



## Bulletin No. B-4.12

### Retained Assets Accounts: Settlement of Life Insurance Proceeds

#### I. Background and Purpose

The purpose of this bulletin from the Colorado Division of Insurance ("Division") is to provide clarification and establish disclosure standards regarding the payment of life insurance benefits to a beneficiary by means of a "Retained Asset Account" instead of a lump sum payment or other settlement options under the policy.

Bulletins are the Division's interpretations of existing insurance law or general statements of Division policy. Bulletins themselves establish neither binding norms nor finally determine issues or rights.

#### II. Applicability and Scope

This bulletin is intended for all life insurance companies licensed in the state of Colorado who offer Retained Asset Accounts.

"Retained Asset Account" means any mechanism whereby the settlement proceeds payable under a life insurance policy, including but not limited to the payment of cash surrender value, is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into an account, where those proceeds are retained by the insurer, pursuant to a supplementary contract not involving annuity benefits.

#### III. Division Position

##### A. 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 and how to obtain specific details relevant to the options.

##### B. 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.

##### C. 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 when established, if not:

1. Payment of the full benefit amount is accomplished by delivery of the "draft book" or "check book."
2. One draft or check may be written to access the entire amount, including interest, of the retained asset account at any time.
3. Whether other available settlement options are preserved until the entire balance is withdrawn or until the balance drops below the insurer's minimum balance requirements.

4. A statement identifying the account as either a checking or draft account and an explanation of how the account works.
5. Information about the account services provided and contact information where the beneficiary may request and obtain more details about such services.
6. A description of the fees charged, if applicable.
7. The frequency of statements showing the current account balance, the interest credited, drafts or checks written, and any other account activity.
8. The minimum interest rate to be credited to the account and how the actual interest rate will be determined.
9. Notice that the interest earned on the account may be taxable.
10. Notice that retained asset account funds held by insurance companies are not guaranteed by the Federal Deposit Insurance Corporation (FDIC) but are guaranteed by the State Guaranty Associations. The beneficiary should be advised to contact the National Organization of Life and Health Guaranty Associations ([www.nolhga.com](http://www.nolhga.com)) to learn more about the coverage limitations to his or her account.
11. A description of the insurer's policy regarding retain asset accounts that may become inactive.

#### **IV. Additional Division Resources**

##### **For More Information**

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#### **V. History**

- Originally issued as bulletin 12-03, September 30, 2003.
- Reissued May 8, 2007.
- Amended and reissued March 14, 2011.
- Amended and reissued April 29, 2011.