

## ***Statement***

### ***Insurance Association of Connecticut***

Insurance and Real Estate Committee

February 26, 2013

#### **SB 959, An Act Concerning The Grace Period For Life Insurance Policies And Designation Of Third Parties To Receive Cancellation Notices**

The Insurance Association of Connecticut (IAC) opposes SB 959, An Act Concerning The Grace Period For Life Insurance Policies And Designation Of Third Parties To Receive Cancellation Notices.

Section 1 of SB 959 would require a grace period of at least sixty days for premium payments on life insurance policies. IAC knows of no reason why such an extension is necessary, especially given the current reality that payments can be made quickly via on-line banking, electronic fund transfers, automatic debiting of checking accounts, etc.

Since SB 959 would apparently apply to both new and, upon renewal, amendment or endorsement, to existing life insurance policies, it would require the refile and endorsing of all in-force business so that they meet the 60-day grace period, which would be a time consuming and costly process. System changes would have to be made for all products by life insurers. The new sixty day rule may also cause real confusion for insureds who are on a monthly payment schedule, as the various notices and payment requirements would now overlap.

At written, SB 959 would apply the 60 day grace period to group life insurance policies, which ignores the nature of the group contractual relationship. The group policyholder is not an individual but rather an entity, usually an employer. A group policy will not lapse or be cancelled due to the failure of a single insured to make a timely contribution to premium. An

individual insured's coverage under a group policy does not typically end due to nonpayment of premium unless the insured has specifically directed that it end.

Section 1 of SB 959 would also establish the requirement in subsection (c) that the insurer permit any insured under a life insurance policy to designate a third party to receive notice of cancellation of the policy for nonpayment of premium. Again, such a requirement would be time consuming and costly to comply with, especially the requirements concerning specific wording on envelopes used to transmit such notices. Subsection (c) would place additional administrative burdens on life insurers, as they would have to keep specific records concerning third party designations, which will be complicated by the fact that both the insured and the third party can terminate such a designation. Such a notice is also unnecessary and redundant regarding group insureds.

We know of no problem nor any history of complaints that would necessitate the establishment of such a third-party notice requirement. Administrative costs associated with life insurance products will be unnecessarily increased, and additional system changes will have to be made.

IAC urges rejection of SB 959.