

Legislative History for Connecticut Act

SB 377	PA 60	of Fall	1976
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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1976

VOL. 19
PART 3
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House of Representatives

Wednesday, March 31, 1976

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Recreational Vehicles by Paraplegics for Hunting, File No. 257; Calendar No. 352, substitute for H.B. No. 5689, An Act Concerning an Exemption From Licenses Required for Hunting, Trapping and Fishing, File No. 278; on page 2, Calendar No. 355, substitute for H.B. No. 5121, An Act Concerning Public Informational and Educational Experiences Within the Department of Correction File No. 263; Calendar No. 362, H.B. No. 5739, An Act Permitting the Consolidation of Condominiums at Oronoque Village, Stratford, Connecticut, File No. 281; Calendar No. 366, substitute for S.B. No. 522, An Act Concerning Fees for Stolen Licenses in the Town of Colchester, File No. 190; Calendar No. 368, S.B. No. 507, An Act Concerning Records of Cancellations of Professional Liability Insurance Policies, File No. 163; Calendar No. 369, substitute for S.B. No. 377, An Act Concerning Payment of Interest on Life Insurance Death Benefits from Date of Death to Receipt of Money by Beneficiary, File No. 157; Calendar No. 374, S.B. No. 448, An Act Concerning Transfer of Certain Property in the Town of Manchester, File No. 118; Calendar No. 378; S.B. No. 118, An Act Amending the Charter of the Stamford Hospital, File No. 194.

THE DEPUTY SPEAKER:

Question is on adoption of all the bills on today's consent calendar as read by the gentleman from the 5th. All those in favor signify by saying aye. Those that are opposed? The bills are ADOPTED.

THE SPEAKER IN THE CHAIR

THE CLERK:

Page 3 of the Calendar, favorable reports, regular calendar, middle of the page. Calendar No. 263, substitute for H.B. No. 5246, An Act Validating Acts of the Board of Assessors for the Town of New Hartford;

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GEN. ASSEMBLY
SENATE

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legislative body; council is a legislative body.

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SENATOR SCHWARTZ:

I believe the provisions of Section 9-167a do not apply to legislative bodies in general; and if the senator would be willing to pass this temporarily, I'll research that section so that we can get the

SENATOR ROME:

Please.

THE PRESIDENT:

Without objection, Cal. 206 will be passed temporarily.

THE CLERK:

Second item from the bottom, page six, Cal. 212, File 157. Favorable report of the joint standing committee on Insurance and Real Estate, Sub. for S.B. 377, AN ACT CONCERNING PAYMENT OF INTEREST ON LIFE INSURANCE DEATH BENEFITS FROM DATE OF DEATH TO RECEIPT OF MONEY BY BENEFICIARY.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

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

THE PRESIDENT:

Do you care to remark, Senator Flynn?

SENATOR FLYNN:

Yes, Mr. President. By way of explanation, this bill provides that in the event a suit or action of law is brought

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to collect the proceeds under a life insurance policy that interest will be payable from the date of death to that date of judgment. Secondly, it also provides that even where no action has commenced, interest on the principal amount payable under the policy will be due and payable no later than, at a point commencing no later than ten days after the date of death and that that interest will be calculated on the basis of the interest settlement option. It also provides that this bill will in no way apply to policies which are issued or have been issued prior to the effective date of this act, which since the act specifies no effective date, would be October first. This bill was given a public hearing, Mr. President, in its present form and did not receive any objection. I understand that with respect to most of our Connecticut carriers, they already pay interest along the lines set out by this bill anyway. If there is no objection, Mr. President, I move this matter to the Consent Calendar.

THE PRESIDENT:

Hearing no objection, it is so ordered.

THE CLERK:

Bottom of the page six, Cal. 213, File 163. Favorable report of the joint standing committee on Insurance and Real Estate, S.B. 507, AN ACT CONCERNING RECORDS OF CANCELLATIONS OF PROFESSIONAL LIABILITY INSURANCE POLICIES.

THE PRESIDENT:

Senator Flynn.

**JOINT
STANDING
COMMITTEE
HEARINGS**

**ELECTIONS
EXECUTIVE
NOMINATIONS
INSURANCE
AND
REAL ESTATE**

1976

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INSURANCE AND REAL ESTATE

February 25, 1976
10:30 A.M.

COMMISSIONER JACKSON: (CONTD.) It's not a very large amount, but it will bring in some additional tax dollars. 376 FILING OF ANNUAL,

SEN. FLYNN: (Question inaudible, not using mike.)

COMMISSIONER JACKSON: 376, it just makes very clear that we have the right to require other than annual statements from companies, as you're probably aware in view of the underwriting problems we have put every single company on a quarterly basis.

There was a little static, everyone has complied, but we felt that it would be better just to spell it out and make very clear that we do have the power.

SEN. FLYNN: Are there any other questions? You're feeling is that in order to do your job you need this authority?

COMMISSIONER JACKSON: Yes. 377 also is a department Bill, it CONCERNS PAYMENT OF INTEREST ON LIFE INSURANCE DEATH BENEFITS FROM THE DATE OF DEATH TO THE RECEIPT OF THE MONEY BY THE BENEFICIARY.

I would point out that the vast majority of companies that are licenced and operating in Connecticut pay very speedily on death benefits. However, there is no uniformity on when interest will be calculated. What brought this Bill to the front, called it to our attention, was a specific case on a \$100,000 Life Policy where the company contested, they didn't pay for about nine months after death. They kept raising all sorts of objections, finally they just said well we're going to pay, so nine months later they paid them \$100,000 but they paid no interest.

So, what we're asking is that any interest that is called for in the policy, the policy itself, if you have an old policy calling for two per cent interest that's all that would be required be paid.

I would point out that many of our Connecticut companies have voluntarily gone to paying interest from the date of death. I believe the Traveler's is one that voluntarily has taken this approach. I would point out that the vast majority of companies are paying very quickly or that they are paying interest after the specified time such as 30 days.

I feel that this is something which is in the best interest of the consumer and would spell out very graphically that there is an obligation to pay and I don't foresee any major difficulty. The only possible problem might be in a prepaid paid-up policy where the company is not notified of the date of death.

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COMMISSIONER JACKSON: (CONTD.) However, even there I feel that the administrative logistics can be worked out.

SEN. FLYNN: (Beginning testimony not audible) Commissioner, in Section 3, if the policy were paid up or if the premiums were required to be paid, how would the carrier know how to separatewhat amount of their yearly income was charge-able to interest due and payable.....,

COMMISSIONER JACKSON: They wouldn't, this is what I was referring to earlier, however, they have had the money, they've had the use of the money, and conceivably they are earning a far higher rate of interest than would be called for in the policy. It might mean that you would then have to have a backtracking on their records. That would be the only area that I can foresee that would create any administrative difficulty, but the justice of it would be they have had the policy and had the use of it.

REP. PALMIERI: Commissioner, don't you think that sometimes the beneficiary may submit a late claim, just to get that interest?

COMMISSIONER JACKSON: Well, if they're only going,

SEN. FLYNN: (Beginning of Belt 2, testimony is totally inaudible, not using mike.)

COMMISSIONER JACKSON: I would assume that all of it would have, in the event,

SEN. FLYNN: (Testimony inaudible, not using mike.)

COMMISSIONER JACKSON: There would be no interest that would be due, the only, it would be payable under the settlement options.

SEN. FLYNN: (Testimony inaudible, not using mike.)

COMMISSIONER JACKSON: That's right, but I would be very surprised if there were such policies,

REP. WRIGHT: (Testimony inaudible, not using mike.)

COMMISSIONER JACKSON: Do you want me to continue to identify myself? Okay. Commissioner Jackson again.

SENATE BILL, 378 AN ACT CONCERNING GROUP LIFE INSURANCE POLICIES.
This Bill clears up any ambiguity that is presently present between Public Act 75402 and Public Act 75417 that were passed in the last General Assembly Session, and what it does is add Section B which is self explanatory, and points out that the 15 day provision does not apply until after the 39 week provision

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REP. PALMIERI: Are there any questions? Yes?

SEN. FLYNN: What did you indicate want it tied down to?

MR. GOOGINS: You could perhaps put in place of it, where he deems it necessary, the language in effect that he determines that the financial condition or operations of an insurer so warrant. Something that would indicate the purpose is to tie it down to an individualized determination that would require some scrutiny. I'm sure there could be,

SEN. FLYNN: I can see the Senate in front of you and I can the point that you're making that these things may be costly and ultimately the policyholder may have to pay for it, but as I understand his reasoning for wanting this Bill, there may be need for more frequent reports in order to find out whether or not there is any threat to the solvency or he may not know that unless he gets these more than once a year.

MR. GOOGINS: Yes Sir, he may not know that unless he gets these more than once a year, Mr. Googins again, I'm convinced, Sir, that with respect to those companies that they would require it of, the Insurance Department I think is probably very acutely aware of just who it is that they want them from and I would suggest that they probably on an individualized basis know specifically who it is they ought to get these from.

SEN. FLYNN: Thank you very much. Anybody else. On Senate Bill 377, any comments?

MR. GOOGINS: Robert Googins, Vice President General Council and Secretary to Connecticut Mutual appearing for my own company on behalf of the IAC.

I'd like to say with respect to the Bill 377 that the Connecticut companies are certainly in support of the basic principles set forth in this Bill. My company and I believe the majority if not all of the companies currently chartered in Connecticut in fact have for many years made payments of interest voluntarily without compulsion or statute that from the date of death.

I know in a case of Connecticut Mutual Life we've done that for a long period of time and we will continue to do it. I have no difficulties therefore with respect to Section one of the Bill.

I do think however, that with respect to Section two, a provision dealing with settlement is inappropriate here, and Section two should be stricken in it's entirety. The whole concept of a settlement is a situation where one party says he doesn't owe anything and the other party says he owes the whole thing, and for a number of reasons get together and decide that, okay, we will resolve this thing amicably and

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MR. GOOGINS: (CONTD.) set a specific dollar figure and that ultimate settlement figure should settle all of the obligations. Interest certainly shouldn't be a factor there, any of the obligations can be settled at one time.

With respect to Section three, we believe that there should be probably a 30 day grace period. This would involve minor claims whereby, if due proof of death is submitted and payment is made by the insurance company within 30 days from the date of death, that the provision would not be applicable. So, it's only the longer term applications, it's more specifically,

REP. PALMIERI: Section three.

MR. GOOGINS: Section three, yes sir, so it would only be the longer examples such as the one cited by the Commissioner where \$100,000 claim was outstanding for nine months and no interest was paid, but I think you should have a customary 30 day period from which this thing would run.

Also I think Section three should indicate more specifically than just a reference to a date of payment, that the liability for the calculation of interest should cease upon the date that the insurer mails the check or submits it by delivery or delivers it into Court. I think that should be tied down a little more specifically than the date of payment.

Finally with respect to Section four, there is a negative implication there that perhaps in situations where the insurance company in fact pays into Court, money on the interpleader, might still be liable for interest, and, of course a payment into Court on an interpleader should stop interest just like any other payment. The interest provisions on interpleader where interest may be required by those Statutes, involves situations where payment is not made, then of course, if it's not made, then when ultimately payment is made, that should be controlled by Section three.

Finally I think that,

SEN. FLYNN: Could I interrupt you for a second. I didn't completely understand your comment with respect to Section four.

MR. GOOGINS: Okay. I believe it raises a negative implication that there may be circumstances where even though the company had paid money into the Court, hasn't paid it to the beneficiary, but says look there's three or four people fighting over this thing, we ought to recognize our obligations, here is the money.

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MR. GOOGINS: (CONT'D.) Section four simply talks about not being required to pay interest for a period during which an insurer is required under the various state and federal interpleader laws, I'm saying that there are situations where it does not require it and in fact the company has made payment and that negative implication should be cleared up.

SEN. FLYNN: You're saying that they may be bringing the interpleader action in order to get rid of the money.

MR. GOOGINS: Recognize their obligations, pay it into Court, but they just don't know who to pay it to and that type of payment should be worked into "three" as constituting payment which would end the obligation of interest.

There was one question raised earlier that had to do with the rate at which payment would be made, and I believe that a provision such as interest semi-option rate is an appropriate provision, but I would suggest that at least in connection with credit life, where the real beneficiary is the financial institution, but of course indirectly the debtor, there is no settlement option provisions for a credit to life insurance, I do not believe that I can see good reason why perhaps credit life, perhaps should be exempted completely from this.

First of all, the bank and the creditor knows immediately when someone dies that he's not getting a payment, and the payment is made to a financial institution to satisfy a debt and would seem not unwarranted for credit life perhaps to have an exemption.

So, we agree with the concept but we would like to see resolution of these particular problems and I think it would be in the interest of the Connecticut consumers.

REP. PALMIERI: Any questions?

SEN. FLYNN: I have one. At what point, going back to Section four, at what point if any would you say that interest should be paid in that interpleader type of situation?

MR. GOOGINS: I would think sir that interest should be paid up to just as in any other case under Section three, the time the company makes payment, so that you could have that governed by "three". Under "three" would constitute payment to the beneficiary or to the policyholder or payment to the Court, any form of payment. Once the funds have left the insurance company, is not earning anything on them, they shouldn't be required to pay interest after that day. Thank you very much.

REP. PALMIERI: Thank you. On Senate Bill 378 AN ACT CONCERNING GROUP LIFE INSURANCE POLICIES.