No. 23. An act relating to the regulation of insurance products and services.

(H.137)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 8 V.S.A. § 23 is amended to read:

§ 23. CONFIDENTIALITY OF INVESTIGATION AND EXAMINATION REPORTS

(a) This section shall apply to all persons licensed, authorized, or registered, or required to be licensed, authorized, or registered~~, under this title or under 9 V.S.A. chapter 150~~ by the Commissioner.

(b) Regardless of source, all records of investigations, including information pertaining to a complaint by or for a consumer, and all records and reports of examinations by the Commissioner, whether in the possession of a supervisory agency or another person, shall be confidential and privileged, shall not be made public, and shall not be subject to discovery or introduction into evidence in any private civil action. No person who participated on behalf of the Commissioner in an investigation or examination shall be permitted or required to testify in any such civil action as to any findings, recommendations, opinions, results, or other actions relating to the investigation or examination.

(c) The Commissioner may, in ~~his or her~~ the Commissioner's discretion, disclose or publish or authorize the disclosure or publication of any such record or report or any part thereof in the furtherance of legal or regulatory

proceedings brought as a part of the Commissioner's official duties. The Commissioner may, in ~~his or her~~ the Commissioner's discretion, disclose or publish or authorize the disclosure or publication of any such record or report or any part thereof, to civil or criminal law enforcement authorities for use in the exercise of such authority's duties, in such manner as the Commissioner may deem proper.

(d) For the purposes of this section, records of investigations and records and reports of examinations shall include joint examinations by the Commissioner and any other supervisory agency. Records of investigations and reports of examinations shall also include records of examinations and investigations conducted by:

(1) any agency with supervisory jurisdiction over the person; and

(2) any agency of any foreign government with supervisory jurisdiction over any person subject to the jurisdiction of the Department, when such records are considered confidential by such agency or foreign government and the records are in the possession of the Commissioner.

Sec. 2. 8 V.S.A. § 3303 is amended to read:

§ 3303. MUTUAL COMPANIES; DIRECTORS, CHARTER PROVISIONS AS TO

The articles of association or bylaws of a mutual insurer shall set forth the manner in which its board of directors or other governing body shall be elected, and in which meetings of policyholders shall be called, held, and

conducted, subject to such procedures as may be required by the Commissioner under ~~section 75~~ subsection 15(a) of this title.

Sec. 3. 8 V.S.A. § 4688(a) is amended to read:

(a) Filings as to competitive markets. Except with respect to filings submitted pursuant to section 4687 of this title, in a competitive market, every insurer shall file with the Commissioner all rates and supplementary rate information, and supporting information that are to be used in this State, provided that such rates and information need not be filed for specifically rated inland marine risks or such other risks that are designated by regulation of the Commissioner as not requiring a filing. Such rates, supplementary rate information, and supporting information shall be provided to the Commissioner not later than ~~15 days after~~ 30 days prior to the effective date. An insurer may adopt by reference, with or without deviation or modification, provided that said deviation or modification is readily identifiable, the rates, supplementary rate information, and supporting information filed by another insurer or an advisory or service organization with which it is affiliated; provided, however, such an adoption shall not relieve an insurer from any other requirements of this chapter.

Sec. 4. 8 V.S.A. § 4724 is amended to read:

§ 4724. UNFAIR METHODS OF COMPETITION OR UNFAIR OR DECEPTIVE ACTS OR PRACTICES DEFINED

* * *

(23) Affordable housing; unfair discrimination.

(A) An insurer that issues or delivers in this State a policy of insurance covering loss of or damage to real property containing units for residential purposes or legal liability of an owner or renter of such real property shall not cancel, refuse to issue, refuse to renew, or increase the premium of a policy, or exclude, limit, restrict, or reduce coverage under a policy, based on the following:

(i) whether the residential building contains dwelling units that are required to be affordable to residents at a specific income level pursuant to a statute, regulation, restrictive declaration, or regulatory agreement with a local, State, or federal government entity;

(ii) whether the real property owner or tenants of such residential building or the shareholders of a cooperative housing corporation receive rental assistance provided by a local, State, or federal government entity, including the receipt of federal vouchers issued under Section 8 of the U.S. Housing Act of 1937, 42 U.S.C. § 1437f;

(iii) the level or source of income of the tenants of the residential building or the shareholders of a cooperative housing corporation; or

(iv) whether the residential building is owned by a limited-equity cooperative, public housing agency, or cooperative housing corporation.

(B) Nothing in this section shall prohibit an insurer from cancelling, refusing to issue, refusing to renew, or increasing the premium of an insurance

policy, or excluding, limiting, restricting, or reducing coverage under a policy, due to other factors that are permitted or not prohibited by any other section of this chapter.

Sec. 5. 8 V.S.A. § 6002(a) is amended to read:

(a) Any captive insurance company, when permitted by its articles of association, charter, or other organizational document, may apply to the Commissioner for a license to ~~do any and all~~ conduct insurance business comprised in ~~subdivisions 3301(a)(1), (2), (3)(A)-(C), (E)-(Q), and (4)-(9)~~ section 3301 of this title and may grant annuity contracts as defined in section 3717 of this title and may accept or transfer risk by means of a parametric contract; provided, however, that:

(1) No pure captive insurance company may insure any risks other than those of its parent and affiliated companies or controlled unaffiliated business.

(2) No agency captive insurance company may do any insurance business in this State unless:

(A) an insurance agency or brokerage that owns or controls the agency captive insurance company remains in regulatory good standing in all states in which it is licensed;

(B) it insures only the risks of the commercial policies that are placed by or through an insurance agency or brokerage that owns or directly or indirectly controls the agency captive insurance company and, if required by

the Commissioner in ~~his or her~~ the Commissioner's discretion, it provides the Commissioner the form of such commercial policies;

(C) it discloses to the original policyholder or policyholders, in a form or manner approved by the Commissioner, that the agency captive insurance company as a result of its affiliation with an insurance agency or brokerage may enter into a reinsurance or other risk-sharing agreement with the agency or brokerage; and

(D) if required by the Commissioner in ~~his or her~~ the Commissioner's discretion, the business written by an agency captive insurance company is:

(i) Fronted by an insurance company licensed under the laws of any state.

(ii) Reinsured by a reinsurer authorized or approved by the State of Vermont.

(iii) Secured by a trust fund in the United States for the benefit of policyholders and claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to the Commissioner. The Commissioner may require the agency captive insurance company to increase the funding of any security arrangement established under this subdivision. If the form of security is a letter of credit, the letter of credit shall be issued or confirmed by a bank approved by the Commissioner. A trust maintained pursuant to this

subdivision shall be established in a form and upon terms approved by the Commissioner.

(3) No association captive insurance company may insure any risks other than those of its association, those of the member organizations of its association, and those of a member organization's affiliated companies.

(4) No industrial insured captive insurance company may insure any risks other than those of the industrial insureds that comprise the industrial insured group, those of their affiliated companies, and those of the controlled unaffiliated business of an industrial insured or its affiliated companies.

(5) No risk retention group may insure any risks other than those of its members and owners.

(6) No captive insurance company may provide personal motor vehicle or homeowner's insurance coverage or any component thereof.

(7) No captive insurance company may accept or cede reinsurance except as provided in section 6011 of this title.

(8) Any captive insurance company may provide excess workers' compensation insurance to its parent and affiliated companies, unless prohibited by the federal law or laws of the state having jurisdiction over the transaction. Any captive insurance company, unless prohibited by federal law, may reinsure workers' compensation of a qualified self-insured plan of its parent and affiliated companies.

(9) Any captive insurance company that insures risks described in subdivisions 3301(a)(1) and (2) of this title shall comply with all applicable State and federal laws.

(10) Any captive insurance company that transfers risk by means of a parametric contract shall comply with all applicable State and federal laws and regulations.

Sec. 6. 8 V.S.A. § 6004(d) is amended to read:

(d) Within 30 days after commencing business, each captive insurance company shall file with the Commissioner a statement under oath of its president and secretary or, in the case of a captive insurance company formed as a limited liability company or as a reciprocal insurer, of two individuals authorized by the governing board certifying that the captive insurance company possessed the requisite unimpaired, paid-in capital and surplus prior to commencing business.

Sec. 7. 8 V.S.A. § 6006 is amended to read:

§ 6006. FORMATION OF CAPTIVE INSURANCE COMPANIES IN THIS STATE

* * *

(h) Other than captive insurance companies formed as limited liability companies under 11 V.S.A. ~~chapter 21~~ chapter 25 or as nonprofit corporations under Title 11B, captive insurance companies formed as corporations under the provisions of this chapter shall have the privileges and be subject to the

provisions of Title 11A as well as the applicable provisions contained in this chapter. In the event of conflict between the provisions of said general corporation law and the provisions of this chapter, the latter shall control.

(i) Captive insurance companies formed under the provisions of this chapter:

(1) As limited liability companies shall have the privileges and be subject to the provisions of 11 V.S.A. ~~chapter 21~~ chapter 25 as well as the applicable provisions contained in this chapter. In the event of a conflict between the provisions of 11 V.S.A. ~~chapter 21~~ chapter 25 and the provisions of this chapter, the latter shall control.

(2) As nonprofit corporations shall have the privileges and be subject to the provisions of Title 11B as well as the applicable provisions contained in this chapter. In the event of conflict between the provisions of Title 11B and the provisions of this chapter, the latter shall control.

(3) As mutual insurers shall have the privileges and be subject to the provisions of sections 3303 and 3311 of this title as well as the applicable provisions contained in this chapter. In the event of a conflict between the provisions of sections 3303 and 3311 of this title and the provisions of this chapter, the latter shall control.

* * *

Sec. 8. 8 V.S.A. § 6006a(a) is amended to read:

(a) Any captive insurance company meeting the qualifications set forth in subdivision 6006(j)(1) of this title may merge with any other insurer, whether licensed in this State or elsewhere, in the following manner:

(1) The board of directors of each insurer shall, by a resolution adopted by a majority vote of the members of such board, approve a joint agreement of merger setting forth:

(A) the names of the insurers proposed to merge, and the name of the insurer into which they propose to merge, which is hereafter designated as the surviving company;

(B) the terms and conditions of the proposed merger and the mode of carrying the same into effect;

(C) the manner and basis of converting the ownership interests, if applicable, in other than the surviving insurer into ownership interests or other consideration, securities, or obligations of the surviving insurer;

(D) a restatement of such provisions of the articles of incorporation of the surviving insurer as may be deemed necessary or advisable to give effect to the proposed merger; and

(E) any other provisions with respect to the proposed merger as are deemed necessary or desirable.

(2) The resolution of the board of directors of each insurer approving the agreement shall direct that the agreement be submitted to a vote of the

shareholders, members, or policyholders, as the case may be, of each insurer entitled to vote in respect thereof at a designated meeting thereof, or via unanimous written consent of such shareholders, members, or policyholders in lieu of a meeting. Notice of the meeting shall be given as provided in the bylaws, charter, or articles of association, or other governance document, as the case may be, of each insurer and shall specifically reflect the agreement as a matter to be considered at the meeting.

(3) The agreement of merger so approved shall be submitted to a vote of the shareholders, members, or policyholders, as the case may be, of each insurer entitled to vote in respect thereof at the meeting directed by the resolution of the board of directors of such company approving the agreement, and the agreement shall be unanimously adopted by the shareholders, members, or policyholders, as the case may be.

(4) Following the adoption of the agreement by any insurer, articles of merger shall be adopted in the following manner:

(A) Upon the execution of the agreement of merger by all of the insurers parties thereto, there shall be executed and filed, in the manner hereafter provided, articles of merger setting forth the agreement of merger, the signatures of the several insurers parties thereto, the manner of its adoption, and the vote by which adopted by each insurer.

(B) The articles of merger shall be signed on behalf of each insurer by a duly authorized officer or, in the case of an insurer formed as a limited

liability company or as a reciprocal insurer, by an individual authorized by the governing board, in such multiple copies as shall be required to enable the insurers to comply with the provisions of this subchapter with respect to filing and recording the articles of merger, and shall then be presented to the Commissioner.

(C) The Commissioner shall approve the articles of merger if ~~he or she~~ the Commissioner finds that the merger will promote the general good of the State in conformity with those standards set forth in section 3305 of this title. If ~~he or she~~ the Commissioner approves the articles of merger, ~~he or she~~ the Commissioner shall issue a certificate of approval of merger.

(5) The insurer shall file the articles of merger, accompanied by the agreement of merger and the certificate of approval of merger, with the Secretary of State and pay all fees as required by law. If the Secretary of State finds that they conform to law, ~~he or she~~ the Secretary shall issue a certificate of merger and return it to the surviving insurer or its representatives. The merger shall take effect upon the filing of articles of merger with the Secretary of State, unless a later effective date is specified therein.

(6) The surviving insurer shall file a copy of the certificate of merger from the Secretary of State with the Commissioner.

Sec. 9. 8 V.S.A. § 6007(b) is amended to read:

(b) Prior to March 1 of each year, and prior to March 15 of each year in the case of pure captive insurance companies, association captive insurance

companies, sponsored captive insurance companies, industrial insured captive insurance companies, or agency captive insurance companies, each captive insurance company shall submit to the Commissioner a report of its financial condition, verified by oath of two of its executive officers or, in the case of a captive insurance company formed as a limited liability company or as a reciprocal insurer, of two individuals authorized by the governing board. Each captive insurance company shall report using generally accepted accounting principles, statutory accounting principles, or international financial reporting standards unless the Commissioner requires, approves, or accepts the use of any other comprehensive basis of accounting, in each case with any appropriate or necessary modifications or adaptations thereof required or approved or accepted by the Commissioner for the type of insurance and kinds of insurers to be reported upon, and as supplemented by additional information required by the Commissioner. As used in this section, statutory accounting principles shall mean the accounting principles codified in the NAIC Accounting Practices and Procedures Manual. Upon application for admission, a captive insurance company shall select, with explanation, an accounting method for reporting. Any change in a captive insurance company's accounting method shall require prior approval. Except as otherwise provided, each risk retention group shall file its report in the form required by subsection 3561(a) of this title, and each risk retention group shall comply with the requirements set forth in section 3569 of this title. The

Commissioner shall by rule propose the forms in which pure captive insurance companies, association captive insurance companies, sponsored captive insurance companies, and industrial insured captive insurance companies shall report. Subdivision 6002(c)(3) of this title shall apply to each report filed pursuant to this section, except that such subdivision shall not apply to reports filed by risk retention groups.

Sec. 10. 8 V.S.A. § 6011(a) is amended to read:

(a) Any captive insurance company may provide reinsurance~~,~~ of policies approved by the Commissioner comprised in ~~subsection 3301(a)~~ section 3301 of this title, on risks of its parent, affiliated companies, and controlled unaffiliated business ceded by any other insurer, and may provide reinsurance of annuity contracts as defined in section 3717 of this title that are granted by any other insurer.

Sec. 11. 8 V.S.A. § 6024(c) is amended to read:

(c) A dormant captive insurance company that has been issued a certificate of dormancy shall:

(1) possess and thereafter maintain unimpaired, paid-in capital and surplus of not less than $25,000.00; provided, however, that if the dormant captive insurance company had never capitalized, it shall not be required to add capital upon entering dormancy;

(2) prior to March 15 of each year, submit to the Commissioner a report of its financial condition, verified by oath of two of its executive officers or, in

the case of a captive insurance company formed as a limited liability company or as a reciprocal insurer, of two individuals authorized by its governing board, in a form as may be prescribed by the Commissioner; and

(3) pay a license renewal fee of $500.00.

Sec. 12. 8 V.S.A. § 6045 is amended to read:

§ 6045. BRANCH CAPTIVE REPORTS

Prior to March 15 of each year, or with the approval of the Commissioner within 75 days after its fiscal year-end, a branch captive insurance company shall file with the Commissioner a copy of all reports and statements required to be filed under the laws of the jurisdiction in which the alien captive insurance company is formed, verified by oath of two of its executive officers or, in the case of a branch captive insurance company formed as a limited liability company or as a reciprocal insurer, of two individuals authorized by the governing board. If the Commissioner is satisfied that the annual report filed by the alien captive insurance company in its domiciliary jurisdiction provides adequate information concerning the financial condition of the alien captive insurance company, the Commissioner may waive the requirement for completion of the captive annual statement for business written in the alien jurisdiction.

Sec. 13. 8 V.S.A. § 6048d(c)(2) is amended to read:

(2) The special purpose financial insurance company shall submit an affidavit of its president, a vice president, the treasurer, or the chief financial

officer or, in the case of a special purpose financial insurance company formed as a limited liability company or as a reciprocal insurer, of an individual authorized by the governing board that includes the following statements, to the best of such person's knowledge and belief after reasonable inquiry:

(A) the proposed organization and operation of the special purpose financial insurance company comply with all applicable provisions of this chapter;

(B) the special purpose financial insurance company's investment policy reflects and takes into account the liquidity of assets and the reasonable preservation, administration, and management of such assets with respect to the risks associated with the reinsurance contract and the insurance securitization transaction; and

(C) the reinsurance contract and any arrangement for securing the special purpose financial insurance company's obligations under such reinsurance contract, including any agreements or other documentation to implement such arrangement, comply with the provisions of this subchapter.

Sec. 14. 8 V.S.A. § 6052(g) is amended to read:

(g) This subsection establishes governance standards for a risk retention group.

(1) As used in this subsection:

(A) "Board of directors" or "board" means the governing body of a risk retention group elected by risk retention group members to establish

policy, elect or appoint officers and committees, and make other governing decisions.

(B) "Director" means a natural person designated in the articles of the risk retention group or designated, elected, or appointed by any other manner, name, or title to act as a member of the governing body of the risk retention group.

(C)~~(i)~~ "Independent director" means a director who does not have a material relationship with the risk retention group. A director has a material relationship with a risk retention group if ~~he or she~~ the director, or a member of ~~his or her~~ the director's immediate family:

~~(I)~~(i) In any 12-month period, receives from the risk retention group, or from a consultant or service provider to the risk retention group, compensation or other item or items of value in an amount equal to or greater than five percent of the risk retention group's gross written premium or two percent of the risk retention group's surplus, as measured at the end of any fiscal quarter falling in such 12-month period, whichever is greater. This provision also applies to compensation or items of value received by any business with which the director is affiliated. Such material relationship shall continue for one year after receipt of the item or items of value or the compensation falls below the threshold established in this subdivision.

~~(II)~~(ii) Has a relationship with an auditor as follows: Is affiliated with or employed in a professional capacity by a current or former internal or

external auditor of the risk retention group. Such material relationship shall continue for one year after the affiliation or employment ends.

~~(aa)~~(iii) Is employed as an executive officer of another business entity that is affiliated with the risk retention group by virtue of common ownership and control, if such entity meets all of the following criteria:

~~(AA)~~(I) the entity is not an insured of the risk retention group;

~~(BB)~~(II) the entity has a contractual relationship with the risk retention group; and

~~(CC)~~(III) the governing board of the entity includes executive officers of the risk retention group, unless a majority of the membership of such entity's governing board is composed of individuals who are members of the governing board of the risk retention group.

~~(bb)~~(IV) Such material relationship shall continue until the employment or service ends.

~~(ii)~~(iv) Notwithstanding ~~subdivision (i)~~ subdivisions (i)–(iii) of this subdivision (g)(1)(C), a director who is a direct or indirect owner of the risk retention group is deemed to be independent; and an officer, director, or employee of an insured of the risk retention group is deemed to be independent, unless some other relationship of such officer, director, or employee qualifies as a material relationship.

(D) "Material service provider" includes a captive manager, auditor, accountant, actuary, investment advisor, attorney, managing general

underwriter, or other person responsible for underwriting, determination of rates, premium collection, claims adjustment or settlement, or preparation of financial statements, whose aggregate annual contract fees are equal to or greater than five percent of the risk retention group's annual gross written premium or two percent of its surplus, whichever is greater. It does not mean defense counsel retained by a risk retention group, unless ~~his or her~~ the defense counsel's annual fees have been equal to or greater than five percent of a risk retention group's annual gross premium or two percent of its surplus, whichever is greater, during three or more of the previous five years.

* * *

(9) The president or chief executive officer or, in the case of a risk retention group formed as a limited liability company or as a reciprocal insurer, an individual authorized by the board of directors of a risk retention group shall promptly notify the Commissioner in writing of any known material noncompliance with the governance standards established in this subsection.

Sec. 15. 8 V.S.A. § 2504 is amended to read:

§ 2504. EXEMPTIONS

This chapter does not apply to:

* * *

(18) A person that performs payroll calculations, prepares payroll instructions, prepares and files State or federal income withholding tax reports and unemployment insurance compensation reports, or provides other payroll-

related services, but that does not engage in the business of payroll processing services or otherwise engage in the business of money transmission in this State or other acts requiring a license under this chapter.

(19) A person that does not provide payroll processing services to any employer that has its principal place of business in this State and that does not otherwise engage in the business of money transmission in this State or other acts requiring a license under this chapter.

(20) A person that:

(A) provides payroll processing services to 25 or fewer employers that have their principal place of business in this State;

(B) provides payroll processing services to 500 or fewer employers, regardless of where the principal place of business of each employer is located;

(C) provides payroll processing services involving transmission to less than 300 Vermont resident employees, regardless of where the principal place of business of their employer is located;

(D) has not been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court, and no key individual or person in control of such person has been convicted of, or pled guilty or nolo contendere to, a felony in a domestic, foreign, or military court;

(E) has never had a financial services license or professional license revoked in any jurisdiction and no key individual or person in control of such person has ever had a financial services license or professional license revoked

in any jurisdiction, except that a subsequent formal vacation of such revocation shall not be deemed a revocation;

(F) does not otherwise engage in the business of money transmission in this State or other acts requiring a license under this chapter; and

(G) receives and holds all money or monetary value received for transmission exclusively in:

(i) segregated trust accounts with federally insured financial institutions or credit unions for the benefit of its employer customers or applicable governmental authorities, such that the funds in such accounts are not subject to claims or liens of its creditors; or

(ii) deposit accounts at federally insured financial institutions or credit unions that are both titled in the name and tax identification number of the financial institution or credit union and for the benefit of the person's customers.

Sec. 16. 9 V.S.A. § 42 is amended to read:

§ 42. PERMITTED CHARGES

(a) Except for interest as provided in this chapter, a lender shall make no charges against a borrower for the use or forbearance of money other than:

* * *

(7) the reasonable cost of private mortgage guaranty insurance subject to such limitation as the Commissioner of Financial Regulation has approved; ~~and~~

(8) the reasonable fees associated with a credit card, agreed upon by the lender and borrower, including late charges and over-limit charges; and

(9) discount points, at the request of the borrower for the purpose of reducing, and which in fact result in a bona fide reduction of, the interest rate or time-price differential applicable to the loan.

(b) A borrower may procure an opinion and abstract of title from an attorney of ~~his or her~~ the borrower's choice acceptable to the lender, or hazard insurance in a company or in companies of ~~his or her~~ the borrower's choice acceptable to the lender, and in such cases the lender's acceptance shall not be unreasonably withheld.

Sec. 17. STUDY; BANKS; SUSPICIOUS ACTIVITY; TRANSACTION HOLD

(a) The Commissioner of Financial Regulation or designee shall study regulatory models that would allow a financial institution to take measures to protect account holders from fraudulent transactions and shall recommend a model for legislative consideration. The study shall include a review of regulatory models enacted or proposed in other jurisdictions.

(b) In conducting the study required by this section, the Commissioner shall consult with a representative from the Vermont Bankers Association, the Association of Vermont Credit Unions, AARP Vermont, the Office of the Attorney General, Vermont Legal Aid, and any other person deemed appropriate by the Commissioner.

(c) Among other things, the study shall include recommendations regarding the following:

(1) the financial institutions subject to the proposed model;

(2) whether specific account holders, such as seniors or vulnerable populations, should receive heightened protection;

(3) notification and consultation requirements available to an account holder suspected to be the victim of fraudulent activity;

(4) a reasonable time period for imposing a transaction hold pending the outcome of an internal investigation;

(5) notification to the Department of Financial Regulation and, if appropriate, law enforcement or other third parties if fraudulent activity is suspected;

(6) continued account holder access to funds for transactions not suspected of being associated with fraudulent activity;

(7) immunity from civil liability for any financial institution that acts in good faith for the purpose of protecting account holders from fraudulent activity and that otherwise complies with applicable legal requirements; and

(8) any other provision deemed appropriate by the Commissioner.

(d) On or before November 15, 2025, the Commissioner shall provide a status report on the Commissioner's preliminary findings and recommendations to the Chair of the House Committee on Commerce and Economic Development and the Chair of the Senate Committee on Finance

and, on or before January 15, 2026, shall submit a final report in draft form to the House Committee on Commerce and Economic Development and the Senate Committee on Finance.

Sec. 18. STUDY; PROTECTIONS FOR VICTIMS OF COERCED DEBT

(a) The Commissioner of Financial Regulation or designee shall study regulatory models for providing protections and remedies for victims of coerced debt and shall recommend a model appropriate for Vermont. In particular, the Commissioner shall review the Model State Coerced Debt Law prepared by the National Consumer Law Center in May of 2024, as well as laws enacted or proposed in other jurisdictions.

(b) In conducting the study required by this section, the Commissioner shall consult with a representative from the Vermont Network, the Vermont Bankers Association, the Association of Vermont Credit Unions, the Office of the Attorney General, Vermont Legal Aid, and any other person deemed appropriate by the Commissioner.

(c) Among other things, the study shall include recommendations regarding the following:

(1) a definition of coerced debt;

(2) whether coerced debt should include both secured and unsecured debt;

(3) the requisite information a debtor must provide a creditor when alleging coerced debt;

(4) procedures a creditor must follow regarding the investigation of an allegation of coerced debt, including ceasing collection efforts and notifying the Department of Financial Regulation, the Office of the Attorney General, and other law enforcement personnel, if appropriate;

(5) whether a credit reporting agency should remove coerced debt from a credit report and, if so, the process for doing so;

(6) whether Vermont's identity theft law, 13 V.S.A. § 2030, should be expanded to more specifically reference instances of coerced debt; and

(7) any other provision deemed appropriate by the Commissioner.

(d) On or before January 15, 2026, the Commissioner shall report the Commissioner's findings and recommendations in draft form to the House Committee on Commerce and Economic Development and the Senate Committee on Finance.

Sec. 19. RECOMMENDATION REGARDING INSURANCE AND GENETIC PRIVACY

On or before November 15, 2025, and for the purpose of preventing unfair genetic discrimination and safeguarding an individual's genetic privacy, the Commissioner of Financial Regulation shall provide a recommendation to the House Committee on Commerce and Economic Development and the Senate Committee on Finance on whether Vermont should enact a law prohibiting or limiting an insurance company's access to a consumer's personalized genetic report that is not part of the consumer's medical record. Among other things,

the Commissioner shall consider whether to require that an insurance company obtain consumer consent prior to the disclosure of genetic information obtained from a direct-to-consumer entity to an insurance company, including any company that offers health, long-term care, life, or disability insurance.

Sec. 20. 8 V.S.A. § 4062b is amended to read:

§ 4062b. MEDICARE ~~SUPPLEMENTAL HEALTH~~ SUPPLEMENT INSURANCE RATE REVIEW

(a) Within five business days after receiving any request to increase the premium rate for a Medicare supplement insurance policy from the health insurance company, hospital or medical service organization, or health maintenance organization issuing the policy, the Department shall post information about the rate filing on the Department's website, including:

(1) the name of the health insurance company, hospital or medical service organization, or health maintenance organization requesting the rate increase;

(2) the overall composite average rate increase requested;

(3) the increase requested by plan type;

(4) the date on which the proposed increase would take effect;

(5) the System for Electronic Rate and Form Filing (SERFF) tracking number associated with the filing and a web address for accessing the filing electronically; and

(6) instructions for submitting public comments and the deadline for doing so.

(b) Within five business days ~~of~~ after receiving a request for approval of any composite average rate increase in excess of ~~three~~ 10 percent, or any other coverage changes ~~which~~ that the Commissioner determines will have a comparable impact on cost or availability of coverage for a Medicare ~~supplemental~~ supplement insurance policy issued by any ~~group or nongroup~~ health insurance company, hospital or medical service organization, or health maintenance organization, with 5,000 or more total lives in the Vermont Medicare supplement insurance market, the Commissioner shall notify the Department of Disabilities, Aging, and Independent Living and the Office of the Health Care Advocate of the proposed premium increase. A composite average rate is the enrollment-weighted average rate increase of all plans offered by a carrier.

~~(b)~~(c) Within five business days after receiving notification pursuant to subsection ~~(a)~~(b) of this section, the Department of Disabilities, Aging, and Independent Living shall inform the members of the Advisory Board established pursuant to 33 V.S.A. § 505 of the proposed premium increase.

~~(c)~~(d)(1) The Commissioner shall not approve any request to increase Medicare ~~supplemental~~ supplement insurance premium rates unless the amount of the rate increase complies with the statutory standards for approval under sections 4062, 4513, 4584, and 5104 of this title. Any approved rate increase

shall not be based on an unreasonable change in loss ratio from the previous year, unless the Commissioner makes written findings that such change is necessary to prevent a substantial adverse impact on the financial condition of the insurer. In acting on such rate increase requests, the Commissioner may deny the request, approve the rate increase as requested, or approve a rate increase in an amount different from the increase requested. A decision by the Commissioner other than an approval of the rate requested may be appealed by the insurer, provided that the burden of proof shall be on the insurer to show that the approved rate does not meet the statutory standards established under this subsection.

(2) Before acting on the rate increase requested, the Commissioner may make such examination or investigation as ~~he or she~~ the Commissioner deems necessary~~, including where applicable the review process set forth in subdivision (3) of this subsection~~.

(3) ~~In reviewing any Medicare supplement rate increase for which an independent analysis has been performed pursuant to 33 V.S.A. § 6706 and wherein the carrier's requested composite average increase, the independent expert's recommended composite average rate increase, or the Department actuary's recommended composite average rate increase differ by two percentage points or more, the Commissioner shall hold a public hearing where the insurer, the Department's actuary, the independent expert, any intervenor, and the public will have the opportunity to present written and oral testimony~~

~~and will be available to answer questions of the Commissioner and those present. The hearing shall be noticed and held at a time and place so as to facilitate public participation, and shall be recorded and become part of the record before the Commissioner. In the Commissioner's discretion, the hearing may be conducted through interactive. If the carrier's requested composite average increase, the independent expert's recommended composite average increase, or the Department actuary's recommended composite average increase differs by less than two percentage points, the Department and the parties shall confer by conference call, or by any other available media, to review the rate requests and recommendations. However, a public hearing may be held at the Commissioner's discretion for good cause shown.~~

(A) For any filing by a health insurance company, hospital or medical service organization, or health maintenance organization with 5,000 or more total lives in the Vermont Medicare supplement insurance market in which the requested composite average rate increase exceeds 10 percent, the Commissioner shall:

(i) solicit public comment; and

(ii) hold a public hearing in accordance with the Department of Financial Regulation's applicable rules regarding administrative procedures if, not later than 30 days after the rate filing information is posted on the Department's website pursuant to subsection (a) of this section, a hearing is requested by the Department of Disabilities, Aging, and Independent Living;

by the Office of the Health Care Advocate; or by not fewer than 25 policyholders whose premium rates would be affected by the requested rate increase.

(B) For any filing that does not meet the criteria specified in subdivision (A) of this subdivision (3), a public hearing may be held in the Commissioner's discretion.

(C) In the Commissioner's discretion, a hearing held pursuant to this subdivision (3) may be conducted through a designated electronic meeting platform.

(4) ~~In any review held in accordance with this subsection, the Commissioner shall permit intervention by any person that the Commissioner determines will materially advance the interests of the insured individuals. The intervenor shall have access to, and may use the information of the independent expert appointed under 33 V.S.A. § 6706. The reasonable and necessary cost of intervention as determined by the Commissioner shall be paid by the affected policyholders or certificate holders. The maximum payment shall be $2,500.00 except when waived by the Commissioner for good cause shown. The $2,500.00 maximum amount may be adjusted to reflect, at the Commissioner's discretion, appropriate inflation factors.~~ In any review held in accordance with this section, the Commissioner shall permit intervention by any person whom the Commissioner determines will materially advance the interests of the individuals insured under the policy.

(5) Nonproprietary, relevant information in any Medicare supplement rate filing, including any analysis by the Department's actuary ~~and the independent expert~~, shall be made available to the public upon request.

(e) For a Medicare supplement insurance policy with an effective date of January 1, the insurer shall file its premium rate request pursuant to this section not later than July 1 of the preceding year. For a Medicare supplement insurance policy with an effective date other than January 1, the insurer shall file its rate request pursuant to this section not later than six months prior to the effective date of the policy.

Sec. 21. REPEAL

33 V.S.A. § 6706 (Medicare supplement insurance; independent analysis) is repealed.

Sec. 22. 8 V.S.A. § 2571 is amended to read:

§ 2571. DEFINITIONS

As used in this subchapter:

(1) "Blockchain" has the same meaning as in 12 V.S.A. § 1913(a)(1).

(2) "Blockchain analytics" means a software service that uses data from various virtual currencies and their applicable blockchains to provide a risk rating specific to digital wallet addresses from users of virtual-currency kiosks.

(3) "Digital wallet" means hardware or software that enables individuals to store and use virtual currency.

(4) "Digital wallet address" means an alphanumeric identifier representing a destination on a blockchain for a virtual currency transfer that is associated with a digital wallet.

(5) "Exchange," used as a verb, means to assume or exercise control of virtual currency from or on behalf of a person, including momentarily, to buy, sell, trade, or convert:

(A) virtual currency for money, monetary value, bank credit, or one or more forms of virtual currency, or other consideration; or

(B) money, monetary value, bank credit, or other consideration for one or more forms of virtual currency.

(6) "Existing customer" means a consumer who:

(A) is engaging in a transaction at a virtual-currency kiosk in Vermont; and

(B) whose first transaction with the virtual-currency kiosk operator occurred more than 30 days prior.

(7) "New customer" means a consumer who:

(A) is engaging in a transaction at a virtual-currency kiosk in Vermont; and

(B) whose first transaction with the virtual-currency kiosk operator occurred not more than 30 days prior.

~~(2)~~(8) "Transfer" means to assume or exercise control of virtual currency from or on behalf of a person and to:

(A) credit the virtual currency to the account or digital wallet of another person;

(B) move the virtual currency from one account or digital wallet of a person to another account or digital wallet of the same person; or

(C) relinquish or transfer control or ownership of virtual currency to another person, digital wallet, distributed ledger address, or smart contract.

Sec. 23. 8 V.S.A. § 2574 is amended to read:

§ 2574. REQUIRED DISCLOSURES

(a) Licensee disclosures, generally. A person licensed under subchapter 2 of this chapter to engage in virtual-currency business activity shall provide the disclosures required by this section and any additional disclosure the Commissioner determines reasonably necessary for the protection of the public.

(1) A disclosure required by this section must be made separately from any other information provided by the licensee and in a clear and conspicuous manner in a record the person may keep.

(2) The Commissioner may waive one or more requirements in subsections (b)–(d) of this section and approve alternative disclosures proposed by a licensee if the Commissioner determines that the alternative disclosure is more appropriate for the virtual-currency business activity and provides the same or equivalent information and protection to the public.

(b) Licensee disclosures prior to business activity. Before engaging in virtual-currency business activity with a person, a licensee shall disclose, to the extent applicable to the virtual-currency business activity the licensee will undertake with the person:

(1) a schedule of fees and charges the licensee may assess, the manner by which fees and charges will be calculated if they are not set in advance and disclosed, and the timing of the fees and charges, including general disclosure regarding mark-ups and mark-downs on purchases, sales, or exchanges of virtual currency in which the licensee or any affiliate thereof is acting in a principal capacity;

(2) whether the product or service provided by the licensee is covered by:

(A) a form of insurance or is otherwise guaranteed against loss by an agency of the United States:

(i) up to the full U.S. dollar equivalent of virtual currency purchased from the licensee or for control of virtual currency by the licensee as of the date of the placement or purchase, including the maximum amount provided by insurance under the Federal Deposit Insurance Corporation or otherwise available from the Securities Investor Protection Corporation; or

(ii) if not provided at the full U.S. dollar equivalent of virtual currency purchased from the licensee or for control of virtual currency by the

licensee, the maximum amount of coverage for each person expressed in the U.S. dollar equivalent of the virtual currency; or

(B) private insurance against theft or loss, including cyber theft or theft by other means;

(3) the irrevocability of a transfer or exchange and any exception to irrevocability;

(4) a description of:

(A) liability for an unauthorized, mistaken, or accidental transfer or exchange;

(B) the person's responsibility to provide notice to the licensee of the transfer or exchange;

(C) the basis for any recovery by the person from the licensee;

(D) general error-resolution rights applicable to the transfer or exchange; and

(E) the method for the person to update the person's contact information with the licensee;

(5) that the date or time when the transfer or exchange is made and the person's account is debited may differ from the date or time when the person initiates the instruction to make the transfer or exchange;

(6) whether the person has a right to stop a preauthorized payment or revoke authorization for a transfer and the procedure to initiate a stop-payment order or revoke authorization for a subsequent transfer;

(7) the person's right to receive a receipt, trade ticket, or other evidence of the transfer or exchange;

(8) the person's right to at least 30 days' prior notice of a change in the licensee's fee schedule, other terms and conditions of operating its virtual-currency business activity with the person, and the policies applicable to the person's account; and

(9) that virtual currency is not money.

(c) Disclosures.

(1) Disclosures prior to each virtual-currency transaction. In connection with any virtual-currency transaction effected through a ~~money transmission~~ virtual-currency kiosk in this State, or in any transaction where the licensee or any affiliate thereof is acting in a principal capacity in a sale of virtual currency to, or purchase of virtual currency from, a customer, then immediately prior to effecting such a purchase or sale transaction with or on behalf of a customer, a licensee shall prominently disclose and shall require the customer to acknowledge and confirm the terms and conditions of the virtual-currency transaction, which shall include the following:

~~(1)~~(A) the type, value, date, precise time, and amount of the transaction; ~~and~~

~~(2)~~(B) the consideration charged for the transaction, including:

~~(A)~~(i) any charge, fee, commission, or other consideration for any trade, exchange, conversion, or transfer involving virtual currency; and

~~(B)~~(ii) any difference between the price paid by the customer for any virtual currency and the prevailing market price of such virtual currency, if any;

(C) for a customer of a virtual-currency kiosk, a description of the virtual-currency kiosk operator's refund policy, which shall be consistent with the requirements specified in subsections 2577(k) and (l) of this subchapter;

(D) for a customer of a virtual-currency kiosk, the customer warning described in subdivision (g)(1) of this section; and

(E) the daily transaction limit, if applicable.

(2) Disclosures for new kiosk accounts. When opening an account for a new customer, and prior to entering into an initial transaction for, on behalf of, or with such customer, each virtual-currency kiosk operator shall disclose relevant terms and conditions associated with its products, services, and activities and with virtual currency, generally, including disclosures substantially similar to the following:

(A) the customer's liability for unauthorized virtual-currency transactions;

(B) under what circumstances the virtual-currency kiosk operator will, absent a court or government order, disclose information concerning the customer's account to third parties;

(C) the customer's right to receive periodic account statements and valuations from the virtual-currency kiosk operator;

(D) the customer's right to receive a receipt, trade ticket, or other evidence of a transaction;

(E) the customer's right to prior notice of a change in the virtual-currency kiosk operator's rules or policies;

(F) a statement of the material risks associated with virtual-currency transactions, generally, as described in subsection (h) of this section;

(G) the name and telephone number of the Department of Financial Regulation and a statement disclosing that a customer may contact the Department with questions or complaints about a licensee; and

(H) such other disclosures as are customarily given in connection with the opening of customer accounts.

(d) Licensee receipt requirements. Except as otherwise provided in subsection (e) of this section, at the conclusion of a virtual-currency transaction with or on behalf of a person, a licensee shall provide the person with a receipt that contains:

(1) the name and contact information of the licensee, including information the person may need to ask a question or file a complaint;

(2) the type, value, date, precise time, and amount of the transaction expressed in U.S. currency;

(3) the consideration charged for the transaction, including:

(A) any charge, fee, commission, or other consideration for any trade, exchange, conversion, or transfer involving virtual currency; or

(B) the amount of any difference between the price paid by the customer for any virtual currency and the prevailing market price of such virtual currency, if any; and

(4) any other information required pursuant to section 2562 of this title.

(e) Licensee daily confirmation. If a licensee discloses that it will provide a daily confirmation in the initial disclosure under subsection ~~(c)~~(b) of this section, the licensee may elect to provide a single, daily confirmation for all transactions with or on behalf of a person on that day instead of a per-transaction confirmation.

(f) Kiosk transaction receipt. Notwithstanding any other provision of law to the contrary, a virtual-currency kiosk operator shall provide a customer with both a paper and an electronic receipt in a retainable form for each virtual-currency transaction completed at a virtual-currency kiosk. In addition to the information required to be included in a receipt under subsection (d) of this section or under section 2562 of this title, each receipt for virtual-currency transaction completed at a virtual-currency kiosk shall include:

(1) the identification of any applicable digital wallet address to which virtual currency is transmitted;

(2) the full name of the account owner;

(3) any unique transaction identifiers;

(4) a prominent statement of the virtual-currency kiosk operator's refund obligations under this section, in a form approved by the Commissioner;

(5) a statement of the operator's liability for nondelivery or delayed delivery of virtual currency; and

(6) the name and telephone number of the Department of Financial Regulation and a statement disclosing that a customer may contact the Department with questions or complaints about an operator.

(g) Customer warning.

(1) Prior to entering into a virtual-currency transaction with a customer at a virtual-currency kiosk, and as required by subdivision (c)(1)(D) of this section, each virtual-currency kiosk operator shall ensure a warning is disclosed to the customer substantially similar to the following:

Customer Notice. Please Read Carefully.

Did you receive a phone call from your bank, software provider, the police, or were you directed to make a payment for Social Security, a utility bill, an investment, warrants, or bail money at this kiosk? STOP

Is anyone on the phone pressuring you to make a payment of any kind? STOP

I understand that the purchase and sale of cryptocurrency may be a final, irreversible, and nonrefundable transaction.

I confirm I am sending funds to a digital wallet I own or directly have control over. I confirm that I am using funds gained from my own initiative to make my transaction.

(2) A virtual-currency kiosk operator shall ensure a customer has a readily accessible opportunity to end a transaction for any reason prior to its completion.

(h) Statement of material risks. As used in subdivision (c)(2)(F) of this section, a statement of material risks associated with virtual-currency transactions, generally, shall include disclosures substantially similar to the following:

(1) Virtual currency is not legal tender, is not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections.

(2) Legislative and regulatory changes or actions at the State, federal, or international level may adversely affect the use, transfer, exchange, and value of virtual currency.

(3) Transactions in virtual currency may be irreversible and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

(4) Some virtual-currency transactions shall be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that the customer initiates the transaction.

(5) The value of virtual currency may be derived from the continued willingness of market participants to exchange fiat currency for virtual

currency, which may result in the potential for permanent and total loss of value of a particular virtual currency should the market for that virtual currency disappear.

(6) There is no assurance that a person who accepts a virtual currency as payment today will continue to do so in the future.

(7) The volatility and unpredictability of the price of virtual currency relative to fiat currency may result in significant loss over a short period of time.

(8) The nature of virtual currency may lead to an increased risk of fraud or cyber attack.

(9) The nature of virtual currency means that any technological difficulties experienced by the virtual-currency kiosk operator may prevent the access or use of a customer's virtual currency.

(10) Any bond or trust account maintained by the virtual-currency kiosk operator for the benefit of its customers may not be sufficient to cover all losses incurred by customers.

Sec. 24. 8 V.S.A. § 2577 is amended to read:

§ 2577. VIRTUAL-CURRENCY KIOSK OPERATORS

(a) Daily transaction limit.

(1) A virtual-currency kiosk operator shall not accept or dispense more than ~~$1,000.00~~ $2,000.00 of cash in a day in connection with virtual-currency

transactions with a single, new customer in this State via one or more ~~money transmission~~ virtual-currency kiosks.

(2) A virtual-currency kiosk operator shall not accept or dispense more than $5,000.00 of cash in a day in connection with virtual-currency transactions with a single, existing customer in this State via one or more virtual-currency kiosks.

(b) Fee cap. The aggregate fees and charges, directly or indirectly, charged to a customer related to a single transaction or series of related transactions involving virtual currency effected through a money transmission kiosk in this State, including any difference between the price charged to a customer to buy, sell, exchange, swap, or convert virtual currency and the prevailing market value of such virtual currency at the time of such transaction, shall not exceed the greater of the following:

(1) $5.00; or

(2) ~~three~~ 15 percent of the U.S. dollar equivalent of virtual currency involved in the transaction or transactions.

(c) Single transaction. The purchase, sale, exchange, swap, or conversion of virtual currency, or the subsequent transfer of virtual currency, in a series of transactions shall be deemed to be a single transaction for purposes of ~~subsection (b)~~ subsections (a) and (b) of this section.

(d) Licensing requirement. A virtual-currency kiosk operator shall comply with the licensing requirements of this subchapter to the extent that the virtual-currency kiosk operator engages in virtual-currency business activity.

(e) Operator accountability. If a virtual-currency kiosk operator allows or facilitates another person to engage in virtual-currency business activity via a ~~money transmission~~ virtual-currency kiosk in this State that is owned, operated, or managed by the virtual-currency kiosk operator, the virtual-currency kiosk operator shall do all of the following:

(1) ensure that the person engaging in virtual-currency business activity is licensed under subchapter 2 of this chapter to engage in virtual-currency business activity and complies with all other applicable provisions of this chapter;

(2) ensure that any charges collected from a customer via the ~~money transmission~~ virtual-currency kiosk comply with the ~~limits provided by~~ fee cap established in subsection (b) of this section; and

(3) comply with all other applicable provisions of this chapter.

(f) Moratorium. To protect the public safety and welfare and safeguard the rights of consumers, virtual-currency kiosks shall not be permitted to operate in Vermont prior to July 1, ~~2025~~ 2026. This moratorium shall not apply to a virtual-currency kiosk that was duly licensed and operational in Vermont on or before June 30, 2024.

(g) ~~Report. On or before January 15, 2025, the Commissioner of Financial Regulation shall report to the House Committee on Commerce and Economic Development and the Senate Committee on Finance on whether the requirements of this section coupled with relevant federal requirements are sufficient to protect customers in Vermont from fraudulent activity. If deemed necessary and appropriate by the Commissioner, the Commissioner may make recommendations for additional statutory or regulatory safeguards. In addition, the Commissioner shall make recommendations for enhanced oversight and monitoring of virtual-currency kiosks for the purpose of minimizing their use for illicit activities as described in the U.S. Government Accountability Office report on virtual currencies, GAO-22-105462, dated December 2021.~~ Customer identification. For each virtual-currency transaction occurring at a virtual-currency kiosk in this State, the virtual-currency kiosk operator shall verify the identity of the customer prior to accepting payment from the customer. A virtual-currency kiosk operator shall not allow a customer to engage in any transaction at a virtual-currency kiosk under any name, account, or identity other than the customer's own true name and identity. A virtual-currency kiosk operator shall obtain a copy of a government-issued identification card that identifies the customer and shall collect additional customer information, including the customer's name, date of birth, telephone number, address, and email address prior to accepting any payment from a customer at a virtual-currency kiosk in this State. In addition,

a virtual-currency kiosk operator shall take a photograph of the customer in a retainable format at the virtual-currency kiosk for each transaction. A virtual-currency kiosk operator shall be strictly liable for any violation of this subsection.

(h) Customer support. A virtual-currency kiosk operator shall offer live, toll-free, telephone customer support during the hours of operation of a virtual-currency kiosk. The customer support telephone number shall be displayed on the virtual-currency kiosk or on the virtual-currency kiosk screen.

(i) Mandatory live screening.

(1) A virtual-currency kiosk operator shall identify and speak by telephone with:

(A) a new customer over 60 years of age prior to such customer's first virtual-currency transaction with the virtual-currency kiosk operator; or

(B) a customer attempting to conduct more than $5,000.00 in virtual-currency transactions during any consecutive 10-day period.

(2) The virtual-currency kiosk operator's approval of a transaction subject to a mandatory live screening under this subsection shall be dependent upon its assessment of its communication with the customer during the screening.

(3) A virtual-currency kiosk operator shall record and retain a copy of each mandatory live screening.

(4) During the mandatory live screening, the virtual-currency kiosk operator shall:

(A) positively identify the customer;

(B) reconfirm any attestations made by the customer at the virtual-currency kiosk;

(C) discuss the purpose of the transaction; and

(D) discuss types of fraudulent schemes relating to virtual currency.

(j) Blockchain analytics. A virtual-currency kiosk operator shall use blockchain analytics software and retain an established third party that specializes in performing blockchain analytics to assist in the prevention of sending purchased virtual currency from a virtual-currency kiosk operator to a digital wallet known to be affiliated with fraudulent activity at the time of a transaction. The Commissioner may request evidence from any virtual-currency kiosk operator of its current use of blockchain analytics.

(k) Full refund for new customers. The virtual-currency kiosk operator shall provide a full refund to a customer who was fraudulently induced to engage in a virtual-currency kiosk transaction, provided the fraudulently induced transaction occurred while the customer was a new customer and further provided the customer contacts the virtual-currency kiosk operator and a law enforcement or government agency to inform the operator and the agency of the fraudulent nature of the transaction within 90 days after the customer's last virtual-currency transaction with the virtual-currency kiosk

operator. The refund shall include any fees charged in association with the fraudulently induced transaction.

(l) Fee refund for existing customers. The virtual-currency kiosk operator shall provide a fee refund to an existing customer who has been fraudulently induced to engage in a virtual-currency kiosk transaction, provided the customer contacts the virtual-currency kiosk operator and a law enforcement or government agency to inform the operator and the agency of the fraudulent nature of the transaction within 90 days after the last fraudulently induced transaction. The refund shall include all fees charged in association with the fraudulently induced transaction.

(m) Fraud prevention. A virtual-currency kiosk operator shall take reasonable steps to detect and prevent fraud, including establishing and maintaining a written antifraud policy. The antifraud policy shall, at a minimum, include the following:

(1) the identification and assessment of fraud-related risk areas;

(2) procedures and controls to protect against identified risks;

(3) allocation of responsibility for monitoring risks;

(4) procedures for the periodic evaluation and revision of the antifraud procedures, controls, and monitoring mechanisms;

(5) procedures and controls that prevent more than one customer from using the same digital wallet;

(6) procedures and controls that enable the virtual-currency kiosk operator to prevent a digital wallet from being used at a virtual-currency kiosk it operates if the operator knows or reasonably should know the digital wallet is affiliated with fraudulent activities; and

(7) policies and procedures for using a risk-based method for monitoring customers on a post transaction basis.

(n) Due diligence policy. A virtual-currency kiosk operator shall maintain, implement, and enforce a written Enhanced Due Diligence Policy. The Policy shall be reviewed and approved by the virtual-currency kiosk operator's board of directors or an equivalent governing body of the virtual-currency kiosk operator. The Policy shall identify, at a minimum, individuals who are at risk of fraud based on age or mental capacity.

(o) Compliance policies. A virtual-currency kiosk operator shall maintain, implement, and enforce written compliance policies and procedures. Such policies and procedures shall be reviewed and approved by the virtual-currency kiosk operator's board of directors or an equivalent governing body of the virtual-currency kiosk operator.

(p) Compliance officer.

(1) A virtual-currency kiosk operator shall designate and employ a compliance officer who meets the following requirements:

(A) is qualified to coordinate and monitor compliance with this section and all other applicable federal and State laws and regulations;

(B) is employed full-time by the virtual-currency kiosk operator; and

(C) is not an individual who owns more than 20 percent of the virtual-currency kiosk operator by whom the individual is employed.

(2) Compliance responsibilities required under federal and State law and regulation shall be completed by one or more full-time employees of the virtual-currency kiosk operator.

(q) Consumer protection officer. A virtual-currency kiosk operator shall designate and employ a consumer protection officer who meets the following requirements:

(1) is qualified to coordinate and monitor compliance with this section and all other applicable federal and State laws and regulations;

(2) is employed full-time by the virtual-currency kiosk operator; and

(3) is not an individual who owns more than 20 percent of the virtual-currency kiosk operator by whom the individual is employed.

(r) The Commissioner may adopt rules the Commissioner deems necessary and proper to carry out the purposes of this section, including with respect to what constitutes fraudulent activity or a fraudulently induced transaction in the context of customer transactions at a virtual-currency kiosk.

Sec. 25. 8 V.S.A. § 13301 is amended to read:

§ 13301. CORPORATORS OF MUTUAL FINANCIAL INSTITUTIONS

(a) Persons named in the organizational documents constitute the original board of corporators of a mutual financial institution. Membership on this

board continues until terminated by death, resignation, or disqualification as provided in this section.

(b) All corporators shall be residents of the geographic area that the financial institution serves or an area proximate to this geographic area. A person ~~may~~ shall not continue as a corporator after ceasing to be a resident of the financial institution's geographic area or an area proximate to this geographic area.

(c) Any corporator failing to attend the annual meeting of the board of corporators for two successive years ceases to be a member of the board unless reelected by a vote of the remaining corporators.

(d) The number of corporators may be fixed or altered by the internal governance documents of the financial institution, and vacancies may be filled by election at any annual meeting.

(e) More than 50 percent of all corporators shall be depositors of the financial institution.

(f) At least two-thirds of all corporators shall be independent. As used in this subsection, an "independent corporator" means an individual who is not an employee, director, or officer of the financial institution, its subsidiaries, or its affiliates.

(g) Corporators shall be fiduciaries of the depositor base and shall exercise their authority in the best interests of the depositors with a duty of loyalty and care. In exercising their duties as corporators, corporators shall consider the

interests of the depositors, the borrowers, and other customers of the financial institution; the general benefit and economic well-being of the communities served by the financial institution; and the safety, soundness, and general business needs of the financial institution.

Sec. 26. EFFECTIVE DATES

This act shall take effect on July 1, 2025, except that Secs. 20 and 21 (Medicare supplement insurance) shall take effect on January 1, 2026.

Date Governor signed bill: May 19, 2025