

**SECTION 7. SUMMARY OF ALL PUBLIC COMMENTS**



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Proposed Regulation Amending the Insurance Department's Rules Concerning Life Settlement Contracts

#### Discussion of Comments

The Insurance Department received comments from the following individuals and entities on the proposed regulation: Fletcher B. Watson, Attorney at Law, by letter dated December 17, 2012 and joint comments from the Insurance Association of Connecticut (IAC) and the American Council of Life Insurers (ACLI) by letter dated January 3, 2012. (The 2012 on the second letter appears to be in error.) Copies of these comments are attached hereto. The comments reflect a suggestion to delay pending action by the National Association of Insurance Commissioners (NAIC) and concern over the extent of statutory authority to make two changes.

1. Mr. Watson expressed concern that Section 38a-465-5 allows the Commissioner to establish standards for evaluating the reasonableness of payments under settlement contracts even though the individual is not terminally or chronically ill. He suggests that if the Commissioner is to be given such authority that the provider must be given the right to cancel the contract without penalty.

Response: The Insurance Department believes that the proposed regulation is in accordance with the direction provided by Section 38a-465m of the Conn. Gen. Statutes which provides that the Commissioner may adopt regulations for evaluating the reasonableness of payments under life settlement contracts. The previous statute did limit such review to a review of contracts pertaining to persons who are terminally or chronically ill; however, this language was explicitly removed by the legislature.

2. The IAC and ACLI have asked that the regulations be delayed pending the outcome of NAIC deliberations on new viatical settlement regulations now under consideration. They have also expressed concerns that Section 38a-465-9(b), regarding the sale of the interest in a life insurance policy that has accidental death or double indemnity benefits exceeds the boundaries of the underlying statute. They expressed concern regarding protection for consumers regarding the ability to retain and sell the interests in separate portions of the policy.

Response: The Insurance Department has spoken with representatives of the NAIC regarding the potential date for finalizing new regulations pertaining to life settlement contracts. Our discussions lead us to doubt that such regulations are in fact imminent. Moreover, our statute is not based on the NAIC model law. It is based on a different model, a model created by the National Conference of Insurance Legislation (NCOIL).

The Insurance Department agrees with the suggested change to Section 38a-465-9(b).

After full consideration of the comments, the Department has determined it is in the public interest to revise text of the proposed regulation amendments as discussed above and proceed with its adoption.

Attachments