

**INSURANCE DIVISION**  
Vermont Department of Banking, Insurance, Securities & Health Care Administration  
89 Main Street, Drawer 20 Montpelier, VT 05620-3101

**Bulletin No. 145**

**INSURANCE LAWS ENACTED DURING THE 2004 LEGISLATIVE SESSION**

This Bulletin summarizes the laws enacted during the 2004 Session of the General Assembly relating to the business of insurance. Laws relating to the business of health insurance are addressed in a separate bulletin.

This Bulletin is intended to provide general information only, for the purpose of notifying interested parties of changes that may be necessary in their operations. Anyone who may be affected by any of these laws is urged to obtain an unofficial version of the act at the Legislative Council website: [www.leg.state.vt.us](http://www.leg.state.vt.us), or to obtain an official version of the act from: Legislative Council, State House, Montpelier, VT 05602 (802) 828-2231. Any questions relating to the Department's implementation and administration of these laws should be directed to the Insurance Division (802-828-3301), the Captive Insurance Division (802-828-3304) or the General Counsel's Office (802-828-2380).

**Act 105. (S.247). Miscellaneous Amendments To The Laws Administered By The Department.**

**Annual Department Report.** The provision in Title 8 that directs the Commissioner to prepare an annual report on financial institutions and insurance companies is amended to provide for a separate reporting date for the banking report, and the insurance report.

**Minimum capital – domestic stock insurance companies.** The “grandfather” clause for companies authorized to do business before 1991 is repealed. The authority of the Department to require a domestic stock insurance company to keep a portion of their minimum capital on deposit with the State Treasurer is clarified.

**Minimum capital – domestic mutual insurance companies.** The “grandfather” clause for companies authorized to do business before 1991 is repealed. The authority of the Department to require a mutual company to keep a portion of their minimum capital on deposit with the State Treasurer is clarified. In the case of affiliated companies operating under a joint pooling agreement, the Commissioner may establish lesser capital amounts.

**Minimum capital – “foreign” insurance companies.** The minimum capital requirement provisions applicable to Vermont domestic insurance companies will also apply to foreign companies.

**Examinations.** Those sections of the law authorizing the Commissioner to conduct periodic examinations of domestic and out-of-state insurance companies, including captive insurance companies, are amended to remove the requirement that a company must apply to the Commissioner to extend that time period for the examination from three years to a five-year period.

**Enforcement of insurance laws.** The insurance enforcement statute is amended to provide for enforcement in general of the insurance laws, regulations and orders of the Commissioner. The amendment also authorizes a civil administrative penalty for violations where a specific penalty is not otherwise provided for by law.

**Minimum Nonforfeiture Amount.** The National Association of Insurance Commissioners model legislation is enacted, permitting the interest rate applicable to the minimum nonforfeiture amount to vary depending upon current interest rates.

**Recognition of the 2001 CSO Mortality Tables.** The Commissioner may issue a bulletin allowing Vermont domestic life insurance companies to use updated mortality tables approved by the National Association of Insurance Commissioners. Permanent administrative rules permitting the revised tables will be adopted after the bulletin is issued. Implementation of the authority granted by this legislation will be the subject of a separate Department Bulletin.

**Captive Insurance Companies:** In addition to the change in extending examination time periods, captive insurance companies may now be organized as limited liability companies.

**Effective date for Act 105** - July 1, 2004, except that:

- Captive insurance companies may be formed as limited liability companies on passage.
- Companies may elect to use the minimum nonforfeiture formula during the first year after enactment, and requires the formula to be used two years after passage, but only as to new annuity contracts.

**Act 106. (H.747) Secondary Notice of Life Insurance Cancellations.**

This act, per Sec. 3, requires notice to specified secondary addressees before cancellation of a life insurance policy for nonpayment of premium. Implementation of the provisions of this legislation will be the subject of a separate Department Bulletin.

**Effective Date:** July 1, 2004.

**Act 122. Appropriations Act - Medical Malpractice Study.**

Sec. 292 directs the Department to lead a committee to study issues related to medical malpractice actions and insurance. Other committee members include representatives from the Vermont Medical Society, the Vermont Hospital Association, the Vermont Trial Lawyers Association, a plaintiff's attorney with the Vermont Bar Association, the Vermont State Health Care Ombudsman, and the American Insurance Association. Twelve meetings are authorized, and a report of findings and recommendations is due December 15, 2005.

**Effective Date:** July 1, 2004.

***Act 132. Workers' Compensation.***

Included in this act relating to workers' compensation reforms are requirements that the Department study options for stabilizing rates and mechanisms for controlling medical costs.

**Effective Date:** July 1, 2004.