

State of Vermont
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To: Representative William Botzow, Chair, House Committee on Commerce and Economic Development
From: Kaj Samsom, Deputy Commissioner of Insurance, Department of Financial Regulation
Date: January 29, 2015
Re: H. 51 - An act relating to group-wide supervision of internationally active insurance groups

Thank you, Mr. Chair. Good Morning to the Committee. For the record, I am Kaj Samsom, Deputy Commissioner of Insurance at the Department of Financial Regulation. I became Deputy last August after serving as the Director of Insurance Examinations. This is my first opportunity to appear before you as Deputy.

The bill you have before you, H. 51, An act relating to group-wide supervision of internationally active insurance groups, contains an amendment to the Vermont holding company law with respect to international insurance groups. The amendment clarifies a state's authority, in this case DFR's authority, to take the lead supervisory role of an internationally active insurance group where appropriate.

The proposed language 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.

Let me give you some brief background since those members of the committee will recall that last year we made some amendments to Vermont holding company law.

State laws related to oversight of insurance groups ("holding company laws") are nearly identical across the country, largely as a result of the National Association of Insurance Commissioners ("NAIC") Accreditation Program. These laws provide important authority to state insurance commissioners for proper oversight over insurance company solvency. This authority includes





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the ability to disapprove dividends, review all material intercompany transactions, review all inter-company cost sharing agreements, and receive comprehensive reporting on all subsidiaries and affiliates and their relationships with the insurer.

The NAIC Accreditation Program mentioned above is a national program that develops and maintains standards to promote effective and efficient state-based insurance company regulation. A state insurance department is accredited once it has demonstrated it has met and continues to meet an assortment of legal, financial and organizational standards as determined by a committee of its peers. Accredited states have annual reporting requirements, and are subject to period on-site review. NAIC accreditation assures regulators in other states that the Vermont Department of Regulation (“DFR”) meets or exceeds the recognized standards for insurance regulation. In turn, accreditation allows Vermont domiciled insurers, as well as DFR, to operate on a reciprocal basis with their colleagues in other states. Among other factors, accreditation rests on the passage of certain NAIC approved, and industry vetted, statutory and regulatory provisions.

In 2012, the General Assembly approved substantive updates to Vermont’s holding company law. These amendments modernized the law and were needed to comply with NAIC accreditation requirements. The changes were responsive to the increasing complexity of insurance holding systems, particularly the increasing prevalence of internationally active insurer groups. Some specific changes that happened in 2012 included provision of authority for Supervisory Colleges, and a new reporting requirement related to enterprise risk.

Thank you very much for the Committee’s time. Please feel free to ask any questions.



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