



House of Representatives

General Assembly

File No. 178

January Session, 2003

Substitute House Bill No. 5480

House of Representatives, April 3, 2003

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING INSURANCE PRODUCER COMMISSIONS.

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

1 Section 1. Section 38a-702l of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2003*):

3 (a) An insurance company or insurance producer shall not pay a
4 commission, service fee, brokerage or other valuable consideration to a
5 person for selling, soliciting or negotiating insurance in this state if the
6 person is required to be licensed under sections 38a-702a to 38a-702r,
7 inclusive, and is not so licensed.

8 (b) A person shall not accept a commission, service fee, brokerage or
9 other valuable consideration for selling, soliciting or negotiating
10 insurance in this state if the person is required to be licensed under
11 sections 38a-702a to 38a-702r, inclusive, and is not so licensed.

12 (c) Renewal or other deferred commissions may be paid to a person
13 for selling, soliciting or negotiating insurance in this state if the person

14 was required to be licensed under sections 38a-702a to 38a-702r,
15 inclusive, at the time of the sale, solicitation or negotiation and was so
16 licensed at that time.

17 (d) An insurer [or insurance producer] may pay or assign
18 commissions, service fees, brokerages or other valuable consideration
19 to an insurance agency or to persons who do not sell, solicit or
20 negotiate insurance in this state, unless the payment would violate
21 section 38a-825. Except as provided in subsection (e) of this section, no
22 insurance producer may pay or assign commissions, service fees,
23 brokerages or other valuable consideration to any person unless the
24 person is licensed for the applicable line of authority in accordance
25 with sections 38a-702a to 38a-702r, inclusive.

26 (e) An insurance producer may pay or assign commissions, service
27 fees, brokerages or other valuable consideration to a financial
28 institution that does not sell, solicit or negotiate insurance in this state,
29 unless the payment would violate section 38a-825. As used in this
30 subsection, "financial institution" means a bank, as defined in section
31 36a-2, an out-of-state bank, as defined in section 36a-2, a mortgage
32 lender, as defined in section 36a-485, a licensee, as defined in section
33 36a-510, a broker-dealer registered in this state, an investment advisor
34 registered in this state, or an investment advisor that has filed a notice
35 of exemption pursuant to subsection (e) of section 36b-6.

This act shall take effect as follows:	
Section 1	October 1, 2003

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:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Insurance Dept.	IF - None	None	None

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill affects private insurance producers and does not result in a fiscal impact to the state.

OLR Bill Analysis

sHB 5480

AN ACT CONCERNING INSURANCE PRODUCER COMMISSIONS**SUMMARY:**

This bill limits the right of insurance producers to pay or assign commissions, service fees, brokerage fees, or other valuable consideration to people who are not licensed to sell, solicit, or negotiate insurance in Connecticut.

The bill permits insurance producers to pay or assign commissions or fees to (1) a Connecticut or federal bank, or banking institution, but not including a Connecticut, federal, or out-of state credit union; (2) first mortgage lenders or correspondent lenders; (3) secondary mortgage lenders, brokers, and originators; and (4) registered broker dealers and investment advisors, including investment advisors who have filed a notice of exemption because they (a) are registered under or excepted from the 1940 federal Investment Advisers Act or (b) have no place of business in the state or five or fewer clients resident in the state.

The exemption from the prohibition on paying or assigning commissions, fees, or other valuable consideration applies only if the financial institution, lender, or securities licensee (1) does not sell, solicit, or negotiate insurance in the state, and (2) the payment or assignment does not violate the anti-rebate law.

EFFECTIVE DATE: October 1, 2003

BACKGROUND***Anti-Rebate Law***

The law prohibits insurers, attorneys, producers, and others from paying, receiving, offering to pay or accepting any rebate of premiums or special favor or advantage in dividends or other benefits as an inducement to buy insurance.

COMMITTEE ACTION

Insurance and Real Estate committee

Joint Favorable Substitute

Yea 17 Nay 0