



April 2011

**WEST VIRGINIA INFORMATIONAL LETTER**

**NO. 178**

**TO: All Life Insurance Companies Licensed to do Business in the State of West Virginia**

**RE: Use of Retained Asset Accounts**

The purpose of this Informational Letter is to clarify the duties of insurers relative to the payment of life insurance benefits to beneficiaries by means of retained asset accounts. W. Va. Code § 33-13-27 permits an insurer to hold such benefits in a retained asset account under a written agreement with the policyholder or beneficiary. "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.

At the time a claim is made, an insurer must provide a beneficiary of a life insurance policy written information describing the settlement options available under the policy and how to obtain additional information. If the insurer provides benefits through a retained asset account, it must present the beneficiary with a supplemental contract that clearly discloses the rights of the beneficiary and obligations of the insurer under the supplemental contract.

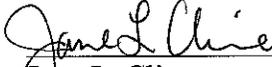
The insurer must provide to the beneficiary written disclosures concerning the following information before a retained asset account is (1) selected, if optional; or (2) established, if not optional:

- a. A statement that payment of the full benefit amount is accomplished by delivery of the "draft book" or "check book" to the beneficiary;
- b. A statement that one draft or check may be written to access the entire amount, including interest, of the retained asset account at any time;
- c. A description of whether other available settlement options are preserved until the entire balance is withdrawn or the balance drops below the insurer's minimum balance requirements;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. Information regarding the frequency of statements showing the current account balance, the interest credited, drafts/checks written and any other account activity;
- h. Information about the minimum interest rate to be credited to the account and how the actual interest rate will be determined;
- i. A statement that interest earned on the account may be taxable;
- j. A statement that retained asset account funds held by insurance companies are not guaranteed by the Federal Deposit Insurance Corporation, but are guaranteed, subject to certain limitations, by the West Virginia Life and Health Insurance Guaranty Association. (The beneficiary should also be advised to contact the West Virginia Life and Health Insurance Guaranty Association ([www.wvlifega.org](http://www.wvlifega.org)) to learn more about the coverage limitations to his or her account.); and
- k. A description of the insurer's policy regarding retained asset accounts that may become inactive.

If you have a question concerning this Informational Letter, please e-mail your question to [Informational.Letters@wvinsurance.gov](mailto:Informational.Letters@wvinsurance.gov) or call (304) 558-0401.

  
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Insurance Commissioner