



General Assembly  
February Session, 2012

**Raised Bill No. 409**

LCO No. 2151

\*02151\_\_\_\_\_INS\*

Referred to Committee on Insurance and Real Estate

Introduced by:

(INS)

**AN ACT CONCERNING DISCLOSURES FOR CERTAIN LIFE INSURANCE POLICIES AND CONCERNING LIFE INSURANCE AND ANNUITY POLICIES THAT INCLUDE LONG-TERM CARE BENEFITS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2012*) (a) For purposes of this section, "cost of insurance" means the portion of the total periodic premium charged by a life insurance company for the insurance cost of a potential death benefit under a life insurance policy.

(b) Any life insurance company that delivers, issues for delivery, renews, amends or continues a universal life insurance or similar policy that reserves the right to periodically increase the cost of insurance shall:

(1) Prior to a proposed cost of insurance increase, disclose in a conspicuous manner to each policyholder not later than one hundred twenty calendar days prior to the effective date of such proposed cost of insurance increase, in writing and in such form as the Insurance Commissioner may prescribe, a notice that includes: (A) The dollar amount of such proposed cost of insurance increase, including any increase because of the insured's age or change in age rating classification; (B) the specific class or classes of insureds that will be subject to the cost of insurance increase; (C) the applicable policy language governing cost of insurance increases and the specific term or terms therein on which the cost of insurance increase is based; (D) a description of the events or circumstances that triggered the insurance company's decision to propose the cost of insurance increase; (E) the methodology and assumptions used to develop the proposed cost of insurance increase; (F) a copy of any illustration provided to the policyholder at

the time the policy was issued and a revised illustration that reflects the proposed cost of insurance increase; (G) an explanation of the policyholder's right to file a complaint for such proposed cost of insurance increase with the Insurance Department and the contact information for said department; and (H) an explanation of the policyholder's right to withhold the cost of insurance increase from premium payments remitted by such policyholder during an action filed in the Superior Court by the policyholder concerning such cost of insurance increase. The provisions of this subdivision shall apply to a universal life insurance or similar policy that reserves the right to periodically increase the cost of insurance that is in force as of July 1, 2012;

(2) Prior to a proposed cost of insurance increase, file with the Insurance Commissioner not later than one hundred twenty calendar days prior to the effective date of such proposed cost of insurance increase: (A) Notice and amount of such proposed cost of insurance increase; (B) the specific class or classes of insureds that will be subject to the cost of insurance increase; (C) the applicable policy language governing cost of insurance increases and the specific term or terms therein on which the cost of insurance increase is based; (D) the methodology and assumptions used to develop the proposed cost of insurance increase; (E) all advertising and marketing materials used by the insurance company to advertise or market the policy or policies that will be subject to such cost of insurance increase; and (F) an actuarial memorandum, certified by a qualified actuary, as defined in section 38a-78 of the general statutes, that to the best of such actuary's knowledge, (i) such proposed cost of insurance increase is in compliance with law, and (ii) such increase is not excessive. A cost of insurance increase is excessive if it is unreasonably high for the insurance provided in relation to the underlying risks and costs after due consideration to the projected costs of the life insurance company with respect to the factors on which such company is permitted to increase the cost of insurance under the terms of the policy. The provisions of this subdivision shall apply to a universal life insurance or similar policy that reserves the right to periodically increase the cost of insurance that is in force as of July 1, 2012; and

(3) Disclose in a conspicuous manner to an applicant, at the same time and on the same document as the policy quote and on any illustration provided to the applicant with such policy quote:

(A) The following statement: "(Name of insurance company) MAY, IN THE FUTURE, INCREASE THE COST OF INSURANCE YOU PAY FOR THIS POLICY FOR THE FOLLOWING REASONS: (insert relevant policy language). PLEASE SEE (insert section number or page number for the relevant policy provision) OF YOUR POLICY."; and

(B) For any class of life insurance product for which the life insurance company has increased the cost of insurance within the previous ten years, a statement that such company has increased the cost of insurance within the previous ten years, the dollar

amount or percentage of such cost of insurance increase and the class or classes of insureds that were subject to such cost of insurance increase.

(c) A violation of subsection (a) or (b) this section shall be deemed an unfair practice pursuant to section 38a-816 of the general statutes.

(d) (1) If a policyholder files an action in the Superior Court regarding a cost of insurance increase, during the pendency of such action, such policyholder may withhold from any premium payment made to the life insurance company for such policy the amount of such cost of insurance increase. The life insurance company shall not impose penalties, administrative or late fees or interest on any amount so withheld and shall take no action to cause the policy to lapse or to enter a lapse pending mode during such appeal.

(2) (A) If the court affirms the decision of the Insurance Commissioner or dismisses the appeal, or the life insurance company and the policyholder enter into a settlement prior to the court issuing a decision, and such policyholder elected to withhold the amount of the cost of insurance increase pursuant to subdivision (1) of this subsection, not later than thirty calendar days after the date of such affirmation, dismissal or settlement, the life insurance company shall send a notice, in writing, to the policyholder that sets forth the additional amount due, if any, for the accrued cost of insurance increase.

(B) Not later than sixty calendar days after receiving such notice, the policyholder shall (i) remit the additional amount due, in which case the policy shall continue in force, or (ii) rescind the policy, effective as of the date the policyholder received the notice of the proposed cost of insurance increase required under subdivision (1) of subsection (b) of this section. If the policyholder elects to rescind the policy, the life insurance company shall refund to the policyholder the full amount of any premium paid by the policyholder on and after such date.

Sec. 2. Section 38a-458 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) [On and after June 16, 1989, any] Any life insurance company doing business in this state may issue life insurance or annuity policies or certificates, or riders or endorsements thereto, [which] that provide, within the terms and conditions of the policy or certificate, long-term care benefits as described in section 38a-501 or 38a-528, provided such company is licensed for both life and health insurance in this state. The Insurance Commissioner may adopt regulations, in accordance with chapter 54, to implement the provisions of this section. [Prior to the effective date of such regulations, any such policy, certificate, rider or endorsement may be filed with the commissioner and may be approved at the commissioner's discretion.]

(b) Long-term care benefits provided pursuant to subsection (a) of this section shall not be subject to the requirements of subsection (b) of section 38a-501 or subsection (b) of section 38a-528.

(c) No insurance producer shall sell any such policy, certificate, rider or endorsement unless the producer is licensed to sell both life and health insurance in this state.

(d) A life insurance or annuity policy with long-term care benefits issued pursuant to this section may include a rider that provides long-term care benefits that become payable upon exhaustion of ~~[benefits]~~ a specified amount of the death benefit under the life insurance policy or annuity value of the annuity policy. ~~[The]~~ Any elimination period limitations shall apply only to the acceleration phase of the life insurance or annuity policy to which the rider is attached. Such rider shall not contain an additional elimination period and may calculate the waiver of premium from the time benefits are payable under such rider.

Sec. 3. Section 38a-458a of the general statutes is repealed. *(Effective from passage)*

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	New section
Sec. 2	<i>from passage</i>	38a-458
Sec. 3	<i>from passage</i>	Repealer section

**Statement of Purpose:**

To require certain disclosures to be provided for a universal life insurance policy or similar policy that reserves the right to periodically increase the cost of insurance, and to allow the issuance of annuity policies that provide long-term care benefits.

***[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]***