and individuals. They suggest that forcing Americans to buy more coverage than they need or currently have can be avoided by including only benefits that are typically offered under small group plans.

Their concerns seem valid based on an analysis by the Congressional Budget Office that found premiums could increase because policies "would cover a substantially larger share of enrollees' cost for health care (on average) and a slightly wider range of benefits."

For example, dentists suggest that including richer pediatric dental benefits that exceed what most plans currently offer will prevent disease and promote oral health. Others argue that maintaining dental coverage based on current industry standards will be essential to ensure affordability for benchmark benefits.

In summarizing the dilemma of balancing affordability and more coverage, Neil Trautwein, vice president and employee benefits counsel at the National Retail Federation and chairman of the Essential Health Benefits Coalition, offered, "The high cost of health care and coverage is the biggest barrier today for individuals and employers alike. An expansive, costly essential benefits package could cause many employers to drop coverage and force more Americans into government-subsidized health care at a significant cost to taxpayers."

He continued, "In today's fragile economy where job creation is a priority, neither employers, workers nor taxpayers can bear the burden of higher health care costs and reduced wages as a consequence."



Helping an Aging Population Prepare for Its Future

by Gov. Dirk Kempthorne, President of the American Council of Life Insurers

TEXAS INSURANCE INSIGHT

Life insurance companies invest approximately \$355 billion in Texas' economy including \$288 billion in stocks and bonds that help finance business development, job creation, and services in the state.

For millions of people nearing retirement, life insurance products are the difference between dignity and deprivation.

Our nation is rapidly aging. Government retirement systems are not designed to provide for this upcoming surge in the very old. To avoid an unimaginable human tragedy -- elderly people having to beg the government or their relatives to help them afford the basic needs of life -- Americans will have to look to annuities and other life insurance products to provide the peace of mind they deserve.

Policy makers in Washington, as well as in Texas and other state legislatures, must do more than just recognize this reality. They must adopt policies that address it. They must encourage retirees to prepare for the future.

Think about the upcoming debate on tax reform. America is deeply in debt. The debt must be reduced substantially for the sake of future generations. But it can't be done by sacrificing the financial security of families and the retirement hopes of the elderly.

Taxing life insurance products -- the very products families and retirees rely upon for their financial needs -- is self-defeating. Rather than solve the problem of the deficit, it would create an even bigger problem, increasing the risk that families and retirees will not be able to afford the financial protection they need. If that happens, many will turn to the government for help.

On regulation, the industry must have rules that reflect the economics of how life insurance companies manage risk. Imposing rules on life insurance based on a bank-centric regulatory scheme will harm consumers and raise the cost of financial protection.

For more than 4,000 years, the insurance industry has provided the underpinning of personal financial security. It's a proud history.

America still faces many economic hardships. But our nation has faced these before and emerged stronger than ever. With well-designed laws and regulations, life insurance products will continue to be the keys to a bright economic future for all Americans.



Providing Economic Security for Texans

TEXAS INSURANCE INSIGHT

\$19 billion was paid to Texas residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2010.

Americans today have significantly longer life expectancies than their parents and face increasing challenges preparing for life's uncertainties. That's why life insurance companies pay out \$1.5 billion a day -- every day -- to protect American families with life insurance, annuities, long-term care and disability income insurance. In fact, two of every three American families rely on products from life insurance companies to safeguard their future.

Whether acquired individually or at work, life insurers' products help protect 75 million American families against economic uncertainty and plan for the future. Life insurance and annuity products represent 20 percent of Americans' long-term savings.

Life insurance companies also contribute significantly to the nation's economy. Life insurers have a \$5 trillion impact on the U.S. economy through their long-term investments in commercial mortgages, and in bonds issued by governments and corporations to raise money for economic growth.

Following are brief summaries of the leading financial products offered to provide Texans economic security for their families and their future:

Life Insurance

It is impossible for most families to save enough money on their own to manage the financial consequences associated with the death of a wage-earner or family caregiver. Life insurance makes managing this risk affordable by transferring risk from the individual to the insurer while allowing some to accumulate savings that can be used in a time of financial need. Two-thirds of American families are protected by life insurance and life insurers paid \$58 billion to beneficiaries of individual life insurance policies in 2010.

Annuities

Beyond Social Security and traditional pensions, the only way to create a guaranteed, lifelong income stream in retirement is through an annuity. Annuities help people save for retirement during their working years, and turn savings into an income stream guaranteed to last a lifetime. This lifetime income option allows retirees to maximize retirement income without worrying about payments stopping while they are alive.

Annuities are also critical to retirement plans offered at the workplace. Employers who sponsor defined benefit plans often partner with life insurers to provide retirees a paycheck for life through an annuity. Similarly, employers who sponsor defined contribution plans such as 401(k)s may partner with life insurers to offer workers an annuity option to turn a portion of their retirement account balance into an income stream for life at retirement.

Long-Term Care

Long-term care insurance can protect individuals and families from financial crisis while also alleviating the strain on public programs. Today, a one-year stay in a nursing home averages \$75,000. By 2030, the same stay will cost nearly \$200,000. If three-quarters of individuals between the ages of 40 and 65 who can afford long-term care insurance were to purchase and maintain policies throughout their senior years, by 2030:

- the annual savings in Medicaid nursing home expenses would total \$12.2 billion; and
- the annual savings in out-of-pocket expenses would total \$24.4 billion.

Disability Income

The risk of becoming disabled is quite high -- 45 percent for people between 35 and 65. According to the U.S. Bureau of Labor Statistics, at least 35 percent of workers are covered by disability income insurance.

Disability income insurance provides income protection for working-age people who find themselves unable to work due to illness or injury for a prolonged period of time. It pays individuals a portion of earned income -- typically 50 to 70 percent -- until they are able to return to work.



ABOUT TALHI: Texas Association of Life and Health Insurers

TALHI is the trade association for life and health insurers doing business in Texas. It was formed when Texas Life Insurance Association and the Texas Legal Reserve Officials Association merged in 1997.

Now representing the majority of insurers in the state, TALHI has emerged as a leading voice for life and health insurers on legislative and regulatory matters.

TALHI is an open-door trade association boasting some of the most progressive life and health insurance company officials in Texas. We are united for the mutual benefit and development of a healthy and competitive insurance market.

The work that TALHI does in the public policy arena is intended to strengthen the insurance market by enhancing insurers' ability to provide Texans financial security for their future.

REGULAR MEMBERS

- AFLAC
- Allianz Group
- American Fidelity Group
- American National Insurance Company
- Americo Group
- Assurant Group
- Best Life & Health Insurance Company
- Blue Cross and Blue Shield of Texas
- Central Security Life Insurance Company
- Central States Group
- Colonial Life Insurance Co. of Texas
- Conseco Insurance Group
- Croy-Hall Management, Inc.
- Employees Life Insurance Co.
- Federal Directors Life Insurance Company
- Genworth
- Germania Life Insurance Co.
- Government Personnel Mutual Life Insurance Company
- Guardian Life Group
- HCC Life Insurance Company
- HealthMarkets, Inc.
- Kemper Corporation
- Landmark Life Insurance Company

- Liberty Bankers Life Insurance Company
- Life Protection Insurance Company
- MetLife
- Mutual of Omaha Group
- National Farm Life Insurance Company
- National Health Insurance Company
- National Life Group
- National Teachers Associates Life Insurance Company
- Nationwide
- New Era Life Insurance Company
- New York Life Group
- Pacific Life Insurance Company
- Principal Financial Group
- Prudential
- Southern Farm Bureau Group
- State Farm Insurance
- Tower Life Insurance Company
- TrustMark Companies
- United Benefits, Inc.
- United Healthcare Group
- USAA Life Insurance Company
- UTG Insurance Group
- Variable Annuity Life Insurance Company
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