

[California Insurance Commissioner Dave Jones' Holds Investigatory Hearing on Life Insurer Claims Payments of Death Benefits](#)

May 26, 2011 by Robert W. Hogeboom and Alexandra E. Ciganer

On May 23, 2011, California Insurance Commissioner Dave Jones along with State Controller John Chiang held an investigatory hearing on the claims practices of Metropolitan Life Insurance Company ("MetLife") regarding the payment of death benefits under life insurance policies and annuities. Joining the Commissioner and State Controller were regulatory officials from the Florida and Minnesota Departments of Insurance who are also investigating death benefits claims practices.

MetLife was called to the hearing pursuant to the California Department of Insurance's ("CDI") investigatory subpoena to appear and provide documents to determine whether the insurer's practices and procedures relating to its use of its death master file data and related information violates various sections of the Insurance Code.

The Commissioner's opening statement reflects his concern that a number of life insurers are using death information to "boost their finances by stopping annuity payments, but not using the same information to pay policyholders the beneficiary payments they are due."

The CDI announced that it is commencing market conduct exams on the ten largest life insurers to investigate these practices. Adam Cole, CDI General Counsel, along with Insurance Commissioner Jones, gave opening statements and conducted the bulk of the questioning of MetLife officials. Mr. Cole indicated that the CDI is reviewing the death claims practices to determine if violations exist under California Insurance Code subsections 790.03(h)(3) and (5). Subsection (3) refers to failing to adopt reasonable standards for the prompt investigation and processing of claims. Subsection (5) refers to not attempting in good faith to effect prompt, fair and equitable settlements of claims. Other sections of the California Insurance Code were also cited.

In assessing whether claims settlement practices violated these statutes, Commissioner Jones dedicated a significant portion of the inquiry to MetLife's use of the U.S. Social Security Administration death master file in identifying deceased insureds. Much of the time was spent questioning the application of the death master file to different insurance products, including group annuity, group life and individual life products, frequency of the death master file sweeps, and what constitutes a match in the death master file.

Commissioner Jones raised his concern with the varying frequency of death master file sweeps to the different products. He probed into the reasons for conducting a death master file sweep of individual life insurance products annually versus monthly or quarterly for other products. The regulators also dedicated significant attention to MetLife's use and characterization of the death master file as a "safety net" procedure in

identifying the deceased individual life insurance insured. Commissioner Jones' view appears to be that the use of the death master file as a safety net is not sufficient and should be used as "an integral part of the normal process."

While the investigatory hearing was characterized by the CDI as a public hearing to investigate company actions, policies and practices, in actuality it was a disciplinary investigatory hearing to determine specific violations, which is tantamount to a deposition. As such, it was not being used as a public forum to exchange information which could ultimately lead to best practices legislation with respect to payment of death benefits, but to provide traction for the CDI to institute disciplinary proceedings against members of the life insurance industry.

A copy of the Commissioner's Press Release on the hearing and his plans to conduct market conduct examinations is found [here](#).

For more information, please contact Robert Hogeboom at (213) 614-7304, or rhogeboom@bargerwolen.com.