Legislative Regulation Review Committee

2011-019

Insurance Department

SUITABIITY IN ANNUITY TRANSACTIONS

Suitability in Annuity Transactions

SECTION 1

Sections 38a-432a-1 to 38a-432a-7, inclusive, of the Regulations of Connecticut State Agencies are amended to read as follows:

Section 38a-432a-1 Purpose

(a) The purpose of sections 38a-432a-1 to [38a-432a-7]38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies is to require insurers to establish a system to supervise recommendations and to set forth standards and procedures for recommendations to consumers that result in [a transaction]transactions involving [annuities]annuity products so that the insurance needs and financial objectives of consumers known at the time of the [recommendation] transaction are appropriately addressed.

(b) Nothing herein shall be construed to create or imply a private cause of action for a violation of this regulation.

Section 38a-432a-2 Scope

Sections 38a-432a-1 to [38a-432a-7]38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies shall apply to any recommendation to purchase [or], exchange or replace an annuity made to a consumer by an insurance producer, or an insurer where no producer is involved, that results in the purchase [or], exchange or replacement recommended.

Section 38a-432a-3 Exemptions

Unless otherwise specifically included, sections 38a-432a-1 to [38a-432a-7]38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies shall not apply to [recommendations] transactions involving:

(1) direct response solicitations where there is no recommendation based on information collected from the consumer pursuant to section 38a-432a-1 to [38a-432a-7]38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies, or

(2) contracts used to fund:

(A) an employee pension or welfare benefit plan that is covered by the federal Employee Retirement and Income Security Act (ERISA), Public Law 93-406;

(B) a plan described by the following sections of the federal Internal Revenue Code: 26 USC 401(a), 26 USC 401(k), 26 USC 403(b), 26 USC 408(k), or 26 USC 408(p), if established or maintained by an employer;

(C) a governmental or church plan defined in 26 USC 414, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization under 26 USC 457;

(D) a nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;

(E) settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or

(F) formal prepaid funeral contracts.

Section 38a-432a-4 Definitions

(1) "Agency" means a person that employs one or more insurance producers;

(2) "Annuity" means "annuities" as defined in section 38a-1 of the Connecticut General Statutes, that is or are individually solicited, whether the product is classified as an individual or group annuity;

(3) "Commissioner" means the Insurance Commissioner.

(4) "Continuing education credit" or "CE credit" means a "credit hour" as defined in section 38a-782a-1 of the Regulations of Connecticut State Agencies;

(5) "Continuing education provider" or "CE provider" means a person that is approved to sponsor continuing education courses pursuant to sections 38a-782a-3 and 38a-782a-4 of the Regulations of Connecticut State Agencies;

(6) "FINRA" means the federal Financial Industry Regulatory Authority or a succeeding agency;

[(4)] (7) "Insurance producer" means "Insurance producer" as defined in section 38a-702a of the Connecticut General Statutes;

[(5)] (8) "Insurer" means "insurer" as defined in section 38a-1 of the Connecticut General Statutes;

(9) "Person" means "person" as defined in section 38a-702a of the Connecticut General Statutes; [and]

(10) "Recommendation" means advice provided by an insurance producer or an insurer where no producer is involved, to [a] an individual consumer that results in a purchase, [or] exchange or replacement of an annuity in accordance with that advice[.];

(11) "Replacement" means a transaction in which a new policy or contract is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer if there is no producer, that by reason of the transaction, an existing policy or contract has been or is to be:

(a) Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;

(b) Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;

(c) Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;

(d) Reissued with any reduction in cash value; or

(e) Used in a financed purchase; and

(12) "Suitability information" means information that is reasonably appropriate in determining the suitability of a recommendation, including the following:

(a) Age;

(b) Annual income;

(c) Financial situation and needs, including the financial resources used for the funding of the annuity;

(d) Financial experience;

(e) Financial objectives;

(f) Intended use of the annuity;

(g) Financial time horizon;

(h) Existing assets, including investment and life insurance holdings;

(i) Liquidity needs;

(j) Risk tolerance; and

(k) Tax status.

Section 38a-432a-5 Duties of insurers, agencies and insurance producers

(a) In recommending to a consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer, or the insurer where no insurance producer is involved, shall have reasonable grounds for believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer as to his or her investments and other insurance products and as to his or her financial situation and needs[.], including the consumer's suitability information, and that there is a reasonable basis to believe all of the following:

(i) The consumer has been reasonably informed of various features of the annuity, such as the potential surrender period and surrender charge, potential tax penalty if the consumer sells, exchanges, surrenders or annuitizes the annuity, mortality and expense fees, investment advisory fees, potential charges for and features of riders, limitations on investment returns, insurance and investment components and market risk;

(ii) The consumer would benefit from certain features of the annuity, such as tax-deferred growth, annuitization or death or living benefit;

(iii) The particular annuity as a whole, the underlying subaccounts to which funds are allocated at the time of purchase or exchange of the annuity, and riders and similar product enhancements, if any, are suitable (and in the case of an exchange or replacement, the transaction as a whole is suitable) for the particular consumer based on his or her suitability information; and

(iv) In the case of an exchange or replacement of an annuity, the exchange or replacement is suitable including taking into consideration whether:

(A) The consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements;

(B) The consumer would benefit from product enhancements and improvements; and

(C) The consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 36 months.

(b) Prior to the execution of a purchase, [or] exchange or replacement of an annuity resulting from a recommendation [made to a consumer], an insurance producer, or an insurer where no producer is involved, shall make reasonable efforts to obtain the consumer's suitability information. [concerning:

(1) the consumer's financial status;

(2) the consumer's tax status;

(3) the consumer's investment objectives; and

(4) such other information used or considered to be reasonable by the insurance producer, or the insurer where no insurance producer is involved, in making recommendations to the consumer.]

(c) Except as permitted under subsection (d) of this section, an insurer shall not issue an annuity recommended to a consumer unless there is a reasonable basis to believe the annuity is suitable based on the consumer's suitability information.

[(c)] (d) (1) Except as provided under subdivision (2) of this subsection, neither an insurance producer, nor an insurer [where no insurance producer is involved], shall have any obligation to a

consumer under subsection (a) or (c) of this section related to any [recommendation] annuity transaction if [a consumer]:

(A) No recommendation is made;

(B) A recommendation was made and was later found to have been prepared based on materially inaccurate information provided by the consumer;

[(A)] (C) A consumer refuses to provide relevant suitability information [requested by the insurer or insurance producer] and the annuity transaction is not recommended; or;

[(B)] (D) A consumer decides to enter into an insurance transaction that is not based on a recommendation of the insurer or insurance producer.[; or

(C) fails to provide complete or accurate information.]

(2) An [insurer or insurance producer's recommendation] insurer's issuance of an annuity subject to subdivision (1) of this subsection shall be reasonable under all the circumstances actually known to the insurer or insurance producer at the time the annuity is issued[of the recommendation].

(e) An insurance producer or, where no insurance producer is involved, the responsible insurer representative, shall at the time of sale:

(1) Make a record of any recommendation subject to subsection (a) of this section;

(2) Obtain a customer signed statement documenting a customer's refusal to provide suitability information, if any; and

(3) Obtain a customer signed statement acknowledging that an annuity transaction is not recommended if a customer decides to enter into an annuity transaction that is not based on the insurance producer's or insurer's recommendation.

[(d)] (f) (1) An insurer [either] shall [ensure that] establish a supervision system [to supervise recommendations] that is reasonably designed to achieve the insurer's and its insurance producers' compliance with sections 38a-432a-1 to [38a-432a-7] 38a-432-9, inclusive, of the Regulations of Connecticut State Agencies [is established and maintained by complying with subdivisions (3) to (5), inclusive, of this subsection, or shall establish and maintain such a system], including, but not limited to the following:

[(A) maintaining written procedures; and

(B) conducting periodic reviews of its records that are reasonably designed to assist in detecting and preventing violations of sections 38a-432a-1 to 38a-432a-7, inclusive, of the Regulations of Connecticut State Agencies.]

(A) The insurer shall maintain reasonable procedures to inform its insurance producers of the requirements of this regulation and shall incorporate the requirements of this regulation into relevant insurance producer training manuals;

(B) The insurer shall establish standards for insurance producer product training and shall maintain reasonable procedures to require its insurance producers to comply with the requirements of section 38a-432a-8 of the Regulations of Connecticut State Agencies;

(C) The insurer shall provide product-specific training and training materials which explain all material features of its annuity products to its insurance producers;

(D) The insurer shall maintain procedures for review of each recommendation prior to issuance of an annuity that are designed to ensure that there is a reasonable basis to determine that a recommendation is suitable. Such review procedures may apply a screening system for the purpose of identifying selected transactions for additional review and may be accomplished electronically or through other means including, but not limited to, physical review. Such an electronic or other system may be designed to require additional review only of those transactions indentified for additional review by the selection criteria;

(E) The insurer shall maintain reasonable procedures to detect recommendations that are not suitable. This may include, but is not limited to, confirmation of consumer suitability information, systematic customer surveys, interviews, confirmation letters and programs of internal monitoring. Nothing in this subparagraph prevents an insurer from complying with this subparagraph by applying sampling procedures, or by confirming suitability information after issuance or delivery of the annuity; and

(F) The insurer shall annually provide a report to senior management, including to the senior manager responsible for audit functions, which details a review, with appropriate testing, reasonably designed to determine the effectiveness of the supervision system, the exceptions found, and corrective action taken or recommended, if any.

[(2) An agency either shall adopt a system established by an insurer to supervise recommendations of its insurance producers that is reasonably designed to achieve compliance with sections 38a-432a-1 to 38a-432a-7, inclusive, of the Regulations of Connecticut State Agencies, or shall establish and maintain such a system, including, but not limited to:

(A) maintaining written procedures; and

(B) conducting periodic reviews of records that are reasonably designed to assist in detecting and preventing violations of sections 38a-819-70 to 38a-819-76, inclusive, of the Regulations of Connecticut State Agencies.

(3) An insurer may contract with a person, including an insurance producer or agency, to establish and maintain a system of supervision as required by subdivision (1) of this subsection, with respect to insurance producers under contract with or employed by the person.]

(G) Nothing in this subsection restricts an insurer from contracting for performance of a function (including maintenance of procedures) required under subdivision (1) of subsection (f). An insurer is responsible for taking appropriate corrective action and may be subject to sanctions and penalties pursuant to the Connecticut General Statutes regardless of whether the insurer contracts for performance of a function, and regardless of the insurer's compliance with subparagraph (H) of subdivision (1) of this subsection.

(H) An insurer's supervision system under subdivision (1) of this subsection shall include supervision of the contractual performance under this subsection. This includes, but is not limited to, the following:

(i) Monitoring and, as appropriate, conducting audits to ensure that the contracted function is properly performed; and

(ii) Annually obtaining a certification from a senior manager who has responsibility for the contracted function that the manager has a reasonable basis to represent, and does represent, that the function is properly performed.

[(4) An insurer shall make reasonable inquiry to ensure that the person contracting under subdivision (3) of this subsection is performing the functions required under subdivision (1) of this subsection and shall take such action as is reasonable under the circumstances to enforce the contractual obligation to perform the functions. An insurer may comply with its obligation to make reasonable inquiry by doing all of the following:

(A) the insurer annually obtains a certification from the person that an individual who has responsibility for the delegated functions has a reasonable basis to represent, and does represent, that the person is performing the required functions; and

(B) the insurer, based on reasonable selection criteria, periodically selects persons contracted under subdivision (3) of this subsection for a review to determine whether the persons are performing the required functions. The insurer shall perform those procedures to conduct the review that are reasonable under the circumstances.

(5) An insurer that contracts with a person pursuant to subdivision (3) of this subsection and that complies with the requirements to supervise in subdivision (4) of this subsection shall have fulfilled its responsibilities under subdivision (1) of this subsection.

(6)] (2) An insurer [or agency] is not required [by subdivisions (1) or (2) of this subsection to:

(A) review, or provide for review of, all insurance producer solicited transactions; or

(B)] to include in its system of supervision an insurance producer's recommendations to consumers of products other than the annuities offered by the insurer. [or agency.

(7) An agency or agent contracting with an insurer pursuant to subdivision (3) of this subsection shall promptly, when requested by the insurer pursuant to subdivision (4) of this subsection, give a certification as described in subdivision (4) of this subsection or give a clear statement that it is unable to meet the certification criteria.

(8) No individual may provide a certification under subdivision (4)(A) of this subsection unless:

(A) the individual is a senior manager with responsibility for the delegated functions; and

(B) the individual has a reasonable basis for making the certification.]

(g) An insurance producer shall not dissuade, or attempt to dissuade, a consumer from:

(1) Truthfully responding to an insurer's request for confirmation of suitability information;

(2) Filing a complaint; or

(3) Cooperating with the investigation of a complaint.

[(e)](h)(1) Sales made in [Compliance] compliance with [the National Association of Securities Dealers Conduct Rules] FINRA requirements pertaining to suitability and supervision of annuity transactions shall satisfy the requirements under this [section for the recommendation of variable annuities.]regulation. This subsection applies to FINRA broker-dealer sales of variable annuities and fixed annuities if the suitability and supervision is similar to those applied to variable annuity sales. However, [Nothing] nothing in this subsection shall limit the commissioner's ability to enforce (including investigate) the provisions of

sections 38a-432a-1 to [38a-432a-7] 38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies.

(2) For paragraph (1) to apply, an insurer shall:

(A) Monitor the FINRA member broker-dealer using information collected in the normal course of an insurer's business; and

(B) Provide to the FINRA member broker-dealer information and reports that are reasonably appropriate to assist the FINRA member broker-dealer to maintain its supervision system.

Section 38a-432a-6 Mitigation [of responsibility]

(a) An insurer is responsible for compliance with this regulation. If a violation occurs, either because of the action or inaction of the insurer or its insurance producer, [The] the commissioner may order:

(1) an insurer to take reasonably appropriate corrective action for any consumer harmed by the insurer's, or by its insurance producer's, violation of sections 38a-432a-1 to [38a-432a-7] 38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies; and

(2) a general agency, independent agency or an insurance producer to take reasonably appropriate corrective action for any consumer harmed by the insurance producer's violation of sections 38a-432a-1 to [38a-432a-7] 38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies.[; and

(3) an agency that employs or contracts with an insurance producer to sell, or solicit the sale, of annuities to consumers, to take reasonably appropriate corrective action for any consumer harmed by the insurance producer's violation of sections 38a-432a-1 to 38a-432a-7, inclusive, of the Regulations of Connecticut State Agencies.]

(b) Any applicable penalty of the Connecticut General Statutes for a violation of [subsections (a), (b), and (c)(2) of section 38a-432a-5] sections 38a-432a-1 through 38a-432a-9, inclusive, of the Regulations of Connecticut State Agencies may be reduced or eliminated at the discretion of the commissioner, if corrective action for the consumer was taken promptly after a violation was discovered or the violation was not part of a pattern or practice. Nothing contained in this section shall be construed to limit the commissioner's authority to terminate or suspend a producer or insurer's license or to pursue other legal or regulatory action pursuant to the insurance laws of the state of Connecticut.

Section 38a-432a-7 Record keeping

(a) Insurers, agencies and insurance producers shall maintain or be able to make available to the commissioner records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for seven years after the insurance transaction is completed by the insurer. An insurer is permitted, but shall not be required, to maintain documentation on behalf of an insurance producer.

(b) Records required to be maintained by sections 38a-432a-1 to [38a-432a-7] 38a-432a-9, inclusive of the Regulations of Connecticut State Agencies may be maintained in paper, photographic, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

SECTION 2

The Regulations of Connecticut State Agencies are amended by adding sections 38a-432a-8 and 38a-432a-9, as follows:

(NEW) Section 38a-432a-8 Insurance Producer Training

(a) An insurance producer shall not solicit the sale of an annuity product unless the insurance producer has adequate knowledge of the product to recommend the annuity and the insurance producer is in compliance with the insurer's standards for product training. An insurance producer may rely on insurer-provided product-specific training standards and materials to comply with this subsection.

(b) (1) (A) An insurance producer who engages in the sale of annuity products shall complete a one-time four (4) credit training course approved by the commissioner and provided by the continuing education provider.

(B) Insurance producers who hold a life insurance line of authority on the effective date of this regulation and who desire to sell annuities shall complete the requirements of this subsection within six (6) months after the effective date of this regulation. Individuals who obtain a life insurance line of authority on or after the effective date of this regulation may not engage in the sale of annuities until the annuity training course required under this subsection has been completed.

(2) The minimum length of the training required under this subsection shall be sufficient to qualify for at least four (4) CE credits, but may be longer.

(3) The training required under this subsection shall include information on the following topics:

(A) The types of annuities and various classifications of annuities;

(B) Identification of the parties to an annuity;

(C) How fixed, variable and indexed annuity contract provisions affect consumers;

(D) The application of income taxation of qualified and non-qualified annuities;

(E) The primary uses of annuities; and

(F) Appropriate sales practices, replacement and disclosure requirements.

(4) Providers of courses intended to comply with this subsection shall cover all topics listed in the prescribed outline and shall not present any marketing information or provide training on sales techniques or provide specific information about a particular insurer's products. Additional topics may be offered in conjunction with and in addition to the required outline.

(5) A provider of an annuity training course intended to comply with this subsection shall register as a CE provider in this State and comply with the rules and guidelines applicable to insurance producer continuing education courses as set forth in sections 38a-782a-1 through section 38a-782a-18 of the Regulations of Connecticut State Agencies.

(6) Annuity training courses may be conducted and completed by classroom or self-study methods in accordance with section 38a-782a-7 of the Regulations of Connecticut State Agencies.

(7) Providers of annuity training shall comply with the reporting requirements and shall issue certificates of

completion in accordance with section 38a-782a-5 of the Regulations of Connecticut State Agencies.

(8) The satisfaction of the training requirements of another State that are substantially similar to the provisions of this subsection shall be deemed to satisfy the training requirements of this subsection in this State.

(9) An insurer shall verify that an insurance producer has completed the annuity training course required under this subsection before allowing the producer to sell an annuity product for that insurer. An insurer may satisfy its responsibility under this subsection by obtaining certificates of completion of the training course or obtaining reports provided by commissioner-sponsored database systems or vendors or from a reasonably reliable commercial database vendor that has a reporting arrangement with approved insurance education providers.

(NEW) Section 38a-432a-9 Effective date

These amendments shall take effect six (6) months after the date the amendments to the regulation are adopted.

Statement of purpose: To modify Sections 38a-432a-1 to 38a-432a-7, inclusive of the Regulations of Connecticut State Agencies, in accordance with a National Association of Insurance Commissioners (NAIC) model to strengthen standards and procedures for suitable annuity recommendations, and to strengthen the requirements of insurers to establish a system to supervise recommendations so that the needs and financial objectives of consumers are appropriately addressed. These amendments establish a regulatory framework that holds insurers responsible for ensuring that the annuity transactions are suitable, whether or not the insurer contracts with a third party to supervise or monitor the recommendations made in the marketing and sale of annuities. These amendments also add a new section 38a-432a-8 to set uniform training standards in the sale of annuities for producers.

A. The problems, issues or circumstances that the regulation proposes to address.

These amendments clarify the respective responsibilities of producers and insurers in the sale of annuities, and seek to bring uniformity in training standards among the states. These amendments also bring uniformity with the standards set by the Financial Industry Regulatory Authority (FINRA) to the extent it is rational to do so.

B. A summary of the main provisions of the regulation.

The regulation sets forth the duties of the producers and insurers related to recommendations to consumers that result in annuity transactions.

In the amendments, in section 38a-432a-5(a) through (e), there is greater specificity than previously as to the obligations on producers, or insurers if no producer is involved. There must be: reasonable grounds to believe that a consumer has been reasonably informed of the various features of the annuity, that the consumer would benefit from the features of the annuity, that the annuity transaction is suitable for the consumer, consideration of the impact of any surrender charge in the annuity transaction if the annuity replaces another annuity and whether there have been other exchanges or replacements with the preceding 36 months. Insurers are not to issue an annuity unless there is a reasonable basis to believe the annuity is suitable based on the consumer's suitability information, which is defined to include age, income, financial experience and objectives, use of the annuity, financial time horizon, existing assets, liquidity needs, risk tolerance and tax status. Producers and insurers have no obligation, however, if no recommendation is made, the consumer provides materially inaccurate information as to suitability, the consumer refuses to provide relevant suitability information or the consumer decides to enter into a transaction not based on the recommendation of the insurer or producer.

In section 38a-432a-5(f) of the amendments, there is enhanced responsibility on insurers to establish a supervision system consisting of reasonable procedures to inform producers of the requirements of the regulation, establish standards for producer compliance training, provide product-specific training, maintain procedures to review recommendations prior to issuance and to detect recommendations that are not suitable. Insurers are to annually provide a report to senior management detailing a review of the effectiveness of the supervision system. Insurers may contract for establishment of a suitability supervision system, but are not relieved of responsibility for compliance if they contract those functions.

In section 38a-432a-5(h), the regulation generally provides that sales made in compliance with FINRA requirements pertaining to suitability satisfy this regulation if the suitability supervision is similar.

Section 38a-432a-6 provides that insurers are responsible for violations of the regulation, but the Commissioner has the authority to reduce a penalty if the violation was not part of a pattern or practice.

Section 38a-432a-7 remains substantively unchanged.

A new section, 38a-432a-8, is added. It adds training requirements for producers, including requirements that a producer shall not solicit the sale of an annuity unless the producer has adequate knowledge of the product to recommend the producer and the producer is in compliance with the insurer's training standards. Producers who desire to sell annuities are required to complete a one-time four credit training program within six months after the effective date of the regulation. Topics to be included in such training include the types of annuities, identification of parties to an annuity, how the provisions of fixed, variable and indexed annuities affect consumers, application of income tax of qualified and non-qualified annuities, the primary uses of annuities and appropriate sales practices, replacement and disclosure requirements.

C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.

In section 38a-432a-5(a) through (e), there are new and specific requirements for producers, or insurers if no producer is involved. There must be: reasonable grounds to believe that a consumer has been reasonably informed of the various features of the annuity, that the consumer would benefit from the features of the annuity, that the annuity transaction is suitable for the consumer, consideration of the impact of any surrender charge in the annuity transaction if the annuity replaces another annuity and whether there have been other exchanges or replacements with the preceding 36 months. Insurers are not to issue an annuity unless there is a reasonable basis to believe the annuity is suitable based on the consumer's suitability information, which is defined to include age, income, financial experience and objectives, use of the annuity, financial time horizon, existing assets, liquidity needs, risk tolerance and tax status. Producers and insurers have no obligation, however, if no recommendation is made, the consumer provides materially inaccurate information as to suitability, the consumer refuses to provide relevant suitability information or the consumer decides to enter into a transaction not based on the recommendation of the insurer or producer.

In section 38a-432a-5(f) of the amendments, there is a new enhanced responsibility on insurers to establish a supervision system consisting of reasonable procedures to inform producers of the requirements of the regulation, establish standards for producer compliance training, provide product-specific training, maintain procedures to review recommendations prior to issuance and to detect recommendations that are not suitable. Insurers are to annually provide a report to senior management detailing a review of the effectiveness of the supervision system. Insurers may contract for establishment of a suitability supervision system, but are not relieved of responsibility for compliance if they contract those functions.

In section 38a-432a-5(h), the regulation has a new provision that sales made in compliance with FINRA requirements pertaining to suitability satisfy this regulation if the suitability supervision is similar.

Section 38a-432a-6 indicates that insurers are responsible for violations of the regulation, but reinforces that the Commissioner has the authority to reduce a penalty if the violation was not part of a pattern or practice.

There is a new section on training. Section, 38a-432a-8 adds training requirements for producers, including requirements that a producer shall not solicit the sale of an annuity unless the producer has adequate knowledge of the product to recommend the producer and the producer is in compliance with the insurer's training standards. Producers who desire to sell annuities are required to complete a one-time four credit training program within six months after the effective date of the regulation. Topics to be included in such training include the types of annuities, identification of parties to an annuity, how the provisions of fixed, variable and indexed annuities affect consumers, application of income tax of qualified and non-qualified annuities, the primary uses of annuities and appropriate sales practices, replacement and disclosure requirements.

CERTIFICATION

R-39 REV. 1/77

Be it known that the foregoing: Page 12 of 12 pages

☒ Regulations ☐ Emergency Regulations

Are:

☐ Adopted ☒ Amended as hereinabove stated ☐ Repealed

By the aforesaid agency pursuant to:

x Section 38a-432a of the General Statutes.

☐ Section _____ of the General Statutes, as amended by Public Act No._____ of the _____ Public Acts.

☐ Public Act No. _____of the Public Acts.

After publication in the Connecticut Law Journal on ~~February 1,~~ 2011 ~~of the notice~~ of the proposal to:

☐ Adopt ☒ Amend ☐ Repeal such regulations

(If applicable): ☐ And the holding of an advertised public hearing on _____day of _____20 ___

WHEREFORE, the foregoing regulations are hereby:

☐ Adopted ☒ Amended as hereinabove stated ☐ Repealed

Effective:

X Six months after the date the amendments to the regulation are adopted.

☐ When filed with the Secretary of the State.

(OR)

☐ The _____ day of _____.

In Witness Whereof:	DATE 4/5/11	SIGNED (*Head of Board, Agency or Commission*)	OFFICIAL TITLE, DULY AUTHORIZED INSURANCE COMMISSIONER
Approved by the Attorney General as to legal sufficiency In accordance with Sec. 4-169, as amended, C. G. S. :		SIGNED 4/18/11	OFFICIAL TITLE, DULY AUTHORIZED ASSOC. ATT. GENERAL

☐ Approved

☐ Disapproved

☐ Disapproved in part, (Indicate Section Numbers disapproved only)

☐ Rejected without prejudice.

By the Legislative Regulation Review Committee in accordance With Sec. 4-170, as amended, of the General Statutes.	DATE	SIGNED (*Clerk of the Legislative Regulation Review Committee*)

Two certified copies received and filed, and one such copy forwarded to the Commission on Official Legal Publications In accordance with Section 4-172, as amended, of the General Statutes.

DATE	SIGNED (*Secretary of the State.*)	BY

INSTRUCTION

1. One copy of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the Attorney General for his determination of legal sufficiency. Section 4-169 of the General Statutes.

2. Seventeen copies of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the standing Legislative Regulation Review Committee for its approval. Section 4-170 of the General Statutes.

3. Each regulation must be in the form intended for publication and must include the appropriate regulation section number and section heading. Section 4-172 of the General Statutes.

4. Indicate by "(NEW)" in heading if new regulation. Amended regulations must contain new language in capitol letters and deleted language in brackets. Section 4-170 of the General Statutes.