PA10-65

SB141

House	3984-3989	6
Insurance	530-546, 551-558, 619-630	37
Senate	1397-1408, 1497-1498	14
		57

H – 1086

CONNECTICUT GENERAL ASSEMBLY HOUSE

PROCEEDINGS 2010

VOL.53
PART 13
3923 – 4245

THE CLERK:

Senate Bill 190 in concurrence with the Senate.

Total number voting	144
Necessary for adoption	73
Those voting Yea	141
Those voting Nay	3
Those absent and not voting	7

DEPUTY SPEAKER O'ROURKE:

The bill is passed.

Mr. Clerk, please call Calendar 428.

THE CLERK:

On page 23, Calendar 4 -- I'm sorry -- page 22, Calendar 428, Substitute for Senate Bill 141, AN ACT REQUIRING DISCLOSURE OF OFFSETS IN GROUP LONG-TERM DISABILITY INSURANCE POLICIES, favorable report of the Committee on Insurance and Real Estate.

DEPUTY SPEAKER O'ROURKE:

The Chair recognizes Representative Fontana.

REP. FONTANA (87th):

Thank you, Madam Speaker -- Mr. Speaker.

Mr. Speaker, I move for acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

DEPUTY SPEAKER O'ROURKE:

Motion is on acceptance and passage in concurrence with the Senate.

Will you remark.

REP. FONTANA (87th):

Yes, Mr. Speaker. Thank you.

Mr. Speaker, this bill requires that group long-term disability policies sold in Connecticut containing an off-set must disclose certain information to their policy holders. The bill also requires that each policy holder provide that information to each individual eligible for long-term disability benefits.

Essentially, Mr. Speaker, this is a disclosure bill. The goal of the bill here is to disclose to people, who purchase or benefit from long-term disability policies, that -- what's known as an off-set provision, which is a provision that reduces the amount benefits available to them if they benefit also from income from other sources, such as social security is disclosed to them and they understand that. So that if they, in fact, want more or different coverage, they can pursue that on their own.

Mr. Speaker, the Clerk has an amendment, LCO 3562, otherwise identified as Senate Amendment

Schedule "A." I ask that he call it and that I receive permission to summarize.

DEPUTY SPEAKER O'ROURKE:

Mr. Clerk, please call LCO 3562, designated Senate Amendment "A."

THE CLERK:

LCO Number 3562, Senate "A" offered by Senator Crisco and Representative Fontana.

DEPUTY SPEAKER O'ROURKE:

The gentleman has been granted leave to summarize.

Please proceed, Representative Fontana.

REP. FONTANA (87th):

Thank you, Mr. Speaker.

After the bill was voted out of the Insurance and Real Estate Committee, we identified a number of technical changes that we need to make to the bill. These changes were worked out with the Insurance Department and members of the industry and have their support. I move for the amendment's adoption.

DEPUTY SPEAKER O'ROURKE:

Motion is on adoption of Senate Amendment "A."

Will you remark? Will you remark on the adoption of Senate Amendment "A?"

If not, I'll try your minds.

All those in favor of Senate "A," signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER O'ROURKE:

Those opposed, nay.

The ayes have it. Senate "A" is adopted.

Will you remark on the bill as amended? Will you remark?

Representative D'Amelio.

REP. D'AMELIO (71st):

Thank you, Mr. Speaker.

Mr. Speaker, I rise in favor of the bill, as amended, that is before us. As my colleague on the Insurance Committee stated, this bill is designed to eliminate any confusion on long-term disability policies. The consumer will now know that if there's any other income that's derived during that period, such as Social Security, there will be an off-set to the policy.

This was brought to the Insurance and Real Estate Committee, I believe, a year ago. There was a lot of confusion on this issue. It's a good consumer bill so

I urge the chamber's adoption. Thank you.

DEPUTY SPEAKER O'ROURKE:

Thank you.

Motion is on passage as amended. Will you remark? Will you remark?

If not staff and guests please come to the well of the House. Members take their seats and the machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber. The House is voting by roll call. Members to the chamber please.

DEPUTY SPEAKER O'ROURKE:

If all members have voted, the machine will be locked. The Clerk will take a tally.

Mr. Clerk, please announce the tally.

THE CLERK:

Senate Bill Number 141 as amended by Senate "A."

Total number voting	146
Necessary for adoption	74
Those voting Yea	146
Those voting Nay	0
Those absent and not voting	5

DEPUTY SPEAKER O'ROURKE:

The bill as amended is passed.

Mr. Clerk, please call Calendar 297.

THE CLERK:

On page 41, Calendar 297, Substitute for House Bill 5407, AN ACT CONCERNING PROBATE FEES, favorable report of the Committee on Finance, Revenue and Bonding.

DEPUTY SPEAKER O'ROURKE:

The Chair recognizes Representative Godfrey.

REP. GODFREY (110th):

Thank you, Mr. Speaker.

I move acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER O'ROURKE:

Motion is on acceptance and passage.

Will you remark?

REP. GODFREY (110th):

Thank you, Mr. Speaker.

This bill does a bunch of little things but it does two rather large and important things and they are -- under current law, when -- when an estate goes to probate, we currently assess our fees not only on in-state but out-of-state property. That was an inadvertent consequence of our paralleling the federal

JOINT
STANDING
COMMITTEE
HEARINGS

INSURANCE AND
REAL ESTATE
PART 2
340 – 672

2010

And thank you very much for the opportunity to testify.

SENATOR CRISCO: Thank you, Matt.

Any questions? Any questions?

Thank you very much.

Proceeding to Bill Number 141. Gerry Flowers.

GERALD FLOWERS: Thank you Senator Crisco, Representative Fontana and the Insurance and Real Estate Committee.

This is a modification of a bill that we saw last year. I'm going to deal with Section 2 first, because, you know, I look at it as what's in the best interest of the client. What's -- what's going to help people out? And having your benefits not off set by Social Security, at face value, looks like a wonderful, wonderful thing. I have to strongly oppose this because at the end of the day, the cost implications and the actual structure is going to cause the products to be redesigned and let a lesser benefit ultimately issued and offered to clients.

There is no other state in the country that has a bill like this. It doesn't mean that there aren't people that need more money when they're disabled. There is. But for 95 percent of the people, there needs to be an incentive to get back to work and if you can make more by staying home it just encourages people working off the books and not going back to work.

Part one of the -- Section 1 of this bill, I cannot support either. I -- I have -- not enough information within the bill to truly know how it's applied. But what my sense is that for employers who are willing to do a little bit more for their employees, they're going to be discouraged to do it and be penalized for doing it.

Thank you so much for having the opportunity to testify in front of you.

SENATOR CRISCO: Thank you, Jerry.

Any questions? Any questions for Jerry?

No, sir.

Representative D'Amelio.

REP. D'AMELIO: Thank you, Mr. Chairman.

Very quickly. Social Security benefits, I mean do we have any jurisdiction or control over that, as the state Legislature, I mean, can we essentially -- isn't it federal?

GERALD FLOWERS: Well, let me -- let me help you how it applies. If a long-term care plan -- disability plan, whether it's individual or group is issued in the state of Connecticut, than the statute that's being looked at is whether or not that plan will allow for an offset for those benefits. Those benefits normally do not start to accrue until at least six months and on an average, probably, are received around one year out.

And so any plan, any time we're dealing with a very large employer that's not domicile in the state of Connecticut, it's -- this bill would have no implication to it. It also has the side effect if you have a choice of what state you have to domicile in, your plan in, you're going to chose to move it out of Connecticut because -- and the negative to that is that the premium tax is going to move out of the state of Connecticut because like -- of the rules in the other 49 states of the country.

Does that answer your question?

REP. D'AMELIO: And we're dealing only with disability plans then?

GERALD FLOWERS: Correct. This is has to do with an offset on disability plans in Section 2 of the bill. Section 1 of the bill gets into retirement plans. And it's just not -- without seeing the regulations that came behind it, I can't tell you what it means. I have lots, and lots, and lots of concerns. But I can't tell you what it means.

REP. D'AMELIO: Thank you.

Thank you, Mr. Chairman.

SENATOR CRISCO: Thank you.

Jerry, could you just identify yourself for the record, please?

GERALD FLOWERS: I'm so sorry.

SENATOR CRISCO: And who you are representing.

GERALD FLOWERS: Yes. I'm Gerald Flowers with NAIFA Connecticut. NAIFA is the National Association Insurance and Financial Advisors. And I've been here many a times before. I apologize for that miss.

SENATOR CRISCO: It's just for the record. It's no problem.

GERALD FLOWERS: Thank you.

SENATOR CRISCO: Any other questions?

Yes, Chairman Fontana.

REP. FONTANA: Thanks, Chairman.

Just -- Gerry, just to clarify something in your testimony. Was is your intent to imply that there are people who would prefer to sit home disabled rather than be working?

GERALD FLOWERS: I -- I have clients that absolutely have opted to stay on benefit and lie about their disability status. You know, if you look at it, the benefits come in tax free if you -- if you paid for the benefits yourself. It's a very real risk for the insurance carriers. I admit that it is not the majority of people. But if you get into a situation where you can be making more than you did when you were working and have it be tax free, or a large chunk of it tax free, there becomes a true -- a very large disincentive to go back to work. And that just doesn't work in the insurance world.

REP. FONTANA: Is that a crime to lie?

GERALD FLOWERS: I -- I -- yes. I mean it would be fraudulent. But -- but -- but there is a tremendous amount of gray area in there.

REP. FONTANA: All right. Okay. Because, unless I'm wrong you just said that you got clients who are committing crimes?

GERALD FLOWERS: Yeah. I do. Absolutely. And I and -- and --

REP. FONTANA: All right.

GERALD FLOWERS: You know, I can go into a case by case but yes, I've had clients that clearly have chosen to do that.

REP. FONTANA: All right. I just wanted to clarify that.

Thank you, Mr. Chairman.

GERALD FLOWERS: I -- I understand the statement.

SENATOR CRISCO: We appreciate your -- your candor.

Any other questions?

Yes, Representative Schofield.

REP. SCHOFIELD: Thank you, Mr. Chairman. I'm sorry I can't find a copy of your testimony. Did you provide --

GERALD FLOWERS: I will give you -- I will give you a copy right here and Josh will you submit it?

REP. SCHOFIELD: And I just want to understand that comment also in terms of what -- who your clients are.

GERALD FLOWERS: Basically I deal with --

REP. SCHOFIELD: I thought you were with an association. So I must have misunderstood.

GERALD FLOWERS: My actual job is as a licensure insurance broker agent -- agent. So I have approximately 100 insurance agents throughout the state, who place business through me.

REP. SCHOFIELD: Uh-huh.

GERALD FLOWERS: And I am in the awkward position of being told things that I shouldn't be told from time to time. The good news is most of it is second hand information. At the end -- at the end of the day almost all cases with disability are gray.

REP. SCHOFIELD: Uh-huh. I'm not questioning the val -- I just wondered how -- how you came to have that information. I'm not -- I knew of someone also myself years ago who was on disability because she was getting I think, in total, about 90 percent of her pay. And in her free time she did African dance. And if you know anything about African dance it's about the most athletic thing you could possibly do. So, I -- I don't dispute that these things happen. I'm well aware of it.

GERALD FLOWERS: And the best comparison I can give this to you is does anybody here know of someone who takes cash. Because you know that's a crime as well. So, any -- any business that takes cash and doesn't report it, it is -- it is a criminal act. And I'm guessing that most people in this room have met somebody that falls into that category. Thank you.

REP. SCHOFIELD: Right. I guess the question in my mind and where this bill came from is a situation where someone didn't understand the the reality of how disability works. And so as an agent then do you have a sense that people understand that when they're buying disability, and the good thing about disability, it's very affordable. It's --

it's one of those insurances people -- it's pretty cheap.

Do they -- do they understand that it's -- that it in essence is kind of like a met a gap policy? It pays when Social Security doesn't pay or it pays the gap of Social Security. But it's not added to just like (inaudible) is not added to, you know, it doesn't pay more than 100 percent of the doctor's bill under Medicare.

GERALD FLOWERS: So let me -- it's a complicated answer because I think if you're dealing with an individual policy that's very clear. If you're dealing with a large corporate plan where you're provided a written document when you join the company, I would guess that less than 1 percent of the people actually go in there read that and --

REP. SCHOFIELD: But they're not paying --

GERALD FLOWERS: -- and have --

REP. SCHOFIELD: -- they might be paying for it.

GERALD FLOWERS: -- and -- and -- and understand what those benefits are. But let's presume that everybody did that, now let's step down the road two, four, ten years later at the time of the claim. And be in the real situation of having this much money coming in and all of a sudden Social Security is going to pay an additional $1,200, I mean, the natural assumption is well I'm going to get that. It's very disappointing to not -- not recognize and realize that.

REP. SCHOFIELD: Right.

GERALD FLOWERS: So, I think that some -- the clarification, if I wanted clarification, would be at time of claim being paid.

REP. SCHOFIELD: So I guess the question then becomes, if -- if a bill like this were to pass, so that in your example the additional $1,200 was not deducted from their disability payment, then their premiums would go up. And what's your sense of what would happen to the percentage of people who have disability insurance at all in that case?

GERALD FLOWERS: For doctors, attorneys, professionals, guys like myself it would have almost no impact. For blue collar, gray collar, 200, 300 percent premium increase and ultimately what would happen is that they just would offer nothing in that -- in the plan design.

So, if you get Social Security and qualify for it, you'll receive that benefit but their just not going to chose to participate in that. The other alternative would to go -- go ahead and offer a plan that does pay some portion of that or all of it. If they chose to do that option, that would have to be a tremendously expensive plan and I can't fathom that many policies would get sold.

REP. SCHOFIELD: Okay. Thank you.

SENATOR CRISCO: Thank you.

Any other questions?

Thank you very much.

Oh, I'm sorry.

Representative Altobello.

REP. ALTOBELLO: Thank you, Mr. Chairman.

Good afternoon, Sir. Section 2 of the bill, would preclude writing a certain, not necessarily a type of policy, but it would -- it would limit what types of policies could be sold in Connecticut. Is that correct?

GERALD FLOWERS: Correct. I mean, what it's really saying is that you can not offset for Social Security. And therefore, it would change the vast majority of all plans currently in the state.

REP. ALTOBELLO: To your knowledge, is the type of policy that is contemplated in this bill available in Connecticut currently?

GERALD FLOWERS: It would --

REP. ALTOBELLO: With no offset.

GERALD FLOWERS: Yes. Yes. Yes, it's available for the -- for the professional occupations, not for the blue or gray collar worker. Probably not for the chiropractors because they're not -- they haven't been had a -- claims experience area. So, I mean, it's not a straight forward answer. But I could tell you occupation by occupation.

REP. ALTOBELLO: Okay. But if -- if this were to pass then, basically it would take a product off the table in Connecticut? And perhaps eject us too especially in a cut me ahead multi multi venues around the country that would subject us to just losing that business out right and having a tax go elsewhere. Right?

GERALD FLOWERS: Correct.

REP. ALTOBELLO: Thank you.

Thank you, Mr. Chairman.

SENATOR CRISCO: Thank you, sir.

Any other questions? Any other questions?

Thank you very much.

Mr. George -- No, I'm sorry. Wait.

Mr. Kehmna.

A VOICE: (Inaudible.)

SENATOR CRISCO: It's getting late.

ROBERT KEHMNA: Pardon me. Thank you, Senator Crisco, Representative Fontana, members of the committee.

My name is Bob Kehmna. I'm from the Insurance Association of Connecticut. I'm here today to speak about Senate Bill 141 and express our serious concerns with the bill. The purpose of it -- long-term disability insurance is to provide replacement income to individ -- eligible individuals who become disabled, equal to some pre-designated percentage of their income, usually 60 percent. In addition, standard provisions provide an offset to be subtracted from that benefit for certain defined sources of additional income, like Social Security. The claimant still receives the same percentage of wage replacement just from multiple sources.

Those policies are priced with the actual assumption of that offset and because of that assumption the prices -- the prices of the product are more affordable. Offset provisions are used throughout the country. In fact, that state's own program for it's employees, it's disability program in statute, provides for the same types of offsets and provides specifically for an offset for Social Security dependent benefits. Years of selling these policies have shown that it's an extremely price sensitive market since it is a voluntary coverage. It is not mandatory.

Section 1 would limit offsets to benefits payable from other sources that result of the disability. We're not really sure what that means. It's vaguely -- could lead you in several different directions. If it's intended to prevent offsets related to retirement benefits, insurers don't offset for 401k plans. We don't offset for retirement benefits that are already received at the time of the disability. They offset for what's known as the defined benefit plan, income -- income replacement. Insurers may also coordinate policy benefits for earnings that the claimant generates while they're on disability. That's a program that encourages them to get back to work, all parties benefit from that program. As written, this bill would apparently prohibit that, and lead to the in congress situation where someone out on disability, working part-time, makes more that his co-workers still at the job, not disabled, working full-time.

Section 2 involves individual policies and the same problems present themselves there as I just talked about with Section 1. But it also takes away the flexibility and the options that are available to the market place right now. And prevents people from being able to save money relative to putting offsets on their product that they, as an individual, choose to buy.

I cite all my testimony as series of -- of statistics that show the reality of today's world. Less than 40 percent of employers provide this type of coverage for their employees. Statistically, three out of four workers are going to be disabled at some point in their life. For the first time, less than half of the employees who do provide LTD, actually pay some or all of it for the employees. And disability claims have skyrocketing at the Social Security Administration, delays and SSDI determinations.

The end result, this bill, will increase costs. It will create the possibility of over insurance. It will create market pressures to reduce benefits payable under plans and all cases that reduce the incentive to buy a product, it's more necessary today than it's ever been. We would -- we would suggest that public policy would be to encourage the purchase of these policies, not discourage them than if it does. I'd be glad to take any questions.

SENATOR CRISCO: Thank -- thank you, Bob.

Any questions for Bob?

Yes, Representative D'Amelio.

Go ahead, Mr. Chairman Fontana.

REP. FONTANA: Thank you, Mr. Chairman.

Thank you, Representative.

Bob, just you and I talked a lot about this issue last year and we -- we spent a good deal of time discussing LTD and I learned a lot more than I ever thought I would ever need to know about LTD and let me just say I appreciate your efforts last year. And I look forward to additional conversations with you on this subject down the road. So, thank you again.

ROBERT KEHMNA: Thank you.

REP. FONTANA: Thank you, Chairman.

SENATOR CRISCO: Thank you, Mr. Chairman.

Representative D'Amelio.

REP. D'AMELIO: Thank you, Mr. Chairman.

I'm trying to grasp this whole thing in my mind.

ROBERT KEHMNA: Sure.

REP. D'AMELIO: And thank God I don't know anyone that's on Social Security because of a disability. How -- how does that whole thing work? I understand when the worker is placed on disability for a long period of time, Social Security will kick in most likely when he's -- if he's not able to return to work.

ROBERT KEHMNA: There are different definitions. In the definitions of a policy likely differ from the federal definition. And to answer an early question that you had. This -- this combination idea does not reduce the federal benefits that you get. You're right.

There's nothing in this insurance contact -- contract to reduce the federal benefits that you get. What it does do is given the consideration of the existence of those federal benefits, it reduces what otherwise would be paid out of the insurance policy. Because of that reduction, the end result is the same. You're still getting the 60 percent, which is the norm, in combination. But because you're paying less out of the policy, the policy costs less. And that makes the policy more affordable for those who choose to purchase it.

Now, as to disability itself, the normal definition for disability is in the first two years, you're disabled from doing your occupation, your current job. After that point, the normal definition is you're disabled from doing any job. So, for the first two years, you're considered disabled in most policies, if you're unable to do the job that you were doing when you got disabled.

REP. D'AMELIO: Okay. When does Social Security kick in for a dependent?

ROBERT KEHMNA: Social Security only kicks in for a dependent if the individual has found to be disabled under the Social Security laws. Now the problem that we have right now is -- as I mentioned earlier the Social Security Administration is being flooded with claims for Social Security Disability Income.

For a variety of reasons, starting with the shear volume of -- of claims, that determination can take literally years. Now, if you don't have a long-term disability policy, while you're waiting for that determination as to whether you are disabled or not under the federal rules, you're out of luck. There's -- there's no -- there's no supplement because you have no policy there. If you have a policy, and you're determined to be disabled under the terms of the policy, which again could be different -- excuse me -- different than the federal definition. In fact, private policies pay more often if you will than social security disability income because the definition usually is tougher to meet than the federal admin -- individual.

If you have that policy, you're getting that benefit, normally 60 percent wage replacement, for the time of your disability. While you're disabled, you will be applying for Social Security disability. Because there are a host of other benefits besides the disability benefit itself to get from getting into that program. You continue to incur credit relative to retirement, Social Security retirement, that kind of thing.

While you're waiting for that determination, you're getting the long-term disability benefits. Once you're found to be eligible for federal disability income benefits, you then they look at the facts of the situation. And if you have dependents as determined by federal law, there would also be an addition to that benefit for dependencies. So, it's your basic DI benefit plus if you have dependents, as they define, additional benefit for them. It is paid -- it is paid as a check normally with two names on it, you, the claimant's name, and your dependent's name.

REP. D'AMELIO: And is that up to age 18 for dependents?

ROBERT KEHMNA: Normally. Normally. There are -- there are a series of very specific rules, but the norm would be up through 18.

REP. D'AMELIO: So the benefit from a disability policy would take into consideration the total amount paid to you from Social Security? Just those payments?

ROBERT KEHMNA: Right. And what this bill does, it's says, when you -- when you do those offsets, you cannot offset for Social Security dependency benefits. So instead of taking that money away, if you will, from otherwise would have -- would have been paid by the policy, you continue to pay it. So now you're stacking two things together, or more than two things together, given the language in Sub 1-A of the bill that apparently prevents other types of disability offsets. And now you're stacking them together and you're getting beyond that 60 percent. And you're getting to the point where to the point that Representative Schofield and others mentioned, you're getting in the aggregate an amount that could approach or even exceed what you were making as a -- as a functioning employee.

REP. D'AMELIO: Does any other state do what this bill is seeking to do?

ROBERT KEHMNA: I know of no state that has a bill, or should say a law on the books akin to this. I know of no state that, today, is considering legislation akin to this.

And to Representative Fontana's earlier point, I've been working for the IAC for a long time. Last year -- last year was the first year that this issue came up. It was an education for me too as to how long-term disability products work. It's -- it's just not an issue anywhere else.

SENATOR CRISCO: Any other questions?

Are you suggesting that you're retiring, Senator?

No. All right.

REP. D'AMELIO: I -- I only --

SENATOR CRISCO: Thank you. No comment.

Proceed to Eric George.

ERIC GEORGE: Senator Crisco, Representative Fontana, members of the Insurance Committee, again my name is Eric George, associate council from CBIA. Quite an act to follow with Mr. Kehmna, so let me now move away from the industry perspective and give you the employers perspective. And really have you come away with two key points, its costs and incentives.

At this point in time, we cannot be raising the cost to do business in the state of Connecticut. Employers simply cannot afford it. And what we should not do is take an area where a benefit is not mandated, it is discretionary, and make it an incentive for employers either to reduce that benefit or to no longer have it afforded to their employees at all.

So I'd ask for you to reject Senate Bill 141. We can't afford it and we should not incentivize employers to drop it.

Brian Quigley.

BRIAN QUIGLEY: Thank you again, Senator Crisco. Brian Quigley, Regional Director for American's Health Insurance Plans, on behalf of our members who sell long-term disability insurance in the state, I would strongly urge the committee to reject Senate Bill 141, concerning disability policy offsets. I won't repeat Bob Kehmna and Eric George's excellent testimony. They stole all my thunder and took all my good points.

But I would say that having written disability income policies as long as 35 years ago, these offset provisions are not gotcha provisions that have recently been put in to policies to try and reduce benefits for people. These are fundamental provisions that have been in disability income policies for over 60 years. As Bob and Eric indicated, they're in there to control the cost of the coverage and also to eliminate what's known as the moral hazard, people having more benefits than they would if they were working.

So in that sense, these are fundamental to the policy. If they are eliminated be it the offsets for retirement and other benefits where the offsets as to dependents, the cost of the coverage will go up. Our members have given us estimates on -- on Section 1, which is the other benefits that are not related to disability of approximately a 5 percent increase in premium, and on the dependent's coverage approximately an increase of 10 percent for a total of 15 percent increase in their coverage in the cost.

The alternative to a disability carrier, if they want to remain in the marketplace where people will actually buy the coverage, is to reduce the benefits, currently their insured usually at about 60 to 70 percent of -- of total income. One way to deal with it would be to insure a much lower level of income, 25 percent or 30 percent so that the benefits that you can no longer offset would get you back to the same point.

So, again, I would strongly urge the committee to -- to not move this bill forward because it -- it will drive up the cost. And just one more point that Eric made and Bob, and that is working mostly in medical expense area, that's the first coverage that an employer feels if I can afford anything, I have to get medical expense coverage and we all know and deal with it every hearing how expensive that is, and how much the cost is going up. Disability income comes somewhere after that, after life insurance or whatever and if you put the cost up roughly 15 percent, a lot of employers are going to choose not to have coverage. And we think that's not a good idea.

SENATOR CRISCO: Thank you, Mr. Quigley.

Are there any questions?

Thank you so much.

We will turn back to the official physician -- list rather and now for the other side of the story, the darling of the Hartford Courant, Senator Prague.

SENATOR PRAGUE: It's always good for a laugh, I'll tell you. Anyhow, Senator Crisco and Representative Fonfara and members of the Insurance Committee, thank you very much for this opportunity to testify in favor of Senate Bill 141. I want to tell you a personal story.

SENATOR CRISCO: Excuse me, Senator, could you just identify yourself, and --

SENATOR PRAGUE: I thought you had done that.

SENATOR CRISCO: No. Just for -- just for the public record and Senator Fonfara is a little, you know -- you know, a little embarrassed, this is Senator -- I mean Representative Fontana.

SENATOR PRAGUE: Okay. Thank you very much.

For the record, I'm Senator Edith Prague of the 19th District. And I'm here to testify on behalf of Senate Bill 141.

Most employees, when they buy disability insurance, short-term or long-term disability insurance, don't know that there is a Social Security disability offset. My son-in-law, a year ago this past July, who worked for Lowe's, went into the hospital for throat surgery and came out the next thing to a vegetable. He had worked for Lowe's and had disability insurance. My daughter, who was barely able to contain her senses, applied for the disability benefits, and also applied for Social Security disability, because it was obvious, as it remains today, that Stephen will never get better. He's currently home on 24-hour care, seven days a week. And when they applied for the disability benefits, they received, I don't know how much a month, they received about three or four payments because his disability was so obvious, that he got Social Security disability granted quickly.

Then to my daughter's dismay -- my daughter and Stephen have a 14 year old son -- then to their dismay whatever he got, 100 percent of what he got in Social Security disability, was the offset off of this long-term care disability and they got nothing from their long-term care disability except the final payment that the disability insurance pays is a $100 a month. I guess until he's 65 or something. But the man will never work again. So all he has is his Social Security disability income because the long-term care disability stopped because of the offset.

His son is getting, I think, I don't know, a few hundred dollars a month from Social Security disability. And he continues to get that. Fortunately, he will get that because Stephen's Social Security disability was enough to completely offset the long-term care disability monthly payment. But if it hadn't been, these companies, these insurance companies, are free to take any payments under Social Security disability to offset their disability payments.

And let me tell you, p.s. that the Department had a bill in last year, and as far and in the Department's bill, was a section that said and get this, that the insurance companies, that sell these disability -- disability benefits policies could no longer take our pension benefits to offset what they pay on a monthly basis for disability. Even the Department is beginning to recognize that there should be a control on what these insurance companies are allowed to take as offset off of the benefits that employees think they're going to get for their families if they become disabled.

I think that this committee once you have a handle on what these insurance companies can take off as offsets, I feel certain that you will feel as I do. That it is completely unjust and the next thing to immoral to take away from a disabled employee the other benefits as offsets that that employee wanted to use to provide for his family.

I strongly urge this committee to pass this bill. There's one thing I don't understand in the bill. I don't understand the section that says that something about the rate guarantee on lines 31-33. It says this shall not apply to any such policy enforced on January 1, 2011 that is subject to a rate guarantee until the date such rate guarantee terminates. Could that be a matter of years? And if so, I would ask this committee to delete that section. I think this is outrageous. And I'd be glad to try an answer any questions committee members might have. And I would further testimony of the previous speaker saying that the cost of these policies would go up. Well, I guess if you're paying for next to nothing now that maybe a slight increase in the premium would be worth it because what you get now is nothing.

SENATOR CRISCO: Thank you Senator. I hope you're not angry with us.

SENATOR PRAGUE: I'm not --

SENATOR CRISCO: But --

SENATOR PRAGUE: -- angry with this committee. This is a wonderful committee. I am extremely angry at the industry, because they are only concerned with their bottom line.

SENATOR CRISCO: Thank you.

Chairman Fontana.

REP. FONTANA: Thank you, Senator.

Thank you, Senator Prague, for testifying and sharing with us the particulars that brought you to work on this issue. I just have a couple of questions about your son-in-law's specific situation.

Was it a group policy? Or an individual policy he had while he was at Lowe's? Do you know by any chance? Was it something -- was it something the employer provided to him or something he had to get himself?

SENATOR PRAGUE: No. I think it was provided by the employer. People paid for it out of the salaries.

REP. FONTANA: Right.

SENATOR PRAGUE: And it was provided by the employer.

REP. FONTANA: Okay. And did the policy provide for a certain percentage of his income? In other words, he got 50 percent, or 60 percent or 100 percent. Do you know off hand what the policy provided by any chance?

SENATOR PRAGUE: I think it was a percentage of his income.

REP. FONTANA: Yes.

SENATOR PRAGUE: I think that's what the company offered. I don't know how much --

REP. FONTANA: Okay.

SENATOR PRAGUE: -- of his income was covered. But I think it was a percentage.

REP. FONTANA: Okay. Thank you.

Thank you, Mr. Chairman.

SENATOR CRISCO: Representative O'Connor.

REP. O'CONNOR: Thank you, Mr. Chairman.

And thank you, Senator Prague. How would you feel if there were I guess greater transparency, that there would be an active check off that the -- that there will be a offset, social security offset, if the insurance agent or the company directly stated just -- just to let you know that this will occur. How would you feel about that as a proposal?

SENATOR PRAGUE: You know, Representative O'Connor, sometimes those things are written in the fine print in the policy and most people don't read the complete policy, and don't know that this is going to happen. For me, I can't tell you whether it was in the policy or not. It may it may very well have been. But, most people when they buy a policy like that just assume that they'd become disabled. They will get a certain if they bought 50 percent of his salary, that he would get the 50 percent of his salary to protect his family. I think what I would like better is to give an employee the opportunity to buy a policy with an offset or without an offset.

And then the employee could make an intelligent decision as to what would fit their needs and he would know the difference in the premium costs. And then decide for himself what kind of coverage he wanted to buy. But I think it is imperative that the industry make it very conspicuous in a policy that this policy will have a social security offset or will not have a social security offset if the employee has the opportunity to buy one like that. So the employee's know what they're getting.

REP. O'CONNOR: Thank you. Thank you, Mr. Chairman.

SENATOR CRISCO: Thank you, Representative O'Connor.

Are there any other questions?

Senator Prague, we thank you for --

SENATOR PRAGUE: Senator, what does that mean that if you could answer that for me on lines 31 to 33. How long does a rate guarantee last?

SENATOR CRISCO: Well if you give us a few minutes to check with our counsel, maybe we can get an answer. If not, we'll get right --

SENATOR PRAGUE: That's okay.

SENATOR CRISCO: -- no, just take.

There's no definitive answer to that, Senator. It depends upon the contract that one is enrolled in. So, we will continue to look at that and -- and talk to you. But, we thank you for all the good work you do. And to repeat your good nature and I -- if I silence (inaudible) -- or you know, we may not be able to give you your (inaudible). No, I'm only

141
Jerry Flowers
PAGE 9
LINE 1

SB141

• The fundamental purpose of private group long-term disability (LTD) and individual disability income (IDI) coverage is to supplement other sources of disability income, so that workers – taking into account all sources of disability income - will receive reasonable and appropriate income replacement at the most affordable level of cost.

1) Will double or triple the premium for Blue and Grey collar workers for Disability Insurance.
2) Limits products for client to choose from including shortening length of Benefits to 2 years in some cases.
3) This bill will cause policy to be written in surrounding states when legal and the state will lose the premium taxes.
4) Individuals that decide not to purchase coverage because of the increased cost will then depend on state and federal aid.
5) Connecticut would be the only state in the country with this type of law.

• Because the Social Security Disability Insurance (SSDI) program is an important source of disability income protection, both LTD and IDI insurance policies are designed and priced with the acknowledgement and understanding that the vast majority of working Americans are covered under this program. Therefore, it is standard practice under employer-sponsored group LTD policies to include a provision that reduces the amount of private disability income benefits by the amount of Social Security Disability Insurance (SSDI) benefits. Group LTD policies also include offset provisions for disability income benefits from other programs.

• Under IDI coverage, reduction for the receipt of SSDI benefits and disability income from other programs is also common. The specific provisions for coordination of private disability income benefits and benefits from SSDI and other programs are typically addressed by a rider to a policy.

• But, it is also important to note that private disability insurance provides often crucial income protection for workers: 1) whose work histories do not yet entitle them to SSDI or other public program coverage, 2) who are disabled under a private disability income policy, but not determined eligible for SSDI or other public program benefits, and 3) who may ultimately prove eligible for SSDI benefits, but must wait a very long time – perhaps years – for an SSDI benefit determination.

• It should also be noted that public program benefit offsets are also included in standard provisions in state and federal employee provided disability plans. In fact, Connecticut's own state retirement plan has a disability program that offsets any receipt of SSDI benefits by a participant in the plan. This demonstrates that SSDI benefit offsets are a product of sound plan design and cost considerations - and not a practice unique to private disability insurance.

• Coordination of private and public disability income benefits is appropriate and generally necessary to ensure that an individual who is receiving disability income benefits from more than a single source does not have disability income that approaches or exceeds pre-disability income. The overpayment of disability income that approaches or exceeds pre-disability income can create situations under which an individual is better off financially during a work disability than while working. That is, overpayment of disability income benefits creates distorted financial incentives inconsistent with affordable coverage, fairness, and appropriate disability claim management. For example, overpayment of disability income benefits can become an obstacle to the re-employment of an individual otherwise able to return to the workforce.

• Private disability insurers typically set long-term disability income benefits at 60% or 66% of pre-disability income. Long industry experience shows that this income replacement range balances the need for sufficient disability income with avoidance of moral hazard. (This replacement income range also factors in the reduction in household expense from foregoing many expenses required for work and income generation.) Allowing individuals to collect both full private disability income benefits and public program disability benefits would very frequently result in disability income levels too high in relation to pre-disability income.

• Prohibiting benefit offsets would raise the cost of private disability income insurance significantly. A report published by the highly regarded actuarial firm, Milliman, Inc., in 2005 estimated that SSDI benefit offset provisions reduce the cost of private disability income insurance by 40% to 45%. Put otherwise, the impact on price of removing a Social Security offset could range from 67-82%, all else being equal. If insurers refuse to provide this disability coverage because of the elimination of public program benefit offsets - or the price of available coverage is so prohibitive that employers and employees refuse to purchase it - this very important disability income protection would be lost to many thousands of Connecticut citizens.

• The alternatives to large premium increases – reducing benefits and/or the benefit period while holding premium constant - could reduce the typical long term disability benefit to perhaps 25% -30% of pre-disability income. For lower and middle income workers who are fortunate enough to qualify for Social Security disability benefits, such an impact might only be dramatic during the approximately six months at the beginning of a disability for which Social Security or other public program disability benefits are not paid, and for the average of 9-11 months thereafter that it takes Social Security to make a favorable benefit decision. But for any Connecticut citizen not covered by public programs such as the Social Security, and for ill or injured workers who do not qualify for public program disability benefits, the impact could be financially devastating.

• Whether the result is much higher disability insurance premiums or significantly reduced disability income benefits, enactment of legislation to prohibit disability benefit offsets under private disability income insurance policies would destroy a significant portion of the disability income safety net currently available to Connecticut citizens.

Gerald Flowers
NAIFA Connecticut
State Board Member

141
Robert Kehmna
PAGE 10
LINE 16

Insurance Association of Connecticut

Insurance and Real Estate Committee

February 18, 2010

SB 141, An Act Concerning Disability Policy Offsets And Dependent Children

The Insurance Association of Connecticut wishes to register its serious concerns with SB 141, An Act Concerning Disability Policy Offsets And Dependent Children, which would prohibit group and individual long-term disability (LTD) insurance policies from having certain offset provisions.

The purpose of LTD insurance is to provide replacement income to eligible individuals who become disabled, equal to some pre-designated percentage of their pre-disability income. In addition, standard provisions establish an offset, to be subtracted from the policy benefit, for certain defined sources of additional income, such as Social Security benefits. The claimant still receives the same percentage of their pre-disability income, but in the aggregate from multiple sources.

Offset provisions are approved across the nation by state regulators. LTD policies are priced with the actuarial assumption that a portion of eligible claimants will have benefits offset by other income. That assumption allows LTD policies to be more affordable. Any statutory restrictions or prohibitions regarding the use of offsets will cause a corresponding increase in the cost of the policy.

Offset provisions are accepted as a product of sound policy design and cost considerations. Both the federal Social Security Disability Income program and Connecticut's statutory disability program for state employees (C.G.S. 5-169 and 5-192p) contain offset provisions which reduce program benefits due to benefits received from other sources. In fact, the state program specifically allows a reduction for "any federal disability Social Security benefits," including dependency benefits (SB 141 would prohibit such dependency benefit offsets in LTD policies).

Group LTD insurance is usually provided through employers, who may pay up to 100% of the premium. Years of selling LTD policies has shown insurers that it is an extremely price-sensitive market, since LTD insurance is a voluntary coverage. The typical plan design for an LTD policy provides for a benefit of 60% of the insured's pre-disability income. Part of the reason for designing LTD plans with a maximum benefit amount is to encourage a return to work when the claimant's health condition permits.

Section 1(a) would limit offsets in group LTD policies to "benefits payable from other sources as a result of the disability." The vagueness and breadth of that language leaves it unclear as to its effect.

Is section 1(a) intended to prohibit offsets for retirement benefits? For example, offsets are made for benefits from defined benefit plans, as funded by the employer. The disabled claimant would not have made the retirement claim if not for the disability. However, insurers do not offset for benefits from 401k plans that the employee funds, nor do they offset for retirement benefits that the claimant was already receiving prior to the disability.

Insurers use offsets in group LTD policies in order to control costs and to ensure that the claimant's post-disability income does not approach or exceed his or her pre-disability earnings. It would be counterproductive for an employer to voluntarily establish an LTD program for its employees that would in effect create a financial incentive for them to remain on disability longer than necessary.

Insurers may also coordinate policy benefits with earnings the claimant generates while out on disability. Policies are structured to encourage the claimant to return to work on a part-time basis while disabled, and may provide that policy benefits plus part-time earnings may total up to 100% of the claimant's pre-disability earnings, usually for the first year of disability. After that period, policy benefits may be further reduced by a portion of the outside income.

If section 1(a) is interpreted to prohibit such a coordination, part-time employees on disability could be making more in the aggregate than their fellow full-time employees (non-disabled) working the same job.

As written, the last new sentence in subsection (a) would prohibit changes in LTD offsets to reflect increases in other disability benefits occurring on or after the claim commences, which is problematic. For example, this provision ignores the fact that the Social Security Administration usually provides a claimant with a rough estimate of his or her Social Security Disability Income benefits, once determined to be eligible. Inevitably that estimate must be corrected to accurately reflect the SSDI benefits actually available to that person, once all wage data has been collected and updated by the Social Security Administration. SB 141 would prevent such a correction, leaving the insurer with incorrect information on which to base its coordination of benefits.

IAC would also question why C.G.S. 38a-519(a) should be amended in section 1 to apply to a group health insurance policy "or plan". "Plan" has no apparent relationship to policies providing disability income protection coverage.

In section 2, individual LTD policies would be subject to the same offset prohibitions as in section 1. Individual LTD policies are bought by individuals and usually tailored to their particular needs. Reimbursement may be set at a percentage of income or at a flat dollar amount that is set with the individual's income in mind. The applicant usually has the option, by rider, to choose whether the policy contains offsets or not. By choosing an offset product, the applicant can save appreciable dollars on premium requirements. By prohibiting some offsets, SB 141 would take away that flexibility for consumers, remove or limit choice and increase premiums, creating disincentives to buy the product.

Individual LTD policies can also be sold on a "group platform". An employer may arrange for its employees, usually lower wage earners, to have the option of purchasing individual policies whose terms have been pre-set according to the employer's design, including offsets. The policy would be less expensive for the employee than if he or she tried to buy a policy as an individual, due to the economies of scale. In such an arrangement, the employee also benefits from the fact that he or she can take the policy when leaving that particular job, and can continue to pay the lower rates.

SB 141 will create a disincentive for employers to set up such an option, as statutory restrictions on offsets would create the possibility of overinsurance, creating financial disincentives for employees to return to work. Premium costs of the products will go up due to the absence of offsets, creating less reason for employees to buy the product, resulting in less protection for their families in the event of disabilities.

IAC would ask the Insurance Committee to consider the public policy implications of SB 141.

- Less than 40% of employees across the country have private LTD coverage (group and individual).

- Statistically, three out of every ten workers will, before they retire, face a disabling condition that prevents them from working.
- In 2009, for the first time less than half the employers who provided LTD policies paid for or shared in the cost of the policy premiums.
- Disability claims are pouring into the Social Security Administration (3.3million claims expected this year, up over 25% from two years ago). This has led to much larger case backlogs, resulting in longer delays for eligibility determinations.
- LTD policies cover claims that SSDI does not. One insurer reports that almost 60% of its claimants receiving disability benefits under their policies were not awarded SSDI benefits.

By eliminating or restricting LTD offsets, SB 141 would (1) increase the cost of LTD policies, giving employers and/or individuals less incentive to purchase the coverage; (2) give employers less of a reason to offer LTD benefits, given the greater likelihood of overinsurance and the corresponding disincentive for their disabled employees to return to work when able; (3) create market pressures which could result in the reduction of benefits payable under the policy (say, from 60% wage replacement to 50% wage replacement), in order to negate the cost impacts of SB 141 and reduce the likelihood of overinsurance. Such a product would likely be less attractive to employers/individuals, giving them another reason not to buy.

The net effect of SB 141 could be more disabled persons having to exist on no LTD benefits, or on reduced benefits, as they wait many months for Social Security

Administration decisions, and the relatively modest replacement rates of SSDI if found to be eligible.

IAC would respectfully suggest that SB 141 would have a detrimental impact on the long term disability insurance marketplace and on the very consumers the bill is intending to help. We know of no other state that has passed or is even considering legislation similar to SB 141. IAC opposes SB 141.

141
Eric George

PAGE 11
LINE 13

CBIA

Connecticut Business & Industry Association

TESTIMONY
BEFORE THE
INSURANCE AND REAL ESTATE COMMITTEE
LEGISLATIVE OFFICE BUILDING
FEBRUARY 18, 2010

My name is Eric George and I am Associate Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

CBIA opposes SB 141, **AN ACT CONCERNING DISABILITY POLICY OFFSETS AND DEPENDENT CHILDREN.** This bill will increase employers' long term disability (LTD) costs by not allowing LTD payments to be offset by dependency benefits under Social Security Disability Income (SSDI). The legislature shouldn't be approving any bills that increase the cost of doing business, even in the best of times. And during this time of economic crisis and financial uncertainty, the General Assembly must refrain from making it harder and more expensive for companies to conduct their business operations.

Generally, employees receive approximately 60% of their wages that they were earning prior to their disability. Currently, these disability payments are offset by other sources of income, including SSDI. The employee out on disability continues to receive the 60% of their wages, but now they are getting it from multiple sources. This allows disability insurance providers to price their products lower and save Connecticut employers money.

In addition to increasing employers' cost of doing business, prohibiting disability offsets actually will create a disincentive for workers to return to work, because they could be earning closer to 100% of their wages while being out on disability.

Again, please reject SB 141 thank you for the opportunity to offer CBIA's comments on this legislation. I look forward to working with you on this and others.

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

141 FTR

Testimony of the Connecticut Insurance Department

Before

The Insurance and Real Estate Committee

February 18, 2010

SB No. 141- An Act Concerning Disability Policy Offsets and Dependent Children

The Insurance Department would like to offer one technical comment on this bill.

Line 3 of the bill refers to a group health insurance policy or plan (emphasis added). The Insurance Department is unclear about the intent of the word "plan." If the intent is to sweep in self-insured disability plans, this is not permitted under federal law. Specifically, the Employee Retirement Income Security Act (ERISA) prohibits this type of state insurance regulation of self-insured private (non-governmental) employer plans.

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ACLI
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Kate Kleman
Senior Counsel, State Relations

Testimony of the American Council of Life Insurers
Before the Insurance and Real Estate Committee
Thursday, February 18, 2010

Senate Bill 141 - An Act Concerning Disability Policy Offsets and Dependent Children

Senator Crisco, Representative Fontana, and members of the Insurance and Real Estate Committee, we appreciate the opportunity to offer the following comments in opposition to Senate Bill 141 - An Act Concerning Disability Policy Offsets and Dependent Children.

The American Council of Life Insurers (ACLI) opposes the passage of Senate Bill 141. If passed, SB 141 would prohibit insurers offering disability income policies from offsetting for Social Security Disability Insurance (SSDI) benefits paid to or on behalf of dependents. Moreover, the proposed legislation would restrict other allowable offsets so that insurers could only offset for benefits payable as a result of a person's disability.

Though our testimony focuses on the prohibition of offsetting of SSDI benefits paid to or on behalf of dependents; those same arguments apply for all offset restrictions included in this legislation.

Passage of the bill may result in an increase in the cost of providing disability coverage for groups and individuals in Connecticut. This means that employers and consumers may be unable to afford to purchase or to retain their disability coverage. While the bill seeks to maximize disability benefits for the support of dependent children of disabled Connecticut workers, it was written without an adequate understanding of the function of disability income insurance, and will actually have an effect opposite to what the sponsor intended.

There are several types of disability income insurance, including Social Security Disability Insurance and private group and individual disability insurance. Private disability income insurance is designed to replace a percentage of pre-disability earnings. This replacement income – *including what is received from other sources* – is equal to some pre-designated percentage of a claimant's pre-disability income, generally approximately 60 percent of pre-disability income. Thus, long-term group disability and individual disability policies are typically structured so that a claimant who satisfies the contractual criteria for disability would receive a benefit paying a percentage of their pre-disability earnings, less an offset for certain defined sources of other income. In addition, since the idea is to replace income used by the insured to support his or her dependent children, it makes sense to adjust the private disability benefits to reflect Social Security disability benefits received by or on behalf of the insured's dependent children when those benefits hinge on the insured's disability.

American Council of Life Insurers
101 Constitution Avenue, NW, Washington, DC 20001-2133
(202) 624-2463 t (866) 953-4114 f katekleman@acli.com
www.acli.com

If SB 141 were to pass, a person's aggregate income, including benefits paid to or on behalf of dependent children based on the insured's disability, could approach or even exceed his or her pre-disability earnings resulting in an over-insurance situation. As you might expect, when over-insurance exists, more individuals tend go out on disability and they stay out on claim longer than they otherwise would. Over-insurance could discourage claimants, once out on claim, from returning to work. As a result of SB 141, insurers would likely be forced to account for this either in pricing or in the plan design.

For private and public employers who provide their employees group disability insurance, this bill could well mean increased costs at a time that they can ill afford it. Municipalities and public school systems with current group disability policies would likely have to reassess how to fund these mandated changes. Connecticut employers may not have the opportunity to purchase lower cost coverage thus putting them at a competitive disadvantage over companies in all other states allowing offsets.

As to the individual disability insurance market, this bill could eliminate the full range of choices that Connecticut consumers are currently afforded when purchasing disability products to meet their financial security needs.

The bottom line is that the dependent offset bill could increase rates for all purchasers of disability income coverage, not just workers with dependent children. In addition to possible adverse consequences for Connecticut consumers, the bill could lead to reduced access to coverage and leave many without private disability insurance, which means that more Connecticut residents would be dependent on public assistance programs. Currently, less than 40% of the U.S labor force has private group or individual disability income protection. Passage of this bill could result in more uninsured workers. With the market already underinsured and under-protected, it must be questioned whether this bill reflects sound public policy.

A combination of public and private disability income coverage can provide critical financial support in a time of need. In order for the greatest number of people to be covered, the benefits must remain affordable. Offsets allow private disability and public programs to work in conjunction to provide the highest amount of benefits while avoiding situations of duplication or over-insurance to occur. ACLI opposes legislation which may increase the cost of disability programs for employers and employees; making coverage less available to those who need income protection options the most.

The American Council of Life Insurers represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90percent of the assets and premiums of the U.S life insurance and annuity industry. There are 241 ACLI member companies licensed to do business in Connecticut, accounting for 90 percent of the ordinary life insurance in force in the state. ACLI member companies are major participants in the disability income insurance market in Connecticut.

Thank you for considering our position in opposition to SB 141 - An Act Concerning Disability Policy Offsets and Dependent Children. Please contact Kate Kiernan at 202-624-2463 with questions.

S – 602

CONNECTICUT
GENERAL ASSEMBLY
SENATE

PROCEEDINGS
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Senator Looney are you -- you're on board, there you go.

SENATOR LOONEY:

Yes, Mr. President.

Mr. President, thank you. If the -- if the Clerk would call from calendar page -- calendar page three, Calendar 53, Senate Bill 141.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calendar page three, Calendar Number 53, File Number 28, Substitute for Senate Bill 141, AN ACT REQUIRING DISCLOSURE OF OFFSETS IN GROUP LONG-TERM DISABILITY INSURANCE POLICIES, favorable report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

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

THE CHAIR:

Acting on approval and passage, sir, would you like to remark further?

SENATOR CRISCO:

Yes, Mr. President.

The Clerk has an amendment, LCO -- one minute please -- 3562. I ask that it be called and I be given permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO 3562, which will be designated Senate Amendment Schedule "A," is offered by Senator Crisco of the 17th district.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Mr. President, I move for adoption.

THE CHAIR:

Please proceed, sir.

SENATOR CRISCO:

Yes, Mr. President.

Mr. President and members of the circle this is basically a technical amendment. It will make several technical and clarifying changes to the bill. In Subsection A, the amendment clarifies that group disability insurance policies cannot -- cannot reduce policy benefits for cost of living increases and other benefits that occur after the claims commences.

In Subsection B, the amendment requires the insurer to provide disclosure information to the policyholder in a separate document with all types of protections and in Subsections B and C are amended to clarify that the disclosure provisions apply to eligible individuals in order to account for the fact that group disability insurance policies may also be sold to nonemployment based groups such as associations.

THE CHAIR:

Thank you, sir.

Will you remark further on Senate Amendment "A?" Will you remark further on Senate Amendment "A?"

If not, I will try your minds.

All those in favor, please signify by saying Aye.

SENATORS:

Aye.

THE CHAIR:

Opposed no.

The Ayes have it. The amendment is adopted.

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Mr. President, the bill as amended really provides transparency in regards to a very important insurance product, the group long term disability insurance. It just requires that information be given to the policyholders that an offset is the policy provision that reduces the amount of benefits available under the policy if benefits are also available from other sources such as Social Security and the bill requires each policyholder to provide the -- the disclosed information to each employee eligible for long-term benefits.

It is a provision -- a bill that needs to be communicated to policyholders that there are these offset provisions and it also is very important to the integrity of the concept.

And with that, I would like to yield to

Senator Prague.

THE CHAIR:

Senator Prague do you accept the yield, ma'am?

SENATOR PRAGUE:

Mr. President, I do.

THE CHAIR:

Please proceed, ma'am.

SENATOR PRAGUE:

And through you, to Senator Crisco, I want to thank him for raising this bill. The purpose of this bill is to let people know what will happen to them under their disability policy with a Social Security offset that, if you become disabled and collect Social Security Disability and I can tell you I know this from an -- an incident in my family, you become disabled under Social Security, that total amount of your Social Security disability is deducted off of your disability benefit insurance coverage.

And besides that, not only what you get in Social Security disability but what your kids get, what your dependants get, and besides that, Mr. President, in addition if that isn't enough to reduce all of the benefits that the insurance company is paying you under your disability policy, they take your pension.

I think it is outrageous that that happens to people. They need to know what they're getting in a disability policy before they buy it. Sometimes employers give the disability coverage as a benefit. Sometimes the employees have to pay for it. Usually what happens is you insure a percentage of your salary because if you become disabled you want your family to have some kind of protection.

But if the disability is bad enough so that Social Security recognizes it and you are granted Social Security disability, you don't wind up with very much, if anything, under these disability policies. There are 13,000 state employees that have disability insurance. It's just very important for people to know what the benefits truly are so that they can make preparation for their family.

This disability benefit -- insurance company will take all the benefits that you get to offset what they pay you. Senator Crisco's bill is extremely important because it has a separate fact sheet that comes with the policy that tells you at least that the Social Security is an offset. It doesn't tell you -- and it says "and other sources of income". Well "and other sources of income" means what your dependants get and what your pension is.

So having said that, I think this is important for people to know and, again, thank you, Senator Crisco.

THE CHAIR:

Thank you, ma'am.

Will you remark further?

Senator Caligiuri on Senate Amendment "A."

On A -- Senate Amendment -- I'm sorry on Senate Bill 141 -- I'm sorry.

Senator Caligiuri, you're right.

SENATOR CALIGIURI:

Thank you very much, Mr. President.

Just very briefly on the underlying bill as amended, it's a pleasure for me to be supporting it today. As is often the case we've been able to take an issue and work ourselves through to the point where we are putting forth before the circle today legislation that will ultimately provide additional information to consumers. It's information that the insurance buying public I think will be very helped to have access to and -- and I think it's a good bill. It was a pleasure to support it in committee and I look forward to doing it again for these reasons on the floor of the Senate today.

Thank you, sir.

THE CHAIR:

Thank you, sir.

Will you remark further on Senate Bill 141 as amended by "A?"

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

And very quickly I too rise to support this. No family should have to go through what Senator Prague's family went through last year. And when somebody has incurred a disability and is dealing with that and thinks that there's a certain amount of financial resources and they don't exist. It's very troubling. So I think this is a wonderful thing to make sure that everybody that buys a policy knows very clearly what they're covered for and what offsets might exist.

THE CHAIR:

Thank you, ma'am.

Will you remark further?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Mr. President.

Just briefly, I was going to say almost exactly what Senator Daily said so I'll try to be very short but we should always be mindful that when people are purchasing insurance policies that they know everything that they're supposed to get and what they may not get. I do think there is a need for offsets in the long-term disability market and getting rid of them would probably eliminate that market so I think this bill strikes an extremely important balance which allows the industry and the free market to sell these policies but guarantees that people, before they buy them, know what they're buying and know that it will set their family up financially and if not they may look at other options.

But in years past we've disagreed, Senator Prague, on amendments to get rid of the offset but understanding the situation that's happened to you but to many others I'm sure as well, the idea that we would guarantee that everyone purchasing one of these policies is going to know exactly what's going happen, what might happen with offsets in their pensions is important public policy so I stand in full support of this bill as amended.

Thank you.

THE CHAIR:

Thank you, Senator McKinney.

Will you remark further on Senate Bill 141 as amended by "A?"

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Yes, Mr. President, I want to commend all those people who worked on -- on this very difficult issue and in particular Senator Prague for putting what's best for the people of Connecticut ahead of what may be personally benefit for her own family situation. As Senator McKinney did mention, it's one of those balancing acts where if policies are changed the costs may rise so highly that people may not be able to afford it and we create a -- a worse problem by not having enough people covered.

Stated this, we -- we state this fact based on the information that is given to us by the industry and accepting their integrity for giving us this information that's why we are trying to come to a balanced approach in making sure that we not only give information but also there is a -- a provision where if an employee does want -- who wants to -- who does not want the offset, they may contact an insurance agent or a company for an individual policy. You know that is the extreme but at least they have that option.

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on Senate Bill 141 as amended with Senate "A?"

Senator Crisco.

SENATOR CRISCO:

Mr. President, if there's no objection, I asked it to be placed on the consent calendar.

THE CHAIR:

There is a motion on the floor to place the item on the consent calendar.

Seeing no objection, so ordered.

Senator Looney.

SENATOR LOONEY:

Yes, Mr. President, thank you.

If the Clerk may now proceed along the -- the list of items previously marked go in regular order.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calendar page three, Calendar Number 61, File Number 43, Senate Bill Number 131, AN ACT CONCERNING RETAINAGE, favorable report of the Committee on General Law.

THE CHAIR:

Senator Colapietro.

SENATOR COLAPIETRO:

Thank you, Mr. President.

I move the Joint Committee's favorable report and passage of the bill.

THE CHAIR:

Acting on approval and passage, sir, would you like to remark further?

has been ordered in the Senate on the consent calendar. Will all Senators please return to the Chamber.

Mr. President, the items placed Consent Calendar Number 1 begin on calendar page 1, Calendar 435, House Joint Resolution Number 102; calendar page 2, Calendar 436, House Joint Resolution Number 103; Calendar 437, House Joint Resolution Number 104; Calendar 438, House Joint Resolution Number 105; calendar page 3, Calendar Number 53, Substitute for Senate Bill 141; Calendar 61, Senate Bill 131; Calendar Number 69, Senate Bill 62; calendar page 5, Calendar 139, Substitute for Senate Bill 173; Calendar 151, Substitute for Senate Bill 149; calendar page 8, Calendar 221, Senate Bill 156; calendar page 11, Calendar 332, Substitute for Senate Bill 153, calendar page 12, Calendar 339, Senate Bill 443; calendar page 26, Calendar Number 54, Senate Bill 190; calendar page 29, Calendar 129, Substitute for Senate Bill 50 and calendar page 32, Calendar Number 191, Substitute for Senate Bill 407.

Mr. President, that completes those items placed on the first consent calendar.

THE CHAIR:

Thank you, sir.

Please call the consent. The machine will be open.

THE CLERK:

The Senate is now voting by roll call on the consent calendar. Will all Senators please return to the Chamber. The Senate is now voting by roll on the consent calendar. Will all Senators please return to the chamber.

THE CHAIR:

Have all Senators voted? If all Senators have voted, please check your vote. The machine will be locked. The Clerk will call the tally.

THE CLERK:

Motion is on adoption of consent calendar Number 1.

Total number voting	35
Those voting Yea	35
Those voting Nay	0
Those absent and not voting	1

THE CHAIR:

Consent calendar passes.

Senator Looney.