

***Statement***

***Insurance Association of Connecticut***

Insurance and Real Estate Committee

March 1, 2012

HB 5226, An Act Concerning Life Insurance Premium Payment Schedules

The Insurance Association of Connecticut (IAC) opposes HB 5226, An Act Concerning Life Insurance Premium Payment Schedules, as it would have costly and counterproductive effects on the life insurance business in this state.

HB 5226 would provide that each applicant for or insured under a life insurance policy would have at least an annual opportunity to select a payment schedule from three or more options.

Group life insurance is usually procured by the employer, or policyholder. The employer selects the premium billing mode, and the individual insureds pay for their coverage on that basis. The individual has no right to change the group policy. HB 5226 would cause an extraordinary administrative burden and expense by allowing each individual insured under a group product to select from various payment options themselves. Billing systems would have to be totally reconfigured, and the administrative efficiencies of the group product would be lost. By requiring that individuals have the opportunity to make such an election annually, HB 5226 will further exacerbate those costly effects.

Individual life insurance purchasers are usually given choices for payment schedules, which may vary with the company and the product involved. HB 5226 will

eliminate current market flexibility in constructing insurance products, and will also require insurers to provide repeated notices of the right to make billing changes through an annual election, which could again have adverse consequences on pricing and servicing the product. In addition, many insureds would likely be confused by such an annual notice.

The life insurance market would also be unnecessarily disrupted by the fact that HB 5226 would apply to existing group and individual products, changing the specifics of every such contract on the next renewal date, and correspondingly increasing administrative costs.

Connecticut has a highly competitive life insurance marketplace that works to the benefit of the state's insurance consumers. HB 5226 would only serve to add unnecessary costs and administrative complications to that market.

IAC urges rejection of HB 5226.