

Sec. 38a-435-4. Duties of Insurers that Use Producers

Each insurer that uses producers shall:

(a) Maintain a system of supervision and control to ensure compliance with the requirements of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies. Such system may include, but need not be limited to, systematic customer surveys, interviews, conformation letters or internal monitoring programs, and shall include at least the following:

(1) Informing its producers of the requirements of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies and incorporate the requirements of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies into all relevant producer training manuals prepared by the insurer;

(2) Providing to each producer a written statement of the company's position with respect to the acceptability of replacements and providing guidance to its producer as to the appropriateness of these transactions;

(3) A system to review the appropriateness of each replacement that the producer does not indicate is in accord with subdivision (2) of this subsection;

(4) Procedures to confirm that the requirements of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies have been met; and

(5) Procedures to detect transactions that are replacements of existing policies or contracts by the existing insurer, but that have not been reported as such by the applicant or producer.

(b) Have the capacity to monitor each producer's policy and contract replacements for that insurer, and shall produce, upon request, and make such records available to the commissioner. The capacity to monitor shall include the ability to produce records for each producer's:

(1) Policy replacements, including financed purchases, as a percentage of the producer's total annual sales for life insurance;

(2) Number of lapses of policies by the producer as a percentage of the producer's total annual sales for life insurance;

(3) Contract replacements as a percentage of the producer's total annual annuity contract sales;

(4) Number of transactions that are unreported replacements of existing policies or contracts by the existing insurer detected by the company's monitoring system as required by subsection (a)(5) of this section; and

(5) Replacements, indexed by replacing producer and existing insurer;

(c) Require with or as a part of each application for life insurance or an annuity a signed statement by both the applicant and the producer as to whether the applicant has existing policies or contracts;

(d) Require with each application for life insurance or an annuity that indicates an existing policy or contract a completed notice regarding replacements as contained in Appendix A of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies;

(e) When the applicant has existing policies or contracts, be able to produce copies of any sales material required by section 38a-435-3(c) of the Regulations of Connecticut State

Regulations of Connecticut State Agencies

Agencies, the basic illustration and any supplemental illustrations related to the specific policy or contract that is purchased, and the producer's and applicant's signed statements with respect to financing and replacement for at least five (5) years after the termination or expiration of the proposed policy or contract;

(f) Ascertain that the sales material and illustrations required by section 38a-435-3(e) of the Regulations of Connecticut State Agencies meet the requirements of sections 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies and are complete and accurate for the proposed policy or contract;

(g) If an application does not meet the requirements of 38a-435-1 to 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies, notify the producer and applicant and fulfill the outstanding requirements; and

(h) Maintain records in paper, photograph, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

(Effective July 23, 2013)