

AMENDED IN SENATE MARCH 31, 2011

SENATE BILL

No. 713

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

February 18, 2011

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 amended, 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, *at the time a claim is made and* 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:

4
5 Article 11. Life Insurance Proceeds Disclosure Act of 2011

6
7 10509.930. This act shall be known and may be cited as the
8 Life Insurance Proceeds Disclosure Act of 2011.

9 10509.931. The Legislature finds and declares all of the
10 following:

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

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

17 (c) While life insurance policies *may* provide for a single
18 payment of the death benefit, policies may also offer ~~other~~
19 alternative payout options, ~~through~~ *including* the use of a retained
20 asset account that can provide desired flexibility ~~insofar as they~~
21 *and* fit the consumer's needs and the needs of the consumer's
22 family.

23 (d) The inherent difficulty of financial decisions at such a time
24 ~~can be eased insofar as~~ *may be eased if* consumers know what their
25 available payment options are so they can receive the benefit of
26 available life insurance policy proceeds in the form best suited to
27 their circumstances and needs.

28 10509.932. The purpose of this act is to establish disclosure
29 standards regarding the payment of life insurance benefits to a
30 beneficiary by means of a retained asset account if a life insurance
31 company offers consumers a retained asset account or establishes
32 such an account as an alternative to the receipt of insurance
33 proceeds by a single payment *made directly to the beneficiary that*
34 *satisfies all of the benefits owed to the beneficiary.*

35 10509.933. For the purposes of this article, the following terms
36 have the following definitions:

37 (a) ~~"Insurer" means a life insurance company that provides~~
38 ~~recipients of life insurance settlement proceeds the option of~~

1 ~~receiving payment through the use of a retained asset account~~
2 ~~rather than receiving a single or lump sum payment.~~

3 (a) “Insurer” means an insurance company that delivers or
4 issues for delivery in this state any policy of individual or group
5 life insurance.

6 (b) “Retained asset account” means any mechanism where the
7 settlement of proceeds payable under a life insurance policy is
8 accomplished by the insurer, or an entity acting on behalf of the
9 insurer, by depositing the proceeds into an account with check or
10 draft writing privileges, and where those proceeds are retained by
11 the insurer, pursuant to a supplementary contract not involving
12 annuity benefits.

13 10509.934. The insurer shall provide the beneficiary of life
14 insurance proceeds, at the time a claim is made, written information
15 describing the settlement options available under the policy *and*
16 *any other option available to the beneficiary for the receipt of*
17 *proceeds, including retained asset accounts*, and how to obtain
18 specific details relevant to those options. *If a retained asset account*
19 *is one of the available options, the written information shall include*
20 *all of the disclosures required by Section 10509.936.*

21 10509.935. If the insurer chooses to settle life insurance
22 benefits through a retained asset account, the insurer shall provide
23 the beneficiary with a supplemental contract that clearly discloses
24 the rights of the beneficiary and the obligations of the insurer under
25 the supplemental contract.

26 10509.936. The insurer shall provide the following written
27 disclosures to the beneficiary before the retained asset account is
28 selected, if optional, or established:

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

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

34 (c) Whether the available settlement options are preserved until
35 the entire balance is withdrawn or the balance drops below the
36 insurer’s minimum balance requirements.

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

- 1 (e) Information about the account services provided and contact
2 information where the beneficiary may request and obtain more
3 details about those services.
- 4 (f) A description of fees charged, if applicable.
- 5 (g) The frequency of statements showing the current account
6 balance, the interest credited, drafts or checks written, and any
7 other account activity.
- 8 (h) The minimum interest rate to be credited to the account and
9 how the actual interest rate will be determined.
- 10 (i) That the interest earned on the account may be taxable.
- 11 (j) Retained asset account funds held by insurance companies
12 are not guaranteed by the Federal Deposit Insurance Corporation,
13 but are guaranteed by the State Guaranty Associations.
- 14 (k) To learn more about the coverage limitations applicable to
15 his or her account, the beneficiary should contact the National
16 Organization of Life and Health Insurance Guaranty Associations,
17 www.nolhga.com.
- 18 (l) A description of the insurer's policy regarding retained asset
19 accounts that become inactive, including the policy with respect
20 to inactive accounts that are at risk of escheating to the state
21 pursuant to the California Unclaimed Property Law (Chapter 7 (
22 commencing with Section 1500) of Title 10 of Part 3 of the Code
23 of Civil Procedure).