



July 1, 2016

Ms. Jolie Matthews
Senior Health and Life Policy Counsel
National Association of Insurance Commissioners
1100 Walnut Street
Suite 1500
Kansas City, MO 64106-2197

Via email to Jolie Matthews, jmatthews@naic.org

Re: Comments to Proposed Unclaimed Life Insurance and Annuities Model Act

Dear Ms. Matthews:

This letter is sent on behalf of the National Alliance of Life Companies (NALC) regarding the draft of the Unclaimed Life Insurance and Annuities Model Act (Model Act) under consideration by the Unclaimed Life Benefits Model Drafting (A) Subgroup.

The NALC is an industry trade association representing over sixty member companies and affiliates active in the life and health markets. A primary role of the NALC is to provide a voice for small companies on issues of importance to the ongoing growth and success of insurance markets. The NALC and its members appreciate the opportunity to comment on the current working draft of the Model Act, and thank you for your hard work.

We think it is important for the final Model Act to recognize that not all insurers are alike. Most of the NALC members are small companies that have written small face life insurance policies for decades. Many have paper records of policies decades old. Few members have sold annuities or utilized the Social Security Death Master File (DMF) in the course of business. The changes you propose will add a significant layer of expense to the operations of these small companies for activities they did not engage in – inconsistent use of the social security death master file. We believe the final Model Act should recognize these important factors.

The current working draft of the Model Act raises significant concerns for the NALC and its members, as some provisions will adversely impact small and mid-sized companies without any significant benefit to our policyholders. The net result will be increased cost for future insurance policies. We believe changes to the provisions referenced below will address significant constitutional issues with the Model Act, as well as make the provisions more equitable to all parties concerned.

1. Retrospective Application

It is inappropriate for the NAIC to provide only one option for application of the Model Act when that option likely violates the Contract Clause of the U.S. Constitution and creates conflicts with current state laws. The law remains unsettled, as legal challenges to the retrospective application of NCOIL Model Act requirements in

multiple states continue to play out. The prospective/asymmetric application option is an essential piece to the Model Act, as it will provide common language for states that wish to avoid constitutional violations and conflicts with current state laws.

Prospective application is also an important provision for both the market and consumers. The NALC and its members recognize the critical importance of the prompt and timely payment of claims. However, the NALC also recognizes that, except for a few states that have adopted the NCOIL Model Act and retrospective application, there has been no legal requirement for insurance companies to match in-force life insurance policies or retained asset accounts against the DMF or a similar database. For small face policies, the cost of the search in many cases would be a significant percentage of the value of the policy, and these costs will likely be passed on to consumers.

Some states will choose to focus on past conduct in determining the scope of policy review. In those cases, they may choose to require companies that have utilized the DMF to avoid paying claims in the past to perform a DMF search for both in-force policies and future policies. For those who have not utilized the DMF, the standard would only apply to new policies written on or after the date the legislation passed. Given the number of states interested in this option, it is important that it be included as well.

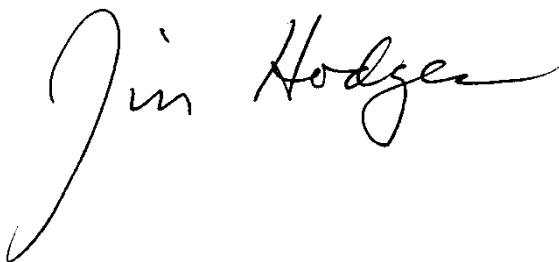
The Model Act should include at the very least all three application options, prospective, asymmetric, and retroactive, so that each state may decide on its own what option to pursue in light of the legal and constitutional issues.

2. Fuzzy Match Criteria

The NALC believes the fuzzy match criteria in Section 5-A-4 should be deleted. Fuzzy match search requirements create an inordinate number of false positives, resulting in significant costs to companies trying to resolve them. The NALC's member companies have written policies as small as a few hundred dollars, so the costs to comply with the fuzzy match criteria puts a great deal of pressure on the small companies that write these small policies, with little corresponding benefit to consumers.

The NALC appreciates your consideration of these comments and the hard work of the Drafting Group. We believe these changes address the legal issues raised in the Model Act, and provide a fairer, more equitable solution to the problems raised by inconsistent use of the DMF by certain insurers.

Sincerely,

A handwritten signature in black ink that reads "Jim Hodges". The signature is written in a cursive, flowing style.

Jim Hodges
Executive Director