

Article - Insurance

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§16–117.

(a) In this section, “retained asset account” means any mechanism whereby the settlement of proceeds payable under a life insurance policy or an annuity contract is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into a checking or draft account, where those proceeds are retained by the insurer in accordance with a supplementary contract.

(b) An insurer may not offer a retained asset account as the mode of settlement of the proceeds payable under a life insurance policy or an annuity contract unless the insurer:

(1) offers the beneficiary at least one other mode of settlement of proceeds;
and

(2) complies with the provisions of subsections (c) and (d) of this section.

(c) Except as provided in subsection (e) of this section, when a beneficiary files a claim for proceeds, if one of the settlement options is a retained asset account, the insurer shall disclose in writing to the beneficiary all the settlement options available under the policy or contract.

(d) (1) Except as provided in subsection (e) of this section, if an insurer offers to a beneficiary a retained asset account as a settlement option, the insurer shall provide to the beneficiary in writing:

(i) a recommendation to consult a tax advisor, an investment advisor, or any other financial advisor regarding tax liability and investment options;

(ii) an explanation of the features of the retained asset account,
including:

1. the method used to determine interest rates applied to the retained asset account, when and how interest rates may change, and any dividends and other gains that may be paid or distributed to the account holder;

2. the custodian of the funds or assets of the retained asset
account;

3. whether the funds in the retained asset account are guaranteed by the Federal Deposit Insurance Corporation (FDIC) and the amount of the coverage, if any;

4. the limitations, if any, on the numbers and amounts of withdrawals of funds from the retained asset account or investment, including any

minimum or maximum withdrawal amounts;

5. the services provided for a fee, including a list of the fees or the method of their calculation;

6. the nature and frequency of statements of account;

7. a statement that the obligation of the insurer to pay the total policy or contract proceeds is satisfied by depositing the total proceeds in the retained asset account;

8. a statement that the entire proceeds are available to the account holder by the use of one check, draft, or other instrument;

9. a statement that the insurer or a related party may derive income, in addition to any fees charged on the retained asset account, from the total gains received on the investment of the balance of funds in the retained asset account; and

10. the telephone number, address, and other contact information, including Web site address, for obtaining additional information regarding the retained asset account; and

(iii) the statement “For further information, please contact your state insurance department”.

(2) The information required under paragraph (1) of this subsection shall be in easy to read language.

(e) An insurer is not required to provide the disclosures or information specified in subsections (c) and (d) of this section if:

(1) the insurer permits the beneficiary to file the claim over the telephone;

(2) the insurer does not require the beneficiary to file a death certificate or other paperwork to file the claim for proceeds; and

(3) the beneficiary selects payment of a lump sum check, payable directly to the beneficiary, as the settlement option during the telephone call in which the beneficiary files the claim for proceeds.

(f) Failure to meet any requirement of this section is an unfair trade practice and a violation of Title 27 of this article.

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