



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW R. STOLFI
Acting Director

TO: ALL LIFE INSURANCE COMPANIES REGULATED BY
THE ILLINOIS DEPARTMENT OF INSURANCE

FROM: ANDREW R. STOLFI, ACTING DIRECTOR *ARS*

DATE: DECEMBER 12, 2011

RE: COMPANY BULLETIN 2011-03 (REVISED)
USE OF RETAINED ASSET ACCOUNTS

“Retained Asset Account” means any mechanism whereby the settlement of proceeds payable under a life insurance policy is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into an account with check or draft writing privileges, where those proceeds are retained by the insurer pursuant to a supplementary contract not involving annuity benefits.

The use of a Retained Asset Account where the proceeds payable are held by the insurer may not be deemed to be either a total payment or a first installment paid to the insured for purposes of avoiding the 10% interest accrual under Section 5/224(1)(l) of the Illinois Insurance Code [215 ILCS 5/224(1)(l)] in that the insurer retains custody and use of the funds. Moreover, the beneficiary who is to receive the proceeds can only be deemed to have consented to the retained asset account when there is full disclosure in the notification of the terms of the Retained Asset Account at the time of claim.

The Department will deem the use of such accounts as qualifying as a total payment avoiding the 10% interest accrual when there is compliance with the provisions of this bulletin.

Companies are required to comply with this bulletin no later than July 1, 2011.

Section 1. Explanation of Settlement Options

The insurer shall provide the beneficiary, at the time a claim is made, written information describing 10% interest accrual and the settlement options available under the policy and how to obtain specific details relevant to the options.

Section 2. Supplemental Contract

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

Section 3. Disclosures for Retained Asset Accounts to Beneficiaries

The insurer shall provide the following written disclosures to the beneficiary before the account is selected, if optional, or established, if not:

- A. Payment of the full benefit amount is accomplished by delivery of the “draft book”/“check book.”
- B. One draft or check may be written to access the entire amount, including interest, of the retained asset account at any time.
- C. Whether other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer’s minimum balance requirements.
- D. A statement identifying the account as either a checking or draft account and an explanation of how the account works.
- E. Information about the account services provided and contact information where the beneficiary may request and obtain more details about such services.
- F. A description of fees charged, if applicable.
- G. The frequency of statements showing the current account balance, the interest credited, drafts/checks written and any other account activity.
- H. The minimum interest rate to be credited to the account and how the actual interest rate will be determined.
- I. The interest earned on the account may be taxable.
- J. Retained asset account funds held by insurance companies are not guaranteed by the Federal Deposit Insurance Corporation (FDIC), but are guaranteed by the State Guaranty Associations. The insurer must advise the beneficiary to contact the National Organization of Life and Health Insurance Guaranty Associations (www.nolhga.com) to learn more about the coverage limitations to his or her account.
- K. A description of the insurer’s policy regarding retained asset accounts that may become inactive.

For questions regarding this bulletin, please contact Susan Lamb by email at susan.lamb@illinois.gov.