

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.198 – Legacy insurance management act**

*Note: The sections of this bill with fiscal impact are identical to those passed by HWM last year in H.533.*

The purpose of H.198 is to regulate the receipt and management by solvent Vermont companies of closed blocks of non-admitted commercial insurance policies and reinsurance agreements.

Section 3 of the bill creates the following fees and costs:

1 – An administrative fee of \$30,000 to cover the costs of processing and reviewing the plan of a Vermont-domiciled company established specifically to acquire a closed block under a legacy insurance transfer plan.

2 – The “reasonable” costs of persons retained to conduct actuarial studies to quantify the liabilities under insurance policies and reinsurance agreements that are to be transferred to the assuming company.

3 – Once a plan is approved, a transfer fee equal to:

1.0% of the first \$100 million of the gross liabilities transferred; and  
0.5% of the gross liabilities transferred that exceed \$100 million.

According to the Department of Financial Regulation, it is likely that only one transfer of approximately \$100 million would occur in the next fiscal year. This would raise approximately \$30,000 from the administrative fee and potentially \$1 million from the transfer fee. The number of transactions and the amount of liability is expected to program as the program becomes established.

All fees and payment received under 1 and 2 and 10% of the fee transferred under 3 would be credited to the Insurance Regulator and Supervision Fund; the remaining 90% would be deposited into the general fund.

Once established, a Vermont-domiciled company established under the provisions of this bill would be subject to the state’s business taxes depending on the form of the entity established.