

## **REGULATORY FLEXIBILITY ANALYSIS** **(FORMERLY SMALL BUSINESS IMPACT STATEMENT)**

### **SECTION A**

**Date:** November 18, 2020

**Agency Submitting Proposed Regulation:** Insurance Department

**Proposed Regulation Title:** Suitability in Annuity Transactions

Prior to or concomitant with the posting of a notice pursuant to C.G.S. § 4-168a, as amended by Public Act 16-32, each agency shall prepare a regulatory flexibility analysis. Agencies must complete this document and upload it into the eRegulations System prior to posting the Notice of Intent described in C.G.S. § 4-168(a)(1). This document will automatically publish to [eregulations.ct.gov](http://eregulations.ct.gov) at the time the filing agency posts the Notice of Intent.

Reminder: Pursuant to C.G.S. § 4-168a(c), prior to the adoption of any proposed regulation that may have an adverse impact on small businesses, each agency shall notify the Department of Economic and Community Development and the joint standing committee of the General Assembly having cognizance of matters relating to commerce of its intent to adopt the proposed regulation.

### **Scope and Objectives of the Proposed Regulation (mandatory for all filers):**

The proposed regulation adopts the most recent version the National Association of Insurance Commissioners (NAIC) model regulation. Such version, and these proposed changes require producers, as defined in this regulation, to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations so that the insurance needs and financial objectives of consumers at the time of the transaction are effectively addressed.

Please check the appropriate box:

- ☐ The regulatory action will not have an effect on small businesses. *If you check this box, do not complete SECTION B.*
- ☒ The regulatory action will have an effect on small businesses, but will not have an adverse effect on such small businesses. *If you check this box, complete SECTION B.*
- ☐ The regulatory action may have an adverse effect on small businesses, but no alternatives considered would be both as effective in achieving the purpose of the action and less burdensome to potentially effected small business. *Note: alternatives considered may include those listed in C.G.S. § 4-168a(b)(6). If you check this box, complete SECTION B.*
- ☐ The regulatory action will have an adverse effect on small businesses that cannot be minimized in a manner that is consistent with public health, safety and welfare. *If you check this box, complete SECTION B.*

**SECTION B**

For regulatory actions which affect or may affect small businesses, please provide responses to the following:

**Types of Businesses Potentially Affected by the Proposed Regulation:**

The proposed regulation affects insurance producers and insurers. Insurance producers may be employed by insurance agencies with Life Insurance authority that could be considered small businesses. Insurers would not be considered small businesses.

**Total Number of Small Businesses Potentially Subject to the Proposed Regulation:**

Approximately 5,986 business entities licensed as producers with Life Insurance authority.

**Will small businesses, in order to comply with the proposed regulation, have additional requirements as listed in C.G.S. § 4-168a(b)(4)? If so, identify the requirements and provide an explanation for each.**

The proposed regulation requires insurance producers making recommendations of an annuity to: (1) disclose information to a consumer using the form in Appendix A of the regulation; (2) disclose information as to cash compensation if requested by the consumer; (3) make a written record of their recommendation and a basis for it; (4) obtain consumer-signed statements on forms similar to Appendices B and C of the regulation; and (5) add appropriate standard of conduct training to training requirements already required under the existing regulation.

**Has the agency communicated with small businesses or small business organizations in developing the proposed regulation and the regulatory flexibility analysis, if applicable? If so, to what extent?**

The proposed regulation adopts the most recent version the National Association of Insurance Commissioners (NAIC) model regulation. The adoption of this model regulation included insight and comments from insurance regulators along with industry representatives and organizations representing both insurers and producers. Other states have or are currently in the process of adopting the model regulation. As such, insurers and producers are fully aware of this proposed regulation.

**Does the proposed regulation provide alternative compliance methods for small businesses that will accomplish the objectives of applicable statutes while minimizing the adverse impact on small businesses? If so, to what extent?**

No.