



Kathleen Sebelius  
Commissioner of Insurance  
**Kansas Insurance Department**

**BULLETIN 1995-22**

**TO:** All Life Insurance Companies licensed in Kansas  
**FROM:** Kathleen Sebelius  
Commissioner of Insurance  
**SUBJECT:** Retained Asset Accounts  
**DATE:** December 8, 1995

This bulletin is to inform you of the department's position on life insurance policies that use a "retained asset account" mechanism to settle its proceeds. Please be sure to distribute this bulletin to all the appropriate people in your company.

It is the Department's position that Kansas law only permits "retained asset" settlement options under the following conditions:

1. It is a settlement option in the policy as issued,
2. It is a settlement option that is added as a rider or endorsement after the policy is issued, or
3. It is offered as a settlement option that the insured or beneficiary can choose dependent upon the mutual consent of the insured (or beneficiary) and the insurer.

In cases 1 and 2 the insurer must get the approval of our office before it can issue the form (policy contract, endorsement or rider) of the policy. In case 2, if the rider or endorsement reduces or eliminates the coverage or benefits of the amended policy, the insurer must have the (written) consent of the policyholder. In case 3, the insured or beneficiary must be given a clear choice from all the settlement options available.

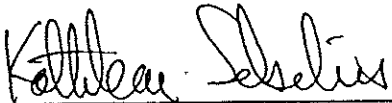
If the insurer offers a retained asset account as a policy settlement option, the insurer must clearly disclose to the insured (or beneficiary) the rights and obligations of the beneficiary and the insurer under that option. That disclosure must include, but is not limited to, the following information:

1. If a checkbook is used, a written explanation that the total proceeds will be paid in the form of a checkbook, and the beneficiary can, at anytime, cash one check for the balance of the entire proceeds.

2. A written explanation that explains the account is a checking or draft account and how those accounts work. This explanation must show what banking services are provided to the account holder as part of these accounts and by whom. It should also state which of those services are free and which cost money, the nature and frequency of bank statements, and a phone number and address where the beneficiary can get more information about the accounts.
3. A written explanation that there may be taxes on the earned interest on the account and that the beneficiary should consult his or her tax adviser.
4. A written explanation itemizing the other settlement options available under the policy.
5. A written explanation of the interest rate paid in the retained asset account and an explanation of how the interest is determined and how it is credited to the account.
6. A written explanation of what the limit of protection is for the retained asset account under the Kansas Life and Health Insurance Guaranty Association Act. It should also disclose that a lengthy delay is possible before a beneficiary can get the proceeds if insolvency occurs.

The funds necessary to cover liabilities under these accounts must be reported on the annual statement in the manner required by the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners.

The relevant laws and regulations that the department bases its opinion are K.S.A. 40-216, K.S.A. 40-420(10), K.S.A. 40-421(2), K.S.A. 40-444, K.S.A. 40-447, K.S.A. 40-2404(1), (2), (9a) and (9f), K.A.R. 40-1-32, and K.A.R. 40-9-118.



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