



Senate

General Assembly

February Session, 2014

File No. 395

Senate Bill No. 480

Senate, April 7, 2014

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT CONCERNING LIFE INSURANCE PRODUCER LICENSES
AND REGISTRATIONS OF BROKER-DEALERS, AGENTS,
INVESTMENT ADVISERS AND INVESTMENT ADVISER AGENTS.***

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

1 Section 1. (NEW) (*Effective October 1, 2014*) (a) The Banking
2 Commissioner shall provide monthly to the Insurance Commissioner,
3 in a form and manner agreed upon by said commissioners, a list of the
4 names and corresponding Social Security numbers of broker-dealers,
5 agents associated with a broker-dealer or an issuer, investment
6 advisers and investment adviser agents, as such terms are defined in
7 section 36b-3 of the general statutes, (1) who are currently registered
8 with the Banking Commissioner, and (2) who have had their
9 registrations denied, suspended or revoked pursuant to section 36b-15
10 of the general statutes during the preceding ten years. The list under
11 subdivision (2) of this subsection shall include the reason for such
12 denial, suspension or revocation.

13 (b) (1) The Insurance Commissioner shall determine whether any

14 applicant for a life insurance producer license who submits such
15 application on or after October 1, 2014, or any licensed life insurance
16 producer is included in the list set forth in subdivision (2) of subsection
17 (a) of this section.

18 (2) (A) If the Insurance Commissioner determines that an applicant
19 for a life insurance producer license is included in the list under
20 subdivision (2) of subsection (a) of this section, said commissioner
21 shall consider, in addition to the grounds for denial of a license set
22 forth in section 38a-702k of the general statutes, as amended by this
23 act, the denial, suspension or revocation of such applicant's
24 registration under section 36b-15 of the general statutes in determining
25 whether to grant such license. Said commissioner may deny such
26 application if said commissioner determines such applicant is not
27 properly qualified or trustworthy and that granting such license is
28 against the public interest.

29 (B) If such application is denied, the Insurance Commissioner shall
30 notify the applicant and advise, in writing, the applicant of the reason
31 for the denial of the applicant's license. The applicant may make
32 written demand upon said commissioner, not later than thirty days
33 after the applicant receives such notice, for a hearing before said
34 commissioner to determine the reasonableness of said commissioner's
35 action. The hearing shall be held not later than twenty days after said
36 commissioner receives such request and shall be held in accordance
37 with section 38a-19 of the general statutes.

38 (C) An individual aggrieved by a final order or decision of the
39 Insurance Commissioner in denying an insurance producer license
40 under this section may appeal therefrom in accordance with the
41 provisions of section 4-183 of the general statutes, except venue for
42 such appeal shall be in the judicial district of New Britain.

43 (3) (A) If the Insurance Commissioner determines that a licensed life
44 insurance producer is included in the list under subdivision (2) of
45 subsection (a) of this section, said commissioner shall consider, if the
46 denial, suspension or revocation of such licensee's registration under

47 section 36b-15 of the general statutes was not previously disclosed or
48 known to said commissioner, whether such denial, suspension or
49 revocation, in addition to the grounds for nonrenewal, suspension or
50 revocation of a license set forth in section 38a-702k of the general
51 statutes, as amended by this act, materially affects the qualifications or
52 trustworthiness of such licensee. Said commissioner shall, after
53 reasonable notice to such licensee, hold a hearing to make such
54 determination. Said commissioner may nonrenew, suspend or revoke
55 a life insurance producer license of such licensee if said commissioner
56 determines such licensee is not qualified or trustworthy and that
57 renewing or continuing such license is against the public interest.

58 (B) If such license is nonrenewed, suspended or revoked, the
59 Insurance Commissioner shall notify the licensee and advise, in
60 writing, the licensee of the reason for such nonrenewal, suspension or
61 revocation. An individual aggrieved by an order or decision of said
62 commissioner in nonrenewing, suspending or revoking a life insurance
63 producer license under this section may appeal therefrom in
64 accordance with the provisions of section 4-183 of the general statutes,
65 except venue for such appeal shall be in the judicial district of New
66 Britain.

67 (c) The denial of an application for or the nonrenewal, suspension or
68 revocation of a life insurance producer license shall not affect an
69 application for or the continuation of a license for any other line of
70 insurance.

71 Sec. 2. Subsection (a) of section 38a-702e of the general statutes is
72 repealed and the following is substituted in lieu thereof (*Effective*
73 *October 1, 2014*):

74 (a) (1) A person applying for a resident insurance producer license
75 shall make application to the commissioner on the uniform application
76 and declare under penalty of refusal, suspension or revocation of the
77 license that the statements made in the application are true, correct and
78 complete to the best of the individual's knowledge and belief. The
79 commissioner shall not approve the application unless the

80 commissioner finds that the individual [(1)] (A) is at least eighteen
81 years of age; [(2)] (B) has not committed any act that is a ground for
82 denial, suspension or revocation set forth in section 38a-702k, as
83 amended by this act, or section 1 of this act; [(3)] (C) has completed,
84 where required by the commissioner, a prelicensing course of study for
85 the lines of authority for which the person has applied; [(4)] (D) has
86 paid the fees set forth in section 38a-11; and [(5)] (E) has successfully
87 passed the examinations for the lines of authority for which the person
88 has applied.

89 (2) The uniform application shall include a requirement for
90 applicants to disclose whether an applicant for a life insurance
91 producer license has had a registration as a broker-dealer, an agent
92 associated with a broker-dealer or an issuer, an investment adviser or
93 an investment adviser agent, as such terms are defined in section 36b-3
94 denied, suspended or revoked pursuant to section 36b-15 during the
95 preceding ten years.

96 Sec. 3. Subsection (a) of section 38a-702f of the general statutes is
97 repealed and the following is substituted in lieu thereof (*Effective*
98 *October 1, 2014*):

99 (a) Unless a person is denied a license pursuant to section 38a-702k,
100 as amended by this act, or with respect to an insurance producer
101 license for life insurance, is denied such license or such license is
102 nonrenewed, suspended or revoked pursuant to section 1 of this act,
103 any person who has met the requirements of sections 38a-702d and
104 38a-702e, as amended by this act, shall be issued an insurance
105 producer license. An insurance producer may receive qualification for
106 a license in one or more of the following lines of authority: (1) life:
107 insurance coverage on human lives including benefits of endowment
108 and annuities, which may include benefits in the event of death or
109 dismemberment by accident and benefits for disability income; (2)
110 accident and health or sickness: insurance coverage for sickness, bodily
111 injury or accidental death which may include benefits for disability
112 income; (3) property: insurance coverage for the direct or

113 consequential loss or damage to property of every kind; (4) casualty:
114 insurance coverage against legal liability, including legal liability for
115 death, injury or disability or damage to real or personal property; (5)
116 variable life and variable annuity products: insurance coverage
117 provided under variable life insurance contracts and variable
118 annuities; (6) personal lines: property and casualty coverage sold to
119 individuals and families for noncommercial purposes; (7) credit:
120 limited line credit insurance; and (8) any other line of insurance
121 permitted under this state's laws or regulations.

122 Sec. 4. Subsection (a) of section 38a-702g of the general statutes is
123 repealed and the following is substituted in lieu thereof (*Effective*
124 *October 1, 2014*):

125 (a) Unless a person is denied a license pursuant to section 38a-702k,
126 as amended by this act, or with respect to an insurance producer
127 license for life insurance, is denied such license or such license is
128 nonrenewed, suspended or revoked pursuant to section 1 of this act, a
129 nonresident person shall receive a nonresident producer license if: (1)
130 The person is currently licensed as a resident and in good standing in
131 the person's home state; (2) the person has submitted the proper
132 request for licensure and has paid the fees required under section 38a-
133 11; (3) the person has submitted or transmitted to the commissioner the
134 application for licensure that the person submitted to the person's
135 home state, or in lieu of the same, a completed uniform application,
136 provided an applicant for a surplus lines broker license or limited lines
137 credit insurance producer license may submit any other application
138 acceptable to the commissioner; and (4) the person's home state
139 awards nonresident producer licenses to residents of this state on the
140 same basis.

141 Sec. 5. Section 38a-702k of the general statutes is repealed and the
142 following is substituted in lieu thereof (*Effective October 1, 2014*):

143 (a) (1) The commissioner may place on probation, suspend, revoke
144 or refuse to issue or renew an insurance producer's license or may levy
145 a civil penalty in accordance with the provisions of this title, or may

146 take any combination of such actions, for any one or more of the
147 following causes: [(1)] (A) Providing incorrect, misleading, incomplete
148 or materially untrue information in the license application; [(2)] (B)
149 violating any insurance laws, or violating any regulation, subpoena or
150 order of the commissioner or of another state's commissioner; [(3)] (C)
151 obtaining or attempting to obtain a license through misrepresentation
152 or fraud; [(4)] (D) improperly withholding, misappropriating or
153 converting any moneys or properties received in the course of doing
154 an insurance business; [(5)] (E) intentionally misrepresenting the terms
155 of an actual or proposed insurance contract or application for
156 insurance; [(6)] (F) having been convicted of a felony; [(7)] (G) having
157 admitted or been found to have committed any insurance unfair trade
158 practice or fraud; [(8)] (H) using fraudulent, coercive or dishonest
159 practices, or demonstrating incompetence, untrustworthiness or
160 financial irresponsibility in the conduct of business in this state or
161 elsewhere; [(9)] (I) having an insurance producer license, or its
162 equivalent, denied, suspended or revoked in any other state, province,
163 district or territory; [(10)] (J) forging another's name to an application
164 for insurance or to any document related to an insurance transaction;
165 [(11)] (K) improperly using notes or any other reference material to
166 complete an examination for an insurance license; [(12)] (L) knowingly
167 accepting insurance business from an individual who is not licensed;
168 [(13)] (M) failing to comply with an administrative or court order
169 imposing a child support obligation; or [(14)] (N) failing to pay state
170 income tax or comply with any administrative or court order directing
171 payment of state income tax.

172 (2) In addition to the provisions of subdivision (1) of this subsection,
173 the commissioner may suspend, revoke or refuse to issue or renew an
174 insurance producer's license for life insurance in accordance with
175 section 1 of this act.

176 (b) If the action by the commissioner is to nonrenew a license or to
177 deny an application for a license under subdivision (1) of subsection
178 (a) of this section, the commissioner shall notify the applicant or
179 licensee and advise, in writing, the applicant or licensee of the reason

180 for the denial or nonrenewal of the applicant's or licensee's license. The
 181 applicant or licensee may make written demand upon the
 182 commissioner, not later than thirty days after the notice, for a hearing
 183 before the commissioner to determine the reasonableness of the
 184 commissioner's action. The hearing shall be held not later than twenty
 185 days after receipt of such request and shall be held pursuant to section
 186 38a-19.

187 (c) The license of a business entity may be suspended, revoked or
 188 refused if the commissioner finds, after hearing, that an individual
 189 licensee's violation under subdivision (1) of subsection (a) of this
 190 section was known or should have been known by one or more of the
 191 partners, officers or managers acting on behalf of the partnership or
 192 corporation and the violation was neither reported to the
 193 commissioner nor corrective action taken.

194 (d) In addition to or in lieu of any applicable denial, suspension or
 195 revocation of a license, a person may, after hearing, be subject to a civil
 196 fine pursuant to section 38a-774.

197 (e) The commissioner shall retain the authority to enforce the
 198 provisions of, and impose any penalty or remedy authorized by, this
 199 title against any person who is under investigation for or charged with
 200 a violation of this title even if the person's license or registration has
 201 been surrendered or has lapsed by operation of law.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2014	New section
Sec. 2	October 1, 2014	38a-702e(a)
Sec. 3	October 1, 2014	38a-702f(a)
Sec. 4	October 1, 2014	38a-702g(a)
Sec. 5	October 1, 2014	38a-702k

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

There is no cost to the Department of Banking to provide the Department of Insurance with the information specified in the bill as this is their current practice. Additionally, there is no fiscal impact to the Department of Insurance from the other provisions of the bill.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**SB 480*****AN ACT CONCERNING LIFE INSURANCE PRODUCER LICENSES AND REGISTRATIONS OF BROKER-DEALERS, AGENTS, INVESTMENT ADVISERS AND INVESTMENT ADVISER AGENTS.*****SUMMARY:**

This bill requires an applicant for a life insurance producer license to disclose on the application form whether, in the past 10 years, the Banks Department has denied, suspended, or revoked his or her registration for a profession it regulates. The regulated professions are (1) broker-dealers, (2) agents associated with a broker-dealer or an issuer, (3) investment advisers, and (4) investment adviser agents.

The bill requires the banking commissioner to provide a monthly list to the insurance commissioner with the names and Social Security numbers of such professionals who (1) are currently registered with the banking commissioner and (2) have had their registrations denied, suspended, or revoked during the preceding 10 years.

The bill requires the insurance commissioner to determine whether the second list includes any (1) applicant for a life insurance producer license or (2) licensee. The insurance commissioner must consider the Banking Department sanction, in addition to the factors he must already consider, in determining whether to (1) grant a producer license or (2) suspend, revoke, or not renew an existing license. If the commissioner denies an application or sanctions a licensee, the commissioner must advise him or her, in writing, of the reason for his action.

An individual aggrieved by the commissioner's decision denying the license or a final order to suspend, revoke, or not renew a license may appeal to New Britain's judicial district.

The denial of an application for or the nonrenewal, suspension, or revocation of a producer license does not affect an application for, or the continuation of, a license for any other line of insurance.

EFFECTIVE DATE: October 1, 2014

LIST OF SANCTIONED BANKING PROFESSIONALS

The bill requires the banking commissioner to provide monthly to the insurance commissioner, in a form and way they agree on, a list of the names and Social Security numbers of professionals who (1) are currently registered with the banking commissioner and (2) have had their registrations denied, suspended, or revoked during the preceding 10 years. The second list must include the reason for the denial, suspension, or revocation.

REVIEWING APPLICATIONS FOR INSURANCE PRODUCERS LICENSES

If the insurance commissioner determines that an insurance producer license applicant who applied on or after October 1, 2014 is on the second list, he must consider the Banking Department sanction, in addition to the considerations he must already make, in determining whether to grant the license. The commissioner may deny the application if he determines that (1) the applicant is not properly qualified or trustworthy and (2) granting the license is against the public interest.

If the application is denied, the commissioner must notify the applicant and advise him or her, in writing, of the reason for the denial. Within 30 days after the receiving the notice, the applicant can make a written demand for a hearing before the commissioner to determine the reasonableness of his action. The hearing must be held within 20 days after the commissioner receives the request in accordance the department's usual hearing procedures.

REVIEWING LICENSED INSURANCE PRODUCERS

If the commissioner determines that a licensed life insurance producer is on the second list and the sanction was not previously

disclosed or known to him, he must consider whether the sanction, taken with the existing grounds for nonrenewal, suspension, or revocation of a producer's license, materially affects the producer's qualifications or trustworthiness. After providing reasonable notice to the producer, the commissioner must hold a hearing to make the determination. He may suspend, revoke, or choose not to renew the producer's license if he determines that (1) the producer is not qualified or trustworthy and (2) renewing or continuing the license is against the public interest.

BACKGROUND

Professions Registered with the Banking Department

By law, the following professionals must register with the Banking Department: (1) broker-dealers, (2) agents associated with a broker-dealer or an issuer, (3) investment advisers, and (4) investment adviser agents. A broker-dealer engages in securities transactions for others or his or her own account. An investment adviser is someone who, for compensation, (1) advises others on the value of securities or the advisability of investing in, buying, or selling securities or (2) as a part of a regular business, issues or promulgates analyses or reports concerning securities (CGS § 36b-3).

The department can deny, suspend, or revoke a registration on several grounds. These include any (1) wilful violation or failure to comply with the laws governing these professions or (2) conviction, within the past 10 years, for (a) any misdemeanor involving a security or any aspect of a business involving securities, commodities, investments, franchises, business opportunities, insurance, banking, or finance or (b) any felony (CGS § 36b-15).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/20/2014)