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[New York Insurance Department acts to protect consumers against unfair practices related to Retained Asset Accounts (Life Insurance policy features)](https://uphelp.org/new-york-insurance-department-acts-to-protect-consumers-against-unfair-practices-related-to-retained-asset-accounts-life-insurance-policy-features/)

NY GOV - Department of Financial Services

CUOMO ADMINISTRATION MOVES TO PROTECT INSURANCE BENEFITS OF NEW YORK SOLDIERS, VETERANS, AND THEIR FAMILIES Superintendent Lawsky Announces Life Insurers Should Pay Full Benefits Owed To Survivors And Not Hold Funds In Their Own Accounts Unless Soldiers And Their Families Expressly Choose That OptionBenjamin M. Lawsky, Superintendent of New York's Department of Financial Services, today notified life insurance companies that they should pay beneficiaries of life insurance policies owned by soldiers, veterans, and others the full amount of what is owed and not hold the money in their own accounts. The new standard applies unless the purchaser of the policy or the beneficiary specifically asks to receive the money in another form. For years, the life insurance industry has been earning hundreds of millions of dollars by holding life insurance payouts of America's soldiers, veterans, and others in so-called "retained asset accounts." By doing so, even though the money is owed to surviving family members, the insurance companies continue to earn interest on and invest these funds until they are withdrawn by survivors. Survivors often think, based on what they are told by the insurance companies, that they have the equivalent of a bank account at the life insurance company where the funds are being held in their best interest. However, the accounts often pay the beneficiaries a much smaller interest rate than they could make by investing the funds themselves. And the insurance companies profit from the difference. New York is the first state in the country to institute this tough pro-consumer policy, which makes a full payment to survivors the new standard unless individuals expressly choose the option of having a retained asset account. Many insurance companies have been setting up these retained-asset accounts and sending what appear to be check books to beneficiaries that they can use to access their funds. The accounts are called “retained asset” because they allow the insurer to hold on to or retain the funds, and earn interest on them. Generally, the accounts are not as beneficial to consumers as bank accounts because they are not protected by FDIC insurance, the interest rates are very low, and the accounts often have limitations on use that do not apply to checks from a bank account. When this practice was exposed in the summer of 2010, then-Attorney General Cuomo launched an investigation. Now, the Department of Financial Services has in effect completed the investigation by outlining insurers’ obligations to consumers going forward.Superintendent Lawsky said: “People buy life insurance to protect their loved ones after death. New York’s new standard ensures that beneficiaries will receive the full amount of life insurance proceeds immediately, unless they expressly choose another option. Our soldiers, veterans, and their families, as well as all New Yorkers deserve to get from the life insurance companies exactly what they paid for. The companies should not be padding their profits at the expense of the needs of New Yorkers.”The use of these types of accounts has a dramatic impact on soldiers, veterans and their families, because Prudential Financial Inc. has an exclusive contract to provide life insurance to millions of our military personnel, their families, and veterans. In addition, MetLife, Inc., which like Prudential utilizes these accounts, operates the federal employee life insurance program for millions of federal employees. The Department of Financial Services today issued what is known as a circular letter, which directs insurers on the practices they should follow. The investigation found that many insurers make retained asset accounts the default option. In those instances, beneficiaries receive retained asset accounts unless the beneficiary specifically asks for immediate full payment or some other option. As a result, many people receive these accounts automatically, without a full understanding of how they operate. Oftentimes, the accounts pay the beneficiaries a much smaller interest rate than the insurers can earn by investing the funds that they retain until paid to the beneficiary. With the circular letter, the Department has now directed the life insurance industry that when a life insurance policy requires the lump sum payment of death proceeds, the insurer should send the beneficiary a single check. When insurers provide options, they should not send a retained asset account unless the beneficiary specifically selects that option. Beneficiaries who make no selection should receive a single check for the total amount. The letter also describes the detailed information that insurers should disclose in a clear and conspicuous manner, so that beneficiaries are fully informed about retained asset accounts before they elect how benefits will be paid. For example, the insurer should clearly list all possible options for receiving the funds, and should make a single check for the total proceeds one of the options. And even where a consumer opts for a retained asset account, the insurer should make clear that at any time, the beneficiary can receive the full amount of the benefit by simply writing a draft for that amount, or for the remaining balance. The Department's actions today follow on the heels on the Department's inquiry into the life insurance industry's non-use of the Social Security Death Index Database to determine if individuals with life insurance policies have died. The Department issued a letter pursuant to Section 308 of the New York Insurance Law advising all insurers to perform a cross-check of all their life insurance policies, annuity contracts, and retained asset accounts with the Social Security Death Index Database to identify any death benefit payments that may be due under life insurance policies, annuity contracts, or retained asset accounts as a result of the death of an insured or contract or account holder. In response to the Department's inquiry, life insurers have paid more than $100 million to date to more than 16,000 beneficiaries.