

Connecticut Cost of Insurance Legislation Voted Out of Committee

March 23, 2012

March 23, 2012 -- On March 8, 2012, 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 (the "Committee"). As we reported last week in a Client Alert, the March 8th version of Connecticut Senate Bill No. 409 (the "Original Bill") proposed: (i) comprehensive disclosures to policyholders if a life insurance company imposed a cost of insurance increase on universal life or similar policies; (ii) extensive filings with, and review by, the Connecticut Insurance Department (the "Department"); and (iii) special rights for any policyholder who challenged the increase through litigation, including the right to withhold increased premium payments during the pendency of such litigation and a retroactive rescission option if the policyholder did not prevail in court. At a March 15th Public Hearing of the Committee, the Department and various trade organizations opposed the Original Bill, while life settlement industry participants spoke out in favor. At the March 20th Committee hearing a substantially revised version was considered (the "Substitute Bill"). Consistent with the Department's comments on the Original Bill that "the Department is not aware of any significant consumer problems to necessitate this new authority," the Substitute Bill simply adds a new notice provision to existing Connecticut Insurance Code Section 38a-430. That section requires the filing with and approval of forms by the Commissioner prior to use in Connecticut and directs the Commissioner to disapprove any form that does not comply with the requirements of law. The Substitute Bill's new notice provision expands that statute to add the following additional sub-paragraph: (b) No universal life insurance policy shall be delivered or issued for delivery to any person in this state unless it bears on its cover, in not less than twelve-point boldface type in capital letters, the following: NOTICE THE PREMIUMS THAT YOU PAY FOR THIS POLICY MAY INCREASE IN THE FUTURE. IT IS IMPORTANT THAT YOU READ AND UNDERSTAND THE POLICY. After a brief discussion, in which the Committee Chairman confirmed that the Bill only applies to policies issued on or after October 1, 2012, the Committee voted in favor of the Substitute Bill. As the Substitute Bill continues through the legislative process, Jordan Burt will closely monitor developments and report further as appropriate.

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