

**Introduced by Committee on Insurance (Senators Calderon (Chair), Anderson, Corbett, Correa, Gaines, Lowenthal, Price, and Wyland)**

February 18, 2011

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An act to add Article 11 (commencing with Section 10509.930) to Chapter 5 of Part 2 of Division 2 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 713, as introduced, Committee on Insurance. Insurance: proceeds: disclosure.

Existing law requires insurers to fulfill certain requirements with regard to life insurance policies.

This bill, the Life Insurance Proceeds Disclosure Act of 2011, would require insurers to provide written disclosures to life insurance beneficiaries, as specified, before a retained asset account, as defined, is selected or established as the benefit payment. The bill would require an insurer that chooses to settle life insurance benefits through a retained asset account to provide the beneficiary with a supplemental contract that clearly discloses the rights of the beneficiary and the obligations of the insurer under the supplemental contract.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Article 11 (commencing with Section 10509.930)
- 2 is added to Chapter 5 of Part 2 of Division 2 of the Insurance Code,
- 3 to read:

1 Article 11. Life Insurance Proceeds Disclosure Act of 2011

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3 10509.930. This act shall be known and may be cited as the  
4 Life Insurance Proceeds Disclosure Act of 2011.

5 10509.931. The Legislature finds and declares all of the  
6 following:

7 (a) The occasion of the death of a spouse, parent, child, partner,  
8 or other loved one is a difficult time, accompanied by severe  
9 emotional stress, and is frequently a time of important and often  
10 difficult financial decisions.

11 (b) Life insurance is intended to provide an important resource  
12 to support and ease financial decisions at such a time.

13 (c) While life insurance policies provide for a single payment  
14 of the death benefit, policies may also offer other alternative payout  
15 options, through the use of a retained asset account that can provide  
16 desired flexibility insofar as they fit the consumer's needs and the  
17 needs of the consumer's family.

18 (d) The inherent difficulty of financial decisions at such a time  
19 can be eased insofar as consumers know what their available  
20 payment options are so they can receive the benefit of available  
21 life insurance policy proceeds in the form best suited to their  
22 circumstances and needs.

23 10509.932. The purpose of this act is to establish disclosure  
24 standards regarding the payment of life insurance benefits to a  
25 beneficiary by means of a retained asset account if a life insurance  
26 company offers consumers a retained asset account or establishes  
27 such an account as an alternative to the receipt of insurance  
28 proceeds by a single payment.

29 10509.933. For the purposes of this article, the following terms  
30 have the following definitions:

31 (a) "Insurer" means a life insurance company that provides  
32 recipients of life insurance settlement proceeds the option of  
33 receiving payment through the use of a retained asset account  
34 rather than receiving a single or lump sum payment.

35 (b) "Retained asset account" means any mechanism where the  
36 settlement of proceeds payable under a life insurance policy is  
37 accomplished by the insurer, or an entity acting on behalf of the  
38 insurer, by depositing the proceeds into an account with check or  
39 draft writing privileges, and where those proceeds are retained by

1 the insurer, pursuant to a supplementary contract not involving  
2 annuity benefits.

3 10509.934. The insurer shall provide the beneficiary of life  
4 insurance proceeds, at the time a claim is made, written information  
5 describing the settlement options available under the policy and  
6 how to obtain specific details relevant to those options.

7 10509.935. If the insurer chooses to settle life insurance  
8 benefits through a retained asset account, the insurer shall provide  
9 the beneficiary with a supplemental contract that clearly discloses  
10 the rights of the beneficiary and the obligations of the insurer under  
11 the supplemental contract.

12 10509.936. The insurer shall provide the following written  
13 disclosures to the beneficiary before the retained asset account is  
14 selected, if optional, or established:

15 (a) Payment of the full benefit is accomplished by delivery of  
16 the draft book or checkbook.

17 (b) One draft or check may be written to access the entire  
18 amount, including interest, of the retained asset account at any  
19 time.

20 (c) Whether the available settlement options are preserved until  
21 the entire balance is withdrawn or the balance drops below the  
22 insurer's minimum balance requirements.

23 (d) A statement identifying the account as either a checking or  
24 draft account and an explanation of how the account works.

25 (e) Information about the account services provided and contact  
26 information where the beneficiary may request and obtain more  
27 details about those services.

28 (f) A description of fees charged, if applicable.

29 (g) The frequency of statements showing the current account  
30 balance, the interest credited, drafts or checks written, and any  
31 other account activity.

32 (h) The minimum interest rate to be credited to the account and  
33 how the actual interest rate will be determined.

34 (i) That the interest earned on the account may be taxable.

35 (j) Retained asset account funds held by insurance companies  
36 are not guaranteed by the Federal Deposit Insurance Corporation,  
37 but are guaranteed by the State Guaranty Associations.

38 (k) To learn more about the coverage limitations applicable to  
39 his or her account, the beneficiary should contact the National

1 Organization of Life and Health Insurance Guaranty Associations,  
2 [www.nolhga.com](http://www.nolhga.com).  
3 (l) A description of the insurer’s policy regarding retained asset  
4 accounts that become inactive, including the policy with respect  
5 to inactive accounts that are at risk of escheating to the state  
6 pursuant to the California Unclaimed Property Law (Chapter 7 (  
7 commencing with Section 1500) of Title 10 of Part 3 of the Code  
8 of Civil Procedure).

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