



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

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H.515 – An act relating to banking, insurance, and securities as Recommended by the House Committee on Ways and Means

URL for bill: <https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0515/H-0515%20As%20Introduced.pdf>

Bill Summary

This bill makes several technical adjustments to the regulation of insurance providers operating in the state. The primary change is establishing a comprehensive legal framework within which Travel Insurance may be sold in the state. The bill codifies existing regulatory and taxation practice with regard to Travelers Insurance.

The bill also makes technical changes to the regulation of the Captive Insurance market. These includes changes to reporting, delinquency proceedings, protected cells and the allowance for captive insurers to enter into parametric contracts which do not require payments upon triggering event without proof of loss or obligation to indemnify.

Other minor changes to existing law include regulations on fair sales practices, annual reporting requirements, safe insurance data security, and whistleblower protections for victims of securities violations.

Fiscal Summary

JFO estimates that this bill will have little to no fiscal impact on the State.

The sections of the bill with the potential for fiscal impact are those relating to the Insurance Premiums Tax. The bill clarifies that the travel insurers will be subject to the tax.

JFO estimates this will not affect State revenues because Travel Insurers are already subject to a 2 percent Insurance Premium Tax under 32 VSA 8551. The tax is levied on the gross amount of premiums and assessments written on its business in the state. This bill does not change the existing requirements for Travel Insurers or Property & Casualty Insurers in general. Because the bill codifies existing practice, it is not expected to add any new administration costs to the Department of Financial Regulation. As a result, the bill does not constitute a base expansion or an increase in administrative costs and is not expected to have a fiscal impact.

Likewise, the technical changes to regulating Captive Insurance companies does not affect their taxation and is not expected to have a fiscal impact.

The bill proposes to rename the Vermont Financial Services Education and Victim Restitution Special Fund to the Vermont Financial Services Education, Victim Restitution, and Whistleblower Award Special Fund. The bill expands what this fund can be used for to include Whistleblower Awards. To the extent this expanded usage as the potential to increase revenue in this fund is offset by payments out of the fund in the form of whistleblower awards. As a result, this change is expected to be revenue neutral.

Background and Context

Insurance companies in the state of Vermont, whether they are domiciled in or outside the state, are subject to the Insurance Premiums Tax equal for business conducted in the state. This tax is equal to 2% of the gross written premiums in a given year. The tax is paid quarterly and is remitted to the Department of Taxes. In FY2021 the state collected \$34.2 million in revenue from the traditional insurance market, which travelers insurance is a part of.

Captive insurance companies are taxed a marginal rates on insurance and reinsurance premiums that range from 0.024 percent to 0.38 percent depending on how much was collected in premiums. Statewide, Vermont is home to 620 captives. Gross written premiums of Vermont captives were over \$30 billion and total assets as of December 2020 were over \$196 billion. The industry supports approximately 400 direct jobs in the state.¹ In FY2021 the state collected \$23.7 million in revenue from the captive insurance market.

Based upon the January 2021 Consensus Revenue Forecast, the Insurance Premium Tax is forecasted to generate \$60.6 million in revenue in FY2023 Insurance Premium Tax collections are expected to grow very modestly in the coming years and is forecasted to reach \$62.4 million in FY2027.

¹ Captive Insurance market figures provided by the Vermont Department of Financial Regulation