

Section 7: Public comment with Department summary and response



Financial Security. For Life.

American Council of Life Insurers

July 11, 2011

Mark Franklin, Esq.
Insurance Department
P.O. Box 816
Hartford, CT 06142-0816



INSURANCE ASSOCIATION OF
CONNECTICUT

RE: Proposed Regulation 38a-345; Requirements for Replacement of Life Insurance and Annuities

Dear Mr. Franklin:

The Insurance Association of Connecticut (IAC) and the American Council of Life Insurers (ACLI) support the adoption of the National Association of Insurance Commissioners' (NAIC) Life Insurance and Annuities Replacement model as it was drafted. Although the proposed regulation incorporates most of the model's key provisions, the proposed regulation contains a few deviations from the model that pose some concern for the industry.

Specifically, Sec. 38a-345-5 (c)(2)(A) of the proposed regulation deviates from the model by eliminating the oral notice regarding marketing materials. In this day and age when a large portion of insurance sales are conducted using the internet, the ability to provide such notification verbally is critical. An individual, who has chosen to purchase such a product via the internet will be able to do everything electronically except receive notices regarding marketing materials. The transaction will be delayed until such notice can be provided to that consumer in writing. As such the NAIC model, and the 48 other states that have adopted the NAIC model, permit that such notices can be provided in writing or verbally. As companies are already complying with the model provisions, they maintain communications of such notices for the five years as required in the model and can verify that such notices were provided. To eliminate the ability to communicate such information verbally would make CT an outlier. Companies will have to amend their uniform procedures to comply with CT's unique drafting of the regulation. We suggest Sec. 38a-345-5 (c)(2)(A) be amended to be consistent with the model and permit notice by verbal communication or by letter.

Also the model contains a thirty (30) day free look period. The proposed regulation shortens that time to ten (10) days. For uniformity and consistency purposes, we respectfully request the free look period be amended to conform with the model and provide a thirty (30) day period.

Thank you for the opportunity to comment. We look forward to working with you further on this proposal.

Sincerely,

Susan Giacalone
Senior Counsel
Insurance Association of Connecticut
21 Oak Street, Hartford, CT 06106
Phone: 860-547-0610

Kate Kiernan
Senior Counsel
American Council of Life Insurers
101 Constitution Avenue, Washington, DC 20001
Phone: 202-624-2463

Rosa G. Iturbides
Vice President - Law Department
Tel: (212) 314-3893
Fax: (212) 707-7973
E-mail: rosa.iturbides@axa-equitable.com

LAW DEPARTMENT

July 14, 2011

Mark R. Franklin, Esq.
State of Connecticut
Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

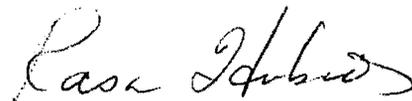
Dear Mr. Franklin:

On behalf of AXA Equitable Life Insurance Company, MONY Life Insurance Company, and MONY Life Insurance Company of America (hereinafter referred to collectively as "the Companies"), I respectfully submit the following comments concerning proposed new Regulation 38a-435-1+, Requirements for Replacement of Life Insurance and Annuities.

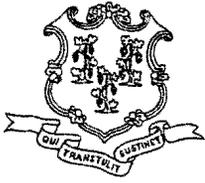
The Companies recommend that the proposed regulation become effective 90-120 days after promulgation of the regulation, which would allow sufficient time for insurers to conduct training and to produce and distribute forms.

If you have any questions, please do not hesitate to call or email me.

Very truly yours,



cc: Bryan Cox, ACLI



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

December 1, 2011

Kate Kiernan, Esq.
Senior Counsel
American Council of Life Insurers
101 Constitution Ave.
Washington DC 20001

Susan Giacalone, Esq.
Senior Counsel
Insurance Association of Connecticut
21 Oak St.
Hartford CT 06106

Rosa G. Iturbides
Vice President, Law Department
AXA Equitable
1290 Avenue of the Americas
New York, NY 10104

Re: Notice of Intent to Adopt Regulations, Requirements for Replacement of Life Insurance and Annuities

Dear Attorneys Kiernan, Giacalone and Iturbides:

The Connecticut Insurance Department ("Department") published a Notice of Intent to Adopt Regulations in the July 14, 2011 edition of the *Connecticut Law Journal*. In response to that publication, the Department received two comment letters. Specifically, those comments were:

- A letter dated July 11, 2011 and signed by Susan D. Giacalone, counsel for the Insurance Association of Connecticut (IAC), and Kate Kiernan, senior counsel for the American Council of Life Insurance (ACLI). In that letter, discussed more fully below, ACLI and IAC (1) noted that section 38a-345-5(c)(2) of the proposed regulation's eliminates verbal notice regarding marketing materials as provided for in the National Association of Insurance Commissioners ("NAIC") Life Insurance and Annuities Replacement Model ("NAIC Model") and requested that it conform to the NAIC Model; and (2) noted that proposed regulation contains a 10 day "free look" period in which consumers may cancel Life and Annuity replacement transactions and requested that it conform to the 30 day "free look" period contained in the NAIC Model.
- A letter dated July 14 2011 and signed by Rosa G. Iturbides, vice president of the AXA Equitable Life Insurance Co ("AXA"). In that letter, AXA requested that

the proposed regulation become effective 90 to 120 days after promulgation to allow sufficient time for training.

The Department has determined to proceed with the proposed regulation without substantive change, although the Department will recommend an effective date 90 days after the regulation is approved. To respond to the specific points made:

Verbal notification

In the published proposed regulation, there is a proposed requirement at section 38a-435-5(c)(2)(A) that insurers in issuing a replacement life policy or annuity contract, within ten days “notify the applicant by sending a letter by a person whose duties are separate from the marketing area of the insurer, that the producer has represented that copies of all sales material have been left with the applicant . . .” The NAIC model on which the proposed regulation is based, indicates the communication may be “by sending a letter or by verbal communication with the applicant . . .” (emphasis added). The proposed regulation deviates, in a manner beneficial to consumers, by eliminating the phrase “or by verbal communication with the applicant.”

ACLI and IAC commented,

In this day and age when a large portion of insurance sales are conducted using the internet, the ability to provide such notification verbally is critical. An individual, who has chosen to purchase such a product via the internet, will be able to do everything electronically except receive notices regarding marketing materials. The transaction will be delayed until such notice can be provided to that consumer in writing.

However, the Department believes that the language as published will not adversely affect internet sales at all. In fact, internet transactions are generally exclusively in writing by electronic means. There is nothing in the published regulation to prevent electronic delivery of the required notification, which is consistent with internet sales. Moreover, in internet transactions, such written communication can be done immediately and would not involve any meaningful delay. A problem with verbal notifications is the lack of a “paper trail” and a lack of clarity as to what was actually communicated, particularly when disputes arise many years after the date of replacement. Moreover, while Connecticut would be in the minority, New York state requirements also do not contemplate oral notification. See Regulation No. 60, 11 NYCRR 51.

“Free look”

In the published regulation, there is a proposed requirement at section 38a-435-5(a)(4) that the replacing insurer is to notify consumers “of the right to return the policy or contract not later than ten (10) days from the receipt of the policy or contract and receive an unconditional full refund of all premiums or considerations paid on it . . .”

(This is universally known in the life insurance industry as the “free look” period.) This deviates from the model regulation, which provides for a 30-day “free look” period.

ACLI and IAC request that for uniformity and consistency purposes, that the regulation provide for a 30-day period.

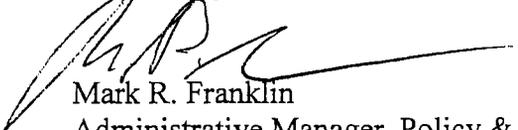
The 10-day period is consistent with Conn. Gen. Stat. §38a-436. The Department believes it lacks the statutory authority to require a stricter “free look” period by regulation than that which is required by statute, and thus feels compelled to deviate from the model regulation on this point. Insurance policy and annuity contract forms which contain a 30-day “free look” period will be approved, however, since they are more beneficial to consumers than the statutory requirement.

Effective date

AXA has requested that that the regulation be effective 90 to 120 days after promulgation to allow time for training and revising forms.

The Department considers that request to be reasonable, and will propose an effective date 90 days after the regulation is adopted by the Legislative Regulation Review Committee.

Very truly yours,



Mark R. Franklin

Administrative Manager, Policy & Planning