



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee February 16, 2017

Senate Bill No. 493 An Act Concerning the Purchase of an Annuity to Fund Pension and Retirement Benefits.

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Senate Bill No. 493 An Act Concerning the Purchase of an Annuity to Fund Pension and Retirement Benefits**. Generally, this would require an insurance company to provide certain disclosures to employees and retirees of an employer when such insurance company issues a group annuity contract to provide retirement benefits and limits subsequent transfers of such annuity contract. Below are technical comments.

Under current state law, insurance companies are already required provide such disclosures when there are fund transfers within an annuity contract. The transfers generally occur during the accumulation period before the start of any annuity payment and this information must be included in the contract along with any limitations that would be placed on the transfers. Before a contract can be marketed in Connecticut, the Insurance Department thoroughly reviews it to ensure it complies with all state laws and regulations, including provisions that address policyholder disclosure and notification.

However, if the intent of this bill is to provide disclosure of any change to the pension plan or funding vehicle, this may be an obligation of the employer and a provision that may fall under federal labor laws. An insurance company cannot make this change without an agreement from the employer and an existing contract would need to be modified or a new contract issued. Notice to employees regarding a change in the pension plan may be required by the Employee Retirement Income Security Act (ERISA) that sets standards for employers that offer employee benefit plans. Employer requirements are under the authority of the federal Department of Labor.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on S.B. 493.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.