

Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

March 7, 2013

SB 1031, An Act Concerning The Insurance Department's Authority to Protect Consumers

The Insurance Association of Connecticut (IAC) would like to express the following concerns with SB 1031, An Act Concerning The Insurance Department's Authority To Protect Consumers.

Section 3 amends subdivision (15) of C.G.S. 38a-816 (Connecticut Unfair Insurance Practices Act) to make the provisions of the subdivision, which currently concerns payment to health care providers in certain policies, applicable to claimants. However, by adding "claimant" in subparagraph (B), it appears that the subdivision, which is intended to define payment requirements for health claims, could be interpreted to apply to other types of insurance. The subparagraph now refers to "payment to a claimant . . . pursuant to an insurance policy subject to this section." Section 38a-816 applies to all types of insurance. Should the reference in line 109 be to the "subdivision" rather than the "section"?

Section 4 would prohibit any health insurance policy from containing language that "reserves discretion to such insurer . . . to interpret the terms of such policy . . .". As written, section 4 may, due to its breadth, prevent insurers writing long-term care and disability income insurance policies from making initial determinations of claims relative to the terms of those contracts. Use of some discretion is necessary in the consideration and settlement of claims under a policy. Section 4 may only serve to restrict legitimate and necessary insurer functions, which could impede the payment of claims.