AN ACT CONCERNING ACCELERATED BENEFITS OF LIFE INSURANCE POLICIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 38a-457 of the general statutes is repealed and the following is substituted in lieu thereof (Effective January 1, 2010):

(a) As used in this section:

(1) "Accelerated benefits" means benefits payable under a life insurance policy sold in this state: (A) During the lifetime of the insured, in a lump sum or in periodic payments, as specified in the policy, [provided upon the occurrence of a qualifying event, as defined in subparagraph (C) of subdivision (3) of this subsection, no such benefits shall be payable in periodic payments,] (B) upon the occurrence of a qualifying event, as defined in the policy, and certified by a physician who is licensed under the laws of a state or territory of the United States, or such other foreign or domestic jurisdiction as the Insurance Commissioner may approve, and (C) which reduce the death benefits otherwise payable under the life insurance policy.

(2) "Insurance policy" or "policy" means an insurance policy or certificate or rider or endorsement thereto.

(3) "Qualifying event" means (A) a medically determinable
condition suffered by the insured [which] that can be expected to result in death in a relatively short period of time, such as twelve months and may include, but is not limited to, coronary artery disease, myocardial infarction, stroke, kidney failure or liver disease, (B) a medical condition [which] that would, in the absence of extensive or extraordinary medical treatment, result in death in a relatively short period of time, such as twelve months, or (C) a medically determinable condition suffered by the insured [which] such as a permanent chronic illness that can be expected to result in a reduced life span, that has caused the insured to be confined for at least six months in such insured's home or in an institution [which] provides necessary care or treatment of an injury, illness or loss of functional capacity, [rendered by a certified or licensed health care provider in a setting other than an acute care hospital,] and for which it has been medically determined that such insured is expected to remain confined in such home or institution until death.

(b) On and after October 1, 1990, any life insurance company or fraternal benefits society doing business in this state may issue accelerated benefits life insurance policies, as described in this section, and certificates, riders or endorsements to existing life insurance policies which provide accelerated benefits, as described in this section.

(c) An accelerated benefits life insurance policy shall not include a policy providing for disability income protection coverage or long-term care coverage, as defined in sections 38a-501 and 38a-528.

(d) (1) Death benefits may not be reduced more than the amount of the accelerated benefits paid plus any applicable actuarial discount appropriate to the policy design for policies without additional premium payments. When an accelerated benefit is paid, the amount paid may be considered as (A) a pro rata reduction in cash value or death benefits, or both, or (B) a lien against the death benefit of the contract and the access to the cash value shall be restricted to any excess of the cash value over the sum of other outstanding loans and
the lien.

(2) The accidental death benefit, if any, in the policy shall not be affected by the payment of the accelerated benefit.

(e) All accelerated benefits policies shall comply with the following disclosure requirements:

(1) The face of every accelerated benefits policy shall contain: (A) A description of coverage which uses the terminology "accelerated" and (B) the following statement: "Benefits as specified under this policy will be reduced upon receipt of an accelerated benefit."

(2) Disclosure is required, at the time of application and at the time the accelerated benefits payment request is submitted, of the potential tax implications of receiving this payout. The disclosure statement shall indicate that the receipt of accelerated benefits may be taxable and that the insured should seek assistance from their personal tax advisor. Such disclosure shall be prominently displayed on the first page of the policy.

(3) Prior to or concurrent with the application, the applicant shall be given a written disclosure including, but not limited to, a brief description of the accelerated benefit, the effect of the payment of an accelerated benefit on the policy's cash value, death benefit, premium, policy loans and policy liens, and definitions of the conditions or occurrences triggering payment of the accelerated benefits. In the event of direct mail solicitation, the disclosure shall be made upon acceptance of the application.

(4) The insurer shall disclose in its solicitation any separate identifiable premium for the accelerated benefit. Those insurers indicating that this accelerated benefit is offered without additional premium shall furnish a written explanation to the Insurance Commissioner when filing the product.

(5) Prior to or concurrent with the request for accelerated death
benefits, the applicant shall be given an illustration demonstrating the
effect of the payment of an accelerated benefit on the policy's cash
value, death benefit, premium, policy loans and policy liens.

(f) The insurer shall file with the Insurance Department the
information concerning the manner by which the actuarial discount
and mortality charge, if any, is calculated for the accelerated benefit.
The commissioner, if he determines that such discount or mortality
charge is excessive, shall hold a hearing to determine such reasonable
charges.

(g) Any life insurance policy or any certificate, rider or endorsement
thereto, which provides accelerated benefits pursuant to the
occurrence of a qualifying event, as defined in subparagraph (C) of
subdivision (3) of subsection (a) of this section, shall contain the
following statement printed in a conspicuous and readily discernible
manner: "This policy is not a long-term care policy as defined in
sections 38a-501 and 38a-528 of the Connecticut General Statutes."

(h) The Insurance Commissioner may adopt, in accordance with
chapter 54, such regulations as [he] the commissioner deems necessary
for the purpose of this section, including the medically determinable
conditions that are considered to be qualifying events as set forth in
subdivision (3) of subsection (a) of this section, and the authority to
establish the minimum or maximum benefit, if any, payable under an
accelerated benefit policy. Prior to the effective date of any such
regulations, any such policy may be filed with the commissioner and,
at [his] the commissioner's discretion, may be approved.

This act shall take effect as follows and shall amend the following
sections:

| Section 1 | January 1, 2010 | 38a-457 |

INS Joint Favorable Subst.