

**Government of the District of Columbia**

**Vincent C. Gray, Mayor**

**Department of Insurance, Securities and Banking**

**William P. White**

**Commissioner**

**Notice to All Domestic Risk Retention Groups**

**Licensed in the District of Columbia**

October 4, 2012

On March 14, 2012, the District of Columbia enacted the Captive Insurance Company Amendment Act of 2012 (the “Act”) (D.C. Law 19-0103), and on September 28, 2012, the District of Columbia Department of Insurance, Securities and Banking (“DISB”) published proposed rules in the *D.C. Register* (Vol. 59 – No. 39) to implement the revised accreditation standards promulgated by the National Association of Insurance Commissioners. Copies of the Act and the proposed rules are attached.

The Act requires all domestic risk retention group captives (“RRGs”) licensed in the District of Columbia to comply with the following insurance laws, which previously were not applicable to RRGs. RRGs shall continue to be subject to the Captive Insurance Company Act of 2004, as amended, and the Risk Retention Act of 1993. **Captive insurers that are not licensed as RRGs are not subject to these new provisions.**

1. The Risk Limitation provisions of the Fire and Casualty Act of 1940. D.C. Official Code § 31-2502.12.
2. The Investments of Insurers Act of 2002. D.C. Official Code §§ 31-1371.01 – 31-1371.07, 31-1373.01 – 31-1373.12, and 31-1375.01.
3. The Annual Audited Financial Reports Act of 1993. D.C. Official Code § 31-301.
4. The Property and Casualty Actuarial Opinion Amendment Act of 2008. D.C. Official Code §§ 31-2502.26a and 31-2502.26b.
5. The Business Transacted with Producer Controlled Insurer Act of 1993. D.C. Official Code § 31-401 et seq.).
6. The Holding Company System Act of 1993. D.C. Official Code § 31-701 et seq.
7. The Managing General Agents Act of 1993. D.C. Official Code § 31-1501 et seq.
8. The Reinsurance Intermediary Act of 1993. D.C. Official Code § 31-1801 et seq.
9. The Risk-Based Capital Act of 1996 D.C. Official Code § 31-2001 et seq. Note that §§ 31-2002(a)(2) and 31-2003(f) shall not apply to risk retention groups licensed as captives.

The following new insurance regulations shall be applicable to all domestic risk retention groups licensed as captives:

1. Accounting Practices and Procedures Regulations
2. Valuation of Investments Regulations
3. Holding Company Systems Regulations
4. Risk Limitations Regulations
5. Reinsurance Ceded Regulations
6. Filing with NAIC Regulations

Law/Regulation Applicability Date Comments

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| Risk Limitation of Fire and Casualty Act | March 14, 2012 | Establishes a new Ten Percent Rule. See exception in the Risk Limitation Regulation § 3774. |
| Investments of Insurers Act | March 14, 2012 | Each RRG is required to review its investments and submit a written report to DISB on its compliance with the new investment law and regs. The report is due on December 31, 2012. |
| Annual Audited Financial Reports Act of 1993 | March 14, 2012 | Every RRG shall establish an audit committee. If an audit committee is not established, the entire board of directors shall constitute the audit committee.  The small insurer exemption found in § 31-314(a) shall not apply to risk retention groups licensed as captives.  ***Important New Date:*** 2012 audited financials are due on June 1, 2013 |
| Property and Casualty Actuarial Opinion Amendment Act | March 14, 2012 | ***Important New Date:*** 2012 actuarial opinion shall be filed with the Annual Statement on March 2, 2013 |
| Business Transacted with Producer Controlled Insurer Act | March 14, 2012 | See mandatory contract provisions. The exemption for RRGs in definition of “insurer” has been deleted. |
| Holding Company System Act of 1993 | March 14, 2012, except Forms B and C, which are due on April 30, 2013. | A RRG in an arrangement, which consists of 2 or more “affiliated” persons, one or more of whom is an insurer, will presumed to be in a holding company system. A RRG is an “insurer” for purposes of the HCA. |
| Managing General Agents Act | March 14, 2012 | See licensing and mandatory contract provisions. |
| Reinsurance Intermediary Act of 1993 | March 14, 2012 | See licensing and mandatory contract provisions. **If the reinsurance broker is located outside of the US and the terms of the reinsurance is negotiated outside of the US, the broker is not required to be licensed in the District.** |
| Risk-Based Capital Act of 1996 | Regulatory Actions effective March 14, 2012. RBC Reports to be filed with 2012 Annual Statement on March 2, 2013. | Sections 31-2002(a)(2) and 31-2003(f) shall not apply to risk retention groups licensed as captives. |
| Accounting Practices and Procedures Regulations | March 14, 2012 | Section 3772. Requires Financial Statements to be prepared in accordance with the NAIC annual and quarterly statement instructions. No changes. |
| Valuation of Investments Regulations | Date of Final Rulemaking TBD | Section 3768, 3769 and 3770 |
| Holding Company Systems Regulations | Date of Final Rulemaking TBD, except Forms B and C, which will be due in 2013. | Sections 3751, 3752, 3753, 3754, 3755, 3756, 3757, 3758, 3759, 3760, 3762, 3763, 3764, 3765, and 3766. |
| Risk Limitations Regulations | Date of Final Rulemaking TBD | Section 3774 |
| Reinsurance Ceded Regulations | Date of Final Rulemaking TBD | Section 3773. **Each RRG is required to review its reinsurance program and submit a written report to DISB on its compliance with the new reinsurance regs. The report is due on December 31, 2012.** |
| Filing with NAIC Regulations | Date of Final Rulemaking TBD | Section 3772. Requires electronic filing of annual and quarterly financial statements with the NAIC. No changes. |
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