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Co-Chair Senator Terry Geratana
Co-Chair Representative Betsy Ritter
Public Health Committee
Legislative Office Building, Room 1D
Hartford, CT 06106-1591

RE: Connecticut HB 5498

To the Members of the Committee on Public Health:

Founded in 1909, National Guardian Life Insurance Company (NGL) is a mutual insurance company located in Madison, Wisconsin and is licensed to do business in Connecticut and nationwide, excluding New York. NGL markets preneed and final expense life insurance, as well as group dental and vision coverage, through independent agents. It is also active in mergers and acquisitions to supplement its growth. National Guardian Life is rated "A-g (Excellent)" by A.M. Best.

National Guardian Life Insurance Company would like to take this opportunity to testify as to necessary changes to the Connecticut preneed statutes in order to clarify the legality of the use of insurance policies and annuities to fund a prearranged funeral contract.

Although the Connecticut statutes currently do not prohibit the use of insurance to fund a preneed contract under the "funeral service contract" statutes, it has become clear to my company that regulatory misinterpretations of the existing law have occurred in the State of Connecticut and have had a significant chilling effect on the sales of insurance by funeral homes throughout the state. Specifically, our business has declined in the State of Connecticut by 44% over the past 2 years, despite showing significant increases in neighboring states.

Since there is no payment from the consumer to the funeral home prior to the furnishing of funeral goods and services, the use of insurance to fund a preneed funeral contract is not a "funeral service contract" as defined in Section 42-200 of the Connecticut Statutes. However, the misinterpretations of this law have led some regulators to erroneously insist that insurance funding is not allowed in the State. For this reason, my company would appreciate a legislative clarification that would solve the problem of the inappropriate application of Section 42-200, et seq., to insurance-funded prearranged funeral contracts.

Accordingly, we request a legislative fix that would clearly indicate that insurance policies or certificates are an appropriate funding mechanism for preneed funeral contracts. Since this legislative tweak may add new terms to the statutory lexicon in Connecticut, I believe that related Medicaid statutes may also require some tweaks in order to maintain the status quo (exemption of insurance-funded preneed contracts) for Connecticut consumers seeking to become eligible for Medicaid.

I believe that the confusion in the industry caused by past regulatory misinterpretations of the law could be resolved without requiring significant changes to the existing statutory framework. Even though the necessary fixes are minimal, the resulting clarification would greatly benefit Connecticut consumers, the funeral industry and the insurance industry. NGL supports House Bill 5498.

If you have any questions, you may contact me at 608-443-5253.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark C. Neidinger". The signature is fluid and cursive, with a large initial "M" and "N".

Mark C. Neidinger
Associate General Counsel