



General Assembly

January Session, 2013

Raised Bill No. 959

LCO No. 2955



Referred to Committee on INSURANCE AND REAL
ESTATE

Introduced by:
(INS)

**AN ACT CONCERNING THE GRACE PERIOD FOR LIFE INSURANCE
POLICIES AND DESIGNATION OF THIRD PARTIES TO RECEIVE
CANCELLATION NOTICES.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 38a-430 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2013*):

3 (a) No life insurance policy or annuity [policy or] contract shall be
4 delivered or issued for delivery to any person in this state, nor shall
5 any application, rider or endorsement be used in connection therewith,
6 until a copy of the form thereof shall have been filed with and
7 approved by the commissioner. The commissioner shall adopt
8 regulations, in accordance with the provisions of chapter 54,
9 establishing a procedure for review of such policies and contracts. The
10 commissioner shall issue an order disapproving the use of any such
11 form at any time if it does not comply with the requirements of law, or
12 if it contains a provision or provisions that are unfair or deceptive or
13 that encourage misrepresentation of the policy. The commissioner
14 shall specify the reason for the commissioner's disapproval. The

15 provisions of section 38a-19 shall apply to any such order issued by the
16 commissioner.

17 (b) Any such life insurance policy delivered, issued for delivery,
18 renewed, amended or endorsed on or after October 1, 2013, shall
19 provide a grace period of at least sixty days for premium payments. If
20 such policy becomes a claim during the grace period before the
21 overdue payment is made, the amount of such overdue payment may
22 be deducted from any settlement under such policy.

23 (c) (1) Each insurer that delivers, issues for delivery or renews a life
24 insurance policy on or after October 1, 2013, in this state shall include
25 with the policy a conspicuous statement specifying that the insured
26 may designate a third party to receive notice of cancellation of the
27 policy based on nonpayment of premium. The statement shall include
28 a designation form and mailing address the insured may use to
29 designate a third party. Such statement shall be in a form approved by
30 the Insurance Commissioner.

31 (2) No designation form shall be effective unless it contains a
32 written acceptance by the third party designee to receive copies of
33 notices of cancellation from the insurer on behalf of the insured. The
34 third party designation shall be effective not later than ten business
35 days after the date the insurer receives the designation form and the
36 acceptance of the third party. The third party may terminate the status
37 as a third party designee by providing written notice to both the
38 insurer and the insured. The insured may terminate the third party
39 designation by providing written notice to the insurer and the third
40 party designee. The insurer may require the insured and the third
41 party to send the notices to the insurer by certified mail, return receipt
42 requested.

43 (3) The insurer's transmission to the third party designee of a copy
44 of a notice of cancellation based on nonpayment of premium shall be
45 in addition to the transmission of the original document to the insured.
46 When a third party is so designated all such notices and copies shall be

47 mailed in an envelope clearly marked on its face with the following:
48 "IMPORTANT INSURANCE POLICY INFORMATION: OPEN
49 IMMEDIATELY". The copy of the notice of cancellation transmitted to
50 the third party shall be governed by the same law and policy
51 provisions that govern the notice being transmitted to the insured. The
52 designation of a third party shall not constitute acceptance of any
53 liability on the part of the third party or insurer for services provided
54 to the insured.

55 [(b)] (d) Nothing in this chapter shall preclude the issuance of a life
56 insurance [contract] policy including, but not limited to, a long-term
57 care policy as provided in section 38a-458, that includes an optional
58 health insurance rider, provided the optional health insurance rider is
59 filed with and approved by the Insurance Commissioner pursuant to
60 section 38a-481. Any company offering such policies for sale in this
61 state shall be licensed to sell health insurance in this state pursuant to
62 the provisions of section 38a-41.

63 Sec. 2. Section 38a-639 of the general statutes is repealed and the
64 following is substituted in lieu thereof (*Effective October 1, 2013*):

65 (a) No life benefit certificate may be delivered or issued for delivery
66 in this state unless a copy of the form has been filed with, and
67 approved by, the commissioner.

68 (b) The certificate shall contain in substance the following standard
69 provisions or, in lieu thereof, provisions which are more favorable to
70 the member: (1) Title on the face and filing page of the certificate
71 clearly and correctly describing its form; (2) a provision stating the
72 amount of rates, premiums or other required contributions, by
73 whatever name known, which are payable by the insured under the
74 certificate; (3) (A) for a certificate delivered or issued for delivery prior
75 to October 1, 2013, a provision that the member is entitled to a grace
76 period of not less than a full month, or thirty days at the option of the
77 society, in which the payment of any premium, after the first, may be
78 made, and (B) for a certificate delivered, issued for delivery, renewed,

79 amended or endorsed on or after October 1, 2013, a provision that the
80 member is entitled to a grace period of not less than sixty days in
81 which the payment of any premium, after the first, may be made.
82 During such grace period under subparagraph (A) or (B) of this
83 subdivision, the certificate shall continue in full force, but, in case the
84 certificate becomes a claim during the grace period before the overdue
85 payment is made, the amount of such overdue payment or payments
86 may be deducted in any settlement under the certificate; (4) a
87 provision that the member shall be entitled to have the certificate
88 reinstated at any time within three years from the due date of the
89 premium in default, unless the certificate has been completely
90 terminated through the application of a nonforfeiture benefit, cash
91 surrender value or certificate loan, upon the production of evidence of
92 insurability satisfactory to the society and the payment of all overdue
93 premiums and any other indebtedness to the society upon the
94 certificate, together with interest on such premiums and such
95 indebtedness, if any, at a rate not exceeding six per cent per annum
96 compounded annually; (5) except in the case of pure endowment,
97 annuity or reversionary annuity contracts, reducing term insurance
98 contracts, or contracts of term insurance of uniform amount of fifteen
99 years or less expiring before age sixty-six, a provision that, in the event
100 of default in payment of any premium after three full years' premiums
101 have been paid or after premiums for a lesser period have been paid if
102 the contract so provides, the society will grant, upon proper request
103 not later than sixty days after the due date of the premium in default, a
104 paid-up nonforfeiture benefit on the plan stipulated in the certificate,
105 effective as of such due date. The certificate may provide, if the
106 society's laws so specify or if the member so elects prior to the
107 expiration of the grace period of any overdue premium, that default
108 shall not occur so long as premiums can be paid under the provisions
109 of an arrangement for automatic premium loan as may be set forth in
110 the certificate; (6) a provision that one paid-up nonforfeiture benefit as
111 specified in the certificate shall become effective automatically unless
112 the member elects another available paid-up nonforfeiture benefit, not
113 later than sixty days after the due date of the premium in default; (7) a

114 statement of the mortality table and rate of interest used in
115 determining all paid-up nonforfeiture benefits and cash surrender
116 options available under the certificate, and a brief general statement of
117 the method used in calculating such benefits; (8) a table showing in
118 figures the value of every paid-up nonforfeiture benefit and cash
119 surrender option available under the certificate for each certificate
120 anniversary either during the first twenty certificate years or during
121 the term of the certificate, whichever is shorter; (9) a provision that the
122 certificate shall be incontestable after it has been in force during the
123 lifetime of the member for a period of two years from its date of issue
124 except for nonpayment of premiums, violation of the provisions of the
125 certificate relating to military, aviation or naval service and violation of
126 the provisions relating to suspension or expulsion as substantially set
127 forth in the certificate. At the option of the society, supplemental
128 provisions relating to benefits in the event of temporary or permanent
129 disability or hospitalization and provisions which grant additional
130 insurance specifically against death by accident or accidental means
131 may also be excepted. The certificate shall be incontestable on the
132 ground of suicide after it has been in force during the lifetime of the
133 member for a period of two years from the date of issue. The certificate
134 may provide, as to statements made to procure reinstatement, that the
135 society shall have the right to contest a reinstated certificate within a
136 period of two years from the date of reinstatement with the same
137 exceptions as herein provided; (10) a provision that in case the age or
138 sex of the member or of any other person is considered in determining
139 the premium and it is found at any time before final settlement under
140 the certificate that the age or sex has been misstated, and the
141 discrepancy and premium involved have not been adjusted, the
142 amount payable shall be such as the premium would have purchased
143 at the correct age and sex; but, if the correct age was not an insurable
144 age under the society's charter or laws, only the premiums paid to the
145 society, less any payments previously made to the member, shall be
146 returned or, at the option of the society, the amount payable under the
147 certificate shall be such as the premium would have purchased at the
148 correct age according to the society's promulgated rates and any

149 extension thereof based on actuarial principles; (11) a provision or
150 provisions which recite fully, or which set forth the substance of, all
151 sections of the charter, constitution, laws, rules or regulations of the
152 society, in force at the time of issuance of the certificate, the violation of
153 which will result in the termination of, or in the reduction of, the
154 benefit or benefits payable under the certificate; (12) if the constitution
155 or laws of the society provide for expulsion or suspension of a
156 member, any member so expelled or suspended, except for
157 nonpayment of a premium or within the contestable period for
158 material misrepresentations in such member's application for
159 membership, shall have the privilege of maintaining his insurance in
160 force by continuing payment of the required premium; and (13), in the
161 case of a certificate issued by a foreign or alien society, a provision that
162 the rights or obligations of the member or of any person rightfully
163 claiming under the certificate shall be governed by the laws of this
164 state. Any of the foregoing provisions or portions thereof not
165 applicable by reason of the plan of insurance or because the certificate
166 is an annuity certificate may, to the extent inapplicable, be omitted
167 from the certificate.

168 (c) No life benefit certificate shall be delivered or issued for delivery
169 in this state containing in substance any of the following provisions: (1)
170 Any provision limiting the time within which any action at law or in
171 equity may be commenced to less than two years after the cause of
172 action shall accrue; (2) any provision by which the certificate purports
173 to be issued or to take effect more than six months before the original
174 application for the certificate was made, except in case of transfer from
175 one form of certificate to another in connection with which the
176 member is to receive credit for any reserve accumulation under the
177 form of certificate from which the transfer is made; or (3) any provision
178 for forfeiture of the certificate for failure to repay any loan thereon or
179 to pay interest on such loan while the total indebtedness, including
180 interest, is less than the loan value of the certificate.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2013</i>	38a-430
Sec. 2	<i>October 1, 2013</i>	38a-639

INS *Joint Favorable*