

**Testimony of Scott Rose  
Principal and Founder of Barrett Advisors LLC  
Before the Connecticut Insurance and Real Estate Committee  
March 13, 2012**

Thank you Chairmen Crisco and Megna, and members of the Committee. My name is Scott Rose, and I am the principal and founder of Barrett Advisors LLC, an asset management and advisory firm focused on advising investors on the purchase, sale and maintenance of life insurance policies. I am here today to testify in support of SB 409.

I formed Barrett Advisors in 2005 to provide advice to investors and insurance professionals on life insurance-based investments. Barrett currently manages and advises on approximately 1,500 policies. We provide a full range of services to our clients, including due diligence, origination, structuring, legal documentation, financing, management, valuation, servicing and sale. Currently, our clients own over \$150 million in life insurance policies issued on Connecticut residents.

The previous witness spoke about the harm policyholders suffer when an insurance company raises the cost of insurance without adequate notice and disclosure. This bill will correct that, and protect policyholders from abuse. But I would like to speak to another harm; the destruction of a market for policyholders to sell unwanted or unneeded policies.

A few decades ago, if a policyholder found himself with a policy he no longer needed or could no longer afford, he had two options: stop paying premiums or surrender the policy back to the insurance company for a small sum. The insurance companies had a buyers' monopoly over this asset and that monopoly was reflected in very low surrender prices. The market

stepped in to create competition. Now, policyholders can obtain substantially more for their policies by selling them on the secondary market.

To have a market where policyholders can obtain fair value, we need investors – like my clients – willing to purchase policies. Unfortunately, those investors cannot enter a market when they cannot factor in the risk that insurance company will be permitted to illegally drive up the cost of insurance on a policy to the point that it makes no financial sense to keep the policy in force. Simply put, investors will not buy policies while this risk exists. This already has happened with Phoenix policies. I can tell you right now that there is no meaningful market for Phoenix policies today. Any individual policyholder unlucky enough to own a Phoenix policy is simply denied access to the market – they have literally *no options* to sell their policies to anyone. Sophisticated investors, like many of my clients, are unwilling to invest in assets whose value can be arbitrarily and materially changed by an insurance company without notice and justification. Key components to any properly functioning market include transparency and investor confidence in the predictable and orderly behavior of its participants.

What this bill does is provide some transparency—some light shone on the process—enabling policyholders and regulators to quickly evaluate the justification and methodology of a proposed rate increase. We think that transparency will act as a deterrent. Presumably, an insurance company considering an inappropriate cost of insurance increase will be less inclined to act if it can no longer conceal the rate increase's illegitimacy from its customers or regulators. In other words, simply making the details of the increase public will discourage misconduct. This in turn will reassure investors that they are less likely to see the value of their investment unilaterally destroyed by an insurance company seeking to misuse rate increases to force policies

into lapse.

Finally, SB 409 gives policyholders an important right to withhold payment of the proposed increase in their rate while they are challenging that increase. Today, policyholders may only opt to walk away from the policy rather than pay the full increase during two or more years of litigation.

In summary, SB 409 arms policyholders with the information they need to make informed decisions. It also gives regulators the information they need to determine if enforcement action is warranted. For these reasons, I urge you to support SB 409. Thank you again for the opportunity to testify today.

I would be happy to answer any questions you have.