



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony of the Connecticut Insurance Department

#### **Raised Bill 716 – An Act Eliminating the Reduction of Benefits Payable Under a Long-Term Disability Policy by Amounts Received by the Insured in Social Security Payments**

#### **Public Hearing of The Labor and Public Employees Committee Wednesday, February 11th, 2009**

The Insurance Department would like to provide the following comments on Raised Bill No. 716.

This bill, as drafted, would eliminate entirely Social Security offsets from individual and group long term disability (LTD) insurance policies. The current law (Section 38a-519, C.G.S.) applicable to group policies permits Social Security offsets at the time of claim, but prohibits offsetting increases in Social Security benefits after the group long term disability claim starts.

The Department has a number of concerns on this bill, and would like to point out some likely consequences (perhaps unintended) if the bill is enacted.

First, insurers include a reduction in their premiums to reflect the Social Security offset, so premiums are expected to increase substantially without the offset provision.

Secondly, normally insurers pay, for example, 66 and two thirds % of salary or 70% of salary in LTD benefits, minus the Social Security offset. Insurers do not generally provide higher percentages of salary in LTD benefits, as this may serve as a disincentive for individuals from going back to work if and when their disability ends. If no Social Security offsets are permitted, as provided under this bill, it may result in over insurance (individuals possibly receiving total benefits exceeding their former salary).

Third, the Department has a concern that some insurers may possibly stop writing long term disability coverage in Connecticut, due to concern about the over insurance issue.

The Department believes that consumers have more choices with the existing marketplace, and recommends that the legislature not adopt this proposal, but rather clarify the existing law, as in the Department's proposal, SB 823. The Department's proposal under section 11, makes it clear that only other benefits received as a result of the disability may be offset under the group long term disability policy, and not any other benefits, such as pension benefits. The Department's proposal also provides that, after the claim begins, no increases in disability benefits from any source may be offset.

The Connecticut Insurance Department appreciates this opportunity to comment on Raised Bill 716.