

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: June 16, 2004

SUBJECT: Fiscal Impact Statement: “Captive Insurance Company
Amendment Act of 2004”

REFERENCE: Bill 15-613

Conclusion

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the “Captive Insurance Company Amendment Act of 2004.” The proposed legislation will have a positive fiscal impact, but the magnitude of the impact cannot be quantified at this time.

Background

The “Captive Insurance Company Amendment Act of 2004” gives the Commissioner of the Department of Insurance and Securities Regulation (DISR) the authority to license and regulate non-profit captive insurance companies, a type of entity not permitted under current law. A “captive” insurance company is defined as either (a) an insurance company formed solely to insure some or all of the risks of its parent non-insurance company or (b) an insurance company whose insurance business is primarily supplied and controlled by its owners. Current law permits other types of corporate captive insurance companies to be organized in the District, but not non-profit captive companies.

Financial Plan Impact

Additional FTEs required to implement this legislation are included by DISR in the proposed FY 2005 through FY 2008 budget and financial plan. If the legislation is enacted, DISR would collect new revenues from each non-profit captive insurance company that forms in the District. For each new entity, DISR would collect \$300 for a certificate of authority, a \$500 registration fee, and a minimum of \$5,000 in premium taxes annually.

The formulas for calculating the actual amount of premium taxes a captive insurance company owes the District are found in DC Code § 31-3915. Depending on a company's amount of premiums, the premium taxes owed could be significantly greater than the \$5,000 minimum. Because it is not possible to estimate either the number of companies that will form in the District as a result of this proposed legislation or the size of those companies, we cannot quantify the magnitude of the positive revenue impact.

According to the DC Code, 10 percent of the revenues collected from premium taxes from captive insurance companies are credited to the Captive Insurance Regulatory and Supervision Trust Fund Account, and the remaining 90 percent are deposited in the General Fund.