

STATE OF COLORADO

DEPARTMENT OF REGULATORY AGENCIES

DIVISION OF INSURANCE

1560 Broadway, Suite 850
Denver, Colorado 80202



Bulletin No. B-4.12

Retained Assets Accounts: Settlement of Life Insurance Proceeds

I. Background and Purpose

The purpose of this bulletin is to provide clarification regarding the Colorado Division of Insurance (“Division”) position regarding the use of Retained Asset Accounts (“RAAs”).

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 RAAs.

III. Division Position

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, the potential for misunderstanding is present.

If the insurer offers the beneficiary settlement options other than immediate cash payment of the full benefit amount, the insurer should provide the beneficiary with a supplemental contract that clearly discloses the rights and obligations of both the beneficiary and the insurer with respect to the benefit.

A. The “Checkbook”

Literature describing the settlement options should clearly disclose that payment of the total proceeds is accomplished by delivery of a “checkbook,” if that is the case. It should 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can be written to access the entire proceeds, and that the other options are preserved until the entire balance is withdrawn or the balance drops below the insurer’s minimum payment requirements.

B. The Account

The insurer should disclose whether the account is a checking or draft account and explain the account’s features. The disclosure document should include information about what banking services are provided to the account holder and by whom. It should be clearly stated which services are provided to the account holder and by whom. It should be clearly stated which services are provided at no charge and which services involve a fee. The nature and frequency of statements should be disclosed. The disclosure document should also provide a phone number and address where the beneficiary can obtain additional information and answers to questions.

C. Choice

Although insurers may offer a RAA as a method for settlement of life insurance proceeds, a RAA may not be the only method of settlement. Insurers must continue to offer immediate cash payment of life insurance proceeds to beneficiaries.

D. Tax Implications

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

IV. Additional Division Resources

For More Information

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Consumer Affairs – Life and Health Section
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Internet: <http://www.dora.state.co.us/insurance>

V. History

- Originally issued as bulletin 12-03, September 30, 2003.
- Reissued May 8, 2007.