

Overview of Proposed DFR Fee Changes for Securities & Insurance
Senate Finance
April 16, 2019

Securities

Broker Dealer Agent Fee:

- Proposal: Increase from \$90 to \$120 equaling approx. \$3,270,000 in new FY20 revenue
- Looking Ahead: New revenue will also be recognized in FY21
- Impact: 109,000 BD agents, approx. 777 (.712 %) are Vermont residents
- State Comparison: VT currently 11th highest for fee type, move to 9th
- History: In 2016 BD agent fee increased from \$60 to \$90

Insurance

Insurance Adjuster/Appraiser Fee:

- Proposal: Increase from \$60 to \$90 equaling approx. \$1,000,000 in new FY20 revenue
- Looking Ahead: Bi-annual fee with renewals in even years – no revenue in FY21
- Impact: 65,000 adjustors & appraisers, approx. 399 (.613%) are Vermont residents.
- Retaliatory Fees: Subject to retaliatory regime
- State Comparison: Adjustors: 21 jurisdictions more than \$60, 14 more than \$90
- Appraisers: 10 jurisdictions more than \$60, 9 more than \$90
- History: Fee has not increased in recent history – more than two decades ago

Appointment Fee:

- **Proposal:** Increase from \$60 to \$90 equaling approx. \$1,500,000 in new FY20 revenue
- **Looking Ahead:** Bi-annual fee with renewals in odd years - \$12.6 million in FY21
- **Impact:** 50,000 initial appointments in FY20; 420,000 renewal appointments in FY21
- **Retaliatory Fees:** Not subject to retaliatory regime
- **State Comparison:** Approx. 32 other states have appointment fees
- **History:** Fee has not increased in recent history – more than two decades ago



Overview of Proposed Amendments to DFR Fees

Smoothing the Appointment Fee

Frequency of Filing:

- 31 States have similar appointment regime as the State of Vermont in terms of initial and renewal appointments
- 27 States require annual renewal of appointments
- 4 State require bi-annual renewal of appointments
 - Vermont
 - Maine
 - Kentucky
 - South Carolina

Proposal – Adjust Appointment Fees for Annual Renewal

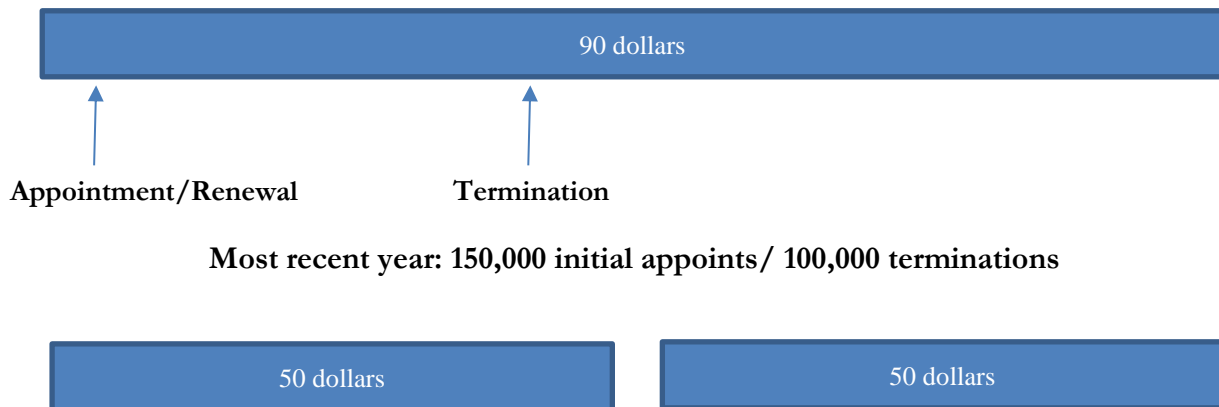
- **No Impact on FY2020:** Increase fee from \$60 to \$90 with \$1.5 million in new revenue
- **FY2021:** Begin annual renewal appointments
 - Propose adjusting the fee from \$90 to \$50 in FY2021 to maintain revenue

Appointment Renewals

- Estimate FY2021: \$37,800,000 (no smoothing and fee increase)
- Estimate FY2021: \$20,000,000 (smoothing and fee increase)

- Estimate FY2022: \$0 (no smoothing and fee increase)
- Estimate FY2022: \$20,000,000 (smoothing and fee increase)

Slight Loss of Revenue on Initial Appointments



Operationalizing

- DFR would continue normal process for FY2020 & FY2021
 - All filings but appointments made through NIPR (National Insurance Producer Registry)
- DFR would transition appointment filings through NIPR/SBS (State Based Systems) in October/November 2021 in time for FY2022 annual renewal