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## BLOGS

State Franchise and Dealer Laws

# Court Allows Insurance Agent to Pursue Connecticut Franchise Act Claim Against Allstate

A Connecticut federal court recently allowed a plaintiff to continue with his claim that Allstate violated state franchise laws by terminating him without good cause. In *Kollar v. Allstate Ins. Co.*, 2018 WL 4688301 (D. Conn. Sept. 28, 2018), Kollar alleged a violation of the Connecticut Franchise Act after Allstate terminated his longtime position as an insurance agent without cause in 2014. Allstate disputed that a franchise relationship existed, noting that Connecticut already had extensive legislation governing the relationship between insurance companies and their agents and did not intend for franchise laws to cover insurance agency relationships.

The court disagreed, noting that Connecticut applied a two-step test to establish a franchise relationship: (1) whether the franchisee had the right to offer, sell, or distribute goods or services; and (2) whether the franchisor substantially prescribed a marketing plan associated with a trademark for those sales. Although the Connecticut Supreme Court previously applied this test in an insurance agency case and found that no franchise relationship existed, the federal court concluded it was not bound by that outcome because the inquiry is inherently fact-intensive. Two allegations about Allstate's practices persuaded the court to analyze the relationship at a later stage of the litigation. First, unlike in the prior insurance agency franchise case, Allstate required its agents to sell Allstate's products exclusively. Second, Kollar alleged that Allstate explicitly represented itself as a franchisor in advertising. Those allegations were enough to state a plausible claim satisfying the first step of Connecticut's franchise test. The court noted that the question of control was better addressed after discovery. Allstate alternatively argued that even if the Connecticut Franchise Act applied, it had "good cause" to terminate Kollar, and its 90-day notice of termination complied with the statute. The court noted that it was inappropriate to resolve the issue of "good cause" on a motion to dismiss.

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