

DFR DRAFT 3/14/19

\* \* \* Insurance Regulatory Sandbox \* \* \*

Sec. 1. 8 V.S.A. § 15a is added to read:

§ 15a. INSURANCE REGULATORY SANDBOX; INNOVATION WAIVER

(a) Subject to the limitations specified in subsection (~~gd~~) of this section, the Commissioner may grant a variance or waiver (innovation waiver or waiver) with respect to the specific requirements of any insurance law, regulation, or bulletin, if a person subject to that law, regulation, or bulletin demonstrates to the Commissioner's satisfaction that:

(1) ~~the public policy goals of the law, regulation, or bulletin will be or have been achieved by other means;~~

~~(2) the application of the law, regulation, or bulletin would either prohibit or discourage the introduction of a new, innovative, or more efficient insurance products, services, or technologies that the applicant intends to offer during the period for which the proposed waiver is granted; and~~

~~(2) the public policy goals of the law, regulation, or bulletin will be or have been achieved by other means;~~

(3) the waiver will not substantially or unreasonably increase any risk to consumers; and

(4) the granting of the proposed waiver is in the public interest.

(b) An application for an innovation waiver shall include the following information:

(1) the identity of the person applying for the waiver;

(2) a description of the product or service to be offered if the waiver is granted, including how the product or service functions and the manner and terms on which it will be offered;

(3) an explanation of the potential benefits to consumers of the product or service;

(4) an explanation of all potential risks to consumers posed by the product or service and how the applicant proposes to mitigate such risks;

(5) an identification of the statutory or regulatory provision that prohibits the introduction, sale, or offering of the product or service; and

(6) any additional information required by the Commissioner.

(c)(1) An innovation waiver shall may be granted for of a duration an initial period up to 12 months, as deemed appropriate by the Commissioner.

(2) Prior to the end of the initial 12-month waiver period, the Commissioner may grant a one-time extension for up to an additional 12 months. A request for extension must be made to the Commissioner at least 30 days prior to the end of the initial waiver period and must include the

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length of the extension period requested and specific reasons why the extension is necessary. The Commissioner shall grant or deny an extension request before the end of the initial 12-month waiver period.

(d) An innovation waiver shall include any terms, conditions, and limitations deemed appropriate by the Commissioner, including ~~may place~~ limits on the amount of premium that may be written in relation to the underlying product or service and ~~scope of any waiver regarding~~ the number of consumers that may purchase or utilize the underlying product or service; provided, that in no case shall a product or service subject to an innovation waiver be purchased or utilized by more than 10,000 Vermont consumers, or the amount of premium that may be written in relation to the underlying product.

(1) the name and contact information of the person providing the product or service;

(2) that the product or service is authorized pursuant to an innovation waiver and is a temporary test that may be discontinued at the end of the test period, including the expected end date of the test period;

(3) the name and contact information for the Department, including where a consumer may file a complaint regarding the product or service; and

(4) any additional disclosures required by the Commissioner.

(fe) The Commissioner's decision to grant or deny a waiver or extension shall not be subject to the contested-case provisions of the Vermont Administrative Procedures Act.

(gd) Pursuant to the authority granted by this section, the Commissioner may not grant a waiver with respect to any of the following:

(1) section 3304, 3366, or 6004(a)-(b) of this title or any other requirement as to the minimum amount of paid-in capital or surplus required to be possessed or maintained by any person;

(2) chapter 107, 112, 129, or 131 of this title or any regulations or bulletins directly relating thereto;

(3) any law, regulation, or bulletin required for the Department to maintain its accreditation by the National Association of Insurance Commissioners unless said law or regulation permits variances or waivers;

(4) the application of any taxes or fees;

(5) any other law or regulation deemed ineligible by the Commissioner.

(he) A person who receives a waiver under this section shall be required to make a deposit of cash or marketable securities with the State Treasurer in an amount, ~~and~~ subject to such conditions, and for such purposes as the Commissioner determines necessary for the protection of consumers.

(i)(1) At least 30 days prior to granting an innovation waiver, the Commissioner shall provide public notice of the draft waiver by providing the following information:

(A) the specific statute, regulation, or bulletin to which the draft waiver applies;

(B) the proposed terms, conditions, and limitations of the draft waiver;

(C) the proposed duration of the draft waiver; and

(D) any additional information deemed appropriate by the Commissioner.

(2) The requirements of this subsection may be satisfied by publication of a notice on the Department's website.

(j)(1) If a waiver is granted pursuant to this section, the Commissioner shall provide public notice of the existence of the waiver, by providing the following information:

(A) the specific statute, regulation, or bulletin to which the waiver applies;

(B) the name of the person who applied for and received the waiver; ~~and~~

(C) the duration of and any other terms, conditions, or limitations of the waiver;   
 and

(D) any additional information deemed appropriate by the Commissioner.

(2) The requirements of this subsection may be satisfied by publication of a notice on the Department's website.

(k) The Commissioner, by regulation, ~~order, or bulletin~~, shall adopt uniform procedures for the submission, granting, denying, monitoring, and revocation of petitions for a waiver pursuant to this section. The procedures shall set forth requirements for the ongoing monitoring, examination, and supervision of, and reporting by, each person granted a waiver under this section and ~~may~~ shall permit the Commissioner to attach reasonable conditions or limitations on the conduct permitted pursuant to a waiver. The procedures shall provide for an expedited application process for a product, service, or technology that is substantially similar to one for which a waiver has previously been granted by the Commissioner.

(l) Upon expiration of an innovation waiver, the person relying on the waiver shall cease all activities that were permitted only by the waiver and comply with all generally applicable laws and regulations.

(m) The ability to grant a waiver under this section shall not be interpreted to limit or otherwise affect the authority of the Commissioner to exercise discretion to waive or enforce requirements as permitted under any other section of this title or any regulation or bulletin adopted pursuant thereto.

(n) Biannually, beginning January 15, 2020, the Commissioner shall submit a report to the General Assembly providing the following information:

(1) the total number of petitions for waivers that have been received, granted, and denied by the Commissioner;

(2) for each waiver granted by the Commissioner, the information specified under subsection (j~~f~~) of this section;

(3) a list of any regulations or bulletins that have been adopted or amended as a result of or in connection with a waiver granted under this section;

(4) with respect to each statute to which a waiver applies, the Commissioner's recommendation as to whether such statute should be continued, eliminated, or amended in order to promote innovation and establish a uniform regulatory system for all regulated entities; and

(5) a list of any waivers that have lapsed or been revoked and, if revoked, a description of other regulatory or disciplinary actions, if any, that resulted in, accompanied, or resulted from such revocation.

(o) No new waivers or extensions may be granted after July 1, 2021.

Repeal.

8 V.S.A. § 15a shall be repealed on July 1, 2023.