

**SECTION 5: Small Business Impact Statement**

### Small Business Impact Statement

Prior to adopting a new section or amendment, Section 4-168a of the Connecticut General Statutes (C.G.S.) requires that each state agency consider the effect of such action on small businesses as defined in C.G.S. Section 4-168a. When such regulatory action may have an adverse effect on small businesses, C.G.S. Section 4-168a directs the agency to consider regulatory requirements that will minimize the adverse impacts on small businesses if the addition of such requirements (1) will not interfere with the intended objectives of the regulatory action and (2) will allow the new section or amendment to remain consistent with public health, safety and welfare.

State Agency submitting proposed regulations: Insurance Department

Subject matter of Regulation: Requirements for Replacement of Life Insurance and Annuities

In accordance with C.G.S. Section 4-168a, staff analyzed the effect on small businesses of the proposed regulations and determined the following:

Check all appropriate boxes:

The regulatory action will not have an effect on small businesses.

- The regulatory action will have an effect on small businesses, but will not have an adverse effect on such small businesses.
- The regulatory action may have an adverse effect on small businesses, and no alternative considered would be both as effective in achieving the purpose of the action and less burdensome to potentially affected small business. Alternatives considered include the following:
- (1) The establishment of less stringent compliance or reporting requirements for small businesses;
  - (2) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
  - (3) The consolidation or simplification of compliance or reporting requirements for small businesses;
  - (4) The establishment of performance standards for small businesses to replace design or operational standards required in the new section or amendment; and
  - (5) The exemption of small businesses from all or any part of the requirements contained in the new section or amendment.

- The regulatory action will have an adverse effect on small businesses that cannot be minimized in a manner that is consistent with public health, safety and welfare.

Has the State agency listed above notified the Department of Economic and Community Development of its intent to take the proposed action and completed the Agency Fiscal Estimate of Proposed Regulations?

Yes

## AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION

**Agency Submitting Regulation:** Insurance Department    **Date:** July 13, 2010

**Subject Matter of Regulation:** Requirements for Replacement of Life Insurance and Annuities

**Regulation Section No.:** Section 38a-435-1 through 38a-435-8, inclusive    **Statutory Authority:**  
Conn. Gen. Stat. section 38a-435

**Other Agencies Effected:** None

**Effective Date Used in Cost Estimate:** October 15, 2010

**Estimate Prepared By:** Mark R. Franklin    **Telephone No.:** 860-297-3854

## ESTIMATE OF COST OR REVENUE IMPACT OF PROPOSED REGULATION

**Agency:** Insurance Department    **Fund Effected:** Insurance Fund

	First Year	Second Year	Full Operation
<u>Number of Positions</u>			
Personal Services	0	0	0
Other Expenses	0	0	0
Equipment	0	0	0
Grants	0	0	0
Total State Cost or (Savings)	0	0	0
Estimated Revenue Gain or (Loss)	0	0	0
Total Net State Cost or (Savings)	0	0	0

### **Explanation of State Impact of Regulation:**

No fiscal impact

### **Explanation of Municipal Impact of Regulation:**

None.

### **Explanation of Small Business Impact of Regulation:**

This regulation is based on the NAIC Requirements for Replacement of Life Insurance and Annuities Model Regulation.

It imposes an obligation on insurance producers to submit to insurers writing a life insurance policy or annuity a statement signed by the applicant and producer ascertaining whether the applicant has existing policies or contracts; and if so, providing the applicant with a notice, both written and oral, regarding whether replacement of a policy or contract is in the applicant's best interests. The notice is to list all life insurance policies or annuities that are proposed to be replaced in the transaction.

There is no direct financial cost on the producer related to compliance with the proposed regulation. As of July 12, 2010, there are 1,706 life insurance agencies in the State of Connecticut and 16,274 resident life insurance producers. Many but not all life insurance producers work at small businesses, while other life insurance producers work directly for life insurance companies or in large brokerage firms. The Connecticut Insurance Department does not have statistics available

as to the specific number of those producers working at small businesses. Moreover, the regulation is in force in 47 states, and compliance standards of most life insurers requires compliance with the model regulation's requirements.

**Is a regulatory flexibility analysis required pursuant to C.G.S. 4-168a?**

In the opinion of the Connecticut Insurance Department, a regulatory flexibility analysis is not required because there will be no direct financial impact on producers.

**Franklin, Mark**

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**From:** Raccio, David  
**Sent:** Wednesday, August 11, 2010 3:09 PM  
**To:** Franklin, Mark  
**Cc:** Lyons, Timothy; Korta, Debra  
**Subject:** RE: Small Business Impact Statements: (1) Suitability in Annuity Transactions; and (2) Requirements for Replacement of Life Insurance and Annuities

Hi Mark,

Sorry it took so long for me to get back to you on these regs. Thanks for sending them over and for the honest assesment of the potential impact on small business. These are both good to go on our end.

Thanks again,

Dave

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**From:** Franklin, Mark  
**Sent:** Tuesday, July 13, 2010 12:35 PM  
**To:** Raccio, David  
**Cc:** Lyons, Timothy; Korta, Debra  
**Subject:** Small Business Impact Statements: (1) Suitability in Annuity Transactions; and (2) Requirements for Replacement of Life Insurance and Annuities

Dear Mr. Raccio:

Attached are word documents containing small business impact statements and texts of the proposed regulations regarding two regulations the Insurance Department intends to propose for promulgation. The regulations are both model regulations of the National Association of Insurance Commissioners designed to impose uniform standards related to the protection of consumers, especially senior citizens, from potential abuses in the sale of life insurance and annuities. As indicated in the impact statement, the Insurance Department believes there will be an effect on small businesses, but not an adverse effect.

Please contact me if you have any questions or wish to discuss this.

Very truly yours,  
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