

**CONFIDENTIAL**  
**LEGISLATIVE BILL REVIEW FORM: 2014**

Bill Number:   H. 785   Name of Bill: An act relating to self-insurance of automobile liability for religious organizations

Agency/ Dept: Department of Financial Regulation Author of Bill Review: Commissioner Susan L. Donegan

Date of Bill Review: 1/30/2014

Status of Bill: (check one):

☒ Upon Introduction      ☐ As passed by 1<sup>st</sup> body      ☐ As passed by both bodies

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 creates an alternate method of self-insurance for members of qualifying religious organizations. Specifically, the bill proposes to allow members of religious organizations that meet certain requirements, including a minimum security set far lower than the current statutory scheme, to self-insure their automobile liability policies in Vermont, subject to rules adopted by the Commissioner of Financial Regulation.

**2. Is there a need for this bill?** *Please explain why or why not.*

No. 23 VSA § 801 already provides for self-insurance of automobile liability through the Commissioner of Motor Vehicles.

**3. What are likely to be the fiscal and programmatic implications of this bill for this Department?**

This bill would burden the Department with regulatory responsibility that has already been appropriately reserved for the Department of Motor Vehicles under Vermont law. The bill would require DFR to either hire new employees or divert current employees from important tasks in order to oversee the proposed regulatory scheme.

**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?**

The Department of Motor Vehicles would be ceding part of its self-insurance regulatory responsibility to the Department of Financial Regulation, which could create a confusing and overlapping dual-regulatory system. The perspective of the Department of Motor Vehicles is not likely to be favorable for this reason and the reason that the minimum security amounts are far too low to satisfy claims.

**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)*

This bill substantially lowers the per-person capital amount required for members of religious organizations to obtain a certificate of self-insurance. The lower, per-person capital requirement does not comply with sound insurance practices for ensuring solvency and satisfying claims. Therefore, this bill would burden taxpayers and the traditionally-insured with the cost of liabilities greater than the amount of capital reserved per self-insured

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member of qualified religious organizations. The inability of the self-insured members of religious organizations to satisfy claim costs proposed in this self-insurance scheme may increase insurance premiums for the traditionally-insured as part of insurance entities' ensuring their solvency.

## 6. Other Stakeholders:

### 6.1 Who else is likely to support the proposal and why?

This bill is likely to be supported by religious organizations with members desiring to self-insure that are not concerned about their ability to satisfy claims.

### 6.2 Who else is likely to oppose the proposal and why?

This bill is likely to be opposed by the DMV, for the reasons described above, and the general public because the traditionally-insured will bear the costs when religious organizations are unable to satisfy claims.

## 7. Rationale for recommendation: *Justify recommendation stated above.*

The self-insured regulatory scheme for members of religious organizations proposed by this bill is not a sound insurance practice for solvency, and therefore does not properly protect the financial interests of the traditionally-insured. Furthermore, self-insurance is already allowed by 23 VSA § 801.

## 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.*

There are no modifications that would persuade the Department to support the bill.

~~Secretary/Commissioner~~ has reviewed this document: *Laura L. Poirer* Date: *2/3/14*