



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin L-13

Changes to Insurance Producer Licensing Due to the New Producer Law Effective September 1, 2002

July 24, 2002

The purpose of this Bulletin is to inform insurance professionals doing business in our state of new requirements and to clarify changes in the licensing of insurance producers in Connecticut due to the passing of Public Act 01-113 "An Act Concerning The Licensing Of Insurance Producers" effective September 1, 2002. The main issues arising out of the passage of new law of which all producers and insurers doing business in Connecticut should be aware are summarized below. The specific sections of the public act relating to the issues presented are referenced in brackets following each point.

1. The definition of "agent" has not changed. An "agent" or "insurance agent" continues to be defined under the new law as an insurance producer appointed by an insurer. Therefore, any producer who acts on behalf of an insurance company must continue to be appointed as an agent by such company.

The Department reminds all producers and insurers that Bulletin L-11 continues to be the best reference for determining who needs to be appointed and when appointments are required. Bulletin L-11 may be found on the Insurance Department's website www.state.ct.us/cid [*Section 1*]

2. Under the new law "Home state" is defined as the jurisdiction in which a producer resides, OR, the jurisdiction in which the producer's principal place of business is located.

The Insurance Department will make a determination concerning which jurisdiction is considered a producer's home state based on the kind of application used to apply for licensure in our state (i.e. resident or non-resident) and/or based on the manner in which such producer qualifies for licensure. In other words, an applicant living in Connecticut who works in New York will have Connecticut as his or her home state, and therefore would be considered a Connecticut resident licensee, unless he or she submits a non-resident application and uses a New York Letter of Certification to qualify for licensure. Any applicant of a producer license who neither lives nor works in Connecticut may not apply for a resident license in our state and must obtain a Letter of Certification from his or her home state to qualify for licensure as a non-resident licensee. [*Section 1*]

3. Under the new law only two types of Limited Lines licenses will be available to resident licensees: credit and travel. "Credit Limited Line" includes almost any product that is tied into the extension of credit or a loan. "Travel Limited Line" includes travel accident, baggage, and trip cancellation coverage.

Many Limited Line licenses will no longer be available in Connecticut after the effective date of the new law or they will require that a licensee obtain a standard line of authority to sell the product. To maintain reciprocity with all other states, however, Connecticut will issue other Limited Lines to non-resident producers who hold such a limited line in their home state limited to the producers' authority granted by the home state. [Section 1]

4. The new producer law does not specifically address licensure issues relating to those persons who provide quotes and perform only other ministerial duties.

The Department's position with regard to whether a person providing an insurance quote needs to be duly licensed as a producer has not changed and is clearly outlined in a letter from Insurance Commissioner Reider dated June 2, 1998. This letter is available on the Department's website <http://www.state.ct.us/cid/> under Licensing Division/ What is a Producer and Telemarketers. [Section 3]

5. Additional Insurance Department mandated pre-licensing education and an additional Department examination are not required for variable contracts authority on a producer license.

As under current law, after the effective date of the new licensing provisions applicants for variable authority are not required to complete an additional education course or take an additional Insurance Department examination but are required to provide sufficient proof that they are NASD licensed and, consequently, have undergone a pre-licensing education and examination enabling them to market securities. Applicants for home state licensing in Connecticut must still provide proof of NASD qualification, proof of a broker-dealer affiliation, and, must hold a CT producer license for life authority before they are qualified to sell variable insurance products in Connecticut. Non-residents applicants must have a Letter of Certification from their home state indicating their authority for variable products to qualify for such authority in this state. [Section 4a]

6. Insurers that offer credit insurance products in this state are required under the new law to provide their agents with a course of education on the products offered or marketed to the public.

The credit insurance courses' outlines and contents are not required to be filed or pre-approved by this Department but may be reviewed by the Department at any time and must be made available to Department representatives upon request. [Section 5(d)]

7. Personal Lines is added as a producer standard line of authority.

A new standard line of insurance is added to allow applicants to apply and be licensed to sell, solicit and negotiate "Personal Lines" property and casualty products. To qualify for a personal lines license, a home state applicant must complete forty (40) hours of pre-licensing education and pass a personal lines license examination. Continuing education is required for personal lines licensees following the same CE rules of a standard lines P&C licensee. [*Section 6(a)6*]

8. Licensees who do not renew their license on time will, under the new law, be required to pay double the renewal fee in order to reinstate their license.

Any producers who fail to renew their licenses by January 31st of every even-numbered year must submit eighty dollars (\$80.00) to the Department to reinstate their license. Any licensees who do not reinstate by January 31st of the following (odd-numbered) year, must reapply as if for a new license [i.e. home state licensees must do pre-licensing education and pass the pre-licensing examination, then apply for reinstatement with an application, fees, and original education certificate and exam score report]. [*Section 6(c)*]

9. The new law clarifies the Commissioner's authority to assess a penalty to any licensee that fails to report an address or name change to the Insurance Department within 30 days of such change. [*Section 6(f)*]

10. Assumed names will no longer need to hold separate producer licenses in Connecticut.

After the effective date of the new law any name used in the business of insurance that uses the same tax identification number as that of a licensed producer, need only be registered with the Department. Currently, all names and d/b/a's used by a producer in conducting insurance business in our state are required to be licensed as a separate entity. After the effective date of the new law the Department will implement a registration process, at no charge to the applicants, whereby licensees will record all affiliated names that they use in conducting an insurance business under the same tax identification number. Please refer to the Connecticut Insurance Licensing Bulletin available from the state's education vendor for specifics and forms regarding assumed name/dba/trade name/alias registration. [*Section 9*]

11. The new producer laws set forth specific grounds that constitute cause for the denial, non-renewal, revocation or suspension of producer licenses.

The new producer law specifically enumerates the factors that would prevent the issuance of a producer license to an applicant or would constitute cause for the suspension or revocation of an existing producer license. Any such decisions that

would drastically impact a licensee's ability to continue to engage in an insurance business will continue to be made by the Insurance Department in a thoughtful, consistent and reasonable manner. Because of the provisions contained in the new producer licensing law, however, the Insurance Department has much more specific guidelines, and consequently less flexibility, to determine if an applicant is entitled to receive a producer license and as to whether a current licensee continues to possess the necessary requisites of competency and trustworthiness and continues to conform to the standards of conduct that are expected of an insurance professional. [Section 11(a)]

12. Under the new law a producer is allowed to pay referral fees to an unlicensed person.

Payment of referral fees or sharing commissions was specifically prohibited in past laws. After the effective date of the new producer licensing laws, a producer may share commissions earned on an insurance business with any person providing a referral for such business, provided that the unlicensed person receiving such referral fees does not act as a producer by soliciting, negotiating or selling insurance, or in any other way implies or represents to the public that he or she is a licensed producer. [Section 12(d)]


Susan F. Cogswell
Insurance Commissioner