
OLR Bill Analysis

HB 5409

AN ACT CONCERNING FINANCIAL PLANNERS AND THE CONNECTICUT UNFAIR INSURANCE PRACTICES ACT.

SUMMARY

By law, financial planners must disclose to consumers, upon request, whether they have a fiduciary duty to them for each recommendation they make (CGS 36a-860). By law, a (1) “financial planner” is someone who, for compensation, offers individualized financial planning or investment advice, unless the activity is otherwise regulated by state or federal law and (2) “fiduciary duty” is a duty to act with prudence in the consumer’s best interest and with undivided loyalty to them.

This bill specifies that a financial planner doing business in Connecticut must also disclose to a Connecticut consumer, if requested, whether he or she has a fiduciary duty to them for each insurance recommendation made. The bill makes violating this disclosure requirement an unfair or deceptive act or practice in the business of insurance (i.e., CUIPA violation, see BACKGROUND).

EFFECTIVE DATE: October 1, 2022

BACKGROUND

Connecticut Unfair Insurance Practices Act (CUIPA)

The law prohibits engaging in unfair or deceptive acts or practices in the business of insurance. It authorizes the insurance commissioner to conduct investigations and hearings, issue cease and desist orders, impose fines, revoke or suspend licenses, and order restitution for per se violations (i.e., violations specifically listed in statute). The law also allows the commissioner to ask the attorney general to seek injunctive relief in Superior Court if he believes someone is engaging in other unfair or deceptive acts not specifically defined in statute.

Fines may be up to (1) \$5,000 per violation to a \$50,000 maximum or (2) \$25,000 per violation to a \$250,000 maximum in any six-month period if the violation was knowingly committed. The law also imposes a fine of up to \$50,000, in addition to or in place of a license suspension or revocation, for violating a cease and desist order (CGS § 38a-815 et seq.).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 17 Nay 0 (03/22/2022)