

Section 4: Fiscal note

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.