



Fact sheet: Unclaimed life insurance policies

Unclaimed life insurance policies are a rare, and preventable, problem

Life Insurance

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Clear communication is important when it comes to your life insurance policy. Life insurance policyholders

should inform their primary beneficiaries, as well as their contingent beneficiaries, about the existence of a life insurance policy that names them. If there are valid reasons not to inform the beneficiaries—if, for example, they are young children—it is a good idea to provide this information to the executor of your estate.

When informing beneficiaries and/or an estate executor that a life insurance policy exists, give them the name of the company, the policy number and, ideally, tell them what they intend the life policy's proceeds to be used for.

Life insurers keep track of their policyholders

No life insurer can stay in business for very long if it develops a reputation for ignoring or not paying legitimate claims. Life insurers prioritize honoring their moral and contractual obligations and have paid out \$1.1 trillion to the rightful beneficiaries of individual life insurance policies over the past two decades. However, there are times when an insured person dies and no one notifies the life insurer or initiates a claim. Fortunately, advances in technology have allowed insurers to create new processes to reduce the number of instances in which this occurs. Life insurers have begun using the U.S. Social Security Administration's Death Master File as well as other search technologies to determine if a person insured under an individual life insurance policy has died; if they can confirm the death, the insurer will initiate a search for their beneficiaries.

Retroactive application of these state-of-the-art search methods is for some companies time-consuming, expensive and not a process accounted for in the original life insurance policy contract. Forcing insurers to retroactively change the terms of the contract is a slippery slope that can potentially put all insurance contracts at risk.

Beneficiaries have ways to track down unclaimed policies

If a loved one dies, and you're unsure about whether they purchased a life insurance policy, there are ways to find out if they did. The Insurance Information Institute, the American Council of Life Insurers and state Insurance Department websites offer consumer tips on finding unclaimed life insurance policies. Because it is vital that a life insurance policy remain in-force if at all possible, there are policies that include a mechanism to ensure the policy is not canceled even if the policyholder misses a premium payment. In cases such as these, the life insurer pays the premium out of monies that have accumulated in what is known as the "cash value account" of a permanent life insurance policy. This is an important consumer protection. It prevents a policy from lapsing if the policyholder is unable to pay their premium due to a job loss or if the bill was lost due to either a move or even a prolonged vacation. This feature is *not* used after the death of a policyholder.

If the insured person dies, the rightful beneficiaries of their life insurance policy are able to receive the policy's proceeds so long as the policy was in-force at the time of the insured's death.

Unclaimed life insurance policies are turned over to state government

Life insurers do not keep unclaimed life insurance policies in their possession indefinitely. Unclaimed life insurance policy proceeds are turned over to the state in which the insured is last known to have resided (often with interest) after a certain number of years have passed, following state laws on unclaimed property.

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