

# Department of Financial Regulation (DFR)

Michael S. Pieciak, Commissioner

## DFR Overview for House Commerce & Economic Development Committee

Rep. Michael Marcotte, Chair

Rep. Charles Kimbell, Vice Chair

Rep. Stephanie Jerome, Ranking Member

January 14, 2021

# Agenda

- Introductions
- Overview of Financial Regulation
- Overview of the Department
- Department's Pandemic Response
- Questions

# 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



Kevin Gaffney  
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 Financial Regulation

Why are financial services regulated?

Why Does DFR Exist?

## Societal Importance

Ensuring confidence in the economy and fueling growth

Ensuring stability within the financial system

Deterring Financial Crimes

## Individual Importance

Protecting one's life savings deposited in a bank

Protecting one's retirement savings invested through a firm

Protecting one's dependents in the event of an untimely death

# Overview of the Financial Regulation

## Banking

## Securities

## Insurance

FEDERAL

Federal Reserve (Fed)  
Federal Deposit Insurance  
Corporation (FDIC)  
Office of the Comptroller of  
the Currency (OCC)  
National Credit Union  
Administration (NCUA)  
Consumer Financial  
Protection Bureau (CFPB)

Securities and Exchange  
Commission (SEC)  
Financial Industry Regulatory  
Authority (FINRA)  
Commodity Futures Trading  
Commission (CFTC)  
Securities Investor Protection  
Corporation (SIPC)

STATE

State Bank Regulators

State Securities Regulators

State Insurance Regulators

# Overview of the Department

The Department's true strength is its people:

~110 employees across four divisions and the Commissioner's Office

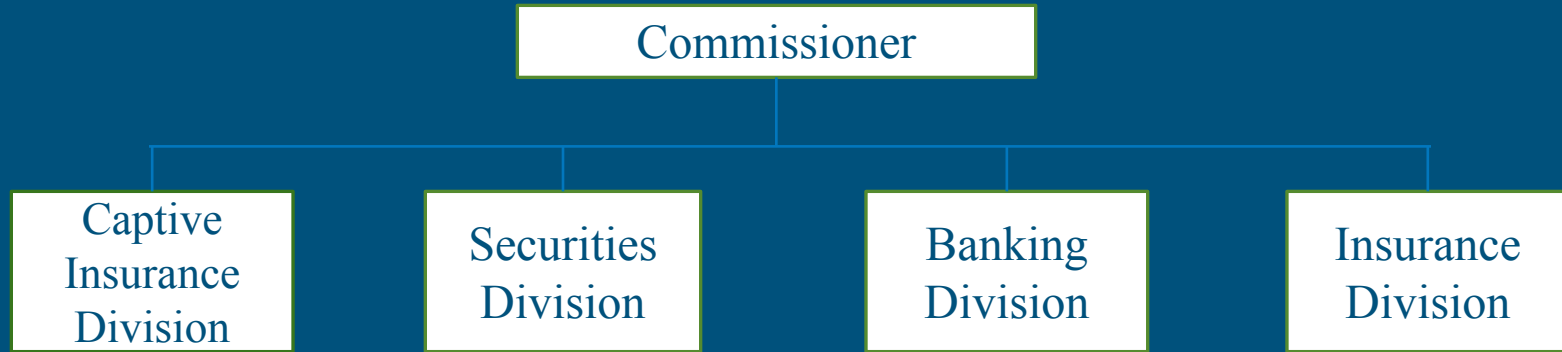
Department morale ranked highest among state agencies and departments for the last five years running

93% 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



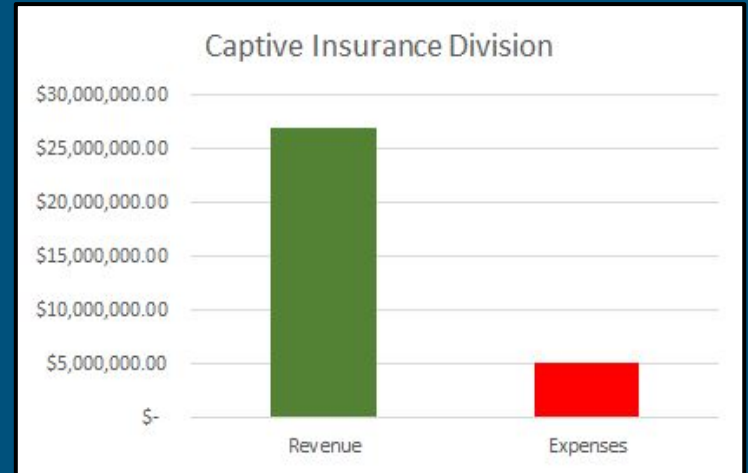
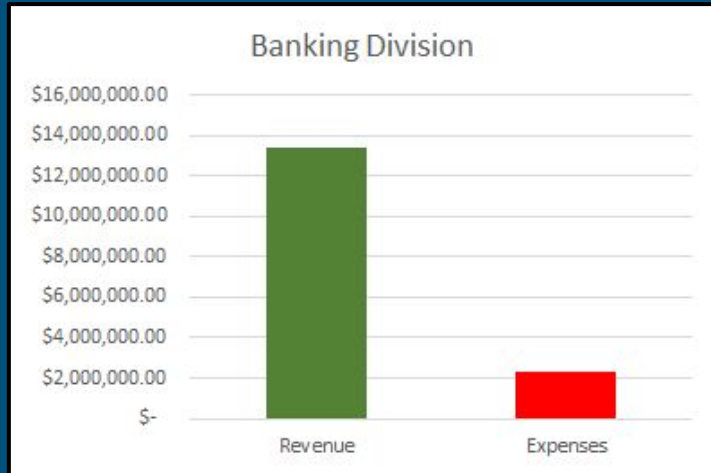
# Overview of the Department

Department's FY 2021 Operating Budget

~\$16,000,000

Projected FY 2021 Revenues

~\$166,800,000



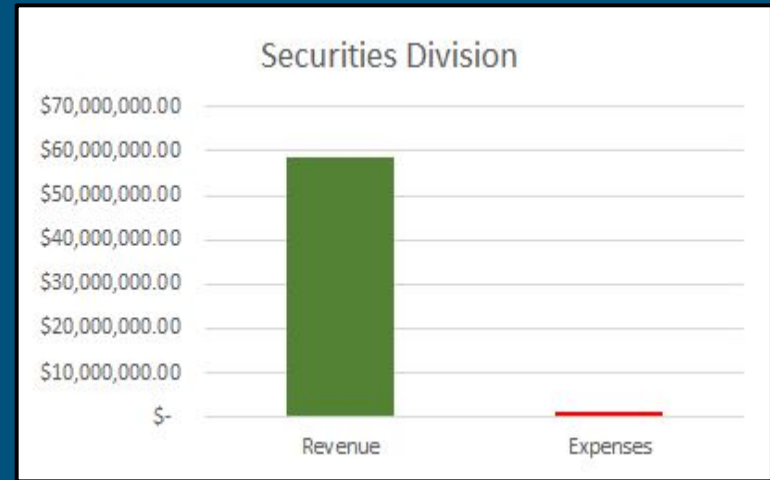
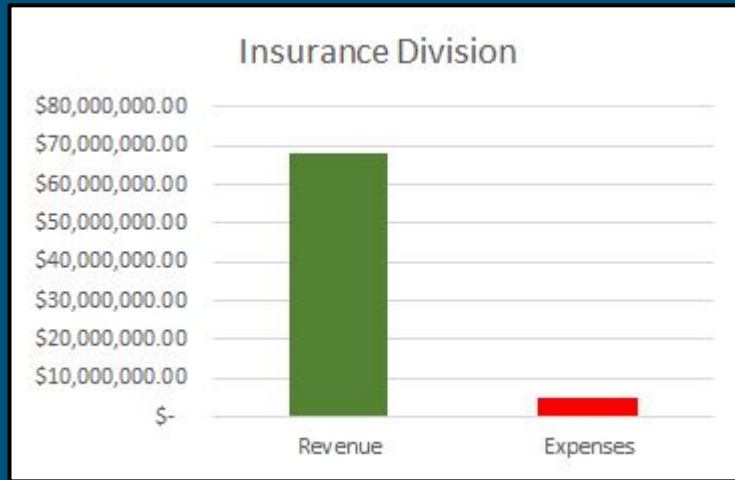
# Overview of the Department

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# Consumer Services

## \$19,761,813 in Penalties and Restitution Over the Past Five Years

### Enforcement:

In 2019, the Department entered a \$1.8 million settlement with an out-of-state insurance company for failing to provide Vermont health insurance mandates which impacted 212 Vermont higher education students. This was the largest settlement in the history of the Insurance Division.

### Policy:

In 2019, issued a bulletin clarifying that commercial insurance is required to cover medically necessary gender affirmation surgery for transgender youth

### Prevention:

In 2019, issued cease and desist against unlicensed insurer offering “medical cost sharing” and separately issued a joint consumer alert with Attorney General regarding increased marketing of “medical cost sharing” arrangements

# “The Gold Standard”

Number 1  
Worldwide by  
Premium



Dave Provost  
Named to Captive  
Hall of Fame

Home to 18 of  
the Dow Jones  
30 and 48 of  
Fortune 100  
Companies

Sandy  
Bigglestone  
17th most  
influential person  
in the industry

## 2020 Captive Awards

US Captive Review: US Domicile of the Year >\$5 bn premium (record 7<sup>th</sup> time)

European Captive Review: International Domicile of the Year

Captive International readers' choice: US Domicile of the Year

# Captive Insurance Division

## *What is Captive Insurance?*

Formalized Self Insurance



# Captive Insurance Division

The Captive Insurance industry greatly benefits Vermont's economy:

- Estimated to support over 1,400 jobs in Vermont
- Captive jobs are well paying professional jobs
- ~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

## Recognizable Companies Licensed This Year:

University of Southern California  
Saputo Cheese  
State Street Bank

## Notable International Companies Licensed This Year:

Sixt Rent a Car (Germany)  
RA International (Dubai, UK)  
Covestro AG (Germany)  
Epiroc AB (Sweden)

# Captive Insurance Division

## Strong Competition 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 – regardless of party
- Vermont’s captive laws remain cutting edge and ever improving



# Insurance Division

## R Street Institute State Regulation Report Card

Vermont	2018 Grade	2019 Grade
	A+	A+
	Score	Rank
	76.7	1
Strengths:	Ahead on financial exams, small residual markets.	

***Vermont:*** Competitive and low cost insurance market:

- 5<sup>th</sup> lowest auto insurance
- 11<sup>th</sup> lowest homeowners insurance
- 3<sup>rd</sup> Most competitive market commercial insurance

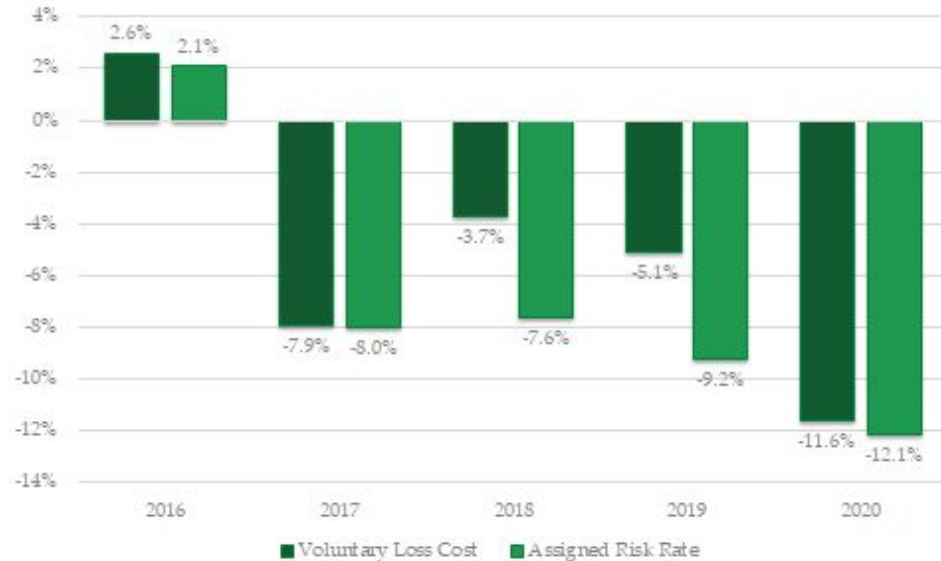
### ***Pandemic Relief***

Approved \$23.8 million in premium relief to Vermont auto policy holders

# Workers' Compensation

- Rates have decreased for four straight years.
- Vermont employers are on average paying 30% less in workers' compensation premiums than they did in 2016.

## Vermont Rates 2016 to 2020



# Insurance Division: Health Insurance Regulation

## DFR

Reviews Comprehensive Major Medical policy forms for compliance with:

- 1. GMCB benchmark plan*
- 2. State mandates*
- 3. ACA 10 Essential Health Benefits*

Provides GMCB advisory solvency opinion

Supplemental Insurance Coverage Rates and Forms

Investigates health insurance complaints

## GMCB

Negotiates and agrees to benchmark plan

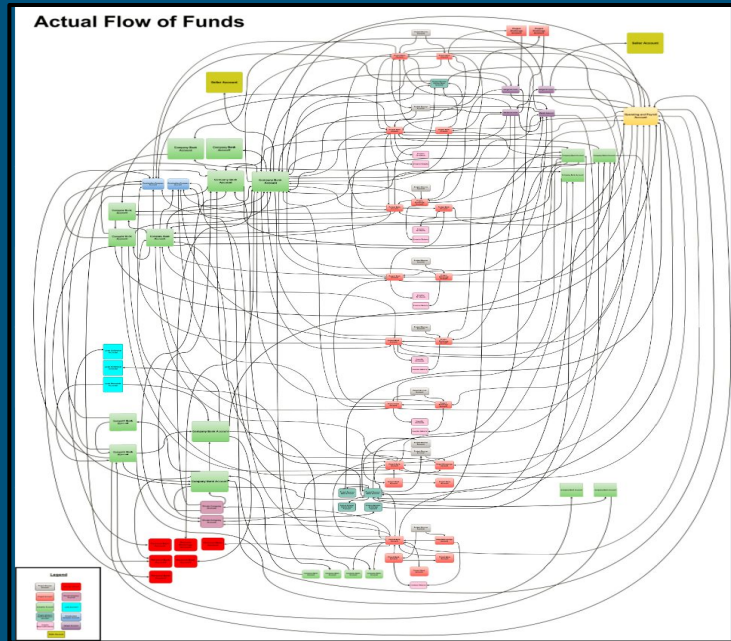
Approves rates filed by health insurance companies

Approves hospital budgets

Approves Certificates of Need

# Securities Division

Administer Vermont's "Blue Sky Laws"



Functions of the Securities Division

1. Corporation Finance
2. Broker Dealer and Investment Advisory Registration
3. Examinations
4. Enforcement Actions
5. Vermont Regional Center EB-5 Compliance
6. Investor Education

# Banking Division



6 state chartered banks  
3 state trust companies



13 state chartered  
credit unions



260 companies hold 1,675 licenses  
2,537 individuals hold licenses



Last five years consumer services received:  
6,604 inquires & 1,100 complaints  
\$353,966 back to Vermonters



Completed 134 examinations in 2017  
3 banks, 7 CUs, 2 trusts co, 122 licensees

# Covid-19 Pandemic Response

## Policy

- March 6, 2020:** Bulletin 209 - Access to COVID-19 Testing.
- March 16, 2020:** Bulletin 210 - COVID-19 Prescription Drug Refills.
- March 19, 2020:** DFR issues a memorandum re telemedicine services.
- March 20, 2020:** Bulletin 211 - COVID-19 Suspension of Routine Provider Audits by Insurers.
- March 20, 2020:** Emergency Rule H-2020-01-E - Suspension of Credentialing Verification Practices.
- March 23, 2020:** DFR memorandum re reasonable grace periods to pay insurance premiums.
- March 30, 2020:** Emergency Rule H-2020-02-E – Coverage of Health Care Services Delivered Through Telehealth.
- April 14, 2020:** Emergency Rule H-2020-03-E – Coverage of Covid-19 Diagnosis, Treatment, and Prevention.
- April 22, 2020:** Bulletin #213 – Payment for Out-of-Network Ambulance Services.
- May 15, 2020:** Emergency Rule on Pharmacy Cost Sharing.
- October 23, 2020:** Emergency Rule on Cost Share for Flu Testing.

## Projects

- Covid-19 Modeling and Data Analytics
- Assisted DOL with backlogged Unemployment Insurance Claims
- Assisted ACCD with reviewing and approving business grants
- Administered second round of Vermont's Hazard Pay grant Program