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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 7, 2013

Raised S.B. No. 1031: AN ACT CONCERNING THE INSURANCE DEPARTMENT'S AUTHORITY TO PROTECT CONSUMERS.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Senate Bill 1031 at the request of the Department and appreciates the opportunity to provide written testimony.

The Connecticut Insurance Department strongly encourages the passage of S.B. 1031: An Act Concerning The Insurance Department's Authority To Protect Consumers. The Department has designed these enhancements to our statutes to protect consumers in the following ways:

- (1) This bill, if enacted, would amend section 38a-436 to require life insurers to retain proof of the date and manner of the delivery of the policy to their individual policyholders, for 7 years. The Department has had complaints from consumers (a) about not receiving the policy at all, sometimes years later, and (b) complaints about the exact day of delivery which starts the running of the 10 day free look period under the existing language of section 38a-436. We want to ensure that life insurers maintain adequate proof in these areas.
- (2) This bill would also amend section 38a-702k concerning disciplinary actions involving producers and give the Commissioner the authority to order the producer to make restitution in specified situations to the individual harmed by the producer's fraudulent or other improper activity. The Department currently has the authority to assess fines, as the Committee knows, and restitution of any sums shown to have been obtained in violation of the unfair insurance practices act under section 38a-817(b). This legislation will give the Commissioner the ability to order the producer to make restitution to the consumer (to reimburse the consumer for the amount of the consumer's loss due to the producer's fraudulent or other misconduct) in limited appropriate specified situations.
- (3) Furthermore, we are seeking to clarify the rules for payment of interest on health claims which are not paid on a timely basis. Section 38a-816(15) is clear on the rules for medical

providers to follow and section 38a-477 referenced also provides clear requirements for medical providers. But we believe the rules are less clear where the claimant is submitting the claim, for instance, on short and long term disability claims, and where the medical provider forms specified in section 38a-477 do not apply. We want to ensure that claimants get the full benefit of interest on late payments, on the same basis as medical providers.

- (4) Lastly, the Department recommends a new statute prohibiting the use of discretionary clauses in health insurance policies. These clauses purport to reserve discretion to the health carrier to interpret the terms of the contract or provide standards of interpretation or review which may be inconsistent with applicable law. We understand that such clauses have been misused in other states to improperly deny claims payment. We want to be proactive and prevent a problem from developing here.

The Insurance Department asks that the Committee consider making one consumer friendly amendment to the bill. In Line 68, after the word "restitution", the Department would like to see the following language: "or the amount of any uninsured claim or loss". This language is necessary to ensure that any producer who misappropriates insurance premiums and fails to place coverage is responsible to the insured for any amount of a loss that would have been covered by the policy, not just to give back the amount misappropriated.

The Department appreciates the opportunity to submit these comments today. It strongly urges passage of this consumer oriented legislation out of Committee with a Joint Favorable Substitute designation. Thank you.