

**STATEMENT**

**INSURANCE ASSOCIATION OF CONNECTICUT**

Insurance and Real Estate Committee

February 27, 2014

**SB 201, An Act Concerning Cancellation Notices Of  
Individual Life Insurance Policies**

The Insurance Association of Connecticut (IAC) opposes SB 201, An Act Concerning Cancellation Notices of Individual Life Insurance Policies, as it would add time consuming and costly administrative requirements on life insurers.

SB 201 would establish a statutory requirement that applicants for individual life insurance policies have the right to designate a third party to receive notice of cancellation of the policy for nonpayment of premium.

SB 201 provides in subsection (c) that the designation of a third party to receive such notice is not effective unless the insurer has received a written acceptance from the designee. Subsection (c) also provides that either the designee or the policyholder may terminate such a designation in writing, provided that written termination is sent to the insurer and to the policyholder or the designee, as the case may be. Insurers will be required to keep specific records of third party designations, any changes to them, and written proof that the parties were aware of any changes. It is not clear how an insurer will be able to ascertain whether the policyholder or designee actually sent the required notice to the other. These written records will have to be monitored manually, resulting in unnecessary administrative costs that will be reflected in future premiums.

Subsection (d)(2) requires notice of cancellation for nonpayment of premium to be sent by registered or certified mail. Such a requirement will be very expensive and difficult to administer. Once again, matching the return receipt with the file will have to be done manually, which will only serve to add administrative cost and hassle to the

process for insurers, as they will have to establish procedures to be used only in Connecticut.

It is not clear why subsection (d)(2) refers to notice requirements for cancellation due to nonpayment of first premium. An individual life insurance policy is not in effect until the premium payment is actually received, so such notice requirements are unnecessary and nonsensical.

Subsection (b) requires notification to the applicant for an individual life insurance policy to be made, in writing, at the time of application. Such a requirement does not account for phone sales of individual life insurance policies, where the providing of contemporaneous written notice at the time of application is not possible.

IAC knows of no problems that would necessitate the establishment of such onerous and costly notification and recordkeeping requirements for individual life insurance policies. SB 201 attempts to graft existing statutory third party designee and notice requirements for property casualty policies onto individual life insurance policies, but the two situations aren't comparable.

In most cases, the premium for an individual life insurance policy stays static, while the premium for an automobile insurance policy changes every year. Automobile insurance is required by law in order to drive. Life insurance is not a required coverage. The heightened notification duties imposed on automobile insurers reflects the nature of the product.

IAC urges rejection of SB 201.