# Life Insurers on the Hot Seat

Retained Asset Accounts (RAAs) were a relatively obscure feature of certain life insurance policies until a bloomberg News series thrust them into the limelight of controversy in the summer of 2010. Since that time UP has been engaged on several fronts in improving conditions related to these accounts for consumers.

When the RAA policyholder dies, instead of sending a big check to the beneficiary, the insurance company retains the benefits in an account. The account is supposed to earn interest and be accessible to the beneficiary via a check book. The beneficiary is supposed get a supply of checks to use to withdraw funds from the RAA.

But Bloomberg News and a National Association of Insurance Commissioners(NAIC) hearing revealed the following problems:

• RAA monies are not insured by the Federal Deposit Insurance Corporation (FDIC) and may not be protected by the state guaranty funds that kick in when an insurance company becomes insolvent. UP Board member and Certified Financial Planner Larry Ginsburg was quoted in the Bloomberg series alerting consumers to the fact their funds are safer in an FDICinsured bank account than an RAA.

• A checkbook, not a full benefit payment, is a default feature of an RAA.

• Some insurers have made it confusing or hard for beneficiaries to access their RAA funds.

• Some insurers are failing to pay a fair interest rate on RAA funds.

• A substantial amount of RAA funds go unclaimed.

With input from attorney volunteers Ron Parry (Kentucky) and Curtis Colter and Matthew Sharp (Nevada), United Policyholders filed comments last December on an NAIC proposed model bulletin on RAAs.

UP spoke up for policyholders during a recent prerulemaking hearing on RAAs at the California Department of Insurance. Industry advocates point to the value of these life insurance products for consumers who need some breathing room to make financial decisions after losing a loved one.
An additional benefit of RAAs, according to Gerry Goldscholle, (who designed the product when he was employed by MetLife before switching to the policyholder side), is they allow a beneficiary to earn interest on their benefits if they don't need the money right away, but if they do – they can withdraw the funds in their entirety. You can read more about RAAs in the October and December 2010 issues of Joseph belth's always excellent newsletter Insurance Forum.

We have weighed in to support and improve RAA legislation pending in several states including Nevada and California.

**The bottom line:** If you buy or are a beneficiary of a life insurance policy that includes a retained asset account feature, you need to know there will be a few hoops to jump through to collect the benefits, as well as some risk (no FDIC protection) and some reward (nominal interest accruing on the account until you withdraw the funds)