

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2016

Bill Number: H. 548 Name of Bill: An act relating to extraordinary dividends for life insurers
Agency/ Dept: DFR Author of Bill Review: Emily Kisicki

Date of Bill Review: 3/31/16 Related Bills and Key Players National Life

Status of Bill: (check one): Upon Introduction As passed by 1st body As passed by both

Recommended Position:

Support Oppose Remain Neutral Support with modifications identified in #8 below

Analysis of Bill

1. **Summary of bill and issue it addresses.** *Describe what the bill is intended to accomplish and why.*
This bill allows for certain circumstances where a domestic life insurer may use a "greater of" threshold rather than a "lesser of" threshold in determining whether a dividend is extraordinary (and therefore requires DFR Commissioner review and a 30 day window for the Commissioner to disapprove the dividend).
2. **Is there a need for this bill?** *Please explain why or why not.*
Yes, rating agencies have pointed to the ability to move capital throughout the holding company as a rating factor and have specifically penalized National Life for the potential restriction on capital movement. Ratings are important for an entity's marketing and capital raising ability, and thus their solvency. This change may be one factor that assists in supporting a current rating, preventing a downgrade or supporting an upgrade.
3. **What are likely to be the fiscal and programmatic implications of this bill for this Department?**
Unlikely to have fiscal or programmatic implications for DFR (but will add notice to Commissioner when the "greater of" threshold is used).
4. **What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?**
Unlikely to impact other departments in state government.
5. **What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?** *(for example, public, municipalities, organizations, business, regulated entities, etc)*
Unlikely to have fiscal or programmatic implications for others beyond domestic life insurers.
6. **Other Stakeholders:**
 - 6.1 **Who else is likely to support the proposal and why?**
Domestic life insurers (only one in VT – National Life) are likely to support the bill because it has the potential to increase their ability to move capital throughout the holding company.
 - 6.2 **Who else is likely to oppose the proposal and why?**
DFR is unaware of any opposition to the bill.
7. **Rationale for recommendation:** *Justify recommendation stated above.*
DFR notes that 29 other states use language similar to this bill, and that accreditation allows for this change. DFR retains the ability through other mechanisms to prohibit a dividend directly or indirectly.

8. **Specific modifications that would be needed to recommend support of this bill:** *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*
No changes needed. DFR notes that it consulted with the proponent of this bill (National Life) prior to the bill's introduction.

9. **Will this bill create a new board or commission AND/OR add or remove appointees to an existing one? If so, which one and how many?**

Not applicable.

Secretary/Commissioner has reviewed this document:



Date: 4/1/2016

David F. Provost
Acting Commissioner