



Senate

General Assembly

File No. 135

January Session, 2001

Substitute Senate Bill No. 1096

Senate, April 5, 2001

The Committee on Insurance and Real Estate reported through SEN. BOZEK of the 6th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE LICENSING OF INSURANCE PRODUCERS.

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

1 Section 1. (NEW) As used in sections 1 to 19, inclusive, of this act
2 and chapters 701a and 702 of the general statutes, unless the context or
3 subject matter otherwise require:

4 (1) "Agent" or "insurance agent" means an insurance producer
5 appointed by an insurer to act on the insurer's behalf pursuant to
6 section 13 of this act.

7 (2) "Business entity" means a corporation, association, partnership,
8 limited liability company, limited liability partnership, or other legal
9 entity.

10 (3) "Commissioner" means the Insurance Commissioner.

11 (4) "Home state" means any state or territory of the United States,

12 including, but not limited to, the District of Columbia, in which an
13 insurance producer maintains the producer's principal place of
14 residence or principal place of business and is licensed to act as an
15 insurance producer.

16 (5) "Insurance" means any of the lines of authority contained in title
17 38a of the general statutes.

18 (6) "Insurance producer" or "producer" means a person required to
19 be licensed under the laws of this state to sell, solicit or negotiate
20 insurance.

21 (7) "Insurer" means "insurer", as defined in section 38a-1 of the
22 general statutes.

23 (8) "License" means a document issued by the commissioner
24 authorizing a person to act as an insurance producer for the lines of
25 authority specified in the document. The license itself does not create
26 any authority, actual, apparent or inherent, in the holder to represent
27 or commit an insurance carrier.

28 (9) "Limited line credit insurance" includes credit life, credit
29 disability, credit property, credit unemployment, involuntary
30 unemployment, mortgage life, mortgage guaranty, mortgage
31 disability, guaranteed automobile protection insurance and any other
32 form of insurance offered in connection with an extension of credit that
33 is limited to partially or wholly extinguishing that credit obligation
34 that the commissioner determines should be designated a form of
35 limited line credit insurance.

36 (10) "Limited line credit insurance producer" means a person who
37 sells, solicits or negotiates one or more forms of limited line credit
38 insurance coverage to individuals through a master, corporate, group
39 or individual policy.

40 (11) "Limited lines insurance" means those lines of insurance

41 referred to in section 38a-782 of the general statutes, as amended by
42 this act, or any other line of insurance that the commissioner deems
43 necessary to recognize for the purpose of complying with section 7 of
44 this act.

45 (12) "Limited lines producer" means a person authorized by the
46 commissioner to sell, solicit or negotiate limited lines insurance.

47 (13) "Negotiate" means the act of conferring directly with, or
48 offering advice directly to, a purchaser or prospective purchaser of a
49 particular contract of insurance concerning any of the substantive
50 benefits, terms or conditions of the contract, provided the person
51 engaged in that act either sells insurance or obtains insurance from
52 insurers for purchasers.

53 (14) "Person" means an individual or a business entity.

54 (15) "Sell" means to exchange a contract of insurance by any means,
55 for money or its equivalent, on behalf of an insurance company.

56 (16) "Solicit" means attempting to sell insurance or asking or urging
57 a person to apply for a particular kind of insurance from a particular
58 company.

59 (17) "Terminate" means the cancellation of the relationship between
60 an insurance producer and the insurer or the termination of a
61 producer's authority to transact insurance.

62 (18) "Uniform business entity application" means the National
63 Association of Insurance Commissioners uniform business entity
64 application for resident and nonresident business entities, as amended
65 from time to time.

66 (19) "Uniform application" means the National Association of
67 Insurance Commissioners uniform application for resident and
68 nonresident producer licensing, as amended from time to time.

69 Sec. 2. (NEW) A person shall not sell, solicit or negotiate insurance
70 in this state for any class or classes of insurance unless the person is
71 licensed for that line of authority in accordance with sections 1 to 19,
72 inclusive, of this act.

73 Sec. 3. (NEW) (a) Nothing in sections 1 to 19, inclusive, of this act
74 shall be construed to require an insurer to obtain an insurance
75 producer license. As used in this section, "insurer" does not include an
76 insurer's officers, directors, employees, subsidiaries or affiliates.

77 (b) A license as an insurance producer shall not be required of the
78 following: (1) An officer, director or employee of an insurer or of an
79 insurance producer, provided the officer, director or employee does
80 not receive any commission on policies written or sold to insure risks
81 residing, located or to be performed in this state and (A) the officer's,
82 director's or employee's activities are executive, administrative,
83 managerial, clerical or a combination thereof, and are only indirectly
84 related to the sale, solicitation or negotiation of insurance; or (B) the
85 officer's, director's or employee's functions relate to underwriting, loss
86 control, inspection or the processing, adjusting, investigating or
87 settling of a claim on a contract of insurance; or (C) the officer, director
88 or employee is acting in the capacity of a special agent or agency
89 supervisor assisting insurance producers where the person's activities
90 are limited to providing technical advice and assistance to licensed
91 insurance producers and do not include the sale, solicitation or
92 negotiation of insurance; (2) a person who (A) secures and furnishes
93 information for the purpose of (i) group life insurance, group property
94 and casualty insurance, group annuities, group or blanket accident and
95 health insurance, (ii) enrolling individuals under plans, or (iii) issuing
96 certificates under plans or otherwise assisting in administering plans;
97 or (B) performs administrative services related to mass marketed
98 property and casualty insurance; provided no commission is paid to
99 the person for the services performed under subparagraphs (A) and
100 (B) of this subdivision; (3) an employer or association or its officers,

101 directors, employees, or the trustees of an employee trust plan, to the
102 extent that the employer, association officer, employee, director or
103 trustee is engaged in the administration or operation of a program of
104 employee benefits for the employer's or association's own employees
105 or the employees of its subsidiaries or affiliates, which program
106 involves the use of insurance issued by an insurer, provided the
107 employer, association, officer, director, employee or trustee is not in
108 any manner compensated, directly or indirectly, by the company
109 issuing the contracts; (4) an employee of an insurer, or an organization
110 employed by an insurer, that is engaged in the inspection, rating or
111 classification of risks, or in the supervision of the training of insurance
112 producers and who is not individually engaged in the sale, solicitation
113 or negotiation of insurance; (5) a person whose activities in this state
114 are limited to advertising without the intent to solicit insurance in this
115 state through communications in printed publications or other forms
116 of electronic mass media whose distribution is not limited to residents
117 of the state, provided the person does not sell, solicit or negotiate
118 insurance that would insure risks residing, located or to be performed
119 in this state; (6) a person who is not a resident of this state who sells,
120 solicits or negotiates a contract of insurance for commercial property
121 and casualty risks to an insured with risks located in more than one
122 state insured under the contract, provided the person is otherwise
123 licensed as an insurance producer to sell, solicit or negotiate such
124 insurance in the state where the insured maintains its principal place
125 of business and the contract of insurance insures risks located in that
126 state; or (7) a salaried full-time employee who counsels or advises his
127 or her employer relative to the insurance interests of the employer or
128 of the subsidiaries or business affiliates of the employer provided the
129 employee does not sell or solicit insurance or receive a commission.

130 Sec. 4. (NEW) (a) A resident individual applying for an insurance
131 producer license shall pass a written examination unless exempt under
132 section 8 of this act. The examination shall test the knowledge of the
133 individual concerning the lines of authority for which application is

134 made, the duties and responsibilities of an insurance producer and the
135 insurance laws and regulations of this state, except that no additional
136 course or examination shall be required for the line of variable life and
137 variable annuity products. Examinations required by this section shall
138 be developed and conducted under rules prescribed by the
139 commissioner, or regulations which the commissioner may adopt
140 pursuant to section 17 of this act.

141 (b) The commissioner may make arrangements, including, but not
142 limited to, contracting with an outside testing service, for
143 administering examinations and collecting the nonrefundable fee set
144 forth in section 38a-11 of the general statutes.

145 (c) Each individual applying for an examination shall remit a
146 nonrefundable fee as set forth in section 38a-11 of the general statutes.

147 (d) An individual who fails to appear for the examination as
148 scheduled or fails to pass the examination shall reapply for an
149 examination and remit all required fees and forms before being
150 scheduled for another examination.

151 Sec. 5. (NEW) (a) A person applying for a resident insurance
152 producer license shall make application to the commissioner on the
153 uniform application and declare under penalty of refusal, suspension
154 or revocation of the license that the statements made in the application
155 are true, correct and complete to the best of the individual's knowledge
156 and belief. The commissioner shall not approve the application unless
157 the commissioner finds that the individual (1) is at least eighteen years
158 of age; (2) has not committed any act that is a ground for denial,
159 suspension or revocation set forth in section 11 of this act; (3) has
160 completed, where required by the commissioner, a prelicensing course
161 of study for the lines of authority for which the person has applied; (4)
162 has paid the fees set forth in section 38a-11 of the general statutes; and
163 (5) has successfully passed the examinations for the lines of authority
164 for which the person has applied.

165 (b) A business entity acting as an insurance producer shall obtain an
166 insurance producer license. Application shall be made using the
167 uniform business entity application. The commissioner shall not
168 approve the application unless the commissioner finds that (1) the
169 business entity has paid the fees set forth in section 38a-11 of the
170 general statutes; and (2) the business entity has designated a licensed
171 producer responsible for the business entity's compliance with the
172 insurance laws, rules and regulations of this state.

173 (c) The commissioner may require the applicant to submit any
174 documents reasonably necessary to verify the information contained in
175 an application.

176 (d) Each insurer that sells, solicits or negotiates any form of limited
177 line credit insurance shall provide to each individual whose duties will
178 include selling, soliciting or negotiating limited line credit insurance a
179 program of instruction that may be approved by the commissioner.

180 Sec. 6. (NEW) (a) Unless a person is denied a license pursuant to
181 section 11 of this act, any person who has met the requirements of
182 sections 4 and 5 of this act shall be issued an insurance producer
183 license. An insurance producer may receive qualification for a license
184 in one or more of the following lines of authority (1) life: insurance
185 coverage on human lives including benefits of endowment and
186 annuities, which may include benefits in the event of death or
187 dismemberment by accident and benefits for disability income; (2)
188 accident and health or sickness: insurance coverage for sickness, bodily
189 injury or accidental death which may include benefits for disability
190 income; (3) property: insurance coverage for the direct or
191 consequential loss or damage to property of every kind; (4) casualty:
192 insurance coverage against legal liability, including legal liability for
193 death, injury or disability or damage to real or personal property; (5)
194 variable life and variable annuity products: insurance coverage
195 provided under variable life insurance contracts and variable

196 annuities; (6) personal lines: property and casualty coverage sold to
197 individuals and families for noncommercial purposes; (7) credit:
198 limited line credit insurance; and (8) any other line of insurance
199 permitted under this state's laws or regulations.

200 (b) An insurance producer license shall remain in effect unless
201 revoked or suspended provided the fee specified in section 38a-11 of
202 the general statutes is paid and the continuing education requirements
203 for resident individual producers are met by the due date.

204 (c) An individual insurance producer who allows an insurance
205 producer's license to lapse may, not later than twelve months after the
206 due date of the renewal fee, reinstate the same license without being
207 required to pass a written examination, except that a penalty in the
208 amount of double the unpaid renewal fee shall be required for any
209 renewal fee received after the due date.

210 (d) A licensed insurance producer who is unable to comply with
211 license renewal procedures due to military service or some other
212 extenuating circumstance, such as a long-term medical disability, may
213 request a waiver of those procedures. The producer may also request a
214 waiver of any examination requirement or any other fine or sanction
215 imposed for failure to comply with renewal procedures.

216 (e) The license shall contain the licensee's name, address, personal
217 identification number, and the date of issuance, the lines of authority,
218 the expiration date and any other information the commissioner deems
219 necessary.

220 (f) Licensees shall inform the commissioner by any means
221 acceptable to the commissioner of any change of licensee information
222 as required under section 38a-771 of the general statutes, as amended
223 by this act. If, upon investigation, the commissioner determines that a
224 licensee has failed to timely inform the commissioner of a change in
225 legal name or address, the commissioner shall impose a penalty

226 pursuant to section 38a-774 of the general statutes.

227 (g) The commissioner may contract with nongovernmental entities,
228 including, but not limited to, the National Association of Insurance
229 Commissioners or any of its affiliates or subsidiaries, to perform any
230 ministerial functions related to producer licensing that the
231 commissioner deems appropriate. Such ministerial functions may
232 include the collection of licensing fees.

233 Sec. 7. (NEW) (a) Unless a person is denied a license pursuant to
234 section 11 of this act, a nonresident person shall receive a nonresident
235 producer license if: (1) The person is currently licensed as a resident
236 and in good standing in the person's home state; (2) the person has
237 submitted the proper request for licensure and has paid the fees
238 required under section 38a-11 of the general statutes; (3) the person has
239 submitted or transmitted to the commissioner the application for
240 licensure that the person submitted to the person's home state, or in
241 lieu of the same, a completed uniform application, provided an
242 applicant for a surplus lines brokers license or limited lines credit
243 insurance producer license may submit any other application
244 acceptable to the commissioner; and (4) the person's home state
245 awards nonresident producer licenses to residents of this state on the
246 same basis.

247 (b) The commissioner may verify the producer's licensing status
248 through the producer database maintained by the National
249 Association of Insurance Commissioners, its affiliates or subsidiaries.

250 (c) A nonresident producer who moves to this state from another
251 state or a resident producer who moves from this state to another state
252 shall file a change of address and provide certification from the new
253 resident state not later than thirty days after the change of legal
254 residence. No licensing fee or application shall be required from a
255 producer moving to this state pursuant to this section.

256 (d) Notwithstanding any other provision of sections 1 to 19,
257 inclusive, of this act, a person licensed as a surplus lines broker in the
258 person's home state shall receive a nonresident surplus lines broker
259 license pursuant to subsection (a) of this section. Except as provided in
260 subsection (a) of this section, nothing in this section otherwise amends
261 or supercedes any provision of sections 38a-740 to 38a-745, inclusive,
262 of the general statutes, as amended by this act.

263 (e) Notwithstanding any other provision of sections 1 to 19,
264 inclusive, of this act, a person licensed as a limited line credit insurance
265 producer or other type of limited lines producer in the producer's
266 home state shall receive a nonresident limited lines producer license,
267 pursuant to subsection (a) of this section, granting the same scope of
268 authority as granted under the license issued by the producer's home
269 state. For the purpose of this section, limited line insurance is any
270 authority granted by the home state which restricts the authority of the
271 license to less than the total authority prescribed in the associated
272 major lines pursuant to subdivisions (1) to (6), inclusive, of subsection
273 (a) of section 6 of this act.

274 Sec. 8. (NEW) (a) Except as provided in section 7 or 15 of this act, an
275 individual who applies for an insurance producer license in this state
276 and who was previously licensed for the same lines of authority in
277 another state shall not be required to complete any prelicensing
278 education or examination if the application is received not later than
279 ninety days after the cancellation of the applicant's previous license
280 and if the prior state issues a certification that, at the time of
281 cancellation, the applicant was in good standing in that state or the
282 state's producer database records, maintained by the National
283 Association of Insurance Commissioners, its affiliates or subsidiaries,
284 indicate that the producer is or was licensed in good standing for the
285 line of authority requested.

286 (b) A person licensed as an insurance producer in another state who

287 moves to this state shall make application not later than ninety days
288 after establishing legal residence to become a resident licensee
289 pursuant to section 5 of this act. No prelicensing education or
290 examination shall be required of such person for any line of authority
291 previously held in the prior state except where the commissioner
292 determines otherwise by regulation, which the commissioner may
293 adopt in accordance with chapter 54 of the general statutes.

294 Sec. 9. (NEW) An insurance producer doing business under any
295 name other than the producer's legal name shall notify the
296 commissioner prior to using the assumed name.

297 Sec. 10. (NEW) (a) The commissioner may issue a temporary
298 insurance producer license for a period not to exceed one hundred
299 eighty days without requiring an examination if the commissioner
300 deems that the temporary license is necessary for the servicing of an
301 insurance business in the following cases: (1) To the surviving spouse
302 or court-appointed personal representative of a licensed insurance
303 producer who dies or becomes mentally or physically disabled to
304 allow adequate time for the sale of the insurance business owned by
305 the producer or for the recovery or return of the producer to the
306 business or to provide for the training and licensing of new personnel
307 to operate the producer's business; (2) to a member or employee of a
308 business entity licensed as an insurance producer, upon the death or
309 disability of an individual designated in the business entity application
310 or the license; (3) to the designee of a licensed insurance producer
311 entering active service in the armed forces of the United States; or (4)
312 in any other circumstance where the commissioner deems that the
313 public interest will best be served by the issuance of the license.

314 (b) The commissioner may limit the authority of any temporary
315 licensee in any way deemed necessary to protect insureds and the
316 public. The commissioner may require the temporary licensee to have
317 a suitable sponsor who is a licensed producer or insurer and who

318 assumes responsibility for all acts of the temporary licensee and may
319 impose other similar requirements designed to protect insureds and
320 the public. The commissioner may revoke a temporary license if the
321 interests of insureds or the public are endangered. A temporary license
322 may not continue after the owner or the personal representative
323 disposes of the business.

324 Sec. 11. (NEW) (a) The commissioner may place on probation,
325 suspend, revoke or refuse to issue or renew an insurance producer's
326 license or may levy a civil penalty in accordance with the provisions of
327 title 38a of the general statutes, or may take any combination of such
328 actions, for any one or more of the following causes: (1) Providing
329 incorrect, misleading, incomplete or materially untrue information in
330 the license application; (2) violating any insurance laws, or violating
331 any regulation, subpoena or order of the commissioner or of another
332 state's commissioner; (3) obtaining or attempting to obtain a license
333 through misrepresentation or fraud; (4) improperly withholding,
334 misappropriating or converting any moneys or properties received in
335 the course of doing an insurance business; (5) intentionally
336 misrepresenting the terms of an actual or proposed insurance contract
337 or application for insurance; (6) having been convicted of a felony; (7)
338 having admitted or been found to have committed any insurance
339 unfair trade practice or fraud; (8) using fraudulent, coercive or
340 dishonest practices, or demonstrating incompetence,
341 untrustworthiness or financial irresponsibility in the conduct of
342 business in this state or elsewhere; (9) having an insurance producer
343 license, or its equivalent, denied, suspended or revoked in any other
344 state, province, district or territory; (10) forging another's name to an
345 application for insurance or to any document related to an insurance
346 transaction; (11) improperly using notes or any other reference
347 material to complete an examination for an insurance license; (12)
348 knowingly accepting insurance business from an individual who is not
349 licensed; (13) failing to comply with an administrative or court order
350 imposing a child support obligation; or (14) failing to pay state income

351 tax or comply with any administrative or court order directing
352 payment of state income tax.

353 (b) If the action by the commissioner is to nonrenew a license or to
354 deny an application for a license, the commissioner shall notify the
355 applicant or licensee and advise, in writing, the applicant or licensee of
356 the reason for the denial or nonrenewal of the applicant's or licensee's
357 license. The applicant or licensee may make written demand upon the
358 commissioner, not later than thirty days after the notice, for a hearing
359 before the commissioner to determine the reasonableness of the
360 commissioner's action. The hearing shall be held not later than twenty
361 days after receipt of such request and shall be held pursuant to section
362 38a-19 of the general statutes.

363 (c) The license of a business entity may be suspended, revoked or
364 refused if the commissioner finds, after hearing, that an individual
365 licensee's violation was known or should have been known by one or
366 more of the partners, officers or managers acting on behalf of the
367 partnership or corporation and the violation was neither reported to
368 the commissioner nor corrective action taken.

369 (d) In addition to or in lieu of any applicable denial, suspension or
370 revocation of a license, a person may, after hearing, be subject to a civil
371 fine pursuant to section 38a-774 of the general statutes.

372 (e) The commissioner shall retain the authority to enforce the
373 provisions of, and impose any penalty or remedy authorized by,
374 sections 1 to 19, inclusive, of this act or title 38a of the general statutes
375 against any person who is under investigation for or charged with a
376 violation of sections 1 to 19, inclusive, of this act or title 38a of the
377 general statutes even if the person's license or registration has been
378 surrendered or has lapsed by operation of law.

379 Sec. 12. (NEW) (a) An insurance company or insurance producer
380 shall not pay a commission, service fee, brokerage or other valuable

381 consideration to a person for selling, soliciting or negotiating insurance
382 in this state if the person is required to be licensed under sections 1 to
383 19, inclusive, of this act and is not so licensed.

384 (b) A person shall not accept a commission, service fee, brokerage or
385 other valuable consideration for selling, soliciting or negotiating
386 insurance in this state if the person is required to be licensed under
387 sections 1 to 19, inclusive, of this act and is not so licensed.

388 (c) Renewal or other deferred commissions may be paid to a person
389 for selling, soliciting or negotiating insurance in this state if the person
390 was required to be licensed under sections 1 to 19, inclusive, of this act
391 at the time of the sale, solicitation or negotiation and was so licensed at
392 that time.

393 (d) An insurer or insurance producer may pay or assign
394 commissions, service fees, brokerages or other valuable consideration
395 to an insurance agency or to persons who do not sell, solicit or
396 negotiate insurance in this state, unless the payment would violate
397 section 38a-825 of the general statutes.

398 Sec. 13. (NEW) (a) An insurance producer shall not act as an agent
399 of an insurer unless the insurance producer becomes an appointed
400 agent of the insurer. An insurance producer who is not acting as an
401 agent of an insurer is not required to become appointed.

402 (b) To appoint a producer as its agent, the appointing insurer shall
403 file, in a form approved by the commissioner, a notice of appointment
404 not later than fifteen days after the date the agency contract is executed
405 or the first insurance application is submitted. An insurer may elect to
406 appoint a producer to all or some of the affiliated companies within
407 the insurer's holding company system or group by filing a single
408 appointment request, provided the commissioner (1) has implemented
409 an electronic system capable of processing such filings; and (2) has
410 previously notified insurers doing business in this state that such

411 filings are acceptable. An insurer that appoints a producer to more
412 than one affiliated company within the insurer's holding company or
413 system shall pay the fee specified by section 38a-11 of the general
414 statutes for each affiliated company to which the producer is
415 appointed.

416 (c) Upon receipt of the notice of appointment, the commissioner
417 shall verify within a reasonable time not to exceed thirty days that the
418 insurance producer is eligible for appointment. If the insurance
419 producer is determined to be ineligible for appointment, the
420 commissioner shall notify the insurer not later than five days after the
421 commissioner's determination.

422 (d) An insurer shall pay an appointment fee, in the amount set forth
423 in section 38a-11 of the general statutes, for each insurance producer
424 appointed by the insurer.

425 (e) An insurer shall remit, in a manner prescribed by the
426 commissioner, a renewal appointment fee in the amount set forth in
427 section 38a-11 of the general statutes.

428 Sec. 14. (NEW) (a) An insurer or authorized representative of the
429 insurer that terminates the appointment, employment, contract or
430 other insurance business relationship with a producer shall notify the
431 commissioner not later than thirty days following the effective date of
432 the termination, in a form prescribed by the commissioner, if the
433 reason for termination is one of the reasons set forth in section 11 of
434 this act or if the insurer has knowledge the producer was found by a
435 court, government body, or self-regulatory organization authorized by
436 law to have engaged in any of the activities set forth in section 11 of
437 this act. Upon receiving a written request from the commissioner, the
438 insurer shall provide additional information, documents, records or
439 other data pertaining to the termination or activity of the producer.

440 (b) An insurer or authorized representative of the insurer that

441 terminates the appointment, employment, or contract with a producer
442 for any reason not set forth in section 11 of this act, shall notify the
443 commissioner not later than thirty days following the effective date of
444 the termination, in a form prescribed by the commissioner. Upon
445 receiving a written request from the commissioner, the insurer shall
446 provide additional information, documents, records or other data
447 pertaining to the termination.

448 (c) The insurer or the authorized representative of the insurer shall
449 promptly notify the commissioner in a form acceptable to the
450 commissioner if, upon further review or investigation, the insurer
451 discovers additional information that would have been reportable to
452 the commissioner in accordance with subsection (a) of this section had
453 the insurer then known of its existence.

454 (d) Not later than fifteen days after making the notification required
455 by subsections (a), (b) and (c) of this section, the insurer shall mail a
456 copy of the notification to the producer at the producer's last-known
457 address. If the producer is terminated for cause for any of the reasons
458 set forth in section 11 of this act, the insurer shall provide a copy of the
459 notification to the producer at the producer's last-known address by
460 (1) certified mail, return receipt requested, postage prepaid, or (2)
461 overnight delivery using a nationally recognized carrier. Not later than
462 thirty days after the producer has received the original or additional
463 notification, the producer may file written comments concerning the
464 substance of the notification with the commissioner. The producer
465 shall, by the same means, simultaneously send a copy of the comments
466 to the reporting insurer, and the comments shall become a part of the
467 commissioner's file and accompany each copy of a report distributed
468 or disclosed for any reason about the producer as permitted under
469 subsection (f) of this section.

470 (e) In the absence of actual malice, an insurer, the authorized
471 representative of the insurer, a producer, the commissioner, or an

472 organization of which the commissioner is a member and that
473 compiles the information and makes it available to other
474 commissioners or regulatory or law enforcement agencies shall not be
475 subject to civil liability, and a civil cause of action of any nature shall
476 not arise against said persons or entities or their respective agents or
477 employees as a result of any statement or information required by or
478 provided pursuant to this section or any information relating to any
479 statement that may be requested in writing by the commissioner, from
480 an insurer or producer, or a statement by a terminating insurer or
481 producer to an insurer or producer limited solely and exclusively to
482 whether a termination for cause under subsection (a) of this section
483 was reported to the commissioner, provided the propriety of any
484 termination for cause under subsection (a) of this section is certified in
485 writing by an officer or authorized representative of the insurer or
486 producer terminating the relationship. In any action brought against a
487 person that may have immunity under this section for making any
488 statement required by this section or providing any information
489 relating to any statement that may be requested by the commissioner,
490 the party bringing the action shall plead specifically in any allegation
491 that this section does not apply because the person making the
492 statement or providing the information did so with actual malice. This
493 section shall not abrogate or modify any statutory or common law
494 privileges or immunities.

495 (f) Any documents, materials or other information in the control or
496 possession of the Insurance Department that are furnished by an
497 insurer, producer or an employee or agent of the insurer or producer
498 on behalf of the insurer or producer, or obtained by the commissioner
499 in an investigation pursuant to this section shall be confidential by law
500 and privileged, shall not be subject to subpoena, shall not be subject to
501 discovery or admissible in evidence in any private civil action, and the
502 commissioner shall not be required to disclose the documents,
503 materials or other information pursuant to the Freedom of Information
504 Act, as defined in section 1-200 of the general statutes, except that the

505 commissioner may use the documents, materials or other information
506 to further any regulatory or legal action brought as a part of the
507 commissioner's duties. Neither the commissioner nor any person who
508 receives documents, materials or other information while acting under
509 the authority of the commissioner shall be permitted or required to
510 testify in any private civil action concerning any confidential
511 document, material, or information that is subject to this section. The
512 commissioner may: (1) Share documents, materials or other
513 information, including the confidential and privileged documents,
514 materials or information subject to this section, with other state,
515 federal, and international regulatory agencies, with the National
516 Association of Insurance Commissioners, its affiliates or subsidiaries,
517 and with state, federal, and international law enforcement authorities,
518 provided the recipient agrees to maintain the confidentiality and
519 privileged status of the document, material or other information; (2)
520 receive documents, materials or information, including otherwise
521 confidential and privileged documents, materials or information, from
522 the National Association of Insurance Commissioners, its affiliates or
523 subsidiaries and from regulatory and law enforcement officials of
524 other foreign or domestic jurisdictions, and shall maintain as
525 confidential or privileged any document, material or information
526 received with notice or the understanding that it is confidential or
527 privileged under the laws of the jurisdiction that is the source of the
528 document, material or information; and (3) enter into agreements
529 governing sharing and use of documents, materials and information
530 consistent with this section. No waiver of any applicable privilege or
531 claim of confidentiality in the documents, materials, or information
532 shall occur as a result of disclosure to the commissioner under this
533 section or as a result of sharing as authorized in subdivision (3) of this
534 subsection. Nothing in sections 1 to 19, inclusive, of this act shall
535 prohibit the commissioner from releasing final, adjudicated actions
536 including for cause terminations that are open to public inspection
537 pursuant to the Freedom of Information Act, as defined in section 1-

538 200 of the general statutes, to a database or other clearinghouse service
539 maintained by the National Association of Insurance Commissioners,
540 its affiliates or subsidiaries.

541 (g) An insurer, the authorized representative of the insurer, or
542 producer that fails to provide notice as required under the provisions
543 of this section or that is found to have provided notice with actual
544 malice by a court of competent jurisdiction may, after notice and
545 hearing, have its license or certificate of authority suspended or
546 revoked and may be fined in accordance with the provisions of title
547 38a of the general statutes.

548 Sec. 15. (NEW) (a) The commissioner shall waive any prelicensing
549 requirements, except the requirements imposed by section 7 of this act,
550 for a nonresident license applicant with a valid license from the
551 applicant's home state if the applicant's home state awards nonresident
552 licenses to residents of this state on the same basis.

553 (b) A nonresident producer's satisfaction of the producer's home
554 state's continuing education requirements for licensed insurance
555 producers shall constitute satisfaction of this state's continuing
556 education requirements if the nonresident producer's home state
557 recognizes the satisfaction of its continuing education requirements
558 imposed upon producers from this state on the same basis.

559 Sec. 16. (NEW) (a) A producer shall report to the commissioner any
560 administrative action taken against the producer in another
561 jurisdiction or by another governmental agency in this state not later
562 than thirty days after the final disposition of the matter. The report
563 shall include a copy of the order, consent to order or other relevant
564 legal documents.

565 (b) Not later than thirty days after the initial pretrial hearing date, a
566 producer shall report to the commissioner any criminal prosecution
567 taken against the producer in any jurisdiction. The report shall include

568 a copy of the initial complaint filed, the order resulting from the
569 hearing and any other relevant legal documents.

570 Sec. 17. (NEW) The commissioner may adopt regulations, in
571 accordance with chapter 54 of the general statutes, to implement the
572 provisions of sections 1 to 19, inclusive, of this act.

573 Sec. 18. (NEW) Except as provided in section 7 and section 15 of this
574 act, sections 1 to 19, inclusive, of this act shall not apply to excess and
575 surplus lines agents and brokers licensed pursuant to sections 38a-740
576 to 38a-745, inclusive, of the general statutes, as amended by this act,
577 and section 38a-794 of the general statutes.

578 Sec. 19. (NEW) Nothing in sections 1 to 18, inclusive, of this act shall
579 be construed as applicable to bail bond insurance under chapter 700f of
580 the general statutes, or title insurance under chapter 700a of the
581 general statutes.

582 Sec. 20. Section 38a-704 of the general statutes is repealed and the
583 following is substituted in lieu thereof:

584 Any person, partnership, association, limited liability company or
585 corporation, or any person, partnership, association, limited liability
586 company or corporation acting under a trade name, who acts within
587 this state, either on [his] the person's own behalf or as a representative
588 or agent of any other person or partnership, association, limited
589 liability company or corporation or any other person, partnership,
590 association, limited liability company or corporation acting under a
591 trade name, as an insurance producer, as defined in [subsection (1) of
592 section 38a-702] section 1 of this act, unless such person holds an
593 insurance producer license then in force from the commissioner
594 authorizing [him] the person so to act, shall be fined not more than five
595 hundred dollars or imprisoned not more than three months or both.

596 Sec. 21. Section 38a-769 of the general statutes is repealed and the

597 following is substituted in lieu thereof:

598 (a) Any person, partnership, association or corporation, resident, or
599 with its principal place of business in this state, or a nonresident of this
600 state who is not licensed in any other state, desiring to act within this
601 state as [an insurance producer,] a public adjuster, casualty adjuster,
602 motor vehicle physical damage appraiser, certified insurance
603 consultant, surplus lines broker or desiring to engage in any
604 insurance-related occupation for which a license is deemed necessary
605 by the commissioner, shall make a written application to the
606 commissioner for a resident license. Any other person, partnership,
607 association or corporation desiring to so act or to engage in any
608 insurance-related occupation for which a license is deemed necessary
609 by the commissioner, shall make a written application to the
610 commissioner for a nonresident license. No application for a
611 nonresident license shall be granted unless the applicant holds an
612 equivalent license from any other state. Any application for a resident
613 or nonresident license shall be made for each name or designation
614 under which such business shall be conducted, in such form as the
615 commissioner prescribes, stating the line or lines of insurance for
616 which the applicant desires such license and any other business which
617 [he] the applicant desires also to transact. All initial applications shall
618 be accompanied by a nonrefundable filing fee specified in section
619 38a-11. The commissioner shall cause to be made such inquiry and
620 examination as to the qualifications of each such applicant as [he] the
621 commissioner deems necessary.

622 (b) Each application for a license shall be signed by: The applicant, if
623 the application is for an individual; a licensed officer, if the application
624 is for a corporation; a licensed partner, if the application is for a
625 partnership; and a licensed principal, if the application is for any other
626 applicant.

627 (c) Each applicant for a license shall furnish satisfactory evidence to

628 the commissioner that [he] the applicant is a person of good moral
629 character and that [he] the applicant is financially responsible. [,
630 provided each applicant for a title insurance license, except any such
631 applicant who held a valid title insurance license on June 12, 1984,
632 shall also furnish satisfactory evidence that he is a commissioner of the
633 Superior Court in good standing.] In order to determine the
634 trustworthiness and competency of an applicant the commissioner
635 shall subject [him] the applicant to personal written examination as to
636 [his] the applicant's competency to act as a licensee for each line of
637 insurance for which [he] the applicant desires to be licensed. The
638 commissioner may, at [his] the commissioner's discretion, designate an
639 independent testing service to prepare and administer such
640 examination, provided any examination fees charged by such service
641 shall be paid by the applicant. The commissioner shall collect the
642 appropriate examination fee as specified in section 38a-11, which shall
643 entitle the applicant to take the examination for the license desired,
644 except that when a testing service is used, the testing service shall pay
645 such fee to the commissioner for each examination taken by an
646 applicant. In either case, each such examination shall be as the
647 commissioner prescribes and shall be of sufficient scope to test the
648 applicant's knowledge of insurance, the duties and responsibilities of a
649 licensee and the laws of this state applicable to insurance. The
650 commissioner may require a waiting period not exceeding six months,
651 before reexamining any applicant who has failed to pass any such
652 examination.

653 (d) Upon [satisfying himself] finding that an applicant meets the
654 licensing requirements of this title and is in all respects properly
655 qualified and trustworthy and that the granting of such license is not
656 against the public interest, the commissioner may issue to such
657 applicant the license applied for, in such form as [he] the commissioner
658 may adopt, to act within this state to the extent therein specified.

659 (e) The commissioner may [make and enforce such reasonable
660 regulations as he may deem necessary relating to] adopt regulations,
661 in accordance with chapter 54, concerning the approval of schools
662 offering courses in insurance, the content of such courses and the
663 advertising to the public of the services of these schools.

664 (f) To further the enforcement of this section and to determine the
665 eligibility of any licensee, the commissioner may, as often as [he] the
666 commissioner deems necessary, examine the books and records of any
667 such licensee.

668 (g) A license may, in the discretion of the commissioner, be renewed
669 or continued upon payment of the appropriate fee as specified in
670 section 38a-11, without the resubmittal of the detailed information
671 required in the original application.

672 [(h) No license as an insurance producer shall be required of the
673 following: (1) Any regularly salaried officer or employee of an
674 insurance company, who is engaged in the performance of usual and
675 customary executive, technical, administrative or clerical duties and
676 which duties do not include the negotiation or solicitation of
677 insurance; such employees shall not solicit, negotiate or effect any new
678 contractual agreement or change or modify any terms, conditions or
679 exposure of an existing contractual agreement not provided for in the
680 original contract, (2) salaried employees in the office of an insurance
681 producer or company, who devote their full time to clerical and
682 administrative services, including the receipt of premiums in the office
683 of their employer, as long as such employees do not receive any
684 commission and their compensation is not varied by the volume of
685 premiums taken or received. Such employees shall not solicit,
686 negotiate or effect any new contractual agreement or change or modify
687 any terms, conditions or exposure of an existing contractual agreement
688 not provided for in the original contract.]

689 Sec. 22. Section 38a-771 of the general statutes is repealed and the
690 following is substituted in lieu thereof:

691 (a) Any person, firm, partnership, association or corporation
692 holding a license issued pursuant to sections [38a-702 to 38a-717] 38a-
693 703 to 38a-716, inclusive, as amended by this act, 38a-731 to 38a-735,
694 inclusive, 38a-741 to 38a-745, inclusive, as amended by this act, 38a-769
695 to 38a-777, inclusive, as amended by this act, [38a-783] section 10 of
696 this act, 38a-786, 38a-790, 38a-792 [, 38a-794 and 38a-795] and 38a-794
697 or holding a license in the name of a trade name shall notify the
698 Insurance Commissioner, in writing, [within thirty days of] not later
699 than thirty days after any: (1) Change in business or residence address;
700 (2) change in employer; (3) change in name; or (4) change in licensed
701 members of a firm, partnership, association or officers of a corporation
702 as stated in the application for license.

703 (b) Any person, firm, partnership, association or corporation, or any
704 person, firm, partnership, association or corporation acting as a trade
705 name, holding a license issued pursuant to sections [38a-702] 38a-703
706 to 38a-718, inclusive, as amended by this act, 38a-731 to 38a-735,
707 inclusive, 38a-741 to 38a-745, inclusive, as amended by this act, 38a-769
708 to 38a-777, inclusive, as amended by this act, [38a-783] section 10 of
709 this act, 38a-786, 38a-790, 38a-792 [, 38a-794, and 38a-795] and 38a-794,
710 shall notify the Insurance Commissioner, in writing, [within thirty
711 days of] not later than thirty days after any bankruptcy proceeding or
712 the conviction of a felony, or any administrative action taken against
713 such licensee in another state [within thirty days of] not later than
714 thirty days after the entering of the administrative order in that state.
715 Such notification shall be accompanied by all supporting
716 documentation.

717 (c) If, upon investigation, the commissioner determines that a
718 producer has violated the provisions of subsection (b) of this section,
719 [he] the commissioner may, following a hearing as specified in section

720 38a-774, impose a fine upon and suspend or revoke the license of the
721 producer.

722 Sec. 23. Section 38a-782 of the general statutes is repealed and the
723 following is substituted in lieu thereof:

724 [(a) Any applicant for a license as an insurance producer shall
725 submit written application to the commissioner.]

726 [(b)] (a) A producer license shall indicate the lines of authority
727 granted to the applicant by examination qualification.

728 [(c) A producer's authority to act as an agent shall be activated on
729 the date the insurer's authorized licensing representative signs a
730 written appointment form if the representative sends such form to the
731 commissioner within three business days of signing and retains proof
732 of mailing satisfactory to the commissioner, unless the commissioner
733 determines the appointment is invalid. An insurer shall be responsible
734 for the actions of the producer that relate to such appointment. As
735 used in this section, "authorized licensing representative" means an
736 individual whose name is on file at the Insurance Department as being
737 authorized to appoint producers.

738 (d) The commissioner may waive the requirement for examination
739 in the case of (1) any applicant for an insurance producer's license who
740 is a nonresident of this state and who holds an equivalent license from
741 any other state. The commissioner of this state shall make such
742 determination; (2) any applicant for a travel accident or baggage
743 agent's license; (3) any applicant who at any time within two years
744 next preceding the date of application has been licensed in this state
745 under a license of the same type as the license applied for; (4) an
746 applicant for a temporary producer's license provided for in section
747 38a-783; (5) any applicant for a life producer's license who has been
748 awarded the professional designation of Chartered Life Underwriter;
749 (6) any applicant for a property or casualty producer's license who has

750 been awarded the professional designation of Chartered Property and
751 Casualty Underwriter; (7) an applicant for a producer's license to sell
752 home warranty contracts or home warranty service agreements as
753 defined in subsection (a) of section 38a-320; (8) any applicant for a
754 producer's license to sell automobile mechanical breakdown insurance;
755 (9) any applicant for a producer's license to sell (A) policies covering
756 property sold under a conditional bill of sale or installment sales
757 contract where the premium for such coverage is included as an item
758 in such sales or financing contracts, or (B) policies insuring the life or
759 health of a purchaser or borrower if the premium for such coverage is
760 included in the financing or mortgaging agreement; (10) any applicant
761 for a license to sell title insurance; or (11) any miscellaneous line of
762 insurance designated by the commissioner pursuant to regulations
763 adopted in accordance with chapter 54.

764 (e) Each applicant for an insurance producer's license shall, before
765 being admitted to such examination, prove to the satisfaction of the
766 commissioner that he meets one of the following alternative
767 prerequisites: (1) That he has successfully completed a course
768 approved by the Insurance Commissioner requiring not less than forty
769 hours for each line of insurance for which he desires to be licensed; (2)
770 that he has equivalent experience or training as determined by the
771 Insurance Commissioner. No additional course or examination shall be
772 required for the line of variable products.]

773 [(f)] (b) An applicant for a license as an insurance producer shall
774 hold himself or herself out to the public in good faith and the license
775 shall not be used or intended to be used principally for the purpose of
776 obtaining commissions on policies or bonds on which [he] the
777 producer, on [his] the producer's own account, pays or is to pay the
778 premium or on which the premiums are paid or are to be paid by [his]
779 the producer's spouse, [his] the producer's employer, whether or not
780 [his] the producer's employment is on a part or full-time basis, or any
781 corporation of which [he] the producer has stock control, or of which

782 the stock control is held by any combination of himself or herself, [his]
783 the producer's employer and [his] the producer's spouse. If the
784 premiums on policies or bonds intended to be written, or written, by
785 any such applicant for the general public do not exceed nine times the
786 premiums on policies or bonds intended to be written, or written, by
787 [him] the producer for the purpose of obtaining commissions on
788 premiums paid or to be paid by [him] the producer, [his] the
789 producer's spouse, [his] the producer's employer and any corporation
790 of which [he] the producer has stock control or of which the stock
791 control is held by any combination of himself or herself, [his] the
792 producer's spouse and [his] the producer's employer, as aforesaid, it
793 shall be conclusively presumed that the license is intended to be used
794 or is being used principally for such purpose.

795 Sec. 24. Subdivision (7) of section 38a-91 of the general statutes is
796 repealed and the following is substituted in lieu thereof:

797 (7) "Producer" shall have the same meaning as "insurance producer",
798 as defined in section [38a-702] 1 of this act.

799 Sec. 25. Subsection (g) of section 38a-155 of the general statutes is
800 repealed and the following is substituted in lieu thereof:

801 (g) All insurance products sold through the insurance companies
802 authorized by this section and the insurance company authorized by
803 section 4 of public act 84-323* shall be available to be sold by any
804 licensed independent agent, as provided in sections [38a-702] 38a-703
805 to 38a-718, inclusive, as amended by this act, 38a-731 to 38a-735,
806 inclusive, 38a-741 to 38a-745, inclusive, as amended by this act, 38a-769
807 to 38a-777, inclusive, as amended by this act, [38a-783] section 10 of
808 this act, 38a-786, 38a-790, 38a-792 [, 38a-794 and 38a-795] and 38a-794
809 and so authorized by such insurance company.

810 Sec. 26. Section 38a-188 of the general statutes is repealed and the
811 following is substituted in lieu thereof:

812 A health care center governed by sections 38a-175 to 38a-192,
813 inclusive, shall be exempt from the provisions of the general statutes
814 relating to insurance in the conduct of its operations under said
815 sections and in such other activities as do constitute the business of
816 insurance, unless expressly included therein, and except for the
817 following: Sections 38a-11, 38a-17, 38a-51, 38a-52, 38a-56, 38a-57, 38a-
818 129 to 38a-140, inclusive, 38a-147 and 38a-815 to 38a-819, inclusive,
819 provided a health care center shall not be deemed in violation of
820 sections 38a-815 to 38a-819, inclusive, solely by virtue of such center
821 selectively contracting with certain providers in one or more
822 specialties, and sections 38a-80, 38a-543, [38a-702] 38a-703 to 38a-718,
823 inclusive, as amended by this act, 38a-731 to 38a-735, inclusive, 38a-741
824 to 38a-745, inclusive, as amended by this act, 38a-769, as amended by
825 this act, 38a-770, as amended by this act, 38a-772 to 38a-777, inclusive,
826 as amended by this act, [38a-783] section 10 of this act, 38a-786, 38a-
827 790, 38a-792 [, 38a-794 and 38a-795] and 38a-794, provided a health
828 care center organized as a nonprofit, nonstock corporation shall be
829 exempt from sections 38a-146, [38a-702] 38a-703 to 38a-718, inclusive,
830 as amended by this act, 38a-731 to 38a-735, inclusive, 38a-741 to 38a-
831 745, inclusive, as amended by this act, 38a-769, as amended by this act,
832 38a-770, as amended by this act, 38a-772 to 38a-777, inclusive, as
833 amended by this act, [38a-783] section 10 of this act, 38a-786, 38a-790,
834 38a-792 [, 38a-794 and 38a-795] and 38a-794. If a health care center is
835 operated as a line of business, the foregoing provisions shall, where
836 possible, be applied only to that line of business and not to the
837 organization as a whole. The commissioner may adopt regulations, in
838 accordance with the provisions of chapter 54, stating the circumstances
839 under which the resources of a person which controls a health care
840 center, or operates a health care center as a line of business will be
841 considered in evaluating the financial condition of a health care center.
842 Such regulations, if adopted, shall require as a condition to the
843 consideration of the resources of such person which controls a health
844 care center, or operates a health care center as a line of business to

845 provide satisfactory assurances to the commissioner that it will assume
846 the financial obligations of the health care center. During the period
847 prior to the effective date of regulations issued under this section, the
848 commissioner shall, upon request, consider the resources of a person
849 which controls a health care center, or operates a health care center as a
850 line of business, if the commissioner receives satisfactory assurances
851 from such person that it will assume the financial obligations of the
852 health care center and determines that such person meets such other
853 requirements as the commissioner determines are necessary. A health
854 care center organized as a nonprofit, nonstock corporation shall be
855 exempt from the sales and use tax and all property of each such
856 corporation shall be exempt from state, district and municipal taxes.
857 Each corporation governed by sections 38a-175 to 38a-192, inclusive,
858 shall be subject to the provisions of sections 38a-903 to 38a-961,
859 inclusive. Nothing in this section shall be construed to override
860 contractual and delivery system arrangements governing a health care
861 center's provider relationships.

862 Sec. 27. Section 38a-770 of the general statutes is repealed and the
863 following is substituted in lieu thereof:

864 Whenever the Insurance Commissioner receives an application for
865 an initial license or license renewal, pursuant to the requirements of
866 sections [38a-702] 38a-703 to 38a-718, inclusive, as amended by this act,
867 38a-731 to 38a-735, inclusive, 38a-741 to 38a-745, inclusive, as amended
868 by this act, 38a-769, as amended by this act, 38a-771 to 38a-777,
869 inclusive, as amended by this act, [38a-783] section 10 of this act, 38a-
870 786, 38a-790, 38a-792 [, 38a-794 and 38a-795] and 38a-794, which is not
871 accompanied by the required fees, the commissioner shall return such
872 application together with all accompanying fees. Whenever the
873 Insurance Commissioner receives an application accompanied by the
874 required fees accepted by the commissioner, all examination and filing
875 fees are deemed earned.

876 Sec. 28. Section 38a-772 of the general statutes is repealed and the
877 following is substituted in lieu thereof:

878 Any person wilfully misrepresenting any fact required to be
879 disclosed in any application or in any other form, paper or document
880 required to be filed with the commissioner in connection with an
881 application for any license issued by the commissioner pursuant to
882 sections [38a-702] 38a-703 to 38a-718, inclusive, as amended by this act,
883 38a-731 to 38a-735, inclusive, 38a-741 to 38a-745, inclusive, as amended
884 by this act, 38a-769 to 38a-777, inclusive, as amended by this act, [38a-
885 783] section 10 of this act, 38a-786, 38a-790, 38a-792 [, 38a-794 and 38a-
886 795] and 38a-794 shall be fined not more than five hundred dollars or
887 imprisoned not more than six months or both.

888 Sec. 29. Subdivision (7) of subsection (a) of section 38a-775 of the
889 general statutes is repealed and the following is substituted in lieu
890 thereof:

891 (7) "Insurance producer" has the same meaning as set forth in
892 section [38a-702] 1 of this act.

893 Sec. 30. Subsection (c) of section 38a-976 of the general statutes is
894 repealed and the following is substituted in lieu thereof:

895 (c) "Agent" shall have the same meaning as ["insurance agent" and]
896 "insurance producer", as defined in section [38a-702] 1 of this act.

897 Sec. 31. Subsection (c) of section 38a-458 of the general statutes is
898 repealed and the following is substituted in lieu thereof:

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

902 Sec. 32. Section 38a-713 of the general statutes is repealed and the

903 following is substituted in lieu thereof:

904 Any insurance [agent] producer who signs or countersigns any
905 policy of insurance or countersigns any endorsement thereon in blank
906 shall be fined not more than one hundred dollars, and the
907 commissioner shall revoke [his] the producer's license.

908 Sec. 33. Subsection (f) of section 38a-323 of the general statutes is
909 repealed and the following is substituted in lieu thereof:

910 (f) (1) No surplus lines insurer shall be deemed eligible to write
911 coverage for risks as provided in sections 38a-741 to 38a-744, inclusive,
912 as amended by this act, 38a-777, as amended by this act, [38a-794 and
913 38a-795] and 38a-794, unless such surplus lines insurer complies with
914 the requirements of this section. (2) Notwithstanding the provisions of
915 subsection (b) of this section, premium billing notices shall be
916 provided by any surplus lines insurer to the insured at least sixty days
917 in advance of the renewal or anniversary date of the policy. Notices of
918 nonrenewal or premium billing required by this section shall be
919 provided by the surplus lines insurer or its duly authorized
920 representative to the insured. (3) Notwithstanding the provisions of
921 subsection (c) of this section, failure of any surplus lines insurer to
922 provide the insured with the required notice of nonrenewal or
923 premium billing shall entitle the insured to an extension of the policy
924 for a period of ninety days after the renewal or anniversary date of
925 such policy, provided if the surplus lines insurer fails to provide the
926 required notice on or before the renewal or anniversary date of such
927 policy, the provisions of subsection (c) of this section shall apply. In the
928 event of such a ninety-day extension of coverage, the premium for the
929 extended period of coverage shall be the current rate or the previous
930 rate, whichever is lower.

931 Sec. 34. Subsection (b) of section 38a-324 of the general statutes is
932 repealed and the following is substituted in lieu thereof:

933 (b) No surplus lines insurer shall be deemed to be eligible to write
934 coverage for risks as provided in sections 38a-741 to 38a-744, inclusive,
935 as amended by this act, 38a-777, as amended by this act, [38a-794 and
936 38a-795] and 38a-794, unless such insurer complies with the
937 requirements of subsection (a) of this section.

938 Sec. 35. Section 38a-742 of the general statutes is repealed and the
939 following is substituted in lieu thereof:

940 The licensee shall keep a complete and separate record of all policies
941 procured from unauthorized insurers under such license. Such records
942 shall be open to the examination of the commissioner at all reasonable
943 times and shall show: [(a)] (1) The exact amount of each kind of
944 insurance permitted under sections 38a-741 to 38a-744, inclusive, as
945 amended by this act, and 38a-794 [and 38a-795 which] that has been
946 procured for each insured; [(b)] (2) the gross premiums charged by the
947 insurers for each kind of insurance permitted under section 38a-794;
948 [(c)] (3) the amount of each kind of premiums of insurance permitted
949 by section 38a-794 which were returned to each insured; [(d)] (4) the
950 name of the insurer or insurers which issued each of such policies; [(e)]
951 (5) the effective dates of such policies; [(f)] (6) the terms for which they
952 were issued.

953 Sec. 36. Subsection (a) of section 38a-743 of the general statutes is
954 repealed and the following is substituted in lieu thereof:

955 (a) Every person, firm, association or corporation licensed pursuant
956 to the provisions of sections 38a-741 to 38a-744, inclusive, as amended
957 by this act, 38a-777, as amended by this act, [38a-794 and 38a-795] and
958 38a-794 shall pay to the commissioner on May first of each year a sum
959 equal to four per cent of the gross premiums charged the insureds by
960 the insurers during the period from January first to March thirty-first
961 of that year, and on August first of each year a sum equal to four per
962 cent of the gross premiums charged the insured by the insurers during

963 the period from April first to June thirtieth of that year, on November
964 first of each year a sum equal to four per cent of the gross premiums
965 charged the insureds by the insurers during the period from July first
966 to September thirtieth of that year and on February first of each year a
967 sum equal to four per cent of the gross premiums charged the insureds
968 by the insurers during the period from October first to December
969 thirty-first of the preceding year, for insurance procured by such
970 licensee pursuant to such license, less the amount of such premiums
971 returned to such insureds, except that the premium tax shall not apply
972 to any policy issued to the state of Connecticut or any agency thereof
973 or to any policy issued to any town, or agency of such town or special
974 taxing district when said town, agency or department thereof or
975 special taxing district appears in the policy as the named insured and
976 as such is responsible for the payment of premiums shown on said
977 policy. Each licensee shall also file on May first, August first,
978 November first, and February first a return, in the form described by
979 the commissioner, showing such information as the commissioner
980 deems necessary.

981 Sec. 37. Section 38a-744 of the general statutes is repealed and the
982 following is substituted in lieu thereof:

983 Any licensee acting in conformance with sections 38a-741 to 38a-744,
984 inclusive, as amended by this act, 38a-777, as amended by this act,
985 [38a-794 and 38a-795] and 38a-794 shall not be subject to personal
986 liability as set forth in section 38a-714.

987 Sec. 38. Section 38a-745 of the general statutes is repealed and the
988 following is substituted in lieu thereof:

989 Each insurance policy issued pursuant to sections 38a-741 to 38a-
990 744, inclusive, as amended by this act, 38a-777, as amended by this act,
991 [38a-794 and 38a-795] and 38a-794 by a surplus lines insurer shall bear
992 on its cover, in not less than ten point bold red type, the following:

993

NOTICE

994 This policy is not protected by the Connecticut Insurance Guaranty
995 Association.

996 Sec. 39. Section 38a-777 of the general statutes is repealed and the
997 following is substituted in lieu thereof:

998 Any licensee under sections 38a-741 to 38a-744, inclusive, as
999 amended by this act, 38a-777, as amended by this act, [38a-794 and 38a-
1000 795] and 38a-794 who negotiates, continues or renews any contract for
1001 insurance in any unauthorized company, and who neglects to make
1002 and file the affidavit and statements required by said sections, or who
1003 wilfully makes a false affidavit or statement, or who negotiates,
1004 continues or renews any such contract of insurance after the revocation
1005 or during the suspension of [his] the licensee's license, shall forfeit [his]
1006 the license if not previously revoked and shall be fined not more than
1007 five hundred dollars or imprisoned not more than six months or both.

1008 Sec. 40. Subsection (a) of section 38a-784 of the general statutes is
1009 repealed and the following is substituted in lieu thereof:

1010 (a) Any license issued for an insurance producer by the
1011 commissioner shall be in force only until the first day of February in
1012 each even-numbered year, but may be renewed by the commissioner,
1013 in [his] the commissioner's discretion and without formality other than
1014 proper application and satisfactory proof that such applicant at that
1015 time possesses the required qualifications for license and that the
1016 issuance of such license will not be contrary to the licensing provisions
1017 of this title, provided any producer's license issued by the
1018 commissioner, except a temporary producer's license provided for in
1019 section [38a-783] 10 of this act, shall continue in force until cancelled,
1020 suspended or revoked and provided the insurance company
1021 represented by any licensee or licensees shall furnish the
1022 commissioner, prior to May first, biennially, the names of its agents

1023 whose appointments it wishes to continue. The fees for producer
1024 licenses and agent appointments shall be assessed biennially as
1025 provided in section 38a-11.

1026 Sec. 41. Section 53-323 of the general statutes is repealed and the
1027 following is substituted in lieu thereof:

1028 No person, firm or corporation selling real or personal property or
1029 engaged in the business of financing the purchase of real or personal
1030 property or of lending money on the security of real or personal
1031 property shall require, as a condition to such sale, financing or lending,
1032 or as a condition to the renewal or extension of any such loan or to the
1033 performance of any other act in connection with such sale, financing or
1034 lending, that the purchaser or borrower, or [his] the purchaser's or
1035 borrower's successors, shall negotiate through a particular insurance
1036 company, or insurance [agent or broker] producer, any policy of
1037 insurance or renewal thereof. No person, firm or corporation named as
1038 a loss payee or having an interest under any mortgagee provision of
1039 any insurance policy issued in connection with the sale of real or
1040 personal property or the financing of the purchase of real or personal
1041 property, shall require as a condition to releasing or endorsing any
1042 claim settlement payment that the property insured be inspected by
1043 such loss payee or mortgagee or its designee, unless it is inspected or
1044 approved at such loss payee's or mortgagee's own effort and expense.
1045 If such inspection is required, it shall be completed, with respect to
1046 personal property, within two days, excluding Saturdays, Sundays and
1047 legal holidays, of notification of the availability of such property and,
1048 with respect to real property, within thirty days, excluding Saturdays,
1049 Sundays, and legal holidays, of such notification. If any loss payee
1050 chooses to inspect any personal property pursuant to this section, such
1051 loss payee or the designee of such loss payee shall be authorized to
1052 endorse at the time of such inspection any such claim settlement
1053 payment. If an agreement is reached concerning the amount of the
1054 settlement at the time of such inspection, such loss payee or designee

1055 shall endorse at that time any such claim settlement payment. Any
1056 person, firm or corporation, whether as principal, agent, officer or
1057 director, for [himself] the person or itself, or for another person, firm or
1058 corporation, violating the provisions of this section shall be fined not
1059 more than one hundred dollars.

1060 Sec. 42. Sections 38a-702, 38a-706, 38a-708, 38a-711, 38a-717, 38a-783
1061 and 38a-795 of the general statutes are repealed.

Statement of Legislative Commissioners:

In section 1(4) the definition of "home state" was reorganized for accuracy; in section 5(a) and (b), "The commissioner shall not approve the application unless the commissioner finds" was substituted for "Before approving the application, the commissioner shall find" for clarity; in section 6(a)(4) "including legal liability for death" was substituted for "including that for death" for clarity; and in section 14(g) "report" and "reported" were changed to "provide notice" and "provided notice", respectively, for consistency with the rest of the section.

INS *JOINT FAVORABLE SUBST.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Potential Revenue Gain, Potential Revenue Loss, Potential Minimal Cost, (General Fund)

Affected Agencies: Department of Insurance

Municipal Impact: None

Explanation

State Impact:

The bill eliminates barriers to the licensing of nonresident insurance producers in Connecticut by establishing reciprocity in other states and requiring the use of a uniform application form. The bill adds to the list of people who are exempt from licensing and expands the grounds from disqualifying individuals from obtaining or maintaining a license.

The bill specifies that officers of an insurance company, salaried employees and other administrative staff shall not be required to apply for an insurance producer’s license. This will not be a revenue loss or workload increase for the Department of Insurance. These individuals are not required to be licensed as insurance producers at the present time.

The bill adds a personal lines license to the lines of authority that require an insurance producer license. There will be a revenue increase to the General Fund with individuals applying for this license.

The fee for an insurance producer's license is \$65. The number of individuals applying for a license cannot be determined. This revenue gain may be offset by a decrease in the number of individuals seeking a property and casualty license. There could also be a workload increase for the Department of Insurance that will have to review and approve these personal lines licenses.

The bill establishes reciprocity with other states concerning the approval of Insurance producer licenses including excess and limited line brokers if they are in good standing with their home states. The Insurance Commissioner will waive any pre-licensing requirements, which could result in additional licensing revenue for the General Fund. The number of non-resident applicants for the excess and limited lines license cannot be determined.

The bill broadens the commissioner's authority to impose sanctions on licensees for engaging in certain conduct. The Insurance Commissioner can suspend, revoke or refuse to renew a license upon learning of this conduct by a licensed insurance producer or applicant. There can be a revenue loss from the commissioner not renewing licenses. There will be a potential minimal cost for the Department of Insurance with the possibility of holding more hearings when an Insurance producer license is revoked. It is anticipated that the number of revocations will be small and can be handled within anticipated budgetary resources.

OLR Bill Analysis

sSB 1096

AN ACT CONCERNING THE LICENSING OF INSURANCE PRODUCERS.**SUMMARY:**

This bill revises the licensing requirements for individuals and business entities seeking to sell insurance in Connecticut and satisfies federal Financial Modernization Act of 1999 requirements. The bill eliminates barriers to the licensing of nonresident insurance producers in Connecticut by establishing reciprocity with other states and requires the use of a uniform application form. It revises the requirements and qualifications for individuals and business entities to obtain a resident license, adds to the list of people who are exempt from licensing, and expands the grounds for disqualifying individuals from obtaining or maintaining a license.

The bill also (1) revises the process of appointing and terminating producers that act on behalf of an insurer, establishes notification requirements for license termination, including “for cause” termination; (2) extends to other individuals and entities the immunity from liability that insurers have when they disclose certain termination-related information to the commissioner but limits immunity when the disclosure is made with actual malice; (3) adds certain producer reporting requirements; (4) makes certain documents, including termination-related information, confidential and prohibits the waiver of confidential protection when it applies; (5) exempts bail bond and title insurance from the bill; (6) adds educational requirements for excess-line producers; (7) modifies the requirements for temporary, renewal, and reinstated licenses; (8) broadens the commissioner’s authority to contract for certain services; and (9) gives the commissioner the authority to promulgate implementing regulations.

Finally, the bill adds certain definitions to the insurance statutes, revises others, makes minor technical corrections, and repeals statutes

that are inconsistent with the bill's provisions.

EFFECTIVE DATE: October 1, 2001

RECIPROCITY AND UNIFORM APPLICATION FORM

Reciprocity

Current law allows residents and Connecticut businesses and unlicensed nonresidents and out-of-state businesses to obtain a Connecticut resident license and licensed nonresidents to obtain a nonresident license if they submit an appropriate application, pay a fee, furnish satisfactory evidence of good moral character and financial responsibility, and pass a written examination. Applicants must also either (1) satisfy pre-licensing educational requirements of at least 40 hours for each line of insurance they want authority to sell or (2) possess equivalent experience or training as determined by the commissioner.

The bill establishes reciprocity with other states for nonresident insurance producers, including excess-and limited-line producers if (1) they are currently licensed and in good standing in their home state, (2) they submit the same application they submitted in their home state or a completed uniform application to the commissioner, (3) they submit the proper request for a license and pay the appropriate fee, and (4) their home state awards nonresident licenses to Connecticut residents on the same basis.

The bill exempts previously licensed nonresident producers who apply for a Connecticut license from pre-licensing educational requirements and the written examination if (1) their application is received within 90 days of the cancellation of their previous license, and (2) the other state certifies or the National Association of Insurance Commissioner's (NAIC) producer database records indicate that they were in good standing at the time of the cancellation. It also exempts from these requirements currently licensed nonresident producers (individuals and businesses) who move to Connecticut if they file their application within 90 days of establishing legal residence or their principal place of business in the state. Producers moving to Connecticut are exempt from paying the licensing fee or submitting an application. The bill

authorizes the commissioner to adopt regulations that may require them to satisfy these requirements if she so determines.

Under current law, the commissioner is authorized to waive the exam for a nonresident applicant who holds a license from another state. The bill requires the commissioner to waive any pre-licensing requirement for a nonresident license applicant if his home state awards nonresident licenses to residents of Connecticut on the same basis. The applicant must satisfy all other nonresident licensing requirements specified under the bill. It also permits a nonresident producer who satisfies his home state's continuing education requirements to satisfy Connecticut's requirement if the nonresident producer's home state recognizes the satisfaction of its continuing education requirements by Connecticut producers on the same basis.

The bill gives the commissioner the authority to verify the status of any licensee through the producer database maintained by the NAIC.

Uniform Application Form and Related Requirements

The bill requires resident or nonresident individual applicants to use the uniform application authorized by the NAIC when applying for a license. Applicants must declare under penalty of refusal, suspension, or revocation that the statements made on the application are true, correct, and complete to the best of their knowledge and belief. The bill authorizes the commissioner to require applicants to submit documents necessary to verify information in the application and adds and revises penalties against any applicant that provides incorrect, misleading, incomplete or materially untrue information in the application (see Disqualifying Conduct section). The commissioner is authorized to deny, suspend or revoke a license, place a licensee on probation or levy a civil penalty against a licensee in such cases.

Excess-and limited-line producers may use another application form acceptable to the commissioner.

Under current law, an applicant who willfully misrepresents facts on the application that are required to be disclosed is subject to a fine of up to \$500, a term of imprisonment up to six months, or both.

The bill also modifies the commissioner's responsibilities in determining whether an applicant is suitable. It requires her to find that such applicant (1) is at least 18 years of age; (2) has not committed any acts that are grounds for denial, suspension or revocation; and (3) where required, has completed a pre-licensing course for the lines of authority applied for.

Current law requires the commissioner to satisfy himself that each applicant is properly qualified, trustworthy, and that granting a license is in the public interest.

Business Entities. The bill requires businesses wanting a license to file the Uniform Business Entity Application and designate a licensed producer to be responsible for the company's compliance with the insurance laws, rules, and regulations of Connecticut.

Current law requires a licensed officer of a corporation to sign the application or a licensed partner, if a partnership, or a licensed principal for other business organizations.

LICENSING EXEMPTIONS

The bill prohibits any person from selling, soliciting or negotiating insurance of any class unless licensed for that line of authority and specifies that insurance companies are exempt from the licensing requirement. It extends an exemption from the licensing requirement to the following people if they do not receive commissions or sell, solicit or negotiate insurance policies, contracts or their terms and conditions: (1) directors of an insurer or insurance producer whose activities are executive, administrative, managerial or clerical; (2) officers, directors or employees of an insurer or insurance producer whose job is underwriting, loss control, inspecting or processing, adjusting, investigating or settling claims or acting as a special agent or agency supervisor providing technical advice and assistance to insurance producers; (3) people who provide information about, enroll people in, administer or issue certificates relating to group life, property and casualty, annuities or accident and health insurance, and people who perform administrative services related to mass marketed property and casualty insurance; (4) employers or associations and their officers, directors, employees or employee trust plan trustees

engaged in the administration or operation of an employee benefit plan for the employer's or association's employees or the employees of its subsidiaries or affiliates; (5) insurance company employees or organizations employed by an insurer engaged in the inspection, rating or classification of risks, or supervising the training of insurance producers; (6) people who advertise insurance products through print or electronic media whose distribution is not limited to state residents; (7) licensed nonresidents who sell property and casualty insurance covering multi-state exposures, including the state where their principal place of business is located; and (8) full-time salaried employees who advise their employer about its insurance needs.

Current law exempts an insurer's salaried officers or employees engaged in executive, technical, administrative or clerical duties and who are not involved in negotiating or soliciting insurance or effecting, changing or modifying policy terms and conditions; salaried employees of an insurance producer or insurer engaged in clerical or administrative services who do not receive a commission or solicit, negotiate or effect policies or contracts or change or modify terms or conditions of contracts.

DISQUALIFYING CONDUCT

The bill broadens the commissioner's authority to impose sanctions on licensees for engaging in certain conduct. It authorizes the commissioner to place a licensee on probation, or suspend, revoke, deny or refuse to renew his license or levy a civil penalty against his for the following reasons: (1) providing incorrect, misleading, incomplete or materially untrue information in a application; (2) violating any insurance law, regulation, subpoena or order issued by the commissioner of this or another state; (3) obtaining or attempting to obtain a license through misrepresentation or fraud; (4) improperly withholding, misappropriating, or converting money or property in the course of doing business; (5) intentionally misrepresenting the terms of an actual or proposed contract or insurance policy application; (6) conviction of a felony or admitting or being found to have committed any insurance unfair trade practice or fraud; (7) using fraudulent, coercive or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business; (8) having a insurance producers license, or its

equivalent, denied, suspended or revoked in any state, province, district or territory; (9) forging another's name to an application for insurance or any document related to an insurance transaction; (10) improperly using notes or reference material to complete an insurance licensing exam; (11) knowingly accepting insurance business from an unlicensed person; (12) failing to comply with administrative or court orders for child support; or (13) failing to pay state income taxes or comply with administrative or court orders directing such payment.

The bill adds authority for the commissioner to revoke or suspend a license for the failure of a licensee to inform her of any legal name or address change.

The bill extends a licensee's (individual and business) right to written notice and an opportunity for a hearing in cases where the commissioner refuses to renew his license. The bill also gives this right to an applicant who has been denied a license.

Current law provides for notice and a hearing when the commissioner suspends or revokes a license or imposes a fine of up to \$1,000.

The notice required by the bill must include the reason for the denial or refusal to renew. The applicant or licensee may demand a hearing within 30 days after the notice and the hearing must be held within 20 days of the request.

Business License

The bill modifies the criteria for suspending, revoking or refusing to renew a business license.

Current law authorizes the commissioner to revoke a business license and that of any principal, officer, or director unless she determines that the principal, officer or director is not personally at fault in the matter for which the business was held responsible.

The bill expands the commissioner's authority to sanction businesses. It allows her to suspend or refuse to renew a business license and requires that she first find that an individual licensee's violation was known or should have been known by one or more of the partners,

officers, or managers and that the violation was neither reported to her nor corrected. In addition to, or in lieu of, suspension or revocation, the commissioner may impose a fine of up to \$1,000.

The bill authorizes the commissioner to prosecute violations of its provisions even if a licensee has relinquished his or her license or allows it to lapse.

APPOINTMENT OF AGENT

The bill specifically prohibits a producer from acting as an agent on behalf of an insurer unless he is appointed by the insurer, and revises the method by which producers are currently appointed.

To appoint a producer as its agent, the bill requires the appointing insurer to file a notice of appointment within 15 days after the date an agency contract is executed or the first insurance application is submitted. Filing must be in a form approved by the commissioner. The commissioner must verify, within 30 days of receipt of the filing, that the producer is eligible for appointment. If the commissioner determines that the producer is ineligible she must notify the insurer within five days of her determination.

Under current law, a producer's authority to act as an agent on behalf of an insurer is activated on the date the insurer's representative signs a written appointment form and sends it to the commissioner within three business days of signing.

The bill adds authority for a insurer to appoint a producer to all or some of its affiliated companies by filing a single appointment request and paying the appropriate fee provided the commissioner (1) has implemented an electronic system capable of processing it and (2) has previously notified insurers that such filings are acceptable.

TERMINATION OF AGENT'S APPOINTMENT

The bill reduces the advance notice of termination from 90 to 30 days of a termination's effective date, extends the notice requirement to cover termination of employment, contract or other business relationship with a producer, and requires that the notice be sent to the

commissioner instead of the producer. The 30-day notice requirement applies to “for cause” terminations (i.e., based on one or more prohibited activities specified in the bill) where the insurer learns that the producer was found by a court, government body, or authorized self-regulatory organization to have engaged in one or more prohibited activities, or where the termination is made in the regular course of business and was not based on one or more prohibited activities. The notice of termination must be in a form prescribed by the commissioner and executed either by the appointing insurer or his authorized representative.

The bill requires the insurer or his authorized representative to provide additional information, documents, records or other data pertaining to the termination or the activities of the producer when the commissioner submits a written request. It also requires them to notify the commissioner if, after further review and investigation, the insurer discovers additional information that would have been reported had they known of its existence.

The bill requires the insurer, within 15 days after notifying the commissioner, to mail a copy of the notice to the producer at his last known address. If the termination was for cause, the notice to the producer must be by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier. The bill allows the producer to file written comments about the substance of the notice within 30 days of receiving it or a subsequent notice. If he does, he must simultaneously and by the same means send his comments to the reporting insurer. The comments become a part of the commissioner’s file and accompany any report distributed or disclosed about the producer.

IMMUNITY FROM LIABILITY

The bill extends the immunity from civil liability that insurers have when they report facts about an agent’s termination to representatives of an insurer, another producer, the commissioner or an organization of which she is a member and that complies and makes available such information to other commissioners or regulatory or law enforcement agencies. The bill prohibits any civil lawsuit against them or their agents or employees because of any statement or information required

or requested in writing by the commissioner if (1) the statement is made without malice and (2) it pertains to a report to the commissioner about a for cause termination that is certified in writing by an officer or authorized representative of the insurer or the producer terminating the relationship.

The bill specifies that in any cause of action against a person entitled to immunity for making a required statement or providing information requested by the commissioner, the party bringing the action must specifically plead that immunity does not apply because the statement was made or information provided with actual malice. The bill specifies that the immunity provision does not abrogate or modify any statutory or common-law privilege or immunity.

Current law gives reporting insurers immunity from termination-related civil lawsuits unless the oral or written statement was false and known by the insurer to be false when made.

REPORTING REQUIREMENTS

The bill requires the suspension or revocation of a producer's license or an insurer's or his authorized representative's certificate of authority for failing to report prohibited activities or reporting such activity with actual malice as determined by a court, after notice and a hearing. It also allows the imposition of a fine after notice and a hearing.

The bill extends the obligation of producers to report prohibited activities to the commissioner to (1) governmental actions initiated in the state and other jurisdictions and (2) criminal prosecutions. The report must include a copy of any order, consent order, or initial complaint resulting from the hearing or other legal decree.

Current law requires producers to notify the commissioner in writing of any bankruptcy, adverse administrative action in another state, or felony conviction within 30 days of its occurrence and include supporting documents.

CONFIDENTIALITY OF DOCUMENTS, MATERIALS, AND OTHER INFORMATION

The bill expands the scope of confidentiality that applies to insurance information. It specifies that any document, material, or other information in the possession and control of the insurance department that is furnished by an insurer, producer, or their employees or agents on their behalf, or obtained by the commissioner in an investigation is confidential and privileged and not subject to subpoena, discovery or admissible in evidence in any private civil lawsuit. It specifies that the commissioner may not be required to disclose such document, material, or information under the Freedom of Information Act and permits her to use them to further any regulatory or legal action brought as part of her duties. It also prohibits the commissioner or any other person acting under her authority from testifying in any private lawsuit about any confidential document, material, or information.

The bill adds the authority for the commissioner to share with and receive from state, federal, and international law enforcement authorities documents, material, or other information, including privileged and confidential information as long as (1) the recipients agree to maintain their confidential and privileged status, or (2) the commissioner agrees to maintain their confidential and privileged status after notice that such information is confidential and privileged under the laws of the jurisdiction that supplied the information. It also authorizes the commissioner to enter into information sharing and use agreements and specifies that the disclosure or sharing of information does not waive any claim of confidentiality or privilege.

Current law already permits the commissioner to share with and receive from the NAIC, International Association of Insurance Supervisors, state or federal insurance, banking or securities regulators, and similar foreign regulators information, including confidential documents or information as long as there is an agreement to maintain such confidentiality.

Finally, the bill specifies that none of its provisions may prohibit the commissioner from releasing final, adjudicated actions, including for cause terminations that are open to public inspection under the Freedom of Information Act to a NAIC database or clearinghouse.

**EDUCATIONAL REQUIREMENTS AND TEMPORARY, RENEWAL,
AND REINSTATED LICENSES**

The bill adds a requirement that insurers that offer limited-line credit insurance offer their producers a program of instruction that is approved by the commissioner. Limited-lines credit insurance includes credit life, disability, property, unemployment, mortgage, mortgage disability, guaranteed auto protection insurance, and other forms of coverage offered in connection with an extension of credit.

Temporary License

The bill revises the commissioner's authority to issue a temporary license for up to 180 days without an examination.

Current law permits the commissioner to issue a temporary license to an executor or administrator of a deceased licensee's estate, his surviving next of kin, or the spouse, next of kin or conservator of an incapacitated licensee.

The bill broadens this authority by allowing the commissioner to issue a temporary license to the designee of a producer entering military service or in other extenuating circumstances she deems is in the public interest.

It adds authority for the commissioner to (1) require a temporary licensee to have a licensed producer or insurer as a sponsor to assume responsibility for the temporary licensee's acts, or (2) impose other requirements to protect insureds and the public. The commissioner may revoke a temporary license if the interest of insureds or the public is endangered. The bill requires a temporary license to end when the owner sells his business.

Renewal License

If a producer is unable to renew his license because of military service, long-term disability, or other extenuating circumstances, the bill permits him to request a waiver from the renewal process and any examination, fine, or sanction imposed for failure to comply with renewal procedures.

Reinstated License

The bill reduces from 24 to 12 months of the due date of the renewal fee the time period that a producer may reinstate a lapsed license without examination. It imposes a penalty of double the renewal fee (\$80) to reinstate the license.

AUTHORITY TO CONTRACT FOR SERVICES

The bill expands the commissioner's authority to contract for services. It permits the commissioner to contract with nongovernmental entities, including the NAIC to perform any ministerial function related to licensing she deems appropriate, including the collection of licensing fees.

Current law allows her to contract with an independent testing service to prepare and administer the licensing exam.

BACKGROUND**Federal Law**

The Financial Modernization Act of 1999 gives states three years to establish uniform laws or a system of reciprocity to govern the licensing of insurance producers (individuals and entities authorized to sell, solicit or negotiate insurance). If the states do not enact reciprocity by November 12, 2002, the act establishes the National Association of Registered Agents and Brokers (NARAB). The association would be a quasi-governmental entity that could preempt existing state laws governing producer licensing (15 USC § 6801 et. Seq.).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 18 Nay 0

