

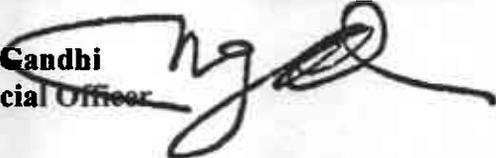
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** JUN -2 2005

**SUBJECT:** Fiscal Impact Statement: "Department of Insurance, Securities  
and Banking Omnibus Amendment Act of 2005"

**REFERENCE:** Draft Legislation – Bill Number Not Available

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**Conclusion**

Funds are sufficient in the FY 2005 and the Mayor's proposed FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation because no additional staff or resources would be required.

**Background**

The proposed legislation would:

- (1) prohibit persons and entities from engaging in regulated insurance activities without first obtaining a certificate of authority issued by the Commissioner. The Commissioner may institute administrative and judicial enforcement for violation of these provisions, including a civil fine of up to the greater of \$10,000 per day of violation or twice the amount of money received by reason of the violation;
- (2) repeal certain fire and casualty license fee provisions and authorize the Commissioner to promulgate and amend all producer and license fees;
- (3) repeal the requirement that directors of life insurance mutual companies own stock and policies of those companies;

- (4) repeal the requirement that the Corporation Counsel of the District certify the proposed articles and formation documents submitted by life insurance companies;
- (5) repeal the ban on political contributions by life insurance companies; and
- (6) reorder and clarify the priority of distribution in liquidation proceedings.

### **Financial Plan Impact**

Funds are sufficient in the FY 2005 and the Mayor's proposed FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation because no additional staff or resources would be required. The Department of Insurance, Securities and Banking Regulation has sufficient budgetary authority to implement the proposed legislation.

Among other available actions, the Commissioner would be authorized to issue civil fines against persons or entities that violate Title I. These fines would be the greater of \$10,000 per day of violation or twice the amount of money received by reason of the violation. It is difficult to predict the likelihood of a violation and/or enforcement against a violator of Title I. In addition, because civil fines are just one of the actions that the Commissioner would be authorized to take against a violator, it is difficult to predict the likelihood that the Commissioner would impose civil fines for a violation. For these reasons, any civil fine revenue that would result from the implementation of Title I of this legislation cannot be estimated at this time.

According to the Department of Insurance, Securities and Banking, the fee provisions in Title II are technical and modernization amendments to clarify existing laws, and to reflect the Department's current customs and practices.