

## 1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend the Code of Virginia by adding in Chapter 31 of Title 38.2 an article numbered 1.1,*  
 3 *consisting of sections numbered 38.2-3117.1 through 38.2-3117.4, relating to the use of retained*  
 4 *asset accounts.*

5 [S 1388]

6 Approved

7 **Be it enacted by the General Assembly of Virginia:**

8 **1. That the Code of Virginia is amended by adding in Chapter 31 of Title 38.2 an article**  
 9 **numbered 1.1, consisting of sections numbered 38.2-3117.1 through 38.2-3117.4, as follows:**

10 *Article 1.1.*11 *Use of Retained Asset Accounts.*12 *§ 38.2-3117.1. Definitions.*13 *As used in this article, unless the context requires a different meaning:*

14 *"Insurer" means an insurance company licensed in the Commonwealth that offers retained asset*  
 15 *accounts for death benefits.*

16 *"Policy" means any policy or certificate of insurance that provides a death benefit.*

17 *"Retained asset account" means any mechanism whereby the settlement of proceeds payable under a*  
 18 *life insurance policy is accomplished by the insurer or an entity acting on behalf of the insurer*  
 19 *depositing the proceeds into an account with check or draft writing privileges where those proceeds are*  
 20 *retained by the insurer pursuant to a supplementary contract not involving annuity benefits.*

21 *§ 38.2-3117.2. Explanation of settlement options.*

22 *The insurer shall provide the beneficiary, at the time a claim is made, written information describing*  
 23 *the settlement options available under the policy and how to obtain specific details relevant to the*  
 24 *options.*

25 *§ 38.2-3117.3. Supplemental contract.*

26 *If the insurer settles benefits through a retained asset account, the insurer shall provide the*  
 27 *beneficiary with a supplemental contract that clearly discloses the rights of the beneficiary and the*  
 28 *obligations of the insurer under the supplemental contract.*

29 *§ 38.2-3117.4. Disclosures for retained asset accounts to beneficiaries.*

30 *The insurer shall provide the following written disclosures to the beneficiary of a policy before the*  
 31 *retained asset account is selected, if optional, or established, if not optional:*

32 *1. Payment of the full benefit amount is accomplished by delivery of the draft book or check book;*

33 *2. One draft or check may be written to access the entire amount, including interest, of the retained*  
 34 *asset account at any time;*

35 *3. Whether other available settlement options are preserved until the entire balance is withdrawn or*  
 36 *the balance drops below the insurer's minimum balance requirements;*

37 *4. A statement identifying the account as either a checking account or a draft account and an*  
 38 *explanation of how the account works;*

39 *5. Information about the account services provided and contact information where the beneficiary*  
 40 *may request and obtain more details about such services;*

41 *6. A description of fees charged, if applicable;*

42 *7. The frequency of statements showing the current account balance, the interest credited, drafts or*  
 43 *checks written, and any other account activity;*

44 *8. The minimum interest rate to be credited to the account and how the actual interest rate will be*  
 45 *determined;*

46 *9. The interest earned on the account may be taxable;*

47 *10. Retained asset account funds held by insurance companies are not insured by the Federal*  
 48 *Deposit Insurance Corporation but are guaranteed by the state guaranty association. The beneficiary*  
 49 *should be advised to contact the National Organization of Life and Health Insurance Guaranty*  
 50 *Associations via the association's website to learn more about the coverage limitations to the account*  
 51 *under a state guaranty association; and*

52 *11. A description of the insurer's policy regarding retained asset accounts that become inactive.*