Financial Security. For Life.

About Retained Asset Accounts

When any insured person dies, the life insurance company that issued the policy may place the death benefit proceeds into a retained asset account. These accounts accrue interest for the beneficiaries while they decide what they want to do with their benefits. Beneficiaries have full and immediate access to their benefits and can withdraw some or all of it at any time.

Retained asset accounts have existed since 1982. They were developed in response to requests from policyholders who wanted their life insurer to provide a service that would allow them to delay major financial decisions during an emotional and vulnerable time. Today, many insurers provide beneficiaries with this service for both group and individual life insurance policies. According to the National Association of Insurance Commissioners, there have been few if any complaints with regard to these accounts[1].

Features and Benefits of Retained Benefit Accounts

Retained asset accounts have additional features and benefits:

- Life insurers invest assets for retained asset accounts in their general accounts, typically in low-risk, conservative investments, to ensure the money is available on demand.
- The rate earned by the account is comparable to similar on-demand accounts and is typically guaranteed by the insurer not to drop below a certain level.
- At any time, beneficiaries can transfer the funds in their retained asset accounts to a bank account, CD or other investments.
- Interest on a retained asset account begins to accrue immediately.

Consumer Protections and Guarantees

Retained asset accounts are backed by the full strength and claims-paying ability of the life insurance company. State insurance departments regulate life insurers' investment practices and closely monitor their financial strength. Regulators will act quickly to protect consumers at the slightest hint of financial difficulty.

Life insurance policies, including retained asset accounts, are further protected by state guaranty associations and their respective laws. Most states provide coverage for life insurance death benefits of up to $300,000 and no state provides a coverage limit of less than $250,000.

In 1994, the National Association of Insurance Commissioners developed and approved, with input from consumer groups and insurance industry representatives, a model bulletin for the treatment of retained asset accounts. The model sets forth insurance regulators' expectations for such accounts, including disclosure to consumers of the important features of the account, tax implications and interest rate payments.

[1] NAIC Press Release, July 29, 2010