

BEFORE THE  
INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA

DAVE JONES

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IN THE MATTER OF:

METROPOLITAN LIFE INSURANCE  
COMPANY'S PRACTICES AND  
PROCEDURES RELATING TO THE  
USE OF DEATH MASTER FILE  
DATA AND RELATED INFORMATION

File No.  
IH-2011-00002

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OFFICIAL TRANSCRIPT OF PROCEEDINGS

INVESTIGATIVE HEARING REGARDING PRACTICES OF  
METROPOLITAN LIFE INSURANCE COMPANY

CONDUCTED BY THE CALIFORNIA INSURANCE COMMISSIONER  
AND THE CALIFORNIA STATE CONTROLLER

May 23, 2011

Secretary of State Building  
First Floor Auditorium  
1500 11th Street  
Sacramento, California 95614  
(commencing at 9:37 a.m.)

REPORTED BY: JANICE M. KNETZGER, CSR NO. 4434

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JOHN CHIANG, California State Controller

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May 23, 2011

I N D E X

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EXHIBITS MARKED FOR IDENTIFICATION

Exhibit No.	Description	Page
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1 May 23, 2011

2 ---o0o---

3 P R O C E E D I N G S

4 ---o0o---

5 The above-entitled matter came on this day  
6 Monday, May 23, 2011 and the following proceedings were  
7 had and taken to wit:

8 ---o0o---

9 COMMISSIONER JONES: Good morning. Thank you  
10 for joining us at today's investigatory hearing.

11 My name is Dave Jones. I'm the Insurance  
12 Commissioner for the state of California and I want to  
13 welcome you to this investigative hearing.

14 Present with me are: State Controller John  
15 Chiang. Linda Miller, General Counsel of the Florida  
16 Office Department of Insurance. Paul Hanson, Director  
17 of Enforcement of the Minnesota Department of Insurance.  
18 Adam Cole, General Counsel of the California Department  
19 of Insurance.

20 We will be joined shortly by Rick Chivaro,  
21 General Counsel of the California Controller's Office.

22 The purpose of today's hearing is to  
23 investigate practices in the insurance industry  
24 regarding the payment of death benefits under life  
25 insurance policies and annuities.

1           State controllers and state insurance  
2 regulators of a number of states are examining life  
3 insurance companies to understand whether they are using  
4 information they have that indicates a policyholder has  
5 died and whether they are paying out benefits once they  
6 have that information.

7           Initial information from publicly available  
8 sources suggest some troubling practices in this area.

9           For example, initial information indicates  
10 that life insurers who receive detailed information  
11 about the death of their policyholders from a database  
12 prepared by the Social Security Administration called  
13 "Death Master."

14          Insurers use Death Master for a variety of  
15 purposes

16          Some insurers appear to use Death Master to  
17 cut off payments on annuities when an annuity owner  
18 dies, but do not use that information to identify life  
19 insurance policyholders who die and pay their  
20 beneficiaries.

21          Further, initial information indicates that  
22 some insurers pay premium to themselves from the  
23 built-up cash value of the policy after a policyholder  
24 dies even though the insurer has notice of the death  
25 from the Death Master data file or another source.

1           In that situation, not only does the  
2 beneficiary receive no payment, but the insurer  
3 increases its revenues by draining the value out the  
4 policy until there's nothing left.

5           We're troubled about the possibility that  
6 insurers may be using death information to boost their  
7 finances by stopping annuity payments on one side of  
8 their house, but not using that same information on the  
9 other side of their house to pay policyholders whose  
10 beneficiaries are due benefits.

11           More generally, we want to understand what  
12 insurers do to investigate the deaths of their  
13 policyholders and pay beneficiaries who are owed money.

14           We have subpoenaed Metropolitan Life  
15 Insurance, generally known as MetLife, to testify under  
16 oath before us today to answer questions about its  
17 practices in this and related areas.

18           MetLife is one of the largest life insurers  
19 and insurers of annuities in the United States and it  
20 has substantial market share in California.

21           I'm very pleased today to be joined by our  
22 State Controller John Chiang.

23           I want to commend Controller Chiang for his  
24 initiation of an investigation into the death benefits  
25 of unclaimed property held at insurance companies and

1 for the extraordinary work of his department and his  
2 staff and he personally on this issue.

3 We're very excited at the Department of  
4 Insurance to be working closely with the State  
5 Controller and the State Controller's office on this  
6 matter

7 While our focus today is on MetLife, we're  
8 looking at practices around the industry. As of today,  
9 I have commenced market conduct examinations, which are  
10 investigations of ten of the largest life insurers in  
11 the United States to investigate their practices as  
12 well.

13 My comments this morning are based on  
14 preliminary information about practices in the industry.  
15 Our purpose today is to get more definitive information  
16 about these practices.

17 This hearing today is part of a coordinated,  
18 multi-state investigation by insurance departments and  
19 controllers around the United States.

20 Minnesota and Florida insurance regulators are  
21 participating in this hearing. We will be sharing  
22 information from this hearing with other state  
23 regulators and continuing to cooperate with them on this  
24 multi-state investigation process.

25 Today's hearing will proceed as follows:



1           After my opening statement, Controller John  
2 Chiang will make an opening statement. Then, General  
3 Counsel Adam Cole will provide some additional  
4 background to further set the stage for the hearing.

5           We'll then swear in the participants from  
6 MetLife and question them.

7           Following that, we will provide an opportunity  
8 for members of the public to make comments.

9           We want to welcome the representatives from  
10 MetLife to the hearing today.

11           We'll take one 15-minute break in the morning,  
12 recess for lunch from 12:30 to 1:30 and take one  
13 15-minute break in the afternoon.

14           With that, it's my great pleasure to introduce  
15 our State's Controller, Controller John Chiang.

16           CONTROLLER CHIANG: Thank you very much for  
17 the invitation to participate in this morning's hearing.

18           Good morning to all.

19           In July of 2008, my office initiated audits of  
20 the life insurance industry to determine whether the  
21 industry was complying with California's unclaimed  
22 property laws.

23           Specifically, I was concerned that insurance  
24 companies were holding on to the proceeds of life  
25 insurance for years and sometimes decades after the

1     insured had died.

2             I was concerned that the life insurance  
3     industry was ignoring information that it had access to  
4     which would identify deceased clients and enabled the  
5     company to pay those benefits to either the insured's  
6     beneficiaries or to the state of California so that we  
7     could return those benefits to the beneficiaries.

8             All too often, for one reason or another, we  
9     know beneficiaries under life insurance policies fail to  
10    come forward when their loved ones die.

11            There are many reasons why: Parents buy life  
12    insurance policies for their children. Perhaps as  
13    adults when the owners die do not even know about. Or  
14    the children may be raising families of their own in  
15    different states unaware of an old policy that sits in a  
16    dresser drawer or is forgotten in a safe deposit box.

17            Let's be perfectly clear. The insurance  
18    companies know about these policies, even if the  
19    beneficiaries don't.

20            That's where my office comes in.

21            If life insurance benefits are not claimed by  
22    the heirs, those benefits are required to be sent to the  
23    California Controller's unclaimed property program where  
24    we can safeguard those funds until the beneficiaries  
25    come forward.

1           Back in 1948, the Supreme Court of the United  
2 States recognized the important role all 50 states play  
3 in this process.

4           The courts of California statutes recognize  
5 that the State is a far better depository of those  
6 unclaimed death benefits than an insurance company.

7           That's because an insurance company may go out  
8 of business or may merge with another company or it may  
9 simply use, lose or draw down those unclaimed death  
10 benefits.

11           The state of California will hold those  
12 unclaimed death benefits in perpetuity until the  
13 beneficiaries are located or come forward to claim the  
14 benefits.

15           Here are my concerns:

16           I believe the insurance industry is sitting on  
17 hundreds of millions of dollars in unclaimed death  
18 benefits that should be turned over to the State.

19           I'm also concerned that the insurance industry  
20 is ignoring its obligation under California laws and the  
21 laws of other states.

22           I'm concerned that the insurance industry is  
23 not holding up its end of the sacred bargain it struck  
24 with its client when it issued life insurance policies  
25 in the first place.

1           The laws in this regard are clear.

2           What is even more clear is that the insurance  
3 industry has a moral as well as a legal obligation to  
4 pay death benefits.

5           When you think about the expectations of all  
6 the parties, they are simple.

7           The clients who purchase life insurance  
8 policies to protect their families after they died fully  
9 expect that the benefits will go to their loved ones  
10 upon their the death.

11           The beneficiaries and heirs of a life  
12 insurance policy owner -- if they know about the policy  
13 -- expect they will receive the benefits upon the death  
14 of the insured.

15           And finally, the insurance company at least  
16 should expect that after issuing a policy and collecting  
17 premiums for months and years, it will one day pay out  
18 the death of an insured.

19           The questions that we are going to consider at  
20 this hearing are:

21           Have those expectations been met? Is the  
22 industry doing all it can do to pay the loved ones of  
23 its insureds clients upon their death? And finally, is  
24 the insurance industry complying with its contractual,  
25 moral and legal obligations?

1           Today's hearing is a continuation of a process  
2   that will allow us to do so and hopefully get some  
3   answers to these questions.

4           Again, Commissioner Jones, thank you for the  
5   opportunity to participate today.

6           COMMISSIONER JONES: Thank you very much,  
7   Controller Chiang.

8           We appreciate your department and your  
9   personal involvement in this process. Thank you for  
10   your leadership on this issue.

11           Next, we're going to have an opportunity to  
12   hear some additional background information that will be  
13   presented by Adam Cole, General Counsel for the  
14   Department of Insurance.

15           We want to direct your attention to the magic  
16   screen that is descending from on high and turn the mic  
17   over to Adam.

18           MR. COLE: The purpose of our hearing today is  
19   for the California Commissioner of Insurance and our  
20   Controller to evaluate potential industry-wide practices  
21   related to several areas:

22           Life insurance and annuities claims settlement  
23   issues;

24           Use of the Death Master database that  
25   Commissioner Jones referred to;

1 Compliance with California's unfair claims  
2 practices law and other insurance statutes. That's the  
3 insurance side of the laws at issue here;

4 And finally, compliance with California's  
5 unclaimed property laws. That's the Controller's side  
6 of the law that's at issue.

7 Life Insurance Policies.

8 I wanted to say a couple of words about what  
9 life insurance policies are and what annuities are  
10 because we're going to be discussing those issues at  
11 some length.

12 There are two primary types of life insurance;  
13 term and whole life.

14 In a term life policy, the insured pays a  
15 premium for a limited period of time. If the insured  
16 dies when the policy is in force, a death benefit is  
17 paid. There's no cash value. The policy lapses and no  
18 death benefit is paid after premiums end.

19 By contrast, a whole life insurance policy is  
20 a policy in which the insured also pays a premium.

21 In addition to a death benefit, there is a  
22 cash value that builds up over time. If an insured  
23 stops paying premiums, the insurer may itself -- pay  
24 itself premium out of the cash value.

25 The policy pays a death benefit so long as the

1 policy is in force through one of these premium sources.

2 Group life insurance is either term or whole  
3 life insurance coverage covering a group of people,  
4 usually employees of an employee.

5 These benefits are offered under a life  
6 insurance policy often kick in many, many years down the  
7 line.

8 It's fair to say that a life insurance policy  
9 is a long-term promise by an insurer.

10 Annuity Contracts. What is an annuity  
11 contract?

12 It's a contract by an owner and an insurer  
13 where in exchange for premium payments, the insurer  
14 promises to make periodic payments to a person called  
15 the annuitant -- whoever is going to receive those  
16 payments.

17 There are a variety of different types of  
18 annuities.

19 Annuities are either in the pay-in stage or  
20 the deferred stage, which is the stage where the person  
21 who has purchased the annuity is still paying premiums  
22 in and awaiting the benefit that will eventually come to  
23 him or her.

24 Then, annuities go into the pay-out phase.  
25 That is, after all of the premium has been paid in, the

1 insurance company then pays out the promised benefit.

2 Payments begin on maturity date or annuity  
3 commencement date. That's the date where the payments  
4 are triggered.

5 Payments may be for a guaranteed period, for  
6 life, or both.

7 Payments are generally due upon the death of  
8 the owner or annuitant. That's an additional benefit.  
9 A death benefit is typically associated with an annuity.

10 Again, as with a life insurance policy, since  
11 payments from the insurance company typically arrives  
12 many years later, it's also fair to say that an annuity  
13 contract is a long-term promise by an insurer.

14 The Problem of Unpaid Benefits.

15 The existence of unpaid benefits -- under both  
16 life insurance policies and limited use -- is a problem  
17 in the life industry.

18 To quote from a New York Times article in  
19 February of this year: "Hundreds of millions of dollars  
20 in life insurance go unclaimed each year for one simple  
21 reason; the beneficiaries do not know the money exists."

22 "It is difficult to accurately estimate the  
23 extent of unclaimed life insurance policies."

24 A Professor Emeritus at Indiana University  
25 states in that same article: "Whether the companies



1 have good recordkeeping I honestly don't know, but I  
2 strongly doubt it."

3 The Potential Violations of California's  
4 Insurance Laws.

5 And this is what the Department of Insurance  
6 is looking into.

7 I will place a few of these statutes on the  
8 screen, but the principle point here is to indicate that  
9 a number of our laws in the Insurance Code are  
10 implicated.

11 Perhaps most significantly is the Unfair  
12 Practices Act which is a law that requires insurance  
13 companies to make sure that they engage in fair and  
14 timely claim settlement practices.

15 In California, it is illegal for an insurance  
16 company -- and I'm quoting now just two provisions of  
17 the statute -- "to fail to adopt and implement  
18 reasonable standards of prompt investigation and  
19 proceeding and processing the claims arising under  
20 insurance policies."

21 And secondly, it is illegal for an insurance  
22 company "not to attempt in good faith to effectuate  
23 prompt, fair and equitable settlements of claims in  
24 which liability has become reasonably clear."

25 There are several statutes of ours which refer

1 to the timing on which payment is to be made by an  
2 insurance company to a beneficiary.

3 In essence, the short answer is that:  
4 "Whenever possible payment is to be paid within 30 days  
5 after the death of the insured." Interest runs from 30  
6 days after the death of the insured.

7 And those are laws that are also at issue  
8 here.

9 Further, two additional laws from the  
10 California Insurance Code that we, as a condition of  
11 granting Certificates of Authority or licenses to  
12 insurance companies need to be comfortable that the  
13 insurance company's management is exercising competency,  
14 character and integrity.

15 We look at whether claims under policies are  
16 promptly and fairly adjusted.

17 We look at fairness and honesty of methods of  
18 doing business.

19 And finally, on the insurance laws, we also  
20 look as a condition of Certificates of Authority being  
21 held, at whether insurers are carrying out their  
22 contracts in good faith.

23 On the unclaimed property side that the  
24 Controller will be looking into, the question has to do  
25 with escheat.

1           Escheat is the process by which funds or  
2 monies held by an entity such as an insurance company  
3 which are abandoned or unclaimed are then turned over to  
4 the State which then attempts to find the owner.

5           California has a law in its unclaimed property  
6 books that require insurance companies that after three  
7 years of dormancy of an insurance policy, that it be  
8 turned over to the State for its -- to the Controller's  
9 office.

10           I want to comment just very briefly on a case  
11 that Controller Chiang referred to, a 1948 case  
12 Connecticut Mutual versus Moore.

13           This is a significant case because the U.S  
14 Supreme Court at that time determined and held that  
15 state -- Controller's offices and escheat and unclaimed  
16 property departments have a very strong interest in  
17 making sure that benefits get into the hands of  
18 policyholders and the terms of the policy itself which  
19 may refer presentation of the death certificate are  
20 overridden by the State's interest.

21           What we're looking at here are whether --  
22 questions as to whether insurance companies have  
23 information indicating that consumers are deceased with  
24 active policies, but failed to act on this information,  
25 except when it is in their best interest to do so.

1 Whether insurance companies have failed to pay death  
2 benefits or escheat death benefits in situations where  
3 the insurance company had information that individuals  
4 have died with policies in force, but beneficiaries have  
5 not actually filed claims because they were unaware of  
6 the policy.

7 Do insurance companies have adequate controls  
8 to monitor when retained asset accounts have been  
9 dormant and to try to locate the owners or escheat the  
10 benefits.

11 A "retained asset account" is a mechanism that  
12 a life insurance companies have to hold money after  
13 someone has died, belongs to a beneficiary and is held  
14 with interest for some period of time until a  
15 beneficiary comes forward and says: "I want to take all  
16 or some of that money out of the retained asset  
17 account."

18 Different Ways Insurers Become Aware of the  
19 Deaths of Their Customers.

20 There are a number of sources that can give  
21 rise to information about this.

22 For example, relatives or representatives of  
23 the person who died can call or send a letter to the  
24 insurance company. That's short of filing a formal  
25 claim.

1           The insurance company when searching for new  
2 addresses gets returned mail. Claims filed and/or death  
3 certificates received in connection with other policies  
4 or contracts insuring that same person. Information  
5 from Death Master which has been referred to.

6           What is the Death Master File?

7           Just a few words about this. It is a very  
8 prevalent form of death information available in the  
9 United States.

10          It is a product of the Social Security  
11 Administration. It contains today about 87 million  
12 records of people who have died.

13          The information in Death Master is quite  
14 comprehensive. It includes Social Security numbers,  
15 addresses, names, deaths of birth and other information.

16          Death Master is very, very accurate. 99.5  
17 percent accurate, in fact.

18          In Congressional testimony given by the Deputy  
19 Commissioner of Systems at the Social Security  
20 Administration that oversees Death Master, that person,  
21 Bill Gray, has testified that: "The death data that we  
22 maintain is 99.5 percent accurate overall."

23          How is Death Master accessed by entities such  
24 as insurance companies?

25          Well, there are a number of available tools

1 commercially available programs and subscription  
2 services that insurance companies and others subscribe  
3 to. We've just thrown a few of those on the screen  
4 which enable insurance companies to access this  
5 information.

6           There is a potential problem which we're  
7 looking at today about selective use of the Death Master  
8 file.

9           Insurance companies may be using Death Master  
10 for certain purposes.

11           For example:

12           To perform anti-fraud procedures.

13           To verify dates of death prior to paying out  
14 on a policy.

15           To perform death sweeps of large  
16 corporate-owned accounts.

17           Performing regular comparisons against their  
18 records to identify deceased annuity holders in the  
19 pay-out phase and to stop making payments under their  
20 contract.

21           That is, once that pay-out is due, the  
22 insurance company looks at Death Master to determine  
23 someone has died and stops paying the annuity.

24           The question we are looking at here today --  
25 among others -- is whether insurance companies use Death

1 Master regularly against their life insurance policies  
2 to determine whether a life insurance policyholder has  
3 died to get money in the hands of beneficiaries.

4 What happens when there's a match of a  
5 policyholder in the insurance company's files with a  
6 reading on Death Master?

7 These are questions that we have.

8 Do insurers allow death benefits to go  
9 unreported or unclaimed even when they know through  
10 Death Master that an insured has died?

11 Do insurers use policy cash values to pay  
12 themselves premium after the death of the insured even  
13 if though know from Death Master that the policyholder  
14 had died?

15 The other information on deaths that insurance  
16 companies have in their files and what do insurance  
17 companies do when they have information, but there has  
18 not been a formal claim filed by the beneficiary.

19 I want to just give a couple of examples.

20 Example 1: A phone call or letter received  
21 from a relative reporting on the death of an insured,  
22 but no claim is ever formally filed by the beneficiary.

23 What do insurance companies do in that  
24 situation?

25 Second example: A death certificate and a

1 claim are received from one of several beneficiaries,  
2 but not all beneficiaries file a claim.

3 What happens in that situation?

4 Third example: A search for a new address  
5 following receipt of returned mail indicates the insured  
6 is deceased, but again, no claim has formally been  
7 filed.

8 We've questions about whether insurers allow  
9 the built-up cash value of their policies -- as  
10 Commissioner Jones indicated in his opening statement --  
11 to be used to pay for the continued sustenance of the  
12 policy, even though a policyholder has died until the  
13 policy value is drained.

14 Just to give an example here.

15 Here's the situation. An insured dies in 2005  
16 with her policy in force. No claim is filed. Six  
17 months later, the policy is set to expire because  
18 there's been no premium payments.

19 Although the insured is listed in the Death  
20 Master database as deceased, the insurer begins to  
21 withdraw premium from the cash value to keep it in  
22 force.

23 Five years the later, the cash value of the  
24 policy has been used and the policy is allowed to expire  
25 without any value.



1           The question: What happens in that situation?  
2   Is that happening here with insurance companies such as  
3   MetLife?

4           Dormancy Period Calculations For Escheatment.  
5           This is the Controller's set of issues.

6           The question is: How do insurers calculate  
7   the dormancy period for escheatment?

8           That means the number of years a claim goes  
9   unpaid before it is considered unpayable and has to be  
10   turned over to the State.

11           Do insurers rely on something other than the  
12   actual date of death in calculating that time frame?

13           An example here: An insured dies in 1989 with  
14   a policy. No claim is filed. A Death Master file  
15   comparison performed in 2009 identifies the death of the  
16   insured 20 years earlier.

17           The insurer verified the insured died while  
18   his policy was in force and no benefits have ever been  
19   paid.

20           When will the insurer consider the proceeds  
21   due to be escheated?

22           It should be noted that improper calculation  
23   of the dormancy period allows insurers unlawfully to  
24   retain millions of dollars in proceeds for years, if not  
25   decades, after they are due to be escheated.

1           I want to just mention a few words about a  
2 concept: Demutualized Insurance Companies.

3           This may come up in some of the questions.

4           In the late 1990s, many large insurance  
5 companies demutualized and that required them to contact  
6 all their in-force policyholders.

7           Demutualization means that you are a mutual  
8 insurance company, your owners are your policyholders  
9 exclusively.

10          A stock insurance company is an insurance  
11 company whose owners are members of the public, like any  
12 other stock corporation.

13          Insurance companies sometimes convert from one  
14 of those forms to the other.

15          In late 1990s, large demutualized insurance  
16 companies acknowledged as part of a process of trying --  
17 I should say, in this process -- the insurance company  
18 when it turns itself into a stock insurance company, it  
19 is required to go out and try to locate all of its  
20 policyholders because they are going to become  
21 stockholders and they need to get their stock or some  
22 cash payout.

23          The demutualization process requires a search  
24 to find policyholders.

25          Large demutualized companies acknowledge that,

1 they, in fact, lost contact with many, many of their  
2 policyholders at the time of demutualization.

3 What searches, including use of Death Master  
4 did insurers perform that allowed them to identify which  
5 lost policyholders were actually dead?

6 What did the insurers do if they determined  
7 that an insured was deceased?

8 Over a decade later, are these insurers  
9 holding onto unclaimed death benefits due to any of  
10 these lost or dead policyholders?

11 These are questions that we have.

12 I want to mention industrial policies very  
13 briefly.

14 An industry policy was a form of policy issued  
15 many, many years ago.

16 Small value policies, often sold door-to-door  
17 with premiums collected weekly or monthly.

18 The demographic of the owners of these  
19 policies typically was lower income individuals.

20 The policies were, as stated here, and  
21 sometimes the premiums ended up being more than the  
22 actual benefits offered under the policies.

23 There are millions of these policies in force  
24 industry-wide today.

25 What is the quality of record keeping for

1     these policies, some of which were issued more than 50  
2     years ago?

3             What do insurers do when they determine that  
4     an insured was deceased?

5             What have the insurance companies done to  
6     determine which of these insureds are deceased and what  
7     benefits are due?

8             Last, I just want to mention retained asset  
9     accounts very briefly. We referred to it earlier.

10            The retained asset account is, in fact, quite  
11     significant.

12            Twenty-eight billion dollars is held in the  
13     United States in retained assets accounts by life  
14     insurance companies.

15            This is money that's understood by everyone to  
16     belong to a beneficiary. It is sitting in insurance  
17     companies' accounts.

18            Many insurers use them as their default method  
19     of payment.

20            They are a short-term option that insurers  
21     refer to enable people to sort of get over a period of  
22     grieving and then the money is going to be turned over  
23     to them. And there are issues about -- the account's  
24     not being guaranteed by the FDIC.

25            The point that we're focused on is a retained

1     asset account held by an insurance company, owned by a  
2     beneficiary, the beneficiary does not come forward for  
3     some period of time, what does the insurance do with the  
4     money in that account?

5             Again, with that brief background  
6     introduction, we will then begin to proceed to  
7     questions.

8             COMMISSIONER JONES: Thank you very much,  
9     Mr. Cole. I think we can have the lights come up now.

10            Good morning. I want to welcome the  
11    representatives of MetLife to the hearing.

12            I see that we have five individuals seated  
13    before us.

14            In a moment, we'll put those individuals under  
15    oath who are planning to testify. I'm wondering if we  
16    could proceed from my left to your right. Perhaps you  
17    can just identify yourself and your title.

18            MS. ROSEBOROUGH: Good morning. Teresa Wynn  
19    Roseborough, Deputy General Counsel for MetLife.

20            MR. SOLLMANN: Good morning, everyone. Bob  
21    Sollmann, Executive Vice-President of Retirement  
22    Products.

23            MR. KATZ: Good morning. Todd Katz, Executive  
24    Vice-President, Insurance Products.

25            MR. CASSANDRA: Good morning. Frank

1 Cassandra, Senior Vice-President, Insurance Products  
2 Finance.

3 MR. BERENSON: Good morning. Brad Berenson.  
4 I'm with Sidley Austin. I'm outside counsel for  
5 MetLife.

6 COMMISSIONER JONES: Welcome. Which of you  
7 will be testifying this morning?

8 MR. KATZ: Three of us.

9 COMMISSIONER JONES: Very good. I'm wondering  
10 if the individuals who will be testifying -- I believe  
11 it's Mr. Sollmann, Mr. Katz and Mr. Cassandra -- if you  
12 could raise your right hand and I'll administer the oath  
13 to you.

14 Do you solemnly state under penalty of perjury  
15 that the evidence you should give in this matter shall  
16 be the truth and nothing but the truth?

17 MR. KATZ: Yes.

18 MR. SOLLMANN: Yes.

19 MR. CASSANDRA: Yes.

20 COMMISSIONER JONES: Very good. I understand  
21 that counsel wants to put on the record a reservation of  
22 rights.

23 MR. BERENSON: Thank you very much.

24 Very briefly, Mr. Commissioner, I appreciate  
25 the opportunity.

1           MetLife is here to address all of the topics  
2 that were identified in the subpoena and that were the  
3 subject of the PowerPoint that has just been presented  
4 and is looking very forward to doing that.

5           Prior to this session, there were meetings  
6 with your General Counsel -- with Mr. Cole -- at which  
7 the scope and format of this hearing were discussed.

8           Following those meetings, MetLife did  
9 communicate to the Department certain objections and  
10 reservations based in law to the scope and format of the  
11 hearings, particularly to the extent that there might be  
12 questions that call for the disclosure of information  
13 that would ordinarily be protected as a trade secret or  
14 that would be private customer information.

15           We don't anticipate any particular problems  
16 this morning and MetLife intends to cooperate fully with  
17 the hearing, but I did want to make clear that nothing  
18 we say or do here today is intended to waive those  
19 objections and all of our rights under the law are  
20 specifically reserved.

21           If there are questions that get into some of  
22 those areas, we'd be delighted to followup with  
23 information in the contexts of the market conduct with  
24 them. Thanks.

25           COMMISSIONER JONES: Very good.

1 I'm wondering as to each of the sworn  
2 witnesses, if you could, starting from my left and  
3 moving to my right, briefly describe your current  
4 responsibilities at MetLife and past responsibilities.

5 Way don't we start with Mr. Sollmann.

6 MR. SOLLMANN: As executive vice president  
7 responsible for retirement products, I have the overall  
8 responsibility for our individual annuity business.

9 Prior to that job, I held responsibilities  
10 across MetLife in the 37 years I've been with the  
11 company in mergers and acquisitions and our  
12 institutional business area.

13 COMMISSIONER JONES: Very good. Mr. Katz.

14 MR. KATZ: Good morning. Is my mic working?  
15 I'm not sure it is.

16 COMMISSIONER JONES: There should be a little  
17 green light lit on it. This gentleman might help you.

18 MR. KATZ: The green light is red. Is that  
19 better?

20 COMMISSIONER JONES: That's a lot better.

21 MR. KATZ: I have responsibility for the  
22 insurance products area that includes all of our  
23 individual life products, our group life products.

24 Prior to that, I held roles similar to that  
25 for specific smaller lines of business, like our dental



1 business and disability.

2 And prior to that, I was in our group  
3 department for several years earlier.

4 COMMISSIONER JONES: Very good. Mr.  
5 Cassandra.

6 MR. CASSANDRA: Yes, good morning. I provide  
7 financial oversight to insurance products in the United  
8 States. I've been with MetLife for 25 years.

9 Prior to this assignment, I had various  
10 assignments around the company in group insurance areas,  
11 including pricing.

12 MR. COLE: Can you talk a little bit closer  
13 into the mic?

14 MR. CASSANDRA: Yes.

15 COMMISSIONER JONES: I just want to make sure.  
16 We do have a reporter who is transcribing and I want to  
17 make sure that the reporter can hear as well.

18 THE REPORTER: It's hard to hear them.

19 COMMISSIONER JONES: We just want to ask if  
20 the representatives from MetLife can hold the mic a  
21 little closer. It will be easier for both the public  
22 and the reporter to hear.

23 THE REPORTER: Thank you.

24 COMMISSIONER JONES: One of our first sets of  
25 questions has to do with the Social Security

1 Administration's Death Master file.

2 For ease of communication, we're going to  
3 refer to that as Death Master throughout the hearing.

4 I want to begin by just asking, to whom should  
5 I best pose questions with regard to the company's use  
6 of the Death Master Files?

7 MR. KATZ: That would be me.

8 COMMISSIONER JONES: Are you familiar with the  
9 Death Master File?

10 MR. KATZ: I am, yes.

11 COMMISSIONER JONES: Does MetLife use Death  
12 Master?

13 MR. KATZ: MetLife does use Death Master, yes.

14 COMMISSIONER JONES: Can you explain for us  
15 how MetLife accesses the Death Master File?

16 MR. KATZ: Sure. That one will take just a  
17 little bit more detail because MetLife is a very large  
18 organization with multiple divisions with mutual  
19 products and different jurisdictions.

20 The way the Death Master File is accessed  
21 would vary by area -- which we can talk about in depth.

22 As we go through this, we'll do our best to  
23 give you complete answers by area. I can sort of  
24 articulate that if you'd like.

25 What I would say as we go through as a caveat,

1 I'm going to do my best to speak in general terms.

2 Over the duration of our company, we've made a  
3 number of acquisitions. We've made a number of new  
4 products and different products.

5 While we try to make our answer as complete as  
6 possible, there probably will be some exceptions. To  
7 the extent that I know of these exceptions, I will  
8 certainly reference that.

9 So commissioner, I can go through each of the  
10 products if you like or I can allow you to ask  
11 questions. Whatever you'd prefer.

12 COMMISSIONER JONES: Maybe we can start  
13 chronologically. I'm wondering if you could tell us  
14 when MetLife first began to use Death Master.

15 MR. KATZ: Sure.

16 MetLife first began to use Death Master in the  
17 late '80s. That usage was primarily in our group annuity  
18 business.

19 That was a fairly manual process for a  
20 business that had records of Social Security numbers and  
21 those records were on individuals that were in a  
22 repetitive payment mode for the most part.

23 The decision was made to use that, both in the  
24 context of payments but also accurate records on that  
25 information.

1           Also, just to make it a point, if that  
2 information matured and became more systematized in the  
3 '90s, there was a recognition that in that group annuity  
4 business, in situations where an individual was in  
5 payment mode and there an indication of death, it would  
6 be a useful tool to prevent duration errors like not pay  
7 out annuity payments in error, which would be bad for  
8 the person potentially getting that money and for the  
9 company.

10           I'll just add one other comment. The Social  
11 Security Administration at that time also articulated  
12 that as a poor usage of that information.

13           COMMISSIONER JONES: With regard to the  
14 company's first utilization of Death Master for the  
15 group annuity business, can you describe more  
16 specifically how it was used or what it was used for  
17 with regard to the group annuity business?

18           MR. KATZ: Isn't that what I just described?

19           This was quite awhile ago. I would think of  
20 it as two primary purposes; one accurate record keeping  
21 in terms of our policyholders, both in terms of  
22 administrative records and reserving, and accurate  
23 payment information in the same way that I described.

24           When it was first used, it was a very manual  
25 process back then.

1           Unfortunately, I'm not an expert as to what  
2           was going on much more definitely than that.

3           COMMISSIONER JONES:  When it was first used in  
4           the group annuity context then, was it used to determine  
5           when someone had died and when it would be appropriate  
6           to cease making an annuity payment?

7           MR. KATZ:  Initially, it was used more to make  
8           sure we were managing records in the right way.

9           As the process evolved over time, it certainly  
10          was used as a means to prevent duration errors by  
11          sending a letter of notification to an individual where  
12          we had an indication of death, advising that individual  
13          of such indication and that the payments were suspended.

14          If at any time an individual wrote back and  
15          said that that was an error -- which didn't happen all  
16          that often -- we'd certainly reinstate that.

17          The process that I'm describing here is more  
18          focused on really preventing duration errors and  
19          enabling higher levels of accuracy and mitigating  
20          situations where we had to collect overpayments or an  
21          individual accidentally used those funds when they weren't  
22          entitled to do so.

23          COMMISSIONER JONES:  What does the term  
24          "duration error" mean?

25          MR. KATZ:  Sure.  If you think -- the way I'm

1 using it -- I don't know if it's a legal term. I don't  
2 think it is.

3 If you think about payout annuities, when an  
4 individual is receiving payments, they are entitled to  
5 receive those payments for a certain amount of time in  
6 the contract or based on the regulation that govern the  
7 contract.

8 In most situations, when someone is dead, that  
9 is the time -- or somewhere around that time -- where  
10 either the payments will cease or the payments will  
11 change.

12 There could be a primary payment and then  
13 there could be another individual gets the payment after  
14 that or could be additional proceeds paid for at the  
15 time of death.

16 It's to make sure the claim is being paid, the  
17 annuity is being paid for the appropriate duration and  
18 to avoid situations where it's being paid for too long.

19 Mr. Cassandra, I don't know if you want to add  
20 to that.

21 MR. CASSANDRA: No, only to say that if it was  
22 being paid consistent with the contractual terms.  
23 Generally, annuity contracts require in order to receive  
24 the funds the annuitant is alive.

25 The fact that an annuity contract has passed,

1 in and of itself is mutually enough under the contract  
2 provisions to end the company's liability or to modify  
3 it to a contingent beneficiary with a payout.

4 COMMISSIONER JONES: When MetLife first began  
5 to use Death Master in this fashion as you described for  
6 the group annuity business, can you provide us with some  
7 estimate of the number of group annuity policies to  
8 which it was applied?

9 MR. KATZ: I don't have that number.

10 COMMISSIONER JONES: Okay. You mentioned that  
11 it was first used manually. At what point did the  
12 company's use shift from manual to some other mode of  
13 use?

14 MR. KATZ: This is -- I'm going to do my best  
15 with history to be as accurate as I can. I ask you to  
16 appreciate that some of these dates happened a long time  
17 ago.

18 In the '90s -- I'll characterize it in the  
19 mid-'90s, the latter part of the '90s, as technology  
20 advanced, opportunities to systemize our processes  
21 became more apparent to us and there were a number  
22 different enhancements over that period of time to go  
23 from a more manual to a more systemized approach.

24 COMMISSIONER JONES: Can you identify more  
25 specifically when in the '90s the company began to use

1 Death Master in a more systemized approach?

2 MR. KATZ: I prefer to say it's in the  
3 mid-'90s. I can't give you a specific date because it  
4 did evolved over time.

5 We certainly can respond back to you with more  
6 clarity on the different enhancements and when they  
7 happened. I don't have that.

8 COMMISSIONER JONES: With regard to the use of  
9 Death Master for the group annuity business, is it true  
10 then that as it used Death Master for the group annuity  
11 business that payments would be stopped for annuitants  
12 whose name showed up in the Death Master File?

13 MR. CASSANDRA: I would say, no, not just the  
14 name, Commissioner.

15 We would do a match using the Social Security  
16 number and the month and the year of birth.

17 If a match wasn't identified, the payment  
18 would be suspended and we would reach out to the family  
19 members to determine to verify that fact that that  
20 annuitant had passed.

21 MR. COLE: Can you speak very close into that  
22 microphone. Very close.

23 MR. CASSANDRA: Yes, I will.

24 COMMISSIONER JONES: Were any of the  
25 policyholders who had annuities through group annuity



1 policies, were they also policyholders who had life  
2 insurance policies with MetLife?

3 MR. KATZ: I can't tell you definitively which  
4 ones had which, but, if, in fact, we became aware that  
5 an individual had life insurance, we certainly would  
6 have attempted to reach out to that beneficiary making  
7 it good on those claims.

8 COMMISSIONER JONES: With regard to the group  
9 annuity business, is it the case that most of those  
10 holders of those policies also hold corporate or group  
11 life insurance policies?

12 MR. KATZ: I don't know the answer to that,  
13 but generally speaking I would look at those as a  
14 separate entity.

15 I wouldn't think of it as an employer would  
16 buy annuity business and group life business.

17 Currently, if you think the group annuity  
18 business, some of those policies were older in nature  
19 and once they are on our books generally would stay on  
20 our books.

21 Group life insurance, generally the employer  
22 is managing the records and that business is more  
23 inclined to move from company to company.

24 So if you're theorizing, hey, he's got the  
25 group business, you'd generally have the group life

1 insurance business too. I wouldn't say that's usually  
2 the case.

3 COMMISSIONER JONES: Did MetLife on a routine  
4 business use Death Master to identify those who had life  
5 insurance policies who also had group -- those who had  
6 annuities had a group annuity policies?

7 MR. KATZ: We did not apply the Death Master  
8 Index to our group life business.

9 The main thing I should point out there is,  
10 for the group life business for the most part, the  
11 employer has the records. It's a very important  
12 distinction.

13 We're not in possession of who is covered. In  
14 the vast majority of our group life business, the  
15 employer is the one who maintains that information and  
16 sharing with us information when an individual is dead.

17 COMMISSIONER JONES: With regard to annuitants  
18 that you were identifying as having a match under Death  
19 Master, was any effort made simultaneously to determine  
20 whether that annuitant had a life insurance policy,  
21 either individual or group, or any other form of  
22 placement of that life insurance policy?

23 MR. KATZ: You're asking back historically?

24 COMMISSIONER JONES: Let's stick with the  
25 period of time we're talking about.

1           You told us late '80s to mid- or late-'90s,  
2   Death Master was used for your group annuity business.  
3   I'm asking during that period of time, was Death Master  
4   simultaneously used?

5           If you had identified someone who had annuity  
6   on the group side, did you simultaneously look to see if  
7   they had a life insurance policy from the company in  
8   some way, shape or form?

9           MR. KATZ: I do not know the specific detailed  
10   answer back from that exactly what was done. We  
11   certainly can follow up.

12          COMMISSIONER JONES: You're not aware of a  
13   systemic effort by the company to do that sort of match?

14          MR. KATZ: We certainly have had procedures to  
15   share information within the company. Those procedures  
16   vary by area and vary over time.

17          I want to be careful not to lead you down a  
18   path that we did something or didn't do something  
19   because it was a while ago and it might have been  
20   different by area.

21          COMMISSIONER JONES: Okay. You've testified  
22   that the company began using Death Master manually and  
23   then in a more systemized way with regard to your group  
24   annuity practice.

25          Did you use Death Master for any other part of

1 your business? If so, when did you start using it for  
2 those other parts of your business?

3 MR. KATZ: So we have used Death Master for  
4 other parts of our business.

5 I think for today, we can talk maybe next  
6 about our individual life business, if you'd like, or  
7 would you like us to speak to our individual unit  
8 business?

9 COMMISSIONER JONES: What was the first next  
10 chronological use of Death Master, if you will?

11 We talked about your initial use of the group  
12 annuity practice. What was the first next chronological  
13 use of Death Master?

14 MR. KATZ: I'm going to ask my team -- let me  
15 talk --

16 MS. ROSEBOROUGH: For business uses and  
17 related to litigation --

18 COMMISSIONER JONES: We should have you on the  
19 mic. If you're going to testify, we need to put you  
20 under oath or is it that you're just trying to clarify  
21 the question?

22 MS. ROSEBOROUGH: It's is a legal point.

23 I'm just isolating that they are discussing  
24 today business use, outside the context of litigation.

25 With that context in mind, I think the next

1 use would be something that Mr. Sollmann can do.

2 MR. SOLLMANN: Let me just begin by saying --  
3 and Adam I think you touched on this in your  
4 presentation.

5 By far, the most frequent method that we learn  
6 of a death is from an agent, broker or a family member  
7 or even a funeral home.

8 Part of that is because in the annuity  
9 business both on the payout side of our business and  
10 also because of the deferred business, we're in frequent  
11 contact with the contract holder and their family,  
12 typically, through, of course, periodic payments of  
13 payout annuities to the owner as well as on the deferred  
14 business quarterly statements of their account value,  
15 annual prospectus mailings, privacy notices, and so  
16 forth.

17 Nevertheless, it's my understanding that  
18 beginning in the early 2000s with respect to the  
19 individual annuity business, we began to use the Death  
20 Master to conduct periodic sweeps for both payout  
21 annuities and for deferred annuities on some of our  
22 administrative systems that support the majority of a  
23 most mature blocks of annuity business.

24 As we continued to evolve and systemize our  
25 procedures in this area, we plan to expand these sweeps

1     this year throughout our entire block of deferred  
2     annuity business as well.

3             In general, these sweeps are conducted monthly  
4     for payout annuities and quarterly for deferred  
5     annuities.

6             When we have an indication of death from any  
7     of these Death Master sweeps -- or frankly from any  
8     other source -- we seek to confirm that death by sending  
9     notification or a death claim packet to the last address  
10    we have on file.

11            With respect to payout annuities, payments are  
12    suspended at that time.

13            If we didn't hear back, we have a really  
14    established process of following up at regular intervals  
15    for up to five years from the date of death.

16            The five-year period is important because in  
17    annuities, for annuities, death payments are considered  
18    taxable income.

19            While I'm not an tax expert, the Internal  
20    Revenue Code allows the beneficiary to defer the  
21    collection of that death benefit for a maximum of five  
22    years.

23            If we find that the last address is invalid  
24    through that five-year period, then we will generally  
25    put the case through something we call a "finder

1 process" where we will try to identify and look for a  
2 valid address.

3 If after a year we can't indicate a valid  
4 address, then we would follow our standard escheatment  
5 procedures.

6 COMMISSIONER JONES: This is now for those who  
7 have individual annuities. This is different from the  
8 group annuity that was testified to a moment ago?

9 MR. SOLLMANN: That's correct.

10 COMMISSIONER JONES: When did you start  
11 undertaking periodic sweeps for both payout deferred  
12 annuities in the individual annuity context?

13 MR. SOLLMANN: Generally speaking, beginning  
14 in the early 2000s.

15 COMMISSIONER JONES: As to payout annuities,  
16 you do those sweeps monthly. As deferred annuities, you  
17 do though sweeps quarterly?

18 MR. SOLLMANN: That's correct.

19 COMMISSIONER JONES: With regard to both of  
20 those classes of individual annuitants, did MetLife  
21 during this period of time also undertake to determine  
22 if there was a match on the individual annuity side as  
23 to whether that individual annuitant also had a life  
24 insurance policy issued by MetLife?

25 MR. SOLLMANN: First, I would say that I'm not

1 aware of any specific case where this has been an issue  
2 where, in fact, we might have been looking for or  
3 verifying a death claim on an individual business, but  
4 it left a life insurance claim for that individual  
5 outstanding for some period of time.

6           Nevertheless, it is my understanding that we  
7 do have a variety of systems and procedures across our  
8 business that have been developed over some period of  
9 time that do inform other product areas.

10           We continually have been evolving those  
11 procedures and processes over time and, in fact, it's my  
12 understanding that recently we took additional steps to  
13 document formalize these procedures.

14           COMMISSIONER JONES: Again, just  
15 chronologically, when did you begin to actually check to  
16 see if an individual annuitant also had a life insurance  
17 policy in the context of there being a Death Master  
18 match?

19           MR. SOLLMANN: I think these processes evolved  
20 over time. I don't have the specific dates when that  
21 began. It evolved over time through a more formal  
22 processes and more recently we systemized that process.

23           COMMISSIONER JONES: Was it this year?

24           MR. SOLLMANN: I'm not aware of what year.

25           COMMISSIONER JONES: Was it two years ago?



1           MR. SOLLMANN: I can't say. We can follow up  
2 and give you more specific information on that.

3           COMMISSIONER JONES: Can you tell me whether  
4 it was in the last five years?

5           MR. SOLLMANN: I'm not aware of it being in  
6 the last five years. I don't know the answer to your  
7 question.

8           COMMISSIONER JONES: You don't know whether it  
9 was either within the last five years or earlier than  
10 the last five years that you began to systematically  
11 look to see if a life annuitant for whom you had a Death  
12 Master match also had a life insurance policy?

13          MR. SOLLMANN: Systematically on a more formal  
14 basis, we began that process within the last year.

15          COMMISSIONER JONES: Within the last year.  
16 Okay.

17                 Within the last year, what exactly would you  
18 do when you found an annuitant -- an individual  
19 annuitant whom there had been a Death Master match.  
20 What would you do with regard to that annuitant?

21          MR. SOLLMANN: It's my understanding that we  
22 would pass that information along through various  
23 systems that are available to our product areas.

24                 Beyond that, I don't have the detailed  
25 information with me as to exactly how that communication

1     took place.

2                 COMMISSIONER JONES:  Is there anybody from  
3     MetLife who can tell us with regard to the company's  
4     practice in the last year how -- when a match has been  
5     made on the individual annuity side -- how the company  
6     goes about informing the life insurance policy side that  
7     there is such a match?

8                 MR. KATZ:  I don't think we can.

9                 COMMISSIONER JONES:  That's very disappointing  
10    because our subpoena asked that MetLife provide  
11    representatives that can answer these questions.

12                And so, I'm very disappointed that there is no  
13    one here from the company that can answer that question  
14    since we were very clear in our subpoena that we needed  
15    witnesses who can answer those questions.

16                MR. KATZ:  Maybe I can try to help.  We're  
17    trying to answer your questions as best we can and that  
18    really is our intent.

19                If your question is:  Are their procedures  
20    within the organization that share information?  The  
21    answer to that is yes.

22                What I tried to explain before and I can  
23    probably -- Several different business units, several  
24    different products, several different geographies, and  
25    so the procedures would be different.

1           We can't paint a blanket answer for you, which  
2 I think is what you're looking for.

3           COMMISSIONER JONES: I'm happy to take them in  
4 turn. That's what I've been trying to do.

5           You first testified about group annuities and  
6 your practices there.

7           And then, you testified that sometime more  
8 recently with regard to individual annuities, you have  
9 been doing a match vis-à-vis with life insurance.

10          And so, my question is very specific as to  
11 individual annuities and life insurance, what the  
12 company does vis-a-vis finding a match on the annuity  
13 side, what it does with regard to when it discovers the-  
14 a match occurs on the annuity side what it does, if  
15 anything, to try to determine if there's a match on the  
16 life insurance.

17          MR. SOLLMANN: Commissioner, on the individual  
18 entity side, we do have with us I'm told a description  
19 of the processes we used in this case which we will be  
20 happy to provide at the next break.

21          COMMISSIONER JONES: Okay. And that's the  
22 process that's begun in 2011?

23          MR. SOLLMANN: That's correct.

24          COMMISSIONER JONES: All right.

25          MR. SOLLMANN: I should clarify, not 2011,

1 earlier 2010.

2 COMMISSIONER JONES: In 2010?

3 MR. SOLLMANN: Correct.

4 MR. COLE: Are you going to testify under oath  
5 that everything that appears in that document that you  
6 have provided us is absolutely true and correct?

7 MS. ROSEBOROUGH: On behalf of my witness  
8 here, I would not allow him to claim that kind of  
9 arrogance to purport to speak to 100 percent of the  
10 services provided. He will be able to testify that  
11 that's the process typically followed.

12 MR. COLE: Well, no.

13 My question was: You were referring to  
14 providing us with a document. If you're going to  
15 provide us with a document, will one of you testify  
16 under oath now that what appears in that document is  
17 entirely correct?

18 MS. ROSEBOROUGH: They will be prepared to  
19 testify that the document is correct in terms of the  
20 documentation of the process that's been settled upon  
21 for executing its responsibility.

22 Whether or not your question goes to whether  
23 the document is accurate, yes, they will be able to  
24 testify that the document is an accurate portrayal of  
25 the process.

1           MR. COLE: I'd like to get someone under oath  
2 then to testify now that the information in that  
3 document set forth in that is a correct description of  
4 everything that it purports to describe.

5           MS. ROSEBOROUGH: After they look at the some  
6 of the documents, we can confirm that would be their  
7 testimony.

8           COMMISSIONER JONES: You'll give it to us at  
9 the break. You'll have a chance to review it. We'll  
10 resume and you can attest as to the correctness of the  
11 document.

12           Are there any other areas of the company in  
13 which Death Master has been used in addition to what we  
14 talked about so far? If so, when did you begin using it  
15 that way?

16           MR. KATZ: Let's spend a few minutes talking  
17 about the individual life business.

18           Absent usage relative to litigation -- which  
19 Teresa we already mentioned -- I'm not going to talk to  
20 that.

21           We used the Social Security Death Index in the  
22 individual life business in the last decade -- in the  
23 2000s.

24           I'll give you a couple of instances and then  
25 I'll bring it all the way up to current.

1           In 2004 and 2005, through discussions with a  
2   few of our regulators -- I can get you the specific  
3   states. I don't have them in my fingertips. It's just  
4   a handful.

5           We were in discussions about the value of that  
6   information and the potential to use it to identify  
7   people that had life insurance.

8           Either we used that information or we shared  
9   our administrative records with the regulators and they  
10   used that information as a means to identify individuals  
11   that were deceased at that time.

12           MR. CASSANDRA: Those two states were Montana  
13   and New York.

14           COMMISSIONER JONES: Was your use limited then  
15   to policyholders in Montana and New York?

16           MR. CASSANDRA: I think there was New Jersey  
17   too.

18           MR. KATZ: I think there was. Let us validate  
19   the states. We want to make sure we get you the correct  
20   information. I believe it was.

21           At that point in time, it was for residents in  
22   those states.

23           I want to make it clear. It wasn't  
24   necessarily us using it.

25           In some of those instances, it may have been

1 us giving our admin records to states for them to use  
2 it.

3 We'd be happy to give you exhaustive detail on  
4 that information.

5 COMMISSIONER JONES: We would like that.

6 With regard to your use of it for those three  
7 or so states, how did you use it, if at all?

8 MR. KATZ: Let me do this because I can't talk  
9 to that in depth.

10 What I can do is talk to you in depth about  
11 what we learned and what we did after that and I think  
12 I'll come back to your question through that  
13 description. If I can't, you can certainly follow up.

14 COMMISSIONER JONES: Okay.

15 MR. KATZ: What we did learn as a result of  
16 that in '05 and in '06 was that there was an opportunity  
17 to use this tool as a means to improve upon our life  
18 insurance claim process.

19 I'm going to talk about some data in a few  
20 minutes out of our 2007 run. I think it's worthwhile to  
21 spend time on that data.

22 Essentially what that data showed us was that  
23 for the period we matched in '07, that approximately 99  
24 percent of the claim dollars paid over the period we  
25 studied were submitted through the normal claims

1 practice.

2 We found less than one percent of claimed  
3 dollars paid through this match we did in '07.

4 Let me explain what we did in '07.

5 COMMISSIONER JONES: Before we get to that, 99  
6 percent of the claimed dollars paid were paid through  
7 the normal process?

8 MR. KATZ: Correct.

9 COMMISSIONER JONES: The key phrase there is  
10 "claimed dollars paid."

11 That doesn't answer the question as to what  
12 number of other life insurance policyholders died and  
13 their beneficiaries were not paid. Correct?

14 MR. KATZ: So let me give you --

15 COMMISSIONER JONES: Is that correct?

16 MR. KATZ: No. It might be helpful for me to  
17 tell you exactly what we did in '07 and bring it back.  
18 I think that explanation will --

19 COMMISSIONER JONES: Well, let me just stick  
20 with this phrase "99 percent of claimed dollars paid."

21 That's just of the dollars you've actually  
22 paid, 99 percent occurred through the claims process,  
23 one percent did not.

24 But again, that does not answer the question  
25 as to life insurance policies where beneficiaries were



1 not paid, of what percentage had actually died and you  
2 knew that information about their death.

3 MR. KATZ: Sure, so let me --

4 COMMISSIONER JONES: That's a yes?

5 MR. KATZ: No. That is not a yes. I'd like  
6 to give you the information and answer your question.

7 COMMISSIONER JONES: Please answer the  
8 question.

9 MR. KATZ: Okay. The death match study we did  
10 in 2007 identified approximately \$80 million in claimed  
11 payments for individuals that were not paid through the  
12 normal process.

13 Of that \$80 million, approximately \$50 million  
14 we were able to locate the beneficiary and pay that  
15 money.

16 For the balance of approximately \$30 million,  
17 we were not able to locate the beneficiary.

18 In the situations where we were not able to  
19 locate the beneficiary, those funds were put through our  
20 unclaimed property system, ultimately to be escheated to  
21 the states.

22 So about \$80 million of funds through the  
23 match.

24 Over that same period of time, we paid about  
25 \$44 billion in claims to individuals through our normal

1 process.

2 COMMISSIONER JONES: What was the 2007 death  
3 match study?

4 MR. KATZ: That's what I wanted to explain.

5 In 2007, we ran just about all of our  
6 individual life businesses. There was a small segment  
7 of the blocks that weren't included, and I can talk more  
8 about that if you like, against the Death Master Index.

9 We ran that using a three-point match; Social  
10 Security number, date of birth within two years and  
11 name.

12 We found out of that approximately 28,000  
13 individuals whose information showed up on the Social  
14 Security Death Index and our administrative records. Of  
15 those 28,000, we found approximately 18,000, there was a  
16 liability due for those individuals. That totalled  
17 approximately \$80 million. I think it was about \$84  
18 million.

19 As a result of that, we now determined we had  
20 an indication of death on those individuals and began a  
21 process to search out beneficiaries -- which we did --  
22 which ultimately resulted in the \$50 million I  
23 explained.

24 However, we couldn't find everybody. That  
25 resulted in the \$30 million that I explained that went

1 into the escheatment process.

2 MR. CASSANDRA: I'd just like to add something  
3 to Mr. Katz's statement.

4 In that 2007 match of the Death Master File,  
5 we looked at all of the vast majority of the individual  
6 business life records from policy statuses that included  
7 any policy that may have been cancelled.

8 We did not only match at that point in time  
9 for in force cases, we looked back for any case that may  
10 have terminated for any reason other than death.

11 COMMISSIONER JONES: Do you know the number of  
12 policies you ran Death Master against in 2007 in total?

13 MR. CASSANDRA: We ran it against, I think,  
14 approximately a little more than 10 million records --  
15 which does not exactly match to -- a policy that does  
16 not equate apples to apples to a policy.

17 There may have been more than one record. It  
18 was approximate.

19 COMMISSIONER JONES: What was the total number  
20 of individual life insurance policy records at that  
21 time?

22 MR. CASSANDRA: We have approximately over six  
23 million policies in force right now. I don't know  
24 exactly what the numbers may have been at that period of  
25 time.

1           COMMISSIONER JONES: You mentioned -- I  
2 believe Mr. Katz mentioned that in 2007, you ran Death  
3 Master against almost all the individual life business.  
4 What elements of the business did you not run it  
5 against?

6           MR. CASSANDRA: Over time MetLife had acquired  
7 through a merger and acquisition process some small  
8 assumed cases from insurers that had gone into  
9 receivership.

10           Just to give you a sense of the magnitude,  
11 we're talking about less than 100,000 policies of a  
12 total of 1.6 million.

13           The matching of those policies is in scope for  
14 the match that we just conducted for our 2011 match.

15           MR. KATZ: Let me add one more clarification  
16 there.

17           We did not run it against policies where we  
18 did not have a Social Security number. We only ran it  
19 against policies with the Social Security numbers.

20           That's an important distinction.

21           Mr. Cole had his slide about our industrial  
22 policies which we would be happy to testify about if  
23 you'd like.

24           A significant amount of those do not have  
25 Social Security numbers. As such, we've used other

1 means over the years to try to contact those  
2 policyholders and did not use the Death Index match.

3 COMMISSIONER JONES: Do you know the number of  
4 industrial policyholders' policies were in force in  
5 2007?

6 MR. CASSANDRA: I do not have the number for  
7 2007, Commissioner. I know at the end of 2010, we had  
8 approximately 1.5 million in force.

9 COMMISSIONER JONES: Mr. Chiang.

10 CONTROLLER CHIANG: Can you give me the  
11 universe of policies that did not have a Social Security  
12 number?

13 MR. KATZ: We can give you an estimate of  
14 that.

15 As of today -- if you guys can help me on  
16 this -- it's somewhere around 300,000 in the industrial  
17 block.

18 Just for clarification, for group life why  
19 wouldn't you have Social Security numbers? Social  
20 Security numbers really weren't collected from MetLife  
21 on a routine basis until the mid-'80s.

22 If you think back historically for individual  
23 life insurance policies, we have records where we don't  
24 have a Social Security number.

25 What we chose to do -- this is an important

1 distinction -- in the late '80s, I talked to you about  
2 in the annuity business using manual processes as a  
3 means to use the Death Index.

4 In the late '80s, we put forth a significant  
5 effort that lasted over ten years to locate  
6 policyholders that we may have lost contact with. It's  
7 a program called the Family Union Program, Reunion  
8 Program.

9 In the decade from the late '80s to the late  
10 '90s, we were able to locate over 500,000 policyholders.  
11 Those were individuals that still to this day, or as  
12 recently as this year, we're not getting claims on.

13 We thought it was a good effort on our behalf  
14 to get a good touch with people in that block.

15 I should make one more distinction, if you'd  
16 allow me.

17 We made a decision for that industrial block  
18 in the early '80s to convert the majority of that to  
19 paid-up status.

20 That's an important distinction.

21 So point number one, by being in paid-up  
22 status, there were no additional premiums due for  
23 policies that were in premium paying status at the time  
24 we made that conversion.

25 Those policies since then have continued to

1 perform so individuals continue to get dividends year  
2 after year after year over that period of time, but they  
3 go to the policy value.

4           It creates a challenge because they are not  
5 sending us a bill -- we're sending them a bill. They  
6 are not sending us money.

7           That's where we've had challenges keeping in  
8 contact with those people.

9           We want to make sure that it's clear that one  
10 of those two things for that block I'm talking about are  
11 going to happen.

12           Either a beneficiary will come forth with a  
13 valid claim that we will pay -- I guess one of three  
14 things.

15           One of these individuals will be identified on  
16 the Death Master Index. If they were, I want to make it  
17 clear, we run it, as Mr. Cassandra said, against lapsed  
18 policies.

19           By doing so, that policy happened to have  
20 lapsed and in this block, they wouldn't have -- we would  
21 restore it to the original value.

22           And then lastly, if we never did get a claim,  
23 those policies would superannuate at the end of the  
24 mortality table and, as such, if we couldn't find the  
25 beneficiary at that time, we would then escheat the

1 funds.

2 Maybe I gave you too much detail.

3 COMMISSIONER JONES: We're getting a little  
4 bit ahead. I just want to make sure that we have a  
5 complete understanding what's happening in the company  
6 chronologically.

7 Let me go back to the 2004/2005 discussion we  
8 talked about with the regulators, maybe as many as  
9 three. You provided some of your files to those  
10 regulators. You'll identify for us who the names of the  
11 regulators are. Is that correct?

12 MR. KATZ: Sure.

13 COMMISSIONER JONES: Also, you did some  
14 internal Death Master matches as to the residents of  
15 those states for those three states in which you were  
16 cooperating with regulators.

17 You did some matches against individual life  
18 insurance policy. Is that correct?

19 MR. CASSANDRA: No, I'm sorry,  
20 Mr. Commissioner. I think you doubled up on that.

21 In those the cases where the State asked us  
22 for administrative records, they would have done the  
23 match and, in fact, in at least one state they provided  
24 back death certificates to us in order for us to  
25 adjudicate the claims.



1           In 2004 and 2005, these instances, we were  
2     providing records and matches to the best of my  
3     knowledge.

4           COMMISSIONER JONES: Then, when they provided  
5     you with information after they had done the match, what  
6     sort of information did they provide and what did you do  
7     with that information?

8           MR. CASSANDRA: To the extent that they  
9     provided back information, proof that someone had died  
10    in the form of a death certification, we paid benefits  
11    to the beneficiary.

12          COMMISSIONER JONES: But you required a death  
13    certificate from those three or so states.

14          MR. CASSANDRA: We didn't require it from the  
15    -- To best of my knowledge, we didn't require it from  
16    them. The regulators provided it to us.

17          COMMISSIONER JONES: Did those regulators  
18    provide any other information with regard to whether a  
19    match had occurred or not?

20          MR. CASSANDRA: I do not know.

21          MR. KATZ: I think what -- we're prepared to  
22    give you exhaustive detail about the '07 match and our  
23    current match.

24                 For the '04/'05, we're probably not as  
25    prepared as you'd like us to be to give you that detail.

1 It's quite a while ago.

2 Certainly, we can attempt to follow up with  
3 any requests that you might have on that period.

4 COMMISSIONER JONES: Between the '04/'05 work  
5 with the three or so states and the 2007 Death Master  
6 study that you testified to, was there any other use of  
7 Death Master in addition to what you've already  
8 testified to?

9 MR. KATZ: For the individual life business?

10 COMMISSIONER JONES: Anywhere within the  
11 company.

12 MR. KATZ: Sure. Yeah. I think -- I've got  
13 to remember the dates. You may have it.

14 MR. CASSANDRA: I can take this one.

15 COMMISSIONER JONES: Okay.

16 MR. CASSANDRA: We have used and continue to  
17 use the Death Master File in our corporate-owned life  
18 insurance products.

19 To the best of my knowledge and belief, we  
20 started that in the mid-'90s.

21 And on the corporate and life insurance  
22 products, what happens oftentimes is that the policy  
23 owners will lose contact with the insured.

24 There's little incentive for the family  
25 members of a former employee to notify the former

1 employer of the death.

2 Under those contracts, we use the Death Master  
3 File as some evidence that, in fact, someone had passed.

4 And if, in fact, someone had passed, we would  
5 seek out a death certificate in order to pay benefits.

6 MR. COLE: Can you please speak closer to the  
7 microphone.

8 MR. CASSANDRA: Yes, maybe there's something  
9 that I'm not doing.

10 MR. COLE: Keep it really close.

11 MR. CASSANDRA: Okay.

12 COMMISSIONER JONES: So since the funding --  
13 Go ahead.

14 MR. KATZ: I don't know. We also use it in  
15 our disability business and our long-term care business.

16 I'm not aware of the dates. Either on a break  
17 or as a follow-up, we can certainly get you the dates  
18 when that commenced.

19 Those businesses weren't articulated in the  
20 subpoena, but certainly we have no problem sharing that  
21 so I have the dates.

22 In addition, we also use it for our retained  
23 asset account, our total control account business.

24 COMMISSIONER JONES: We'll get to each of  
25 those in turn in a moment. Let me stick with the

1 corporate-owned life insurance product.

2           You just testified that you began to use Death  
3 Master in the mid-'90s. Was that done in a manual  
4 fashion or was that done in a more systematic fashion?

5           MR. CASSANDRA: I don't have personal  
6 knowledge of exactly how that particular sweep was done.  
7 I'm sorry. I can't tell you exactly. I don't have  
8 personal knowledge.

9           COMMISSIONER JONES: Get really close. I can  
10 hear. It's close.

11           Was there a point at which Death Master was  
12 used in a systematic way with regard to the  
13 corporate-owned life insurance products?

14           MR. CASSANDRA: It was used monthly. It was  
15 part of their standard process.

16           COMMISSIONER JONES: So they would run a match  
17 against the corporate-owned life insurance products.  
18 They would run the file against the corporate-owned life  
19 insurance products. Is that correct?

20           MR. CASSANDRA: To the best of my knowledge.

21           COMMISSIONER JONES: What would they do when  
22 they found a match?

23           MR. CASSANDRA: That would be the first  
24 indication that someone may have, in fact, had passed.  
25 I believe we communicated at that point with the

1 policyholder.

2 COMMISSIONER JONES: And then, what would  
3 happen after that?

4 MR. CASSANDRA: We would essentially invite  
5 the claim and say: "You need to provide claim form and  
6 proof of that."

7 COMMISSIONER JONES: Did you communicate with  
8 the beneficiary or did you just communicate directly  
9 with the owner of the corporate life insurance product?

10 MR. CASSANDRA: In that instance, the owner of  
11 the policy is the beneficiary, the corporate-owned life  
12 insurance benefits paid. The company owns the policy.

13 COMMISSIONER JONES: So you'd invite them to  
14 make a claim. Have you continued to use Death Master in  
15 this fashion?

16 MR. CASSANDRA: I'm sorry?

17 COMMISSIONER JONES: Are you still using Death  
18 Master for that corporate-owned life insurance product?

19 MR. CASSANDRA: Yes, sir.

20 COMMISSIONER JONES: Do you know what the  
21 number of corporate-owned life insurance products are  
22 that were enforce in the '90s?

23 MR. CASSANDRA: I'm sorry. I don't.

24 COMMISSIONER JONES: Do you have any idea what  
25 number of corporate-owned life insurance products are in

1 force now?

2 MR. CASSANDRA: I do not. I'll have to get  
3 back to you on that.

4 COMMISSIONER JONES: All right. You just  
5 testified that you've also used it in the disability  
6 business. Can you explain how you used it in that line  
7 of business?

8 MR. KATZ: Sure. I'm going to speak at a high  
9 level only because we didn't prepare exhaustively for  
10 that because it was outside the scope, but I have no  
11 problem sharing.

12 Generally in a similar way, we talked about  
13 using it in the annuity business.

14 Many disability policies are in force and  
15 claims are paid until such time as an individual is no  
16 longer eligible for the claim.

17 One of the reasons why an individual wouldn't  
18 be eligible for a claim would be that they died.

19 So in a similar way that I described the  
20 annuity business, we're looking to make sure we're  
21 creating duration errors in paying out benefits longer  
22 than is appropriate in the disability phase.

23 COMMISSIONER JONES: Do you know when MetLife  
24 began to use it for your disability insurance policies?

25 MR. KATZ: I don't. We can certainly get that

1 for you. That's not a hard number to find.

2 MR. CASSANDRA: The earliest that I can  
3 remember is the early 2000s as well. We'll have to  
4 check that.

5 COMMISSIONER JONES: And then, with regard its  
6 utilization for your long-term care insurance, can you  
7 explain how the company's used the Death Master File for  
8 that line of business?

9 MR. KATZ: A similar type of discussion as to  
10 disability.

11 Again, I'm just going to give you the high  
12 level, which is in many cases in long-term care when  
13 someone is in payment status, payment status may only  
14 exist while the individual's alive.

15 We think about the same about logic I just  
16 testified to about the other businesses. I don't have  
17 the date when we started. We can certainly follow up  
18 and get that to you.

19 COMMISSIONER JONES: Do you know which decade  
20 it was that you began to use it for the long-term care  
21 insurance?

22 MR. KATZ: I do not.

23 COMMISSIONER JONES: Do any of the witnesses  
24 know?

25 MR. CASSANDRA: I don't have personal

1 knowledge of it.

2 MR. KATZ: That's not a hard one to get you.  
3 On a break we can get that for you.

4 MR. COLE: I just want to clarify one thing.  
5 The first of our enumerated topics for this hearing in  
6 our subpoena is: "Policies and procedures, specific  
7 rules, specifications, project descriptions, manuals and  
8 instructions concerning the use of Death Master to  
9 identify potentially deceased customers across all lines  
10 of business."

11 MR. KATZ: Our intent certainly is the best as  
12 we can to answer all your questions. If we can't answer  
13 them immediately, we will attempt to answer them  
14 throughout the day today. That is our intent.

15 COMMISSIONER JONES: We promised a break at  
16 11:00.

17 Before we take a break, let me see if the  
18 Controller has any questions.

19 Let me see if the Controller has any follow-up  
20 questions in this line of questioning and then we'll  
21 turn this Ms. Miller and to Mr. Hanson.

22 CONTROLLER CHIANG: One question: This  
23 question deviates slightly from the approach that we're  
24 taking.

25 You we have been going chronologically via



1 business line.

2 My question regards the use of Death Master  
3 from a holistic approach.

4 At what level of management was the decision  
5 made to use Death Master and how is the information  
6 communicated across business lines?

7 I'm trying to get a sense of why different  
8 chronology for the use of Death Master.

9 MR. KATZ: I think I understand your question.  
10 Unfortunately, I do not know the answer.

11 Many of these decisions were made well in the  
12 past and so, as I sit here today, I can't speak to that.

13 The one thing I can speak to -- which I'd like  
14 to get into some depth later on -- is our decision that  
15 we made in 2010 to take a more holistic approach to the  
16 Death Master Index.

17 I'd be happy to share with you that decision  
18 process because I was personally involved in it and talk  
19 to you how that was made. I can't speak to what was  
20 done historically.

21 CONTROLLER CHIANG: Can anybody provide a  
22 better sense of the approach -- not working within the  
23 insurance industry or within the insurance industry --  
24 is there a lower-level management decision or would that  
25 rise to executive management or it could rise to court

1 consideration --

2 Is it viewed as a fundamental change in the  
3 operations for a particular product line or was that  
4 viewed as impacting company-wide operations?

5 MR. KATZ: Are you asking historically? I  
6 just want to make sure I follow.

7 CONTROLLER CHIANG: If you can answer in a  
8 historical context, that's s the gist of my question.  
9 If not, what would be the current view?

10 MR. KATZ: I can't answer it historically.

11 What I can do is in the context of the current  
12 changes, my leadership team and management up to my boss  
13 were involved in that dialogue of what we were going to  
14 do there.

15 CONTROLLER CHIANG: Your boss held what  
16 position at what level and where is that position in the  
17 organizational structure of MetLife?

18 MR. KATZ: My boss is the President of the US  
19 Business and he reports to our CEO. He was involved in  
20 the discussions.

21 COMMISSIONER JONES: Ms. Miller.

22 MS. MILLER: I just have one clarifying  
23 question.

24 You testified that you didn't run through  
25 Death Master on people without Social Security numbers.

1           I think you said 800,000 industrial life  
2 members were in that category. Is that the total number  
3 of policies that have never been run through Death  
4 Master or is that just industrial life?

5           MR. KATZ: I believe -- and maybe someone can  
6 help me -- but I checked that number just to be sure.

7           The number I was attempting to comment on was  
8 the industrial life block.

9           I assume your question is: Are there  
10 additional policies beyond those that don't have Social  
11 Security numbers? I don't know the answer to that. We  
12 can certainly find that out.

13          MR. HANSON: In the 2007 Death Master run,  
14 will you go over in detail again what the scope of that  
15 was and what the specific policies types and periods of  
16 periods of time they looked at for that?

17          MR. CASSANDRA: The 2007 run, we matched most  
18 of our individual life insurance policies. That would  
19 include the industrial, whole life, and any other --  
20 universal life, the life insurance products normally  
21 manufactured by individual policies.

22          MR. HANSON: That was just the life, business,  
23 individual life?

24          MR. CASSANDRA: Specifically with regard to  
25 the 2007 match that we discussed, the scope of that was

1 the individual life business, which got materially most  
2 of the business.

3 It was small assumed blocks of business which  
4 were not matched in 2007 and provided, of course, that  
5 we had a Social Security number to match.

6 MR. HANSON: So it's just individual life  
7 policies remained where they had a Social Security  
8 number. It wasn't group. Was it a whole term?

9 MR. CASSANDRA: Yes, whole life, term life and  
10 universal life. But I think you said group life was not  
11 in that scope of that.

12 I think group life was not in that scope of  
13 that because of a very important distinction between  
14 group insurance and individual insurance.

15 In group insurance, the company does not keep  
16 records. The group policyholder is the party who  
17 generally does the administration of the records.

18 MR. HANSON: Without running Death Master,  
19 what happens in any of these lines of business at  
20 MetLife? They go until when? What happens to them long  
21 after anybody could possibly believe the policyholder is  
22 still alive?

23 MR. KATZ: You're hitting on a very good  
24 point, which is, is -- does it make sense -- this  
25 isn't your question, but is there a place to use Death

1 Master in the individual life business? We believe  
2 there is.

3 We believe our learning from the '07 match  
4 told us that while 99 percent were claimed dollars paid,  
5 the normal process works. For one percent, it may not.

6 And so, we believe it makes sense that -- and  
7 so to answer your question, what will happen to those  
8 one percent? Those one percent of policies either  
9 ultimately would get paid or would superannuate and  
10 would be escheated -- certainly the industrial block,  
11 which was a big chunk of where our focus was.

12 I just simply want to try to answer your  
13 question.

14 MR. HANSON: I don't know if you're answering  
15 my question.

16 I have the same conundrum that Commissioner  
17 Jones had which is: Claimed dollars paid doesn't mean  
18 that if the person never submits a claim, I don't know  
19 that that's reflected in claims paid 99 percent.

20 MR. KATZ: I should clarify that then.

21 If you think about over a period of time we  
22 had, I'll generalize two sources to gather claims; one  
23 was a normal process and the other was out of the death  
24 match.

25 If you looked over a period of time, about 99

1 percent of the claimed dollars paid came from the normal  
2 sources and about one percent of those claims never were  
3 submitted through the normal processes -- or we don't  
4 believe they were -- and we caught them through the  
5 death match.

6 We think it's a useful safety net for those  
7 situations where the normal process doesn't work.

8 MR. CASSANDRA: That match was designed for  
9 exactly that purpose, Mr. Hanson, which was to attempt  
10 to identify individuals who may have passed but where  
11 the beneficiary did not come forward.

12 That was actually the purpose of that 2007  
13 match as a safety net to find anyone that may not have  
14 presented a claim.

15 MR. HANSON: My next question is: To your  
16 knowledge, who is in the Death Master File? From what I  
17 can tell, it's people that were receiving Social  
18 Security benefits.

19 MR. CASSANDRA: I'm not an expert exactly on  
20 exactly the sources to the Social Security Death Master  
21 File.

22 My understanding is that it contains  
23 approximately 87 million deaths that were reported in  
24 some way to the Social Security Administration.

25 MR. KATZ: You gave a good point.

1           There could certainly be people who aren't on  
2 the Death Master Index. There is a challenge to the  
3 industry and its regulators and it's something for us to  
4 talk about because what the policies state is that the  
5 beneficiary should submit a claim.

6           We think it's important for individuals to  
7 share with their beneficiaries how much insurance they  
8 have so they know they should submit their claim at the  
9 time the person dies.

10          We think that Death Master Index is a good  
11 tool to capture the majority of individuals that didn't  
12 follow that normal process. We think that's a small  
13 slice in total.

14          We also think that other efforts like outreach  
15 to policyholders can help there too.

16          I described the process we did in the '80s and  
17 '90s just to reach out to policyholders. We currently  
18 match the majority of our admin records against the  
19 national change of address database to help stay in  
20 touch with policyholders.

21          We certainly have robust policies for returned  
22 mail so that if we're in touch with policyholder, we  
23 can't get in touch with them.

24          If your question is getting at, what about if  
25 all that doesn't work? Ultimately, we can only pay if

1 we're given information that shows us that there's a  
2 liability due.

3 On many of our policies, however, they do  
4 superannuate.

5 All that really means is that at a certain  
6 point in time, you assume that you have an unclaimed  
7 property situation and that money is turn over to the  
8 State.

9 MR. HANSON: One other question that I have  
10 is: What has been kind of -- maybe this is outside the  
11 scope of the subpoena.

12 You sold these policies over many years. How  
13 are they being marketed to folks?

14 I look at marketing material and it looks like  
15 the companies make representations: "We're there for  
16 you. We're going to be there for your family or estate  
17 or what have you."

18 Is that the general thrust of how you market  
19 your annuities?

20 MR. KATZ: Our greatest responsibility we  
21 believe is to make good on our promises to our  
22 customers. If we're not able to do that, it would be  
23 difficult to ask customers to do business with us.

24 I can't comment specifically to any specific  
25 marketing piece, but inherent in what we do is a



1     promise, that when we have a liability, to pay that  
2     liability.

3                 We paid out over \$11 billion in claims.  
4     That's what we paid in 2010 in life insurance claims.  
5     So we take that very seriously.

6                 We also believe the processes around our  
7     insurance are quite effective. They work for 99 percent  
8     of the time. There is a small percent where they don't.  
9     We think that index a good safety net.

10                Maybe after the break, we can talk about what  
11    we are doing now and where we want to go perspective.

12                We also think continuously doing things to  
13    stay in touch with your customers is also a good idea.

14                COMMISSIONER JONES: Okay. You've testified a  
15    moment ago that with regard to group life, it's  
16    typically the policyholder which is the corporate entity  
17    or customer that has the records, but is there some  
18    percentage of your group life business where you  
19    actually know who the actual individual policyholder is?

20                And if so, what percentage or number of  
21    individual members, if you will, in group life policies  
22    do you have knowledge about?

23                MR. KATZ: The answer is: Yes, there are some  
24    group life businesses where we are managing the records.

25                I don't have the percent of that. We can get

1     you that.

2                 What I will tell you is, it's been growing  
3     over time where employers may ask us to manage their  
4     records. It's relatively small still.

5                 That did lead to our decision in 2010 -- which  
6     I think I can talk to -- including the group life  
7     business where we have the records as part of our match  
8     going forward.

9                 It's early days on that work, but we think it  
10    makes sense to look at that in the same safety net way  
11    that I described before.

12                I should make a point. The group business is  
13    a little different in that in many situations the  
14    employer is the one that submits the claim. So the  
15    employer has a role there.

16                We're very conscious on anything we do in our  
17    business to work closely with our group customers to  
18    make sure what we are doing is also with their  
19    expectations.

20                COMMISSIONER JONES: So prior to 2010, you  
21    weren't running Death Master against the records you had  
22    of individuals who were members of group life policies?

23                MR. KATZ: Generally speaking, we were not.

24                COMMISSIONER JONES: Can you give me the order  
25    of the magnitude; 20 percent of the business, 30 percent

1 of the business -- of your group business?

2 MR. KATZ: I can't.

3 MR. CASSANDRA: It's a minority of the  
4 business, but I don't have the exact history for you.

5 MR. KATZ: We certainly can get you that.

6 COMMISSIONER JONES: We would like to know  
7 that.

8 MR. KATZ: I would like to make a point for  
9 completeness. There have been some situations in the  
10 group business where a specific group customer has used  
11 the match. And in those situations, obviously, we then  
12 were presented with claims.

13 So we wouldn't be the one doing the match, but  
14 we're aware of certain group of customers who have taken  
15 it upon themselves to use the Death Index for their  
16 records.

17 COMMISSIONER JONES: How many?

18 MR. KATZ: Not many.

19 MR. CASSANDRA: A handful.

20 MR. KATZ: A handful. It's small.

21 COMMISSIONER JONES: You testified a moment  
22 ago that for a certain period of time, there were two  
23 sources for claims; the normal claims process and Death  
24 Master.

25 But just to be clear, what period of time are

1 we talking about as it relates to the individual life  
2 insurance part of your business, it was 2007 that you  
3 first began to use Death Master in a systematic way  
4 across life insurance policies to determine if there  
5 were matches. Is that correct?

6 MR. KATZ: In 2007, we did a systematic match.  
7 It was one match, but it went back all the way back on  
8 our records.

9 COMMISSIONER JONES: I understand 2007 was the  
10 first time you ran that systematic match across life  
11 insurance policies where you had a Social Security  
12 number -- excluding some of the policies that you  
13 testified to a moment ago in the mergers and  
14 acquisitions acquired company policies and some of the  
15 other categories, but 2007 was the first time and you  
16 ran it once that time?

17 MR. KATZ: In a comprehensive way, individual  
18 businesses with the caveats that you articulated --

19 COMMISSIONER JONES: That's a yes?

20 MR. KATZ: Yeah. You didn't say "individual."  
21 That's what I wanted to clarify.

22 COMMISSIONER JONES: And then, when was the  
23 next time that you ran Death Master across your life  
24 insurance policyholders policies?

25 MR. KATZ: In 2010, we initiated a

1 comprehensive death match program - which I'll let  
2 Mr. Cassandra talk about which has a running Death Index  
3 throughout all of our -- the majority of our business --  
4 which I'm going to touch in a minute -- in a systemized  
5 way. And some of that kicked off in late 2010 for our  
6 retained asset accounts and then it's rolling throughout  
7 2011.

8 I believe the individual life piece was just  
9 matched this month and that will continue throughout  
10 2011.

11 COMMISSIONER JONES: Let's start there after  
12 the break. We'll take a 15-minute break. Thank you  
13 very much.

14 (Recess was taken from 11:15 a.m. to 11:39 a.m.)

15 COMMISSIONER JONES: We're going to resume the  
16 hearing now.

17 I want to begin by asking some additional  
18 clarifying questions about some of the things we talked  
19 about this morning.

20 Then, we'll give MetLife's representatives an  
21 opportunity to talk about what's happening commencing in  
22 2010.

23 Before we go there, earlier in the hearing,  
24 MetLife testified to its utilization of Death Master for  
25 annuities.

1           In the slide presentation earlier, there was  
2   some discussion that with an annuity there is what's  
3   called a pay-in period and a payout period.

4           I'm wondering if you could describe for us  
5   what those two terms mean in the context of an annuity  
6   -- if any of the witnesses could.

7           MR. SOLLMANN: I'll be happy to.

8           COMMISSIONER JONES: If you could just get  
9   real close to the mic. I'm having some problem.

10          MR. SOLLMANN: As Mr. Cole's presentation  
11   outlined, a payout annuity is one where we are making  
12   payments to the owner in the form of a monthly income.

13          A deferred annuity is one which is in a pay-in  
14   status where the ultimate benefit to the contract holder  
15   is at some point in the future.

16          COMMISSIONER JONES: So in your original  
17   presentation or testimony, one of the witnesses used the  
18   phrase "deferred annuity." That's synonymous with a  
19   pay-in period for annuity?

20          MR. SOLLMANN: That's correct. In the trade,  
21   those are commonly called "deferred variable annuities."

22          COMMISSIONER JONES: Okay. And with regard to  
23   annuities that are in a pay-in period, is there  
24   typically a death benefit associated with those  
25   annuities?

1 MR. SOLLMANN: There typically is, yes.

2 COMMISSIONER JONES: For MedLife's annuity  
3 product, do they typically have a death benefit  
4 associated with their specific annuity products that are  
5 in the pay-in or deferred status?

6 MR. SOLLMANN: That's typically the status,  
7 yes.

8 COMMISSIONER JONES: You testified as well  
9 that Death Master was used initially manually and then  
10 more systematic with regard to annuities.

11 Was Death Master also used for annuities that  
12 are in the pay-in period?

13 MR. SOLLMANN: Yes. The description of the  
14 process that I outlined earlier -- that began in the  
15 early 2000s -- applied equally to our payout business as  
16 well as to a portion of our deferred business. So let  
17 we just talked a minute about that.

18 COMMISSIONER JONES: Thank you.

19 MR. SOLLMANN: And so, it was being used in  
20 the early 2000s, to the best of my knowledge, for across  
21 all of our payout business.

22 For deferred annuities that were on similar  
23 administrative systems that support the majority of our  
24 older, more mature blocks of business, we used it as  
25 well.

1           As I said earlier, as we continued to evolve  
2 those processes and procedures this year, we planned on  
3 continuing to expand that process to the rest of our  
4 deferred annuity business.

5           COMMISSIONER JONES: Prior to this year, what  
6 percentage of the deferred pay-in annuity business were  
7 using Death Master to do matches for?

8           MR. SOLLMANN: I don't have the exact number.  
9 I can tell you, just in a high level, that the  
10 majority of our in force business, our book of business,  
11 block of business, are those of older contracts.

12           The newer business would be the ones that we  
13 plan on extending this process to. I could get you the  
14 exact number if that would be helpful.

15           COMMISSIONER JONES: That would be helpful.  
16 What I'm interested in is what percentage of  
17 deferred annuities you were using Death Master for prior  
18 to 2010?

19           MR. SOLLMANN: I don't have that with me, but  
20 I can give that to you.

21           COMMISSIONER JONES: As to those annuities  
22 that were in pay-in or deferred status when in the  
23 utilization of Death Master you reached a match, what  
24 was then done with regard to any communication with the  
25 annuitant?



1           MR. SOLLMANN: Sure. Again, we would use the  
2 same process on payout annuities and on these pay-in  
3 contracts as well.

4           That process involved sending notification or  
5 a death claim packet to the last address. We have a  
6 rigorous and periodic process for following up. If we  
7 don't hear back from the initial letter, we let -- that  
8 period goes on for a maximum of five years -- again,  
9 consistent with the Internal Revenue Code's provision  
10 that allows a beneficiary to defer taking the death  
11 benefit for up to five years.

12           If, in the course of that five years we have  
13 still been unable to identify a beneficiary, we will go  
14 through what we call a finder process. Basically, it is  
15 outside outsources to be able to identify a valid  
16 address.

17           If, at the end of the year we're unsuccessful  
18 there and commencing with the fifth year of that period  
19 from date of death, we will then begin the escheatment  
20 process.

21           COMMISSIONER JONES: So that was the practice  
22 with regard to some portion of the deferred pay-in  
23 annuities, but commencing in 2010 to now, you've now  
24 expanded that practice to all of the deferred pay-in  
25 annuities?

1           MR. SOLLMANN: We will be expanding that to  
2 all of them this year.

3           COMMISSIONER JONES: I'm wondering if the term  
4 "Association Group Life" has any meaning to you? And,  
5 if so, what is that term generally understood to mean?

6           MR. KATZ: Can you repeat the term?

7           COMMISSIONER JONES: Association Group Life  
8 Insurance.

9           MR. KATZ: I'm going to make an assumption  
10 that it would be group life offered for an association.  
11 I don't know of it as a formal term.

12          MR. CASSANDRA: That's not a term that we  
13 commonly use.

14          COMMISSIONER JONES: In your testimony  
15 previously with regard to how you did or did not use  
16 Death Master with group life, were you including -- if  
17 you will -- group life policies for membership-based  
18 associations?

19               Is there any distinction in your business with  
20 regard to group life policies for an association-based  
21 group life insurance policy?

22          MR. KATZ: For the purposes of -- I'm not  
23 aware of any distinction.

24          COMMISSIONER JONES: And for purposes of Death  
25 Master?

1           MR. KATZ: No. I'm not aware of any  
2 distinction there.

3           If we have association business, it's very  
4 small and it's not a market for us.

5           COMMISSIONER JONES: Do you treat that in any  
6 way different than the other group life insurance  
7 policies in which you have used or have not used Death  
8 Master?

9           MR. KATZ: I'm not aware of any differences.

10          COMMISSIONER JONES: There was a document that  
11 was alluded to a little bit earlier in the hearing that  
12 provided a little more detail in response to some of our  
13 questions.

14          I want to -- I don't know if that has been  
15 provided to us yet. I'm wondering if you have it, it  
16 could be provided to us, and if you would be willing to  
17 tell us what the source of the document is, and then we  
18 can receive it and make sure it's part of our record.

19          MR. SOLLMANN: Commissioner, are you referring  
20 to the request for shared information from an individual  
21 and released to other parts of the company?

22          COMMISSIONER JONES: It was whether a document  
23 was alluded to by counsel earlier. There was some  
24 colloquy about the accurateness of the document so that  
25 may be it.

1           MR. SOLLMANN: What I can testify to is that  
2 the document that I have here -- which we will share  
3 with you -- is a true and accurate copy of the current  
4 version of this policy.

5           This policy went into effect in the beginning  
6 of 2010.

7           As I mentioned earlier, we had a less formal  
8 process that was in existence prior to that or early  
9 2010.

10          The written description of the steps we take  
11 to share this information is what's reflected in this  
12 document.

13          If I could just read an excerpt from this  
14 document, I think it might be helpful and give you a  
15 sense of the steps we take to share information beyond  
16 (inaudible.)

17          COMMISSIONER JONES: It might be, but what I'd  
18 like to suggest is: Maybe we could get a copy and the  
19 court reporter could get a copy, then we can take a look  
20 at it. If we have followup questions, we can ask those  
21 after the lunch break.

22          MS. ROSEBOROUGH: The copy that witness has  
23 annotations from counsel on it. We'll try to get you a  
24 clean copy over the lunch break, but the copy with us  
25 has communications on it.

1           COMMISSIONER JONES: Well, why don't we wait  
2 to ask about that and wait to take testimony about that  
3 until such time as we can actually get a copy of it.

4           Now, the other question that I have has to  
5 deal with MetLife's practices when you have a  
6 circumstance where a life insurance policy is not  
7 completely paid up, but some premium has been collected  
8 on that policy, and then for whatever reason, the  
9 company stops getting premium on the policy.

10           What does MetLife do in that circumstance with  
11 regard to the policy like that?

12           MR. KATZ: It's going to be a varied answer  
13 because we have many different policy forms in different  
14 states and different -- what I'm going to call --  
15 nonforfeiture elections that exist in those policy  
16 forms.

17           I can speak to a couple of examples, but more  
18 likely than not it's not going to be a complete answer.  
19 We can go through it and you can follow up as much as  
20 you'd like.

21           COMMISSIONER JONES: Okay.

22           MR. KATZ: So probably the most important  
23 point I want to make in the context of those policies  
24 is: If we did a death match subsequent to what I'm  
25 going to describe momentarily, that death match would

1 include any active in force policies, any policies in  
2 nonforfeiture status and any cancelled policies.

3           So to the extent that a policy lapses for  
4 whatever reason, if later through a match we identify  
5 that that individual, in fact, died while that policy  
6 was in force, the policy will be -- the value will be  
7 reinstated to the value that it was when the individual  
8 died and the beneficiary would receive interest  
9 consistent with statutory requirements.

10           I just want to make sure that is clear first.

11           In some of our policies, they do have what are  
12 called "nonforfeiture provisions."

13           These nonforfeiture provisions are designed to  
14 keep policies in force in situations where an individual  
15 doesn't make required premium payments.

16           In many cases, the policyholder can elect a  
17 nonforfeiture provision that they would like.

18           For example, they might elect a paid in full  
19 paid-up status. They may elect extended term insurance.  
20 They may elect a premium loan.

21           Essentially, if you think about policies that  
22 have cash value in force, depending on -- again, most  
23 policies have elections -- we'll honor what that  
24 election is.

25           To the extent that that election results in

1 the action -- that would happen. So in a paid-up  
2 status, it would convert to paid-up. An extended term,  
3 it would be extended for a period of time at a given  
4 face amount.

5 In an automatic policy loan, the loan would be  
6 taken out of the policy proceeds.

7 In all of the circumstances, the  
8 administration would be consistent with whatever the  
9 form would be required -- I believe -- and we would act  
10 on it accordingly.

11 So to your question, could there ever be a  
12 situation where an individual doesn't make a premium and  
13 there's cash value in that policy and the policy  
14 ultimately lapsed, that certainly could happen.

15 However, going back to my first point, if  
16 however, we subsequent to that run a match and we find  
17 that that individual's death preceded the date that  
18 policy lapsed -- whatever the value was at the time  
19 that that person died -- that's the value that we use  
20 in the means of ultimately paying out to the beneficiary  
21 or, if we can't find the beneficiary, escheating those  
22 funds to the State. I gave you a lot there.

23 MR. CASSANDRA: Could I augment Todd's answer  
24 with one other point?

25 I think Todd's testified earlier that on the

1 industrial block, we had made decision -- the company  
2 made a decision in the very early '80s, on or about  
3 1981, to waive any future premiums on those policies.  
4 So under that industrial block, no premiums are due.

5 It's a situation which I believe would lead to  
6 -- we don't think can happen on the industrial block  
7 business.

8 COMMISSIONER JONES: So with regard to  
9 nonindustrial block business, what number of policies  
10 are we talking about here that MetLife has in the  
11 individual product line?

12 MR. KATZ: How many policies do we have in our  
13 nonindustrial individual --

14 COMMISSIONER JONES: Yes.

15 MR. KATZ: -- life block?

16 MR. CASSANDRA: Total in force, Commissioner?

17 COMMISSIONER JONES: Yes.

18 MR. CASSANDRA: More than six million.

19 COMMISSIONER JONES: Six million.

20 In the early part of the 2000s, what number of  
21 policies did the individual block did you have in force  
22 that were nonindustrial?

23 MR. CASSANDRA: I don't have that number with  
24 me.

25 COMMISSIONER JONES: In the '90s, do any of



1 the witnesses know -- either the '90s or early 2000s --  
2 what number of individual non-industrial policies were  
3 in force?

4 MR. KATZ: I don't know the answer.

5 COMMISSIONER JONES: With regard to the  
6 automatic policy loan provision that you just described  
7 a moment ago, if I understand that correctly, what that  
8 is a provision that allows MetLife to begin to collect  
9 when the cash value of the policy -- the premium that  
10 otherwise would have been required to have been paid in  
11 the event that the policyholder is not paying a premium  
12 anymore. Is that correct?

13 MR. KATZ: That's correct.

14 As a means to keep the policy in force, in  
15 most cases the individual is electing that piece, making  
16 that election such that their policy doesn't lapse.

17 COMMISSIONER JONES: Of the six million  
18 individual non-industrial policies that you have in  
19 force now, what percentage of those have automatic loan  
20 payment provisions?

21 MR. KATZ: I don't know.

22 COMMISSIONER JONES: Do any of the witnesses  
23 know what percentage of the book of business has that  
24 provision?

25 MR. CASSANDRA: I'm sorry, Commissioner. I

1 don't know.

2 COMMISSIONER JONES: Is it the majority of the  
3 book of business that has that provision?

4 MR. CASSANDRA: I couldn't say.

5 COMMISSIONER JONES: We'd be interested in  
6 what percentage of the in force individual life  
7 insurance policies have the automatic loan payment  
8 provision?

9 With regard to the utilization of Death Master  
10 as it relates to the individual policies, I believe it  
11 was your testimony that it wasn't until 2007 that there  
12 was a systematic utilization of Death Master across  
13 individual policies to determine if there was a match.  
14 Is that correct?

15 MR. KATZ: Absent any reference to litigation  
16 -- which we will speak today -- that is correct.

17 COMMISSIONER JONES: Let's talk about  
18 litigation.

19 You caveated your answers a couple of times by  
20 qualifying it by saying that absent litigation, you did  
21 "X." Absent litigation, you did "Y."

22 Can you share with us how Death Master has  
23 been used in the context of whatever litigation is that  
24 you're referring to?

25 MS. ROSEBOROUGH: Let me offer as a general

1 statement, we're glad to provide the details of that in  
2 a confidential setting.

3 For purposes of this setting, I'll just note  
4 that for purposes of complying with obligations under  
5 certain settlement agreements, we made very narrow  
6 limited use of the Death Master File.

7 I'm happy to share the details of that in a  
8 more confidential setting.

9 COMMISSIONER JONES: Can any of the witnesses  
10 testify at this point whethere that was litigation  
11 brought by a state regulator?

12 MS. ROSEBOROUGH: It was not.

13 COMMISSIONER JONES: Are all of those matters  
14 resolved at this time?

15 MS. ROSEBOROUGH: They are.

16 COMMISSIONER JONES: Is there any pending  
17 litigation involving the utilization of Death Master?

18 MS. ROSEBOROUGH: There's not and the subject  
19 of those litigations was not utilization or  
20 non-utilization of Death Master.

21 COMMISSIONER JONES: But Death Master was used  
22 in some context in association with those --

23 MS. ROSEBOROUGH: The resolution.

24 COMMISSIONER JONES: -- the resolution of  
25 those particular lawsuits?

1 MS. ROSEBOROUGH: Yes.

2 COMMISSIONER JONES: Have there been  
3 settlements that have been filed publicly with courts  
4 with regard to those lawsuits?

5 MS. ROSEBOROUGH: Yes.

6 COMMISSIONER JONES: And so if the settlements  
7 are publicly available, why is it that the witnesses  
8 can't testify about the utilization of Death Master in  
9 association with those lawsuits.

10 MS. ROSEBOROUGH: I'm glad to provide you with  
11 copies of the settlement agreements. I'm glad to  
12 provide you the details how we executed our  
13 responsibilities under the settlement agreements, but in  
14 a more confidential setting.

15 COMMISSIONER JONES: The settlements  
16 themselves are public, but you can't testify about them  
17 at this time?

18 MS. ROSEBOROUGH: The witnesses are not  
19 prepared to testify about the details of how we executed  
20 our obligations under those settlement agreements.

21 The execution of obligation under the  
22 settlement agreement in some instances included use of  
23 the Death Master File to make sure we fulfilled our  
24 obligations under those settlement agreements.

25 COMMISSIONER JONES: Okay. So we're not going

1 to waive here our right in a public hearing to have  
2 access to the settlement agreements and testimony  
3 related thereto.

4 I know you're asserting that they're  
5 confidential in nature. You can only provide them to us  
6 confidentially.

7 I respectfully disagree. I think if the  
8 settlements are public, we should have a right to them.

9 I think our subpoena contemplated all  
10 utilization of Death Master, so I don't think it's  
11 responsive also not to have a witness testify about  
12 this.

13 MS. ROSEBOROUGH: To be clear, we're happy to  
14 provide you with copies of the settlement agreements  
15 themselves and have no concerns about discussing the  
16 settlement agreements with you.

17 COMMISSIONER JONES: Okay. So we're going to  
18 reserve our ability to call witnesses back from MetLife  
19 to talk about those settlement agreements once you've  
20 produced them for us.

21 MS. ROSEBOROUGH: We're happy to do that.

22 COMMISSIONER JONES: Is there any other --  
23 other than your utilization of Death Master commencing  
24 in 2010, are there any other uses to which Death Master  
25 was put other than what you've already testified to so

1 far in this hearing?

2 MR. KATZ: I believe we have given you a  
3 comprehensive view of our whole business.

4 I can't tell you definitively we've covered,  
5 you know, the four corners of the organization. As I  
6 explained before, it's a very large organization. But  
7 to the best of my knowledge, I think we've covered the  
8 gamut.

9 I just want to make one point. We mentioned  
10 retained asset accounts. I don't believe we talked  
11 about them, so we certainly can and will, if you'd like  
12 us to --

13 COMMISSIONER JONES: I think what we're going  
14 to do is wait until later in the hearing to pick up the  
15 issue of retained asset accounts.

16 MR. KATZ: That is another area.

17 To answer your question, I believe we've  
18 covered the gamut. I can't be sure of that, but some of  
19 you will agree. I can give you as much stuff as you  
20 like.

21 MR. CASSANDRA: Commissioner, could I just  
22 clarify one other point?

23 When you had asked about nonforfeiture  
24 options, I just wanted to be clear that you understood  
25 when we did the 2007 match against the Death Master

1 File, we considered that situation in how we thought  
2 about the logic for that match.

3 That match included a match not only against  
4 in force policies, but also policies that may have  
5 cancelled in the example that we gave.

6 So that we believe to the extent that that may  
7 have happened at some point in the past since that 2007  
8 sweep was, in fact, an issue of being a type sweep, we  
9 believe any such situation like that would have been  
10 caught by that match.

11 So can I say we got everyone? We think we  
12 were concerned about that situation. We contemplated it  
13 and any logic that we developed we intended to uncover  
14 all of those.

15 COMMISSIONER JONES: How far back in time did  
16 that sweep go with regard to the life insurance policies  
17 issued by MetLife?

18 MR. CASSANDRA: It used the entire Social  
19 Security Death Master File.

20 So on the one side, it was Social Security  
21 data, all Social Security data was included.

22 And from our side -- as we testified before  
23 under the individual businesses -- we attempted to  
24 include the vast majority of the business other than  
25 those assumed blocks and policies for which we had

1 Social Security information.

2 COMMISSIONER JONES: I understand that, but  
3 you've testified that not only did you run the sweep  
4 against in force policies, but also the policies that  
5 had lapsed, I think is your testimony.

6 My question is: How far back in time did you  
7 do that run and try to pick up lapsed policies?

8 MR. CASSANDRA: I think we went back as far we  
9 actually had data on in administrative systems.

10 The earliest death that we identified in that  
11 particular match was, I believe in the late 1970s.

12 We actually picked up a death that was earlier  
13 in the 1960s. It appears that that was on a policy  
14 owner, not an insured, however.

15 COMMISSIONER JONES: You've testified earlier,  
16 too, that originally Death Master was used manually with  
17 regard to group life insurance policies in a manual  
18 fashion and later on --

19 MR. CASSANDRA: Not group life, Commissioner.

20 COMMISSIONER JONES: I'm sorry. Say again.

21 MR. CASSANDRA: You said group life. Not  
22 group life. You may have meant group annuity.

23 COMMISSIONER JONES: I meant group annuity.  
24 You're absolutely correct.

25 I need to have a better understanding of the



1 computer records that MetLife has with regard to life  
2 insurance policies.

3 At what portion in MetLife's history did it  
4 begin to actually computerize records with regard to  
5 life insurance policies?

6 MR. KATZ: That's a difficult question to  
7 answer. You know, the enhancements to technology that  
8 emerged over the last 50 years are constant so I'm not  
9 in a position today to testify to all the different  
10 enhancements that have happened.

11 I'm not aware, frankly, of what happened when,  
12 and I don't think any of the other witnesses are.

13 What we can do, we'd be happy to, is follow up  
14 in writing with some information that kind of lays out  
15 what happens specifically when.

16 But I think you're asking for things that  
17 happened back in the '70s, '80s and '90s and it's very  
18 hard to put all of that together in the level and depth  
19 and accuracy that you want for this discussion.

20 COMMISSIONER JONES: Are records associated  
21 with all of your in force life insurance policies  
22 computerized now?

23 MR. KATZ: I want to be careful to say "all,"  
24 but I believe the vast, vast majority of them are.

25 By saying "all," you will find one that isn't,

1 but I believe the vast majority is.

2 COMMISSIONER JONES: At what point in the  
3 company's history would the company be confident in  
4 saying -- most if not all -- of the records were  
5 computerized?

6 MR. KATZ: I think you're asking me to  
7 speculate on something I don't know the answer to. I  
8 don't know.

9 COMMISSIONER JONES: Do any of the other  
10 witnesses know at what point, with some confidence,  
11 MetLife felt that it had all of its policyholders  
12 records and computerized at some point?

13 MR. CASSANDRA: I don't think -- no.

14 COMMISSIONER JONES: Can we have somebody help  
15 with that microphone? Maybe you can borrow the  
16 microphone to your right. Thanks.

17 MR. CASSANDRA: I can't speculate as to when  
18 that happened, but I could give you an example.

19 Prior to our demutualization, the company took  
20 a very specific -- undertook a specific effort to try to  
21 find all of its -- to make sure it had records on all of  
22 its policyholders.

23 There were techniques used, including address  
24 verification associated with that demutualization in  
25 2000/2001 to attempt to find each and every

1 policyholder.

2 COMMISSIONER JONES: Okay. So prior to that  
3 period of time, thought, you've indicated -- Actually,  
4 let me back up.

5 You've indicated with regard to the industrial  
6 policies that only some portion of those industrial life  
7 policies have Social Security numbers associated with  
8 them?

9 MR. KATZ: Correct.

10 COMMISSIONER JONES: I think you said there  
11 were roughly one million industrial life policies.

12 MR. CASSANDRA: 1.5 million.

13 COMMISSIONER JONES: 1.5 million. I  
14 apologize.

15 I think you indicated that it was something on  
16 the order of 800,000 for which you ran Death Master  
17 against because you had a Social Security number  
18 associated with those policies. Was that the right  
19 number?

20 MR. KATZ: I think we probably have that -- I  
21 think it's about 800,000 that do not have.

22 MR. CASSANDRA: Actually, it's higher than  
23 that. It's more approximately a million where we don't  
24 have the Social Security numbers on the industrials.

25 COMMISSIONER JONES: Okay. Are then all of

1 the industrials computerized at this point?

2 MR. CASSANDRA: To the best of my knowledge  
3 and belief, they are.

4 COMMISSIONER JONES: Were they all  
5 computerized as of 2007 when you ran the Death Master  
6 sweep against the individual life insurance policies for  
7 which you had Social Security numbers?

8 MR. CASSANDRA: I believe that to be the case,  
9 Commissioner, but I can't say with 100 percent  
10 certainty.

11 COMMISSIONER JONES: Was any effort made with  
12 regard to the industrial life insurance policies for  
13 which you did not have the Social Security number to run  
14 the other elements of Death Master against those  
15 policies to determine that there might be a match?

16 MR. CASSANDRA: We actually did get data when  
17 we did the 2007 match and we looked at what we called  
18 other than the three-point matches.

19 It was our experience that we found 39,000,  
20 what I would call other than three-point matches when we  
21 did that 2007 search.

22 We diligently through -- including human  
23 research, the match was just the starting point. We  
24 actually researched all of those. It proved to be a  
25 very unreliable use of the Death Master.

1           We only uncovered approximately 700 valid  
2   claims payable to beneficiaries out of 39,000 where we  
3   had other than a three-point match in that 2007 sweep.

4           COMMISSIONER JONES: With regard to the 39,000  
5   that you found, there was a match other than the  
6   three-point match, what steps did you take to try to  
7   contact those policyholders or beneficiaries?

8           MR. CASSANDRA: I think we -- The match was  
9   the first step. We used Internet third-party vendors,  
10   for example, to help us, like Rootsweb or Accurint to  
11   try to find individuals and other record searches to try  
12   to find them.

13          COMMISSIONER JONES: So was it then after  
14   those additional record searches that you narrowed the  
15   number down to 7000?

16          MR. CASSANDRA: That's all that we could find.

17          MR. KATZ: I think it's also important to  
18   clarify that this may be an issue that we couldn't find  
19   them or it also may be an issue that it's just a  
20   mismatch, that you have somebody in the file.

21          A very common example is, in the industrial  
22   block, you have an individual policy owner who is the  
23   owner, but the insured is the child.

24          The record keeping way back then when that was  
25   set up wasn't particularly great.

1           So our goal was really where claims we have a  
2 valid liability and, if we do, then act on them.

3           The problem was, absent a three-point match;  
4 Social Security number, date of birth within two years  
5 and the name, the effectiveness was far lower than it  
6 would have been.

7           MR. CASSANDRA: It was a case that it was not  
8 our insured.

9           COMMISSIONER JONES: With regard to the  
10 industrial policies, was it the practice of MetLife to  
11 have a physical policy file for each of the industrial  
12 policies?

13          MR. KATZ: I'm assuming you're asking way, way  
14 back when?

15          COMMISSIONER JONES: Yes.

16          MR. KATZ: I don't know the answer for that.  
17 I think it's a reasonable assumption that we had some  
18 type of record. I can't testify to that for sure.

19          COMMISSIONER JONES: When the Death Master  
20 sweep was done on the individual life insurance policies  
21 in 2007, were there written physical records associated  
22 with the industrial life insurance policies in force at  
23 that point?

24          MR. KATZ: Well, there may have been, but if  
25 your question is: Did we -- what data did we use to

1 match. Is that what you would like? Or did we use  
2 paper files?

3 COMMISSIONER JONES: That's where I was going  
4 next.

5 MR. KATZ: I don't believe we did. What we  
6 did was: We took the data that we had from our admin  
7 systems, created a file and used that file to do the  
8 match.

9 What we didn't have on that file were the  
10 individuals that did not have Social Security numbers,  
11 which is a fairly substantiative portion of the  
12 industrial life block.

13 I should make a point on that block.

14 Keep in mind that in the ten years of late  
15 '80s to early '90s, we put forth substantive efforts to  
16 find those people -- whether it was through our Family  
17 Reunion Program, national advertising. National  
18 spokesman. We had Willard Scott be our spokesman.

19 And then, prior to demutualization, another  
20 exhaustive effort to find those people to see if their  
21 addresses were right, so the SS tool we didn't find to  
22 be as effective as others for individuals where we just  
23 didn't have the SS.

24 MR. CASSANDRA: I have several newspaper  
25 articles from that time which were explaining our

1 efforts to find industrial policyholders.

2 And, in fact, during period -- that multi-year  
3 period where we did the Family Reunion Program, we spent  
4 about -- The record shows we spend about \$20 million in  
5 terms of TV advertising, print advertising, events such  
6 as luncheons.

7 We had a particularly intense effort in  
8 Southern Florida where we believe that many of the  
9 policyholders coming from the northeast where a  
10 significant portion of our business was may have  
11 relocated.

12 We hired Willard Scott, who was a TV  
13 personality at the time, to actually host many of those.

14 In Florida, at Disney World, we actually had a  
15 pavilion set up so that visitors could come over and  
16 query the systems to find out whether or not we had an  
17 industrial policy for them.

18 COMMISSIONER JONES: How long was the family  
19 reunion project in effect?

20 MR. CASSANDRA: From the records that we show,  
21 up to ten years.

22 COMMISSIONER JONES: What was the period of  
23 time we're talking about?

24 MR. CASSANDRA: I believe - the dates of  
25 theses articles are -- This one is October 25th, 1990.



1           So it started in the late '80s and it ran  
2 through the mid-'90s. And in some cases, what the  
3 contact actually was -- actually put us in contact with  
4 the policyholder, so the address records and the update  
5 could be made, but there was no death at that point in  
6 time.

7           So one could argue that the program is still  
8 in force today because we are still getting claims from  
9 individuals who were reunited with the company through  
10 the Family Reunion Program.

11           COMMISSIONER JONES: How many policyholders  
12 were identified through the Family Reunion Program?

13           MR. CASSANDRA: From the records we have from  
14 that time, we estimate about a half million  
15 policyholders were reunited from the company through the  
16 Family Reunion Program.

17           COMMISSIONER JONES: And at the time that you  
18 did the 2007 Death Master sweep, was there any manual  
19 check of the industrial life insurance policies against  
20 the Death Master database?

21           MR. KATZ: If, in fact, we had a Social  
22 Security number for those policyholders -- we may have  
23 updated it over time, then they would have been run --  
24 it should have been run against the Death Index.

25           If we didn't have Social Security number, we

1 did not have a separate match process for those policies  
2 where no Social Security number existed.

3 COMMISSIONER JONES: But even as to those with  
4 no Social Security number, my understanding is you're  
5 doing a computerized match based on a Death Master File  
6 running against your administrative systems.

7 My question is sort of different. And that  
8 is, was there any physical search of the industrial  
9 policies, physical written records at the time of the  
10 2007 sweep to ascertain whether there was information in  
11 the physical file that might match up with that master?

12 MR. KATZ: I don't believe so, but I just want  
13 to clarify. If there were records -- physical records  
14 for the block, our intent would have been to have  
15 captured those in our systemic records, I believe.

16 My instincts would be: If we had records of  
17 information that were at one point on paper, we would  
18 have looked at in our systems.

19 COMMISSIONER JONES: I understand. But there  
20 was no physical inspection of written records.

21 MR. KATZ: Not that I'm aware of.

22 COMMISSIONER JONES: Okay. You testified  
23 earlier that your utilization of Death Master was  
24 limited to a three-point match as you described it;  
25 Social Security number, date of birth and name.

1 MR. KATZ: We should clarify that.

2 COMMISSIONER JONES: Please.

3 MR. KATZ: We matched -- of the files we  
4 matched with a three-point match, we found 28,000  
5 matches that wound up in about 18,000 claims with a  
6 three-point match. 28,000 matches, about 18,000 claims  
7 with a three-point match.

8 We also matched with just Social Security and  
9 name, just Social Security and date of birth. And I'll  
10 ask my team to confirm, I assume just Social Security  
11 alone, too. That resulted in an additional 39,000  
12 matches or less than complete matches.

13 Of that group, we found about 700 good claims.

14 COMMISSIONER JONES: When you say "good  
15 claims," does that mean that someone actually made a  
16 claim that fell in that 39,000?

17 MR. KATZ: No. We found that those were  
18 legitimate deaths where the individuals who were on our  
19 administrative record.

20 We would have invited that beneficiary to  
21 submit a claim. And if, in fact, the beneficiary  
22 couldn't be reached, those claims then would have gone  
23 through our unclaimed properties system.

24 COMMISSIONER JONES: With regard to providing  
25 those beneficiaries to make a claim, those that fell

1 within the 30 -- is it 37 or 39,000?

2 MR. KATZ: About 39,000.

3 COMMISSIONER JONES: 39,000.

4 Did you invite the beneficiary to make a claim  
5 only after you subjected those 39,000 policies to the  
6 additional data searches that were testified a moment  
7 ago as some of the other data sources?

8 MR. KATZ: I don't know exactly the sequence  
9 of it, but I'll try to speak in generalities.

10 We identified 39,000 matches. And I would say  
11 for the same part, 28,000 three-point matches. 28,000  
12 three-point. 39 one- or two-point matches. All of  
13 those were investigated.

14 The effort to investigate them involved first  
15 determining -- I think first determining: "Is this  
16 truly a match?" And then once we know it truly is a  
17 match, "Can we find the beneficiary?"

18 And if we can't find the beneficiary and, in  
19 fact, validated that it is a good claim, going ahead and  
20 proceeding with the unclaimed property procedures.

21 COMMISSIONER JONES: So there was some effort  
22 to try to find some location for the beneficiary after  
23 you determined that it was within the context of the  
24 28,000 for which you had a three-point match and 39,000  
25 for which you had a one-point or more match, you then

1     made an effort to see if you could find where those  
2     beneficiaries were by looking at what precisely?

3             MR. KATZ:  On many of them, once we determined  
4     it was a good claim, we would have that beneficiary on  
5     record and so we would have written to the last address  
6     of the beneficiary on record.

7             If, in fact, the last beneficiary on record  
8     couldn't be found, we would use other sources in an  
9     effort to find that beneficiary, including some of the  
10    computer sources that we talked about.  And if that  
11    couldn't be done, begin the unclaimed property process.

12            COMMISSIONER JONES:  What did the  
13    communication you sent to the beneficiary's last known  
14    address or other addresses provide -- what did it state  
15    to them -- the potential beneficiary?

16            MR. KATZ:  I do not know.

17            MR. CASSANDRA:  That's a level of detail that  
18    I don't know.

19            COMMISSIONER JONES:  Did you require them to  
20    submit a claim?

21            MR. KATZ:  We would have invited them to  
22    submit a claim, yes.

23            COMMISSIONER JONES:  And then, was there any  
24    effort --

25            MR. KATZ:  Just to be clear, I believe that's

1     what we did. I don't want to testify to the record that  
2     that's exactly what we did, so we can certainly follow  
3     up.

4                 COMMISSIONER JONES: That would be helpful.

5                 Was there any effort to publish the names of  
6     the individuals for which there had been a three-point  
7     match and the individuals for which there had been at  
8     least a one-point match?

9                 MR. KATZ: So publish the names?

10                COMMISSIONER JONES: Let me define what that  
11     means. I mean somehow, in some way, make those names  
12     publicly available?

13                MR. KATZ: So let's be clear what we're  
14     talking about because there's different code words.

15                There's the 28,000 and 39,000 that had an  
16     initial match that kind of came up that could be a match  
17     and the 18,000 and the 700 that actually were a match.

18                Which one would you like?

19                COMMISSIONER JONES: Let's start with the  
20     28,000.

21                MR. KATZ: So the 28,000 and the 39,000 -- I'm  
22     going to apologize. I have a phone in my pocket.

23                So the 28,000 and 39,000, before they were  
24     brought back to the 18 and 700 were just data that  
25     showed we could have a match.

1           So until we took the 28,000 down to the 18 and  
2   said: "We really do have a match" and the 39 to the 700  
3   and said: "We really do have a match," there wouldn't  
4   have been any outreach action to do because we didn't  
5   have -- my example could be that we identified that the  
6   person who died was not the person who had coverage.

7           And that happens fairly often because of data  
8   inconsistencies.

9           MR. CASSANDRA: Just to make that clear, the  
10   policy owner may have died but not the insured.

11          MR. KATZ: If that's the case, there wouldn't  
12   be a liability to be paid for that.

13          COMMISSIONER JONES: So with regard to the  
14   18,000 that I guess are a derivative of the 28,000,  
15   18,000 claims that are actually made of the 28,000?

16          MR. KATZ: 18,000 individuals of the 28 where  
17   we felt we had an accurate match, was really a match.

18          And those are the people that we began the  
19   claim investigation program. Those were the people that  
20   identified that ultimately resulted in \$80 million in  
21   payments of which \$50 million or so were actually paid  
22   to beneficiaries and another \$31 million were put into  
23   our unclaimed property for escheat.

24          COMMISSIONER JONES: Was there any publication  
25   of the 18,000 names?

1           MR. KATZ: So the ones where we were able to  
2 find the bene, no -- I would think not because we found  
3 the bene and paid them.

4           COMMISSIONER JONES: Actually, I thought you  
5 said that you did a three-point match, discovered  
6 28,000. You did further analysis and decided 18,000 of  
7 them were actually accurate.

8           And then, there was a subset of that where  
9 actual claims were paid. So it's roughly 3,000 or so I  
10 think you testified to.

11          MR. KATZ: Let me clarify.

12          We're going just to do the three-point match  
13 first and we'll come back to the two-point match.

14          Think of it this way: About 28,000 matches of  
15 which 18,000 were accurate matches where we determined  
16 it was a true match, we truly had a liability.

17          MR. CASSANDRA: Meaning our insured.

18          MR. KATZ: It was our insured. I should be  
19 clear about that. May not have a liability, but it's  
20 our insured.

21          With those we then wrote to the beneficiaries  
22 and we said: "Look, we have reason to believe" -- I  
23 don't know if that's exactly what the letter said. This  
24 is the gist of it -- "that so and so died and they had  
25 insurance."



1           As a result of that, we paid out \$50 million  
2   in claim payments.

3           COMMISSIONER JONES:   How many policies?

4           MR. KATZ:   I'm going to try to see.   I don't  
5   know if I can be linear on this.

6           So 18,000 policies all of which \$50 million  
7   were paid to benes in dollars and \$30 million --

8           COMMISSIONER JONES:   I got that before.

9           MR. KATZ:   How many policies?   We certainly  
10   can get it.

11          MR. CASSANDRA:   I don't have the number of  
12   policies.   I have the dollars.

13          COMMISSIONER JONES:   So not all 18,000 were  
14   paid out, I take it?

15          MR. KATZ:   They were either paid out or they  
16   were put into our unclaimed fund system to be escheated.

17          COMMISSIONER JONES:   So with regard to the  
18   18,000, they were either paid out or escheated?

19          MR. KATZ:   I want to be careful in saying  
20   "all," but generally speaking, that's what should have  
21   happened.

22          COMMISSIONER JONES:   Then with regard to  
23   39,000 for which you had a one or more match, only 700  
24   were either paid out or escheated?

25          MR. KATZ:   You got it.   Approximately.

1           COMMISSIONER JONES: With regard to the  
2 original 28,000 for which you had a three-point match  
3 and the 39,000 for which you had a one or more point  
4 match, there was no publication of the names of those  
5 individuals?

6           You describe what you did with them, but there  
7 was no publication of the names of individuals?

8           MR. KATZ: Correct.

9           COMMISSIONER JONES: That was m original  
10 question.

11           MR. KATZ: Yeah. So at some point, some  
12 segments of them as they funneled through the system may  
13 have resulted in some states which required some level  
14 of publication prior to funds being escheated, we would  
15 have executed our responsibilities to do that.

16           So I'll give you an example. In one state,  
17 they may say before you escheat -- this is the way  
18 California does it -- in California, California does  
19 outreach.

20           In some other states, they may require us to  
21 do an outreach and if we were required to do that in a  
22 given state, we would have done that.

23           But the segment between the 28 and the 18 or  
24 the 39,000 and the 700, there was no outreach because we  
25 didn't identify those as lost policies.

1           COMMISSIONER JONES: At the close of the last  
2 session, there was some testimony about what the company  
3 started to do in 2010 with regard to the utilization  
4 with Death Master.

5           Why don't you go ahead and share that with us  
6 now.

7           MR. KATZ: Sure.

8           COMMISSIONER JONES: I'm sorry, Mr. Katz. I  
9 want to apologize. Ms. Miller has a follow-up question.

10          MS. MILLER: Of the \$31 million that was put  
11 into your unclaimed property system in 2007, all of that  
12 was related to California claims has been escheated.  
13 Right?

14          MR. KATZ: I can't testify to that.

15          MS. MILLER: Is there a statute it's three  
16 years? In Florida, it's five. We talked about that at  
17 our hearing.

18          MR. KATZ: So my understanding is that in  
19 California, there is a three-year period. And in the  
20 report for 2011, which ultimately will be escheated at  
21 the latter part of 2011, you'd see an increase in the  
22 amount because of this group.

23          So we can certainly testify to those amounts  
24 if you'd like.

25          COMMISSIONER JONES: I think the Controller is

1 going to have a line of questioning about the  
2 responsibilities under California law so we can hold off  
3 on that for the moment, Ms. Miller.

4 Let me ask, though, if there aren't any  
5 follow-up with this line of questioning, we can now go  
6 to what the company started doing in 2010.

7 MR. KATZ: Sure. S I think I want to back up  
8 just a second to get to what led to what we did in 2010.

9 In 2007, we ran this match and we learned a  
10 whole lot of information. We learned about three-point  
11 matches. We learned about two-point matches. We  
12 learned about processes to connect with policyholders.

13 In fact, some of that learning goes a little  
14 bit further back.

15 And throughout 2008 and 2009, we were going  
16 through these exhaustive procedures as best we could to  
17 locate those policyholders and pay out these  
18 beneficiaries, and I kind of gave you the sense of the  
19 order of the magnitude.

20 In 2009, we had structural changes in the  
21 company, and this may get at Commissioner Chiang's  
22 question about the decision-making.

23 We created a US Business at that time. So  
24 prior to that, business units were managed separately.  
25 We created one US Business at that point in time.

1           Throughout I'd say, the early part of 2010, we  
2 began looking at the experiences that emerged out of the  
3 '07 match.

4           We also were engaged in discussions with  
5 regulators about questions around unclaimed property.

6           And ultimately, we took a look at what we  
7 wanted to do across our US Business in this specific  
8 area. And I was charged to lead a team to look at this  
9 issue holistically.

10           Based on that review, determined that we felt  
11 we had an opportunity to use that Master Index more  
12 effectively across the US Business to provide the safety  
13 net that I've been describing before. Presented a  
14 recommendation to my boss to use that universally in a  
15 way that we'll describe -- I want to be careful with  
16 "universally" -- generally, with the majority of our  
17 business.

18           We'll describe that in-depth in a moment.

19           That recommendation was accepted and in late  
20 2010, we began the process of executing on that program.

21           So I can certainly now tell you about that  
22 program or I can pause and let you ask questions.

23           COMMISSIONER JONES: Why don't you talk about  
24 the program.

25           MR. KATZ: Sure. I'll turn it over to

1 Mr. Cassandra.

2 MR. CASSANDRA: So in recognizing the fact  
3 that the Social Security Death Master File could be a  
4 very effective safety net, we took the decision to match  
5 against the Social Security Death Master no less  
6 frequently than annually the policies for which we had  
7 of records. Okay?

8 So that includes our retain asset accounts,  
9 our individual life insurance businesses, our annuities  
10 and the group life insurance business where we have the  
11 records and are the record keeper.

12 We believe that an annual match will provide a  
13 very effective safety net.

14 We will -- those procedures were recommended  
15 to include -- as we did in 2007 -- logic to capture not  
16 only active policies, but also any policies that may  
17 have ended due to expiring of the nonforfeiture option  
18 period.

19 So in late 2010, we began our first match  
20 consistent with this new policy by matching our retained  
21 asset accounts and we have been moving through and, in  
22 fact, the individual business has been matched again,  
23 and will be completely matched again to the extent that  
24 we have to have the records in by the end of this month.

25 COMMISSIONER JONES: So between 2007 and 2010,

1     were there any sweeps of product lines using Death  
2     Master?

3             MR. KATZ:   Absolutely.

4             COMMISSIONER JONES:   Which ones?

5             MR. KATZ:   We testified a little bit to what  
6     we did in annuities, disability and long-term care and  
7     so those processes that we testified to already were  
8     going on during those durations.

9             MR. SOLLMANN:   Commissioner, I would add on  
10    the individual annuity side -- as I testified to earlier  
11    -- we have a regular.

12            COMMISSIONER JONES:   Can you hold the mic a  
13    little closer, sir.

14            MR. SOLLMANN:   Sure.   In the individual  
15    annuity business, we conduct sweeps on a monthly basis  
16    for payout business and quarterly for deferred payments  
17    business.

18            COMMISSIONER JONES:   Okay.   So on the annuity  
19    side between 2007 and 2010, you're doing monthly for  
20    payout annuities and quarterly for pay-in annuities.

21            MR. SOLLMANN:   As I said, we began that  
22    process in 2000.

23            The only caveat I'd add is that on the sweeps  
24    we were doing on our deferred book of business was  
25    limited to all older blocks of business.

1           COMMISSIONER JONES: Okay. You then testified  
2 earlier about what you did with regard to  
3 corporate-owned and group life insurance, disability,  
4 long-term care. That work continued between 2007 and  
5 2010?

6           MR. KATZ: I believe it did. We want to get  
7 you -- certainly you had asked for the dates when we  
8 commenced long-term care and disability.

9           I believe those proceeded 2007. We will  
10 certainly verify that and get you that information.

11          COMMISSIONER JONES: So on the group life  
12 insurance side, are you doing -- during this period of  
13 time 2007 to 2010, are you doing quarterly, monthly or  
14 annual sweeps using Death Master?

15          MR. KATZ: We were not doing sweeps with group  
16 life insurance.

17          COMMISSIONER JONES: Okay. With regard to --

18          MR. KATZ: I'm sorry. For completeness  
19 except. For completeness except in those situations  
20 which I testified to where specific customers may have  
21 done that on their own.

22          COMMISSIONER JONES: Okay. And then with  
23 regard to disability insurance 2007 to 2010, monthly,  
24 quarterly or annually. Do you know?

25          MR. CASSANDRA: I believe it was monthly.



1           COMMISSIONER JONES: And then, with regard to  
2 long-term care insurance from 2007 to 2010, monthly,  
3 quarterly or annually?

4           MR. CASSANDRA: I believe it was monthly as  
5 well.

6           COMMISSIONER JONES: And so let me ask the  
7 same question with regard to company-owned life  
8 insurance during the period 2007 to 2010, were you using  
9 Death Master monthly, quarterly or annually?

10          MR. CASSANDRA: I believe it was monthly. So  
11 you may be asking why are --

12          COMMISSIONER JONES: You saw where I was  
13 going.

14          MR. CASSANDRA: What the frequency is --

15          COMMISSIONER JONES: More specifically, let me  
16 ask the question.

17                Why are you using it on a monthly basis for  
18 these other private lines, but only annually with regard  
19 to the life insurance product line?

20          MR. CASSANDRA: Right. We believe that the  
21 frequency needs to consider the underlying contractual  
22 provisions and the promises that are in embedded in  
23 those policies.

24                So on the annuity business, for example, the  
25 main use of the Death Master File is to avoid a duration

1     payout errors and to avoid having to try to go out and  
2     recover payments that were made after the death of the  
3     annuitant.

4             Again, under the contract, the annuitant must  
5     be alive in order to receive the benefits. So again, we  
6     used Death Master to avoid errors in that situation.

7             On the life insurance side, as we said, the  
8     process for beneficiaries presenting the claims to the  
9     company works exceedingly well, and has been the  
10    historical method for individuals to claim life  
11    insurance benefits.

12            Based on experience of our 2007 study, we saw  
13    that process did, in fact, work exceptionally well.  
14    While. While we uncovered in that 2007 sweep, we  
15    uncovered a little over \$80 million worth of benefit  
16    payments, that was just a small fraction of the total  
17    benefits that were incurred, claimed and paid out using  
18    the normal practice.

19            So \$80 million -- it's a meaningful number,  
20    certainly. It did represent a very small percentage of  
21    the total benefits that the company paid.

22            Again, we think that the Death Master File's  
23    best use this life insurance is as a safety net under  
24    that standard process.

25            One of the concerns you'd have is that

1 individuals will certainly, based on their own facts and  
2 circumstances, want to take a little bit of time to get  
3 their loved one's affairs in order before they actually  
4 make a claim for life insurance benefits.

5 And if you are making -- if the company is  
6 matching almost in realtime, the company would be  
7 injecting themselves into that process, perhaps  
8 inappropriately.

9 So what we think is, the standard process of  
10 beneficiaries claiming their benefits works very well.  
11 An annual match will serve them as a very effective  
12 safety net.

13 The last point I would make is that in most --  
14 under the provisions of most states, interest is payable  
15 to beneficiaries if claims are delayed.

16 So, in fact, in California it's my  
17 understanding that delayed settlement interest is  
18 payable to beneficiaries from 30 days after the date of  
19 death.

20 So the fact that the match is not done on the  
21 same frequency, there is actually good underlying  
22 reasons for a more staggered match on life insurance  
23 than on annuities.

24 COMMISSIONER JONES: I have to say that again,  
25 the one percent figure is a figure of paid claims.

1 I'm not persuaded that that represents the  
2 percentage of total policies in effect or policies that  
3 have lapsed due to death where someone has died and a  
4 benefit is owed.

5 But even taking the one percent figure for the  
6 moment, which is \$80 million, that's a big number. How  
7 many policyholders does that represent? These are  
8 relatively low-value policies is my understanding.

9 MR. CASSANDRA: I think the answer to that was  
10 the result of the 18,000 and the 700 that we talked  
11 about before.

12 MR. KATZ: That's going back over a really  
13 long time. So about 18,000 or so policyholders going  
14 back 20, 30, 40 years. So it's the vast majority of  
15 policies are coming in through the normal process.

16 COMMISSIONER JONES: The vast majority of  
17 claims that you pay are coming into the normal process.

18 That still doesn't answer the question as to  
19 whether or what percentage of claims that should be paid  
20 or benefits that should be paid because someone died and  
21 there was policy in effect, what percentage of your  
22 total policyholders that represents.

23 So without belaboring that, I'm not persuaded  
24 of the argument you're making with regard to the  
25 frequency of utilization of Death Master in the

1 individual life insurance context.

2 MR. CASSANDRA: But I think I wanted to take a  
3 minute -- if you will indulge me -- just to make sure  
4 you understand that when you do that Death Master File  
5 sweep, it is, in effect, an issue to the that sweep, so  
6 any individual who had passed and Social Security number  
7 is on the Death Master File and it matched with our  
8 records, we were able to identify those folks and  
9 actually pay out the benefits to their beneficiary.

10 So I think to the point of, you know, is that  
11 a good estimate of individuals who may not have  
12 otherwise claimed the benefit, we think that it is  
13 because once you do that match, once do you the match of  
14 the Death Master File and you go back through the whole  
15 history, you have essentially have swept it clean to the  
16 point, to the extent possible.

17 Our intent is to sweep it clean up to that  
18 moment in time.

19 MR. KATZ: There are two cohorts,  
20 Commissioner, which I think you may be getting at that's  
21 important that are included in numbers and Mr. Hanson  
22 got at that too.

23 One is the individuals who are not on the  
24 Death Index, we can't match against them.

25 And two, the other individuals who we don't

1 have Social Security numbers for.

2 So that is the place that I would say  
3 supplements the one percent, if that's where your line  
4 is going.

5 COMMISSIONER JONES: What you've testified to  
6 is before you get to the Death Master sweep in 2010, you  
7 assume that all of the records of your policyholders  
8 have been put in your system but you can't tell us when  
9 that happened and how much of that has happened. That's  
10 one big assumption.

11 Second, you have to have a match, at least  
12 initially of least three points and sometimes one point.

13 So again, I'm not convinced that the one  
14 percent figure is actually representative of the total  
15 percentage of policies in effect or policies that have  
16 lapsed for which a benefit should be paid.

17 I don't need to belabor the argument on that  
18 point.

19 I guess there were a couple of examples that  
20 the slide presentation went through that I want to run  
21 by you and see if I can get your reaction to, so I can  
22 better understand -- we as a panel have a better  
23 understanding of what your general practices are.

24 One example was a circumstance in which  
25 there's some communication from a relative of a MetLife

1 policyholder in which that relative of the MetLife  
2 policyholder, goes, once the policyholder's died, what  
3 is it we're supposed to do?

4 What does MetLife do in that circumstance when  
5 they receive that kind of communication from a relative  
6 of a policyholder?

7 MR. KATZ: I'm going to answer the question  
8 relative to our individual life business, if that's okay  
9 because I think we can give a dozen different answers.  
10 Is that where you'd like us to focus on?

11 I think that's where the example was.

12 COMMISSIONER JONES: I'm sorry. Start with  
13 the individual life.

14 MR. KATZ: That's where the example came from.

15 So we do get some of our claims through  
16 telephone calls from beneficiaries or even other family  
17 members.

18 And when we do get the call in that said the  
19 person died, that would kickoff our claim process.

20 We would then send the individual information  
21 asking them to fill out a claim information and provide  
22 us with proof of death and we would -- if you received  
23 that information back, we would then proceed with paying  
24 the claim.

25 Now, the followup, well, what if you don't get

1 it back, well, what do you do next?

2 We have procedures -- I don't want to attest  
3 to them exactly, but they involve at least two or three  
4 outreaches to whom we deem to be the beneficiary to  
5 really determine: "Do we have a valid claim here?"

6 All we have so far is somebody called us and  
7 told us that someone is dead.

8 We make best efforts, if in fact we can't  
9 guest notification, to use third-party sources to verify  
10 whether we have a valid claim here.

11 And in some cases, we'll write to the State in  
12 an effort to get the death certificate all in the effort  
13 to assess whether we have a valid claim here.

14 If, in fact, those efforts prove to be  
15 insufficient or they prove that there is no valid claim,  
16 we then end the process. We have not taken on -- we  
17 don't have a liability. We don't have funds due and  
18 owed because all we have is a call from someone that  
19 told us that someone died.

20 If however through that process we do get the  
21 information to secure there is a valid claim and proof  
22 of death, and we have liability that's due and payable,  
23 we will search out a beneficiary and see if there is a  
24 beneficiary to be paid.

25 If there is a beneficiary to be paid, that



1 beneficiary would be paid through the normal process.

2 If, in fact, the beneficiary can be located  
3 and we go through a process of searching out that  
4 beneficiary and ultimately deem them -- that we can't  
5 find, then then we'll go through our unclaimed process.

6 COMMISSIONER JONES: So in all of these  
7 responses to that sort of communication from a relative  
8 of the policyholder, do you require a death  
9 certification as proof of death.

10 MR. KATZ: Yeah. Our general procedure -- and  
11 we do have some exceptions which can I can certainly  
12 talk to. On 9/11, we didn't require death certificates.  
13 The Massey Energy thing, we didn't require a death  
14 certificate. So there will be exceptions.

15 But our normal procedure is, when someone  
16 reaches out to us, tells us that someone is dead, we  
17 will ask them to complete paperwork and provide us with  
18 information that shows there's proof of death, which is  
19 a death certificate. And once there is proof of death  
20 and we have a good claim, then we can proceed.

21 COMMISSIONER JONES: That's true even when you  
22 have a three-point Death Master match for that  
23 individual?

24 MR. KATZ: That's a good point. I should have  
25 used the other example.

1           So we did make a decision when we ran the 2007  
2 match to proceed without death certificates in an effort  
3 to expedite those claims.

4           MR. CASSANDRA: For ones that we entered into  
5 the unclaimed property system.

6           MR. KATZ: So just to be clear, for  
7 escheatment purposes. Obviously, we couldn't pay if  
8 there was a bene.

9           COMMISSIONER JONES: Could you repeat that.

10          MR. KATZ: For escheatment purposes.

11          COMMISSIONER JONES: So, let me make sure I  
12 understand then, with regard to the utilization of Death  
13 Master and the universes of the 228,000 and the 39,000,  
14 you required a -- you suspended your normal requirement  
15 that you had a death certificate that you pay out  
16 beneficiaries in that context using the 2007 sweep, but  
17 you did require death certificate for purposes of  
18 escheatment.

19          Do I understand that correctly? Do you want  
20 to explain it again?

21          MR. CASSANDRA: Sorry, Commissioner. I think  
22 you had it backwards. In the 2000 sweep, after the  
23 match, outreach to beneficiary, invited a claim, we  
24 would have gotten a death certificate and paid to the  
25 beneficiary.

1           For those individuals where we couldn't find a  
2   beneficiary and we entered that, we entered those  
3   benefits into our claim fund system without a death  
4   certificate.

5           COMMISSIONER JONES: I understand.

6           So the requirement of a death certificate to  
7   pay out the benefit, but to enter them into the  
8   unclaimed property system for purposes of escheatment,  
9   you suspended the death certificate requirement as it  
10   related to that sweep?

11          MR. CASSANDRA: I believe so.

12          COMMISSIONER JONES: Is that similar approach  
13   being utilized in 2010 going forward under your new  
14   policy?

15          MR. CASSANDRA: I don't know that we've  
16   actually have come to take that decision as of yet.

17          COMMISSIONER JONES: Okay. And then, the  
18   other example in the slide was the situation where mail  
19   is returned to you when you sent it out to a  
20   policyholder's address.

21          And you know from the mail being returned as  
22   well as a Death Master match that it would appear that  
23   the individual has died. What does the company do in  
24   that circumstance?

25          MR. KATZ: So you'd like me to answer in

1 reference to the individual life business,  
2 Mr. Commissioner?

3 COMMISSIONER JONES: Yes.

4 MR. KATZ: So the death match we've already  
5 described whether or not there was a returned mail issue  
6 wouldn't change or alter the way the Death Master Index  
7 program would work.

8 We still would have followed and proceeded as  
9 I described.

10 If you're asking during the normal course of  
11 business, we get returned mail from the policyholder, we  
12 would make efforts to try to get the correct address for  
13 that policyholder as best we could.

14 Now, we're probably here talking about  
15 policyholders that are in paid-up status because if they  
16 are not in paid-up status, they'd be paying us.

17 That was sort of the genesis of some of the  
18 things I described with the Family Reunion Program of  
19 really trying to reach back out and find those  
20 policyholders.

21 But just because the policyholder is lost and  
22 we're not connecting to them doesn't mean that they're  
23 dead. I don't know if that's where you are going.

24 COMMISSIONER JONES: Are there any  
25 circumstances under new policy which you implemented in

1 2010, are there any circumstances under which you could  
2 get some indication that the policyholder may have died,  
3 whether it's a returned letter, a phone call, and then  
4 you run Death Master against that individual to further  
5 confirm whether the individual has died?

6 MR. KATZ: So even going back and  
7 prospectively, I talked about when we get a notification  
8 that an individual has died, a call or so forth, we will  
9 exhaust many means, and in some situations, will check  
10 the Death Index.

11 COMMISSIONER JONES: My apologies. Let me  
12 clarify the question.

13 If a letter comes back to you or some  
14 communication, some written communication you've mailed  
15 to a policyholder comes back to you, do you take any  
16 steps at that point to ascertain whether the individual  
17 is alive or not?

18 MR. KATZ: I'm trying to presume what the  
19 situation is. Let's say it's a bill.

20 COMMISSIONER JONES: Fair enough.

21 MR. KATZ: So if we sent someone a bill and  
22 they don't respond, we try to find out there's a good  
23 address.

24 I don't believe in the life business we're  
25 using mail as a way -- as an indication to say: "Okay.

1 Now this is the moment where we should go and check that  
2 Death Index."

3 However, when we ultimately sweep, and if that  
4 is -- that person had died, we would then find about  
5 that person.

6 COMMISSIONER JONES: It's not until you do  
7 that annual sweep that that would occur?

8 MR. KATZ: Yeah. I think, just to gauge your  
9 question, do we, when we get returned mail -- do we then  
10 say: "Ah. That may be an indication that this person  
11 is dead. Let's go find out." I think that's the gist  
12 of your question?

13 COMMISSIONER JONES: Yes.

14 MR. KATZ: I don't believe we do that. I'd  
15 prefer to reserve. Maybe at the lunch break I can check  
16 with our expert just to make sure I articulate that.

17 COMMISSIONER JONES: Are there any other  
18 circumstances under which you'd run Death Master against  
19 the name of a policyholder prior to the annual sweep  
20 that your 2010 and going for policy contemplates?

21 MR. KATZ: Yeah. So as I described, when we  
22 get a notification of death, someone calls us and we  
23 write out to that person and say: "Hey, complete a  
24 claim" and that individual does not respond and we send  
25 a second notice and we send a third notice, and that

1 person still doesn't respond, we will make -- bring  
2 other efforts to look at publicly available data,  
3 including, depending on the circumstance, Death Index to  
4 see if, in fact, we can get a death certificate,  
5 validate whether or not there is a claim and if there is  
6 one, then we reach out to -- in that case probably by  
7 then those funds are going to be escheated because  
8 probably we exhausted best efforts through the person.

9 COMMISSIONER JONES: You used the term "Death  
10 Index." Is that different than Death Master?

11 MR. KATZ: Same concept. But the nuance I  
12 want to make sure is, one thing we talked about is the  
13 systematic line against all of our policies.

14 Now what I'm talking about is using it as a  
15 tool periodically when we've been notified of a death to  
16 check the file and assess whether or not that  
17 individual's on the file. It's not a run.

18 COMMISSIONER JONES: I understand.

19 But in addition to receiving a letter or a  
20 call from a relative, are there any other circumstances  
21 where you would use Death Master to check and see  
22 whether other than your annual sweep, check to see  
23 whether an individual policyholder has died?

24 MR. KATZ: So let me broaden it to say some  
25 other form of notice.

1           It could be a call. It could be some other  
2 way.

3           And in those cases, I think we'd proceed as I  
4 described.

5           Absent some other form of notice, I'm not  
6 aware of using Death Master. But again, I reserve the  
7 right to make sure I get the right answer for you.

8           COMMISSIONER JONES: We're going to in a  
9 moment break for lunch. Let's see if any other members  
10 of the panel has any questions to follow up before we do  
11 that. Ms. Miller.

12          MS. MILLER: When you have a bad address and  
13 you look for a new one, do you use Accurint or a  
14 services like that to look for a new address?

15          MR. KATZ: We use our admin files against the  
16 national change of address database, I believe,  
17 quarterly.

18          When we have a bad address, we have an address  
19 correction unit. I'm not sure exactly what the tools  
20 are that they use, but we can certainly follow up and  
21 tell you what they are, but their goal is to try to find  
22 the address.

23          COMMISSIONER JONES: Any other follow-up for  
24 the members of the panel? Mr. Hanson.

25          MR. HANSON: For group and individual



1 annuities, what percentage are in the accumulation or  
2 deferred period and what are in the demutualization  
3 period, any idea?

4 MR. KATZ: Unfortunately for group, I don't  
5 know the answer. For group, perhaps you can help me.

6 MR. CASSANDRA: For group annuities, the vast  
7 majority are actually in payout status or are in a  
8 deferred status pending.

9 If you think about the way the group annuity  
10 business works, an individual might have left an  
11 employer with a vested benefit, but they can't begin to  
12 collect on their retirement annuity until they reach a  
13 certain action. So they have both types, but the vast  
14 majority are actually in payout status receiving a  
15 monthly benefit on the group annuity side.

16 MR. SOLLMANN: On the individual business, I  
17 don't have the number with me. We can get that, if you  
18 like it.

19 I believe the vast majority of our cases are  
20 not in payout. The much larger portion of our business  
21 is represented by deferred pay-in annuities.

22 MR. HANSON: You distinguish between older  
23 books of business and that's where you run Death Master.  
24 What distinguishes an older book from -- where's the  
25 delineation?

1           MR. SOLLMANN: An older book of business is  
2 business that we typically wrote before, I would say,  
3 generally speaking 2000/ 2001.

4           Those are contracts where the contract holder  
5 is likely to be older in age, where there's more  
6 likelihood that they may be -- they have the opportunity  
7 for being eligible for death benefit.

8           The newer blocks of business are of the more  
9 modern form of variable annuities that I mentioned  
10 earlier that typically have benefit riders associated.

11          MR. HANSON: That was any next question.

12          The products that you have enhanced benefit  
13 riders and things like that, what becomes the amount  
14 that's escheated?

15          I've seen people talk about the cash value of  
16 the underlying assets, but with death benefits riders,  
17 you could have a conceivably higher death benefit.

18          MR. SOLLMANN: I believe it is the death  
19 benefit.

20          MR. HANSON: The death benefit rider.

21          MR. SOLLMANN: The death benefits payable  
22 under the contract, which may include a rider inclusion.

23          MR. HANSON: And then for just general  
24 business out there for life, do you people have closed  
25 blocks, you're not selling that policy form anymore and

1     what percentage of your business is in closed blocks on  
2     your in force business?

3             MR. KATZ:   I'll start this and I'll ask Frank  
4     to give some color.

5             When we talk about the closed block at  
6     MetLife, generally we're talking about business that  
7     existed prior to the demutualization.

8             Some of that is the industrial policies that  
9     we've already talked about.   Some of it are ordinary  
10    policies.

11            MR. CASSANDRA:   I think perhaps the  
12    Commissioner was talking about close block from the  
13    perspective of not accurately not being marketed.

14            And yes, so the blatant example of that would  
15    be industrial block.

16            So we haven't sold industrial insurance since  
17    1964.   So effectively, that's a closed block.   If I  
18    think I'm reading your question correct.

19            MR. HANSON:   Or other older term life products  
20    that aren't industrial, do you have blocks where the  
21    business is not being sold anymore.   It's moved on to  
22    new more modern policy forms?

23            MR. CASSANDRA:   Yes.

24            MR. HANSON:   I assume you have those blocks?

25            MR. CASSANDRA:   Yes, we do.

1           MR. HANSON: Do you ever change the  
2 nonguaranteed elements in them after they are closed?

3           MR. CASSANDRA: I'm shot sure. I can't speak  
4 specifically to any particular block. I'm sorry. I  
5 don't think I'm prepared to answer that.

6           COMMISSIONER JONES: Okay. We're going to  
7 take a break. I know the schedule originally  
8 contemplated we'd come back at 12:30. We're running a  
9 little bit long. I'm sorry. Did I say 12:30 1:30?  
10 Let's come back at 1:45. We'll resume at 1:45. Thank  
11 you.

12                               (Lunch recess taken.)

13           COMMISSIONER JONES: Okay. If the court  
14 reporter is ready and the witnesses are ready and the  
15 panel is ready, we'll resume.

16           I think there was a document provided to our  
17 counsel that's talked about earlier in the hearing. Why  
18 don't we put that into the record.

19           MR. COLE: Primarily here; during the break,  
20 MetLife provided us with a document entitled: "Death  
21 Match -- Referral to Life Insurance or Total Control  
22 Accounts."

23           I want to ask the court reporter to receive a  
24 copy of this from MetLife. Has that been provided to  
25 the court reporter?

1 MS. ROSEBOROUGH: It has not.

2 MR. COLE: I'd like the court reporter to mark  
3 that as Exhibit 1.

4 (Whereupon, Exhibit 1 was marked  
5 for identification)

6 MR. COLE: Just so we're very, very clear on  
7 this, would one of the sworn witnesses please testify in  
8 just a few sentences as to what this document is. It's  
9 dated September 8, 2010.

10 MR. SOLLMANN: Sure. I'll take that question.

11 As I mentioned earlier in the morning, we do  
12 have and have had a process, my understanding, to share  
13 information with other parts of the company,  
14 particularly on this document with our life insurance  
15 death claim unit and our total control account.

16 That process was informal and then we began to  
17 formalize that process in early 2010, the first part of  
18 2010.

19 This version that you see here is the latest  
20 version of the current process that we use, and I can  
21 answer any other questions you might have on this point.

22 MR. COLE: Just so I'm clear, this is a  
23 two-page document. Is this the totality of the document  
24 or is there more to this document?

25 MR. SOLLMANN: I'm not sure I have the answer

1 to that question. I've been told that it is the  
2 entirety.

3 MR. COLE: Okay. Thank you. So before the  
4 close of this hearing, if you'll make sure to get a copy  
5 to the court reporter for marking, we'd appreciate it.

6 COMMISSIONER JONES: All right. I believe  
7 there was some other questions we had in the first half  
8 of the hearing that MetLife might have a chance to do a  
9 little more research on. I think we might actually hear  
10 some testimony about that at this moment.

11 MR. KATZ: I'm going to give the data quickly.  
12 It's only a couple of pieces and I'll have some more  
13 follow-ups.

14 Toward the end of the testimony, there was a  
15 discussion of loss of addresses and in particular -- or  
16 bad addresses -- and our procedures around that.

17 I want to give a couple of clarifying  
18 statements.

19 First of all, in, if fact, we get returned  
20 mail into our individual life unit and it indicates  
21 deceased, we will perform an investigation. Similarly  
22 to the investigation I described when we get a phone  
23 call that advises that someone is deceased.

24 I'm not going to through that whole  
25 investigation process again, but I can if you'd like.

1           Secondly, in our address correction unit, we  
2 do have procedures -- and I did confirm that -- to use  
3 publicly available sources of data, such as Accurint and  
4 Rootsweb to determine if there's any indication if that  
5 individual is dead. Again, that supplements those  
6 topics.

7           Any question on those? There were a few  
8 others.

9           COMMISSIONER JONES: I don't think we have any  
10 additional questions.

11          MR. KATZ: The other ones are very quick.

12          There are dates you asked for about when we  
13 began using Death Index and Death Master in various  
14 businesses.

15          I'm going to give you some dates. I would say  
16 these are approximates only because I got them from  
17 someone else. I want to validated, but I'm sure the  
18 order of magnitude is close.

19          What I'm describing here is for our disability  
20 business or for our long-term care business and I'm  
21 describing usage for individuals that are in claimed  
22 payment status.

23          So for individual disability, we began using  
24 the Death Match in 1995. I was not able to ascertain  
25 the frequency of that or any decisions that led to its

1 usage.

2 In 2001, we began using it for group  
3 disability and for long-term care.

4 So I believe we testified a little bit to the  
5 frequencies on these already in the current state. So  
6 if you have any further questions, I'll be happy to  
7 answer them.

8 COMMISSIONER JONES: I think there are no  
9 additional questions.

10 MR. KATZ: That was really all of the  
11 follow-ups that we have.

12 COMMISSIONER JONES: Okay. Thank you.

13 Now I want to turn the mic over to the  
14 Controller Chiang and afford him an opportunity to ask a  
15 series of questions.

16 CONTROLLER CHIANG: Thank you.

17 Please describe the original structure within  
18 the MetLife entity that handles the escheat obligations  
19 of the state of California?

20 MR. KATZ: So I'm going to explain the nuance  
21 that I'll need to describe. We have an unclaimed  
22 property organization that is part of an organization,  
23 which I can talk about how that works.

24 However, each operation within the  
25 organization has responsibilities to determine when it's



1 appropriate for a specific item to go into the unclaimed  
2 funds system.

3           The way I would describe it is the admin unit  
4 that has accountability of any given business and we've  
5 talked about the various businesses has responsibility  
6 to apply administrative processes to identify when  
7 something should go into the system and then the claimed  
8 funds group -- which is my organization -- is  
9 responsible for the management of those funds once it's  
10 put into the system through ultimate escheatment.

11           CONTROLLER CHIANG: Can you state, "when  
12 something goes into the system," what that something is?

13           MR. KATZ: Sure. That "something" could be  
14 uncashed checks. It could be --

15           CONTROLLER CHIANG: In the unclaimed property  
16 procedure?

17           MR. KATZ: Yeah. And that process can vary  
18 for the different types of property.

19           CONTROLLER CHIANG: So how is that  
20 determination made within each business unit?

21           MR. KATZ: Sure. So within each business  
22 unit, we have administrative rules that incorporate our  
23 best understanding of the appropriate regulations in any  
24 given jurisdiction, including how they may vary for any  
25 given contract. And those rules are included in the

1 administrative procedures for each of those operating  
2 units.

3 I'm not purposefully being vague. They do  
4 vary by area.

5 CONTROLLER CHIANG: How are the administrative  
6 rules reviewed and enforced?

7 MR. KATZ: So I'll answer this more broadly.

8 Across our organization, we have controlled  
9 processes including auditing processes that are aimed  
10 periodically to look at our different businesses to  
11 assess whether they are operating consistent with our  
12 contracts, with our customer expectations and with the  
13 applicable law and in given entity.

14 CONTROLLER CHIANG: You raise an interesting  
15 point. How do you test that versus consumers'  
16 expectations?

17 MR. KATZ: Well, consumer expectations are  
18 very important to us so one of the things we look at  
19 very closely is the responses we get from our customers,  
20 whether it's customer complaints or surveys that we do,  
21 or any feed back that we get from customers.

22 Sometimes, it's quite good, too. And we  
23 certainly incorporate that to help us understand where  
24 we have opportunities to get better.

25 CONTROLLER CHIANG: And how long have you been

1 doing that and the frequency by which you do that?

2 MR. KATZ: So I certainly can tell you in some  
3 of these businesses we've been doing customer service  
4 surveys for at least ten-plus years, maybe further than  
5 that.

6 It varies by business in terms of who we're  
7 speaking to.

8 I can't tell you exactly for any given  
9 business, but it's not a new phenomenon.

10 In terms of complaints and tracking  
11 complaints, there are statutory requirements around how  
12 you do that and we have an organization that's  
13 accountable for making sure we manage that  
14 appropriately.

15 CONTROLLER CHIANG: Okay. You said that's  
16 subject to audit processes.

17 Are these internal? To the extent they are  
18 internal, can you describe the process by which you do  
19 internal audit reviews?

20 And then to the extent that you do any  
21 external audit reviews, please describe who you consult  
22 or contract with.

23 MR. KATZ: So we have a fairly robust internal  
24 audit process. I'm probably not going to be able to  
25 give you exhaustive detail on how it works, except to

1 say that the auditing team is essentially auditing  
2 against the controls and the expectations.

3           Once we select a business to be audited, we'll  
4 perform the audit. They may assess findings out of that  
5 audit and from there, there may be management action  
6 that we attempt to act upon that's internal.

7           External auditors, certainly we have an  
8 external auditor. I'm not aware -- maybe there's people  
9 on the panel who are aware -- if any of our external  
10 auditors have been involved in the unclaimed property  
11 audits.

12           MR. CASSANDRA: I don't have any knowledge of  
13 them having done that.

14           CONTROLLER CHIANG: Can you share with us any  
15 of the findings that the internal audit reviews have  
16 identified over the past few years.

17           MR. KATZ: At this very moment, I don't have  
18 those at my finger tips. I assume that we can share  
19 that.

20           CONTROLLER CHIANG: If you can go back and  
21 contact the appropriate individuals and share your  
22 findings.

23           My concern is this: In 2002, MetLife  
24 escheated property to the state of California and one of  
25 the categories was annuities, a second category is death

1 benefits.

2           So assuming that you fulfilled your  
3 obligations under those two particular property tax  
4 codes -- or property-type code for 2002. But in 2003,  
5 2004, 2005, 2006, we do not have property submitted to  
6 the state of California under those property types and  
7 that's what's why I'm trying to get to my affirmative  
8 question that I asked earlier.

9           Do you have some type of identification at  
10 what level of management -- because you may have lines  
11 of businesses that are fulfilling your obligations and  
12 in other areas you have inconsistent application perhaps  
13 of the rules or a change in policy, so I'm trying to get  
14 a sense of what is taking place.

15           MR. KATZ: So would you be so kind as to  
16 repeat those dates? We're not going to be able to  
17 respond to them today, but I want to make sure we have  
18 them, and then certainly that on information I'm not  
19 familiar with, we'll come back and take a look at it.

20           CONTROLLER CHIANG: Sure. So in 2002, we see  
21 escheated property in the categories, two that are  
22 identified are annuities and death benefits.

23           However, property escheated by MetLife in  
24 those categories we do not appear to have any for the  
25 years 2003, 2004, 2005 and 2006.

1           MR. KATZ: Okay. So we will take a look at  
2 that. The one possibility that I will throw out is the  
3 potential that we have some coding issues in our  
4 systems. So let us check that out and really make sure.

5           Our intent, obviously, is to submit unclaimed  
6 property consistent with what it should be.

7           It's reasonable that if we had a prior issue,  
8 it would be on those years, but I want to check that out  
9 for you.

10          CONTROLLER CHIANG: And then, following up on  
11 your last statement you do want to escheat, how does  
12 MetLife determine when it will escheat proceeds due  
13 under policies identified by its 2007 comparison?

14          MR. KATZ: So the actual -- so let's -- we're  
15 going to talk about individual life.

16          For individual life, we escheat based on our  
17 -- typically, it's based on the time we know we have a  
18 liability that's due and unpaid and we can't find the  
19 rightful owner of that property, then we begin the  
20 unclaimed property process, which I believe in  
21 California is three years.

22          The 2007 match was somewhat unique in that we  
23 made the decision to waive the requirement of proof of  
24 death. So one could assume if we had required proof of  
25 death, then the escheatment period would have started

1 subsequent to 2007, but instead we chose not to require  
2 proof of death and, as such, used the 2007 date as the  
3 date for purposes of establishing liability for  
4 unclaimed property.

5           CONTROLLER CHIANG: Actually, you used the  
6 term "to know." Can you further delineate your  
7 definition of "to know," so actual versus constructive?  
8 If you choose actual or somewhere near there, what  
9 constitutes the sufficiency for the policies of MetLife?

10           MR. KATZ: What I prefer to testify to is what  
11 we did, which was resume -- when we ran the match in  
12 2007 and identified that we had information indicating  
13 death, kicking off expectation and investigations that  
14 subsequently weren't successful, we selected that data  
15 as the date as opposed to using a subsequent date where  
16 we have had proof for the purposes of establishing  
17 escheatment date.

18           CONTROLLER CHIANG: And which unit within  
19 MetLife making that determination.

20           MR. KATZ: That would have been for the  
21 purposes of the '07 -- I'm not exactly sure if that was  
22 done in the claim area or the unclaimed funds area. We  
23 can certainly get you an answer to that.

24           CONTROLLER CHIANG: The variation in 2007, how  
25 is that determination made and by whom?

1           MR. KATZ: I do not know the answer to that.  
2 We can certainly get that and let you know.

3           CONTROLLER CHIANG: I understand that there  
4 may be perhaps some shortcomings in the 2007 approach,  
5 but I thought the 2007 approach was more constructive  
6 and ultimately was resulted in a resolution for the  
7 benefit of the beneficiaries.

8           Has there been any discussion as to the action  
9 you took in 2007 and perhaps moving to that approach?

10          MR. KATZ: Actually, there has. So for the  
11 life business, as with other business, we are -- have  
12 implemented a new comprehensive approach that began in  
13 late 2010 where no less than annually we will match the  
14 Death Index.

15          And we think -- as we described before -- that  
16 will provide an valuable safety net for the limited  
17 number of policies that don't come in through the normal  
18 course.

19          We have not yet perfected all the details  
20 exactly how that will work in the context of what would  
21 acceptable for proof or not as we talked earlier.

22          CONTROLLER CHIANG: That's the third time one  
23 of you has used the term "safety net."

24          I actually don't believe it's the most  
25 constructive approach. It is a back-ended approach,



1 even though you get to the point where you're trying to  
2 assist individuals.

3 Why isn't it used more affirmatively as a tool  
4 in the front end?

5 One of comments was: You didn't want to  
6 assert yourself into the process. But I don't  
7 personally find it invasive if in the event that  
8 somebody passed away and my family received notice that  
9 we may be the beneficiary of the proceeds when somebody  
10 -- a loved one passed away.

11 MR. KATZ: So we're now going to have a  
12 conversation about timing, is really what we're talking  
13 about.

14 So we think the normal process works quite  
15 well. We can debate the numbers, but over the period we  
16 looked at \$44 million paid, only \$80 million found for  
17 the Death Index and that's over a really long period of  
18 time.

19 CONTROLLER CHIANG: The \$44 billion describes  
20 which universe?

21 MR. KATZ: So for the 207 match, the universe  
22 of policies that we matched on that same period we paid  
23 out \$44 billion through the normal process, but the  
24 matches paid out \$80 million.

25 CONTROLLER CHIANG: And so your comments

1 originally said in the context of the life policies.

2 We're still talking about them?

3 MR. KATZ: That is correct.

4 So your question is a fair one. Why a year?

5 Why not six months or three months or every month?

6 And so we spent a fair amount of time as a  
7 group as we implemented this procedure to come up what  
8 we thought was the best answer.

9 What we felt is -- we're talking about the  
10 process around life insurance that generally is quite  
11 effective -- our data shows the vast majority of claims  
12 come in through the normal process.

13 And we would never want to implement a process  
14 that leads beneficiaries to believe -- or individual  
15 policyholders to believe -- that they need only to  
16 discuss with their beneficiaries how much life insurance  
17 they have and have that beneficiary understand their  
18 responsibilities under that program.

19 Our presumption on that is, if beneficiaries  
20 understand that, they will file claims, and generally  
21 that's what happened.

22 It's early days on this. We think, since we  
23 ran it in '07 and we'll run it again in '10, we'll see  
24 what kind of data gets in terms of what falls out.

25 If we find -- as we continually perfect the

1 process -- that running it more frequently would be a  
2 benefit, we'll do that consideration.

3 What we said is: We're going to run it no  
4 less frequently than once a year.

5 CONTROLLER CHIANG: Do you see any  
6 disadvantage to doing it more frequently. Is there a  
7 significant cost to run the match?

8 MR. CASSANDRA: We think the concern would be  
9 that it would circumvent the standard process right now  
10 just from a practical standpoint.

11 You could get communications that cross in the  
12 early days surrounding the death of the insured, where  
13 the company's trying to reach out, the beneficiary is  
14 either trying to reach in or has not yet prepared  
15 themselves to reach in yet.

16 There's the practical question of the timing  
17 of the communications between the beneficiary and the  
18 insurer.

19 CONTROLLER CHIANG: So I appreciate your  
20 concern for the loved ones of the individuals who passed  
21 away. Have you done any substantive research as to the  
22 appropriate time for the insurance company to interject  
23 themselves in the process?

24 MR. CASSANDRA: I don't know any research on  
25 that particular aspect.

1           CONTROLLER CHIANG: Let me go back to the  
2 original question. What's the disadvantage?

3           As you said, you may cross over. We don't  
4 have clarity as to whether there's a negative impact to  
5 providing a letter of information to the beneficiaries.

6           I don't understand the harm, if it's not a  
7 cost concern. I'm not clear what the objection is.

8           MR. KATZ: Well, I don't want to say whether  
9 there or isn't a cost concern because we haven't allowed  
10 that to be a driver in our decision-making process. I  
11 don't know what the costs are.

12           I think the prevailing thought process here  
13 was that the current process works extremely well. And  
14 so adding something above the current process is, you  
15 know, something that we thought made sense.

16           I think this is a great topic for dialogue  
17 between the insurance industry and regulators to talk  
18 about what best practices are. And we would be very  
19 interesting in engaging in discussions.

20           We delved this one-year period based on the  
21 analytics coming out of our '07 match, so we have done  
22 some level of research and we found that that is a good  
23 duration.

24           But we welcome dialogue if there's a best  
25 practice to get at here then try to help get at it.

1                   CONTROLLER CHIANG: I sincerely appreciate  
2     that because we are trying to do the same thing, reach  
3     the best outcomes for people.

4                   I'm still not clear. So you said you did the  
5     analytics of 2007. You did the analytics measuring what  
6     exactly?

7                   MR. KATZ: I don't have the numbers in front  
8     of me, but when we looked at it from the date someone  
9     goes on the Social Security file, what's the proximity  
10    of that for death payments --

11                  Actually, I want to be careful. I don't want  
12    to testify to a process that I don't have extreme  
13    knowledge to.

14                  I'd say all the analytics came out of the '07  
15    match led us to believe to do it no less than frequently  
16    than one year is the right answer.

17                  I'd say if there's data available that  
18    indicates we have an opportunity to significantly  
19    improve the customer's experience by doing this sooner,  
20    we would be happy to engage in that dialogue.

21                  I also think we just ran it again for  
22    individual life business this past month. And we'll  
23    have some learnings that come out of that that we'll be  
24    happy to share.

25                  I just want to be careful because we're having

1 a discussion about a process that we believe generally  
2 works quite well and a change to that it that we believe  
3 will make it even better.

4           CONTROLLER CHIANG: So that's the issue that's  
5 unresolved in my mind. You state it works well, but you  
6 don't have criteria and then we don't have outcomes.

7           This could be very easily resolved if you ask  
8 the question, you know, across the base, what would be  
9 the appropriate time for us to notify you when you're  
10 applying to submit the claim, the best way to submit  
11 your to submit your claim to get a return of the money,  
12 the proceeds.

13           MR. KATZ: I think you're making a good point.  
14 Should we speak to our customers and understand what  
15 they want in the context of doing this.

16           There is one thing we just have watch, and I  
17 want to make this is point because what I wouldn't want  
18 is anything that we do result in beneficiaries believing  
19 that they do not need to submit a claim.

20           Because it's very possible that there will be  
21 situations that for whatever reason someone doesn't get  
22 on the Death Index or gets on the Death Index much  
23 later.

24           And so we want to be very careful that  
25 there's nothing that we do, or as an industry

1 collectively decide to do, that leads beneficiaries to  
2 believe that they don't have the responsibility to  
3 submit claims.

4 It's an important part of the system and it  
5 works quite well.

6 So we have been looking at it in addition to  
7 what they do, how can we make it even better. So I just  
8 think that's a dialogue we want to be cautious of as we  
9 think through this service.

10 CONTROLLER CHIANG: So if you don't use the  
11 actual date of death as triggering the dormancy, what  
12 definition does MetLife use so that I have a clear  
13 understanding so we can have a further discussion of  
14 your escheatment and obligations to the state of  
15 California?

16 MR. KATZ: So I believe for life insurance we  
17 use the date due and payable when we are no longer --  
18 we're not able to find the beneficiary.

19 CONTROLLER CHIANG: Could you restate that  
20 again? Due and payable --

21 MR. KATZ: When we believe we have a liability  
22 -- When we believe we have a liability on our books to  
23 pay out proceeds and we can't find the beneficiary to  
24 whom that money is due to, we would then kick off our  
25 unclaimed property process starting with the date that

1 we believe we have that liability.

2           CONTROLLER CHIANG: So referencing scenarios  
3 discussed earlier, an individual calls in believing they  
4 may receive some proceeds, and then you start your -- I  
5 believe it's the standard operating procedures.

6           You mentioned how you addressed some of the  
7 claims. I don't know if it's scrutinized within  
8 MetLife.

9           They do not submit a claim. They do not  
10 submit any information or provide a death certificate.

11           At what point, do you determine that there is  
12 a liability due?

13           MR. KATZ: I think it's at the time when we  
14 receive sufficient proof of death and as such approve  
15 the claim, that would be the time that we would begin  
16 the liability. And that sufficient proof of death in  
17 our standard process does involve getting a death  
18 certificate.

19           MR. CASSANDRA: Could I just make one point  
20 that I'm not sure is obvious to folks?

21           There is almost -- the question that's sort  
22 of sitting out there is just the fact that someone has  
23 died means that the company has a liability.

24           In insurance contracts, there are also --  
25 there are contestability periods on life insurance



1 contracts.

2           There are also other conditions, including  
3 exclusions that may apply in those contracts to actually  
4 -- which are important in terms of the adjudication of a  
5 claim.

6           And just by virtue of the fact, without  
7 someone submitting a claim without the facts around the  
8 debt, it may -- that may -- just that in and of itself  
9 may not be sufficient for the company to know it has a  
10 liability.

11           I know that's a subtlety of the insurance here  
12 and the question seems to assume that just because the  
13 person is dead, automatically 100 percent of them result  
14 in a liability to the company. I just want to make sure  
15 that that's understood.

16           CONTROLLER CHIANG: I appreciate you sharing  
17 that.

18           I'm just trying to reach a definitive point by  
19 which people have an understanding of the application of  
20 escheatment laws.

21           Your view of when the obligation is triggered,  
22 the extreme -- I'm not saying you follow this practice  
23 -- is that in certain instances, you would never have a  
24 triggering responsibility.

25           Assume people exceed the mortality charts.

1 You don't pick up the -- when should the State expect  
2 that money and the property owners expect that money?

3 MR. KATZ: There are circumstances where we  
4 will never be provided with proof of death or sufficient  
5 information to make a decision there being a claim.

6 In most circumstances, those policies will  
7 remain active, and depending on the type of policy would  
8 remain active until such time as they would endow or  
9 superannuate. At that point, we'd go through the  
10 unclaimed property process.

11 And I should make one important point to what  
12 I talked about earlier. To the extent that we are in a  
13 situation where we're in contact with the client and  
14 we've got bad addresses and we have other things that we  
15 do aimed at kicking off investigations, including the  
16 Death Index, if any of those lead us down the path that  
17 someone is death, we will then take it on our behalf to  
18 do an investigation of that death.

19 So in the example you described where an  
20 individual calls us and says so and so is dead, we write  
21 them three times, they never respond. We look on  
22 Rotsweb, Accurint. We access the SSI. These are all  
23 examples of things we could do. We go to the State to  
24 try to purchase a death certificate.

25 And all of that ultimately results in us never

1 getting sufficient proof that that person is dead, we're  
2 going to or the purposes of discussion assume that the  
3 person isn't dead, and we're not going to pay that claim  
4 or ultimately begin the escheat period.

5 CONTROLLER CHIANG: Is the application of this  
6 interpretation consistent with all 50 states?

7 MR. KATZ: So what I would say in all 50  
8 states, it's our intent to comply with the laws in each  
9 of those states and we do our best to do that. The  
10 actual application and process could vary based on  
11 what's required in each state.

12 CONTROLLER CHIANG: Along those lines, are  
13 there any states in which you use the data to calculate  
14 the dormancy period?

15 MR. KATZ: I do not know.

16 CONTROLLER CHIANG: If you could follow up and  
17 provide a response.

18 MR. KATZ: Sure.

19 CONTROLLER CHIANG: Does the company require a  
20 death certificate before escheating policies matched in  
21 connection with its 2007 comparison?

22 MR. KATZ: Generally speaking, we don't. So  
23 for the 2007 match --

24 CONTROLLER CHIANG: 2007, you did not.  
25 Subsequent to and prior to?

1           MR. KATZ: In the normal course of business,  
2 we require death certificates. There have been  
3 exceptions throughout our history where we thought there  
4 were extenuating circumstances where we decided to waive  
5 that requirement.

6           I mentioned a few earlier; 9/11, Massey Energy  
7 tragedy, the 2007 Death Match Index run.

8           And in those cases, we determined it was  
9 appropriate not to determine death certificates  
10 certificate in making that decision.

11          CONTROLLER CHIANG: Prior to the 2007  
12 comparison a notice of the death that the policyholder  
13 insured by MetLife had to receive, has the MetLife  
14 allowed the insurance of the death benefit to go unpaid  
15 or unescheated if a beneficiary cannot be located and a  
16 death certificate has not been received?

17          MR. KATZ: So I think I answered that unless  
18 it's a slightly different twist.

19          In the example I gave before, we have a  
20 situation where we are notified by phone, let's say, of  
21 someone's death and we exhaust all the efforts that I've  
22 described, including the potential to write to the state  
23 to get a death certificate, and we can't get proof that  
24 there's a death, we wouldn't consider that a liability.

25          And as such, we wouldn't have any unclaimed

1 funds to escheat because that policy would still be  
2 active.

3           CONTROLLER CHIANG: Have you ever calculated  
4 the benefits provided based on death in the dormancy  
5 standard?

6           MR. CASSANDRA: I'm sorry. I don't understand  
7 the question.

8           CONTROLLER CHIANG: Have you done different  
9 applications of your current interpretation of the  
10 application of escheatment versus the application of  
11 escheatment understanding applying the date of death  
12 standard?

13           MR. CASSANDRA: I have never done any such  
14 calculation. I don't have any personal knowledge.

15           CONTROLLER CHIANG: Has the company ever done  
16 such?

17           MR. KATZ: I'm not aware. Again, there are  
18 different rules that apply in different states. And  
19 what we can testify to is it is our intent to comply  
20 with those rules.

21           CONTROLLER CHIANG: If you are able to locate  
22 the beneficiaries of these policies, do you pay interest  
23 on the benefits?

24           MR. KATZ: So in situations where we find the  
25 beneficiary, we would, and presume it's a good claim.

1           We would pay the proceeds of the claim and pay  
2   any interest that's required by the given state based on  
3   how that varies in a given state.

4           In California, it is from 30 days past the  
5   date of death to the beneficiary.

6           CONTROLLER CHIANG: And do you afford similar  
7   treatment from the escheatments to the state of  
8   California?

9           MR. KATZ: So is your question: Do we  
10   calculate interest will the same way when we're  
11   escheating? We do not.

12          CONTROLLER CHIANG: Can you explain?

13          MR. KATZ: That is our interpretation of the  
14   applicable law.

15          CONTROLLER CHIANG: Okay. How long has that  
16   been the determination of the company and could you  
17   provide me the basis for it?

18          MR. KATZ: I don't know how long it's been and  
19   I can't provide the basis for an interpretation of the  
20   law. That, I'm not aware.

21          MS. ROSEBOROUGH: I would just say that the  
22   witness has been asked to testify as to facts and the  
23   construction of law and testifying that they believe are  
24   current practices are consist with state laws as we  
25   understand it.

1           What would be the application if the law were  
2 different is something they are not prepared to testify  
3 to.

4           CONTROLLER CHIANG: Thank you. How much have  
5 you escheated as a result of the 2007 one-time Death  
6 Master match to the state of California?

7           MR. CASSANDRA: So the Death Match that was  
8 done in 2007 had a dormancy date in 2007. We reported  
9 to California in April the amount of approximately \$9.4  
10 million in total and we estimate that amount three and a  
11 half million of that was directly as a result of the  
12 match itself.

13          MR. KATZ: We should be very clear, the nine  
14 million is the full amount of unclaimed property that we  
15 presented. And as Mr. Cassandra testified,  
16 approximately three to three and a half million we would  
17 attest to this match.

18          CONTROLLER CHIANG: Three to three and a half  
19 million?

20          MR. CASSANDRA: I'm saying 9.4 was the total  
21 we reported in our April report to California.

22          MR. KATZ: Just for clarification, that's what  
23 we reported. Obviously, you're very familiar with the  
24 process. Although that money hasn't been escheated yet,  
25 it will be escheated as we go through the process and

1     you get a final number.

2                 CONTROLLER CHIANG: We have some uncertainty  
3     here because we didn't see the numbers. They varied  
4     significantly over the prior years, so obviously they  
5     had a question as to the application of what was  
6     happening within the escheatment process.

7                 MR. CASSANDRA: I think you noticed that the  
8     April 2011 number was higher, and that we're generally  
9     attributing it to the results of the 2007 match.

10                CONTROLLER CHIANG: Can you comment on the  
11     demutualization process, what transpired there?

12                I'm trying to apply application of what  
13     happened during the demutualization process and then  
14     what took place, in fact, with the delayed policies?

15                MR. KATZ: S we can do our best to give you  
16     some information and speak generally. None of us that  
17     are witnesses have any involvement in the  
18     demutualization process, but we'll do our best to do  
19     that.

20                So when an insurance company demutualizes --  
21     essentially -- by the way, if I'm covering it at the  
22     wrong level, just interrupt me.

23                We go from a mutual company to a stock  
24     company. And as a result, upon demutualization the --  
25     we give the full value of the company surplus to our



1 policyholders, which we did as per the demutualization  
2 documents in 2000.

3 So at that time, we did a significant amount  
4 of work prior to demutualization in an effort to locate  
5 lost policyholders clean up addresses, which we did.

6 And ultimately, it resulted in payments of  
7 about ten shares minimum per policyholder, some were  
8 cash. Some of that went to the policyholders, and when  
9 those policyholders couldn't be located, some of those  
10 were escheated to the State.

11 I'm speaking at a very high level, but that's  
12 the general gist. I'm not sure where you want to go  
13 with that.

14 CONTROLLER CHIANG: So my concern is about the  
15 value of the lost policyholders. Can you attach a  
16 figure to it?

17 MR. KATZ: For the purposes of the escheating  
18 the stock or for the purposes of their life insurance?

19 CONTROLLER CHIANG: Both.

20 MR. KATZ: Okay. I can't.

21 So your question is: How much was escheated  
22 as a result of lost policyholders? We can certainly  
23 follow up with you.

24 I do know back at that time there was  
25 significant dialogue between us and the State and a fair

1 amount of documentation, but I don't have that in front  
2 of me.

3           CONTROLLER CHIANG: Do you have a sense of the  
4 -- how much has been paid out to the policyholders and  
5 the state of California and what the difference is and  
6 how you're going to proceed forward on this particular  
7 issue?

8           MR. KATZ: Can you repeat the question? I'm  
9 sorry.

10           CONTROLLER CHIANG: Sure. How much has been  
11 paid out to the beneficiaries? What has been escheated  
12 to the state of California? Obviously, it's an  
13 obligation. And then the company's thinking as we go  
14 forward to resolve the situation.

15           MR. KATZ: I can't answer question directly  
16 because we don't track it in that way, but what I can  
17 share with you is, if you think about the block of --  
18 the block of lost policyholders, we put forth  
19 significant efforts to try to find them, and found many  
20 of them, and as such have been in contact with them, and  
21 receive claims from them every day. I shouldn't say  
22 "every day," regularly.

23           The vast majority of policyholders sit in what  
24 we have been calling our industrial block. And as it  
25 relates to those blocks, while we don't have regular

1 contact with those individuals, we don't have an  
2 indication that those individuals have died, nor do we  
3 have liability for death claims for those individuals.

4 What we did find when we ran the match in  
5 2007, out of that, there was a fair amount of older  
6 claims, and those older claims have been paid or  
7 escheated, as I explained.

8 In the context of lost policyholders, we have  
9 those on our books and one of two things will happen;  
10 either a beneficiary will come forward, and when they do  
11 a claim will be paid. I guess one of three things.

12 We'll find them a subsequent match when they  
13 get added to the Death Index.

14 Or if neither of those happen, when those  
15 policies reach the superannuation date at the end of the  
16 table, because they are all in paid-up status in that  
17 industrial block, they will be go through the unclaimed  
18 property system at that point.

19 CONTROLLER CHIANG: Thank you.

20 COMMISSIONER JONES: Thank you, Mr. Chiang.

21 I just have few follow-up questions on the  
22 demutualization.

23 What's the total number of lost policyholders  
24 that the company believed it didn't have a way to  
25 communicate with at the time it demutualized in 2007?

1           MR. KATZ: I'm going to see if I have it in my  
2 notes. I may not. We do not have that information  
3 handy right now. Certainly -- I'm sorry. I apologize.

4           So we had 1.1 million policyholders at the  
5 demutualization, 800,000 of which were holders of  
6 industrial life policies.

7           So 1.1 approximately, lost policyholders,  
8 about 800 of them had industrial life policies where  
9 we're no longer collecting premiums.

10          COMMISSIONER JONES: Under the terms of the  
11 New York Superintendent's order with regard to your  
12 demutualization, what were your obligations vis-à-vis  
13 the 1.1 million lost policyholder?

14          MR. KATZ: I can't describe that.

15          COMMISSIONER JONES: Can you describe  
16 generally what the company did pursuant to its  
17 demutualization activities to try to find these 1.1  
18 million lost policyholders?

19          MR. KATZ: Sure. There were two primary  
20 efforts that proceed demutualization that were fairly  
21 significant; the Family Reunion Program that we  
22 described, which we believe enabled us to get back in  
23 contact with about 500,000 policyholders, plus the work  
24 we did around our addresses in our data base, which also  
25 was quite effective in finding policyholders.

1           COMMISSIONER JONES: Of those -- the 500,000  
2 you testified to that you found through the Family  
3 Reunion Program, were those 50,000 policyholders all  
4 policyholders who were part of the 1.1 million total  
5 lost policyholders or does the 500,000 represent several  
6 other classes of policyholders?

7           MR. KATZ: I don't know exactly. My  
8 understanding -- I'll ask my team to help me here -- is  
9 that the 1.1 was the amount that were lost at the point  
10 of demutualization. So as such, the 500 would have been  
11 found and hence be an amount --

12           Is that accurate.

13           MR. CASSANDRA: Right. So the Family Reunion  
14 Program happened before the demutualization of those  
15 policyholders. It was 500,000 that we quoted earlier  
16 were found -- considered found at the time of the  
17 demutualization.

18           The 1.1 million we just talked about does not  
19 include the 500,000.

20           COMMISSIONER JONES: And then with regard to  
21 the second way you tried find people using addresses, I  
22 take it that also occurred before the completion of  
23 demutualization such that any of those -- such as the  
24 1.1 million lost policyholders represents those  
25 policyholders you could not find after you utilized

1     Family Reunion and after you utilized the address search  
2     activity?

3             MR. KATZ:   That is correct.   What I would  
4     suggest we do here is, we have fairly exhaustive  
5     documentation around our demutualization, some of which  
6     we have here, some of which we may not, that we would be  
7     happy to share.

8             I think it's a topic that's fairly complex.

9             Certainly, we can continue to attempt to  
10    testify to it, but this is maybe better suited through  
11    documents.   We have something prepared and would be  
12    happy to enter it into the record.

13            COMMISSIONER JONES:   We're happy to receive  
14    those.   Do you want to provide those to us at this time  
15    then and describe what they are?

16            MS. ROSEBOROUGH:   Do you want us to do it at  
17    the break and then we can go over it?

18            COMMISSIONER JONES:   That's fine, too.   How  
19    many documents are we talking about?

20            MS. ROSEBOROUGH:   We have available to share  
21    with you correspondence with the state of Florida and  
22    correspond with the state of New York where we  
23    documented our efforts to find the lost policyholders.

24            We have correspondence with the state of  
25    California, some of which relates to the same process.

1           We also have descriptions that we were  
2   provided inside the order, approved our order -- by the  
3   provided by the state of New York approving our order of  
4   demutualization.

5           COMMISSIONER JONES:   Okay.   All of these  
6   actives relate to activities at MetLife before or  
7   contemporaneous with demutualization.   These aren't the  
8   activities that were targeted at the 1.1 million lost  
9   policyholders after demutualization, were they?

10          MS. ROSEBOROUGH:   Correct.   They are not.

11          COMMISSIONER JONES:   We're happy to take those  
12   into the record at the break.

13          But post demutualization, 1.1 million lost  
14   policyholder.   Is it fair to assume that some of  
15   policyholders were dead?

16          MR. KATZ:   You're asking a hypothetical.

17          COMMISSIONER JONES:   No.   I'm asking from the  
18   company's perspective, is it fair to assume they were  
19   dead, some of them?

20          MR. KATZ:   Yeah.   It's probably reasonable to  
21   assume some were dead.   What's tricky is, it's not  
22   reasonable to assume specifically which were dead and  
23   when they died.

24          So that's why we felt using things like the  
25   Death Master Index could help us do that where Social

1 Security numbers were, in fact, available.

2 COMMISSIONER JONES: So did you do that in  
3 2000 then, run Death Master against the 1.1 million  
4 policyholders that you'd identified as lost  
5 policyholders?

6 MR. KATZ: We did not do that in 2001.

7 COMMISSIONER JONES: Did you do that in 2002?

8 MR. KATZ: We explained that --

9 COMMISSIONER JONES: Well, it's a yes or no  
10 question.

11 MS. ROSEBOROUGH: I instruct the witness not  
12 to answer.

13 I think I've indicated that there were usages  
14 of the Death Master Index prior to the system use in  
15 2007 that were used -- where the Death Index was used to  
16 insure our compliance requirements with certain class  
17 action settlement agreements.

18 I'll provide those agreements to you and I'm  
19 glad to discuss with you on a confidential basis how we  
20 used the Death Master File to ensure our compliance with  
21 the obligations under those settlement agreements.

22 COMMISSIONER JONES: Okay. Putting aside our  
23 dispute about whether or not you can testify about those  
24 agreements right now, was there any effort in 2002,  
25 outside of the litigation context, to do a system sweep



1 of the 1.1 million lost policyholders using Death  
2 Master?

3 MR. KATZ: Not that I'm aware.

4 COMMISSIONER JONES: Was there any effort in  
5 2003, outside of the litigation context to do a systemic  
6 sweep of the 1.1 million lost policyholders using Death  
7 Master?

8 MR. KATZ: Would it be okay if a made a  
9 clarifying point here?

10 COMMISSIONER JONES: Certainly.

11 MR. KATZ: A significant chunk of these don't  
12 have Social Security numbers.

13 COMMISSIONER JONES: That's fine. Did you or  
14 did you not in 2003 sweep those policyholders using  
15 Death Master, outside of litigation?

16 MR. KATZ: Not that I'm aware of.

17 COMMISSIONER JONES: Okay. Was there any  
18 point in time when you did sweep the 1.1 million lost  
19 policyholders using Death Master File, and when was  
20 that?

21 MR. KATZ: To the extent that any of the  
22 policies had Social Security numbers, those were swept  
23 against the Death Index, other than small block we  
24 talked about in that 2007 match.

25 COMMISSIONER JONES: They have been swept

1     since then?

2                 MR. KATZ:   Actually, they were swept this  
3     month, but that's the last time.

4                 MR. CASSANDRA:   Mr. Commissioner, could I make  
5     one clarification?

6                 So for the purposes of demutualization, we're  
7     talking about the policy owners.

8                 Under the plan of demutualization, the policy  
9     owner would have been the party who was eligible for  
10    demutualization proceeds.

11                In many of the cases of the industrial block,  
12    the policy owner was not the insured under the contract.

13                So if sort of the line of questioning is  
14    implying that with absolute certainty there's a death  
15    benefit payable under these "lost policyholders," I  
16    don't think that blanket assumption is absolutely  
17    correct."

18                COMMISSIONER JONES:   What percentage of the  
19    1.1 million lost policyholders were -- I'm sorry.   What  
20    percentage of 1.1 million lost policies were in a  
21    situation where the owner was different than the  
22    policyholder?

23                MR. CASSANDRA:   I don't know that.   I don't  
24    have that statistic for you, but it's one fact in the  
25    context of these policies that should be considered.

1           COMMISSIONER JONES:   Some number of the 1.1  
2 million policies were policies where the owner and the  
3 policyholder was the same.   Correct?

4           MR. CASSANDRA:   That is possible.

5           COMMISSIONER JONES:   And Death Master was not  
6 run outside the litigation context against those  
7 policies until 2007?

8           MR. CASSANDRA:   To the best of my knowledge.

9           MR. KATZ:   Other than that, we gave you a few  
10 other examples with a couple states, but other than  
11 that.

12           COMMISSIONER JONES:   Okay.   And then was there  
13 any effort to do a manual check of the 1.1 million  
14 policy files against Death Master other than litigation  
15 with the three states you testified to in 2004 that you  
16 were engaged in some discussions with, and the 2007  
17 sweep?   Any manual checking of the 1.1 million policy  
18 files?

19           MR. KATZ:   Not that I'm aware of.

20           COMMISSIONER JONES:   All right.   Then you  
21 testified a moment ago that with regard to 2007 Death  
22 Master sweep, when you identified beneficiaries whose  
23 benefits needed to be paid either because you had a  
24 three-point match and you filed an investigation to  
25 determine the benefit you needed to pay, or you had more

1     than a one-point match and you filed an investigation to  
2     decide the benefit you needed to pay.

3             In those circumstances where you determined  
4     that either a benefit needed to be paid or there needed  
5     to be an escheatment, you chose 2007 as the date of  
6     which you would run the date of death for purposes of  
7     calculating interest payments owed in those cases.

8             MR. KATZ:   No.

9             COMMISSIONER JONES:   Can you clarify that?

10            MR. KATZ:   Sure.   For purposes of claims to be  
11     paid to beneficiaries, we pay interest from 30 days past  
12     the date of death, as we believe is consistent with the  
13     State requirement.

14            In other states, we did what was consistent we  
15     believed for those given states.

16            For funds to be escheated, we started the  
17     escheatment process for lost property in that 2007 date  
18     and did not apply settlement interest, which is also our  
19     interpretation of how the law requires us to do it.

20            COMMISSIONER JONES:   Even if through a  
21     three-point Death Master match there was an indication  
22     of the death occurred earlier than 2007, you chose 2007  
23     as the date in which the dormancy period began to run  
24     for purposes of escheatment?

25            MR. KATZ:   Right.   We normally do it from the

1 date we have a liability. And that liability happens  
2 when there is proof of death, which by nature of the  
3 2007 match would be subsequent to 2007.

4 We chose not to require death certificates  
5 and, as such, set that 2000 date as the date to begin  
6 the unclaimed property process.

7 COMMISSIONER JONES: So you understand why  
8 that answer may be less than satisfactory for the  
9 Controller and I because you testified earlier that you  
10 had Death Master, were using it for certain portions of  
11 business, principally annuities.

12 It wasn't used for life insurance benefits in  
13 the individual contexts until 2007.

14 So while I respect what you said or  
15 understand, rather, what you said in regards to when you  
16 believe liability attaches for purposes of escheatment  
17 is when you have knowledge, you didn't use a database  
18 that was available to you to have knowledge earlier.

19 And so I guess what I find troubling is given  
20 that history, why would you choose 2007 as the date of  
21 liability and not an earlier date?

22 MR. KATZ: Well, again, it's hard for me to  
23 testify exactly what the thinking was and why different  
24 options were chosen.

25 I think the point I made earlier which was --

1 our belief is that liability begins -- or I should say  
2 the unclaimed property timing begins when liability is  
3 established.

4 And while I recognize the fact that in some  
5 cases the date of death was earlier in the process, in  
6 fact, liability on these cases really wasn't established  
7 because there was no proof of death.

8 And so we selected the 2007 date because that  
9 was the date that we -- for the purposes of running the  
10 match had been the first time we ran the match the match  
11 on that block of business and began the process.

12 As an alternative, and I see your point,  
13 you're saying why didn't you go back earlier than that.  
14 In our interpretation of our responsibility wouldn't  
15 have required us to do that.

16 COMMISSIONER JONES: Have you done any  
17 analysis of what the interest savings is to MetLife by  
18 virtue of choosing 2007 as the date at which liability  
19 and dormancy period runs versus choosing the actual date  
20 of death as reflected in Death Master on those  
21 policyholders for whom you made a match?

22 MR. KATZ: I don't know that I can tell you  
23 that information.

24 MR. CASSANDRA: We've not made any such  
25 calculation, to my knowledge.

1 COMMISSIONER JONES: Okay.

2 MR. KATZ: I should also make just an  
3 important point.

4 During that dormancy period, the dormancy  
5 period, we used to the extent we could to search for  
6 beneficiaries.

7 I don't know if that's helpful or intuitive,  
8 but it's worth noting that in 2007, after we run that  
9 match, it wasn't as if, okay, let's just turn the money  
10 over.

11 Our understanding of part of why we have a  
12 dormancy period is, as an insurance company, it gives us  
13 the opportunity to search out beneficiaries to see if we  
14 can find them and then escheat only in until situations  
15 where we can't. We put in pretty substantive efforts to  
16 make that happen.

17 COMMISSIONER JONES: Let me see if either  
18 Minnesota or Florida have any questions at this point.

19 MS. MILLER: I have a couple of questions.

20 You mentioned that you have access to other  
21 databases and other methods of finding people. We  
22 mentioned Accurant.

23 Are there other systems that MetLife uses, for  
24 example, when it's underwriting or in other departments  
25 to find information about it's own customers?

1 MR. KATZ: What type of customer?

2 MS. MILLER: Your customers?

3 MR. KATZ: So if your question is: Do we use  
4 publicly available information in other ways throughout  
5 the organization, I'm certain we do.

6 MS. MILLER: So for marketing and those kind  
7 of things, you try and market products, there are all  
8 kinds of systems out there where you can look and see if  
9 you can identify a subset of customers by certain  
10 findings. Right?

11 MR. KATZ: That's not the area that I have  
12 responsibility for so I can't comment to that, but that  
13 sounds logical.

14 MS. MILLER: You're aware of such systems.  
15 Correct?

16 MR. KATZ: Give me an example of one?

17 MS. MILLER: Well, I think there are a variety  
18 of them. Some of them are call predictive modeling type  
19 of systems. Some of them are called, just data mining  
20 systems. I don't have trade names, but there are a  
21 variety of them.

22 MR. KATZ: I should make a point the majority  
23 of our business in the individual space is agent driven.

24 We do have a very small direct marketing arm  
25 of our business, but for the most part our business is



1 agent driven, so I don't know if that helps.

2 MS. MILLER: So even on the annuity side, you  
3 wouldn't regularly use these systems, or would you?

4 MR. SOLLMANN: I'm speaking for the individual  
5 annuity side. We use the same databases as Todd  
6 described that we use in other places in the company.  
7 We also do not have -- in our case, we don't have a  
8 direct consumer -- direct to consumer, direct marketing  
9 business at all.

10 MR. KATZ: So we do market, we use data and  
11 information. I want to be careful that if you're asking  
12 us to testify to a specific system or specific tools, we  
13 can't testify to that because we're not aware of it.

14 We did also just want to share that we do have  
15 some direct in our organization. It's relatively small.  
16 The majority of what we do is face-to-face distribution  
17 on the retail side.

18 MS. MILLER: What I'm really getting at: Are  
19 there other systems besides just matching with the Death  
20 Master File directly where you can get information about  
21 your customers to try and narrow down this group of a  
22 million or so policyholders that you can't find because  
23 you don't have a Social Security number?

24 There are a lot of different systems out there  
25 to give life insurance companies routinely information

1 about their customers or perspective customers.

2 MR. KATZ: Yeah, so we talked about this a  
3 little in Florida, too.

4 I think the issue of lost policyholders is not  
5 just a MetLife issue, it's an industry issue. It comes  
6 across multiple jurisdictions.

7 And I think is a place that's fertile ground  
8 for the industry to talk about with our regulators ways  
9 to do that.

10 Our intent is whenever there's an individual  
11 that we can find out if will they are dead, to get those  
12 moneys in the hands of the beneficiaries.

13 So we certainly would be open to dialogue  
14 around those practices in that space.

15 MS. MILLER: Well, I think that in areas where  
16 the companies are marketing in areas where it  
17 financially benefits -- not to be crass -- but  
18 financially benefits the company, that there are a lot  
19 of systems and efforts available.

20 You could find a lot about the policyholders  
21 and perspective holders and do.

22 And if you can think in terms of next steps,  
23 applying those types of systems to this issue would make  
24 some sense.

25 You know before you write somebody what kind

1 of prescriptions they've bought -- you know an awful lot  
2 about that person.

3 MR. KATZ: You know, I think that's an area we  
4 can and should have more discussions.

5 I probably should have made another point in  
6 this context.

7 I think some of the hypothesis around all of  
8 this is that somehow MetLife's intention here is  
9 designed to make more money. And what we're doing here  
10 is we're using this data in one way on one side of the  
11 house and another way on the other, and the reason we're  
12 doing that is because we're looking to hold funds that  
13 we shouldn't hold and defer policyholders.

14 And I just want to make two points that I  
15 think are important on that.

16 One is, that couldn't be further from the  
17 truth. We're talking about a very large company and  
18 we're talking about rather insignificant dollar amounts  
19 in the context of that.

20 Keep in mind, we ran the Death Match in '07 on  
21 our life business going back decades, and \$80 million is  
22 not small, but found \$80 million over decades, we're  
23 talking about relatively small numbers.

24 The other piece which I think is important  
25 relates to the industrial life policies, those policies

1 continue to perform. What I mean by that is that we  
2 issue dividends to those policyholders every year.

3 Ao as those policies stay on our books, they  
4 are growing. And one of the things in the PowerPoint  
5 was: Do you have situations where policyholders pay in  
6 more premium than their face amount.

7 In the industrial block, since we've made them  
8 paid up and we've been issuing dividends every year,  
9 those policies are growing, and in some cases are double  
10 or triple the face amount what they were at the time of  
11 issue.

12 And ultimately when a beneficiary comes  
13 forward, they'll be escheated at the whole -- it will go  
14 to the beneficiary at full value. Or if they are  
15 escheated, they will be escheated when they superannuate  
16 at that full value.

17 I want to make sure that's clear in the  
18 context of this dialogue.

19 MR. HANSON: For the 1.1 million policyholders  
20 that were lost, do you have any idea of the approximate  
21 face amount of risk on those?

22 MR. KATZ: I don't have that answer.

23 MR. CASSANDRA: I don't have that handy, but  
24 these would tend to be very little face amount policies.

25 MR. HANSON: Did your actuaries or anyone

1 internally then look at that and say: "We can't find  
2 these policyholder, we have some assumption that some of  
3 them aren't every going to submit claims, let's release  
4 some reserves." Anything like that?

5 MR. CASSANDRA: I think the documentation of  
6 that is covered in both the plan of demutualization and  
7 the demutualization that Teresa said she was going to  
8 share at the end of the meeting.

9 I think if you look at those documents, you  
10 may see information.

11 MR. HANSON: Older blocks of business for  
12 individual annuities, you're doing a quarterly Death  
13 Master match?

14 MR. SOLLMANN: We're doing it monthly on our  
15 payout annuity business and quarterly on our deferral  
16 business.

17 MR. HANSON: Do they receive annual or  
18 quarterly policy statements?

19 MR. SOLLMANN: The owners are in receipt of  
20 our payout annuities, they are getting a monthly check  
21 from us.

22 The owners of the deferred contracts, the  
23 pay-in annuities, get a quarterly statement from us  
24 showing the value of their contract on which investments  
25 they have, and so on.

1           They also get an annual prospectus from us if  
2   it's a variable contract showing what funds are with us  
3   deferred and they frequently get privacy notices from us  
4   as well.

5           MR. HANSON:   Ao notwithstanding Death Master,  
6   what does the company do when you stop -- they start  
7   coming back?

8           MR. SOLLMANN:   Sure.   So if any of those  
9   documents is returned to us as mail that can't be  
10  delivered, we would follow the process that we talked  
11  about earlier trying to locate that individual.

12           To the extent we could not locate that  
13  individual, then we would follow our normal process that  
14  could ultimately lead us to an escheat situation.

15           MR. HANSON:   What is the normal process?

16           You can't locate the person or main  
17  beneficiaries, what is the process when you finally get  
18  to escheating the property?

19           MR. SOLLMANN:   My understanding is that we  
20  generally try to follow a process that would call for  
21  regular follow-ups for at least a year.   And to the  
22  extent that we can't identify that individual at the end  
23  of that period, we could follow our normal escheatment  
24  processes.

25           COMMISSIONER JONES:   We have been talking quit

1 a bit about industrial policies. And my guess is that  
2 there are significant numbers of the public who have no  
3 clue what we're talking about.

4 It's a term of art used in the industry. I'm  
5 wondering if you can give us some better understanding  
6 what is an industrial policy. What are we talking  
7 about?

8 MR. KATZ: Sure. Industrial policies  
9 typically have a face amount of \$1,000 or less, and  
10 typically the premiums were paid weekly or monthly. And  
11 typically the agent is the one collect the premiums.

12 MetLife stopped issuing industrial policies in  
13 1964, around 1967.

14 COMMISSIONER JONES: When those were paid on a  
15 weekly or monthly basis, how much would the policy owner  
16 typically be paying?

17 MR. KATZ: It's small. I don't know the  
18 number.

19 MR. CASSANDRA: Generally, cents, nickels and  
20 dimes.

21 COMMISSIONER JONES: And who are these  
22 policies typically sold to?

23 MR. KATZ: I want to be careful because I  
24 don't know my answer definitively, but they were  
25 typically designed for, given the lower face amount, of

1 people who their life insurance needs would be for an  
2 amount of that level, so --

3 COMMISSIONER JONES: Typically lower income,  
4 individual households.

5 MR. KATZ: I don't know that definitively if  
6 that's the case.

7 COMMISSIONER JONES: Are you aware of any  
8 marketing materials that MetLife utilized prior to 1964  
9 to sell these policies and who were they being marketed  
10 to?

11 MR. KATZ: I'm not.

12 COMMISSIONER JONES: Any of the other  
13 witnesses have any understanding? I think you've  
14 testified you've have been with the company some --

15 MR. SOLLMANN: 37 years.

16 COMMISSIONER JONES: 37 years. And I'm just  
17 wondering if you have any understanding as to whom these  
18 policies were marketed when they were marketed?

19 MR. SOLLMANN: I don't. I grew up on the  
20 employee benefit side of our business.

21 MR. CASSANDRA: I was born in 1964.

22 COMMISSIONER JONES: There you go. But  
23 generally, these were policies that were sold by agents,  
24 they were sold door-to-door in communities throughout  
25 this country?



1           They were very low face value life insurance  
2 policies, about \$1,000 or less, I think you testified  
3 to. And generally speaking, in the literature that's  
4 available with regard to these policies in the industry,  
5 these were policies that tended to be purchased by  
6 people of more modest means. Is that fair?

7           MR. KATZ: That's reasonable assumption.  
8 Yeah.

9           MR. CASSANDRA: Okay. And then those were the  
10 policies, Commissioner, that the Family Reunion Program  
11 was actually targeted at.

12           So you might recall this morning we testified  
13 about the Family Reunification Program, which was a  
14 Metropolitan-specific effort to attempt to find all  
15 these owners. And we ran multiple media ads, spent  
16 about \$20 million at that point in time.

17           COMMISSIONER JONES: In regard to the \$80  
18 million in life insurance benefits you paid out as a  
19 result of the 2007 Death Master sweep, what was the  
20 average benefit paid out within that \$80 million?

21           MR. KATZ: We're going to do some math right  
22 now. We're going to take the 80 million and divide it  
23 by the 18,000, plus the 700.

24           MR. CASSANDRA: About \$4,700. I just took the  
25 84 value and divided by 18,000, give or take some cents.

1 Lucky I brought my calculator.

2 COMMISSIONER JONES: So about \$4,700 on  
3 average?

4 MR. CASSANDRA: That's what it looks like.

5 COMMISSIONER JONES: 18,000 plus 700 people  
6 that were paid out?

7 MR. CASSANDRA: Shall I do it again? 84  
8 million, 18,700 -- \$4,491.

9 MR. KATZ: We'll make sure that's entered as  
10 an estimate, but that will give you the order of  
11 magnitude.

12 COMMISSIONER JONES: I'm just wondering based  
13 on your knowledge of your policyholders whether you can  
14 share with us what sort of impact there might be on a  
15 family or individual not to receive, say, a payout of  
16 \$4,700 in the context where a parent or grandparent or  
17 some other family member passed away and had a life  
18 insurance policy with you.

19 MR. KATZ: I think that impact is going to  
20 depend on the person. It's hard to make a general  
21 statement on that.

22 I think in any situation when someone buys  
23 life insurance, they bought it for a reason.

24 And our intent is to pay out all amounts that  
25 are due. And the presumption is that individuals bought

1 it to serve whatever purpose they served. It's a  
2 personal situation.

3 COMMISSIONER JONES: So I mean, it's a real  
4 benefit when they are paid, then that.

5 MR. KATZ: I think so. Sure.

6 COMMISSIONER JONES: It make as difference in  
7 their life, that's why they purchased the policy.

8 MR. KATZ: Yeah. I think -- well, keep going.  
9 I'm not sure where you're going.

10 COMMISSIONER JONES: Yes or no, they buy the  
11 policy for a reason?

12 MR. KATZ: I think it depends on the person.  
13 You have some individuals who may be more well off and  
14 the payment of life insurance may, relative to their  
15 networth, be relatively small; and for others maybe less  
16 well off relatively large.

17 It's going to depend on the person.

18 COMMISSIONER JONES: But the owner of the  
19 policy or the insured individual and the owner, if they  
20 are co-terminus, bought that policy with an idea in mind  
21 of helping a beneficiary when they passed away.  
22 Correct?

23 MR. KATZ: That's reasonable.

24 COMMISSIONER JONES: That's the deal. That's  
25 they come to your company.

1 MR. KATZ: Sure.

2 COMMISSIONER JONES: So I guess what I'm  
3 struggling with is your characterization of the  
4 importance of the \$84 million that you did pay out as a  
5 result of the Death Master sweep in 2007 as substantial  
6 relatively small dollars.

7 I'm struggling with that because I think that  
8 people buy this, people get this insurance because they  
9 believe it confers a real benefit to the beneficiaries.  
10 From where I sit, \$84 million is a substantial sum and  
11 \$4,700 is a substantial sum.

12 MR. KATZ: We agree. For any individual that  
13 got paid those proceeds, for that individuals, that's a  
14 big deal.

15 That's why we think using the Death Index on a  
16 regular basis as a safety net to supplement the core  
17 process.

18 So over that period where we found \$80 million  
19 from the Death Index, we also paid \$44 billion through  
20 the normal channel. So the normal channel process  
21 works.

22 We found \$80 million, and anybody who was one  
23 of those 18,000 people who got that \$80 million, for  
24 that person, that's real important.

25 That's why we believe to make sense as to use

1     that safety net process on a perspective basis so that  
2     when the core process happens to not work, there's a way  
3     to support that.

4                 COMMISSIONER JONES:   That's where you and I  
5     have a disagreement.

6                 I think that rather than using it as a safety  
7     net, it should be an integral part of the company's  
8     effort to try to make sure that beneficiaries get paid.  
9     Not an afterthought.   Those are my words, of course.

10                MR. KATZ:   Can I comment on that?

11                COMMISSIONER JONES:   Absolutely.

12                MR. KATZ:   I think that would be a great topic  
13     for discussion between regulators and the industry.  
14     Because this is the type of thing, and we're perfectly  
15     comfortable talking about it in a public forum in a  
16     hearing, but this industry and the NAIC over the years  
17     have enacted substantive change that helps our  
18     customers.   That's what we're here to do.

19                So we would welcome engaging in a dialogue to  
20     determine the best practice across the industry.   And if  
21     this effort leads to that dialogue and we get to a place  
22     where we all feel good, that's what we're trying to do  
23     here.

24                COMMISSIONER JONES:   You testified to the  
25     company's new policy as to 2010.   I think you testified

1 as well in April of this year, you did another Death  
2 Master sweep against individual life insurance policies.  
3 Is that correct?

4 MR. CASSANDRA: It was in June.

5 COMMISSIONER JONES: June of --

6 MR. CASSANDRA: I'm sorry, right. We intend  
7 to finish by the end of June.

8 COMMISSIONER JONES: Maybe I better clarify  
9 that. Let's go back to 2010.

10 Since 2010, can you describe again the uses to  
11 which you put the Death Master File?

12 MR. CASSANDRA: We took the decision that we  
13 were going to begin use of the Death Master File no less  
14 frequently than annually in the businesses where we had  
15 records.

16 We began that process in 2010. It began with  
17 the first product that we matched under the process, our  
18 retained asset accounts. The second product in the list  
19 was our individual life business, which we are doing  
20 live in May.

21 COMMISSIONER JONES: That's the part I didn't  
22 understand. You're in the midst of doing the individual  
23 life business?

24 MR. CASSANDRA: In fact, the raw match -- I'm  
25 informed the raw match has been in run now we're

1 beginning the investigatory phase.

2 COMMISSIONER JONES: Can you explain -- will  
3 you be using the same protocols that you used in the  
4 2007 sweep for this most recent sweep of the individual  
5 life insurance policies?

6 MR. CASSANDRA: I would say generally. I can  
7 not say absolute, 100 percent certainty every protocol  
8 is the same, but the logic and the intent, which is to  
9 find every policy that person insured has died, that is  
10 our intent.

11 COMMISSIONER JONES: You'll start with the  
12 three-point match, and then you'll do a one-point and  
13 greater match as you testified to earlier you did in  
14 2007?

15 MR. CASSANDRA: I believe that to be the case.  
16 I can't say with absolute certainty. The first sweep is  
17 to be the three-point.

18 COMMISSIONER JONES: What will you do after  
19 that?

20 MR. CASSANDRA: We'll start the investigatory  
21 phase to determine if those three-point match hits are  
22 actually our insured and begin to find the beneficiary.

23 COMMISSIONER JONES: Is it your intention as  
24 to do an additional sweep using one point greater  
25 matches?

1           MR. CASSANDRA: I don't know if we've taken  
2 that decision yet.

3           COMMISSIONER JONES: What other product lines  
4 do you plan to apply Death Master to based on this new  
5 2010 policy?

6           You said retained asset accounts, individual  
7 accounts. What comes next after that?

8           MR. CASSANDRA: The group life insurance  
9 business where we are the record keeping.

10          COMMISSIONER JONES: Just where you are the  
11 record keeper.

12          And you're continuing to use it on a monthly  
13 or quarterly basis on the annuity product based on  
14 whether it's pay-in or a pay-out status. Is that  
15 correct?

16          MR. SOLLMANN: Yes. And as I mentioned  
17 earlier, the block of the deferred business that we are  
18 currently running against, we're running that as a  
19 result by the end of this year.

20          COMMISSIONER JONES: Okay. Remind me, which  
21 block of deferred business was that?

22          MR. SOLLMANN: I made a distinct earlier today  
23 between our older business and our newer generation  
24 business. It's about 5050 on the deferred side we will  
25 add this year.



1           COMMISSIONER JONES: Okay. Now I want to turn  
2 our attention to the retained asset accounts because  
3 we've had some testimony about that.

4           And you've indicated that you did a Death  
5 Master sweep in 2010 -- well, you did a Death Master  
6 sweep late 2010 earlier this year against retained asset  
7 accounts.

8           Can you describe how you used retained asset  
9 accounts, what they are?

10          MR. KATZ: I'll also clarify we had done a  
11 sweep prior to that in 2006, which I can talk to also,  
12 but retained asset accounts are a life settlement option  
13 available in most policies.

14          They are aimed to enable the policyholder or  
15 beneficiary to funds put into a retained asset account  
16 to enable them to have time to decide what to do with  
17 those funds.

18          Retained asset accounts offer interest rates  
19 that are pegged to be above at least one of two market  
20 indices.

21          I can give you what those indices are, I just  
22 don't have them of the top of my head, and they have a  
23 minimum interest rate.

24          The minimum interest rate varies anywhere from  
25 three percent to a half a percent.

1           They are insurance contracts that are  
2 supplemental contracts and feed back from our customers  
3 is extremely positive on our retained asset accounts.

4           One of the stats I think is worthwhile to  
5 share with you is about half of our retained asset  
6 accounts today are earning an interest rate of three  
7 percent. And in today's environment, we think that's  
8 quite competitive.

9           So let me stop there. That's probably a  
10 general answer.

11           COMMISSIONER JONES: Does MetLife refer to  
12 these as total control accounts?

13           MR. KATZ: That's our product, our total  
14 control account.

15           COMMISSIONER JONES: That's synonymous with  
16 retained asset total account?

17           MR. KATZ: Our version of retained asset  
18 account.

19           COMMISSIONER JONES: You mentioned that it's a  
20 life settlement option. For which of your products is  
21 retained asset account or total control account a life  
22 settlement option?

23           MR. KATZ: I believe, I'll ask Mr. Cassandra  
24 to help me, it's for individual and life.

25           MR. CASSANDRA: That's correct.

1           COMMISSIONER JONES: And with regard to that  
2 option, is it an opt-in option or opt-out option?

3           MR. KATZ: So the optionality would depend on  
4 the type of contract that's in place.

5           For individual life insurance, the  
6 policyholders will have the option to elect the  
7 settlement option. Typically, either a retained asset  
8 account, total control account or a check.

9           The policyholder usually doesn't make an  
10 election. If they don't make an election, then the  
11 beneficiary will have the option to make an election.  
12 If the beneficiary doesn't make an election, the default  
13 will be the total control account.

14           I should make another point about what the  
15 total control account is. It's an account that's  
16 interest bearing, but it's also check writing. So the  
17 individual, once they have the account open, if they  
18 want to write one check to themselves, they can close it  
19 immediately. And, in fact, a significant amount of our  
20 accounts close relatively quickly.

21           COMMISSIONER JONES: So if I understand  
22 correctly, first the policyholder is given the election,  
23 so they are given the option to decide whether or not a  
24 retained asset account will be utilized in the event of  
25 their death and the payment of benefits.

1           MR. KATZ: We're talking about individual  
2 here. The individual policyholder would have that first  
3 option.

4           COMMISSIONER JONES: And then, if they don't  
5 make an election then the beneficiary can make the  
6 election.

7           MR. KATZ: When they fill out the claim  
8 form -- I should note, what I'm articulating is a  
9 general statement. There are some state laws that  
10 govern how this works, so in certain jurisdictions it  
11 may work a little differently.

12          COMMISSIONER JONES: So does the policyholder  
13 at the time they purchase the policy have to  
14 affirmatively elect in some way the total control  
15 account?

16          MR. KATZ: They may or they may not. They  
17 don't have to make an election. In fact, most do not.

18          COMMISSIONER JONES: So then, it defaults to  
19 the beneficiary. So on your claim form, generally, how  
20 is that manifested?

21               Is it a box that has to be checked or  
22 unchecked? Can you explain that for us?

23          MR. KATZ: There's some indication, I'm not  
24 sure if it's a box or if they write it in.

25               We'd be certainly happy to provide you with

1 copies of the forms to give you more details on that, we  
2 do ask them to make an affirmative election.

3 COMMISSIONER JONES: So if they don't somehow  
4 affirmatively ask for the total control account and the  
5 policyholder hasn't asked for it, then it defaults to  
6 the total control account?

7 MR. KATZ: Correct. Our thought process there  
8 in just about every circumstance that we can think of,  
9 the total control account provides more benefits to the  
10 individuals than the check.

11 Once they get a check, they are precluded from  
12 opening the total control account. It's done.

13 So if we send them a check, they've now lost  
14 that option. So we send them the total control account,  
15 and we clearly articulate to them, this is an account  
16 you can write one check and take all your money out  
17 immediately if you wish to do so.

18 COMMISSIONER JONES: What percentage of the  
19 individual life insurance policies have either the  
20 policyholder -- let's start with the policyholder.

21 What percentage of those in which benefits  
22 have not been paid have the policyholders elected the  
23 total control account?

24 MR. KATZ: I'll have all of these answers in  
25 the fall.

1 COMMISSIONER JONES: Is it a small percentage?

2 MR. KATZ: What percent elect total control  
3 account? I don't know. We can follow up.

4 COMMISSIONER JONES: I think you said most  
5 don't.

6 MR. KATZ: Policyholders, it's a very small  
7 percentage that make an election at all.

8 COMMISSIONER JONES: Have that make any  
9 election?

10 MR. KATZ: Correct.

11 COMMISSIONER JONES: Do you have any estimate  
12 of the percentage of beneficiaries that make an election  
13 one way or the other?

14 MR. KATZ: I don't.

15 COMMISSIONER JONES: Of the life insurance  
16 policies in which benefits have been -- let me ask this  
17 question in a different way.

18 What number total control accounts do you have  
19 open currently in the individual side?

20 MR. KATZ: Do we have more copies? I don't  
21 have them right now. So I have it in aggregate. I  
22 don't have it broken down between group and individual.

23 It's approximately 500,000, I forget, for a  
24 total of about \$12 billion in assets.

25 COMMISSIONER JONES: You mentioned the

1 interest that's paid on these accounts.

2 Does the company earn more interest on this  
3 money that's held in these accounts than the  
4 beneficiaries who now own the accounts earn?

5 MR. KATZ: So we pay out interest on the  
6 account consistent with the contract, and that interest  
7 has varied over the years. It's been much higher than  
8 it is. Right now, it's a very low interest rate  
9 environment.

10 The company holds the funds in our general  
11 account, and our general account earnings vary based on  
12 the risk and duration of any given product.

13 So we certainly do aim to earn more than we  
14 credit, but I would suggest to you if you look at the  
15 environment right now, the three percent rate is fairly  
16 compelling.

17 COMMISSIONER JONES: But if you earn more on  
18 the aggregate dollars that are held in total control  
19 accounts, if you earn more than the interest rate  
20 available to the beneficiaries in those accounts, you  
21 don't pass those additional earnings directly on to  
22 beneficiaries. Correct?

23 MR. KATZ: We pay out the beneficiaries, the  
24 account holders, consistent with our obligations,  
25 consistent with the customer agreement and consistent

1 with the way we're supposed to do it.

2 We take risk on our total accounts. We  
3 provide guarantees and we invest the money and -- even  
4 those these aren't bank accounts, because they are not,  
5 you think about it in the context of financial accounts  
6 more generally.

7 COMMISSIONER JONES: Fair enough. But the  
8 question was: If you earn more by investing the  
9 aggregate dollars in the total control accounts than  
10 what you have contracted to provide those account  
11 beneficiaries by way of interest, you don't pass through  
12 to them the additional earnings that you make on their  
13 money?

14 MR. KATZ: If we made more, we don't pass that  
15 through; and if he we make less, we don't ask them to  
16 pay us less.

17 COMMISSIONER JONES: Have you ever made less  
18 on their money?

19 MR. KATZ: So we have guarantees out there in  
20 today's environment where the rates are pretty good. I  
21 don't have the data in front of me, but I believe there  
22 are some quarters -- especially at the height of the  
23 financial crisis -- where the financials on this  
24 business wasn't particularly favorable.

25 COMMISSIONER JONES: But you made less than



1 the contracted interest amount on those accounts?

2 I imagine those interest -- as you said the  
3 indices themselves fluctuate based on what's happening  
4 overall in the financial market.

5 So you actually earned less than the interest  
6 that was paid to them, if you know?

7 MR. KATZ: We have guarantees here, so if you  
8 take -- I'm going to give you a hypothetical because I  
9 don't want to testify --

10 COMMISSIONER JONES: If you know. If you  
11 don't know, you don't know. That's fine, too.

12 MR. KATZ: Yeah, I mean, I don't know.

13 COMMISSIONER JONES: That's fair. All right.

14 Then I guess with regard to the total control  
15 accounts, do you have any practices or procedures for  
16 determining when those accounts have gone dormant?

17 MR. KATZ: So our procedures are on total  
18 control account. We contact our policyholders  
19 regularly. We send them statements at least once a  
20 quarter, and once a month if there's activity in the  
21 account. We send them an annual 1099 for the interest  
22 earned.

23 If we have three instances of returned mail,  
24 we will then assume that that account is lost in some  
25 way and we'll begin a procedure to search for the owner,

1 and if ultimately can't find the owner, begin our  
2 unclaimed property process system.

3 COMMISSIONER: Go ahead.

4 MR. KATZ: Many cases, we may find the  
5 individual is deceased, and if we do, then the  
6 beneficiary, if one is named, the proceeds will move to  
7 that beneficiary.

8 We also, as I mentioned earlier, have deployed  
9 the Social Security Death Match twice thus far for  
10 accounts -- for total control accounts. We did it first  
11 in 2006 and again in 2010. And that's certainly another  
12 way to search for people who may have died.

13 COMMISSIONER JONES: What's the search  
14 procedure you use when mail has been returned three  
15 times?

16 MR. KATZ: I can't testify exactly to what  
17 that is.

18 Certainly, our intent is, for example, if  
19 there's a beneficiary, try to find the beneficiary. But  
20 if that search criteria fails, that account would go  
21 through the unclaimed property system then. And I don't  
22 know the exact procedure. I apologize.

23 COMMISSIONER JONES: I'd be interested in  
24 knowing that if there is a document or someone could  
25 testify.

1           Once it goes on unclaimed property, what does  
2   that mean and what happens then.

3           MR. KATZ: Then, we follow the unclaimed  
4   property rules of the given state that would apply for  
5   the purposes of determining escheatment. So I guess  
6   that's really the answer.

7           COMMISSIONER JONES: Okay. When the mail has  
8   been returned three times and you begin the search  
9   procedure, does the search procedure include utilization  
10   of the Death Master File to try to make a determination  
11   whether the beneficiary of the total control account has  
12   passed away?

13          MR. KATZ: Unfortunately, that's the question  
14   you asked before.

15          I don't have specific details on what exactly  
16   what we look at for that.

17          I do know the steps subsequent the mail and  
18   following the unclaimed property. I'm not as clear on  
19   exactly what those search steps are.

20          MR. CASSANDRA: I believe we write letters to  
21   the account holder and to the beneficiary.

22          COMMISSIONER JONES: Say again, I'm sorry.

23          MR. CASSANDRA: Write letters to the last  
24   known address or to the address of the beneficiary, if  
25   we have one listed on the file.

1           COMMISSIONER JONES: That's part of the search  
2 procedure?

3           MR. CASSANDRA: That's what I believe that to  
4 be. We can follow up with you on that.

5           COMMISSIONER JONES: Other than the return of  
6 mail three times, is there any other triggers with  
7 regard to the initiation search procedure, or was the  
8 returned mail three times the only trigger?

9           MR. KATZ: So the only think that's new  
10 emerging -- and this is relatively new out of the  
11 discussions last fall -- around retained asset accounts,  
12 we did a fair amount of work both within NCOIL and NAIC  
13 in context of the NCOIL model law.

14           We believe that will ultimately result in  
15 certain states requiring a certain period of dormancy  
16 and that third definition of dormancy, which we clearly  
17 would intend to comply with.

18           COMMISSIONER JONES: But right now, you don't  
19 start at the dormancy clock running until you've  
20 concluded the search procedure and decide you can't find  
21 the person?

22           MR. KATZ: Either through the returned mail  
23 process or through the Death Match process, which we  
24 talked about earlier.

25           COMMISSIONER JONES: Okay. Of the 500,000

1 total control accounts you have, how many are now  
2 considered in the dormancy period?

3 MR. KATZ: How many have moved into the  
4 unclaimed property system?

5 COMMISSIONER JONES: Yeah.

6 MR. KATZ: I don't know the number. I can  
7 give you some data on the '06 match which might help  
8 you. We may have that, I apologize.

9 MR. CASSANDRA: It appears the total number of  
10 TCA in our unclaimed fund system is about 38,000.

11 COMMISSIONER JONES: Do you have a figure for  
12 California?

13 MR. CASSANDRA: I'm sorry. I don't have that  
14 detail. I'm going to check. We may have.

15 MR. KATZ: We're going to check.

16 COMMISSIONER JONES: While you're checking --

17 MR. CASSANDRA: We reported 776 items for  
18 California that well escheat this year.

19 COMMISSIONER JONES: That's the number that  
20 you believe --

21 MR. CASSANDRA: Not quite the question.

22 COMMISSIONER JONES: I understand. But you  
23 reported 776 escheating in your most recent report to  
24 the Controller's Office?

25 MR. CASSANDRA: Yes.

1           COMMISSIONER JONES: Can you share with us  
2 what you did in 2006 vis-à-vis the Death Master File and  
3 how you used it in relation to total control accounts?

4           MR. KATZ: Yeah. It's similar to what we  
5 talked about life insurance in 2007. We ran it against  
6 the population of active total control accounts.

7           We identified 1,300 accounts where there were  
8 matches. Went through a process to investigate those  
9 matches. Many of those accounts were closed.

10          Some of those accounts resulted in  
11 beneficiaries being located and funds being either paid  
12 or transferred to the beneficiaries not being located  
13 and escheatment to the states.

14          COMMISSIONER JONES: And what was the trigger  
15 point for deciding that you had a Death Master File  
16 match in 2006 with regarding the total control account  
17 accounts?

18          MR. KATZ: I don't know the answer to that.

19          MR. CASSANDRA: Could you define "trigger  
20 points"?

21          COMMISSIONER JONES: You talked earlier about  
22 using the three points and some cases using the one  
23 point. What was the protocol used?

24          MR. CASSANDRA: In 2006, I believe it was just  
25 the Social Security number that triggered the

1 investigation.

2 COMMISSIONER JONES: Regardless of any other  
3 data field match, if you had a match on Social  
4 Security --

5 MR. KATZ: If you think about that in the  
6 context of the TCAs, we would -- by definition, we  
7 should have a Social on all of these accounts.

8 MR. CASSANDRA: Because of the tax reporting  
9 requirements under the TCA.

10 COMMISSIONER JONES: Why didn't you require  
11 matches on the other as you've been doing on the  
12 individual life insurance side?

13 MR. CASSANDRA: I don't know. I was not  
14 involved in the definition of the 2006 criteria.

15 COMMISSIONER JONES: Should I ask you?

16 MR. KATZ: Why in '06 did we only use the  
17 one-point match?

18 THE COURT: Right.

19 MR. KATZ: Per TCA, we would have assessed for  
20 all of those because generally we're sending out 1099s.  
21 So if we had an account open --

22 Keep in mind, this account would typically be  
23 a beneficiary of a life insurance claim that would have  
24 provided us a Social when that claim was filed.

25 We felt that the records on that were pretty

1 good that, and that would in and of itself create a  
2 fairly good match.

3 COMMISSIONER JONES: With regard to those  
4 1,300 accounts for which you had a positive match with  
5 the Death Master File, do you have a breakout with  
6 regard to, you know, the number that were escheated, the  
7 number in which those amounts were paid to some  
8 downstream beneficiary and anything else you might have  
9 done with the money.

10 MR. KATZ: I think the stats we can share with  
11 you, but I think they are national and not California.

12 COMMISSIONER JONES: That's fine.

13 MR. CASSANDRA: So of the 12, roughly 1,300,  
14 791 of them were closed. 362 were closed before a  
15 match. 274 paid to a beneficiary, heir, state or trust.  
16 155 sent to the unclaimed fund system.

17 COMMISSIONER JONES: I got lost somewhere.  
18 There were 1,300 matches, you said 791 were closed?

19 MR. CASSANDRA: Right.

20 COMMISSIONER JONES: Of the 1,300, a total of  
21 791 were closed. And then 362.

22 MR. KATZ: We're breaking down the 791 is  
23 what --

24 COMMISSIONER JONES: What does the 362  
25 represent?



1           MR. CASSANDRA: Closed by the account holder.  
2     There was no balance in it.

3           MR. KATZ: So we found a match, but there was  
4     no money in the account.

5           COMMISSIONER JONES: Okay. And then 274 were  
6     paid to the other beneficiaries.

7           MR. CASSANDRA: Beneficiary or on the heir.

8           COMMISSIONER JONES: 155 were unclaimed  
9     property. And then, you said you ran it again in 2010.  
10           Could you describe how you used the Death  
11     Master File with regard to the total control account in  
12     2010?

13           MR. KATZ: I don't have that handy. But is  
14     your question: Was it a one-point match?

15           COMMISSIONER JONES: I'm just generally  
16     interested in what you did.

17           Was it the same process that you did in 2006  
18     or did you do something different?

19           MR. CASSANDRA: We did both. So where we had  
20     a Social Security number and the date of birth, we had  
21     4,800 accounts.

22           COMMISSIONER JONES: Social Security alone?

23           MR. CASSANDRA: 2,900.

24           MR. KATZ: And that process was done really  
25     toward the end of the year in 2010. I don't have stats

1 here for the breakout of that. It's still being worked  
2 as we speak.

3 MR. CASSANDRA: Just one point I'd like to  
4 make.

5 Two-thirds of those, based on the date of  
6 death on file, two-thirds of those happened within the  
7 last year -- to the best of our knowledge -- so it's  
8 very recent.

9 That goes to the point about if you're  
10 matching in real time, most of these accounts generally  
11 will resolve themselves by the beneficiary coming  
12 forward and claiming the benefits without doing the  
13 match.

14 COMMISSIONER JONES: So with regard to the  
15 total control accounts that you paid out as a result of  
16 the 2006 or 2010 sweep, did you require a death  
17 certificate before you paid out those accounts to give  
18 the beneficiary of the beneficiary so to speak, or an  
19 heir?

20 MR. CASSANDRA: I'm sorry. I don't know that  
21 level of detail. I don't know.

22 COMMISSIONER JONES: Do you know what, if  
23 anything, was required before you closed the account and  
24 made a payment to another beneficiary heir?

25 MR. CASSANDRA: It's just an assumption

1     because I don't have actual knowledge of what those  
2     extra steps are. I don't have that knowledge.

3                 COMMISSIONER JONES: With regard to those  
4     accounts that you moved into unclaimed property status  
5     based on the 2006 or 2010 sweep, what was the triggering  
6     determination that caused you to conclude to move them  
7     to the unclaimed property status?

8                 MR. CASSANDRA: I believe it was that we could  
9     not find the beneficiary after trying to communicate by  
10    a letter.

11                COMMISSIONER JONES: You had a match on Death  
12    Master, couldn't find them, decided to move it into  
13    unclaimed property?

14                MR. KATZ: We tried to find the appropriate  
15    beneficiary, couldn't find the appropriate beneficiary  
16    and then moved it into unclaimed property.

17                COMMISSIONER JONES: Great. I'll see if the  
18    Controller has any questions.

19                CONTROLLER CHIANG: Just along the lines of  
20    the questioning earlier, I'm not quite clear about the  
21    financial vehicles where the Commissioner was asking  
22    about the differential, whether if in the event of  
23    earning surplus versus actual payments, the use of.

24                Do you have separate financing vehicles for  
25    these particular accounts.

1           It's an area of active interest in the  
2 financial community for private equity.

3           MR. CASSANDRA: The TCAs are part of the  
4 general account of MetLife.

5           CONTROLLER CHIANG: Thank you.

6           COMMISSIONER JONES: We're going to take a  
7 break. But before we do, let me see if Florida or  
8 Minnesota have any questions about retained asset  
9 accounts.

10          MR. HANSON: Concerning the general account in  
11 the investment, what was the -- in the first quarter  
12 this year, what was the investment in the portfolio?

13          MR. CASSANDRA: I don't have that level of  
14 detail. I'm sorry.

15          MR. HANSON: Basically, what you're saying is  
16 you make the spread between what you pay out on that  
17 investment deal on your general portfolio?

18          MR. CASSANDRA: Yes, and if the earned rate  
19 was lower --

20          COMMISSIONER JONES: Great. And so I think at  
21 this point, the insurance general counsel can talk to  
22 counsel for MetLife about the additional documents that  
23 we're going to put in the record.

24          Let's take a 15minute break. Thank you.

25          (Recess was taken from at 3:38 p.m. to 3:56 p.m.)

1           COMMISSIONER JONES: Why don't we go back on  
2 the record if the reporter's ready.

3           So there was some documents that were provided  
4 to us and in a moment ask our general counsel to  
5 describe those and put those into the record.

6           And then I think what I'd like to do is go a  
7 little bit out of order, but see if there's any members  
8 of the public who wish to provide any comment, and then  
9 we'll close out with the last round of questioning.

10 Mr. Cole.

11           MR. COLE: Yes, during the break, MetLife has  
12 provided us with two sets of documents, which I want to  
13 have marked as exhibits and placed into the record of  
14 this proceeding.

15           The first set of documents are six single-page  
16 letters in the timeframe of 2003 to 2004 between MetLife  
17 and the California Controller's office regarding certain  
18 aspects of escheat of stock and placement of that stock  
19 into the Controller's accounts after demutualization.

20           I'd like to have that document, which the  
21 first page of which is a letter from ACS to Mellon  
22 Investors dated August 9, 2004.

23           I'd like to have that identified as Exhibit 2.

24           (Whereupon, Exhibit 2 was marked  
25 for identification)

1           MR. COLE: And the second is a four-page  
2 letter from MetLife to the New York Department of  
3 Insurance, also relating to demutualization issues.  
4 That letter is dated December 17, 1999, and I'd like  
5 that marked Exhibit 3.

6           (Whereupon, Exhibit 3 was marked  
7 for identification)

8           MS. ROSEBOROUGH: Mr. Cole, if I might note  
9 that in the packet of letters that you referred to as  
10 Exhibit Number 2, there's a letter dated December 29,  
11 2003 from the Controller's Office noting that, on behalf  
12 of -- "As agent for the State of California, we have  
13 reviewed the due diligence previously undertaken by  
14 Mellon Investor Services on behalf of MetLife Inc., in  
15 the escheatment of property associated with MetLife's  
16 demutualization. We believe that the due diligence was  
17 generally consistent with the California unclaimed  
18 property law."

19           COMMISSIONER JONES: Right. I have it here.  
20 Okay.

21           So let's see if there's any member of the  
22 public who would like to comment at this time.

23           We have a microphone set up here for that  
24 purpose. And if individuals would like to come forward,  
25 identify themselves and share with the panel any comment

1 they'd like to make, this would be an appropriate time  
2 for that.

3 MS. BURNS: My name is Bonnie Burns. I  
4 represent California Health Advocates. We're a  
5 nonprofit advocacy group. And I thought I'd just bring  
6 some personal experience to this.

7 I've been a consultant to consumer groups for  
8 over 30 years. And in the time that I've been working  
9 with Medicare beneficiaries, the primary population that  
10 we serve and I've served throughout my career, and I've  
11 seen some of the results of people being sold what I  
12 would call low-value life insurance policies.

13 These are policies that pay very small  
14 amounts, anywhere from \$1,000 to \$5,000. And in some  
15 cases people were sold multiple policies, maybe two or  
16 three policies of \$1,000 each because of the sales  
17 activity of certain agents when they entered their home  
18 to sell them Medigap or later the Medicare Advantage  
19 programs.

20 So often people buy these without even  
21 understanding what they have. And the reason that they  
22 are buying them primarily in those small amounts is  
23 because is they want to be able to leave some money or  
24 for a family member or that they want to pay for burial  
25 expenses.

1           Those are the two primary reasons that they  
2 buy theses types of policies. And rarely are people  
3 going out trying to buy these. These are the products  
4 that they are very often sold.

5           And so I have a client come to me fairly  
6 recently that I thought might illustrate some effect  
7 that this can have on families when claims don't get  
8 paid.

9           This is a woman who had -- she's in her 50s  
10 and she had lost her husband in a horrible automobile  
11 accident on Highway 17. And were in the process of  
12 losing their house through foreclosure, which happened  
13 not long after he died.

14           She knew that he had \$1,000 policy somewhere,  
15 but they didn't know how to collect on that policy.

16           Eventually, she got in touch with the company  
17 and had a number of different conversations by phone  
18 with the company that was demanding proof from her that  
19 she didn't have.

20           A lot of her belongings were locked up in the  
21 house when she was evicted for nonpayment of her  
22 mortgage.

23           Eventually, she came to me through a mutual  
24 acquaintance. And because I don't do case work anymore,  
25 I called one of your deputies and she was very quick to



1     help this woman to put her in contact with the right  
2     person, and within days, that \$1,000 was paid.

3             And she had been living in her car. She had  
4     no money to even pay for a hotel. That \$1,000  
5     represented the only money that she had until she could  
6     get on to one of the public programs.

7             So that \$1,000 would be a small amount to a  
8     lot of people. To her, it was everything.

9             Without intervention, it's hard to say whether  
10    she would have ever gotten that money paid.

11            I wanted to put just a little bit of a human  
12    face on that because I know this happens.

13            We have clients -- and I have over the years  
14    -- older people who have bought these smaller  
15    denomination life insurance policies -- and either they  
16    forget that they have them or they put them into a  
17    safety deposit box, and when they die, often people  
18    don't even know these policies exist.

19            And so, I think that might be some of the  
20    policy issues you've been talking about today that  
21    belong to people who lost track of them. Their family  
22    may not even know that they had them, and the people who  
23    bought them, had bought them with the intent to do  
24    something for their family to either pay for their  
25    funeral expenses or to help fund a grandchild's college

1 education, or some purpose that they had in mind when  
2 they originally bought these policies.

3 And older people when they buy something like  
4 that will pay for it long after it's of any value to  
5 them.

6 I have seen people in the past pay more for  
7 these small policies than they actually ever get out in  
8 benefits. And that's been an issue for me as an  
9 advocate over the years.

10 Washington passed a law long time ago that  
11 stopped that kind of behavior. You can't price a policy  
12 so that ultimately people will pay more in premiums than  
13 they ever get in benefits. California never adopted  
14 anything like that that I know of.

15 My work at the NAIC as a consumer  
16 representative long before the consumer program began,  
17 this issue of life insurance policies has come up over  
18 the years. And there have been various, you know,  
19 models that have been adopted and changed over the  
20 years. But there still a lot of loopholes in those  
21 models in terms of protections.

22 So one of the things I'd like to suggest to  
23 you are some of the things that we learned from the  
24 long-term care insurance that might actually be of  
25 benefit to some of the discussion that we are having

1 today.

2 And that's that if companies selling life  
3 insurance policies had to include a third party notice  
4 as part of the application so that someone else knows  
5 not only that they have the policy but would be notified  
6 if that person failed to pay premiums, or would be  
7 notified when there were any changes to the policy or to  
8 the company.

9 For instance, if a block of business is sold  
10 off or a company is acquired by another company, a  
11 third-party notice could be very helpful.

12 And if that were done as part of the  
13 application process and it was required periodically  
14 after that so companies would be required to send the  
15 policyholders information, that they could appoint a  
16 third party to receive notices about their policy, I  
17 think that might help alleviate some of what you've been  
18 talking about today.

19 In the event that there was a third-party  
20 notice, somebody who was that third party, they should  
21 receive a copy of the schedule page so they know and  
22 will know in the future what that person owns along with  
23 the contact information for the company.

24 And that should be part of any documents that  
25 a third party would get.

1           In listening to the company talking about when  
2 they do conclude that they are unable to contact  
3 somebody, you know, I was wondering when the company was  
4 saying that they conclude this after they have received  
5 three returned mailings. I was wondering how long is  
6 that period of time between each of those mailings? Is  
7 it a month? Is it six months? Is it a year?

8           How long does that take before that -- you  
9 know, before they conclude that the person is  
10 unreachable? A third-party notice would solve part of  
11 that problem if people designated one.

12           And so, I think company should be required to,  
13 when they get returned mail from an address that's  
14 incorrect, that they should be required to make a  
15 personal contact or attempt to make a personal contact  
16 with whatever information that they have on hand instead  
17 of waiting until that's happened three times.

18           There have been incidences of companies  
19 mailing out things to people at the wrong address -- not  
20 at the person's incorrect address, but a wrong address  
21 that somehow got into the company's records.

22           I've had that happen with other products when  
23 people are cancelled because their notice went to the  
24 wrong place.

25           So I think there needs to be more contact with

1 the person who's bought the policy and that a  
2 third-party notice would go along ways toward  
3 alleviating some of the what we're hearing about today.

4 COMMISSIONER JONES: Thank you very much.

5 Any other members of the public who wish to  
6 comment at this time?

7 On the point raised by Ms. Burns, is there any  
8 time period requirement between each of the three pieces  
9 of mail that becomes a trigger, if they are returned,  
10 for purposes of deciding that a total control account is  
11 dormant?

12 MR. KATZ: First of all, the situation you  
13 described was unfortunate and one in that we hope isn't  
14 indicative of the industry more in general around the  
15 personal individual's circumstance.

16 The period between mailings varies by product.  
17 In many cases, it's once a month, but it can vary by  
18 product. As always, we welcome suggestions on how to  
19 improve and want to do our best to continue to do what  
20 makes sense for our policyholders.

21 COMMISSIONER JONES: With regard for total  
22 control accounts though where those three pieces of mail  
23 is a triggering event, how frequently are mailings sent  
24 to beneficiaries who have funds in a total control  
25 account?

1 MR. KATZ: So for a total control account, if  
2 there's activity in the account, it's once a month. If  
3 there's no activity in the account, it's once a quarter.

4 COMMISSIONER JONES: Very good.

5 I want to go back to 1987 when it was  
6 testified earlier that MetLife first started using Death  
7 Master on annuities.

8 And I'm wondering if one of the witnesses can  
9 share with us how the company organized for reporting  
10 purposes and administrative purposes the annuity side of  
11 its business and life insurance side of the business.

12 If someone could sketch out what the org chart  
13 was generally for MetLife with that period of time in  
14 regard to those lines of business, that would be  
15 helpful.

16 MR. KATZ: I can't do that. Not that I  
17 wouldn't, I don't have it at the top of my head. I can  
18 certainly follow up as best we can.

19 COMMISSIONER JONES: Any of the other  
20 witnesses have any understanding?

21 It was mentioned that in 2010 there was a  
22 change in the corporate structure that permitted a more  
23 holistic approach to these issues.

24 I'm trying to figure out what was that change  
25 from?

1 MR. KATZ: We can talk about how we were  
2 organized before 2009 and after. I can't go back to  
3 '87.

4 Prior to 2009, we were managed in three  
5 operating units. We had an institutional business,  
6 which was essentially group home insurance and pension  
7 corporate benefit funding products, and then we had an  
8 individual business, which was individual life and  
9 annuities and our home business.

10 And in 2009, those were consolidated to form  
11 one holistic US Business.

12 COMMISSIONER JONES: Then prior to 2009, what,  
13 if any, mechanisms were there to coordinate information  
14 for decision-making across the three separate  
15 organizational structures that existed prior to 2009?

16 MR. KATZ: I guess there was a combination of  
17 formal and informal procedures that were that used to  
18 run the company. I think bringing it together as one US  
19 Business enabled us to be more streamline across our  
20 business.

21 COMMISSIONER JONES: With regard to the  
22 utilization of Death Master in particular, were there  
23 any mechanisms prior to 2009 to share information, one  
24 element of the operating structure with the other  
25 elements of the operating structure as related to Death

1 Master?

2 MR. KATZ: Is this around decisions to use  
3 Death Master?

4 COMMISSIONER JONES: Yes.

5 MR. KATZ: Not that I'm aware of.

6 COMMISSIONER JONES: And then with regard to  
7 actual determinations made with the utilization of Death  
8 Master, were there any across the three operating arms  
9 prior to 2099?

10 MR. KATZ: Yeah. There were different needs,  
11 more formalized, some less formalized around sharing  
12 information.

13 Certainly we talked to the 2007 match, which I  
14 think is indicative of taking in a whole lot of death  
15 information and then using that at that point for our  
16 individual life business.

17 MR. SOLLMANN: We also spoke about the process  
18 we have in place which you now have a copy of the  
19 procedure relative to individual annuities.

20 COMMISSIONER JONES: Do you know whether 1987  
21 the present MetLife retained any consultants to  
22 determine whether MetLife was properly internally  
23 coordinating the use of Death Master.

24 MR. KATZ: I do not know.

25 COMMISSIONER JONES: Any of the other



1 witnesses have any knowledge?

2 MR. SOLLMANN: Not that I'm aware of.

3 MR. CASSANDRA: I have no knowledge.

4 COMMISSIONER JONES: Do you know whether  
5 MetLife's board ever discussed whether MetLife was  
6 coordinating utilization of Death Master across its  
7 annuities and sides of this business?

8 MR. KATZ: I do not know.

9 MR. CASSANDRA: I don't know.

10 MR. SOLLMANN: Neither do I.

11 COMMISSIONER JONES: Are you aware of any  
12 discussions on the part of MetLife executives since 1987  
13 with respect to the utilization of Death Master between  
14 the annuities and life insurance side of the business?

15 MR. KATZ: Other than what we testified  
16 earlier -- which was around the formation of 2010  
17 holistic decision -- I'm not aware of other types of  
18 discussions that crossed lines.

19 COMMISSIONER JONES: Any of the other  
20 witnesses have any other information to that question?

21 MR. CASSANDRA: My understanding is the same  
22 as Mr. Katz's.

23 MR. SOLLMANN: Yes.

24 COMMISSIONER JONES: Okay. Does MetLife  
25 currently have any policies in place -- corporate

1 policies in place as opposed to life insurance policies  
2 in place -- Does MetLife have any corporate policies in  
3 place that govern the retention of documents held by the  
4 company?

5 MR. KATZ: I believe we do, yes.

6 COMMISSIONER JONES: Can you describe in  
7 general terms what those document retention policies are  
8 currently?

9 MR. KATZ: I can not.

10 COMMISSIONER JONES: Any other witnesses have  
11 any information on this?

12 MR. CASSANDRA: I know we have a formal  
13 program, but I can not quote it to you to the specifics  
14 of what it actually requires.

15 MR. SOLLMANN: We have a very robust document  
16 retention process and training around that across our  
17 company, but those practices vary across the company  
18 among the faces of each of the businesses.

19 COMMISSIONER JONES: Are you aware of any  
20 occasion when MetLife has purged data from its  
21 administrative systems?

22 MR. KATZ: Aware of any occasion where MetLife  
23 has purged data from its administrative systems?

24 MR. KATZ: I'm not. I'm trying to think of  
25 the circumstance where we would. I'm not aware of any.

1           COMMISSIONER JONES: Any of the other  
2 witnesses?

3           MR. CASSANDRA: I'm not aware of any.

4           MR. SOLLMANN: Not that I'm aware.

5           COMMISSIONER JONES: Are you aware of any  
6 policies that MetLife has with regard to purging data  
7 from its administrative systems?

8           MR. CASSANDRA: I would assume in our document  
9 retention program it covers that, but I don't have that  
10 in front of me.

11          COMMISSIONER JONES: Any witnesses have any  
12 understanding what the policies might be with regard to  
13 purge of data?

14          MR. SOLLMANN: No.

15          MR. CASSANDRA: I don't have any information  
16 personally.

17          COMMISSIONER JONES: Is there any procedure  
18 for archiving records or information that had been  
19 maintained in the course of administrating either  
20 annuities or life insurance policies for customers of  
21 MetLife.

22          MR. KATZ: I do not know. There very well may  
23 be.

24          COMMISSIONER JONES: Do any witnesses have an  
25 understanding what the company's archiving policies

1 might be with respect to policyholder information?

2 MR. CASSANDRA: I don't know the specifics.

3 MR. KATZ: And we can -- well, keep going. We  
4 just don't have it.

5 COMMISSIONER JONES: That's fine.  
6 Mr. Sollmann.

7 MR. SOLLMANN: Are you making a distinction  
8 between document retention and archiving?

9 COMMISSIONER JONES: Yes.

10 MR. SOLLMANN: Not that I'm aware of.

11 COMMISSIONER JONES: Do you believe such  
12 policies exist?

13 MR. KATZ: We do have a robust document  
14 retention policy. As Mr. Sollmann testified, we have  
15 training on that. We just don't have that at the top of  
16 our fingertips right now.

17 COMMISSIONER JONES: Okay. With regard to  
18 policies -- insurance policies that have lapsed -- do  
19 you continue to retain records associated with those  
20 insurance policies?

21 MR. KATZ: I believe we did.

22 COMMISSIONER JONES: Has that always been  
23 MetLife's policy and practice?

24 MR. KATZ: I can't attest to "always," but  
25 going fairly far back and indicated by the match that

1 with did, we matched against the substantive amount of  
2 lapsed policies.

3 COMMISSIONER JONES: When you ran the 2007  
4 sweep, I think you testified that the earliest policy  
5 owner for which you had a match was 1974, if I remember  
6 correctly.

7 MR. CASSANDRA: I think the date of death was  
8 '78, I believe.

9 COMMISSIONER JONES: The date of death was  
10 '78.

11 What would account for not coming across  
12 policies with earlier dates of death?

13 MR. CASSANDRA: I think it would be to the  
14 point Todd made around the fact that Social Security  
15 numbers were not required on life insurance policies  
16 that early on.

17 So there may have been limitations in the  
18 data, specifically as regards a match against the Social  
19 Security Death Master File under older policies where  
20 Social Security numbers were not part of the  
21 administrative data.

22 MR. KATZ: I also think Social Security only  
23 began capturing stats on the file in the late '60s,  
24 early '70s, something like that.

25 MR. CASSANDRA: It was probably a combination

1 of the two.

2 COMMISSIONER JONES: When did MetLife begin  
3 requiring the Social Security number on the life  
4 insurance and annuities?

5 MR. KATZ: In the early '80s for life  
6 insurance.

7 COMMISSIONER JONES: And annuities?

8 MR. CASSANDRA: I believe it was with respect  
9 to certain task force changes that were made in the  
10 mid-'80s.

11 COMMISSIONER JONES: Does that answer both  
12 life insurance policies and annuities or just life  
13 insurance policies?

14 MR. SOLLMANN: It probably would have been  
15 earlier for life insurance than annuities, but don't  
16 know the specific dates.

17 COMMISSIONER JONES: It would be earlier for  
18 life insurance than annuities but not sure of the  
19 particular date. Is that right?

20 MR. SOLLMANN: The other way around. Earlier  
21 for annuities.

22 COMMISSIONER JONES: Earlier than '87?

23 MR. SOLLMANN: I just don't have that  
24 information with me.

25 COMMISSIONER JONES: We would like a follow-up

1 on that where you can provide us with that information.

2           Going back to the Death Master File itself,  
3 has MetLife customized the Death Master File in any way  
4 to its own use?

5           MR. KATZ: So what we've done is taken the  
6 Death Master File and combined it with other systems  
7 where we have notice of death and used both of those  
8 sources to do the matches.

9           COMMISSIONER JONES: What are the other  
10 systems?

11          MR. KATZ: I don't have a complete list of  
12 what all the systems are.

13          COMMISSIONER JONES: Can you describe any of  
14 them?

15          MR. CASSANDRA: I know for certain that the  
16 deaths reported under the group annuity program --

17          COMMISSIONER JONES: Say again. I'm sorry.

18          MR. CASSANDRA: -- any deaths reported under  
19 the group annuity program would be part of that file as  
20 well.

21          COMMISSIONER JONES: So it would be Death  
22 Master plus --

23          MR. CASSANDRA: Anything reported by --

24          COMMISSIONER JONES: -- reported by customers.

25          MR. CASSANDRA: Or other sources.

1           COMMISSIONER JONES:  -- or other sources with  
2   regard to deaths of annuitants.

3           MR. KATZ:  It could be for other lines, too.

4           This is probably one -- I think what you're  
5   getting at is what's the full content of the file in  
6   addition to the Death Match that we used in '07, so is  
7   that where you want to go?

8           COMMISSIONER JONES:  Well, we can start with  
9   '07.  I don't know if there are any other periods of  
10   time in which you may have augmented or customized Death  
11   Master, but let's start with '07.

12          I think you testified that you coupled it with  
13   some other database systems.  You weren't sure exactly  
14   which ones completely, but of the ones you can recall,  
15   what are they?

16          MR. KATZ:  Yeah.  I don't know.  I can testify  
17   to what I think I think.  I think it was some of our  
18   annuity and life systems.

19          I'd rather get you as a follow-up in writing  
20   exactly what the components of that was.

21          COMMISSIONER JONES:  When you say "annuities"  
22   and "life systems," what do you mean?

23          MR. KATZ:  Claims of death and/or death  
24   notices on those systems.  I'm hypothesizing here, so i  
25   prefer to get you the documents.



1 COMMISSIONER JONES: That's fine.

2 But as to that then, were they used to augment  
3 Death Master or were they used as a filter to screen out  
4 matches that were made on Death Master?

5 MR. KATZ: I believe to augment.

6 COMMISSIONER JONES: Okay. Are there any  
7 other databases that MetLife utilized in 2007 other than  
8 Death Master, claims information on the annuity side,  
9 claims information on the life insurance side, any other  
10 data --

11 MR. KATZ: For purposes of the match that we  
12 did?

13 COMMISSIONER JONES: Yes.

14 MR. KATZ: Let us respond as a follow-up and  
15 we'll get you a comprehensive list.

16 COMMISSIONER JONES: Okay. Moving forward  
17 from 2007, in addition to those systems that you've  
18 already testified to or database you testified to, any  
19 other data bases you turn to for information as you're  
20 using Death Master to either augment or filter Death  
21 Master?

22 MR. KATZ: So from our perspective?

23 COMMISSIONER JONES: Yes.

24 MR. CASSANDRA: For the prospective approach,  
25 we would not be filtering any data out of Social

1 Security Death Master. It is our intent to augment the  
2 file with deaths reported anywhere had the US Business  
3 into that single file.

4 So that if a death had not been reported to  
5 the Social Security Administration but had otherwise  
6 been reported to us, we would have put that into the --  
7 we intend to put that into the database so as to share  
8 that information across --

9 COMMISSIONER JONES: Across the company?

10 MR. CASSANDRA: Yes.

11 COMMISSIONER JONES: All right. We talked a  
12 little bit earlier about the group life book of business  
13 of the company.

14 I'm wondering if you could share with us the  
15 total value of the group life book of business that's in  
16 force currently?

17 MR. KATZ: The amount of insurance in force?

18 COMMISSIONER JONES: Yes.

19 MR. KATZ: It's a big number.

20 MR. CASSANDRA: I believe on a direct basis,  
21 \$2.8 trillion.

22 COMMISSIONER JONES: When you say "direct  
23 basis," can you explain what the "direct" means there?

24 MR. CASSANDRA: Any seed reinsurance.

25 COMMISSIONER JONES: Before seeded

1 reinsurance.

2 Have you used Death Master for purposes of  
3 determining if individuals had died with eligible --  
4 beneficiaries were eligible under a group life policy?

5 MR. KATZ: So we touched on this a little bit  
6 earlier that we have not. However, there have been some  
7 limited instances where group customers have done that  
8 on their own and presented us with information.

9 COMMISSIONER JONES: Of the \$2.8 trillion of  
10 in force policies that represent the value of the group  
11 life book of business, what value would you place on  
12 those customers who have used Death Master themselves in  
13 the aggregate, if you understand what I'm saying?

14 MR. KATZ: As a percentage?

15 COMMISSIONER JONES: Either as a percentage of  
16 the \$2.8 trillion.

17 MR. KATZ: I think it's relatively small.  
18 De minimus.

19 COMMISSIONER JONES: De minimus.

20 MR. CASSANDRA: I think so.

21 COMMISSIONER JONES: How do you handle group  
22 life policy claims? What's the process that you go  
23 through for that?

24 MR. KATZ: Sure. So the employer generally is  
25 the one that submits a claim to us. They may take on

1 the role of gathering all the information that would  
2 enable us to pay the claim and submitting it to us.

3 They may send us partial information and we  
4 would afford the beneficiary ultimately to complete the  
5 information, and then it's a process of what we  
6 described previously.

7 COMMISSIONER JONES: If -- actually, strike  
8 that.

9 Do you require that the group life customer  
10 provide you with a death certificate in order to perfect  
11 the claim?

12 MR. KATZ: Generally we do, yes.

13 COMMISSIONER JONES: If you don't receive a  
14 death certificate, what do you do with that particular  
15 insured's policy?

16 MR. KATZ: This is where the group business  
17 gets a little bit tricky because by nature we have  
18 different arrangements in place with different customers  
19 for the purposes of claim processing.

20 So I can't give you "here's what we do and  
21 don't do" in that context.

22 We tend to put forth the best efforts to  
23 secure that information because typically if an employer  
24 is providing a death -- the validity of that death is  
25 usually pretty clear.

1           However, there are circumstances where they've  
2   told us about a death and, for example, it's in a  
3   contestability period, or it's a situation where maybe  
4   it's a homicide, and there's other situations where the  
5   death benefit wouldn't be paid.

6           That's a pretty rigorous approach, but the  
7   procedures can vary by the customer.

8           COMMISSIONER JONES: But in most, if not all,  
9   cases you require a death certificate to perfect the  
10   claim?

11          MR. KATZ: I believe so. I believe, and I  
12   don't have this number handy, that there is a threshold  
13   on some cases that below certain levels we may not.

14          MR. CASSANDRA: I don't have any information.

15          MR. KATZ: There are situations that we'll  
16   make a situation to waive the requirements. The  
17   examples I talked about earlier, both big group  
18   exposures during 9/11 and Massey Energy's unfortunate  
19   situation.

20          While that is our standard procedure, we will  
21   make exceptions when we think it makes sense.

22          COMMISSIONER JONES: If a circumstance where a  
23   group life policy owner reports a death but does not  
24   provide a death certificate, what happens to the claim?

25          MR. KATZ: Generally speaking, we would make

1 -- put forth best efforts to work with the beneficiary  
2 to help them perfect the claim.

3 In some cases, we would reach out and try to  
4 get death certificates. I don't have all the specific  
5 details on the group life. We can certainly follow-up  
6 in more depth for you.

7 COMMISSIONER JONES: Are there any  
8 circumstances in which you close the claim without  
9 paying it because you don't get a death certificate?

10 MR. KATZ: I'm not sure.

11 COMMISSIONER JONES: Are you planning to run  
12 Death Master against the group life book of business as  
13 a part of your 2010 decision or not?

14 MR. KATZ: We are for those cases where we  
15 have records.

16 COMMISSIONER JONES: Remind me again, what  
17 percentage of the book of business are those for which  
18 you have records?

19 MR. KATZ: We don't have the number.

20 MR. CASSANDRA: It's a minority of the  
21 business. It's a small piece of the business.

22 COMMISSIONER JONES: When will you be running  
23 Death Master against this small portion of the book of  
24 business?

25 MR. CASSANDRA: It's scheduled to be completed

1 by June 3rd.

2 COMMISSIONER JONES: Of this calendar year?

3 MR. CASSANDRA: That's correct, if 2011.

4 COMMISSIONER JONES: How will you apply Death  
5 Master to that particular book of business?

6 Will you be applying it any differently than  
7 what you testified to as your intent with regard to the  
8 individual?

9 MR. CASSANDRA: Our intent is to use it in a  
10 manner substantially similar to what we do on the  
11 individual side.

12 COMMISSIONER JONES: Any difference that  
13 you're aware of?

14 MR. CASSANDRA: Other than some nuances which  
15 I may not be aware, no, our intent is to use the same  
16 protocols.

17 MR. KATZ: I want to be a little bit careful  
18 in the context of our discussion around group in that  
19 some of what you're asking us to describe is prospective  
20 in nature.

21 We haven't fully communicated our intent fully  
22 to our group to customers, so we prefer to do that than  
23 use this forum as a way to do that.

24 COMMISSIONER JONES: But again, your intention  
25 is to limit the utilization of Death Master to those for

1     whom you have administratively information about the  
2     individual members of that group for whom the group life  
3     insurance is being provided. Is that correct?

4             MR. KATZ: That's correct.

5             COMMISSIONER JONES: That's a small portion of  
6     the overall book of business?

7             MR. KATZ: That's right.

8             COMMISSIONER JONES: All right. There are no  
9     plans to use Death Master with regard to the rest of  
10    that group book of business, are they?

11            MR. CASSANDRA: Not at the current time. We  
12    don't have the records to actually practically make the  
13    match.

14            COMMISSIONER JONES: Okay. Let's me see if  
15    either Florida or the Minnesota departments have any  
16    additional questions.

17            We'll start with you, sir.

18            MR. HANSON: Back to the group business and  
19    not having information, is that you don't have the name  
20    and is Social Security number for the employee?

21            MR. CASSANDRA: That's correct.

22            MR. HANSON: Who how do you verify from time  
23    to time that the employer is paying or remitting the  
24    correct premium for the list?

25            MR. CASSANDRA: Generally group contracts are



1 experience rated so that we're doing an annual review of  
2 the experience that emerges under the program, at that  
3 time a premium reconciliation is generally done in the  
4 aggregate.

5 We look for a number of lives and total face  
6 amount of insurance in force times the premium rates.  
7 But there's no listing life by life on the group  
8 insurance coverage.

9 MR. KATZ: We should just make some small  
10 clarification, that's for the -- other than business,  
11 we do have the records.

12 MR. HANSON: How do you verify the number of  
13 lives versus the claim experience?

14 MR. CASSANDRA: The customer reports the lives  
15 in the aggregate to us in bulk and we do a premium --

16 MR. HANSON: Do you have corroboration of  
17 that?

18 MR. CASSANDRA: At the time of the annual  
19 review of experience -- group insurance contracts are  
20 generally experienced rated.

21 The underwriter will be looking at the rates  
22 applicable to the case times the total number of lives  
23 and the total face amount of insurance in force, and we  
24 do a premium reconciliation.

25 MR. HANSON: You're going to augment Death

1 Master by deaths that you had reported in your other  
2 business, that goes back to some prior line of  
3 questioning.

4 Prior to more recent times, do companies not  
5 -- when they have an individual life claim, they don't  
6 check group and annuity and see if they've got business  
7 anywhere else.

8 MR. KATZ: There definitely is information  
9 sharing around the organization. It's become far more  
10 formal.

11 MR. HANSON: Just to clarify, prior to say  
12 2009, would the individual life claim reviewer pull up  
13 the group system and annuity system and see if there's  
14 any other business anywhere?

15 MR. KATZ: Prior to 2009, the policies in  
16 place were a little bit more informal by department.

17 The intent where we could was to share  
18 information. But as you correctly pointed out in recent  
19 years, we've improved these processes and Mr. Sollmann  
20 gave a good example of that in the annuity business.

21 MR. HANSON: So the answer is now?

22 MR. KATZ: No. I think were more informal  
23 processes to share information prior to that.

24 MR. HANSON: Could an individual life examiner  
25 actually pull up the group business and the annuity

1 business and look at it?

2 MR. CASSANDRA: Since the group would not have  
3 had -- since we didn't have the data, there would have  
4 been no system to look up life by life data on.

5 MR. HANSON: So if you have a group claim on  
6 an individual, could the group person talk to the  
7 individual annuity business, the individual life  
8 business and look to see if they had other claims out  
9 there?

10 MR. KATZ: So the systematic access for some  
11 of this, as we talked about, in the organization has  
12 changed over the years to get better in that.

13 We're not aware of any situations where there  
14 was a death claim over here and way over here there  
15 wasn't and we didn't handle it in the right way.

16 MR. HANSON: The reason I ask is because it  
17 wouldn't seem to make any sense to augment Death Master  
18 with these other claims when they have already been  
19 applied to the other lines of business in the company.  
20 Do you follow me?

21 Unless you think this department over here  
22 didn't communicate -- in other words, when this person  
23 died in a group or life business, there should have been  
24 some circle back where they figure out whether that  
25 person had other business.

1           MR. KATZ: To the extent our information  
2 sharing is insufficient, creating an overall company  
3 review of death we think is a good failsafe to apply  
4 across our business. And to make sure if it didn't work  
5 through regular information sharing, it wasn't on the  
6 SSDI, we would certainly would capture it on the  
7 systemic approach.

8           MR. HANSON: In the individual life business,  
9 do you have a total in force for that, too?

10          MR. CASSANDRA: Yes. For the industrial  
11 block, which we talked about, was about 1.5 --  
12 approximately 1.5 million policies, which represented  
13 about \$2.4 billion in force. And on the other  
14 individual, other than industrial, more than six million  
15 policy about a trillion in force.

16          MR. HANSON: For individual and group  
17 annuities, do you have, for fixed and variable? Do you  
18 have assets under management for fixed business and  
19 variable business assets under management?

20          MR. KATZ: I don't have the numbers.

21          MR. SOLLMANN: Well, you're exactly right.  
22 That's how we do measure our in force in the general  
23 account and for variable products in separate accounts,  
24 but I don't have that information at hand.

25          MR. HANSON: That's what would be there as

1 sort of a counterpart to in force business provided.

2 MR. SOLLMANN: We don't have individual  
3 records on each of those contracts we'd use for purposes  
4 of administering those contracts. But once way we  
5 measure the growth of our business or the size of our  
6 business was insurance in force by assets under  
7 management.

8 MR. KATZ: We'd be happy to provide you the  
9 detailed breakdown of assets under management.

10 MR. HANSON: The payout option, you said that  
11 when you're running Death Master against your annuities  
12 during the payout, you suspend when you have Death  
13 Master sweep that indicates the person may have died,  
14 how does that match up? That's a yes, I take it.

15 MR. CASSANDRA: Yes.

16 MR. HANSON: How does that match up with the  
17 annuitization option the person has selected?

18 There's a period certain. There's life.  
19 There's joint survivor. All sorts of different terms  
20 they use for how a person elects to get the  
21 annuitization payment.

22 MR. CASSANDRA: I think what we testified was  
23 that the match is the first part of the investigation.

24 In fact, you may have a contingent beneficiary  
25 who is eligible for payments at that time. There may be

1 a death benefit payable at that time.

2 As you correctly point out, there may have  
3 been an annuity certain, and so the beneficiary might be  
4 eligible for commuted value in that particular instance.

5 Yes, you're right. That's the reason for a  
6 suspension. And then someone has to go in and look at  
7 what exact benefits are due at that point in time.

8 MR. SOLLMANN: Let me answer your question on  
9 the individual annuity side of the business.

10 If there's an annuitant that's in payout  
11 status, once that individual dies under similar  
12 contracts, that's when our obligations end.

13 There may be a period of certain benefits, as  
14 Mr. Cassandra mentioned.

15 On the individual side, on the pay-in side of  
16 our business, there are seven options, and I can go  
17 through those if that would be helpful.

18 MR. HANSON: Sure.

19 MR. SOLLMANN: Including the lump sum, you can  
20 also defer the contract for up to five years. There are  
21 cases you can let the spouse, in effect, step into the  
22 shoes of the original contract owner and continue those  
23 benefits.

24 There's an income payment option where the  
25 beneficiary can receive those installments -- payments

1 in installments.

2 There's -- you can roll over the death benefit  
3 to another carrier through a tax-free exchange.

4 You can actually disclaim the benefit because  
5 you may want another beneficiary or estate to receive  
6 the benefits.

7 MS. MILLER: I don't have any other questions.

8 I think I do have one comment, that's just to  
9 thank the Commissioner and the Controller for having us  
10 and having this hearing.

11 And we appreciate your efforts and appreciate  
12 you including Florida.

13 And thank the company for your cooperation for  
14 coming to this hearing as well as the one in Florida. I  
15 appreciate it.

16 COMMISSIONER JONES: Thank you very much.

17 So before we close here, there's just a couple  
18 of questions that occurred to me.

19 Let me ask if the Controller's Office have any  
20 additional questions.

21 CONTROLLER'S OFFICE: No thank you.

22 COMMISSIONER JONES: Is Death Master or has  
23 Death Master been used to ascertain whether a claim is  
24 made inappropriately or fraudulently?

25 Is it being used in any way to verify claims

1     made?

2                 MR. KATZ:   There are some data field  
3     verification work that I know it's used for.   I wouldn't  
4     consider it as a tool --   is there an example that  
5     you're thinking of?

6                 COMMISSIONER JONES:   We, explored those uses  
7     by if company or non-uses by the company of Death Master  
8     for purposes of deciding when people should keep paying  
9     or de-paid.

10                It occurred to me to wonder when someone  
11     submits a claim form for benefits, is Death Master used  
12     to verify if, in fact, the claim is warranted or  
13     justifiable?

14                MR. KATZ:   I can't give you too many  
15     specifics.   Certainly, there's an anti-fraud component  
16     that I've articulate.

17                If you think about it, it's about another  
18     resource that we could use.   I wouldn't say we use it  
19     consistently in that context.

20                But if you think about how the best example  
21     may be in the payout annuity piece, that, look, if we  
22     didn't apply it in and nobody told us that that  
23     individual was dead, there is a potential that we could  
24     pay those payments for a long time when they really  
25     weren't there.



1           That's probably a good example of where the  
2 fraud usage may come in.

3           In some cases it's fraud, some cases the  
4 person who's getting those funds just may not know that  
5 they are not entitled to them, especially if it's a  
6 direct deposit or something like that. So we avoid  
7 those situations.

8           MR. CASSANDRA: Could I add another point I  
9 think of what might not be obvious?

10           So it's our understanding right now that the  
11 rigor with which an individual's name and Social  
12 Security number can get entered onto the Social Security  
13 Death Master File is not very rigorous.

14           The Social Security Administration does not --  
15 it's our understanding that they don't require any  
16 proof, merely a telephone call, in fact, can get  
17 someone's name and Social Security number entered onto  
18 the Death Master File.

19           You know, it has occurred to us in the realm  
20 of unintended consequences that today there's no  
21 incentive for anyone to put information onto the Social  
22 Security Death Master File in a fraudulent fashion in  
23 the way it's generally used across the industry.

24           I think it would be good for the regulators  
25 and for the industry to think about unintended

1 consequences which would have just merely listing on the  
2 Social Security Death Master deemed an absolute proof of  
3 death.

4 I think before anyone would think about that  
5 should understand very clearly the rigor with which  
6 Social Security Administration screens the entry of  
7 deaths onto that file. Because one could see -- and  
8 this is a hypothetical situation -- but one could  
9 certainly see that the potential for someone to report a  
10 death into the Social Security Administration solely for  
11 the purposes of attempting to collect on a life  
12 insurance benefit.

13 I don't think that's the case now, but it  
14 could potentially be unintended consequence of a change  
15 in the very historical process of the way life insurance  
16 benefits are claimed.

17 COMMISSIONER JONES: The information available  
18 to us based on testimony provided by the Social Security  
19 Administration in Congress is that there's a high degree  
20 of certainty with regard to the names on the list.  
21 That's directly at odds with what you just said.

22 MR. CASSANDRA: No. Let me just clarify.

23 I think that's true today, given that the  
24 traditional uses of the database today.

25 I'm saying -- should that process change

1 significantly -- the uses change far beyond what the  
2 Social Security Administration's intent was originally  
3 when it was first used, there might be the opportunity  
4 for unintended consequences.

5 I think it's good if we spent a little time to  
6 think about that as we go forward.

7 COMMISSIONER JONES: That's different than the  
8 question I was asking, which is whether it's being used  
9 for other than maybe determinations that annuity  
10 payments should be paid, which was a concrete example.

11 But are other ways in which Death Master is  
12 being used to decide that a payment shouldn't be made?  
13 It sounds like the answer is no.

14 MR. KATZ: Not that I'm aware of, no. I'm  
15 trying to --

16 COMMISSIONER JONES: You're not using it  
17 routinely -- every claim that comes in the door, you're  
18 not doing a match against Death Master to see if it's  
19 verified or not?

20 MR. KATZ: No.

21 COMMISSIONER JONES: And then going back to  
22 the industrial policies, have your company's actuaries  
23 done any estimation of the number of industrial policies  
24 written by the company, any estimation of the number of  
25 industrial policies for whom the policyholder is

1     probably dead?

2                 MR. KATZ:   I'm not aware of any such study.

3                 MR. CASSANDRA:  I don't have any knowledge of  
4     any such study.

5                 COMMISSIONER JONES:  Sir?

6                 MR. SOLLMANN:  I'm not involved in that side  
7     of the business.

8                 COMMISSIONER JONES:  You have no knowledge?

9                 MR. SOLLMANN:  No.

10                COMMISSIONER JONES:  And what about with  
11    regard to --

12                MR. KATZ:  Could I just make an important  
13    point about those policies, that those policies are  
14    still all performing, so those are still getting  
15    dividends every year.

16                COMMISSIONER JONES:  You made that point  
17    before.  They are getting dividends as a result of those  
18    policy owners' prior interest in the mutual company, and  
19    that interest being converted to a stock ownership  
20    interest in some form?

21                MR. KATZ:  No.  Let me give you the context of  
22    where I'm going with this.

23                If the discussion went along the lines of --  
24    and you haven't said this -- but you know what, you've  
25    lost these policyholders, why don't you go ahead and

1 just escheat some amount to the state because you  
2 believe some of them are dead.

3 And we had no reason to escheat in that case.  
4 And we want make sure that as long as those policies are  
5 active on the books, they are growing in value as part  
6 of that block, they are growing.

7 So some of those policies today -- they may  
8 have been issued with \$1,000 face amount, they may have  
9 a two or \$3,000 face amount today.

10 I'm not suggesting that you are saying that's  
11 what we should do here.

12 But ultimately when those policies are either  
13 paid out, talking about the industrial block now, or  
14 escheated to the state which all of them will be, it  
15 will be at the value associated with, you know, the  
16 growth of that time.

17 MR. CASSANDRA: Just to clarify, I think what  
18 Mr. Katz again meant is they are getting policy  
19 dividends, not stock dividends.

20 COMMISSIONER JONES: You testified earlier  
21 that with regard to those policies that at some point  
22 they reach -- I think the term of art was, they become  
23 endowed or they reach a point of superannuation.

24 Can you explain those two terms for us?

25 MR. CASSANDRA: Superannuation is when the

1 policy that hasn't been matured by death, in other words  
2 death hasn't occurred, it reaches the end of the  
3 mortality table that's used to value those policies.

4 So for the industrial block that's age 99. So  
5 upon reaching age 99 or earlier, depending on the  
6 policy.

7 And when policies -- if they reach the end of  
8 mortality table for which they are used for valuing them  
9 -- the money would be escheated to the state at that  
10 point in time.

11 MR. KATZ: We would attempt to locate a  
12 beneficiary and the policyholder and if we couldn't, we  
13 would escheat.

14 COMMISSIONER JONES: How long would it take to  
15 locate before you decided to escheat policies that have  
16 reached that point?

17 MR. KATZ: I think the dormancy period would  
18 begin on the date of superannuation, so it's a  
19 three-year period in California.

20 COMMISSIONER JONES: Are there any industrial  
21 policies that have reached that point of superannuation?

22 MR. KATZ: I don't know.

23 MR. CASSANDRA: I would venture to say, yes,  
24 there is. And to the extent that they've failed the  
25 dormancy period, they've been escheated.

1                   COMMISSIONER JONES: You're accounting for  
2 those then?

3                   MR. CASSANDRA: Yes. In fact, as I understand  
4 it, one month before the policy would otherwise reach  
5 the superannuation age, a letter is sent to the last  
6 address of record on those policies in an attempt to  
7 reach out to the beneficiary at that point in time.

8                   If we don't get a response to that, it's  
9 entered into the unclaimed property process.

10                  COMMISSIONER JONES: You testified previously,  
11 you said it reached an endowment or superannuation. Did  
12 I understand --

13                  MR. CASSANDRA: An endowment is a different  
14 type of policy.

15                  COMMISSIONER JONES: Explain that term.

16                  MR. CASSANDRA: Endowment is a policy that  
17 grows to its maturity value and pays out at maturity.

18                  MR. KATZ: Ao I just want to make sure it's  
19 clear that these benefits can be escheated -- as I  
20 understand it -- without there being a death.

21                  You hit that period where the person is dead  
22 or alive, that money goes to the unclaimed property  
23 process if we can't locate a beneficiary.

24                  MR. HANSON: When was the demutualization  
25 completed? What was the end date?

1 MR. KATZ: In 2000.

2 MR. HANSON: Year 2000. So you've got 800,000  
3 lost industrial policyholders, probably haven't found  
4 any of them in the last ten years.

5 MR. KATZ: I don't know the answer to that.

6 MR. HANSON: And you say you didn't mail a  
7 check to that person, here's your dividends for this  
8 year, you just credited to their policy value?

9 MR. CASSANDRA: They get additional insurance.

10 MR. HANSON: You may still have 800,000 or  
11 more lost industrial policyholders today?

12 MR. KATZ: We may.

13 MR. HANSON: There's no contract --

14 MR. KATZ: We're saying more likely than not  
15 the number would have gone down as claims were paid or  
16 policies superannuated. But the issue of lost  
17 policyholders is an industry issue and we welcome  
18 discussion on how to improve upon that.

19 We think the Death Index is a good use, but  
20 the problem is it's not perfect because many of these  
21 policies --

22 MR. HANSON: I just wanted to get to that  
23 "performing" isn't that this person was getting a  
24 regular check coming to them, it's just being credited  
25 to their account. And you may not have any better



1 information today about those 800,000 than you did ten  
2 or eleven years ago now?

3 MR. KATZ: That's correct. I was attempting  
4 to juxtapose against the hypothesis that says that money  
5 is just sitting there in MetLife and making sure that  
6 you understood that the policies are being credited.

7 COMMISSIONER JONES: Okay. And then I guess,  
8 finally, I appreciate that you said earlier about what  
9 the company is guided by with regard to its efforts in  
10 this area, but is it not the case that to the extent  
11 that beneficiaries are not paid or money is not  
12 escheated to the state of California, the company  
13 benefits financially?

14 MR. CASSANDRA: I don't think -- while I  
15 understand your comment -- I don't think you can say  
16 that with absolute certainty because on the annuity side  
17 when we use the benefit, we're using it to avoid  
18 durational payout errors, which is pay an amount other  
19 than that promised under the premiums.

20 COMMISSIONER JONES: I wasn't talking about  
21 Death Master specifically. I was just saying that, in  
22 general, when benefits are not paid by the company or  
23 benefits are not escheated to the state, the longer it  
24 takes to do either of those things two things, the  
25 greater the financial benefit to MetLife. True or

1 false?

2 MR. CASSANDRA: Again, I'm not sure I can  
3 agree to that.

4 COMMISSIONER JONES: Why not?

5 MR. CASSANDRA: Because on death proceeds, we  
6 pay interest on death proceeds from -- at least in the  
7 state of California -- from the date of death.

8 So I think there are factors that go both ways  
9 in that question. I appreciate your position that you  
10 think intuitively that's the answer. I can't say that  
11 with absolute certainty.

12 COMMISSIONER JONES: Other than the interest  
13 on death proceeds, with regard to interest paid  
14 vis-à-vis escheatment, that doesn't kick in until  
15 liability accrues, and liability may or may not accrue  
16 until well after the death of the individual, as to what  
17 you testified to earlier.

18 So other than the interest payment on the  
19 death benefits, it just seems to me that the longer it  
20 takes to pay a benefit or the longer it takes to the  
21 escheat the funds, the better off the company.

22 MR. KATZ: I think there's two other aspects  
23 I'd bring into it, one is the cost associated with  
24 managing the blocks on our book at any point in time.

25 And I wouldn't presume that the claim

1 allowable for those expenses cover those expenses. On  
2 some of the blocks it's not close.

3 But the other factor -- which is probably the  
4 most important -- is we're in a business where your  
5 reputation matters.

6 And so we're having a conversation today about  
7 -- as I think you are hypothesizing -- what I believe  
8 would be the de minimus in context of the overall size  
9 and earnings of the company.

10 And on the other side of the equation is the  
11 importance of us making sure we are delivering on the  
12 promises to our commitments so that we build a level of  
13 trust with our customers, and that's very important to  
14 us. I can't place a value on it, but I can tell you  
15 it's large.

16 COMMISSIONER JONES: I appreciate that.

17 But I hope you appreciate the concerns that  
18 the Controller of the state of California, the Insurance  
19 Commission of the state of California and other  
20 insurance regulators in unclaimed property agencies with  
21 regard to the extent to which life insurance companies  
22 have availed themselves of a readily available tool to  
23 determine whether or not benefits can and should be paid  
24 and whether funds should be escheated to the state.

25 And we appreciate your participation in the

1 hearing today. We will look forward to the additional  
2 information that you've indicated you can provide us  
3 upon further investigation.

4 And we will reserve with our ability to invite  
5 you to come back to testify further about questions that  
6 couldn't be answered. We appreciate your participation  
7 in the hearing today.

8 MR. CASSANDRA: Thank you.

9 COMMISSIONER JONES: If there aren't any other  
10 questions by the members of the panel, that will  
11 conclude our hearing.

12 And I want to thank the members of the public  
13 who attended, as well as I want to thank the  
14 representatives of MetLife for attending, too.

15 ---o0o---

16 (Whereupon, the hearing concluded at 4:55 p.m.)  
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25

REPORTER'S CERTIFICATE

I, JANICE M. KNETZGER, CSR No. 4434, Certified  
Shorthand Reporter, certify;

That the foregoing proceedings were taken  
before me at the time and place therein set forth, at  
which time the witnesses were put under oath by  
California Insurance Commissioner Dave Jones;

That the testimony of the witnesses, the  
questions propounded, and all objections and statements  
made at the time of the examination were recorded  
stenographically by me and were thereafter transcribed;

That the foregoing is a true and correct  
transcript of my shorthand notes so taken.

I further certify that I am not a relative or  
employee of any attorney of the parties, nor financially  
interested in the action.

I declare under penalty of perjury under the  
laws of California that the foregoing is true and  
correct.

Dated this 26th day of May, 2011.

JANICE M. KNETZGER, CSR No. 4434