



March 25, 2022

The Honorable Edward Buchanan  
Secretary of State  
Herschler Building East  
122 W. 25th Street, Suite 100  
Cheyenne, Wyoming 82002

Re: Veto of SEA0052/SF0055 - Insurance Sandbox

Dear Secretary Buchanan:

Wyoming lawmakers continue to innovate and create a climate that is attractive to new businesses. We are known for our friendly regulatory environment, but we temper that with a desire to protect consumers that is restrained by a respect for an individuals' responsibility to be informed and make correct decisions.

I am acutely aware that regulation can present a barrier to entry, and that innovation needs to be encouraged by a free marketplace, which now has exciting new frontiers to explore in blockchain technology. Finding that balance that allows for market innovation while assuring consumers get what they pay for is always the task of a regulator. In the example of this bill, I am concerned that the initial appropriation was removed and replaced with a \$10,000 filing fee. While this places the cost of reviewing the application correctly on the applicant, it is insufficient to conduct a proper review. Actuarial costs alone for an examination routinely exceed \$10,000. This bill contemplates that the Commissioner would properly examine an application for its merits and in order to protect the consumer from otherwise predatory behavior. Such an examination would not be inexpensive, and thus, I do not believe this bill properly addresses the actual costs to ensure the Department of Insurance is properly funded to take on this new role.

We must never lose sight of the dynamic tension between an individual's responsibility to care for themselves as they can and our responsibility to protect the consumer from potentially unscrupulous behavior in any statutory change. This is especially true in something as complex as insurance. Unfortunately, Senate Enrolled Act No. 52 gives carte blanche responsibility to waive any statutory provision to the Insurance Commissioner without giving the Commissioner the support needed to fully understand the consequences a consumer may experience. While I know the agency would not allow this to happen today given the diligence of our current

Commissioner, I cannot guarantee that a future Commissioner would see their responsibility the same way. Therefore, at this time, I find it necessary to veto SEA 52 - the Insurance Sandbox.

The insurance industry is heavily regulated for good reason as past practices have not always benefited consumers of a given product. The insurance marketplace is not a free-for-all even in states where similar bills have been passed. I would also note that, in the states that have enacted insurance sandbox legislation, none has approved an application yet. In fact, state regulators have determined that some applicants are merely trying to obtain a competitive advantage at the expense of the consumer and do not truly have an innovative product. While there may well be opportunity for truly revolutionary innovation and disruption in the insurance marketplace, the experience so far augurs for applications to be reviewed, investigated, and considered thoroughly and carefully so that no insurance provider receives an unfair competitive advantage at the expense of the consumer, or that Wyoming's Commissioner not be placed inappropriately in the position of picking winners and losers by virtue of being inadequately resourced to do proper due diligence.

Statutory consumer protections allow the Department of Insurance to advocate on behalf of Wyoming consumers. Accordingly, there are some statutory protections that should never be waived absent understanding this context. While I know this is disappointing to those who have worked so hard on this bill, I encourage the Legislature to rework the bill with an eye towards limiting the statutes that can be waived to maintain consumer protections. Additionally, proper funding must be in place for the Department of Insurance to do the work necessary to carry out this task.

Sincerely,



Mark Gordon  
Governor

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cc: The Honorable Dan Dockstader, President of the Senate  
The Honorable Eric Barlow, Speaker of the House  
Chief Clerk, Wyoming Senate  
Chief Clerk, Wyoming House of Representatives