

# State of Connecticut



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BULLETIN NO. IC-22  
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TO: CHIEF EXECUTIVE OFFICERS OF ALL INSURANCE COMPANIES  
LICENSED IN THE STATE OF CONNECTICUT

SUBJECT: INDUSTRY RESPONSIBILITY CONCERNING PUBLIC  
CONFIDENCE/UNFAIR TRADE PRACTICES, REPLACEMENTS  
AND SALES PROMOTION

The global financial services crisis continues to present challenges to the insurance industry. With the continuing media attention about the difficulties of the U.S. life insurers in particular, I am concerned about the possible erosion of consumer confidence in the life insurance industry which may lead to surrenders and policy loan requests by insureds and contract holders of otherwise financially sound insurers. This behavior is exacerbated when consumers are advised to replace a policy based on a perception of an insurer's weakened financial strength. As you know, replacing or liquidating a life insurance policy or an annuity contract can have tax consequences and heavy transactional costs which may not be fully transparent to the consumer. This activity may be unwarranted when the insurer remains well-capitalized to meet its policyholder obligations. While the adverse consequences described above refer principally to policies issued by life insurers, it is important to note that Connecticut laws governing unfair trade practices cover the entire business of insurance.

It is therefore appropriate at this time to remind the entire insurance industry of its responsibility to take affirmative steps to avoid contributing to the loss of public confidence and irrational behavior. Though it is acceptable for companies and their representatives to reference their financial strength, it is not acceptable -- and likely a violation of Connecticut law -- for companies and their representatives to make unfair or misleading statements, implications or innuendos about the financial condition or solvency of other companies.

Pursuant to the Connecticut Unfair Insurance Practices Act, Conn. Gen. Stat. § 38a-815 to § 38a-819, inclusive, the following relevant provisions are defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

Conn. Gen. Stat. § 38a-816(1)(d) dealing with misleading statements or misrepresentations as to the financial condition of an insurer;

Conn. Gen. Stat. § 38a-816(2) dealing with untrue, deceptive or misleading advertising and promotions; and

Conn. Gen. Stat. § 38a-816(3) dealing with defamation and derogatory statements as to an insurer's financial condition.

Be advised that the Connecticut Insurance Department will continue to hold all insurers responsible for the conduct of their agents in connection with such unfair and deceptive acts or practices. Insurers are therefore urged to remind their representatives of the substance of this bulletin, the desirability of not commenting on a competitor's financial condition, and of their obligation always to do business with integrity. This office will carefully scrutinize replacement activity of all insurance policies, including but not limited to, sales promotional schemes oriented towards replacement of life insurance products and product and compensation designs which seem to be applicable only to replacement situations.

Though Connecticut law prohibits making use of the insurance guaranty association protection for consumers in the solicitation, negotiation, procurement or effectuation of insurance, the law does not prohibit efforts to make the public aware of this important safety net as a way to quell the concerns of many Connecticut insureds. In this regard, it is permissible to distribute any publication approved by the Insurance Commissioner describing the general purposes and current limitations of coverage of the Connecticut Life and Health Insurance Guaranty Association and/or the Connecticut Insurance Guaranty Association. The Insurance Department currently maintains on its internet website one such publication which may be viewed at [www.ct.gov/cid/lib/cid/guarfund.pdf](http://www.ct.gov/cid/lib/cid/guarfund.pdf).

In summary, I urge you individually and collectively to take whatever positive steps you can to promote public confidence in the ability of the industry to weather the storm and to refrain from any activities that serve to undermine it.

Please acknowledge receipt of this bulletin.



Thomas R. Sullivan  
Insurance Commissioner