6279

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance and Real Estate Committee

February 5, 2009

HB 6279, An Act Concerning Accelerated Benefits Of Life Insurance Policies

The IAC supports HB 6279-An Act Concerning Accelerated Benefits Of Life Insurance Policies. HB 6279 seeks to simply extend the benefits currently available under the accelerated death benefit option of a life insurance policy.

Pursuant to the provisions of C.G.S sec. 38a- 457, benefits payable under a life insurance policy may be accelerated upon the occurrence of a qualifying event, and payable in a lump sum or in periodic payments. A qualifying event includes medical conditions which will result in death within a short period of time, or a medical condition causing the insured to be confined for at least six months and expected to be so confined until death. However, the qualifying event due to confinement does not include confinement at home. This restriction precludes policyholders that are confined to their home from exercising the death benefit option provided for by this act. HB 6279 seeks to eliminate that restriction by permitting confinement to either an institution or to one's home to be a qualifying event. This change permits insurers to provide products to meet their consumers' needs as more and more people wish to live out their remaining time at home and not confined to an institution. Additionally, HB 6279 includes language clarifying that the condition causing confinement is a related to the mortality of the individual.

Sec. 38a-457 permits payments, made pursuant to this act, be made in either a lump sum payment or in periodic payments. However, current law limits the death benefit payable as result of a confinement to a lump sum payment. Sec. 38a-457 was patterned upon the NAIC model which did not limit the type of benefit available due to confinement.

As there is a growing need for chronic illness-related services, including confinement, and insureds are having difficulty funding these services, unnecessary restrictions on the method of how an insured may receive such benefits should be

eliminated. As such, 38a-457 (a)(1)(A) should be amended to remove the limitation against periodic payments for confinement. Elimination of the prohibition will permit insurers to develop products that would give Connecticut consumers the access to the same benefits available throughout the country.

Finally, HB 6279 gives the Insurance Commissioner the authority by regulation to permit other similar qualifying events. Granting such authority essentially permits the department flexibility enabling insurers to develop and refine products that meet the growing need for chronic illness-related services by the insurance consumer.

The IAC urges your adoption of HB 6279.