

Insurance and Real Estate Committee JOINT FAVORABLE REPORT

Bill No.: HB-5409

AN ACT CONCERNING FINANCIAL PLANNERS AND THE CONNECTICUT

Title: UNFAIR INSURANCE PRACTICES ACT.

Vote Date: 3/22/2022

Vote Action: Joint Favorable

PH Date: 3/18/2022

File No.: 337

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

This bill will help to provide greater transparency for consumers by ensuring that their financial planner has the best interest in mind. The bill will require financial planners doing to disclose to their client whether the financial planner has a fiduciary duty to a third party when making insurance recommendations. Any failure to make such disclosure would constitute a violation.

RESPONSE FROM ADMINISTRATION/AGENCY:

None stated.

NATURE AND SOURCES OF SUPPORT:

Salim Boutagy, Financial Planning Association of Connecticut states our banking statutes already regulate persons who hold themselves out as financial planners. The FPA believes that there should also be protections for consumers under our insurance laws because financial planning very frequently involves professional advice regarding investment products as well as insurance products. The FPA supports Subsection 2(b) which closely tracks the banking issue, and the penalty provision (unfair insurance practice) contained in Section 3. Financial planning is a very serious business; and Connecticut families should be confident that people who don't provide fair and honest advice and services will be penalized.

NATURE AND SOURCES OF OPPOSITION:

NAIFA states that under CT general statute, a “financial planner” means a person offering individualized financial planning or investment advice to a consumer for compensation where such activity is not otherwise regulated by state or federal law. This definition is problematic with the proposed language change under HB5409. As insurance products are regulated by state law and recommendations of insurance would not qualify under the definition of a financial planner. This contradiction could be interpreted as nullifying the proposed amendment, for those not already bound by a fiduciary duty. NAIFA does not oppose disclosures of the standard of care upon consumer request. NAIFA members pledged to work diligently to satisfy the needs of my clients by acting in their best interest as part of our Code of Ethics and have typically voluntarily operated at higher standards of care than is required. However, NAIFA does not support the mandatory disclosure NOT prompted by consumer requests. NAIFA recommends opposing HB5409 as it is unnecessary and creates a potentially unworkable conflict.

David Godbout **opposes** the bill.

Reported by: Daniil Toropov

Date: 4/7/2022