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NCOIL MODEL RESPONDS TO NEEDED DEATH BENEFIT DISCLOSURE

Austin, TX, November 21, 2010—Seeking to provide consumers with needed disclosure on death benefit proceeds, insurance legislators today unanimously approved a *Beneficiaries' Bill of Rights*. The model addresses the insurer practice of holding claims payments through retained asset accounts (RAAs), which recently drew media attention and subsequent regulatory scrutiny. Members of the National Conference of Insurance Legislators (NCOIL) Executive Committee took action on the model law just two days after the Life Insurance & Financial Planning Committee put finishing touches on the long-awaited proposal.

Following Executive Committee action, model co-sponsor and outgoing NCOIL President Robert Damron (KY) stated “Upon hearing of the plight of beneficiaries of military death benefits, NCOIL moved swiftly to develop a model to require appropriate disclosure. I believe that the families of our fallen heroes in their time of need will benefit from these strong disclosures in the NCOIL model when the legislation is passed by the states. They deserve no less from a grateful nation for their sacrifice.”

Rep. Damron stated, “While acknowledging the need to move quickly to provide guidance to states before 2011 sessions convene, NCOIL carefully crafted a model law that will prohibit insurers from issuing an RAA unless they provide clear and comprehensive disclosure and give a complete listing and clear explanation of available beneficiary payment options.”

The model would set out extensive written disclosures to consumers about RAA features when payment options other than a lump-sum payment are offered—including that beneficiaries can access the entire proceeds by cashing a single check. Required disclosures would also include any interest rates, fees, limitations and delays tied to the account, and whether or not the benefits have available Federal Deposit Insurance Corporation (FDIC) coverage, among other items.

Insurers under the model must also file all RAA marketing materials, disclosures, and forms with insurance regulators prior to their use and report annually on the number and amount of their RAAs, on how long the accounts have existed, and details regarding RAAs transferred to state unclaimed property funds, among other things. It would also require insurers to return RAA balances to a beneficiaries if—during any continuous three-year period—they did not give affirmative directive to maintain the account.

Over the course of the model’s development, which entailed numerous conference calls and extensive debate over the last three months, NCOIL worked closely with consumers and industry. Interested parties providing input include representatives of the American Council of Life Insurers (ACLI), American Legion, Assurant, Center for Insurance Research, Center for Economic Justice (CEJ), Connecticut Insurance Department, Kentucky Department of Insurance, Louisiana Department of Insurance, Mass Mutual, MetLife, New Jersey Department of Banking and Insurance, Pennsylvania Insurance Department, Prudential, and the Washington State Office of the Insurance Commissioner.

The 2010 Annual Meeting took place from November 19 through 21 at the Hilton Austin Downtown.

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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