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CB-125

### BULLETIN

#### **SUBJECT: USE OF RETAINED ASSET ACCOUNTS**

The purpose of this bulletin is to establish disclosure standards regarding the payment of life insurance benefits to a beneficiary by means of a “retained asset account.” “Retained Asset Account” means any mechanism whereby the settlement of proceeds payable under a life insurance policy is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into an account with check or draft writing privileges, where those proceeds are retained by the insurer, pursuant to a supplementary contract not involving annuity benefits.

#### Explanation of Settlement Options

The insurer shall provide the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy or how to obtain specific details relevant to the options.

#### Supplemental Contract

If the insurer settles benefits through a retained asset account, the insurer shall provide the beneficiary with a supplemental contract that clearly discloses the rights of the beneficiary and obligations of the insurer under the supplemental contract.

#### Disclosures for Retained Asset Accounts to Beneficiaries

The insurer shall provide the following written disclosures to the beneficiary before the account is selected, if optional, or established, if not:

- Payment of the full benefit amount is accomplished by delivery of the “draft book”/ “check book”.
- One draft or check may be written to access the entire amount, including interest, of the retained asset account at any time.

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- Whether other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum balance requirements.
- A statement identifying the account as either a checking or draft account and an explanation of how the account works.
- Information about the account services provided and contact information where the beneficiary may request and obtain more details about such services.
- A description of fees charged, if applicable.
- The frequency of statements showing the current account balance, the interest credited, drafts/checks written and any other account activity.
- The minimum interest rate to be credited to the account and how the actual interest rate will be determined.
- The interest earned on the account may be taxable.
- Retained asset account funds held by insurance companies are not guaranteed by the Federal Deposit Insurance Corporation (FDIC).
- A description of the insurer's policy regarding retained asset accounts that may become inactive.

The effective date of this bulletin shall be September 18, 2011.



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