

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2015

Bill Number: H. 51 **Name of Bill:** An act relating to group-wide supervision of internationally active insurance groups and the establishment of domestic insurers in Vermont

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

Date of Bill Review: 4/30/2015 **Related Bills and Key Players** _____

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.*

Sections 1-2 of H. 51 update Vermont insurance law to make the licensing process for domestic companies (Vermont companies) consistent with the process for foreign companies (companies domiciled out of state). The new sections authorize the Commissioner of the Department of Financial Regulation (DFR) to consider the criteria in section 3361 of Title 8 during the licensing process. The criteria in section 3361 includes the financial condition of the corporation.

Sections 3-4 of H. 51 amend Vermont holding company law with respect to international insurance groups by clarifying DFR's authority to take the lead supervisory role of an internationally active insurance group where appropriate. Specifically, these sections result in clearer language related to:

- Authority for DFR to act as a group-wide supervisor;
- DFR having direct authority over the insurance holding company system
- DFR having legal authority to require and coordinate resolution plans; and
- New requirements for group-wide financial reporting for large insurance groups.

To implement the changes, the bill also adds two new definitions: for "group-wide supervisor", and for "internationally active insurance group." Group-wide supervisor is a new term within the industry that should be defined in law. The definition for internationally active insurance group is consistent with and required by the Common Framework for the Supervision of Internationally Active Insurance Groups, which is a set of international supervisory requirements focusing on the effective group-wide supervision of these groups.

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

Yes. This bill modernizes Vermont's insurance laws to ensure that domestic insurance companies are held to the same high standard as foreign companies, as well as to reflect advances in global regulation. Furthermore, the bill is crucial to maintaining DFR's National Association of Insurance Commissioners (NAIC)

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Accreditation. NAIC Accreditation assures regulators in other states that the State of Vermont has met or exceeded the recognized standards for insurance regulation. In turn, accreditation allows Vermont domiciled insurers, as well as DFR regulators, to operate on a reciprocal basis with their colleagues in other states. Accreditation rests on the passage of certain NAIC approved, and industry vetted, statutory provisions. These required provisions are typically based on NAIC model legislation that has been carefully crafted and commented on by regulators from all fifty states and by industry representatives. The bill is patterned on the NAIC model legislation.

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

None. DFR has adequate resources to handle any additional workload created by this bill.

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?

None.

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 is not expected to impose any significant fiscal or programmatic implications for insurance companies.

6. Other Stakeholders:

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

The following entities testified in favor of the bill: the Property and Casualty Insurers Association of America, the American Insurance Association, Cigna, and the American Council of Life Insurers.

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

There was no opposition to this bill.

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

This bill improves oversight over international insurance groups, clarifies and improves the licensing process for domestic insurance companies, and maintains Vermont's NAIC accreditation.

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.*

None.

9. Gubernatorial appointments to board or commission?

~~Secretary/Commissioner~~ has reviewed this document: Amanda L. Hurliga Date: 4/30/15

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