Glenn Pomeroy
Commissioner of Insurance

DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

BULLETIN 2000-3

TO: All Life Insurance Carriers Writing Business in North Dakota

FROM: Glenn Pomeroy, Commissioner

DATE: August 3, 2000

SUBJECT: Interest-Bearing/Retained Asset Accounts as a Death Benefit Settlement Option

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The purpose of this bulletin is to set forth the procedures this Department expects to see in place regarding the payment of life insurance proceeds through the mechanism known as "retained asset accounts". These accounts are designed to be a temporary repository of funds while the beneficiary considers the available options. In market conduct examinations and handling of complaints, these are the procedures the Department will expect to find in place:

1. Disclosure:

   a. The "Checkbook". If a "checkbook" option is offered, literature must clearly disclose that payment of the total proceeds is accomplished by depositing the proceeds into an account and delivery of a checkbook. It must be disclosed to the beneficiary that one check can be written to access the entire proceeds, and that any other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum payment requirements.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 must disclose whether the account is a checking or draft account and explain the account's features. The disclosure must include information about the banking services that are provided and by whom. It should clearly identify which services are provided at no charge and which services involve a fee. The nature and frequency of the mailing of statements should be disclosed. The disclosure document must also provide a telephone number and address where the beneficiary can obtain additional information.

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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 his or her tax advisor.

d. Other Options. All other available settlement options must be clearly described. Where appropriate, the interest rate being paid must also be disclosed.

e. Default. If an insured does not choose one of the available settlement options or if the claimant form does not offer payment options, the retained asset account may be the default only if the retained asset account default information is conspicuously disclosed by bolded enlarged type on the claim form.

2. 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.

3. Accounting. For retained asset accounts, the funds necessary to cover liabilities under these accounts shall be reported on the annual statement as required by the *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners.

4. Lump Sum Option. If the claimant or beneficiary statement form offers a lump sum payment and the company utilizes retained asset accounts, the form must allow the claimant to choose whether to receive payment directly by check or indirectly by depositing the proceeds into a retained asset account.

If you have any questions, please contact Susan Anderson, Legal Counsel, at (701) 328-1431.

GP/njb