

## RETAINED ASSET ACCOUNTS

The purpose of this bulletin is to set forth the procedures this division expects to see in place in regard to the settlement of life insurance proceeds through the mechanism known by the term "retained asset accounts." These accounts are designed to be a temporary repository of funds while the beneficiary considers the available options. While the majority of insurers handle these accounts in an appropriate manner, there is a potential for misunderstanding by the consumer. These are the procedures the division will expect to find in place during any market conduct examinations and handling of complaints:

1. Cash payment.

The insurer must offer the beneficiary full cash payment of the life insurance proceeds or settlement options in accordance with the terms of the life insurance contract.

2. A Supplemental Contract.

If the insurer offers the beneficiary settlement options in addition to immediate cash payment of the full benefit amount, the insurer must provide the beneficiary with a supplemental contract that clearly discloses the rights and obligations of both the beneficiary and the insurer for the benefit.

3. Disclosure to the Consumer.

- a. The "Checkbook"

Literature describing the settlement options must clearly disclose that if the beneficiary chooses settlement options other than immediate cash payment of the full benefit amount then payment of the total proceeds is accomplished by delivery of a "checkbook," if that is the case. It must be disclosed to the beneficiary that one check can be written to access the entire proceeds, and that the other options are preserved until the entire balance is withdrawn or drops below the insurer's minimum payment requirements.

- b. The Account

The insurer must disclose whether the account is a checking or draft account and explain the account's features. The disclosure document must include information about what banking services are provided to the account holder and by whom. It must be clearly stated which services are provided at no charge, and which services involve a fee. The nature and frequency of statements must be disclosed. The disclosure document must also

provide a phone number and address where the beneficiary can obtain additional information and answers to questions.

c. Tax Implications

The disclosure information must indicate that there may be tax on the interest earned on the account, and the beneficiary should consult their tax advisor.

d. Other Options

Literature describing the settlement options must clearly disclose what other options are available under the policy. Where appropriate, the interest rate being paid under those options must also be disclosed.

4. Interest

The insurer must disclose the interest rate being paid under the retained asset account. The disclosure must include a description of how the interest rate is determined and how it is credited to the account.

5. Accounting

The funds necessary to cover liabilities under these accounts must be reported on the annual statement as required by the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners.

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