


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



**Fitzroy Lee**  
Interim Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Fitzroy Lee  
Interim Chief Financial Officer 

**DATE:** June 15, 2021

**SUBJECT:** Fiscal Impact Statement – Insurer Corporate Governance Annual Report Act of 2021

**REFERENCE:** Bill 24-225, Draft Committee Print as provided to the Office of Revenue Analysis on June 9, 2021

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**Conclusion**

Funds are sufficient in the fiscal year 2021 budget and the proposed fiscal year 2022 through fiscal year 2025 budget and financial plan to implement the bill.

**Background**

The bill requires an insurance company or group to file an annual disclosure with the Commissioner of the Department of Insurance, Securities, and Banking (DISB) outlining its corporate governance structures, policies, and practices. If an insurer is part of an insurance group, then the insurance group only needs to file the annual disclosure with the lead state.<sup>1</sup> The DISB Commissioner must keep confidential any information included in the annual disclosure, however the bill allows DISB to disclose information to the National Association of Insurance Commissioners (NAIC). If DISB hires a third-party consultant to assist in the review of annual disclosure filings, the confidentiality requirements extend to the consultant. The disclosure must be filed by June 1<sup>st</sup> each calendar year.

The bill is similar to model legislation the District is required to pass to maintain accreditation with NAIC.<sup>2</sup>

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<sup>1</sup> The lead state is typically the state where the insurance group is incorporated.

<sup>2</sup> [https://content.naic.org/cipr\\_topics/topic\\_corporate\\_governance.htm](https://content.naic.org/cipr_topics/topic_corporate_governance.htm).

The Honorable Phil Mendelson

FIS: Bill 24-225, "Insurer Corporate Governance Annual Report Act of 2021," Draft Committee Print as provided to the Office of Revenue Analysis on June 9, 2021

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2021 budget and the proposed fiscal year 2022 through fiscal year 2025 budget and financial plan to implement the bill. The District is required to pass this legislation to maintain accreditation with NAIC. DISB can absorb any costs associated with reviewing the corporate governance annual disclosures within its existing budgeted resources. Any insurer or insurance group that fails to file its annual disclosure can be fined \$1,000 per day, up to \$25,000. This is a national standard, so insurers are expected to comply, and any fine revenues are expected to be de minimis.