

**Guaranty Association Coverage of
Retained Asset Accounts for Life Insurance Death Benefit Proceeds**

1. What is a Retained Asset Account for Life Insurance Death Benefit Proceeds?

Response:

- A retained asset account (“RAA”) is a generic name for an account established by a life insurer to reflect the insurer’s obligation to a beneficiary for the insurer’s payment of a death benefit under a life insurance policy. If the RAA option is chosen, the insurer will retain the death benefit proceeds in its general account for the benefit of the beneficiary, and will typically credit interest on the death benefit funds while they are held in the general account. The insurer will pay out the funds, at the beneficiary’s sole discretion, by arranging (through a designated bank) for the beneficiary to issue bank drafts. The designated bank (acting as a paying agent) will honor one or more drafts issued by beneficiary, upon the insurer transferring the necessary funds to the bank once the bank receives a draft from the beneficiary. So, until the beneficiary makes out and presents a draft for payment, the insurer retains the death benefit proceeds.

2. Do Guaranty Associations (GAs) cover “Retained Asset Accounts”?

Response:

- Yes. Generally speaking, RAAs are provided guaranty association coverage on the basis that they represent a death benefit under a covered life insurance policy.

3. Which GA will provide coverage for my RAA?

- Response:

The GA of the state of residence of the policy owner or certificate holder, as the case may be.

4. How much coverage will I receive?

Response:

- All covered policies and contracts are subject to dollar limits on coverage. In the case of an RAA, the dollar limit on coverage will be the same as the underlying life insurance policy. In most states the maximum coverage would be \$300,000.

5. What happens if there are multiple RAAs created to pay out the death benefit under a single policy?

Response:

- If more than one RAA is created to receive death benefit payments from the same policy, the maximum coverage for all RAAs will be equal to the amount specified in question 4. As an example, if there were two beneficiaries under a covered life insurance policy who were to share equally in the policy's death benefit of \$300,000 (i.e., the maximum amount covered by most guaranty associations), and each beneficiary established an RAA to receive death benefits, each RAA would be entitled to \$150,000 in guaranty association coverage.

6. My RAA pays interest. Will the GA cover interest?

Response:

- Yes, coverage will be provided for interest assuming the insurer had contractually committed itself to pay interest in the original policy or the agreement evidencing the establishment of the RAA. Of course, the coverage will be subject to applicable limits and exclusions set forth in the relevant guaranty association act.