



# The Death Master File: Understanding Its Role In Identifying Unclaimed Property



# WHAT IS THE DEATH MASTER FILE (THE “DMF”)?

- The DMF is a database file that the Social Security Administration (“SSA”) has compiled since 1962 listing individual deaths in the United States.
- The DMF is a subset of the SSA’s Numident database file of information related to all Social Security numbers issued since 1936.
- Since 1980, a portion of the DMF has been available to the public as a result of a FOIA request.
- Since 1992, the DMF has been distributed by the US Department of Commerce’s National Technical Information Service (the “NTIS”).

# WHAT IS THE DEATH MASTER FILE (THE “DMF”)? (CONT’D)

- As of 2016, the DMF had more than 100 million individual records of deaths.
- The DMF has shown to be extremely accurate and it is continuously monitored by the SSA for errors and missing information.
- The number of living individuals mistakenly included on the DMF is extremely small and they are removed in a relatively short time period.
- The DMF has been the leading resource for identifying and confirming individual deaths in the United States for a variety of purposes for decades.

# HOW HAS THE DMF BEEN USED HISTORICALLY?

- The DMF is widely available, either directly from NTIS, or through various commercial databases that incorporate the DMF, and it has become the industry standard for determining deaths in the US.
- The DMF is an important tool for medical researchers and genealogists.
- For decades, financial institutions have regularly checked the DMF when opening accounts to prevent fraud and identity theft.
- Issuers of life-contingent annuities and pension funds have also long relied on the DMF to reduce the risk of overpayment to deceased individuals or their families.

# HOW HAS THE DMF BEEN USED HISTORICALLY? (CONT'D)

- Governmental entities also check the DMF to prevent improper payments to deceased individuals.
- The US Treasury maintains a “Do Not Pay” portal to detect and prevent improper payments. One source for the information on the portal is the DMF.
- DMF information has regularly been used to locate missing customers.
- More recently, the DMF has been used by state auditors and holders to identify unclaimed property.

# HOW CAN THE DMF ASSIST IN THE IDENTIFICATION OF UNCLAIMED PROPERTY?

- Identification of deaths through the DMF can lead to a determination that an individual's property has been dormant for years and therefore may be deemed unclaimed.
- The DMF has proven to be a particularly powerful tool for identifying unclaimed death benefits due under life insurance policies, annuity contracts and retained asset accounts.
- Historically, life insurance companies have utilized the DMF for several purposes, including stopping annuity payments and preventing fraud. It also has been used by insurance companies to locate lost policyholders.
- However, most insurance companies had not been utilizing the DMF in order to identify deceased insureds. Often, companies failed to act on DMF information in their possession indicating that an insured had died, but no claim had been filed on his or her policy.

# HOW CAN THE DMF ASSIST IN THE IDENTIFICATION OF UNCLAIMED PROPERTY? (CONT'D)

- As a result, a significant amount of death benefits went unpaid and unreported as unclaimed property many years after the insureds had died.
- Since 2008, beginning with Verus Analytics, third-party auditors retained by state unclaimed property administrators to conduct unclaimed property examinations have utilized the DMF to identify unclaimed life insurance proceeds that should either be paid to beneficiaries or remitted to the States.
- In addition to identifying unclaimed life insurance benefits, the DMF may be used to help identify many other types of unclaimed property, including retirement accounts, brokerage accounts, bank accounts, and CDs to name a few.

# GROWING ACCEPTANCE OF THE DMF

- In the past several years, the DMF has become increasingly accepted as an important tool to identify unclaimed property in a variety of contexts.
- State Insurance regulators have entered into regulatory settlement agreements with many of the largest life insurance companies requiring the insurers to perform on-going regular DMF comparisons to identify potentially unclaimed life insurance benefits.
- In 2011, the National Conference of Insurance Legislators (NCOIL) adopted its Model Unclaimed Life Insurance Benefits Act, which requires insurers to periodically perform comparisons of their policy records against the DMF to identify potentially unclaimed death benefits.
- To date, 31 states have enacted some form of the NCOIL Model Act requiring DMF comparisons, although variations among the state laws impact their scope and effectiveness.

# GROWING ACCEPTANCE OF THE DMF (CONT'D)

- Many insurers have incorporated DMF comparisons into their business practices, regardless of whether a state law or regulatory agreement requires them to do so.
- DMF comparisons have been utilized in unclaimed property examinations of banks and other financial service companies and have been incorporated into unclaimed property resolution agreements.
- Third-party service providers assisting companies in complying with their unclaimed property obligations in a variety of industries routinely consult the DMF in order to identify unclaimed property subject to reporting and remittance to a state.

# CHALLENGES IN PERFORMING DMF COMPARISONS

- Name commonality and data discrepancies complicate the process of performing DMF comparisons in a manner that doesn't result in excessive "false positives" (i.e., results identifying the wrong person as being deceased) or excessive "false negatives" (i.e., results overlooking individuals who are deceased).
- For example, the DMF contains over 74,000 first and last name duplicates with more than 100 entries each, including 22,000 entries for "James Smith" and 20,000 entries for "Mary Smith."
- Compounding the problem, a company's records will often contain numerous errors and/or be internally inconsistent or contain missing information.

# CHALLENGES IN PERFORMING DMF COMPARISONS (CONT'D)

- Matching the records of a large company against the DMF can involve millions of data entries and requires significant data capabilities and technical resources in order to achieve the best results.
- “Fuzzy logic” technology makes it possible to identify exact matches in the DMF, as well as partial matches that nevertheless are highly likely to indicate the death of a property owner.
- The expertise and experience of the entity performing the DMF matches will significantly impact the quality of the results.

# CHALLENGES IN PERFORMING DMF COMPARISONS (CONT'D)

- The following are some basic examples of the role fuzzy logic can play in DMF data matching:

Data Point	DESCRIPTION	EXAMPLE
<b>Social Security Number</b>	SNN off by two digits	"12345679" and "123466781"
	Part of SSN is transposed	"123456789" and "123457689"
	SSN is missing, but name and DOB match to one or more persons on the DMF	"Mary Cooper," with DOB "4/27/49" is on the DMF
<b>Date of Birth</b>	DOB is off by up to one digit	"4/27/46" and "3/27/46"
	DOB is off by up to two years	"4/27/49" and "4/27/51"
	DOB in holder's records is missing or incorrect, but the name is found on DMF, and corresponding DMF SSN can be matched to the last known address	"Mary Cooper," is on the DMF with SSN "123456789," which SSN is matched to "123 Rightperson Ave" (insured's last known address)

# CHALLENGES IN PERFORMING DMF COMPARISONS (CONT'D)

- Illustrative examples of fuzzy logic DMF matches:

	FIRST NAME	LAST NAME	DATE OF BIRTH	SSN
HOLDER DATA	ANTONIO	CAUALLINI	06/14/1940	[MISSING]
DMF DATA	ANTHONY	CAVALLINI	06/14/1940	040091234

	FIRST NAME	LAST NAME	DATE OF BIRTH	SSN
HOLDER DATA	C	WAHEK	05/17/1950	031121243
DMF DATA	CHRISTOPHE	WASHEK	05/17/1950	031121234

# RECENT CHANGES TO THE DMF: REINTERPRETATION OF WHAT CONSTITUTES “PROTECTED STATE DEATH RECORDS”

- Under 42 U.S.C. §405(r), deaths that are reported to the SSA only as a result of its contracts with state vital statistic agencies (“protected state death records”) are exempt from disclosure on the public DMF.
- In 2011, the SSA reinterpreted what constitutes protected state death records, resulting in changes to what is included on the public DMF.
- Specifically, the SSA determined that approximately 4.2 million deaths between 2002 and 2011 should have been considered “protected state death records” and were removed from the public DMF.

# RECENT CHANGES TO THE DMF: REINTERPRETATION OF WHAT CONSTITUTES “PROTECTED STATE DEATH RECORDS” (CONT'D)

- Additionally, the SSA estimated that under its new interpretation of protected state death records approximately 1 million fewer deaths would be added to the DMF annually.
- The SSA however clarified that state-reported deaths would nonetheless be included in the DMF once the SSA had received independent confirmation of the death from another source.

# RECENT CHANGES TO THE DMF: LIMITED ACCESS DMF INFORMATION

- In 2014 pursuant to an amendment to federal law, the SSA restricted public access to data regarding deaths that occurred less than 3 years ago.
- This was based on a concern that the availability of information related to the recently deceased could be used for identity theft and fraud.
- The portion of the DMF that includes these more recent deaths has been renamed the Limited Access Death Master File (the “LADMF”), and the SSA strictly limits access to that information to certain types of entities.
- After 3 years have passed, deaths listed on the LADMF get added to the public DMF.

# ADDRESSING THE IMPACT OF THE CHANGES TO THE DMF

- Because the dormancy period in all almost all states for almost all types of property is 3 years or more, the LADMF changes to the DMF have little if any impact on its use for identifying unclaimed property.
- SSA's new interpretation of what constitutes protected state death data, however, has reduced the number of post-2010 deaths that are reported on the public DMF.
- Prior to this reinterpretation, the amount of deaths added to the DMF every year has generally been in excess of 90% of the number of deaths that take place annually in the United States.
- After the reinterpretation, there has been a decrease of 40% or more in the number of deaths added to the public DMF each year.

# ADDRESSING THE IMPACT OF THE CHANGES TO THE DMF (CONT'D)

- It remains to be seen how many of these deaths will eventually be verified by the SSA and then added to the public DMF.
- At the same time, the DMF is becoming more complete in its listings of pre-2011 deaths. In 2018, the SSA added an additional 8 million records for individuals who died going back as far as 1928.
- While the DMF remains the most comprehensive source of death information, it is important to supplement it with additional available records to identify more recent deaths.

# ADDRESSING THE IMPACT OF THE CHANGES TO THE DMF (CONT'D)

- For example, the National Association of Public Health Statistics and Information Systems (“NAPHSIS”) also maintains a mortality database of US death records.
- The NAPHSIS database includes information for 40 states that has been made accessible to select organizations for a subscription fee since 2017.
- There are other commercial databases that include listings of deaths that may not be on the public DMF, such as obituary records and credit-header information.
- Any entity performing death searches should incorporate these type of additional resources to confirm and supplement DMF data.

# HOW DO UNCLAIMED PROPERTY LAWS ADDRESS THE DMF?

- Until recently, state unclaimed property statutes have been silent with regard to utilization of the DMF.
- However, state unclaimed property administrators and NAUPA have taken the position that a DMF match may be considered evidence that a property owner may be deceased.
- This concept has been included in the 2016 Revised Uniform Unclaimed Property Act (“RUUPA”) adopted by the Uniform Law Commission with respect to life insurance.

# HOW DO UNCLAIMED PROPERTY LAWS ADDRESS THE DMF?

## (CONT'D)

- RUUPA Section 211 states that an insurer will be deemed to have knowledge of death as a result of:
  - Receipt of a death certificate or court order;
  - Due diligence in the course of maintaining contact with the insured;
  - A validated DMF match made by the insurer for any purposes;
  - A validated DMF match made by a state during an examination.
  
- Thus, under RUUPA a DMF match may trigger an obligation of the insurer to locate beneficiaries, attempt to initiate the claim process and escheat the property if the beneficiary cannot be located.
  
- Currently, a version of RUUPA has been introduced or enacted by 12 states and the District of Columbia.

# HOW DO UNCLAIMED PROPERTY LAWS ADDRESS THE DMF?

## (CONT'D)

- States such as Illinois and Florida have taken this concept a step further:
  - In enacting its version of RUUPA in 2017, Illinois included a provision that an insured or annuitant is “presumed dead” based on a DMF comparison conducted by (i) an insurer for any purpose or (ii) an administrator or its agent during an audit.
  - This presumption can only be rebutted by competent and substantial evidence from the insurer that the person is living.
  - Illinois insurance law requires insurers to perform DMF searches for all policies back to 2000 and requires unclaimed benefits to be reported to the state pursuant to RUUPA.
  - Illinois RUUPA also expressly requires holders of retirement accounts and securities that receive notice or indication that an apparent owner of property has died to take steps within 90 days to confirm the death.
  - Illinois RUUPA also provides, for all types of property, that “a deceased owner cannot indicate interest in his or her property.”

# HOW DO UNCLAIMED PROPERTY LAWS ADDRESS THE DMF?

## (CONT'D)

- States such as Illinois and Florida have taken this concept a step further:
  - In 2016, Florida amended its existing unclaimed property laws to provide that an insured, annuitant, or retained asset account holder is presumed dead based on a DMF match, unless the insurer has in its records competent and substantial evidence that the person is living.
  - Florida required insurers to perform DMF comparisons of their policies back to 1992.
  - The retroactive aspect of this law is currently the subject of appeal in Florida's First District Court of Appeal, where oral arguments are scheduled for January 8, 2019.

# HOW DO UNCLAIMED PROPERTY LAWS ADDRESS THE DMF?

## (CONT'D)

- Other proposed legislation has sought to limit use of the DMF in connection with unclaimed property.
- For example, the ABA's "Unclaimed Property Subcommittee" drafted its own model unclaimed property act, which it published in January 2018. This draft has not been adopted by the ABA, but continues to be worked on by the subcommittee.
- The ABA draft model act provides that unless a state has enacted its own law requiring DMF searches, an insurer has no obligation to confirm if an insured or annuitant is deceased, even if it has received notice of death.
- In contrast with RUUPA, the ABA draft model act does not provide that an insurer is deemed to have "knowledge of death" from a DMF match made by an insurer outside of the scope of a DMF law or by a DMF match made by a state auditor.

# CONCLUSION

- The DMF remains the single most comprehensive source of public death listings in the United States.
- The DMF is becoming increasingly recognized as an important tool for identifying unclaimed property.
- The DMF should be supplemented by other data sources to help identify more recent deaths.
- DMF comparisons should be performed in a manner that avoids false negatives and false positives.
- Be aware of proposed legislation that may enhance or inhibit the ability of states to utilize the DMF to identify unclaimed property.

# Q&A