

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE: VARIABLE ANNUITY LIFE INSURANCE COMPANY NAIC #70238)))))))	DOCKET NO. 24-012-I
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STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (the “Department”) asserts that Variable Annuity Life Insurance Company (“Respondent”) has violated the Vermont Security Breach Notice Act, 9 V.S.A. § 2435 (the “Security Breach Notice Act”), as set forth below; and

WHEREAS, Respondent and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondent and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS

1. Respondent is a foreign insurer with its principal place of business at 2727-A Allen Parkway, 3-D1, Houston, TX 77019.
2. Respondent’s NAIC company code is 70238.
3. At all times relevant to this matter, Respondent held licenses issued by the Insurance Division of the Department, pursuant to 8 V.S.A. Chapter 101, authorizing Respondent to operate as an insurer in the State of Vermont.

4. On December 11, 2023, Respondent experienced a cybersecurity incident during which there was unauthorized access to a Vermont consumer's account data in Respondent's online customer portal (the "Data Breach").
5. Respondent learned of the Data Breach on or around December 12, 2023. At that point, Respondent had a reasonable belief that one Vermonter was impacted by the Data Breach.
6. The Data Breach resulted in the unauthorized access and potential downloading of certain files that contained personally identifiable information of the impacted Vermont consumer.
7. On December 13, 2024, Respondent gave verbal notice of the Data Breach to the impacted Vermont consumer.
8. On March 2, 2024, Respondent notified the Department of the Data Breach.
9. On March 8, 2024, Respondent mailed a letter to the impacted Vermont consumer, providing written notice of the Data Breach.
10. Following Respondent's notice to the Department of the Data Breach, the Department requested additional information from Respondent regarding the Data Breach.
11. Respondent has cooperated with and been responsive to the Department's requests for information and records related to the Data Breach and has implemented internal corrective actions to prevent future violations of the Security Breach Notice Act.

DESCRIPTION OF VIOLATIONS

12. The Commissioner of Financial Regulation (the "Commissioner") is responsible for administering and enforcing the insurance laws of the State of Vermont, is authorized to investigate licensees to determine compliance with Vermont law, and is authorized to issue orders imposing remedial actions and civil administrative penalties, pursuant to 8 V.S.A. §§ 11-12, 15, and 3661.

13. Pursuant to 9 V.S.A. § 2435, for any entity regulated by the Department, the Commissioner has the full authority to investigate potential violations of the Security Breach Notice Act, including the power to prosecute and impose remedies for any such violations to the same extent as under Title 8 or any other applicable law or regulation.
14. Pursuant to 8 V.S.A. § 3661, the Commissioner may impose a civil administrative penalty for each violation of law, an administrative rule of the Department, or an order of the Commissioner relating to insurance, of up to \$1,000 for each violation or \$10,000 per willful violation.
15. Pursuant to 9 V.S.A. § 2435(b)(3), any entity regulated by the Department shall notify the Department of any security breach within 14 business days of the date the entity discovers the breach or the date the entity provides notice to consumers, whichever is earlier.
16. Respondent notified the impacted Vermont consumer on December 13, 2023, thus, pursuant to 9 V.S.A. § 2435(b)(3)(B)(i), Respondent also should have notified the Department of the Data Breach on that date.
17. Respondent violated 9 V.S.A. § 2435(b)(3) by failing to notify the Department of the Data Breach on December 13, 2023.
18. When Respondent notified the Department of the Data Breach on March 2, 2024, Respondent's notification was 80 calendar days after the deadline imposed by 9 V.S.A. § 2435(b)(3).

CONSENT ORDER

19. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall pay an administrative penalty of \$16,000.00. Payment shall

be made via wire or check made payable to the “Department of Financial Regulation” and mailed to:

Attn: Cheryl Lancaster
Department of Financial Regulation
Docket Clerk
89 Main Street
Montpelier, VT 05620-3101

20. Respondent has implemented or shall implement the following corrective actions:
 - a. On or before the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall implement and deliver training to all of its fraud team employees regarding the notifications required under the Security Breach Notice Act.
 - b. On or before the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall update its internal policies and procedures to ensure compliance with the notice deadlines contained in the Security Breach Notice Act.
21. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
22. With respect to the facts and violations identified herein, Respondent waives its right to a hearing before the Commissioner or the Commissioner’s designee, waives the right, if any, to a jury trial, and waives its right to all other administrative or judicial review otherwise available under Vermont law, including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.
23. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
24. Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that its

consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.

25. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8, including provisions imposing enhanced penalties for willful violations.
26. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondent.
27. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
28. Nothing herein shall be construed as limiting any private right of action a person may have.
29. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I certify under the pains and penalties of perjury that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Respondent.

VARIABLE ANNUITY LIFE INSURANCE COMPANY

Signed by:
By: Todd McGrath
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Todd McGrath
Chief Operating Officer
The Variable Annuity Life Insurance Company

Date: August ^{1.00}__, 2024

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

DEPARTMENT OF FINANCIAL REGULATION

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By: Kevin J. Gaffney
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Kevin J. Gaffney
Commissioner of Financial Regulation
Vermont Department of Financial Regulation

Date: August 5, 2024