

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
PA 71-267		6875	4	2	2
<u>Committee Pages:</u> <ul style="list-style-type: none"> <i>Insurance & Real Estate 108</i> <i>Insurance & Real Estate 116-118</i> 				<u>House Pages:</u> <ul style="list-style-type: none"> 2010- 2011 	<u>Senate Pages:</u> <ul style="list-style-type: none"> 1701- 1702

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
1971**

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payable for 50% of the expense incurred while not as an in-patient in a hospital up to \$500 limit in any calendar year. This is a long step forward and has been urged by many groups, especially those in the psychiatric field. It is extremely beneficial and a recognition by the State of Connecticut of the necessity for providing for those mentally ill. I would also like to add that the Insurance Committee is very proud of this bill. This is the first state in the country that has mental illness coverage included in health insurance policies and we urge passage of this bill.

THE SPEAKER:

Further remarks on the bill. If not, all those in favor indicate by saying AYE. Opposed. The bill is PASSED.

THE CLERK:

Cal. 597, Sub. for H.B. 6875, AN ACT CONCERNING STANDARD PROVISIONS OF ACCIDENT AND HEALTH POLICIES. File 530.

THE SPEAKER:

The gentleman from the 85th.

MR. McNELLIS: (85th)

Mr. Speaker, I move acceptance of the Committee's favorable report and passage of the bill.

THE SPEAKER:

Question is on acceptance and passage. Will you remark.

MR. McNELLIS: (85th)

Mr. Speaker, this act modifies the uniform standards

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provisions concerning accident and health insurance policies by changing the incontestable clause that may be used on these policies. This particular bill will make a two-year incontestable clause similar to that used in life insurance policies. It allows the company ample opportunity during the first two years of the contract's life to investigate each applicant and determine whether or not the policy was issued correctly. There have been many abuses in the past concerning this subject and it is felt that the adoption of this act will create, will operate very definitely in the public interest.

THE SPEAKER:

Further remarks on the bill. If not, all those in favor indicate by saying AYE. Opposed. The bill is PASSED.

THE CLERK:

Cal. 612, Sub. for S.B. 399. AN ACT CONCERNING OIL POLLUTION.

THE SPEAKER:

The Chair recognizes the Chairman of the Committee on The Environment, Rep. Ciampi from the 89th.

MR. CIAMPI: (89th)

Mr. Speaker, I move the acceptance of the Joint Committee's favorable report and passage of the bill. I think there is an amendment, Mr. Speaker.

THE SPEAKER:

Question is on acceptance and passage. The Clerk thinks

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SENATOR BURKE:

* This bill place the employees of the municipal housing authority under the Fund B Retirement after July 1, 1972. I move its passage.

THE CHAIR:

The question is passage. Will you remark further? If not all those in favor of passage signify by saying aye. AYE. Opposed nay? The ayes have it. The bill is passed.

THE CLERK:

Page 4, top of the page, Cal. 557, File 530 Favorable report of the joint committee on Insurance and Real Estate Substitute H.B. 6875 An Act Concerning Standard Provisions of Accident and Health Policies.

THE CHAIR:

Senator Dinielli.

SENATOR DINIELLI:

Mr. President, I move for acceptance of the joint committee's favorable report and passage of the bill.

THE CHAIR:

Will you remark?

SENATOR DINIELLI:

This bill, Mr. President, reduces incontestable clause in accident and health policies from 3 years to 2 years. And removes some defense mechanisms. Its a good consumer bill Mr. President.

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THE CHAIR:

The question is on paggage of the bill. Will you remark further? If not all those in favor of passage of the bill signify by saying aye. AYE. Opposed nay. The ayes have it. The bill is passed.

THE CLERK:

Page 5, top of the page first item, Cal. 571, File 571 Favorable report of the joint standing committee on Corrections, Welfare and Humane Institutions on Substitute H.B. 5299. An Act Concerning the Confidentiality of Communications and R^urcords of Mental Patients.

THE CHAIR:

Sⁿator Ciarlone

SENATOR CIARLONE:

Mr. President, Imove acceptance of the joint committee's favoraable report and passage of the bill.

THE CHAIR:

Will you remark?

SENATOR CIARLONE:

Mr. President, this bill enables the Central Collections Division of the Department of Finance and Control to receive confidential information establishing eligibility requirements for those people under title 19, veteran's benefits or Social Security benefits disability benefits. Without establishing their eligibility they would not be able to receive the federal

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Mr. Marigan continued: Insurance Department has interpreted the present statute to allow these filings as long as the statutory filings are also with them and available to shareholders.

Consequently this bill is a technical measure in which we hope to clarify the present format as it is now being followed in the State of Connecticut. And I would respectfully request a favorable report on this measure.

I have one more brief one but I don't have the file with me. I'll be back.

Sen. Dinielli: In the interests of speeding this up are all the people here remaining wishing to be heard on different matters? If that is so I'll go in numerical order then. So that we can- HB-6875 An Act Concerning Standard Provisions of Accident and Health Policies.

Gerard Wholey, Connecticut Insurance Department: The bill is a department bill submitted to change the uniform provisions of accident and health policies. We suggest that accident and health policies be issued on an incontestable basis similar to the life insurance policy. We would be requesting that a policy be incontestable except for nonpayment of premium after it had been in force two years from the date of its issue. At the present time the incontestable clause runs to three years and states that it will become incontestable as to the statements contained in the application. This differs. It still allows a grey area concerning pre-existing conditions of which no information has been developed in the application. In too many instances accident and health policies are issued with little or no care paid to the previous health conditions of the applicant. At the time a claim arises the companies will make an exhaustive search of the past medical information and finding pre-existing conditions will reject the claim. Which in some instances even might be unrelated to the claim, the past medical condition.

The adoption of the uncontestable clause similar to the life insurance will require the companies to make proper underwriting evaluations on receiving an application. And will allow them two years for any investigation concerning the insurability of the applicant. We really believe the bill to be in the public interest.

Now in the efforts of time if you will Senator. On HB-6876 an Act Concerning Insurance Advisory Services we respectfully withdraw our bill on that matter.

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Mr. Nahas continued: interest to charge a flat fee of \$10 per contract regardless of the amount of the contract. We are very much in favor of having the proposed act when it becomes law be regulated by the insurance department. Thank you.

Sen. Dinielli: Mr. Nahas would you then, if you do find it profitable on the large loans, contract loans, would it make sense to set a limit on the amount that would be set, the basic service charge say under \$500 or over or under \$750 or whatever.

Mr. Nahas: Well I would have to work out figures. I couldn't intelligently answer that however it becomes now an administrative problem. You are closing a problem by creating another one. We have to bear in mind what we think, bear in mind Mr. Chairman one thing people that let us say have large premiums, big insurance premiums, they don't come to us. Those people they go directly to the banks and they get it. Now our contracts, the average is a contract of \$250 so when we say the average is \$250 we have our largest portion is our small contracts.

How ever we come to the average is when you get the contract for many cars which is the accident more than the rule. The rule is the small small contract.

Sen. Dinielli: Thank you. Any other questions? O.K. Mr. Nahas. Thank you.

Willard Yeats, Aetna Life and Casualty Company, lawyer:
Mr. Chairman, members of the committee I would speak very briefly to the Department bill which would reduce the incontestable period on accident and health insurance policies. This HB-6875 Mr. Wholey explained it as a bill which would reduce the present incontestable period from 3 years to 2 years. It would accomplish this reduction by importing into the accident and health insurance law provisions found now in the life insurance laws.

I would point out that while we are not opposed to a reduction in the time period and that 2 years is satisfactory, if this committee is inclined to agree. We would not do it by importing provisions designed for life insurance into an accident and health standard provisions law.

What you have in this bill is 2 lines replacing about a page and a half of pretty detailed complex language which has been workked out over the years beginning with

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Mr. Yeats continued: the National Association of Insurance Commissioners and around which a certain body of interpretation has grown up. If it's appropriate to reduce this period from 3 years to 2 years. Let's do it just by substituting 2 for 3 in the present law and not importing very general somewhat vague life insurance provisions into the accident and health law.

I would just submit this statement Mr. Chairman.

I would speak also very briefly on HB-6996. This too is a Department bill and deals with the insurance company's holding company statute here in Connecticut. Once again we do not object to the Department bill which would reduce the present 15% extraordinary dividend provision to 10%. We would suggest however that because this involves very sophisticated and complicated financial transactions and a great deal of financial planning by member companies, by domestic companies in this state, that the bill not take effect on passage as it reads presently but that a deferred effective date, we would suggest January 1st of next year, 1972; To be substituted for the present effective on passage.

We would also point out one additional area in the holding company law where Connecticut is not in conformity with the laws of other states and with the model law of the National Association of Insurance Commissioners. This has to do with the area of exemptions for foreign companies which are subject to substantially similar laws and regulation in their own state. We have no such exemption here in Connecticut at the present time. There is such an exemption in the laws of other states and in the model laws of the National Association of Insurance Commissioners.

I suppose it would be logical for committee members to ask why are we worrying about the foreign companies and whether they have an exemption here in Connecticut. Well it gets down to the fact that if they haven't got an exemption here in Connecticut it somehow works out that there is retaliation by their home state against Connecticut companies this is a very severe potential burden and to some extent is an existing burden and we would respectfully suggest that this aspect of the present Connecticut law be brought up to date with the model law and the laws of other states.

I have a statement on this and also a substitute bill which would accomplish this.

Statement of Willard P. Yeats
Assistant Counsel, Aetna Life & Casualty
to the
Joint Committee on Insurance and Real Estate,
Connecticut General Assembly
on
House Bill 6875. An Act Concerning
Standard Provisions of Accident
and Health Policies
March 3, 1971

As the title of this bill indicates, it is a proposed amendment to what is known as the standard provisions law regarding accident and health policies. The "standard" referred to is the Uniform Individual Accident and Sickness Policy Provisions drawn up by the National Association of Insurance Commissioners (NAIC). The objective of the NAIC in proposing "standard" or model provisions is to encourage uniformity of certain policy provisions and their interpretation.

Subsection (a) (2) of Section 38-167 of the Connecticut General Statutes, which this bill would amend, was taken verbatim from the NAIC standard provisions law. The proposed changes in this section, on the other hand, are not part of any effort to revise the model law and would seem to be peculiar to Connecticut. This approach is disturbing for two reasons. First of all, our Connecticut policies will no longer be able to include the "standard" incontestable language and it will be necessary to create special policies for use in this state. This is an unnecessary inconvenience and expense to the companies which may eventually have to be passed along to the insuring public. Secondly, the "standard" incontestable provisions were tailor-made in considerable detail just for individual accident and health policies. Because of their widespread use, a body of interpretation and meaning has grown up around them. If the proposed changes are made, all of this would be lost in Connecticut. We would be faced with the difficult job of interpreting a very general new provision which would not appear to be drafted with the complexities of individual accident and health insurance in mind.

Some states have already reduced the incontestable period for individual accident and health policies from three years to two as the captioned bill would do. We would not object to a change in the law to accomplish this reduction in the time period without destroying the "standard provisions" language and the body of law and interpretation it has generated. We do object, however, to House Bill 6875 in its present form, for the reasons hereinabove stated, and respectfully urge the joint committee not to favorably report the bill.