

Connecticut Legislative Committee Considers Proposed Legislation Regarding Cost of Insurance Increases

March 15, 2012

March 15, 2012 -- On March 8th, a bill pertaining to cost of insurance increases on universal life and similar policies was introduced and referred to a Connecticut joint legislative committee – the Insurance and Real Estate Committee. **Connecticut Senate Bill No. 409** ("the Bill") proposes:

- Comprehensive disclosures to policyholders in the event a life insurance company imposes a cost of insurance increase, including the factors underlying the need for the increase;
- Extensive filings with, and review by, the Connecticut Insurance Commissioner; and
- Special rights for any policyholder who elects to challenge a cost of insurance increase through litigation, including the right to withhold increased premium payments during the pendency of any such action and a retroactive rescission option if the policyholder does not prevail in court.

On March 13th, the Connecticut Insurance and Real Estate Committee took written and oral testimony concerning the Bill. According to the testimony of life settlement industry participants, who were proponents of the Bill, the Bill is intended to:

- Protect consumers from unexpected and unexplained premium increases;
- Preserve a secondary market for policyholders to sell unwanted or unneeded policies;
- Provide transparency; and
- Deter insurance companies from instituting "inappropriate" cost of insurance increases.

The Committee probed the life settlement industry representatives on the extent to which the

proposed disclosure requirements would actually benefit consumers. Notably, the Connecticut Insurance Department (the "Department") and two insurance industry trade associations testified in opposition to the Bill. The Department stated that it was "strongly opposed" to the Bill, noting that it was "not aware of any significant consumer problems" that would necessitate such "unprecedented" and "labor intensive" procedures. The trade associations suggested that, despite its stated intention, the Bill would invite litigation and discourage insurers from making legitimate rate determinations. Some of the specific objections raised by the trade associations included:

- The recognition that life insurers already provide multiple cost of insurance disclosures;
- The needless creation of onerous, costly and time-consuming administrative burdens on insurers; and
- The proposed disclosure requirements would force companies to divulge trade secrets or other proprietary information.

The Connecticut Insurance and Real Estate Committee is taking this testimony under advisement and has not yet announced how it will proceed. Jordan Burt is closely monitoring these developments and will report further as appropriate.

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