

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF RETAINED ASSET )            ORDER AMENDING ORDER  
ACCOUNTS AND OTHER SETTLEMENT )            NO. A10-119  
OPTIONS USED BY LIFE INSURERS    )

This matter being opened by the Commissioner of Banking and Insurance (“Commissioner”) pursuant to the authority of N.J.S.A. 17:23-20 et seq., 17B:18-1 et seq., and 17B:23-1 et seq., and all powers expressed or implied therein; and

IT APPEARING that on September 24, 2010 the Commissioner issued Order No. A10-119 to set forth minimum requirements that notices to policyholders and beneficiaries of life insurance policies shall contain where a retained asset account (“RAA”) is used to settle claims, and to require the filing of such information with the Department of Banking and Insurance (“Department”); and

IT FURTHER APPEARING that since the issuance of that Order, notification regarding the use of RAAs has also been addressed by the National Association of Insurance Commissioners (“NAIC”), through a sample bulletin adopted by the NAIC on December 16, 2010, to establish disclosure standards regarding the payment of life insurance benefits to beneficiaries by means of a RAA; and

IT FURTHER APPEARING that in order to foster uniformity with the disclosure standards adopted by the NAIC and to reflect the national standard for such disclosure requirements, the Department has determined that it is reasonable and appropriate to amend

Order A10-119 to revise the disclosure requirements for RAAs to more closely reflect the requirements established by the NAIC; and

IT FURTHER APPEARING that settlement options other than a RAA may be offered by insurers for the payment of proceeds of life insurance policies and that material information on such options should also be adequately conveyed to beneficiaries of such policies;

NOW, THEREFORE IT IS on this 5<sup>th</sup> day of January 2011

ORDERED that:

1. For purposes of this Order, "RAA" means any mechanism whereby the settlement of proceeds payable under a life insurance policy is accomplished by the insurer or entity acting on behalf of the insurer depositing the proceeds into an account with check or draft writing privileges, or through the use of a debit card or other similar instrument upon which the proceeds may be drawn, where those proceeds are retained by the insurer, pursuant to the life insurance contract or a supplementary contract not involving annuity benefits.

2. Commencing 180 days subsequent to the date of this Order, all insurers authorized or admitted to transact life insurance offering RAAs in this State shall, prior to the issuance of a group policy which provides for the payment of claims through a RAA or on which the opening of a RAA is an option, and prior to the transfer of a death benefit on an individual or group policy to a RAA, provide to the prospective owner of the group policy or to the beneficiary of the death benefit a written notice disclosing in easy-to-understand language, pertinent information related to the use of a RAA which shall include, at a minimum, the following:

- i. A statement that payment of the full benefit amount is accomplished by delivery of the draft book/checkbook or similar instrument;
- ii. A statement that one draft or check may be written to access the entire amount, including interest, of the RAA at any time;
- iii. Notice whether other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum balance requirement;
- iv. A statement identifying the account as either a checking or draft account and an explanation of how the account works;
- v. Information about the account services provided and contact information where the beneficiary may request and obtain more details about such services;
- vi. A description of fees charged, if applicable;
- vii. Information about the frequency of statements showing the current account balance, the interest credited, drafts/checks written and any other account activity, and the method of delivery of such statements (i.e., via postal mail, email, etc.);
- viii. How the interest rate to be credited to the account will be determined;
- ix. A statement that the interest earned on the account may be taxable;
- x. A statement that RAA 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 Insurance Guaranty Associations ([www.nolhga.com](http://www.nolhga.com)) to learn more about coverage or limitations to his or her account; and

xi. A description of the insurer's policy regarding RAAs that may become inactive.

The disclosure requirements and the timeframes for actions by insurers set forth above and below supersede the disclosure requirements and timeframes specified in Paragraphs 1 and 2 of Order No. A10-119.

3. All insurers authorized or admitted to transact life insurance in this State shall, within 180 days of the date of this Order, submit to the Department for its review copies of forms and other written material that describe RAAs offered by the insurer being provided by the insurer to beneficiaries of life insurance policies or to prospective owners of group life policies in accordance with Paragraph 2 above and copies of all documents utilized by the insurer to establish a RAA, including agreements, claim forms and any other documents containing the information required to be included in such written materials by Paragraph 2 above.

4. All insurers authorized or admitted to transact life insurance in this State shall, beginning 180 days from the date of this Order, provide all beneficiaries of life insurance policies issued in this State information that describes all the settlement options available to the beneficiaries. The information shall be provided with the claim form and use easy-to-understand language that explains how each settlement option works, its benefits to the beneficiaries, how to select the options, and shall include contact information for questions about the options. This information shall not be required to be filed with the Department.

5. Order No. A10-119 shall remain in effect except as modified herein.

A handwritten signature in black ink that reads "Tom Considine". The signature is written in a cursive style with a large initial "T" and a prominent dot over the "i".

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Thomas B. Considine  
Commissioner

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