

AMENDED IN SENATE APRIL 13, 2011

AMENDED IN SENATE APRIL 4, 2011

AMENDED IN SENATE MARCH 31, 2011

**SENATE BILL**

**No. 713**

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**Introduced by Senator Calderon  
(Coauthors: Senators Anderson, Corbett, Correa, Gaines,  
Lowenthal, 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 amended, Calderon. 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 settles 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 alternative  
19 payout options, including the use of a retained asset account that  
20 can provide desired flexibility and fit the consumer’s needs and  
21 the needs of the consumer’s family.

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

27 10509.932. The purpose of this act is to establish disclosure  
28 standards regarding the payment of life insurance benefits to a  
29 beneficiary by means of a retained asset account if a life insurance  
30 company offers consumers a retained asset account or establishes  
31 such an account as an alternative to the receipt of insurance  
32 proceeds by a single payment made directly to the beneficiary that  
33 satisfies all of the benefits owed to the beneficiary.

34 10509.933. For the purposes of this article, the following terms  
35 have the following definitions:

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

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

8 10509.934. The insurer shall provide the beneficiary of life  
9 insurance proceeds, at the time a claim is made, written information  
10 describing the settlement options available under the policy and  
11 any other option available to the beneficiary for the receipt of  
12 proceeds, including retained asset accounts, and how to obtain  
13 specific details relevant to those options. If a retained asset account  
14 is one of the available options, the written information shall include  
15 all of the disclosures required by Section 10509.936.

16 10509.935. If the insurer settles life insurance benefits through  
17 a retained asset account, the insurer shall provide the beneficiary  
18 with a supplemental contract that clearly discloses the rights of  
19 the beneficiary and the obligations of the insurer under the  
20 supplemental contract.

21 10509.936. The insurer shall provide the following written  
22 disclosures to the beneficiary before the retained asset account is  
23 established, unless the insurer has already provided these  
24 disclosures pursuant to Section 10509.934:

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

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

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

33 (d) A statement identifying the account as either a checking or  
34 draft account and an explanation of how the account works,  
35 including, but not limited to, any minimum check or draft amount  
36 requirements.

37 (e) Information about the account services provided and contact  
38 information where the beneficiary may request and obtain more  
39 details about those services.

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

1 (g) The frequency of statements showing the current account  
2 balance, the interest credited, drafts or checks written, and any  
3 other account activity. The insurer shall send the beneficiary at  
4 least one statement per quarter, and a statement for any month in  
5 which there has been account activity other than just the crediting  
6 of interest.

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

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

10 (j) Retained asset account funds held by insurance companies  
11 are not guaranteed by the Federal Deposit Insurance Corporation  
12 (FDIC), but are guaranteed by State Guaranty Associations, and  
13 that the State Guaranty Association coverage limits vary by state.

14 (k) A statement that advises the beneficiary to contact the  
15 National Organization of Life and Health Insurance Guaranty  
16 Associations (NOLHGA) to learn more about the coverage  
17 limitations applicable to his or her account, and that provides the  
18 beneficiary with the current Internet Web site address and telephone  
19 number for NOLHGA.

20 (l) A description of the insurer's policy regarding retained asset  
21 accounts that become inactive, including the policy with respect  
22 to inactive accounts that are at risk of escheating to the state  
23 pursuant to the California Unclaimed Property Law (Chapter 7 (~~7~~  
24 ~~commencing~~ 7 (*commencing* with Section 1500) of Title 10 of  
25 Part 3 of the Code of Civil Procedure).