

Unclaimed life insurance benefits

5 reasons your life insurance benefits might go unclaimed

Life Insurance

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Sometimes life insurance benefits are left unclaimed after a policyholder dies. This is an unfortunate problem under any circumstances, but especially now, when many people are struggling financially. What is more, this is an easily preventable outcome.

1. The life insurance company and the policy owner have lost track of each other

The main mode of contact between you and financial institutions (banks, credit card companies, insurance companies, investment management companies, etc.) is by “snail” mail. As with anyone with whom you wish to keep in contact after you move, you must tell them your new mailing address or they will lose track of you. The U.S. Post Office will only forward first-class mail for a year to a forwarding address, and the sender is not aware that the mail is being forwarded to a new address as the Post Office does not inform the financial institution of the change.

If you move, immediately inform every financial institution directly of your new mailing address, including your life insurer.

Of course, the same principle applies to other forms of communication: tell the life insurance company of new phone numbers (including your mobile number), email address, etc.

2. The life insurance company doesn't know the insured has died

Life insurance companies typically do not know when a policyholder dies until they are informed of his or her death, usually by the policy’s beneficiary. Even if a policy is in a premium-paying stage and the payments stop, the insurance company has no reason to assume that the insured has died.

Moreover, there are policies that have benefits called cash values, with an Automatic Premium Loan (APL) feature. An APL policy borrows money from the cash value to pay a premium due if the money does not come in by the end of the grace period; thus preventing an unintended lapse of the policy, which would have the disastrous effect of loss of the entire death benefit should the insured die after premiums due were not paid. Under an APL, the policy would continue in full force until all of the cash value had been borrowed, at which time it would lapse.

Also, many policies are in a stage in which no premiums are due. Some life insurance is bought with a single premium or a small number of premiums due (such as 10 or 20 annual payments), but the insured might live a long time after the premium payments end. Thus the life insurance company would stop sending premium notices after all premiums were paid.

Moreover, there is no master list of who is alive and who is dead. The Social Security Administration has the closest thing to such a list—a file on its income beneficiaries (those receiving retirement or disability income from Social Security) to record those who are alive and who have deceased, so as to avoid making payments that are not legitimate—but this does not cover everyone. Millions of people, in fact, are not covered by Social Security (federal employees, state employees in four states, railroad employees, etc.), and therefore would not appear on this list.

Employers who sponsor group life insurance to active employees will notify the life insurer if a covered employee dies. And, it is possible that the deceased would also have individual life

insurance policies with the same company that issues the group policy, but this becomes less likely when people switch jobs but do not switch individual life insurers.

Remember to provide your beneficiaries with the name and contact information for your life insurance company, so they can report your death and file a claim.

3. The life insurance company is unable to locate the policy's beneficiaries

There might be one or both of two problems in this scenario. The first is that the descriptions of the beneficiaries might be insufficiently precise for the life insurance company to locate them. This would be the case, for example, if the beneficiary designation says "my wife" or "my children" without naming them specifically and, ideally, providing a Social Security number and a current address for each one.

Be sure to provide detailed personal identification information about every beneficiary to each life insurer from whom you have coverage for death benefits so that they can easily be located and their identity confirmed.

The other problem is that, even if the company knows who it is looking for, it may be very difficult to track down a beneficiary, especially as it may be many years, or even decades, since the policy was taken out. Keep in mind that, for privacy reasons, until the death occurs, the life insurer cannot even respond to a beneficiary's inquiry as to whether they are a beneficiary or not.

4. Beneficiaries don't know that a life insurance policy exists under which they are beneficiaries

It may come as a surprise, but sometimes beneficiaries do not know that they are covered by the insured's individual or group life insurance policy. The insured may have a variety of reasons for keeping this information secret from the beneficiaries, but an unfortunate consequence is that the benefits could end up unclaimed because no one actually realized that they could make a claim. ■

Tell the beneficiaries of your life insurance (both individual policies and group coverages) that when you die they will be entitled to death benefits. And provide them with the name and location of the life insurance company as well as the policy number.

5. The original life insurance company no longer exists or cannot be located

The name of the company that sold the original life insurance policy may have changed, possibly making it more difficult for the beneficiary to locate the insurer in order to make a claim.

Life insurance companies are not any different from companies in any other industry in this respect—but the multi-decade length of the contract can transform this type of normal corporate development into an extra hurdle for beneficiaries. Some will not know where or how to look for the new insurer, leaving the benefits unclaimed when the insured dies. Typically, an insurer that is changing its name or location will notify its policyholders of such a change.

Keep a record of any notices regarding changes to the name, location or contact information for your life insurance company to make it easier for your beneficiaries to make a claim.

Next steps: If you are unable to locate a life insurance policy, we have tips available: [How can I locate a lost life insurance policy?](#)

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