

Department of Financial Regulation

Michael S. Pieciak, Commissioner

Department of Financial Regulation: Overview of Operations, Responsibilities and Priorities

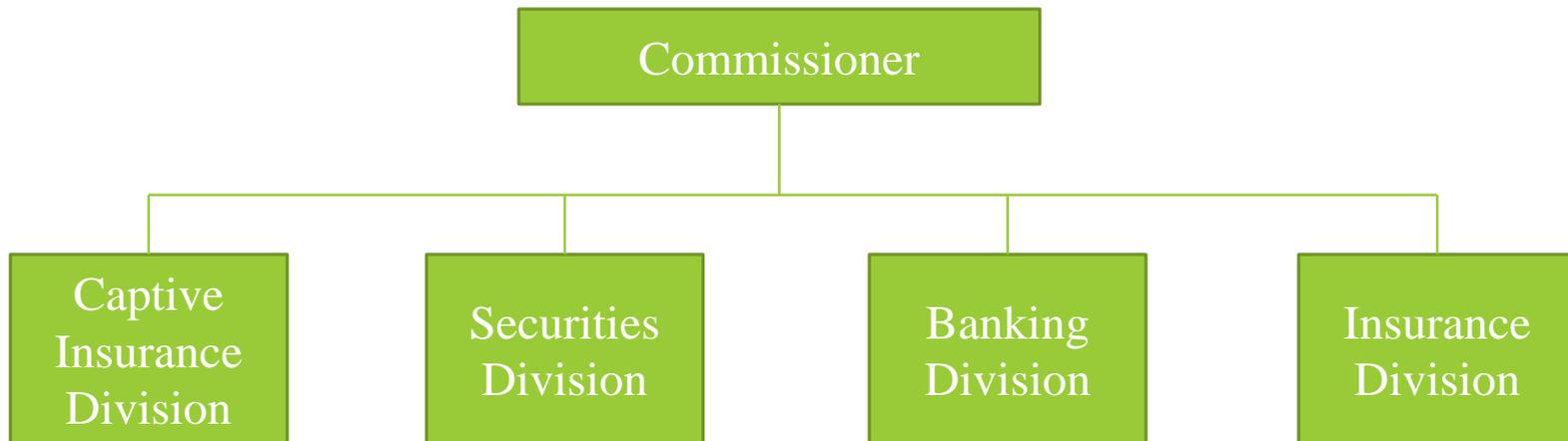
REP. MICHAEL MARCOTTE, CHAIR
REP. JEAN O'SULLIVAN, VICE CHAIR
JANUARY 15, 2019



Agenda

- Introductions
- Overview of the Department
- Overview of the Divisions
- Overview of DFR's 2019 Priorities
- Questions?

Overview of the Department



DFR Leadership Team



Mike Pieciak
Commissioner



David Provost
Deputy Commissioner
Captive Insurance



Molly Dillon
Deputy Commissioner
Banking

DFR Leadership Team



Bill Carrigan
Deputy Commissioner
Securities



Chris Rouleau
Deputy Commissioner
Insurance



Gavin Boyles
General Counsel

DFR Leadership Team



Sandy Bigglestone
Director of Captive
Insurance



Jill Rickard
Director of Policy



Nick Marineau
Executive Assistant

Overview of the Department

The Department's true strength is its people.

111 employees across five divisions

Department morale ranked highest among state agencies and departments for the last three years running

- 2017 – 83.7% #1 department/agency in state government
- 2016 – 78.9% #1 department/agency in state government
- 2015 – 72.0% #1 department/agency in state government
- 2014 – 78.7% #1 department/agency in state government

89.5% responded that they enjoy performing the day to day work of their job

Regulators who are Accessible, Responsive, Fair but Tough



Overview of the Department

DFR's FY 2019 Operating Budget	\$15,250,000
Projected FY 2019 Revenues	\$104,600,000
Projected Premium & Franchise Tax	\$69,500,000

Revenue Breakdown:

Securities Division	\$62 million
Insurance Division	\$35 million
Captive Insurance Division	\$5.1 million
Banking Division	\$2.5 million



“The Gold Standard”

Number 1 Worldwide by Premium

Home to 15 of Dow 30 and 42 of Fortune 100

Licensed 25 New Captives in 2018

Awarded Top U.S. Domicile 4 of last 6 years

Most Efficient Examinations by Premium

Dave Provost Named to Captive Hall of Fame

Sandy Bigglestone - 22nd most influential in industry

- 2018 Insurance Women to Watch

Captive Insurance Division

Captive Insurance 101 – January 22nd 1:00 pm Room 10

Strong Completion from other Captive Insurance domiciles

- More than 30 other states now have captive laws led by Utah, Hawaii, South Carolina, Kentucky, Arizona, Nevada, D.C.
- Dozens of offshore domiciles including Bermuda and the Cayman Islands

Why Choose Vermont?

- Regulatory “Gold Standard” – Accessible, Responsive, Fair yet Tough
- Professional Industry – captive managers, attorneys, accountants, the Vermont Captive Insurance Association (VCIA)
- Strong support from the Vermont Legislature and Governor
- Vermont’s captive laws remain cutting edge and ever improving



Captive Insurance Division

The Captive Insurance industry greatly benefits Vermont's economy:

- Estimated the Captive industry supports over 1,400 jobs in Vermont
- Captive jobs are well paying professional jobs
- Approximately 600 captive companies required to hold at least one board meeting in Vermont annually
- VCIA's annual conference attracts over 1,000 attendees to Vermont



Affiliate Reinsurance Company (ARC)

- ❑ Opportunity was the Consequence of 2017 Federal Tax Overhaul
- ❑ May 2018 Governor Scott Signed the DFR's Department Bill which included the framework for an affiliate reinsurance company
- ❑ A number of inquires during 2018 regarding the establishment of the first ARC – December 2018 first license issued to MAPFRE Re
- ❑ Other News: Vermont Secretary of State & DFR Blockchain MOU

Insurance Division

R Street Institute State Regulation Report Card

Vermont	2017 Grade	2018 Grade
	A+	A+
	Score	Rank
	84.1	1
Strengths:	Low politicization, ahead on financial exams, competitive auto market, competitive homeowners market, small residual markets, broad underwriting freedom.	
Weaknesses:	Large regulatory surplus, large tax and fee burden, excess auto insurance profits.	

Competitive and low cost insurance market:

- Vermont lowest cost auto insurance in the country (Insure.com)
- Vermont is the 11th lowest cost market for homeowners insurance (NAIC)



Insurance Division

- 1,500 Companies registered in Vermont
- 10 Vermont domestic entities
- 122,177 Insurance agents licensed in Vermont

Consumer Services over the last five years:

- Department's Consumer Services Division handled 17,968 inquiries, 2250 complaints and recovered \$3,442,875 for Vermonters.
- Department's Market Conduct Division investigations led to \$1.3 million in administrative penalties and over \$8 million in restitution to Vermonters.

Insurance Consumer Services 2018

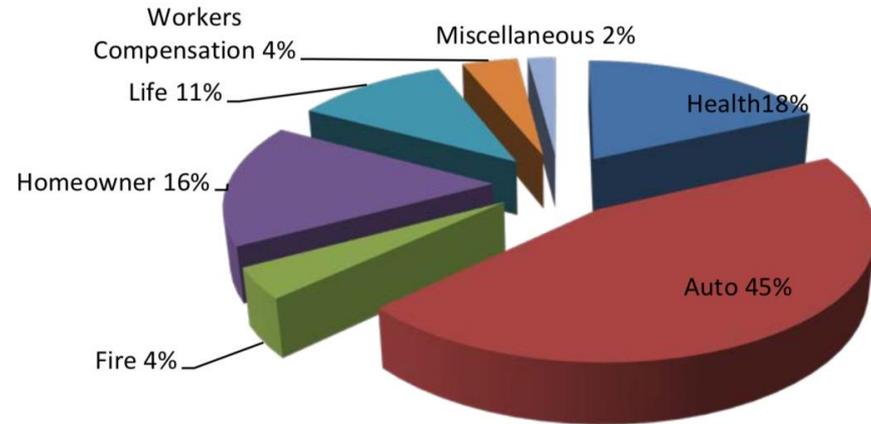
Consumer Services

Inquires	3283
Complaints	426
Recoveries	\$641,632

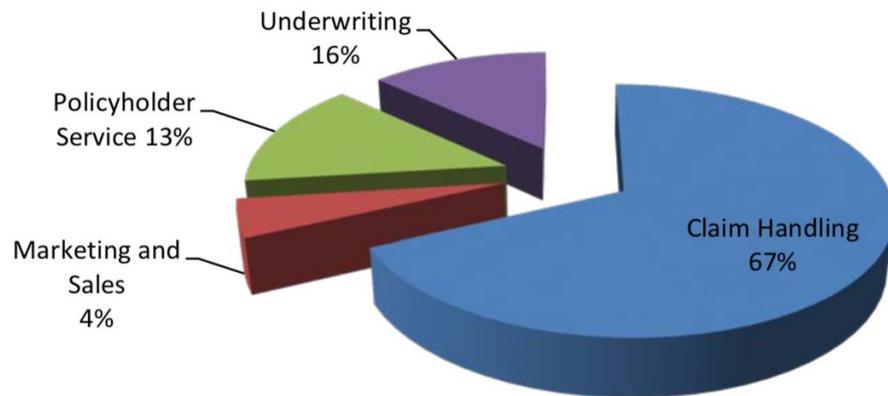
Market Conduct

Producer Fines	\$25,000
Company Fines	\$152,446
Restitution	\$1,114,623

Complaints by Line of Insurance



Nature of Complaints



Insurance Division – Workers' Compensation

2018 overall reductions of 3.7% in voluntary lost costs and 7.6% in assigned risk rates.

This is the second consecutive year both loss costs and assigned risk rates have been reduced, with aggregate reductions of 11.6% and 15.6% respectively over the last two years.

In addition, DFR directed NCCI to remove a surcharge applied to the assigned risk market as recent experience no longer justified the expense, resulting in additional premium relief of 6.7% for Vermont employers in the assigned risk market.

Vermont's log hauling industry will receive the greatest benefit from this year's filing, as DFR directed NCCI to combine the log hauling employer class with the contract trucking class resulting in a 24% rate reduction for log haulers while having no impact on the contract trucking industry.

Securities Division

Broker-Dealers

- 1,291 broker-dealer firms registered, 4 domiciled in Vermont
- 110,118 broker-dealer agents registered, 802 domiciled here
- 420 registered broker-dealer branch offices in Vermont

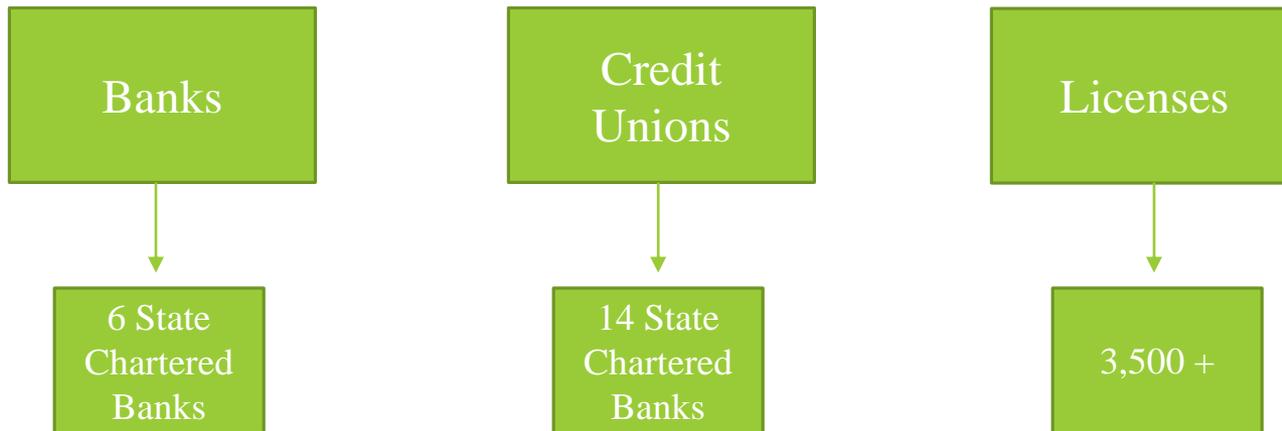
Investment Advisors

- 1,034 investment advisor firms registered
- 966 SEC registered, 22 domiciled in Vermont
- 68 state registered, 43 domiciled in Vermont
- 1,393 investment advisor representatives registered
- 607 are domiciled in Vermont
- 4 state regulated investment advisor branch offices in Vermont



Banking Division

Banking Division activities are organized around three broad program areas:



Banking Division

2018 Consumer Restitution

- Penalties \$95,000
- Settlement Restitution \$101,000
- Consumer Restitution \$29,509

New Companies and Services

Four substantial inquiries regarding the establishment of our Non-Deposit Bank Charter

38 License determination Inquiries

Licensees - originated mortgage loans totaling \$918 MM licensed loan servicer
- handled 44,750 loans with \$6.6 billion in outstanding loan balances

Banking Division

Cryptocurrencies

In 2018 Money Transmitters moved over \$900MM of cryptocurrency

Vermont accounted for approximately \$11.8MM

- Virtual Currency to Virtual Currency \$25,008
- Virtual Currency to U.S. Dollar \$3,948,191
- U.S. Dollar to Virtual Currency \$7,843,319

Agreement with a core group of states (now 20) working on a program to streamline the 50 State licensing process. Took on the additional responsibility of managing a second pilot of the process working with industry and the states. That pilot should finish up in March of this year.

DFR's 2019 Priorities

- Cybersecurity:
 - DFR Cybersecurity Taskforce
 - Industry Cybersecurity Roundtable
- Financial Technology:
 - Chairing NASAA Fintech Committee
 - Serving on NAIC Innovation and Technology Task Force
- Elder Financial Abuse
- Changes to Federal Health Care Laws
- Captive Insurance and Department Bill