



FINANCIAL SERVICES

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About Navigant

Navigant Consulting, Inc. (NYSE: NCI) is a specialized, global professional services firm that helps clients take control of their future. Navigant's professionals apply deep industry knowledge, substantive technical expertise, and an enterprising approach to help clients build, manage and/or protect their business interests. With a focus on markets and clients facing transformational change and significant regulatory or legal pressures, the Firm primarily serves clients in the healthcare, energy and financial services industries. Across a range of advisory, consulting, outsourcing, and technology/analytics services, Navigant's practitioners bring sharp insight that pinpoints opportunities and delivers powerful results. More information about Navigant can be found at [Navigant.com](https://navigant.com).

ARE YOUR UNCLAIMED PROPERTY OPERATIONS IN GOOD HEALTH?

UNCLAIMED PROPERTY READINESS AND COMPLIANCE DIAGNOSTIC

All states require insurance providers comply with unclaimed property laws. Multiple states have proposed/adopted the National Conference of Insurance Regulators ("NCOIL") model law or a similar requirement. A truly healthy unclaimed property operational process is not only compliant, well controlled, efficient and cost effective, but addresses common challenges such as legacy technologies, poorly integrated acquisitions, and data completeness and quality.

It is important to determine whether the resources (a cross-disciplined team, technology, process and reporting) are in place to bring the requisite data together in an efficient and sustainable manner to identify policyholder liability, pay beneficiaries and/or escheat funds in accordance with unclaimed property laws.

This article will explore five key focus areas — Governance, Data, Analytics & Matching, Operations and Information Technology Infrastructure.

GOVERNANCE

“How am I handling regulatory requirements?”

A centrally managed cross-functional team is one of the keys to deciphering and addressing the recent changes to the regulatory requirements. Connectivity and communication among all businesses, corporate functions, and controls groups will create a more efficient and compliant organization.

“Is my Unclaimed Property approach flexible, scalable and sustainable?”

Unclaimed property regulation continues to evolve. As such, regulatory activity should be monitored and communicated appropriately throughout the organization. Consider a periodic mock audit, refresh of quality review procedures and other controls to ensure compliance for your IT and operations infrastructure.

DATA

INTERNAL DATA (POLICY / CONTRACT / CLAIMS DATA)

“Is my process accounting for and providing accurate data?”

A thorough approach begins with a clear understanding of the information required by regulators. A review of all in-scope administrative platforms, (e.g., Life Insurance, Annuity, Retained Asset, etc.) and other electronically available company records is necessary to ensure that the correct data set is included in the process. Pay particular attention to acquired/divested businesses, archived data and contracts administered by Third Party Administrators.

Based on experience working with insurers, it is important to have an understanding of the accuracy, completeness, and limitations of internal data. The source data should be inventoried, cataloged, assessed and stored in such a way that it can be easily analyzed and used (“operationalized”).

Once the data is operationalized, perform a periodic quality check and reconciliation to verify updates. This process will reveal whether key data elements such as Social Security Number and Date of Birth are missing, incomplete or invalid. Consider implementing a rehabilitation effort to fill in or correct missing elements. The more you know about your data and its limitations the more effective you will be in the matching process.

EXTERNAL DATA

“Will the DMF always be available?”

Although multiple state regulations and individual settlements require insurance companies to utilize the Social Security Administration’s Death Master File (SSA’s DMF) on a frequent basis, the Bipartisan Budget Act of 2013 aims to restrict access to a decedent’s DMF records for a three-year period following the date of death. While the impact of this provision of the Budget Act is unknown, it presents additional risk and uncertainty to companies who depend on the DMF for multiple purposes including paying benefits to rightful owners and remaining compliant with numerous regulations. The NTIS (National

Technical Information Service) recently requested feedback from stakeholders on the need and availability of the DMF in consideration of a certification process which would be required to obtain the data. The response from a broad set of stakeholders (government agencies, financial services companies, service providers) was overwhelming in favor of continued access and an interim certificate was created to avoid disruption.

At a minimum, to serve as a contingency to the availability of the DMF (and the growing gap in data within the DMF), an investment in alternate death sources or a third-party provider of such sources should be considered.

“What is the best source of external data?”

The DMF is the only source that multiple state regulations specifically cite as a requirement for death matching. In November of 2011, the SSA removed 4.2 million state protected records from the DMF and stopped publication of these state protected death records on an ongoing basis. This change results in the publication of 40% fewer records, or approximately 1 million records, per year. This creates a gap in the volume of deceased insureds that can be accurately matched utilizing the DMF exclusively.

Many insureds and their service providers have turned to additional data sources to mitigate the gap in the DMF (States Vital Files, Teacher and Veterans data, Obituary data, etc.). Each of these sources can create challenges (some states exclude SSN) and opportunities (some states provide a more recent address). Managing multiple external data sources can be cumbersome and often insurers find it easier and more cost effective to outsource the acquisition and consolidation of multiple death sources to achieve a comprehensive external death record database.

“Am I using the DMF properly?”

Beyond the internal management of data, insurers and their counsel should have a firm grasp on external factors, resources, and legal implications when using the DMF. An approach should be established to determine and document how the DMF files are obtained, stored, organized, and updated (e.g., the SSA offers multiple file types: “Changes Only” Quarterly Full files, and historical DMF files).

ANALYTICS AND MATCHING

“Can I use the data to make informed decisions?”

After the data has been operationalized, companies can use additional policy level data to help evaluate the accuracy of matches to the DMF and also identify policies that may not require payment or action. Key fields within the data may be able to show whether a benefit is due payable and the date of death is within the contestability period (e.g. a claim was already paid, the policy lapsed before the death, etc.).

“Have I developed an efficient and effective matching process?”

An efficient matching process is one that can be completed to meet regulatory expectations and deadlines. An effective matching process is one that meets the needs of the current regulatory landscape and has flexibility to meet future regulatory demands. An effective matching tool takes the inscope data and matches it to the DMF to pull back the best match. The matching engine must be flexible to allow for future adaptations, logic changes and regulatory changes whether internally developed or supplied by a service provider. It should also be transparent and the engine should be capable of evaluating the quality of the match (relative strength) to pull back the best match.

“Does my matching process meet regulatory requirements?”

Whether a company has developed a proprietary engine or outsourced the matching process to a third party, a periodic check of this process should be completed to make sure the matching engine or the vendors matching engine meets regulatory requirements. Engaging a third party to perform independent tests can help determine if there are gaps in your engine or the data being used to perform the matching. Internally, companies can also perform negative testing by using historical death claim records to ensure that matches are being completed effectively and efficiently.

OPERATIONS

“Do I have a well-defined operational process?”

A well-defined operational process incorporates research of the match results and provides information for management to answer the question: Can existing operations staff handle the incremental volume in addition to the normal claims volume? Supplemental training of staff may be necessary to handle the research required to validate the match results.

“Am I planning for the future?”

The organization at large must be equipped for future adaptability. Although the initial cleanup (historical cleanup effort) may take the bulk of the labor effort, the ongoing matching and related work will continue for a period. Consistent and continual operational efficiency hinges on the ability to respond quickly to evolving regulations and to adapt processes, systems and timeframes to meet these changes. An efficient operational response leverages analytics, establishes a clear path for false positives, researches items, and determines contracts to be due and payable. The operating model needs to be flexible enough to accommodate changes due to a variety of items including acquisitions and new regulations.

“Do I have an effective tracking process?”

Companies can develop a strong process for extracting policy information, matching to the DMF and producing results; however, a well thought out tracking and reporting capability is a critical element for success.

The tracking and reporting infrastructure should consider all aspects of the process from the generation of the source data files to the resolution of the last policy/contract. Companies should be able to summarize results for efficient internal status reporting (e.g., extent of match exposure) and for regulatory

reporting requirements. To be in compliance, tracking should ultimately enable effective reporting on the following:

- Source data files — how many records have been selected, etc.
- Records processed for matching — In scope company records compared to DMF.
- Gross Matches — The overall volume of policies matched to the DMF.
- Refuted Matches — Policies matched to DMF, and company determines there is no further action required.
- Beneficiary Search Status — The status of the beneficiary outreach.
- Disposition — The amounts paid to Beneficiaries and/or Escheated

INFORMATION TECHNOLOGY

“Do I have the right technology in place?”

As with any process automation increases efficiency and mitigates errors. Changes to IT can be expensive and have long implementation cycles. Changes often cut across multiple administrative, claims, and workflow platforms. When facing the decision to build an automated solution, an insurance company should evaluate the buy versus build costs. With either option, it is important to make sure the solution is well aligned with the operational processes and regulatory requirements. The solution may require workflow management, extensive tracking and reporting, matching and research tools, a refutation tool that allows for a comparison between match results and administrative records to determine whether a benefit is due and payable.



LOOKING BACK, MOVING FORWARD

Evaluating the health and well-being of your unclaimed property operations will determine whether your organization is appropriately prepared to meet the new regulatory requirements (generate DMF matches, review prospective matches, pay claims and demonstrate that the operation is clearly aligned with requirements). With an effective strategy and an efficient infrastructure built to support it, insurers will not only meet unclaimed property regulations, but can attain operational excellence.

Navigant has worked with several insurance companies to support efforts relating to unclaimed property regulatory requirements and settlements. Navigant specializes in helping companies prepare, operationalize, and manage settlement and regulatory claims activity. Navigant accomplishes this through a defined process involving a deep understanding of Governance, Data, Analytics & Matching, Operations and Information Technology Infrastructure and a proprietary analytical tool designed to evaluate millions of client contracts against the DMF.

For the next article in this series, we will delve more deeply into developing and executing a data strategy for unclaimed property.