



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

**Bulletin IC-19
September 17, 2008**

To: ALL INSURANCE PRODUCERS, INSURERS AND HEALTH CARE CENTERS LICENSED IN THE STATE OF CONNECTICUT

Re: INCREASE IN FINES LEVIED BY THE INSURANCE DEPARTMENT

The purpose of this Bulletin is to bring to the attention of all persons licensed by the Insurance Department of the enactment of [Public Act 08-178](#), which will take effect on October 1, 2008. Public Act 08-178 generally increases fines the insurance commissioner may assess against insurers, related companies, entities and individuals for violating Connecticut's insurance laws, including those related to unauthorized insurers, producer and company licensing, unfair and prohibited practices, utilization review, and fraud. Most of the fines enacted since 1996 are not affected by this public act, including those related to privacy, preferred provider networks, and self-insured workers' compensation laws.

The act also requires insurers to pay claims from Department of Public Health-licensed emergency medical service personnel and organizations in accordance with the law's prompt claim payment requirements. An insurer's failure to pay claims as specified by law is classified as an unfair and deceptive insurance act, for which the commissioner may assess fines as shown in the table attached herein.

In addition, the Commissioner reminds all licensees that any insurance producer who sells, solicits, negotiates or effects a contract of insurance offered by a specific company or companies is required to be duly appointed to act on behalf of such company or companies. It is a violation of Connecticut General Statutes § 38a-702m for a producer to act as an agent of an insurer without having first, or within fifteen days after the first insurance application has been submitted, procured an appointment from such insurer. Any insurer that allows or permits a producer to act on its behalf without an appointment is also in violation of Connecticut law. Consequently, a violation of appointment requirements can potentially subject both the insurer and the producer to administrative action and subsequent penalties. Moreover, because of the lack of an express statutory penalty for failure to procure an appointment, or allowing a producer to sell solicit and negotiate insurance on behalf of the insurer without the proper appointment, the general penalty provision contained in section 38a-2 of the Connecticut General Statutes will apply. Under Public Act 08-178 a violation of any provision of Title 38a where no other penalty is specified carries a maximum penalty of \$15,000.00.

The guidelines provided by [Bulletin L-11](#), which sets out the kind of activities that the Insurance Department takes into account in making a determination about whether an insurance producer is acting as an agent of an insurer, and consequently needs to be appointed, remain unchanged. As a general proposition, L-11 advises that when a producer is marketing or negotiating a specific insurer's product, or urges or asks clients to buy a specific insurance product from a specific insurer, such producer needs to be duly appointed by the insurer. Therefore, all insurers and insurance producers are urged to review such guidelines to ensure that all appointment requirements are complied with.

A table listing the statutory fines affected by Public Act 08-178 is attached herein.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan". The signature is written in a cursive style with a long horizontal stroke at the end.

Thomas R. Sullivan
Insurance Commissioner

INSURANCE FINES INCREASES UNDER PA 08-178

Act §	Description	Prior Fine	New Fine
1	General penalty – Violation of any Title 38a provision when no other penalty is provided	Up to \$7,500	Up to \$15,000
2	Company license suspension, revocation, or non-renewal for cause shown (Fine is in addition to, or in lieu of, license action.)	Up to \$10,000	Up to \$50,000
3	Assessments on domestic insurers – Failure to pay when due	\$10 plus 6% annual interest	\$25 plus 6% annual interest
4	Annual and quarterly financial reports of insurers and HMOs – Filing late	\$100 per day for each day overdue	\$175 per day for each day overdue
5	Managing General Agents Act – Violating the act (Fine is in addition to license revocation or suspension.)	\$10,000 for each violation	\$15,000 for each violation
6	Insurance Holding Company Act – An individual's willful violation of the act (If intentional fraud, the fine is in addition to, or in lieu of, up to two years in prison.)	Up to \$3,000	Up to \$15,000
6	Insurance Holding Company Act – An insurance company's willful violation of the act	Up to \$10,000	Up to \$50,000
6	Insurance Holding Company Act – Willfully and knowingly making a false statement or report to deceive the commissioner	Up to \$25,000, up to five years in prison, or both	Up to \$50,000, up to five years in prison, or both
6	Insurance Holding Company Act – An insurance company, without just cause, does not file a required registration statement	\$100 each day, up to \$10,000 maximum	\$150 each day, up to \$15,000 maximum
6	Insurance Holding Company Act – A director or officer willfully violates the act or agrees to engage in transactions or investments not properly reported or permitted	Up to \$5,000 for each violation	Up to \$7,500 for each violation
7	Insurance Premium Finance Companies – Violating act (Fine is in addition to, or in lieu of, license suspension or revocation.)	Up to \$1,000 for each violation	Up to \$5,000 for each violation
8	Utilization Review (UR) – Violating the UR law (Fine is in addition to license suspension or revocation.) If company knew or should have known of violation.	Up to \$1,000 for each violation and \$10,000 maximum Up to \$5,000 for each violation and \$50,000 maximum in any six-month period	Up to \$1,500 for each violation and \$15,000 maximum Up to \$7,500 for each violation and \$75,000 maximum in any six-month period

8	Utilization Review – Violating commissioner's cease and desist order (Fine is in lieu of license suspension or revocation.)	Up to \$50,000	Up to \$75,000
9	Utilization Review – Providing fraudulent or misleading information to a UR company	Up to \$5,000 or equal to the value of services provided due to the fraud	Up to \$7,500 or equal to the value of services provided due to the fraud
10	Unauthorized Insurers Act– Not paying premium tax on time	The greater of 10% of the tax or \$50, plus 1% interest per month	The greater of 10% of the tax or \$75, plus 1% interest per month
11	Unauthorized Insurers Act—Any unauthorized insurer doing insurance business	Up to \$10,000	Up to \$50,000
11	Unauthorized Insurers Act—Violating the specific provisions of the act	\$500 for first offense and \$500 for each month it continues	\$2,500 for first offense and \$2,500 for each month it continues
12	Defrauding a life or accident insurance company	If less than \$100 obtained due to fraud: up to \$500, up to one year in prison, or both (If more: up to 10 years in prison)	If less than \$2,000 obtained due to fraud: up to \$10,000, up to one year in prison, or both (If more: up to 10 years in prison)
13	Standard Form of Fire Insurance Policy – Making, issuing, or delivering a fire insurance policy that is not the statutorily required standard policy	Up to \$200 for each offense	Up to \$1,000 for each offense
14	Group Life Insurance – Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$1,000 for each violation	Up to \$2,000 for each violation
15	Burial Contracts – Issuing burial contracts without a license or without the required provisions	Up to \$500, up to one year in prison, or both	Up to \$6,000, up to one year in prison, or both
16	Individual Health Insurance – Delivering an individual policy that does not meet statutory requirements	Up to \$500 for each offense	Up to \$10,000 for each offense
17	Group Health Insurance – Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$1,000 for each violation	Up to \$2,000 for each violation
18	Group Health Insurance – Delivering a group policy that does not meet statutory requirements	Up to \$500 for each offense	Up to \$1,000 for each offense
19	Consumer Dental Plans – Not complying with statutory requirements	Up to \$1,000 for each violation	Up to \$1,500 for each violation
20	Fraternal Benefit Societies– Making false or misleading statements regarding the	\$100 to \$500 fine, 30 days to	\$2,000 to \$10,000 fine, 30 days

	insurance contract or knowingly receiving compensation because of such violation	one year in prison, or both	to one year in prison, or both
21	Fraternal Benefit Societies– Willfully making a false or fraudulent statement on a membership application	\$100 to \$500 fine, 30 days to one year in prison, or both	\$2,000 to \$10,000 fine, 30 days to one year in prison, or both
21	Fraternal Benefit Societies– Soliciting membership for unlicensed fraternal benefit society	\$50 to \$200	\$1,000 to \$4,000
21	Fraternal Benefit Societies– Willfully violating, neglecting, or refusing to comply with fraternal benefit society statutes when no other penalty is specified	Up to \$200	Up to \$4,000
22	Credit Life, Accident and Health Insurance – Violating statutory requirements	Up to \$250, two years in prison, or both	Up to \$1,500, two years in prison, or both
23	Personal and Commercial Risk Insurance Rating Practices – Not complying with the commissioner's final order	Up to \$1,000, but if willful, up to \$10,000, up to one year in prison, or both	Up to \$2,000, but if willful, up to \$20,000, up to one year in prison, or both
24	Insurance Producers – Soliciting business for unlicensed insurance company	Up to \$100, up to six months in prison, or both	Up to \$2,000, up to six months in prison, or both
25	Insurance Producers – Acting without a license	Up to \$500, up to three months in prison, or both	Up to \$10,000, up to three months in prison, or both
26	Insurance Producers – Signing or countersigning insurance policies in blank by an insurance producer (Fine is in addition to license revocation.)	Up to \$100	Up to \$1,000
27	Public Adjusters – Acting as a public adjuster without a license	Up to \$500, up to three months in prison, or both	Up to \$10,000, up to three months in prison, or both
28	Certified Insurance Consultants – Not acknowledging or giving receipt for services	\$50 to \$500	\$250 to \$2,500
29	Certified Insurance Consultants – Receiving compensation in violation of law	\$50 to \$500 fine, 30 to 90 days in prison, or both	\$250 to \$2,500 fine, 30 to 90 days in prison, or both
30	Certified Insurance Consultants – Acting as certified insurance consultant without a license	\$50 to \$500 fine, up to six months in prison, or both	\$250 to \$2,500 fine, up to six months in prison, or both
31	Fraternal Agents –Acting as fraternal agent without a license	Up to \$100	Up to \$10,000
32	Licensing in General – Willful misrepresentation on a license application	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both

33	Licensing in General – Impersonating another person when taking an insurance license examination	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both
34	Licensing in General – For cause shown (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$1,000	Up to \$5,000
35	Surplus Lines Broker – Not making and filing an affidavit or willfully making a false affidavit	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both
36	Certified Insurance Consultants – Not giving commissioner information within 10 days	\$50 to \$500	\$250 to \$2,500
37	Motor Vehicle Physical Damage Appraisers – Acting without a license	Up to \$500, up to one year in prison, or both	Up to \$2,500, up to one year in prison, or both
38	Casualty Claim Adjusters– Acting without a license	Up to \$200, up to one year in prison, or both	Up to \$2,000, up to one year in prison, or both
39	Unfair and Prohibited Practices – Committing an unfair or prohibited practice (Fine is in addition to, or in lieu of, license suspension or revocation and restitution.)	Up to \$1,000 for each violation, \$10,000 maximum	Up to \$5,000 for each violation, \$50,000 maximum
39	Unfair and Prohibited Practices – Knowingly committing an unfair or prohibited practice (Fine is in addition to, or in lieu of, license suspension or license revocation and restitution.)	Up to \$5,000 for each violation, \$50,000 maximum in any six-month period	Up to \$25,000 for each violation, \$250,000 maximum in any six-month period
39	Unfair and Prohibited Practices – Violating a cease and desist order (Fine is in addition to, or in lieu of, license suspension or revocation.)	Up to \$10,000 for each violation	Up to \$50,000 for each violation
40	Unfair and Prohibited Practices – Any misrepresentation to convince an insured to surrender a policy and replace it with another	Up to \$500, up to 30 days in prison, or both	Up to \$5,000, up to 30 days in prison, or both
41	Unfair and Prohibited Practices – Publishing a false statement of assets or one that does not meet statutory requirements	\$500 for first offense, \$1,000 for each subsequent offense	\$10,000 for first offense, \$20,000 for each subsequent offense
42	Connecticut Insurance Guaranty Association – Not paying assessment when due (Fine is in lieu of license suspension or revocation.)	Up to 5% of the unpaid amount per month, but at least \$100 a month	Up to 5% of the unpaid amount per month, but at least \$500 a month
43	Connecticut Life & Health Insurance Guaranty Association – Failure to pay when due (Fine is in lieu of license suspension or revocation.)	Up to 5% of the unpaid amount per month, but at least \$100 a month	Up to 5% of the unpaid amount per month, but at least \$500 a month

44	Brokered Transactions Guaranty Fund – Penalty for filing a document that is false or untrue or has a material misrepresentation	At least \$200	At least \$300
45	Brokered Transactions Guaranty Fund – Penalty for embezzlement (Penalty is in addition to restitution, attorney costs and fees, and other relief a court may order)	Up to \$1,000	Up to \$1,500
46	Rehabilitation and Liquidation Act – Failure to cooperate with the commissioner	Up to \$10,000, up to one year in prison, or both; or up to \$10,000 and suspended or revoked license	Up to \$10,000, up to one year in prison, or both; or up to \$25,000 and suspended or revoked license
47	Rehabilitation and Liquidation Act – Any agent not giving required notice of policies written for an insurer subject to liquidation or not filing a compliance report (Fine is in addition to, or in lieu of, license suspension or revocation.)	Up to \$1,000	Up to \$2,500
48	Rehabilitation and Liquidation Act – Not paying collected premiums and unearned commissions to the liquidator (Fine is in addition to, or in lieu of, license suspension, revocation, or non-renewal.)	Up to \$1,000 for each violation	Up to \$2,500 for each violation
49	Connecticut Insurance Information and Privacy Protection Act – Obtaining information from an insurance institution under false pretenses	Up to \$10,000	Up to \$20,000
50	Medical Discount Plans – Knowingly operating as a medical discount plan organization in violation of law	Up to \$10,000	Up to \$15,000
51	Medical Discount Plans – Knowingly aiding or abetting someone who the person knew or reasonably should have known was operating as a medical discount plan organization in violation of law	Up to \$10,000	Up to \$15,000
52	Medical Discount Plans – Violating any provision of the law regulating such plans	Up to \$2,000	Up to \$3,000