

5028

2011-2012 Regular Sessions

I N   S E N A T E

May 2, 2011

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Introduced by Sen. SEWARD -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance

AN ACT to amend the insurance law, in relation to disclosure related to the settlement options for life insurance

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     Section 1. Section 3213 of the insurance law is amended to read as  
2 follows:  
3     S 3213. Payment of proceeds. (A) Where the proceeds of a policy of  
4 life insurance delivered or issued for delivery in this state are paya-  
5 ble, according to its terms, to two or more beneficiaries without desig-  
6 nation of their respective interests, the proceeds shall be paid to such  
7 beneficiaries in equal portions.  
8     (B) (1) AT THE TIME A CLAIM IS MADE, A LIFE INSURER SHALL PROVIDE TO  
9 THE BENEFICIARY OF A POLICY OF LIFE INSURANCE WRITTEN INFORMATION  
10 DESCRIBING THE SETTLEMENT OPTIONS AVAILABLE UNDER THE POLICY AND HOW TO  
11 OBTAIN SPECIFIC DETAILS RELEVANT TO THE OPTIONS.  
12     (2)(A) FOR THE PURPOSES OF THIS PARAGRAPH, THE TERM "RETAINED ASSET  
13 ACCOUNT" MEANS ANY MECHANISM WHEREBY THE SETTLEMENT OF PROCEEDS PAYABLE  
14 UNDER A LIFE INSURANCE POLICY IS ACCOMPLISHED BY THE LIFE INSURER OR AN  
15 ENTITY ACTING ON BEHALF OF THE LIFE INSURER PLACING THE PROCEEDS INTO AN  
16 ACCOUNT WITH CHECK OR DRAFT WRITING PRIVILEGES WHERE THOSE PROCEEDS ARE  
17 RETAINED BY THE LIFE INSURER PURSUANT TO A SUPPLEMENTARY CONTRACT NOT  
18 INVOLVING ANNUITY BENEFITS.  
19     (B) IF THE LIFE INSURER SETTLES BENEFITS THROUGH A RETAINED ASSET  
20 ACCOUNT, SUCH INSURER SHALL PROVIDE THE BENEFICIARY WITH A SUPPLEMENTAL  
21 CONTRACT THAT CLEARLY DESCRIBES THE RIGHTS OF THE BENEFICIARY AND THE  
22 OBLIGATIONS OF THE LIFE INSURER UNDER THE SUPPLEMENTAL CONTRACT. IN  
23 ADDITION, THE FOLLOWING WRITTEN DISCLOSURES SHALL BE PROVIDED TO THE  
24 BENEFICIARY BEFORE A RETAINED ASSET ACCOUNT IS ESTABLISHED:

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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1 (I) A STATEMENT THAT PAYMENT OF THE FULL BENEFIT AMOUNT IS ACCOM-  
2 PLISHED BY DELIVERY OF A DRAFT BOOK OR CHECK BOOK;

3 (II) A STATEMENT THAT ONE DRAFT OR CHECK MAY BE WRITTEN TO ACCESS THE  
4 ENTIRE AMOUNT, INCLUDING INTEREST, OF THE RETAINED ASSET ACCOUNT AT ANY  
5 TIME;

6 (III) WHETHER OTHER AVAILABLE SETTLEMENT OPTIONS ARE PRESERVED UNTIL  
7 THE ENTIRE BALANCE IS WITHDRAWN OR THE BALANCE DROPS BELOW THE LIFE  
8 INSURER'S MINIMUM BALANCE REQUIREMENTS;

9 (IV) A STATEMENT IDENTIFYING THE ACCOUNT AS EITHER A CHECKING ACCOUNT  
10 OR A DRAFT ACCOUNT AND AN EXPLANATION OF HOW THE ACCOUNT WORKS;

11 (V) INFORMATION ABOUT THE ACCOUNT SERVICES PROVIDED AND CONTACT INFOR-  
12 MATION WHERE THE BENEFICIARY MAY REQUEST AND OBTAIN MORE DETAILS ABOUT  
13 SUCH SERVICES;

14 (VI) A DESCRIPTION OF FEES CHARGED, IF APPLICABLE;

15 (VII) INFORMATION RELATING TO THE FREQUENCY OF STATEMENTS SHOWING THE  
16 CURRENT ACCOUNT BALANCE, THE INTEREST CREDITED, DRAFTS OR CHECKS WRIT-  
17 TEN, AND ANY OTHER ACCOUNT ACTIVITY;

18 (VIII) INFORMATION REGARDING THE MINIMUM INTEREST RATE TO BE CREDITED  
19 TO THE ACCOUNT AND HOW THE ACTUAL INTEREST RATE WILL BE DETERMINED;

20 (IX) A STATEMENT THAT THE INTEREST EARNED ON THE ACCOUNT MAY BE TAXA-  
21 BLE;

22 (X) A STATEMENT THAT RETAINED ASSET ACCOUNT FUNDS HELD BY THE LIFE  
23 INSURER ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION BUT  
24 ARE GUARANTEED BY THE STATE GUARANTY ASSOCIATION. THE BENEFICIARY SHOULD  
25 BE ADVISED TO CONTACT THE NATIONAL ORGANIZATION OF LIFE AND HEALTH  
26 INSURANCE GUARANTY ASSOCIATIONS TO LEARN MORE ABOUT THE COVERAGE LIMITA-  
27 TIONS TO THE ACCOUNT UNDER A STATE GUARANTY ASSOCIATION; AND

28 (XI) A DESCRIPTION OF THE LIFE INSURER'S POLICY REGARDING RETAINED  
29 ASSET ACCOUNTS THAT BECOME INACTIVE.

30 S 2. This act shall take effect on the one hundred eightieth day after  
31 it shall have become a law.