

# Vermont's Insurance Regulatory Sandbox

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# Overview

- Commissioner may grant a waiver with respect to the specific requirements of any insurance law, regulation, or bulletin if a person demonstrates:
  - The application of the law, regulation, or bulletin would prohibit the introduction of an innovative or more efficient insurance product or service;
  - The public policy goals of the law, regulation, or bulletin will be or have been achieved by other means;
  - The waiver will not substantially or unreasonably increase any risk to consumers; and
  - The waiver is in the public interest.
- A waiver may be granted for up to 12 months with the possibility for a one-time extension for up to an additional 12 months.

# Consumer protection

- Product or service subject to waiver may be provided to a maximum of 10,000 Vermont consumers.
- Mandatory consumer disclosures, including:
  - Name and contact information of participant;
  - That the product or service is authorized pursuant to an innovation waiver for a temporary period of time and may be discontinued at the end of the waiver period; and
  - Contact information for the Department, including how a consumer may file a complaint.
- Commissioner must give public notice at least 30 days prior to granting an innovation waiver.

# Statutory deposit required

- Deposit of cash or marketable securities with State Treasurer in an amount the Commissioner determines necessary for the protection of consumers.
- By regulation:
  - Amount to be commensurate with the risk profile of the product or service being offered pursuant to the waiver but not less than \$10,000.
  - Participant must provide, at least 60 days prior to the proposed effective date of the waiver, an actuarially determined estimate of total premium to be written and total claims to be paid during the waiver period.
  - Amount may be increased or decreased by the Commissioner at any time during the waiver period based on risk profile.

# Monitoring, examination, and supervision

- By regulation, quarterly reports required, including:
  - Total number of policies written;
  - Total premium collected;
  - Total number and dollar amount of claims; and
  - Material changes in business plan, underwriting, or claims practices.
- To evaluate compliance with conditions of the waiver, the Commissioner may examine the affairs, transactions, accounts, and records of the participant as often as deemed necessary.

# Provisions NOT subject to waiver

- Minimum amount of paid-in capital or surplus
- Taxes and fees
- Any law or regulation required for the Department to maintain NAIC accreditation
- Health insurance
- Guaranty association
- Workers' compensation
- Insurance trade practices
- Licensing requirements
- Long-term care insurance

# Upon expiration of waiver

- Upon expiration of a waiver, the participant shall cease all activities that were permitted only by the waiver and comply with all generally applicable laws and regulations.
- Biannual reporting required to the Legislature:
  - Total number of petitions for waivers that have been received, granted, and denied.
  - Waivers that have lapsed or been revoked and any disciplinary actions imposed.
  - List of regulations or bulletins that have been adopted or amended as a result of or in connection with a waiver granted.
  - 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.

# Legislative process

- Law became effective in 2019. Some legislators had concerns about giving the Commissioner discretion to waive laws.
- **Robust consumer protections** important to both the Commissioner and the Legislature.
- Originally no waivers could be granted after July 1, 2021 and law was to be repealed July 1, 2023. In 2021, the Legislature extended the sunset by two years.
- To date, no applications have been received — this may be due, in part, to the pandemic and the reallocation of resources from innovation to damage control.
- The Department believes the regulatory sandbox may become even more relevant in the next few years to help insurance carriers produce and test innovative products and services to respond to the pandemic and its impacts.



# Waiver Application Process

- For more information on the accompanying Vermont DFR Insurance Regulation to Act 57 of 2019, visit:  
<https://dfr.vermont.gov/reg-bul-ord/insurance-regulatory-sandbox-innovation-waiver-regulation>
- For more information on how to initiate the waiver application process, visit:  
<https://dfr.vermont.gov/industry/insurance/regulatory-sandbox>