NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

UNCLAIMED PROPERTY DIVISION

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Guide to Unclaimed Property
Insurance Industry

Refer to North Carolina General Statute §116B-53 — Presumptions of Abandonment

Definition

Insurance Company means an association, corporation, or fraternal or mutual benefit organization, whether or not for profit, engaged in the business of providing life endowments, annuities, or insurance, including accident, burial, casualty, credit life, contract performance, dental, disability, fidelity, fire, health, hospitalization, illness, life, malpractice, marine, mortgage, surety, wage protection, and workers' compensation insurance.

Property and Casualty Insurance Drafts

The Unclaimed Property Law does not apply to drafts issued as offers to settle claims that are unliquidated in amount or settled by subsequent drafts or other means. The question arises, which drafts are not "offers to settle" and, therefore, are covered under unclaimed property law?

Drafts for goods and services are generally recognized as being liquidated in amount. Furniture, supplies and copy machine repair bills are good examples.

It is generally recognized that first party drafts (drafts representing policy obligations), are not excluded from unclaimed property reporting. Paying the insured's car repair bill or medical expenses are liquidated in amount. Such drafts are usually not issued until proof of loss has been accepted. First party drafts are presumed abandoned five years after becoming payable.

Drafts written to third parties are generally considered to be "offers to settle" a claim. Some exceptions do exist. The payment to the ambulance service bill for a third party is liquidated when the draft is issued.

Auditor's Tips

1. You may need to devise a method to track those unpresented drafts which are offers to settle or were settled by subsequent draft or other means. The few unpresented drafts issued as a settlement proposal are easier to track and usually large dollar amounts compared to those for liquidated amounts.

2. Retaining claim files as long as an offer to settle remains open and maintaining files on drafts offered in settlement for six years after the claim file is destroyed will prevent the need for estimating your claims draft liability in an audit. While estimates are permitted under North Carolina General Statute §116B-72(f), it is preferable to have names and addresses to return monies to the rightful owner.

Life Insurance Proceeds

Under North Carolina General Statute §116B-53(c)(9), the amount owed by an insurer on a life policy, endowment policy, or annuity that has matured or terminated is presumed abandoned if it is unclaimed three years after the obligation to pay arose. A policy or annuity payable upon proof of death is presumed abandoned three years after the insured has attained, or would have attained if living, the limiting age under the mortality table on which the reserve is based.

Auditor's Tips

1. If you are required to give notice to the insured that a non-forfeiture provision is being exercised and the notice cannot be delivered to the last known address, you need to make a reasonable search to determine the correct address for mailing.

2. If you learn of the death of the insured or annuitant and the beneficiary has not communicated to you within four months of the death, you need to take reasonable steps to pay the proceeds to the beneficiary.

3. You should request the name, address and relationship to insured, of each beneficiary on each change of beneficiary form issued by the insurance company for the insured.

4. If a person other than the insured or annuitant is entitled to the funds and an address of the person is not known to the company or it is not definite and certain from the records of the company who is entitled to the funds, it is presumed that the last known address of the person entitled to the funds is the same as the last known address of the insured or annuitant according to the records of the company.

5. The application of an automatic premium loan provision or other nonforfeiture provision in an insurance policy does not prevent a policy from maturing or terminating if the insured has died or the insured or the beneficiary of the policy has otherwise become entitled to the proceeds before the depletion of the cash surrender value of a policy by the application of those provisions.

Policyholder Dividends

Dividends payable under participating policies need to be reported three years after payable, per North Carolina General Statutes §116B-53(c)(4) and (5A). Policy dividend options cannot be changed without the policyholder's authorization.

Auditor's Tip

You must have a contractual right to change the dividend application option and give notice to the policyholder. We will usually review policies with a dividend accumulation option that were changed from a cash dividend option.

Agent's Credit Balances/Commissions

Agent's credit balances are presumed abandoned after five years, while commissions and payroll items are presumed abandoned after one year, per North Carolina General Statutes §116B-53(c)(16) and (13) respectfully.

Auditor's Tip

Renewal commissions are prone to the following reporting errors.

1. A company ceases or reduces renewal commission in violation of an agreement with the agent.

2. The company inadvertently imposes the current contract procedures on agents covered under older agreements.

3. Old lump-sum liabilities, where the agent detail has been lost, are written off to an income or expense account.

Other Types of Property to Report - not all inclusive

- Individual policy benefits or claim payments
- Group policy benefits or claims benefits
- Proceeds due beneficiaries
- Death claims
- Premium refunds
- Other amounts due under policy terms
- Accident and health benefit payments
- Unidentified remittances
- Wages, payroll and salary
- Commissions
- Worker's compensation benefits
- Miscellaneous outstanding checks
- Funds from stocks and bonds
- Dividend and interest payments

Timetable

Life insurance company reports only

- Cut Off Period – December 31
- Notice by Holder to Owner – February 15
- Report and Remit – May 1

All other insurance company reports

- Cut Off Period – June 30
- Notice by Holder to Owner – August 15
- Report and Remit – November 1