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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 7, 2013

H.B. No. 6548 (RAISED) AN ACT CONCERNING ANNUITY CONTRACTS AND LONG-TERM CARE BENEFITS

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide written testimony on H.B. 6548: An Act Concerning Annuity Contracts And Long-Term Care Benefits, and thanks the Committee for raising it at the Department's request.

This bill creates statutory authority for the Insurance Department to approve annuity contracts that will allow withdrawals for long-term care expenses. However, due to current lack of authority, the Department unfortunately has had to disapprove filings for products that would clearly benefit consumers. If allowed to be sold in Connecticut, these integrated annuity/long term care contracts would provide a lower cost option for consumers to receive some level of long-term care benefits.

In addition, if the contract meets Internal Revenue Service requirements, the long-term care benefits would be tax free. The Pension Protection Act of 2006 expanded tax qualified status of long-term care policies to include life insurance and annuity contracts combined with long term care riders.

The Department does have statutory authority for accelerated death benefits for long term care expenses on life insurance contracts, but no comparable language for annuity contracts. Expanding this authority makes sense and enhances consumer protection.

The Insurance Department thanks the Committee for raising this consumer-friendly legislation and strongly supports its passage.