

Legislative History for Connecticut Act

**PA 14-108**

SB201

House	6959-6962	4
Senate	622-624, 626-627	5
Insurance	314, 316-317, 354-361, <u>383, 385, 426-428</u>	16
		<b>25</b>

**H – 1201**

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2014**

**VOL.57  
PART 21  
6912 – 7260**

Those absent and not voting 6

DEPUTY SPEAKER GODFREY:

The bill, as amended, is passed.

Representative Aresimowicz.

REP. ARESIMOWICZ (30th):

Thank you very much, Mr. Speaker.

Mr. Speaker, I move that we immediately transmit to the Senate any items waiting further action.

DEPUTY SPEAKER GODFREY:

Without objection, so ordered.

Representative Aresimowicz, I understand we have another Consent Calendar.

REP. ARESIMOWICZ (30th):

Thank you very much, Mr. Speaker.

We are. We are about to list off the bills that will be included in our second Consent Calendar for the evening, sir.

DEPUTY SPEAKER GODFREY:

Proceed, sir.

REP. ARESIMOWICZ (30th):

Thank you very much, Mr. Speaker.

I move -- I'd to add the following to the Consent Calendar. Calendar 426, Calendar 308, Calendar 438, Calendar 488 --

SB 281

SB 19

SB 182

SB 330

DEPUTY SPEAKER GODFREY:

Whoa, whoa, whoa.

REP. ARESIMOWICZ (30th):

I apologize, Mr. Speaker. The first number was  
427.

DEPUTY SPEAKER GODFREY:

So 427, thank you, sir. Proceed.

REP. ARESIMOWICZ (30th):

Calendar 476, as amended by Senate "A"; Calendar  
445, Calendar 514, Calendar 505, as amended by Senate  
"A"; Calendar 455, Calendar 456, as amended by Senate  
"A"; Calendar 322, Calendar 536, as amended by Senate  
"A" and Senate "B"; Calendar 430, Calendar 520, as  
amended by Senate "A" and Senate "B"; Calendar 538, as  
amended by Senate "A"; Calendar 424, as amended by  
Senate "A"; Calendar 439, as amended by Senate "A";  
Calendar 482, as amended by Senate "A"; Calendar 325,  
as amended by Senate "A."

Calendar 526, as amended by Senate "A"; Calendar  
509, as amended by Senate "A"; Calendar 532, Calendar  
502, as amended by Senate "A"; Calendar 421, as  
amended by Senate "A"; Calendar 431, as amended by  
Senate "A"; and Calendar 539, as amended by Senate  
"A."

- SB 194
- SB 402
- SB 324
- SB 45
- SB 221
- SB 257
- SB 201
- SB 389
- SB 418
- SB 438
- SB 427
- SB 260
- SB 208
- SB 424
- SB 241
- SB 14
- SB 106
- SB 322
- SB 410
- SB 217
- SB 477
- SB 429

DEPUTY SPEAKER GODFREY:

Is there objection to any of these items being placed on the Consent Calendar? If not, Representative Aresimowicz, would you like to move passage of the Consent Calendar?

REP. ARESIMOWICZ (30th):

Mr. Speaker, I want to remove Calendar 539.

SB429

DEPUTY SPEAKER GODFREY:

Please remove Calendar 539, Mr. Clerk.

REP. ARESIMOWICZ (30th):

Mr. Speaker, I move passage of the bills on the second Consent Calendar of the day.

DEPUTY SPEAKER GODFREY:

The question is on passage of the items on Consent Calendar Number 2.

Staff and guests please come to the well of the House. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll on the second Consent Calendar of the day, House Consent 2. Please report to the Chamber immediately.

DEPUTY SPEAKER GODFREY:

Have all the members voted? Have all the members  
voted?

If all the members have voted, the machine will  
be locked.

The Clerk will take a tally.

And the Clerk will announce the tally.

THE CLERK:

Consent Calendar Number 2.

Total Number Voting            147

Necessary for Passage            74

Those voting Yea                147

Those voting Nay                 0

Those absent and not voting      4

DEPUTY SPEAKER GODFREY:

The items on the Consent Calendar are passed.

(Speaker Sharkey in the Chair.)

SPEAKER SHARKEY:

The House will please come back to order.

Will the Clerk please call Emergency Certified  
Bill 5597.

THE CLERK:

**S - 670**

**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

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PART 2  
341 - 702**

Thank you, Madam President, and without objection, I'd ask that this be added to the Consent Calendar.

THE CHAIR:

Seeing no objection, seeing no objection, so ordered.  
Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Madam President, if we might return to Calendar Page 9, Calendar 84, Senate Bill 201 as the next item.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On Page 9, Calendar 84, Substitute for Senate Bill Number 201 AN ACT CONCERNING CANCELLATION NOTICES OF INDIVIDUAL LIFE INSURANCE POLICIES. Favorable Report of the Committee on Insurance and Real Estate.

THE CHAIR:

Good evening, Senator Crisco.

SENATOR CRISCO:

Good evening, Madam President. Madam President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

Motion is on acceptance and passage. Will you remark, sir?

SENATOR CRISCO:

Yes, Madam President. Madam President, this hopefully helps a situation where there may be seniors who receive, do not pay their insurance premiums and what this bill will do will notify a third party as

designated by those individuals so that there will not be the risk of a family, a couple losing their life insurance policy that they had saved for and paid for, for many years.

THE CHAIR:

Will you remark further? Will you remark? Senator Kelly.

SENATOR KELLY:

Thank you, Madam President. I, too, rise in support of this bill as Senator Crisco indicated. This is a bill that provides notice to third parties, and I believe it's just a common-sense approach to helping people and particularly seniors, who may not get the notice or get the notice and don't take action to have third parties get the notice and then take action to make sure the policies stay in place.

I think it's a good bill and I think it makes common sense and I would urge its adoption.

THE CHAIR:

Thank you very much. Will you remark? Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Speaking in support of the bill, I wanted to thank Senator Crisco and Senator Kelly and the members of the Insurance and Real Estate Committee for bringing this bill forward because it does exactly what the Chair and the Ranking Member said.

In many cases you have elderly people who have been responsible, hard working all of their lives, but in the last few months of a final illness as their condition rapidly deteriorates they may have difficulty taking care of the details and responsibilities of daily life including timely payment of insurance premiums, and there is a concern that in some cases a policy in which someone has been paying for years and years may lapse in the final

months of a person's life because of that critical period.

The person was not up to keeping tabs of everything that was pending and needing to be paid. It would allow in this case, for the designation of a third party, a relative, perhaps a child, to receive those notices and make sure that those premiums are, in fact, paid.

Thank you, Madam President.

THE CHAIR:

Thank you. Will you remark? Will you remark?  
Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President. I want to express my deep appreciation to Senator Kelly for all his cooperation and work in regard to this issue and as we will go through the Session, many of the issues for the betterment of the people of Connecticut.

And if there's no objection, I request that it be placed on the Consent Calendar.

THE CHAIR:

Seeing no objection, seeing no objection, so ordered, sir. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Madam President, at this time if the Clerk might read the items on the Second Consent Calendar so that we might proceed to a vote on that Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

That's also on the Consent Calendar. Is that correct?

THE CHAIR:

Mr. Clerk, could I ask you about Page 8. I don't know if there has been marked, which bill, Page 8, Calendar 76, 113? Did you say that?

THE CLERK:

Yes, Madam President. It is on the Second Consent Calendar for today.

THE CHAIR:

And Page 9, Calendar 84, Bill 201. Was that read, sir?

THE CLERK:

Yes, ma'am.

THE CHAIR:

Thank you very much. At this time, Mr. Clerk, will you please call for a Roll Call Vote on the Consent Calendar. The machine will be opened.

THE CLERK:

Immediate Roll Call is ordered in the Senate.

Immediate Roll Call on the Second Consent Calendar for today is ordered in the Senate.

THE CHAIR:

If all members have voted, all members voted, the machine will be closed. I ask the Clerk to please call the tally.

THE CLERK:

On the Second Consent Calendar for today.

Total number voting

36

Necessary for adoption	19
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The Consent Calendar passes. Senator Looney.

SENATOR LOONEY:

Yes, Madam President. Thank you. Madam President, would move that all of the bills referred to various Committees earlier in the Session, that those bills be immediately transmitted to the Committees to which they were referred.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

Thank you. Thank you, Madam President. Madam President, if the Clerk would now call an item that was marked passed temporarily earlier, and that was Calendar Page 9, Calendar 108, Senate Bill 36.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On Page 9, Calendar 108, Substitute for Senate Bill Number 36 AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS TO IMPROVE ACCESS TO HEALTHCARE. Favorable Report of the Committee on Public Health, and there are amendments.

THE CHAIR:

Good evening, Senator Gerratana.

SENATOR GERRATANA:

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**INSURANCE AND  
REAL ESTATE  
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## COMMITTEE

fire stairs. Please quickly exit the building and follow any instructions from the Capitol Police. Do not delay and do not return unless and until you are advised that it is safe to do so.

In the event of a lockdown announcement, please remain in the hearing room and stay away from the exit doors until an all-clear announcement is heard.

It's been requested by Capitol Police that we announce this at all hearings, even though you've heard it.

Senator Looney.

SENATOR LOONEY: Thank you, Mr. Chairman.

Good afternoon, Senator Crisco, Representative Megna, members of the Insurance and Real Estate Committee.

I'm Martin Looney, State Senator of the 11th District and Senate Majority Leader.

And I'm here to testify in support of several bills on your agenda today, first of which is Senate Bill 186, AN ACT CONCERNING DISPENSATION AND INSURANCE COVERAGE OF A PRESCRIBED DRUG DURING A REVIEW OF AN ADVERSE DETERMINATION OR A FINAL ADVERSE DETERMINATION; secondly, Senate Bill 192, AN ACT CONCERNING THE QUALIFICATIONS OF CLINICAL PEERS FOR ADVERSE DETERMINATION REVIEWS; Senate Bill 197, AN ACT DECREASING THE TIME FRAMES FOR URGENT CARE ADVERSE DETERMINATION REVIEW REQUESTS; and, Senate Bill 201, AN ACT CONCERNING CANCELLATION NOTICES OF INDIVIDUAL LIFE INSURANCE POLICIES.

First, Senate Bill 186 would require in cases where denial of services is for a prescription

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adverse determination reviews be certified specialists in the same specialty would require, would result in more accurate and appropriate determinations. And a similar change in the definition of clinical peer was made for appeals of adverse determinations in mental health care, last year, in Public Act 13-3.

The changes that would be made by this bill would benefit all parties involved and make our health care system more consistent and effective.

Senate Bill 197 would decrease the time frame for expedited reviews. This time frame was unfortunately lengthened in Public Act 11-58. Last year, in Public Act 13-3, this time frame was shortened for 24 hours for mental health claims; however, for all other claims under the current system, the insurer has 72 hours to respond to an urgent care request. And in some cases, 72 hours can put a patient in serious danger of a negative outcome.

Senate Bill 201 would ensure that an applicant for an individual life insurance policy has the right to designate a third party to receive notice of cancellation of the policy, based on nonpayment of premium. This provision would be a particular benefit to frail, elderly policyholders who often rely upon their adult children to monitor their obligations and make sure that bills are -- are paid.

And one other issue I'd ask you to address is updating the language in Section 38a-51b and 38a-492b, and these sections address off-label use prescription drugs for patients with cancer or disabling or life-threatening, chronic diseases. The names of the compendia in the statutes are out of date, as some of them have

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mhr/gbr INSURANCE AND REAL ESTATE 1:00 P.M.  
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merged or cease to exist. I would also support making this coverage available regardless of disease, as does Medicare B. Medicare D has less desirable language, and would be happy to discuss possible language options.

In addition to Medicare B, both the Veterans Health Administration and the Indian Health Service require broad coverage of off-label use. There are other states that have statutes on these issues as well, and we can provide language from the VA and IHS on this.

I've included, also in my testimony, language that was drafted in collaboration with the Center for Medicare Advocacy, which I believe is also desirable.

So thank you, very much, for your interest in these bills and for the very important work that this committee does every year.

SENATOR CRISCO: Thank you, Senator.

We noticed that you're walking with a little lighter step as you walk; congratulations.

SENATOR LOONEY: Thank you, Senator.

SENATOR CRISCO: Is there any questions of Senator Looney?

If not, thank you, very much.

SENATOR LOONEY: Thank you, very much. Thank you, so much.

SENATOR CRISCO: Senator Witkos.

SENATOR WITKOS: Good afternoon, Senator Crisco, Representative Megna, Representative Sampson, members of the Insurance and Real Estate

SB 195

Proceeding to Bill 201.

Bob Kehmna.

ROBERT A. KEHMNA: Thank you, Senator Crisco,  
Representative Megna, members of the committee.

My name is Bob Kehmna, from the Insurance  
Association of Connecticut. I'm here today to  
testify in opposition to Senate Bill 201, AN  
ACT CONCERNING CANCELLATION NOTICES OF  
INDIVIDUAL LIFE INSURANCE POLICIES.

The bill would establish a statutory  
requirement that applicants for individual life  
policies would have the right to designate a  
third party to receive notice of cancellation  
for nonpayment. Life insurers facilitate that  
kind of designation right now. However, this  
bill would impose time-consuming and costly  
administrative requirements on insurers.

The bill provides in Subsection (c) that the  
designation of a third party to receive such a  
notice is not effective unless the insurer has  
received a written acceptance from the  
designee. It also provides that the designee  
or the policyholder can terminate that  
designation, as long as written notice is sent  
to the insurer and the other party.

Insurers will be, will be -- excuse me -- be  
required to -- to keep specific records,  
written records, manually adjust, maintain,  
compare those records. It's not clear how the  
insurer would ever know if the written notice  
was actually sent, for example, by the designee  
to the policyholder saying they wanted out. So  
how would we administer this?

Section 2(d) requires notices of cancellation

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to be sent by registered or certified mail. That on its face will be an expense, an unnecessary expense to the insurer, but once again, we would be forced to be matching return receipt to the file and the administrative costs and hassles that go with that. In effect, Connecticut would be requiring life insurers to set up procedures that would only exist in Connecticut.

And it's not clear why Subsection (d)(2) refers to notice cancellations for -- I'm sorry -- notice requirements for cancellations due to nonpayment of first premium. In life insurance, life insurance doesn't start until the premium is actually received, so there really is no such thing as nonpayment of the first payment.

Section, Subsection (b) requires notification from the applicant for an individualized policy be made in writing. That does not work in cases where you have phone sales of this insurance.

So for -- for the above reasons, we know -- know of no reason why such requirements should be put on life insurers, how the public is being disenfranchised or -- or harmed in any way, and would urge rejection of the bill as written.

Thank you.

SENATOR CRISCO: Thank you, sir.

Are there questions or Chairman Megna, any questions? Questions? Questions? Yes.

Senator Kelly.

SENATOR KELLY: Thank you, Mr. Chairman.

Thank you for being here today, Bob.

I know that we've had this discussion in the past. How does this testimony square with the -- the situation where an individual sets up an irrevocable life insurance trust? And so you have an insured and a trustee, but the insurance company only wants to send the policy and the renewals to the insured, but the person that owns the policy and is responsible for payment is a trustee but doesn't get notice. And -- and why wouldn't your industry want to, you know, make sure that the person that's got the checkbook get notice so that they can pay for the policy?

ROBERT A. KEHMNA: As I recall, we -- we spent considerable time on this issue last session with Senator Crisco and Senator Kelly and did come up with some language that I believe addressed those types of concerns and got out of the Senate. This bill is very different than that in the burdens that it imposes for -- for no apparent reason, on life insurers.

In fact, in looking at the language, itself, it looks like the bill has taken the standards that exist for property casualty policies, homeowners, auto insurance, and tried to graph them on to life insurance. The situations aren't comparable and we don't think it's productive to -- to make such a, such a change.

SENATOR KELLY: So if I understand you correctly, you would prefer to go back to that bill that passed the Senate last year and using the language that we worked on, and that would be amenable as opposed to this.

ROBERT A. KEHMNA: There is one issue that -- that has come up in the interim and that relates to

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the "in-writing" requirement, which may not necessarily be possible for phone sales, but I think there's a relatively easy way to address that issue, if the committee was, wished to go forward with that type of, that -- that type of language.

SENATOR KELLY: Thank you, very much.

ROBERT A. KEHMNA: Thank you.

SENATOR CRISCO: Bob, one question: If -- I realized there are notices. What generated the, you know, this issue is a particular condition where there may be seniors, you know, older parents who are on the borderline of not being able to take care of the finances, and a notice goes out to them, they don't see it, but then a son or daughter or what have you received a copy that would continue the insurance for them. Why is that a problem?

ROBERT A. KEHMNA: Yeah. It's -- it's not necessarily a problem. Life insurers provide for third-party designations every day. The standard setup, the requirement setup in this bill are overly complicated and costly. They don't really, they overkill on that particular issue.

SENATOR CRISCO: So for clarification, when someone has a life policy, besides, you know, the primary beneficiary, et cetera, what have you, they could designate that a third party also receives a copy of the bill?

ROBERT A. KEHMNA: Yes.

SENATOR CRISCO: Yeah?

A VOICE: Yeah.

SENATOR CRISCO: All right.

Any other questions?

Yes; Representative Yaccarino.

REP. YACCARINO: Thank you, Mr. Chairman.

Thank you, Bob.

So if I have life insurance and then my son is a third-party designee and the policy is going to be canceled and it's, will go, if it doesn't go to me it will go to my son Dave?

ROBERT A. KEHMNA: It would go --

REP. YACCARINO: Do I have sign; does anybody have to sign anything --

ROBERT A. KEHMNA: It would --

REP. YACCARINO: -- canceling it?

ROBERT A. KEHMNA: -- go to both of you.

You would, you would notify the insurer that you would like notice that --

REP. YACCARINO: But I --

ROBERT A. KEHMNA: -- by law goes to you would also go to your son.

REP. YACCARINO: So I, I'm the only one could have the origin of notification?

ROBERT A. KEHMNA: Correct.

REP. YACCARINO: The policyholder.

ROBERT A. KEHMNA: Correct.

REP. YACCARINO: Now if it, say I -- is it through call, phone -- phone call, e-mail or letter?

ROBERT A. KEHMNA: That would vary, I believe, from company to company.

REP. YACCARINO: Oh, so it could depend on the company.

So if I was to call and then the -- the cancellation went to myself and my son but I didn't receive it but my son received it, do I have to sign it? Do you have to sign the cancellation; is there anything in writing? I -- I just haven't seen it in the language is all.

ROBERT A. KEHMNA: Your, and "cancellation" is really not really the -- the proper word here; in life insurance, it's lapse. If you don't pay your policy premium --

REP. YACCARINO: Correct.

ROBERT A. KEHMNA: -- by the stated date, by the grace period, by the notification of impending lapse, then it would lapse and cease to exist.

REP. YACCARINO: Okay. So -- so it's basically for nonpayment. If I paid it and there was a miscommunication and saw the -- the cancellation went to the third party -- I'm -- I'm just a little -- I'm looking at this; it makes no sense, that's why. To me, it doesn't make much sense.

ROBERT A. KEHMNA: What -- what this says, what a third-party designee means is --

REP. YACCARINO: Right.

## COMMITTEE

ROBERT A. KEHMNA: -- at the same time notice is sent to you --

REP. YACCARINO: Right.

ROBERT A. KEHMNA: -- as the policyholder, notice would be sent to a third party so that someone else is aware of what's going on.

REP. YACCARINO: For verification then.

ROBERT A. KEHMNA: So someone else is aware of the problem that exists, that payment is, has not been made and therefore that problem could be cured before the policy --

REP. YACCARINO: Oh.

ROBERT A. KEHMNA: -- would lapse.

REP. YACCARINO: Okay; that makes more sense. So if I'm elderly and I wasn't, I lapsed, then my son could come to me and say, Dad, you didn't pay, make the payment; what are you doing? And then is there is grace period in this (inaudible) or that's -- that's (inaudible) --

ROBERT A. KEHMNA: There's normally a notice prior to the lapse date.

REP. YACCARINO: Right.

ROBERT A. KEHMNA: There's a series of communications that are made. This gives someone else, another set of eyes, a chance to look at that fact and act on it if necessary.

REP. YACCARINO: All right; it makes more sense. Because I walked in a little late from when you were supposed to -- testifying.

Thank you.

ROBERT A. KEHMNA: Thank you.

SENATOR CRISCO: Thank you, sir.

Are there any other questions?

Hopefully we could work out the language.

Thank you.

ROBERT A. KEHMNA: Thank you.

SENATOR CRISCO: Proceeding to Senate Bill 186.

Susan.

BRIAN M. QUIGLEY: (Inaudible.)

SENATOR CRISCO: That's very gracious of you, Brian.

Brian Quigley.

BRIAN M. QUIGLEY: Thank you, Chairman Crisco,  
Chairman Megna, and members of the committee.

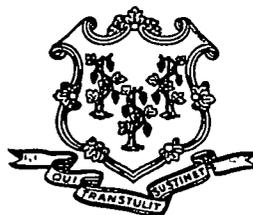
For the record, I'm Brian Quigley, for Express  
Scripts, a pharmacy benefit manager, here to  
indicate our opposition to Senate Bill 186.

I did want to mention I -- I have not received  
the written testimony yet, but I -- I do hope  
to submit that after the hearing.

Senate Bill 186 would require upon a denial by  
a grievance or request to review of an adverse  
determination that the carrier immediately  
authorize payment for the drug, for the  
duration of the grievance or review. We're  
very concerned, both as -- as the PBM  
administering the benefit and for our clients,  
to help insurers and employers, that this would

SENATOR MARTIN M. LOONEY  
MAJORITY LEADER

Eleventh District  
*New Haven, Hamden & North Haven*



State of Connecticut

SENATE

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line 2

State Capitol  
Hartford, Connecticut 06106-1591

132 Fort Hale Road  
New Haven, Connecticut 06512

Home: 203-468-8829

Capitol: 860-240-8600

Toll-free: 1-800-842-1420

[www.SenatorLooney.cga.ct.gov](http://www.SenatorLooney.cga.ct.gov)

February 27, 2014

Good afternoon Senator Crisco, Representative Megna and members of the Insurance and Real Estate Committee. I am here to testify in support of S.B. 186 AN ACT CONCERNING DISPENSATION AND INSURANCE COVERAGE OF A PRESCRIBED DRUG DURING REVIEW OF AN ADVERSE DETERMINATION OR A FINAL ADVERSE DETERMINATION, S.B. 192 AN ACT CONCERNING THE QUALIFICATIONS OF CLINICAL PEERS FOR ADVERSE DETERMINATION REVIEWS, S.B. 197 AN ACT DECREASING THE TIME FRAMES FOR URGENT CARE ADVERSE DETERMINATION REVIEW REQUESTS, and S.B. 201 AN ACT CONCERNING CANCELLATION NOTICES OF INDIVIDUAL LIFE INSURANCE POLICIES

SB 186 would require, in cases where a denial of service is for a prescription drug, that the insurer provide the patient with the prescription drug through the course of the appeal. This protects the patient by giving him or her access to needed medication and encourages the insurer to resolve the case quickly. While it appears this bill would make Connecticut the first state to enact this patient protection, it is a reasonable step forward and consistent with the requirement

PA 13-3. The changes that would be made by this bill would benefit all parties involved and make our healthcare system more consistent and effective.

S.B. No. 197 would decrease the timeframe for expedited reviews; this time frame was unfortunately lengthened in PA 11-58. Last year, in PA 13-3, this time frame was shortened to 24 hours for mental health claims. However, for all other claims, under the current system, the insurer has 72 hours to respond to an urgent care request; in some cases 72 hours can put a patient in serious danger of a negative outcome.

SB 201 would ensure that an applicant for an individual life insurance policy has the right to designate a third party to receive notice of cancellation of the policy based on nonpayment of premium. This provision would be of particular benefit to frail elderly policy holders who often rely upon their adult children to monitor their obligations and make sure that bills are paid.

(SB 186)

One other issue I would like to ask you to address is updating the language in 38a-518b and 38a-492b. These sections address off label use of prescription drugs for patients with cancer or disabling or life-threatening chronic diseases. The names of the compendia in the statutes are out of date as some of them have merged or ceased to exist. I would also support making this



Financial Security . for Life.

**Kate Kiernan**

Vice President, Chief Counsel & Deputy, State Relations

*Testimony of the American Council of Life Insurers  
Before the Joint Committee on Insurance & Real Estate  
Tuesday, February 27, 2014*

**Senate Bill 201 - An Act Concerning Cancellation Notices of Individual Life Insurance Policies**

Senator Crisco, Representative Megna and members of the Insurance and Real Estate Committee, the American Council of Life Insurers ("ACLI") appreciates the opportunity to offer the following comments in opposition to **Senate Bill 201 - An Act Concerning Cancellation Notices of Individual Life Insurance Policies**. This legislation would place functionally problematic administrative requirements on life insurers regarding lapse notifications and third party designations.

Insurers routinely receive and process many administrative requests from policyholders. These range from updated address information to a request for a change of beneficiary. A request for a third party designee is currently a routine administrative function, and like other requests, is streamlined and automated to the greatest extent possible. Simplified management of routine requests is efficient for both the companies and policyholders. There is no necessity for a new law which would add burdensome and unworkable restrictions to this type of administrative function.

The clerical requirements contained in Senate Bill 201 are needlessly complex. An insurer should be able to rely on designations it receives from a policyholder and to be able to process those designations expediently. Under the proposal, companies will not be able to act upon directives in a timely manner but will instead have to monitor whether all parties have received, and acknowledged by written consent, various notices. The proposal requires that a third party designee must accept such designation in writing before the insurer can implement the request. Further, once accepted, the termination of the designation by the owner requires that notice be given to the third party, and termination by the third party requires notice to the owner. It may not seem significant, but the current proposal will create considerable confusion and administrative burden. To a policyholder making a third party designee request, this requirement will seem like corporate bureaucratic red-tape serving only to delay their stated wishes.

ACLI also objects to the provision contained in (c)(1) which would require notice of cancellation being sent by registered or certified mail. This is a costly and unnecessary obligation.

Thank you for your consideration of our position in opposition to **Senate Bill 201 - An Act Concerning Cancellation Notices of Individual Life Insurance Policies**. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

*The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 228 member companies serve Connecticut consumers. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at [www.acli.com](http://www.acli.com).*

**American Council of Life Insurers**

101 Constitution Avenue, NW, Washington, DC 20001-2133  
(202) 624-2463 t (866) 953-4114 f [katekiernan@acli.com](mailto:katekiernan@acli.com)  
[www.acli.com](http://www.acli.com)

**STATEMENT****INSURANCE ASSOCIATION OF CONNECTICUT**

Insurance and Real Estate Committee

February 27, 2014

**SB 201, An Act Concerning Cancellation Notices Of Individual Life Insurance Policies**

The Insurance Association of Connecticut (IAC) opposes SB 201, An Act Concerning Cancellation Notices of Individual Life Insurance Policies, as it would add time consuming and costly administrative requirements on life insurers.

SB 201 would establish a statutory requirement that applicants for individual life insurance policies have the right to designate a third party to receive notice of cancellation of the policy for nonpayment of premium.

SB 201 provides in subsection (c) that the designation of a third party to receive such notice is not effective unless the insurer has received a written acceptance from the designee. Subsection (c) also provides that either the designee or the policyholder may terminate such a designation in writing, provided that written termination is sent to the insurer and to the policyholder or the designee, as the case may be. Insurers will be required to keep specific records of third party designations, any changes to them, and written proof that the parties were aware of any changes. It is not clear how an insurer will be able to ascertain whether the policyholder or designee actually sent the required notice to the other. These written records will have to be monitored manually, resulting in unnecessary administrative costs that will be reflected in future premiums.

Subsection (d)(2) requires notice of cancellation for nonpayment of premium to be sent by registered or certified mail. Such a requirement will be very expensive and difficult to administer. Once again, matching the return receipt with the file will have to be done manually, which will only serve to add administrative cost and hassle to the

process for insurers, as they will have to establish procedures to be used only in Connecticut.

It is not clear why subsection (d)(2) refers to notice requirements for cancellation due to nonpayment of first premium. An individual life insurance policy is not in effect until the premium payment is actually received, so such notice requirements are unnecessary and nonsensical.

Subsection (b) requires notification to the applicant for an individual life insurance policy to be made, in writing, at the time of application. Such a requirement does not account for phone sales of individual life insurance policies, where the providing of contemporaneous written notice at the time of application is not possible.

IAC knows of no problems that would necessitate the establishment of such onerous and costly notification and recordkeeping requirements for individual life insurance policies. SB 201 attempts to graft existing statutory third party designee and notice requirements for property casualty policies onto individual life insurance policies, but the two situations aren't comparable.

In most cases, the premium for an individual life insurance policy stays static, while the premium for an automobile insurance policy changes every year. Automobile insurance is required by law in order to drive. Life insurance is not a required coverage. The heightened notification duties imposed on automobile insurers reflects the nature of the product.

IAC urges rejection of SB 201.