



General Assembly

**Substitute Bill No. 6806**

January Session, 2005

\*          HB06806INS          032405          \*

**AN ACT CONCERNING INSURANCE PRODUCER COMPENSATION.**

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

1       Section 1. (NEW) (*Effective October 1, 2005*) (a) As used in this  
2 section:

3       (1) "Affiliate" means a person who (A) controls, is controlled by, or  
4 is under common control with a producer, and (B) is permitted to  
5 receive compensation pursuant to chapter 701a of the general statutes;

6       (2) "Compensation from an insurer or other third party" means  
7 payments, commissions, fees, awards, overrides, bonuses, contingent  
8 commissions, loans, stock options, gifts, prizes or other forms of  
9 valuable consideration, whether or not payable pursuant to a written  
10 agreement;

11       (3) "Compensation directly from the customer" does not include any  
12 fee or amount allowed under section 38a-707 of the general statutes  
13 and regulations adopted pursuant to said section or any fee or amount  
14 collected by or paid to the producer that does not exceed an amount  
15 established by the commissioner pursuant to section 38a-707 of the  
16 general statutes;

17       (4) "Customer" does not include a person whose only relationship to  
18 the producer or affiliate with respect to the placement of insurance is

19 as (A) a participant or beneficiary of an employee benefit plan, or (B) a  
20 person covered under a group or blanket insurance policy or group  
21 annuity contract;

22 (5) "Documented acknowledgement" means the customer's written  
23 consent, except that in the case of a purchase over the telephone or by  
24 electronic means for which written consent cannot reasonably be  
25 obtained, "documented acknowledgement" includes consent  
26 documented by the producer; and

27 (6) "Insurance producer" or "producer" means an insurance  
28 producer, as defined in section 38a-702a of the general statutes, except  
29 that "insurance producer" or "producer" does not include (A) a person  
30 such as a managing general agent, sales manager or wholesale broker  
31 who is licensed as an insurance producer and who acts only as an  
32 intermediary between an insurer and the customer's producer, or (B) a  
33 reinsurance intermediary.

34 (b) If an insurance producer or affiliate of such producer receives  
35 any compensation directly from a customer for the initial placement of  
36 insurance, neither the producer nor the affiliate shall accept or receive  
37 any compensation from an insurer or other third party for that  
38 placement of insurance unless the producer has, prior to the time the  
39 policy is delivered to the customer:

40 (1) Obtained the customer's documented acknowledgment that such  
41 compensation will be received by the producer or affiliate; and

42 (2) Disclosed the amount of compensation that the producer or  
43 affiliate will receive from the insurer or other third party for the  
44 placement, except that if the amount of compensation is not known at  
45 the time of disclosure, the producer shall disclose the specific method  
46 for calculating such compensation and, if possible, a reasonable  
47 estimate of the amount.

48 (c) Subsection (b) of this section shall not apply to:

