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NCOIL PRESIDENT DEMANDS INSURERS PROVIDE TRANSPARENCY AND DISCLOSURE IN LIFE INSURER RETAINED-ASSET ACCOUNTS

Lexington, KY, August 4, 2010 — The President of the National Conference of Insurance Legislators (NCOIL) today expressed his strong concern relating to the adequacy of consumer protections and disclosures currently in place for retained-asset accounts for life insurance death benefits. His comments were made in response to a July 28 Bloomberg report and other media allegations.

NCOIL President Rep. Robert R. Damron (KY) stated:

As a group of state legislators devoted to sound insurance public policy, NCOIL wants to make certain that complete and proper disclosure, transparency and accountability are in place and that beneficiaries are fully informed—in bold type and in layman’s language—of their options prior to such a tragic and life-altering event. NCOIL has grave concerns and awaits with extreme interest the outcome of current probes, including Veteran Administration and New York Attorney General investigations.

Rep. Damron went on to say:

While the National Association of Insurance Commissioners (NAIC) in a July 29 statement asserts that retained asset accounts are traditional mechanisms created to provide options and flexibility for consumers, state legislators want to guarantee that survivors are informed of options up front so that they can decide what they want to do with their death benefits. Though these accounts may have existed for decades, we have learned during this recent financial crisis that we can not always take accepted practices at their face value and that even time-honored customs can be like minefields—embedded with danger. Regulators must always see their role as consumer advocate and protect the public from those they regulate.

Rep. Damron said, “According to the NAIC, as of July 2009, just six states regulate retained-assets accounts. Most of these states, we understand, require insurers to disclose interest rates and fees and to tell survivors that they can write a single check to withdraw all funds, if they so desire.”

“What is needed,” Rep. Damron continued, “is a model (a Beneficiaries Bill of Rights) to guide the remaining 44 states and other jurisdictions through these minefields. An NCOIL model could explore, among other things, the benefit, as proposed by Pennsylvania Commissioner Joel Ario, of forbidding insurance companies from using retained-asset accounts as a default method of paying a death benefit.”

The NCOIL President then added:

I am calling on State Senator Ralph Hudgens (GA), Chairman of the NCOIL Life Insurance and Financial Planning Committee and the members of his committee to develop model legislation that every state can introduce in the 2011 legislative sessions to ensure that life insurance consumers are fully protected and that complete and clearly understandable disclosures are mandated in every policy. I hope our colleagues at the NAIC will support our efforts.

NCOIL is already working on a model disclosure law for its Annual Meeting that requires insurers to notify policy owners of their rights and options before they lapse or surrender their life insurance policy. The NCOIL Annual Meeting will be held in Austin, Texas, on November 17 through 21.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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