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LC00205

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO INSURANCE - LIFE INSURANCE BENEFICIARIES' BILL OF RIGHTS

Introduced By: Senators Walaska, and Bates

Date Introduced: January 19, 2011

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 27 of the General Laws entitled "INSURANCE" is hereby amended
2 by adding thereto the following chapter:

3 CHAPTER 4.9

4 BENEFICIARIES' BILL OF RIGHTS

5 27-4.9-1. Short title. – This chapter shall be known and may be cited as the
6 "Beneficiaries' Bill of Rights Act of 2011."

7 27-4.9-2. Purpose. - The purpose of this chapter is to require complete and proper
8 disclosure, transparency, and accountability relating to any method of payment for life insurance
9 death benefits and require that beneficiaries are fully informed in bold type and in layman's
10 language of their options.

11 27-4.9-3. Definitions. - As used in this section:

12 (1) "Policy" means any policy or certificate of life insurance that provides a death
13 benefit.

14 (2) "Retained Asset Account" means any mechanism whereby the settlement of proceeds
15 payable under a life insurance policy, including, but not limited to, the payment of cash surrender
16 value, is accomplished by the insurer or an entity acting on behalf of the insurer depositing the
17 proceeds into an account, where those proceeds are retained by the insurer, pursuant to a
18 supplementary contract.

19 27-4.9-4. General Requirements. - (a) An insurer may not use a retained asset account

1 as the mode of settlement unless the insurer discloses such option to the beneficiary or the
2 beneficiary's legal representative prior to the transfer of the death benefit to a retained asset
3 account.

4 (b) A beneficiary shall be informed of his or her rights to receive a lump-sum payment of
5 life insurance proceeds in the form of a bank check.

6 **27-4.9-5. Disclosure Requirements.** - (a) A complete description and explanation of all
7 of the life insurance proceeds payment options available to the beneficiary in written or electronic
8 format shall precede or accompany the tender of other than a lump sum payment of a life
9 insurance death benefit.

10 (b) The use of a retained asset account shall require in the description and explanation
11 pursuant to subsection (a) herein the following:

12 (1) The recommendation to consult a tax, investment, or other financial advisor regarding
13 tax liability and investment options;

14 (2) The initial interest rate, when and how interest rates may change, and any dividends
15 and other gains that may be paid or distributed to the account holder;

16 (3) The custodian of the funds or assets of the account;

17 (4) The coverage guaranteed by the Federal Deposit Insurance Corporation (FDIC) and
18 the amount of such coverage;

19 (5) The limitations, if any, on the numbers and amounts of withdrawals of funds from the
20 account or investment, including any minimum or maximum benefit payment amounts;

21 (6) The delays, if any, that the account holder may encounter in completing authorized
22 transactions and the anticipated duration of such delays;

23 (7) The services provided for a fee, including a list of the fees or the method of their
24 calculation;

25 (8) The nature and frequency of statements of account;

26 (9) The payment of some or all of the proceeds of the death benefit may be by the
27 delivery of checks, drafts, or other instruments to access the available funds;

28 (10) The entire proceeds are available to the account holder by the use of one such check,
29 draft, or other instrument;

30 (11) The insurer or a related party may derive income, in addition to any fees charged on
31 the account, from the total gains received on the investment of the balance of funds in the
32 account;

33 (12) The telephone number, address, and other contact information, including website
34 address, to obtain additional information regarding the account; and

1 (13) The following statement: “For further information, please contact the department of
2 business regulation.”

3 (c) The writings produced to satisfy the requirements of this section shall be in easy-to-
4 understand language and bold or at least twelve (12) point type.

5 **27-4.9-6. Insurer Reporting.** – (a) Insurers shall, on an annual basis, report the
6 following information to the insurance commissioner within the department of business
7 regulation:

8 (1) The number and dollar balance of retained asset accounts in force at the beginning of
9 the year;

10 (2) The number and dollar amount of retained asset accounts issued/added during the
11 year;

12 (3) The number and dollar amount of retained asset accounts closed out/withdrawn
13 during the year;

14 (4) The number and dollar balance of retained asset accounts in force at the end of the
15 year;

16 (5) The investment earnings credited to retained asset accounts;

17 (6) Fees and other charges assessed during the year;

18 (7) A description of the interest rate(s) paid on retained asset accounts and the
19 methodology and factors used to determine the interest rate(s) paid to beneficiaries with such
20 accounts;

21 (8) The total number and value of retained asset accounts that have been in existence for
22 one year, three (3) years, and five (5) years;

23 (9) The identity of any entity or financial institution that administers retained asset
24 accounts on the insurer’s behalf;

25 (10) The number and amounts of retained asset accounts that are transferred annually to
26 the state unclaimed property funds under abandoned property laws; and

27 (11) Any other information relating to retained asset accounts as prescribed by the
28 department of business regulation.

29 (b) An insurer shall immediately return any remaining balance held in a retained asset
30 account to the beneficiary when the account becomes inactive. A retained asset account shall
31 become inactive for purposes of this subsection if no funds are withdrawn from the account, and
32 if no affirmative directive has been provided to the insurer by the beneficiary, during any
33 continuous four (4) year period.

34 **27-4.9-7. Unfair Trade Practices.** - Failure to meet any requirement of this chapter shall

1 be deemed to be a violation of chapter 6-13.1 (“Deceptive Trade Practices”). Provided, this shall
2 be in addition to and not in lieu of or to the exclusion of any other applicable provisions of the
3 general laws, including, but not limited to, chapter 27-9 (“Unfair Claims Settlement Practices
4 Act”) and/or chapter 27-29 (“Unfair Competition and Practices”).

5 **27-4.9-8. Effective Date.** - This chapter shall apply to claims for a death benefit under
6 any policy or certificate of life insurance subject to the insurance laws of the state where the
7 beneficiary resides submitted on or after September 1, 2011.

8 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE - LIFE INSURANCE BENEFICIARIES' BILL OF RIGHTS

1 This act would provide greater amounts of information and transparency for purchasers
2 and beneficiaries of life insurance products.

3 This act would take effect upon passage.

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