Vermont Department of Banking, Insurance Securities and Health Care Administration

Securities Division Bulletin 1

Sales or Investment Advice Related to Securities Products by Insurance Producers

This Bulletin is issued jointly by the Vermont Securities Division and the Vermont Insurance Division (Insurance Bulletin No. 161) to all insurance producers. The Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA") is aware that some producers are offering investment advice without the expertise and securities registration required by law. The unlawful offering of investment advice occurs not only when an unregistered producer proposes the purchase of a security, but also when a producer advises a consumer to sell a security. The advice to sell a security is often made in connection with funding the purchase of an insurance product offered by the same producer.

Producers should note that the recommendation to replace securities such as mutual funds, stocks, bonds, variable insurance products, and various other investment vehicles defined as securities under the Vermont Uniform Securities Act is the offering of investment advice. It is unlawful for a producer to offer investment advice unless he or she is registered (licensed) with the Vermont Securities Division as an investment adviser representative. A producer should not offer advice regarding the sale, surrender or replacement of an investment product without the appropriate securities registration.

The Commissioner of BISHCA will take action against insurance producers who improperly engage in transactions involving securities. Such action may include, but is not limited to, license suspension/revocation, fines and mandatory restitution.

Proper registration is an important consumer protection. Information about how to become registered as an investment adviser/investment adviser representative is available at the Securities Division's Website http://www.bishca.state.vt.us/securities/securities-division. Questions about this Bulletin should be directed to:

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Dated at Montpelier, Vermont this 15th day of June, 2011.

Susan L. Donegan, Acting Commissioner
STEPHEN W. KIMBELL, Commissioner