ASSEMBLY BILL NO. 274–COMMITTEE ON COMMERCE AND LABOR

MARCH 15, 2011

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions relating to the payment of the proceeds of any benefits under a life insurance policy. (BDR 57-591)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to insurance; establishing provisions regarding the payment of proceeds of any benefit under a policy of life insurance or a policy of group life insurance; requiring certain disclosures by an insurer before offering to pay the proceeds of a policy of life insurance or a policy of group life insurance in the form of a retained asset account; requiring that any balance remaining in a retained asset account be returned to the beneficiary if the beneficiary does not use the account in a 3-year period; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Under existing law, an insurer is required to pay the proceeds of any benefit under a policy of life insurance or a policy of group life insurance within 30 days after the death of the insured and, if the insurer fails to do so, to pay interest on the proceeds from the date of death to the date of payment. (NRS 688A.410, 688B.190) **Section 1** of this bill requires an insurer to pay the proceeds of any benefit under a policy of life insurance in the form of a lump-sum payment unless the beneficiary agrees to receive the proceeds in another form. **Section 1** also prohibits an insurer from offering to pay the proceeds in the form of a retained asset account unless certain information is disclosed to the beneficiary. Additionally, **section 1** provides that the insurer or third-party administrator of a retained asset account owes a fiduciary duty to the beneficiary and that any balance remaining in a retained asset account must be returned to the beneficiary if the beneficiary does not use the account in a 3-year period. Finally, **section 1** provides that any violation of **section 1** is an unfair trade practice. **Section 2** of this bill contains similar provisions relating to policies of group life insurance.

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

Section 1. Chapter 688A of NRS is hereby amended by adding thereto a new section to read as follows:

1. An insurer shall pay the proceeds of any benefits under a policy of life insurance in the form of a lump-sum payment unless the beneficiary agrees to receive the proceeds in another form.

2. An insurer shall not offer to pay the proceeds of any benefits under a policy of life insurance in the form of a retained asset account unless the insurer provides the beneficiary with a clear and comprehensive disclosure regarding retained asset accounts and other options for the payment of the proceeds, including, without limitation:

(a) A statement that the beneficiary can access the entire proceeds in a retained asset account by depositing a single check or draft; and

(b) Complete and accurate information regarding:

(1) Custody of the account;

(2) Any delays or limitations on accessing funds;

(3) Fees;

(4) Interest rates; and

(5) Whether the proceeds are insured by the Federal Deposit Insurance Corporation.

3. If a beneficiary chooses to receive payment of the proceeds of any benefits under a policy of life insurance in the form of a retained asset account, the insurer or other third-party administrator of the retained asset account has a fiduciary duty and relationship to the beneficiary.

4. If a beneficiary chooses to receive payment of the proceeds of any benefits under a policy of life insurance in the form of a retained asset account, the insurer or other third-party administrator of the retained asset account shall return any balance in the retained asset account to the beneficiary if the beneficiary does not use the account during any 3-year period.

5. Any marketing or use of a retained asset account by an insurer or third-party administrator in violation of this section constitutes an unfair trade practice for the purposes of chapter 686A of NRS.

6. As used in this section, "retained asset account" means any mechanism by which the payment of the proceeds of any benefits under a policy of life insurance, including, without

limitation, the payment of any cash surrender value, is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into an account where the proceeds are retained by the insurer pursuant to a supplementary contract not involving annuity benefits.

Sec. 2. Chapter 688B of NRS is hereby amended by adding thereto a new section to read as follows:

1. An insurer shall pay the proceeds of any benefits under a policy of group life insurance in the form of a lump-sum payment unless the beneficiary agrees to receive the proceeds in another form.

2. An insurer shall not offer to pay the proceeds of any benefits under a policy of group life insurance in the form of a retained asset account unless the insurer provides the beneficiary with a clear and comprehensive disclosure regarding retained asset accounts and other options for the payment of the proceeds, including, without limitation:

(a) A statement that the beneficiary can access the entire proceeds in a retained asset account by depositing a single check or draft; and

(b) Complete and accurate information regarding:

(1) Custody of the account;

(2) Any delays or limitations on accessing funds;

(3) Fees;

(4) Interest rates; and

(5) Whether the proceeds are insured by the Federal Deposit Insurance Corporation.

3. If a beneficiary chooses to receive payment of the proceeds of any benefits under a policy of group life insurance in the form of a retained asset account, the insurer or other third-party administrator of the retained asset account has a fiduciary duty and relationship to the beneficiary.

4. If a beneficiary chooses to receive payment of the proceeds of any benefits under a policy of group life insurance in the form of a retained asset account, the insurer or other third-party administrator of the retained asset account shall return any balance in the retained asset account to the beneficiary if the beneficiary does not use the account during any 3-year period.

5. Any marketing or use of a retained asset account by an insurer or third-party administrator in violation of this section constitutes an unfair trade practice for the purposes of chapter 686A of NRS.

6. As used in this section, "retained asset account" means any mechanism by which the payment of the proceeds of any benefits under a policy of group life insurance, including, without

limitation, the payment of any cash surrender value, is accomplished by the insurer or an entity acting on behalf of the insurer depositing the proceeds into an account where the proceeds are retained by the insurer pursuant to a supplementary contract not involving annuity benefits.