

State Corporation Commission 2011 Fiscal Impact Statement

1. Bill Number: HB1458

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Marshall, R.G.

3. Committee: Passed Both Houses

4. Title: Retained asset accounts; requirements for insurance companies licensed in State.

5. Summary/Purpose: Requires an insurer to provide a beneficiary with a written explanation of settlement options at the time a claim is made, including how to obtain specific details regarding the settlement options. Defines “insurer” as an insurance company licensed in Virginia that offers retained asset accounts for death benefits; “policy” as any policy or certificate of insurance that provides a death benefit; and “retained asset account” as any mechanism where the proceeds of a life insurance policy, including payment of cash surrender values, are paid by depositing the proceeds into an account retained by the insurer pursuant to a supplementary contract that does not involve annuity benefits. Requires an insurer to provide a beneficiary with a written explanation of settlement options at the time a claim is made, including how to obtain specific details regarding the settlement options. Requires an insurer that uses retained asset accounts to provide a beneficiary with a supplemental contract that discloses the rights of the beneficiary and the obligations of the insurer. Requires an insurer to provide a written disclosure to the beneficiary either (i) before the retained asset account is *selected* (if optional); or (ii) before the retained asset account is *established* (if not optional). The written disclosure must include the following:

- That payment of the full benefit amount is accomplished by delivery of the draft book or check book;
- That one draft or check may be written to access the entire amount, including interest, of the retained asset account at any time;
- Whether other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum balance requirements;
- A statement identifying the account as either a checking account or a draft account and an explanation of how the account works;
- Information about the account services provided and contact information where the beneficiary may request and obtain more details about such services;

- A description of fees charged, if applicable;
- The frequency of statements showing the current account balance, the interest credited, drafts or checks written, and any other account activity;
- The minimum interest rate to be credited to the account and how the actual interest rate will be determined;
- That the interest earned on the account may be taxable;
- That retained asset account funds held by the insurer are not insured by the Federal Deposit Insurance Corporation, and that there may be limited guaranty association coverage; and
- A description of the insurer's policy regarding retained asset accounts that become inactive.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission
Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: House Bill 1458 appears to be identical to Senate Bill 1388. The language of the bill is based on the National Association of Insurance Commissioners' *Retained Asset Accounts Sample Bulletin*, issued December, 2010.

Date: 02/21/11/V. Tompkins

cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources