

Chairman Botzow,

I wanted to add to the discussion of Sec. 12 of the Insurance Bill (WC premium billing). I dug up some additional information that will be of use to the committee as you discuss this further. I believe Susan will be there tomorrow but I am sending this data ahead of time for your convenience.

DFR has not received complaints related to payment structure in the voluntary market. To the best of our knowledge, there is ample competition and ability for employers to enter into billing arrangements that they can handle. Most common is 25-30% down (deposit premium), with the remainder billed monthly or quarterly. Some companies offer plans with as little as 10% Deposit if the employer signs up for payments via ETF. We do believe these deposits are reasonable to cover the potential cancellation time at risk as I discussed yesterday.

We don't know the impetus of this bill. However, we guess that any perceived issues that this Bill is aimed at solving are likely in the Assigned Risk Plan. DFR has some control over the payment rules in the AR Plan. Currently these are the rules:

- Estimated Annual Premium (EAP) under \$1,000: 100% premium due up front
- EAP between \$1,000 and \$4,999: 50% Deposit, remainder paid in two subsequent installments (months four and seven)
- EAP above \$5,000K: 30% Deposit, remainder paid in 8 equal installments (months 2 thru 9)

We have reviewed the AR billing framework in other NCCI states. Vermont is identical to New Hampshire and more favorable to payers than most other states, many of which require 100% of premium up front for premiums as high as \$5,000.

The deposit and billing rules in Vermont's AR Plan, and the current practices and options available in the voluntary market appear to offer a fair balance between providing payment flexibility to employers and protecting insurers against absorbing avoidable risk. There does not seem to be a lot of room to lower these up-front payments (deposits) without potentially impacting cost and availability.

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