

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE PROVIDING OF )  
INFORMATION REGARDING ) ORDER  
RETAINED ASSET ACCOUNTS 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 it is a common business practice for life insurers to provide options for the payment of the proceeds of individual and group life insurance policies to the beneficiaries of individual policies and to the certificate holders (hereinafter “owners”) of group policies as alternatives to the immediate payout of policy proceeds and that one such option is a retained asset account (“RAA”); and

IT FURTHER APPEARING that a RAA is a temporary retention of the settlement proceeds of a life insurance policy by an insurer in its general account or otherwise that affords to life insurance beneficiaries time to consider all available financial options with respect to the disposition of the policy proceeds while earning interest, with the beneficiary retaining the ability to effectuate the withdrawal of the full amount of the policy proceeds at any time; and

IT FURTHER APPEARING that RAAs provide life insurance policy beneficiaries with both flexibility and value not found in the payment of benefits in a check directed to the beneficiary; and

IT FURTHER APPEARING that certain life insurance contracts include references to methods of payment other than a direct check for the full proceeds of the policy but may not provide specific information on the RAA or other alternative method(s) of payment offered to beneficiaries or to the owners of group life policies by the insurer; and

IT FURTHER APPEARING that life insurance policy forms and other notices related thereto may not adequately convey to consumers pertinent information related to RAAs and/or other payment options offered by the insurer and have not been subject to departmental review; and

IT FURTHER APPEARING that assuring adequate transparency and disclosure with respect to the utilization of a RAA or other payment option will assist consumers confronted with key financial decisions while experiencing bereavement and will benefit the life insurance industry; and

IT FURTHER APPEARING that if a RAA is not maintained in a bank or other depository institution the funds in the RAA will not be covered by the protections afforded to accounts in such institutions by the Federal Deposit Insurance Corporation (“FDIC”) but that RAAs maintained by life insurers authorized or admitted in this State are covered by the New Jersey Life and Health Insurance Guaranty Association up to \$500,000; and

IT FURTHER APPEARING that persons considering the purchase of a group life policy on which the use of a RAA will be required or will be an option should be provided with pertinent information to enable them to make informed decisions related to RAAs prior to consummating such a purchase and beneficiaries on life insurance policies on which the use of a RAA is required or is an option should be provided with such information prior to the transfer of a death benefit to a RAA; and

IT FURTHER APPEARING that the Department of Banking and Insurance (“Department”) has determined that it is necessary and appropriate that insurers should be required to submit for review the written notifications related to RAAs that will be provided to beneficiaries of life insurance policies and owners of group life insurance policies by life insurers authorized or admitted to transact business in this State to confirm that they meet the requirements set forth herein; and

IT FURTHER APPEARING that the Department will propose rules in the future clarifying that, where a life insurer offers a RAA and/or other payment options in addition to a direct check payment of the full policy proceeds, disclosure statements related to RAAs and such other options will be filed for approval with the proposed life insurance form, and providing standards for the review and approval of such disclosure statements,

NOW, THEREFORE IT IS on this 24<sup>th</sup> day of September, 2010

ORDERED that:

1. Commencing 120 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 a 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 bold print and easy-to-understand language, pertinent information related to the use of a RAA which shall include, at a minimum, the following information:

i. With the exception of a RAA that is maintained at a bank or other depository institution, a statement that there is no FDIC protection for the funds in the RAA and

that, in the unlikely event of an insurer insolvency, protection afforded by the New Jersey Life and Health Insurance Guaranty Association covers the funds maintained in the RAA up to a maximum of \$500,000;

ii. The non-variable interest rate or, if applicable, the method of calculating the variable interest rate that the funds in the RAA will earn until the total amount of such funds is withdrawn;

iii. A statement indicating that the entire balance in the RAA may be withdrawn in one transaction without fees or penalties and a description of the process for doing so;

iv. A statement indicating whether any fees are chargeable on the RAA and, if so, the amounts of any such fees;

v. A statement specifying the frequency with which statements are provided on the RAA and the method of delivery (i.e. via postal mail, email, etc.); and

vi. The insurer's contact information for questions or concerns about the RAA.

2. All insurers authorized or admitted to transact life insurance in this State shall, within 150 days of the date of this Order, submit to the Department for its review copies of forms and other written material that describe RAAs and any other non-direct check payment options 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 1 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 1 above.

3. Copies of forms or other documents that have been previously filed with the Department that have not been revised in response to this Order need not be resubmitted.

Failure to comply with the terms of this Order may result in the imposition of penalties as authorized by law.

A handwritten signature in black ink that reads "Tom Considine". The signature is written in a cursive style with a large, sweeping initial "T".

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Thomas B. Considine  
Commissioner

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