



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

BULLETIN NO. 2012-01

TO: ALL LIFE INSURERS LICENSED IN LOUISIANA

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

RE: RETAINED ASSET ACCOUNTS

DATE: MARCH 15, 2012

The purpose of Bulletin No. 2012-01 is to establish disclosure standards regarding the payment of life insurance death benefits by means of a "retained asset account." For the purpose of Bulletin No. 2012-01, "retained asset account" means any mechanism whereby a life insurer, or an entity acting on behalf of a life insurer, accomplishes the settlement of death benefits payable under a life insurance policy by depositing the proceeds into an account where the control of all or any portion of the proceeds are retained by the life insurer. It has come to the attention of the Louisiana Department of Insurance (LDI) that life insurers may not adequately and fully inform beneficiaries of their right to receive the payment of life insurance death benefits in the form of a lump sum as opposed to a retained asset account nor what is involved in a retained asset account.

La. R.S. 22:931(A) states: "No policy of life insurance, except as stated in Subsection C of this Section, shall be delivered or issued for delivery in this state unless it contains in substance the following provision or provisions which, in the opinion of the commissioner of insurance, are more favorable to the policyholder: ... (11) Lump sum payment. A provision which allows election by the beneficiary of an option to receive benefits in the form of a lump sum payment. This Paragraph shall not apply to policies of industrial life insurance or service insurance." Further, La. R.S. 22:942(14) states: "Lump sum payment: Every group life insurance policy delivered or issued for delivery in this state shall allow selection by the beneficiary of an option to receive benefits in the form of a lump sum payment." Life insurers that do not properly notify the beneficiary of the right to elect death benefits in the form of a lump sum payment fail to comply with the requirements of La. R.S. 22:931(A)(11) and 22:942(14). It is the responsibility of all life insurers authorized to transact business in the state of Louisiana to ensure that their practices comply with the applicable requirements of La. R.S. 22:931(A)(11) and 22:942(14).

In furtherance of the objective of the above referenced laws, and in addition to advising the beneficiary of the right to receive benefits in the form of a lump sum payment upon receipt of a claim, the life insurer must provide the beneficiary written information describing the settlement options available. Further, if the life insurer settles benefits through a retained asset account, the life insurer must provide the beneficiary with a supplemental contract that clearly discloses the rights and obligations of both the beneficiary and the life insurer pursuant to the payment option selected.

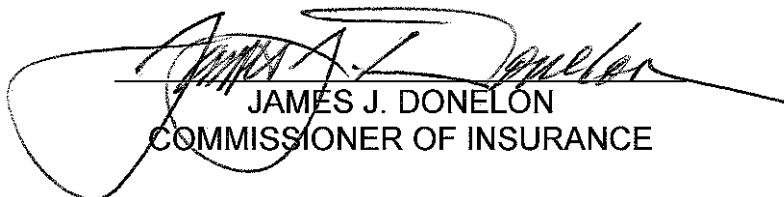
That communication from the life insurer should provide the following written disclosures, in easy-to-understand language and in at least ten-point type, to the beneficiary of life insurance death benefits paid in the form of a retained asset account:

1. The recommendation to consult a tax, investment, or other financial advisor regarding tax liability and investment options;
2. The payment of some or all of the proceeds of the death benefit may be made by the delivery of checks, drafts, or other instruments to access the death benefit funds;
3. The entire proceeds are available to the account holder by the use of one such check, draft, or other instrument;
4. The initial rate of interest and the method of calculation of any interest, dividends, or other gains that the life insurer may pay or distribute to the account holder;
5. The name and contact information for use in accessing the death benefit funds deposited in the retained asset account;
6. The financial protections, guarantees, or insurance covering the retained asset account;
7. The banking or other financial services offered to the account holder;
8. The limitations on the number and amount of withdrawals of death benefit funds from the retained asset account, including any minimum or maximum payment amount;
9. The delays, if any, that the account holder may encounter in completing authorized transactions and the anticipated duration of such delays;
10. The services provided for a fee and a list of the fees or the method of their calculation;
11. The nature and frequency of statements of the retained asset account;

12. The income that may be derived by the insurer or a related party, in addition to any fees charged on the retained asset account, from the total gains received on the investment of the balance of funds in the retained asset account;
13. The telephone number, address and other contact information within the life insurer whereby the account holder may obtain additional information regarding the retained asset account;
14. The telephone number, address and other contact information for the Louisiana Department of Insurance; and,
15. The life insurer's policy regarding inactivity in the retained asset account and the effect of state unclaimed property laws.

Questions regarding Bulletin No. 2012-01 should be directed to the Louisiana Department of Insurance, Division of Life and Annuities, at (225) 342-1226.

Baton Rouge, Louisiana, this 15th day of March 2012.



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COMMISSIONER OF INSURANCE