



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

INSURANCE DEPARTMENT ETHICS STATEMENT

1. Purpose. The purpose of this statement is to ensure that all Insurance Department employees are aware of the Code of Ethics for Public Officials State Employees, ("Code of Ethics") Conn. Gen. Stat. §1-79, et seq.; to ensure that official actions of department employees are independent and free from influence; to prevent department employees from using their position or influence for personal financial benefit; and to encourage public trust in the integrity of the Insurance Department. The Insurance Department, and all other state agencies and departments, are required pursuant to Conn. Gen. Stat. § 1-83(a)(2) to develop and implement a department ethics statement as it relates to the mission of the agency.

2. Who must comply. All Insurance Department employees must comply with the Code of Ethics. In addition, there are certain rules for former state employees and contractors hired by the Insurance Department.

3. Outside employment. Department employees may not accept outside employment which will impair independence of judgment as to the employee's official duties or which would require or induce the employee to disclose confidential information gained in state service. Generally, outside employment is barred if the private employer can benefit from the employee's official actions. For example, if the employee has regulatory authority or contractual authority over the private employer, such outside employment would be barred. A state employee is not prohibited, however, from using his or her expertise for private gain, as long as no provision of the Ethics Code is violated in the process.

4. Use of Public Position or Confidential Information. A public position or confidential information gained in state service may not be used for the financial benefit of the employee, his or her family (spouse, children or dependent relatives who reside in the individual's household), or an "associated business" (any sole proprietorship, partnership, firm, corporation, trust or other entity through which business for profit or not for profit is conducted in which the public official or state employee or member of his immediate family is a director, officer, owner, limited or general partner, beneficiary of a trust or holder of stock constituting five per cent or more of the total outstanding stock of any class, provided, a public official or state employee, or member of his immediate family, shall not be deemed to be associated with a not for profit entity solely by virtue of the fact that the public official or state employee or member of his immediate family is an unpaid director or officer of the not for profit entity. "Officer" refers only to the president, executive or senior vice president or treasurer of such business.)

5. Representation before state agencies. No employee may represent another for compensation or accept to be a member or employee of a partnership, association, professional corporation or sole proprietorship which agrees to accept any employment, fee or other thing of value for appearing, agreeing to appear, or taking any action on

behalf of another person before any of the following agencies, boards and commissions: Banking Department, Claims Commissioner, Office of Health Care Access, Insurance Department, office within the Consumer Protection Department that carries out duties of the former Department of Liquor Control, Department of Motor Vehicles, State Insurance and Risk Management Board, Department of Environmental Protection, Department of Public Utility Control, Connecticut Siting Council, Department of Revenue Services Division of Special Revenue, Department of Revenue Services Gaming Policy Board or Connecticut Real Estate Commission. Nothing shall prohibit any employment, appearing, agreeing to appear or taking action before any municipal board, commission or council. Members of boards, commissions and quasi-public agencies who receive no compensation other than per-diem, expenses or both, and teaching or research professional employees of public institutions of higher education are excepted from this prohibition, provided that their actions are otherwise in compliance with the Code of Ethics.

6. Solicitation or acceptance of anything of value. No employee may solicit or accept anything of value, including, but not limited to, a gift loan, reward or promise of future employment based on an understanding that one's official action will be influenced thereby. No person may offer or give anything of value in order to influence one's official actions.

7. Contracts with state. No employee may enter into a contract with the state valued at \$100 or more unless the contract has been awarded through an open and public process. This ban extends to immediate family and associated businesses of the public official. Contracts of employment as a state employee and contracts made by court appointment are exempt from the provision. Also exempt are contracts entered into by executive branch or quasi-public agency officials who receive no compensation other than per-diem, expenses or both, unless the official has control over the subject matter of the contract. Additionally, no executive head of an agency, no executive head of a quasi-public agency, and no member of such individual immediate family or an associated business may enter into a contract with that agency or quasi-public agency.

8. Gifts from lobbyists or other regulated donors. No employee or member of the employee's immediate family may accept any gifts from one known to be a registered lobbyist or a lobbyist's representative. (The definition of gift does not include food and drink totaling less than \$50 per person in a calendar year, if consumed on occasions at which the lobbyist, or a representative of the lobbyist, furnishing the food or drink is in attendance. Also excluded from the definition are presents given to individuals incident to a "major life event" ("major life event" is defined by regulation to include "a ceremony commemorating an individual's induction into religious adulthood, such as a confirmation or bar mitzvah; a wedding; a funeral; and the birth or adoption of a child and retirement from public service or state employment"). It shall not include any event which occurs on an annual basis such as an anniversary; except that personal gifts of up to twenty-five dollars per occasion, aggregating no more than fifty dollars per recipient in a calendar year, shall be permitted to a minor child incident to a birthday or other traditional gift-giving occasion, e.g., Christmas or Chanukah), ceremonial awards costing

less than \$100, and benefits costing less than \$10 per person per occasion up to \$50 per calendar year).

9. Gifts from businesses regulated by department. No employee may accept any gift or gifts from any person doing business with, seeking to do business with, directly regulated by or having a financial interest that may be affected by the Insurance Department. (The same exceptions to the lobbyist gift provision also apply to this gift provision).

10. Fee or honorarium. No employee may accept any fee or honorarium given in return for a speech or appearance made or article written in the employee's official capacity. Acceptance of the individual's necessary expenses is, however, permissible (See section 17).

11. Interference with or solicitation of lobbying contracts. No employee may interfere with or solicit lobbying contracts for any person.

12. Substantial conflict of interest. If faced with taking official action which a public official or state employee can expect will directly affect the official's or employee's financial interests, distinct from others in the same occupation or group (for example, taking official action on the awarding of a contract to a private business the official or employee owns) the official or employee has substantial conflict of interest under Conn. Gen. Stat. §1-85, and may not act under any circumstances. This applies also if the interest of the officials' or employee spouse, child or associated business is effected.

13. Potential conflict of interest. If a public official or state employee has a financial interest which is shared by other members of the official's or employee's profession, occupation, or group (for example, an employee who is also a teacher acting on a matter which will benefit all teachers) the official or employee may proceed under the rules of Conn. Gen. Stat. §1-86. Specifically, if Insurance Department employees are faced with a situation involving a potential conflict of interest, a Department employee must prepare a written statement, under penalty of false statement, which describe the potential conflict. The individual must deliver the statement to his or her superior, who will assign the matter to another individual not subordinate to the employee with the conflict. This applies also if the interest of a family member or associated business is effected.

14. Potential conflict of interest with insignificant effect. Under §1-86, if the financial effect on the employee, a family member or an associated business is insignificant, or no different than that of a substantial segment of the population (e.g., a regulatory official acting on a matter which will affect private passenger auto premiums), the employee may act without having to follow §1-86 procedures. A state official or employee, if faced with issues involving a substantial or potential conflict of interest, should contact the Office of State Ethics for guidance.

15. Statutory requirement for financial examination examiners and market conduct examiners. In addition to the requirements of the Ethics Code, Conn. Gen. Stat. §38a-14(c) (1) related to financial examiners provides that the examiners shall be "competent persons, not officers of or connected with or interested in any insurance company, other than as a policyholder". In a slightly broader requirement, Conn. Gen. Stat. §38a-15(b) provides that market conduct examiners shall be "competent persons, not officers or connected with or interested in any insurance company, health care center or fraternal benefit society, other than as a policyholder".

16. Financial disclosure. Each division director and other Insurance Department employees as designated by the Commissioner must file annually with the Office of State Ethics by May 1 statements of financial interests held during the previous year.

17. Disclosure of necessary expense payments. An employee may receive reimbursement for necessary expenses for an article, appearance or a speech or for participation in an event, in the employee's official capacity. Necessary expenses are limited to necessary travel expenses, lodging for the nights before, of and after the appearance, speech or event, meals and any related conference or seminar registration fees. If lodging and/or out-of-state travel is included, the employee must disclose that reimbursement to the Office of State Ethics within 30 days. If a report is not filed, either intentionally or due to gross negligence, the employee must return the payment or reimbursement. Such disclosure is not required if the reimbursement is provided by the federal government or another state government. Detailed requirements for disclosures of necessary expense payments are found in sections 1-81-21 through 1-81-25 of the Regulations of Connecticut State Agencies.

18. Gifts to the State. Section 1-84 (q) of the Connecticut General Statutes prohibits the acceptance of all goods or services given to the state under § 1-79 (e) (5) (the "gift-to-the-state" exception) from regulated donors, even if they do not incidentally benefit a particular state official or employee. These include goods or services that are used on state property as well as those that support an event or an employee's participation in an event that facilitates state action or functions. The only goods or services that may be accepted pursuant to § 1-79 (e) (5) are those from non-regulated donors.

19. Difference between necessary expense payments and gifts to the state. There are significant differences in compliance requirements for accepting necessary expense payments, discussed in paragraph 17, and accepting gifts from the state, discussed in paragraph 18. The rules regarding fees, honorariums, and necessary expense payments apply when the individual actually participates in the event as a speaker, panelist or faculty member. The rules regarding gifts to the state apply when the individual merely attends the event.

20. Enforcement procedures and penalties. Enforcement of the Ethics Code is initiated by a complaint, filed by the Office of State Ethics or a member of the public. (In

most instances, a complaint initiated by the Office of State Ethics is preceded by a confidential staff evaluation). A two-step process follows: (1) A confidential investigation and probable cause hearing; and (2) if probable cause is found, a public hearing to determine if the Ethics Code has been violated. (At any stage of the process, the Office of State Ethics and respondent may negotiate a settlement). After a finding or admission of a violation, the Office may order the respondent cease and desist from the conduct causing the violation, file any required report or statement, and pay a civil penalty of not more than \$10,000 per violation. Alternatively, for failure to file a report, statement or other information required by the Ethics Code the Office of State Ethics can, after a single hearing, impose a civil penalty of \$10 per day, the aggregate penalty for any one violation not to exceed \$10,000. The Office of State Ethics may refer the matter to the Chief State's Attorney for action. An intentional violation of the Ethics Code for the first time is a misdemeanor, except that if the person violating the Ethics Code derives a financial benefit of \$1000 or more as a result of such violation, the violation is a felony; second or subsequent violations will also be a felony. The Attorney General may sue for up to two times the economic gain received through knowingly committing or knowingly profiting from a violation of the Ethics Code.

21. Disclosure or use of confidential information by former state employees.

No former employee may disclose or use confidential information, gained in state service, for the financial benefit of any person. This is a lifetime prohibition. "Confidential information" is any information not generally available to the public. The information may be in any form (written, photographic, recorded, computerized, etc.) including orally transmitted information, for example, conversations and negotiations.

22. Participation by former employees in matters in which they personally took part. No former employee may represent anyone (other than the state) concerning any particular matter (1) in which the employee participated personally and substantially while in state service and (2) in which the state has a substantial interest. This is a lifetime prohibition. It applies regardless of where the representation occurs and whether or not compensation is involved. The term "particular matter" must always be decided on a case by case basis. Although the concept is essentially a narrow one, a specific "particular matter" (for example, an administrative enforcement proceeding) cannot be further divided into separate phases (prehearing investigation, hearing, decision, etc.).

23. Representation of clients before Insurance Department by former employees. No former employee shall, for one year after leaving state service, represent anyone (other than the state) for compensation before the Insurance Department, concerning any matter in which the state has a substantial interest. The term "represent" includes any action which reveals the identity of the individual, for example, a personal appearance, phone call, signature on a document, identification on a firm's letterhead, etc.

24. Consulting by former employees with the Insurance Department. Former state employees may enter into direct consulting and other contracts with their former agencies within a one-year period after leaving state service. Specifically, such conduct

is permitted, as long as the reemployment is at no greater pay level than the individual was receiving at the time of separation from state service plus necessary expenses.

25. Employment of former employees by parties who have a state contract negotiated by the former employee. No former employee who participated substantially in, or supervised, the negotiation or award of a state contract may accept employment with a party to the contract (other than the state) for one year after resignation from state service if the resignation occurs within one year after the contract was signed. Substantial participation is not limited to the chief negotiator or the individual who signs the contract, but applies whenever the individual exercises authority at any level of the process. "Employment" includes work as an independent contractor or consultant.

26. Questions. Anyone subject to the Ethics Code, including any Insurance Department employee, may request the advice of the Office of State Ethics (advisory opinion) as to how the code applies to a situation. The Office's staff also provides informal advisory letters when the question posed is unambiguous or has been previously addressed by an advisory opinion. If you have any questions about Connecticut's ethics laws, you should contact the commission staff at

Office of State Ethics
20 Trinity St.
Hartford CT 06106-1660.
Telephone (860)566-4472
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