

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

March 8, 2011

SB 1118, An Act Clarifying Single Premium Linked Insurance

The Insurance Association of Connecticut, IAC, supports SB 1118, An Act Clarifying Single Premium Linked Insurance.

SB 1118 simply amends Connecticut law to permit consumers to use an annuity or life policy to pay for the premiums for long-term care insurance. The industry has developed a product that permits an individual to fund long-term care insurance out of the premium they pay for an annuity or certain life products, known as linked products. These linked products are funded with a single premium up front. The annuity or life product is written with a rider for the long-term care coverage. A monthly charge is taken out of the premium to fund the long-term care coverage. It is not an additional out-of-pocket charge to the policyholder. For example, the linked product may include a guaranteed interest rate that ensures a monthly return greater than the rider charge.

Connecticut is unique in that the Insurance Department has taken the position that it does not have the authority to approve such products pursuant to its interpretation of Sec. 38a-458a, single-premium law. As such, Connecticut consumers cannot avail themselves to the benefits of these products that are available throughout the rest of the country. SB 1118 simply amends the statute to permit the funding of long-term care insurance from the single premium charged for an annuity or life product. As such SB 1118 grants the department the authority to approve such products.

The IAC respectfully requests your support for SB 1118.