

FTR



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Connecticut Insurance Department Before the Insurance and Real Estate Committee February 19, 2015

S.B. No. 853 (RAISED) AN ACT CONCERNING ACCELERATED BENEFITS OF LIFE INSURANCE POLICIES. (INS)

Chairmen Crisco and Megna, Ranking members and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Proposed Bill 853: An Act Concerning Accelerated Benefits of Life Insurance Policies**. If successful, this bill would change the definition of “qualifying event” for purposes of accelerating the death benefit of a life insurance policy. The proposed changes to the definition would allow access to benefits for individuals that are unable to perform at least two activities of daily living such as eating, toileting, transferring, bathing, dressing or continence. The existing definition meets the requirements of the Internal Revenue Code to be a tax qualified product. Adjusting the definition to this new standard could jeopardize a product’s “tax qualified” status. The existing definition also includes language to ensure that the qualifying event is based primarily on a mortality risk since the subject is life insurance rather than a morbidity risk as it would under a health insurance policy.

Further, the revised definition of “chronically ill” is now comparable to the qualifying event for long term coverage. The Department cautions that the proposed definition may be in conflict with Connecticut General Statutes 38a-457(c) which prohibits the inclusion of long-term care coverage in an accelerated benefits life insurance policy as defined in Connecticut General Statutes sections 38a-501 and 38a-528.

Finally, although the accelerated death benefit provides some level of benefits for long term care, it does not provide the same protections as a long term care policy and should not be viewed as a substitute for such coverage. The Department has concerns regarding how this accelerated rider will be marketed. If the accelerated rider is marketed as long term care, the insured will likely not have the same level of coverage as provided under true long term care policies, and will not have the protections of rate review. Also, there is an additional concern that if the insured that bought the accelerated death benefit later realizes it is insufficient to cover his or her long term care needs, he or she may no longer be able to purchase a long term care policy as such policies are medically underwritten. The premiums for long term care insurance increase significantly with age as there is less time to prefund the benefits. Even if the individual can meet the underwriting criteria, the coverage may no longer be affordable.

The Department thanks the Insurance Committee Chairs and members for the opportunity to submit testimony on S.B. 15.