



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

6279

**Testimony of the Connecticut Insurance Department
Before
The Insurance and Real Estate Committee**

Thursday, February 5, 2009

RB 6279 An Act Concerning Accelerated Benefits of Life Insurance Policies

As a general principle, the Insurance Department encourages insurers to bring more products to the marketplace which provide more choices for Connecticut consumers. Therefore, the Department supports the concept embodied in this bill but has concerns with the bill as currently drafted.

The bill would expand the situations where consumers can accelerate their life insurance benefits to instances where an insured has a permanent chronic illness, is confined at home, and from a medical standpoint, is expected to remain confined at home for the rest of the insured's life. The Department's concerns on the current language relate to the fact that it appears to be based on morbidity risks (which are for health insurance), rather than based on mortality risks (as appropriate actuarially for life insurance products).

As background, accelerated death benefit riders to life insurance policies were initially introduced with the spread of AIDS and were intended to allow an individual to access the death benefit since it was expected that this benefit would have been payable anyway in a relatively short period of time upon the individual's death. The Department does not oppose the inclusion of home confinement to the third category of accelerated death benefit, as provided in the bill, but is concerned that the change applies to permanent chronic illnesses "that can be expected to result in a reduced life span". An individual could have a permanent chronic illness that could result in a reduced life span, but this individual may continue to live for a long period of time. For example, an individual aged 40 with a chronic illness may be expected to die at 70 rather than 80. Coverage that provides death benefits payable for thirty years in advance of expected death is not a mortality risk, but rather is a morbidity risk which normally would be covered by health products offered by insurers with health insurance authority.

The Department also has concerns that this product may be confused as substitute for long term care insurance or medical insurance. However, the Department can work with the industry on required disclosure wording.

If the Committee determines this bill should move forward, the Department will be happy to work with the Committee and the industry on revised language.